Anatomy and Impact of Export Promotion Agencies

Marcio Cruz
Daniel Lederman
Laura Zoratto
Abstract

Recent literature has shown evidence of positive contributions of export promotion agencies around the world in raising exports, through the intensive and extensive margins of trade. The number of export promotion agencies has increased substantially over the past two decades, and most of them focus on assisting exporters in understanding and finding markets for their products. This paper describes the characteristics of export promotion agencies around the world, using a novel database from the World Bank, in collaboration with the International Trade Center in Geneva, covering 2005–10. In addition, it presents a short summary of the literature on the impacts of export promotion agencies.
Anatomy and Impact of Export Promotion Agencies

Marcio Cruz† Daniel Lederman‡ Laura Zoratto§

Keywords: Exports, Export Promotion Agencies, Trade policy.

*This paper is a forthcoming chapter of the Research Handbook on Economic Diplomacy. The literature review draws on Cruz [2014]. The views expressed in this paper are the authors only.
†The World Bank and UFPR. Email: marciocruz@worldbank.org.
‡The World Bank. Email: dlederman@worldbank.org.
§The World Bank. Email: lazoratto@worldbank.org.
1 Introduction

Export Promotion Agencies (EPAs) are popular institutions, present in almost every country, aiming to facilitate the access of domestic firms to foreign markets. EPAs are among several other instruments of diplomacy aiming to boost exports. Despite the existence of private firms providing similar services, many EPAs in developing and developed economies are public entities and receive a significant amount of resources from taxpayers. This has motivated several recent studies that analyze the economic impact of these agencies on various dimensions of export performance. This paper introduces a novel database from the World Bank, in collaboration with the International Trade Center (ITC) in Geneva, describing the main characteristics of EPAs around the world and summarizes the findings of the literature on the economic impact of these agencies.

Exporting firms are usually larger, more productive, and pay higher wages than non-exporting firms, making export promotion an attractive objective for policy makers. In the literature, there are two main non-mutually exclusive hypotheses as to why exporting firms are more productive than non-exporting firms. The first hypothesis suggests a self-selection of the more productive firms into export markets. The second hypothesis emphasizes the role of learning-by-exporting. The most prevalent view is that most efficient firms self-select themselves into the export market (see Roberts and Tybout [1997], Clerides et al. [1998], Melitz [2003], Bernard and Jensen [2004]). However, recent studies (see De Loecker [2007], Lileeva and Trefler [2010], and Atkin et al. [2016]) have found that improving foreign market access may increase the productivity of firms. These studies may provide evidence-based support for policies aiming to facilitate the access of domestic products and firms into foreign markets.

The presence of market failures such as externalities and asymmetric information might also support some mechanisms of government-sponsored export promotion. Cadot et al. [2011] show evidence of positive externalities for exporters of similar products to those firms exporting for the same destinations. Also, a high entry cost for learning about foreign markets and uncertainty due to incomplete information can deter potential exporters from doing so [Allen, 2014]. If export promotion policies are effective towards promoting new exporters, increasing export value and/or facilitating export diversification, they will make additional gains from trade feasible. Moreover, the uncertainty faced by firms regarding their chances to export may lead to a risk averse behavior

---

1Wagner [2007] provides a summary of evidence from studies testing these hypotheses using firm level data.  
2The former conducts a randomized control trial (RCT) on rug manufacturers in the Arab Republic of Egypt and find that treatment firms report 16-26 percent higher profits relative to control firms.  
3Copeland [2007] provides a critical review of the literature and emphasizes two sources of market failure that could justify this kind of intervention: information spillovers and asymmetries of information.
where they avoid sunk costs associated with accessing an external market, despite their potential to be competitive abroad.

Despite their wide presence across the world, until the early 2000s very little was known about the characteristics of EPAs worldwide. Between 2005 and 2010 the World Bank, in collaboration with the ITC, conducted two worldwide surveys on EPAs. This paper describes the characteristics of EPAs around the world using the most recent survey, conducted in 2010. We complement this analysis by discussing a wide variety of studies evaluating the impact of EPAs around the world, looking into questions related to different margins of international trade, at both a macro and micro perspectives.

This paper is organized as follows: Section 2 describes the new database on EPAs and provides some descriptive statistics on the characteristics of the agencies by region. Section 3 provides a literature review on the impact of EPAs on exports and analyzes how these findings may support EPAs’ initiatives. Section 4 concludes.

