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Report on Implementation Evaluation of the Department of Trade and Industry's Export Marketing and Investment Assistance (EMIA) Programme

Full report

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Glossary

ASEAN	Association of Southeast Asian Nations
BOE	Black-owned enterprise
CPFP	Capital Projects Feasibility Programme
DTI	Department of Trade and Industry
ECIC	Export Credit Insurance Corporation
EI	Enterprise Ireland
EMIA	Export Marketing and Investment Assistance
ENE	Estimates of National Expenditure
E(T)PA	Export (Trade) Promotion Agencies
FDI	Foreign Direct Investment
FTA	Free Trade Area
FTZ	Free Trade Zone
HDI	Historically disadvantaged individuals
HS	Harmonised System
IDIAD	Incentive Development Incentive Administration Division
IPAP	Industrial Policy Action Plan
ITC	International Trade Centre
KOTRA	Korea Trade-Investment Promotion Agency
NDP	National Development Plan
NEDP	National Exporter Development Programme
NGP	National Growth Path
NIPF	National Industrial Policy Framework
NTB	Non-tariff barriers
R&D	Research and Development
RCA	Revealed Comparative Advantage
SACU	Southern African Customs Union
SADC	Southern African Development Community
SEDA	Small Enterprise Development Agency

SME	Small, medium enterprises
SMME	Small, Medium, Micro- Enterprises
SSAS	Sector Specific Assistance Scheme
TCS	Trade Commissioner Service
TISA	Trade Investment South Africa
TTB	Technical trade barrier
WTO	World Trade Organisation

Policy summary

The South African Export Marketing and Investment Assistance Programme (EMIA), which was established in 1997 and is administered by the Department of Trade and Industry (DTI)**,** is a key component of the Government's support to export and investment activity. **The programme focuses specifically on the "last-mile" of the export process; subsidising the firm's internal costs of marketing through various incentives.** It partially compensates exporters for the costs incurred in exploring new export markets for South African products, or in bringing prospective foreign investors to South Africa.

The international evidence demonstrates that many countries subsidise the export and investment marketing activities of domestic firms. Moreover, the use of official support has become more widespread in recent years in response to an increased awareness of information asymmetries in the export process (lack of knowledge of export markets and procedures), and especially, the need to assist new and small exporters in overcoming these barriers. The literature suggests that **for these schemes to be effective, they need to be well designed, adequately staffed, with beneficiary firms carefully targeted.** Continuous monitoring and evaluation of the programme and the performance of beneficiary firms is also required.

This report evaluated the implementation of the South African EMIA programme through a review of the available documentation, interviews with programme staff and other stakeholders, and a comprehensive firm-level survey of EMIA beneficiaries and non-beneficiaries. In general, the results are encouraging. **Users of the scheme are satisfied with the administration and implementation of the scheme,** and clear guidelines are in place for both the application and selection processes, as well as the disbursement of funds. **Moreover, the scheme is widely used by SMMEs and by both black and women owned businesses**. On the other hand, data collected by the DTI is insufficient to assess whether the scheme is achieving its targeted outcomes and impact, with the survey results suggesting that such acheivements are unlikely. **One third of EMIA beneficiaries reported no exports in the last financial year**.

There are two main reasons for this apparent shortcoming. Firstly, it would seem that the monitoring and evaluation of the scheme is not a current priority, with little attention given to the detailed measurement of outputs, outcomes and impact. This is compounded by the fact that the programme itself is administered by two different divisions in the DTI. The **lack of an effective and electronic data collection, monitoring and evaluation system is surprising** for a programme of this magnitude and duration.

Secondly, the available evidence suggests that the programme is not well-targeted. Specifically, it appears that **many of the firms that access EMIA incentives are not export ready** and are therefore, in practice, not able to make use of the support that is provided. Moreover, **a large number of these firms continue to use EMIA multiple times, despite their lack of export success**. Whereas the DTI and its agencies should provide assistance to train and develop emerging exporters, this should be done through programmes such as the newly created National Exporter Development Programme (NEDP). As EMIA incentives are directed at the final stage of the export cycle, they should be restricted to those firms that can demonstrate the necessary skill, capacity and products to sell into foreign markets.

Improvements in these two areas would greatly improve the delivery and performance of the programme. The **rigorous application of appropriate selection criteria would greatly enhance the ability of the programme to impact on exports and investment**, while also reducing the administrative burden on staff. Similarly, the introduction of an electronic and comprehensive data collection, monitoring and reporting system, would allow for the more accurate and regular assessment of the outcome and impact of the programme. All of this would be made easier if the administration of the EMIA programme was centralised in a single division of the DTI.

Executive summary

Introduction

A number of defined marketing and promotion activities are subsidised through the DTI's Export Marketing and Investment Assistance (EMIA) incentives. These include, amongst others, the transportation of samples; exhibition space and the construction of stands; return economy-class airfares; and exhibition fees. As such, the EMIA programme is considered an integral instrument in government's efforts to boost exports and encourage inward investment. This study has been designed primarily as an implementation evaluation, and seeks to review the design, activities, structures and processes in implementing the EMIA incentive scheme. The evaluation aims to assess how the EMIA incentive scheme operates, who the scheme is targeting, and whether the scheme is likely to achieve its desired outcomes.

South Africa's export profile

A review of South Africa's exporting activity reveals a number of important features. First, South Africa has seen a recent and dramatic shift in its export markets, most notably away from traditional destinations, and towards China. The Southern African Development Community (SADC) remains a significant, but comparatively smaller destination for South Africa's exports. Second, South Africa exports more value added and manufactured products to Sub-Saharan African than to developed regions such as the EU and USA or other developing nations such as China. Third, at a firm level, South Africa's export profile is similar to that of other exporting countries, with larger firms responsible for much of South Africa's export activity.

The literature also highlights a number of challenges faced by exporting firms. Exchange rate volatility and high transport costs are generally seen as the most severe constraints, but these fall outside of the ambit of EMIA. Information and network costs are also problematic, and a survey of EMIA beneficiaries reveals that many of these firms found the cost of marketing to be the greatest challenge to exporting.

The role of export promotion

The concept and establishment of export (or trade) promotion agencies (EPAs) flourished after the establishment of the International Trade Centre (ITC) by the United Nations in 1964, and as the use of export subsidies descreased. These agencies offer a range of export support and promotion services but generally focus on the provision of marketing assistance to firms, thereby assisting export ready firms to penetrate new markets and deepen exports in existing markets.

A review of the literature and performance of international EPAs provides a mixed picture. From the research it is clear that EPAs need to be well designed, adequately staffed, and targeted in order to make a meaningful contribution to export growth and diversification. In addition, the available evidence suggests that smaller firms may benefit substantially more than larger organisations, especially where EPAs focus their efforts on addressing information asymmetries present in the export process.

International comparison of export promotion activities

A review and comparison of two EPAs (in Ireland and South Korea) provide some potential learnings for the implementation of EMIA.

Both agencies use marketing incentives as a "last-mile" package of assistance, focusing on firms that already possess developed and demonstrated export capabilities. The rigorous targeting of export-ready firms ensures that they are more likely to make effective use of the marketing subsidies provided.

In addition, both agencies undertake continuous monitoring of the performance of firms participating in the incentives. Firms are encouraged and incentivised to report on their export and investment outcomes, with these reporting requirements built into funding and disbursement procedures.

Export promotion in South Africa and the EMIA programme

Export development and diversification is seen as critical driver of growth in South Africa, reflected by the implementation of a multitude of export promoting activities, incentives, programmes, projects and agencies. In addition to those divisions and agencies in the DTI supporting export development, there has been a proliferation of provincial (and even municipal) agencies directed at growing exports and encouraging inward investment.

The EMIA incentive programme focuses on one aspect of the export development and investment promotion process - marketing activities and market research - and is just one of many programmes supporting overall export development. Thus, its focus is on a narrow "last mile" of export and investment promotion, and is not intended to address the full spectrum of challenges experienced by potential exporters and investors.

The administration of the EMIA programme is split between the Trade and Investment South Africa (TISA) and Industrial Development Incentive Administration (IDIAD) divisions of the DTI. The administration of group offerings (national pavilions, group trade missions) falls under TISA, while IDIAD is responsible for the administration of individual offerings and incentives (individual missions and exhibitions).

Accessing the EMIA programme

The review of available EMIA data together with a survey of firms that have participated in the programme, highlight a number of key findings. First, there is a high concentration of firms using EMIA incentives from South Africa's three major economic provinces; Gauteng, KwaZulu Natal and the Western Cape. This reflects the structural distribution of South Africa's economy, with these three provinces accounting for around 75% of South Africa's manufacturing and economic output.

Second, there appears to be significant usage of the EMIA incentives by majority Historically Disadvantaged Individuals (HDI) -owned and women-owned firms. From the survey of EMIA participants, roughly 35% of firms are majority HDI-owned and just over one-quarter of firms are majority women-owned. Further, there is high usage of EMIA incentives by smaller firms. However, a lack of disaggregated targets within the EMIA programme makes it difficult to assess the relative success of the programme in terms of its use by these specific categories of beneficiaries.

Third, a significant proportion of firms accessing the EMIA incentives do not appear to be export ready. The survey suggests that close to one-third of EMIA beneficiaries reported no exports in the last financial year; this despite the fact that more than 35% of these firms have accessed various EMIA offerings 11 times or more.

Administration and impact of the EMIA programme

Firms participating in the survey are generally positive about the EMIA process, and the application and disbursement procedures in particular. They also perceive the EMIA incentives to have had a positive impact on their export performance. The one area firms identify for improvement is the feedback and follow-up support provided by the DTI. Increased reporting and communication is needed across all phases of the EMIA process.

It is apparent, both from the analysis of the EMIA database and through the staff focus group discussions, that there is a need for an improved (ideally electronic) data capturing system – for both the collection of application data, and for the monitoring and evaluation of the EMIA programme. Adherence to procedural guidelines can also be improved to maintain the integrity of the programme and reduce the administrative burden on staff. The overlap in the administration of the EMIA offering between IDIAD and TISA seems cumbersome and adds to the complexity involved in the selection of firms, disbursement funds and the evaluation of the programme.

Improving the implementation of the EMIA programme

In general, the current implementation of the EMIA programme is aligned with the identified and proposed theory of change. However, a number of critical factors are missing, and a number of activities inadequately implemented, leading to some risk and uncertainty as to whether the EMIA programme is able to achieve its desired outcomes.

Most notably, the selection of firms that are not export ready greatly hampers the ability of the EMIA programme to achieve its export and investment outcomes. From the available evidence, many of the firms that do participate in the EMIA programme do not have the skills, products or capacity needed to justify their expansion into, or even their presence in, foreign markets. In addition, the lack of an effective data capturing and monitoring system has inhibited EMIA ability to report on outcomes and impact. For this reason, historically, EMIA has reliably reported only on the number of companies that have received assistance (from EMIA) and the number of events facilitated. These measures are not sufficient for evaluating the effectiveness and efficiency of these incentives.

Policy and programme recommendations

The overall logic of the EMIA programme is appropriate and in line with both literature and international practice; and users of the programme are satisfied with the application, administration and disbursement procedures. However, a number of improvements to the design and implementation of the programme are proposed as a means of ensuring that these incentives contribute towards the achievement of the DTI’s export and investment outcomes.

Firstly, an electronic system for the collection, storage and capturing of firm information should be implemented. This will streamline the application and reporting process, and enable regular and more accurate monitoring and evaluation. In doing so, the existing monitoring and evaluation framework should be strengthened in line with the logical framework proposed in this report. Regular impact evaluations should also be conducted.

Secondly, refined application criteria and procedures must be defined and adhered to. Specifically, a more rigorous approach to determining whether firms are export ready would be desirable. Firms which prove unqualified for export activity should be directed to alternative programmes.

Thirdly, there may be a need to rationalise the incentives offered under the EMIA scheme. For example, two very similar incentives are offered to emerging exporters, with the only minor difference the way in which HDI firms (which qualify for larger incentives) and emerging exporters are defined. Moreover, incentives for primary market research and patent registration appear to be underutilised. The reasons for this need to be explored and these funds potentially reallocated.

Finally, serious consideration should be given to the potential centralisation of the administration, monitoring and reporting functions of all EMIA incentives under a single division at the DTI. Moreover, greater collaboration between the various national and provincial trade and investment promotion agencies, especially in terms of identifying and selecting emerging exporters, should be encouraged.

A summary of the specific recommendations emanating from this study is provided in the table below.

Summary of recommendations

Area of improvement	Summary recommendation	Detailed implementation
Improve the process	**1. Establish electronic monitoring system and processes**	a. Increase use of electronic systems to capture firm information, applications and disbursement
		b. Ensure system uses unique identifier (e.g. SARS tax number) for each firm applying
		c. Ensure system captures the same information across all incentives
		d. Ensure administrative staff for different incentives have access to single system database
	2. Improve adherence to procedural guidelines	a. Administrative staff should reject applications if outside of stipulated timeframes or do not have required documentation
		b. Firms should not be allowed to access incentives more than stipulated guidelines provide for
		c. Firms wasting EMIA resources should be prohibited from utilising incentives in future or penalised financially (e.g. firms that cancel attendance after event has been paid for)
	3. Focus on selection of export-ready firms	a. EMIA staff and adjudication committee should fully adhere to criteria around export readiness for ALL firms
		b. Agencies and units within and outside of the DTI (such as SEDA and the NEDP) should develop a pool of export-ready emerging firms which meet EMIA's export ready criteria
		c. Firms that do not meet export ready criteria should be directed to other assistance e.g. NEDP
Refine the programme	**4. Rationalise offerings and categories of firms**	a. Little-used incentives should be removed with resources directed to other incentives
		b. Unify the definitions for firms qualifying as emerging exporters and HDI firms - only export-ready HDI firms should qualify for incentives
		c. Remove specific offerings for emerging exporters (e.g. SSAS emerging exporters incentive) since these firms are already provided with larger incentives under other EMIA incentives as HDI applicants
	5. Move programme administration into single structure	a. Choose between single administration system under IDAD, or single export development and promotion unit under TISA
		b. Re-organise SSAS under single administration
Improve monitoring and evaluation	**6. Incentivise firms to report and report correctly**	a. Make disbursements dependent on completion of feedback documents and require document proof (e.g. sales contracts, invoices, formal agreements) of export / investment achievements
		b. Prohibit non-compliant firms from making use of EMIA incentives
		c. Reject applicants that show no improvement in exports / inward investment from targeted markets
	7. Improve systems to electronically capture outcomes data	a. Link data on feedback provided by firms to individual firms within electronic system
	8. Set explicit targets for the EMIA programme	a. Targets should be set in line with the DTI's policy objectives. Achievement of these targets should not compromise EMIA's own export promotion objectives or criteria used to select firms.
	9. Conduct periodic impact evaluations	a. Impact evaluations are required periodically to better assess how the various incentives can be refined to better assist firms in increasing exports and inward investment.

1 Introduction

1.1 Background to the evaluation

Export growth is considered to be a key driver of industrialisation and is expected to contribute directly to the achievement of Government's Outcome 4 – "decent employment through inclusive economic growth". Established in 1997, and administered by the DTI**,** the Export Market and Investment Assistance (EMIA) programme forms a key component of Government's support to export activity, by partially compensating exporters for the costs incurred in their efforts to develop new export markets for South African products, or to bring new foreign direct investment (FDI) into South Africa (EMIA leaflet, the DTI website, 2009).

Specifically, EMIA and its sub-programmes provide marketing and promotion assistance to South African firms seeking foreign investment; and those aiming to increase and diversify exports. A number of defined marketing and promotion activities are subsidised through the EMIA incentives. These include, amongst others, the transportation of samples; exhibition space and the construction of stands and return economy-class airfares; and exhibition fees (The DTI, 2013c; 24). As such, the EMIA programme is considered integral instrument in government's efforts to boost exports and encourage inward investment.

1.2 Evaluation purpose and scope

The study has been designed primarily as an implementation evaluation, and seeks to understand the design, activities, structures and processes in implementing the EMIA incentive scheme. As a secondary objective, the study aims to provide a high-level perspective of the impact that the scheme has had on participating firms. Specifically, the study aims to answer a number of evaluation questions, including:

- What is the theory of change underpinning EMIA and how does the EMIA programme aim to assist in addressing the challenges faced by exporting firms in South Africa?
- Has EMIA been accessed by the targeted beneficiary firms (black-owned, women-owned, youth and SMMEs)?
- What are the challenges faced by the DTI in implementing EMIA?
- How do the current administrative arrangements impact on the performance of EMIA?
- Has EMIA been effective in achieving the desired objectives regarding the promotion of export growth?

In summary, the evaluation therefore aims to assess how the EMIA incentive scheme operates, who the scheme is targeting and whether the scheme is achieving its desired outcomes. The review was restricted to the period between the 2009/10 and 2012/13 financial years.

1.3 Report structure

This implementation evaluation provides a detailed assessment of how the EMIA programme works. The evaluation is structured as follows:

- The evaluation's objectives and methodology are articulated in Section 1.4.
- Sections 2.1, 2.2 and 2.4 provide an overview of South Africa's export profile, the characteristics of exporting firms and the key barriers to exporting identified in the literature.
- Sections 2.5 and 2.6 provide an overview of export promotion and an analysis of export promotion programmes in Ireland and South Korea.
- Sections 2.7 considers South Africa's overall export promotion efforts, while section 2.8 provides an overview of the EMIA programme.

- Section 2.9 provides an overview of how the implementation of the EMIA programme can be improved, viewed from a theory of change perspective.
- Sections 3 and 4 present the results from a comprehensive firm level survey of EMIA beneficiaries (and some non-beneficiaries), focusing largely on the implementation of the programme, but also on some of its benefits. These sections also include findings from detailed consultations with EMIA staff.
- Finally, a number of resulting policy and programme recommendations are provided in section 5.

1.4 Methodology

The evaluation of the EMIA incentive programme has been undertaken through a systematic methodology aimed at fully articulating both the implementation process, as well as to understand how the firms' activities are linked to the desired outcomes of the programme. The methodology comprised of four distinct phases as outlined below.

1.4.1 International and literature review

The literature review aimed to identify the determinants of export performance, as well as understand the main challenges and obstacles faced by companies in exporting. The review also serves to provide a deeper understanding of the role of export promotion activities and their potential impact on the export process.

In addition, a review of the export promotion strategies of two comparator countries, Ireland and South Korea, was undertaken. This served to demonstrate how export promotion incentives are designed, funded and structured in these countries and are integrated into broader export promotion strategies.

1.4.2 Review of EMIA programme and processes

The second part of the evaluation involves a review of the EMIA programme to better understand how the incentives are intended to achieve an increase in exports and inward investment, and to provide deeper insight into the process and administration of the incentives. This review was undertaken through two stages, a review of EMIA data and documentation and consultations with staff across the EMIA programme.

1.4.2.1 EMIA data and documentation review

All available EMIA documentation and data was reviewed, including data on firm level participation in EMIA and EMIA guidelines for each incentive, as well as the DTI**'s** annual reports, strategic plans and policy documents. The review of the firm-level data available under the EMIA programme also provided the basis for the universe of firms to be sampled during the survey portion of the study.

1.4.2.2 EMIA staff consultations

Focus groups were conducted with a cross-section of EMIA staff across all incentive groups in order to better understand the process, the successes, and the shortcomings of the EMIA process. Key findings from these focus groups are provided throughout the report.

1.4.3 Firm survey

Lastly primary data was collected through two sets of firm-level surveys:

- A face-to-face (or Computer-assisted personal interviewing (CAPI)) survey of firms that have utilised incentives offered by the EMIA programme; and
- A telephonic (or Computer-assisted telephonic interviewing (CATI)) survey of firms that have not made use of EMIA incentives, but which have the potential to or are currently exporting.

The aim of the survey of EMIA beneficiaries was to identify the type of firms utilising the EMIA programme, the key challenges these firms faced in exporting, and their perceptions of the usefulness and administration of the EMIA programme. The survey of non-EMIA firms served to provide a better understanding of how well marketed the EMIA programme is, how the EMIA programme might be refined to better address the export marketing challenges faced by current and potential exporters and to determine why more firms are not making use of the EMIA programme. Two separate survey instruments were designed and are provided in Annex 2.

The targeted sample size and final sample size from these surveys are provided in Table 1. In total 456 firms were surveyed, 356 firms that participated in the EMIA programme and 100 firms that have not participated in the programme. This was achieved against an originally targeted sample of 500 firms that have participated in the EMIA programme and 100 firms that have not participated in the programme.

A number of challenges prevented the achievement of the original sample targets for surveys of both the EMIA participants and non-EMIA firms. These challenges related to two key factors. First, the universe of firms identified in the database provided by the DTI was smaller than expected. While the EMIA programme has been accessed by firms close to 4,000 times over the four year period under review, a large proportion of this figure represents repeat use. Thus, less than 2,000 individual firms were identified in the EMIA database for survey purposes. In addition, database errors (incorrect firm names and/ or contact details, lack of unique identifiers etc.) reduced the number of EMIA firms that could be included in the actual universe of contactable firms.

Table 1 Sample size for surveys

Province	Firms that have participated in EMIA		Firms never participated in EMIA	
	Target	Achieved	Target	Achieved
Eastern Cape	0	0	0	
Free State	11	2	20	
Gauteng	284	194	20	66
Kwazulu-Natal	0	0	0	7
Limpopo	22	0	20	4
Mpumalanga	0	0	0	
North West	0	0	0	
Northern Cape	6	0	20	
Western Cape	177	160	20	23
Total	**500**	**356**	**100**	**100**

Second, there is a high concentration of exporting firms in South Africa's three largest provinces, Gauteng, Kwazulu-Natal and the Western Cape. For the EMIA sample this reflects the database of firms from the EMIA programme, with the universe of firms participating in the EMIA programme highly concentrated in South Africa's three major economic provinces. Similarly, the available firm universe for the non-EMIA survey was highly concentrated in Gauteng, Kwazulu-Natal and the Western Cape. The reasons for this concentration are further elaborated on in Box 3. In order to mitigate this short-coming for the non-EMIA sample, sampling was extended to provinces not originally targeted, and enlarged for those provinces already included in the original targets.

Despite these unforeseen difficulties, the resulting EMIA and non-EMIA samples are sufficiently diverse and large enough to provide meaningful insight into the EMIA programme.

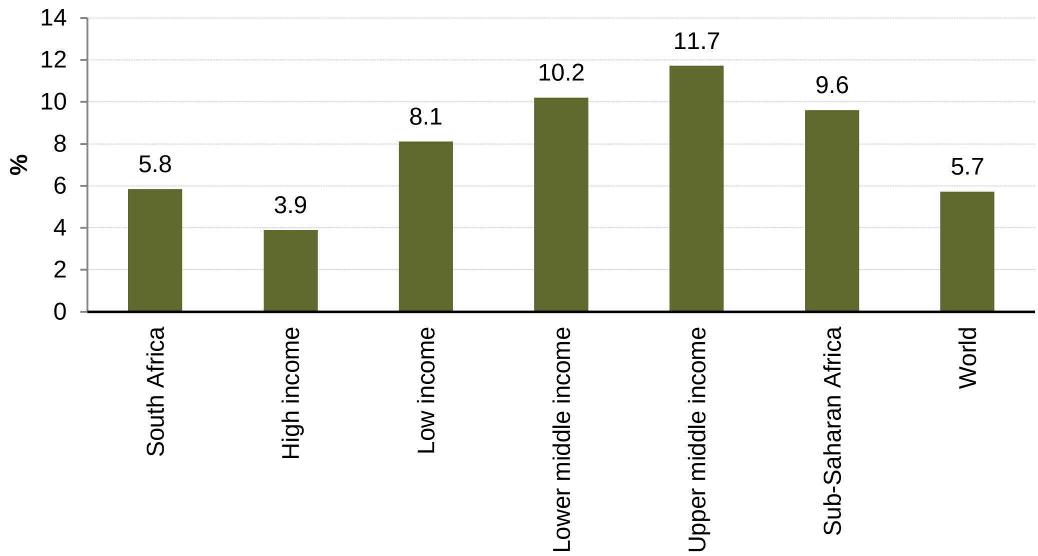
2 Background and context

2.1 South Africa's export profile

2.1.1 Export profile at an aggregate level

In global terms, South Africa's export growth has performed marginally better than the average growth across the world over the last 15 years, shown in Figure 1. High Income countries have however seen a significant slowdown in growth since the global economic crisis and this is likely to have impacted significantly on South Africa's export prospects since 2008.

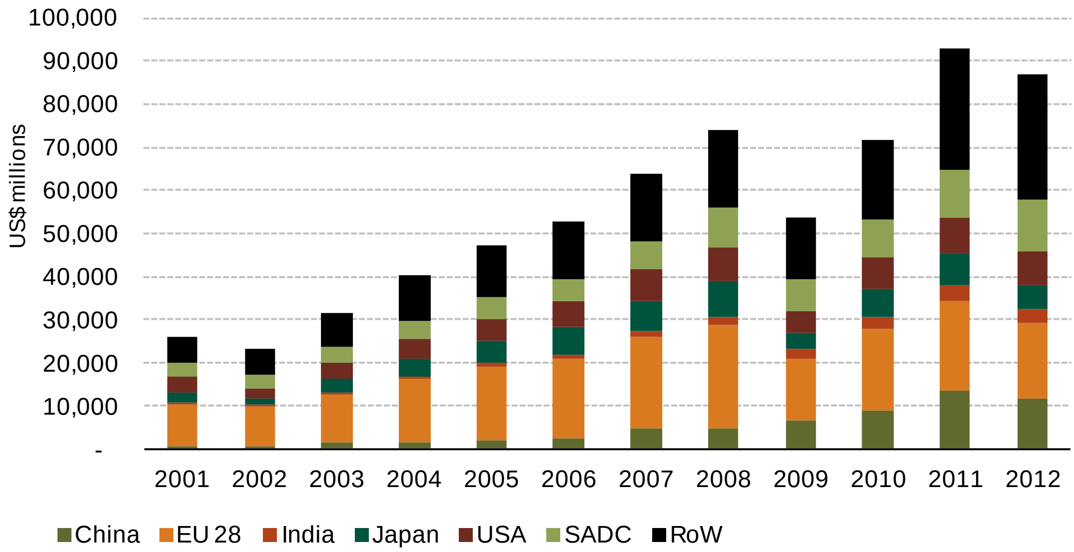
Figure 1 Annual export growth (1997 - 2011)



Source: World Bank World Development Indicators (2013)

The growth in South Africa's value of exports (and destination of exports) is shown in Figure 2. After growing strongly between 2001 and 2008, South Africa's export shrunk in 2009 as the global financial crisis saw a contraction in many of South Africa's destination markets, before growth in South Africa's exports continued between 2010 and 2012. In US dollar terms, South Africa's exports have grown more than threefold between 2001 and 2012.

Figure 2 South African exports by country / region (US$ millions)



Source: DNA Economics based on ITC Trademap database

Over the last decade, this strong growth has also seen a shift in export markets, strongly influenced by China's growth. In 2001 China accounted for roughly 3% of South Africa's exports and by 2012 this had increased to 13%, making China South Africa's single largest trading partner. South Africa's traditional trading partners, the EU and the USA, have seen their share of South Africa's exports fall from 51% collectively to 29% during this period. The Southern African Development Community (SADC) remains a significant, but comparatively smaller, destination for South Africa's exports, though it should be noted that a large proportion of these goods effectively include re-exports through South Africa's retail distribution network.[1]

Table 2 South Africa's largest export markets (average 2003 - 2012)

Importers	% of total exports
United States of America	10.2
Japan	9.3
China	8.2
Germany	6.9
United Kingdom	6.7
Netherlands	4.1
India	3.0
Switzerland	2.7
Belgium	2.6
Zimbabwe	2.5
Zambia	2.4
Mozambique	2.4
Italy	2.2
Spain	2.1
Republic of Korea	2.0
Angola	1.2
Nigeria	1.0
Kenya	1.0

Source: ICT TradeMap

Table 3 and Figure 3 shows the products that South Africa has exported most over the last 10 years, categorised in terms of the Harmonised System (HS) of Commodity Classification at a chapter level.[2] Two-thirds of South African exports have consisted of 5 commodity groups over the last 10 years. The composition of South Africa's exports suggests that it is still heavily reliant on primary commodity exports, with primary and base metals and minerals accounting for over 40% of South Africa's exports over the last decade.

A detailed analysis of South Africa's export destinations and export composition reveals that South Africa exports comparatively more value added and manufactured products to Sub-Saharan African than to either developed regions such as the EU and USA or fast growing developing nations such as China. In 2011, over 60% of exports to Sub-Saharan Africa consisted of manufactured and value-added products including, machinery and equipment, vehicles, plastics and fertilizers. Conversely, exports to the EU, USA and China comprised of

[1] This data also excludes South Africa's exports to SACU members, which until very recently SARS chose not to include in published trade statistics.
[2] Based on information from ITC Trademap.

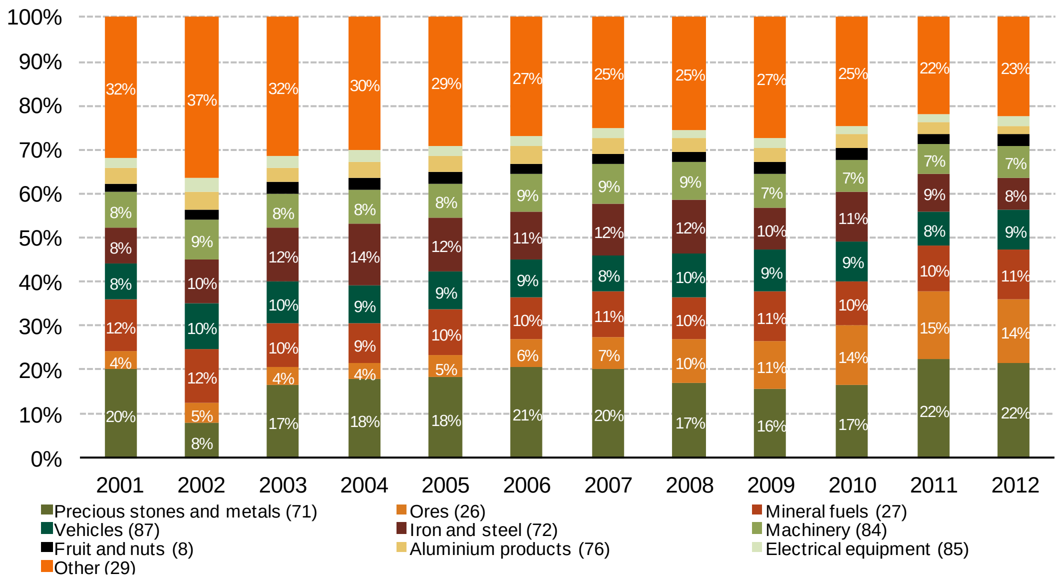
over 60%, 50% and 90% respectively of primary products including precious metals and minerals, ores, minerals fuels and basic agricultural commodities.

Table 3 Top exported products (average 2003 - 2012)

HS Code (2-digit)	Products	% of total (average 2003 - 2012)
71	Pearls, precious stones, metals, coins, etc	19.1
'72	Iron and steel	10.6
'27	Mineral fuels, oils, distillation products, etc	10.3
'26	Ores, slag and ash	10.2
'87	Vehicles other than railway, tramway	8.8
'84	Machinery, nuclear reactors, boilers, etc	7.7
'76	Aluminium and articles thereof	3.0
'08	Edible fruit, nuts, peel of citrus fruit, melons	2.6
'85	Electrical, electronic equipment	2.1
'28	Inorganic chemicals, precious metal compound, isotopes	1.8
'29	Organic chemicals	1.7
'73	Articles of iron or steel	1.5
'22	Beverages, spirits and vinegar	1.5
'39	Plastics and articles thereof	1.2
'38	Miscellaneous chemical products	1.0

Source: ICT TradeMap

Figure 3 Proportion of SA exports by product (based on US$ value)



Source:

Note that figures in brackets indicate the HS chapter.

Balassa's index[3] is a commonly used indicator of Revealed Comparative Advantage (RCA). Comparative advantage is defined as the ability of a country to produce a product at a lower opportunity cost than other countries. If a country's RCA for a particular product is greater than 1, the country is said to reveal a comparative advantage in a particular product. The

[3] Equals share of industry in country's exports as proportion of share of industry in world exports.

RCA values are shown for South Africa (at an HS chapter level) in Table 4 for 2001 and 2011. Table 4 suggests that South Africa has lost its comparative advantage (rows shaded in orange) in a number of product groups, while achieving a comparative advantage in fewer product ranges (rows shaded in green) over the last ten years.

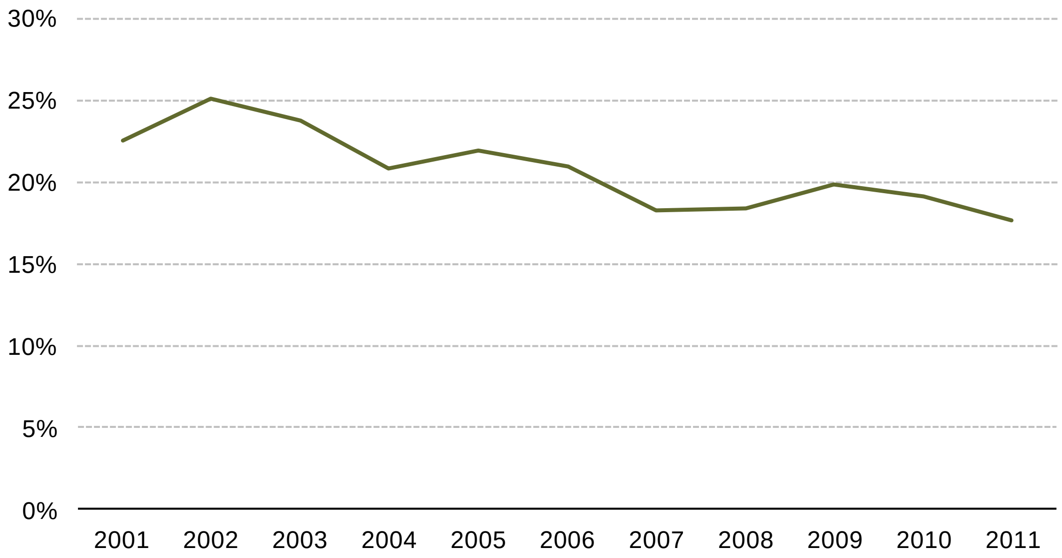
Table 4 South Africa's RCA (at an HS chapter level)

2001			2011		
HS	**Description**	**RCA**	**HS**	**Description**	**RCA**
71	Pearls, precious stones, metals, coins, etc	10.8	26	Ores, slag and ash	10.7
26	Ores, slag and ash	10.2	71	Pearls, precious stones, metals, coins, etc	6.8
36	Explosives, pyrotechnics, matches, pyrophorics, etc	4.8	36	Explosives, pyrotechnics, matches, pyrophorics, etc	6.2
72	Iron and steel	4.4	08	Edible fruit, nuts, peel of citrus fruit, melons	5.0
08	Edible fruit, nuts, peel of citrus fruit, melons	4.4	51	Wool, animal hair, horsehair yarn and fabric thereof	4.8
47	Pulp of wood, fibrous cellulosic material, waste etc	3.8	47	Pulp of wood, fibrous cellulosic material, waste etc	3.8
28	Inorganic chemicals, precious metal compound, isotopes	3.4	72	Iron and steel	3.2
76	Aluminium and articles thereof	3.2	76	Aluminium and articles thereof	2.5
51	Wool, animal hair, horsehair yarn and fabric thereof	3.0	28	Inorganic chemicals, precious metal compound, isotopes	2.1
22	Beverages, spirits and vinegar	2.6	22	Beverages, spirits and vinegar	2.1
20	Vegetable, fruit, nut, etc food preparations	2.3	25	Salt, sulphur, earth, stone, plaster, lime and cement	2.1
86	Railway, tramway locomotives, rolling stock, equipment	2.0	75	Nickel and articles thereof	2.1
25	Salt, sulphur, earth, stone, plaster, lime and cement	1.9	20	Vegetable, fruit, nut, etc food preparations	1.7
41	Raw hides and skins (other than furskins) and leather	1.9	41	Raw hides and skins (other than furskins) and leather	1.5
75	Nickel and articles thereof	1.8	11	Milling products, malt, starches, inulin, wheat gluten	1.4
11	Milling products, malt, starches, inulin, wheat gluten	1.8	10	Cereals	1.4
03	Fish, crustaceans, molluscs, aquatic invertebrates nes	1.5	81	Other base metals, cermets, articles thereof	1.3
24	Tobacco and manufactured tobacco substitutes	1.6	86	Railway, tramway locomotives, rolling stock, equipment	1.2
17	Sugars and sugar confectionery	4.9	87	Vehicles other than railway, tramway	1.1
74	Copper and articles thereof	1.1	78	Lead and articles thereof	1.1
38	Miscellaneous chemical products	1.1	21	Miscellaneous edible preparations	1.1
48	Paper and paperboard, articles of pulp, paper and board	1.1			
44	Wood and articles of wood, wood charcoal	1.2			
27	Mineral fuels, oils, distillation products, etc	1.2			
31	Fertilizers	1.9			
94	Furniture, lighting, signs, prefabricated buildings	1.3			
68	Stone, plaster, cement, asbestos, mica, etc articles	1.2			
79	Zinc and articles thereof	1.1			
66	Umbrellas, walking-sticks, seat-sticks, whips, etc	1.2			
80	Tin and articles thereof	1.2			

Source: DNA Economics calculations based on ITC Trademap

The change in the number of products where South Africa may have a comparative advantage is shown in Figure 4. Of the roughly 1,200 product lines exported by South Africa (at an HS 4-digit level), South Africa had a comparative advantage (based on Balassa's index) in about 23% of these products in 2001 and up to 25% in 2002. In 2011, South Africa had a comparative advantage in only 20% of exported product lines, suggesting that South Africa's overall comparative advantage appears to have fallen over the last decade.

Figure 4 Proportion of products in which South Africa has a RCA



Source: DNA Economics based on ITC Trademap data.
Calculations based on HS 4-digit data.

2.1.2 Firm-level characteristics

The World Bank's Exporters Dynamics Database, compiled, discussed and formalised in Cebeci et al (2012), includes exporter characteristics for 45 countries (38 developing and 7 developed) for the period 2003 to 2010. This data provides additional information on the relative concentration of exports by firms, as well as the relative heterogeneity of product exports. A summary of these indicators is provided in Table 5 and Table 6.

Table 5 South Africa exporter dynamics (averages for 2006 - 2008)

		Number of exporters	Mean exports per exporter (US$ 000s)	Median exports per exporter (US$ 000s)	Share of Top 5% of Exporters	Mean number of Products per Exporter	Mean number of destinations per exporter
South Africa		21,721	2,699	29	92%	15	3.6
Average	Developing countries	7,017	2,206	63	81%	5.7	2.6
	All countries	10,027	2,480	61	81%	5.9	2.8
Median	Developing countries	2,931	1,708	37	82%	5.2	2.5
	All countries	4,420	1,830	37	82%	5.6	2.6

Source: Cebeci et al (2012)

Table 4 suggests that South Africa has a higher number of exporters than other developing countries. However, South African exports are also comparatively more concentrated than other developing countries, with the top 5% of exporters accounting for over 90% of total exports. Rankin (2013) suggests that this is largely a result of two factors: the dominance of minerals in South Africa's exports and the historic high levels of concentration in many South African sectors. South African exporters also appear to be comparatively more diversified in the destination of exports and in the number of products exported, as highlighted in the last two columns of Table 5 and in Table 6.

Table 6 Relative product and destination heterogeneity in exports (averages for 2006 – 2008)

	Share of exporters accounted for by:		Share of total exports accounted for by:	
	Single-product, single-destination firms	Firms exporting more than 4 products to	Single-product, single-destination firms	Firms exporting more than 4 products to

		more than 4 destinations		more than 4 destinations
South Africa	25%	21.5%	1.3%	82.3%
Average	34.8%	12.8%	2.8%	60.5%
Median	35.4%	12.1%	2.6%	60.6%

Source: Cebeci et al (2012)

South African firms, on average, export a far greater number of products to more different regions than typical exporters from other developing countries. Single-product, single destination firms account for only one-quarter of the total exporters in South Africa, as opposed to an average of just over one-third for other developing countries. At the other end, a higher proportion of South African exporters are heterogeneous in nature, with over 21% of firms exporting more than four products to more than four destinations.

The data indicates that while there are a comparatively large number of South African exporters, there is a dichotomy in the level of firm exports, with high concentration in export levels amongst a small number of exports. At the same time South African exporters, appear on average, to export a comparatively wide range of products to a large number of export destinations. The key firm level characteristics of exporting firms are provided in the following section.

2.3 Characteristics of exporting firms

As Rankin (2013) notes, there is limited information on South African export behaviour at a firm level, with few recent surveys and limited information that tracks firms over time.[4] In their review of South African exporting firms, Edwards, Rankin and Schoër (2008) identify three general characteristics that may apply to exporting firms, when compared to non-exporting firms:

- Exporters are larger than non-exporters in terms of employee numbers
- Exporters are more productive than non-exporters in terms of output and value added per employee
- Exporters are more skill and capital intensive than non-exporters

Early studies such as Rankin (2005) (which uses data from the data from Greater Johannesburg Metropolitan Area Survey (1999)), suggest that the general characteristics highlighted by Edwards, Rankin and Schoer (2008) may hold for South African firms in general. Anjinho and Rankin (2008) compare firm size and exports for a number of developing countries, finding that South African firm's are more likely to export the larger these firms are, in terms of number of employees. Anjinho and Rankin (2008) also find that South African firms, when compared to other developing countries, may enter the export market at comparatively smaller sizes (in terms of employee numbers). The authors partly attribute this to the ease with which smaller firms in South Africa are able to export to regional markets within the Southern African Customs Union (SACU) and, to a lesser extent, SADC.

