

**GAO**

Report to the Committee on Small  
Business and Entrepreneurship,  
U.S. Senate

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January 2013

# EXPORT PROMOTION

Small Business  
Administration Needs  
to Improve  
Collaboration to  
Implement Its  
Expanded Role



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Highlights of [GAO-13-217](#), a report to the Committee on Small Business and Entrepreneurship, U.S. Senate

## Why GAO Did This Study

In January 2010, the President announced the goal of doubling U.S. exports over 5 years. The President's plan in the National Export Initiative included prioritizing exports by small businesses and called for improved coordination among agencies involved in federal export promotion activities. Recently, Congress has also directed SBA to expand its export counseling and financing activities. This report (1) describes SBA's role within federal export promotion efforts, (2) assesses the extent to which SBA collaborates with other agencies in its export promotion activities, and (3) assesses the extent to which SBA is meeting requirements under the Small Business Jobs Act of 2010 to expand export promotion training and staffing. GAO analyzed agencies' documents and interviewed agency officials, including those in six selected field office locations serving areas with high export potential and where staff from at least two agencies were colocated.

## What GAO Recommends

GAO recommends that SBA (1) consult with Commerce and Ex-Im and clearly define export entities' roles and responsibilities; (2) consult with Commerce and Ex-Im and identify ways to increase, where possible, sharing of client information; and (3) update its plan for meeting mandated staffing requirements to include funding sources and time frames, as well as possible efficiencies from improved collaboration. SBA agreed with our recommendations and noted it is taking steps to address them. We also received technical comments from other key export promotion agencies, which we incorporated, as appropriate.

View [GAO-13-217](#). For more information, contact Loren Yager at (202) 512-4347 or [yagerl@gao.gov](mailto:yagerl@gao.gov).

January 2013

## EXPORT PROMOTION

### Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role

## What GAO Found

The Small Business Administration (SBA) and five other key agencies provide a variety of export promotion services to small businesses. In addition to outreach, which all six agencies conduct, SBA's primary activities include counseling and training, provided mainly through nonfederal partner entities called Small Business Development Centers, and export financing, provided through SBA's Office of International Trade (OIT).

While SBA collaborates to some extent with other key agencies on its export promotion activities, additional collaboration could enhance agency efforts and reduce overlap. SBA, Department of Commerce (Commerce), and the U.S. Export-Import Bank (Ex-Im) coordinate some export promotion activities at headquarters and at field locations, but some services overlap. For example, Small Business Development Centers and Commerce both assist companies new to exporting as well as more experienced exporters, despite intentions to divide responsibilities for those types of firms. Additionally, OIT and Ex-Im offer similar financial products for small businesses, such as export working capital loan guarantees. Overlapping services may cause confusion for small businesses and result in inefficient use of government resources. SBA and other agencies developed a joint strategy to increase small business exports and, to varying degrees, the agencies have included collaborative efforts in the performance evaluations of staff with export promotion responsibilities. However, SBA and other agencies have not clearly defined roles and responsibilities, and efforts to leverage resources have not included regularly sharing client information where possible. Such sharing could help agencies improve client services and clarify each agency's impact in promoting U.S. exports. Enhancing collaboration could help agencies ensure they are working toward the goal of increasing exports by small businesses in a way that maximizes limited resources and mitigates overlap.

SBA has made some progress in increasing export training of Small Business Development Center counselors but has experienced challenges in meeting increased OIT staffing requirements under the Small Business Jobs Act of 2010. The law required a certain number or percentage of staff working for the 63 Small Business Development Center networks to obtain export counseling certification. As of the end of September 2012, 73 percent of the networks had met this requirement, for which SBA set a 2013 deadline. To meet another requirement under the law, SBA needed to increase its OIT field staff, who primarily provide export financing assistance, from 18 to 30 staff, by the end of September 2012. However, SBA has only advertised for four temporary positions and filled two of them. SBA officials noted challenges in finding qualified candidates and lack of continued funding for additional OIT field positions. In a recent report to Congress, SBA stated its plans to hire the additional OIT staff but did not include funding plans or updated time frames to fill the positions. Furthermore, the plan did not discuss how SBA would overcome the hiring challenges or discuss the potential to leverage resources of other export promotion entities that also provide export assistance.

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Figure 1: Locations and Number of SBA OIT Staff by SBA Region,  
as of September 30, 2012

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**Abbreviations**

Commerce	Department of Commerce
Ex-Im	U.S. Export-Import Bank
NEI	National Export Initiative
OIT	Office of International Trade
SBA	Small Business Administration
SBDC	Small Business Development Centers
SBJA	Small Business Jobs Act of 2010
State	Department of State
Strategy	National Export Strategy
TPCC	Trade Promotion Coordinating Committee
USDA	U.S. Department of Agriculture
USEAC	U.S. Export Assistance Center
USTDA	U.S. Trade and Development Agency

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**United States Government Accountability Office**  
Washington, DC 20548

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January 30, 2013

The Honorable Mary Landrieu  
Chair  
The Honorable James Risch  
Ranking Member  
Committee on Small Business  
and Entrepreneurship  
United States Senate

The Honorable Benjamin Cardin  
Committee on Small Business  
and Entrepreneurship  
United States Senate

The Honorable Jeanne Shaheen  
Committee on Small Business  
and Entrepreneurship  
United States Senate

In January 2010, the President launched the National Export Initiative (NEI) with the goal of doubling U.S. exports over 5 years and prioritizing exports by small businesses. The President stated that the NEI was a key component of his administration's plan to help the United States transition from economic crisis to sustained recovery, as the potential of exports could help accelerate job growth. While exporting is fundamentally a decision driven by firms in the private sector, the federal government provides various types of assistance to U.S. exporters, especially small businesses, to help them overcome the challenges to selling their goods and services abroad, including a lack of information about exporting and foreign markets and difficulties in obtaining export financing.

Many federal agencies are involved in export promotion. While the Department of Commerce's (Commerce) Commercial Service has historically been the primary U.S. export promotion entity, Congress recently directed the Small Business Administration (SBA) to increase its export activities, including export counseling and financing.<sup>1</sup> Through the

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<sup>1</sup>Small Business Jobs Act of 2010, Pub. L. No. 111-240, §§ 1201-1209, 124 Stat. 2504, 2520-36.

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Small Business Jobs Act of 2010 (SBJA), Congress directed SBA to enhance its field presence by increasing the number and improving the training of its field staff, including staff at its nationwide network of over 900 Small Business Development Centers (SBDC), SBA partner entities that also provide export assistance to small businesses.<sup>2</sup> SBA's Office of International Trade (OIT) leads SBA's efforts in cooperating with other federal agencies and public- and private-sector groups to encourage small business exports and to assist small businesses seeking to export. Both SBA OIT staff and the staff at the U.S. Export-Import Bank (Ex-Im) provide export financing assistance to small businesses.

This report (1) describes SBA's role within federal export promotion efforts, (2) assesses the extent to which SBA collaborates with other agencies in its export promotion activities, and (3) assesses the extent to which SBA is meeting SBJA requirements to expand export promotion training and staffing.

To address these objectives, we defined "export promotion activities" as programs and services conducted by federal agencies that involve direct contact with U.S. exporters and have export promotion as their stated goal. Such activities include providing small businesses with export counseling, training, and financial assistance; they do not include activities such as advocacy, commercial diplomacy, and policy development and negotiations. Our review, therefore, covers six key agencies—SBA, Commerce, Ex-Im, the U.S. Department of Agriculture (USDA), the U.S. Trade and Development Agency (USTDA), and the Department of State (State)—with a particular emphasis on SBA's

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<sup>2</sup>SBDCs are partially funded by SBA and located primarily at colleges and universities as a cooperative effort among SBA, the academic community, the private sector, and state and local governments. For the purposes of our report, we refer to SBDCs as SBA's partner entities.

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activities.<sup>3</sup> Our assessment of coordination focused on coordination between SBA entities and Commerce and Ex-Im, which are key agencies that provide export promotion activities similar to those provided by SBA entities. We analyzed government-wide initiatives, strategies, and laws, as well as agencies' documents and data. We also interviewed agency officials representing the key export promotion entities in headquarters and in six selected field locations—Chicago, Dallas, Irvine (California), Miami, New York, and Portland (Oregon). We selected these locations because SBA staff were colocated with at least Commerce staff and in some cases with Ex-Im staff, had the presence of SBDCs with staff providing export assistance, and ranked among locations with the highest export potential according to Commerce data. At some of these selected locations, we also met with representatives of small businesses that used federal government export assistance. The results of our interviews with officials at these six locations are not generalizable to agency officials' views at all U.S. locations. We assessed interagency coordination primarily against selected practices for enhancing and sustaining collaboration we previously identified.<sup>4</sup> We selected four collaboration practices—establishing mutually reinforcing or joint strategies, reinforcing individual accountability for collaboration efforts, agreeing on roles and responsibilities, and leveraging resources to identify and address needs—because they allowed us to highlight the most critical and relevant elements of collaboration among export agencies at headquarters and the field level. Among many requirements under the SBJA, we focused on the training and staffing requirements applicable to SBDC staff and OIT in the

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<sup>3</sup>The scope of our work does not cover the Overseas Private Investment Corporation (OPIC) because export promotion is not its primary stated goal. OPIC is a development finance institution providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. OPIC officials informed us that OPIC's work may result in U.S. exports, but the agency does not conduct its work to seek U.S. export opportunities. We include SBA export promotion activities that may directly or indirectly support exports by small businesses, which includes SBDCs' export promotion activities. We did not include SBA's Women's Business Centers and Service Corps of Retired Executives because those entities generally have a limited role in export promotion. Moreover, we did not include the State Trade and Export Promotion (STEP) program, a 3-year pilot trade and export initiative authorized by the Small Business Jobs Act of 2010. Funded by federal grants and matching funds from the states, the STEP Program is designed to help increase the number of small businesses that are exporting and to raise the value of exports for those small businesses that are currently exporting.

<sup>4</sup>GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

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field locations, respectively. See appendix I for more details on our scope and methodology.

We conducted this performance audit from February 2012 to January 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

### Federal Interagency Entities Involved in Export Promotion

Title II of the Export Enhancement Act of 1992 authorized the creation of an interagency body called the Trade Promotion Coordinating Committee (TPCC) to carry out various duties, including coordinating the export promotion and export financing activities of the U.S. government, ensuring better delivery of services to U.S. businesses, and preventing unnecessary duplication among federal export promotion and export financing programs.<sup>5</sup> The Export Enhancement Act requires this committee to issue an annual report to Congress containing a government-wide strategic plan for federal trade promotion efforts and describing the plan's implementation.<sup>6</sup> As a result, the TPCC's National Export Strategy, which articulates U.S. plans to increase exports, is generally issued annually.<sup>7</sup> The President also created the Export Promotion Cabinet and directed it to develop and coordinate the implementation of the NEI, working with the existing TPCC.<sup>8</sup> The Export Promotion Cabinet delivered a September 2010 report to the President with recommendations to implement the goals of the NEI. The report identified several recommendations that support the NEI's priority of

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<sup>5</sup>Pub. L. No. 102-429, Title II, 106 Stat. 2186.

<sup>6</sup>Pub. L. No. 102-429, § 201.

<sup>7</sup>The National Export Strategy for 2012 was expected to be released in September 2012 but was delayed. The TPCC issued the 2012 National Export Strategy in December 2012, too late for us to review its contents for our report.

<sup>8</sup>Executive Order 13534 established the Export Promotion Cabinet on March 11, 2010.

increasing exports by small businesses, including a recommendation to coordinate, expand, and leverage federal outreach resources to identify potential exporters.