2 Export promotion agencies: How do they work?

Between 2005 and 2010 the World Bank, in collaboration with the ITC, conducted two worldwide surveys on EPAs. The survey conducted in 2005 is well documented in Lederman et al. [2010]. A follow-up survey was conducted in 2010. From 149 countries that were contacted for this survey, 116 had and EPA in place. A 19-question survey was sent out by e-mail and replies were collected over a 4-month period (July-October 2010), with responses verified via phone calls. Regarding the perceived importance of the EPAs in the sample, the large majority of EPAs that replied to the 2010 survey identified themselves as the only or main agency responsible for export support and promotion in their country.4

The 2010 survey gathered data on 96 EPAs, 93 of which provided information on their budget expenditures.5 In this survey, export support and promotion encompasses all services designed to assist and encourage domestic firms to export goods and services and increase their foreign sales. As such, this definition of export support and promotion includes five types of activities: i) country image building; ii) export support services (e.g training); iii) marketing; iv) market research and publications, and v) policy advocacy.6 This section provides a summary of the

---

4The exception is Asia, where about 30% of agencies perceived themselves as a major agency, but not the most important one.
5Table 9 in the appendix identifies the countries that participated in the survey.
6The definition of export support and promotion in this survey does not include export finance, export insurance or fiscal incentives to exporters.
main findings of the 2010 survey.

2.1 Structure

High-income economies have a long tradition of export promotion agencies, but 65 percent of current EPAs worldwide were created in the late 1990s, mostly in developing countries. With few exceptions, EPAs are relatively new institutions in the developing world. This fact might explain several recent institutional changes in EPAs worldwide. In 2010, the large majority (60 percent) of agencies across different regions were established as joint public-private entities (table 1). Among the 79 agencies with information available in 2005 and 2010, 23 percent of them have embarked on at least one type of institutional reform (e.g. merging or separating the foreign direct investment - FDI attraction and export promotion activities, changing the legal status from private to joint public-private entity). Most of them (12 out of 18) became joint public-private or private institutions. Among those that changed in this relatively short period, none of them became a public agency.

| Structure                        | Asia | ECA | LAC | MENA | OECD | SSA | Total |
|----------------------------------|------|-----|-----|------|------|-----|-------|
| Public (Sub-unit of a ministry)  | 0    | 0   | 2   | 0    | 1    | 1   | 4     |
| Public (Autonomous)              | 0    | 0   | 1   | 0    | 3    | 2   | 6     |
| Public-Private                   | 5    | 10  | 13  | 10   | 9    | 12  | 59    |
| Private                          | 8    | 4   | 5   | 1    | 3    | 2   | 23    |
| Other                            | 0    | 0   | 4   | 1    | 1    | 0   | 6     |
| **Total**                        | 13   | 14  | 25  | 12   | 17   | 17  | 98    |

An important feature regarding export promotion agencies refers to the composition of their executive board. Lederman et al. [2010] find that exports increase with a larger share of the EPA executive board seats that are held by the private sector. A median EPA, in our sample, has about nine members with approximately 50 percent of the board composed of representatives from the private sector (table 2). Yet, this feature may differ across regions. In Asia and Eastern Europe (ECA), EPAs tend to be smaller with proportionally fewer members from the private sector.

---

7In our sample, Canada was the first to create an EPA in 1896, followed by Finland (1919) and Switzerland (1927).
Table 2: Median number of board members.

| Region   | Total | Private sector | Cabinet-level officials | Ministries | Share of Private (%) |
|----------|-------|----------------|-------------------------|------------|----------------------|
| Asia     | 7     | 3              | 1                       | 1          | 29                   |
| ECA      | 7     | 3              | 3                       | 3          | 40                   |
| LAC      | 9     | 5              | 3                       | 2          | 54                   |
| MENA     | 12    | 6              | 5                       | 3          | 50                   |
| OECD     | 10    | 6              | -                       | 1          | 57                   |
| SSA      | 10    | 5              | 2                       | 3          | 54                   |
| **Total**| **9** | **5**          | **2**                   | **2**      | **50**               |

Note: ECA = Eastern Europe, LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = Organisation for Economic Co-operation and Development; SSA = Sub-Saharan African countries.

2.2 Strategic Objectives

The survey asked the EPAs to rank their strategic objectives from 1 to 8 in order of their importance (1 being the most important strategy and 8 the least important). The following options were considered as possible strategies: i) increase exports across all sectors and destinations (All); ii) diversify exports by encouraging new products (Products); iii) diversify exports by encouraging new destinations (Destination); iv) encourage the development of industry clusters (Clusters); v) help firms enter global supply chains (Supply chain); vi) support exports and competitiveness of small and medium enterprises (SMEs); vii) attract investments by export-oriented multinationals (EOM); and viii) other strategies.

Table 3: Ranking of strategic objectives

| Region   | All | Products | Destination | Clusters | Supply chain | SMEs | EOM | Other |
|----------|-----|----------|-------------|----------|--------------|------|-----|-------|
| Asia     | 1   | 2.5      | 2           | 5        | 5            | 3    | 6.5 | 8     |
| ECA      | 1   | 3.5      | 4           | 4        | 4            | 1    | 2   | 4     |
| LAC      | 1   | 2        | 3           | 6        | 5            | 3    | 3   | 2.5   |
| MENA     | 1   | 2        | 2           | 4        | 4            | 3    | 6   | 4     |
| OECD     | 1   | 4        | 3           | 4        | 4.5          | 2    | 6   | 3     |
| SSA      | 1   | 3        | 3           | 5        | 4.5          | 2.5  | 3   | 4     |
| **Total**| **1** | **3** | **3**       | **5**    | **4**        | **2** | **4** | **3.5** |

Note: ECA = Eastern Europe, LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = Organisation for Economic Co-operation and Development; SSA = Sub-Saharan African countries.

