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Report to Congressional Requesters

September 1992

EXPORT PROMOTION

Problems in the Small Business Administration's Programs

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September 2, 1992

The Honorable Doug Barnard, Jr.
Chairman, Subcommittee on Commerce,
Consumer, and Monetary Affairs
Committee on Government Operations

The Honorable Frank Horton
Ranking Minority Member
Committee on Government Operations
House of Representatives

As you requested, we are reviewing a number of the federal government's export promotion programs. These programs are designed to encourage U.S. companies to sell goods and services abroad. They consist of such activities as providing business counseling, training, and market research information; giving export financing assistance; and organizing trade missions and trade fairs.

In this report we assess the Small Business Administration's (SBA) export promotion programs. In fiscal year 1991, SBA spent about $3.7 million on these programs. Most of the SBA's export promotion assistance is delivered through the 21 subcenters of its Small Business Development Center (SBDC) program. These subcenters specialize in providing international trade assistance. As you requested, we assessed how the subcenters are providing export counseling and whether the subcenters' activities are being coordinated with the export promotion assistance provided by U.S. Commerce Department district offices. We also reviewed the financial assistance that SBA reported it provided to exporters, and evaluated the SBA's management of its export promotion responsibilities in general. Our scope and methodology are discussed in appendix I.

Results in Brief

SBA devotes little money to export promotion relative both to governmentwide spending on export promotion and to the SBA's own budget. In fiscal year 1991 the federal government spent about $2.7 billion on export promotion programs. In that same year, SBA spent about $3.7 million on export promotion out of a total budget of $486 million. About $1.5 million of this amount went to fund the activities of the agency's Office of International Trade, the office responsible for managing the agency's export promotion activities. In fiscal year 1991 SBA issued about $123 million in loans and credit guarantees to exporters out of about $4.3 billion in small business loans and credit guarantees.

Notwithstanding this relatively small amount of money, the scope of the SBA's export promotion efforts is broad and includes counseling, training, export financing assistance, and outreach.

The SBA's export counseling and export finance programs have significant program weaknesses. The SBA's export counseling is unfocused because it does not target firms based on their level of exporting experience or capability. Most such counseling targets neither companies that have little or no export experience or capability, nor more experienced exporters. Before a fiscal year 1990 statutory restriction was imposed on the SBA's setting any new regulations, the SBA provided little guidance to its Small Business Development Centers on giving export assistance. Now this restriction hinders the SBA's ability to establish such guidelines. A further problem arises as well in some cases in which the Small Business Development Centers could be serving the same universe of clients as is targeted by the Commerce Department's export counseling efforts.

In addition, SBA has not widely used its principal export finance program, the Export Revolving Line of Credit (ERLC) program. Furthermore, SBA may have overstated the impact its other finance programs have on exporting. Only about 40 percent of the other credit guarantees SBA reported it extended to help exporters in fiscal year 1991 directly assisted exporting, according to our analysis.

Also, SBA has not consistently emphasized export promotion. SBA is requesting funding for 15 additional full-time international trade positions in fiscal year 1993. At the same time, SBA, with administration approval, is proposing to eliminate the SBDC program. This action would significantly reduce the number of full-time export promotion positions SBA funds. In addition, SBA has not fully implemented a pilot program to increase ERLC usage.

SBA is a domestically oriented agency with many competing priorities. SBA is organized and its personnel are trained to provide to small businesses a wide variety of services that reflect these priorities. In addition, because SBA has grafted the export promotion function onto this structure, responsibility for managing the SBA's export promotion programs is split between a number of different operating units and program offices. This split diffuses responsibility for managing and delivering the SBA's export promotion assistance. We believe that these factors substantially limit the SBA's current ability to provide any export promotion services beyond basic outreach and referral.

Background

Overall, the federal government's export promotion programs are not funded nor implemented on the basis of any explicit governmentwide strategy or priorities. Although the Department of Commerce is the lead agency for export promotion, nine other federal agencies, including SBA, spend money on programs intended to help U.S. companies export.

