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# Report on Implementation Evaluation of the Department of Trade and Industry's EMIA programme

## 1-5-25 Report

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DNA Economics

East Wing, Union Buildings, Pretoria, 0001, South Africa.
Tel: +27 12 312 0158
Email: Jabu@po.org.za
Web: www.thepresidency-dpme.gov.za

This report has been independently prepared by DNA Economics. The Evaluation Steering Committee comprises the Presidency: Department of Performance Monitoring and Evaluation in the Presidency, and the Department of Trade and Industry. The Steering Committee oversaw the operation of the evaluation, commented and approved the reports.


| Submitted by: | Submitted to: |
|---|---|
| Dr. Matthew Stern<br>Managing Director<br>DNA Economics<br>Hatfield Plaza (South Tower), 4th Floor, 1122 Burnett Street<br>Hatfield<br>Pretoria, 0083, South Africa<br>Tel: +27 12 362 0025<br>Fax: +27 12 362 0210<br>Email: matthew.stern@dnaeconomics.com | Mr Jabu Mathe<br>Director: Evaluation and Research<br>The Presidency<br>Dept of Performance Monitoring and Evaluation<br>Private Bag X944<br>Pretoria, 0001, South Africa<br>Tel: +27 12 312 0158<br>Fax: +27 86 743 4389<br>Email: Jabu@po-dpme. gov.za |

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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 achievements 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 decreased. 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 the system uses a 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 all 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. **Focused selection of export-ready firms** | a. EMIA staff and adjudication committees 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 the offerings and categorisation 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 IDIAD, 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 and objectives

## 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).

A number of defined marketing and promotion activities are subsidised through the EMIA incentives, including, 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 an 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, this evaluation aims to assess how the EMIA incentive scheme operates, who the scheme targets, 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

The report is structured as follows. Section 2 provides the background to the evaluation and the EMIA programme, outlining South Africa's export profile and providing the key findings of the literature and international review. Section 3 provides a summary of the key findings against the terms of reference for the evaluation. Finally in Section 4, the key policy and programme recommendations for the EMIA programme are provided.

## 1.4 Methodology

The evaluation of the EMIA incentive programme has been undertaken through a systematic methodology aimed at fully articulating the implementation process, as well as understanding how a firm's activities are linked to the desired outcomes of the programme. The methodology comprised of three distinct phases.

First, a literature review aimed to identify the determinants of export performance, as well as understand the main challenges and obstacles faced by companies in exporting. In addition, a review of the export promotion strategies of two comparator countries, Ireland and South Korea, was undertaken.

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.

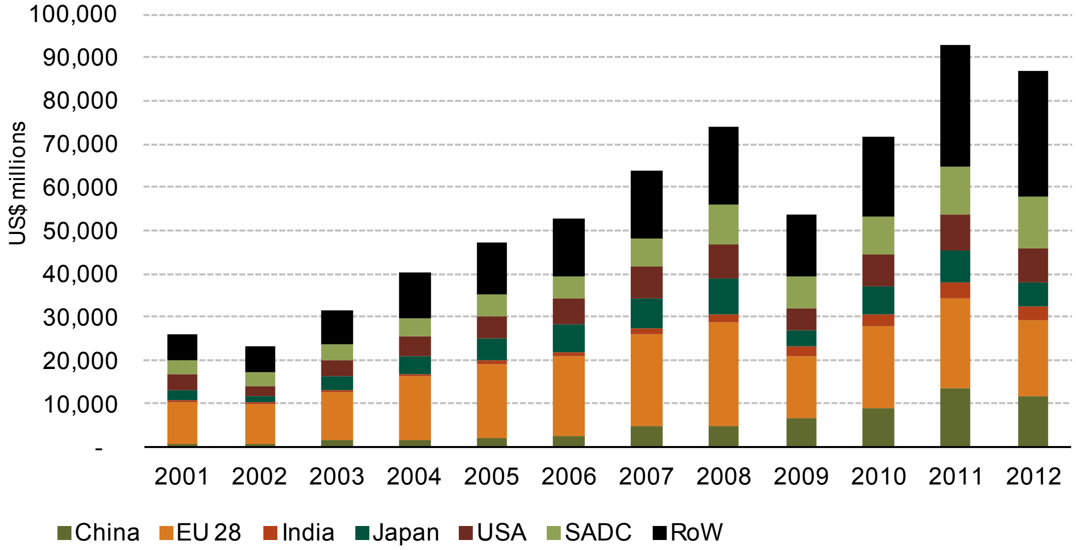
Lastly primary data was collected through two firm-level surveys: one survey of firms that have participated in the EMIA programme, and one of non-EMIA beneficiaries. The aim of the survey of EMIA beneficiaries was to identify the type of firms utilising the EMIA programme, the key challenges these firms 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. More detail on the firm sampling is provided in Annex 1.