The large majority (86 percent) of the agencies reported that the promotion of exports across all sectors and destinations is one of their strategies, with an average ranking of 1.6. Moreover, almost the same share of EPAs (85 percent) reported diversification of export destinations as one of their strategies, with an average ranking of 2.8. Diversification of markets is a more common strategy than product diversification according to 73 percent of EPAs, with an average ranking of 3. Also, several agencies ranked the attraction of export-oriented multinationals, the
development of clusters and inclusion in global supply chains as part of their strategies, but with a lower average ranking. As such, we can infer that, for the majority of EPAs, increase in overall exports and diversification are more often their top priorities, not necessarily through inclusion in global supply chains, clusters or attraction of multinationals.

Table 4: Share of EPAs targeting new products and diversification

| Region  | Destination | Products | Major markets | Regional markets | Other markets |
|---------|-------------|----------|---------------|------------------|--------------|
| Asia    | 100.0       | 92.3     | 75.0          | 66.7             | 18.2         |
| ECA     | 93.3        | 53.3     | 86.7          | 53.3             | 40.0         |
| LAC     | 100.0       | 91.3     | 87.0          | 95.7             | 38.1         |
| MENA    | 100.0       | 91.7     | 81.8          | 100.0            | 22.2         |
| OECD    | 82.4        | 70.6     | 92.9          | 50.0             | 76.9         |
| SSA     | 93.3        | 86.7     | 66.7          | 86.7             | 6.7          |
| Total   | 94.7        | 81.1     | 82.2          | 76.7             | 34.5         |

Note: The table provides the simple average of the ranking across countries, where 1 is the most important objective, and 8 is the least important. ECA = Eastern Europe, LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = Organisation for Economic Co-operation and Development; SSA = Sub-Saharan African countries.

Most EPAs indicate that the diversification of products and destinations is one of their main goals (table 4). A breakdown of diversification strategies by region reveals that, on average, EPAs in Asia, Latin America and the Caribbean (LAC) and the Middle East and North Africa (MENA) regions give higher priority to the diversification of both markets and products. As expected, the more diversified economies of Eastern Europe (ECA) and OECD countries in general do not prioritize product diversification as much. Moreover, when defining the main targets, most EPAs indicate they are targeting major and regional markets. Because most of these countries are already trading with others considered as major and regional markets, it is more likely that the new destinations target will be effective by promoting new products or firms into markets that might be new for them, but not necessarily for the country.

2.3 Resources and Expenditures

Regarding their size, a median EPA has about 86 employees, while the top quartile has more than 300. Yet, there is a large variability across regions, and OECD countries usually maintain the larger EPAs.

EPAs’ budget (or expenditures) range from US$ 100,000 to US$ 443 million, with a global average of US$ 42.7 million (in 2010 USD).8 The average budget in low income countries (LICs) is US$ 3.8 million USD. However, the budget in those countries had the highest average annual

8The 2010 survey requested information on the total budget of the EPAs over the last 6 years. The 2005 survey gathered data for the 2005 budget only.
Table 5: Number of employees by EPAs

| Region | Mean | p25 | p50 | p75 |
|--------|------|-----|-----|-----|
| Asia   | 238  | 40  | 82  | 323 |
| ECA    | 91   | 31  | 53  | 164 |
| LAC    | 128  | 31  | 66  | 229 |
| MENA   | 77   | 39  | 78  | 102 |
| OECD   | 886  | 320 | 587 | 1,400 |
| SSA    | 81   | 25  | 42  | 75  |
| **Total** | **269** | **35** | **86** | **300** |

Note: The table provides the simple average of the ranking across countries, where 1 is the most important objective, and 8 is the least important. ECA = Eastern Europe; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = Organisation for Economic Co-operation and Development; SSA = Sub-Saharan African countries.

growth in the period 2005-2010 (33 percent), with Eastern European and Sub-Saharan African countries presenting the highest growth rates (47 percent and 34 percent respectively). The average EPAs’ budget is around 0.18 percent of the value of exports of goods and services in these countries, with a standard deviation of 0.64 and a median of 0.04 percent. The regions with the largest average expenditure as a share of their exports are Sub-Saharan Africa (SSA) and Latin America and the Caribbean (LAC), respectively 0.34 and 0.21 percent. They are followed by countries in Eastern Europe and Asia (0.18 percent), Middle East and North Africa (MENA), Asia and the OECD with average budgets of around 0.09 to 0.12 percent of exports.

