2021

DTIC: Export Marketing and Investment Assistance

STUDENT NAME: ISAAC KURASHA

CLUSTER: ECONOMIC SERVICS

NATIONAL TREASURY

CONTENTS

Abbreviations iv
Key points v
Executive summary vii
1 Introduction 1
1.1 Problem statement 1
1.2 Challenges faced by SA firms in exporting 2
1.2.1 Trade barriers 3
1.2.2 Structural barriers 3
1.3 Rationale for the Export Marking and Investment Assistance programme 3
2 Policy and institutional framework 4
2.1 Key policies 4
2.2 Institutional arrangements 4
2.2.1 Stakeholder analysis 4
2.2.2 Programme management and administration 5
2.2.3 Flow of funds 6
3 Programme analysis 8
3.1 Overview 8
3.2 EMIA Components and Incentives 8
3.2.1 Group offerings/participation 9
3.2.2 Individual offerings/participation 9
3.2.3 Project funding 9
3.3 Eligibility Criteria 10
3.3.1 Firm characteristics 10
3.3.2 Export readiness and past performance 10
3.4 Determination of incentive 10
3.5 Process mapping 11
3.5.1 Application 11
3.5.2 Application Procedure 11
3.5.3 Claim process 12
3.5.4 Monitoring 13
4 Expenditure Analysis 14
4.1 Aggregate expenditure 14
5 Performance analysis 17
5.1 Individual missions 17
5.1.1 Number of approvals 17
5.1.2 Number of approvals per sector 18
5.1.3 Value of approvals province 18
5.1.4 Approvals per sector 19
5.1.5 Value of approvals per sector 20
5.1.6 Average disbursement by Sector 21
5.1.7 Approvals by type of company for each year 22
5.1.8 Value of export sales by EMIA beneficiaries 22
5.1.9 Average lead time for reimbursement 23
5.2 EMIA: Group Missions 24
5.2.1 Number of approvals 24
5.2.2 Value of approvals 25
5.3 Sector Specific Assistance Scheme 27
5.3.1 Number of approvals 27
5.3.2 Value of approvals 28

DISCLAIMER:

This document is not for quoting or circulation. It was done as part of the NT training exercise on the spending review methodology and is intended for discussion purposes. Furthermore, there were some data limitations and both the appropriate level of information, and its correctness could not be independently verified.

6 Conclusions 31
6.1 Expenditure pattern... 31
6.2 Individual missions... 31
6.3 Sector Specific Assistance Scheme 32
6.4 Group missions... 32
7 Recommendations 33

DISCLAIMER:

This document is not for quoting or circulation. It was done as part of the NT training exercise on the spending review methodology and is intended for discussion purposes. Furthermore, there were some data limitations and both the appropriate level of information, and its correctness could not be independently verified.

List of Tables

Table 1: Stakeholder mapping 5
Table 2: Components of EMIA 8
Table 3: Return on investment 23
Table 4: Firms that benefited more than once with no exports reported 23
Table 5: Lead times 24
Table 6: Approved amount vs claim amount 30

List of Figures

Figure 1: Share of exports by region 1
Figure 2: Composition of South African exports 2
Figure 3: Structure and administration of EMIA 6
Figure 4: Flow of funds.. 7
Figure 5: process mapping.. 11
Figure 6: Funding application evaluation procedure 12
Figure 7: Claim payment procedure 12
Figure 8: Expenditure on EMIA 14
Figure 9: Original Budget vs actual expenditure and virements approved per year 15
Figure 10: Spending per components of EMIA.. 16
Figure 11: Number of approvals through individual mission 17
Figure 12: Sectoral distribution of approvals 18
Figure 13: Distribution of approvals by province.. 19
Figure 14: Number of approvals by sectors.. 20
Figure 15: Distribution of approvals by sector 21
Figure 16: Average disbursement by sector.. 21
Figure 17: Number of approvals by type of company 22
Figure 18: number of approvals per category of Group Missions 25
Figure 19: Value of approvals per category of Group Missions 26
Figure 20: Approval by spending item.. 26
Figure 21: Number of coordinators through SASS 27
Figure 22: Number of SMEs approved under SSAS.. 28
Figure 23: Value of approvals by province 29
Figure 24: Applicants that received most approvals 29

Abbreviations

BEE	Black Economic Empowerment
CPFP	Capital Projects Feasibility Programme
DTIC	Department of Trade, Industry and Competition
EMIA	Export Marketing Investment Assistance
FDI	Foreign Direct Investment
HDI	Historically Disadvantaged Individual
INES	Integrated National Exports Strategy
IPAP	Industrial Policy Action Plan
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NEDP	National Exporter Development Programme
PMR	Primary Market Research
SADC	Southern African Development Community
SASS	Sector Specific Assistance Scheme
SMMEs	Small, Micro and Medium Enterprises

Key points

- The Export Marketing Investment Assistance (EMIA) programme provides support to exporters by reducing the cost of the export promotion, research and marketing. These costs are typically significant and can act as a barrier to exporting for firms.
- EMIA was launched in 1997 and therefore becomes one of the oldest incentive programmes in the Department of Trade, Industry and Competition;
- Between 2008/09 and 2020/21, R2.4 billion was disbursed to applicants under this programme. For the period 2008/19 and 2014/15, there were significant virements towards the programme. The pattern reversed from 2015/16 as funds were shifted from the programme to other areas on a yearly basis;
- Due to data limitation, the spending review only focused on the period, 2017/18-2019/20;
- Between 2017/18 and 2020/21, approvals under individual missions were granted mainly to companies in Western Cape, Gauteng, and KwaZulu-Natal. Approvals from these provinces amounted to 51.1 per cent, 31.7 per cent and 9.6 per cent, respectively.
- Similarly, over the same period, disbursements under individual missions were mainly dominated by companies that are in the creative industry, agro processing, clothing and textile and the chemical sectors. The creative sector constituted 27.9 per cent of the total approvals, followed by agro processing which contributed 26.6 per cent, and the textiles, clothing, leather & footwear was 14.4 per cent and chemicals were 12.2 per cent. These three sectors constituted 81.2 per cent of total approvals'
- Based on the above, it can be concluded that the programme is demand driven and low demand that is skewed towards three provinces, if not two, appear to have contributed to low uptake which prompted the department to shift unspent funds to other areas since 2015/16;
- However, despite the shifts, the exports sales at the event amounted R4.8 for every Rand paid in incentives. When compared to total exports sales reported by the beneficiaries six months after the events, there was a return on investment of R23.04. However, the actual relationship between total return on investment and total exports generated has not been established. There could be other reasons for the exports apart from marketing support provided through EMIA;
- Previously, the DTIC has not been tracking firm specific performance apart from indicators such as firms supported; exports generated, and number of jobs created; among others.
- On the other hand, the department does not track performance of firms supported under the Sector Specific Assistance Scheme in terms of exports. Rather, the department assesses performance in terms of emerging exporters that have participated on the programme.
- The manner in which expenditure is captured in the department does not enable one to do detailed expenditure analysis to understand the main spending components and do cost modelling thereafter. Expenditure is recorded at a very high level thereby not providing the finer expenditure data.
- Inconsistencies in data capturing undermines the quality of analysis. Data supplied by the department showed that some beneficiary names were not captured correctly. The same

applies to the expenditure descriptions. One has to invest significant amount of time to clean the data.

Executive summary

The Export Marketing and Investment Assistance programme was introduced in 1997 and remains one of the instruments that government uses to support export marketing and development in the country. At the time of its inception, South African firms were experiencing difficulties in marketing their products or services in foreign markets due to high cost of transporting samples, exhibition space and fees, travel and accommodation. Similarly, flow of foreign direct investment was also low. The EMIA programme was therefore introduced with the aim to reduce the cost of participating at international export promotion events and focuses specifically on the ''last-mile'' of the export process; subsidising the firm's internal costs of marketing through various incentives. The anticipation that potential exporters also get financial assistance through other incentives.

Over the last five years, South African exports were mainly dominated by manufacturing and mining products. Due to shrinking global demand, South African exports face stiff competition. For South African firms, there is a need to improve quality and cost of goods and services in order to enter and compete in the global market. High-cost of freight and unreliable electricity supply, and weak business conditions have contributed to the decline in export volumes. For potential exporters, the high cost of export market research including the capacity to carry out the research, often act as barriers. In general, exporters face the challenge of trade barriers through tariffs imposed by other countries. Structural barriers are rather inward looking as they relate to higher transport costs which result in forgone capital returns in order to remain competitive.

South Africa's share of global trade remains low and hence the need to develop new export markets and consolidating existing markets and bring prospective foreign investment to South Africa.

The role that exports play is emphasised in many government's policy documents such as the Growth, Employment, and Redistribution, the Accelerated and Shared Growth Initiative for South Africa, National Industrial Policy Framework as operationalised by the annual iterations under the Industrial Policy Action Plan, the National Development Plan (NDP) as operationalised by the Medium-Term Strategic Framework. The Integrated National Export Strategy (INES) or Export 2030 which is the current national policy document on export development seeks to grow South Africa's export base and increase exports of value-added goods and services. This is supported by the Economic Reconstruction and Recovery Plan which identifies exports growth as one of the interventions required to grow the economy.

One of the export promotion instruments provided by the DTIC is the EMIA incentive which consists of a number of incentive offerings: individual offerings, group offerings, Sector Specific Assistance Scheme (SASS) and the Capital Projects Feasibility Programme (CPFP). The incentive provides a subsidy to exporters for costs incurred in respect of activities aimed at developing export markets for South African products and services and to recruit new foreign direct investment into South Africa. The incentive subsidises cost of air tickets, freight costs for transporting samples, market research, product registration, cost of renting pavilion, and accommodation, among others. EMIA is administered under Programmes 6 and 7.

Programme 6 is responsible for the administration of individual offerings and incentives (individual missions and exhibitions) for marketing activities not organised or managed by the DTIC. The marketing and export promotion activities are solely identified by the firms applying for the financial incentives. On the other hand, administration of group offerings (national pavilions, group trade missions) falls under Programme 7 for activities 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.

For the period, 2008/09 to 2020/21, expenditure on EMIA was R2.4 billion. The expenditure was split between the sector specific assistance scheme, individual and group missions. The biggest proportion of expenditure is under EMIA: group missions which constituted 73 per cent of total expenditure between 2016/17 and 2020/21. The sector specific assistance scheme and individual missions accounted for 13.7 per cent and 13.2 per cent, respectively.

Over the same period, 773 approvals were granted under individual participation. Of firms approved, 51.1 per cent were from Western Cape Province, 31.7 per cent from Gauteng while 9.6 per cent were from KwaZulu-Natal. In terms of sectors, 27.9 per cent were for companies that are in the creative industries, 26.6 per cent from agro processing, 14.4 per cent from textiles, clothing, leather and footwear while 12.2 per cent were from the chemicals sector.

Under the individual participation, companies that were supported, made R252.1 million worth of sales at the events for the period 2017/18-2019/20. The firms reported R948.9 million worth of exports six months after participating at the different events. Over the same period, total disbursements under the incentive were R52.2 million. As a result, the return on investment was 4.8 and 18.2 for every Rand paid under the incentive. Total return on investment amounts to 23.04, however, exports sales after the event may be attributed to other factors and the interpretation should therefore be treated with caution.

Previously, the DTIC has not been tracking firm specific performance apart from indicators such as firms supported; exports generated, and number of jobs created; among others. On the other hand, the department does not track performance of firms supported under the Sector Specific Assistance Scheme in terms of exports. Rather, the department assesses performance in terms of emerging exporters that have participated on the programme.

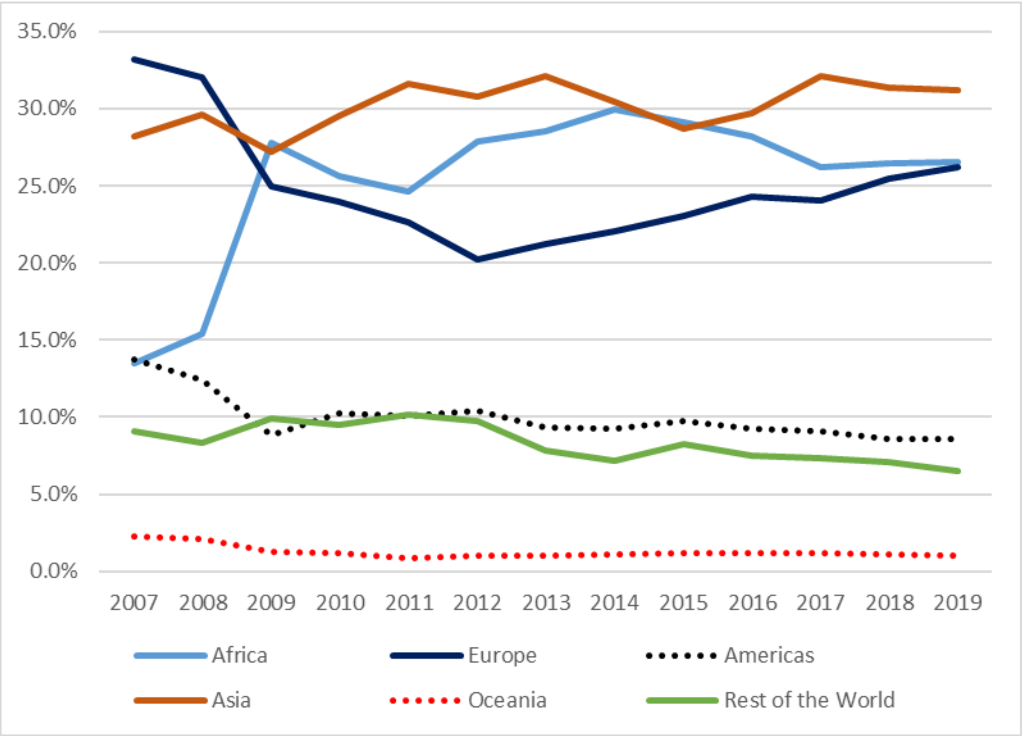
1 Introduction

1.1 Problem statement

The EMIA programme was introduced in 1997 and remains one of the instruments to support export promotion and development in the country. At that time of its inception, South African firms were experiencing difficulties in marketing their products or services in foreign markets due to high cost of transporting samples, exhibition space and fees, travel and accommodation. Similarly, flow of foreign direct investment was also low. The EMIA programme aims to reduce the cost of participating at international export promotion events and focuses specifically on the ''last-mile'' of the export process; subsidising the firm's internal costs of marketing through various incentives. The anticipation is that potential exporters also get financial assistance through other incentives.