Surveys conducted by the World Bank such as the Enterprise Surveys and Climate Assessment surveys, appear to confirm these characteristics.[5] Table 7 shows median estimates from the 2005 World Bank Investment Climate Survey; with the estimates suggesting that exporting firms are more capital intensive and productive than non-exporting firms.

Table 7 Median estimates for South African firms

Median estimates (2002)	Capital per worker (book value, Rands)	Capital productivity	Value-added per worker (Rand)	Labour cost per worker (Rands)
Non-exporters	35,100	4.1	132,000	70,700
Exporters	40,300	4.2	187,000	89,500

Source: World Bank South Africa Investment Climate Survey (2005)

Table 8, which shows estimates for South Africa from the World Bank Enterprises Survey, indicates that exporting firms are older, have higher levels of foreign ownership and a larger number of employees.

Table 8 Differences between exporting and non-exporting firms

	Exporter*	Non-exporter
Age (years)	30.5	14.3
Foreign ownership (percentage)	19.1	7.9
Number of permanent full-time workers	128	41.4

Source: World Bank Enterprise Survey (2007)

[4] While overall country data is available for the recently compiled World Bank Exporter Dynamics Database, a number of countries (including South Africa) are yet to authorise the release of detailed exporter information that may provide more information on company characteristics.

[5] The World Bank conducted the Enterprise Survey in which 937 firms in Johannesburg, Cape Town, Durban and Port Elizabeth participated.

Note: An exporter is defined as a firm whose exports are 10% or more of sales

Table 9 shows a comparison of data from the World Bank Enterprise Surveys for South Africa and a number of comparator countries, chosen on the basis of income (in a similar income bracket as South Africa) and population size. Survey indicators are also included for Ireland and South Korea, whose export promotion programmes are investigated in more detail in Section 2.6. The table highlights the proportion of firms exporting at different levels of firm size and the average proportion of sales that is exported by these firms.

Two conclusions can be extrapolated from Table 9 regarding export propensity. First, for all countries presented, as the size of the firm increases, so does the probability that these firms export. Second, South Africa's firms, on average, show a lower propensity to export than other countries with similar income and population, with the exceptions of Colombia and Peru.

Compared to the other countries, Table 9 also shows that a very low percentage of South Africa's sales are exported. While it compares well to Columbia and Peru, the other comparator countries' proportion of sales exported is significantly greater than that of South Africa. South Africa also compares poorly with more developed nations such as Ireland and South Korea.

Table 9 Export propensity and export orientation by country and size

	Total	Small	Medium	Large
% of firms exporting (at least 1% of sales)				
South Africa (2007)	18.4	8.2	22.4	44.7
Argentina (2010)	27.4	18.3	31.6	60.5
Colombia (2010)	18.2	6.8	35.3	70.6
Poland (2009)	21.7	12.9	32.9	62.5
Peru (2010)	14.1	3.8	21.4	46.5
Turkey (2008)	36.9	21.5	56.2	69.3
Ireland (2005)	33.3	22.1	45.7	64.4
South Korea (2005)	20.4	7.4	33.3	52.9
% of sales exported				
South Africa (2007)	3.9	1.8	4.4	10.2
Argentina (2010)	8.3	7.2	8.4	14
Colombia (2010)	4.4	3.4	6.6	8.5
Poland (2009)	7.6	3.7	12.7	25.8
Peru (2010)	4.3	1	5.2	18
Turkey (2008)	17.2	9	27.8	34.1
Ireland (2005)	13.8	5.7	20.4	59.7
South Korea (2005)	8.1	3.8	12.1	18.7

Source: World Bank Enterprise Survey (2013)
Note: Small <20; medium 20-99; large >99 in terms of number of employees; the date in brackets represents the year in which the survey was taken in the particular country

More recently Rankin's (2013) survey of close to 150 smaller South African firms between 2009 and 2012 finds evidence of substantial differences in firm size and labour productivity between exporting and non-exporting firms. Exporting firms were found to produce more than double the output per employee when compared to non-exporting firms, in part due to the higher capital intensity of exporting firms. The number of employees hired by firms also exhibited substantially differences between exporting firms and non-exporting firms.

In 2012, firms that had never exported employed less than half the number of employees than firms that had entered exporting (between 2009 and 2012) and just over half the number of employees as firms that had always been exporting. Rankin (2013) also suggests that the SADC market may be the optimal export path for South Africa's smaller exporters given the less specialist nature of products exported to the SACU and SADC regions, as well as the fact that this market does not appear to require significant productivity advantages (when compared to non-exporting firms) in order to compete.

International literature appears to confirm that firm size, productivity and capital intensity are important characteristics of export oriented firms. Firm characteristics that influence export intensity are set out in Wagner (2010) in his study on the German manufacturing industry. He contends that export intensity increases with the number of employees, the intensity of physical capital, human capital and Research and Development (R&D). In a study done on the German manufacturing industries by Wagner (2010), based on data from two firm-based surveys, it was also found that firm size, human capital intensity, physical capital intensity and R&D intensity have significant positive relationships with a firm's export activity level. This reinforces the conclusions already made by looking at South African data. In addition to these characteristics, the study also shows that exporting firms in the German manufacturing sector pay higher wages than the non-exporting firms. This is also shown by De Rosa (2006) to be true in the Russian manufacturing sector.

It is clear that the size and productivity of a firm are key characteristics in determining which firms are more likely to export. The relationship between these two characteristics, firm size and productivity, and a firm's ability to export are discussed in more detail below.

2.3.1 Size and exports

One of the main reasons that export intensity increases as firm size grows is that firms often have to change their marketing strategies depending on what country their product is being sold to. According to Peyman, Karimi and Danaee (2013), larger firms, with more employees are able to specialise in customising their marketing strategies for each of their markets and therefore achieve greater export success. Pradhan, Zohair & Alagawadi (2012) studied the export trends and patterns in the Indian state of Karnataka and evaluated the various factors that influences export performance, where firm size is found to have a positive relationship to exports. The study suggests that larger firms are also able to take greater risks as a result of their size and economies of scale and will therefore be more inclined to expand their market beyond the domestic.

The fixed costs incurred by a firm may also lead to predominantly larger firms entering the export market. According to Edwards, Rankin and Schoër (2008) the fixed costs include travelling to meet foreign buyers, organising bank accounts or export permits and investing in new capital equipment to meet regulation requirements set by the importing country – effectively sunk costs which cannot be recovered if the venture fails. These sunk costs suggest that larger firms are more likely and able to take on the greater risk. There is also some persistence in export participation as firms that have already incurred the fixed costs are unlikely to exit the market.

Large firms may often also start supplying the foreign market because they have outgrown their domestic market and employ market-seeking behaviour. Companies that are based in countries with small domestic populations will, as their growth continues, have to venture into international markets in order to secure further growth. A firm that dominates the domestic market and is therefore the price setter may also sell products in foreign markets as a means of controlling domestic supply and therefore price. (Edwards, Rankin and Schoer, 2008)

2.3.2 Productivity and exports

The direction of the relationship between export performance and firm productivity can be different according to the country or region being studied. When the firm's participation in the export market results in the firm increasing its productivity it is referred to as the learning-by-doing hypothesis. When the firm decides to enter the export market because the firm believes it is productive enough to compete, it is referred to as the self-selection hypothesis. (Rankin, 2005) According to Rankin (2005) empirical research shows that self-selection predominates in the USA, Germany, Columbia, Mexico and Morocco and that evidence points to Chinese and Slovenian firms displaying predominantly learning-by-doing tendencies.

In a study conducted by Rankin, Soderbom and Teal (2006), it was found that self-selection may not be a relevant hypothesis for some African countries. The study is based on a panel data set covering firms in Ghana, Kenya and Tanzania with the results indicating that once size and previous export participation is controlled for, productivity ceases to be relevant to export participation. Amakom (2012) tests the hypothesis that there is support for the learning by exporting hypothesis, among 10 Sub-Saharan African countries, including South Africa. Using econometric modelling, Amakom (2012) finds that there is support for this hypothesis and concludes that exporting has a statistically significant effect on firm productivity. Bigsten and Soderbom (2010) highlight a study based on data from Ghana, Cameroon, Kenya and Zimbabwe which finds that exporting is associated with a short-term productivity increase of between 7% and 8%.

An argument is also made that opening up economies to international markets leads to increased competition, access to technology through imported goods, access to complimentary intermediate inputs and scale economies as exporting firms increase in size. (Edwards, Rankin and Schoer, 2008) In a comprehensive study by Jonsson and Subramanian (2000), a statistically significant relationship between total factor productivity and openness was found in South Africa. Using time-series as well as cross-sectional approaches, Jonsson and Subramanian (2000) were able to establish that a 10% increase in a South Africa's openness could lead to a 5% increase in total factor productivity. Abuka (2005), using panel data for South African exports, finds that increased competition in foreign markets through export exposure has benefitted South African firms' productivity.

It is clear that exports are potentially very important for firm productivity as well as the total factor productivity in a country. In South Africa, the literature also suggests that exports lead to an increase in productivity at an aggregate level, while at a firm level the learning by exporting hypothesis is supported. The analysis also suggests that larger, more productive firms are more likely to export, due in part to some of the sunk costs and barriers to exporting faced by smaller firms and companies. At a higher level, a number of barriers and obstacles facing all firms may further impact on firms' ability to export, regardless of their size and export-readiness. These are highlighted in the following section.

2.4 Barriers to exporting

A number of barriers and obstacles impede a firm's ability to export. Among the most common of these are trade and tariff barriers implemented by countries in both the developing and developed world. Tariff barriers create a disincentive for firms to export into other countries but can also dis-incentivise protected firms competing in export markets against more efficient firms.

As tariffs are being reduced worldwide, countries are relying increasingly on non-tariff barriers (NTBs) as a means of protecting domestic industry. NTBs can be defined as any measures, interventions or conditions, excluding tariffs that distort or restrict trade in goods and services (tralac, 2010). The NTBs faced by exporters or potential exporters often vary widely depending on the specific industry, product and destination country. For developing countries, that are particularly vulnerable to NTBs, technical trade barriers (TTBs), such as sanitary and phyto-sanitary regulations, are a particular concern (tralac, 2010).

Complying with these standards could potentially increase the costs of exporting immensely, as they often come with the need for testing, certification and accreditation mechanisms. Different standards and criteria in each country can cause these costs to rise even further. When these standards are set as a means of protecting the importing country's domestic industry, the costs may be even larger, as the criteria would be deliberately set in a way that makes it impossible for the countries to trade (Krist & Sewell, 2011)

Trade facilitation costs for exporters can also be high, and can vary widely depending on the markets that exporters are entering. These costs, which can include both time and monetary costs (such as the administration of documents needed to export, the cost of obtaining approvals and the efficiency of ports), can place a significant burden on firms, and smaller firms are less likely to have dedicated resources to tackle these issues. Depending on the destination market, transport infrastructure and inefficient government regulation can also act as severe impediments to exporting.

In his survey of smaller South African exporters, Rankin (2013) finds that firms view a volatile exchange rate as one of the largest barriers to trade. Other issues mentioned include:

- Transport costs
- Competitive foreign markets
- Marketing costs
- Contacting buyers
- Language barriers
- Transport logistics
- Customs
- Tariffs
- Tax levels
- Small foreign markets
- Documentation
- Changed product
- Non-payment risk
- Product standards
- No foreign market
- Monitoring shipments
- Institution barriers
- Trade credit

A volatile exchange rate may also act as an especially large impediment to exporting for smaller firms. Larger firms are more likely to be able to absorb exchange rate volatility than small, medium and micro-enterprises (SMMEs). Figure 5 presents South Africa's exchange rate movement against the US dollar over the last 3 years and it is clear that there is significant volatility in the South African exchange rate. The South African Rand ranges between R6.60 and R10.44 per US$ over the three years which implying massive wide range, with day to day movements as large as 4.4%.

Figure 5 Rand/US$ exchange rate (August 2010 - August 2013)

Source: SARB (2013)

Transport costs and logistics are also found to be a significant barrier to trade in Rankin's (2013) survey. One of the most significant reasons for firms opting out of a decision to export is when high transport costs push down wages and profits. For smaller firms especially, high transport costs may result in lower wages or foregone capital returns in order to remain competitive on international markets. Tourism and other services sectors can also be affected heavily by increasing transport costs as their customer base is very sensitive to transport cost increases. (World Bank 2002) Where South Africa has comparatively poor or expensive infrastructure, especially in terms of rail transport and harbour backlogs, these can act as major barriers to trade as these increase firm inefficiencies and make South African companies less competitive in international markets.

Information asymmetries, marketing and search costs also seem to be issues that South African firms are battling to deal with, based on the survey by Rankin (2013). These costs can act as significant barriers, especially for smaller firms looking to start exporting but which lack the resources to enable engagement with consumers as well as buyers in foreign markets. This is also true for firms looking to diversify their export markets, where a one-size-fits-all approach to marketing may not lead to increased exports. Language, cultural and religious differences also attribute to the complexities and costs of marketing and market research, further raising the barriers to exporters in general and especially smaller firms. (Van der Walt, 2007).

The lack of human capital may also negatively impact a firm's ability and readiness to export. Van der Walt (2007) highlights the importance firm management and administration in providing an environment that is conducive to encouraging an export oriented firm. The importance of administrative capacity may be especially important where exporting procedures are especially complex or onerous. Rankin (2013) and van der Walt (2007) highlight that this is viewed as a significant barrier to exporting in South Africa. Van der Walt (2013) reports that the average international transactions can require 40 documents and 27 role-players and that that these procedures can often constitute nearly 7% of total export cost.

Some of the barriers identified are external to a firm, such as exchange rate volatility or insufficient infrastructure development while others are internal to the firm, such as the lack of working capital to market products sufficiently or the lack of human resources or administrative capacity. It is important to recognise that a number of these barriers and challenges cannot be addressed by subsidising marketing activities alone, and may require deeper structural interventions (e.g. in order to alleviate transport infrastructure challenges) or firm-specific assistance in order to get these firms to an export-ready stage. Marketing challenges have been identified as a potential issue for firms, though addressing this issue will only positively impact on the firm's export levels if the firm has the capacity and ability to take advantage of any export opportunities presented through these marketing activities. It is therefore import ant to recognise which of these barriers can be targeted by export promotion activities efficiently and effectively.

2.5 Export promotion programmes and agencies

2.5.1 Export promotion in general

Export promotion programmes and policies can broadly define any form of assistance provided to exporters through public (government) interventions. In general export promotion activities can be defined as any measure or programme implemented to assist both current and potential exporters in expanding and diversifying their export base. (Belloc and Di Maio, 2011) These measures can include subsidies, tax incentives, financial assistance (such as trade finance and export insurance), exchange rate policies and assistance in addressing information asymmetries and market access. Belloc and Di Maio (2011) highlight some of the key justifications for the use of export promotion activities, including:

- Enhancing (upstream or downstream linkages and industry-wide spillovers; and providing infant industry protection;
- Overcoming information asymmetries and co-ordination failures specifically in the context of exports, including a lack of knowledge of foreign markets, or unfamiliarity with non-tariff requirements for goods;
- Addressing capital and credit market imperfections, including access to trade finance and export insurance; and
- Enhancing the potential for learning by doing, and R&D and technology spillovers.

Historically, countries have made substantial use of export subsidies to assist domestic firms and protect these firms from highly competitive international markets. However, export subsidies for manufactured goods are now prohibited under World Trade Organisation (WTO) rules, while the use of export subsidies for agricultural exports (and subsidies in general) remains highly regulated and subject to WTO criteria. This has resulted in the increasing use of other financial schemes to assist exporters and domestic producers, including duty drawback schemes, export credits, export guarantees and the establishment of free trade zones (FTZs). (International Trade Centre, 2009)

2.5.2 Export (trade) promotion agencies

The declining use of export subsidies has also meant that governments have begun to increasingly target overcoming information asymmetries, market access issues and other NTBs experienced by exporters. This has often been achieved through the establishment of export promotion agencies (EPAs).

EPAs have a long history; the first EPA was established in Finland in 1919 (Lederman et al, 2007). However, the concept and establishment of export (or trade) promotion agencies flourished after the foundation of the International Trade Centre (ITC) by the United Nations in 1964. The ITC was created with the intention of assisting developing countries develop export markets by providing market information, later expanding its scope to include the training and institutional assistance for developing countries.

Encouraged by the ITC, many EPAs in both developed and developing countries, were established to assist in providing commercial and market research, conduct trade promotion and marketing activities, promote investment and assist in other marketing and research activities to enhance exports. (De Wulf, 2001)

While a number of EPAs may incorporate financial schemes and assistance in the production of exported goods (such as duty drawbacks and trade finance), these agencies are established primarily with the aim of assisting firms in overcoming information asymmetries and NTBs. Lederman et al (2007) divide the services offered by EPAs into four broad categories:

- Country branding (providing advertising and promotional events)
- Providing export support services (including training, technical assistance, information provision on regulatory compliance, finance, logistics, customs etc.)
- Marketing (trade fairs, trade missions, marketing by foreign representatives)
- Market research (including general and company specific market information, importer and exporter databases, market surveys)

Lederman et al’s (2007) review of EPAs across the globe (with close to 90 EPAs surveyed) highlights a number of key design characteristics of EPAs. The bulk of EPAs appear to be semi-autonomous government agencies reporting to a Ministry, with roughly one-quarter of agencies established as sub-units or divisions within a Ministry or government department. About 15% of EPAs are either private of joint public-private initiatives. The majority of these EPAs overall objective is to increase exports in general, while roughly 40% of EPAs target specific sectors or product categories. Lederman et al’s (2007) review of EPAs also highlights that, on average, the focus of EPAs is on small and medium sized firms that are established exporters.

Early studies on the impact and effectiveness of EPAs in supporting and encouraging firm level exports suggested that the performance of EPAs was mixed. The early poor performance of EPAs was attributed to a number of reasons, including lack of awareness of and participation in EPA activities by firms (Kedia and Chhokar (1986), Seringhaus and Botschen (1991)), EPA design, staffing and quality of service issues (Hogan, Keesing and Singer, 2001, Keesing and Singer, 1991, 1991a, Keesing, 1993), funding shortages or operating within a poor policy environment (Hogan, 1991, De Wulf, 2001).

More recently, Lederman et al (2007) suggest that EPAs, on average, have a statistically significant positive effect on exports, with this effect greater where the export bundle is diversified. Lederman’s (2009) evaluation also suggests that a single EPA, rather than a number of small agencies, is positively correlated with exports, while some autonomy (reflected in an independent board) may also make EPAs more effective. Lederman et al (2007) highlight that EPA budgets exhibit strong diminishing returns to scale, suggesting that smaller EPAs make be more effective than those with large budgets.

A review of Latin American and Caribbean EPAs in Martincus (2010) arrives at four overall conclusions on the impact and effectiveness of EPAs:

- Export assistance appears to be more effective where firms are trying to increase the number of export destinations and/or expand the number of products exported rather than deepen existing trade relationships.
- Export gains from export promotion activities are likely to be greater where there is a high degree of heterogeneity and diversification in the products traded since the ability to deal information asymmetries becomes more important in such export profiles.
- Smaller firms are likely to benefit more from export assistance given that these firms are likely to face greater barriers and difficulties in access the relevant export information.
- Holistic support services throughout the export process (providing support in accessing market, information, initiating commercial contracts, establishing business

relationships) may be more effective in encouraging firm exports rather than piece-meal assistance at the different levels of the export cycle.

Recent localised studies focussing on country specific EPAs also find that export promotion services have had a positive impact on a firm's level of exports, though the extent and sustainability of this impact may differ. Biesebroeck et al (2010) find that the set of programmes offered by the Canadian Trade Commissioner Service (TCS) have a positive impact on firms' exports, when compared to those firms that have not accessed these programmes.

Hayakawa, Lee and Park (2011), looking at the South Korean and Japanese EPAs, find that the establishment and use of an EPA office in a foreign country may be as effective as signing a FTA with that country. Cadot et al (2012), in undertaking an impact evaluation of the Tunisia's export-promotion scheme (FAMEX), find that while EPAs may have a positive impact on firm's exports in the short-term, this may not translate into export sustainability over the medium to long-term. Martincus et al (2010), using firm-level data for Argentina between 2002 and 2006, find that the positive impact of export promotion programmes are larger for smaller firms, not surprising, given informational asymmetries are likely to have stronger deterring effects on smaller companies.

From the research it is clear that EPAs need to be well designed, staffed and targeted in order to make a meaningful contribution to export promotion and to enhance firm exports. In addition, the research suggests that smaller firms may benefit substantially more than large organisations, especially where EPAs focus on addressing information asymmetries present in the export process.

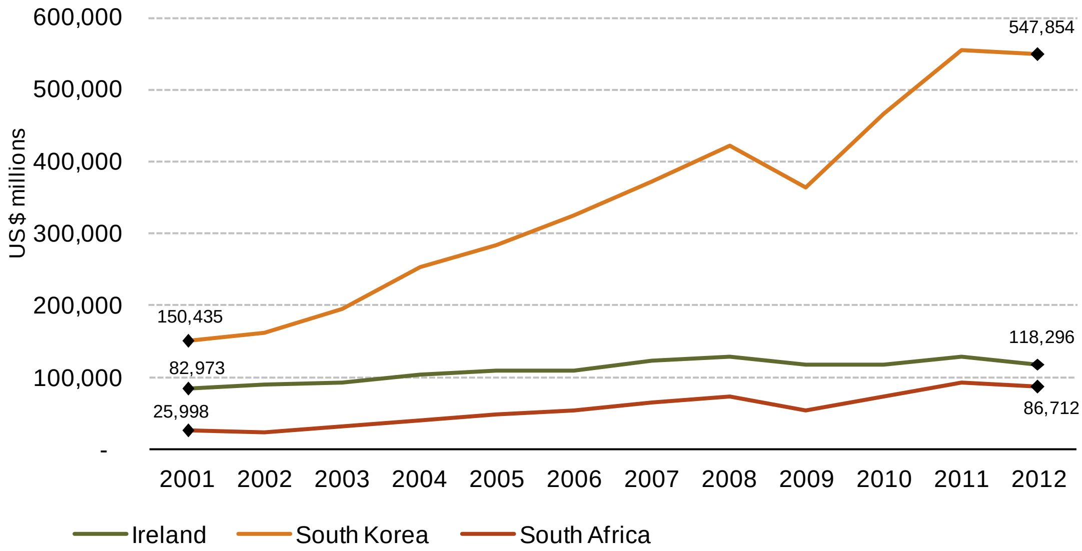
2.6 Irish and South Korean export promotion activities

The following section provides an overview of the export promotion activities in South Korea and Ireland, providing insight into the different mechanisms used to encourage firms to export and the various eligibility and evaluation criteria used in the two countries. Ireland and South Korea were identified as comparator countries based on their historic export performance, the relative product and geographic diversity of exports, the level of high value added products in the countries' export profiles and the fact that both countries have made extensive use of export promotion agencies to encourage export growth.

2.6.1 A comparison of export performance

The growth of exports (in terms of value) for Ireland, South African and South Korea are shown in Figure 6. In US dollar terms, South Korea has shown the strongest growth between 2001 and 2011, with an average annual growth of 12.5%. South Africa's export growth performance over this period appears equally strong in comparison, with average growth 11.6%, while Ireland's growth is comparatively weaker, averaging 3.3% over the last decade.

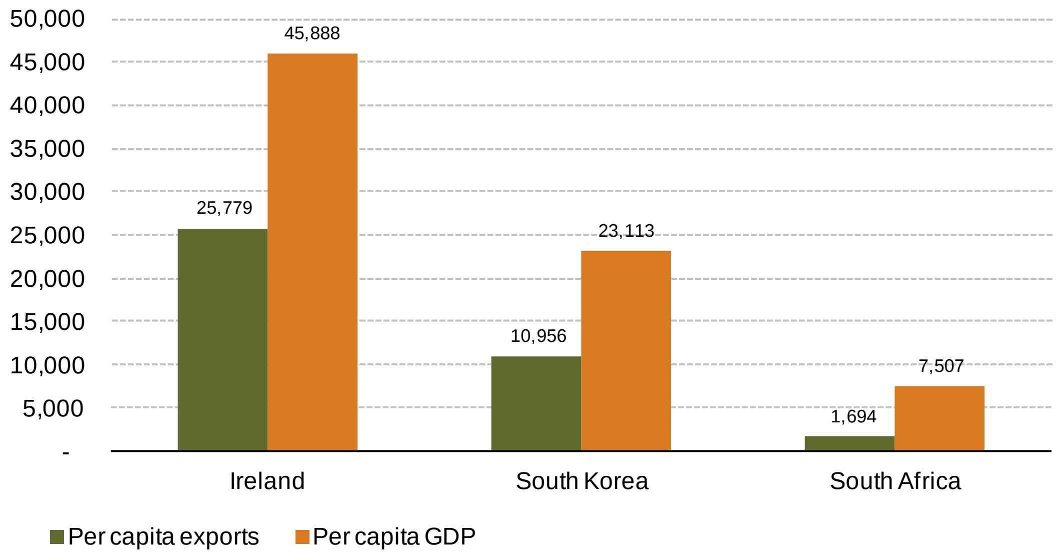
Figure 6 Comparison of export growth



Source: ITC Trademap

When compared in per capita terms, Ireland is the larger exporter and more prosperous nation, as shown in Figure 7. South Africa, by comparison, exports far less on a per capita basis and is far less developed. It is also important to note that while exports make up close to 60% and 50% of Ireland's and South Korea's GDP (for 2012), exports account for less than one quarter of South Africa's overall GDP. At a surface level this suggests that, despite South Africa's recent strong export growth, there remains significant scope for an improvement in export performance.

Figure 7 Per capita comparison, US$ (2012)

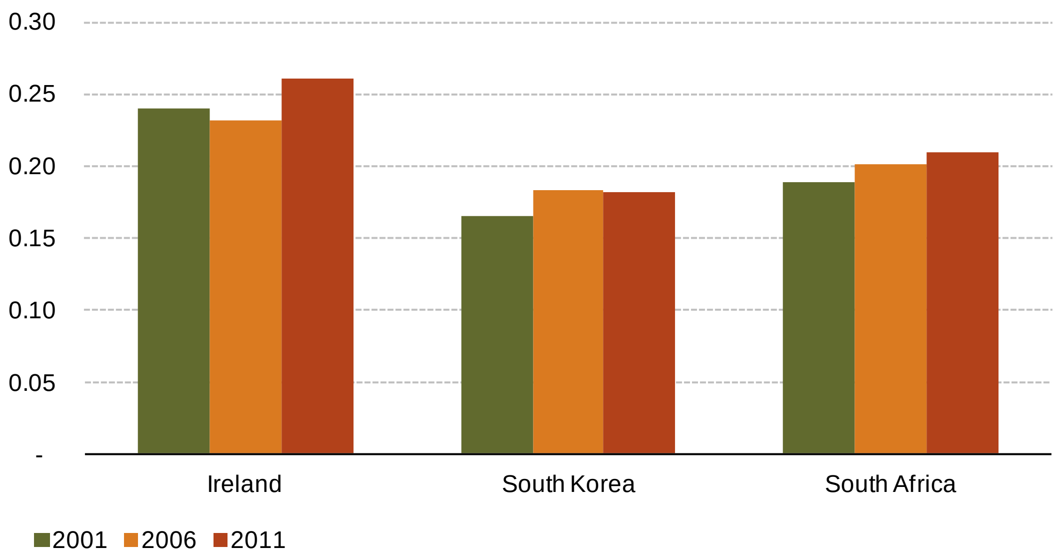


Source: DNA Economics based on data from ITC Trademap and World Bank's World Development Indicators (WDI) database.

All three countries have similar levels of product diversification with regards to exports. This is highlighted in Figure 8, which shows the Hirschman Index[6] for each country, based on product classification at an HS 4-digit level.

[6] The Hirschman index provides a measure of the product concentration of exports. The index ranges from 0 to 1, where a higher value indicates a greater degree of product concentration in exports.

Figure 8 Hirschman product concentration index



Source: DNA calculations based on ITC Trademap data.
Index calculated at HS 4-digit level.

Based on the Hirschman index, Ireland's exports are slightly more concentrated in terms of products, with South Africa's concentration of exports falling between Ireland and South Korea. While all three countries have a similar level of product diversification in exports a key differentiator is the type of products exported, as shown in Table 10. Both Ireland's and South Korea's exports consist substantially of value added goods. In Ireland exports are driven by chemical and pharmaceutical products, while South Korea's exports are dominated by processed petroleum, vehicles and electrical products. South Africa main product exports, by contrast, are mainly primary goods such as platinum and gold, iron ore and coal.

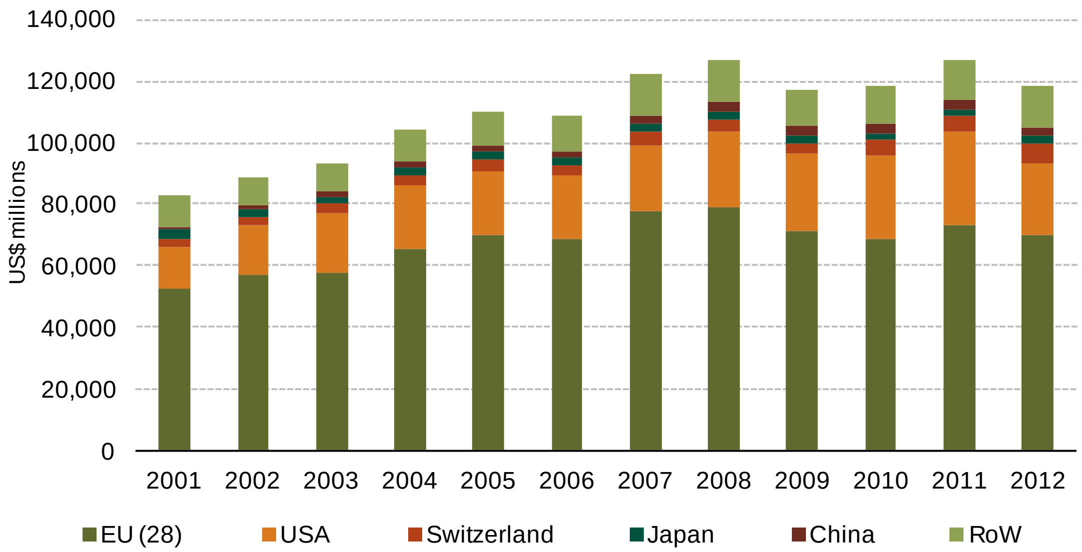
Table 10 Main products exported (shown at HS 4-digit level)

Ireland		South Korea		South Africa	
Product label	**2011**	**Product label**	**2011**	**Product label**	**2011**
Medicament mixtures, put in dosage (3004)	19%	Petroleum oils, not crude (2710)	9%	Platinum, unwrought or in semimanufactured forms (7108)	12%
Heterocyclic compounds with nitrogen hetero-atom; nucleic acids & thei (2933)	11%	Cars (incl. station wagon) (8703)	7%	Iron ores & concentrates; including roasted iron pyrites (7110)	10%
Human & animal blood; antisera, vaccines, toxins, micro-organism cultu (3002)	7%	Electronic integrated circuits and microassemblies (8542)	7%	Coal; briquettes, ovoids & similar solid fuels manufactured from coal (2601)	8%
Odoriferous mixtures as raw materials for industry (3302)	6%	Cruise ship, cargo ship, barges (8901)	7%	Gold unwrought or in semi-manuf forms (2701)	7%
Heterocyclic compounds, nes (2934)	6%	Liquid crystal devices; lasers; other optical appl & instruments nes (9013)	5%	Cars (incl. station wagon) (8703)	5%
Share of top five products	**49%**	**Share of top five products**	**35%**	**Share of top five products**	**42%**

Source: DNA Economics based on data from ITC Trademap

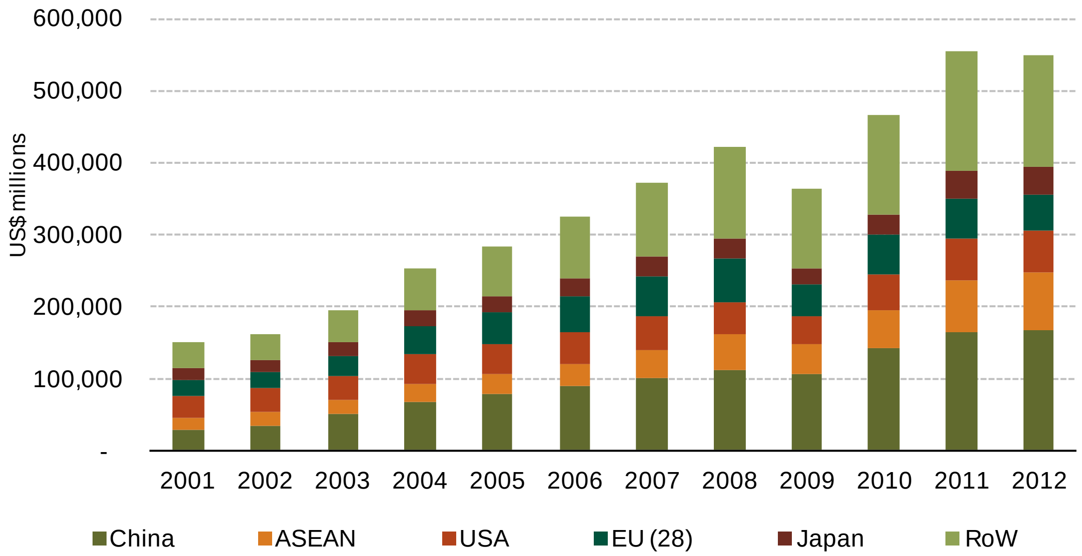
A comparison of the destination of exports also reveals that a substantial proportion of both Ireland's and South Korea's exports are destined for markets in close proximity to the exporting country. This is shown in Figure 9, Figure 10 and earlier in Figure 2. Close to 60% of Ireland's exports are destined for the EU (of which Ireland is a member), with the USA and Switzerland also major markets for Ireland's exports. While South Korea's destination markets are more diversified, China and the Association of Southeast Asian Nations (ASEAN) accounted for 44% South Korea's exports in 2012. South Africa's export markets are substantially further away, with SADC nations accounting for only 14% of the country's exports in 2012.

Figure 9 Ireland exports by destination



Source: ITC Trademap

Figure 10 South Korea exports by destination



Source: ITC Trademap

The comparison of country exports suggests that while South Africa's exports are diversified in terms of products, comparatively South Africa still exports predominantly primary goods. Additionally, South Africa is less able to rely on countries in close proximity as potential markets for exported goods, as opposed to Ireland and South Korea, which both have substantial markets comparatively closer to the exporting country.

The following sections review Ireland's and South Korea's EPAs in terms of the services offered to enhance exports. The review looks primarily at the services and incentives offered by the EPAs. A number of other incentives (such as subsidies and duty drawbacks) offered by these countries, but not comparable to those offered by EMIA, are highlighted in Annex 3.

2.6.2 Enterprise Ireland

Enterprise Ireland (EI) was established in 1998 as a government agency with the aim of assisting and driving the development of Irish companies in the international market, ultimately to support sustainable economic growth and development. EI has 9 regional offices in Ireland providing support to Irish firms, as well as 30 international offices globally to facilitate investment and exports by Irish firms. The organisation provides the following general services:

- Funding support;
- Export assistance;
- Competitiveness development support;
- Assistance to stimulate R&D; and
- The provision of access to a global network of contacts (Enterprise Ireland, 2013)

While EI focuses on potential and current exporters, the agency provides a wide array of support services and funding to assist companies in improving their competitiveness, developing R&D, innovation and internationalising their products and brands. The agency provides assistance for all company sizes at all stages of development, from individuals with business ideas to large companies.

2.6.3 KOTRA

The Korea Trade-Investment Promotion Agency (KOTRA) was established in 1962 as a national trade promotion organization. In 1995, the mandate of KOTRA was expanded to include cross-border investment promotion, such that it was renamed the Korea Trade-Investment Promotion Agency. KOTRA runs an extensive worldwide network of overseas Korea Trade Centres KTC, with more than 130 offices in 80 countries.[7] The agency operates as a quasi-independent (but fully funded) government agency. KOTRA assists with a number of investment (inward and outward) and trade promotion activities including:

- Foreign market research
- Support for export companies participating in exhibitions
- Trade missions
- Support for overseas business trips
- Support for overseas investments
- Administrative support for foreign investors
- Global partnering projects
- Global talent acquisition

Unlike EI, KOTRA focuses specifically on export and investment promotion, through support services focused on marketing, administrative activities and research support. KOTRA provides no direct financial assistance to companies, rather subsidising companies indirectly by providing various export and trade promotion services that companies may access free of charge, by paying a nominal service fee or through annual payment and registration as a KOTRA corporate member.

2.6.4 Key export and investment incentives and services

2.6.4.1 Enterprise Ireland

In terms of export and investment promotion, EI has committed to facilitating the development of a strong exporting sector by offering the following export assistance initiatives:

- Get Ready Export;
- Market Research Centre;
- International Office Network;

[7] Discussions with Youngwoong, K. (2013)

- Trade Missions and Fairs; and
- Building Capabilities (Enterprise Ireland, 2013).

Further detail on these services is provided below.

Get Ready Export

For new and early exporters considering the expansion of trade into foreign markets EI provides 4 key support programmes.

Firstly, EI provides export events, workshops and programmes to assist with the development of the tools and techniques needed to succeed in these export markets, thus helping strengthen export readiness and export selling capabilities.

Second, EI provides export awareness events and 'exploring exporting' workshops; which cover topics such as the conducting of market research, how to define an export value-proposition, and detailing the processes for exporting.

Third, EI provide 'first flight one-to-one assessments', which analyses the market readiness of new and early exporters, with the aim of helping companies manage the risks associated with exporting for the first time. Under this programme, companies attend a workshop at which they are allocated an experienced business mentor, who advises and guides them through the development of the export strategy and export development plan.

Fourth, exporters are given access to the Market Research Centre, a knowledge centre which is discussed next.

Market Research Centre

Given the importance of knowledge in the export environment, EI has purchased, and made accessible, market research reports containing information on:

- Market Sectors: This includes industry and sector reports which cover key players, size of market details, factors which drive or curtail demand, and projected sales forecasts;
- Company Information: including company financials, main competitors, key players, manufacturers, distributors, and key personnel; and
- Country Information: including country profiles and the essential 'Doing Business In' Guides.

Furthermore, EI commissions and publishes guides and reports which provide key information on markets that are of significant importance to Irish exporters. These guides are available on their website to all organisations affiliated with EI.

International Office Network

EI holds an international office network, with access to over 60 countries. Through this network, EI can assist exporters gain access to opportunities, identify avenues into potential markets, find distribution partners, identify potential buyers and assist with set-up in international markets.

Trade Missions and Trade Fairs

EI organises group trade visits, which are led by a member of government, to visit the major and emerging export markets of Ireland. Supporting networking events enable clients to retain and build relationships with their international customers.

EI also organises group stands at trade fairs and exhibitions across the world, allowing Irish exporters to showcase their products and services, while obtaining market intelligence on new and emerging trends and competitors. To support small and medium enterprise (SME) exporters and High Potential Start-up (HPSU) clients attending international trade fairs, the Internationalisation Grant and HPSU Feasibility Grant are made accessible to them.

Building capabilities

EI has also committed itself to assisting companies with the strengthening of capabilities, by offering sales training and expert advice to those seeking to develop international selling skills.

The export promotion programmes of EI are summarised in Table 11 below.

Table 11 Enterprise Ireland Incentives Summary

EP support	Programme	Detail
Get Ready Export	Export Events, Workshops and Programmes	Assists with the development of the tools and techniques needed to succeed in export markets
	Export awareness events	Knowledge share
	First flight one-to-one assessments	Analyses the market readiness of new and early exporters
	Market research centre	Discussed below
Market Research Centre		Provision of up-to-date information on a vast range of markets, sectors, companies and countries
International Office Network		EI holds an international office network, with access to over 60 countries
Trade Missions & Fairs	Trade Missions	Group trade visits, led by a member of government
	Trade Fairs	Organisation of group stands at trade fairs and exhibitions across the world
Building Capabilities	International selling programme	Programme to equip companies with the tools needed to reach their export sales potential in global markets
	Excel at export selling	Workshops aimed at embedding the proven tools of good international selling practice into the sales teams
	First flight workshops & mentors	EI hosts First Flight Programmes with mentors to assist with export preparation
	Internet marketing	Help client companies exploit the Internet as a route-to-market,
	Mentors	Appointment of a mentor from the EI Mentor Network to advise developing and executing an international sales strategy
	Business accelerators	Helps companies retain the services of a Business Accelerator - an industry expert within a specific sector and market

Source: Enterprise Ireland, 2013

EI offers a wide range of funding instruments (mainly consisting of grants and equity funding) to assist Irish firms in both the development of their businesses, for R&D purposes as well as to assist in export development. The funding mechanisms specifically for export development are highlighted below. A summary of EI's funding instruments is provided in Annex 4.