To further the goal of improving the government's export promotion efforts, in May 1990 the President established an interagency Trade Promotion Coordinating Committee (TPCC) to streamline the government's decentralized approach to export promotion. TPCC is chaired by the Secretary of Commerce and includes representatives from 18 other federal agencies, including SBA. Most of the TPCC's work is carried out by 12 working groups, including 1 on small business.

In a January 1992 report,[1] we recommended that the Secretary of Commerce, as chair of TPCC, work with other member agencies and the Director of the Office of Management and Budget to (1) develop a governmentwide strategic plan for carrying out federal export promotion programs and (2) ensure that budget requests for these programs are consistent with their relative strategic importance. We also suggested that Congress consider requiring that programs be integrated into this plan and funded in a manner consistent with the emphasis given them under the plan.

The SBA's authority to engage in export promotion is found in the Small Business Act of 1980, as amended, which directs that SBA "acting in cooperation with the Department of Commerce and other relevant state and federal agencies, should aid and assist small businesses...to increase their ability to compete in international markets."

SBA delivers its export promotion assistance through a large network, consisting primarily of 10 regional and 68 district offices and about 700 SBDC locations. SBDCs deliver most—about 70 percent—of the SBA's export-related counseling and training. SBDCs receive funding from both federal and nonfederal sources and operate on the basis of annual cooperative agreements with SBA. Under the SBDC program, about 57 centers, known as "lead centers," and about 650 subcenters, operating in 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands, deliver a wide variety of services to small businesses, including export assistance. Twenty-one SBDC subcenters specialize in providing

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

international trade assistance. These 21 subcenters received about $1.2 million of SBA funds in fiscal year 1991. SBA also provides some export assistance through its Service Corps of Retired Executives, Small Business Institute, and Export Legal Assistance Network programs.

The SBA's principal export finance program is the Export Revolving Line of Credit program. Under ERLC, SBA guarantees repayment of loans made by financial institutions to small businesses for export-related purposes, such as financing working capital needed to manufacture products for export, or to purchase goods or services for export. The ERLC program falls within the statutory authority of the SBA's regular business loan program, known as the 7(a) program.[2] There is no statutory limit on what proportion of 7(a) guarantees may be ERLC guarantees. The maximum amount of an ERLC guarantee is $750,000, and proceeds may not be used to pay existing obligations or to purchase fixed assets. Companies that export also benefit from other SBA credit guarantee programs.

The SBA's Export Promotion Lacks a Strategic Focus

SBA has not clearly identified which export assistance needs of small businesses it can best meet, nor targeted its export assistance accordingly, in contrast to the Department of Commerce. Based on our previous work on export promotion,[3] we believe that to be effective, an agency involved in export promotion should identify the unmet needs of its client population, the activities that are appropriate for the government to undertake, the activities that will return the greatest benefit to the taxpayers, and the activities that the agency can best provide.

The Department of Commerce recently completed a strategic review based on these objectives. It learned that an export promotion strategy focused on an exporting firm's experience level is more useful than a strategy focused on a company's size. Commerce determined that the "infrequent exporter" was the best candidate to benefit from its programs. An "infrequent exporter" is a company that has some export experience—usually averaging between 1 and 50 export shipments per year—but still needs assistance to increase the size of its export market or to expand into new ones. Consequently, Commerce is attempting to restructure its programs to better meet the needs of the infrequent

[2]Named after section 7(a) of the Small Business Act of 1953, as codified at 15 U.S.C. 636, which authorized the program. Under the 7(a) program, SBA provides direct loans, or guarantees private lender loans, to new or ongoing small businesses that are unable to obtain other financing.

[3]Export Promotion: Status of SBA Programs (GAO/T-NSIAD-92-3, Nov. 14, 1991), and Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

exporter. Programs that do not help this type of client are being eliminated or deemphasized.