South African exports grew by an average of 8.7 per cent per year between 2007 and 2019. Main export destinations by region are Asia, Africa, and Europe. Exports to Africa increased sharply from 2008 to 2009 and remain steadily as the second highest export destination behind Asia. However, exports to Africa have declined since 2014 while exports to Europe have been increasing since 2013 to level with Africa in 2019.

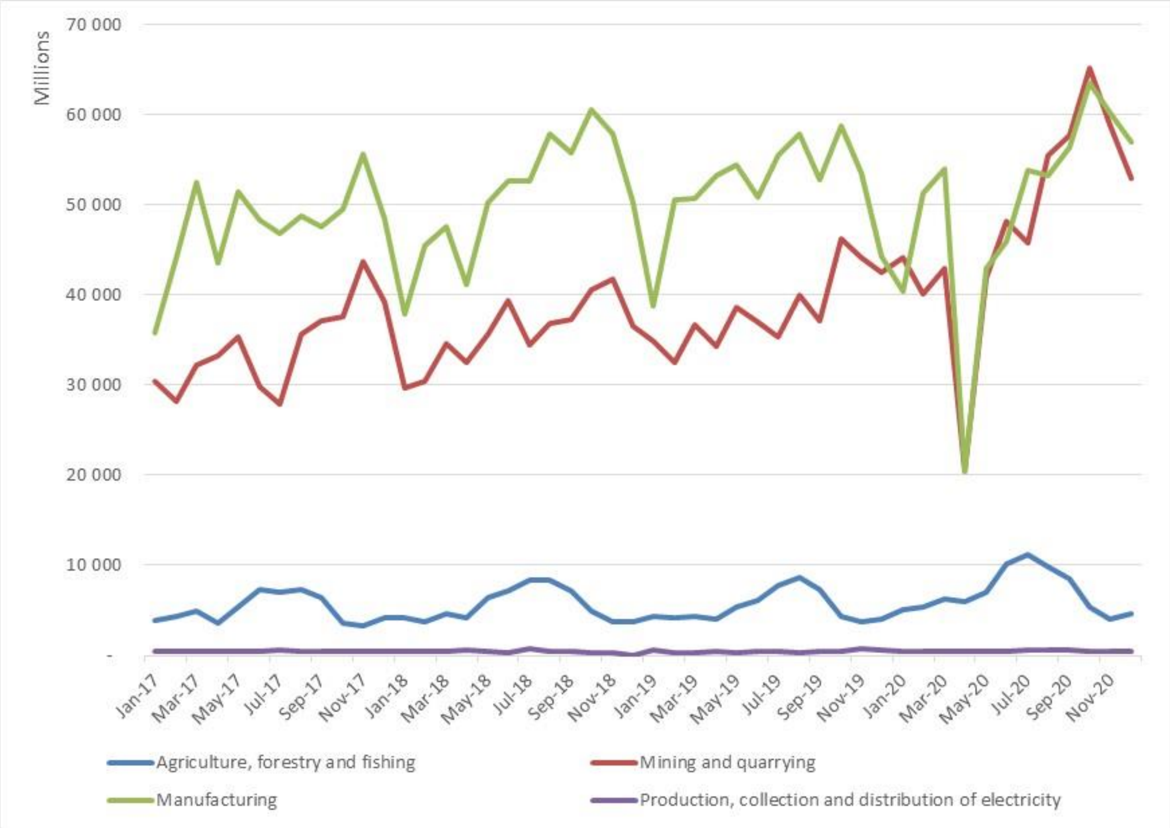
Figure 1: Share of exports by region



Source: Department of Trade, Industry and Competition

Over the last five years, South African exports were mainly dominated by manufacturing and mining products as shown on the figure below.

Figure 2: Composition of South African exports



Source: South African Revenue Service

The skewness in the composition of exports points to the need for exports diversification to prevent shocks in the future. If EMIA is effective, it should contribute to exports diversification by destination and products. While this spending review will not go into greater detail on this topic, it is essential to assess trends in export composition and the sectors that mostly benefit from EMIA. Therefore, an assessment of sectoral performance will be conducted under the performance section.

1.2 Challenges faced by SA firms in exporting

Since the 2007/08 global economic crisis, suppressed global demand continued to pose a risk to South African exports. This has been made worse by the on-going COVID-19 pandemic which has caused significant disruptions to global value chains due to restrictions that were implemented during 2020. As a result, shrinking demand entails increased competition in the global value chain. For South African firms, there is a need to improve quality and cost of goods and services in order to enter and compete in the global market. High-cost freight and unreliable electricity supply, and weak business conditions have contributed to a decline in export volumes. For potential exporters, the high cost of export market research including the capacity to carry out the research, often act as barriers.

1.2.1 Trade barriers

A number of barriers and obstacles impede firm's ability to export. Among the most common of these are trade and barriers implemented by countries in both the developing and developed world. Tariff barriers create a disincentive for firms to export to other countries. There are wide range and increasing number of non-tariff barriers faced by exporters or potential exporters, depending on the specific industry, products, and destination country. For developing countries non-tariff barriers, technical tariff barriers, such as sanitary, phytosanitary regulations are a particular concern. Complying with these standards could potentially increase the costs of exporting immensely as they often come with the need for testing, certification, and accreditation mechanism. Volatile exchange rates, especially that of the rand, which remains the world's most volatile currency, remains a major challenge for South African exports.

Information asymmetries, marketing and search costs also seem to be issues that South African firms are battling to deal with. These costs can act as major barriers, especially for smaller firms that are looking to start exporting but lack resources to find and engage with both consumers and buyers in foreign markets. This is also true for firms looking to diversify their export markets, where one-size fits, all approach may not lead to an increase in export.

1.2.2 Structural barriers

There are also structural issues within the South African economy that impede the ability of firms to export. Firms opt out of a decision to export when transport costs push down wages or profits and lead to people losing jobs and increase in employment rate. For smaller firms, higher transport costs result in lower wages or forgone capital returns in order to remain competitive in the 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. Potential exporters are not able to fully export goods due to capacity challenges to market as well as inability to meet required international standards.

1.3 Rationale for the Export Marking and Investment Assistance programme

South Africa's share of global trade remains low. There is clear need to develop new export markets and strengthen existing markets and bring prospective foreign investment to South Africa. Hence the EMIA programme provides both financial and non-financial support to firms and assist current and potential exporters to diversify and expand their range of export products and markets.

2 Policy and institutional framework

2.1 Key policies

Many of government's policy documents emphasise the role that exports play in contributing to economic growth, development and employment creation. These include, the Growth, Employment, and Redistribution, the Accelerated and Shared Growth Initiative for South Africa, National Industrial Policy Framework as operationalised by the annual iterations under the Industrial Policy Action Plan, the National Development Plan (NDP) as operationalised by the Medium-Term Strategic Framework.

The INES which is the current national policy document on export development seeks to grow South Africa's export base and increase exports of value-added goods and services. In the recent National Treasury paper entitled "Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa", government highlights the role of exports and EMIA, is seen as an engine for economic growth.

The INES aims to reach 1 per cent of world exports by 2030. The four key enablers or pillars to achieving this milestone are:

i. Improving the export enabling environment and international competitiveness.
ii. Increasing demand for goods and services through market prioritisation, diversification and access.
iii. Developing exporters, increasing export capacity and strengthening exporter performance through the National Exporter Development Programme (NEDP).
iv. Strengthening the export promotion mechanisms through enhancing South Africa's value proposition.

The EMIA programme remains critical to each of these pillars however, it is not the only instrument through which the objectives of INES are planned to be realised. EMIA partially compensates exporters for costs incurred in respect of activities aimed at developing export markets for South African products and services and to recruit new foreign direct investment into South Africa. That is, the programme subsidises firm's internal costs of marketing through various incentives under the scheme.

2.2 Institutional arrangements

2.2.1 Stakeholder analysis

The EMIA programme is administered by the DTIC. Within the department, two divisions namely, *Programme 6: Industrial Financing* and *Programme 7: Export Development, Promotion and Outward Investments* administer different components of the programme. Programme 7, by its purpose, which is to increase export capacity and support direct investment flows among others, is responsible for developing and administering implementation of the export policy which includes other components of EMIA. In general, Programme 6 administers the incentive programmes which include some components of EMIA.

The table below identifies some of the key stakeholders for EMIA.

Table 1: Stakeholder mapping

Institution	Roles and responsibilities
Department of Trade, Industry and Competition	• Develops and oversee the implementation of trade policy. • Develops and administers the national export strategy (Integrated National Exports Strategy or Export 2030) • Develops and implements export promotion strategies/instruments such as EMIA ◦ Organises and coordinates trade exhibitions for SA firms to participates, by enabling them to attend exhibitions in order to promote locally manufactured products in international markets (exhibition fees up to R45000). • Provide the budgets for EMIA. • Invites applications for firms to participate at DTIC facilitated trade exhibitions • Participates in the adjudication of application for funding under the EMIA • Conducts monitoring and evaluation of the EMIA • Accounts to parliament on utilisation of funds and performance of EMIA.
Parliament	• Appropriate money to the DTIC which includes for EMIA • Request performance reports for EMIA.
National Treasury	• Makes recommendations to Parliament to appropriate funding to EMIA. • Requests for the EMIA's performance reports.

2.2.2 Programme management and administration

The administration of the EMIA programme is split between the Programmes 6 and 7 within the DTIC depending on whether the firm applies in its individual capacity, or as part of a more coordinated government or sector initiative. Programme 6 is responsible for the administration of individual offerings and incentives (individual missions and exhibitions) for marketing activities not organised or managed by the DTIC. The marketing and export promotion activities are solely identified by the firms applying for the financial incentives.

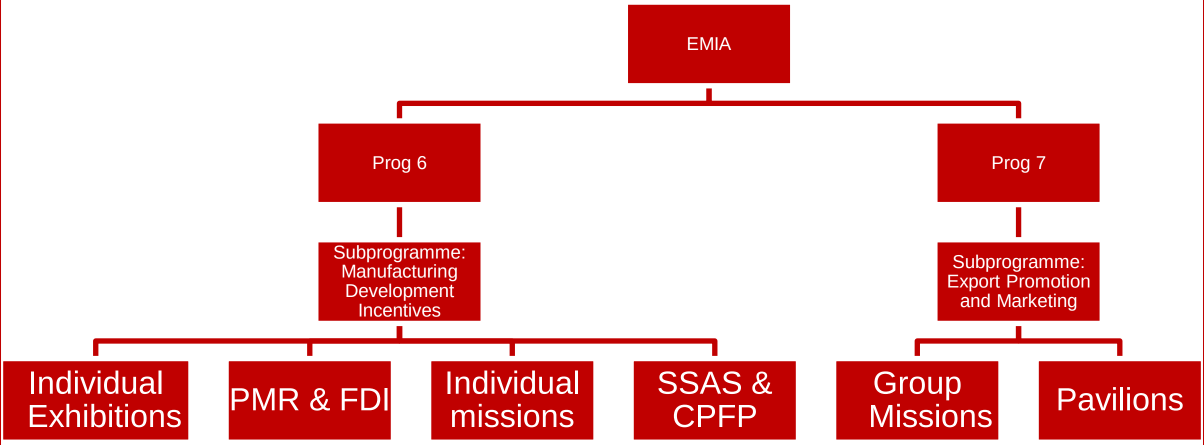
On the other hand, administration of group offerings (national pavilions, group trade missions) falls under Programme 7 for activities that are overseen by a project "co-ordinator", such as export councils, industry associations, provincial and national investment agencies, the DTI or other national 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.

The evaluation of EMIA conducted in 2014 raised concern that the administration process of EMIA incentives is done in two programmes. It raised that 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. As such, the two programmes were advised to enhance collaboration in their administration of the EMIA incentives programme, specifically around the adjudication of qualifying firms. The 2021 spending review therefore looks at the period after 2014 to accommodate the programme reconfigurations that could have been done in response to the evaluation's recommendations.

Across all 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 DTIC 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 DTIC will take place. The exact extent of subsidisation is dependent on the incentive used.

Firms are selected according to the EMIA's offerings, primary research, group trade missions, national pavilions etc. The DTIC requests funding National Treasury with all required costs needed. The Adjudication committee allocates funding to the qualifying firms.