The analysis of Ireland's export promotion activities clearly highlights a range of programmes to assist exporters to develop markets and linkages, with a unique set of eligibility criteria for each programme. It is also clear the EI provides support throughout a firm's life cycle, focussing on ensuring that firms making use of export marketing incentives are considered export-ready before doing so.

HPSU Grant

The HPSU financial assistance grant offered by EI is aimed at assisting new start-up companies or entrepreneurs explore export opportunities, thus helping them gain sufficient knowledge to make informed decisions around a project's viability.

Internationalisation Grant

This grant seeks to assist established companies in the research and exploration of potential business opportunities in international markets, by supporting the costs of undertaking such new market research, provided the project is focused on:

- Researching a new market for a new or existing product or service offering; or
- Researching an existing market for a new product or service offering.

New Geographic Market Research Grant

Grant funding is provided to allow firms to undertake a maximum 6 month market research assignment in a new geographic market. Firms may use the grant to place an employee in the new region to undertake market research for a maximum period of 6 months. Alternatively, firms may make use of consultants within that region to conduct the research.

Strategic Marketing Review Grant

This grant provides support to firms to undertake a diagnostic review of the firm's marketing operations and strategy. The grant is provided to make use of approved external consultants together with EI advisers and targets established exporters who wish to review their market development strategy.

2.6.4.2 KOTRA

KOTRA provides a range of support services to assist Korean firms to export products and diversify markets, as well as to attract potential investors. In addition, KOTRA also provides services to assist South Korean firms to invest in foreign markets. The key services and offerings are summarised below.[8]

General Foreign Investment Promotion. KOTRA undertakes general promotion of South Korea as a preferred investment destination, also handling investor feedback to continuously improve the investor environment.

Research / Consulting. KOTRA investment experts provide potential investors with specialist research on potential opportunities for investment. KOTRA also provides information on the legal procedures and requirements for potential investors.

PM (Project Manager) System Implementation and administrative support. A project manager is assigned to each investment project to offer customised services, providing both administrative and technical assistance to the investor at each stage of the investment process. KOTRA also provides administrative support for immigration, customs and tax legislation through authorised government employees.

Investor incubation. Through the Invest Korea Plaza, KOTRA provides a business incubation centre for foreign investors, providing traditional incubation services at low rates.

[8] Based on information brochure from KOTRA website (2013).

Post-Investment Service. KOTRA also provides investors with one-on-one services to resolve any grievances or disputes involving the investor.

Overseas investment support. KOTRA provides a range of services to Korean investors, investing outside of South Korea. These services include overseas incorporation establishment, local managerial issue seminars, delegations for investment feasibility, and overseas intellectual property rights protection.

Business matchmaking services. Selected and applicable Korean companies and products are introduced to foreign buyers through KOTRA. KOTRA assists by facilitating business transactions and setting up meetings between foreign and Korean companies. KOTRA also operates an e-commerce portal which is actively used to link Korean firms with potential buyers both within and outside of South Korea.

Trade missions. KOTRA organises trade missions and also supports local governments and industry associations in organising and dispatching trade missions consisting of exporters and SMEs. KOTRA also provides foreign buyers with export consulting services through its Korea Business Centre.

Exhibitions, pavilions and conventions. KOTRA provides financial support for international exhibitions and trade shows, effectively subsidising the cost of marketing for exporters and SMEs. KOTRA also holds its own conventions and pavilions at international trade events.

Global partnering. KOTRA assists both South Korean and international firms in developing global partnerships through the organisation and support of export support groups. These services include overseas and local seminars to identify company needs and demands of both South Korean and international companies.

Overseas Market Research. KOTRA makes use of its extensive office network to provide firms with a range of market information including: firm and contact details for potential buyers, customised destination market research and potential supplier details.

Overseas market seminar / consulting. KOTRA holds market seminars open to applicable South Korean companies, providing information on market trends in different countries, legislative information as well as product and marketing opportunities.

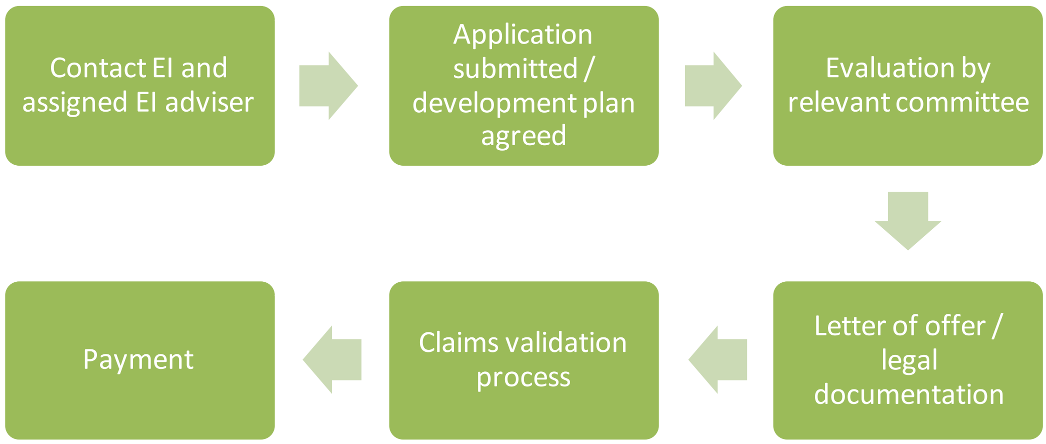
KOTRA also provides a service to South Korean firms wishing to employ foreign employees. This service assists in the recruitment process, legislative services such as visa support, as well as settlement in South Korea.

2.6.5 Application and selection procedures

2.6.5.1 Enterprise Ireland

To access any services or funding provided by the agency companies are required to register as clients with EI. The agency does not work with firms focused on the domestic market. Once companies have registered as clients with EI, they are appointed an EI Adviser. Applications for any EI incentives are then done through the company’s EI Adviser, who also provides administrative and business support to the business. The process firms are required to follow for accessing funding provided by EI is summarised in Figure 11.

Figure 11 EI process for accessing funding



Source: Enterprise Ireland

Funding applications are adjudicated by the relevant funding committee, which is made up of EI executives as well as representatives from the public private sector. In general, the funding committee considers a number of criteria including[9]:

- The need for financial assistance.
- The value for money achieved by assisting the firm
- Commercial and technical considerations that is particular to the firm's application.
- The financial sustainability and track record of the firm.

Table 12 provides a summary of the type of firms that qualify for the relevant export promotion grants.

Table 12 Basic qualifying criteria for EI grants

	HPSU	Established SME	Large company
	Start-up businesses with potential to develop an innovative product or service for sale on international markets. Must have potential to create 10 jobs and €1m in sales within 3 to 4 years of start up.	Established small and medium enterprises in the manufacturing and internationally traded services sectors. Established SME client cannot be a HPSU client. Must have an established trading record. Employs between 10 and 250 employees. Either has an annual turnover of less than €50m or an annual balance sheet of less than €43m.	Large company in the manufacturing and internationally traded services sectors. Employs greater than 250 employees. Either has an annual turnover of greater than €50m or an annual balance sheet of greater than €43m.
HPSU Feasibility Grant	X		
Strategic Marketing Grant		X	
Internationalisation Grant		X	X
New Market Research Grant		X	X

Source: Enterprise Ireland website

In addition to the general qualifying criteria, firms may be required to meet specific eligibility criteria, shown in Table 13.

[9] Enterprise Ireland

Table 13 Specific eligibility criteria for grant funding

Grant	Additional eligibility criteria
HPSU grant	Has an innovative offering Has a good growth forecast (expected sales of €1m) Is export oriented; and Is led by a lead that holds sufficient technical and commercial expertise to ensure success
Internationalisation grant	The company must have an available De Minimis balance* The company must not be eligible to receive the support applied for from An Bord Bia~ or An Bord Iascaigh Mhara^
New Geographic Market Research Grant	Companies that have received EI Equity 'start up' support, within the last 3 years, are ineligible for the New Geographic Market Research grant
Strategic Marketing Review Grant	The company must be trading for more than 6 years, with sustainable annual revenues of at least €500k or has annual sustainable revenue of at least €500k, has achieved a positive EBITDA for the previous 9 months and can demonstrate sustainable future positive EBITDA. Companies from the horticultural, fish processing or primary producers are ineligible due to EU regulations.

Source: Enterprise Ireland website, 2013
**De Minimis Aid is small amounts of State Aid given to an enterprise which cannot exceed €200,000 over any three fiscal years.*
~The Irish Food Board.
^A State agency with primary responsibility for developing the sea fish and aquaculture industries in Ireland.

Applications for these grants are considered on a case-by-case basis, with the following criteria determining the level of funding:

- The merits of providing grant support to the activity set out in the application;
- The need for financial support;
- The details of previous funding provided to the company; and
- The potential for employment and sales growth (Enterprise Ireland, 2013).

EI also takes into account the regional location of the firms applying for grants or funding, providing greater levels of supports for companies located in certain regions within Ireland.
It is clear from Table 12 and Table 13 that firms qualify for marketing incentives only if they are considered export ready. Other incentives are provided to assist qualifying firms in achieving an export ready stage.

2.6.5.2 KOTRA

While not a prerequisite for making use of the services offered by KOTRA, companies are encouraged to register with KOTRA in order to use KOTRA's services. This corporate registration and membership incurs a basic nominal fee and allows members easier access to KOTRA services, often at cheaper rates. (KOTRA, 2013)

In order to participate in trade missions and national pavilions, companies are able to apply directly through the KOTRA (or KOTRA's preferred exhibitor company) website. While all firms are allowed to apply for these missions and pavilions, KOTRA (or the relevant business council) may select firms based on sectors, firm size (with a preference for SMEs) and exporting capacity where there is excess demand for a specific trade mission.[10]

Trade missions and pavilions are also arranged by municipal and provincial governments which may select companies based in their jurisdictions, with KOTRA providing support to missions organised by local and regional government authorities and business associations. Both KOTRA and local governments have a fixed annual plan for exhibitions and firms are encouraged to apply for missions and pavilions at least three months prior to the trade mission or exhibition date. KOTRA support for individual business trips abroad is only

[10] Discussions with Youngwoong, K. (2013)

accessible to companies registered with KOTRA. For individual business trips, firms are required to arrange for KOTRA support at least 3 weeks prior to departure date. [11]

KOTRA does not provide any direct financial assistance to firms; rather the agency makes use of its extensive global network of offices to provide firms with overseas, marketing and research support. Both KOTRA and non-KOTRA firms can apply for all other KOTRA services through the KOTRA website, following which relevant KOTRA staff will contact the company.

2.6.6 Funding and disbursement

2.6.6.1 Enterprise Ireland

A detailed review of eligible expenditure for each of the export promotion grants is provided in Annex 4. Most grants offered by EI are providing on a matching basis, with specific thresholds for the funding of certain costs.

Claims are required to be submitted by post, with firms required to fill in both a claim form as well as a progress report based on the type of grant the firm has accessed. This claim is reviewed by a Grant Payment Officer before being sent to the firm's allocated EI adviser for validation. Once the EI adviser has validated the claim (based on a review of the claim and progress report), the Grant Payment Officer completes authorisation of the payment. Firms are electronically notified once the process has been completed. The disbursement process varies widely depending on the required documentation and Ireland's 15-day supplier payment policy does not apply to EI's grant funding. (Enterprise Ireland, 2013)

2.6.6.2 KOTRA

Common exhibition and trade mission services (such as the cost of stands, group vehicle rental, common consumables, translation services etc.) are supplied and covered by KOTRA, often together with an industry association or sphere of government (municipal or provincial government). However, no funding assistance is provided by KOTRA directly to South Korean companies that participate in these marketing and export promotion activities. Firms are therefore required to cover their own costs (such as airline tickets, accommodation and subsistence) or to seek financial assistance for these costs from industry associations or from their local (and provincial) government offices.[12]

KOTRA also does not provide direct financial assistance to South Korean firms for other export promotion services. In addition, companies may be required to pay a nominal fee for certain services. For example, basic interpretation and transportation pick-up services (for individual business trips abroad) may be provided but these services are restricted to assisting exporters and investment seekers on arrival and departure. Any additional interpretation and transport services required incur a fee. Companies are also encouraged to register with KOTRA as corporate members (for a nominal annual fee), which provides them with easy and cheaper access to a range of KOTRA's services. As an example, the cost of selected research services is provided in Table 14.

Table 14 Example of fees charged by KOTRA

Type of service	Service research and outcome	Fees (VAT included)
Find buyers	List of potential buyers in selected region(s) identified	₩150,000 (R1,500)
Custom market research	Demand trends, revenue trends / import tariffs, competitive trends, export trends, trends in the retail price / distribution	₩110,000 (R1,050) / item

[11] Discussions with Youngwoong, K. (2013)
[12] Discussions with Youngwoong, K. (2013)

	structure, quality certification, production trends, and other such research	
Secure buyer (importer) contact details	Find and provide contact points and details for potential buyers	Free
Supply of raw materials research	List of potential sources of raw materials from selected region(s)	₩220,000 (R2,100)

Source: KOTRA website, 2013
Currency converted to Rands using www.oanda.com

2.6.7 Monitoring and impact evaluation

2.6.7.1 Enterprise Ireland

EI's requirement that firms apply and register as clients, with each client being assigned an EI adviser, allows the agency to form a collaborative relationship with exporting firms. This relationship extends to ensuring that key indicators, targets and levels of achievement are agreed to and monitored throughout the firm's participation in any EI export promotion initiatives. Firms participating in EI's support grants and services are required to agree to targets and deliverables linked to the various support offerings prior to that support being offered.[13]

Other EI staff members including Grant Inspectors and Human Resource Development Advisers may also participate in the setting and monitoring of client targets, with the level of participation varying depending on the type of service and funding accessed by firms.[14]

There is little independent public information assessing the impact of EI's trade promotion activities and grants on client exports and job creation. However, as highlighted in Table 15, it is clear that EI collects a range of information from EI clients including changes in exports and jobs.

Table 15 Selection of export performance indicators used by Enterprise Ireland

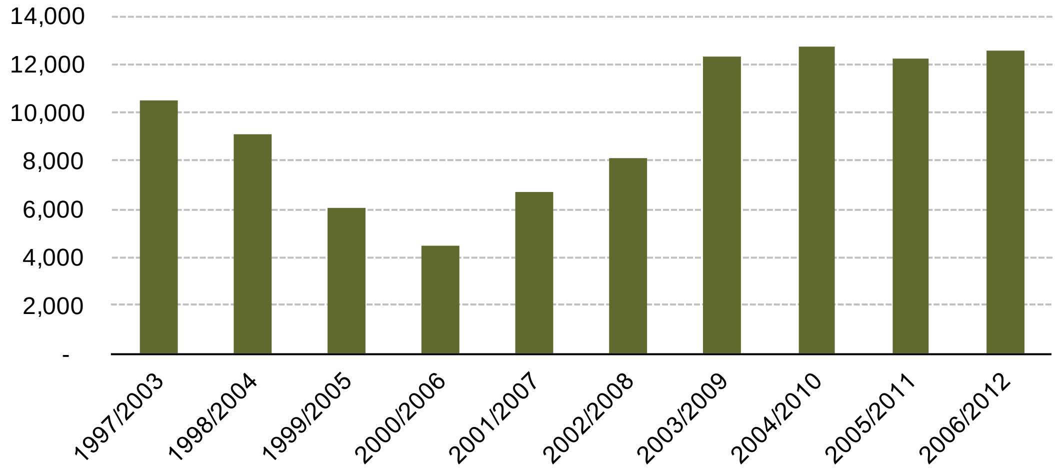
Indicator	2007	2008	2009	2010	2011
New export sales (Euros billions)	1.445	1.332	0.693	1.944	2.14
Number of clients achieving annual global sales of 5 million Euros		608	560	572	
Number of clients achieving annual global sales of 20 million Euros		226	183	197	

Source: Enterprise Ireland Annual reports

EI also determines its own "cost per job" measure, as shown in Figure 12, as part of its focus on ensuring value for money in the agency's use and expenditure of public funds. The cost per job appears to be largely anti-cyclical, with this cost falling during Ireland's period of significant economic and export growth, before rising during the global economic crisis, which severely affected Ireland's economy.

[13] Enterprise Ireland
[14] Enterprise Ireland

Figure 12 Cost per job indicator for Enterprise Ireland (2012 prices in Euros)



Source: Enterprise Ireland 2012 annual report
The cost per job is calculated by taking into account all agency expenditure on all firms in the period.
Only jobs created at, and sustained during, the end of each seven year period, are credited in the calculations.

2.6.7.2 KOTRA

KOTRA's clients are actively monitored through electronic surveys as well as one-on-one evaluations between firms and KOTRA staff. Client's participating in exhibitions and trade missions are monitored for a period of six-months after participating in an event in order to assist KOTRA in determining the impact of the trade missions and exhibitions. Clients also provide feedback on the quality and relevance of services offered by KOTRA offices, with this feedback contributing to KOTRA staff performance reviews and in the process of refining the services offered by KOTRA.

KOTRA publishes limited detailed information on the performance of the KOTRA programme, with this information presented in Table 16. It is clear that KOTRA provides substantial support to trade missions organised by associations and local government, while undertaking far fewer of its own trade missions.

Table 16 KOTRA exhibitions and trade missions

Exhibitions	2008	2009	2010	2011	2012
Number of exhibitions	122	151	98	104	112
Number of exhibitors	2,627	3,429	2,404	2,489	2,710
Trade missions	**2008**	**2009**	**2010**	**2011**	**2012**
KOTRA support of agency / association missions	59	68	84	81	77
KOTRA support of local government missions	120	124	103	101	114
KOTRA trade missions	14	20	26	31	42
Total	**193**	**212**	**213**	**213**	**233**

Source: KOTRA website

As highlighted earlier, Hayakawa et al (2011) assessed the impact of KOTRA on Korean exports for the period 1980 – 2009. The results of this study suggest that KOTRA services and export promotion efforts have had a positive effect on South Korea's aggregate exports, with the possible size of this contribution similar to the effects of the creation of an FTA between South Korea and destination countries.

2.6.8 Summary of key findings

Export promotion services and assistance can form part of the package of services provided by the public sector to encourage firms to access international markets. South Korea and Ireland appear to have wide number of incentives, with specific export promotion activities acting as support mechanisms for export ready firms, rather than forming the cornerstone of incentives for increasing exports. Both countries provide market research activities, marketing opportunities and trade missions – similar to the range of activities provided by South Africa's EMIA programme. Funding for exhibitions, trade missions, market research and other international marketing activities form an important component of overall export promotion activities.

However, while the EPAs may provide similar types of services, the delivery of these services to firms can be markedly different. A comparison of Ireland's and South Korea's export promotion initiatives highlights some of these differences, and a summary of the two EPAs is provided in Table 17.

Table 17 Comparison of export promotion activities in South Korea and Ireland

	South Korea	Ireland
Dedicated and separate EPAs?	Yes	Yes
Are these organisations privately funded, funded by government or funded through a mix of private and government funding?	Government funded programmes	Government funded programme
What are the key export promotion activities undertaken by these agencies?	Global networking, trade exhibitions & fairs, and access to e-marketplace linking Korean exporters to international buyers.	Funding, access to market research, networking, trade exhibitions & missions, and improving export capabilities
Do these EPAs provide financial grants to assist in export promotion activities?	No	Yes
Do these agencies have strict qualifying criteria for access to the assistance offerings?	Participation in group promotion efforts is often determined by the business councils or local government agencies. Firms may be required to pay a nominal fee for the use of these and other services offered.	Yes
Do these agencies monitor the impact of the export promotion initiatives?	Yes, KOTRA monitors firm performance for firms participating in trade missions.	Yes, dedicated advisers monitor and evaluate firms based on pre-agreed targets.
Does the country provide other export incentives and export development programmes?	Yes, tax and financial incentives, FTZs	Ireland focuses on a competitive tax environment. EI provides a range of funding and support instruments to assist business in different aspects of the business. IDA Ireland focuses on marketing Ireland as a preferred investment destination for export oriented firms.

A key difference between these two organisations is the use of funding instruments to assist firms in their export promotion activities. EI, in a model similar to that of South Africa's EMIA programme, provides grant funding to firms for trade promotion and market research activities. KOTRA, on the other hand, does not provide any funding to firms, but makes use of its extensive global office network to assist firms in their marketing and trade promotion activities. KOTRA plays a support role to local government agencies' and industry associations' group marketing and trade promotion activities (such as trade missions and exhibitions), with these agencies often responsible for the selection of firms for such activities.

In addition, the comparison of the two EPAs provides four preliminary lessons which may be applicable to refining the implementation of South Africa's EMIA programme:

Undertake a more targeted selection of companies eligible for funding. EI bases its funding model on the careful selection of firms which are able to demonstrate sustainability, product and market feasibility and export potential prior to being accepted as EI's clients. This ensures that a more targeted approach to supporting businesses as opposed to a scatter gun approach which may target a larger number of firms but can provide much less support and may not lead to optimal outcomes. Further, EI bases its funding decisions on value-for-money criteria, ensuring that a greater proportion of funds are targeted to those clients which are likely to achieve the best outcomes. The selection criteria used by EI also clearly distinguishes between smaller firms and larger exporters. This distinction allows EI to provide separate and targeted incentives for firms of different sizes and needs.

Both EI and KOTRA use export and investment marketing as a programme to assist firms that have already developed export capabilities. While the way in which these two agencies differ in their support, it is clear that marketing incentives are targeted to those that are already capable of taking advantage of any investment and export opportunities that are presented to firms. EI does this through a combination of careful selection of qualifying firms, but also by providing a support model (with financial and non-financial incentives) that focuses on export-oriented firms throughout the firm's life cycle, from "idea" phase through to maturity. KOTRA achieves this in a different way, with the requirement that firms pay for services used effectively acting as a selection process. Only firms that are ready to export their products to new and existing markets are likely to pay for marketing services provided by KOTRA. In addition, South Korea has a range of support mechanisms for export oriented firms outside of KOTRA.

Make better use of existing offices and trade promotion networks. South Korea's model of export promotion demonstrates the effectiveness of foreign offices in achieving similar outcomes that the direct funding of firms can produce. While South Africa does not have a dedicated foreign office agency such as KOTRA's, the EMIA programme can and should make greater use of technical experts located in existing foreign offices and diplomatic posts. This can improve EMIA offerings in terms of market research and avoid duplication of research and marketing activities.

Build monitoring and evaluation frameworks into funding and disbursement procedures. Through the use of "client models" where firms are effectively registered as clients or members of the EPAs, both KOTRA and EI are able to continuously monitor, evaluate and collaborate with firms that participate in any activities offered by the EPAs. EI builds on this by integrating the monitoring and evaluation framework throughout the client cycle, from initial admission (where targets are set) through to disbursement. Tying in the completion of evaluation forms and questionnaires to funding disbursement can help ensure that any promotion effort is effectively evaluated and refined.

2.7 Export promotion in South Africa

Fostering growth in South Africa's manufacturing sector, together with export development, is articulated in a number of official policy documents including the National Industrial Policy Framework (NIPF), the New Growth Path (NGP) and the National Development Plan (NDP). The DTI**'s** Industrial Policy Action Plans (IPAP) have focused both on improving exports in general, but also on improving exports from "non-traditional tradable goods and services" sectors. In addition, these action plans have emphasised the need for a diversification of export destinations, focussing particularly on fast-growing developing countries such as the BRIC (Brazil, Russia, India, China) countries.

The focus on exports as a potential driver for growth in production sectors, which are both beneficial to South Africa's overall economic growth and are potentially labour-intensive, has contributed to the implementation of a multitude of export promoting activities, incentives, programmes, projects and agencies.

From an export promotion point of view, the most prominent of these was the creation of Trade and Investment South Africa (TISA) in 2000. TISA was formed as a division of the DTI through the merging of the export functions within the DTI and Investment South Africa (ISA). As a division of the DTI and the country's primary EPA, TISA is mandated with the facilitation of increased FDI and export flows at the national level. TISA currently comprises four business units, each responsible for different export and trade promotion activities:

- Investment Promotion and Facilitation;
- Export Promotion/ Marketing (under which some aspects of the EMIA incentive programme are managed);
- Export Development; and
- Foreign Service Management.

The investment promotion and facilitation unit is responsible for investment promotion through the identification of potential investment opportunities and facilitating general investment information that can assist potential investors. The export promotion unit is responsible for developing export strategies and policies, providing export information and advice, and for the administration of some of the incentives offered under the EMIA programme. The export development unit has been created to deepen South Africa's export capability through capacity-building and firm-level assistance with export activities. Finally, the Foreign Service Management unit aims to enhance and facilitate the promotion of exports and investment through a network of foreign economic offices. (The DTI website, 2014)

Also, within the DTI, the Industrial Development Incentive Administration Division (IDIAD) provides a number of incentives and programmes (including the EMIA incentive programme) which aim to enhance and grow South Africa's exports and productive base. This division is responsible for administering a range of incentives primarily focused on encouraging investment in key manufacturing and services sectors, but which also support export growth. In addition IDIAD manages South Africa's SEZ (previously IDZ) programme, which aims to create a number of zones supporting manufacturing and exporting firms.

Other agencies overseen by the DTI also provide export assistance to firms. These include the Export Credit Insurance Corporation (ECIC), which underwrites export credit loans and investments in foreign countries for South African firms; and the Small Enterprise Development Agency (SEDA), established to assist the development, growth and exports of small enterprises in South Africa.

In addition to the divisions and agencies under the DTI supporting export development, there has been a proliferation of provincial (and even municipal) agencies and divisions focused on developing export oriented firms and encouraging inward investment. These include agencies such as Wesgro, Trade & Investment Kwazulu-Natal and the Tshwane Economic Development Agency.

2.8 Overview of the EMIA programme

2.8.1 Objectives of the EMIA programme

The EMIA programme offers both financial and non-financial support to firms in order to assist current and potential exporters to diversify and expand their range of export products and markets. Specifically, the programme provides individual firms with financial support for exhibitions, trade fairs and trade missions, in order to assist them in locating to buyers for their products or investors in their companies. The programme also assists through the subsidisation of market research and the registration of patents and trademarks. Moreover, sector assistance is provided to export councils, business and industry associations and agencies for research activities, in order to fund emerging exporters or to conduct export studies. The objectives of the EMIA programme are to:

1. Provide marketing assistance to develop new export markets and grow existing export markets;
2. Assist with the identification of new export markets through market research;
3. Assist companies to increase their competitiveness by supporting patent registrations, quality marks and product marks;
4. Assist with facilitation to grow FDI through missions and FDI research; and
5. Increase the contribution of black-owned businesses and SMMEs to South Africa's economy (The DTI, EMIA website)

The EMIA incentive programme operates as a sub-programme within the DTI's TISA and IDIAD divisions. It is also important to note that the EMIA incentive programme largely focuses on one aspect of export promotion, marketing activities and market research, and is just one component amongst a multitude of export incentives and promotion activities provided by the South African government. Thus, its focus is on a narrow "last mile" of export promotion (focussing specifically on export marketing) rather than on the full spectrum of challenges that current and potential exporters are exposed to in the export process. A
In this sense, the EMIA programme is more similar to South Korea's KOTRA (focusing on marketing and market research activities), while Ireland's EI can be more usefully compared to a combination of the DTI's TISA and IDIAD units, providing both marketing incentives and assisting firms to become export-ready through both financial and non-financial incentives. It is also important to note that KOTRA makes substantially greater use of foreign offices to provide marketing support, while also requiring firms to pay for services provided, rather than providing direct financial assistance to firms seeking marketing assistance.

2.8.2 EMIA offerings

EMIA offers financial incentives for, and the subsidising of, a range of marketing and promotion activities which can be grouped as individual offerings, group offerings and offerings under the Sector Specific Assistance Scheme (SSAS). More detail on each of the incentive offerings under the EMIA scheme are provided in Annex 1 with a summary provided below.

2.8.2.1 Individual offerings

Individual offerings are provided to firms on an "individual" basis, with firms applying for support of marketing and promotion incentives that these firms have identified on their own. These include financial assistance for firms to participate in exhibitions, to undertake primary market research and to register patents and trademarks in foreign markets. Firms may also utilise funding incentives to subsidise visits of prospective buyers of the South African firms' products (inward individual missions). The EMIA programme also administers the Capital Projects Feasibility Programme (CPFP).[15]

2.8.2.2 Group offerings

Group offerings refer to those EMIA incentives that subsidise firms to participate in marketing events that are organised or approved by the DTI. Under these incentives firms apply through a project co-ordinator (such as an export council or internal DTI export desk). Such activities include foreign and inward group missions and national pavilions. Under group offerings, a specific incentive is also offered to emerging exporters through a project co-ordinator for export marketing activities such as exhibitions and pavilions.

[15] Outside the scope of this study

2.8.2.3 SSAS
Also under the EMIA offering is SSAS, which provides assistance to export councils, joint action groups and industry associations whose objectives align to those of the DTI, including:

- Developing an industry sector;
- Developing new export markets;
- Stimulating job creation;
- Broadening the export base;
- Proposing solutions to factors which inhibit export growth;
- Increasing the participation of BBBEE compliant companies; or
- Increasing the participation of SMMEs.

Under SSAS, export councils, industry associations and joint action groups apply for funding support of activities that are likely to benefit members of that industry or sector. This includes "generic funding", subsidising the establishment and marketing of export councils; and the advertising and marketing of export councils, industry associations and joint action groups. "Project funding" subsidises specific marketing and sector development projects funded by export councils, industry associations and joint action groups.
Finally, under the SSAS emerging exporter scheme, export councils, industry associations, provincial and municipal agencies and departments can obtain funding to act as project co-ordinators of group marketing activities for emerging exporters.

2.8.3 Administration of EMIA incentives
While the EMIA programme is funded under the IDIAD division, the administration of the EMIA programme is split between the TISA and IDIAD divisions of the DTI. The administration of group offerings (national pavilions, group trade missions) falls under TISA, while IDIAD is responsible for the administration of individual offerings and incentives (individual missions and exhibitions). The administration process of EMIA incentives is further complicated by the fact that the administration of SSAS is also divided between TISA and IDIAD.

The key differentiating factor between the suite of support offered by IDIAD and TISA is whether the firm applies in its individual capacity, or as part of a more coordinated government or sector initiative. IDIAD manages those incentives whereby firms apply on an individual basis, undertaking firm-level marketing activities not organised or managed by the DTI. Here, potential marketing and export promotion activities are solely identified by the firms applying for the financial incentives.

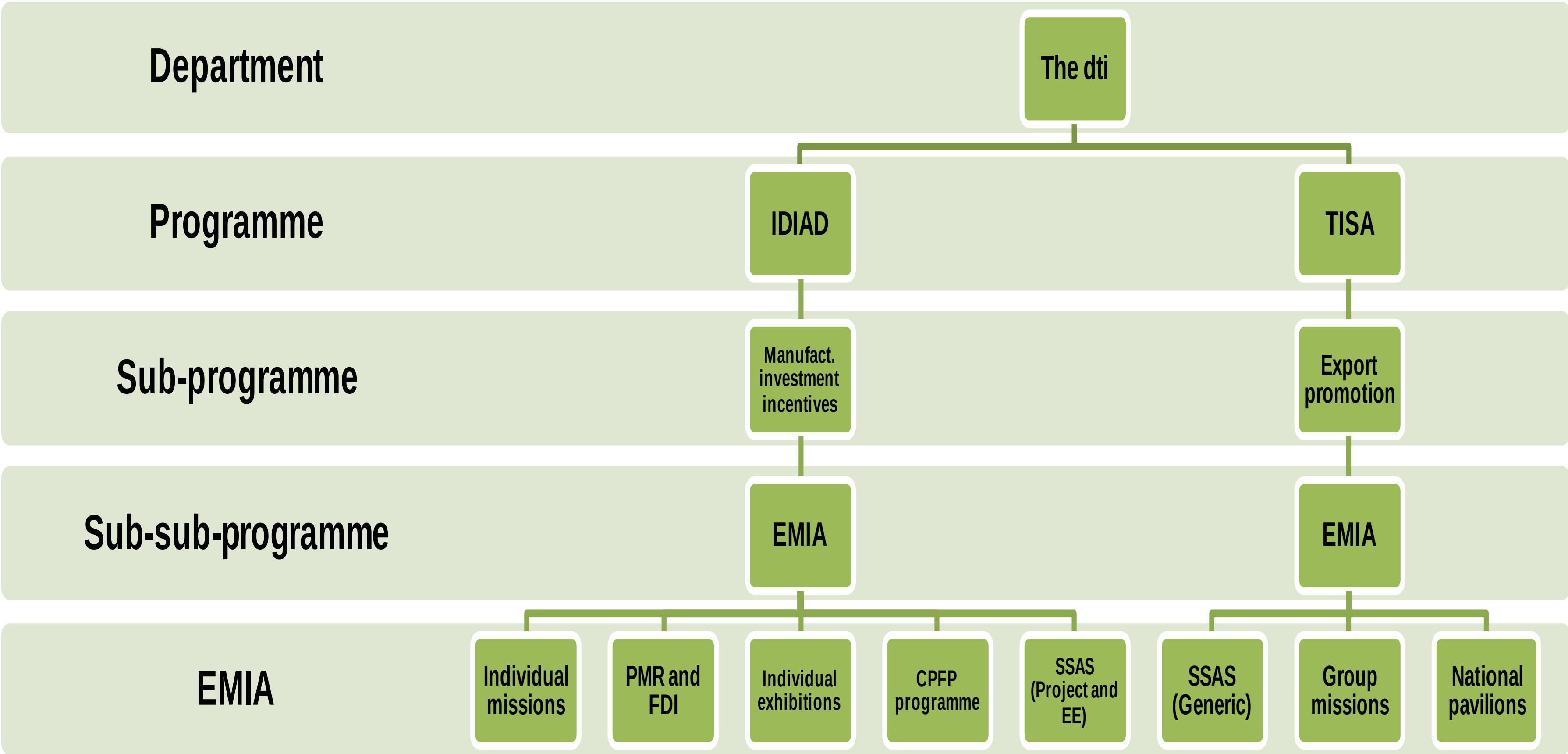
TISA manages EMIA incentives that are overseen by a project "co-ordinator", such as export councils, industry associations, provincial and national investment agencies, the DTI and other national and provincial government departments. The project co-ordinator's role is to identify and direct a group of applicable applicants towards the appropriate EMIA incentive, with applications processed on both a firm-level and group basis. Under TISA, EMIA incentives may also fund and subsidise firms to attend marketing activities co-ordinated by the DTI itself, as well as marketing activities that are approved by TISA, such as national pavilions.

The administrative structure of the EMIA programme is shown in Figure 13. The overlap in the administration of the EMIA offerings is likely to have implications for the implementation of the programme and add to the complexity in the processes used to select firms, disburse funds and evaluate the impact of the various EMIA offerings. This is especially true for incentives such as SSAS, for which the administrative responsibility is split between IDIAD and TISA. In addition, there appears to be some overlap between the incentives targeting emerging exporters, with the incentive offered by SSAS but managed by IDIAD, and the incentive offered under TISA, very similar in nature and scope.

IDIAD and TISA are expected to collaborate in their administration of the EMIA incentives programme, specifically around the adjudication of qualifying firms. Collaboration is also expected to occur in the identification of firms suitable for the various incentives and in the general administration of the programme.

Across all of the incentives offered by the EMIA programme, the subsidisation of marketing and promotion activities operates in two ways. Either invoices are paid by the applicants and then claimed back from EMIA; or the DTI pays all costs up front to the supplier. In some cases, especially where subsistence funding is involved, a combination of reimbursements and upfront payments by the DTI will take place. The exact nature of subsidisation is dependent on the incentive used.

Figure 13 EMIA incentives administration



Source: DNA Economics
Based on information from the DTI *website and 2012/13 detailed expenditure information.*

2.9 EMIA theory of change

The theoretical framework underpinning the EMIA programme, as an export and investment marketing tool, is clear and direct, and is confirmed by the literature review. A key export challenge for export ready firms is the cost of marketing their products in foreign markets and developing networks in such countries. This is especially the case for smaller exporting firms which may not have the resources to sufficiently undertake the minimum level of marketing activities that may be required to support exports in destination markets.

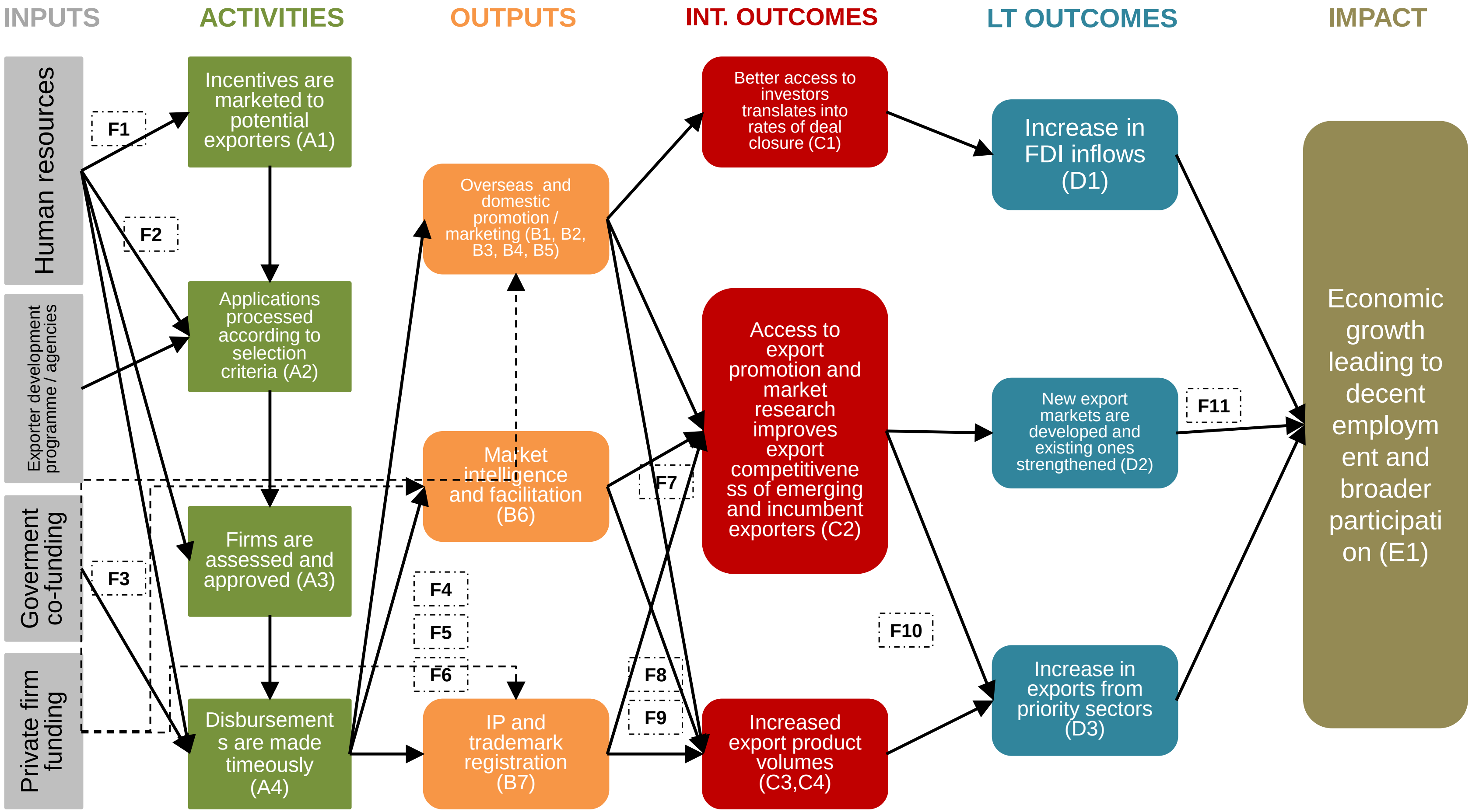
The EMIA programme aims to alleviate this challenge and facilitates and finances marketing and research activities for South African businesses abroad. If the programme is well targeted this is expected to result in improved export opportunities in foreign markets and inward investment, ultimately resulting in economic growth and the improved competitiveness of the South African economy. The proposed theory of change for the EMIA programme is provided in Figure 14. It describes how the implementation of specific export and investment marketing activities is expected to achieve the desired outcomes.

In general, the current implementation of the EMIA programme is aligned with this theory of change. However, a number of critical factors are missing, and a number of activities inadequately implemented, leading to some risk and uncertainty as to whether the EMIA programme is able to achieve its desired outcomes. These potential breaks in the theory of change are shown in Figure 15, with the areas in red highlighting aspects of the current EMIA programme that are inadequate or missing.

Most notably, the selection of inappropriate firms greatly hampers the ability of the EMIA programme in achieving its export and investment outcomes. Firms are not selected based on clear and strict export readiness criteria, and it follows, that many of the firms that do participate in the EMIA programme are unable to increase and diversify exports (or in many cases export at all).

The following sections outline the key aspects of the theory of change and indicate where the current theory of change differs from the expected and proposed theory of change.

Figure 14 Proposed theory of change for EMIA programme



F1 EMIA marketing activities reach desired firms

F2 There is a clear criteria and mechanism to assess the export readiness of firms.

F3 Costs of marketing, research and product registration are sufficiently prohibitive

F4 Firms have a min. level of WC to fund marketing activities

F5 Marketing material is designed and geared toward export promotion.