Unlike Commerce, SBA has not fully identified which export assistance needs of small businesses it can best meet. In November 1991 testimony before the House Committee on Small Business, Subcommittee on Exports, Tax Policy, and Special Problems, SBA reported that it has begun to target companies that have never exported, or those it calls "incipient exporters." Because many of the companies SBA helps are new, "start-up" companies, firms that have never exported may be the SBA's natural constituency. However, we found that to date SBA has made no systematic attempt to identify the needs of "incipient exporters" or to determine which of their needs SBA can best fulfill.

SBDC International Trade Subcenters Have Received Little Guidance on Export Assistance

The 21 SBDC international trade subcenters have received little guidance on how they should target their export assistance, evaluate that assistance's effectiveness, or train their staffs to better provide export assistance. However, the SBA's ability to better focus the SBDCs' export assistance is restricted by statute: Since fiscal year 1990 a legislative prohibition on imposing new regulations on the SBDC program has been in effect. Nevertheless, before this restriction was imposed, SBA had provided little guidance to SBDCs on these matters. Guidance on how to target and how to evaluate the effectiveness of the international trade subcenters' export assistance was minimal. Moreover, to date SBA has no guidelines for the hiring of, and no training or continuing education requirements for, international trade subcenter staff.

SBA faces one particular impediment to better managing the SBDCs' export promotion activities: Since fiscal year 1990, SBA has been prohibited by law from imposing further regulations on SBDCs regarding what kinds of assistance and training, including export assistance, they should provide. In the SBA's appropriating legislation for fiscal years 1990, 1991, and 1992, Congress mandated that "none of the funds appropriated or made available by this act to the Small Business Administration shall be used to adopt, implement, or enforce any rule or regulation with respect to the Small Business Development Center program...nor may any of such funds be used to impose any restrictions, conditions, or limitations on such program whether by standard operating procedure, audit guidelines or otherwise, unless such restrictions, conditions, or limitations were in effect on October 1, 1987."

The SBA, with the administration's consent, has proposed ending federal funding for the SBDC program in fiscal year 1993. The administration believes that (1) the program lacks the regulations necessary to provide reasonable safeguards against fraud, waste, and abuse by grantees; and (2) the nonfederal funding will remain sufficient to ensure the continued existence of SBDCs in the absence of continued federal support.

The prohibition on new regulations, however, does not preclude those SBDCs designated as the lead SBDC in each state from providing additional guidance to international trade subcenters. According to SBA officials, SBA largely relies upon lead SBDCs to provide necessary guidance to international trade subcenters and to oversee their activities to prevent duplication of other agencies' export assistance. However, fewer than one-third of the international trade subcenters told us they had received any guidance from their lead SBDCs on how to target their services or evaluate their programs' effectiveness. Much of the guidance that was provided was of a general nature.

Moreover, none of the subcenters reported receiving any guidance from lead SBDCs on how to train their staffs. A March 1992 SBDC program announcement urged international trade subcenters to "provide assistance...particularly to those small businesses not currently exporting," but did not elaborate on how they might better do so. A few subcenters have, however, taken preliminary steps to identify requirements for staff that provide export assistance.

Some Subcenters Target the Same Universe of Clients as Commerce District Offices

We surveyed the 21 international trade subcenters operating in 1991 to determine how, in the absence of guidance, they target their services and evaluate the effectiveness of their assistance. We also asked them to characterize the export experience levels of the companies and individuals they provided export assistance to in program year 1991, and to provide examples of international trade assistance "success stories." To determine whether the subcenters are targeting the same universe of clients as are Commerce Department district offices, we asked similar questions of the 17 Commerce district offices serving the same geographical areas as these SBDC subcenters.

Only 9 of the 21 subcenters told us they deliberately target companies or individuals with a certain level of exporting experience or capability. Of these nine, three told us they target companies and individuals with little or no export experience; three said they target infrequent exporters; and three said they target both. In contrast, Commerce district offices recently have begun to target infrequent exporters.