Some of the approximately 20 TPCC member agencies directly assist small businesses to export overseas, including the SBA, Commerce, Ex-Im, USDA, USTDA, and State. These six agencies are overseen by various congressional committees, including appropriation and authorizing committees (see table 1). In 1993, the TPCC recommended that three agencies—the SBA, Commerce, and Ex-Im—colocate their staff at a domestic network of selected U.S. Export Assistance Centers (USEAC).<sup>9</sup> These “one-stop shops” were to provide coordinated export training, trade leads, export finance, and counseling to U.S. businesses interested in becoming exporters.

**Table 1: Congressional Committees with Jurisdiction over Key Agencies’ Export Promotion Activities**

Agency	Committee on Appropriations		Authorizing committees with jurisdiction	
	House Subcommittee	Senate Subcommittee	House	Senate
SBA	Financial Services and General Government	Financial Services and General Government	Small Business	Small Business and Entrepreneurship
Commerce (International Trade Administration)	Commerce, Justice, Science and Related Agencies	Commerce, Justice, Science and Related Agencies	Foreign Affairs	Banking, Housing and Urban Affairs Commerce, Science and Transportation
Ex-Im	State, Foreign Operations, and Related Agencies	State, Foreign Operations, and Related Agencies	Financial Services	Banking, Housing, and Urban Affairs
USDA (Foreign Agricultural Service)	Agriculture, Rural Development, Food and Drug Administration, and Related Agencies	Agriculture, Rural Development, Food and Drug Administration, and Related Agencies	Agriculture	Agriculture, Nutrition and Forestry
USTDA	State, Foreign Operations, and Related Agencies	State, Foreign Operations, and Related Agencies	Foreign Affairs	Foreign Relations
State	State, Foreign Operations, and Related Agencies	State, Foreign Operations, and Related Agencies	Foreign Affairs	Foreign Relations

Source: GAO.

<sup>9</sup>The term “USEAC” refers to the 108 domestic offices where Commerce’s Commercial Service operates, including where SBA and Ex-Im have staff colocated with Commerce’s staff.

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## Export Promotion Funding

According to TPCC data, SBA's funding for export promotion activities has increased substantially in recent years, although SBA's funding remains a relatively small share of overall federal export promotion funding. For example, TPCC data showed that SBA received about \$4 million for export promotion activities in fiscal year 2006 and \$5.2 million in fiscal year 2010 and requested \$6 million and \$6.4 million, respectively, for fiscal years 2011 and 2012. While the fiscal year 2012 request represents an increase of 60 percent from its fiscal year 2006 funding levels, SBA's funding represents less than 1 percent of the total export promotion funding for the six key agencies that support small business exporting. According to the TPCC, the six key U.S. agencies requested over \$1 billion for trade promotion activities in fiscal year 2012, and SBA requested \$6.4 million, as shown in table 2.

**Table 2: Export Promotion Program Budget, Fiscal Year 2012 (Requested)**

Dollars in millions	
Agency	Budget request
SBA	\$6.4
Ex-Im <sup>a</sup>	3
USTDA	51
State <sup>b</sup>	198
Commerce	350
USDA	515
<b>Total</b>	<b>\$1,123</b>

Source: TPCC Secretariat.

<sup>a</sup>Since fiscal year 2008, Ex-Im has been self-sustaining for appropriations purposes, financing its operations from receipts collected from its borrowers. The fees charged by Ex-Im have covered its program subsidy and administrative costs in recent years. The program subsidy refers to budgetary resources that Ex-Im must allocate annually as capital reserves. Congress retains oversight of Ex-Im's budget by setting annual limits on Ex-Im's use of its funds for program subsidy and administrative expenses. For fiscal year 2012, Ex-Im requested \$124.6 million for administrative expenses.

<sup>b</sup>The budget request amount for State is cumulative for all business and economic activities in the agency.

TPCC member agencies may define trade promotion differently. For example, State's budget includes funding for all State business and economic activities because, according to State, those activities could contribute to enhancing U.S. trade. Conversely, the budget amount for SBA only includes funding for OIT even though other SBA entities, such as the SBDCs, may devote substantial amounts of time to export promotion. Therefore, the reported budget amounts may not always

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reflect each agency's total level of activity relating to export promotion or each agency's actual contribution toward increasing U.S. exports. Furthermore, the export promotion amounts in table 2 do not differentiate activities directed toward small businesses from those directed to larger businesses. All of the agencies other than SBA work with businesses of all sizes, which creates difficulties when making comparisons with SBA about export promotion assistance specifically focused on small businesses.

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## SBA Entities Involved in Export Promotion

Within SBA, OIT has primary responsibility for export promotion. OIT's field staff of Export Finance Specialists are colocated with Commerce in 19 USEACs throughout the United States, with one OIT staff per USEAC. OIT field staff engage in a variety of activities but are primarily responsible for providing technical assistance, outreach, and training on SBA's export finance programs.

Separate from OIT, SBDCs are nonfederal partner entities partially funded by SBA that provide a wide range of business services, such as assisting small businesses with financial and marketing advice and tools, primarily through one-on-one counseling services. The over 900 SBDCs are organized into networks under 63 lead centers that largely correspond with state boundaries except in California and Texas, which have multiple lead centers. In addition to providing general business services, SBDCs may also help businesses interested in exporting, particularly those that are new to exporting and need assistance with preparing their business to export. For example, SBDCs may assist a company in developing an international business plan. While most SBDCs provide export assistance as one of many services, SBA has designated some SBDCs as International Trade Centers that focus primarily on exporting.

One person in each of SBA's 68 District Offices is designated as a District International Trade Officer and provides basic export assistance as a collateral duty, but these officers spend most of their time on nonexport-related activities.<sup>10</sup> The District International Trade Officers are managed by a separate SBA office, SBA's Office of Field Operations, and they are not usually colocated at USEACS. SBA intended that District International

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<sup>10</sup>SBA has district offices in every state that provide export and nonexport-related services.

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Trade Officers only spend about 15 percent of their time on export promotion responsibilities. These responsibilities include organizing and attending outreach events and fielding export-related questions from small businesses directed to the District Office.

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## SBA Provides Export Promotion Assistance to Small Businesses within a Complex, Multiagency Environment

SBA's increased activities in promoting small business exports take place within a complex, multiagency environment. The responsibility to provide export assistance to small businesses is shared by six key federal agencies, which engage in four major activities to promote small business exports. The NEI identifies these primary activities for U.S. agencies involved in small business promotion, which we classify under four general terms:

- Outreach: Identify small businesses that can begin or expand exporting
- Counseling and Training: Prepare small businesses to export successfully
- Trade Leads: Connect small businesses to export opportunities
- Financing: Support small businesses once they have export opportunities

These activities are dispersed across the six key agencies, as shown in table 3 and explained in further detail below. All six of the key federal agencies and their partner entities that support small business exporting participate in outreach and education to help prepare small businesses to export successfully. Additionally, each agency and partner entity engages in at least one other primary activity to assist small businesses with exporting. In addition to conducting outreach, SBA provides counseling and training, primarily through SBDCs, and assists small businesses with export financing through OIT.

**Table 3: U.S. Agencies' Activities to Support Small Business Exports**

Agency or partner entity	Outreach	Counseling and training	Trade leads	Financing
SBA				
OIT <sup>a</sup>	X			X
SBDC	X	X		
Commerce	X	X	X	
Ex-Im <sup>a</sup>	X			X
USDA	X	X	X	X
USTDA	X		X	
State Department	X		X	

Source: GAO analysis of agency documents.

<sup>a</sup>Both OIT and Ex-Im provide counseling and training to lenders and small businesses on federal export finance products. However, for the purposes of this report, we considered the counseling and training provided by OIT and Ex-Im to be a part of both agencies' provision of financing assistance to exporters, rather than an independent service like the counseling and training provided by Commerce, SBDCs, and USDA.

## Outreach

All six of the federal agencies that support small business exports conduct outreach, which can include any activity in which agencies seek to inform small businesses or other partners, such as lenders, about the export promotion services offered by the federal government. For this reason, outreach can be difficult to separate from other activities that are part of the agencies' export promotion effort. For example, a Commerce trade specialist could attend a trade show to meet with and counsel a number of existing clients, but there she would also have the opportunity to meet with small businesses to identify potential clients interested in exporting. As another example, seminars and training sessions, which may be useful for existing exporters or other clients seeking to improve their operations, can also serve an outreach function because they often help introduce small businesses to exporting and help them identify whether they are ready to begin exporting.

Another important outreach tool for export assistance agencies is the Export.gov portal. Designed as a "one-stop shop" for companies interested in exporting, Export.gov provides content from multiple TPCC agencies in a single website. In September 2010, Commerce, working with other agencies, revamped the portal to include two new service channels, named "Begin Exporting" and "Expand Your Exports," that are designed to provide tailored information based on whether or not a company currently exports. Companies can use Export.gov to find

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webinars or in-person training or to find local resources that can help with export counseling or financing. Commerce intends to roll out a new version of Export.gov that allows for more tailored targeting of information in January 2013.

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## Counseling and Training

SBA (through SBDCs), Commerce, and USDA all provide one-on-one counseling services to small businesses. Counseling is specific to the needs of each business and can cover a variety of topics relating to international trade and exporting, such as helping a business identify a target export market or discussing logistics for shipping exported goods. USDA's services, many of which are delivered through nonfederal partner entities called State Regional Trade Groups, are targeted specifically at businesses that export agricultural products.<sup>11</sup> Both Commerce and SBDCs offer counseling to businesses of all types.

As we have previously reported, export promotion counseling is often labor intensive and time consuming because agency staff must spend a significant amount of time working with a company before it is able to successfully export.<sup>12</sup> In particular, it can take a long time to prepare a company for exporting if it has never exported before. According to Commerce estimates, it can take 2 years or more from the time a company new to exporting begins to receive assistance until that business can make a successful export sale. Even companies with experience exporting may require over a year of preparation before being able to expand into a new market.

Commerce and SBDCs both also conduct training on a variety of issues relating to exporting, such as navigating international logistics. Commerce and SBDCs often coordinate with one another, and other agencies often participate in their training sessions. While the agencies' courses may cover similar content, officials in Portland, Oregon, noted that some features of the courses may appeal to different audiences with different

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<sup>11</sup>There are four such groups located throughout the United States. The State Regional Trade Groups are jointly funded by state agricultural departments and USDA's Market Access program. They provide a variety of services to help U.S. companies export agricultural goods.

<sup>12</sup>GAO, *National Export Initiative: U.S. and Foreign Commercial Service Should Improve Performance and Resource Allocation Management*, [GAO-11-909](#) (Washington, D.C.: Sept. 29, 2011).

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needs. For example, Commerce officials noted that Portland's SBDC offers intensive export training through a 10-session course that takes place over 10 months. On the other hand, Commerce and the area's District Export Council offer an Export University course that is specifically designed as a 1-day course.

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## Trade Leads

While SBA typically does not provide much assistance with trade leads—connecting small businesses with overseas buyers—a few of the SBDC counselors we met with said they sometimes try to help clients identify specific opportunities with overseas partners. Additionally, about 3 years ago, OIT started a matchmaker program in which OIT hosts or co-sponsors events. The matchmaker events are designed to help small businesses interested in exporting meet with export management companies, which are intermediaries that represent a company's product overseas and reduce some of the risks associated with exporting by managing the logistics of the process. Unlike programs sponsored by other U.S. agencies, SBA does not directly connect companies with potential buyers through this matchmaking program. However, OIT's matchmaking events could potentially result in more trade leads for small businesses because export management companies may be able to help identify foreign buyers.