Table 6: Average annual budget in USD 2010 (thousands)

| Region | Asia | ECA | LAC | MENA | OECD | SSA | Total |
|--------|------|-----|-----|------|------|-----|-------|
| mean   | 39,900 | 34,000 | 21,300 | 9,828 | 139,000 | 6,744 | 42,700 |
| p75    | 39,600 | 13,000 | 14,200 | 16,000 | 202,000 | 4,200 | 49,100 |
| p50    | 3,468  | 2,955  | 5,130  | 5,214  | 93,200  | 1,704 | 5,572  |
| p25    | 850    | 1,291  | 2,242  | 3,700  | 63,600  | 1,014 | 1,700  |

When analyzing the budget per capita reported by EPAs in 2010 we observe a positive correlation with per capita GDP and exports per capita (figure 1).\(^9\) Richer economies spend proportionally more on EPAs and those countries with larger EPAs’ budget also export more. We also observe a positive correlation between the size of EPAs, in terms of number of employees and per capita gross domestic product (GDP). In addition, there is a positive association between EPAs budget and country size, in terms of total population. Yet, despite this positive correlation the graphs show a large dispersion between these variables.

These charts summarize some of the key challenges of empirical studies analyzing the im-

\(^9\)Table 10 in the appendix shows a positive and significant correlation between EPAs’ per capita budget and per capita GDP (0.61) and a higher correlation between EPAs’ per capita budget and per capita exports (0.71). EPAs size is also positively correlated with per capita GDP (0.56), and with total EPAs Budget (0.83). Total EPAs’ budget is positively correlated with total population (0.2).
pact of EPA. The positive association between these variables (GDP per capita, exports, and EPAs’ budget) does not say anything about the causal relationship between EPAs and export performance. Understanding the causal effects of EPA programs on export performance, a topic we discuss in section 3, is a key question for policy makers and a major challenge for empirical studies.

Figure 1: GDP per capita, exports, and population size are positively associated with EPAs’ budget and EPAs’ size

![Graphs showing positive associations between GDP per capita, exports, number of employees, and EPA budget and size.]

Source: World Bank’s EPAs survey 2010 and WDI (2016).

With respect to the sources of EPAs’ budget, more than 75 percent is publicly funded, in most regions. The only exception is Latin America and the Caribbean, where between 50 and 75 percent of the budget is publicly funded. Moreover, a median EPA from the OECD has a larger share of budget that is privately funded or based on fees charged for services they provide (between 10 and 25 percent, while the other regions have less than 10 percent of their budgets coming from these sources).

For the majority of EPAs, a large amount of resources (between 25 and 50 percent) is allocated to marketing activities. This amount is larger for Asian countries, and smaller in OECD and SSA countries. The second activity to which EPAs allocate most of the resources is export support (between 10 and 25 percent on average). Other activities represent less than 10 percent of their
resources. Agencies from Asia, MENA and SSA reported spending more on activities related to image building or research (between 10 and 25 percent). A breakdown of expenditures by input categories suggests that most of the resources goes to salaries, followed by travel and rent. Overall, EPAs spend more on small and medium firms, instead of large ones; and spend more on established exporters, instead of new/occasional exporters or non-exporters; spend more on the provision of marketing services (e.g. trade missions) and export support services (e.g. training, technical assistance), relative to other services. Moreover, they usually have the promotion of exports across all sectors as a main strategy, followed by the promotion of exports to new destinations.

2.4 Monitoring and Evaluation Systems

Last, but not least, the survey suggests that the large majority of EPAs have some sort of monitoring system in place to track their performance. Table 7 indicates a large share of EPAs with impact measurement mechanisms in place within the organization (impact) and a formal routine process of following up with clients that received assistance from the agency (client).

Table 7: Impact, monitoring, and evaluation

| Region | impact | client |
|--------|--------|--------|
| Asia   | 58.3   | 69.2   |
| ECA    | 80.0   | 86.7   |
| LAC    | 86.4   | 95.5   |
| MENA   | 75.0   | 83.3   |
| OECD   | 94.1   | 88.2   |
| SSA    | 66.7   | 73.3   |
| Total  | 78.5   | 84.0   |

For most EPAs the value of exports is the most important key performance indicator. Table 8 presents a ranking of key performance indicators (KPIs). In the survey, EPAs were asked to rank KPIs from 1 to 5 in order of their importance, 1 being the most important and 5 the least important. Yet, these monitoring mechanisms are not necessarily able to identify the causal impact of EPAs’ assistance on export performance, which is the topic of the next section.
Table 8: Key Performance Indicators (median)

| Region | Number of Exporters | Value of Exports | Number of Clients | Clients’ Satisfaction | Other KPIs |
|--------|---------------------|------------------|-------------------|-----------------------|-----------|
| Asia   | 2                   | 1                | 2                 | 3                     | 2         |
| ECA    | 2                   | 1                | 3                 | 3                     | 0         |
| LAC    | 2.5                 | 1                | 2                 | 3                     | 1.5       |
| MENA   | 2                   | 1                | 2                 | 2                     | 3         |
| OECD   | 3                   | 3                | 2                 | 1                     | 1         |
| SSA    | 1.5                 | 1.5              | 3                 | 2.5                   | 3         |
| Total  | 2                   | 1                | 2                 | 2                     | 1         |

3 What do we know about the effects of export promotion agencies?

Since the early 2000s there have been several empirical studies seeking to analyze the effects of EPAs on exports. This follows the trend of an increasing number of EPAs and a larger availability of data at the firm level.\(^{10}\) The recent discussions about the effectiveness of export promotion policies differ from the debate in the 1980s, when most export promotion activities were marked by criticisms of their distance from the private sector.\(^{11}\) As highlighted by Lederman et al. [2010], the number of EPAs has tripled over the past two decades and most of them have focused on assisting exporters in understanding and finding markets for their products.