The subcenters estimated that about 61 percent of the companies and individuals they assisted in 1991 had never exported, 28 percent were infrequent exporters, and the other 11 percent were frequent exporters.[4] Thus, about 28 percent of the international trade subcenters' clients could be in the same universe of clients as that targeted by the Commerce Department.

SBA believes that there are not enough international trade counselors in any one federal agency to reach all the exporters needing export counseling and that therefore it is necessary for a variety of federal agencies to provide such counseling. SBA asserts that even if the SBDCs' export counseling duplicates Commerce's, given the demand for information and assistance, any overlapping of targeting clientele between SBA and Commerce is ultimately to the clients' benefit.

We did not attempt to determine whether duplication of export counseling efforts exists—that is, whether the Commerce and SBDC offices were providing similar counseling to the same companies. However, we question whether having two federal agencies offer export counseling to companies with similar levels of export experience and capability in the same geographic regions may be the most efficient use of taxpayer funds.

Further, several of the international trade "success stories" the subcenters provided involved the giving of import, rather than export, assistance. One subcenter claimed credit for helping a company import $60,000 worth of leather purses from China. Another subcenter reported helping a client find a Mexican manufacturer of a shoe subcomponent. A third subcenter reported providing import assistance to 25 percent of its calendar year 1991 clients. Providing import assistance does not appear to be consistent with the SBA's export promotion mission.

The subcenters are using a variety of techniques to assess program effectiveness. For example, 11 of the 21 subcenters told us they attempt to track the value of export sales that their assistance brings about, and 5 said they have conducted post-counseling surveys, either in person or by telephone. However, no consistent technique is used to evaluate

[4]According to the Commerce Department, a frequent exporter is a larger, more well-established exporter that usually makes more than 50 export shipments a year.

subcenters' success. This lack of uniformity makes it difficult to determine how effective the subcenters as a group are at promoting exports.

ERLC Program Has Been Underutilized

We believe that the SBA's Export Revolving Line of Credit program has been underutilized and that SBA may be overstating the extent to which its other finance programs help small businesses export.

Between fiscal years 1983 and 1990, SBA approved only 161 ERLC loan guarantees worth about $45 million.[5] SBA officials acknowledge ERLC has been underutilized. Based on a review of SBA documents and interviews with SBA officials, we believe the principal reasons for this low level of use include (1) insufficient training of SBA loan officers in the techniques of applying the program, (2) inadequate marketing of the program to bankers and the small business community, and (3) lack of interest in the program on the part of lenders due to the small average size of the loans and associated small likely profits.

Recognizing these and other deficiencies in the program, SBA has made some efforts to restructure it. SBA has extended the maximum term of the loan guarantees from 18 months to 3 years and rewritten the guide that SBA staff, participating lenders, and small business exporters use when applying the program. In fiscal year 1991 alone, SBA approved about $26 million in guarantees under ERLC, more than one-half as much as had been approved during the previous 8 years of the program's existence. We believe this jump in program activity reflects these efforts and suggests that a substantial unmet demand for the program may exist.

Separately, SBA may be magnifying the extent to which its other finance programs have helped small businesses export. Of the $123 million of what SBA calls "export-related" loans and credit guarantees SBA reported it extended in fiscal year 1991, only $26 million was for ERLC guarantees. The balance of this assistance was not necessarily related to exports. It represented all SBA loans and guarantees extended to small businesses that reported they are exporters. There is nothing about such credit assistance that requires that companies that borrow the money use it for export purposes. Nevertheless, SBA classified these types of loans and loan guarantees as "export-related."

[5]The amount disbursed under the ERLC program may differ from the amount approved because draws and repayments against an ERLC line of credit may be made repeatedly as long as the outstanding balance does not exceed the stated line of credit. SBA is in the process of determining the amount actually disbursed under the program.