# 2 Background and context

## 2.1 South Africa's export profile

The growth in South Africa's value of exports (and destination of exports) is shown in Figure 1. 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 1 South African exports by country / region (US$ millions)**




*Source: World Bank World Development Indicators (2013)*

A review of South Africa's exporting activity highlight a number of conclusions. First, South Africa's exports have seen a shift in export markets, strongly influenced by China's growth. In 2001, China accounted for roughly 3% of South Africa's exports, increasing to 13% by 2012, making China South Africa's single largest trading partner. South Africa's traditional trading partners, the EU and the USA, have seen their collective share of South Africa's exports fall from 51% to 29% over the same period. The Southern African Development Community (SADC) remains a significant, but comparatively smaller, destination for South Africa's exports.

Second, comparatively, South Africa exports more value add and manufactured products to Sub-Saharan African than to any developed regions such as the EU and USA, or any 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 over 60%, 50% and 90% respectively, of primary products including precious metals and minerals, ores, minerals fuels and basic agricultural commodities.

Third, South Africa's export profile at a firm level is similar to that of other exporting countries, with larger firms responsible for much of South Africa's export activity. 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 add per employee; and
- Exporters are more skill and capital intensive than non-exporters.

## 2.2 Key challenges to exports facing South African firms

A number of barriers and obstacles impede a firm's ability to export. Among the most common of these are the 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.

There are also a wide range and increasing number of non-tariff barriers (NTBs) faced by exporters or potential exporters, depending on the specific industry, product and destination country. For developing countries particularly vulnerable to NTBs, technical trade barriers (TTBs), such as sanitary and phytosanitary 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. (Krist & Sewell, 2011)

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. Rankin (2013) also notes that 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. 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, increasing firm inefficiencies thus making 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 who are looking to start exporting but who lack the resources to enable engagement with both consumers and 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).

A lack of human capital may also negatively impact a firm's ability and readiness to export. Van der Walt (2007) highlights the importance of 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 this as a significant barrier to exporting in South Africa.

## 2.3 The role of 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.

Historically, countries have made substantial use of export subsidies to not only assist domestic firms, but also to 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 alternate 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)

The declining use of export subsidies has meant that governments have begun focusing their efforts on 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; with the first EPA established in Finland in 1919 (Lederman et al, 2007). However, the concept and establishment of export (or trade) promotion agencies flourished after the establishment of the International Trade Centre (ITC) by the United Nations in 1964.

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 with the primary 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)
- The provision of 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. Lederman et al's (2007) review also highlights that, on average, the focus of EPAs is on small and medium sized firms that are established exporters.

A review of the literature provides a mixed picture of the performance of early EPAs. More recently, however, research indicates that EPAs can be effective if well implemented. 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 larger organisations, especially where EPAs focus on addressing the information asymmetries present in the export process.

## 2.4 International comparison of export promotion activities

Ireland and South Korea were identified by the DTI as the preferred comparator countries for this study, selected for a number of reasons, including their strong recent export performance, and the array of incentives and support offered to firms in order to grow exports.

South Korea and Ireland appear to have a wide number of incentives to support export development. Specific export promotion activities act as support mechanisms for export ready firms, while a range of other incentives are used to get firms to an export ready stage. 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 1.

**Table 1 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.<br>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.<br>EI provides a range of funding and support instruments to assist business in different aspects of the business.<br>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, instead making 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 participating firms.

In addition, the comparison of the two EPAs provides four preliminary learnings which may be applicable in 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 a more targeted approach to supporting businesses as opposed to a scatter gun approach which while targeting a larger number of firms, provides 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. KOTRA, despite not providing direct funding to firms, undertakes a periodic review of firm export and investment performance, as well as monitoring its own outcome indicators, such as number of exhibitions undertaken and the cost of the exhibitions.

## 2.5 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 not only on the improvement of 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.

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. The unit is also responsible for the administration of some incentives offered under the EMIA programme. The export development unit was established 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.

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 focused primarily 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.

## 2.6 Overview of the EMIA programme

### 2.6.1 Objectives of the EMIA programme

The EMIA programme offers both financial and non-financial support to firms in an effort to assist current and potential exporters to diversify and expand their range of export products and markets. 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)

It is 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.