F6 Firms receive appropriate support during marketing activities

F7 Market research is well targeted by exporters

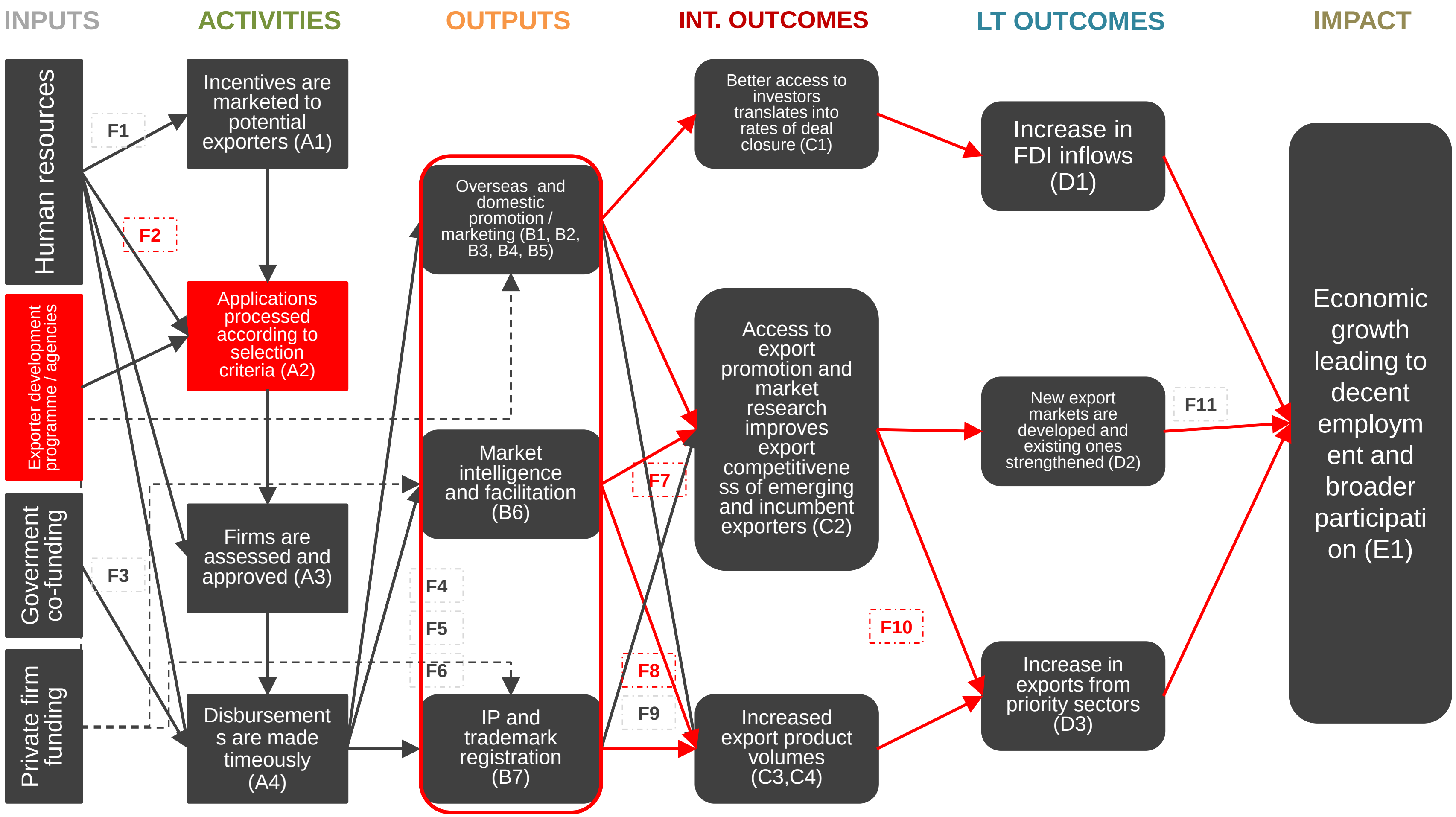
F8 SA exports being marketed are of a high and comparable quality to international competitors

F9 SA products meet international sanitary and safety standards

F10 South African exporters have existing capacity to handle new orders

F11 Economic climate is conducive to exports and investments

Figure 15 Current implementation of EMIA programme (missing / inadequate linkages shown in red)



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F11 Economic climate is conducive to exports and investments

2.9.1 Theory of change assumptions

The likelihood of the incentives provided by the EMIA programme leading to the desired outcomes and impact depends on a number of assumptions, mainly related to the firm's use of the incentives provided a. Given that the EMIA programme focuses on export marketing activities (as opposed to the development of export-capable companies), specific assumptions include the export readiness of firms, the ability of firms to handle and manage new export orders and that firm products are competitive in the targeted markets. In addition, the EMIA programme can only achieve the desired outcomes if it is marketed to, targets, and selects the correct type of firms; specifically firms that are export ready and able to benefit from the marketing activities being subsidised.

Critically, the provision of financial assistance for these type of export promotion activities is premised on the assumption that the costs of undertaking these activities is prohibitive for firms and that firms would not undertake these activities without this supports. It follows, that the programme is redundant (and wasteful) in those circumstances where firms are likely to have undertaken these types of marketing, research and product registration activities regardless of whether they were offered a financial incentive to do so. The level and cost of redundancy cannot be measured in the absence of rigorous impact analysis.

However, as shown in Figure 15, the assumptions relating to export readiness, international competitiveness and the firms' capacity to process new export orders, do not appear to hold under the existing implementation model. This is confirmed by our own analysis of firms utilising the EMIA incentives (see Section 3.1), which finds that a significant proportion of firms do not export. Similarly, discussions with EMIA staff highlight that many firms utilising the incentives are not considered export-ready and that it is not clear if incentives providing subsidies for market research are well targeted.

2.9.2 Inputs

While the EMIA programme provides a number of incentives and assistance packages, a significant amount of EMIA's allocated budget is attributable to the Sector Specific Assistance Scheme (SSAS) and National Pavilions, which accounted for 25% and 50% total allocation in 2011/12 and 2012/13. The substantial proportion of funding devoted to the National Pavilions is explained both by the number of firms accessing this incentive, as well as by the fact that this is one of the few incentives under the EMIA programme where the DTI funds both the firms participating in the marketing activity as well as the logistics and set up costs of the marketing activity (pavilions) itself.

Table 18 EMIA budget allocations (Rands '000)

	2011/12	2012/13	Total	% of EMIA
Group missions	6,000	12,000	18,000	5.6%
National pavilions	72,000	88,000	160,000	50.0%
SSAS Generic	13,000	20,000	33,000	10.3%
TISA administered	**91,000**	**120,000**	**211,000**	**65.9%**
Individual missions	50	50	100	0.03%
PMR and FDI	500	500	1,000	0.3%
Individual exhibitions	16,708	21,450	38,158	11.9%
SSAS project funding	20,000	25,000	45,000	14.1%
Capital Projects Feasibility Programme (CPFP)	10,000	15,000	25,000	7.8%
IDIAD administered	**47,258**	**62,000**	**109,258**	**34.1%**
EMIA	**138,258**	**182,000**	**320,258**	**100.0%**

Source: the DTI

In addition to this, certain EMIA incentives cover only a portion of the costs of the marketing and research activities undertaken by firms and firms are therefore required to co-fund some of these costs. The extent of this co-funding varies depending on the location of the marketing activity, the size of the company accessing the EMIA programme and the choice of EMIA incentive utilised. This input is indicated by the broken lines within the theory of change.

It is important to note that the budget allocations reflected above include only transfers to EMIA beneficiaries. Additional information would be required to assess the full cost of the EMIA programme, which would include staff and other operating costs, not only within IDIAD and TISA, but also a cost allocation for the processing of claims and the disbursement of funds undertaken by different divisions within the DTI.

In terms of staffing, the EMIA programme is implemented through a staff compliment of 23 within IDIAD and 29 within TISA, though these staff members are responsible for the operation and administration of other programmes and incentives in addition to the EMIA programme. The staff count, provided in Table 19, does not include the DTI's general administration and supply chain staff that are involved in the processing and funding disbursement of claims.

Table 19 Staff under the EMIA programme

Staff type	TISA	IDIAD
Chief Director		1
Director	1	1
Deputy Director	5	2
Assistant Director	7	6
Trade and Industry Advisor (TIA)	10	6
Admin clerk / PA / Intern	4	7
Call centre agent	2	
Total	**29**	**23**

Source: The DTI

A key missing input from the current implementation of the EMIA programme, as shown in Figure 15, is a pool of firms that have been "groomed" and developed to an export ready stage. In addition to firms applying through the traditional channels, the DTI's focus on supporting "emerging" exporters requires that such firms are identified and supported before they are able to utilise the "last mile" export incentives such as those offered under the EMIA programme. Programmes such as the National Exporter Development Programme (NEDP) under TISA, and small-business and export-focused agencies at national and sub-national level (such SEDA), should be used to develop a pool of emerging firms that meet the export-readiness criteria for EMIA. Conversely, firms that do not meet EMIA's export-readiness criteria should be directed to these various export development programmes in order to widen the potential number of firms that can eventually make optimal use of EMIA's marketing activities.

2.9.3 Activities

EMIA incentive activities relate mainly to the application, selection and claims process and procedures. The actual process may differ slightly for each incentive under EMIA, but are nevertheless expected to achieve the same goal – selecting firms that are able to take advantage of the subsidised export marketing activities on offer. Thus, the selection of the right firms is potentially the most important determinant of the success of the EMIA programme in terms of outcomes and impact.

In general, based on the survey of EMIA participants and staff interviews, the application and disbursement processes appears to be well functioning, with some areas where improvements can be made.

2.9.4 Outputs

Currently, EMIA outputs are viewed and reported on collectively, such as the total number of firms supported or total number of trade missions undertaken. The proposed theory of change proposes that the outputs for an export and investment marketing programme such as EMIA should instead be separated into more discreet measures of performance, such as: marketing activities, undertaking market intelligence and the registration of products in foreign countries. Treating these outputs separately enables better monitoring and evaluation of these different outputs and their impact on the programme outcomes.

2.9.5 Outcomes and impact

EMIA aims to contribute to export growth in general, and in labour intensive sectors particularly (The DTI, 2013). Outcomes can be divided into intermediate outcomes, which occur during or after the delivery of the export promotion outputs; and long-term outcomes, which arise as a result of these intermediate outcomes. The DTI expressly indicates that inclusive economic growth is a key long-term outcome of its programmes and policies, with export growth a key driver and contributor to this outcome. This can be considered the expected impact of the EMIA programme. Likewise, the long-term outcomes of the programme can be linked to the objectives of the DTI, including developing South Africa's manufacturing base, increasing the overall number of exporting firms, increasing exports from priority sectors, increasing foreign investment in South African firms, maintaining South Africa's export share in mature markets, while also raising South Africa's export share in priority markets.

2.9.6 Logframe and programme indicators

It should be possible to measure the activities and outputs from the EMIA programme through the different support packages provided to firms. Specific indicators that can be used include the amount of funding disbursed; the number of missions, exhibitions and pavilions undertaken; and the number of firms participating in the various offerings. The EMIA programme's current range of indicators that are reported on are summarised in Table 20.

Historically, EMIA has reported only on the number of companies that received assistance (from EMIA) and the number of events facilitated. This does not provide sufficient information on the actual performance of the programme. For example, efficiency measures, such as the cost per mission, pavilion or exhibition, could be used to assess the value for money achieved from the programmes outputs. Similarly, to monitor the implementation of the programme, measures of application and selection turnaround times as well as the time taken to disburse funds once claims have been received could be used.

More recently, the DTI has begun to report on the export sales and jobs that firms have reported as being generated through their participation in the EMIA incentives. However, the data on which these figures are based is of poor quality, primarily due to the lack of an effective monitoring and capturing tool. In addition, reporting across the various incentives is uneven. The definition of the indicators is also vague and, for output indicators, does not necessarily reflect the efficiency or effectiveness of the programme.

It is however important to reiterate some of the difficulties associated with measuring the contribution of EMIA activities to export and investment performance:

- It is unlikely that participation in a trade promotion event will be the determining factor in any export sale or investment. The exporting and investment process is extremely complex and trade missions and exhibitions can only ever be a small part of it.

- Companies participating in the DTI**'s** events are incentivised to either report favourably or unfavourably on the outcome of marketing events. Companies may be incentivised to report favourably since they are receiving funding from the DTI and a positive outcome might improve their eligibility for future assistance. Companies may also be incentivised to report unfavourably, since companies with lower turnover and/ or no export sales qualify for a larger proportion of funding and subsidisation.
- It is possible that such events might stimulate some wider commercial interest in South Africa, beyond what is presented at these events, and that some business arising from this interest will not be captured by the DTI.

This makes the definition and measurement of appropriate performance indicators more complex, but also, more important. For the DTI to understand the effectiveness of EMIA, it does somehow need to assess how and by how much these specific instruments contribute to improved export and investment performance. Given the challenges described above, it is not surprising that the DTI has historically focused and reported largely on output indicators in the department's annual reports and through the ENE. Moreover, changes in the type of indicators that have previously been reported on prevent a comparative analysis of performance over time, as highlighted in Table 20.

A set of proposed performance indicators for activities, outputs and outcomes is shown in Table 21. These indicators should be measurable and collectable through four main ways:

- **Annual review of internal EMIA data**. This data should be collected during the EMIA administration process at a firm and applicant level basis, and includes the application and disbursement processing times, disbursement per firm and number of activities subsidised. The accurate collection of this type of data is dependent on an effective, and preferably electronic, monitoring tool that is standardised across all EMIA offerings and available to all staff administering the EMIA incentives.
- **Firm level reports completed by firms utilising incentives**. Firms should be incentivised to correctly provide feedback upon completion of their marketing activities. Such incentivising can include tying disbursements to the provision of feedback, together with proof of exports and investment deals and sales. Similarly, firms should be incentivised not to under-report by making the continued use of EMIA incentives dependent on providing "evidence" that the incentives have benefitted firms, either through increased exports or inward investment. Given the time lag in the finalisation of such deals, it is suggested that firms provide feedback six months after making use of an EMIA incentive.
- **Analysis of aggregate (official) South African trade and investment data** An annual review of aggregate trade data will provide an overall and broad assessment of whether the DTI is achieving its long-term outcomes in terms of growth in exports from priority sectors and to desired markets, as well as assess whether FDI inflows are coming from markets explicitly targeted by programmes such as EMIA.
- **Periodic impact evaluation** A periodic and dedicated impact evaluation is ultimately required to confirm causality – the extent to which EMIA is actually contributing to desired economic outcomes. Such evaluations will require the creation of a counterfactual or "control" group against which the relative performance of EMIA participants can be accurately measured.

Table 20 Indicators currently reported by EMIA programme

		2009/10		2010/11		2011/12		2012/13	
Output indicators		**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
Number of national pavilions held				16	19	22	21	21	22
Estimated number of companies financially assisted	Individual exhibition assistance		508	280	452				
	PMR and FDI		30						
	National pavilions		220						
	Group missions		248						
Number of trade missions undertaken				34	54	40	29	52	52
Number of enterprises approved to participate in the EMIA scheme						435	896	860	1,082
		2009/10		**2010/11**		**2011/12**		**2012/13**	
Outcome indicators		**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
Total export sales reported as a result of National Pavilion participation (Rands)			3,981,014,530	70,000,000	1,670,487,982	800,000	5,954,058,865	850,000	2,965,762,827
Total export sales reported as a result of Trade Mission participation (Rands)			206,587,604	150,000,000	3,044,590		467,175,646		928,247,587
Total export sales achieved at event	Individual exhibitions	103,293,802							
	PMR and FDI	1,001,000							
	National Pavilions	3,981,014,530							
	Group missions	1,372,800							
Total export sales achieved six months after event	Individual exhibitions	1,036,716,391							
	PMR and FDI	1,529,000							
	National Pavilions	5,411,465,147							
	Group missions	233,898,910							
Estimated number of jobs created	Permanent		834	250	262			No longer reporting	

		2009/10		2010/11		2011/12		2012/13	
as a result of National Pavilion participation	Temporary		1,335	300	78	325		No longer reporting	
Estimated number of jobs created as a result of Trade Mission participation	Permanent			75	13	85	64		
	Temporary			80	-	90			
Increased manufactured exports under EMIA (measured by value of increase in exports) (Rands)						800,000,000	6,420,000,000	850,000,000	3,880,000,000
Increased trade and investment by 15%								South Africa's trade and investment with key developing countries of the South increased by 5%	Exports sales facilitated as a result of promotional activities undertaken amounted to R3.88bn

Source: DTI annual reports, EMIA Annual Report 2009/10

Table 21 Proposed logframe and indicators for the EMIA programme

		Summary	Performance indicator	Regularity of collection	Method of collection		Assumptions
Impact	E1	Economic growth and increased global competitiveness	Estimate of direct impact of EMIA incentives on firms through impact evaluation study (based on firm's export growth, diversification and deepening of markets, value-added, turnover and employment)	Every five years	Impact evaluation		
Long term outcomes	D1	Increase in FDI inflows[16]	Change in Rand value of FDI inflows from countries targeted by EMIA initiatives relative to overall change in FDI	Annual	Data from SARB, UNCTAD	F11	Exchange rate and economic climate is stable and conducive to exports and investments
	D2	New export markets are developed and existing ones strengthened	Change in the export Rand value and volume to countries targeted for export growth relative to overall export growth	Annual	Data from SARS		
	D3	Increase in exports from priority sectors	Change in the export Rand value and volume of priority sectors relative to overall export growth	Annual	Data from SARS		
Intermediate outcomes	C1	Firms accessing the EMIA are able to reach a greater number of potential investors and conclude deals	Total number of new inward investment agreements concluded by each firm participating in each EMIA incentive (during and 12 months after event)	Each event in which firm participates	Report by firm 12-months after event (including invoices / contracts / MoUs / MoAs as proof)	F10	South African exporters have existing capacity to handle new orders or can scale up quickly and easily
			Total Rand value of new inward investment agreements concluded by each firm participating in each EMIA incentive (during and six months after event)				
	C2	Export market research and intelligence improves the export competitiveness of emerging and incumbent exporters participating in EMIA	Total number of new export agreements concluded by each firm utilising market research (six months after research concluded)	Each event in which firm participates	Report by firm 6-months after event (including invoices / contracts / MoUs / MoAs as proof)	F9	South African products meet international sanitary and safety standards
			Total Rand value of new export agreements concluded by each firm utilising market research (six months after research concluded)				
	C3	Firms accessing the EMIA programme improve export export volumes	Total number of new export agreements concluded by each firm participating in each EMIA incentive (during and six months after event)	Each event in which firm participates	Report by firm 6-months after event (including invoices / contracts / MoUs	F8	South African exports are of a high and comparable quality to international competitors
			Total Rand value of new export agreements				

[16] The South African Reserve Bank defines FDI as follows: A direct investment enterprise is defined as "an incorporated or unincorporated enterprise in which a foreign investor owns 10 per cent or more of the ordinary shares or voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise".

		Summary	Performance indicator	Regularity of collection	Method of collection	Assumptions
			concluded by each firm participating in each EMIA incentive (during and six months after event)		/ MoAs as proof)	
	C4	Firms accessing the EMIA are able to make contact with potential buyers, receive orders and complete export deals	Total number of new export agreements concluded by each firm utilising market research (during and six months after event)	Each event in which firm participates	Report by firm 6-months after event (including invoices / contracts / MoUs / MoAs as proof)	F7 Market research is well targeted by exporters
			Total Rand value of new export agreements concluded by each firm utilising market research (during and six months after event)			F6 Firms receive appropriate support during marketing activities
Outputs	B1	Group missions	Number of missions undertaken	Each event	Annual internal review	
			Number of firms included in each mission			
			Average EMIA disbursement per firm			
			Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)			
			Number of cancellations by firms			
			Cost to dti per firm cancellation			
	B2	National pavilions	Number of pavilions completed	Each event	Annual internal review	F5 Marketing material is designed and geared toward export promotion
			Number of firms included in each pavilion			
			Average EMIA disbursement per firm			
			Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)			
			Number of cancellations by firms			
			Cost to dti per firm cancellation			
	B3	SSAS	Number of councils / associations subsidised	Each event	Annual internal review	
			Number of firms assisted			
			Average EMIA disbursement per export council			
			Average EMIA disbursement per firm			
			Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)			
	B4	Individual exhibitions	Number of individual missions undertaken and subsidised	Each event	Annual internal review	F4 Firms have a minimum level of working capital to fund export marketing activities
			Number of exhibitions attended by firms			
			Average EMIA disbursement per exhibitor			

		Summary	Performance indicator	Regularity of collection	Method of collection		Assumptions
			Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)				
	B5	Inward missions	Number of missions undertaken	Each event	Annual internal review		
			Average EMIA disbursement per mission				
			Average EMIA disbursement per applicant				
			Demographics of each South African firm using incentive (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)				
	B6	Primary market research	Number of primary market research projects funded	Each event	Annual internal review		
			Number of PMR projects per firm				
			Average cost of PMR project				
			Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)				
	B7	Patent and trademark registration	Number of patent / trademark registrations supported	Each event	Annual internal review		
			Number of patent / trademark registrations supported per firm				
			Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)				
Activities	A1	Incentives marketed to potential exporters	Number of, and year-on-year change in, complete applications received	Per application	Annual internal review	F3	Costs of marketing, research and product registration are sufficiently prohibitive to prevent firms from undertaking activities without financial support
			Number of, and year-on-year change in, in-complete applications received				
			Demographics of each firm applying (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)				
	A2	Applications are processed	Number of complete applications processed within prescribed timeframes	Per application	Annual internal review	F2	There is a clear criteria and mechanism to assess the export readiness of firms.
			Percentage of complete applications processed within prescribed timeframes				

		Summary	Performance indicator	Regularity of collection	Method of collection	Assumptions
	A3	Firms assessed and approved for incentives	Percentage of completed applications approved	Per application	Annual internal review	F1 EMIA marketing activities reach emerging exporters.
	A4	Disbursements made are made timeously	Value of, and year-on-year change in, disbursements made % of claims finalised and disbursed within prescribed timeframe	Per application	Annual internal review	

3 Analysis of the EMIA programme

3.1 Accessing the EMIA programme

3.1.1 Firms and industries targeted by the EMIA programme

The EMIA programme is open to a wide range of firms for both the individual and group offerings. The incentives offered under the EMIA programme are staggered, with SMMEs, HDI firms and BOEs often qualifying for larger subsidisation. The definition of these different categories of firms is shown in Box 1.

Box 1 Definitions of firm types used in the EMIA programme

In order to distinguish between the size of marketing subsidies and incentives offered to companies, the EMIA programme has defined companies according to their size and HDI ownership levels. SMMEs are defined as those companies that are privately owned and managed, and meet the following criteria:

- Total annual turnover must be less than R40 million
- Total assets excluding fixed property must be less than R15 million
- Less than 200 full time employees

HDI firms and individuals are additionally defined as South African owned SMMEs that are 51% owned by black persons, women or disabled person(s). All other firms are defined as "other" under the EMIA programme and do not qualify under the definition of an SMME or HDI firm as defined by the EMIA Scheme.

In general, qualifying entities include:

- SARS Registered South African manufacturers and exporters;
- South African export houses or commission agents, representing a minimum of 3 small businesses (SMMEs), or 3 businesses owned by historically disadvantaged individuals (HDIs);
- South African Export Councils, Industry Associations and Joint Action Groups (JAGs);
- Provincial Investment Promotion Agencies (PIPAs), local and provincial government;
- Entities that outsource their manufacturing processes; and
- Entities that belong to one of the service oriented companies identified by the DTI:
    - Capital equipment;
    - Built environment professions;
    - Film and television;
    - Pre-qualified tourism;
    - Electro-technical;
    - Business process outsourcing;
    - Music (cultural industries);
    - Biofuels;
    - Oil and Gas;
    - Green and energy industries;
    - Boatbuilding;
    - Forestry, paper, pulp and furniture;
    - Cultural industries;
    - Nuclear; and

- Advanced materials (The DTI, 2013d: 3-4 and EMIA leaflet, the DTI website, 2009)

In addition to the sectors identified above, TISA also includes the following qualifying sectors:

- Aerospace, Rail and Marine;
- Agro-processing, including furniture;
- Automotive;
- Chemicals (Pharmaceuticals and Plastics fabrication);
- Clothing, textiles, footwear and leather products;
- Electro-technical (Electronics and Electrical engineering)
- Energy-efficiency products (for foreign direct investment purposes only);
- Metal fabrication;
- Pre-qualified tourism; and
- All IPAP sectors (The DTI, 2013g: 3-4)

Moreover, the SSAS incentive, where export councils, industry associations and joint action groups often play a project co-ordination role, has been designed to target a number of specific sectors that align with the DTI's industrial policies, including: aerospace; agro-processing; automotive; business process outsourcing services; capital equipment; chemical industries; creative industries; electro-technical; film production; metals industries; ICT services; tourism services and textile and clothing. (SSAS, 2013a)

3.1.2 Qualifying criteria

The general criteria used to assess firms are as follows:

- Export readiness of applicant
- Export/production performance of the applicant
- Export/marketing competence of person visiting the foreign country
- Potential available/accessible production/export product capacity
- Extent of export marketing planning
- Type of product for export and local sales performance
- Level of labour absorption, location and technological requirements
- Industry in which the venture operates or is planned
- Submission of general and specific qualifying documentation and adherence to general and specific criteria as stipulated per each EMIA offering

For those firms that do qualify, the amount of support provided is then determined by a secondary set of criteria, as outlined in Box 1 above.

There are also two specific and similar incentives directed towards "emerging exporters". The definition of emerging exporters under these incentives is shown in Table 22.

Table 22 Definition of emerging exporters under the EMIA programme

Qualifying criteria	SSAS funding for emerging exporters (administered by IDIAD)	Emerging exporter assistance (administered by TISA)
Type of application	Business or individual under a project co-ordinator (such as export councils, provincial agencies or industry associations)	Entity such as a CC, Partnership, Sole Proprietor or Cooperative through a group application (e.g. co-ordinated by SEDA, provincial agencies or export councils)
Ownership criteria	Is at least 51% owned by black persons, women or disabled persons of South African nationality	Is at least 51% owned by black persons, women or disabled persons of South African nationality
Trading criteria	Has an EMIA qualifying product or service,	Has an EMIA qualifying product or service,

	Has traded locally for more than 12 months	Has traded locally for more than 12 months
Turnover criteria	The company or individual should have an annual turnover of less than R25 million	Has an annual turnover of less than R5 million
Export criteria	Must have been involved in limited or no exports	Is involved in no exports

Source: The DTI, *EMIA and SSAS guideline documents*

The definition of emerging exporters is effectively the same as the general definition of HDI firms used under the EMIA programme (see Box 1) with one important addition: firms must have little to no export history. The focus on firms that have not demonstrated export potential through previous export sales and export activities is potentially problematic given that the EMIA programme is primarily designed as an export marketing programme, rather than as an export development programme. Box 2 provides more insight into the definition of export readiness for firms.

Box 2 Firms' export readiness

As an export promotion tool focused mainly on assisting firms in overcoming the costs and challenges associated with marketing and network development in foreign markets, the EMIA programme is most effective where firms that use the EMIA programme are considered "export ready". It is also important to note that the desire or willingness to export does not necessarily translate into an ability of firms to export.

According to Holm-Olsen (2009), export readiness assumes that key aspects of the company's business have met a certain level or threshold which allows the company to devote the necessary time and resources to undertake export activities. Firms must also have a product that can compete in foreign markets and for which there is a level of demand, with the product's competitiveness in the domestic market often a key indicator of that product's potential success in foreign markets.

The elements of export readiness described by Holm-Olsen (2009) include a combination of quantitative and qualitative factors including the extent to which firms have undertaken market scoping, the company's health and exporting experience, production capacity and human resources and marketing capabilities. Tools to measure export readiness include well designed questionnaires, diagnostics, interviews, site visits and a review of product samples and marketing materials.

The DTI has its own export readiness assessment, focused on assessing whether a business is ready to export and whether the firm's product is export ready. The firm readiness assessment focuses on a number of "critical factors" including management's commitment and skill, financial resources and production / supply capacity as well as the level of the firm's market intelligence in potential markets. The firm's product is assessed for export readiness based on market potential, cost structures and levels of competition in foreign markets. (The DTI website) It is clear that the DTI has developed a clear and sufficient mechanism for assessing the export readiness of firms. However, it is not clear to what extent this assessment is rigorously used in selecting and approving firms for the EMIA incentives, despite the fact that "export readiness" is one of EMIA's general qualifying criteria.

Subsidised marketing activities are likely to result in optimal outcomes where firms are export ready and able to take advantage of export opportunities. Firms that have little to no export experience are therefore less likely to make the best use of marketing activities.

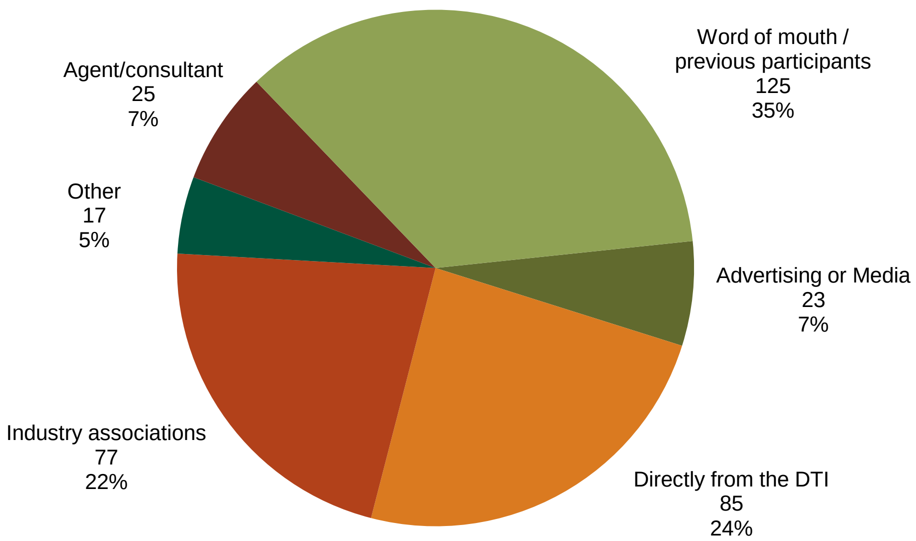
3.1.3 Marketing of the EMIA incentive programme

The EMIA programme is marketed to firms through a number of channels. These include workshop; through the DTI's website; and through export councils, industry associations and national and provincial agencies. In addition for group marketing activities, units within TISA, including the Investment Promotion and Facilitation and the Export Development units, are responsible for identifying and directing applicable firms towards the group incentives offered by the EMIA programme and for playing a project co-ordination role.

However, EMIA staff (especially those within TISA's Export Promotion unit) suggest that other units within TISA do not provide sufficient marketing support for the EMIA programme, with the responsibility falling upon EMIA itself to identify a suitable number of firms to participate in group marketing activities such as trade missions. In particular, it is suggested that the responsibility for identifying and nurturing "emerging exporters", which should be done by the Export Development unit, often falls to staff within the EMIA programme. This has important implications for the type of firms ultimately identified and selected for different incentives offered by the EMIA programme.

From the firm survey it is interesting to note that the most effective marketing channel for the EMIA incentive programme is the participating firms themselves. See Figure 16. Industry associations and direct marketing by the DTI also appear to play a significant role in developing firms' awareness of the EMIA programme.

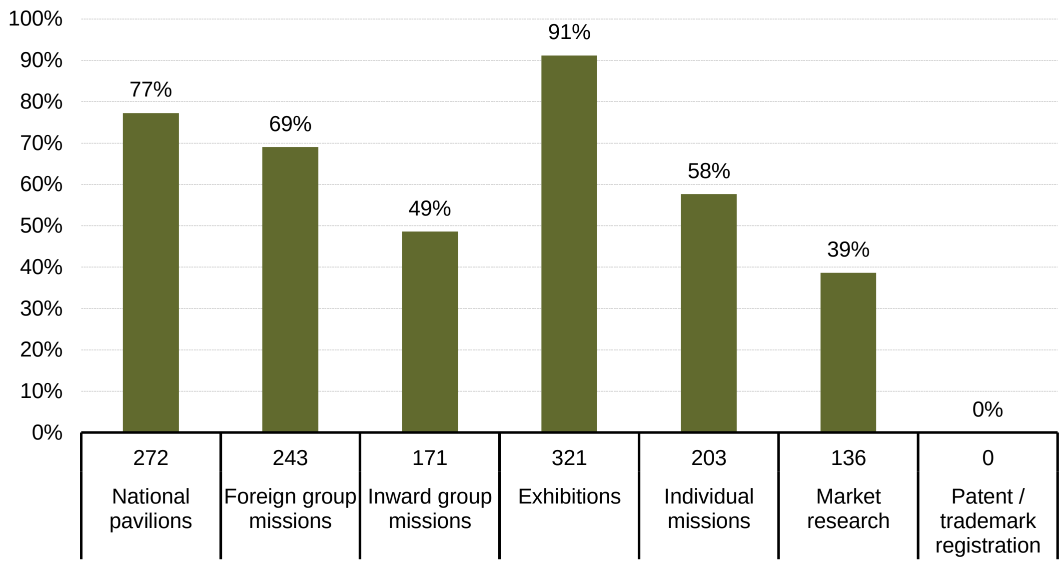
Figure 16 How EMIA participants became aware of EMIA incentives



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Participants in the EMIA programme appear to be mostly aware of the incentives that subsidise marketing through individual exhibitions. EMIA participants also appear to be well aware of the incentives for national pavilions and group missions. No EMIA participants were aware of the incentive offering for the costs of patent and trademark registration in foreign markets, suggesting that this incentive is not well used, not needed, or not well marketed.

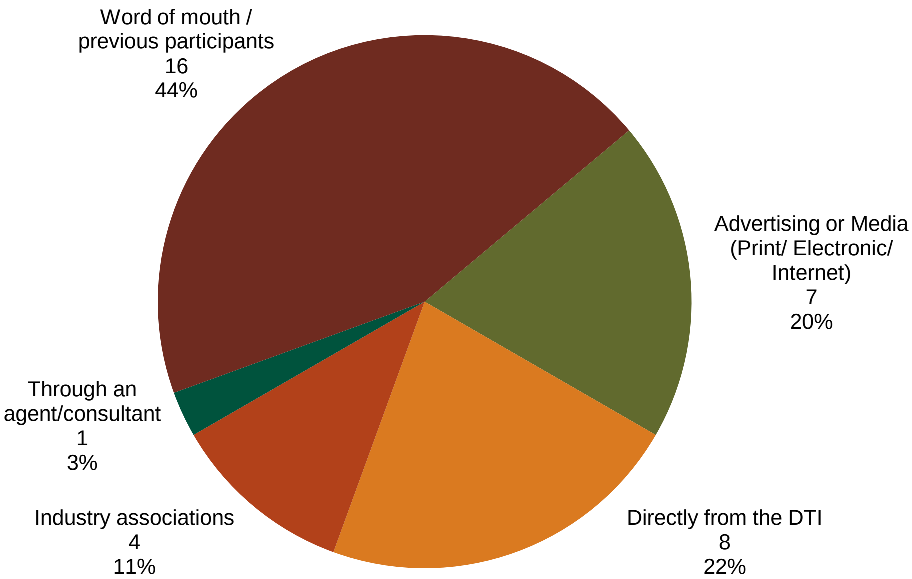
Figure 17 EMIA participants awareness of EMIA incentives



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

For firms that had never participated in the EMIA programme (but were currently exporting or considering exporting in the future), 64% of firms indicated that they had never heard of the EMIA programme. Of the firms that were aware of the EMIA programme, word of mouth and direct marketing by the DTI appeared to be the main channels of communication.

Figure 18 How non-EMIA participants became aware of EMIA incentives



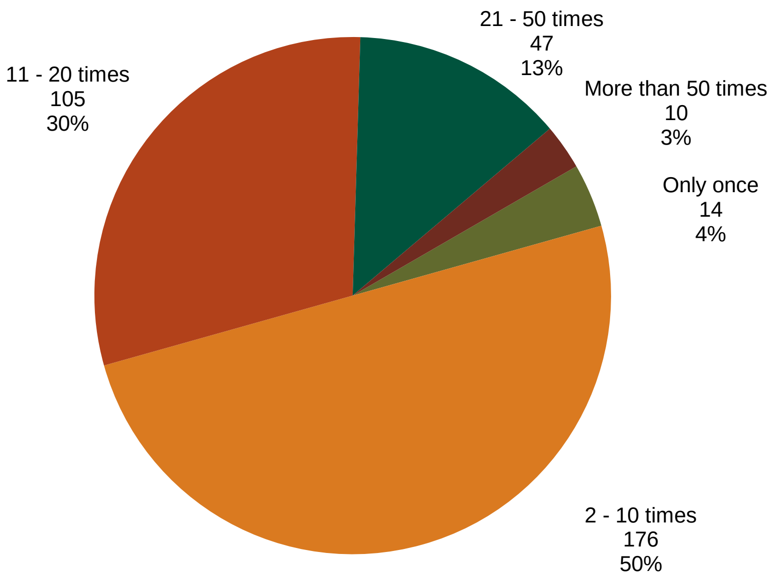
Source: DNA Economics based on survey of firms exporting or considering exporting but which had never participated in the EMIA incentive programme.
N = 36

These firms chose not to access the EMIA programme for a number reasons including the belief that the application and disbursement procedures were too onerous and complex; they did not have sufficient knowledgeable about the incentives offered; and because a substantial proportion of these firms did not need the incentives offered. For firms that had never heard of the EMIA programme, most suggested that the incentive could be better marketed by using industry associations as a communication channel.

3.1.4 Use of the EMIA programme

The analysis of EMIA's database of firms, discussions with EMIA staff and the survey of EMIA participants all suggest that repeat usage of the EMIA programme is high, with companies accessing the same and different incentives under the EMIA programme a number of times, even within a single year. Repeat usage is reflected in Figure 19. Only 4% of firms surveyed indicate that they have made use of one of EMIA's incentive offerings only once. Half of the respondents indicate that they have made use of the EMIA programme between 2 and 10 times, while 30% report having accessed the EMIA programme between 11 and 20 times. One in six firms reported having accessed the EMIA programme between 21 and 50 times.

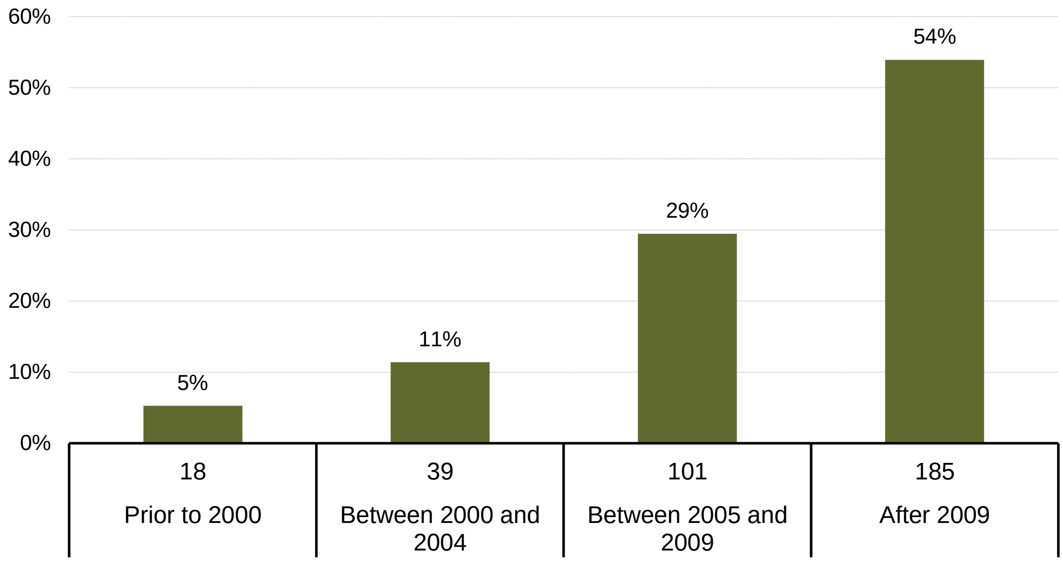
Figure 19 Number of times firms have accessed different EMIA incentives



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

While this may reflect the fact that a significant proportion first accessed the EMIA programme over 10 years ago, as shown in Figure 20, it may also signify that firms are exceeding the number of annual applications allowed under EMIA guidelines, shown in Table 23. This high repeat rate also suggests that some firms have become apt at using EMIA, regardless of whether they need it or not.