Other agencies connect clients with trade leads in a variety of ways. For example, USDA's Market Access Program provides funding that helps businesses attend trade shows, where they have opportunities to meet directly with potential buyers. Commerce leverages its international network of Commercial Officers to help U.S. businesses set up appointments with potential buyers abroad and to notify businesses when foreign buyers are looking to import U.S. goods. State Foreign Service Officers sometimes serve a similar role at overseas posts where Commerce does not have a presence. USTDA helps businesses identify export opportunities by providing financial assistance through grant and contract opportunities for U.S. businesses to conduct feasibility studies, pilot projects, and technical assistance, as well as hosting reverse trade missions, in which USTDA brings foreign buyers to the U.S. to help connect them with U.S. companies, both large and small.<sup>13</sup>

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<sup>13</sup>In commenting on our draft report, USTDA officials stated that USTDA does not provide export financing, but instead provides financial assistance to pursue trade leads through grants and contract opportunities.

## Financing

SBA, Ex-Im, and USDA offer various forms of financing assistance to small businesses, as outlined in table 4. SBA and Ex-Im both offer loan guarantees, which help businesses secure financing from private lenders, for working capital loans. Working capital loans may be used by businesses to finance activities that will help complete export sales. For example, a business might use a working capital loan to buy raw materials that it will use in manufacturing goods for export. SBA also offers guarantees on facilities development loans, which can be used to acquire or upgrade facilities and equipment used to produce goods or services involved in international trade. USDA offers loan guarantees to facilitate international sales of U.S. agricultural products, and Ex-Im provides direct loans to international buyers of U.S. exports, both of which allow U.S. companies to secure export orders and may result in larger orders. Ex-Im also offers insurance on export sales.

**Table 4: Export Financing Assistance Programs Available to Small Businesses, by Federal Agency**

Agency	Working capital financing	Facilities development financing	Financing for international sales	Export insurance
SBA	X	X		
Ex-Im	X		X	X
USDA			X	

Source: GAO analysis of agency documents.

Note: The Overseas Private Investment Corporation, which is outside of the scope of our review, provides financing assistance and insurance on direct foreign investments.

SBA and Ex-Im both have finance specialists in domestic field offices who provide one-on-one technical assistance on export financing to small businesses and lenders. For example, they may counsel small businesses about different options for financing export sales.

Agencies that provide loan guarantees and export-credit insurance have a financial impact that can far exceed their budget. Total SBA and Ex-Im financing for small businesses has increased in recent years, from just over \$5 billion in fiscal year 2009 to nearly \$7 billion in fiscal year 2011.<sup>14</sup>

<sup>14</sup>USDA does not track export loan guarantee financing by business size and, therefore, was not able to provide data on financing for small businesses.

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In fiscal year 2011, Ex-Im approved 3,247 small business transactions, while SBA approved 1,547 small business loan guarantees. The majority of Ex-Im transactions, or over 2,600 transactions worth approximately \$3.3 billion, were for export-credit insurance, while all SBA financing is for loan guarantees.

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## SBA Has Taken Steps to Collaborate with Other Agencies, but Further Collaboration Efforts Are Needed

SBA, Commerce, and Ex-Im collaborate on some export promotion activities in headquarters and at field locations, but some services overlap, which can be confusing for small businesses and may not be an optimal use of resources. Some SBDCs and Commerce staff offer similar counseling services, and SBA and Ex-Im offer similar financial products to small businesses. SBA has collaborated with other agencies to develop a joint strategy for increasing small business exports and to include collaborative efforts in performance evaluations. However, SBA and other agencies have not clearly defined agencies' roles and responsibilities for export promotion, nor have they fully leveraged resources such as by regularly sharing client information, where possible.

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## Overlapping Export Assistance from SBA and Other Agencies Can Be Confusing for Small Businesses and May Lead to Inefficient Use of Resources

SBA export assistance efforts overlap with those of other agencies, primarily with the export counseling offered by Commerce and export financing products offered by Ex-Im; this overlap can create confusion for small businesses seeking export assistance. Overlap occurs when federal agencies have similar goals, engage in similar activities to achieve them, and target similar beneficiaries. When agencies provide overlapping services to the same clients, there are potential resource inefficiencies, and agencies could potentially focus their resources and strengths to better target clients and address identified needs.

SBA's SBDCs and Commerce both provide one-on-one export counseling to small businesses that are new to exporting or currently exporting. Export counseling is tailored to the needs of each company, so the issues covered vary by client, but SBDCs and Commerce may cover similar issues. For example, both offer strategic advice to help companies identify target markets for exporting, assist companies in understanding and ensuring they are compliant with exporting regulations, and develop seminars to teach small businesses about the fundamentals of exporting. Not all services provided by SBDCs and Commerce overlap. For example, SBDCs help companies develop business plans or conduct financial analysis, services that Commerce does not provide. Commerce also leverages its overseas offices to provide more in-depth fee-based services such as its Gold Key service, which incorporates market

research, in-person counseling, and personalized appointments with potential partners overseas.

SBA and Ex-Im offer similar export financing products to small businesses, which are delivered through some of the same lending institutions. SBA and Ex-Im export working capital loan programs have many similar features, as shown in table 5. SBA and Ex-Im officials noted, however, that each program has limitations for eligibility, so companies may be able to use only one agency's product. For example, Ex-Im generally requires that more than 50 percent of the content of an exportable good guaranteed through its Working Capital Guarantee Program originate in the United States. SBA's Export Working Capital Program has no similar content requirement, so companies using foreign materials may prefer SBA loan guarantees. On the other hand, SBA can only guarantee a maximum loan of \$5 million, so companies seeking larger loan guarantees may prefer Ex-Im. Additionally, since both products are loan guarantees, customers must still receive the actual loan through a private lender.

**Table 5: Selected Features and Limitations of SBA and Ex-Im Working Capital Loan Guarantees**

<b>Program features and limitations</b>	<b>SBA Export Working Capital Program</b>	<b>Ex-Im Working Capital Guarantee Program</b>
Product	Loan guarantee	Loan guarantee
Type	Single order or revolving line of credit; allows for advances against purchase orders	Single order or revolving line of credit
Eligibility	Small business operating for at least 1 year (can be waived based on management experience)	Business of any size operating for at least 1 year (can be waived based on management experience)  Must meet certain financial requirements, including having positive net worth and meeting minimum standards on certain key industry ratios
Collateral	Export-related inventory and accounts receivable from export sales  Personal or corporate guarantee of the owner	Export-related inventory and accounts receivable from export sales  Personal or corporate guarantee of the owner
Content requirements	None	Must contain more than 50% U.S. content  Cannot be used to finance defense articles or services, with limited exceptions
Loan percentage guaranteed	Up to 90%	Up to 90%
Maximum loan amount guaranteed	\$5 million	No limit

Source: GAO analysis of Department of Treasury, SBA, and Ex-Im documents.

SBA and Ex-Im officials in the field noted that the agencies' express loan programs also share some similarities. In 2012, Ex-Im introduced its Global Credit Express program as a pilot, which is designed to provide a relatively fast infusion of capital to small business exporters and is similar to SBA's Export Express program, as outlined in table 6. Ex-Im's Global Credit Express program is still smaller in terms of volume—according to an Ex-Im official, it had resulted in fewer than 10 loans as of November 2012—and some details of the program are evolving, such as the options for lending institutions to refer clients to Ex-Im. However, both products are available for a variety of business activities that will support a company's export development. In addition to Ex-Im's restrictions regarding U.S. content of exported goods, one major difference between the two products is that SBA's Export Express is a guarantee for a loan provided by a private lender, while Ex-Im's Global Credit Express is a direct loan from Ex-Im to a small business. Ex-Im officials also noted that Ex-Im charges significantly higher fees for Global Credit Express than SBA does for Export Express to ensure the programs do not compete. Additionally, SBA officials noted that there are substantial differences in the duration of each loan, with the Export Express program offering either a revolving line of credit with a maturity of up to 7 years or a term loan with a maturity of up to 25 years, while Global Credit Express has a maturity of up to 1 year.

**Table 6: Selected Features and Limitations of SBA and Ex-Im Express Loan Programs**

<b>Program features and limitations</b>	<b>SBA Export Express</b>	<b>Ex-Im Global Credit Express</b>
Product	Loan guarantee	Direct loan from Ex-Im
Content requirements	None	Must contain more than 50% U.S. content Cannot be used to finance defense articles or services, with limited exceptions
Loan limit	\$500,000	\$500,000
Eligibility	Small business operating for at least 12 months	Small business operating for at least 3 years and exporting for at least 1 year
Response time	One business day	About 5 days

Source: GAO analysis of SBA and Ex-Im documents.

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Overlapping services can be confusing for small businesses and may result in an inefficient use of government resources. Both agency officials and private sector representatives said overlapping services can make navigating the federal export assistance system difficult. According to SBA, SBDC, Commerce, and Ex-Im officials, small businesses typically do not know which services each agency provides or where to go for assistance. Private sector representatives agreed it is challenging for small businesses seeking export assistance to determine which federal entity would best serve their needs. They noted, for example, that export financing assistance is very important for small businesses to be competitive in international markets, but it can be difficult to understand the differences between federal loan programs for financing exports. Additionally, as we have noted in the past, overlapping federal efforts can result in an inefficient use of government resources.<sup>15</sup> By addressing such inefficiencies, agencies could more effectively target government resources toward accomplishing the NEI goal.

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**SBA and Other Agencies Follow Some Best Practices in Collaboration but Could Take Further Actions to Reduce Overlap**

In prior work, we identified practices that can help enhance and sustain collaboration among federal agencies and thereby maximize performance and results, and we have recommended that agencies follow them.<sup>16</sup> These collaborative practices include among them establishing joint strategies, reinforcing individual accountability for collaborative efforts, determining roles and responsibilities, and leveraging resources, as described in table 7.<sup>17</sup>

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<sup>15</sup>For example, see GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012).

<sup>16</sup>[GAO-06-15](#).

<sup>17</sup>In addition, the Government Performance and Results Act Modernization Act of 2010 requires agencies to describe in annual performance plans how they are working with other agencies to achieve their own performance goals as well as relevant federal government performance goals. See Pub. L. No. 111-352, 124 Stat. 3866 (2011).

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**Table 7: Best Practices in Collaboration**

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**Establish mutually reinforcing or joint strategies**

Design individual but mutually reinforcing strategies or a joint strategy to help align activities, core processes, and resources to achieve a common outcome.

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**Reinforce individual accountability for collaborative efforts**

Design performance management systems that emphasize and set performance expectations for collaboration.

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**Agree on roles and responsibilities**

Define and agree on respective roles and responsibilities, including how the collaborative efforts will be led. In doing so, agencies can clarify who will do what, organize their joint and individual efforts, and facilitate decision making.

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**Leverage resources to identify and address needs**

Leverage resources, such as human, information technology, physical, and financial resources, to support the common outcome.

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Source: GAO-06-15.

SBA and Other Agencies Have Developed a Joint Export Strategy for Achieving NEI's Goal

SBA and other agencies have developed a joint annual strategy at the headquarters level to work collaboratively toward the NEI goal of doubling U.S. exports by the end of 2014. The 2011 National Export Strategy (Strategy), drafted by SBA, Commerce, Ex-Im, and other TPCC agencies, was the first time that the agencies developed common metrics for measuring the federal government's export-promotion and trade-access impacts as a whole, rather than highlighting individual agencies' successes. Joint performance measures include the number of small business exporters assisted by U.S. government finance programs, the value of exports supported by counseling, and the value of exports supported by financing assistance.<sup>18</sup> The Strategy also discusses progress with regard to NEI priorities, including exports by small businesses and other areas such as trade access. While the Strategy does not identify areas of overlap in export promotion services across agencies, it distinguishes the different types of expertise and assistance needed by small businesses that have never exported (new-to-export) compared with those that have exporting experience and are expanding into new markets (new-to-market). The Strategy also notes efforts by SBA to track data on new-to-export companies and a Commerce initiative to target new-to-market companies. SBA also has agency-wide and OIT-

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<sup>18</sup>The 2012 National Export Strategy provided the first year-to-year comparison of results for the performance measures outlined in the 2011 Strategy, according to Commerce officials.