Two main approaches have been used to analyze EPAs’ effectiveness. One is based on aggregated and bilateral trade flows, and the other on impact evaluation analysis using firm-level data. Overall, most of these studies find positive impacts of export promotion efforts on different outcomes, across several countries. Moons and Bergeijk [2016] provide a comprehensive meta-analysis of the literature on the impact of economic diplomacy on trade and investment, including EPAs, covering 32 empirical papers published between 1986 and 2011.\(^ {12}\) As an example of research analyzing the effect of economic diplomacy on promoting exports, but not focusing on EPAs, Rose [2007] finds a positive effect of opening a country’s embassy on export performance.\(^ {13}\) Ferguson and Forslid [2014] also find a positive effect of opening Swedish embassies abroad on boosting the number of Swedish exporting firms, particularly medium-sized firms.\(^ {14}\)

---

\(^{10}\) This section draws on the literature review in Cruz [2014].

\(^{11}\) See Krueger [1980], Hogan et al. [1991] and Lederman et al. [2010].

\(^{12}\) They analyze a large set of instruments of diplomacy aiming to boost exports and investments, including diplomatic relations, consulates, investment promotion agencies, embassies, state visits and trade missions, and EPAs.

\(^{13}\) van Veenstra et al. [2011] suggest that the positive effects of EPAs on bilateral trade flows are usually driven by developing countries, while Moons [2012] suggest that economic diplomacy is more effective on promoting the extensive margin of trade.

\(^{14}\) Those firms may be more sensitive to fixed entry costs related to informational barriers.
Using the first round of surveys with EPAs described in the previous section, Lederman et al. [2010] present a cross-country statistical analysis of the impact of EPAs on exports. They find that on average EPAs have a positive and statistically significant effect on exports. Their estimates suggest that a 10 percent increase in EPA budgets at the mean leads to a 0.6 to 1 percent increase in exports. The authors also suggest that EPAs seem to be more effective when they can help circumvent trade barriers abroad or asymmetric information associated with a large share of heterogeneous goods in the export bundle. Their results are in line with other cross-country analysis at the aggregated level. Hayakawa et al. [2011] also find a positive effect of promotion agencies on the export increases in Japan and the Republic of Korea. Their results suggest that the effect of establishing an EPA office abroad on exports is almost equivalent to signing a free trade agreement (FTA) with the same country, while Gil-Pareja et al. [2014] provide evidence of a positive impact of regional export promotion offices for Spain. These offices seem to be more effective in promoting exports, the more distant they are from their country.  

Yet, the aggregated approach does not identify the impact at the level of the firms that benefit from the programs. Since the 2000s, there have been numerous papers evaluating impacts of EPAs using firm-level data from different countries and regions. Most of these studies take advantage of a greater availability of data and new econometric techniques used in impact evaluations to deal with selection issues in non-experimental settings. All in all, most of their findings converge with the positive results found by the more aggregated approach. Van Biesebroeck et al. [2016] provide a comprehensive review of the literature on the impact of EPAs on different export dimensions focusing on firm-level analysis, including several recent studies between 2012 and 2015.

These studies suggest that EPAs may have a positive effect on firms’ export performance at the intensive and extensive margins of trade. Espinoza and Crespi [2000] show a positive impact of Prochile (Trade Commission of Chile, responsible for implementing and enhancing Chile’s trade policy) on firms’ export performance in Chile, particularly on the extensive margin due to a scheme called export committee. Volpe Martincus [2010] provides evidence of the effectiveness of EPAs in many Latin American countries on the intensive and the extensive margins of trade. His

---

15 They attribute this effect to the incomplete information barriers problem.
16 Seringhaus and Botschen [1991] also used a small sample from a survey carried out with 312 firms in Austria and 271 firms in Canada to compare the difference between the services provided by EPAs in both countries taking into account the fact that they were public in Canada and private in Austria.
17 Trade economists usually refer to the margins of trade as a way to understand the dynamics of export or import behavior. In this case, the intensive margin of exports refers to an increase in the export value of firms that are already exporting. The extensive margin can be decomposed into different components, such as: a) Exports by new firms (pure extensive margin); b) Exports by existing firms of a new product to a new market; c) Exports by existing firms of a new product to an existing market; d) Exports by existing firms of an existing product to a new market. Understanding these dynamics might be helpful to design more effective export promotion policies.
Conclusion is reinforced by different studies using firm-level data to analyze the impact of these agencies and export programs in Peru (Promperu), Costa Rica (Procomer), Uruguay (Uruguay XXI), Chile (Prochile), Argentina (Fundacion ExportAR) and Colombia (Proexport). In addition, these studies find that the impact is larger for smaller firms (in the cases of Argentina and Chile) and that bundled services work better. Chen et al. [2011] analyze the case of the Canadian Trade Promotion Services using firm-level data from 1999 to 2006 and find a robust positive effect at the intensive margin. Hiller [2012] analyzes the impact of export association membership on export sales and the number of products in Denmark and finds a more significant effect on the intensive margin (export sales).

