



what works centre for
local economic growth

Toolkit
Business Advice
Export Credit
Agencies (ECAs)

What are they and what do they aim to do?

Export Credit Agencies (ECAs) help finance exports by providing direct credit, credit guarantees, or credit insurances. **Direct credit** may be provided either to the exporting firm (allowing them to supply goods on credit) or to the importing firm (allowing them to buy goods with cash). **Credit guarantees** facilitate exporter or importer borrowing from commercial banks. Finally, **insurance** underwrites the value of exports provided on credit. In all cases, the ECA bears the risk of default by the firms involved. As ECAs tend to support lending or guarantees that would be unprofitable for private sector firms, they are usually either public sector, or a combination of public and private sector. ECA support tends to cover all sectors, but take up is greater in exporting industries.

In the UK, export credit is provided by UK Export Finance (UKEF) which is the operating name of the Export Credits Guarantee Department (ECGD).

Key findings

- **Do ECAs increase exports?** Overall, the evidence suggests that ECAs are a fairly effective way to increase exports. A higher proportion of studies report positive effects compared to more costly Export Promotion Agency support ([see our EPA toolkit](#)).
- **Can ECA support improve other aspects of firm performance?** In contrast to EPAs, we know less about the impact of ECAs on firm performance, including whether increased exports crowd out domestic sales.
- **Which types of ECA support are most effective?** We don't have much evidence, but what we have suggests (cheaper) insurance provision may be more cost-effective than (more expensive) credit provision. We need to do more to understand cost-effectiveness.
- **For which countries or firms are ECAs most effective?** We don't know, which suggests that targeting on the basis of markets, firm size, sector or product characteristics would need to be based on theoretical considerations (e.g. around barriers to entry) and may not necessarily improve scheme performance.
- **Is ECA support in the UK effective?** All of the evidence comes from overseas examples; we do not have any high quality evidence on whether these schemes work in the UK.

How effective are they?

Five of eight studies find a positive relationship between ECA support and increased exports. Two studies find mixed effects, with one finding positive effects only after excluding the aerospace industry, and another finding positive effects for insurance but not direct lending or credit guarantees. Another study finds no effect.

Only one study looks at the impact of ECA support on other aspects of firm performance finding a positive effect on employment and sales.

There is some evidence that insurance provision may be more cost-effective than credit provision. Six studies find positive effects for insurance while one finds no effect. Two studies estimate the combined effect of guarantees and direct lending with one study finding a positive effect and another finding no effect.

One study finds that ECA support is most effective at increasing exports to industrial countries. However, ECA support became more effective at increasing exports to non-industrial countries after new regulations set minimum premiums.

Evidence on whether specific types of firms or industries benefit is limited and findings mixed. One study finds that small firms benefit less, while a second study finds the opposite. One study finds that ECA support is effective only once the aerospace industry is excluded.

Only one study examines the effect of ECA support in the UK. The study finds that expenditure on subsidies for export insurances provided by the ECGD had no impact on the value of UK exports as a share of GDP. Note, however, that this study uses a less robust impact evaluation method than a number of the studies that find positive effects.

Are ECAs cost effective?

Two studies provide cost effectiveness information.

One, from Germany, finds that every pound covered by insurance yields £1.70 in exports to industrial countries. For exports to non-industrial countries, every pound covered by insurance yields £0.65 in exports.

One study from the US finds that (once the aerospace industry is excluded from the analysis) every pound of credit or insurances yields £1.13 in exports.

Annex: Evidence on export credit agencies

How secure is the evidence?

This toolkit summarises the available ex-post evaluations of the effect of export credit agencies (ECAs) (i.e. quantitative studies that test the impact of the programme). This toolkit does not consider process evaluations, or evidence based on qualitative or case study methods. Instead, we focus on impact evaluations that identify effects that can be attributed, with some degree of certainty, to the support provided.

We looked for evidence on the effect of ECA support on firm, region or country level exports as well as on other economic outcomes such as employment.

We focused on evidence from the OECD, in English. We considered any study that provided before-and-after or cross-sectional evidence controlling for differences between supported or unsupported countries or firms. We also included more robust studies that compared changes to supported areas or firms with a control group or that used a source of randomness in provision of support to estimate a causal effect.¹ Throughout the toolkit, we've placed greater emphasis on studies with stronger methods.

We found nine evaluations that met our minimum evidence standards: three for Germany, two for Austria, one each for the UK, the US and the Czech Republic, with a final study considering three countries (the Czech Republic, Slovakia, and Poland). Six studies examine before-and-after changes in outcomes for supported countries/regions against a control group (SMS 3) while three examine cross-sectional differences in outcomes for supported countries/regions against a control group or make comparisons before-and-after support for supported units only (SMS 2).

