



Highlights of [GAO-08-278T](#), a testimony before the Subcommittee on Rural and Urban Entrepreneurship, Committee on Small Business, House of Representatives

Why GAO Did This Study

The Small Business Administration (SBA) and Department of Agriculture (USDA) Rural Development offices share a mission of attending to underserved markets, promoting economic development, and improving the quality of life in America through the promotion of entrepreneurship and community development. In the past, these agencies have had cooperative working relationships to help manage their respective rural loan and economic development programs. At this subcommittee's request, GAO has undertaken a review of potential opportunities for SBA to seek increased collaboration and cooperation with USDA Rural Development (Rural Development), particularly given Rural Development's large and recognizable presence in rural communities.

In this testimony, GAO provides preliminary views on (1) mechanisms that SBA and USDA have used to facilitate collaboration with other federal agencies and with each other; (2) the organization of SBA and USDA Rural Development field offices; and (3) the planned approach for GAO's recently initiated evaluation on collaboration between SBA and Rural Development. GAO discussed the contents of this testimony with SBA and USDA officials.

To view the full product, including the scope and methodology, click on [GAO-08-278T](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

SMALL BUSINESS ADMINISTRATION

Preliminary Views on Increasing Collaboration with Department of Agriculture Rural Development Offices

What GAO Found

While SBA and Rural Development are not currently involved in a collaborative working relationship, SBA and Rural Development have used a number of different mechanisms, both formal and informal, to collaborate with other agencies and each other. For example, both agencies have used the Economy Act—a general statutory provision that permits federal agencies, under certain circumstances, to enter into mutual agreements with other federal agencies to purchase goods or services and take advantage of specialized experience or expertise. SBA and USDA used the act to enter into an interagency agreement to create rural business investment companies to provide equity investments to rural small businesses. For this initiative, Congress also authorized USDA and SBA to administer the Rural Business Investment Program to create these investment companies. However, funding for this program was rescinded at the end of fiscal year 2006. SBA and Rural Development have also used other mechanisms to collaborate, including memorandums of understanding (MOU), contractual agreements, and other legal authorities. For instance, Rural Development has collaborated with the Federal Emergency Management Agency in providing assistance to the victims of Hurricane Katrina using the disaster provisions under its multifamily and single-family rural housing programs. To collaborate with each other, in the past SBA and Rural Development have established MOUs to ensure coordination of programs and activities between the two agencies and improve effectiveness in promoting rural development.

Both SBA and Rural Development have undergone restructuring that has resulted in downsizing and greater centralization of each agency's field operations. Currently, SBA's 68 field offices—many of them in urban centers—are still undergoing the transformation to a more centralized structure. Rural Development has largely completed the transformation and continues to have a large presence in rural areas through a network of hundreds of field offices. The program's recognized presence in rural areas and expertise in the issues and challenges facing rural lenders and small businesses may make these offices appropriate partners to help deliver SBA services.

GAO has recently begun a review of the potential for increased collaboration between SBA and Rural Development. In general, the major objectives are to examine the differences and similarities between SBA loan programs and Rural Development business programs, any cooperation that is already taking place between SBA and Rural Development, and any opportunities for or barriers to collaboration.