EPAs’ support has positive effects on facilitating non-exporting firms to become exporters. Cruz [2014] finds that the Brazilian EPA has a positive impact on increasing the probability of a non-exporting firm becoming an exporter in Brazil. Schminke and Van Biesebroeck [2015] and Lederman et al. [2016] also support the findings that EPAs’ support increases the likelihood of non-exporting firms to start exporting. Also, Cruz et al. [2018] find that an EPA program aiming to enhance the competitiveness of SMEs in Brazil have affected the organization of firms, by inducing them to add more layers of different skills and competencies to their workforces.

However, there is no clear evidence that export promotion effects are durable. Cadot et al. [2015] find a positive impact of an export promotion program (Famex) in Tunisia only in the short run (two periods after the treatment). After this period treated and control groups of firms seem to have similar performance. Yet, using firm-level data from Belgium and Peru, Van Biesebroeck et al. [2016] show evidence that export promotion programs helped firms to survive in export markets that experienced a financial crisis, which may suggest long-term positive effects. This finding is also supported by Lederman et al. [2016], by showing that EPAs’ programs have a positive effect on increasing the survival probability of new exporters.

A common question usually raised regarding the country-level studies refers to their external validity and the comparability of EPAs across different countries. The cross-section studies usually assume comparability between EPAs, but those studies using firm-level data are usually focusing on specific countries. Despite the fact that policy outcomes can vary over different institutional environments across countries, studies using firm-level data show that there are several...
patterns for export dynamics that are similar across countries. Therefore, the learning from a
specific country should be taken cautiously, but definitely provides lessons to other countries.
Ideally, the comparison of the impacts of EPAs should incorporate the heterogeneity among
countries’ agencies and institutions. For this reason, accumulating further knowledge on the
effects of these programs in different contexts is critical to fully understand how and in which
circumstances they work.

4 Conclusion

This paper summarizes a few stylized facts from a novel database based on a survey on EPAs’
characteristics conducted by the World Bank in collaboration with the ITC in 2010. Most
agencies have the legal status of public-private institutions. Also, several EPAs went through at
least one type of institutional change in the short period between 2005 and 2010. In many cases
they became a public-private or private institution. On average, these agencies have an executive
board with nine members, including about 50 percent of members representing the private sector.
The median EPA has about 86 employees, but this varies largely across regions. Most EPAs have
the diversification of markets and products among their priorities. Moreover, a large share of
them prioritize major markets. EPAs spend more on small and medium firms, instead of large
ones; spend more on established exporters, instead of new/occasional exporters or non-exporters;
and spend more on the provision of marketing services (e.g. trade missions) and export support
services (e.g. training, technical assistance), relative to other services.

The findings of the literature on the effects of EPAs on export performance suggest that
many of them have been succeeding in their objective. There is evidence of significant effects of
EPAs’ support on the intensive and extensive margins of exports. Yet, there are several questions
that still deserve further attention. Are there spillover effects of EPAs’ support on the export
performance across different margins of trade for untreated firms? Is promoting exports in the
extensive margin at the firm level enough to boost diversification at the country level? What are
the optimal size and resources (in per capita terms) to be allocated to EPAs? Understanding
these and other key questions regarding the operations of EPAs, can provide helpful insights to
improve the effectiveness of export promotion policies.
References

Treb Allen. Information frictions in trade. *Econometrica*, 82(6):2041–2083, 2014.

David Atkin, Amit K Khandelwal, and Adam Osman. Exporting and firm performance: Evidence from a randomized trial. 2016.

A.B. Bernard and J.B. Jensen. Why some firms export. *Review of Economics and Statistics*, 86(2):561–569, 2004.

O. Cadot, L. Iacovone, and D. Pierola. Success and failure of African exporters. *World Bank Policy Research Working Paper No. 5657*, 2011.

Olivier Cadot, Ana M Fernandes, Julien Gourdon, and Aaditya Mattoo. Are the benefits of export support durable? Evidence from Tunisia. *Journal of International Economics*, 97(2):310–324, 2015.

S. Chen, J. Van Biesebroeck, and E. Yu. The impact of trade promotion services on Canadian exporter performance. *Discussion Paper No. 8597, Centre for Economic Policy Research*, 2011.

