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POLICY AND OPERATIONS EVALUATION DEPARTMENT (IOB)

Evaluation CBI's Export Coaching Program

Case study report South Africa

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Contents

1 Research questions and methodology	3
1.1 Introduction	3
1.2 Scope	3
1.3 Research objective and questions	3
1.4 Methodology	4
1.5 Reading guide	7
2 Context analysis.....	8
2.1 Introduction	8
2.2 Socio-economic context	8
2.3 Development of South African exports	8
2.4 Business development and export constraints in South Africa	10
2.4.1 Structural problems affecting business development.....	10
2.4.2 Constraints for export development	12
2.5 Institutional framework for export development.....	13
Service offering	13
3 Export Coaching Programmes.....	16
3.1 Introduction	16
3.2 Export coaching programme: intervention logic and activities	16
3.3 ECPs in South Africa 2005-2012	16
3.4 Assessment of relevance.....	19
3.5 Assessment of additionality	21
4. Impact	24
4.1 Introduction	24
4.2 Effectiveness.....	24
4.2.1 Effectiveness on relieving export constraints.....	24
4.2.2 Effectiveness on export turnover.....	28
4.3 Developmental relevance	32
4.3 Cost effectiveness.....	33
5 Discussion	36
6 Conclusions.....	38
ANNEX 1: Interview list	41
ANNEX 2: Contribution Stories	42
ANNEX 3: Comparative analysis of performance of ECP participants within their sector.....	46

Table 1 ECP programme phases and activities	16
Table 2 ECP implementation 2005-2012 (expenses in €)	17
Table 3 Program selection.....	18
Table 4 Export obstacles.....	20
Table 5 ECP effect according to CBI definition, 2006-2010 (amounts in € 1.000)	29
Table 6 ECP net effects, contribution score, company characteristics.....	30
Table 7 Contribution, sustainability and added value.....	33
Table 8 Scale effects	34
Table 9 Additional exports.....	35
Figure 1 Schematic overview of theory of change	5
Figure 2 Methodological overview	6
Figure 3 Ex- and import value index (index year = 2000).....	9
Figure 4 Emerging Markets export performance divergence, 2005-2012.....	10
Figure 5 Main obstacles for South African exports.....	12
Figure 6 Export constraints as perceived by CBI assisted companies	25
Figure 7 Export constraints, and ECP contribution.....	28
Figure 8 Gross export turnover (none) EU/ EFTA (amounts in € 1.000)	29
Figure 9 Export developments within the 'Home decoration, accessories, and gifts' sector	46
Figure 10 Export developments in the medical device sector, company 4	47
Figure 11 Export developments in the medical device sector, company 3	48

1 Research questions and methodology

1.1 Introduction

This report presents the results of a qualitative impact evaluation of the Export Coaching Programmes (ECPs) implemented between 2005 and 2013 in South Africa by the Centre for the promotion of Imports from Developing countries (CBI). It acts as a pilot case study for - and is complemented by - similar case studies in Egypt, Colombia and India as part of a broader IOB evaluation of CBI. Primary data was collected by IOB during a field trip to South Africa in March 2014.

1.2 Scope

It should be noted that the ECPs were not the only programmes implemented in South Africa by CBI during the evaluation period. Next to direct support to South African companies through the export coaching programmes, CBI also provided indirect support via their business support organisation development (BSOD) programmes. CBI has been collaborating with several public and private Trade Promotion Organisations (TPOs) in South Africa, like the Department for Trade and Industry (agro sector), and diverse provincial Trade and Investment Promotion Agencies, such as Wesgro in the Western Cape province and TIKN in Kwazulu-Natal. Additionally, the private sector personnel of the Johannesburg Chamber of Commerce received training (FAME¹) in the past, and CBI currently supports the automotive cluster in the Eastern Cape.

In the review period, and contrary to current practices, there has not been interaction between the interventions directed at the intermediary level (TPOs) and individual companies assisted by an Export Coaching Programme. Due to time constraints the study presented in this report focussed exclusively on the export coaching programmes.

1.3 Research objective and questions

Research objective

The objective of the evaluation is to assess independently the effectiveness of CBI's Export Coaching Programmes in South Africa and the extent to which these programmes contributed to sustainable economic development.

Evaluation questions

The evaluation questions are centred on the relevance, effectiveness and efficiency of the export coaching programmes.

Regarding the **relevance**:

1. *What are the key barriers to export for supported South African companies and what barriers were addressed by the ECPs?*
2. *What inputs and services did the ECPs provide to companies in addition to what these companies could obtain on the market or from other institutions in South Africa (i.e. what was the financial, operational and institutional additionality of the ECPs)?*

Regarding the **effectiveness**:

3. *To what extent did participating companies increase exports to EU/EFTA and non-EU countries as a result of the export coaching programmes?*
 - a. *Which company types did benefit most and which company types did not benefit?*
4. *To what extent did the ECPs contribute to sustainable economic development in South Africa?*

¹ FAME trainings are directed at Export and Marketing Introduction Training.

- a. *What can be said in this respect about the choice of companies, and sectors?*
5. *To what extent did benefits continue after the ECPs were completed?*

Regarding the **efficiency**:

6. *What were the costs of the ECPs in South Africa and what can be said about the cost-effectiveness?*

1.4 Methodology

Methodology for assessing the relevance of the ECP

A context analysis based on a document review and interviews with a variety of stakeholders (companies, experts and local export promotion organizations) resulted in an understanding of the most important export barriers for South African companies. By comparing this to the barriers addressed by the ECPs it is assessed whether the ECPs were relevant for South African companies.

The same sources also provided information on what type of export assistance the market and the institutional environment in place was offering in the intervention period and to what extent companies had access to this assistance. To assess the additionality of the programmes we conducted a comparative analysis to judge whether the support offered by CBI was substituting or complementing existing service offerings.

