



Highlights of [GAO-08-419T](#), a testimony to the Committee on Small Business, House of Representatives

## Why GAO Did This Study

The Export-Import Bank (Ex-Im) provides loans, loan guarantees, and insurance to support U.S. exports. Its level of support for small business has been a long-standing issue of congressional interest. In 2002, Congress increased the proportion of financing Ex-Im must make available for small business to 20 percent. In 2006, Congress directed Ex-Im to make organizational changes related to small business and to better evaluate its small business efforts.

This statement discusses (1) trends in Ex-Im's small business financing since fiscal year 2000 and (2) the weaknesses GAO found in the tracking and reporting of Ex-Im's small business financing and the steps Ex-Im has taken to address them. This testimony is based primarily on GAO's March 2006 report (GAO-06-351) concerning Ex-Im's small business program. In that report, we recommended that Ex-Im (1) improve the data it maintains on its customers with regard to their small business status; (2) improve its system for estimating the value and proportion of direct small business support for those transactions where the exporter is not known at the time of authorization; (3) more accurately determine and clearly report the number of transactions that directly benefit small business; and (4) have its auditor audit Ex-Im's reporting of its direct support for small business. Ex-Im agreed with three of the four recommendations. We discuss the actions Ex-Im has taken to implement our suggestions in this statement.

To view the full product, including the scope and methodology, click on [GAO-08-419T](#). For more information, contact Loren Yager at (202) 512-4347 or [YagerL@gao.gov](mailto:YagerL@gao.gov).

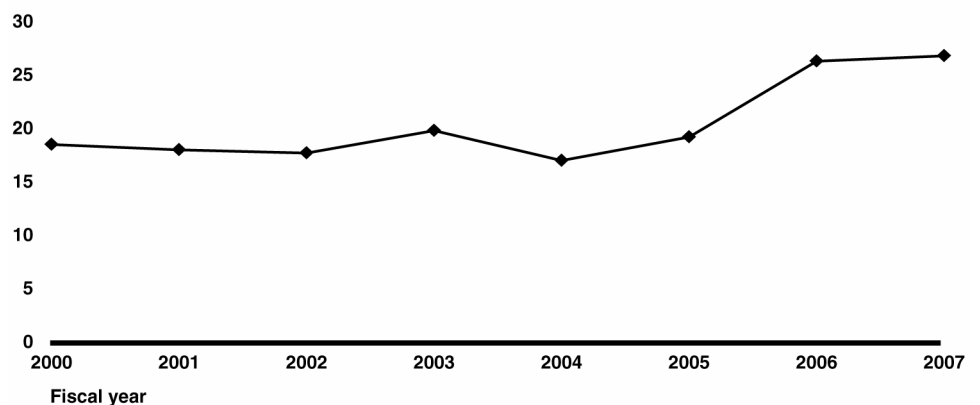
## EXPORT PROMOTION

### Export-Import Bank Has Met Target for Small Business Financing Share

#### What GAO Found

The share of Ex-Im financing directly benefiting small business has increased over recent years, surpassing the required 20 percent in 2006 and 2007. The percentage increase reflects a slow increase in Ex-Im financing for small businesses, while financing for non-small businesses was noticeably lower in 2006 and 2007 compared to 2005. Ex-Im continues to finance most small business transactions through insurance or working capital guarantees.

**Ex-Im's Reported Proportion of Financing Directly Benefiting Small Business, Fiscal Years 2000-2007**  
Percentage



Source: GAO analysis of Ex-Im data.

In our 2006 report, we found weaknesses in Ex-Im's data and data systems for tracking small business financing and made recommendations for improvement, and Ex-Im has taken steps to address those weaknesses. We reported that while Ex-Im generally classified companies' small business status correctly, weaknesses limited its ability to accurately determine small business financing values. For transactions where Ex-Im can identify the exporter at the time it authorizes the transaction, we found that internal control weaknesses in Ex-Im's data systems limited its ability to accurately determine small business financing amounts and share. For transactions where Ex-Im cannot identify the exporter up-front, we found that weaknesses in its system for estimating small business financing also limited its ability to accurately measure and report on such financing. We also reported some limitations in Ex-Im's calculation of the number—as opposed to the value—of transactions benefiting small business. GAO made four recommendations. Ex-Im has taken several steps in response to those recommendations. Most notably, Ex-Im replaced its previous data systems with “Ex-Im Online,” an interactive, web-based process that allows exporters, brokers, and financial institutions to transact with Ex-Im electronically. According to Ex-Im, this has resulted in more timely and accurate information on Ex-Im's financing.