Figure 3: Structure and administration of EMIA

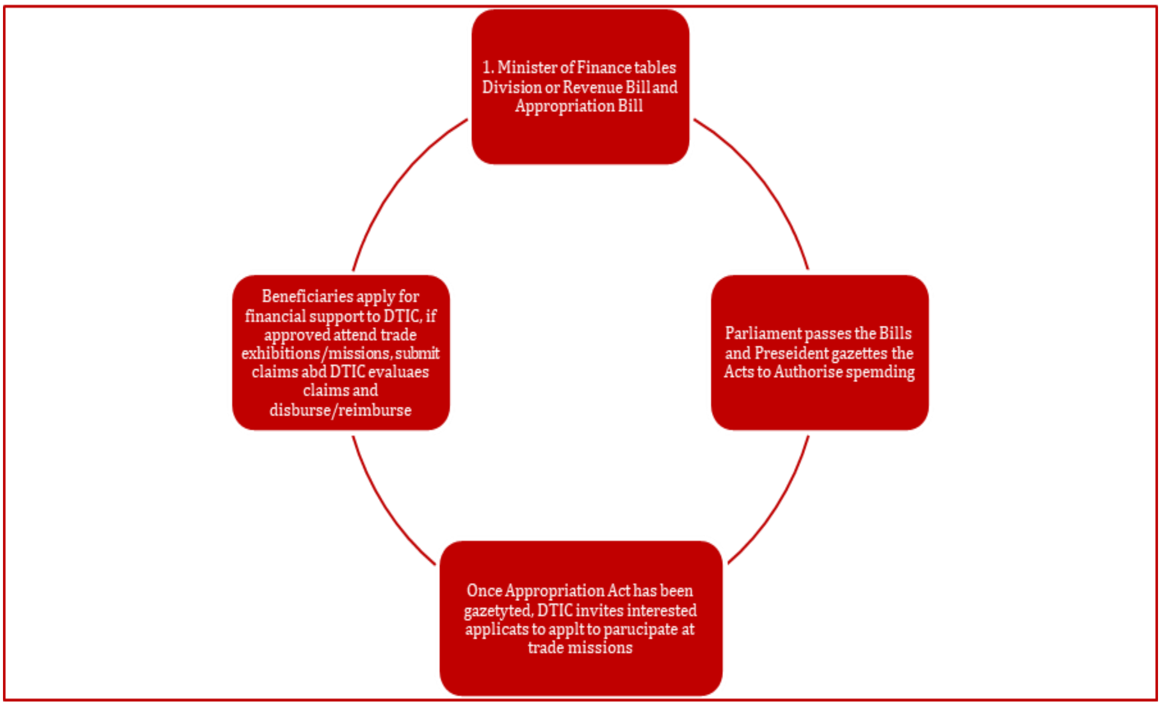


Source: Department of Trade, Industry and Competition

2.2.3 *Flow of funds*

The EMIA is mainly funded from the fiscus, through parliamentary appropriations under the Trade, Industry and Competition Vote. Once funds have been allocated, the department advertises its product offerings and interested firms can submit applications to any one of the EMIA offerings to the DTIC relevant sector desks. Applications are evaluated by the relevant EMIA offering Adjudication Committees which will also coordinate the drafting of the responses to the applicants through the relevant Deputy Director-General. Upon approval, depending on the requirements of the EMIA offering, approved incentives can be paid upfront or through claims after the event upon meeting all requirements. In some offerings, a letter of approval is issued.

Figure 4: Flow of funds



Source: Own drawing

3 Programme analysis

3.1 Overview

EMIA partially compensates exporters for costs incurred in respect of activities aimed at developing export markets for South African products and services and to recruit new foreign direct investment into South Africa.

The objectives of the programme are to:

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

The Programme covers the following costs:

- Registration of a patent in a foreign market: 50% of the additional costs capped at R100 000 per year;
- Return economy class-airfare (50% to a maximum of R8 750) including domestic air travel in South Africa;
- Subsistence allowance (R2 300 per day);
- Rental of Vehicle (R300 per day to maximum of five days)

3.2 EMIA Components and Incentives

EMIA provides a number of incentive offerings which can be grouped as individual offerings, group offerings, Sector Specific Assistance Scheme (SASS) and the Capital Projects Feasibility Programme (CPFP) as summarised in the table below.

Table 2: Components of EMIA[1]

Group Participation	Individual Participation	Project Funding
1. National pavilions 2. Outward investment and selling missions 3. Inward buying and investment missions	1. Individual exhibitions 2. Foreign direct investment and primary market research 3. Individual inward missions	1. Sector Specific Assistance 2. Capital Projects Feasibility Programme

[1] For detailed descriptions of each component refer to the individual guidelines in the annexures

3.2.1 Group offerings/participation

Group offerings are the types of EMIA incentives that subsidise firms to participate in marketing events that are organised or approved by the department. Under these incentives, firms apply through a project co-ordinator such as an export council or internal DTIC export desk. Firms can participate in activities such as outward investment and selling missions, inward and investment missions and national pavilions. Under group offerings, a specific incentive is also offered to emerging exporters through a project coordinator for export marketing activities such as exhibitions and pavilions.

3.2.2 Individual offerings/participation

Individual offerings are provided to firms on an individual basis. Under this component, firms apply for financial support to conduct marketing and promotion activities that these firms have identified on their own. Firms use the financial assistance for participation in individual 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 and foreign direct investment).

3.2.3 Project funding

This category includes SSAS and CPFP. SASS provides assistance to export councils, joint action groups and industry associations whose objectives are aligned to development of new export markets, broadening the export base, and increasing the participation of Black Economic Empowerment firms in exporting.

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, 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 coordinators of group marketing activities for emerging exporters.

The CPFP is a cost-sharing grant towards feasibility studies for projects that aim to increase local exports and stimulate the market for South African capital goods and services. The main objective of the programme is to facilitate feasibility studies for projects that will stimulate value-adding economic activities in South Africa. Secondary objectives of the programme include:

- Attracting high levels of domestic and foreign investments;
- Strengthening international competitiveness of South African capital goods sector and allied industries;
- Creating sustainable jobs in South Africa;
- Creating a long-term demand for South African capital goods and services;

- Stimulating project development in Africa and in particular the Southern African Development Community (SADC) countries as well as support for the objectives of the New Partnership for Africa's Development; and
- Stimulating upstream and downstream linkages with SMMEs and BEE companies.

3.3 Eligibility Criteria

To qualify for any of the incentives described above, a firm must comply with the following criteria. The criteria can be divided into two components: firm characteristics and their export readiness and performance.

3.3.1 Firm characteristics

- All entities should have traded for more than one financial year.
- The entity must be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended), or the Close Corporations Act, 1984 (as amended), or the Co-operatives Act, except in case of a sole proprietor and partnerships.
- The applicant must be a taxpayer in good standing and provide a valid tax clearance certificate before the EMIA incentive is disbursed.
- Level of labour absorption, location and technological requirements (For a product to qualify as locally made it should contain at least 35% local content or value addition including raw material and packaging).

3.3.2 Export readiness and past performance

- Export readiness of applicant (export/production performance of the applicant)
- Export/marketing competence of person visiting the foreign country
- Potential available/accessible production/export product capacity
- Extent of export marketing planning
- Type of product for export and local sales performance

EMIA also allow sector bodies or export councils to apply for assistance provided that they meet the following criteria.

- South African Export Trading Houses representing at least three (3) SMMEs or HDI-owned businesses
- South African Commission Agents representing at least three (3) SMMEs or HDI-owned businesses
- South African Export Council, Industry Associations and Joint Action Groups representing at least Five (5) South African entities

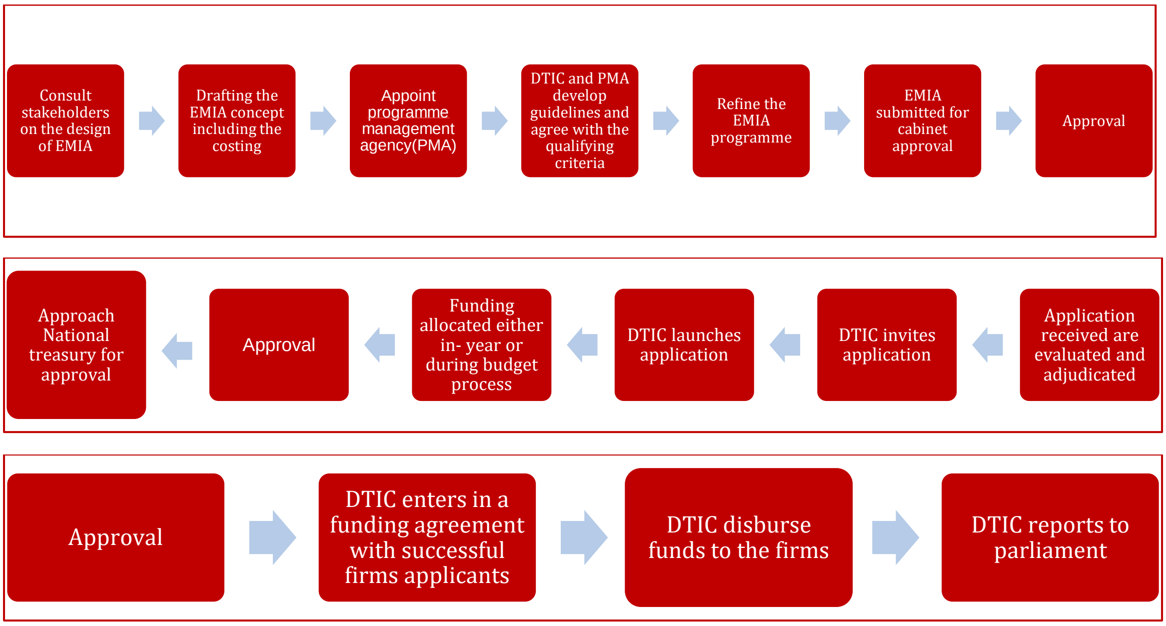
3.4 Determination of incentive

The incentives are calculated as outlined in the guidelines annotated in the annexures. Each incentive offering calculates the incentive amounts differently. However, the general qualification criteria include:

- Export readiness of applicant in terms of the following: management commitment, identified primary target markets, selected market entry strategies, developed international marketing plan, prepared programs, and forms to select and serve international distributor prospects
- Export/production performance of the applicant;
- Export/marketing competence of person visiting the foreign country;
- Potential available/accessible production/export product capacity;
- Type of product for export and local sales performance;
- Level of labour absorption, location and technological requirements;
- Industry in which the venture operates or is planned; and
- Submission of general and specific qualifying documentation and adherence to general and specific criteria as stipulated per each EMIA offering.

3.5 Process mapping

Figure 5: process mapping



3.5.1 Application

- Applicant obtains EMIA application form and guidelines from the DTIC website or from EMIA customer care line.
- Applicant may obtain further information telephonically, by e-mail or visit to the dtic offices.

3.5.2 Application Procedure

- The applicant e-mails the complete application to emia@thedtic.gov.za or completed signed application form with the supporting documents is forwarded to EMIA by registered mail, courier or hand delivered.

The following steps are followed once an application has been received:

Figure 6: Funding application evaluation procedure

DTIC receives applivation

- The applicant will receive an acknowledgement letter within 48 hours.
- A letter will be sent within four working days requesting outstanding documents.
- The applicant will be given five working days to submit the documents

Adjudication

- Technical evaluation will be performed for the complete application.
- Complete applications are presented to the Committee.
- Applications are approved, rejected or referred back for additional information.
- The decision of the Adjudication Committee is final.
- Letter confirming approval of the application and the claim form will be forwarded to the applicant within 15 working days.

3.5.3 Claim process

For approved applicants, a claim form and all supporting documentation is completed and submitted to the DTIC within three months after the date of event from the approved business destination. Applicants are required to complete a post-event questionnaire to be submitted together with the claim form. The guidelines clearly state that incomplete claims and claim items that are received after the three months will be rejected without exception. As a result, customers will forfeit the approval granted to them if they do not submit the claim form and all supporting documentation within three months after the date of event from the approved business destination. The process is as outlined below

Figure 7: Claim payment procedure

Submission of a claim

- The claimant completes the claim, signs and attaches the supporting documentation as per the check list.
- Incomplete claims delay payment.
- The completed signed claim form with the supporting documents should be forwarded to EMIA by registered mail, courier or hand delivery.

Claim evaluation

- The applicant will receive an acknowledgement within 48 hours.
- The letter will be send within four working days requesting outstanding documents.
- The claimant will be given a date to submit the documents.

Payment process

- Complete claim will be evaluated within 20 working days.
- Payment advice will be send to Finance for payment.
- The claim will be paid by the dti Finance within 10 working days.

3.5.4 Monitoring

The DTIC implements a reporting mechanism to evaluate the impact of the programme. As such applicants are required to submit a six-month report-back questionnaire. The programme also requires applicants to submit six-month monitoring reports within six months after the approved event. Where beneficiaries fail to comply with the reporting requirements, they will be disqualified from participating for two years.

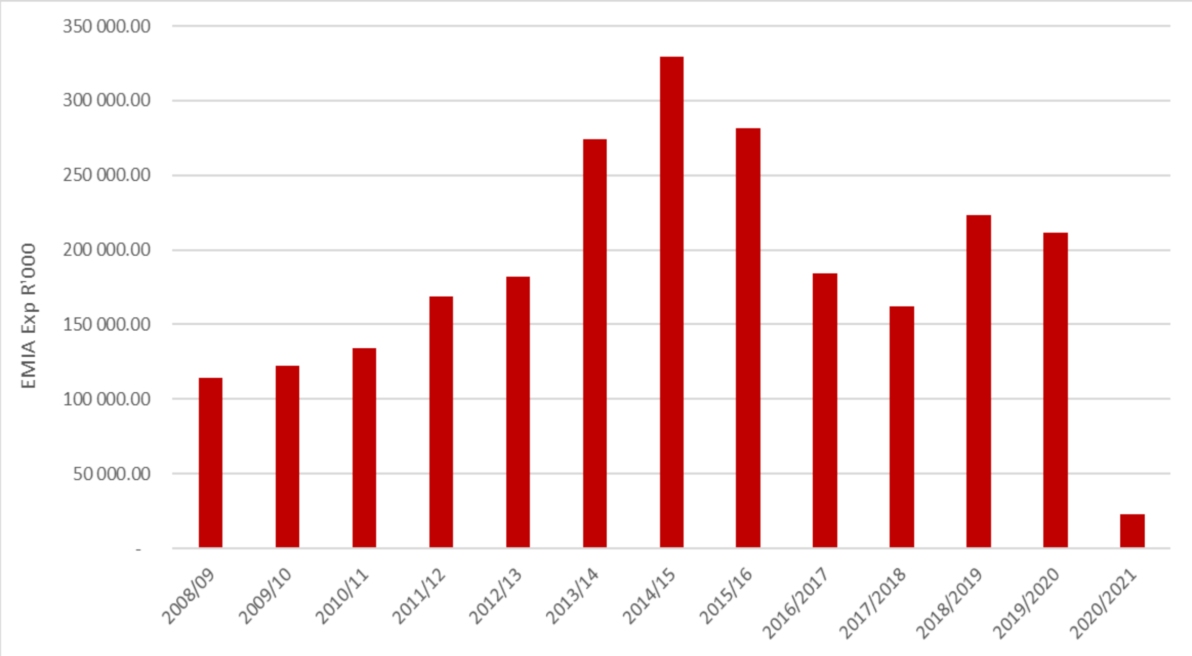
4 Expenditure Analysis

This section examines expenditure for the EMIA programme as recorded in BAS.