Methodology for assessing the effectiveness of the ECP

A contribution analysis is conducted to draw conclusions on the extent to which the ECP contributed, together with other factors to the observed changes². We will do this by considering, for each company the following questions:

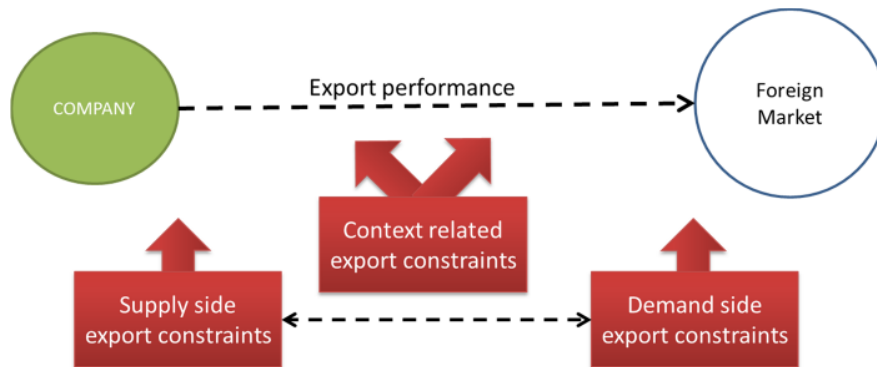
1. How did the export performance and number of employees of the company develop from a pre-ECP period to one year after the intervention to the current situation?
2. To what extent can observed outcomes be attributed to the intervention in question?
 - a. What internal factors, within the company or industry, not addressed by CBI, could have caused the observed change in export performance?
 - b. What contextual factors or external influences, political or economic trends, and parallel interventions or other stakeholder actions, are likely to have influenced outcomes?
 - c. What alternative causal hypotheses might there be for the observed outcomes?

Simplified theory of change

As a first step in the contribution analysis a simple theory of change was developed (see figure 1 for a schematic overview). The theory of change assumes that initially any company could be a flourishing exporter, except that certain constraints might prohibit this. It further assumes that if these constraints are – to some extent – relieved, by the ECP or by other external or internal factors, the company has a higher probability to increase its export turnover.

² See Mayne, John. 2011. "Contribution Analysis: Addressing Cause and Effect." *Evaluating the Complex: Attribution, Contribution, and beyond* 18: 53–96 and White, Howard, and Daniel Phillips. 2012. "Addressing Attribution of Cause and Effect in Small N Impact Evaluations: Towards an Integrated Framework."

Figure 1 Schematic overview of theory of change



Following IOB (1999), potential export constraints were summarized and categorized as follows.³

Supply side constraints	Context related constraints	Demand side constraints
<ul style="list-style-type: none"> - Cost price level - Design quality - Product quality - Packaging - Parts and Raw Material Supply - Internal export organization/ capacity - Production capacity 	<ul style="list-style-type: none"> - Trade Policy restrictions - Rate of Exchange - Currency convertibility - Import restrictions - Financing (of export transactions) - Shipping delays and costs - Communication with foreign markets/buyers 	<ul style="list-style-type: none"> - Market entry - Customer needs and preferences - Demand changes and trends - Market size and growth - Market access (tariff and non-tariff barriers) - Insufficient demand

Exports are materialized when the supply of the company meets the demand in the foreign market. Therefore, export constraints on the demand and supply side are related. For instance, the packaging of a product (a supply side factor) can only be considered to be constraining export performance when it does not meet the needs and preferences of customer's on the demand side.

Supply side constraints are in the direct control of companies, but not necessarily fully. For instance, the cost price of a product is very closely related to the organization of production (e.g. economies of scale and the level of mechanization), but also to other factors outside the company's sphere of influence, such as the labour standards it has to adhere to. Demand side barriers on the other hand cannot be reduced by a company. However, a company can potentially overcome these barriers by adapting itself or by committing more resources. For instance, a company cannot reduce the certification requirements for accessing a foreign market, but can get its products certified; and although market entry in Europe is difficult and costly, a company can decide to commit resources to participate in a trade fair. Contextual related export constraints are different in this respect as these are considered more difficult to overcome. Contextual related factors include, for instance, the rate of exchange or import tariffs.

Contribution analysis

Semi-structured interviews with a sample of CBI supported companies were conducted in which the companies were asked about the initial export constraints they were facing before they came into contact with the ECP. Constraints that were not brought up by the companies themselves were prompted by the interviewer. For example, if the factor of cost price was not brought up, the

³ Due to time constraints (as this study had to act as a pilot for the other three case studies), the theory of change could not be based on an extensive literature review.

interviewer would ask whether the company thought clients in the EU and other foreign markets are willing to pay the price for which they could offer their products. For each of the identified constraints the company is then asked how these obstacles had developed since the start of the intervention. Based on that, an assessment has been made by IOB to what extent the ECPs have contributed to these developments.

The answers were then recorded in a sheet using the following structure.

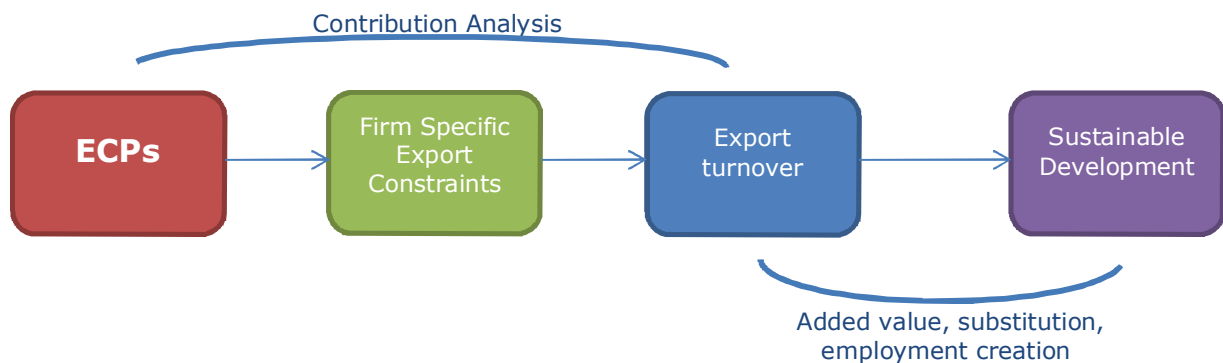
- Was [determinant] an export constraint before [year ECP started]? (On a scale from 1-5, 1 = no constraint and 5 = major constraint)
- How did [determinant] develop since then? (strongly improved =5, improved =4, did not develop = 3, worsened =2, strongly worsened =1)
- Did CBI contribute to this development? (On a scale from 1-5, 1= no contribution and 5= full contribution)

Based on this it can be assessed, for each company, to what extent the observed changes in export performance since the ECP started can be attributed to the ECP from a scale from 1 to 5 (1= low contribution; 5= complete attribution). If the most important constraints were relieved by the help of the ECP, a score of 4 or 5 is assigned, while if many of the important constraints were overcome or lifted by other factors (such as a manager's own insight and initiative, or a change in context) a lower score is assigned. Next to this quantification of findings, a contribution story is drafted for each company, which offers an explanation that should correspond with these scores.