The volume of SBA assistance reported as having been extended to exporters jumped sharply in fiscal year 1991, from $42 million in fiscal year 1990 to $123 million. This $123 million is more than two-thirds of the $181 million in loans and guarantees SBA issued to exporters during the previous 8 years. However, this sharp increase coincided with a certain SBA directive to its loan officers in the field. The directive instructed the loan officers to make sure to check the export "box" on loan guarantee documents in cases in which the credit assistance was extended "for any purpose to firms presently engaged in exporting or to firms using any part of loan proceeds for developing and establishing export markets."

We attempted to determine how many of the non-ERLC credit guarantees SBA issued to exporters in fiscal year 1991 were used directly to assist exporting. We reviewed documents in the loan files of a representative sample of the 271 such guarantees issued that year. We considered a guarantee extended to an exporter to have directly assisted exporting if the loan either was used primarily for working capital or to purchase inventory, or appeared to expand production capacity or reduce costs. This task proved difficult, as many of the files we reviewed contained only cursory information on the company's exporting activity. However, based on the information available, we estimate that only about 40 percent of the non-ERLC export guarantees SBA extended in fiscal year 1991 directly assisted exporting.

SBA believes it has not overstated the extent to which its non-ERLC loan guarantees assist exporting because loan proceeds may either free up company funds for export-related purposes or be used for an export-related purpose without the SBA's knowledge. We agree that providing financial assistance to an exporter to help it remain an ongoing concern in some sense contributes to exports. However, our analysis of the loan files showed that for about 28 percent of these other guarantees to exporters issued in fiscal year 1991, proceeds were to be used primarily to repay company debt, purchase other companies, or fulfill contracts with U.S. companies and U.S. government agencies. We believe it is misleading for SBA to characterize as "export-related" assistance all credit guarantees extended to companies that export. By doing so, SBA seems to equate its contribution to increasing exports with that of providing ERLC guarantees.

SBA Has Not Consistently Emphasized Export Promotion

The SBA's emphasis on export promotion has not been consistent. SBA has requested that the number of field office staff who provide export counseling and training on a full-time basis be reduced in fiscal year 1993. Also, SBA has failed to fully implement a pilot program to increase use of the ERLC program and, in March 1992, abruptly ended its financial support for small businesses' participation in Department of Commerce-sponsored trade missions.

In its fiscal year 1993 budget request, SBA is requesting that the number of full-time export promotion personnel funded by SBA be reduced. Currently 25 SBA employees work full-time on trade promotion. Of these, 15 are in the Office of International Trade, and 10 are in regional offices. Export promotion activities at the 21 SBDC international trade subcenters equate to an additional approximately 41 full-time positions.

In the same budget request, SBA is seeking funds for 15 additional full-time international trade staff—5 in the Office of International Trade and 10 in SBA district offices. However, SBA is seeking to eliminate federal funding for the SBDC program in fiscal year 1993, including its support for the international trade subcenters. Thus, SBA is requesting that the number of full-time international trade staff, funded in whole or in part by SBA, be reduced next fiscal year from about 66 to about 40. Moreover, according to SBA officials, full-time international trade officers in field offices provide primarily outreach, assessment of export assistance needs, and referral services—not export counseling and training.

ERLC Pilot Not Fully Implemented

The SBA's failure to provide full funding for a pilot program to increase use of the ERLC program further suggests that export promotion is not consistently a priority at SBA. As originally designed, the pilot would have been implemented at five sites. Although different at each site, the pilot would have emphasized training of SBA loan officers in export financing, improved marketing efforts, further streamlining of application procedures, and greater cooperation with state export finance agencies. Fully implementing the pilot would have required three new positions and $460,000 of SBA headquarters funds for training and travel.

However, the pilot is currently being implemented just in one region. SBA officials told us that only its Atlanta-based region was sufficiently interested in the pilot to go forward with it. However, SBA has not provided the required training and travel funds to the region, citing budget constraints. The region is attempting to carry out the pilot using its own training and travel funds.