4.1 Aggregate expenditure

Between 2008/09 and 2020/21, government spent R2.4 million towards EMIA. As demonstrated on the figure below, total expenditure fluctuated throughout the period.

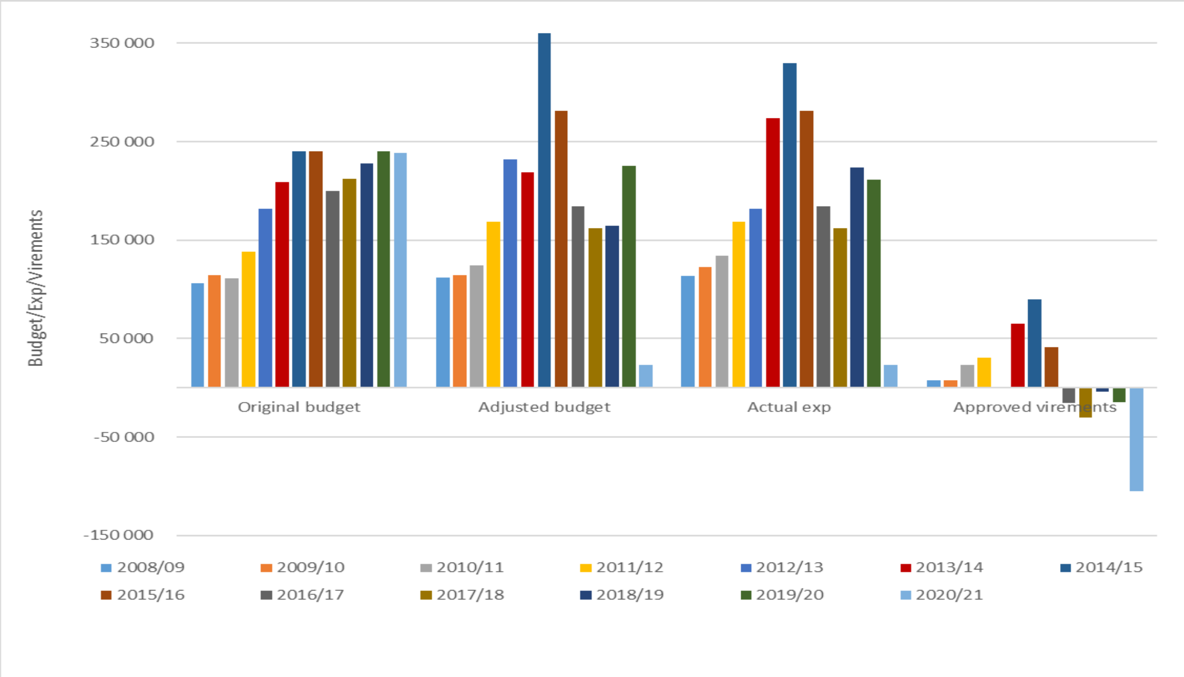
Figure 8: Expenditure on EMIA



Source: Vulindlela and National Treasury AENE database

The highest expenditure of R329.5 million occurred in 2014/15. Worth noting is that this expenditure since 2015/16 happened at the back of government allocating a significantly higher budget to the programme when compared to the final expenditure amounts. Due to under expenditure, the programme is marked with a history of funds being shifted to other programmes. A question arises on what drives under expenditure and why the department has not addressed the causes? Furthermore, why does the government continue to over budget to a programme that may be deemed as not having capacity to spend?

Figure 9: Original Budget vs actual expenditure and virements approved per year

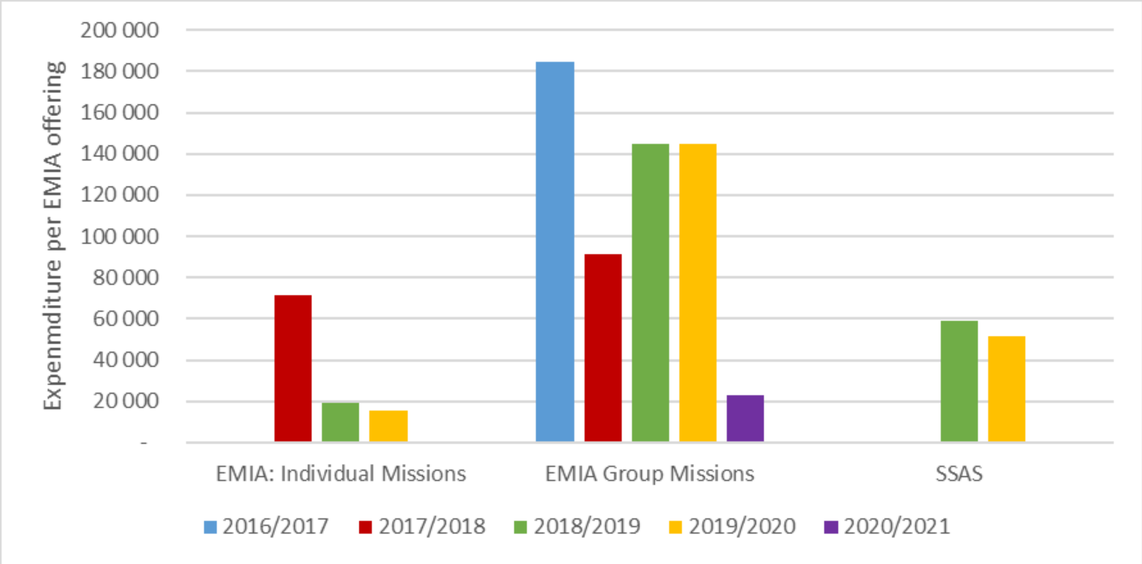


Source: National Treasury own calculations based on Vulindlela data

From 2008/09 to 2014/15, virements were effected towards the programme. On the contrary, funds were shifted from EMIA every year since 2015/16. However, the significant virement in 2020/21 is attributed to reduced activities due to COVID-19. It is likely that in the future trade missions will be conducted online, hence expenditure on this programme may decrease in the future. However, the department and companies may incur significant expenditure on IT to develop systems that will enable them to participate online.

The expenditure above, is split between the sector specific assistance scheme, individual and group missions. The biggest proportion of expenditure is under EMIA: group missions which constituted 73 per cent of total expenditure between 2016/17 and 2020/21. The sector specific assistance scheme and individual missions accounted for 13.7 per cent and 13.2 per cent, respectively.

Figure 10: Spending per components of EMIA



Source: Vulindlela

5 Performance analysis

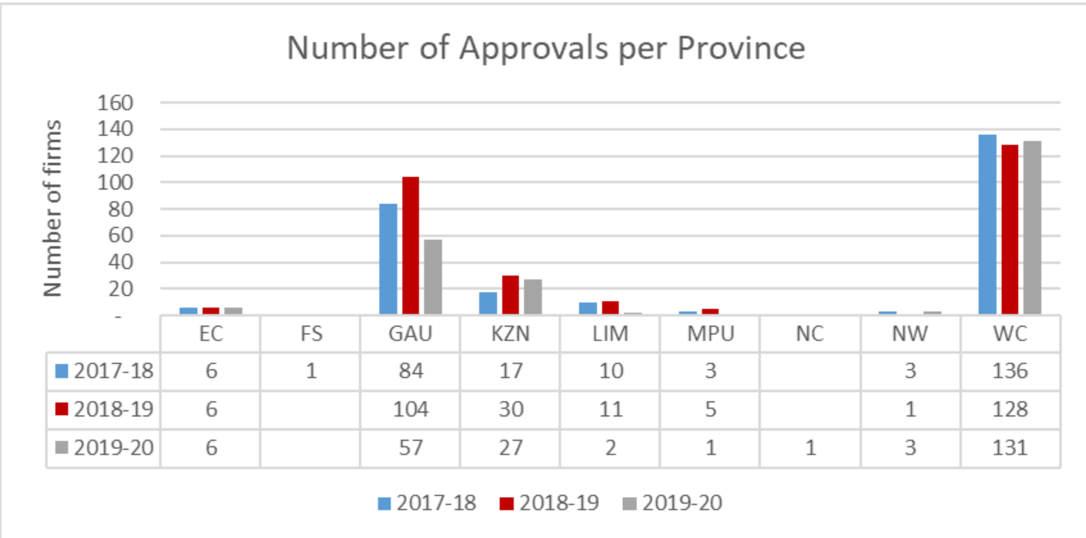
This section uses the information and datasets received from the DTIC to analyse the performance of the EMIA programme. It examines the approvals by type of EMIA incentive and the claim value. These numbers do not necessarily add up to the total expenditure captured in BAS but are nonetheless useful in understanding the performance of the EMIA programme.

5.1 Individual missions

5.1.1 Number of approvals

The total number of approvals increased from 260 in 2017/18 to 285 in 2018/19. The approvals declined to 228 in 2019/20, this may be due to the COVID-19 pandemic which had cancelled many trade shows. In terms of approvals per provinces, the approvals are mainly in Western Cape, Gauteng and KwaZulu-Natal. While Free State and North West were the lowest approved provinces. This is demonstrated in the figure below.

Figure 11: Number of approvals through individual mission



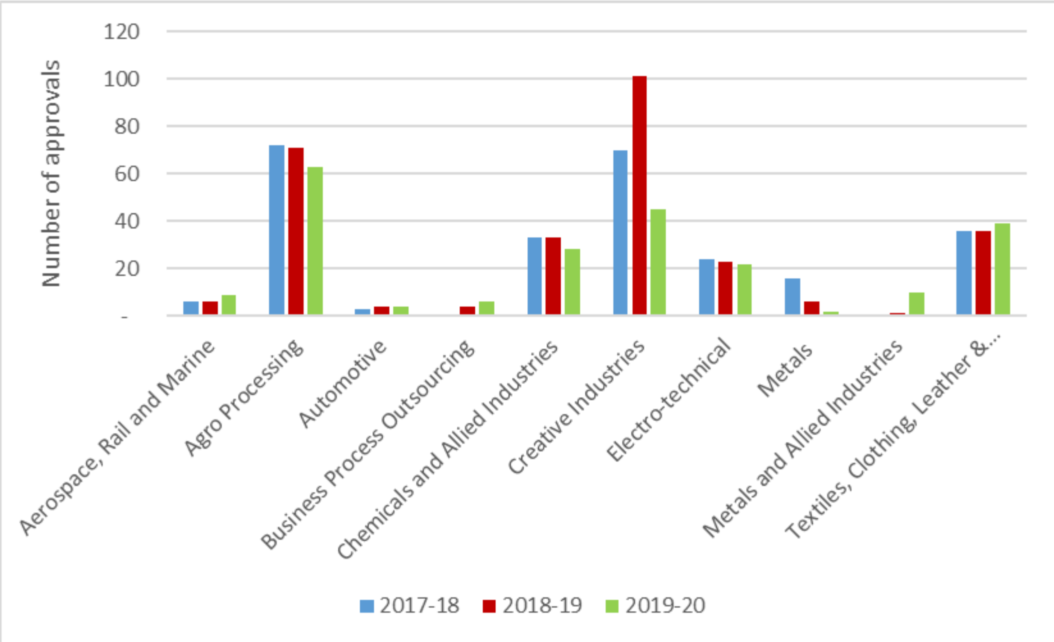
Source: Department of Trade, Industry and Competition

The high concentration of applications mainly in Western Cape and Gauteng points to the need to develop strategies to promote exports in all regions of the country. However, this is also aligned to the general distribution of industrial activity and economic dispersion by each province.

5.1.2 Number of approvals per sector

The creative sector constituted 27.9 per cent of the total approvals, followed by agro processing which contributed 26.6 per cent, the textiles, clothing, leather & footwear was 14.4 per cent and chemicals were 12.2 per cent. These three sectors constituted 81.1 per cent of total approvals, which demonstrates a high level of concentration. Figure below illustrates the number of approvals per year.