### 2.6.2 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).

#### *2.6.2.1 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 to firms for participation in exhibitions, to undertake primary market research, and to register patents and trademarks in foreign markets. Firms may also utilise funding incentives to subsidise the visits of prospective buyers of the South African firms' products (inward individual missions). The EMIA programme also administers the Capital Projects Feasibility Programme (CPFP).[1]

#### *2.6.2.2 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.

#### *2.6.2.3 SSAS*

Also falling 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.

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.

### 2.6.3 Administration of EMIA incentives

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

[1] Outside the scope of this study

government or sector initiative. IDIAD manages those incentives where 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 or other national and provincial government departments. Here, the project co-ordinator’s role is to identify and direct a group of qualifying 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 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.

## 2.7 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 required to support exports in destination markets.

The EMIA programme aims to alleviate this challenge through the facilitation and financing of international marketing and research activities for South African businesses abroad. If the programme is well targeted, it is expected to improve export opportunities in foreign markets and inward investment, ultimately resulting in economic growth and the improved competitiveness of South African firms. The proposed theory of change for the EMIA programme is provided in Annex 2.

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 deviations from the desired (or expected) theory of change are shown in Figure 2, with the areas in red highlighting aspects of the current EMIA programme that are inadequate or missing.

Most notably, as has been shown previously, 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).

### 2.7.1 Theory of change assumptions

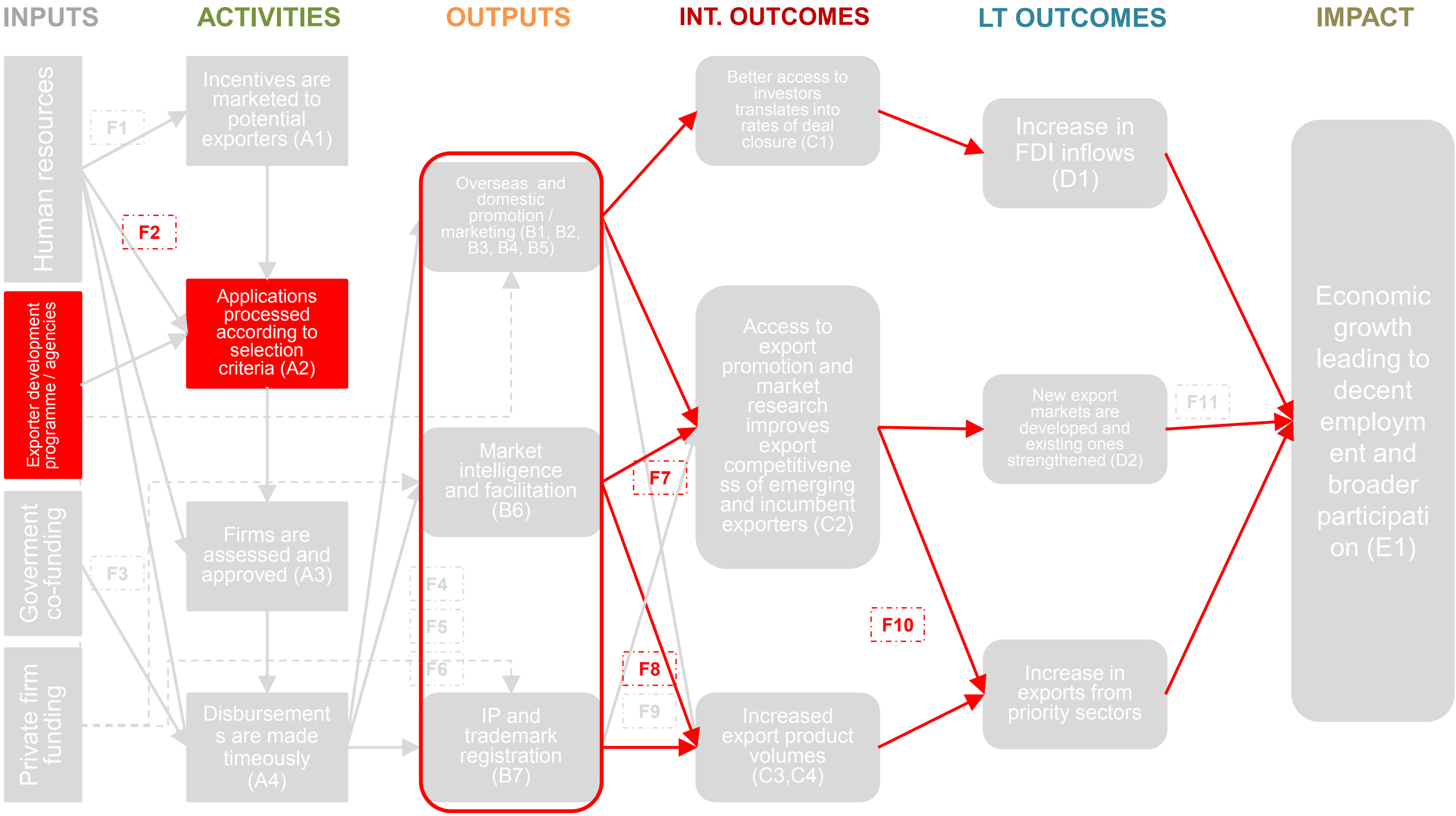
Given that the EMIA programme focuses on export marketing activities (as opposed to the development of export-capable companies), specific assumptions include the export readiness of firms, the ability of firms to handle and manage new export orders, and that firm products are competitive in the targeted 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.