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specific plans that address agency goals. Both plans are generally consistent with the NEI goal.

While the Strategy was created at the headquarters level, much of its implementation takes place in the field. The NEI created an overarching goal for the different trade agencies and guides the Strategy, but agency officials at the headquarters and field levels differed in their views about the NEI's impact on collaboration. SBA and other agency officials at the headquarters level noted improvements in collaboration as result of the NEI, such as interagency communication and coordination of events, which are discussed in the Strategy. However, SBA staff and other agency staff we interviewed in some field locations noted that while the NEI has increased public awareness of federal export assistance activities, it has had limited effect on the extent to which the agencies collaborate. In its report that reviewed coordination among USEACs and federal and nonfederal partners with respect to NEI priorities, the Commerce Office of the Inspector General similarly noted that Commerce actions to implement the NEI have had a limited effect on the extent and quality of collaboration with such partners.<sup>19</sup>

SBA and Other Agencies  
Generally Include  
Collaboration Efforts in Staff's  
Performance Evaluations

SBA and other agencies have taken steps to implement the best practice of including collaborative efforts in performance evaluations of export assistance staff; however, the export promotion assistance entities vary in how they include collaboration efforts in their performance standards and measures. For example, OIT performance standards include staff's participation in activities and events in conjunction with other export agencies. OIT officials also noted that beginning in fiscal year 2013, they will track the number of export credit insurance referrals made by OIT staff to Ex-Im staff. SBDCs' performance measures focus on the clients and jobs for which SBDC staff provide assistance, but officials told us that SBA is beginning to track SBDCs' collaborative efforts with other agencies. While Commerce staff's performance evaluations note services provided by partner agencies, Commerce field staff told us that generally the key incentive for Commerce staff is to conduct services that help facilitate an export sale. Ex-Im's performance metrics encourage collaboration because they allow for staff to count financial referrals to other agencies toward their own performance goals. An Ex-Im official

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<sup>19</sup>Commerce Office of Inspector General, *U.S. Export Assistance Centers Could Improve Their Delivery of Client Services and Cost Recovery Efforts*, Audit Report Number OIG-13-010-1 (Washington, D.C.: Nov. 30, 2012).

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Agencies Have Not Clarified  
Their Roles and  
Responsibilities for Export  
Promotion

noted that if an Ex-Im employee determines that an SBA financial product is more appropriate for a client and the referral results in a completed transaction, the Ex-Im staff may choose to count the sale of the SBA product toward individual performance goals. The NEI states that agencies should use such incentives to encourage employees to direct companies to the best option for financing even if the company is sent to another agency.

SBA and other agencies have not developed guidance on roles and responsibilities to address overlapping counseling and financing functions. To implement this best practice in collaboration more effectively, SBA and other agencies providing similar export assistance to small businesses could clarify which export agency will serve certain export functions or types of clients. Officials of SBA and the other agencies have not formalized a process for determining how to direct clients with differing needs and levels of exporting experience to the most appropriate agency.<sup>20</sup>

First, SBA and Commerce have not clearly defined each agency's role in counseling small business exporters. SBDC and Commerce officials we spoke with indicated that they try to limit overlap by focusing on the areas where each entity has relatively more experience. Headquarters SBA and Commerce staff stated that SBDC counselors are expected to work with new-to-export companies while Commerce trade specialists should focus on new-to-market companies. According to Commerce officials, Commerce prefers to work with new-to-market businesses or businesses looking to export more in a market where they already export because those businesses can quickly take advantage of Commerce's extensive services and overseas resources. Commerce field staff are supposed to refer new-to-export businesses to SBDCs, where these businesses may benefit from an array of general business development services. According to Commerce officials, when Commerce staff focus on new-to-market businesses and send new-to-export businesses to SBDCs, the

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<sup>20</sup>After we submitted a draft of our report to the agencies, SBA provided us with an Interagency Communiqué developed by TPCC agencies. The communiqué establishes a "No Wrong Door" policy and provides guidance on referring U.S. businesses seeking export assistance to one or more specific entities based on an assessment of a client's export readiness and its needs for counseling and training and/or trade leads; however, the communiqué does not include referral protocols for clients requiring trade financing products, which the communiqué said would be issued by the end of January 2013.

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result is a more efficient use of Commerce resources than if Commerce staff were to focus on counseling new-to-export businesses.

While some SBA and Commerce officials explained the division of responsibilities for assisting new-to-export versus new-to-market businesses, we found that the division of responsibilities between the SBDCs and Commerce is not clearly defined in practice. Moreover, the agencies have not developed guidance that outlines a common understanding about where clients should be directed based on their export readiness.<sup>21</sup> SBDC and Commerce field staff indicated that interagency roles and responsibilities for counseling new-to-export and new-to-market companies are unclear. SBDC and Commerce staff at all six field locations we visited said that they counsel both new-to-export and new-to-market businesses, and that both agencies at their location may provide the same type of counseling. For example, sometimes both SBDCs and Commerce specialists at some locations provide market research for clients.

SBDC and Commerce staff in some locations also noted that they may counsel the same client, but they do not regularly discuss with one another what services they provide to clients, nor do they regularly share client information. Some Commerce field staff also said that they had little interaction with their SBDC counterparts. Additionally, some Commerce field staff said that they continue to work with new-to-export clients that could help them meet their individual performance targets for export successes. SBA and Commerce officials informed us that they had not developed formal agency or interagency guidance that directed SBDC counselors and Commerce staff to primarily counsel one type of client.

Second, SBA and Ex-Im have similar roles and responsibilities for similar financial products for small businesses. According to SBA and Ex-Im, the overlap in their financial products results from both agencies' efforts to respond to lender preferences. Ex-Im officials said that many lenders prefer to work with only one agency and very few lenders use both agencies' products, so clients may only be able to access one agency's products through their regular bank. SBA designates Preferred Lenders

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<sup>21</sup>In December 2012, TPCC agencies sent field staff the Interagency Communiqué that provides guidance on how to assess the export readiness of clients and identifies general referral channels once a business has been classified as: (1) not a good candidate for exporting; (2) not ready to export; (3) ready to export; or (4) an existing exporter.

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for its Export Working Capital loan guarantee with authority to process these loans without prior SBA review, and the SBJA has a provision that makes lenders participating in Ex-Im's similar Delegated Authority Program eligible to participate in SBA's Preferred Lenders program. However, both SBA and Ex-Im field staff noted that lenders primarily prefer to work with only SBA or Ex-Im, due to the time and expertise needed to learn each agency's complex requirements and to process each agency's products. If a potential export financing client only meets the eligibility requirements for one agency's product and the client's lender does not work with that agency, the client would need to find a new lender to receive the agency's loan guarantee. SBA and Ex-Im may be able to explore options to better align export financing products and to assist lenders in more easily adapting to the rules for both SBA and Ex-Im products.

Third, the roles and responsibilities of SBA's 68 District Offices and their relationship to other export promotion entities have also been unclear and are in transition. The Strategy envisioned that District International Trade Officers would lead Export Outreach Teams that would coordinate activities with Commerce at the local level. SBA officials noted that this had not happened because these district officers are still learning their responsibilities in assisting exporters, and their role is still evolving. Furthermore, some Commerce staff expressed uncertainty about the roles and responsibilities of the designated District International Trade Officers and had little or no interaction with them. We found the level of export promotion activities carried out by SBA district offices varied widely. For example, one District International Trade Officer with substantial personal experience with export-related issues was heavily involved in a wide variety of activities, including organizing events and providing one-on-one counseling to businesses interested in exporting. In contrast, other District International Trade Officers said that they had little or no experience with exporting and that their export-related activities are limited to serving as a point of contact within the district office and referring businesses to the appropriate federal entity.

SBA and Other Agencies  
Leverage Some Resources but  
Do Not Regularly Share Client  
Information, Where Possible

While SBA and other agencies take some steps to leverage interagency resources both in headquarters and in the field, they do not regularly share client information, where possible, which may result in less effective client services. One best practice in collaboration emphasizes that agencies should leverage resources—such as human, information technology, physical, and financial resources—to support the common outcome established by the agencies' joint strategy.

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At the headquarters level, we found several instances showing that SBA and other agencies have taken steps to effectively leverage one another's export-promotion resources, as the following examples illustrate:

- OIT chairs the TPCC's Small Business Working Group, which coordinates interagency cooperation on small business export promotion as part of the NEI. Agencies discuss coordination of small business exporting issues through this working group, including the issue of streamlining initial client intake across agencies to help agencies provide more targeted assistance to companies.
- Agencies have also produced interagency outreach materials on federal export financing services through this working group. For example, the working group distributed a brochure on export financing and foreign investment finance programs available through SBA, Ex-Im, and USTDA.
- SBA and Commerce staff in headquarters coordinate client intake through the Export.gov website and are working to enhance the site to help companies obtain more targeted assistance from agencies.

Currently, registrants of Export.gov self-identify their export readiness; a Commerce staff downloads registrants' information from Export.gov and sends the information from new-to-export companies to OIT in SBA headquarters and directs new-to-market companies to Export.gov resources. Commerce and SBA officials told us they are working together to develop a new version of Export.gov, expected to be completed by January 2013, that is intended to improve upon the current design to better direct registrants to the appropriate export promotion entity and nearest geographical locations. These officials told us that the new version of Export.gov will ask the registrant a series of questions to determine the company's extent of business development and export readiness, and direct the company to the agencies or entities that could best assist it.

At the field level, SBA and other agencies leverage resources by conducting joint outreach and training events. At all six locations we visited, SBA and other agencies invite one another to various events, including trade shows, road shows, and training events that inform small businesses about available federal services. For example, in one location, staff told us that at trade show events, SBA, SBDCs, Commerce, and Ex-Im may conduct joint seminars, where Commerce staff could discuss marketing and sales, while SBA and Ex-Im staff discuss financing. In

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another location, Ex-Im staff said they may include partners such as SBDCs in road shows they conduct.

Although we found that SBA and other agencies leverage interagency resources to some extent both in headquarters and in the field, we also found that SBA and other agencies could better leverage resources by sharing client information more consistently. In 2010, the Export Promotion Cabinet recommended strengthening interagency information sharing and coordination to implement the NEI. The extent to which SBA and other agencies share exporters' information on a regular basis varies. Commerce and Ex-Im have an informal agreement to share nonbusiness confidential client information on a quarterly basis. Commerce shares the name and contact information for clients that have purchased certain Commerce products, such as a Gold Key Service, and successfully exported.<sup>22</sup> Ex-Im shares a list of new export credit insurance clients with Commerce but does not include client contact information. By contrast, SBDC counselors generally cannot share specific client information with other entities unless they receive permission from the client,<sup>23</sup> and OIT does not regularly share its client list with SBDCs, Commerce, or Ex-Im, nor does it regularly receive client lists from other entities. OIT officials noted that currently, OIT field staff may share information about clients with other agencies informally, such as by engaging in joint client phone calls with other agencies' staff at the USEACs. Agency officials noted that information sharing is limited by certain privacy restrictions. SBA and other agencies' officials told us they are currently reviewing the types of information that they could share with each other.

Some SBA, SBDC, Commerce, and Ex-Im staff in the locations we visited told us that obtaining access to agencies' client information would be beneficial. For example, such access could help increase their own clientele base and potentially provide small businesses with assistance in their area of expertise, as well as track the status of clients in the export life cycle. Commerce staff in headquarters and the field also noted that access to OIT client lists could improve Commerce's ability to report

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<sup>22</sup>In November 2012, the Commerce Office of Inspector General found that restrictions on sharing of client information constrained Commerce's ability to collaborate with other agencies and recommended that it explore the possibility of requiring clients to waive confidentiality as a condition for receiving services. Commerce concurred with this recommendation.