Figure 12: Sectoral distribution of approvals



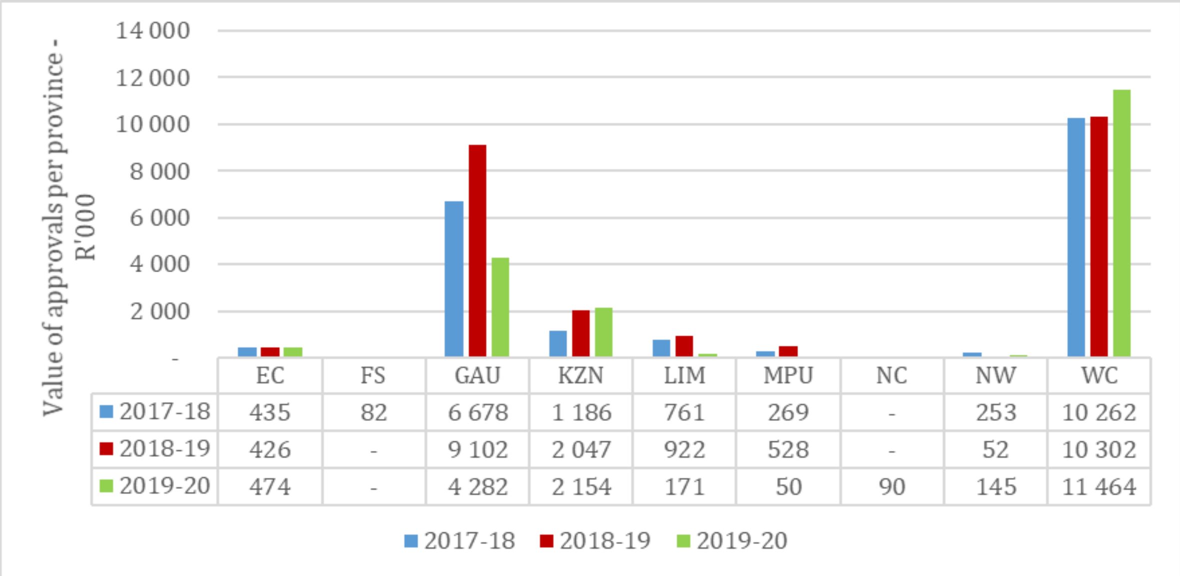
Source: The Department of Trade, Industry and Competition

While the department expressed that the incentive is open to as many sectors as possible, the high level of concentration is concerning as it implies that the incentive is suited to a few sectors. There is a need to diversify the export portfolio to make an impact on export development and promotion. However it is worth noting that sectoral participation differs per province. For instance, the creative industries constituted 53.2 per cent of the approvals, in KwaZulu-Natal, the textiles, clothing, leather and footwear approvals contributed 23 per cent while agro processing approvals were 44.3 per cent in Western Cape. While it is argued that the incentive is demand driven, it is worthwhile to examine low uptake from the other sectors. Could it be due to the design or incentive offerings that are not suitable for the other sectors? There is a need for the department to understand the drivers for low uptake in other provinces and sectors to increase uptake.

5.1.3 Value of approvals province

Under the individual missions EMIA offering, the value of approvals was R62.1 million between 2017/18 and 2019/20. The value slightly decreased from a high of R19.9 million to R18.8 million over the same period. Of the total value approved, R32.02 million were in Western Cape and R20.1 million in Gauteng. Meanwhile, Free State, North West, Mpumalanga and Northern Cape approved values for all mentioned provinces was R1.5 million.

Figure 13: Distribution of approvals by province



	EC	FS	GAU	KZN	LIM	MPU	NC	NW	WC
2017-18	435	82	6 678	1 186	761	269	-	253	10 262
2018-19	426	-	9 102	2 047	922	528	-	52	10 302
2019-20	474	-	4 282	2 154	171	50	90	145	11 464

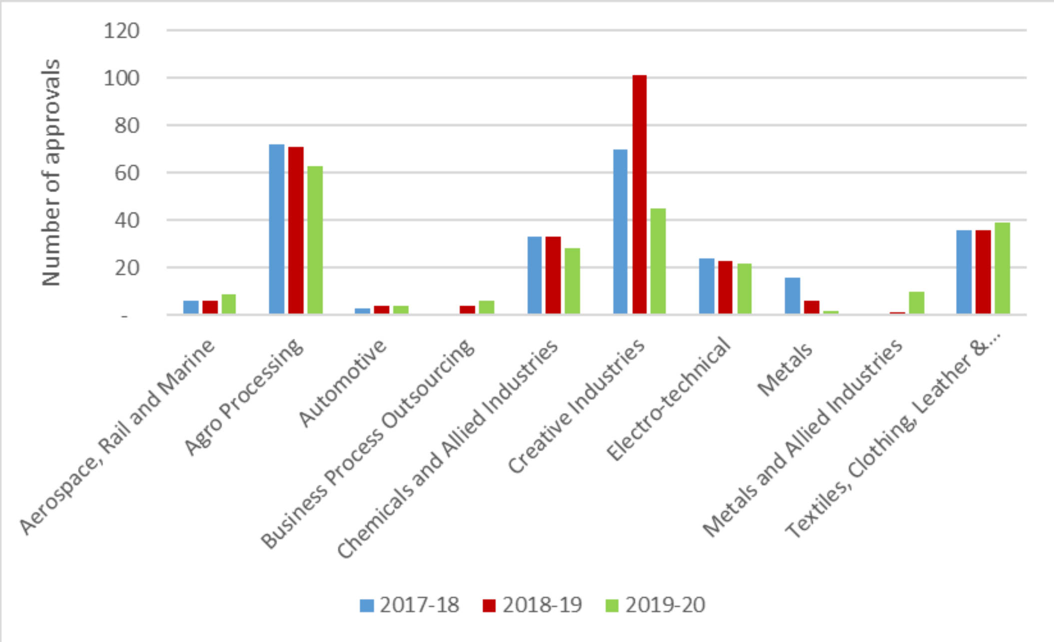
Source: Department of Trade, Industry and Competition

Considering that most approvals are concentrated in Western Cape, Gauteng and KwaZulu-Natal, one asks the question whether the DTIC has an export development strategy tailored for individual provinces. There may be a need to identify events that are aligned to the comparative advantages of the provinces to spread export development and promotion across the country. However, the department indicated that when evaluating applications for funding, it also prioritises under represented provinces.

5.1.4 Approvals per sector

About 27 per cent and 28 per cent of the approvals were within the agro processing and chemicals and allied industries respectively. While automotive, aerospace, rail and marine and metals and allied industries have the lowest approval rates amongst sectors. The number of approvals per sector were as illustrated in the diagram below.

Figure 14: Number of approvals by sectors



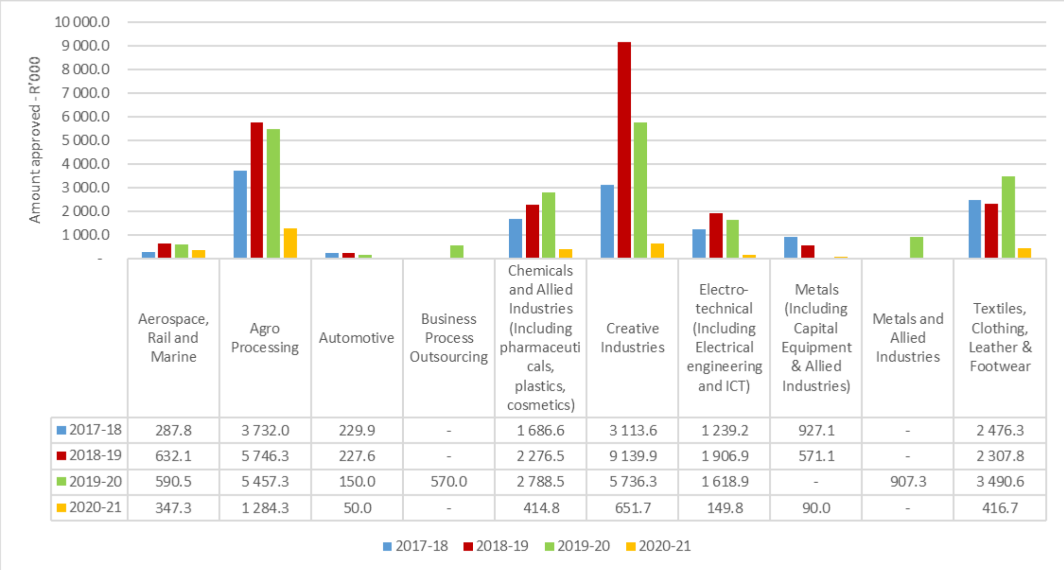
Source: NT calculations

It appears that the number of approvals gently declines in sectors such as agro processing, chemicals, electro-technical and metals. Under the creative industries, the number of approvals rather fluctuated with a significant spike in 2018/19. Although approvals under the aerospace, rail and marine, automotive, business outsourcing is relatively low, they seem to be increasing.

5.1.5 Value of approvals per sector

Total value of approvals was R62.1 million. Total amount approved per year increased from R13.7 million in 2017/18 to R22.8 million in 2018/19 and declined thereafter. Creative industry and agro processing sectors constituted 57 per cent or R34.9 million (R18.6 million and R16.2 million) of the amount approved. Distribution of approvals per sector were as illustrated in the figure below.

Figure 15: Distribution of approvals by sector



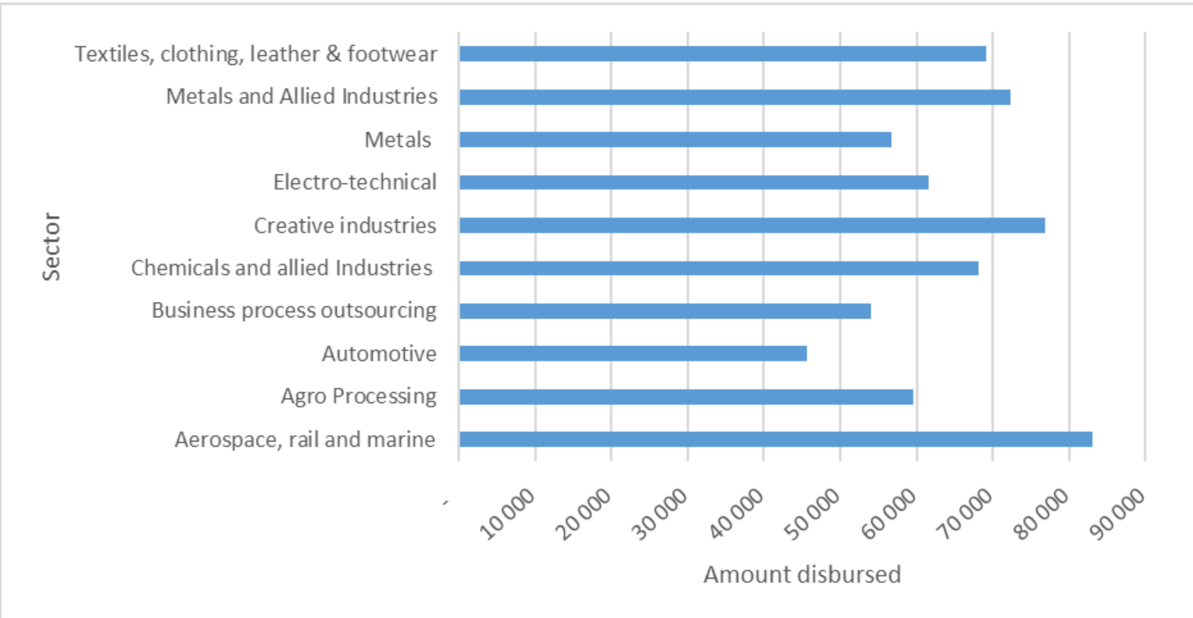
	Aerospace, Rail and Marine	Agro Processing	Automotive	Business Process Outsourcing	Chemicals and Allied Industries (Including pharmaceuticals, plastics, cosmetics)	Creative Industries	Electro-technical (Including Electrical engineering and ICT)	Metals (Including Capital Equipment & Allied Industries)	Metals and Allied Industries	Textiles, Clothing, Leather & Footwear
2017-18	287.8	3 732.0	229.9	-	1 686.6	3 113.6	1 239.2	927.1	-	2 476.3
2018-19	632.1	5 746.3	227.6	-	2 276.5	9 139.9	1 906.9	571.1	-	2 307.8
2019-20	590.5	5 457.3	150.0	570.0	2 788.5	5 736.3	1 618.9	-	907.3	3 490.6
2020-21	347.3	1 284.3	50.0	-	414.8	651.7	149.8	90.0	-	416.7

Source: Department of Trade, Industry and Competition

5.1.6 *Average disbursement by Sector*

Overall, the total average disbursement by sector under individual missions was R67.5 million. Although the creative sector, agro processing, the clothing and textile, and chemicals sectors constituted the biggest proportion of disbursements, the average amount disbursed were lower than for the aerospace, rail and marine sector. The high average disbursement within the aerospace, rail and marine sector could be demonstrating that it is costly to conduct international marketing in the sector. This is demonstrated on the figure below.

Figure 16: Average disbursement by sector

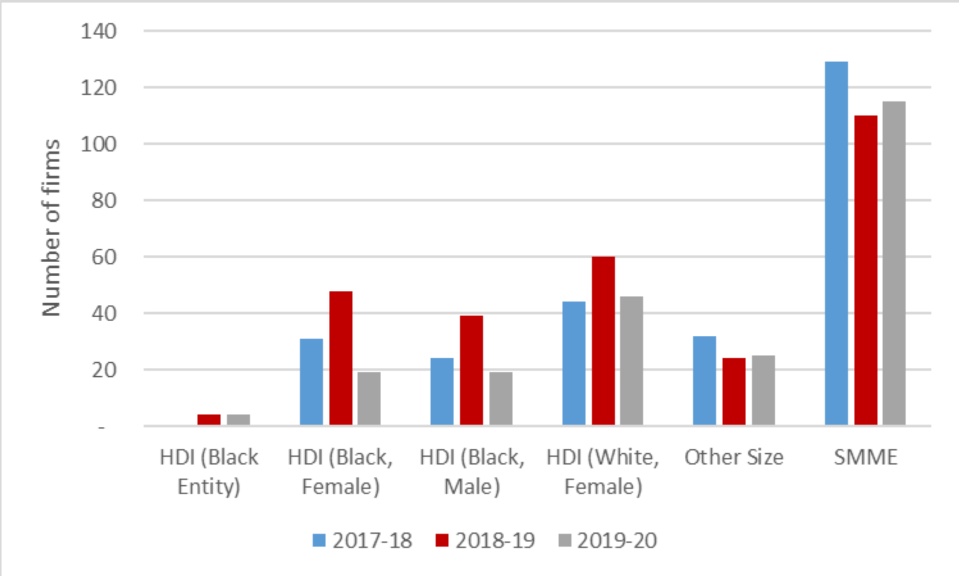


Source: Department of Trade, Industry and Competition

5.1.7 Approvals by type of company for each year

From approved applications, the approvals were mainly to small and medium enterprises, historically disadvantaged individuals (HDI) (White, Female) and HDI (Black, Female) they constituted 354, 150 and 98 approvals respectively. While HDI (Black Entity) constituted only 8 approvals.

