141126

GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-250739

147726

October 6, 1992

The Honorable Norman Sisisky
Chairman, Subcommittee on Exports,
Tax Policy, and Special Problems
Committee on Small Business
House of Representatives

This letter responds to your request that we discuss some ideas about how to make federal export financing and other federal export promotion programs more accessible to small businesses. Our analysis is based on past work we have completed for your Committee and on past and ongoing work we are doing for other congressional committees.

This letter discusses how creating a network of "one-stop shop" field offices to provide export promotion could improve small firms' access to government export assistance programs. Our past work on export promotion suggests that companies would benefit from having a single source in their community for all government export assistance. This letter also outlines a pilot program for partially integrating the delivery in the field of federal export financing and other export promotion programs in order to test out the benefits of integrating all government export assistance.

BACKGROUND

There is evidence that many small companies potentially are capable of exporting more than they currently export. Yet small companies that want to export more or begin exporting report facing a number of barriers. One of the most often cited is a lack of access to export financing. Small businesses' access to export financing has been restricted in recent years because commercial banks have cut back their international departments and their less profitable lines of business, such as financing smaller transactions. In addition, many small businesses lack the technical expertise needed to export successfully.

055624/147726

To help companies overcome barriers to exporting, the United States, like many industrialized countries, has programs to help companies sell products abroad. These programs include export financing assistance programs, such as export loan, loan guarantee, and insurance programs, as well as programs that offer business counseling, training, and market research information. These programs can play a useful role in stimulating exports of U.S. products in economic sectors in which U.S. goods are competitive. In fiscal year 1991, the federal government spent about $2.7 billion on export promotion programs and approved about $21.4 billion in export loans, loan guarantees, and insurance. In addition, many state and some local governments have export promotion programs.

As we have previously reported,[1] federal export promotion programs are not funded on the basis of any explicit governmentwide strategy or set of national priorities. In fiscal year 1991, 10 federal agencies offered export promotion programs.[2] We believe the current approach is fragmented and is characterized by funding imbalances and program inefficiencies.[3]

In May 1990 the President created an interagency Trade Promotion Coordinating Committee (TPCC) to "unify and streamline" the government's decentralized approach to trade promotion. TPCC is chaired by the Secretary of Commerce and includes senior-level representatives from 18 other federal agencies. TPCC has created a trade information center with a toll-free phone number and an interagency calendar of upcoming federal government trade

---

[1]Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

[2]The agencies are the Agency for International Development; the Agriculture, Commerce, and Energy Departments; the U.S. Export-Import Bank; the Interior Department; the National Aeronautics and Space Administration; the Overseas Private Investment Corporation; the Small Business Administration; and the U.S. Trade and Development Program.

[3]For a more detailed discussion, see Export Promotion: Overall U.S. Strategy Needed (GAO/T-GGD-92-40, May 20, 1992); and Export Promotion: Federal Approach Is Fragmented (GAO/T-GGD-92-68, Aug. 10, 1992).

promotion events. TPCC has also sponsored a nationwide series of 30 trade conferences and has organized a number of working groups to look at specific export promotion issues. However, these efforts represent only modest successes. TPCC has not addressed the central issue of how to unify and streamline the government's fragmented export promotion structure, either in the field or in Washington, D.C.

THE CASE FOR "ONE-STOP SHOPS"

In recent years, the idea of creating a field network of "one-stop shops" for all government export assistance programs has emerged as a way to integrate their delivery. Pending legislation, H.R. 5739 and S. 2864, contain provisions relating to "one-stop shopping" for export promotion. H.R. 5739 directs the U.S. Export-Import Bank (Eximbank) to cooperate with other federal agencies to provide one-stop shopping for export financing assistance. S. 2864 directs the Commerce Department's United States and Foreign Commercial Service (US&FCS) to place primary emphasis on utilizing district and foreign offices as one-stop shops for information on U.S government export promotion programs. We believe that in principle such a network would have several advantages over the current diffused arrangement. (See enclosure for information on agencies involved in financing exports and recent attempts to enhance access to these programs.)

A network of one-stop shops could be created by (1) co-locating federal, state, and local government field offices for export promotion under one roof, and (2) providing their staffs with the training and authority to supply a full range of services to help companies consummate export sales. These services would include export counseling and training, market- and industry-specific information, and export financing assistance. Staff in each member organization would be trained to know what services each other provides and to ensure that each client receives the help he or she needs.

We believe that a network of one-stop shop field offices likely would improve companies' access to all government export promotion programs--including its export financing programs. Such a network would reduce to one the number of places companies would have to contact to receive the government export assistance they need. These field offices could eliminate much of the public's confusion as to what government services are available. Field office one-stop shops could more easily provide face-to-face assistance, more sustained counseling, and information based on knowledge of local business conditions. Moreover, companies might gain confidence in and thus more likely use government export promotion programs if the programs were supplied by a single, smoothly functioning local source.