However, as shown in Figure 2, 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, 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.

### 2.7.2 Inputs

While the EMIA programme provides a number of incentives and assistance packages, a significant amount of EMIA's allocated budget is allocated 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.

**Figure 2 Current implementation of EMIA programme (missing / inadequate linkages shown in red)**




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

**Table 2 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.

A key missing input from the current implementation of the EMIA programme, as shown in Figure 2, is a pool of firms that have been "groomed" and developed to be export ready. In addition to firms applying through the traditional channels, the DTI's focus on supporting "emerging" exporters requires that such firms be proactively identified and supported before they are able to utilise "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 as 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.

### 2.7.3 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 requiring improvement.

### 2.7.4 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 suggests 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 different outputs, and their impact on the programme outcomes.

### 2.7.5 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.

### 2.7.6 Logframe and programme indicators

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 data capturing tool. In addition, reporting across the various incentives is uneven. The definition of the indicators is also vague and, in the case of 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. 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 estimates of national expenditure (ENE).

Moreover, changes in the type of indicators that have previously been reported on prevent a comparative analysis of performance over time. A set of proposed performance indicators for activities, outputs and outcomes is shown in Annex 3. 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.

# 3 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, despite the programme being 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 full 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 of the firms utilising EMIA’s marketing incentives, may in fact not be export ready, and therefore the incentives provided to them do not actually assist in increasing and diversifying exports.

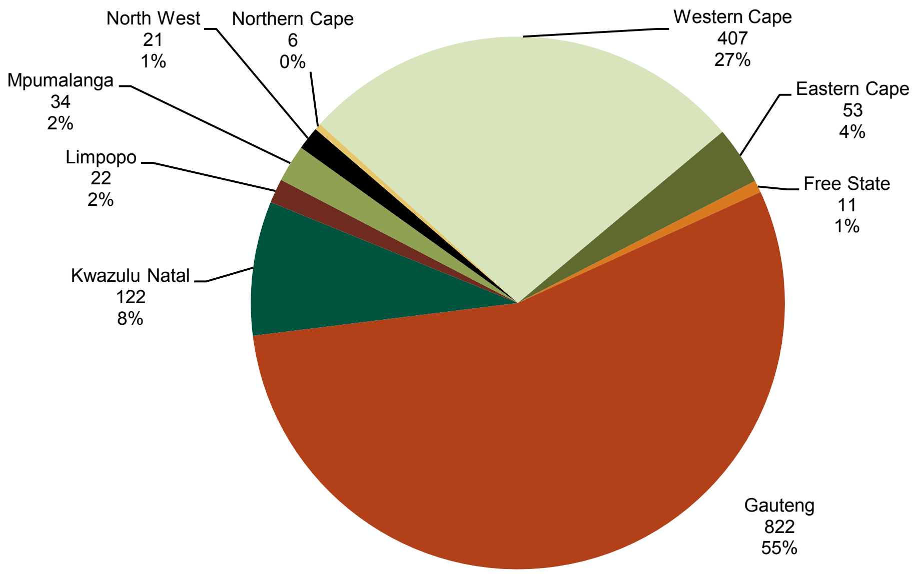
Finally, while the EMIA programme has a range of objectives around increasing and diversifying exports, as well as increasing exports from previously disadvantaged businesses, explicit targets have not been set for many of the incentives. For example, it is not clear what targets have been set for individual 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, together with 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.