<sup>23</sup>See 15 U.S.C. § 648(a)(7)(A).

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export successes, thereby helping Commerce track their impact in helping increase small business exports.

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## SBA Has Made Some Progress in Increasing Export Training but Experienced Challenges in Meeting Staffing Requirements under the Small Business Jobs Act of 2010

The SBJA expanded SBA's presence in providing export assistance to small businesses, by requiring an increase in the export training of SBDC staff and an increase in the number of OIT field staff.<sup>24</sup> SBA has made progress in certifying SBDC staff by SBA's own established target date. However, SBA did not meet the OIT field staff levels within the deadline set by the SBJA, citing hiring and funding challenges. SBA's most recent plan to increase OIT field staff does not provide funding information for the new positions and updated time frames for filling them.

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## Small Business Jobs Act of 2010 Expanded SBA Training and Staffing Requirements for Export Promotion Activities

According to SBA, the SBJA is the most significant piece of small business legislation in over a decade because it provides resources to help small businesses continue to drive economic recovery and create jobs. Among other changes, the SBJA increased the maximum size of SBA's export loan and loan guarantee amounts and elevated the importance of OIT within SBA by making it an independent office.<sup>25</sup> In supporting NEI goals, the law also increased SBA's staff to provide additional export counseling resources to promote small business exporting.<sup>26</sup>

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<sup>24</sup>Pub. L. No. 111-240, §§ 1201-1209.

<sup>25</sup>Pub. L. No. 111-240, §§ 1203 and 1206.

<sup>26</sup>Pub. L. No. 111-240, § 1205(a).

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The SBJA included the following requirements for SBA with regard to export promotion staffing and training:

*Small Business Development Centers training/certification.* At 63 lead SBDCs,<sup>27</sup> SBJA required that five staff or 10 percent of staff, whichever is less, obtain certification in providing export assistance.<sup>28</sup> SBA provides that certification can be obtained through an exam or a specific professional certification program

*Office of International Trade field staff levels.* SBJA required that by December 27, 2010, the number of OIT export financial specialists at USEACs would be at least the same as the number of these staff in 2003, which was 22, according to SBA.<sup>29</sup> The law required that there should be at least 3 of these OIT staff in each of the 10 SBA regions by September 27, 2012, which would require a minimum of 30 staff at USEACs nationwide.<sup>30</sup> In addition, SBJA stipulated that SBA should place priority in certain locations and then strategically assign staff to the USEACs based upon the needs of exporters.<sup>31</sup>

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### SBA Has Made Progress in Certifying Small Business Development Center Staff to Increase Expertise in Export Counseling

The export and trade certification program for SBDC staff is intended to greatly expand the number of qualified small business counselors available to help small businesses to engage in international trade and to provide consistency in the quality of assistance across the SBDC networks. In interpreting the SBJA requirement for certifying staff at the 63 lead SBDCs, SBA determined that the certification standard would be based on the total number of staff in each of the 63 SBDC networks and not merely on the number of staff at the lead SBDCs. The certification program would encompass staff at any of the over 900 SBDCs that

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<sup>27</sup>Each statewide or region-wide SBDC network is managed by a Lead Center. There are 63 Lead Centers throughout the states that manage and administer the 63 small business assistance networks, each consisting of the Lead Center and its Service Centers.

<sup>28</sup>Pub. L. No. 111-240, § 1204(a)(7).

<sup>29</sup>Pub. L. No. 111-240, § 1205(a).

<sup>30</sup>*Id.*

<sup>31</sup>Pub. L. No. 111-240, § 1205(a). The SBJA required that SBA, to the maximum extent possible, fill new OIT staff positions at those USEACs that (1) had OIT staff before January 2003 and (2) had not had OIT staff between January 2003 and September 27, 2010, due to retirement or reassignment.

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provide services to small businesses. According to SBA, this interpretation of the certification requirement helps ensure that all of the 63 SBDC networks have a minimum number of qualified counseling and training staff available to provide export and trade assistance to their small business clients. Although the SBJA did not specify a time frame to meet this requirement, SBA established its own agency policy to complete the certification requirement by December 31, 2013.<sup>32</sup>

SBA provided two options for SBDC staff to obtain certification: (1) staff could take and pass an online competency test administered by SBA, or (2) staff could obtain certification in the National Association of Small Business International Trade Educators' Certified Global Business Professional program.<sup>33</sup> SBA collaborated with the TPCC to develop an export education program that offers education in basic concepts, key international trade assistance resources, and key aspects of global trade to help small business counselors prepare for the SBA test. As of the end of September 2012, 73 percent of the SBDC networks (46 of 63) had met the certification requirement.<sup>34</sup> SBA noted that the certification requirement was intended to achieve one of the key goals of the SBJA—to improve the quality of international trade counseling and training received by businesses through the SBDC network. During our fieldwork, we found that SBDC staffs' knowledge and experience with international trade varied across some locations. Some SBDCs were focused primarily on international trade.<sup>35</sup> Some SBDC staff had prior export experience that was helpful in providing export counseling to small businesses,

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<sup>32</sup>For SBDCs with cooperative agreements that begin and end on the federal fiscal year cycle, the deadline is September 30, 2013. For SBDCs with cooperative agreements that begin and end on a calendar year cycle, the deadline is December 31, 2013.

<sup>33</sup>The Certified Global Business Professional program is an internationally recognized independent certification for advanced proficiency in global trade assistance, available through training offered by a third party, such as a community college.

<sup>34</sup>A total of 195 SBDC staff were certified because they passed SBA's online competency test, and 132 staff were certified through the Certified Global Business Professional program.

<sup>35</sup>According to SBA officials, some SBDC networks have one or more separately budgeted International Trade Centers that specialize in export and international trade assistance. In 2012, there were nine designated International Trade Centers. Other SBDCs within a given network may be very active in providing export assistance although they are not designated as a separate International Trade Center. The designation is based on each SBDC network's preferred organizational structure and small business needs.

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according to these officials, while others had less experience and acknowledged the need for additional training. Field staff at the locations we visited informed us that they had either obtained or were in the process of obtaining certification.

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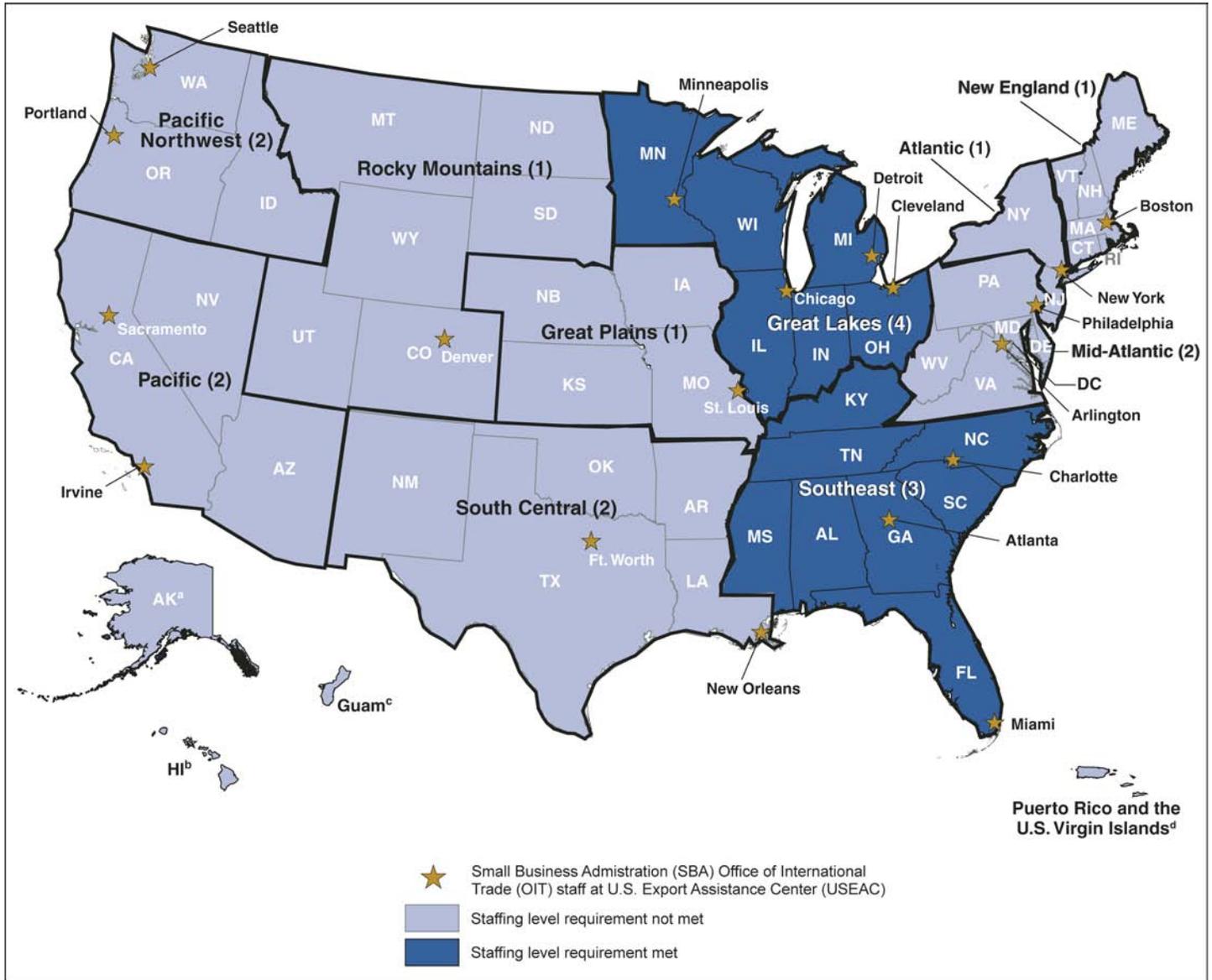
### **SBA's Efforts to Add OIT Field Staff Have Fallen Short of Requirements, and Its Staffing Plan Lacks Key Information**

The SBJA directed OIT to increase field staff in two phases, and to distribute staff regionally. In an attempt to meet the SBJA requirement of increasing its OIT field staff levels from 18 to 22 at USEACs by the end of 2011, SBA advertised 4 temporary positions in 4 specific locations but filled only 2 positions by June 2011 using SBJA funding that expired on September 30, 2012. The 4 locations were based on SBA's analysis of locations that lacked OIT staff since 2003 and had exporters with the greatest needs. With the expiration of the SBJA funding, SBA stopped advertising the remaining 2 positions left unfilled. Although SBA needed to increase its field presence to 30 OIT staff by September 27, 2012, SBA had not hired any more than the 2 additional OIT staff and had a total of 19 OIT staff in USEACs.<sup>36</sup> Furthermore, despite the SBJA's requirement for 3 OIT staff to be placed in each of SBA's regions, there are currently only 2 out of 10 SBA regions with 3 or more OIT staff, while the other 8 regions do not have the required staff levels. See figure 1 for a map of the current number of SBA OIT staff by SBA region.

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<sup>36</sup>SBA started with 18 OIT field staff and then hired 2 additional staff. Given the attrition of one existing OIT staff and the placement of one of the new staff to fill the vacated position, SBA had a total of 19 at the end of September 2012.

**Figure 1: Locations and Number of SBA OIT Staff by SBA Region, as of September 30, 2012**



Source: SBA data; Map Resource (map).