S.K. Clerides, S. Lach, and J.R. Tybout. Is learning by exporting important? Micro-dynamic evidence from Colombia, Mexico, and Morocco. *The Quarterly Journal of Economics*, 113(3):903, 1998.

B.R. Copeland. Is there a case for trade and investment promotion policy? *Trade policy research*, pages 1–64, 2007.

Marcio Cruz. Do export promotion agencies promote new exporters? *World Bank Policy Research Working Paper*, n. 7004, 2014.

Marcio Cruz, Maurizio Bussolo, and Leonardo Iacovone. Organizing knowledge to compete: Impacts of capacity building programs on firm organization. 111:1–20, 2018.

J. De Loecker. Do exports generate higher productivity? Evidence from Slovenia. *Journal of International Economics*, 73(1):69–98, 2007.

R.Á. Espinoza and G. Crespi. Exporter performance and promotion instruments: Chilean empirical evidence. *Estudios de economía*, 27(2):225–241, 2000.

Shon Ferguson and Rikard Forslid. Sizing up the uneven impact of embassies on exports. *IFN Working Paper No. 1012*, 2014.

S. Gil-Pareja, R. Llorca-Vivero, J.A. Martínez-Serrano, and F. Requena-Silvente. Regional export promotion offices and trade margins. *Review of World Economics*, pages 1–23, 2014.

Kazunobu Hayakawa, Hyun-Hoon Lee, and Donghyun Park. Do export promotion agencies increase exports? *IDE Discussion Paper*, 313, 2011.

S. Hiller. Does export promotion work in Denmark? Evidence from a matching approach. *Mimeo*, 2012.

P. Hogan, D.B. Keesing, A. Singer, and Economic Development Institute. The role of support services in expanding manufactured exports in developing countries. *EDI Seminar Series, the World Bank*, 1991.

J. Jordana, C.V. Martincus, and A. Gallo. Export promotion organizations in Latin America and the Caribbean: An institutional portrait. *IDB Working Paper Series, No. IDB-WP-198*, 2010.

Anne O. Krueger. Trade policy as an input to development. *The American Economic Review*, 70(2):pp. 288–292, 1980. ISSN 00028282.
D. Lederman, M. Olarreaga, and L. Payton. Export promotion agencies: Do they work? *Journal of Development Economics*, 91(2):257–265, 2010.

Daniel Lederman, Marcelo Olarreaga, and Lucas Zavala. Export promotion and firm entry and survival in export markets. 2016.

A. Lileeva and D. Trefler. Improved access to foreign markets raises plant-level productivity for some plants. *The Quarterly Journal of Economics*, 125(3):1051, 2010.

M. Melitz. The impact of trade on aggregate industry productivity and intra-industry reallocations. *Econometrica*, 71(6):1695–1725, 2003.

Selwyn Moons. What are the effects of economic diplomacy on the margins of trade? *International Journal of Diplomacy and Economy*, 1(2):147–162, 2012.

Selwyn JV Moons and Peter AG Bergeijk. Does economic diplomacy work? a meta-analysis of its impact on trade and investment. *The World Economy*, 2016.

M.J. Roberts and J.R. Tybout. The decision to export in Colombia: An empirical model of entry with sunk costs. *The American Economic Review*, pages 545–564, 1997.

A.K. Rose. The foreign service and foreign trade: Embassies as export promotion. *The World Economy*, 30(1):22–38, 2007.

Annette Schminke and Johannes Van Biesebroeck. Evaluation of export promotion policies in Belgium. 2015.

FH Seringhaus and G. Botschen. Cross-national comparison of export promotion services: The views of Canadian and Austrian companies. *Journal of International Business Studies, Vol. 22, Issue 1, pp. 115-133*, 1991.

Johannes Van Biesebroeck, Jozef Konings, and Christian Volpe Martincus. Did Export Promotion Help Firms Weather the Crisis? 2016.

Marie-Lise EH van Veenstra, Mina Yakop, and Peter AG van Bergeijk. 8 the geography of trade and the network effects of economic diplomacy in the south. *South-South Globalization: Challenges and Opportunities for Development*, 90:172, 2011.

C. Volpe Martincus. Odyssey in international markets: An assessment of the effectiveness of export promotion in Latin America and the Caribbean. *Special Report on Integration and Trade. Inter-American Development Bank, Washington, DC*, 2010.

C. Volpe Martincus and J. Carballo. Is export promotion effective in developing countries? Firm-level evidence on the intensive and the extensive margins of exports. *Journal of International Economics*, 76(1):89–106, 2008.

C. Volpe Martincus and J. Carballo. Beyond the average effects: The distributional impacts of export promotion programs in developing countries. *Journal of Development Economics*, 92(2):201–214, 2010a.

C. Volpe Martincus and J. Carballo. Export promotion: Bundled services work better. *The World Economy*, 33(12):1718–1756, 2010b.

C. Volpe Martincus, A. Estevadeordal, A. Gallo, and J. Luna. Information barriers, export promotion institutions, and the extensive margin of trade. *Review of World Economics*, 146(1):91–111, 2010.