Methodology for assessing the impact on sustainable economic development

Once we know to what extent the Export Coaching Programmes contributed to increased export turnover of assisted companies, we can try to assess the impact of the ECPs on sustainable economic development in South Africa. The approach is illustrated in figure 2 below.

Figure 2 Methodological overview



For simplicity we define sustainable development as a combination of economic growth and creation of jobs. The gross domestic product can be defined as the sum of consumption, investment, government expenditure and net exports. This implies that only the percentage of additional export turnover of which the value is added in South Africa increases the GDP. For this purpose assisted companies are asked to give an indication on the percentage of inputs that are imported for their products⁴. Moreover, only when the additional export turnover is not realised at the expense of another company in South Africa (or any developing country) (when no substitution effects exist) can we honestly claim that the additional exports contributed to sustainable economic development.

In addition to the effects on economic growth, we also assess the effects of the ECP on employment creation by conducting a contribution analysis as specified in the previous paragraph.

⁴ Note that this is an imperfect indicator of the percentage of value added in South Africa, as this indicator potentially misses out any imported inputs for semi-finished products.

Selection of case study companies

Out of the 23 South African companies that started and completed their participation in an ECP between 2005 and 2013, three companies did not exist anymore at the time of the field study. Thirteen companies have been selected for this case study. The selection process has prioritised companies which according to CBI did realise export turnover to the EU during the intervention. A second criterion has been a full coverage of the six ECPs that were implemented between 2005 and 2013. For two companies the ECP assistance ended prematurely. Although intended, it has not been possible to interview companies that dropped out of the program. Besides the thirteen CBI assisted companies, two companies have been interviewed that were not assisted. Finally, in order to have a regional spread, companies were visited in all of the three main business areas of the country: Cape Town, Durban and Johannesburg.

Data collection

The data collection is mainly based on two methods: interviews, including gathering of quantitative data, and document review.

Companies (CBI assisted and non-assisted) have been interviewed individually on location, in which use was made of a semi-structured questionnaire. Each interview has been prepared by summarising CBI dossier information in company fiches. The interviews focused on the effectiveness and additionality of the CBI activities. Moreover, the interviews were used to verify and collect additional information on the outcome indicators (such as export values and employment).

Apart from that, interviews have been held with public financed Trade Promotion Organisations at different governmental levels, as well as with private business development and export promotion initiatives, some of which received CBI assistance, and a local expert. See annex 1 for the full list of interviews.

1.5 Reading guide

The report continues with a context analysis, describing socio-economic developments and export development constraints encountered, as well as the institutional framework for export development in place (chapter 2). The implementation of the ECPs in South Africa in the period 2005-2012 and assessment of the relevance and additionality of the programmes are discussed in chapter 3. The programme effects, its cost-effectiveness and developmental relevance are part of chapter 4. The findings of the programme are shortly discussed in chapter 5. The report concludes with the answers on the main evaluation questions (chapter 6).

2 Context analysis

2.1 Introduction

CBI's activities under review have been delivered since the fall of the apartheid regime. In order to better understand the environment and context in which technical assistance has been delivered, this chapter shortly introduces the general macro-economic and political environment (paragraph 2.2). Paragraph 2.3 continues with a description of how South African exports have developed over the last decade. A short overview of obstacles for business development in general and export development in specific is provided in paragraph 2.4. The chapter concludes with a description of the institutional framework through which export development services are offered (paragraph 2.5).

2.2 Socio-economic context

From a history of extensive state economic involvement and isolation during apartheid, South Africa has shown important economic and social development since its first democratic elections, almost two decades ago. Growth averaging 3.3 percent since 1994 and social assistance that now reaches more than half of all households have contributed to a 10 percent reduction in the poverty rate and a 40 percent increase in real GDP per capita.⁵ A significant strengthening of South Africa's policy institutions, as well as robust balance sheets, have delivered macroeconomic stability and a globally integrated and diversified economy built around the country's natural resource wealth.

Yet the economy faces important structural challenges, primarily high unemployment rates and inequality. South Africa's Gini coefficient ranks amongst the highest in the world, as the richest 10% account for 58% of the country's income, while the poorest 10% for only 0.5%.⁶ The unemployment rate is 25 percent, with the youth unemployment rate at 50 percent. Notwithstanding the emerging black middle class, the distribution of wealth, land, education, and health outcomes remains unequal along racial lines, while inequality within races also increased since 1994.

Since the global financial crisis, growth has fallen behind that of other emerging markets and commodity exporters, deepening the long standing high unemployment.⁷ Fiscal vulnerabilities have increased and the current account deficit has widened. So far abundant global liquidity has provided easy financing, but the withdrawal of capital flows from emerging markets in May 2013 showed South Africa's vulnerability to external shocks.

This situation has led to tense industrial relations, especially in the mining sector, as initial wage demands were not in line with the outlook for growth and commodity prices or productivity growth. Although the African National Congress' (ANC) and government endorsement of the National Development Plan (NDP) in 2012 raised hopes for structural reforms, the political debate over the direction of economic policy has resulted in policy uncertainty.