Support for Matchmaker Program Abruptly Suspended

Further demonstrating that the SBA provides neither consistent nor substantial support to export promotion is its recent decision to stop providing financial support to small businesses that participate in Department of Commerce-sponsored "Matchmaker" trade delegations. Matchmaker delegations are trade missions that are designed to introduce infrequent exporters to prospective agents and distributors overseas. Previously, SBA provided up to $700 to the first 10 companies participating in selected trade missions abroad. A Commerce Department official told us that the SBA's support for Matchmaker missions often served as a key incentive to attract small businesses to the program. In fiscal year 1991, SBA provided small businesses about $70,000 of financial support for Matchmaker missions.

However, in March 1992 SBA abruptly ended financial support for these missions, citing "unanticipated budget constraints." SBA withdrew its financial support for the program after Commerce had promised 39 small businesses support from these funds to help offset the costs of their overseas trips. The companies did not receive the promised assistance. Six weeks after SBA announced that it was withdrawing its support for the Matchmaker program due to budget constraints, the SBA's Office of International Trade and its Office of Women's Business Ownership announced that they will be sponsoring a new initiative involving a nationwide series of 13 "Women Going International" trade conferences in 1992. The two offices have budgeted a total of $40,000 for these conferences, and SBA plans to expand the program in fiscal year 1993.

SBA officials told us that they believe sponsoring the seminars is a better use of agency funds than subsidizing Matchmaker participants because more new-to-export companies will participate in the conferences than have used the SBA's Matchmaker subsidies. However, we believe that citing budget constraints as the reason for ending participation in one export promotion program that cost the agency about $70,000 and then, soon after, announcing initiation of another export promotion program that would cost about $40,000 suggests that SBA is not willing to consistently support export promotion even at modest funding levels.

Management Responsibility for Export Promotion Is Fragmented

As we noted in our testimony on November 14, 1991, before the Committee on Small Business' Subcommittee on Exports, Tax Policy, and Special Problems,[6] SBA is an agency with a domestic orientation and many competing priorities. The SBA's organization and staff focus on delivering programs designed to fulfill these priorities—not the relatively new focus on international trade. SBA has grafted the export promotion function onto this existing structure. Thus, because separate program offices in Washington, D.C., oversee the SBDC program and the agency's credit guarantee programs, separate program offices also manage the agency's export counseling and export finance programs.

As a result SBA lacks a single focal point for managing its export promotion programs. The SBA's Office of International Trade, although ostensibly responsible for managing the export promotion function at the agency, acts primarily as an internal advocate for export promotion. It does not directly supervise any field staff, and it has no direct authority over field offices' export promotion efforts, such as the SBDCs' export counseling or the export financing assistance provided by loan officers in district offices. This split diffuses responsibility for managing and delivering the SBA's export promotion assistance. Because of these factors we believe that SBA is limited in its current ability to provide any export promotion services other than basic outreach and referral.

SBA told us that the Office of International Trade is hampered by diffuse lines of authority. However, SBA believes that the office, by leveraging limited program funds, has been able to fulfill successfully its legislative mandate to promote international trade.

SBA's Comments

SBA officials do not believe that the SBA's export promotion programs lack a strategic focus. They said that, with its recent focus on "incipient exporters," the agency is pursuing an integrated strategic focus with respect to export promotion programs. SBA officials also believe that the demand for export counseling services exceeds Commerce's ability to supply it. Therefore it would be to companies' benefit were some SBDC international trade subcenters to serve the same universe of "infrequent exporters" that Commerce targets.

SBA officials acknowledge that the ERLC program has been underutilized. However, they said that they have correctly characterized the extent to which their non-ERLC loan guarantees assist exporting. They believe that

[6] Export Promotion: Status of SBA Programs (GAO/T-NSIAD-92-3, Nov. 14, 1991).

loan proceeds may either release company funds for export-related purposes or be apportioned to an export-related purpose without the SBA's knowledge. In sum, the SBA officials maintained that generally our criticisms of the SBA's export promotion programs are not justified.