Despite the potential benefits, creating a nationwide network of one-stop shop field offices faces obstacles. Executive branch agencies carefully guard their turf. Agencies that provide export assistance can be expected to resist any major effort to integrate field operations. In addition, agency officials told us that substantial additional funds might be needed to relocate federal offices, or induce nonfederal government organizations to relocate. Money also would be needed to provide staff with the required training and support. Consequently, we believe that in today's tight budget environment more modest attempts may have to be made to improve small exporters' access to federal export financing and other export promotion programs.

A POSSIBLE PILOT PROGRAM

We believe a pilot effort to integrate the delivery of federal export financing and other export promotion programs is worth trying. Such a pilot could easily integrate the delivery of current export assistance programs provided by the US&FCS with those provided by the Small Business Administration (SBA) and the Eximbank. The pilot would involve US&FCS and SBA field staff jointly providing comprehensive export counseling and export financing assistance. An evaluation of the pilot would provide information on the extent to which a network of one-stop shop field offices would improve small businesses' access to government export assistance.

In the pilot, a small number of loan officers from the SBA's district offices would be stationed at selected US&FCS district offices. Commerce and SBA probably would execute a written agreement. The agreement would be temporary in nature, with an agreed-upon expiration date.

It would fully detail the arrangement, including staff selection criteria and training requirements, and specify how the pilot is to be funded and evaluated. TPCC should oversee the pilot.

The selection of pilot sites should be left up to TPCC, SBA, and Commerce. However, based on interviews with Commerce and SBA field staff, we believe that cities that contain large numbers of small- and medium-sized export-capable firms probably should be chosen. Another consideration in picking pilot locations is that in 12 cities US&FCS and SBA district offices are located in the same building. Including some of these sites in the pilot would minimize the costs of moving staff.

Selecting the right detailees will be crucial to the pilot's success. Having incentives that encourage well-qualified staff to participate in an interagency pilot is important. Often, employees in an agency have little incentive to volunteer to move out of sight of those who supervise and rate them, and the agency has little inducement to encourage them to go. Thus, to assure that well-qualified loan officers volunteer for this assignment, some type of incentive for attracting high-quality staff should be built into the selection procedures. Consideration should be given to awarding detailees temporary promotions or pay increases.

Furthermore, adequate training also is critical to the pilot's success. Currently, few of the 600 loan officers assigned to the SBA's 68 district offices are experienced in international finance or in using the SBA's Export Revolving Line of Credit (ERLC) program or the Eximbank's programs.[4] Training should be sufficient to assure that detailees have the expertise to (1) properly use the SBA's export financing programs, (2) market the Eximbank's programs,[5] and (3) provide at least basic assistance on trade finance matters. Ideally, the detailed loan officers should have enough expertise to help companies fill out

---

[4]ERLC is the SBA's principal export financing program.

[5]The Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418) requires the Eximbank and SBA to work together to aggressively market both organizations' export financing and pre-export financing programs to small businesses.

applications for Eximbank programs or applications for bank export financing.

The results of the pilot should be formally assessed by TPCC, using a uniform methodology at each pilot site. The pilot's impact might be evaluated using a variety of methods, such as tracking financing provided for export sales or surveying clients.

AGENCIES' VIEWS

We discussed creating this pilot program with headquarters and field office officials in US&FCS and SBA, and with a Commerce Department official who helps coordinate TPCC activities. The Commerce officials generally supported establishing such a pilot, although they cautioned that the SBA loan officers would have to be carefully trained.

The SBA officials generally did not support the pilot. They pointed out that detailing loan officers to another government agency would deprive SBA district offices of their services at a time when volume in the SBA's credit programs are up about one-third from the last fiscal year. They also said that few SBA district offices have more than a single loan officer capable of processing ERLC applications. Consequently, placing SBA loan officers in US&FCS offices might leave some SBA district offices unable to approve ERLC transactions.

We question whether removing a small number of SBA's 600 loan officers will substantially reduce the agency's ability to provide financial assistance to small businesses. We agree that certain SBA district offices may lose some capability to provide ERLC guarantees. However, we note that US&FCS district offices explicitly target companies that are more likely to be involved in exporting and more likely in need of export financing assistance than SBA district offices' customers. Consequently, the detailees may encounter more companies that need government export financing assistance at the US&FCS offices than at their SBA offices. As a result, ERLC use may be higher under the pilot.

\- - - - -

Please contact me at (202) 275-4812 if you or your staff have any questions concerning this letter. The information in this letter was developed by John E. Watson, Assistant Director, and David T. Genser, Evaluator-in-Charge.