Notes: Though OIT field staff serve in the USEACs shown, USEAC regions do not match up with the SBA District Office regions shown in the map. For example, SBA OIT staff in the Portland, Oregon, USEAC cover Montana. Montana is covered, however, by a different SBA District Office than the one serving Oregon.

<sup>a</sup>Alaska is in the Pacific Northwest Region.

<sup>b</sup>Hawaii is in the Pacific Region.

<sup>c</sup>Guam is in the Pacific Region

<sup>d</sup>Puerto Rico and the U.S. Virgin Islands are in the Atlantic Region.

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According to SBA officials, SBA encountered hiring challenges that hindered it from filling the four temporary, 13-month term positions it advertised. The main difficulties were that the positions offered were not permanent positions and required specialized trade finance expertise, which contributed to a shortage of qualified candidates. SBA officials said that there were no qualified applicants for the OIT position in one location and few interested and qualified candidates in the other locations. Applicants for the temporary OIT positions that SBA advertised were required to have 1 year of specialized experience to minimally qualify for the position. SBA also considered qualifications such as knowledge of SBA's trade finance programs; knowledge of advanced concepts, principles, and practices of international trade; and the ability to underwrite export trade finance transactions.

Citing difficulties with finding qualified staff for the four advertised OIT positions, and not having continued funding to hire more staff, SBA never advertised for the additional eight OIT positions it would have had to fill, in addition to the original four, to meet the SBJA field staffing requirement. SBA officials noted that they still have the goal to hire additional OIT staff, and said they intend to implement the requirement to hire up to 30 OIT staff after fiscal year 2012, if SBA has sufficient funds available for that purpose. With the expiration of SBJA funding at the end of September 2012, SBA officials told us that they no longer have the funding to hire additional OIT staff. SBA received \$26.5 million in SBJA funds to implement SBJA requirements, according to SBA officials. Since OIT positions required by the SBJA were not filled, SBA used the funds to meet other SBJA requirements, such as hiring staff in offices other than OIT and, within OIT, hiring an Assistant Administrator and preparing export-related reports, both as required by the SBJA.

SBA developed a plan to increase its OIT staff levels to 30 staff and proposed—in a report submitted to Congress in September 2012—to place the staff in specific USEACs. This proposed allocation of staff does not match the one specified in the SBJA requirement. While the SBJA required 3 OIT field staff in each of SBA's 10 regions, SBA's proposal for staff allocation was a minimum of 2 staff in some SBA regions and 5 staff in 1 region. SBA explained that its staffing allocation proposal reflected optimal distribution to support exporters' needs based on available full-year trade data from U.S. Census and Commerce. The SBA OIT field staffing plan noted that the underlying logic of its proposed allocation was that the more exporters there were within a state, the more opportunities SBA staff would have to directly interact with and assist them.

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SBA's plan lacks some critical updated information. The plan listed the proposed USEAC locations and the SBA regions where OIT staff would be located, as well as the number of SBA exporters and percentage of small business exporters in each of SBA's 10 regions. It also noted that the SBJA funding for the OIT positions would expire on September 30, 2012, but did not discuss how SBA intended to fund the future new positions to meet the required staffing levels. Although the report was submitted to Congress only weeks before the SBJA deadline to meet OIT's staffing requirement, the plan also did not discuss revised targets for time frames, providing no information on when SBA expects to reach the level of OIT field presence required under the SBJA.

Moreover, the plan explained SBA's difficulties in attracting qualified candidates, but the plan did not discuss how SBA would overcome the hiring challenges or discuss the potential for leveraging the resources of other export promotion entities that could provide similar export assistance as that provided by OIT staff. Some OIT staff told us that they are currently covering OIT work for a large geographic area. With the current OIT staff levels and locations, these staff have been meeting the needs of small businesses within their office's jurisdiction but outside the metropolitan areas where they are based. They said they can do this by traveling to attend outreach events and by relying on referrals from staff of other export promotion entities with offices in various locations outside the OIT-served metropolitan areas. These other entities include Commerce, SBDC, or financial institutions that serve as lenders of SBA export loans. In light of the array of services provided by existing export assistance entities, SBA may be able to leverage other entities' resources in fine-tuning its plan for hiring additional OIT field staff to meet the SBJA requirements, provided that SBA and other agencies clarify their roles and responsibilities and begin to exchange information on a regular basis.

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## Conclusions

SBA's increased responsibilities in the realm of export promotion have thrust it into an already crowded field of federal agencies providing small businesses with assistance. The challenges SBA now faces in limiting the extent to which its export promotion efforts overlap with those of other agencies highlight the need for SBA and other key export promotion agencies to further their collaboration efforts. SBA and the other agencies have collaborated on export promotion activities to some extent by developing strategies, conducting joint outreach events, and sharing some client information among agencies, but many challenges to effective collaboration remain. In particular, some of SBA's OIT and SBDC activities overlap with those of Ex-Im and Commerce, respectively.

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Without clear definition of each entity's roles and responsibilities, the overlapping export financing products offered by SBA and Ex-Im and the labor-intensive export counseling sessions provided by SBDCs and Commerce may cause confusion for small businesses and could result in duplication of efforts and inefficient use of government resources. Additionally, SBA and other federal agencies do not regularly or comprehensively share client information, which is a significant impediment to achieving effective interagency collaboration in providing export promotion assistance to small businesses. While some entities' staff told us that they are limited in their ability to share client information, additional information sharing, where possible, would help improve client services and help agencies better track their impact in promoting U.S. exports.

SBA has had mixed results in meeting SBJA requirements expanding its export promotion presence. On the positive side, SBA is well on its way to ensuring that a sufficient number of SBDC staff are better trained and prepared to assist small business exporters. On the negative side, however, SBA has fallen short of meeting the law's specific requirements for increasing and placing OIT field staff, citing funding and hiring challenges. The most recent SBA report to Congress reiterates the agency's intention to hire all the additional OIT staff required by the SBJA. However, SBA's plan does not clearly identify the funding sources or time frames for hiring the additional staff, nor does it explain how it will address the hiring challenges it experienced previously. SBA needs to fill in those gaps in its OIT staffing plan, which presents an opportunity for the agency to step back and strategically reassess its plan and related resource allocation decisions in light of actions that could address the collaboration and information-sharing challenges identified in this report.

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## Recommendations for Executive Action

We are recommending that the Administrator of the Small Business Administration take the following three actions:

1. To help small businesses understand and get the most benefit from the various export assistance products and services provided by different federal entities, and to efficiently use government resources, consult with Commerce and Ex-Im and more clearly define roles and responsibilities of export promotion entities' export counseling and financing staff agencywide and at the local levels.
2. To improve collaboration and leverage available resources, consult with Commerce and Ex-Im and identify ways to increase, where

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possible, sharing of client information deemed useful for SBA, Commerce, and Ex-Im.

3. To more effectively implement SBA's expansion of OIT field staff as required by the SBJA, update SBA's plan for additional OIT staff to include funding sources and time frames, as well as possible efficiencies from clearly defining roles and responsibilities and leveraging other entities' export assistance resources.

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## Agency Comments and Our Evaluation

We provided a draft of this report to SBA, Commerce, Ex-Im, USDA, USTDA, and State. In its written comments on the draft, which are reprinted in appendix II, SBA concurred with our recommendations and noted that SBA would work to implement the recommendations. We also received comments from Commerce stating that Commerce generally agreed with our findings and noting developments that had occurred since we provided them our draft—including the subsequent issuance of the 2012 National Export Strategy.

More specifically, in response to our recommendation on the need to clarify agency roles and responsibilities, SBA and Commerce provided us with a copy of the December 2012 Interagency Communiqué developed by TPCC agencies. The communiqué, which we included in appendix II, was intended to clarify roles and responsibilities and provide guidance on referring U.S. businesses seeking export assistance to federal, state, and nonfederal resources according to each firm's export readiness and business needs. We mentioned the communiqué in our report and noted that it did not include referral protocols for clients requiring trade financing products, which the communiqué said would be issued by the end of January 2013. The communiqué also notes that agencies intend to develop local Export Outreach Teams, to increase awareness of local international trade expertise and enhance communication and collaboration at the local level. Among other things, the Export Outreach Teams would develop referral protocols and initiate ongoing discussions of shared clients. Thus, the communiqué's plans, when fully implemented, would begin to address two findings in this report: the need to clarify roles and responsibilities among SBA, Commerce, and Ex-Im and the need to identify ways to increase sharing of client information deemed useful for SBA, Commerce, and Ex-Im. Regarding our recommendation to increase sharing of client information where possible, SBA acknowledged its continued work with other agencies to integrate knowledge management within current legislative restrictions on information sharing, and noted its optimism about the potential for information technology to facilitate

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greater information sharing. SBA also noted that the SBDC program's authorizing legislation prevents SBDCs from sharing specific client information outside of their network without prior written consent from the client, except under limited purposes. Furthermore, SBA agreed that it intends to respond to staffing requirements of the SBJA while acknowledging resource constraints in its next annual report to Congress.

We also received comments from Ex-Im, USDA, and USTDA, clarifying information about their activities. We incorporated agencies' technical comments throughout our report, as appropriate.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to appropriate congressional committees; the Administrator of the SBA; the Secretaries of Commerce, Agriculture, and State; the Chairman and President of Ex-Im; and the Director of USTDA. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4347 or [yagerl@gao.gov](mailto:yagerl@gao.gov). Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.



Loren Yager  
Managing Director  
International Affairs and Trade

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# Appendix I: Scope and Methodology

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The objectives of this report were to (1) describe Small Business Administration's (SBA) role within federal export promotion efforts; (2) assess the extent to which SBA collaborates with other agencies in its export promotion activities; and (3) assess the extent to which SBA is meeting Small Business Jobs Act (SBJA) requirements to expand export promotion training and staffing.

In our review, we defined "export promotion activities" as programs and services conducted by federal agencies that involve direct contact with U.S. exporters and have export promotion as their stated goal. Such activities include providing small businesses with export counseling, training, and financial assistance; they do not include activities such as advocacy, commercial diplomacy, and policy development and negotiations. Our review, therefore, covers six key agencies—SBA,<sup>1</sup> Department of Commerce (Commerce), the U.S. Export-Import Bank (Ex-Im), the Department of Agriculture (USDA), the U.S. Trade and Development Agency (USTDA), and the Department of State (State)—with a particular emphasis on SBA's activities.<sup>2</sup> We reported data from the Trade Promotion Coordinating Committee (TPCC) Secretariat on agencies' requested budget authority for export promotion activities for fiscal year 2012, which was the most recent data available. We also analyzed TPCC data on SBA's budget authority for export promotion activities for fiscal years 2006 through 2012. We determined that the data were sufficiently reliable for our purpose of illustrating SBA's relative share of the overall federal export promotion budget.

To address all of our objectives, we interviewed agency officials representing the key export promotion entities in headquarters and in six selected field locations—Chicago, Dallas, Irvine (California), Miami, New York, and Portland (Oregon). We selected these locations because they

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<sup>1</sup>We include SBA export promotion activities that may directly or indirectly support exports by small businesses, including the export promotion activities of the Small Business Development Centers. We did not include SBA's Women's Business Centers and Service Corps of Retired Executives because those entities generally have a limited role in export promotion.

<sup>2</sup>The scope of our work does not cover the Overseas Private Investment Corporation (OPIC) because export promotion is not its primary stated goal. OPIC is a development finance institution providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. OPIC officials informed us that OPIC's work may result in U.S. exports, but the agency does not conduct its work to seek U.S. export opportunities.

had at least two export promotion entities' staff colocated, had the presence of Small Business Development Centers (SBDC) with staff providing export assistance, and ranked among locations with the highest export potential according to Commerce data. At some of these selected locations, we also met with representatives of small businesses that utilized federal government export assistance. The results of our interviews with officials at these six locations are not generalizable to agency officials' views at all U.S. locations.