C.V. Volpe Martincus and J. Carballo. Entering new country and product markets: Does export promotion help? *Review of World Economics*, 146(3):437–467, 2010c.

Joachim Wagner. Exports and productivity: A survey of the evidence from firm-level data. *The World Economy*, 30(1):60–82, 2007.
## Appendix

| Country          | Name of the Agency                                      | Region     |
|------------------|---------------------------------------------------------|------------|
| Albania          | ECA                                                     | MENA       |
| Algeria          | ALGEX                                                   | ECA        |
| Armenia          | ADA                                                     | OECD       |
| Australia        | Austrade                                                | OECD       |
| Austria          | Austrian Trade, Austrian Federal Economic Chamber       | OECD       |
| Bangladesh       | EPB                                                     | Asia       |
| Belize           | Belize Trade & Investment Development Service           | LAC        |
| Bolivia          | CEPROBOL                                                | LAC        |
| Botswana         | BEDIA                                                   | SSA        |
| Brazil           | APEX-Brasil                                             | LAC        |
| Bulgaria         | BSMEPA                                                  | ECA        |
| Burkina Faso     | ONAC                                                    | SSA        |
| Cambodia         | Export Promotion Department, Ministry of Commerce       | Asia       |
| Chile            | PROCHILE                                                | LAC        |
| China            | CCPI                                                   | Asia       |
| Colombia         | ProExport                                               | LAC        |
| Costa Rica       | Procomer                                                | LAC        |
| Cote d’Ivoire    | APEX-CI                                                 | SSA        |
| Czech Republic   | Czech Trade                                             | ECA        |
| Denmark          | Trade Council of Denmark                                | OECD       |
| Dominica         | DEXIA                                                   | LAC        |
| Dominican Republic| CEI-RD                                                  | LAC        |
| Ecuador          | CORPEI                                                  | LAC        |
| Egypt, Arab Rep. | ExpoLink                                                 | MENA       |
| El Salvador      | Exporta El Salvador                                      | LAC        |
| Estonia          | Enterprise Estonia                                      | ECA        |
| Fiji             | FTIB                                                    | Asia       |
| Finland          | Finpro                                                  | OECD       |
| France           | UBIFRANCE                                               | OECD       |
| Germany          | BFAI                                                    | OECD       |
| Ghana            | GEPC                                                    | SSA        |
| Grenada          | Trade & Industry Unit, Ministry of Finance              | LAC        |
| Guatemala        | AGEXPRONT                                               | LAC        |
| Guyana           | GO-INVEST                                               | SSA        |
| Honduras         | FIDE                                                    | LAC        |
| Hong Kong, China | HKTDC                                                   | Asia       |
| Hungary          | Hungarian Investment and Trade Development Agency       | ECA        |
| Iceland          | Trade Council of Iceland                                | OECD       |
| Ireland          | Enterprise Ireland                                      | OECD       |
| Israel           | Israel Export & International Cooperation Institute     | MENA       |
| Jamaica          | JAMPRO                                                  | LAC        |
| Jordan           | JEDCO                                                   | MENA       |
| Kenya            | Export Promotion Council                                | SSA        |
| Latvia           | LIDA                                                    | ECA        |
| Lebanon          | IDAL                                                    | MENA       |
| Lesotho          | Trade Promotion Unit                                    | SSA        |
| Lithuania        | LDA                                                     | ECA        |
| Malawi           | MEPC                                                    | SSA        |
| Malaysia         | MATRADE                                                 | EEA        |
| Malta            | Malta Enterprise                                        | MENA       |
| Mauritius        | Enterprise Mauritius                                    | SSA        |
| Mexico           | Bancomext                                               | LAC        |
| Moldova          | MEPO                                                    | EEA        |
Table 9: List of countries and EPAs covered by the survey

ECA = Eastern Europe, LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; OECD = Organisation for Economic Co-operation and Development; SSA = Sub-Saharan African countries.

| Variables | EPAs Budget pc | EPAs Budget | EPAs size | GDP pc | Export pc | Pop. |
|-----------|----------------|-------------|-----------|--------|-----------|------|
| EPAs Budget pc | 1             |             |           |        |           |      |
| EPAs Budget    | 0.6457*       | 1           |           |        |           |      |
| EPAs size      | 0.4228*       | 0.8327*     | 1         |        |           |      |
| GDP pc         | 0.6065*       | 0.6790*     | 0.5622*   | 1      |           |      |
| Export pc      | 0.7067*       | 0.3815*     | 0.3300*   | 0.6749*| 1         |      |
| Population     | -0.6189*      | 0.1962*     | 0.2770*   | -0.1286*| -0.4073*  | 1    |

Note: Significance levels: * p<0.01. All variables are in log. Variables: Log of EPAs' Budget per capita, Log of EPAs' Budget, Log of EPAs' size based on number of employment, Log of GDP per capita, Log of Exports per capita, and Log of Population.

Table 10: Correlations between EPAs' budget, EPAs' size, GDP, exports, and population