

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

To: Members, Subcommittee on Agriculture, Energy and Trade  
From: Committee Staff  
Date: January 8, 2016  
Re: Hearing: "SBA's Office of International Trade: Good for Business?"

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On Monday, January 11, 2016 at 4:00 p.m., the Subcommittee on Agriculture, Energy and Trade will convene a hearing to examine efforts by the Small Business Administration's (SBA) Office of International Trade (OIT) to increase exports and promote United States small businesses' participation in international trade. Small businesses offer a tremendous opportunity to increase American exports. For example, the Office of Advocacy at the SBA states "small businesses play an important role internationally as they make up a steady 97 percent of all United States identified exporters and account for a significant and growing share of export value."<sup>1</sup> The United States Department of Commerce continues to serve as the primary conduit for American businesses seeking international market opportunities. However, in 2010 Congress directed the SBA to increase its role in export activities, including export counseling and financing.<sup>2</sup> This hearing will examine OIT, its successes and shortcomings. The only witness will be SBA Associate Administrator Eileen Sanchez.

### **I. Office of International Trade**

The SBA is required to perform several functions to support small businesses navigating the obstacles to engaging in international trade. Although the SBA conducts outreach efforts, its primary activities include counseling and training, provided mainly through nonfederal partner entities called Small Business Development Centers (SBDCs).<sup>3</sup> In addition to the counseling provided by SBDCs, the OIT provides advice to small businesses seeking financial assistance to "fill market gaps that arise because private sector is unable to provide adequate credit to support certain export transactions with greater real or perceived risk."<sup>4</sup> OIT also explains to small businesses the availability of export finance products offered through other agencies or entities such as those offered by the United States Export-Import Bank (Ex-Im).<sup>5</sup> Finally, the OIT is responsible for representing the SBA on the Trade Promotion

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<sup>1</sup> PATRICK DELEHANTY, OFFICE OF ADVOCACY, SBA, SMALL BUSINESSES KEY PLAYERS IN INTERNATIONAL TRADE 2 (2015).

<sup>2</sup> Small Business Jobs Act of 2010, Pub. L. No. 111-240, §§ 1201-1209, 124 Stat. 2504, 2520-36.

<sup>3</sup> GOVERNMENT ACCOUNTABILITY OFFICE (GAO), EXPORT PROMOTION, SMALL BUSINESS ADMINISTRATION NEEDS TO IMPROVE COLLABORATION TO IMPLEMENT ITS EXPANDED ROLE 1 (2013) (GAO-13-217), [hereinafter "GAO SBA Collaboration Report"], available at <http://www.gao.gov/assets/660/651685.pdf>.

<sup>4</sup> SBA, FY 2016 CONGRESSIONAL BUDGET JUSTIFICATION 74 (2015) [hereinafter "SBA FY 2016 BUDGET"], available at [https://www.sba.gov/sites/default/files/files/1-FY\\_2016\\_CBJ\\_FY\\_2014\\_APR\\_508.pdf](https://www.sba.gov/sites/default/files/files/1-FY_2016_CBJ_FY_2014_APR_508.pdf). OIT has no regulatory role with respect to international trade loans available from SBA private lending partners. Such lending is overseen by SBA's Office of Capital Access.

<sup>5</sup> SBA Collaboration Report, *supra* note 3, at 7.

Coordinating Committee (TPCC)<sup>6</sup> to aid in the implementation of the President’s National Export Initiative (NEI) – one of the Administration’s top trade priorities.<sup>7</sup>

**a. Trade Promotion, Training, and Counseling**

The OIT serves as the SBA’s main channel for trade promotion and counseling. One system SBA employs for coordinating trade promotion activities is the collocation of OIT’s Export Finance Specialists with United States Department of Commerce trade specialists, Ex-Im staff, and other public and private organizations. These offices are designated as United States Export Assistance Centers (USEACs). Their objective is to assist small- and medium-sized businesses as a one-stop shop for companies seeking export training and assistance.<sup>8</sup> OIT field staff at these locations operate in a number of capacities; however, their primary function is to provide technical assistance, outreach, and training on SBA’s export finance programs.<sup>9</sup> There are currently 19 USEACs located throughout the United States.<sup>10</sup>

In addition to the personnel assigned to the USEACs, the SBA has designated a District International Trade Officer in each SBA District Office. Given that *nom de guerre*, one would think that their primary mission would relate to international trade. That conclusion would be incorrect as GAO found; their primary duties involve other functions and spend only 15 percent of their time on export promotion responsibilities ranging from attending outreach events and answering businesses’ questions regarding exports.<sup>11</sup>