To describe SBA's export promotion activities within federal export promotion efforts, we analyzed government-wide initiatives, strategies, and TPCC's and agencies' documents and data. Our description of SBA and other agency activities is intended to be illustrative of the types of activities agencies engage in to support small business exports and is not exhaustive of all activities undertaken by each of the agencies.

To assess the extent to which SBA collaborates with other agencies in its export promotion activities, we focused our assessment on coordination between SBA entities with Commerce and Ex-Im, the key agencies that provide similar export promotion activities to similar clients and that work together at the headquarters and field level, including at five of the selected field locations that feature all three agencies colocated in the same city. We analyzed government-wide initiatives, strategies, as well as TPCC's and agencies' documents, including the National Export Initiative and National Export Strategy. Additionally, we compared export promotion activities of Commerce and Ex-Im that are similar to SBA's activities, based on our analysis of information provided agency officials. We also used the results of our discussions with agencies' headquarters and field staff in six selected locations to assess the level of interagency collaboration. We assessed interagency coordination primarily against selected practices for enhancing and sustaining collaboration we previously identified.<sup>3</sup> We selected four elements of collaboration best practices—establishing mutually reinforcing or joint strategies, reinforcing individual accountability for collaboration efforts, agreeing on roles and responsibilities, and leveraging resources to identify and address needs—because they allowed us to highlight the most critical and relevant elements of collaboration among export agencies at both the

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<sup>3</sup>GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

headquarters and field level. These elements also relate to issues identified in the 2011 National Export Strategy—for example the need for each SBA, Commerce, and Ex-Im to target clients and focus their strengths to achieve the common NEI goal to double U.S. exports.

To assess the extent to which SBA is meeting SBJA requirements to expand export promotion training and staffing, we analyzed the SBJA and identified the specific export promotion requirements applicable to increasing the level of training of SBDC staff and increasing OIT staff numbers. We did not examine the other requirements under the SBJA. We analyzed SBA and SBDC documents and interviewed agency officials in headquarters and field locations to determine the implementation status of the SBJA requirements. We determined the extent to which SBDCs have met the certification requirement through an exam with the assistance of available training, but we did not assess the content or effectiveness of the certification, exam, or training. Furthermore, we reviewed SBA OIT's September 2012 report to Congress which, according to SBA, contained the most current implementation status and plans for the SBJA requirements.

We conducted this performance audit from February 2012 to January 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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# Appendix II: Comments from the Small Business Administration

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U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

January 16, 2013

Mr. Loren Yager  
Managing Director  
International Affairs and Trade  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Yager:

The Small Business Administration (SBA) appreciates GAO's detailed and thorough analysis of SBA's export promotion programs. Thank you for recognizing the joint efforts of SBA and our Trade Promotion Coordinating Committee partner agencies in the coordinated delivery of services to small business exporters.

We appreciate the recognition of SBA's leadership role in the Small Business Working Group of the National Export Initiative and our twenty year history of colocation and collaboration in the network of U.S. Export Assistance Centers (USEAC). We are particularly proud of SBA's contribution to the USEAC network, which is a collaborative colocation initiative unique in the Federal Government. We also appreciate GAO's recognition of the rapid embrace by the Small Business Development Centers of the increased role in export counseling they were given in the Small Business Jobs and Credit Act of 2010. SBA is a team player in the export space and continues to make an important contribution to the national mission to expand exports for small businesses, along with our partners at the Department of Commerce and Ex-Im Bank.

We submit the following comments:

On page 12, the draft report states ". . . and OIT and Ex-Im offer similar financial products to small businesses." From our point of view, there is only one "similar" financial product, the Export Working Capital loan program, about which you have pointed out several important differences between our respective agency products. The SBA's Export Express Program can be either a revolving line of credit with a maturity of up to 7 years or a term loan with a maturity of up to 25 years depending on the use of proceeds. Ex-Im Bank's Global Credit Express (see typo on page 14 which refers to Ex-Im's "Export Express") has either a 6 month maturity or a 1 year maturity—hardly the loan to support ongoing working capital needs or long-term fixed asset financing. Nor was this direct loan program developed for that purpose. It basically was designed for promising exporters who could not obtain a government guaranteed loan through the banking system (whether a standard SBA loan, SBA Export Express or Ex-Im/SBA Working Capital loan). While some proceeds can be used for "export development," we understand that Global Credit Express provides support for export transactions and

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helps graduate these borrowers to a government guaranteed product, such as the SBA's Export Express or Export Working Capital Loan. In addition, the SBA offers the International Trade Loan, a term loan up to \$5 million, to help companies expand their facilities and equipment as they grow their export business. This is not something Ex-Im Bank provides. On the other hand, Ex-Im Bank provides credit insurance and the SBA does not.

The draft report on page 18-19 states that "agencies have not developed guidance that outlines a common understanding about where clients should be directed based on their export readiness" or that "directed Small Business Development Center counselors and Commerce staff to primarily counsel one type of client". A recent development is important to note: on December 12, 2012 SBA, through the Office of Small Business Development Centers, issued to all SBDCs the Inter-Agency Communique developed in collaboration with our TPCC partners (attached hereto and provided to GAO with permission from the TPCC) (hereinafter referred to as the "Inter-Agency Communique"). The Communique provides guidance on referring US businesses seeking export assistance to the best federal, state or non-federal resource – including SBDC counselors - according to each firm's export readiness and business needs. The communique further recognizes that there should be "no wrong door" for businesses seeking help in exporting, and offers a referral matrix that can accommodate the myriad client types and circumstances of potential exporters based on its industry sector, structure, preparedness, size, location and other factors.

The draft report also states on page 22 "Agency official noted that information sharing is limited by certain privacy restrictions" The draft report does not consistently separate its recommendation for SBA to increase its client information sharing with other federal agencies, from a recommendation for SBDCs (as nonfederal entities) to share their client information with SBA or other federal agencies. The distinction is relevant because the SBDC program's authorizing legislation specifically prevents SBDCs from sharing client information outside their network –even to SBA - without prior written consent of the client, except under limited purposes related to compliance. You may consider noting that Section 21(a)(7)(A) of the Small Business Act (15 USC 648 (a)(7)(A)) prohibits an SBDC from disclosing "the name, address, or telephone number of any individual or small business concern receiving assistance under this section without the consent of such individual or small business concern, unless" required by a court order or the disclosure is "necessary for the purpose of conducting a financial audit of a small business development center."

Finally, we have identified a few minor issues pertaining to the draft report's reading of the SBA's regulations and standard operating procedures (SOP), as well as the Small Business Jobs Act of 2010 ("SBJA"). First, on page 11 the draft report states that "SBA also offers guarantees on facilities development loans, which can be used to acquire or upgrade facilities and equipment used to produce goods or services *for export*" (emphasis added). Section 120.347 of SBA regulations, however, states that such guarantees can be used to acquire or upgrade facilities and equipment used to produce

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goods or services *involved in international trade*" (emphasis added). Second, Table 6 on page 15 of the draft report states that the response time for the SBA Export Express program is 36 hours, but the SBA SOP states that the response time is one business day. See SBA SOP 50 10 5(E), sub. B, ch. 1, para. III. Third, on page 23 the draft report states that "the SBJA increased the maximum size of SBA's export loan program." The SBJA did not increase the maximum size of SBA's export loans program, but instead increased the maximum size of loan and loan guarantee amounts. Third, on page 23, GAO indicates that the statewide or region-wide SBDC organization is referred to as the Lead Center. SBDC program regulations actual refer to the statewide or regional organization as the SBDC network, which is managed by a Lead Center. (See 13 CFR 130, et seq.)

We want to thank you for the constructive recommendations for program improvements, which SBA will work to implement. The following addresses the specific recommendations:

- **Recommendation 1:** *To help small businesses understand and get the most benefit from the various export assistance products and services provided by different federal entities, and to efficiently use government resources, consult with Commerce and Ex-Im to more clearly define roles and responsibilities of export promotion entities' export counseling and financing staff at the agency-wide and local levels.*

We agree that a clearer definition of agency roles and responsibilities could improve service delivery objectives among the agencies. In fact, in line with this recommendation, the Inter-Agency Communique issued to TPCC partners and to the SBDCs spells out a framework for clarifying roles and responsibilities in export promotion and trade financing. (Consequently, the section starting on page 18 might need to be amended, or footnoted, for this new initiative.) We also believe this new framework, plus the enhanced and formalized role of Export Outreach Teams, will facilitate more qualified referrals among partners in an effort to more efficiently and effectively meet SME exporters' needs.

- **Recommendation 2:** *To improve collaboration and leverage available resources, consult with Commerce and Ex-Im and identify ways to increase, where possible, sharing of client information deemed useful for SBA, Commerce, and Ex-Im.*

SBA will continue to work with Commerce, Ex-Im, GSA, OMB, and other federal agencies to integrate knowledge management within current legislative restrictions on information sharing. The Agency is optimistic about the potential for emerging information technologies to facilitate this objective.

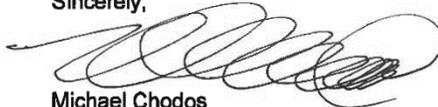
Mr. Loren Yager  
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- **Recommendation 3:** *To more effectively implement SBA's expansion of OIT field staff as required by the SBJA, update SBA's plan for additional OIT staff to include funding sources and time frames, as well as possible efficiencies from clearly defining roles and responsibilities and leveraging other entities' export assistance resources.*

In the Office of International Trade's next Annual Report to Congress, SBA intends to respond to the staffing requirements of the SBJA while acknowledging the resource constraints of the Agency.

Once again, thank you for this detailed report and its recommendations. We appreciate the time that your staff has taken to understand the importance of small business export assistance programs and SBA's critical role in this arena.

Sincerely,



Michael Chodos  
Associate Administrator, Office of Entrepreneurial Development  
U.S. Small Business Administration



Darío J. Gomez  
Associate Administrator, Office of International Trade  
U.S. Small Business Administration

Enclosure

**Appendix II: Comments from the Small Business Administration**

**INTERAGENCY COMMUNIQUE**

Under the National Export Initiative (NEI), the President committed the Federal Government to marshal its full resources in support of American businesses that sell their goods and services abroad. These efforts have borne considerable fruits – exports hit record levels in 2011, supporting almost 10 million American jobs, and continue to make historic progress in 2012 – ensuring America’s continued position as the global leader in total exports of goods and services. Yet for many small and medium-sized businesses, the Federal Government is still a maze of entities with sometimes overlapping export promotion services that can be difficult to navigate.

On February 17, 2012, the President issued a Memorandum to all Federal agencies, which directed the Export Promotion Cabinet (EPC), in consultation with the Trade Promotion Coordinating Committee (TPCC), to take steps to ensure the most efficient use of its members’ domestic offices and distribution networks, avoid duplication, enhance collaboration, and better leverage their services to enhance the coordinated services American businesses receive from the Federal government.

Over the last six months, the EPC has worked closely with the TPCC to develop a comprehensive report and action plan for an integrated, strategic, government-wide export promotion effort that included a protocol to establish a “No Wrong Door” policy for all domestic field networks whereby: (1) all domestic business development and export assistance networks are knowledgeable about the full suite of Federal export assistance services and best agency contacts; (2) each agency can identify the respective leads for delivering export services and operate according to standard operating procedures for referrals; and (3) Federal export teams are organized to help coordinate and collaborate across networks.

**DESCRIPTION OF EXPORT ASSISTANCE RESOURCES**

U.S. businesses can access a range of export assistance services via several Federal agency networks. Which network is best positioned to provide assistance to a company depends on a number of factors including the agency’s business model, state of export-preparedness, and the industry in which the company operates.