Figure 20 Firms' first application for assistance under EMIA programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 343

Table 23 Repeat use rules for EMIA programme

Unit	Incentive	Restrictions on repeat use by firms	Exceptions
IDIA D	**Individual participation (IE, PMR, FDI, IIM)**	Four applications per calendar year	
	SSAS (emerging exporters)	Four applications per calendar year	
TISA	**National pavilions**	A maximum of six applications per annum is allowed by	Exceptions must be authorised by Director (Export Marketing).

		individual firms, with a limitation of four applications per scheme. The EMIA Group Offerings Adjudication Committee can re-evaluate applications where firms export performance is poor. In such a situation participants might be required to carry their own costs for the National Pavilions.	
	Outward missions	Qualifying entities can submit a maximum of six applications per annum, with a limitation of four applications per scheme.	
	Inward missions		
	Emerging exporters (group missions)	An emerging exporter can only apply 4 times under the category of an emerging exporter	

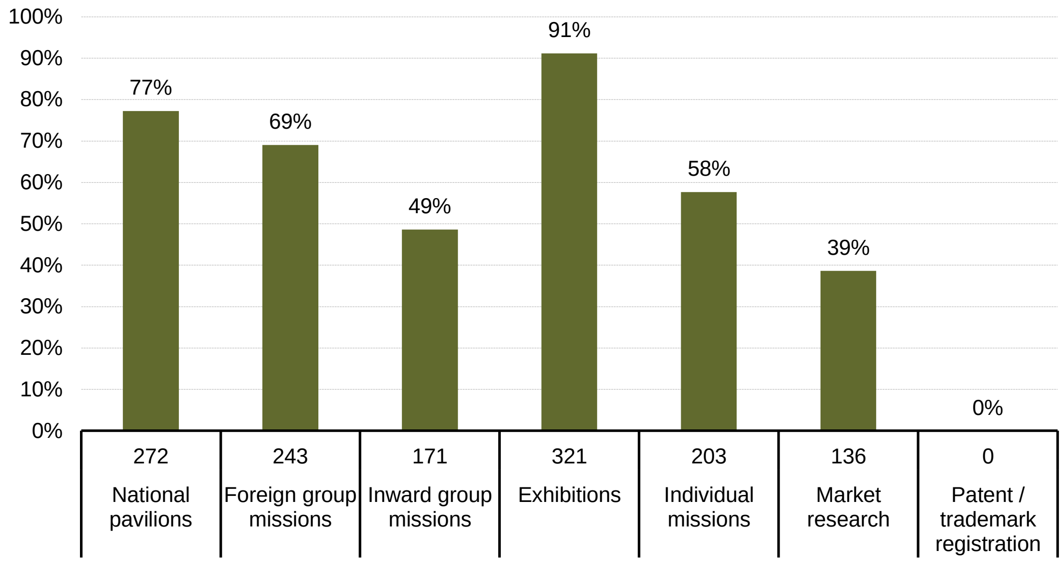
Source: DNA Economics based on EMIA guidelines

In addition, firms often exceed the maximum number of times they may apply and utilise a particular EMIA incentive, with EMIA staff indicating that this is allowed, regardless of EMIA guidelines, for a number of reasons including:

- Staff do not have an adequate system to quickly and easily assess how many times a firm has applied for a particular incentive.
- Firms are allowed to exceed the stipulated guidelines in terms of the number of applications in order to ensure that individual and group marketing events have sufficient South African firm representation.

As shown in Figure 21, exhibitions, national pavilions and foreign group missions appear to be the most widely utilized EMIA offerings, based on firm responses. This largely matches the budgetary funding allocation for each of the EMIA incentives, and may imply that the EMIA programme is correctly designed in terms of the proportion of funds allocated to each incentive.

Figure 21 Firms reporting using the different EMIA incentives at least once



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

3.1.5 Profile of firms accessing the EMIA programme

3.1.5.1 Export challenges faced by firms

The survey conducted for this study provides further detail on the main exporting challenges faced by firms in South Africa. For non-EMIA beneficiaries, firms highlight exchange rate volatility and transport and logistics costs as the most significant challenges to exporting. More than 95% of the firms surveyed indicated that exchange rate volatility and transport and logistics costs were either significant or very significant challenges to exporting. This dovetails with the findings of Rankin (2013). Other potentially significant challenges included tariffs / duties in foreign markets and a lack of contacts / networks in destination countries.

The survey of EMIA beneficiaries reveals that these firms found the cost of marketing to be the greatest challenge to exporting. 46% of firms (that had utilised the EMIA incentive offering) surveyed indicated that the cost of marketing was a significant or very significant challenge to exporting. These firms also highlighted exchange rate volatility as a major challenge, with just over 40% of firms noting this as a significant or very significant challenge. Other potentially significant challenges highlighted by the survey of EMIA beneficiaries included transport and logistics costs, patent and trademark registration costs, a lack of networks in foreign markets, and access to trade finance.

That a larger proportion of firms from the EMIA programme have highlighted marketing costs as a significant export challenge when compared to the survey of non-EMIA firms suggests two potential results. First, the EMIA programme might be correctly targeting and attracting firms that can be assisted in overcoming their main export challenge by subsidising their cost of marketing to potential destination markets. Second, there may be some bias in the responses of firms that have benefited from the EMIA programme and would like to see it continuing into the future. It is difficult to assess which of these factors has greater influence on firm responses and ideally a dedicated impact study should be conducted to provide better evidence of the true nature of the challenges experienced by exporters in South Africa. It is important to recognise which of these barriers can be targeted by export promotion activities efficiently and effectively. Whereas some of the barriers identified, such as exchange rate volatility, are external to a firm and outside of the scope of export promotion; others, such as the lack of capital to market products sufficiently or a lack of human resources or administrative capacity to support exporting, could benefit from such assistance.

3.1.6 Location of firms

Available EMIA data on firms that have participated in incentives provided by the EMIA programme, suggest that these firms appear to be based predominantly in Gauteng. Together, Gauteng, KwaZulu Natal and the Western Cape account for close to 90% of firms that have accessed the EMIA programme.

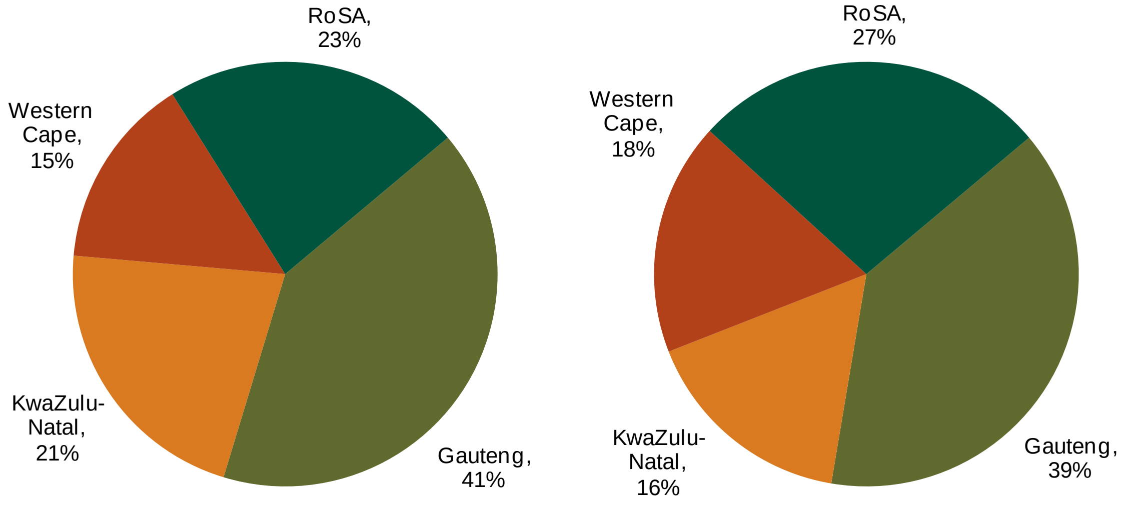
While this proportion is high, this is not too surprising given that these three provinces account for the highest proportion of economic activity in South Africa, as shown in Box 3.

Box 3 The provincial concentration of economic activity

In South Africa, economic activity is highly concentrated in Gauteng, KZN and Western Cape. These provinces accounted for close to two-thirds of South Africa's GDP in 2012. Concentration in the manufacturing and services sectors (sectors targeted by the EMIA programme) is especially high. Gauteng, KwaZulu Natal and the Western Cape accounted for roughly three-quarters of economic activity in these sectors, as shown in Figure 22.

Figure 22 Regional distribution of economic activity (2012)

Manufacturing **Services**



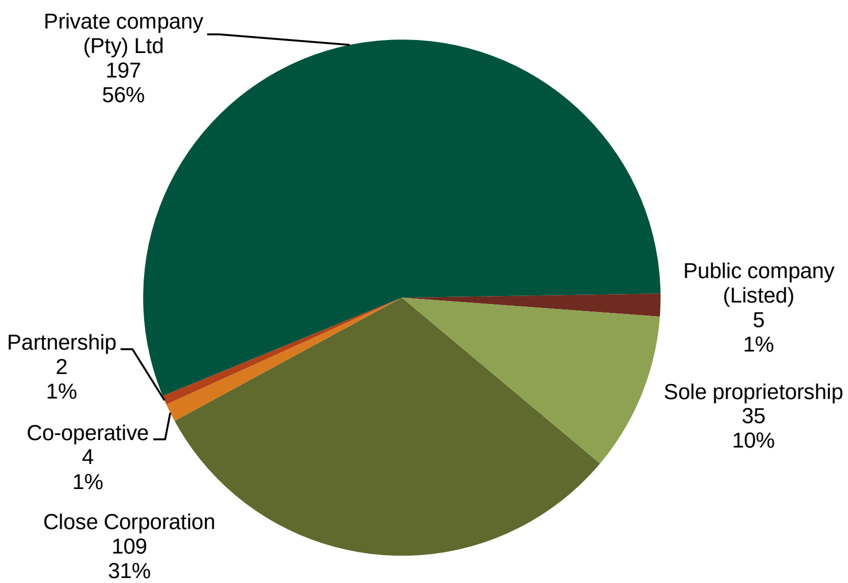
Source: DNA Economics based on Statistics South Africa (Publication P0441)

Prior research (see section 2.2) has shown that firms with the ability to export are likely to be larger, making the likelihood that firms accessing EMIA incentives are based in South Africa's major provinces more likely. In addition, company peculiarities (such as the fact that companies may have operations in one province with a head office in another province) suggest that firms using the EMIA programme are more likely to detail either Gauteng, KwaZulu Natal or the Western Cape has their company's location.

3.1.7 Demographic profile of firms

The type of firms participating in EMIA programmes are predominantly registered private companies and close corporations. 54% of TISA participating firms were private companies, with 35% classified as close corporations.

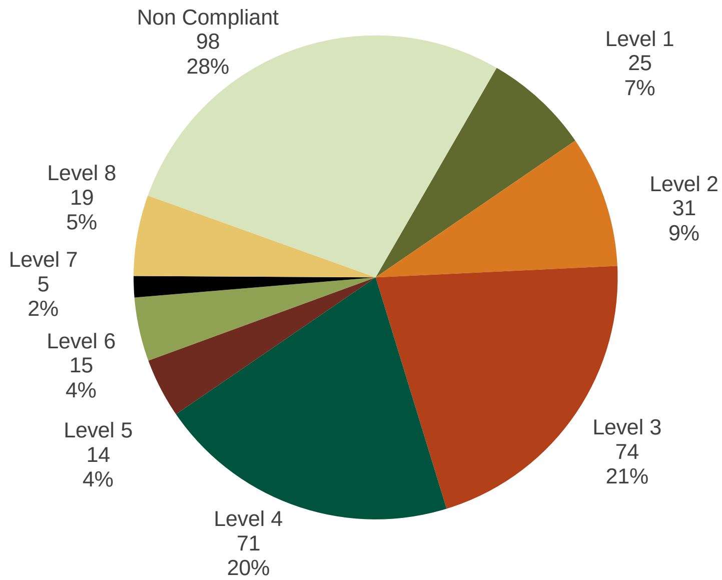
Figure 23 Type of firms accessing EMIA programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Firms were asked to provide their BBBEE status, with 41% of all firms classified as level 3 and 4, while 28% of all firms indicated that they were non-compliant. Further analysis indicates that of the "non-compliant" firms, 24% are ninety to one hundred percent owned by Historically Disadvantaged Individuals (HDIs), while 74% had an HDI ownership share of zero to 10 percent. This suggests that HDI majority-owned firms may have considered themselves non-compliant if they had never undertaken a BBBEE audit or had never attempted the BEE certification process.

Figure 24 B-BBEE level of EMIA beneficiaries



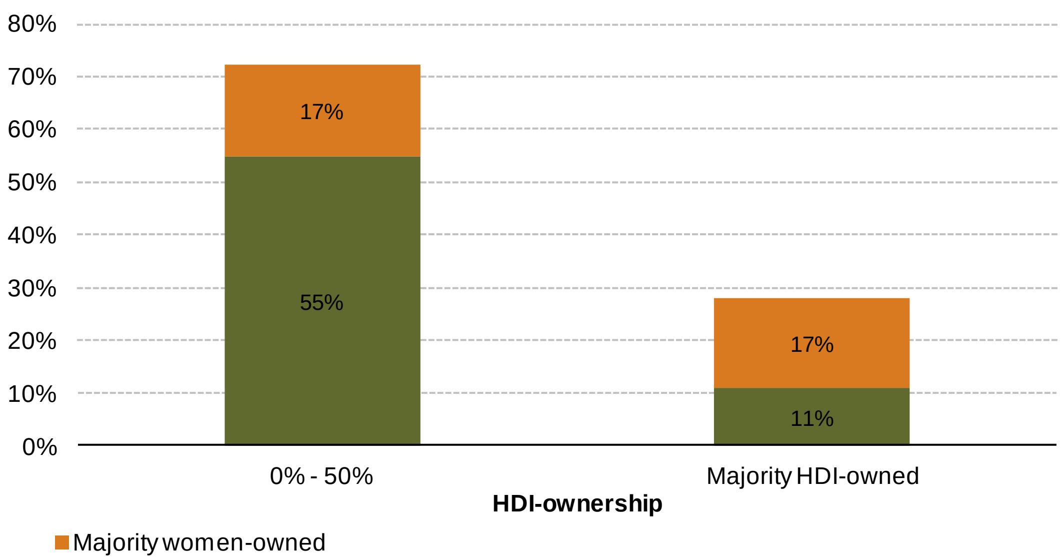
Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Close to 60% of firms have HDI ownership levels of between 0% and 10%, while about 35% of firms were majority-owned by HDIs. Roughly one-quarter of firms had HDI ownership levels in excess of 91%.

Firms were asked to indicate what percentage of their firm is owned by women. The response indicates that 56% of all firms had women ownership of between 0% and 10%, while 18% firms have women ownership of greater than ninety percent.

Figure 25 provides more detail on the ownership of firms participating in the EMIA programme. 17% of EMIA participants surveyed are majority-owned by women but not majority-owned by HDIs. Roughly 1 in 6 of firms surveyed are majority-owned by HDI women.

Figure 25 Proportion of firms majority owned by HDIs and women



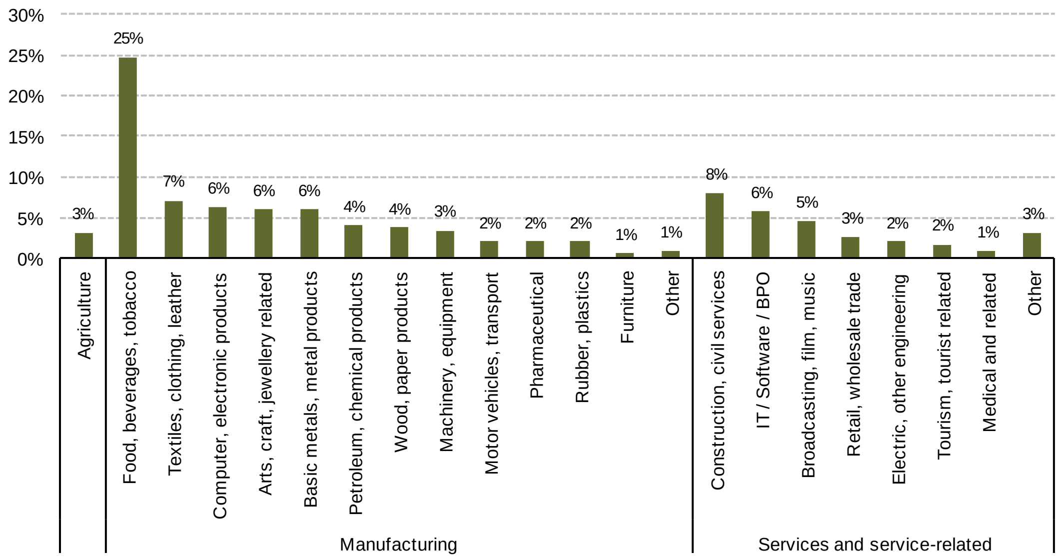
Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Firms were also asked to indicate what percentage of their firm is owned by youth (under 35 years old). The response indicates that 82% of all firms had youth ownership of between 0% and 10%, while just 5% have youth ownership of greater than ninety percent. The low levels of youth ownership are not surprising given that exporting firms tend to be larger, older and more established firms.

3.1.8 Company size and sector

In terms of the sector to which the firms belong, 70% of all surveyed firms were in the agriculture and manufacturing sectors, with the remaining 30% service related businesses.

Figure 26 Sectoral distribution of EMIA participants

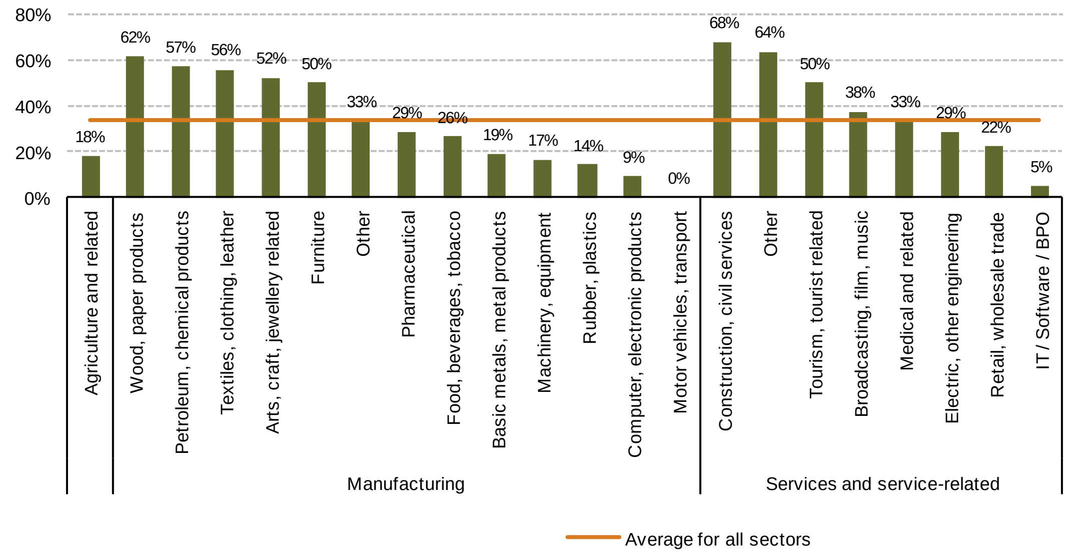


Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Firms from the food, beverages and tobacco products sector are especially prominent, accounting for 25% of all firms surveyed. Other prominent manufacturing sectors included the textiles, metals and electronic sectors, as well as manufacturers of arts and crafts products. Firms from the services sector were largely made of up construction firms, IT and telecommunication organisations and firms from the broadcasting, television and music sector. Firms from sectors not explicitly targeted by the EMIA programme, such as the wholesale and retail trade sector, were also found to have utilised incentives under the programme.

Figure 27 and Figure 28 show the proportion of firms in each sector that is majority-owned (51% or more) by HDIs and women respectively. The sectors with the highest representation of HDI majority-owned firms include wood and paper products, petroleum and chemical products, textiles, clothing and leather sectors and the arts and crafts sector. From the services perspective, more than 50% of firms are HDI majority-owned in the construction and civil services and tourism sectors.

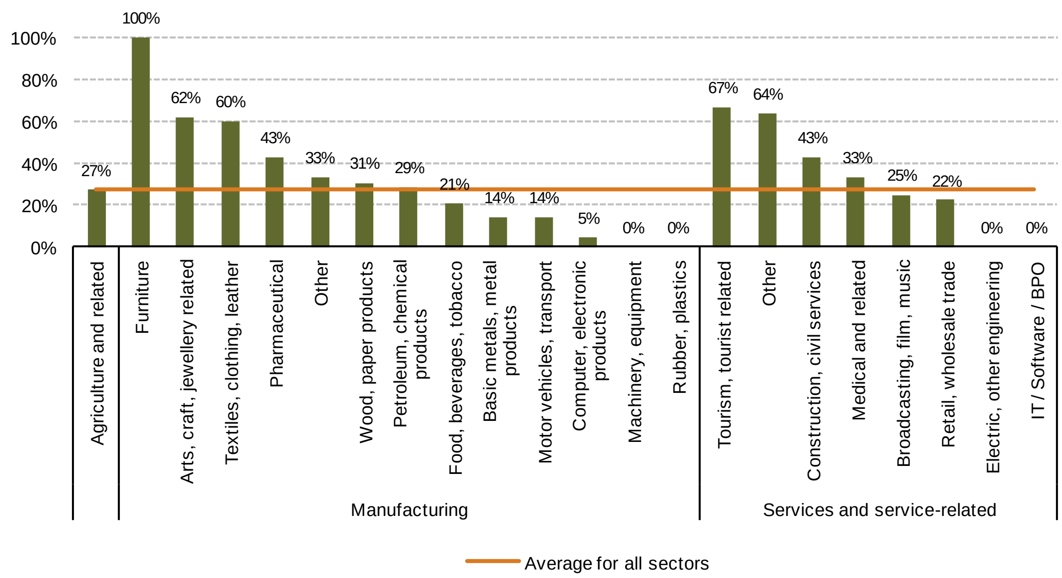
Figure 27 Majority HDI-ownership by sector



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Firms that are majority-owned by women appear to be dominant in the furniture, arts and crafts and textiles and clothing sectors, as shown in Figure 28. Within the services sectors, the tourism sector is also heavily dominated by majority women-owned firms, which account for 67% of all firms in this sector.

Figure 28 Majority women-ownership by sector

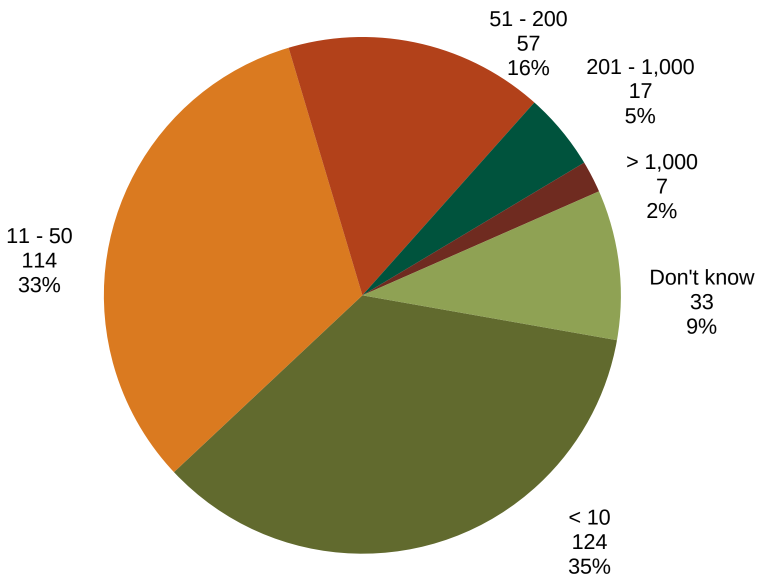


Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Financial data on the turnover for the participating firms from their last financial year shows that roughly 36% of all surveyed firms had a turnover of less than R5 million. The turnover for 34% of surveyed firms exceeded R10 million and a small proportion (7%) had turnover in excess of R100 million. This suggests that the EMIA programme is accessed by a diverse range of companies, most of which are relatively small, not just SMME firms, which are explicitly targeted by the programme.

Information on firms' employment levels, also suggests that many of the companies accessing the EMIA programme are smaller firms, with 68% of firms surveyed employing less than 50 employees. Only 7% (24) of firms employed more than 200 people.

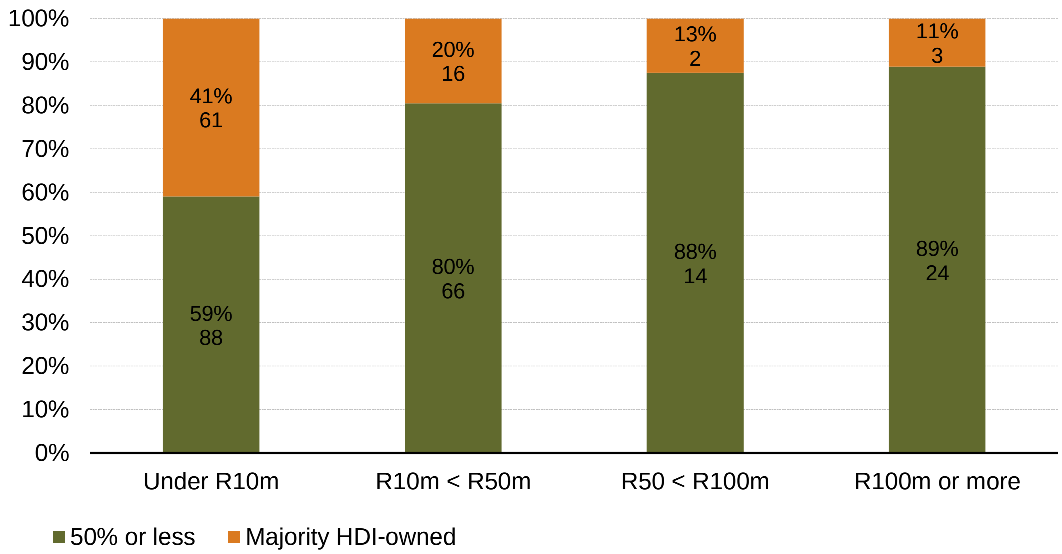
Figure 29 Number of employees within firms participating in EMIA programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N= 352

From Figure 33, there is a clear trend of HDI-ownership by company size. HDI majority-owned firms make up a larger proportion of smaller firms, accounting for just under 41% of those firms earning under R10 million in turnover. This declines noticeably to approximately 11% of firms with a turnover of R100 million or more.

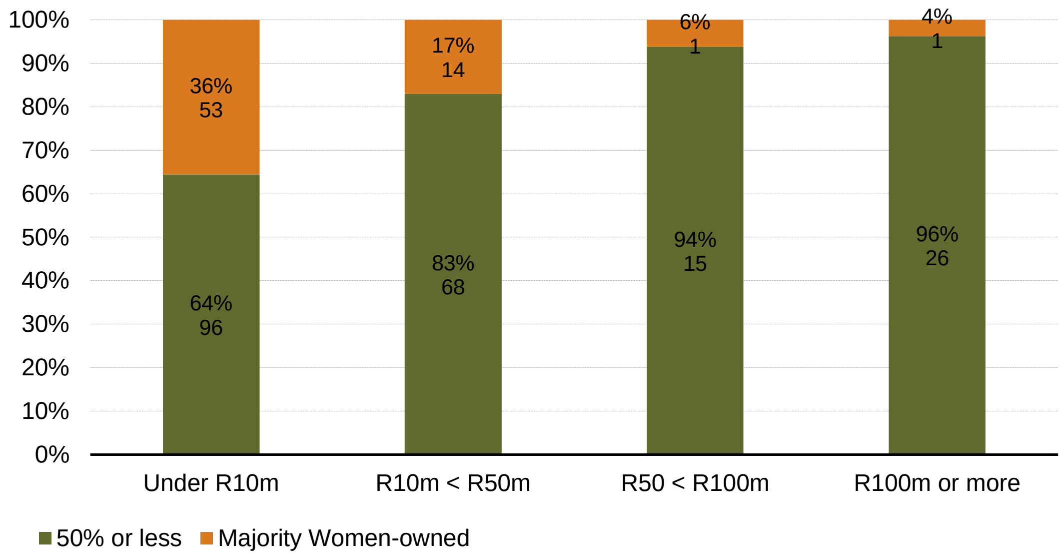
Figure 30 Company size (based on turnover) by HDI ownership



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 274

There is a similar and more noticeable trend regarding company size and ownership by women, with majority women-owned firms accounting for 36% of firms with a turnover of R10 million or less. EMIA participating firms with a turnover of R100 million or more consisted of only 4% majority women-owned firms.

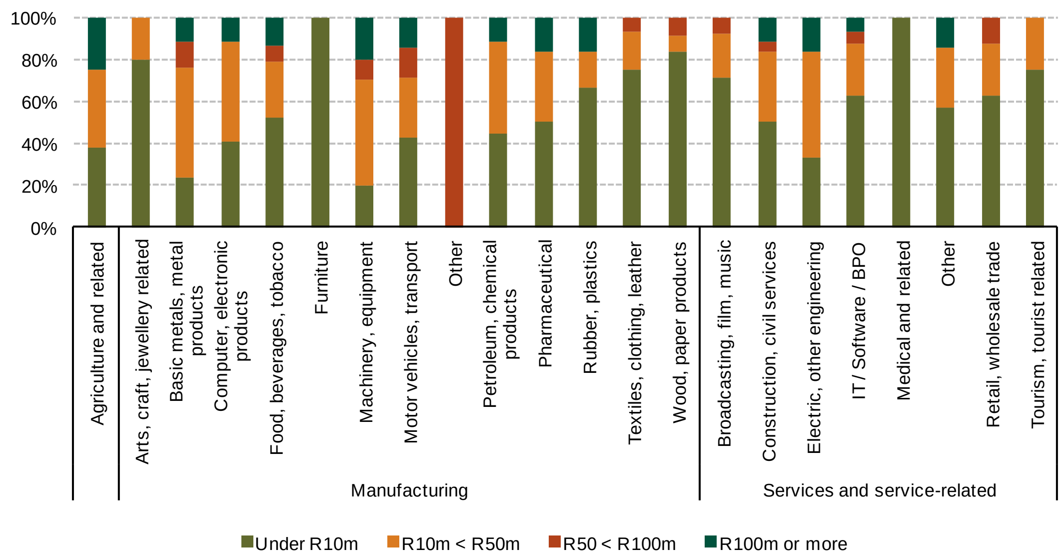
Figure 31 Company size (based on turnover) by women ownership



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 272

Figure 32 shows the sectoral distribution of companies by size. It is clear that the EMIA programme generally targets smaller firms (less than R50 million turnover) from most sectors. Certain exceptions to this include the, agricultural, machinery and equipment and motor vehicles and transport sectors, where there appears to be a larger proportion of firms with turnover greater than R50 million, relative to other sectors.

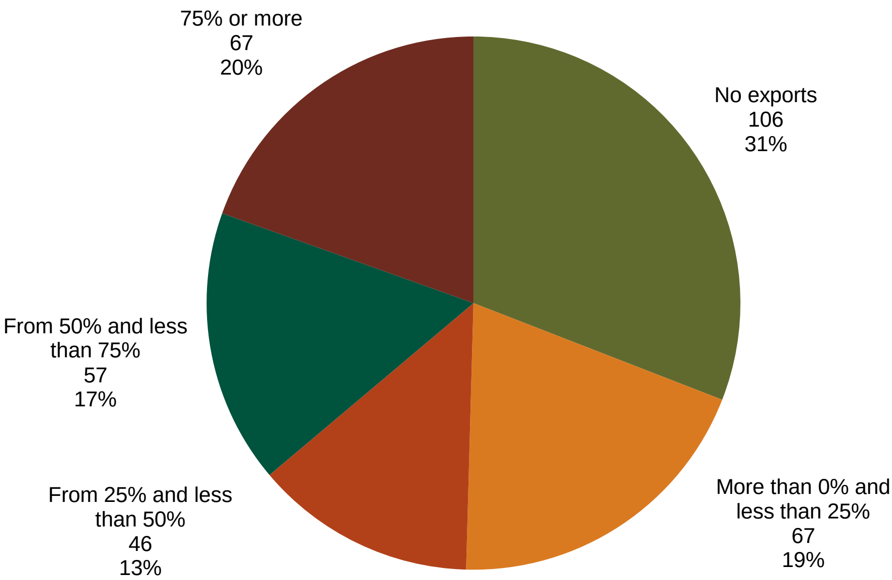
Figure 32 Company size (based on turnover) by sector



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 274

It is also interesting to note that a significant proportion of firms did not export any products in their last financial year. As shown in Figure 33, 31% of firms reported no exports in the last financial year, while one in five firms reported exporting 75% or more of their sales.

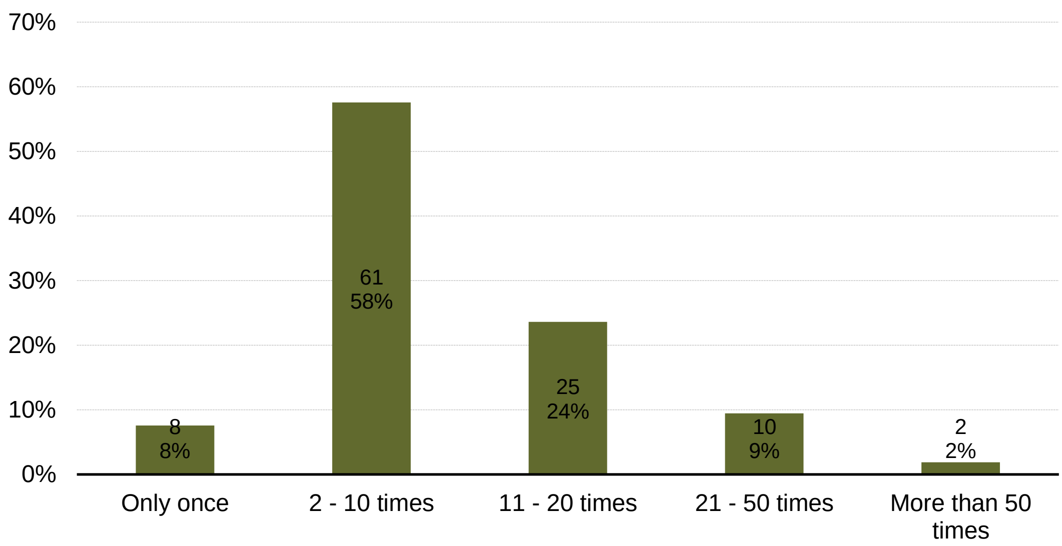
Figure 33 Exports as a proportion of total sales by EMIA participants in last financial year



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 343

The large proportion of firms reporting that they have not exported is a cause for concern and may reflect a deeper problem with the way in which firms are selected and approved for the various incentives. This is reflected in Figure 34, which shows the usage of EMIA incentives by firms with no export sales. While the majority of firms reporting no export sales have used EMIA incentives less than 10 times, in excess of 35% have used the various EMIA offerings 11 times or more.

Figure 34 Usage of EMIA incentives by firms reporting no export sales



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 106

The high usage by firms which are achieving no export sales points to an ineffective selection process, with a possibility that firms utilising the EMIA incentives do not have sufficient export capacity or are not at an export ready stage. Firms may also be taking advantage of their knowledge of the way in which the programme works, reflected by the fact that close to 40% of the participants that report not having any export sales have made use of EMIA incentives since before 2009.

3.2 Administration of the EMIA programme

3.2.1 The application, selection and claims process

The process and procedures used in administering and implementing the EMIA programme are clear, with the guidelines for each of the incentive offerings fairly easy to understand and regularly updated. The process for application, selection and claims is shown in Figure 35, Figure 36 and Figure 37.

A small proportion of applications are rejected, with the low rejection rate reflected in both an analysis of EMIA data and the survey of EMIA participants. 54% of firms responding to the survey had never had an application rejected, while 95% of participants have had applications rejected 3 or less times. This is confirmed by EMIA administrators from both TISA and IDIAD, who indicate that they strive to ensure that applicants are not rejected because of documentation issues. The low rejection rate may also be a reflection of a selection process that is less than rigorous, with criteria used in adjudicating applications posing a low barrier to accessing incentives.

Similarly, for the claims and disbursement process, EMIA administrators and staff strive to ensure that all required documentation is submitted, even when participants do not adhere to stipulated deadlines for the submission of documents. While this can be viewed as positive for applying firms (which are unlikely to be rejected due to incomplete submission of documentation), the lack of adherence to stipulated guidelines, timeframes and procedures can impact on staff workloads.