The SBA reports that, “in FY 2014, the SBA provided consultation services to 4,745 and trained 8,273 small businesses on export finance.”<sup>12</sup> The SBA noted the development of a small business counselor training certification program in partnership with the United States Department of Commerce and the TPCC. This network now includes more than 600 international trade-certified counselors within the SBDC network.<sup>13</sup> The SBA also collaborates with the Department of Commerce by sending export finance specialists to counsel and train staff for 15 of the Department of Commerce International Buyer Program’s (IBP) international trade shows.<sup>14</sup>

According to a recent GAO report, there are numerous barriers to small business participation in export markets. The process is complex and requires knowledgeable and dedicated personnel.<sup>15</sup> The efforts of small businesses are not aided by the absence of coordination by TPCC member agencies that provide counselling, especially information about financial products that could alleviate some of the risks associated with exports.<sup>16</sup>

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<sup>6</sup>The TPCC is an interagency task force that coordinates and develops the Administration’s government-wide export promotion plan. It consists of seven lead federal agencies and 13 additional agencies. The committee is chaired by the Secretary of Commerce and the Under Secretary of Commerce for International Trade. Furthermore, the TPCC has four main initiatives including, training, marketing, program integration, and information sharing.

<sup>7</sup> Exec. Order No. 13,534, 3 C.F.R. 198 (2010).

<sup>8</sup> <https://www.sba.gov/content/us-exports-assistance-centers>.

<sup>9</sup> SBA Collaboration Report, *supra* note 3, at 7.

<sup>10</sup> <https://www.sba.gov/content/us-exports-assistance-centers>.

<sup>11</sup> GAO Collaboration Report, *supra* note 3, at 7-8.

<sup>12</sup> SBA FY 2016 Budget, *supra* note 4, at 74.

<sup>13</sup> *Id.* at 74.

<sup>14</sup> The SBA defines the International Buyer Program as an event that small business exporters meet pre-screened prospective buyers from around the world in one domestic venue.

<sup>15</sup> GAO, EXPORT PROMOTION, TRADE AGENCIES SHOULD ENHANCE COLLABORATION WITH STATE AND LOCAL PARTNERS (2014) (GAO-14-393) [hereinafter “GAO Federal and State Trade Report”], *available at* <http://www.gao.gov/assets/670/663362.pdf>.

<sup>16</sup> *Id.* at 1.

## **b. Financing Products**

A function of the Administration's national export strategy is increasing small businesses' access to trade financing. The SBA participates by offering several financial products aimed solely at small businesses involved in international trade.<sup>17</sup> The SBA performs this duty through several financing vehicles.

There are three prominent export loan programs offered by SBA. The Export Working Capital loan program is designed to finance a small business processing foreign transactions on exported goods and services with a maximum of \$5 million loan and 90 percent guaranty.<sup>18</sup> Small businesses also have the option of employing the International Trade loan program that also provides loans up \$5 million in financing with a 90 percent guaranty.<sup>19</sup> The International Trade loan is for use by a business already engaged in exporting with plans to increase production. The Export Express loan program is offered through select SBA lenders.<sup>20</sup> Such loans are applicable to a wide range of export activities by small businesses new to the exporting; the loan offers "a 90 percent guaranty on amounts up to \$350,000 and a 75 percent guaranty on amounts up to \$500,000, the program offers lenders enhanced coverage in support of small business exporters."<sup>21</sup>

The Small Business Jobs Act required the SBA to hire 30 dedicated export finance specialists by September 27 2012.<sup>22</sup> The GAO notes that the SBA only has hired 19 trade finance officers and export development specialists mandated by the Congress.<sup>23</sup> In the Small Business Administration's FY 2016 Congressional Budget Justification, the SBA cites a lack of resources as an explanation for its failure to hire the required level of staff,<sup>24</sup> even though the SBA requested a total of \$25 million in outreach efforts not statutorily required while it asked for an increase of \$385,000 for the Office of International Trade.

## **II. Shortcomings of the OIT and GAO Recommendations**

By request of the Committee on Small Business, the GAO has conducted several investigations of the President's national export strategy, and more specifically, the overall effectiveness of the SBA OIT's ability to coordinate their export promotion efforts with other TPCC agencies. In three separate examinations, the GAO found that the SBA has proven to have major shortcomings in its implementation of their collaboration efforts and requirements to report on how federal export promotion resources align with the National Export Initiative. Lastly, GAO findings suggest that mismanagement of resources has resulted in an ongoing failure to meet the OIT staffing requirements.<sup>25</sup>

In a January 2013 GAO study, investigators found that "while the SBA collaborates to some extent with other key agencies on its export promotion activities, additional collaboration could enhance agency efforts and reduce overlap."<sup>26</sup> The GAO goes further to mention that the SBA does not have a clearly defined role and lacks the ability to leverage client information resources not shared by other

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<sup>17</sup> SBA FY 2016 Budget, *supra* note 4, at 71-72.