The evidence

Five of eight studies find that ECA support is associated with increased exports.

Study 2018 (SMS 3 – firm) evaluates the impact of the Hermes export insurance scheme on the value of firm exports. The Hermes scheme is a German public sector programme that is operated by a consortium of two private sector firms (Euler Hermes and PricewaterhouseCoopers). It is worth noting that Euler Hermes also provides other forms of support (help with debt collection, fraud insurance, and surety bonds), but this study does not evaluate their impact. In practice, 90 per cent of insurance is provided to firms exporting to developing countries. This study uses a dataset of firms from 2000 to 2010 so it can use fixed effects to control for firm characteristics that remain constant throughout time (and that might affect both exports and applications to the scheme). It finds that Hermes insurance increased the likelihood of increasing exports by 17.3 percentage points.

¹ See the Maryland Scientific Methods Scale (SMS) <http://www.whatworksgrowth.org/resources/the-scientific-maryland-scale/>.

Study 2006 (SMS 3 – country) also evaluates the impact of the Hermes insurance scheme on the value of exports to different countries using a dataset of countries to which Germany exports, from 1991 to 2003. This allows it to account for all country-level characteristics that remain constant throughout time. The study finds that a one per cent increase in the value of Hermes insurances to industrialised countries increases exports by 0.06 per cent. For non-industrial countries, a one per cent increase in Hermes coverage increases exports by 0.087 per cent. These elasticities imply an export increase for industrialised countries of 1.7 times the covered amounts, while for non-industrial countries it is just 0.65. Finally, the study also considers the impact of a change in OECD regulation that established minimum premium and interest rates, thereby reducing the extent to which governments could subsidise exports through insurances.² The study finds that for exports to non-industrial countries, the impact of Hermes insurances was greater after the introduction of the legislation. Given that the overall value of insurance provided decreased, this could be explained if the firms that continued to use the support with higher premiums/interest rates are the ones for which the insurance makes the difference between exporting and not exporting (i.e. those exporting to the riskiest markets).

Study 2582 (SMS 3 – country) evaluates the impact of the Czech Export Bank (CEB), which provides guarantees and direct lending, and the effectiveness of the Czech Export Guarantee and Insurance Corporation (EGAP). The study considers a dataset of countries to which the Czech Republic exports from 1996 to 2012, and finds that both the overall amount of CEB support (guarantees and direct lending) provided to a country and the overall amount of EGAP support (insurances) provided to a country are effective at increasing the value of exports to that country.

Study 2031 (SMS 2 – firm) evaluates the relationship between export insurance and exports in Austria using a dataset of firms for the year 2009. It finds that the insurances provided by the Austrian ECA Oesterreichische Kontrollbank AG are associated with somewhere between a 97 to 126 per cent increase in the value of firm exports.

Study 2009 (SMS 2 – country) evaluates the relationship between exports and insurances provided by the Austrian ECA Oesterreichische Kontrollbank AG, the same scheme as covered by Study 2031. The study considers a dataset of industries for each country that Austria exports to, from 1996 to 2002 and finds that a one per cent increase in the value of new insurances on exports to a country is associated with an increase in the value of Austrian exports by 0.5 per cent.

Study 2230 (SMS 3 – country) evaluates the joint impact of credit guarantees, direct lending, and insurance provided by the state export credit agency US EXIM. It uses a dataset for countries to which the US exports, from 2007 to 2013. This allows it to account for all country-level characteristics that do not change across time. The study finds that the value of export guarantees granted for a particular country has no overall impact on annual exports to that country. If the aerospace industry (which accounts for 49% of the portfolio) is excluded from the analysis, the study finds that a ten per cent increase in credit guarantees increases exports by 0.03 per cent.

Study 2297 (SMS 2 – country) evaluates the impact of export insurance subsidies (i.e. insurance coverage that is generous to the point of subsidisation) provided by the UK Export Credits Guarantee Department (ECGD). It uses a dataset of countries to which the UK exports, from 1980 to 2000. This allows the study to account for all country-level characteristics that don't change across time. It finds that insurance subsidies have no effect on the value of exports.³

Study 1377 (SMS 3 – country) evaluates the impact of state-provided direct loans, credit guarantees, and insurance on exports from the Czech Republic, Slovakia, and Poland using a dataset on countries to which they export from 2003 to 2011. This allows the study to control for country characteristics that do not change across time. The study differentiates between support from a Czech state bank (the Czech Export Bank), a Polish state insurance provider (the Export Credit Insurance Corporation), and a Slovak state institution

2 The Knaepen Package, which was introduced in 1999, aimed to reduce distortions in the insurance market by setting minimum premium levels.