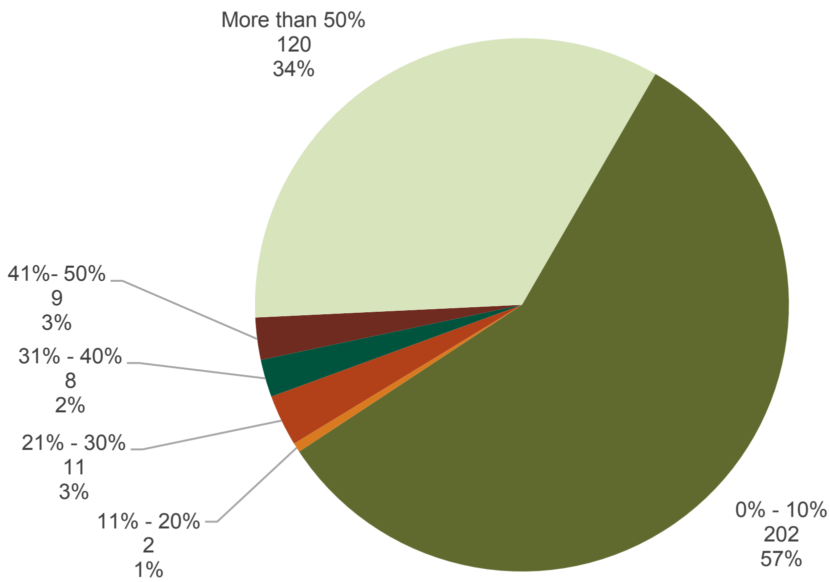
**Figure 3 Location of firms utilizing EMIA incentives (based on EMIA data)**




*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.

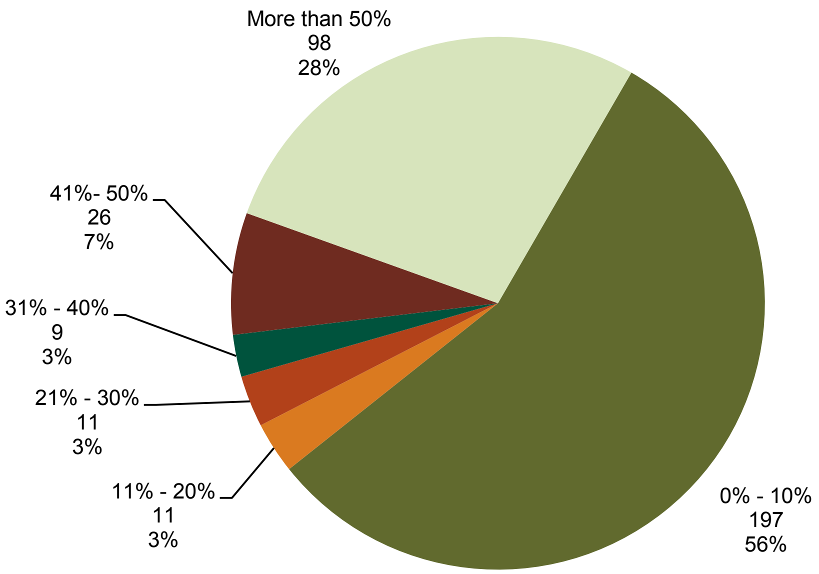
**Figure 4 HDI ownership of firms accessing EMIA incentives**




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

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

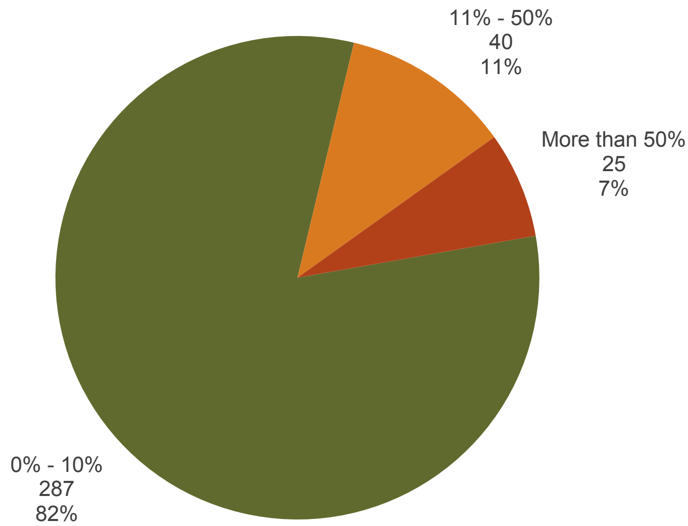
**Figure 5 Women ownership of firms accessing EMIA incentives**




*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.