2.3 Development of South African exports

A series of reforms since the 1990s has led to a substantial liberalisation of South Africa's trade. The anti-export bias and effective protection fell, and a sophisticated system of competition regulation was introduced.⁸ Thanks to these and other supportive measures, trade (both imports and exports) is picking up again. However, trade indicators show an excess of imports over exports, resulting in deteriorating terms of trade (Figure 3).

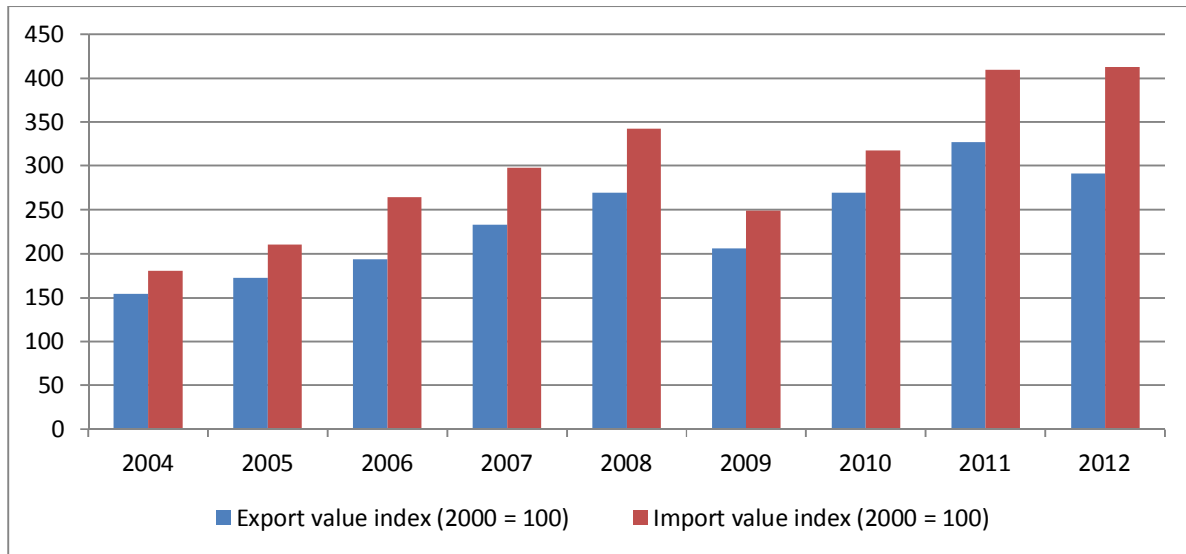
⁵ Paragraph based on IMF 'South Africa Article IV Consultation', country report No. 13/2013.

⁶ <http://www.worldbank.org/en/country/southafrica/overview>, (accessed on 6 may 2014)

⁷ The peer EM group consists of Argentina, Brazil, Chile, China, Colombia, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, the Philippines, Poland, Romania, Russia, Thailand, Turkey, and Ukraine. The peer group of commodity exporters includes Australia, Brazil, Canada, Peru and Russia.

⁸ Paragraph based on IMF 'South Africa Article IV Consultation', country report No. 13/2013.

Figure 3 Ex- and import value index (index year = 2000)



Source: World Bank

Having close trade links with Europe, South Africa's main trading-partner, the economic recession in Europe has delayed South Africa's recovery. Another effect, caused by the slowdown in advanced economies, is that South Africa's trade has been reoriented towards emerging and developing economies. South Africa's export performance, measured as the ratio of its export volume growth to its trading partners' real domestic demand growth, has been weaker than that of other emerging markets. Among other large emerging economies, such as China, India, Mexico, Brazil and Chile, South Africa showed the largest decline in export performance between 2005 and 2012 (Figure 4). Weakening competitiveness is also reflected in a falling export share of manufactured goods, while commodities now account for nearly 60 percent of exports. The higher demand for South Africa's commodities exports has not been sufficient to fully offset the impact of decreased manufactured exports. Since manufacturing is associated with higher value-added, this has negative implications for external competitiveness and growth.

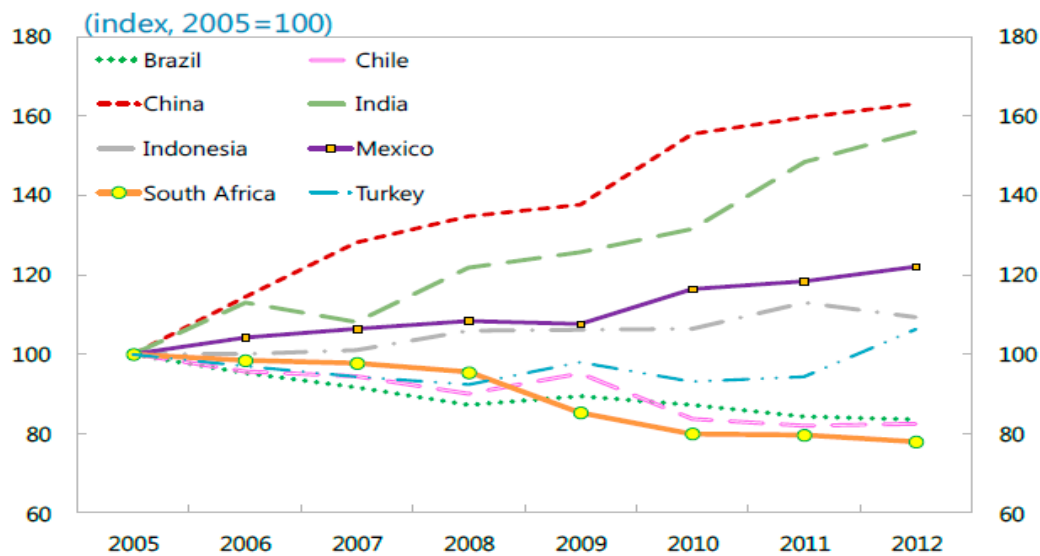
Besides weak trading partner growth, domestic factors, such as labour disruptions, increasing prices of electricity and transportation bottlenecks can be identified as important causes of a decline in export performance.⁹

South Africa is part of a group of countries, labelled the 'fragile five'¹⁰ by Morgan Stanley, that rely heavily on foreign borrowing to pay for an excess of imports over exports. It benefited from abundant global liquidity, but this also has made its financial market performance vulnerable. The Rand has been viewed as a global barometer for risky assets. The currency and bond sell-offs in 2013 have been among the largest in emerging markets. Since the beginning of 2012, the currency depreciation (23 percent) and volatility have been among the highest for the main emerging markets' currencies. In addition, commodity prices have dropped substantially.