Figure 17: Number of approvals by type of company



Source: Department of Trade, Industry and Competition

5.1.8 Value of export sales by EMIA beneficiaries

Under this section, assessment is carried out to determine the extent to which exports generated by the beneficiaries can be attributed to financial support provided. In terms of the programme, the beneficiaries are expected to report exports sales realised at the event and six months after the event. While sales at the event can be directly attributed to participating at the event as subsidised through EMIA. On the other hand, sales reported six months after the event could be attributed to other factors.

The total value of exports sales realised at the event and six months post the event amounts to R1.2 billion. This is compared to R52.1 million in claims paid to enable firms to participate at the different export promotion events. For sales made at the event, it shows that the return on investment was 4.8 implying that for every rand disbursed under the incentive, it generated R4.8 in exports. This can be directly attributed to EMIA which enabled the companies to participate and realise sales at the events.

On the other hand, exports reported by companies six months after the event amounted to R949.8 million, this resulted in a return on investment of 18.2. Overall, with total exports of R1.2 billion, the return on investment was 23.04. While one can state that for every Rand paid under individual missions, it generates R23.04 in exports return, this should be treated with caution as exports realised after the event may not be entirely attributed to EMIA. The table below compares disbursements to exports.

Table 3: Return on investment

Sector	Incentive paid	Export sales at Event	Export sales after 6 months	Total exports	ROI @ the event	ROI on sales 6 months after	Total ROI
Aerospace, Rail and Marine	1 743 158	93 215 000	87 631 695	180 846 695	53.5	50.3	103.7
Agro Processing	12 283 699	48 639 545	271 834 474	320 474 019	4.0	22.1	26.1
Automotive	502 722	-	-	-	0.0	0.0	0.0
Business Process Outsourcing	540 880	-	-	-	0.0	0.0	0.0
Chemicals and Allied Industries (Including pharmaceuticals, plastics, cosmetics)	6 408 010	86 781 519	194 599 691	281 381 210	13.5	30.4	43.9
Creative Industries	16 604 544	13 975 265	84 200 179	98 175 444	0.8	5.1	5.9
Electro-technical (Including Electrical engineering and ICT)	4 250 779	800 094	267 379 569	268 179 662	0.2	62.9	63.1
Metals (Including Capital Equipment & Allied Industries)	1 360 732	28 900	13 573 070	13 601 970	0.0	10.0	10.0
Metals and Allied Industries	795 561	79 187	6 203 339	6 282 526	0.1	7.8	7.9
Textiles, Clothing, Leather & Footwear	7 669 891	8 611 308	24 379 771	32 991 079	1.1	3.2	4.3
Total	**52 159 976**	**252 130 818**	**949 801 787**	**1 201 932 605**	**4.8**	**18.2**	**23.0**

Source: The Department of Trade, Industry and Competition

Although the overall return on investment cannot be entirely linked to EMIA, the above table demonstrates that investing in export marketing can result in a positive return. From the data that was provided by the department, there appears to be huge underreporting on exports sales. About 150 firms that received EMIA support had no export sales figures. Of these firms, there were four companies that benefited more than once which implies that most firms with no exports records only benefited once. The table below illustrates the number of times that the four firms benefited and the value of their claims.

Table 4: Firms that benefited more than once with no exports reported

Company	Amount paid	Number of claims paid
Alfred Teves Brake Systems (Pty) Ltd	350 000	7
Capturevate Productions CC	143 474	4
Fireworx Media (Pty) Ltd	224 388	5
Impromptu Marketing CC	311 069	4
Lammershoek Farms & Winery	337 493	5

Source: The Department of Trade, Industry and Competition

Potentially, there are two reasons for no exports data. The first is that the exports sales figures provided by the department are based on a questionnaire that beneficiaries send back to the department six months after the event. In the questionnaire, the companies report on different aspects including total exports sales realised. Some firms might not have reported back to the department even though they may have made export sales. Second possibility is that no exports sales could have been generated. If the value of exports sales is underreported, it therefore implies that the return on EMIA individual incentive is greater than R23.04 making it a good programme. However, this should be interpreted with caution as exports sales could have been driven by other factors other than participating at the events. On the other hand, it is worth mentioning that beneficiaries that fail to comply with the reporting requirements are suspended from applying for EMIA incentives for a period of two years.

5.1.9 Average lead time for reimbursement

This section compares the time taken from the date of approval to the date when payment is made. In general, it takes an average of five months from the time of approval to disbursement date. In most cases, applicant apply for funding in advance and only claim after the event hence, the long lead time. On the other hand, the lead time between the date of the event date of disbursement is three months. The table below illustrates the two categories of lead time.

Table 5: Lead times

Sector	Average of Leadtime in months (Approval to disbursement)	Average of Lead time (Month of event to Payment)
Aerospace, Rail and Marine	4	3
Agro Processing	6	4
Automotive	5	3
Business Process Outsourcing	5	4
Chemicals and Allied Industries (Including pharmaceuticals, plastics, cosmetics)	5	3
Creative Industries	4	2
Electro-technical (Including Electrical engineering and ICT)	5	4
Metals (Including Capital Equipment & Allied Industries)	5	4
Metals and Allied Industries	5	4
Textiles, Clothing, Leather & Footwear	5	3
Total	**5**	**3**

Source: Own calculations based on data from Department of Trade, Industry and Competition

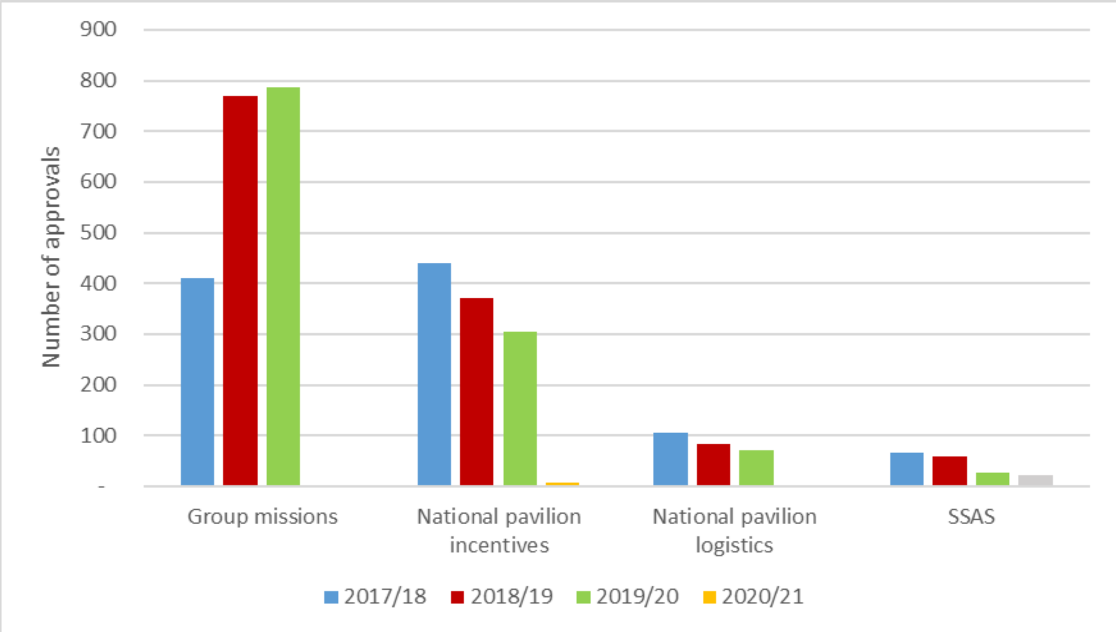
While noting the average lead-time of five months, a number of approvals where made prior to event date. An appropriate lead time is from date when a claim is received by the department to the date of payment. However, the data provided by the department does not show the date when a claim was submitted. The department stated that disbursements can either me made in advance or post the event. In respect to post the event, this is part of the department's due diligence measures which ensure that companies must commit own funding first and claim thereafter. In terms of the guidelines, the department is required to finalise evaluation of claims within 20 days and effect payment of the claim within 10 days thereafter. This turnaround time could not be tested as the dataset provided by the department does not include the date when a claim was received. However, based on the lead-time illustrated on the table above, if ever it is true, the implication is that the applicants' cash flows may be severely affected considering that most applicants are smaller businesses which may not have sufficient cash balances.

5.2 EMIA: Group Missions

5.2.1 Number of approvals

The department granted 3 522 approvals under the group missions offering during the period 2017/18 to 2020/21. These were approved under four components namely group missions national pavilion incentives, national pavilion logistics and sector specific assistance scheme. The categories constituted 55.8 per cent, 31.9 per cent, 7.3 per cent and 4.9 per cent, respectively. The figure below shown the trends per category over the period under review.

Figure 18: number of approvals per category of Group Missions



Source: Department of Trade, Industry and Competition

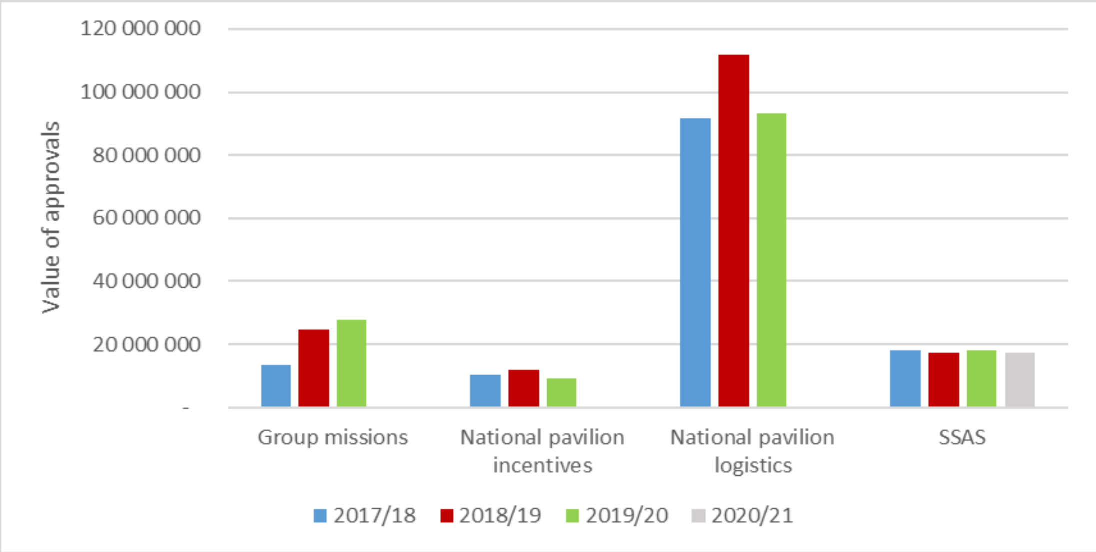
While approvals under the group missions increased significantly between 2017/18 and 2019/20, approvals in the other categories have been declining. This was attributed to high volume of applications being rejected due failure tom meet requirements. The department explained that it has been too critical when assessing applications and due to the strict due diligence, many firms failed to qualify. It was explained that in some instances, the rejection rate is closer to 50 per cent. In 2020/21, only 30 approvals were granted mainly under the sector specific assistance scheme.

5.2.2 Value of approvals

The total value of approvals under the group offerings was R464.9 million of which national pavilion logistics constituted 63.9 per cent. The national pavilion logistics costs include costs for transporting samples, stand building and space rental. Based on the figure below, it may be argued that transporting samples and space rentals are significant cost drivers for international marketing. In the guidelines, the department appoints a freight forwarder and pays certain costs relating to the consolidation of exhibition material and the transport thereof from the point of consolidation to the exhibition and back to the consolidation point in South Africa. It is also responsible for the freight costs of display material up to a maximum of 2 000kg or 3 cubic meters, and in certain cases, freight costs exceeding the limits permitted in the guideline may be approved.

The figure below illustrates the value of approvals per category.

Figure 19: Value of approvals per category of Group Missions

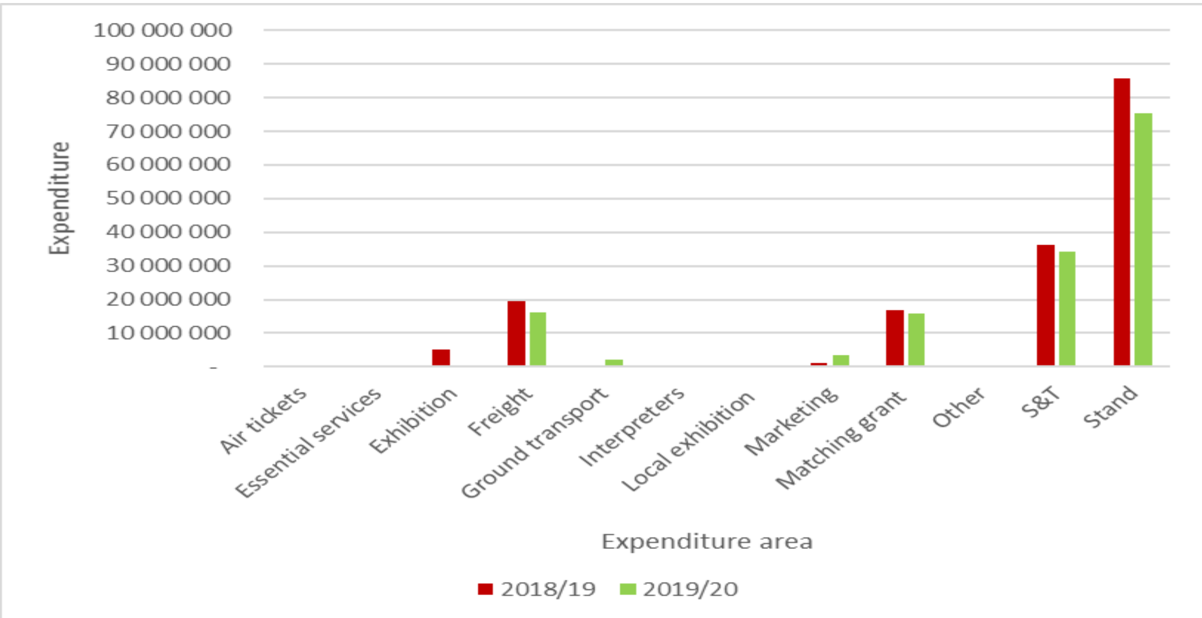


Source: The Department of Trade, Industry and Competition

The value of approvals under the Group Mission incentives grew at an average annual rate of 44.8 per cent between 2017/18 and 2019/20. The significant growth is attributed to increase in business engagements arranged as part of the Presidential and Ministerial investment and trade missions. On the contrary, total value of approvals for national pavilion incentives and the sector specific assistance scheme declined marginally. In 2020/21, approvals were only granted under the sector specific assistance scheme.