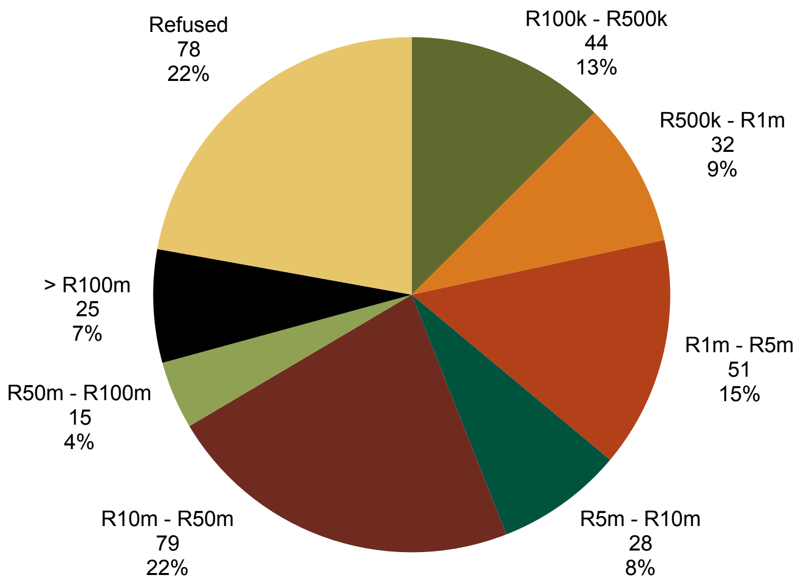
**Figure 6 Youth (18 – 35 years) ownership of firms accessing EMIA incentives**




*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 7 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.

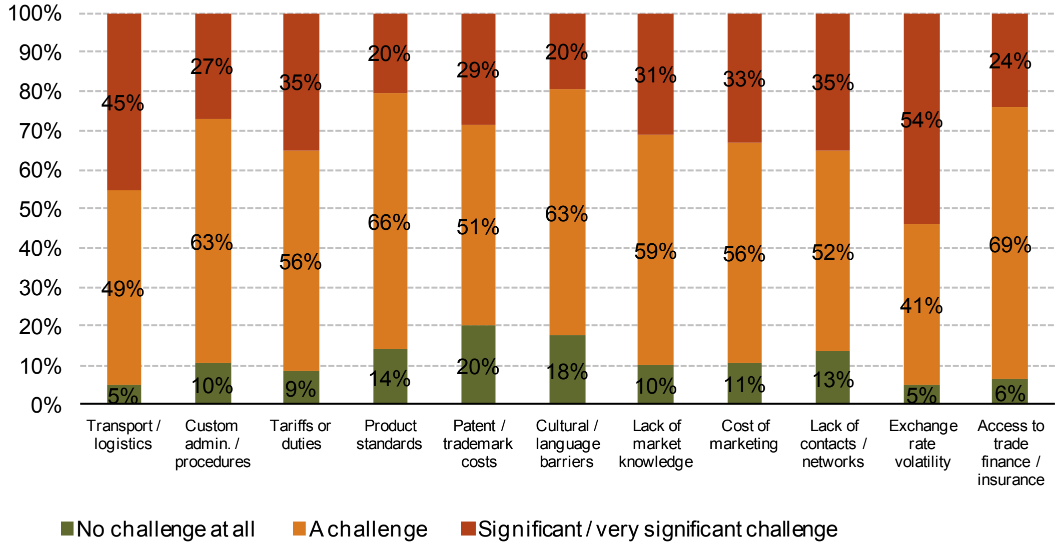
The high usage by firms which are achieving no export sales points to an ineffective selection process, with a possibility that firms utilising the EMIA incentives do not have sufficient export capacity or are not at an export ready stage. Firms may also be taking advantage of their knowledge of the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

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.