<sup>18</sup> *Id.* at 72.

<sup>19</sup> *Id.*

<sup>20</sup> Export express loans only may be offered by lenders authorized to participate in the SBA's Express loan program.

<sup>21</sup> *Id.* At 72.

<sup>22</sup> GAO Collaboration Report, *supra* note 3, at 25.

<sup>23</sup> SBA Collaboration Report, *supra* note 3.

<sup>24</sup> SBA FY 2016 Budget, *supra* note 4, at 72.

<sup>25</sup> GAO, SMALL BUSINESS ADMINISTRATION, LEADERSHIP ATTENTION NEEDED TO OVERCOME MANAGEMENT CHALLENGES 114 (2015) (GAO-15-347) [hereinafter "GAO Report on SBA Leadership"], available at <http://www.gao.gov/assets/680/672648.pdf>.

<sup>26</sup> SBA Collaboration Report, *supra* note 3.

agencies.<sup>27</sup> As a result, the GAO recommends that the SBA work more closely with Commerce and Ex-Im to identify roles and responsibilities among the agencies. GAO also recommended that the agencies increase the sharing of client information, where possible.<sup>28</sup>

The SBA Administrator chairs the TPCC's Small Business Working Group – the subgroup of the TPCC responsible for promoting small business export growth.<sup>29</sup> However, a July 2013 report, GAO found that the TPCC agency representatives do not have a comprehensive understanding of the countrywide resources employed to increase exports by small businesses.<sup>30</sup> Additionally, GAO staff observed that the TPCC has “provided less information on budget resources than previous strategies.”<sup>31</sup> The GAO recommends that the TPCC report in its National Export Strategy the allocation of resources by individual agencies and their alignment with the strategy's priorities – the TPCC Secretariat agreed.<sup>32</sup> If SBA provides TPCC with this information, it should highlight to relevant decision makers the need for SBA to prioritize resources for expanding small business participation in international trade.

One effort at coordination initiated through the TPCC is the creation of the Export Outreach Teams, which are a joint SBA-Commerce initiative to strengthen local networks of export service providers. The GAO found serious shortcomings in the implementation of these Export Outreach Teams<sup>33</sup> and “in some cases, activities were missing key participants and were inconsistent with the objectives, in part because SBA is not fully monitoring implementation of the teams across its 68 district offices.”<sup>34</sup>

Finally, in September 2015, the GAO released its review of SBA's agency-wide management deficiencies. The report noted concerns regarding “SBA's commitment to addressing management challenges that could keep it from effectively assisting small businesses.”<sup>35</sup> GAO recommends that the SBA more effectively implement the SBA's expansion of the OIT field staff as required by the Small Business Jobs Act of 2010 and provide updated plans for OIT staff that include funding sources and time frames.<sup>36</sup>

### III. Conclusion

As evidence suggests, engagement in international trade is a cornerstone of a strong and expanding United States economy. It is also clear, that America's small businesses will be key players in the expansion of United States exports. This hearing will examine the efforts of the Small Business Administration's (SBA) Office of International Trade (OIT) to increase exports and promote United States small businesses' participation in international trade. The Subcommittee will hear directly from the SBA about its ongoing effort to assist small businesses seeking to engage in the international trading system, and what actions, if any, it will take to remediate the problems uncovered by GAO.

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<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> SBA FY 2016 Budget, *supra* note 4, at 75.

<sup>30</sup> GAO, EXPORT PROMOTION, BETTER INFORMATION NEEDED ABOUT FEDERAL RESOURCES (2013) (GAO-13-644), available at <http://www.gao.gov/assets/660/655947.pdf>.

<sup>31</sup> *Id.* at 1.

<sup>32</sup> *Id.*

<sup>33</sup> Export Outreach Teams are part of a Commerce-and-SBA-led initiative to strengthen local networks of export service providers.

<sup>34</sup> GAO Federal and State Trade Report, *supra* note 15 at 1.

<sup>35</sup> GAO Report on SBA Leadership, *supra* note 26, at 1.

<sup>36</sup> *Id.* at 114.