⁹ IMF 'South Africa Article IV Consultation', country report No. 13/2013

¹⁰ The other countries are Brazil, India, Indonesia and Turkey.

Figure 4 Emerging Markets export performance divergence, 2005-2012



Source: IMF South Africa country report No. 13/2013

Another indicator for South Africa's competitiveness problems is its current account deficit, which remains significant, despite the recent depreciation of the national currency.

One of the underlying problems in South Africa is the dominant share of so called 'occasional exporters' instead of 'committed exporters'. These exporters develop a foreign market only to abandon it when trading conditions become difficult or the domestic market proves to be too lucrative. In the next section the focus is diverted to the structural problems for business development in general, and exports in specific, that those companies are faced with.

2.4 Business development and export constraints in South Africa

2.4.1 Structural problems affecting business development

For export development policies to succeed, it is important that enterprises are equipped to exploit global opportunities. It is therefore critical that a country has comprehensive and effective enterprise development interventions.

South Africa's established business activity rate is the second lowest in the world, at 2.3 percent¹¹, and is significantly below the average of 8 percent for comparator countries. More worrying is that South Africa's rate of business discontinuation (4%) is higher than its rate of established business activity.¹² The poor rate of established business activity over the years indicates that a multitude of factors are hampering the efforts of entrepreneurs to enter and stay in business. Spatial divides and limited opportunities for entrepreneurship during apartheid have left a legacy that continues to hinder employment and small and medium sized enterprise (SME) development. Moreover, burdensome regulations, and to a lesser extent limited access to finance, are also factors that explain why barriers to entry are high and the creation and survival rates of SMEs in South Africa are among the lowest in the world.

According to the South African Global Entrepreneurship Monitor (GEM)¹³, a business environment conducive for growth depends on:

- Commercial infrastructure

¹¹ Read as: South Africa's established business ownership rate is 2,3% of its population.

¹² Global Entrepreneurship Monitor 2012, South Africa.

¹³ idem.

- Physical infrastructure
- Governmental policies
- Internal market openness

Commercial infrastructure

Commercial infrastructure refers to sub-contractors, suppliers, consultants and professional services (e.g. accountants and lawyers), as well as banking services. GEM experts consider as the biggest constraint that new and growing firms often cannot afford the cost of using sub-contractors, suppliers and consultants.

Physical infrastructure

According to the National Planning Commission, the economy has been constrained by inadequate investment in the energy and transport sectors, along with ineffective operation and maintenance of existing infrastructure – and the associated rising costs to consumers and businesses as a result. The government announced plans in 2012 to invest \$450 billion in infrastructure development over the next 15 years, particularly where ports, railways and roads are concerned. However, the implementation of these plans has slowed down, as many companies choose to stay away from the tendering process, allegedly because of bureaucracy, poorly skilled government officials and corruption.

According to the Doing Business 2012 Report, South Africa is ranked very poorly where obtaining electricity is concerned (150th out of 185 countries). An individual needs to go through five procedures and wait approximately 226 days from time of application to time of connection. This is almost double the average waiting time of 133 days for sub-Saharan African countries. Furthermore, according to the National Small Business Chamber (NSBC), the recent proposed tariff increase of 16 percent over the next five years will likely force many small businesses that run on tight margins to close, and will slow down the growth of other businesses.

Communications is one of the fastest growing sectors in South Africa, though telecommunication costs are among the most expensive relative to other countries (see also 'internal market openness').

Governmental policies

Product market regulation remains relatively restrictive, particularly in the area of barriers to entrepreneurship and to trade and investment. According to the OECD, South Africa ranks 35 out of 40 countries in the sample—a higher ranking denotes a more restrictive system.¹⁴ It ranks 40 (out of 40) for license and permits system. Regulatory and administrative transparency and regulatory barriers to trade and FDI constitute an important part of the barriers to entrepreneurship, trade and investment. This is confirmed by a recent survey which identified regulations and red tape as a major constraint for business expansion.¹⁵ Problems include the high cost, complexity, and amount of time it takes to deal with red-tape associated with starting and running a business in South Africa.

With regard to labour market efficiency, South Africa ranks among the worst in the world. Restrictive labour regulations are mentioned to be the most problematic factor for doing business, after an inadequately educated workforce. Labour legislation is heavily skewed towards the interests of employees. Some experts argue that the dismissal requirements are too expensive and inflexible. Additionally, collective bargaining between large incumbent firms and the labour unions is contributing to the above, with market wage settlements which are binding on the entire sector. This makes it difficult for smaller firms to compete on costs, while still creating employment. This practice makes markets less competitive and contributes to oligopolistic structures that hold back innovation, growth, and job creation. This, together with uncompetitive minimum wages and bureaucracy costs, constrains a business' chances of survival and growth.

Another problem which hampers the growth of businesses is late payment to suppliers, especially by government departments, creating cash flow difficulties for businesses.¹⁶

¹⁴ See OCED Indicators for Product Market Regulation for 1998, 2003 and 2008.

¹⁵ Grant Thornton (2012), 'Emerging Markets Opportunity Index: High Growth Economies', International Business Report 2012.

¹⁶ Global Entrepreneurship Monitor 2012, South Africa.

Lastly, the South African government has launched a program (Black Economic Empowerment (BEE) to redress the inequalities of apartheid by reversing it and by giving certain previously disadvantaged groups of South African citizens economic privileges previously not available to them. It includes measures such as employment preferences, skills development, socioeconomic development, and preferential procurement. The BEE has received criticism for its inability to distribute wealth across the population as intended.

Internal market openness

An open economy is a key driver of growth, boosting competition, lowering prices and maintaining pressure on producers, keeping them innovative and efficient. In South Africa market conditions are not favourable to ensuring easy and low-cost entry for new businesses.