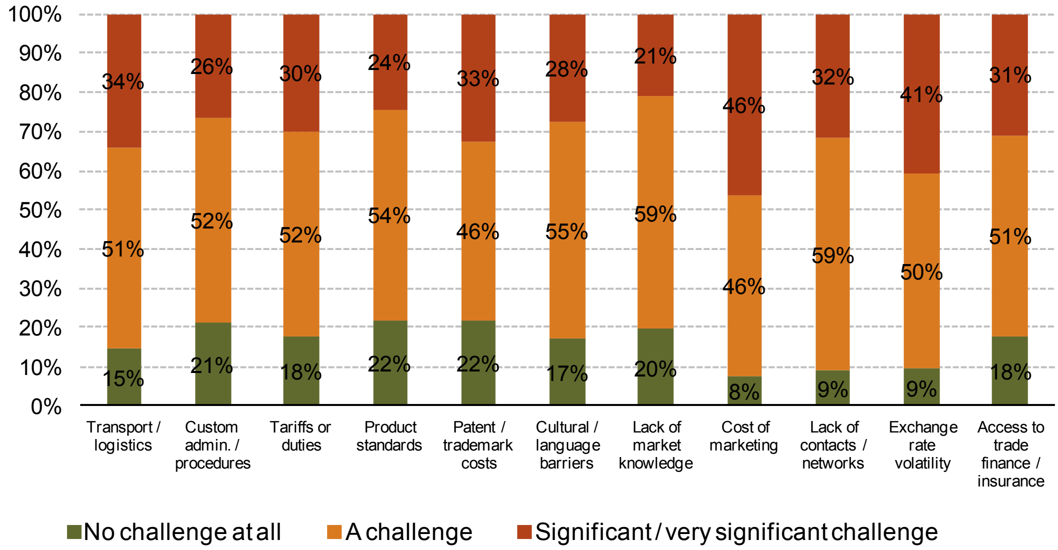
### Figure 8 Challenges to exporting - non-EMIA beneficiaries




*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 9 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 or 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 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, both 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 the potential centralisation of the administration, monitoring and reporting functions of all EMIA incentives under a single unit.

## 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, while others 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.

**Table 3 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 | 6,421,234 | 3,894,010 | 16,176,379 |
| Jobs created as a result of subsidised events and incentives (actual number) | 834 | 262 | 2,173 | | 3,269 |

*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 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 from 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.

# 4 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 4.

## 4.1 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 are specific filing requirements for each application, there is no centralised system (either within IDIAD or TISA) that allows for the easy capture 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.

There also needs to be 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 for determining whether firms are export ready would be desirable. Firms that are not ready should be directed to alternative programmes such as the National Exporter Development Programme (NEDP) within TISA's Export Development unit. Similarly a programme such as the NEDP can be used to build a more appropriate pool of emerging export ready firms that can make use of EMIA incentives.

## 4.2 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 IDIAD. 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 in support of 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.

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 underutilised. The reasons for this should be explored, and these funds potentially reallocated.

## 4.3 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 2.7.6.

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 by 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 4 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 the system uses a 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 all 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 the offerings and categorisation 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 Detailed 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 three distinct phases as outlined below.

## A 1.1 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 how they are integrated into broader export promotion strategies.

## A 1.2 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.

**EMIA data and documentation review**
All available EMIA documentation and data was reviewed, including data on firm level participation in EMIA, the EMIA guidelines for each incentive, and 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.

**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.

## A 1.3 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.

The targeted sample size and final sample size from these surveys are provided in the table below. 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.