Conclusions

We disagree with the views expressed by the SBA officials. Our results show that SBA has not consistently emphasized export promotion nor fully determined what role it can and should play in the federal government's efforts to promote exports. The SBA's export counseling lacks a strategic focus and, as a result, could be targeting the same universe of clients as the Commerce Department's export counseling efforts. By restricting the SBA's ability to impose any new rules or regulations on its SBDC program, a 1990 statutory change makes it more difficult for SBA to better target its export counseling activities. Moreover, the SBA's principal export finance program, ERLC, has been little utilized, and the agency may be overstating the extent to which its other finance programs help small businesses export. Also, the SBA's ability to provide any export promotion assistance beyond basic outreach and referral is hindered by the agency's domestic orientation and existing management structure.

Matters for Congressional Consideration

In light of the SBA's disagreements with our findings, we believe that congressional action may be needed. For example, Congress may wish to require SBA to more fully identify which export-related needs of small businesses it can best fulfill, and to work with the TPCC's small business working group to refocus, if necessary, its export promotion efforts.

In our January 1992 report we recommended that the Secretary of Commerce, working with other member agencies represented on TPCC, develop a governmentwide strategic plan for federal export promotion programs. Congress also may wish to consider requiring that any such national strategic plan clearly define what role SBA is to play.

As arranged with the Committee, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time we will send copies to the SBA Administrator, the Secretary of Commerce, and other interested parties. We also will make copies available to others upon request.

Please contact me on (202) 275-4812 if you or your staff have any questions concerning this report. The major contributors to this report are listed in appendix II.

Allan I. Mendelowitz

Allan I. Mendelowitz, Director
International Trade and Finance Issues

Scope and Methodology

We reviewed the export counseling activities of the SBA's Small Business Development Centers (SBDC), and its Export Revolving Line of Credit (ERLC) program. We did not review the export promotion activities of the Service Corps of Retired Executives program because (1) approximately 70 percent of all of the SBA's export counseling is provided by the SBDC network and (2) about 85 percent of the counseling sessions conducted by Corps volunteers in fiscal year 1989 were onetime-only sessions.[1] We believe that effective export counseling usually must involve more than a single counseling session, especially in cases involving firms that are not familiar with the export process. We also did not review the SBA's Small Business Institute or Export Legal Assistance Network programs, which provide some export assistance.

To review the activities of those SBDC locations that provide most of the SBA's export counseling, we surveyed the 21 SBDC subcenters operating in 1991 that specialize in providing international trade assistance. We also surveyed the 17 Department of Commerce district offices that serve the same geographic areas. Our survey asked the Commerce and SBDC offices to describe the guidance they received on how to provide export assistance, evaluate their services' effectiveness, coordinate with other local providers of export assistance, and train their staffs to provide export assistance. In addition, we asked these offices to describe the types of export assistance they give and the export experience levels of their clients. We examined the SBA's authority to regulate the SBDC program by interviewing officials from the SBDC program office and SBA's Office of Inspector General. We also reviewed relevant laws and SBA documents.

We evaluated the SBA's export finance programs by reviewing agency documents and interviewing SBA field and program office staff and staff from other agencies. To determine the extent to which non-ERLC loan guarantees issued in fiscal year 1991 went directly to promoting exports, we reviewed loan documentation from the files of a statistically representative sample of the 271 such guarantees that SBA issued in that year.

To evaluate the causes of management weaknesses, we interviewed SBA headquarters and field staff and reviewed internal agency and public documents. We discussed our findings with SBA program representatives.

[1]See Small Business: Efforts to Improve Activities of the Service Corps of Retired Executives (GAO/RCED-91-5, Nov. 20, 1990).

We did our review between August 1991 and April 1992 in accordance with generally accepted government auditing standards.

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