U.S. Department of Commerce (DOC)	U.S. Small Business Administration (SBA)	U.S. Department of Agriculture (USDA)	Export-Import Bank of the United States (Ex-Im)
<p><u>U.S. Export Assistance Centers (USEACs)</u>: Located in 93 U.S. cities and territories with trade specialists who provide export-ready businesses with market intelligence, market-entry strategies, advice on distribution channels, and assistance in identifying trade finance options.</p>	<p><u>Trade Finance Specialists</u>: SBA Trade Finance Specialists are co-located with DOC at 19 USEACs, providing export working capital loans, counseling on international methods of payments, and information on other SBA loans for exporters.</p>	<p><u>State Regional Trade Groups (SRTGs)</u>: Four non-profit trade associations, funded by USDA, provide a wide range of comprehensive programs and services to SMEs, including, customized export assistance, cost-share export promotion funding, trade show exhibition support, technical training, and international and reverse trade missions.</p>	<p><u>Ex-Im Bank</u>: Over a dozen bank locations across the country that provide working capital guarantees, export credit insurance, loan guarantees, and direct loans that allow U.S. companies – large and small – to harness export opportunities.</p>
<p><u>Manufacturing Extension Partnerships (MEPs)</u>: 70 non-profit centers that provide small/medium-sized manufacturers with assistance in technology acceleration, supplier development, sustainability, and workforce training.</p>	<p><u>Small Business Development Centers (SBDCs)</u>: 63 networks with over 900 sites across the country provide individualized, long-term business counseling, group training, and market research services to small business owners.</p>	<p>*Note: SBA’s other resource partners (SCORE and Women’s Business Centers (WBCs)) are available as business resources, and can refer to SBDCs for export assistance where appropriate. They are not required to have trained expert export counselors as the SBDCs are. There are 110 WBCs and 350 SCORE chapters with over 12,000 volunteers.</p>	
	<p><u>District International Trade Officers (DITOs)</u>: SBA District International Trade Officers (DITOs) located at each of its 68 District Offices as a trade resource to small businesses.</p>		

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**OPIC** – The Overseas Private Investment Corporation provides political risk insurance and project financing for investment projects in emerging economies.

**USTDA** – The U.S. Trade and Development Agency helps U.S. businesses connect with U.S. supported foreign procurement opportunities on transportation and infrastructure projects.

**USTR** – The Office of the U.S. Trade Representative develops and coordinates international trade, commodity, and direct investment policy and oversees negotiations in these areas with other countries on behalf of the U.S. Government. USTR administers, in cooperation with other agencies, the trade advisory committee system, including the Industry Trade Advisory Committees (ITACs) which are jointly administered with DOC, which provides information and advice to help ensure U.S. trade policy and negotiating objectives adequately reflect U.S. public and private sector interests.

**DOC/BIS** – The Department of Commerce’s Bureau of Industry and Security administers an export control system, including licensing of exports of dual use technologies.

**State** – The State Department through the Bureau of Economic and Business Affairs promotes commercial advocacy on behalf of U.S. businesses that are bidding on foreign government projects. The State Department works in coordination with the Advocacy Center housed within the Department of Commerce.

This memorandum is a guide to help support the client referral and counseling process in the field by ensuring there is a standard operating procedure across the country that can then be enhanced and modified by customized local practices.

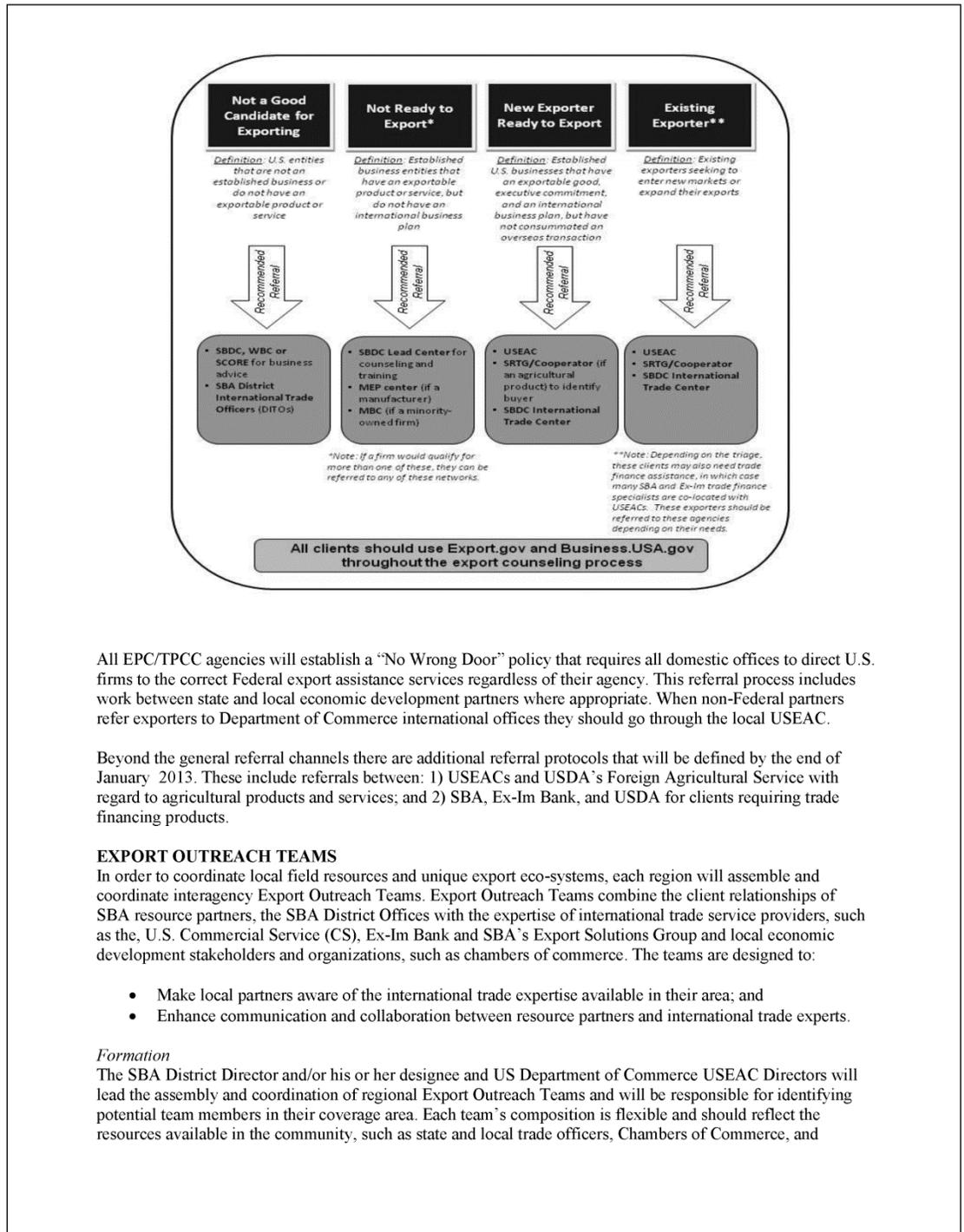
**CLIENT SEGMENTATION AND PROTOCOL FOR REFERRALS**

When a U.S. firm determines it wants to utilize Federal or Federal resource partner export assistance services, an assessment needs to be conducted to determine whether it is “export ready.” Generally, a firm is considered to be “export ready” when it has met the following four criteria:

- 1) has been established as a U.S. business entity;
- 2) sells an exportable and/or commercially available product or service;
- 3) exhibits executive-level management commitment to dedicating the requisite personnel and resources; and
- 4) has developed an international business plan, including an assessment of the best export markets as well as a market entry strategy.

The attached export client segmentation tool will help counselors determine a company’s export readiness, as well as its specific export needs. (See attachment). Once a business has been classified as: 1) not a good candidate for exporting; 2) not ready to export; 3) ready to export; or 4) an existing exporter, it can then be referred via the general protocol channels outlined below. This assessment tool can be found on [Export.gov](http://Export.gov) under the begin export button.

**Appendix II: Comments from the Small Business Administration**



All EPC/TPCC agencies will establish a “No Wrong Door” policy that requires all domestic offices to direct U.S. firms to the correct Federal export assistance services regardless of their agency. This referral process includes work between state and local economic development partners where appropriate. When non-Federal partners refer exporters to Department of Commerce international offices they should go through the local USEAC.

Beyond the general referral channels there are additional referral protocols that will be defined by the end of January 2013. These include referrals between: 1) USEACs and USDA’s Foreign Agricultural Service with regard to agricultural products and services; and 2) SBA, Ex-Im Bank, and USDA for clients requiring trade financing products.

**EXPORT OUTREACH TEAMS**

In order to coordinate local field resources and unique export eco-systems, each region will assemble and coordinate interagency Export Outreach Teams. Export Outreach Teams combine the client relationships of SBA resource partners, the SBA District Offices with the expertise of international trade service providers, such as the, U.S. Commercial Service (CS), Ex-Im Bank and SBA’s Export Solutions Group and local economic development stakeholders and organizations, such as chambers of commerce. The teams are designed to:

- Make local partners aware of the international trade expertise available in their area; and
- Enhance communication and collaboration between resource partners and international trade experts.

*Formation*

The SBA District Director and/or his or her designee and US Department of Commerce USEAC Directors will lead the assembly and coordination of regional Export Outreach Teams and will be responsible for identifying potential team members in their coverage area. Each team’s composition is flexible and should reflect the resources available in the community, such as state and local trade officers, Chambers of Commerce, and

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Economic Development organizations. At a minimum, each team should be composed of the local DOC USEAC Director, SBA District Director/DITO, SBA Trade Finance Specialist, and SBDC official. Ex-Im, MBC, MEP, SRTG, SCORE and WBC officials are welcome to join in areas where they are available and focus on international trade.

In preparation, an Export Outreach Team Facilitators Guide will be provided to each District Office and USEAC.

Once members are identified, the DOC USEAC Director will work closely with the SBA District Director and/or his or her designee to coordinate an Export Outreach Workshop to provide training with the following objectives:

- Increased understanding of the network's international trade resources.
- Development of referral protocols and understanding of respective metrics.
- Recognition of client trade readiness/export potential and ongoing discussion of shared clients.
- Sharing best practices for client service.

*Timeline*

- SBA District Directors and DOC USEAC Directors will be responsible for identifying and contacting anticipated EOT participants by April 30, 2013, and must schedule and hold a workshop by September 30, 2013.
- Export Outreach Teams should convene at least quarterly.

**Client Segmentation Assessment Questions**

1. Does your company have a product or service that has been successfully sold in the domestic market?
2. Does your company have or is your company preparing an international marketing plan with defined goals and strategies?
3. Is your company's management committed to developing export markets and willing and able to dedicate staff, time and resources to the process?
4. Does your company have the financial resources to actively support the marketing of your products in the targeted overseas markets?
5. Does your company have sufficient production capacity that can be committed to the export market?
6. Is your company committed to providing the same level of service given to your domestic customers?
7. Does your company have adequate knowledge in modifying product packaging and ingredients to meet foreign import regulations and cultural preferences?
8. Does your company have adequate knowledge in shipping its product overseas, such as identifying and selecting international freight forwarders and freight costing?
9. Does your company have adequate knowledge of export payment mechanisms, such as developing and negotiating letters of credit or insuring overseas accounts receivable to mitigate risk? Or accessing export working capital to fund transactions?

Per the protocols above, if the answer to the first three questions is yes and it is a U.S. based company then it is regarded as an export –ready company. If no to any of the first three questions then the company is considered not ready to export or not a good candidate for exporting.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Loren Yager, (202) 512-4347, or [yagerl@gao.gov](mailto:yagerl@gao.gov)

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## Staff Acknowledgments

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