Figure 35 IDIAD applications and claims process

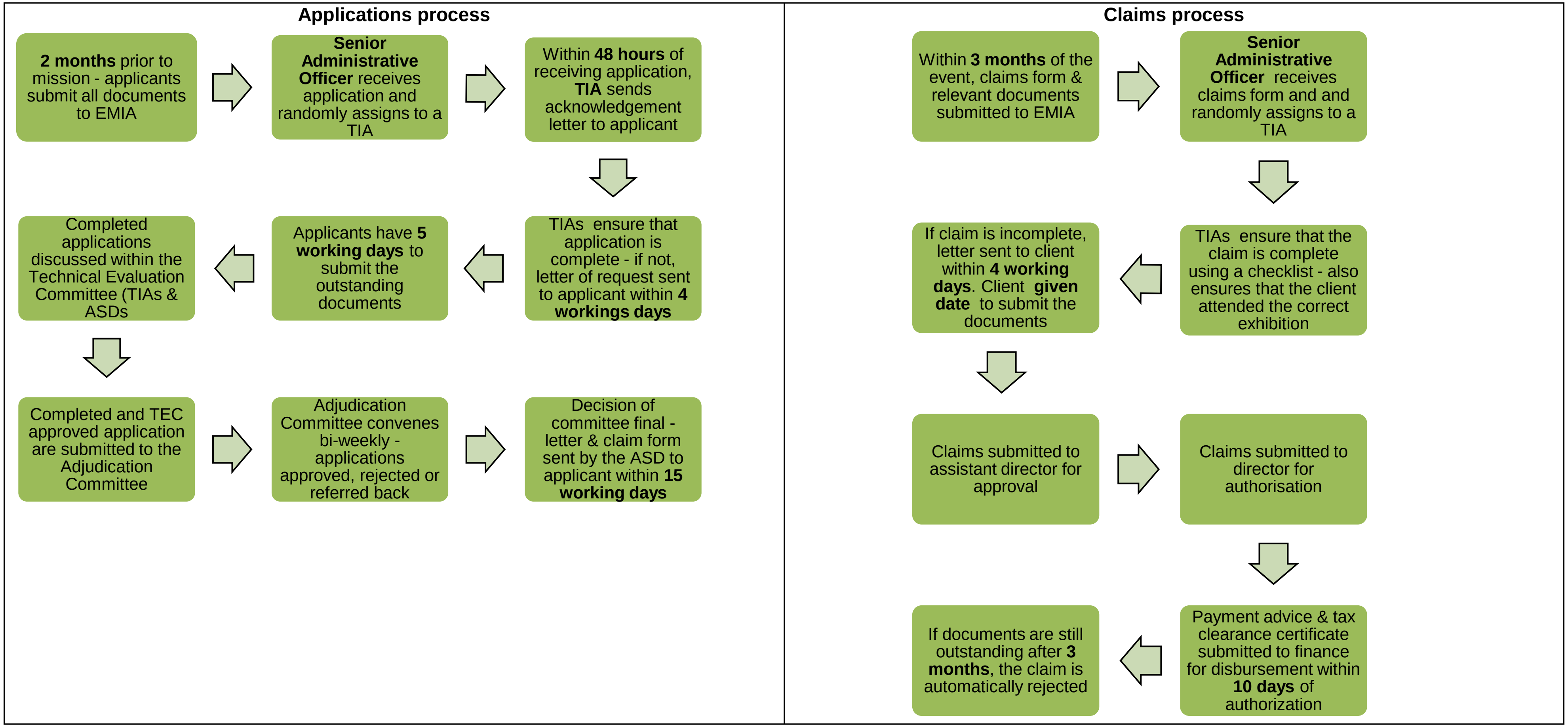


Figure 36 TISA application and claims process (National pavilions in parenthesis)

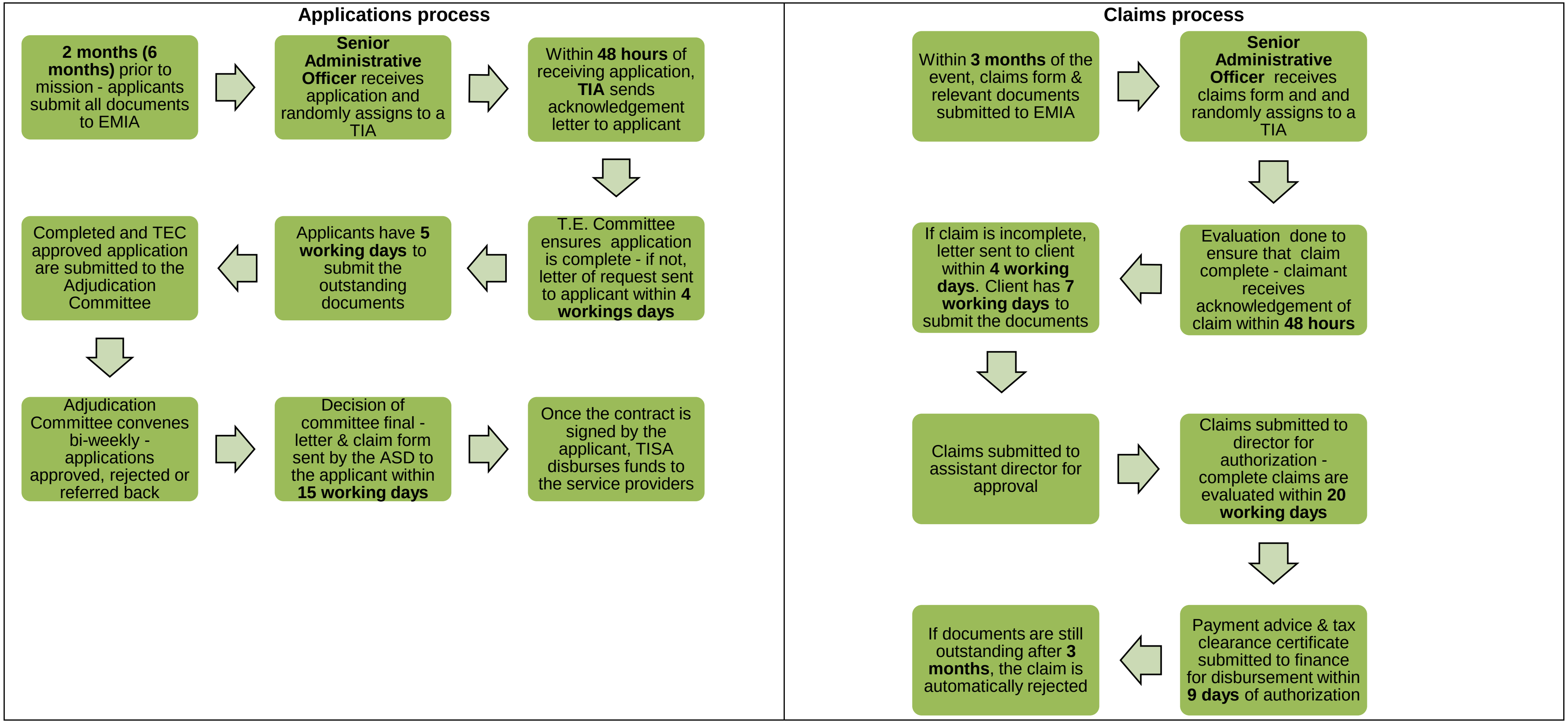
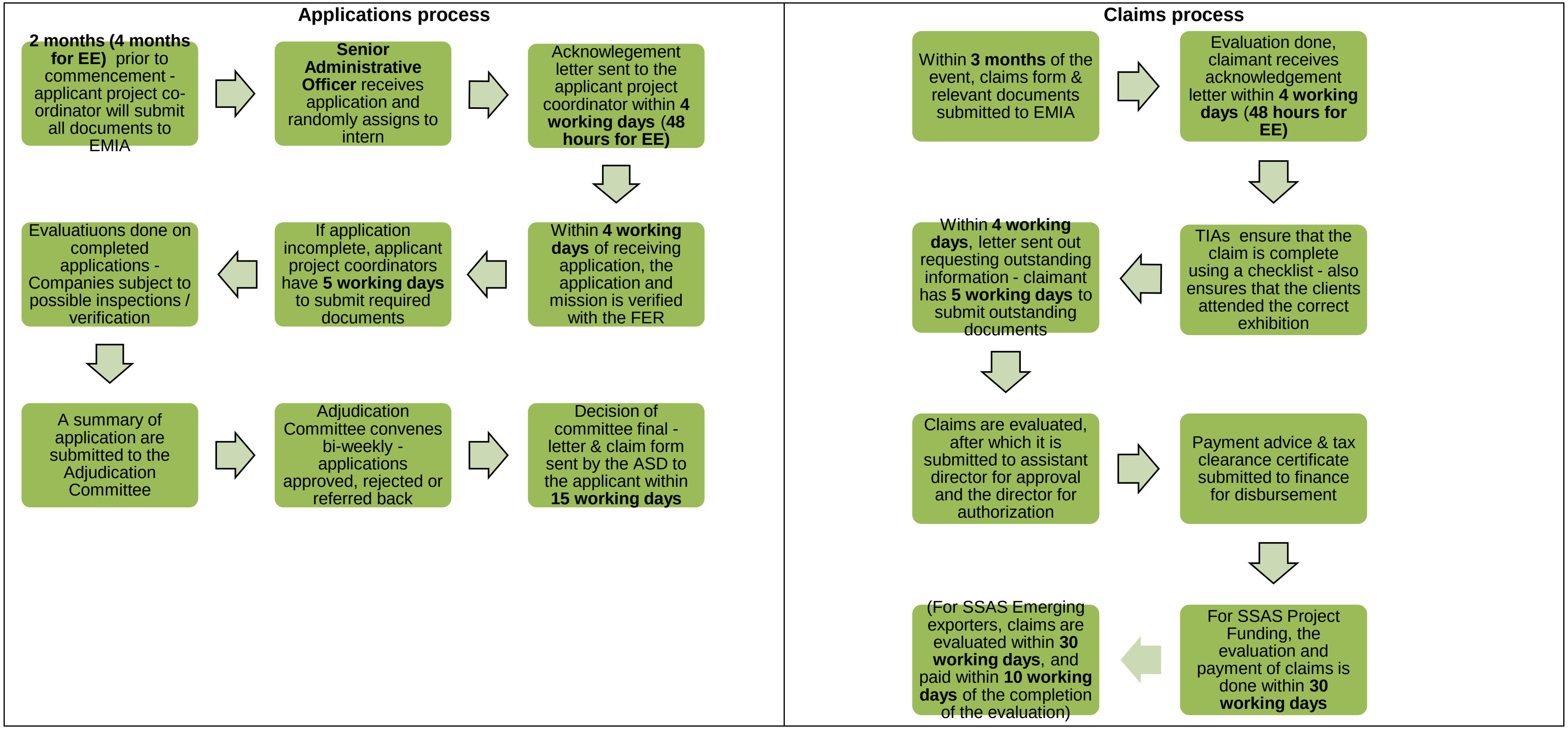


Figure 37 SSAS applications and claims process (Emerging exporters in parenthesis)

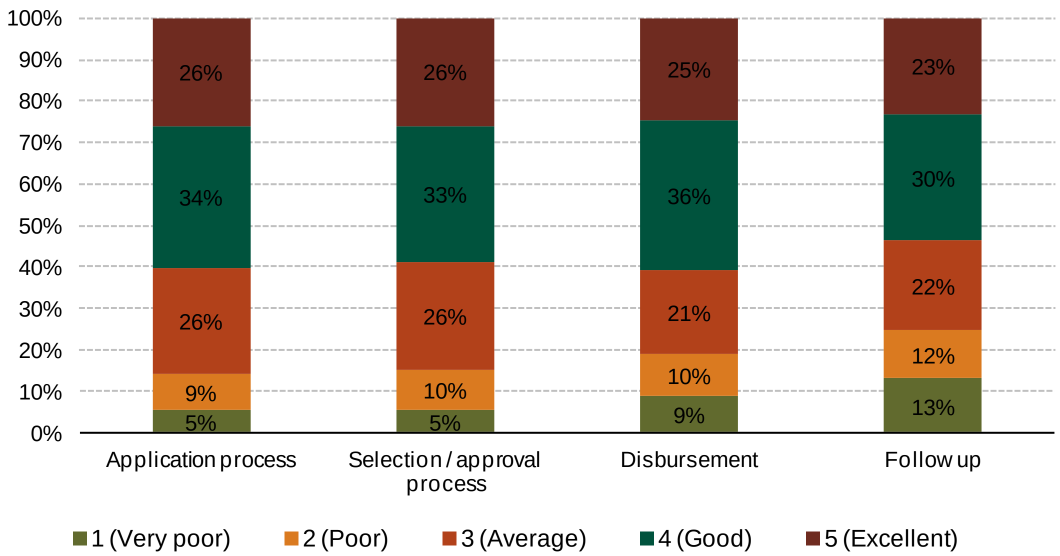


3.2.2 Firm perceptions of the EMIA process

Firm perceptions of the EMIA process in terms of applications, selection and disbursement of funds (claims) appears to be, in general, positive. This is reflected in firm responses regarding their overall experience of the EMIA programme. In all phases of the process, less than 20% of firms rated the EMIA experience as poor or very poor, as shown in Figure 38. Conversely, an overwhelming majority, roughly 60%, rated the process as very good or excellent. The clear exception to this positive response appears to relate mainly to the follow-up process; with 25% of respondents suggesting that follow-up from the DTI is poor or very poor.

For the various processes, respondents elaborated on the poor experiences they encountered, with many citing a lack of feedback from the DTI, prescriptive processes, and claims not reimbursed in full, as the main challenges.

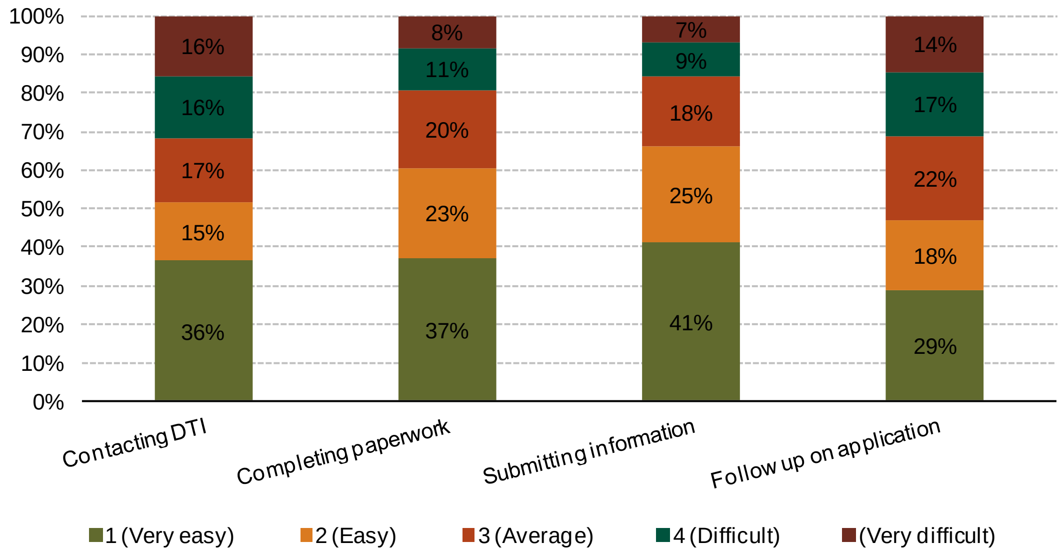
Figure 38 Firms' perceptions of overall EMIA experience



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 346

Firms were also asked to rate, and elaborate on various aspects of the EMIA administrative process, based on their most recent experience of the EMIA programme. Respondents were asked to rank, on a scale of 1 to 5, the ease or difficulty of processes when applying for participation in an EMIA programme. The results in Figure 20 indicate that all four phases of the application process was found to be easy. That said, almost one-third of respondents indicated that contacting the DTI was either difficult or very difficult. Similarly just over 30% of respondents suggested that they experienced difficulty in following up on their applications.

Figure 39 Firms' perceptions of most recent application process

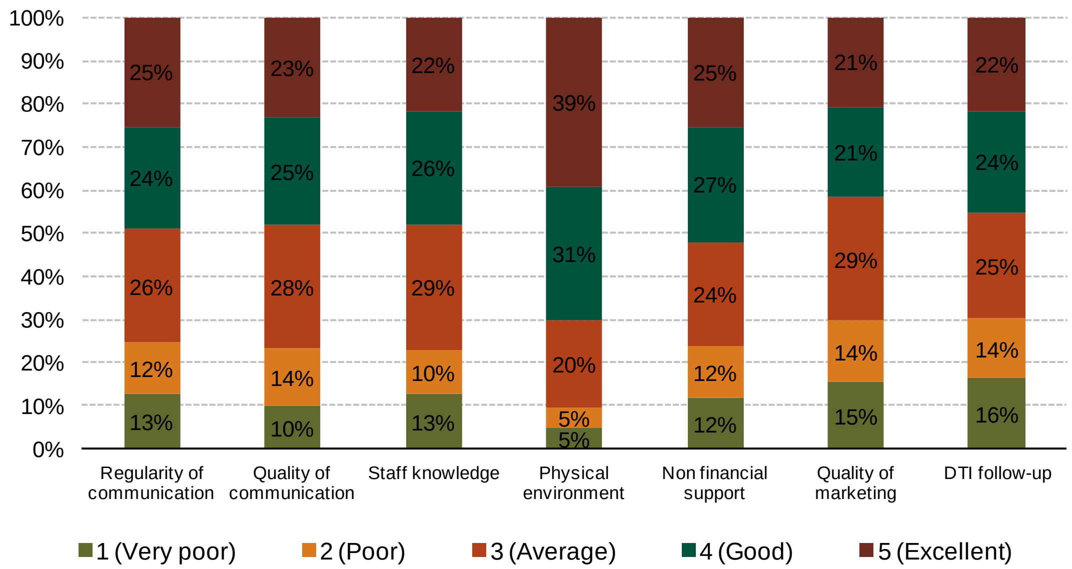


Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

With regards to processing times, firms suggested that the application process was fairly quick, with more than three-quarters of firms indicating that the application processing time for their most recent participation was less than 6 weeks. The highest proportion of respondents (39%) indicated that the application process was between 2 and 4 weeks.

Firms that participated in the EMIA programme were also asked to rate particular aspects of their most recent EMIA experience, as shown in Figure 40. Again, firms appear to be positive regarding the services and support offered by the DTI. In particular, firms are especially favourable of the physical environment at pavilions. Firms appear to be most negative about the quality of marketing and materials provided by the DTI and the lack of adequate follow-up by the DTI, with 29% and 30% of firms respectively rating these aspects as poor or very poor.

Figure 40 Perceptions of most recent support and services in EMIA programme

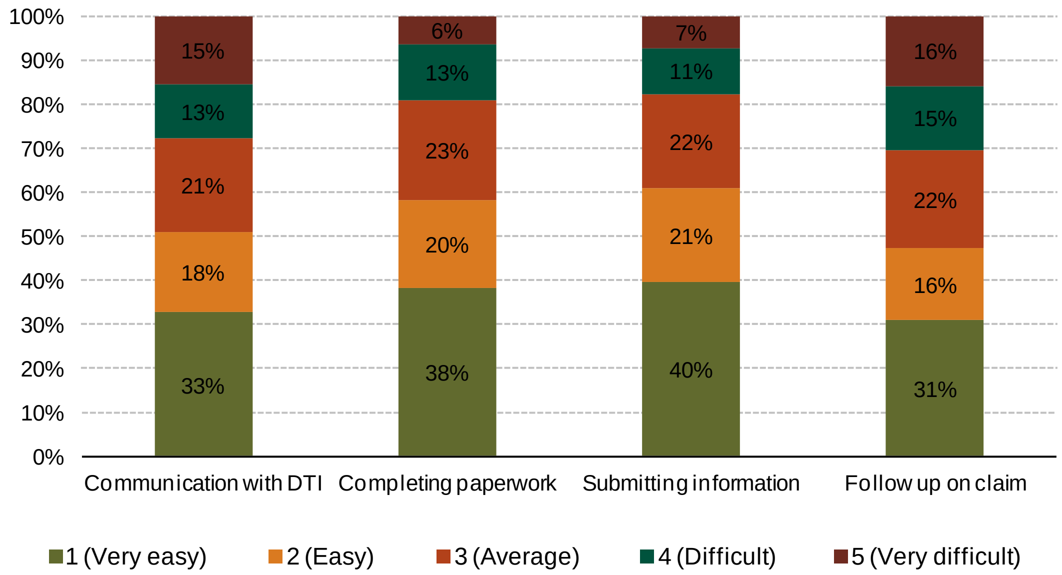


Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 341

Firms were generally positive regarding the ease with which they were able to submit claims and receive payments. On average, firms appear to find the follow-up process and communication with the DTI the most difficult processes in the claims procedure, with 31%

and 28% of firms respectively indicating that these processes were either difficult or very difficult.

Figure 41 Firms' perceptions of most recent claims process

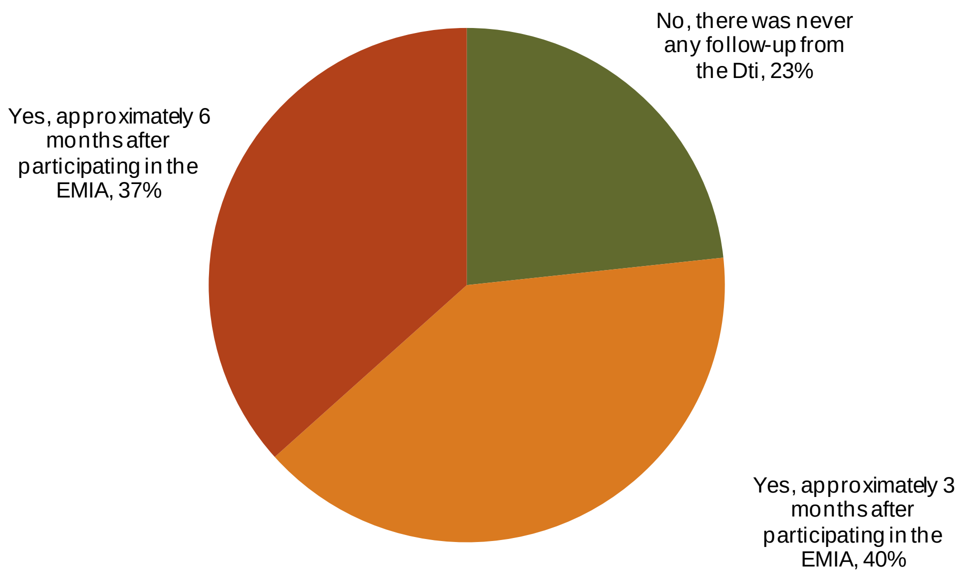


Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Firms also indicate, on average, that the claims processing time is fairly quick. Close to three-quarters of firms indicated that disbursements of claimed amounts were made within 8 weeks from the date of submission of claims. This period would include the claims processing time for both the EMIA administrators (who check, verify and confirm claims) and the general finance division of the DTI (which is responsible for verifying claimants and disburse funds).

An important aspect of an export promotion process is the need to continually assess the efficacy of the programme, through regular feedback from firms using the export promotion incentives. Firm responses suggest that there is significant room for improvement in terms of the DTI's follow up processes and activities, shown in Figure 42.

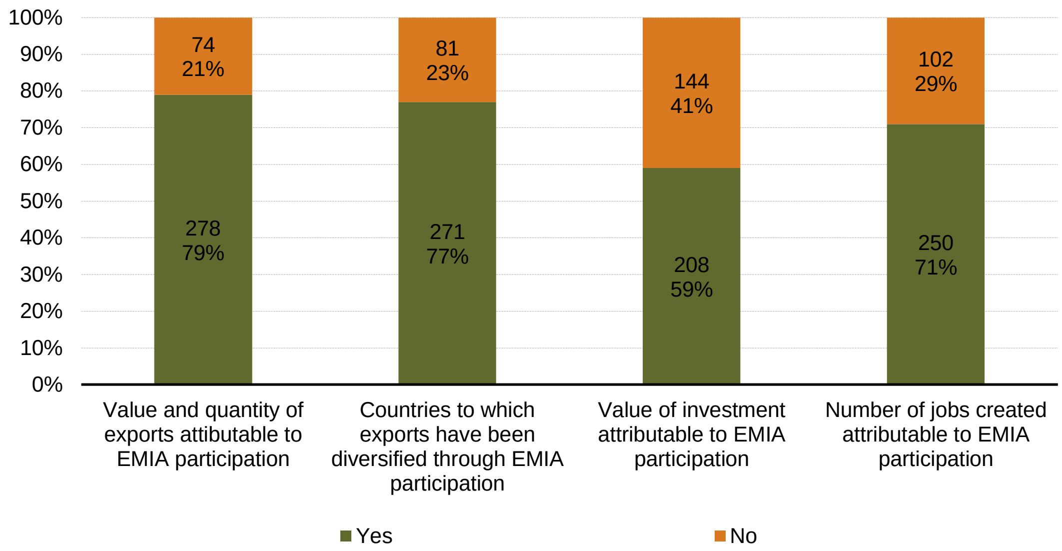
Figure 42 Follow-up by the DTI based on firms' last participation in EMIA



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Close to one-quarter of firms surveyed indicated that there was no follow-up from the DTI following their participation in one of the EMIA incentives. A similar proportion of firms indicated not having submitted information regarding performance. Figure 43 shows that a substantial proportion of firms surveyed were not required to, or did not submit any information relating to the gains to the firm as a result of EMIA funding. This has important implications for evaluating the potential outcomes and impact of the EMIA programme.

Figure 43 Submission requirements by firms based on last participation in EMIA



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

3.2.3 Issues identified in the EMIA process

From the firm survey it is clear that firms are generally positive about the EMIA process. However, firms have highlighted the need for better feedback and follow-up by the DTI, during all phases of the EMIA process. It is also clear, both in the analysis of the EMIA database and through the staff focus groups that the current manual capturing system is not sufficient and adequate. From a firm perspective, it is likely that an electronic system may also ease the physical documentation requirements. In addition, staff within both TISA and IDIAD suggested that there was insufficient capacity to handle the volume of applications received.

One of the key difficulties identified by staff administering incentives under TISA is the issue of “deviations”. It is understood that senior principals are able to bypass the normal application process, through the issuing and signing of deviations. Companies are therefore allowed to participate in group incentives, such as pavilions and missions without meeting application deadlines, without submitting all of the required documents or without the adjudication committee fully scrutinising the firm’s application. This has important implications for the integrity of the EMIA process, but also places significant strain on EMIA staff that have to process applications in far less time than provided for normal applications.

TISA staff have also noted that there is little recourse for firms which cancel their participation in events for which the DTI has already paid. This is particularly problematic in the case of participation in national pavilions, which not only results in unused stands (which have been paid for by the DTI), but is detrimental to other firms that may have been able to utilise this space. Previously, firms were liable for a cancellation fee where these firms cancelled their participation with little notification provided. However, this cancellation fee liability has been waived and firms are allowed late cancellations without any consequences.

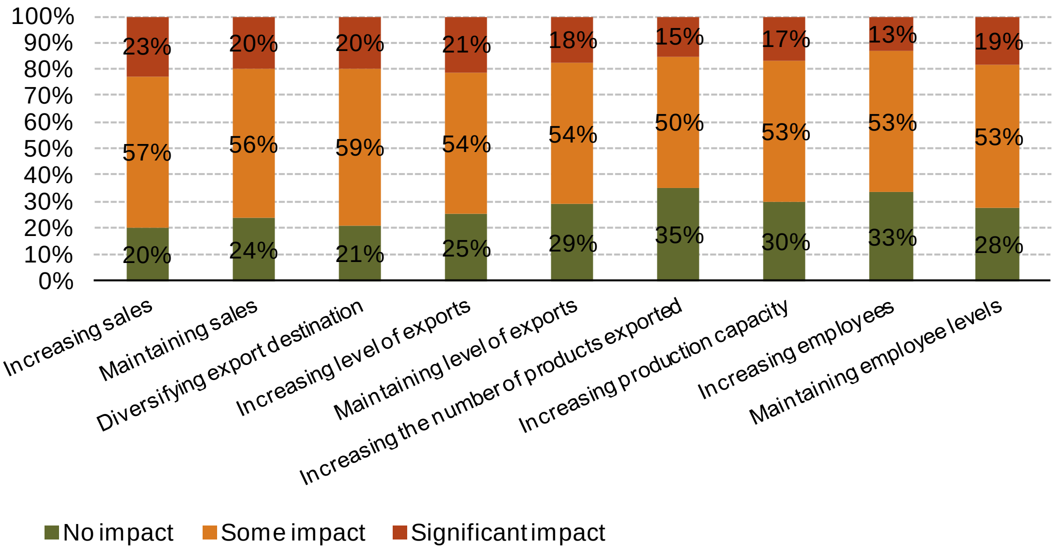
The finalisation of "official" events (such as national pavilions) is also hampered by a lack of adequate co-ordination and co-operation within TISA and between other DTI divisions and units. While the EMIA unit under TISA aims to complete and finalise the calendar of events in the prior financial year, this process is strained by the late addition of additional events to the calendar well after the stipulated deadline date. Further "ad hoc" events place an additional burden on the process. Questions have also been raised about the role played by the export development unit within TISA. This unit is responsible for acting as a project co-ordinator for emerging exporters but is purported to not provide adequate support in either developing export ready firms or in providing an external pool of firms for the EMIA programme.

3.3 Impact of the EMIA programme

Understanding the impact of the EMIA programme is limited by a number of factors. First, there is limited data collected by the EMIA scheme that can be used to assess the impact of the various incentives on firm performance. Outside of the basic export sales information provided in Table 20, little information is available on the wider economic impact of the scheme. EMIA staff suggest that this is partly related to the fact that firms do not submit the required reports post-activity. It is also undeniably difficulty to attribute directly firm export performance to particular marketing exercises. Understanding the true impact of the EMIA programme will require better collection of information and a dedicated and periodic impact analysis.

The survey of firms provides some detail on the likely impact of the EMIA programme. As has been previously highlighted, a substantial proportion of firms have accessed incentives provided by the EMIA programme more than once. Firms were therefore asked to describe how their overall participation in the EMIA programme impacted on different aspects of their businesses, as shown in Figure 44. The results suggest that the EMIA programme has benefitted a majority of firms in a number of ways. Close to 80% of firms responded that the EMIA programme has had a positive impact on their sales and by diversifying their export base. On the other hand, the EMIA programme was least successful in increasing the product range sold and exported by firms (with 35% responding that the EMIA programme had no impact on this at all).

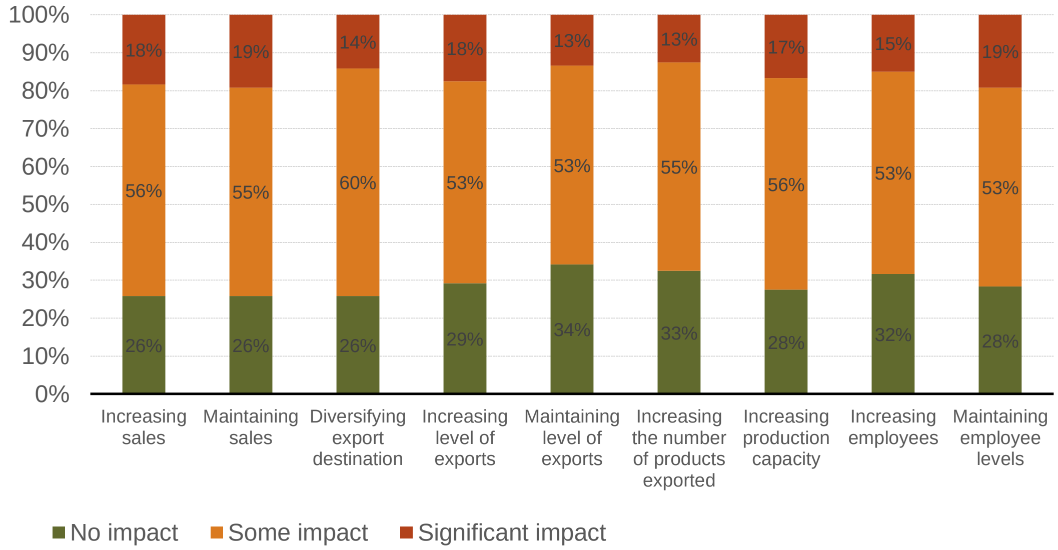
Figure 44 Firm perceptions of the impact of overall participation in EMIA incentive programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 346

The perception of impact can also be analysed based on the firm's level of HDI and women ownership. Figure 45 and Figure 46 show the perceived impacts for firms that are majority-owned by HDIs and women respectively. Overall, Figure 45 suggests HDI-owned firms perceive the EMIA programme to be less beneficial, with a higher proportion of firms indicating that the EMIA programme has no impact on their sales, exports and business growth.

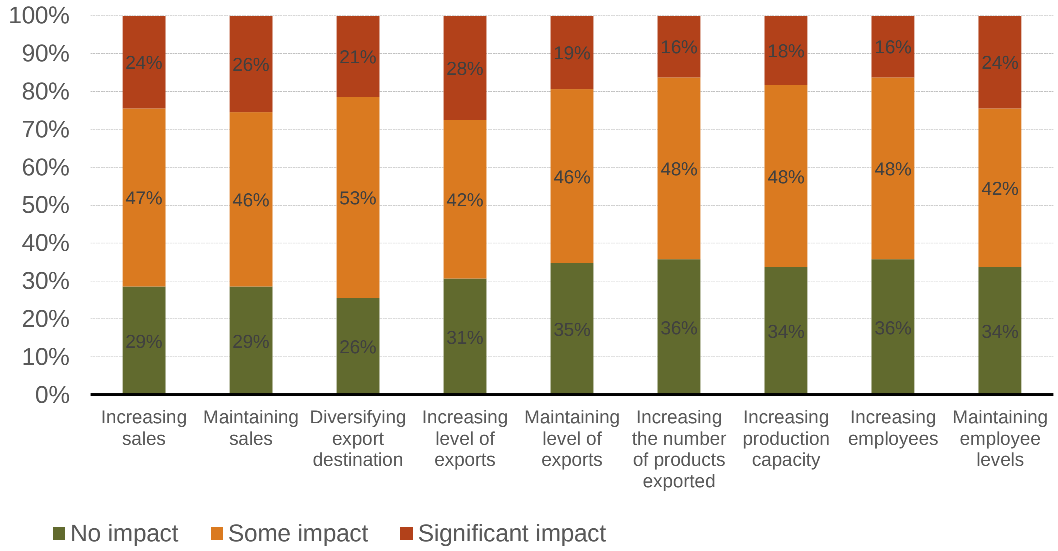
Figure 45 HDI-owned firm perceptions of the impact of overall participation in EMIA incentive programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 120

Similarly Figure 46 suggests that women-owned firms find the EMIA programme less beneficial in positively impacting their businesses, though a significant proportion do also find that the EMIA programme has had a significant impact on their firms' growth and export sales. The findings are similar for youth-owned firms, though the sample of youth-owned firms is much smaller, with only 25 firms indicating that they are more than 50% owned by youth.

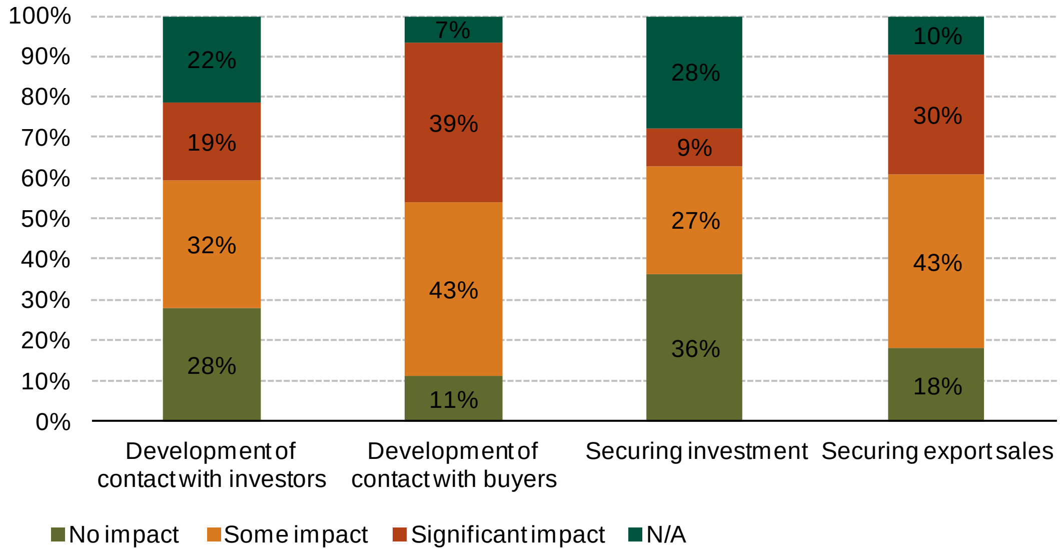
Figure 46 Women-owned firm perceptions of the impact of overall participation in EMIA incentive programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 98

Surveyed firms were also asked to rate the impact of their most recent EMIA experience on the development of contacts with potential investors and buyers, as well as the securing of investment and export sales, as shown in Figure 47. These responses suggest that the EMIA programme is used more widely as an export marketing tool rather than as an investment promoting and recruitment instrument. In addition, the results clearly demonstrate that a firm's participation in the EMIA programme provides substantial opportunities to develop initial contacts with potential buyers and investors. It also appears that this initial contact translates into export sales for an overwhelming proportion of firms surveyed. From an export sales point of view, the survey results suggest that the EMIA programme does indeed have a positive impact on firms.

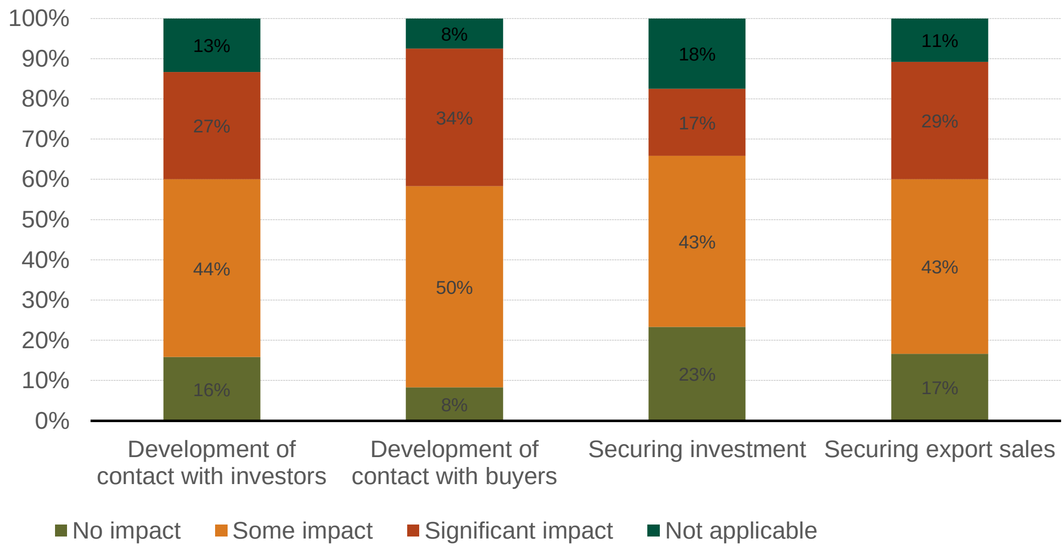
Figure 47 Firm perceptions of the impact of firms' most recent participation in EMIA programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

The perceptions of the impact of the most recent EMIA participation for majority HDI and women-owned firms is shown in Figure 48 and Figure 49. The results suggest that a significant proportion of HDI firms have seen some positive impact of the EMIA programme on their ability to secure export sales and investment.

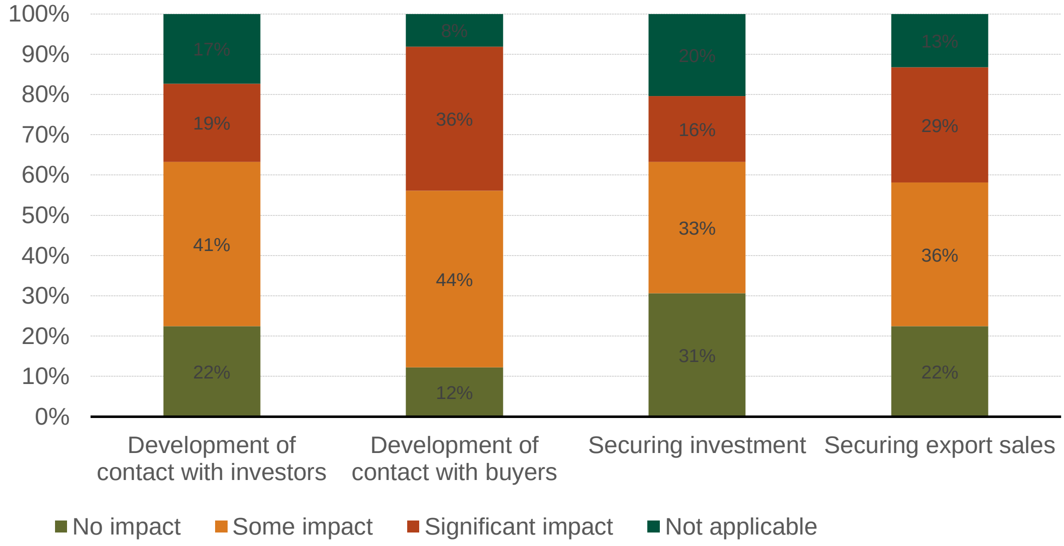
Figure 48 HDI-owned firm perceptions of the impact of firms' most recent participation in EMIA programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 120

Similar results are found for women-owned businesses, where the majority of firms have identified a positive or significant impact of the most recent EMIA programme on their export sales and ability to secure investment. The results are similar for youth-owned businesses, though, the small number of youth-owned businesses (25) make these results less reliable.

Figure 49 Women-owned firm perceptions of the impact of firms' most recent participation in EMIA programme



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 98

4 Summary of key findings

To what extent are the objectives of this programme being achieved?

The important role of Government in assisting firms to overcome the challenges associated with marketing their goods and services in foreign markets has been established; both in the review of the literature and in the development of a theory of change for the EMIA programme. However, a number of shortcomings in the implementation of EMIA make it difficult to establish whether the marketing incentives provided through this programme have resulted in positive export outcomes for firms utilising these incentives.

First, while the administration of the programme is viewed by firms as generally good, the EMIA programme lacks an effective monitoring tool across all of its incentives. Thus there is a lack of verifiable, good quality data from which to draw precise conclusions around the success of the various incentives in achieving the desired export and investment outcomes.

Second, many firms are able to access the incentives despite not being export ready. The EMIA programme has been designed to provide a “last-mile” incentive for firms to increase their exports and inward investment. The review of similar programmes elsewhere confirms that firms are only able to make good use of these last-mile incentives if they are “export ready” and have the capacity to increase exports and fulfil new orders. The weak implementation of effective selection criteria has meant that many firms utilising EMIA’s marketing incentives may not be export ready, and therefore the incentives provided to them do not actually assist these firms in increasing and diversifying their exports.

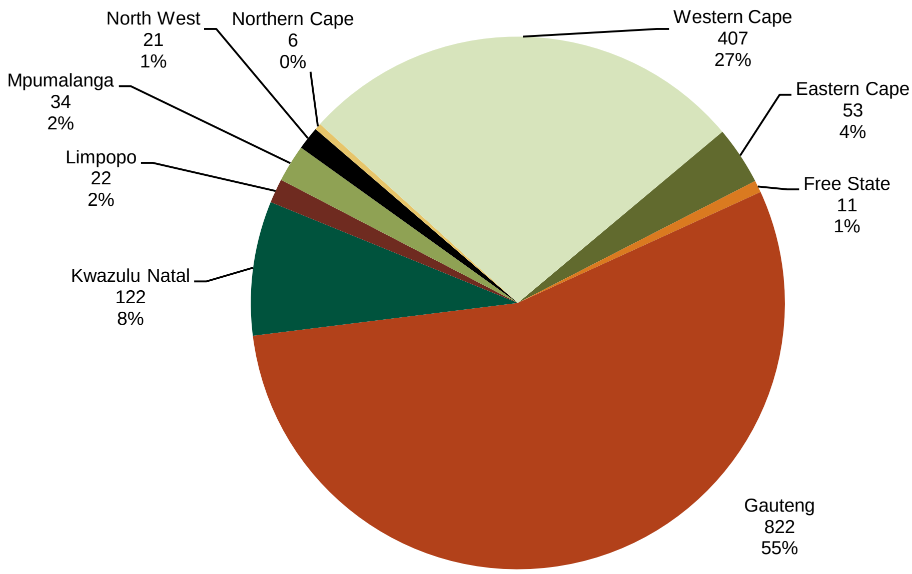
Finally, while the EMIA programme has a range of objectives around increasing and diversifying exports, as well as increasing exports from previously disadvantaged businesses, explicit targets have not been set for many of the incentives. For example, it is not clear what targets have been set for individual exhibitions, in terms of the expected outcomes for firms subsidised to participate in these events. This makes it especially difficult to assess the success of the programme in these areas.

What is the reach/penetration, accessibility and spread of the programme across sectors and targeted groups (women-owned, black-owned, youth, SMMEs, regions)?

The review of available EMIA data and the survey of firms that have participated in the programme highlights four key findings.

First, there is a high concentration of firms using EMIA incentives from South Africa’s three major economic provinces, Gauteng, KwaZulu Natal and the Western Cape. Based on available EMIA data, these three provinces account for close to 90% of firms that have accessed the EMIA programme. This likely reflects that structural distribution of South Africa’s economy, with these three provinces accounting for roughly 75% of South Africa’s manufacturing and economic output.

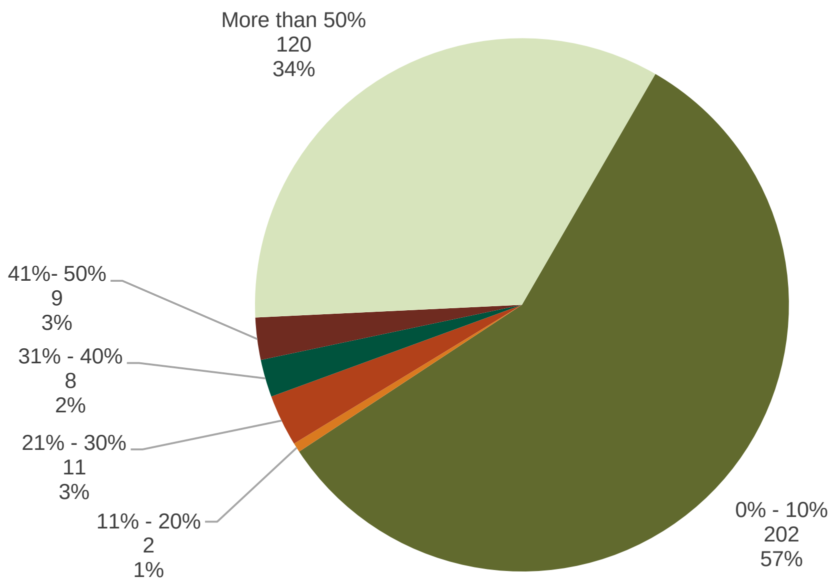
Figure 50 Location of firms utilizing EMIA incentives (based on EMIA data)



Source: DNA Economics based on analysis of data provided by the DTI
N = 1,498

Second, there appears to be significant usage of the EMIA incentives by majority HDI-owned and women-owned firms. From the survey of EMIA participants, roughly 35% of firms are majority HDI-owned and just over one-quarter of firms are majority women-owned.