New entrants, especially SMEs, often find it difficult to compete with existing and dominant, despite government support for start-ups. Large incumbent firms resulted partly from apartheid-era policies promoting national champions. This resulted in monopolistic and oligopolistic market structures, leading to higher prices to the detriment of consumers or other companies that use those goods and services as inputs. This is especially the case in sectors such as telecommunications, transportation, and financial services, which provide important inputs to other industries.

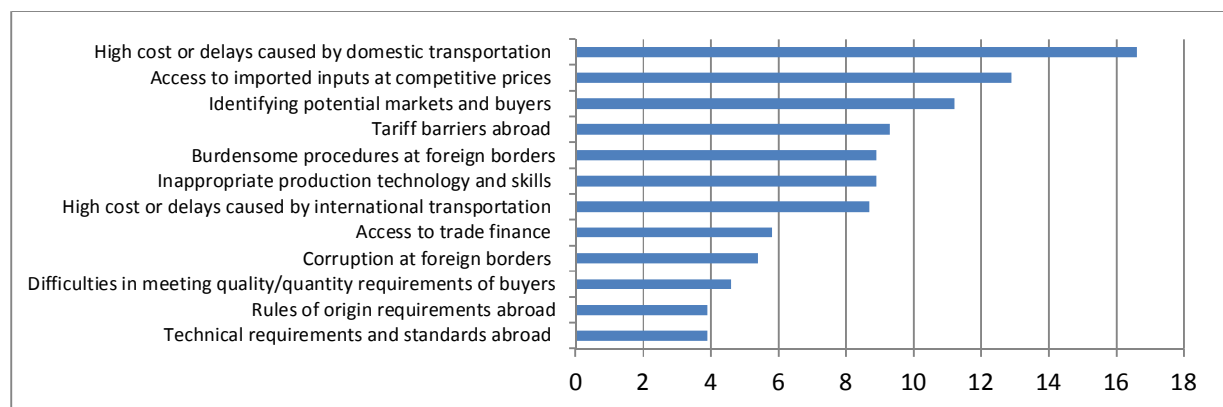
Among others, high margins in product markets and high wages in labour markets have resulted in an uncompetitive domestic costs of production, eroding external competitiveness and exclusion of part of the population from formal economic activity. This has constrained South Africa's ability to diversify its exports into areas that go beyond its comparative advantage of exploiting its mineral resources.

Unaddressed structural problems are reflected by minor employment growth. All net job creation since 2009 has taken place in the public sector, while the private sector has only recovered two-thirds of the jobs lost during the global financial crisis. With demands exceeding inflation by large amounts since 2008, the gap between real wages and productivity growth has widened.

2.4.2 Constraints for export development

According to The World Economic Forum the biggest export obstacles are the highly complex tariff structure for imports, and the inefficiency of border administration procedures to import and export goods, which are lengthy and costly (Figure 5).

Figure 5 Main obstacles for South African exports



Source: World Economic Forum 'The Global Enabling Trade Report 2014'

The abovementioned obstacles are partly in line with export obstacles identified by South African Trade Promotion Organisations, which include:

- Limited financial resources to overcome market entry costs (especially common among small companies);
- Limited market knowledge, and knowledge on legal issues and contracts;
- Requirements, especially in the EU, such as certification and documentation requirements;

- Distance to target markets, which leads to long delivery times and high costs of transportation;
- Little cooperation among South African companies, as a result of which still semi-finished goods are imported that also could have been produced locally (import substitution);
- Mind set: companies seem to be unwilling to lower margins in order to start exporting;
- No competitive pricing due to a high costs of inputs (e.g., raw materials, electricity, labour);
- Import duties in the target market;
- Volatility of the currency, which makes it difficult to make strategic decisions regarding export and import strategies.

The next chapter further investigates and assesses export constraints, including those that have been brought up by the ECP assisted companies.

2.5 Institutional framework for export development

The government in South Africa is decentralised, with powers and functions being distributed across three spheres of government (national, provincial, local). This inter-governmental structure, with diffused powers and functions, is also reflected in the architecture of the most important Trade Promotion Organisations (TPOs):

- Department of Trade and Industry (DTI) / Trade and Investment South Africa (TISA);
- Small Enterprise Development Agency (SEDA);
- Provincial Investment Promotion Agencies (PIPAS);
- Local agencies, such as the Metropolitan Council of Johannesburg.

In addition to these organisations, non-governmental organisations such as Chambers of Commerce, sector-based Export Councils¹⁷ and Industry Associations¹⁸ deliver export development services.¹⁹

Service offering

Most export development programmes incorporate a range of assistance programmes/interventions covering:

1. Information in several forms, usually available online;
2. Export training, usually provided through accredited training organisations;
3. One-on-one counselling, usually by the Trade Promotion Agency's advisers;
4. Mentoring, coaching and/or consulting support, usually through external accredited professionals and volunteer business people;
5. Support for advanced exporter development such as trade shows, trade missions, incoming buyer missions, product registration, joint venture development, offshore establishment, and other sector-specific activities; and
6. Export personnel capacity building, through support for contracting or employing international trade graduates, usually in collaboration with tertiary educational institutions; this implies support for export education and career development.

All of these services are available in South Africa, but some important ones, such as mentoring/coaching/consulting are not supported by a national program. Moreover, the take up rate of governmental support programmes, especially among small businesses, is rather low. According to

¹⁷ Cosmetics Export Council; National Association of Automobile Manufacturers of South Africa; South African Boat Builders Export Council; South African Capital Equipment Export Council; Electrotechnical Export Council; South African Flower Export Council; Fresh Produce Exporters Forum/Fruit South Africa; International Steel Fabricators; Association of Steel Tube and Pipe Manufacturers of South Africa; Wines of South Africa.

¹⁸ Aerospace Maritime & Defense Industries Association; Aluminum Federation of South Africa; Civil Engineering Contractors; Consulting Engineers South Africa; Dairy Foundation; Iron & Steel Institute; Rail Road Association; Stainless Steel Development Association; South African Paint Manufacturing Association.