Based on data for 2018/19 and 2019/20, approvals on stand (stand building and space rental) was 61.2 per cent of total approvals followed by subsistence and travel at 27.9 per cent, freight at 11.4 per cent while the matching grant was 10.4 per cent. In 2020/21, the only approval was R17.3 million towards travel and subsistence. The figure below illustrates the approvals over the two-year period.

Figure 20: Approval by spending item



Source: Department of Trade, Industry and Competition

As already explained above, the significant proportion of approvals being for stand building and space rental coupled with cost of transporting samples, it appears that these are the areas that require more significant subsidisation.

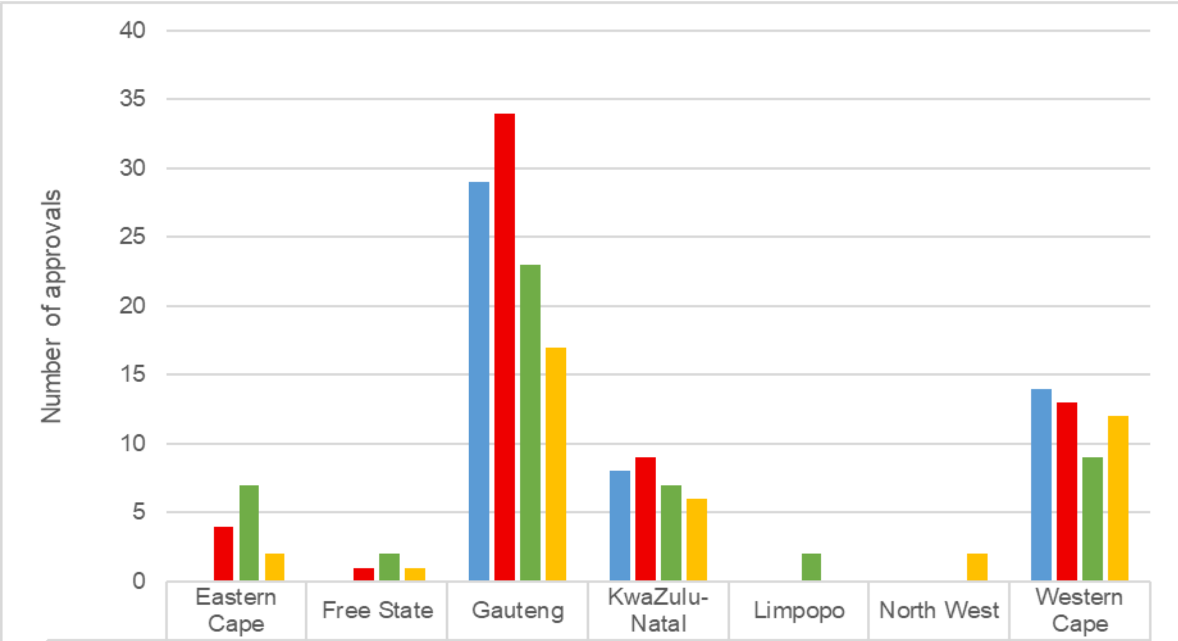
Although the desire would have been to compare export performance against the incentive support provided, the department was unable to provide this data.

5.3 Sector Specific Assistance Scheme

5.3.1 Number of approvals

Under SSAS, financial assistance is provided through export councils, joint action groups or and industry associations. The department has indicated that no approvals were granted after March 2020. Over the period 2017/18 to 2019/20, 151 bodies/coordinators applied under this offering. These were distributed as illustrated below.

Figure 21: Number of coordinators through SASS



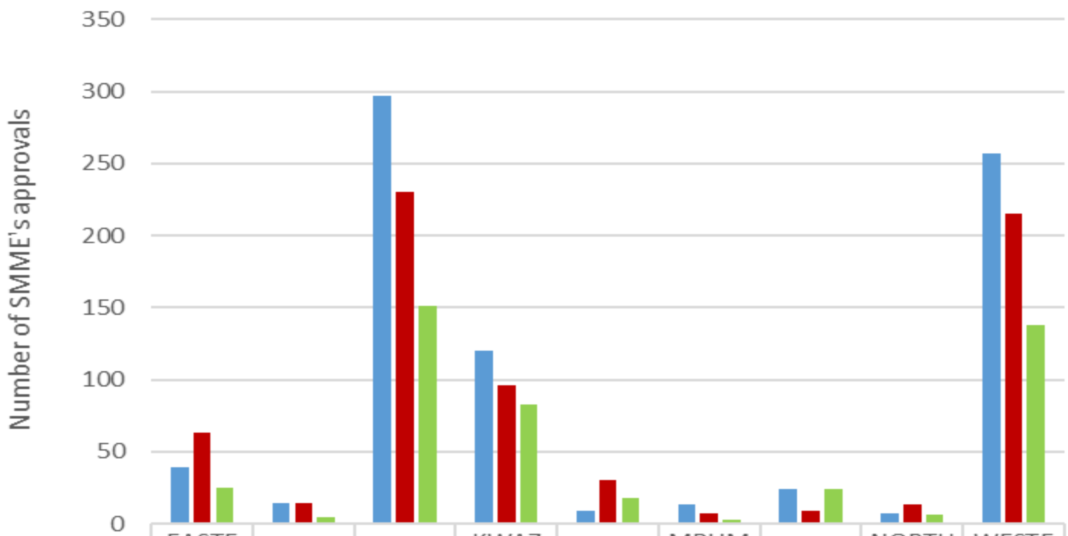
	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	North West	Western Cape
2016/17			29	8			14
2017/18	4	1	34	9			13
2018/19	7	2	23	7	2		9
2019/20	2	1	17	6		2	12

Source: Department of Trade, Industry and Competition

The total number of approvals declined from a high of 61 in 2017/18 to 40 in 2019/20. In terms of spatial distribution, the approvals were mainly concentrated in Gauteng, Western Cape, and KwaZulu-Natal. These three provinces constitute 49 per cent, 22.5 per cent and 14.6 per cent of total approvals granted which totals 86.1 per cent. While the three provinces still dominate, there number of applicants are higher in Gauteng than in Western Cape province contrary to the scenario under individual missions. The concern is low or no participation at all for some provinces such as Free State, North West, Northern Cape and Mpumalanga. The DTIC may need to also target growing exports in these provinces based on comparative advantages for specific provinces. There was a visible decline in the number of applicants in provinces such as Gauteng Western Cape and KwaZulu-Natal. Similar to individual missions, the decline is mainly attributed to strict due diligence when assessing applications resulting in high rejection rate.

A total 1 909 SMEs were supported under SSAS of which 35.5 per cent were in Gauteng, 31.9 per cent in Western Cape and 15.6 per cent in KwaZulu-Natal. The overall distribution is illustrated in the figure below.

Figure 22: Number of SMEs approved under SSAS



	EASTERN CAPE	FREE STATE	GAUTENG	KWAZULU-NATAL	LIMPOPO	MPUMALANGA	NORTH WEST	NORTHERN CAPE	WESTERN CAPE
2017/18	39	14	297	120	9	13	24	7	257
2018/19	63	14	230	96	30	7	9	13	215
2019/20	25	4	151	83	18	3	24	6	138

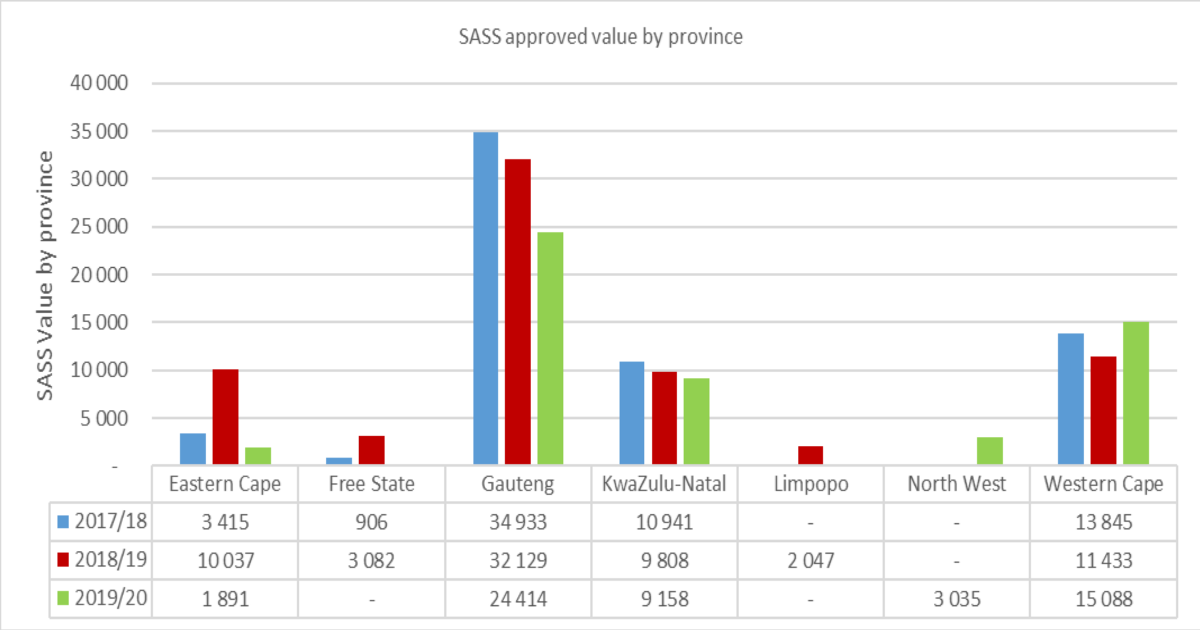
Source: Department of Trade, Industry and Competition

As demonstrated on the figure above, there was a low number of approvals in other provinces. The question is what are the relevant stakeholders doing to grow SME exporters in these provinces? The decrease in the number approvals across provinces is attributed to strict due diligence when assessing applications resulting in high rejection rate.

5.3.2 Value of approvals

The total value of approvals was R186.2 million. Like the scenario reflected above, the value approved each year declined from R64 million in 2017/18 to R53.6 million in 2019/20. Distribution of approvals per provinces were as illustrated in the figure below.

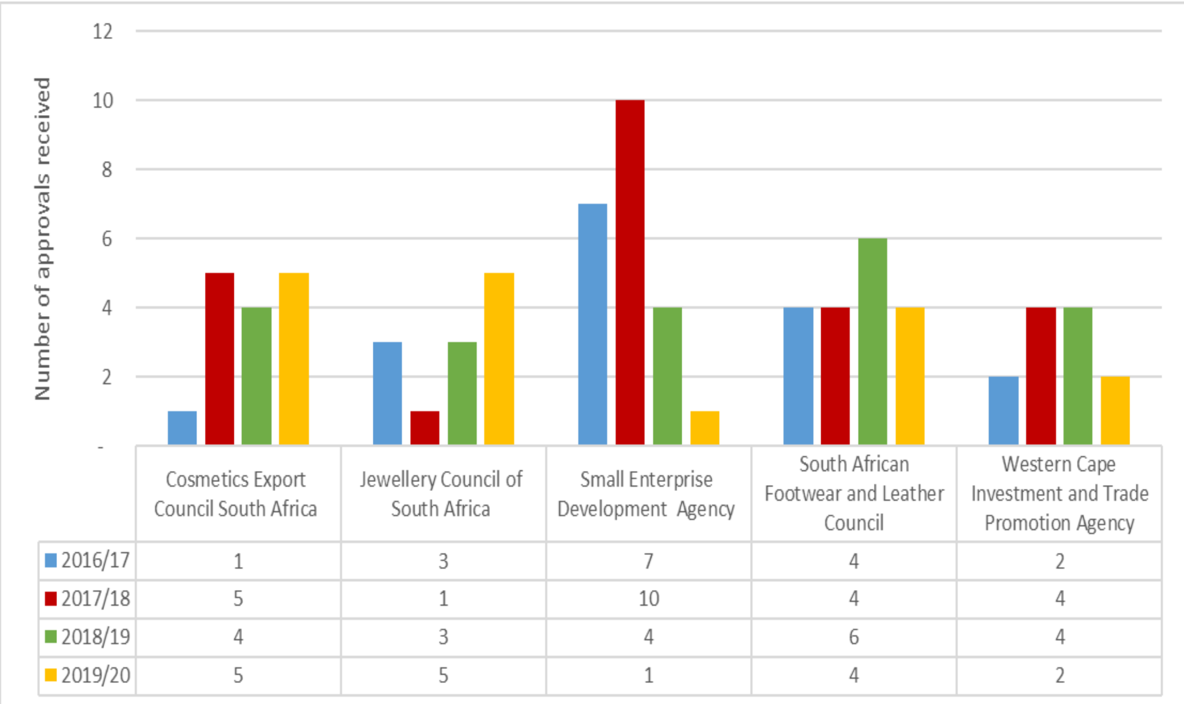
Figure 23: Value of approvals by province



Source: Department of Trade, Industry and Competition

The three provinces, KwaZulu-Natal, Gauteng, Western Cape and account for 90.6 per cent of the approvals. Individually, each account for 41.3 per cent, 18.8 per cent and 8.3 per cent, respectively. The high concentration of approvals in these provinces raises concern on the approach to develop exporters and promote exports in each region.