3 The authors note that calculating the extent of insurance subsidy is controversial, but that they follow the following formula: $(\text{export insurance claims} + \text{administrative cost} - \text{export insurance premium} - \text{recovery}) / \text{export value}$.

offering both banking and insurance products (Eximbanka). State banks directly provide firms with loans and credit guarantees, while state insurance providers only offer export insurance. The study finds that a one per cent increase in expenditure by the state insurance provider increases exports by 0.05 per cent. In contrast, expenditures by the state bank and state combined institution has no effect.

There is some evidence that insurance provision may be more cost-effective than credit provision.

The six studies finding positive effects for insurance are 1377, 2006, 2009, 2018, 2021 and 2582. The one study that finds no effect is 2297 (see above for details).

The two studies that consider the combined effect of credit guarantees and direct lending are 2582 and 1377. The former finds a positive effect, the latter no effect (see above for details).

One study finds that ECA support is most effective at increasing exports to industrial countries.

However, ECA support became more effective at increasing exports to non-industrial countries after new regulations set minimum premiums.

See study 2006 discussed above.

Only one study examines the effect of ECA support in the UK.

See study 2297 discussed above.

Only one study looks at the impact of ECA support on other aspects of firm performance.

Study 2016 (SMS 3 – firm) evaluates the impact of the Hermes insurance scheme on firm sales and employment in Germany using a dataset of firms from 2000 to 2010. This allows the study to compare firms that were and were not covered by Hermes, before and after they used the insurance. Scheme details are provided above. The study finds that using Hermes insurance increases employment by 3 percentage points and sales by 4.5 percentage points.

Evidence on whether specific types of firms or industries benefit is limited and findings mixed.

Study 2018 (SMS 3 – firm) evaluates the impact of different firm characteristics on the effectiveness of the Hermes export insurance scheme. Scheme details are provided above. It looks at whether results differ by firm employment, working capital, cash flow, and value of tangible assets and finds that firms with more employment and cash flow benefit less from Hermes (in terms of exports). Firm working capital and tangible assets have no effect on the impact on exports.

Study 2230 (SMS 3 – country) evaluates whether the impact of credit guarantees, direct lending, and insurance on the value of exports varies according to firm size. Scheme details are provided above. It finds that while the programmes have no impact on exports for small firms, they have a positive effect for medium and large firms.

Are ECAs cost effective?

Two studies provide cost effectiveness information. Study 2006 finds that a one per cent increase in insurance increases exports to industrial countries by 0.06 per cent. It notes that the average total value of insurance per country per year is £150 million and the average amount of German exports is roughly £4.2 billion.⁴ A one per cent increase in insurance (£1.5 million on average) leads to an increase in exports of £2.5 million. This implies that for Germany, every pound covered by insurance yields £1.70 in exports to industrial countries. For exports to non-industrial countries, the study finds that every pound covered by insurance yields £0.65 in exports.

Study 2230 notes finds that if the aerospace industry is excluded from the analysis, a ten per cent increase in US direct loans, credit guarantees, and insurance increases exports by 0.03 per cent. This implies that for the US, every pound spent on ECA support yields £1.13 in exports.

⁴ All currency converted to GBP using the FT exchange rate reported for 16/06/2017.

Annex: Evidence Reviewed

Ref Number	Reference
2006	Moser, C., Nestmann, T., & Wedow, M. (2008). Political risk and export promotion: evidence from Germany. <i>The World Economy</i> , 31(6), 781-803.
2009	Egger, P., & Url, T. (2006). Public export credit guarantees and foreign trade structure: Evidence from Austria. <i>The World Economy</i> , 29(4), 399-418.
2016	Felbermayr, G. J., Heiland, I., & Yalcin, E. (2012). Mitigating liquidity constraints: Public export credit guarantees in Germany.
2018	Heiland, I., & Yalcin, E. (2015). Export Market Risk and the Role of State Credit Guarantees (No. 5176). CESifo Working Paper.
2031	Badinger, H., & Url, T. (2013). Export Credit Guarantees and Export Performance: Evidence from Austrian Firm level Data. <i>The World Economy</i> , 36(9), 1115-1130.
2230	Agarwal, N., & Wang, Z. (2016). Does the US EXIM Bank Really Promote US Exports?
2297	Mah, J. S. (2003). The export insurance system and export supply of Britain. <i>Economics Working Papers</i> , 200344.
2582	Pšenačková, L. The Performance of Export Credit Agencies in European Post-Communist Countries.
1377	Janda, K., Michalíková, E., & Psenakova, L. (2013). The performance of export credit agencies in post-communist Central European countries (No. 10/2013). IES Working Paper.

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