¹⁹ During the field trip visits were paid to the Department of Trade and Industry, the Provincial Investment Promotion Agencies of the Western Cape (Wesgro) and Kwazulu Natal (TIKN), as well as the Johannesburg Chamber of Commerce.

a survey 75 percent of the SMEs in the survey were not aware of any support programmes, and 94 percent claimed never to have used any support.²⁰

Export training

There are good examples of a well-targeted training supply. For example, the Provincial Investment Promotion Agencies of the Western Cape (Wesgro) offers the following export development trainings:

- Level 1 training (on export awareness)
- Level 2 training (technical training on export related matters)
- Level 3 training (in depth on specific topics)

A level 1 training typically would offer a one-day programme introducing the firms interested in exporting to basic concepts of export competitiveness, export marketing, administration and logistics, export finance, and basic costing and incoterms. These trainings are also delivered by for example DTI and SEDA.

The export-ready company requires a more in-depth training program that is orientated towards his/her own business and culminates in a customised export marketing plan (as is offered in level 2 trainings). A practical implementable export plan for each participant is, therefore, required before the participant can be assessed as competent at this level. The current SEDA Export Orientation Program fits this purpose.

A typical start-up exporter has acquired some export skills and developed an export marketing plan. The program would provide further specific training to support this company in the implementation of its plan. Such training might be sector or subject specific (level 3).

In a review of South Africa's trade promotion strategy by DTI, it was shown that a variety of courses are being offered by private sector trainers, some dealing with fairly specialised issues, but that there is little, if any, co-ordination or standardisation between them. Moreover, another general weakness of export development programmes in South Africa is that they are generic and rarely provide in-depth sector specific knowledge and support.

Support for advanced export development

Support for advanced export development is directed at the global exporter that may have been exporting for a number of years and now needs to consolidate its current markets (export penetration), develop new markets or new products. Typical assistance for these companies falls into several categories:

- Trade fair participation;
- Outgoing sales missions;
- Specialised product-specific promotional programmes;
- Use of consultants or mentors; and
- Cluster approaches (e.g. export villages).

Examples of such services are the so called 'In market programmes' by Wesgro, that include activities such as visits to retail locations abroad, expert and buyer meetings in order to receive feedback on their product and marketing mix, as well as exhibitions. The Provincial Investment Promotion Agencies of Kwazulu Natal (TIKN) organises around 25-30 trade platforms (such as exhibitions) a year. At each platform they support about five companies. They distinguish between own events, for which they cover the complete participation costs for companies (including airfare and daily allowance) and other events, for which they might assist companies to obtain funding from DTI type of scheme's.

Trade fairs and outgoing selling missions are regarded as almost essential for a company in developing foreign contacts, be it buyers, distributors or potential agents. Such activities also provide an excellent learning experience and help the exporter to understand his competitive position. In South Africa trade fair participation is predominantly supported by the DTI through the so called Pavilion Programme. Companies are selected for these activities when they have reached a certain

²⁰ <http://www.cover.co.za/research-surveys/finscope-2010-south-africa-small-business-survey>.

degree of export-readiness. The choice of foreign trade fairs is clearly important. In South Africa, the DTI links its choice of trade fairs to the priority sectors identified by the department, taking into account its focus on developing trade links with the African continent and Asian markets.

Apart from financing the national Pavilion Programme, DTI also provides financial support to companies wishing to participate in trade fairs not included in the programme.²¹ Trade show support is also provided through the (sector) export councils. The financial support a company will receive depends on its turnover. For a trade fair, for example, a small company can get full financial support²², while bigger companies might only get financial support for the stand.

Next to trade fairs, DTI also organizes trade missions: match making, meetings with stakeholders and potential business partners or mini exhibitions. DTI fully facilitates and funds these missions.

Inward and outward missions are also on offer through Chambers of Commerce, although these services are targeted at the own clientele, and are generally not sector specific.

Barriers to export with regard to requirements, especially in the EU, such as documentation, and to a lesser extent certification, are generally addressed by business support organisations. From both DTI and SEDA financially assist companies to obtain certification required by target markets.

New export development services

The National Export Development Plan, which will be implemented from 2013 onwards, foresees in the broadening of the export development tools currently on offer by stressing the need for more cooperation between companies and delivering more tailor made guidance through mentoring, coaching and consulting. Voluntary alliances of firms or co-operatives will be promoted, bringing together enterprises that can co-operate to reach targets they would not have been able to reach on their own, for example by offering complementary services and goods in packages, or through a better coordination between exporters and suppliers of semi-finished products within the South African value chain. The NEDP identifies mentoring, coaching and consulting as essential follow up to training. Export mentoring is currently only rarely offered (an exception is SEDA).

²¹ Expenses to be reimbursed by DTI after the trade fair participation.

²² Financing includes international travel costs, lodging and daily subsistence allowance.

3 Export Coaching Programmes

3.1 Introduction

This chapter focuses on the implementation of the Export Coaching Programme in South Africa. A short description of the ECP intervention logic and main activities (paragraph 3.2) is followed by a description of the number of companies that applied and got selected or dropped out of the program (paragraph 3.3). An assessment of the programme's relevance and additionality is discussed in paragraphs 3.4 and 3.5 respectively.

3.2 Export coaching programme: intervention logic and activities

The export coaching programme is one of the instruments of the Centre for the Promotion of Imports from developing countries (CBI) to contribute to sustainable economic development in developing countries. The ECPs directly assist SMEs in developing countries to become or remain active as suppliers in EU markets and/or to improve their market position in the EU.

During the approximately five years of ECP intervention, selected companies are assisted in the development of an improvement plan (based on an initial audit) and offered sector specific technical assistance by means of export marketing training as well as market entry strategies (participation in international trade fairs, buying missions).

Participants receive individual support by means of on-site consultancy, coaching at a distance, market information, trade fair participation and business to business activities. Depending on their specific needs, companies may also receive technical assistance in the field of business development, certification and product and production improvement.

The phases and the main activities deployed within the framework of an ECP are indicated in the next figure (Table 1).