Figure 24: Applicants that received most approvals



Source: Department of Trade, Industry and Competition

Similarly, South African Footwear and Leather Council received R18.3 million to coordinate participation at 14 events. Small Enterprise Development Agency received R17.2 million to coordinate 15 events which include the China International SME fair, China Mining Congress and Expo, Decorex, Food East Africa, Gitex technology week and start up movement, Investing in Africa Mining Indaba and Torino fashion week, among others. The Cosmetics Export Council South Africa (received) financial assistance to coordinate 14 events. It is observed that participation in most events was just once. Only in a few where approvals were granted in the following years. This raises the question about how participation at these events is used as market entry strategy. Although the DTIC states that it does not fund follow-up meetings, there may be a need to re-examine this stance in relation to its impact to supporting new market entry.

Of the approved applications, 3 184 claims were paid amounting to R165.8 million. It is worth mentioning that the applicants referred to above, did not receive the full approved amounts. However, some applicants amount claimed was higher than approved in a particular year as shown on table below.

Table 6: Approved amount vs claim amount

Applicant	2017/18		2018/19		2019/20		Grand Total	
	Amount approved	Amount claimed	Amount approved	Amount claimed	Amount approved	Amount claimed	Amount approved	Amount claimed
Cosmetics Export Council South Africa	5 458 769	4 768 496	5 683 499	7 528 173	7 102 156	5 212 928	18 244 424	17 509 597
Jewellery Council of South Africa	479 776	-	4 496 349	4 632 128	7 714 079	7 358 025	12 690 204	11 990 153
Small Enterprise Development Agency	10 379 183	3 552 800	5 762 853	3 228 582	1 505 300	1 395 489	17 150 513	8 176 871
South African Footwear and Leather Export Council	4 764 139	4 193 253	8 512 463	4 600 754	6 007 302	8 875 108	19 283 904	17 669 115
Western Cape Investment and Trade Promotion Agency	4 125 189	2 517 832	5 301 864	4 845 640	1 711 270	3 425 258	11 138 323	10 788 730
Grand Total	25 207 056	15 032 381	29 757 029	24 835 277	24 040 107	26 266 807	78 507 368	66 134 465
Amount claimed as % of approved amount		**59.6%**		**83.5%**		**109.3%**		**84.2%**

Source: Department of Trade, Industry and Competition

In 2019/20, amounts claimed by the South African Footwear and Leather Export Council and Western Cape Investment and Trade Promotion Agency were higher than approved. The DTIC needs to clarify what transpired on these two. For the South African Footwear and Leather Export Council, this relates to the Footwear and Leather show Australia.

The DTIC does not track performance for beneficiaries of SSAS. This component of the programme is coordinated through export councils or associations. Although the department has information of the beneficiary firms supported under this incentive, there is no other performance information that is collected even on exports sales. During engagements, the programme managers clarified that SSAS is an emerging exporter incentive and that the profile of applications approved and funded across sectors, enterprise types and their ownership are more important as opposed to export sales.

6 Conclusions

6.1 Expenditure pattern

Between 2008/09 and 2014/15, the department consistently shifts money towards the exports marketing and investment assistance programme on a yearly basis. However, since 2015/16, funds were shifted from the programme. It appears that uptake has declined since 2015/16. Virements could be driven by low participation on the programme, basically demonstrating that the incentive is demand driven. This is aligned to the lower number of approvals granted in the majority of provinces. Considering that this has been happening over the years, it appears that the department continued to allocate funds to the programme without considering capacity to spend.

Due to limited data collection and inconsistencies in the data available, we could not do detailed expenditure review in relation to the exact expenditure areas which the incentive covers. This includes areas such as air tickets, accommodation, freight for samples, venue hiring and mission brochure among others. Such data is not consistently captured when payments are made in the Basic Accounting System or LOGIS and therefore makes it difficult to analyse the spending areas. There is a need to data consistency.

6.2 Individual missions

Generally, the number of approvals are skewed towards Western Cape, Gauteng, and KwaZulu-Natal provinces. Approvals from these provinces amounted to 51.1 per cent, 31.7 per cent and 9.6 per cent, respectively. The skewness could be attributed to the distribution of industrial or economic activities in the provinces when compared to others.

Similarly, over the same period, disbursements were mainly dominated by companies that are in the creative industry, agro processing, clothing and textile and the chemical sectors. The creative sector constituted 27.9 per cent of the total approvals, followed by agro processing which contributed 26.6 per cent, and the textiles, clothing, leather & footwear was 14.4 per cent and chemicals were 12.2 per cent. These three sectors constituted 81.169 per cent of total approvals.

The skewed uptake by sectors implies that the incentive is suited for some sectors when compared to others. In view of this, a consideration can be made for the department to assess reasons for the low uptake in other sectors and redesign the programme accordingly.

Based on the above, it can be argued that the programme is demand driven and low demand that is skewed towards three provinces, if not two, contributed to low uptake which prompted the department to shift unspent funds to other areas.

Despite the shifts, the exports sales at the event amounted R4.8 for every Rand paid in incentives. When compared to total exports sales reported by the beneficiaries six months after the events, there was a return on investment of R23.04. However, the actual relationship between total return on investment and total exports generated has not been established. There is a need to establish whether exports generated after the events could have resulted from participating at the events. The department needs to develop a methodology that can assist in determining the link between exports generated and the incentive provided through

EMIA. Based on current data, there could be other reasons for the exports sales post the marketing events apart from marketing support provided through EMIA.

The average lead time between approval and payment of claims was five months. On the other hand, the lead time between the date of the event and claim payment was three months. While noting the average lead-time of three and five months, an appropriate lead time is the date when a claim is received by the department to the date of payment. However, the data provided by the department does not have the date when a claim was submitted. As such, no conclusion could be made about the department's turnaround time for finalising evaluation of claims within 20 days and effect payment of the claim within 10 days thereafter. The department needs to record the date when claims are received in order to test efficiency in the processing of claims.

Previously, the DTIC has not been tracking firm specific performance apart from indicators such as firms supported; exports generated, and number of jobs created; among others.

6.3 Sector Specific Assistance Scheme

The department does not track performance of firms supported under the Sector Specific Assistance Scheme in terms of exports. Rather, the department assesses performance in terms of emerging exporters that have participated on the programme. As a result, it is not clear how the department assesses the success of the incentive offering by merely looking at the profile of applications approved and funded across sectors, enterprise types and their ownership. It would be critical to also test the capability to generate and sustain exports for these firms.

Similar to individual participation, approvals under this offering were also dominated by three provinces, Gauteng, KwaZulu-Natal, and Western Cape. However, the number of approvals declined over the period, 2017/18 to 2019/20. The decrease is attributed to strict due diligence when assessing applications resulting in high rejection rate.

6.4 Group missions

Under this category, most approvals were granted for pavilion logistics which includes stand building and space rental followed by transportation of samples. It appears that these are the areas that participants need support to directed towards.

7 Recommendations

The manner in which expenditure data is captured on the Basic Accounting System and LOGIS does not permit detailed spending reviews to be conducted. Expenditure data from Vulindlela is at a very high level so much that it is difficult to assess the different spending areas that are funded such as air tickets, accommodation, transporting of samples, stand building, space rental, travel and subsistence. The quality of information does not enable one to conduct cost modelling. It is recommended that the department should capture every detail of expenditure as required when processing payments through the Basic Accounting System. If expenditure is captured correctly, this will allow detailed expenditure analysis which helps decision making in the redesign of interventions that may be required.

Similarly, current performance of the programme is focused on tracking and collecting export data from beneficiaries only up to six months after the event. Based on the incomplete data available, it appears that for every R1 spent on individual missions, it resulted in R4.8 in exports sales at the event. Based on exports reported six months after the event, the return on investment was R18.2. However, it is difficult to assess the extent to which the incentive programme assists firms to be sustainable exporters and penetrate new markets. Due to limited data, it is not possible to make conclusions with respect to impact of EMIA on exports generated after the events. Current data collection method does not create room to measure relationship between exports generated and incentive received. The department should develop a system that allows beneficiaries to indicate whether exports generated after the event have resulted from deals initiated or concluded at the events that were supported through EMIA.

The department has a responsibility to promote and diversify exports across the country. However, uptake of EMIA incentives appears to be the skewed towards Gauteng, Western Cape and KwaZulu-Natal as well as certain sectors such as agro processing, creative industries, clothing and textile and chemicals. While an argument is that that uptake is demand driven, there is a need to determine the causes of low uptake from other provinces and other sectors. Increasing uptake in other provinces and sectors can have positive impact on export growth.

Due to low uptake, funds are shifted from EMIA annually. This has been going on for many years. At the same time, the department has not been taking bold steps to align the budget and the programme’s capacity to spend over the years. With the advent of the COVID-19 pandemic which has introduced new forms of conducting exhibitions, physical participation will decline in the medium term. While the department has proposed to shift funds from EMIA to other programmes over the 2022 MTEF, the department needs to further realign the budget based on the programme’s uptake.

A number of companies benefited from the incentive more than once. Ironically, there was no exports reported by the same companies. Although an explanation was provided that either the companies did not export or did not export at all, it appears that no follow up was made to ascertain the exact cause. It appears that the methodology where companies complete a questionnaire and submits to the department may be viewed as onerous and therefore discourages companies from completing and submit. The department should develop an online system where information can be provided on real time with improved credibility.

Appendices

1. EMIA Logframe

IMPACT		Accelerated economic growth leading to decent employment and broader participation						
Indicator		Percentage growth in exports contribution to GDP Percentage growth in employment by exporting firms						
Frequency		Annually						
Source of data		SARS/Statistics SA/SARB						
OUTCOME	**OUTC1**	**Increase in FDI inflows**	**OUTC2**	**New export markets are developed**	**OUTC3**	**Increase in exports from priority sectors**	**OUTC4**	**Increased export product volumes**
Indicator		Volume of FDI inflow linked to firms that benefited from EMIA		Number of new exports destinations		Percentage growth export sales by firms supported		Percentage growth in export volumes by firms supported
Frequency		Annually		Annually		Annually		Annually
Source of data		UNCTAD/Statistics SA/SA Reserve Bank		SARS		SARS/Statistics SA/SA Reserve Bank		SARS/Statistics SA/SA Reserve Bank
Final Output	**FINOUT1**	**Number and value of investment deals concluded**	**FINOUT2**	**New foreign sale deals concluded**	**FINOUT3**	**IP and trademark registration**	**FINOUT4**	**Market intelligence and facilitation**
Indicator		Investment deals concluded		Number of new foreign sale deals concluded		Number of new products registered and introduced/ Number of firms participating at international marketing events (per EMIA offering)		Percentage of production earmarked for exports/Number of jobs created
Frequency		Annually		Annually		Annually		Annually
Source of data		Reports from EMIA beneficiaries		Reports from EMIA beneficiaries		CIPC		Beneficiaries of EMIA
Intermediate outputs	**INTOUT1**	**Overseas and domestic promotion / marketing events**	**INTOUT2**	**Market intelligence and facilitation**	**INTOUT3**	**Firms from priority sectors assisted through EMIA**	**INTOUT4**	**Export orders received**
Indicator		Number of international events coordinated		Number of international events participated in potential/new markets		Number of firms from priority sectors assisted through each EMIA offering		Number and volume of export orders per year
Frequency		Annually		Annually		Annually		Annually
Source of data		DTIC EMIA report		DTIC EMIA report		DTIC EMIA report		Reports from EMIA beneficiaries
Activities	**ACT1.4**	**Compile a country FDI strategy**	**ACT 2.4**	**Developing a national export strategy and export promotion strategies**	**ACT 3.4**	**Developing a national export strategy/Design appropriate intervention measure**	**ACT 4.4**	**Developing export development programmes**
Indicator		Approved FDI strategy by Cabinet		Approved national export strategy by Cabinet		Approved national export strategy by Cabinet		Approved export development programmes by the DG for DTIC
Frequency								
Source of data		DTIC						
Activities	**ACT1.3**	**Organise investment promotion events**	**ACT 2.3**	**Invite firms to participate at international investment promotion events**	**ACT 3.3**	**Design appropriate intervention measure**	**ACT 4.3**	**Design intervention measure**
Indicator		Number of investment promotion events organised/participated in		Invitations sent out to companies/Post schedule of events on the website and call for participation		List of priority sectors approved by DG/Approved measures targeting priority sectors		DG approved intervention measures
Frequency								
Source of data		DTIC		DTIC		DTIC		DTIC
Activities	**ACT1.2**	**Identify target markets**	**ACT 2.2**	**Coordinating international trade promotion event participation**	**ACT 3.2**	**Invite firms to participate at international investment promotion events**	**ACT 4.2**	**Evaluate and approve applications**
Indicator		Number of country reports produced		Confirmation of interest to participate		Invitations sent out to companies/Post schedule of events on the website and call for participation		Number of applications approved
Frequency								
Source of data		DTIC		DTIC		DTIC		DTIC
Activities	**ACT1.1**	**Invite firms to participate at international investment promotion events**	**ACT 2.1**	**Identify target markets**	**ACT 3.1**	**Advertise the programmes to the market**	**ACT 4.1**	**Disburse funds**
Indicator		Invitations sent out to companies/Post schedule of events on the website and call for participation		List of target markets and evets identified		All support offerings posted on the website		Amounts disbursed per offering/Turnaround time from receipt of application, approval and
Frequency								
Source of data		DTIC		DTIC		DTIC		DTIC