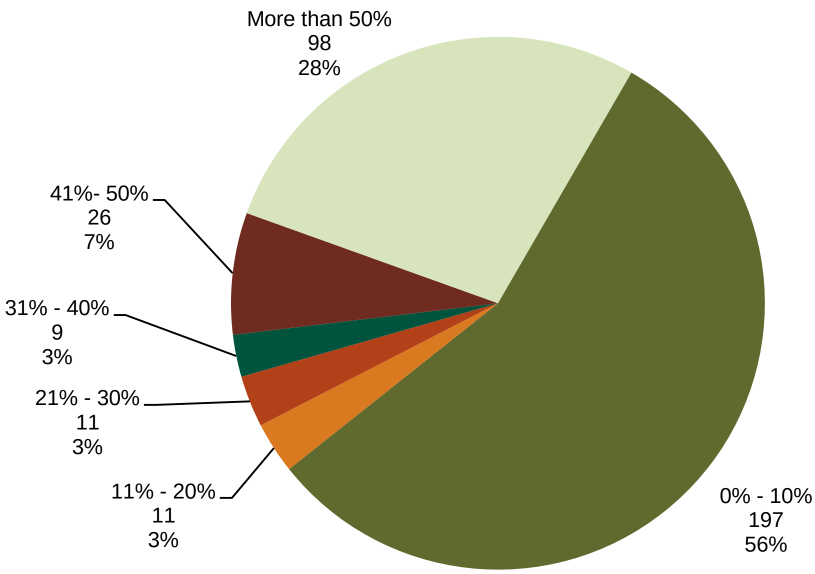
Figure 51 HDI ownership of firms accessing EMIA incentives



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Findings from the survey also reveals that roughly 1 in 6 of firms surveyed are majority-owned by HDI women.

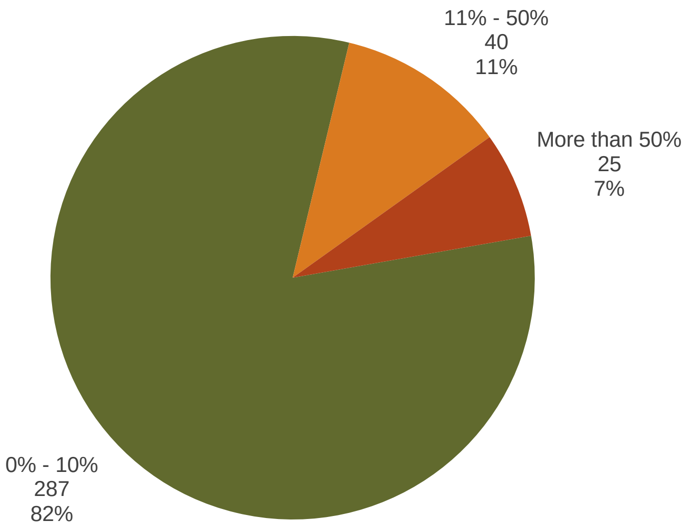
Figure 52 Women ownership of firms accessing EMIA incentives



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N - 352

Youth are substantially less represented among EMIA participants, with only 7% of firms surveyed majority-owned by youth. The low levels of youth ownership are not surprising given that exporting firms tend to be larger, older and more established.

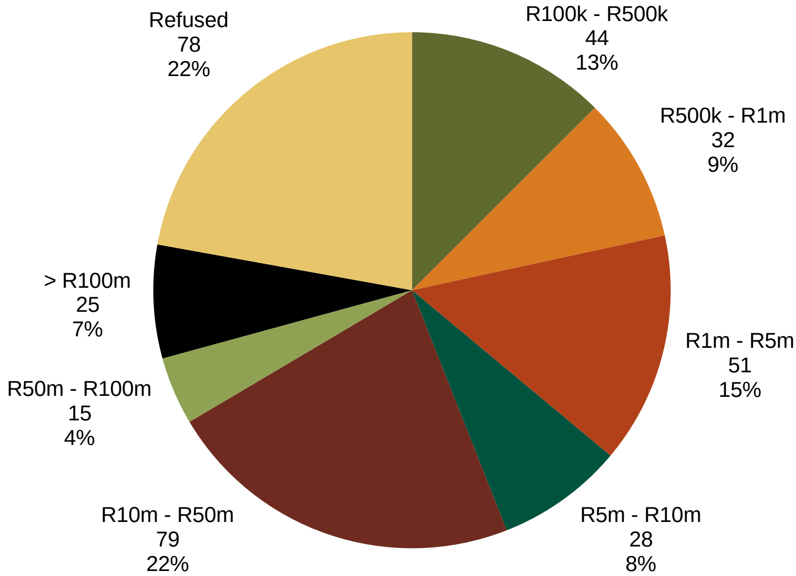
Figure 53 Youth (18 – 35 years) ownership of firms accessing EMIA incentives



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

Thirdly, of the firms that provided a response in the survey, 67% of firms earned turnover of less than R50 million in the last financial year, while 45% earned turnover of less than R10 million. Using employment levels as a basis also suggests that many of the companies accessing the EMIA programme are smaller firms, with 68% of firms surveyed employing less than 50 employees.

Figure 54 Annual turnover of EMIA participants in last financial year



Source: DNA Economics based on survey of EMIA incentive beneficiaries.
N = 352

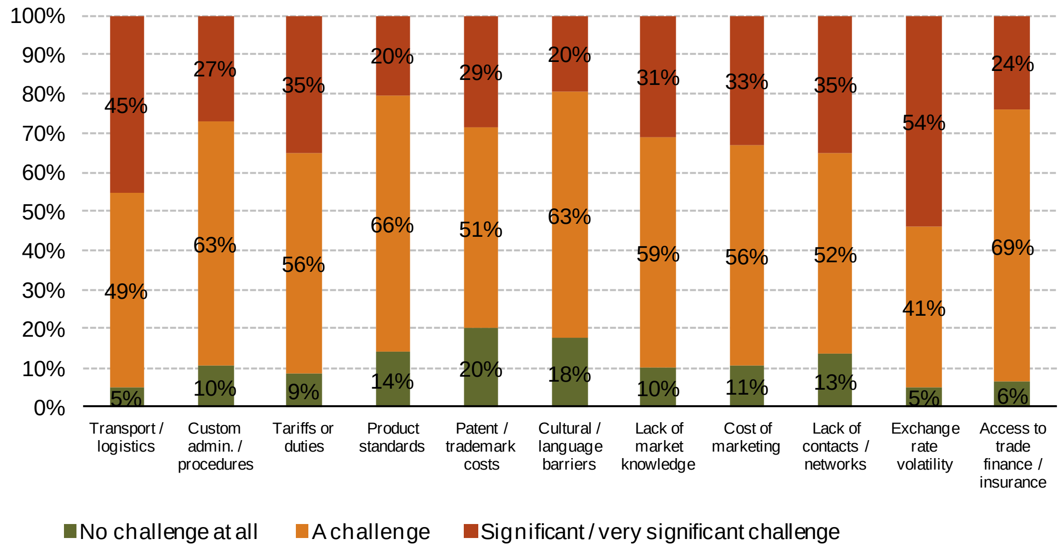
Finally, an important finding from the study and survey is that a significant proportion of firms using the programme do not appear to be exporting. Over 30% of surveyed firms, participating in the EMIA programme reported no exports in the last financial year, and of these firms, in excess of 35% have made use of the various EMIA offerings 11 times or more. The high usage by firms which are achieving no export sales points to an ineffective selection process, with a possibility that firms utilising the EMIA incentives do not have sufficient export capacity or are not at an export ready stage.

The survey of EMIA participants and review of available EMIA data therefore suggests that the penetration of HDI-owned and women-owned businesses may be substantial. Further, there is high usage of EMIA incentives by smaller firms. However, the lack of disaggregated targets within the EMIA programme makes it difficult to fully assess the success of the programme in terms of its use by these categories of users.

What are the challenges of benefiting enterprises in terms of sustaining or growing their markets? How can these challenges be addressed?

The review of available studies highlights a range of challenges and issues that hinder a firm's ability to increase and diversify exports. These can include internal factors, such as a lack of working and operational capital and human resources, and external factors, such as a volatile exchange rate and inadequate transport infrastructure. The survey of both EMIA participants and firms that have not used EMIA incentives largely confirms the challenges identified in the literature.

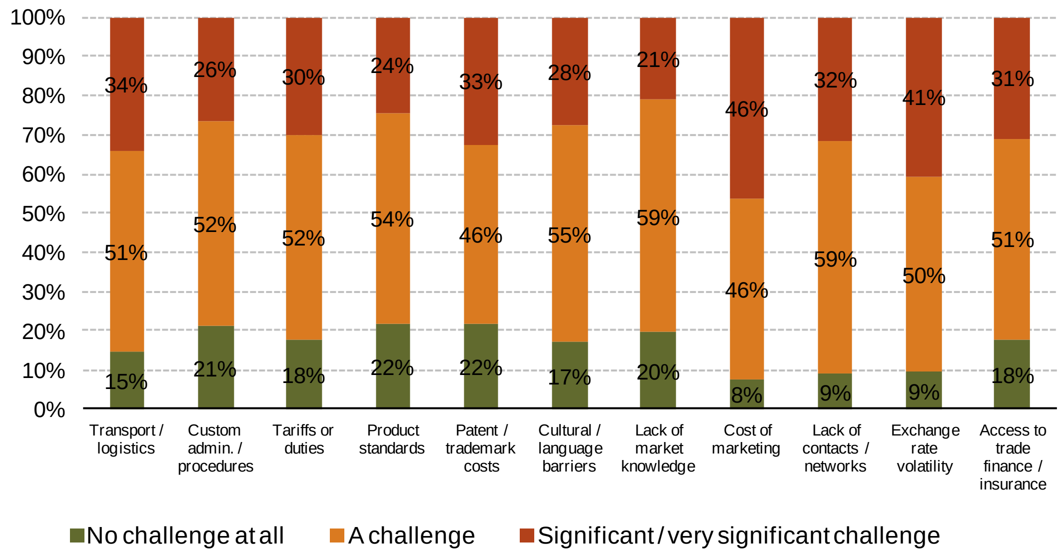
Figure 55 Challenges to exporting - non-EMIA beneficiaries



Source: DNA Economics based on survey of non-EMIA beneficiaries
Firms were asked to rank each challenge on a scale of 0 (No challenge) to 5 (Very significant challenge). For summary purposes, "A challenge" reflects responses of 1,2 or 3 and "Significant / very significant challenge" reflects responses of 4 or 5.
The representation excludes "Not applicable" and "Do not know" responses.
N = 100

For firms in general, the surveys highlight that exchange rate volatility, transport and logistics costs and the costs of marketing are the most significant challenges to exporting. However, for firms that have participated in the EMIA programme, marketing and network costs are perceived as a greater challenge than those firms which have not participated in the programme. This particular finding might suggest that EMIA is well-targeted, or could represent a bias in the response of EMIA participants.

Figure 56 Challenges to exporting - EMIA beneficiaries



Source: DNA Economics based on survey of non-EMIA beneficiaries
Firms were asked to rank each challenge on a scale of 0 (No challenge) to 5 (Very significant challenge). For summary purposes, "A challenge" reflects responses of 1, 2 or 3 and "Significant / very significant challenge" reflects responses of 4 or 5.
The representation excludes firms that did not report exporting goods in the last three years. .
N = 246

The EMIA programme focuses specifically on the "last-mile" of the export process – subsidising the firm's internal costs of marketing through various incentives. Such a programme can alleviate the challenges associated with market knowledge and networks, but is not designed to address structural issues such as exchange rate volatility and transport and logistics costs. A range of other incentives and export support programmes established by the DTI are available for this purpose, including the National Exporter Development Programme (NEDP), the Export Credit Insurance Corporation (ECIC), the establishment of special economic zones and numerous manufacturing incentives.

What are the implications of the current administrative arrangements on the programme performance?

The administrative arrangements for the EMIA programme are cumbersome, largely because they are split across two divisions of the department, IDIAD and TISA.

The key differentiating factor in determining whether EMIA support is offered and administered by IDIAD or TISA is whether the firm applies in its individual capacity, or as part of a more coordinated government or sector initiative. IDIAD manages those incentives whereby firms apply on an individual basis, undertaking firm-level marketing activities not organised or managed by the DTI. Here, potential marketing and export promotion activities are solely identified by the firms applying for the financial incentives. TISA manages EMIA incentives that are overseen by a project "co-ordinator", such as export councils, industry associations, provincial and national investment agencies, the DTI and other national and provincial government departments. This approach presents a number of challenges.

First, there is no single and rigorous monitoring tool to record applications and performance across the two divisions. As such, the DTI is unable to report on the number of times that firms are able to access EMIA, thereby contributing to the potential abuse of these incentives.

Second, the separation of incentives has resulted in an effective duplication of some of the incentive offerings. For example, the SSAS offering for emerging exporters (administered by IDIAD) is very similar in nature and scope to the offering for emerging exporters under TISA.

Finally, although IDIAD and TISA are expected to collaborate in the identification and adjudication of qualifying firms, TISA and IDIAD staff indicate that there is little direct collaboration between the two units. This contributes to confusion and a further duplication of efforts.

Serious consideration should therefore be given to centralising the administration, monitoring and reporting of all EMIA incentives under a single unit. This could be achieved in two different ways:

What are the costs in relation to the benefits of the programme?

In assessing the effectiveness the EMIA, it is extremely difficult to determine the extent to which the export or investment gains reported by individual firms, can in fact be attributed to the specific incentives received. This is because a firm's ability and opportunity to increase its exports or acquire investment is dependent on a wide range of factors, some of which are firm specific, and many of which are dependent on the performance of the sector or the global economy. A detailed and dedicated impact evaluation would be required to isolate and assess the true benefits of the programme to South Africa.

Most of the costs of the programme are however clear and measurable and include the direct costs of the various incentives offered, as well as the indirect costs attributable to the marketing, management and administration of the programme across all divisions within the DTI.

The table below provides a summary of some of the costs and benefits of the EMIA programme based strictly on information provided by the DTI.

Figure 57 Potential costs and benefits of EMIA programme (based on available information, R Thousands)

Direct costs – incentive costs (based on budget)	2009/10	2010/11	2011/12	2012/13	Total
Group missions			6,000	12,000	18,000
National pavilions			72,000	88,000	160,000
SSAS Generic			13,000	20,000	33,000
TISA administered			**91,000**	**120,000**	**211,000**
Individual missions			50	50	100
PMR and FDI			500	500	1,000
Individual exhibitions			16,708	21,450	38,158
SSAS project funding			20,000	25,000	45,000
Capital Projects Feasibility Programme (CPFP)			10,000	15,000	25,000
IDIAD administered			**47,258**	**62,000**	**109,258**
Total direct costs			**138,258**	**182,000**	**320,258**
Indirect costs	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**Total**
Staff costs					
EMIA programme marketing costs					
Other administration and operating costs					
Total indirect costs					
Potential benefits (untested)	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**Total**
Export sales as a result of subsidised events and incentives	4,187,602	1,673,532	6,420,000	3,880,000	16,161,134
Jobs created as a result of subsidised events and incentives (actual number)	2,169	353			2,522

Source: DNA Economics based on the DTI annual reports, EMIA Annual Report 2009/10 and information from EMIA

It is important to note that this information has not been audited or assessed as part of this evaluation and these measures do not, in our view, provide for a true reflection of the actual costs and benefits involved. That said, this study does point to the need for more rigorous approach to the monitoring and evaluation of EMIA incentives and the performance of EMIA beneficiaries; including the need for periodic economic impact evaluation.

What are the operational constraints and challenges of implementing EMIA and how can the programme be improved?

From the firm survey it is clear that firms are generally positive about the EMIA process. However, firms have highlighted the need for better feedback and follow-up from the DTI. It is also clear; both in the analysis of the EMIA database and through the staff focus groups, that the current manual data capturing system is not sufficient and adequate for a programme of this size and complexity. Staff within both TISA and IDIAD indicate that there is insufficient capacity to handle the volume of applications received. For firms, an electronic application process would also serve to reduce requirements to provide physical documentation

EMIA staff raised a number of concerns relating to the diversion from procedural guidelines, often to ensure that there are a suitable number of firms accessing the incentives on group missions. Likewise, the lack of recourse against firms that effectively waste resources (by, for example, not attending a marketing event that has already been paid for by the DTI) is problematic. Improved procedures in both of these areas are clearly required. Finally, as mentioned previously, the study strongly supports the need for the adherence to strict ‘export readiness’ criteria in the selection of firms for participation in EMIA.

5 Policy and programme recommendations

While the EMIA programme appears to be successful from an administrative and process point of view, there are a number of areas where improvements can be made. A summary of these recommendations is provided in Table 24.

5.1 Improving the process

In general, firms utilising EMIA incentives appear to be satisfied with the administration of the EMIA programme and the application and disbursement processes. Application and disbursement times are largely within the stipulated guidelines, while firms perceive the incentives to have a positive impact on their businesses. Nevertheless, a number of issues were raised in the firm survey and focus groups which, if addressed, would further improve the implementation of the programme.

Most notably, the lack of an electronic system for the collection, storage and capturing of firm information makes the application and claims process difficult and tedious for both EMIA staff and firms applying for the various incentives. It also makes future monitoring and evaluation difficult. Physical document requirements are considered to substantially slow down the applications process. In addition, while there is a clear filing system for each application, there is no centralised system (either within IDIAD or TISA) that allows for the easy capturing of firm details. An electronic system with a unique identifier (e.g. the firm or individual's tax number) would serve to streamline the process and assist with future analysis. This may also assist staff in ensuring that guidelines around the maximum applications allowed per firm and per scheme are more easily adhered to.

There also needs to be a clear adherence to the guidelines issued regarding the process and timeframes for applications and the number of times firms may apply. Likewise, the criteria and definitions used to adjudicate applications for the various incentives require refinement. Specifically, a more rigorous approach to determining whether firms are export ready would be desirable. Firms that are not ready should be directed to alternative programmes.

EMIA incentives targeted at "emerging exporters" may be well intentioned but the definition of emerging exporters suggests that many of these firms are unlikely to be export ready and able to maximise the marketing incentives provided by the EMIA programme. The National Exporter Development Programme (NEDP) within TISA's Export Development unit focuses on developing a pool of export-ready SMMEs, particularly those owned by HDIs. The NEDP comprises training, monitoring and evaluation and interventions targeted at various stages of a firm's export cycle. Given this, the NEDP may be the ideal platform upon which the EMIA programme (and particularly incentives focusing on emerging exporters) can be built, requiring emerging firms wishing to access EMIA incentives to first participate in the NEDP offering. In this way, a pool of emerging export ready firms is readily available and able to successfully and optimally utilise the EMIA incentives.

5.2 Refining the programme

The segregation of the administration of EMIA incentives between TISA and IDIAD is cumbersome. This is especially true for incentives such as SSAS, where the division of incentives within SSAS between TISA and IDIAD appears to be largely arbitrary. Consideration should be given to consolidating EMIA under a single division.

Serious consideration should therefore be given to centralising the administration, monitoring and reporting of all EMIA incentives under a single unit. This could be achieved in two different ways:

- The administration of the EMIA programme could be consolidated under IDAD. The selection, administration and disbursement of funds for all EMIA incentives would then be the responsibility of this division. This would not preclude TISA from marketing EMIA to potential exporters or bringing groups of exporters to EMIA, but it would instil an arm's length relationship between the TISA 'sales team' and the independent administrators of the programme.

- The entire EMIA programme could be consolidated under TISA, which is ultimately responsible for investment and export promotion. This would provide TISA with increased discretion to use EMIA to support its own trade and investment promotion activities.

Each approach has its own benefits and potential challenges. Maintaining all incentives in the IDIAD division would likely contribute to more rigorous selection and administrative processes, but this could constrain the ability of TISA to respond quickly to specific events and industry initiatives. Conversely, if TISA was to assume full responsibility for EMIA, there would likely be greater collaboration between the various export and investment development and promotion units within the DTI, but the risk of wastage or abuse would also be higher.

If consolidation is undesirable or difficult to implement, it may be preferable to completely separate, and provide a clear distinction of, the incentives between TISA and IDIAD, including the separation of the budgetary allocation (which currently falls under IDIAD). The benefits of re-organising the structure of the EMIA scheme may be numerous and could include the better use of human resources (especially in terms of resource allocation), a scheme that is easier to market to firms and better record keeping and verification across incentives.

Greater collaboration between the various trade and investment promotion agencies, especially in terms of identifying and selecting suitable emerging exporters, might also substantially enhance the impact of the EMIA incentives. This may involve a devolution of some of the responsibility for the initial selection of firms for group marketing activities or may merely require that national and provincial agencies provide an initial screening process (together with export councils and industry associations) in the selection process for firms wishing to utilise EMIA incentives.

There may also be a need to rationalise the incentives offered under the EMIA scheme. For example, two very similar incentives are offered to emerging exporters, and there is a minor difference between the way in which HDI firms (which qualify for larger incentives) and emerging exporters are defined. Rather than creating a completely separate incentive for emerging exporters, a more appropriate approach may be to direct these firms to the standard incentive offering where they would already qualify for larger subsidies. Further, offerings such as incentives for primary market research and patent registration appear to be little used. The reasons for this need to be explored and these funds potentially reallocated.

5.3 Building in monitoring and evaluation processes

Finally, the review of EMIA data highlighted serious shortcomings in the ability of the DTI to monitor and evaluate the EMIA programme, especially from an outcomes and impact perspective. This stems, in part, from the absence of an electronic data collection system, which could streamline the collection of high level and detailed firm data. However, it is also clear that the monitoring and evaluation of the scheme is not a current priority, with little focus placed on the detailed measurement of outputs, outcomes and impact. Given the cost and importance of this programme, greater effort should be placed on monitoring the efficiency and effectiveness of EMIA incentives, in line with the logical framework proposed in Section 2.9.6.

The assessment of impact and outcomes is especially weak and while measuring the impact of export promotion activities and incentives can be complex and onerous, it is nevertheless of vital importance in order provide a clear understanding of which incentives work and those that don't. From the international comparison, EI provides guidance on how firms can be incentivised to report on their export sales and investment targets and achievements, requiring that firms provide this information (as well as documented proof) before disbursements are made. Further, under the EMIA programme, firms are incentivised to under-report in order to qualify for larger incentives. This can be rectified by refining the criteria under which firms qualify for larger or smaller subsidies for each incentive. Firms can be additionally incentivised to report correctly be prohibiting firms that show no export or investment improvement from utilising further incentives under the EMIA programme.

There are also no explicit targets for the EMIA programme with regard to the sectors in which supported firms operate or in terms of the demographic spread of the participating firms. Appropriate targets should be put in place in order to better assess the performance of the programme. Given the policy objectives of the DTI these targets should include a focus on HDI- and women-owned enterprises. However, the achievement of such demographic targets should not compromise the selection process and criteria.

Finally, impact evaluations are especially important in attempting to measure causality and attribution, especially for incentives such as those offered by the EMIA programme, which are expected to change the behaviour and performance of participating firms. It is therefore recommended that the DTI gives serious consideration to developing a methodology and collecting the baseline data needed for such analysis.

Table 24 Summary of recommendations

Area of improvement	Summary recommendation	Detailed implementation
Improve the process	**1. Establish electronic monitoring system and processes**	a. Increase use of electronic systems to capture firm information, applications and disbursement
		b. Ensure system uses unique identifier (e.g. SARS tax number) for each firm applying
		c. Ensure system captures the same information across all incentives
		d. Ensure administrative staff for different incentives have access to single system database
	2. Improve adherence to procedural guidelines	a. Administrative staff should reject applications if outside of stipulated timeframes or do not have required documentation
		b. Firms should not be allowed to access incentives more than stipulated guidelines provide for
		c. Firms wasting EMIA resources should be prohibited from utilising incentives in future or penalised financially (e.g. firms that cancel attendance after event has been paid for)
	3. Focus on selection of export-ready firms	a. EMIA staff and adjudication committee should fully adhere to criteria around export readiness for ALL firms
		b. Agencies and units within and outside of the DTI (such as SEDA and the NEDP) should develop a pool of export-ready emerging firms which meet EMIA's export ready criteria
		c. Firms that do not meet export ready criteria should be directed to other assistance e.g. NEDP
Refine the programme	**4. Rationalise offerings and categories of firms**	a. Little-used incentives should be removed with resources directed to other incentives
		b. Unify the definitions for firms qualifying as emerging exporters and HDI firms - only export-ready HDI firms should qualify for incentives
		c. Remove specific offerings for emerging exporters (e.g. SSAS emerging exporters incentive) since these firms are already provided with larger incentives under other EMIA incentives as HDI applicants
	5. Move programme administration into single structure	a. Choose between single administration system under IDAD, or single export development and promotion unit under TISA
		b. Re-organise SSAS under single administration
Improve monitoring and evaluation	**6. Incentivise firms to report and report correctly**	a. Make disbursements dependent on completion of feedback documents and require document proof (e.g. sales contracts, invoices, formal agreements) of export / investment achievements
		b. Prohibit non-compliant firms from making use of EMIA incentives
		c. Reject applicants that show no improvement in exports / inward investment from targeted markets
	7. Improve systems to electronically capture outcomes data	a. Link data on feedback provided by firms to individual firms within electronic system
	8. Set explicit targets for the EMIA programme	a. Targets should be set in line with the DTI's policy objectives. Achievement of these targets should not compromise EMIA's own export promotion objectives or criteria used to select firms.
	9. Conduct periodic impact evaluations	a. Impact evaluations are required periodically to better assess how the various incentives can be refined to better assist firms in increasing exports and inward investment.

Annex 1 Summary of EMIA Incentive offerings

Table A.1 IDIAD individual offerings

	Scheme	Purpose	Financial Assistance	Qualifying entity	Scheme specific qualifying criteria	Supporting documentation
1	Individual Exhibition (IE)	**Assistance granted to individual exporters to exhibit products at recognised exhibitions abroad** where TISA does not provide for a national pavilion	**Economy class return airfare (100% to max: R17 000)**	**HDI & SMME**	**- 15 exporters per exhibition - Exporter disqualified if represented by official foreign agent or distributor at the exhibition - If exporter intends to share stand at exhibition – must be indicated on application form.**	**- Export registration certificate - Proof of registration of the entity - Product brochure - Financial documents - Air ticket quotes - Freight forwarding quotes - Export marketing plan - Exhibition brochure - Documents specific to Commission Agents and Export Trading Houses - Documents for entities that are outsourcing their manufacturing process**
			Subsistence allowance = R2 300 per day (max: 15 days)	HDI & SMME		
			Transport of samples = R20 000	HDI & SMME		
			Exhibition costs (100% to max: R50 000 incl. foreign VAT)	HDI, SMME & Other		
1	**In-Store Promotion**	Assistance is granted to groups of five or more SMME or HDI manufacturers to showcase specific South African manufactured products in targeted retail outlets abroad.	**Economy class return airfare** (100% to max: R17 000)	**HDI & SMME**	- One representative per registered exporter per an in-store promotion - Export Trading houses, Commission agents and Industry Associations are excluded	- Entity's exporters' registration certificate form Customs & Excise - Proof of registration - Product brochure - Financial documents - Export marketing plan - 3 quotes each for airfare, sample transport, marketing material - Signed agreement from retail outlet - Motivation from IDD Sector desk; - Letter of Support from the foreign office representative in a specific country or from TISA's IOU
			Subsistence allowance = R2 300 per day (max: 15 days)	HDI & SMME		
			Transport of samples max: R20 000	HDI & SMME		
			Development of marketing material (max: R 15 000)	HDI & SMME		

2	**Primary Market Research (PMR) and Foreign Direct Investment (FDI)**	Partial compensation to South African exporters for costs incurred in developing **new export markets** or for recruiting FDI inflows through personal contact by visiting potential investors in foreign countries	Return economy class airfare (max: R17 000)	HDI & SMME	- Research must be for **new market** (not development of specific product) - Assistance extended to attendance of conferences - If appointments cannot be verified, application is rejected - Cold calls not accepted - Follow up visits excluded	- Exporters' registration certificate - Proof of registration - Product brochure - Itinerary - Confirmation letters - Conference details - Financial documents - Quotes for airfare - Export marketing plan - Exhibition brochure - Outsourcing documents – if applicable
			Subsistence allowance = R2 300 per day (min: 2 meetings per day - max: 10 days)	HDI, SMME & Other		
			Transport of samples (max: R1 500 per trip)	HDI, SMME & Other		
			Marketing materials (max: R 3 500)	HDI, SMME & Other		
			Registration of product in foreign market (50% max: R100 000 per annum)	HDI, SMME & Other		
3	**Individual Inward missions (IIM)**	Assistance granted to inward buying/ investment missions which have been organised by individual exporters, where prospective buyers or investors seek to conclude export orders or attract FDI. Assistance is extended towards capacity building and skills transfer	Return economy class airfare (100% max: R 17 000)	HDI & SMME	- Invited business must have large investment capacity - Representative must have decision making powers - The mission member must attend all meetings & appointments - It must not be a follow up visit (buyer/ investor must not have any previous dealing with the company)	- Exporters' registration certificate - Proof of registration - Product brochure for buying mission - Financial documentation - Air ticket quotes - Motivation for buying/ investment mission - Itinerary - Outsourcing documents
			Return economy class airfare (50% max: R 8 750)	Other		
			Subsistence allowance = R2 300 per day (max 5 days)	HDI, SMME & Other		
			Rental vehicle = R300 p/day (max: 5 days)	HDI, SMME & Other		
4	**Registration of patents, trademarks**	Assistance provided to South African exporters for costs relating to the registration of products in **foreign** markets.			- 50/50 cost sharing (max: R 300 000 per annum	Invoice from patent attorney, reflecting the amount spent

Source: The DTI, 2013d: 7-8 and the DTI, 2013e:7-8 and the DTI, 2013f: 7 - 10

Table A.2 TISA group offerings

	Scheme	Purpose	Financial Assistance	Qualifying entity	Scheme specific qualifying criteria	Supporting documentation
1	Group Inward-buying missions (IBM)	Provision of assistance to the organisers of inward-buying trade missions; such as Export Councils, Chambers of Commerce PIPAs or the DTI, which enabled export orders between South African exporters and foreign buyers.	Return economy class airfare (100% max: R 17 000)	HDI & SMME	- invited business must have large investment capacity - representative must have decision making powers - the mission member must attend all meetings & appointments - it must not be a follow up visit (buyer/ investor must not have any previous dealing with the company)	- Exporters' registration certificate - Proof of registration - Product brochure for buying mission - Financial documentation - Air ticket quotes - Motivation for buying/ investment mission - Itinerary - Outsourcing documents
			Return economy class airfare (50% max: R 8 500)	Other		
			Subsistence allowance = R2 300 per day (max: 5 days)			
			Rental vehicle = R300 p/day (max: 5 days)			
2	Group Inward-investment missions (IIM)	Provision of assistance to the organisers of inward-investment missions; such as Export Councils, Chambers of Commerce PIPAs or the DTI, which seek to facilitate the flow of FDI into South Africa.				
3	outward-selling missions	Provision of assistance to South African exporters seeking to conclude export orders with	Economy Class return airfare (100% max R17 000)	BOE & SMME		- Motivation for the mission - Tax clearance certificate - Customs & excise

	Scheme	Purpose	Financial Assistance	Qualifying entity	Scheme specific qualifying criteria	Supporting documentation
		foreign buyers through missions organised by Export Councils, Chambers of Commerce, PIPAs or the DTI. This scheme also includes export or investment seminars, market research missions and bidding or lobbying missions.	Economy Class return airfare (50% max R8 500)	Other		registration certificate - Certificate of Incorporation/Partner Agreement - Passport - Colour brochure - Audited financials - Detailed mission plan
			Subsistence allowance = R2 300 per day (max: 10 days)	BOE, SMME & Other		
			Transport of samples (R2 000 excess baggage only)	BOE, SMME & Other		
			Freight Forwarding	International initiatives for BOE, SMME & Other		
4	Group outward-investment missions (OIM)	Provision of assistance to South African entities seeking to encourage and attract FDI into South Africa, through missions organised by Export Councils, Chambers of Commerce PIPAs or the DTI.	Venue hire & Catering	International initiatives		
			Mission Brochure (80% of cost max: R50 000)	Mission Organisers		
			Business facilitation for B2B meetings	R200 000		
5	Export/ Investment seminars (part of outward mission)	Available to South African Industry Representatives i.e. Export Councils who have to attend / participate in Export / Investment Conferences and Seminars in order to deliver papers on industry specific	Economy Class return airfare (50% max R8 500)			Copies of conference programme - copy of conference proceedings (with claim)
			Subsistence allowance = 50% to max: R1 000 per day (max: 3 days)			

	Scheme	Purpose	Financial Assistance	Qualifying entity	Scheme specific qualifying criteria	Supporting documentation
		topics	Transport of samples (R1 000 excess baggage only)	BOE, SMME & Other		
6	**Market Research Mission Assistance (part of outward mission)**	Market Research Missions are utilised by economic sectors / industries who wish to explore opportunities in new markets and to gain intelligence in terms of market access; entry barriers, competitors & best practice	Same as OSM/OIM	Same as OSM/ OIM	Limited to 3 exporters Programs for these missions group oriented – objective to gather information – NOT close business deals	Same as OSM/ OIM
7	**Lobbying/ Bidding Mission Assistance (part of outward mission)**	Missions used for lobbying / bidding for international projects or the hosting of major international events	Same as OSM/ OIM	Same as OSM/ OIM	**Utilised by:** **Contracting & Consulting Engineers;** **Capital Goods;** **Electro technical; and** **Tourism industries**	Same as OSM/ OIM
8	**Market Development Assistance (part of outward mission)**	The groups mission offering expanded to include business facilitation fees Payments made retrospectively and subject to the submission of detailed market research report.	Capped at R600 000 for duration of study, includes: Business facilitation fees Travel benefits Service fees capped at R150 000 per activity	HDIs (80/20 principle)	Applications 2 per 4 years per entity (funding only 1 in 4 years for a specific market) Site inspection needed Procurement policies of the DTI must be followed HDI/SMME must be export ready Progress must be reported to EMIA	Business plan with: -Background -Ownership -Product information -Profitability -Business objectives -List of actions to be funded -How the funding assistance will develop the new market -Key competitive issues

	Scheme	Purpose	Financial Assistance	Qualifying entity	Scheme specific qualifying criteria	Supporting documentation
9	**Emerging Exporter Assistance (Part of outward mission)**	An emerging exporter is an HDI entity such as a CC, Partnership, Sole Proprietor or Cooperative that: Is at least 51% owned by black persons, women or disabled persons; Is involved in no exports; Has traded locally for more than 12 months; Has an EMIA qualifying product or service; Has an annual turnover of less than R5 million	Economy class return airfare (100% of total cost)	Emerging Exporters	Group of 5-20 participants Max 4 applications as emerging exporter Applicants = SEDA, business chambers, export councils, industry associations or economic agencies	Application form Tax clearance Brochure Valid passport Exporter registration certificate Proof of turnover Proof of HDI identity
			Subsistence allowance (100% of total costs)	Emerging Exporters		
			Freight for it is (100% of costs per EMIA benefits)	Emerging Exporters		
			Marketing materials (80% of total cost – part of the mission brochure benefit of the mission organiser)	Emerging Exporters		

Source: The DTI, 2013h: 7-12

Table A.3 TISA national pavilions

<table>
<tr><th></th><th>Scheme</th><th>Purpose</th><th>Financial Assistance</th><th>Qualifying entity</th><th>Scheme specific qualifying criteria</th><th>Supporting documents</th></tr>
<tr><td rowspan="4">1</td><td rowspan="4">National Pavilions (NP) – Foreign assistance</td><td rowspan="4">The recruitment and provision of assistance to South African exporters to help facilitate their participation in <u>foreign</u> or sector specific exhibitions, officially known as national pavilions. The dates for these pavilions are detailed in a calendar on the DTI website.</td><td>Economy class return airfare (100% max: R17 000)</td><td>BOE & SMME</td><td rowspan="4"></td><td rowspan="4">- Full product brochure
- Customs & excise registration certificate
- Tax clearance certificate
- Certificate of Incorporation/Partner Agreement
- Copy of passport
- Financial statements</td></tr>
<tr><td>Subsistence allowance = R2 300 per day</td><td>BOE & SMME</td></tr>
<tr><td>Transport of samples – the DTI bears the cost</td><td>BOE, SMME & Other</td></tr>
<tr><td>Exhibition costs - the DTI bears the cost</td><td>BOE, SMME & Other</td></tr>
<tr><td rowspan="4">2</td><td rowspan="4">National Pavilions (NP) – Local assistance</td><td rowspan="4">The recruitment and provision of assistance to South African exporters to help facilitate their participation in <u>domestic</u> or sector specific exhibitions, officially known as national pavilions. The dates for these pavilions are detailed in a calendar on the DTI website.</td><td>Economy class return airfare (100% max: R3 500)</td><td>BOE & SMME > 200km from event</td><td rowspan="4"></td><td rowspan="4">- Full product brochure
- Customs & excise registration certificate
- Tax clearance certificate
- Certificate of Incorporation/Partner Agreement
- Copy of passport
- Financial statements</td></tr>
<tr><td>Subsistence allowance = R1 200 per day</td><td>BOE & SMME</td></tr>
<tr><td>Transport of samples – the DTI bears the cost</td><td>BOE, SMME & Other</td></tr>
<tr><td>Exhibition costs - the DTI bears the cost</td><td>BOE, SMME & Other</td></tr>
<tr><td>3</td><td>Market Research assistance (part of national pavilions)</td><td>Export Promotion may authorise the funding of foreign specialists to undertake market research, targeting of potential foreign buyers – Payable from the national pavilions budget</td><td>R50 000 per pavilion</td><td>Appointment of a consultant</td><td>Export Council/Industry Association has to submit a written request, motivating the request and detailing the costs</td><td>- Three quotes from marketing specialists</td></tr>
</table>

Source: The DTI, 2013g

Table A. 4 SSAS offerings

	Scheme	Purpose	Financial Assistance	Qualifying entity	Scheme specific qualifying criteria	Supporting documents
1	(SSAS) – Generic Funding - TISA	- The funding of non-profit business organizations in sectors and sub-sectors of industry prioritised by the DTI, in respect of generic funding, provided that it conforms to TISA's objectives and the DTI**'s** export strategy				
2	SSAS – Project funding	- The Sector Specific Assistance is a reimbursable 80:20 cost-sharing grant scheme, whereby financial support is granted to Export Councils, Joint Action Groups and Industry Associations.	- Export development costs (incl. market research and consultancy fees) - Export promotion fees - Product development costs - Company development costs - Service Development - Advertising - International	80-20 cost sharing	- Qualifying sectors specified - Claiming can be at end of milestone or at the end of the project	- 3 Quotes for airfare & freight - Written assurance of financial management - Clear costs breakdown structure
3	(SSAS) – Project Funding for emerging exporters	- To compensate the costs in respect of the activities aimed for the development of South African emerging exporters	- Local & international air travel - Accommodation - Subsistence allowance = R200 per day - Transport of samples - Exhibition costs - Specialised training	Emerging exporters, as detailed under SSAS qualifying entities	- Assistance limited to entrepreneurs - Local content = 35% minimum - Focus on exhibition participation & missions	- Registration certificate from Customs & Excise - Proof of registration of the entity - Brochure - Audited financials - Passport Tax clearance certificate Entity profile

Source: SSAS, 2013a

Annex 2 Questionnaires for firm surveys

A 2.1 Survey of EMIA beneficiaries and participants

DNA EMIA Programme Evaluation

CAPI questionnaire : Export Marketing and Investment Assistance (Questionnaire for participating firms)

General Information

Interviewing method	*CAPI*
Interview length	*25 minutes*
Copy	*Draft*
Expected interviewing dates	*TBC*

Sample Frame and Quota Structure

Export Marketing and Investment Assistance (Questionnaire for participating firms)	**500 completes**

Introduction

Good day, my name is <INTERVIEWER NAME>. I do interviewing on behalf of Ask Afrika, an independent research company. We are conducting a survey to evaluate the EMIA incentive programme administered by the DTI. This evaluation has been commissioned by the Presidency and the DTI. The aim is to assess the performance of the programmes in terms of its administration and implementation as well as to understand the impact that the programme has had on the performance of firms and beneficiaries of the programme.
The interview will not take longer than 10 minutes and all of your responses will be treated confidentially. There are no right or wrong answers; it is just your opinion that counts. May I continue with the interview?

Yes	Thank you; please note that this interview will be recorded for quality purposes. *Skip to Section 1*
No	*Continue to 1.1*

1.1 Would it be possible for me to phone you back for the interview at a more convenient time?

1	Yes	*Take down appointment details:* *Date:* *Time:*
2	No	*Thank respondent and terminate Interview*

Section 1: General Screener Questions

1. Do you or any members of your immediate family or friends work for any of the following types of company?

Yes	No

A market research company		
DNA Economics		
DTI		

If yes, thank respondent and terminate Interview

2. *Have you been interviewed for any market research in the past three months?*

Yes	*Thank respondent and terminate Interview*
No	*Continue with the Interview*

Section B: demographic Information

3. In which Province is your organisation based?

Interviewer note: (single selection only)

Eastern Cape	
Free State	
Gauteng	
KwaZulu-Natal	
Limpopo	
Mpumalanga	
Northern Cape	
North West	
Western Cape	

4. What type of company is <company name>

Interviewer note (single selection only)

Sole proprietorship	
Partnership	
Close Corporation	
Private company (Pty) Ltd	
Public company (Listed)	
Co-operative	

5. What is the BBBEE status / level of company / organisation (Level number)

6. Historically Disadvantaged Individuals (HDIs) are defined as Black African, Coloured, Indian or Chinese citizens of South Africa. What is the Percentage of company owned by Historically Disadvantaged Individuals (HDIs)?

