Do service models matter for ECAs and EXIMs?

Based on their latest research, Kuno Schedler, Professor and Andreas Klasen, Visiting Professor at University of St Gallen, argue that ECAs and EXIMs may benefit from analysing and innovating their service models.

In an extensive research project, we have assessed the application of different service models by export credit agencies (ECAs) and export-import banks (EXIMs). We conducted interviews with 35 representatives of ECAs and EXIMs from 27 countries.[1] The question guiding this study is: How do ECAs and EXIMs adopt public service models for supporting exporters? We conducted a holistic multiple case study, investigating if and how these organisations apply public service models developed by Schedler and Guenduez[2], and which roles of the state are relevant. We find that there is a variety of different service models used by ECAs and EXIMs, and that the service model approaches have great potential to learn from each other and innovate existing services.

Service models in the public sector

Business model innovation is a key strategic concern for firms. Business models describe the architecture of a service provision (value creation), its financing (value capture) and the benefit (value proposition) achieved for the addressee.[3] In the private sector, the focus is on the ability to get ahead of the competition in a customer-centric approach.



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However, public administrations are generally not exposed to this fierce competition, or only to a limited extent to create a level playing field. Thus, Schedler and Guenduez are replacing the term 'business' with 'service'. Nevertheless, innovations are required for the state as well, and innovative capability is a central concern of modern administrations.

The role of governments in the economy has evolved from marginal to central in the last century. With foreign trade promotion, states help firms to develop economic activities in international markets.[4] Public interventions are aimed at promoting exports and economic growth by reducing market failures and addressing market imperfections. ECAs

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and EXIMs offer models such as financing, insurance and guarantees, helping to provide liquidity or mitigate risks.[5] Surprisingly, a systematic analysis of which service models are used in this policy area and what roles the state plays is lacking despite the long history of officially supported export credits.

Exploring relevant roles and public service models

While exploring if ECAs and EXIMs – similar to governments in general – have a role as funders, yield shapers, performance designers, activators, and guardians of public goods (see Figure 1), our interviews suggest that ECAs and EXIMs have many models in common. In addition, they also vary to a large extent in the application of other models. It is this variety that may be a basis for interagency exchange of experience, and for innovating existing services.

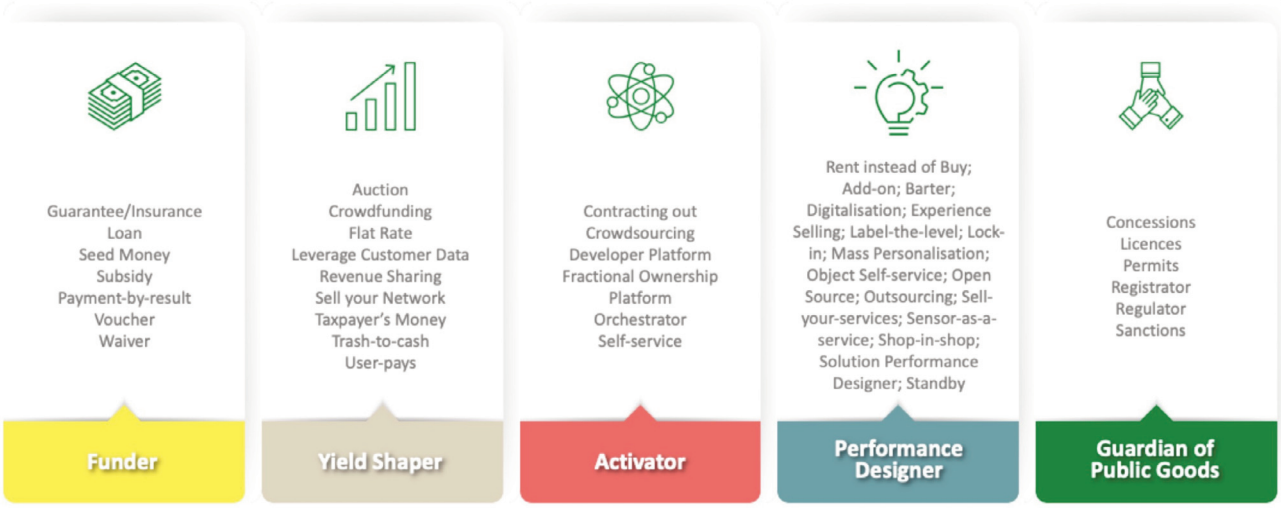
It is not surprising that all five roles do not have the same relevance for ECAs and EXIMs in their practice. As expected, interview results reveal that some of the most relevant service models are related to the role as funder, although some of the connected models are not applied at all. All interviewees mentioned that their institution always provides de-risking instruments. Furthermore, direct lending is relevant for nearly half of the assessed ECAs and EXIMs.

On the other hand, while governments are using seed money or vouchers as a common funding service model, ECAs and EXIMs mostly do not (see Figure 2). This illustrative focus on the role of the funder clarifies the intriguing insights a service model approach can deliver.

Interviewees confirmed that it is the core service model of their organisations to offer post-shipment guarantees and insurance to exporters. However, a significant number of institutions have started to provide extensive pre-shipment cover solutions such as capital expenditure and working capital guarantees in the last decade. Climate-related offerings have recently become relevant. Funding offerings have broadened as well. Approximately 50% of agencies and banks in assessed countries provide direct lending.

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Figure 1: Roles and models in public administration practices



[Based on Schedler and Guenduez, 2022]

Other models are important too!
ECAs and EXIMs focus their efforts on generating financing opportunities from their services for the fulfilment of public tasks, appearing as yield shapers. Revenue sharing, leveraging customer data and user-pays are highly relevant according to interviewees. Additionally, ECAs and EXIMs regularly act as activators. Many operate as a platform, creating network effects among exporters, foreign buyers, commercial banks, and other stakeholders.

In addition to the creation of this 'pull', institutions often orchestrate foreign trade activities. They coordinate the interaction of different actors in such a way that public value is created, for example for complex project finance transactions. Lastly, our results show that some service models of the performance designer role are significant for most assessed ECAs and EXIMs.

What to learn from service models?
During our discussions with experts in the field, it became clear time and again that thinking in terms of service models is not familiar. However, it is seen as increasingly exciting and profitable the more the interlocutors feel familiar with the approach.

Recognising one's own service models in a structured form is the first step. The next step is innovation: What other service models can be used to further improve the impact of one's own organisation? In doing so, the standardised models also enable comparison with other, similar organisations that perform the same tasks with other service models. ■

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Notes

1 Assessed countries include Australia, Belgium, Botswana, Canada, Czech Republic, Denmark, Finland, France, Germany, Hungary, Japan, Malawi, the Netherlands, New Zealand, Nigeria, Norway, Oman, Poland, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the UK, and the US.

2 Schedler, K & Guenduez, A (2022) The Service Model Navigator for the Public Sector. International Public Management Network Conference. Phoenix, AZ.

3 Wirtz, BW, Kubin, PRM & Weyerer, JC (2023) Business model innovation in the public sector: an integrative framework. Public Management Review. 25(2), pp. 340-375.

4 Melitz, M (2003) The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity. Econometrica. 71(6), pp. 1695-1725.

5 Jennekens, B & Klasen, A (2023) How 'safe' is the WTO 'safe haven'? A need to modernise disciplines for officially supported export credits. Journal of International Trade Law and Policy. 22(1), https://doi.org/10.1108/JITLP-

Figure 2: ECA and EXIM service model applications as funders