**Sample size for surveys**

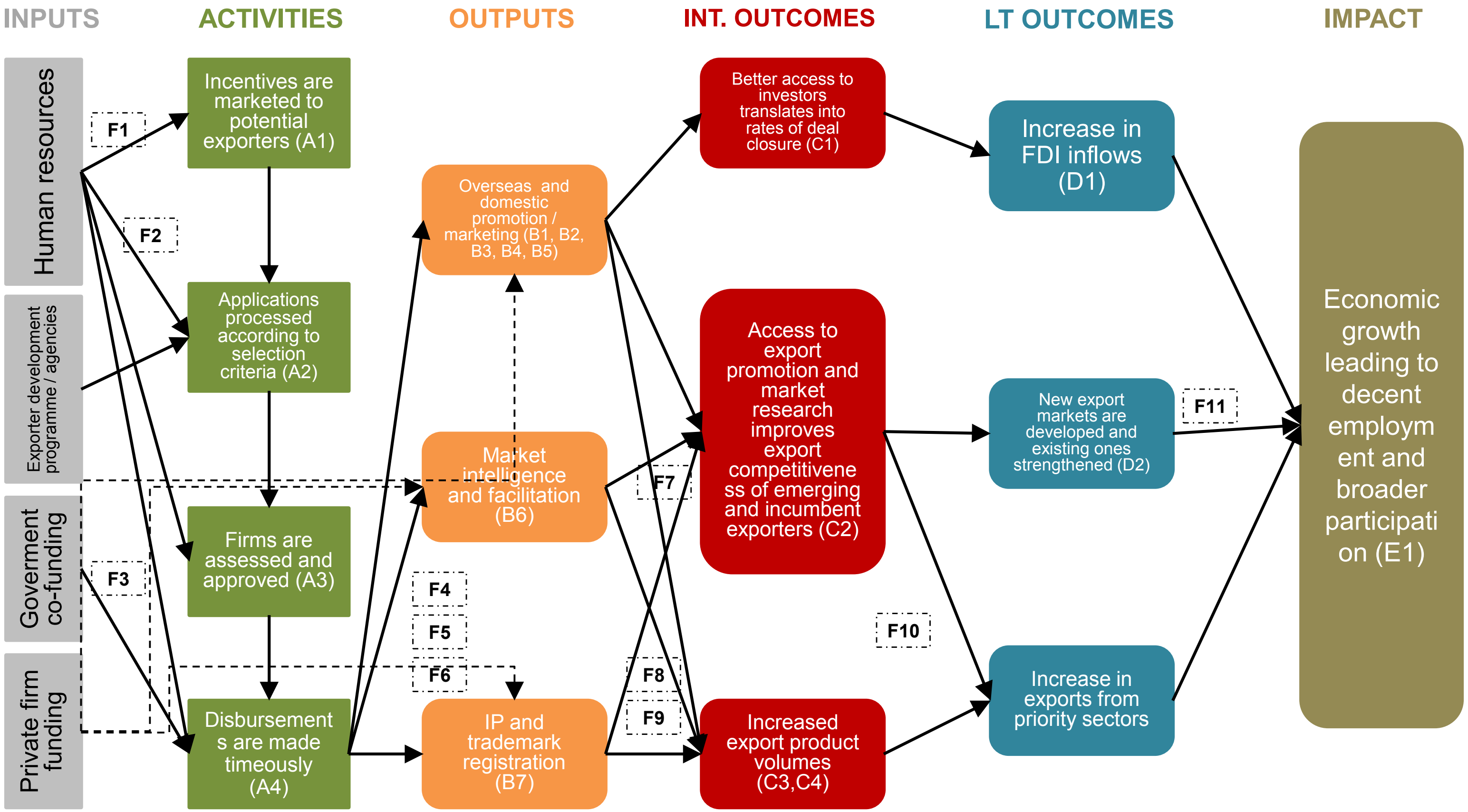
| Province | Firms that have participated in EMIA | | Firms that have never participated in EMIA | |
|---|---|---|---|---|
| | Target | Achieved | Target | Achieved |
| Eastern Cape | 0 | 0 | 0 | |
| Free State | 11 | 2 | 20 | |
| Gauteng | 284 | 194 | 20 | 66 |
| Kwazulu-Natal | 0 | 0 | 0 | 7 |
| Limpopo | 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. 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.

# Annex 2 Proposed theory of change

## 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

# Annex 3 Proposed log-frame

## Proposed log-frame 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[2] | Change in Rand value of FDI inflows from countries targeted by EMIA initiatives relative to overall change in FDI | Annual | Data from SARB, UNCTAD | |
| | 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 | F11 Exchange rate and economic climate is stable and conducive to exports and investments |
| | 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 volumes | Total number of new export agreements concluded by each firm participating in each | Each event in which firm | Report by firm 6-months after | F8 South African exports are of a high and comparable quality to |

[2] 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 |
|---|---|---|---|---|---|---|
| | | | EMIA incentive (during and six months after event)<br>Total Rand value of new export agreements concluded by each firm participating in each EMIA incentive (during and six months after event) | participates | event (including invoices / contracts / MoUs / MoAs as proof) | international competitors |
| | 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)<br>Total Rand value 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<br>F6 Firms receive appropriate support during marketing activities |
| **Outputs** | B1 | Group missions | Number of missions undertaken<br>Number of firms included in each mission<br>Average EMIA disbursement per firm<br>Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)<br>Number of cancellations by firms<br>Cost to dti per firm cancellation | Each event | Annual internal review | |
| | B2 | National pavilions | Number of pavilions completed<br>Number of firms included in each pavilion<br>Average EMIA disbursement per firm<br>Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm)<br>Number of cancellations by firms<br>Cost to dti per firm cancellation | Each event | Annual internal review | F5 Marketing material is designed and geared toward export promotion |
| | B3 | SSAS | Number of councils / associations subsidised<br>Number of firms assisted<br>Average EMIA disbursement per export council<br>Average EMIA disbursement per firm<br>Demographics of each firm participating (Percentage HDI / women ownership, annual turnover, number of employees, location of firm) | Each event | Annual internal review | |
| | 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 |

| | | Summary | Performance indicator | Regularity of collection | Method of collection | | Assumptions |
|---|---|---|---|---|---|---|---|
| | | | Number of exhibitions attended by firms | | | | marketing activities |
| | | | Average EMIA disbursement per exhibitor | | | | |
| | | | 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 |

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

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