Sincerely yours,

Allan I. Mendelowitz

Allan I. Mendelowitz, Director
International Trade and Finance Issues

AGENCIES INVOLVED IN PROVIDING EXPORT FINANCING AND RECENT ATTEMPTS TO ENHANCE ACCESS TO PROGRAMS

The current export promotion system is restricted in its ability to aid small- and medium-sized exporters' access to federal export financing programs because of limitations in the way those programs are delivered in the field. The federal agency that provides the largest amount of federal export financing assistance--the U.S. Export-Import Bank (Eximbank)--has a very restricted ability to market its programs. Furthermore, staff in export promotion field offices run by the Commerce Department's United States and Foreign Commercial Service (US&FCS) and in Small Business Administration (SBA) district offices often either lack authority to approve use of government export financing programs or lack sufficient expertise to promote them. These inadequacies hamper the government's ability to help small- and medium-sized businesses obtain export financing.

AGENCIES' ASSISTANCE IS LIMITED

The Eximbank supplies most of the government's export financing assistance.[1] Yet the Eximbank has a limited ability to market its programs. The Eximbank has no regional office network, except for a one-person office in Los Angeles. The Foreign Credit Insurance Association (FCIA), a private firm that had administered the Eximbank's export credit insurance programs, has five regional offices. However, these offices only marketed the Eximbank's FCIA-administered insurance policies.

US&FCS maintains the principal network of government field offices in the United States that specialize in providing export promotion assistance. US&FCS operates 47 district offices in 38 states and Puerto Rico that specialize in providing export counseling, market research information, trade leads, and other export promotion services.[2] Yet

---

[1]For more on the Eximbank's programs, see The U.S. Export-Import Bank: The Bank Plays an Important Role in Promoting Exports (GAO/T-GGD-92-36, May 6, 1992).

[2]US&FCS also operates 20 branch offices.

these offices' ability to give companies access to federal export financing programs is limited. The Commerce Department has no export financing programs. Moreover, US&FCS district offices have no loan officers nor other staff with authority to approve use of other agencies' export loan, export credit guarantee, or export insurance programs.

In contrast, SBA has authority to provide export financing. The SBA's principal export financing program is the Export Revolving Line of Credit (ERLC) program. Under ERLC, SBA guarantees repayment of loans made by financial institutions to small businesses for export-related purposes. Yet we previously have found that the ERLC program has been little utilized.[3] One reason for this low level of use is that few SBA loan officers are experienced in international finance, and they have received insufficient training in using the ERLC program.

Under this fragmented system, companies that need both export financing and other types of export promotion assistance from the federal government often have to contact several different government offices to obtain all the help they need. Contacting multiple offices can leave companies confused as to what services are available. It also may discourage some companies from seeking government help to export. Lack of access to federal export financing programs in US&FCS field offices limits the government's ability to close any "gap" between small- and medium-sized businesses' export financing needs and the amount of export financing that banks currently can provide to these businesses.

RECENT EFFORTS TO IMPROVE PROGRAM DELIVERY

The U.S. government recently has taken several steps to increase small- and medium-sized businesses' access to its export financing programs. However, in our opinion the ability of these efforts to increase access to these

---

[3]See Export Promotion: Status of SBA Programs (GAO/T-NSIAD-92-3, Nov. 14, 1991), and Export Promotion: Problems in the Small Business Administration's Programs (GAO/GGD-92-77, Sept. 2, 1992).

programs is also limited in the absence of efforts to better consolidate the way in which the federal government delivers export promotion services in the field.

The Eximbank has initiatives underway. For example, in 1987 the Eximbank began a major effort--the city/state program--to offer export counseling and financial assistance to small- and medium-sized companies through state and local government agencies. Twenty-two locations were participating in the program as of August 1992, and in fiscal year 1991 22 guarantees were completed as a result of the city/state program. Also, effective September 14, 1992, the Eximbank took over the administration of its insurance programs from FCIA, including the operations of the FCIA's regional offices. The Eximbank will continue to use these offices to market its insurance programs and is considering having the offices market the Eximbank's other financing programs as well.

SBA recently has tried to increase use of its ERLC program. Its efforts include lengthening the term of the line of credit from 18 months to 3 years, and creating a new users guide for SBA staff, participating lenders, and small business exporters. In fiscal year 1991 SBA approved about $26 million in guarantees under ERLC, compared with about $45 million during the previous 8 years of the program's existence. This jump in ERLC usage likely reflects these efforts. However, SBA has only partially implemented a proposed pilot program to increase use of ERLC. The pilot emphasizes increased training of SBA field staff, improved marketing efforts, streamlining of application procedures, and cooperating further with state governments' export financing agencies.

In addition, the Eximbank and SBA have a joint program, in effect since 1984, to make export financing more available to small businesses. Under this program, Eximbank staff train SBA field staff about Eximbank programs, and SBA staff are then supposed to promote the Eximbank's programs to local exporters. However, this initiative has not been a priority of either agency, and as of August 1992 only about 10 transactions had taken place over the 8 years of the program.

We believe that these efforts can only go so far in improving access to federal export financing programs because they do not address the exporters' access problem caused by organizational fragmentation. In our view, maximizing access to government programs ultimately may require bringing all the government suppliers of export assistance together in the field.

(280038)