



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

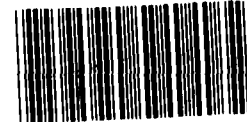
125066

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

August 2, 1984

B-215862

The Honorable Lloyd Bentsen
United States Senate



125066

Dear Senator Bentsen:

Subject: U.S. Export-Import Bank Support for Small
Business Exports (GAO/NSIAD-84-147)

In your letter of September 26, 1983, you asked that we audit and evaluate the performance of Export-Import Bank programs established to promote small business exports and propose steps to improve the effectiveness of those programs.

We surveyed the Bank's efforts to promote small business participation in its programs and reached agreement with your representative in January 1984 that, for a number of reasons, it would be best not to conduct the proposed audit at this time. Chief among these reasons was the enactment of Public Law 98-181 on November 30, 1983, Section 618 of which amends the Export-Import Bank Act of 1945 (12 U.S.C. 635) to (1) emphasize the Bank's support and assistance to small business and (2) require the Bank to allocate a specific and increasing portion of its resources to finance small business exports and in its annual report to Congress to include detailed information on small business participation in its programs. In addition, several Bank programs particularly designed for small business participation were either initiated or significantly modified during fiscal year 1983 and the Bank has expanded its efforts to support small business exporters.

In view of the foregoing, we believe that an external evaluation of the Bank's efforts should be delayed to allow it an opportunity to fully implement programs underway and to consider any further initiatives required by the new legislation.

We understand that you are interested in the information we obtained during our survey, including statistical data on support for small business exports. Accordingly, a summary of that information is provided in the enclosure. The survey information

529686

(483395)

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

B-215862

was obtained primarily from the Bank without verification and therefore should be considered indicative rather than definitive of program levels and small business participation. We did not obtain official agency comments, but Bank officials reviewed a draft of the enclosure and their comments were considered in preparing the final report.

As arranged with your office, we plan no further distribution of this report until 30 days from the date it is issued. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,


for Frank C. Conahan
Director

Enclosure

EXPORT-IMPORT BANK ASSISTANCE TO SMALL BUSINESS

The Export-Import Bank of the United States (Eximbank) provides loan, guarantee, and insurance programs to supplement and facilitate private sector financing of U.S. export sales. Eximbank is directed by statute to support exports with financing that is fully competitive with export financing of other countries and consistent with international agreements. The United States is a party to the Arrangement on Guidelines for Officially Supported Export Credits, which established minimum interest rates and maximum repayment periods and defined other lending standards for major exporting nations. The objective of the statutory directive is to neutralize financing as a competitive factor in international trade.

The Export-Import Bank Act of 1945 (12 U.S.C. 635 et seq.) has for some time directed Eximbank to give due recognition to the government's policy of counseling and assisting small businesses. Amendments contained in Section 618 of Public Law 98-181, November 1983, however, direct Eximbank to encourage the participation of small business in international commerce by:

- (1) Developing a program which gives fair consideration to making loans and providing guarantees for the export of goods and services by small businesses.
- (2) Making available, from its aggregate loan, guarantee, and insurance authority, an amount to finance exports by small business concerns which shall be not less than 6 percent of such authority for fiscal year 1984, 8 percent for fiscal year 1985, and 10 percent for fiscal year 1986 and thereafter.
- (3) Promoting small business exports and small business export financing programs in cooperation with the Secretary of Commerce, Small Business Administration, State agencies, and banking and other private sector organizations.
- (4) Including in its annual report to the Congress a report on the allocation of sums set aside for small business exports and summary information on how such funds were used.

FINANCING PROGRAMS

Eximbank assists in financing the exports of small businesses through a variety of loan, guarantee, and insurance programs. Some programs are designed specifically to assist small business exports (Small Business Credit Program, Working Capital Guarantee

Program, New-to-Export Insurance Policy). Most programs are designed to facilitate small business exports as well as other exports. These include the Medium Term Credit Program, Commercial Bank Guarantee Program, and various forms of credit insurance of the Foreign Credit Insurance Association. Two of Eximbank's programs--Direct Loans and Financial Guarantees--are designed especially to facilitate large, long-term export transactions or projects which, by their nature, primarily tend to be exports of large corporations. Small businesses occasionally participate in these programs as principal suppliers. However, the programs primarily benefit small businesses that are subcontractors or suppliers of the large corporations.