0% - 10%	
11% - 20%	
21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	

81%- 90%	
91%- 100%	

6.1 How many owners are classified as Historically Disadvantaged Individuals (HDIs)?

Number of owners classified as HDIs	

7. What is the Percentage of company owned by women?

0% - 10%	
11% - 20%	
21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	
81%- 90%	
91%- 100%	

7.1 What is the number of women that own the company?

Number of owners that are women	

8. What Percentage of the company is currently owned by youth (classified as those between the age of 18 – 35)?

0% - 10%	
11% - 20%	
21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	
81%- 90%	
91%- 100%	

8.1 What is the number of youth that own the company?

Number of owners that are classified as youth	

9. In which Sector does your company operate?

Manufacturing	Food, beverages and tobacco products	
	Textiles, garments, shoes	
	Wood and paper products	
	Petroleum or chemical products	
	Pharmaceutical products	
	Rubber and plastics products	
	Basic metals and metal products	
	Computer, electronic products	
	Machinery and equipment	
	Motor vehicles and transport equipment	
	Furniture	
	Other manufacturing (Specify)	
Services and	Construction and civil services (construction,	

service-related	civil engineering, architecture)	
	Electric and other engineering	
	IT / Software / BPO	
	Broadcasting, film and music	
	Tourism and tourist related	
	Other services (Specify)	

10. What was your turnover for the last financial year

Interviewer notes: indicate financial year and level of turnover. Actual values rather than bands are required.

Financial year:	
Turnover (Rands)	

11. How many employees are currently employed by your organisation? (Number)

Section C: Export profile of firm

12. What is the percentage of goods exported, as proportion of total sales for the company, in the last financial year

Interviewer note: indicate financial year and approximate percentage

Financial Year	Percentage

13. Geographic destination of exports in last financial year

What were the top 3 export destinations in the last year and what % of the total exports were sent to these destinations?
Interviewer note: Top 3 destinations and approximate % of total exports

Destination	Percentage

14. Since what year has your company been exporting to these destinations?

Destination	Exporting since (Year)

15. What are your future export plans?

Interviewer note: Single selection

Export plans	**Selection**
To start exporting	
To maintain your existing exports	
To grow your existing exports in established markets	
To expand your product profile in established markets	

To diversify your existing exports into new markets	

16. On a 5 point scale, where 0 is no challenge at all and 5 is very significant challenge, what are the biggest challenges to exporting experienced by your firm / organisation

	No Challenge at all					**very significant challenge**
Challenge	0	1	2	3	4	5
Transport costs or logistics						
Customs administration / procedures						
Tariffs or duties in export markets						
Product standards in export markets						
Cost of registering, patenting or trade-marking products						
Cultural and language barriers						
Lack of market knowledge						
The cost of marketing						
Lack of contacts/networks in foreign markets						
Exchange rate volatility						
Access to trade finance / insurance						
Other (state) ___________						

17. Based on your responses above, could you please elaborate on what you believe is the single biggest challenge to exporting experienced by your firm?

Section D: Participation in EMIA programme

Your participation in the EMIA programme will be reviewed in two sections. This section will focus on your **OVERALL knowledge and perceptions of the EMIA programme** and **your company's OVERALL experience of the EMIA programme,** taking into account all incentives you have accessed in the EMIA programme.

18. How did you first hear about the EMIA programme and offerings?

Interviewer note: single selection only

Advertising or Media (Print/ Electronic/ Internet)	
Word of mouth / previous participants	
Industry associations	
Directly from the DTI	
Through an agent/consultant	
Other (state)______________	

19. Which of the following EMIA assistance offerings are you aware of??

Interviewer note: Multiple selections only

Assistance offering	**Aware of**
Exhibitions	
National pavilions (domestic)	
National pavilions (foreign)	
Foreign trade missions (group)	

Inward trade missions (group)	
Foreign investment missions (group)	
Inward investment missions (group)	
Assistance to cover cost of international travel to meet potential investor	
Assistance to cover cost of travel of potential foreign investor	
Assistance to cover cost of travel of potential foreign buyer	
Assistance to cover the cost of market research	
Assistance to cover the cost of the registration of patents, trademarks or quality marks	

20. To the best of your knowledge, in what year did your company first apply for one of the incentives offered by the EMIA programme?

Year	

21. To the best of you knowledge, how many times has your firm participated in the various EMIA offerings?

Interviewer note: Multiple selections

Assistance offering	**Number of times firm has participated / accessed offering**								
	1	2	3	4	5	6	7	8	9	10 and more
Exhibitions										
National pavilions (domestic)										
National pavilions (foreign)										
Foreign trade missions (group)										
Inward trade missions (group)										
Foreign investment missions (group)										
Inward investment missions (group)										
Assistance to cover cost of international travel to meet potential investor										
Assistance to cover cost of travel of potential foreign investor										
Assistance to cover cost of travel of potential foreign										

buyer										
Assistance to cover the cost of market research										
Assistance to cover the cost of the registration of patents, trademarks or quality marks										

22. To the best of your knowledge, how many times have you applied for the different incentives offered by the EMIA programme?

Interviewer note: single selection only

0	1	2	3	4	5	6	7	8	9	10 and more

23. To the best of your knowledge, how many times has (have) your application(s) been unsuccessful?

Interviewer note: single selection only
Trigger: if 1 and more is selected, answer Q24

0	1	2	3	4	5	6	7	8	9	10 and more

24. If you have previously been unsuccessful in your application, to the best of your knowledge, what reason(s) was (were) given?

Interviewer note: Multiple selections

Reason	**Selection**
Incomplete paperwork	
Did not meet criteria	
Did not meet deadline	
No reason given	
Other (specify)	

25. To the best of your knowledge, what is the total approximate Rand value of the assistance the company has received from the EMIA programme (total for all of the offerings accessed by the firm that you have identified above)?

Interviewer note: Single selection

0 – 20 000	
21 000 - 40 000	
41 000 – 60 000	
61 000 – 80 000	
81 000 – 100 000	
100 001 +	

26. On a 5 point scale, where 1 is very poor and 5 is excellent, overall how would you rate your experience with the following aspects of the EMIA programme

Trigger Q27 for low ratings (1-2)

	Very poor				Excellent
Aspect	**1**	**2**	**3**	**4**	**5**
Application process					
Selection and approval process					
Disbursement of funding					
Follow-up					

27. For the responses above, where you have rated 1 or 2, could you elaborate on why the experience was poor?

28. On a 5 point scale, where 1 is no impact and 5 is significant impact, What impact do you believe your overall participation in the EMIA programme has had on your firm in terms of

	No Impact				**Significant impact**
Impact	**1**	**2**	**3**	**4**	**5**
Increasing your overall sales / turnover					
Maintaining your overall sales / turnover					
Diversifying the destination of your exports					
Increasing your overall level of exports					
Maintaining your overall level of exports					
Increasing the number of product types that you export					
Increasing production capacity of your business					
Increasing the number of people you employ					
Maintaining your employment levels					

Section E: Experience of most recent EMIA programme

This section focuses on your experiences in the last EMIA programme that you participated in. The following questions therefore relate only to the **most recent assistance that you received from EMIA**.

29. Please can you describe your most recent use of the EMIA Programme.

30. Please indicate the type of support received from the EMIA Programme from the list below:
Interviewer note: Single Selection

Assistance offering	Selection

Exhibitions	
National pavilions (domestic)	
National pavilions (foreign)	
Foreign trade missions (group)	
Inward trade missions (group)	
Foreign investment missions (group)	
Inward investment missions (group)	
Assistance to cover cost of international travel to meet potential investor	
Assistance to cover cost of travel of potential foreign investor	
Assistance to cover the cost of market research	
Assistance to cover the cost of the registration of patents, trademarks or quality marks	
Other…. specify	

31. Please provide the name of the exhibition attended or country visited (if applicable)

Assistance offering	**Name of the exhibition attended or country visited (where applicable)**
Exhibitions	
National pavilions (domestic)	
National pavilions (foreign)	
Foreign trade missions (group)	
Inward trade missions (group)	
Foreign investment missions (group)	
Inward investment missions (group)	
Assistance to cover cost of international travel to meet potential investor	
Assistance to cover cost of travel of potential foreign investor	
Assistance to cover cost of travel of potential foreign buyer	
Assistance to cover the cost of market research	
Assistance to cover the cost of the registration of patents, trademarks or quality marks	
Other…. specify	
Don't know	

For the following section, all questions relate only to this specific assistance and your most recent experience in accessing EMIA support.

32. When did you receive this support?

Interviewer note: Single selection

A week ago	
Two weeks ago	
Three – four weeks ago	
A month ago	
Two - three months ago	
Four – five months ago	

Six to seven months ago	
Eight to nine months ago	
Ten months to a year ago	
A year and more	
Don't know	

33. What was your reason for applying for this particular support?

Interviewer note: multiple selections permitted

Reason for application	Selection
Needed assistance in exporting for the first time	
Wanted to expand sales of an existing product in an existing market	
Wanted to expand the range or amount of products exported in an existing market	
Wanted to diversify into new export markets	
Looking to find a prospective international investor to participate in your company	
Looking to to secure the involvement of an investor that had already been identified	
Needed assistance to secure trademarks or patents in a foreign market	
Received a request from the DTI to participate	
Other (please state)	

34. On a 5 point scale, where 1 is least important and 5 is Most important, in what ways did this support assist you in achieving these outcomes?

	Least important				**Most important**
Expectation	**1**	**2**	**3**	**4**	**5**
Through introductions to potential buyers of your products					
Through introductions to potential investors					
Through covering your costs of international travel					
Through covering the travel costs of potential investors or buyers					
Through covering some of your participation costs in exhibitions and pavilions					
Through covering the costs of marketing material					
Through covering the costs of patent/trademark registrations					
Through the provision of market information					
Through the reputational benefits associated with official support or participation in an official event					
Other (please state)					

35. Do you recall the total financial (Rand) value of this support?

Interviewer note: Single selection

Yes	
No	Skip to Q38

36. If yes, please can you provide an estimate of the financial support you received as a proportion of your overall costs for this specific activity?
Interviewer note: Single selection

0% – 10%	
11%- 20%	
21% - 30%	
31%- 40%	
41% - 50%	
51%- 60%	
61% -70%	
71%- 80%	
81%- 90%	
91%- 100%	

37. What is the total approximate value of assistance received as a percentage of:

Cost	**Percentage**	**Not applicable**
Total travel costs		
Total marketing costs		
Total patent/trademark registration costs		

38. Do you think that the financial assistance provided by the EMIA programme was sufficient?
Interviewer note: Single selection

Yes	
No	

39. Do you think you would have undertaken this activity without this financial support?

Interviewer note: Single selection

Yes	
No	

Section F: Impact of most recent EMIA programme

This section will focus on the impact of the EMIA programme. Once again, the following questions relate only to the **most recent assistance that you received from EMIA**.

40. On a 5 point scale, where 1 is No impact and 5 is significant impact, what impact did your most recent participation in the EMIA programme have on developing investment and export / sales contacts

	No impact				**significant impact**	
Impact	**1**	**2**	**3**	**4**	**5**	**Not**

						applicable
Development of contact with potential investors in your business						
Development of contact with potential buyers of your products						

41. On a 5 point scale, where 1 is No impact at all and 5 is significant impact, What impact did your most recent participation in the EMIA programme have on actually securing investment in your business or export sales of your products?

	No impact				**significant impact**	
Impact	**1**	**2**	**3**	**4**	**5**	**Not applicable**
Securing of investment in your business						
Securing of export sales of your products						

42. If you have you already received additional investment/export orders through your most recent participation in the EMIA programme can you provide estimates of the total benefits that you have actually secured in terms of export sales/investment?

Impact	**Rand value / number**	**Percentage**	**Not applicable**
Additional investment in your business	Total rand value	As % of total investment in your business	
Additional exports	Annual rand sales	As % of your total annual export sales	
Additional turnover	Annual rand sales	As % of your total annual turnover	
Additional jobs created	Number	As % of your total employment	

43. If you expect to receive additional investment / export orders through your most recent participation in the EMIA programme can you provide estimates of the future benefits that you expect to secure as a direct result of this assistance?

Impact	**Rand value / number**	**Percentage**	**Not applicable**
Additional investment in your business	Total rand value	As % of total investment in your business	
Additional exports	Annual rand sales	As % of your total annual export sales	
Additional turnover	Annual rand sales	As % of your total annual turnover	
Additional jobs created	Number	As % of your total employment	

Section G: The administration process for most recent EMIA

This section will focus on the administration (application, selection, disbursement) of the EMIA programme. Once again, the following questions relate **only to the most recent assistance that you received from EMIA**.

44. On a 5 point scale, where 1 is very easy and 5 is very difficult In terms of the application process, how would you rank the following for the most recent EMIA programme in which you participated**:**

	Very easy				**Very difficult**
Application process	**1**	**2**	**3**	**4**	**5**
Contacting the DTI for information					
Filling out the relevant paperwork					
Submitting the relevant documentation					
Following up on your application					

45. How long did your application take to be processed (the time between applying and being notified if your application was successful) for the most recent EMIA programme in which you participated?

Application process time	**Selection**
Less than 2 weeks	
Between 2 and 4 weeks	
Between 4 and 6 weeks	
Over 6 weeks	

46. On a 5 point scale, where 1 is very poor and 5 is very excellent, for the most recent EMIA offering in which you participated, how would you rank the following support and services provided by the DTI?

	Very poor				**Very excellent**	
	1	**2**	**3**	**4**	**5**	**Not applicable**
Regularity of communication from the DTI regarding the assistance scheme						
Quality of communication with the DTI regarding the assistance scheme						
Access to knowledgeable staff at the DTI						
Physical environment at pavilions and exhibitions						
Level of non-financial assistance provided for the duration of offering						
Quality of marketing						

and research materials						
Follow-up from the DTI						

47. On a 5 point scale, where 1 is very easy and 5 is very difficult in terms of the expenditure claim and fund disbursement process, how would you rank the following for your most recent participation in the EMIA programme

	Very easy				**Very difficult**
Disbursement process	**1**	**2**	**3**	**4**	**5**
Communication with the DTI					
Filling out the relevant paperwork					
Submitting the relevant documentation					
Following up on your claim					

48. On average how long did it take for you to receive the funds after you had submitted your claim for relevant expenditure, for the most recent EMIA programme in which you participated?

Interviewer note: Select one

Disbursement process time	**Selection**
Less than 4 weeks	
Between 4 and 6 weeks	
Between 6 and 8 weeks	
Over 8 weeks	

49. If your claim was rejected or the reimbursement was lower than your request, what reason was given?

Interviewer note: Multiple selections

Reason	**Selection**
Incomplete paperwork	
Did not submit invoices	
Claim above funding threshold	
No reason given	
Other (specify)	

50. Was there any follow-up after your participation in the EMIA programme?

Interviewer note: Select one

	Selection
Yes, approximately 3 months after participating in the EMIA programme	
Yes, approximately 6 months after participating in the EMIA programme	
No, there was never any follow-up from the DTI	

51. Were you required to submit any of the following information to the DTI upon completion of your participation in the EMIA programme?

Interviewer note: Multiple selections

	Yes	No
Value and quantity of exports generated through participation in EMIA programme		
Countries to which exports have been diversified through participation in EMIA programme		
Value of investment received from investors through participation in EMIA programme		
Number of jobs that will be / have been created through participation in the EMIA programme		

Section H: General and interview closure

52. Have you participated in any other Dti programmes or incentive schemes?

Yes	Answer Q47.1
No	Skip to Q48

52.1 If yes, please specify

53. Do you have any other suggestions or recommendations to improve the EMIA programme?

Thank you for participating in this survey, your feedback is valuable and will be used to improve the EMIA offering and administration of the programme.

A 2.2 Survey of firms that have not participated in the EMIA programme

DNA EMIA Programme Evaluation

CATI questionnaire : Export Marketing and Investment Assistance (Questionnaire for Non- EMIA firms)

General Information

Interviewing method	*CATI*
Interview length	*10 minutes*
Copy	*Draft*
Expected interviewing dates	*TBC*

Sample Frame and Quota Structure

Export Marketing and Investment Assistance (Questionnaire for Non- EMIA firms)	**100 completes**

Introduction

Good day, my name is <INTERVIEWER NAME>. I do interviewing on behalf of Ask Afrika, an independent research company. We are conducting a survey to evaluate the Export Marketing and Investment assistance (EMIA) incentive programme that is administered by Dti. This programme aims to assist exporters in increasing and diversifying their level of exports as well as secure foreign investment in their firms. This evaluation has been commissioned by the Presidency. The aim is to assess the performance of the programme in terms of its administration and implementation as well as to understand the extent to which potential and current exporting firms are knowledgeable about the assistance offered through this programme. The interview will not take longer than 10 minutes and all of your responses will be treated confidentially. There are no right or wrong answers; it is just your opinion that counts. May I continue with the interview?

Yes	Thank you; please note that this interview will be recorded for quality purposes. *Skip to Section 1*
No	*Continue to 1.1*

1.2 Would it be possible for me to phone you back for the interview at a more convenient time?

1	Yes	*Take down appointment details:* *Date:* *Time:*
2	No	*Thank respondent and terminate Interview*

Section 1: General Screener Questions

1. Do you or any members of your immediate family or friends work for any of the following types of company?

	Yes	No
A market research company		
DNA Economics		
DTI		

If answered Yes to any of the above, thank respondent and terminate interview

2. *Have you been interviewed for any market research in the past three months?*

Yes	*Thank respondent and terminate Interview*
No	*Continue with the Interview*

3. Is your firm already exporting products to other countries or has the intention to begin doing so in the near future

Yes	*Continue with the Interview*
No	*Thank respondent and terminate Interview*

4. To your knowledge, has your firm APPLIED for any of the EMIA incentive programmes before?

Yes	*Thank respondent and terminate Interview*
No	*Continue with the Interview*

Section B: demographic Information

5. In which Province is your organisation based?

Interviewer note (single selection only)

Eastern Cape	
Free State	
Gauteng	
KwaZulu-Natal	
Limpopo	
Mpumalanga	
Northern Cape	
North West	
Western Cape	

6. What type of company is <company name>

Interviewer note (single selection only)

Sole proprietorship	
Partnership	
Close Corporation	
Private company (Pty) Ltd	
Public company (Listed)	

Co-operative	

7. What is the BBBEE status / level of company / organisation (Level number)

8. Historically Disadvantaged Individuals (HDIs) are defined as Black African, Coloured, Indian or Chinese citizens of South Africa. What is the Percentage of company owned by Historically Disadvantaged Individuals (HDIs)? (Percent)

0% - 10%	
11% - 20%	
21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	
81%- 90%	
91%- 100%	

8.1 How many owners are classified as Historically Disadvantaged Individuals (HDIs)?

Number of owners classified as HDIs	

9. What is the Percentage of company owned by women?

0% - 10%	
11% - 20%	
21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	
81%- 90%	
91%- 100%	

9.1 What is the number of women that own the company?

Number of owners that are women	

10. What is the Percentage of company currently owned by youth (classified as those between the age of 18 – 35)?

0% - 10%	
11% - 20%	
21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	
81%- 90%	
91%- 100%	

10.1 What is the number of youth that own the company?

Number of owners that are classified as youth	

11. In which Sector does your company operate?

Manufacturing	Food, beverages and tobacco products	
	Textiles, garments, shoes	
	Wood and paper products	
	Petroleum or chemical products	
	Pharmaceutical products	
	Rubber and plastics products	
	Basic metals and metal products	
	Computer, electronic products	
	Machinery and equipment	
	Motor vehicles and transport equipment	
	Furniture	
	Other manufacturing (Specify)	
Services and service-related	Construction and civil services (construction, civil engineering, architecture)	
	Electric and other engineering	
	IT / Software / BPO	
	Broadcasting, film and music	
	Tourism and tourist related	
	Other services (Specify)	

12. What was the turnover for your last financial year

Interviewer notes: indicate financial year and level of turnover. Actual values required.

Financial year:	
Turnover (Rands)	

13. How many employees are currently working in your organisation? (Number)

Section C: Export profile of firm

14. What is the percentage of goods exported, as proportion of total sales, in the last financial year?

Interviewer note: indicate financial year and approximate percentage

Trigger: if answer is zero percent skip to Question 17

Financial Year	Percentage

15. **Geographic destination of exports in last financial year**

What were the top 3 export destinations for your company in the last financial year and what was the approximate % of the company's total exports sent to that destination?

Interviewer note: Top 3 destinations and approximate % of total exports

Destination	Percentage

16. Since what year has your company been exporting to these destinations?

Destination	Exporting since (Year)

17. What are your future export plans?

Interviewer note: Single selection

Export plans	**Selection**
To start exporting	
To maintain your existing exports	
To grow your existing exports in established markets	
To expand your product profile in established markets	
To diversify your existing exports into new markets	

18. On a 5 point scale, where 0 is no challenge at all and 5 is very significant challenge, what are the biggest challenges to exporting experienced by your firm / organisation

	No Challenge at all					**very significant challenge**
Challenge	0	1	2	3	4	5
Transport costs or logistics						
Customs administration / procedures						
Tariffs or duties in export markets						
Product standards in export markets						
Cost of registering, patenting or trade-marking products						
Cultural and language barriers						
Lack of market knowledge						
The cost of marketing						
Lack of contacts/networks in foreign markets						
Exchange rate volatility						
Access to trade finance / insurance						
Other (state) ___________						

19. Based on your responses above, could you please elaborate on what you believe is the single biggest challenge to exporting experienced by your firm?

Section D: Investment Profile of Firm

20. What Percentage of the company is foreign owned?

0% - 10%	
11% - 20%	

21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	
81%- 90%	
91%- 100%	

21. Do you have any interest in attracting a foreign partner or investor to participate in your business?

Yes	*Continue with the Q19*
No	*Continue to Section E*

22. On a 5 point scale, where 0 is no constraint at all and 5 is very significant constraint, what are the biggest constraints to you in securing a foreign partner?

	No Challenge at all					**very significant challenge**
Constraint	0	1	2	3	4	5
The size or growth of the domestic economy						
The cost of doing business in south Africa						
Political risk						
Difficulties in identifying potential investors						
The costs of marketing to potential investors						
The cost of bringing potential investors to South Africa						
Other -------specify						

Section E: Knowledge of the EMIA Programme

This section will focus on your overall knowledge and perceptions of the EMIA programme.

23. Prior to this survey, had you heard about the DTI**'s** export assistance scheme (EMIA – Export Marketing and Investment Assistance programme)?

Yes	
No	Skip to Q26

24. If yes, how did you hear about the EMIA programme and offerings?
Interviewer note: single selection only

Channel	**Selection**
Advertising or Media (Print/ Electronic/ Internet)	
Word of mouth / previous participants	
Industry associations	
Directly from the DTI	
Through an agent/consultant	
Other (please state)	

25. If you have heard of the EMIA programme, is there a reason why you have not applied for any of the assistance offerings?
Interviewer note: Multiple selections

Reason	Selection
Not knowledgeable enough about offerings	
Believe application and disbursement procedures are too complex	
Financial assistance offered is too low	
Do not need any of the assistance provided	
Other (please specify)	

26. If you have not heard about the EMIA programme, how can the DTI better market the export assistance it provides to firms?
Interviewer note: Multiple selections

Marketing channel	Selection
Through advertising in national newspapers	
Through advertising in television and radio media	
By providing clearer information on its website	
Through industry associations	
Other (please state)	

27. The EMIA programme provides a reimbursable scheme and assists firms to participate in export and investment marketing activities by reimbursing them for a proportion of the costs involved. Would your firm be interested in participating in any one of the following in order to increase export markets or meet potential investors?

Interviewer note: Multiple selections

Marketing activity	Yes	No
Exhibitions		
In store promotions		
National pavilions		
Foreign missions		

28. If the DTI were to reimburse you 50% of the travel costs involved in participating in these activities, would you be likely to attend?

Yes	Skip to Q30
No	

29. If not, what percentage reimbursement would you require in order to participate?

0% - 10%	
11% - 20%	
21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	
81%- 90%	
91%- 100%	

30. The EMIA programme also assists firms in the researching of new markets and the registration of patents and trademarks in foreign markets. If the DTI were to reimburse you 50% of your research or registration costs, would you be likely to apply for this assistance?

Yes	Skip to Q32
No	

31. If not, what percentage reimbursement would you require in order to undertake such research or consider registering a patent or trademark?

0% - 10%	
11% - 20%	
21% - 30%	
31% - 40%	
41%- 50%	
51%- 60%	
61%- 70%	
71%- 80%	
81%- 90%	
91%- 100%	

32. What else can the DTI provide in order to assist firms wishing to increase and / or diversify their level of exports?

33. Have you participated in any other Dti programmes or incentive schemes?

Yes	Skip to Q34
No	

34. If yes, please specify

We have come to the end of the interview. I would like to thank you for taking part in the survey and for your valuable contribution. Once again, my name is <INTERVIEWER NAME>, and I am calling on behalf of Ask Afrika. I hope you enjoy the rest of your day.

Annex 3 Export incentives in South Korea and Ireland

A 3.1 South Korea's export incentives

In 1960, the South Korean government began implementing important substitution policies, supplemented by export promoting policies in 1964. The initial focus was narrowed to the so-called labour intensive Light Industries (LI), which included textiles and garment manufacture, in which the country had a comparative advantage. Mah (2010, 4) identifies the following EP incentives applied in the pursuit of export growth:

b. Despite the extreme foreign exchange shortage, the government granted exporters the right to use foreign exchange to pay for those imports which were to be used for the promotion of exports. This was done under the export-import link system;
c. The development of land sites and industrial complexes by government, which were then provided at a cheaper cost to exporters;
d. The devaluation of the exchange rate also promotion exports. The exchange rate was devalued periodically, moving from 255 won/US$ in 1964 to 484 won/US$ by 1974; and
e. Government also implemented a 50 percent reduction off profit tax relating to exports and export finance schemes which were provided at low interest rate.
f. In 1965, the export focus on LI products was expanded to include among others, craftwork, rubber products, electric appliances, and fisheries, with incentives provided to the manufacturers of these products. In 1967, South Korea became party to the GATT agreement, providing them with most – favoured nation status. In the 1970s, rising labour costs led to the shifting of the export promotion focus from LI to the heavy-and-chemical industries (HCI) of iron, steel, shipbuilding and chemicals. With this renewed focus the market share of HCI in all industries increased from 23 percent in 1960 to 54 percent by 1980 (Mah, 2010: 5).

This system soon proved inefficient, with the over investment in HCI leading to a decline in the utilization of HCI, which were further compounded by the structural problems of the government-dependent inefficient banking system. To prevent further challenges in this area, HCI rationalization measures were implemented which prevented expansion in certain areas of HCI. In the 1980s, government readdressed export promotion, but this time through R&D, shifting attention away from a sector focus for EP to a more function oriented focus, such as R&D. This resulted in an increase in the export of technology-based electronic products. (Mah, 2010: 6).

In the late 1990s, focus shifted to the promotion of the capital goods industry, with the introduction of the Capital Goods Industries Promotion Plan in 1995, which aimed to "promote high value capital goods industries by supporting and developing new products and establishing them as the main export industries".

As a member of the WTO, export incentives provided by the South Korean government are strictly regulated by the body, such that many of the export incentive applied by South Korea in the early stages on export led economic growth, can no longer be applied. EP measures within South Korea include tax incentives, financial incentives, the establishment of FTZs and the establishment of organisations to drive exports. Under the current WTO system, direct export promotion measures are prohibited, such that South Korea does not provide export subsidies. At present export incentives provided by the government, such as duty drawback and export insurance schemes are actively utilized, while FTZs are used to attract FDI from abroad. Exchange rate control, however, is no longer used to promote exports (Mah, 2010: 16).

Table A. 5 South Korea's export promotion incentives

<table>
<tr><th>Incentive</th><th>Year and historical incentive</th><th>Current incentive</th></tr>
<tr><td colspan="3">Tax Incentives</td></tr>
<tr><td rowspan="7">Tax incentives</td><td>1961: Tax law[17] begins providing tax deductions to exporters</td><td rowspan="7">- Tax benefits are based on the function-oriented support principle, and provided mainly to FDI inflows and R&D activities
– E.g.: The investment of foreign investors in areas designated as the FDI region, profits and income taxes are exempt for the first ten years from establishment;
– Tax deductions are provided to 50 percent (40 percent in case of large firms) of the new R&D expenditure; but
– Tax benefits directly relating to EP are currently not available</td></tr>
<tr><td>1964: Tax benefits on profits from exports (80% tax reduction)</td></tr>
<tr><td>1967: Depreciation 30% faster for export firms</td></tr>
<tr><td>1973: HCI industries exempted from domestic tax for 3 years after establishment, with 50% reduction for the next 2 years</td></tr>
<tr><td>1975: Investment tax credits and accelerated depreciation</td></tr>
<tr><td>1982: Tax benefits for support – such as R&D</td></tr>
<tr><td>1995: Tax benefits for R&D on capital goods</td></tr>
<tr><td rowspan="3">Duty drawback schemes[18]</td><td>1975: Duty drawback scheme introduced to promote exports</td><td rowspan="3">As per the Special Act for Duty Drawback in Korea, imported raw materials that were to be used in the production of export products within 2 years from the date of import, qualified for duty drawback</td></tr>
<tr><td>1980s: More generous, giving a higher subsidy to exporters. Imported raw materials that were to be used in production of export products within 13 months from the date of import, qualified for duty drawbacks.</td></tr>
<tr><td>1997: Above period changed from thirteen months to two years</td></tr>
</table>

[17] Tax Exemption and Reduction Control Law

[18] Duty drawback scheme can be used as a measure of EP by reducing the cost of producing exported products. While most tax benefits targeting EP have been prohibited by the WTO Subsidies Code, duty drawbacks not exceeding the amount of duty actually levied on the imported product has been permitted (Mah, 2010: 9).

Financial Incentives		
Policy loans[19]	**1970s: HCI sector had better access to capital, with lower average borrowing costs**	**None directly related to EP**
	1980s: Reduction policy loans and elimination of restrictions on the managerial autonomy of commercial banks – aim to privatise them	
	1988: Government liberalized most interest rates.	
Export finance	**1961: Export finance provided to those involved in export-related activities**	**Export finance system is still currently as an export promotion measure Export finance provided by the Korea EximBank covers capital goods Commercial banks in Korea also provide export finance to exporters, but at the prevailing lending interest rates**
	1960 – 1980: Exporters received huge interest rate subsidies	
	1976: Korea EximBank launched as official export credit agency providing comprehensive export credit and guarantee programs	
	1998 – 1999: average interest rate for export finance was 3%, far below the market average rate which ranged between 8.5 and 20% in 1999	
Export insurance	**1969: Export insurance scheme introduced to help increase exports by protecting potential losses**	**Expected to continue as an important measure of EP in South Korea under the WTO system**
	1969: The Export Insurance Fund (EIF) was established	
	1992: Government established the KEIC, fully devoted to the export insurance scheme. Renamed the Korea Trade Insurance Corporation or K-sure in 2010	
Free Trade Zones (FTZ)	**- Activities subject to streamlined import procedures & exempt from import tariffs - Receive tax relief, e.g. value-added tax and reduced corporate tax - Foreign cargo may enter and leave freely from the FTZs - FTZs are areas outside national customs boundary. South Korean goods entering FTZs are treated as exports & are entitled to duty drawback**	**Still utilized as a measure of EP**

Source: Mah, 2010.

[19] Lending at preferential rates due to the policy direction, were provided to specific export-related industries

A 3.2 Ireland’s export incentives

EI and IDA Ireland are the two main agencies through which the Irish government provides assistance to local and foreign firms located in Ireland. Ireland’s assistance to firms focuses on Irish exporters (through Enterprise Ireland) and the attraction of FDI and the location of foreign firms in Ireland (through IDA). While EI focuses on supporting the export orientation and development of companies, the agency does provide a wide range of financial instruments to support different aspects of a firm’s development, from R&D support to grants supporting the improvement of business processes. These instruments are provided in the following table.

Ireland’s tax regime is also focused on encouraging foreign investment through comparatively low corporate tax rates, tax credits for R&D and tax write-offs for Intellectual Property (IP) acquisitions, amongst other tax incentives. (IDA Ireland, 2013)

Ireland also established the Shannon Free Zone in 1959, and is managed and promoted by the government owned Shannon Development. The zone operates as a FTZ with a number of tax and non-tax incentives offered to qualifying companies. These include deductions on the corporate tax rate, free port benefits and various grants for employment, R&D and capital expenditure. (Deloitte, 2008).

Table A. 6 Funding assistance provided by Enterprise Ireland

Funding assistance		Company type		
		HPSU	SME	Large company
Innovation Voucher	Innovation Vouchers, worth €5,000, are available to assist early stage companies to work with a registered college of knowledge provider in Ireland and Northern Ireland to explore a business opportunity or solve a technical problem. A CRO number is required.	X	X	
Competitive Feasibility Fund	Feasibility funds to assist a new start-up company or individual entrepreneur to investigate the viability of a new significant growth orientated business or proposition are run throughout the year in specific regions i.e. outside of greater Dublin area. In addition competitive feasibility funds for female entrepreneurs are also run under the Female Entrepreneurship initiative.	X	X	
Mentor Grant	Used to support the cost of a Mentor Assignment. EI can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan. Mentors are only available for early stage companies outside the greater Dublin area.	X	X	
Competitive Start Fund (CSF)	A €50k equity investment designed to accelerate the development of HPSU companies by supporting them to achieve commercial and technical milestones such as evaluating international market opportunities or building a prototype. The fund is open for applications several times throughout the year with special calls made for specific sectors such as digital media and aviation. In addition specific calls to support the development of female led HPSUs are also run under the Female Entrepreneurship initiative.	X		
Innovative HPSU Fund (Equity)	The Innovative HPSU Fund allows EI to offer equity investment to HPSU clients, on a co-funded basis to support the implementation of a company's business plans. First time and follow-on equity investments in HPSUs are supported under this offer.	X		
Technical Feasibility Study Grant	Can be used to investigate the feasibility of developing a new product, process, technology or service offering. This Grant can also be used to support a client company to develop an FP7 proposal.		X	X
R&D Fund – Small Projects	This fund supports product, process or service R&D projects where the grant amount is less than €150,000. This may suit companies undertaking R&D for the first time or companies progressing R&D activity in the business.		X	X
R&D Fund – Standard Projects	Supporting innovation in services, products and processes, the R&D Fund – Standard Projects is suitable for companies that are ready to progress to larger projects. The maximum R&D grant that a company can receive is €650,000.		X	X
Innovation Partnership Grant Programme	Offers financial support to companies who engage in collaborative research projects with Irish universities and Institutes of Technology. The proposal process and administration of the project is managed by the participating third level research institution.		X	X
FP7 and other EU Research Funding Programmes	If your company is interested in working on collaborative research projects with research partners across Europe, there are a range of international research programmes designed to foster collaborative cross-border research between companies in different member states.		X	X
Strategic Consultancy Grant	Used to support the cost of planning or implementing a new strategic development initiative in your company. Cannot be used to support routine consultancy costs.		X	
Key Manager Grant	Grant to support the cost of hiring a new Key Manager. Must be critical to the company's future		X	

Funding assistance		Company type		
		HPSU	SME	Large company
	development and introduce key skills and expertise to the company's senior management team.			
Lean Start Grant	Used to support the costs of undertaking a “Lean Start Assignment”. This is a short assignment undertaken by a Lean consultant/trainer. Eligible Expenditure is limited to the cost of hiring a Lean consultant/trainer for a maximum of 7 days.		X	
Business Process Improvement Grant	Grant to support short term company projects that are designed to develop management capability and drive company efficiencies and business process improvements. Eligible Projects include either 1) LeanPlus, 2) E-Marketing or 3) GreenPlus.		X	X
Lean Transform Grant	Used to support a “Lean Transform Project". This is a large scale, extensive and holistic company transformation programme delivered by an external consultancy team of international reputation. Eligible cost include Fees for an external Lean consultant/trainer and Employee training costs and associated training costs.		X	X
Job Expansion Fund	Funding to support new employment. The fund provides grant support up to a maximum of €150,000 towards the recruitment of new employees. Applications for funding will be accepted on specific call close dates.		X	
Tailored Company Expansion Packages	If you are planning to undertake an ambitious expansion of your company that will create employment and grow your sales in international markets, EI can discuss a tailored financial support package for your company.		X	X

Source: Enterprise Ireland, 2013.

Annex 4 Eligible expenditure for EI grants

Table A. 7 Eligible expenditure under the HPSU Grant

Expenditure	Purpose	Detail	Qualifying Criteria	Limits
Maximum grant funding available is 50% of eligible expenditures up to a maximum grant of €15,000				
Salaries	Salary support	€1 000 (R13,600) per week	< 50 employees	60 days per employee
Overheads		Percentage of eligible salary costs	< 50 employees	30%
Foreign Travel	Foreign Travel for company employees	Economy Air/Ferry or Rail Fares, Mileage (60c per kilometre)	Overseas trip	5 employees
Subsistence	Subsistence costs for company employees	Overnight Rate = €200 (R,2700) Day rate = €60 (R820)	Overseas trip	5 employees
Consultancy fees	Costs of hiring a specialist consultant for the proposed project	Days 1 to 20: €900 (R12,270) per day, Days 21 to 30: €700 (R9,500) per day		30 days per firm
Trade Fair costs	Entry Fees		First-time participation in international trade fair	Max 5 employees
	Exhibition fees			
	Brochure	€ 500 (R6,800)		Max = €500
Business Accelerator	Industry expert within a specific sector and market	Max daily rate of €1,500 (R20,500) per day	1 Business Accelerator per market Large companies excluded	20 days
Prototype/ Material Costs	Prototype materials, specialised software tools, hire of equipment & sundry costs relating to building a prototype are eligible			

Source: Enterprise Ireland website, 2013
Currency converted using www.oanda.com

Table A. 8 Eligible expenditure under the Internationalisation Grant

Expenditure	Purpose	Detail	Qualifying Criteria	Limits
Maximum grant funding available is 50% of eligible expenditures up to a maximum grant of €35,000				
Salaries	Salary support	€1 000 (R13,600) per week	< 50 employees	60 days per employee
Overheads		Percentage of eligible salary costs	< 50 employees	30%
Foreign Travel	Foreign Travel for company employees	Economy Air/Ferry or Rail Fares, Mileage (60c per kilometre)	Overseas trip	5 employees
Subsistence	Subsistence costs for company employees	Overnight Rate = €200 (R,2700) Day rate = €60 (R820)	Overseas trip	5 employees

Consultancy fees	Costs of hiring a specialist consultant for the proposed project	Days 1 to 20: €900 (R12,270) per day, Days 21 to 30: €700 (R9,500) per day		30 days per firm
Trade Fair costs	Entry Fees		First-time participation in international trade fair	Max 5 employees
	Exhibition fees			
	Brochure	€ 500 (R6,800)		Max = €500
Business Accelerator	Industry expert within a specific sector and market	Max daily rate of €1,500 (R20,500) per day	1 Business Accelerator per market Large companies excluded	20 days

Source: Enterprise Ireland website, 2013
Currency converted using www.oanda.com

Table A. 9 Eligible funding under New Geographic Market Research Grant

Option 1. Relocate an existing employee to the target market or recruit a new employee for the purposes of undertaking the new market research assignment.	
Eligible for a 70% grant rate.	
Wages and Salary support for one company employee	Relocating to the new market for up to 6 consecutive months can be supported. Maximum eligible salary of €1,500 (R20,500) per week exclusive of employer's PRSI and bonuses.
Overheads	Up to a maximum of 50% of wages and salaries. The overhead support is a contribution towards the travel, subsistence and accommodation costs associated with the employee.
Professional Fees	Up to a maximum of 30% of the overall project costs.
Rental of Temporary Office Space:	Up to a maximum of €25,000 (R340,000) for office rent in the new market for a maximum of 6 consecutive months. The office is to be used for the purposes of the new market research only.
Option 2. Appoint a local market expert/consultant to undertake the New Market Research assignment.	
Eligible for support at a 50% grant rate.	
Consultancy Fees	Enterprise Ireland consultancy limits applies. €900 (R12,270) per day for first 20 days, €700 (R9,500) per day for day 21-40 and €600(R8,100) per day for all subsequent days. The reducing rates apply to each consultancy firm.

Source: Enterprise Ireland website, 2013
Currency converted using www.oanda.com

Table A. 10 Eligible expenditure under the Strategic Marketing Review grant

Funding provided through a consultancy grant
Limited to the cost of hiring an EI approved marketing consultant for a maximum of 7 days.
Maximum daily fee payable to the consultant is €900 (R12,270) inclusive of travel and subsistence and other daily expenses.
The average cost of undertaking a Strategic Marketing Review is €6,300 (R85,800). The company must pay the first €1,300 (R17,800) and EI provides grant funding for the outstanding cost to a maximum of €5,000 (R68,000).

Source: Enterprise Ireland website, 2013
Currency converted using www.oanda.com

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