OTHER ASSISTANCE

Eximbank has developed several mechanisms for marketing its programs which assist small businesses. It has directed much of its marketing effort to eligible lenders, primarily commercial banks, which are generally the applicants for loans or guarantees that assist small business exports. However, Eximbank has attempted to reach out directly to potential and experienced exporters as well. It has established a small business hotline, sent out mailings describing its programs, and conducted seminars explaining its programs to assist small businesses.

Since 1979, Eximbank has operated a small business hotline and receives approximately 1,000 calls each month on this toll-free number concerning small business and other export finance questions. Exporters and, to a lesser extent, banks use the hotline. Within a few months after the Export Trading Company Loan Guarantee Program (now called the Working Capital Guarantee Program) was established in January 1983, Eximbank sent out brochures describing the program to about 14,000 commercial banks and about 16,000 small businesses. It is also participating with the Department of Commerce and the Small Business Administration in sponsoring seminars on government export finance programs in major cities throughout the United States. Some 31 seminars have been held in fiscal year 1984 to date, and another 5 are scheduled for September 1984.

Eximbank conducts monthly one-day briefings for exporters in its Washington, D.C., headquarters to familiarize participants with its facilities and methods of operation. It also conducts two-day briefings each month for commercial bankers.

ACCOUNTING FOR ASSISTANCE FOR SMALL BUSINESS EXPORTS

Eximbank was not specifically required to account for its assistance for small business exports before the Export-Import Bank Act Amendments of 1983. In anticipation of reporting requirements imposed by that Act, Eximbank established a system to

routinely record information on assistance for small business exports at the time transactions are authorized. This system will provide the data needed to assess Eximbank performance in using the new small business set-aside as well as in preparing the required annual report.

Eximbank records indicate that during the first half of fiscal year 1984, Eximbank authorizations amounting to \$625.6 million supported small business exports. This represented 21.1 percent of the amount of authorizations during the period and about 75 percent of the \$832 million small business set-aside for the entire fiscal year. The set-aside was based on 6 percent of the total program authority of \$13,865 million. Small business support by program is summarized below.

Eximbank Authorizations
Oct. 1, 1983 - March 31, 1984

<u>Program</u>	<u>Total</u> <u>authorizations</u> (000 omitted)	<u>Small Business</u> <u>authorizations</u> (000 omitted)	<u>Percent of</u> <u>total</u> <u>authorizations</u>	<u>Number of</u> <u>small business</u> <u>transactions</u>
Direct loans	\$ 421,036	\$ 41,030	9.7	7
Financial guarantees	485,618	47,364	9.8	7
Small business credit	19,440	19,440	100.0	37
Medium-term credit	198,580	10,872	5.5	3
Commercial bank guarantees	255,855	19,589	7.7	19
Short-term insurance	1,466,725	456,945	31.2	363
Medium-term insurance	116,318	30,364	26.1	10
Total	<u>\$2,963,572</u>	<u>\$625,604</u>	21.1	<u>446</u>

It should be noted that the \$88.4 million recorded as small business participation in direct loans and financial guarantees is based on estimates of goods and services that small businesses will sell to major suppliers. These programs generally support exports of heavy capital equipment and large-scale installations which are normally financed for a term of more than 5 years and which are generally beyond the capability of small business. However, Eximbank officials believe that the programs provide significant support to small business because major suppliers purchase small business goods and services which are incorporated into the projects and ultimately exported. To reflect this support in program records, Eximbank asks major suppliers to identify anticipated small business input at the time transactions are authorized. Because subcontracts and purchase orders may not be firm at that stage, major suppliers generally provide an estimate of the percent of small business content and the identity of potential suppliers. In the 14 transactions reported for the first half of fiscal year 1984, the small business content estimates ranged from one percent to 80 percent.