Table 1 ECP programme phases and activities

Phase	Activities
1. Identification and pre-selection	<ul style="list-style-type: none"> - Country selection - Recruitment of participants - Identification missions and kick-off workshops - Pre-selection of applications
2. Technical Assistance (by external consultant)	<ul style="list-style-type: none"> - Final selection of participants - Export auditing - Plans of action and distance guidance
3. Training (EXPRO)	<ul style="list-style-type: none"> - Various seminars and workshops - Writing Export Marketing Plan
4. Market entry	<ul style="list-style-type: none"> - Trade fair participations - Company matchmaking
5. Market consolidation	<ul style="list-style-type: none"> - Contact consolidation and follow up

Source: adapted from Triodos Facet (2009)

3.3 ECPs in South Africa 2005-2012

Export Coaching Programmes are directed at individual enterprises (often coming from different countries) that are active in a specific economic sector²³ and that have the capacity (or potential) to export to the EU/EFTA. A company has to comply with a range of selection criteria in order to qualify for participation.²⁴

²³ All ECPs can be aggregated into four main sectors of attention: Agriculture and food, Manufacturing, Consumer products, Services.

²⁴ At least 51% locally owned, or (co-) owners who reside in another developing country (excluding developing countries characterized as UMIC or higher*); 25 to 500 employees; No joint venture with a company based in a country with a classification of UMIC or higher; Compliance or the willingness to comply with EU market requirements; No licensing commitments that prohibit or limit export possibilities of products to the EU competitive prices and sufficient production capacity; A management which is able to communicate in English; The willingness and capacity to invest in adaptations of, for instance, product assortment and production processes, if and as required by the European market.

Between 2005 and 2012, 84 South African companies applied for participation in 11 different Export Coaching Programmes. During the selection procedure 48 applicants were rejected by CBI, or decided to pull back themselves. This resulted in 36 selected companies spread over 6 ECPs²⁵, of which 13 companies dropped out during the intervention. Based on the total expenses per ECP the indicative average costs per (CBI declared) 'competent exporter' can be calculated. When calculating the total price for the remaining 23 'competent exporters' in South Africa, the total portfolio accounted for EUR 1.2 million.(Table 2).

Table 2 ECP implementation 2005-2012 (expenses in EUR)

ECP no.	Main Sector	Subsector	Start	End	Applied	Rejected	Dropped out	Competent	
1028	Industrial products	Mobile equipment parts	2005	2010	8	8			
1029	Industrial products	Engineering products	2005	2010	9	7		2	
1030	Industrial products	Medical devices and laboratory equipment	2005	2010	4			4	
1031	Services	ITO Services	2005	2009	9		2	7	
1032	Services	BPO Services	2005	2009	5		4	1	
1034	Industrial products	Pipe and process equipment	2005	2012	1	1			
1036	Industrial products	Subcontracting , casting and forgings	2006	2010	3	3			
1037	Agriculture, food and forestry	Food Ingredients	2006	2011	7	7			
1038	Industrial products	Personal Protective Equipment	2006	2013	14	8	3	3	
1039	Consumer products	Office and school supplies	2006	2013	2	2			
1040	Consumer products	Home decoration, accessories and gifts	2006	2011	22	12	4	6	
					Total	84	48	13	23

Source: authors

To be deemed a 'competent exporter' by the CBI sector expert and CBI programme manager, a CBI assisted company has to meet three sets of criteria. First it should fulfil quality indicators at result-, effect- and impact level. At the result level the company indicates at the end-evaluation of the EXPRO²⁶ training that its skills and knowledge has improved as a result of participation in the seminar. Second, the company has translated its knowledge and insights of the EU and EFTA markets and export marketing in an Export Marketing Plan, and should reach a minimum score of the CBI competence rating sheet. And finally, the company should have made relevant contacts in the EU/EFTA markets during the various market entry activities.

At effect- and impact level, the quality indicators verify that the company did realise (more) export to the EU/ EFTA during the programme (the effect), of which the total realised additional export turnover to the EU/EFTA is referred to as the impact realised.

Selection

In order to select (potential) exporters for training, usually use is made of diagnostic tools. These tools, often referred to as export-readiness assessments or checkers, are widely used internationally to determine whether an enterprise is at an appropriate stage of development to start exporting. Apart from making use of a basic checker, more advanced tools are used to determine the company's readiness to undertake intensive and costly foreign marketing activities (e.g., trade shows and trade missions).

Of the companies that were initially selected by CBI, 36 percent dropped out of the programme. A company can either be rejected by CBI after admission to the ECP, or the company may decide to leave the programme itself. A comparison between drop-out rates between South Africa and three other case study countries is presented below (Table 3).

²⁵ ECP numbers 1029; 1030; 1031; 1032; 1038 and 1040.

²⁶ During the EXPRO training, all participants in an ECP join together for a one week intensive training on a variety of export and sector related issues.

Table 3 Program selection

	Total	South Africa	India	Egypt	Colombia
rejected + dropped after selection/ total started	24%	36%	21%	11%	25%
Rejected after selection/ total started	6%	6%	5%	0%	8%
Dropped out after selection/ total started	18%	31%	16%	11%	17%

Source: CBI/SAGE, adaptation by authors

The figures indicate that South Africa has the highest rate of companies that decide to leave the programme; almost twice the average drop-out rate. The reasons why companies drop out of the programme are not recorded, so that a systematic analysis cannot be made based on the basis of programme documentation. From the few stories we have heard when asking for reasons why companies dropped out, it is presumable that these are reflected in the selection criteria that are often used: capabilities, resources and motivation of the company.

During the ECP selection phase, CBI does not use diagnostic tools in order to determine whether a company is at an appropriate stage of development to benefit from the ECP. As was concluded during an earlier evaluation of CBI by IOB, clear procedures for identification and selection of participants are absent. This still seems to be the case, although officially a company has to comply with a range of selection criteria in order to qualify for participation.²⁷ This makes the selection decision highly dependent on the subjective opinion of the product consultants, who play a dominant role in the selection process.

One example shows that a company dropped out after the initial export audit (i.e. being selected into the programme) because the product range did not fit in the ECP, and because the company was considered too small. This evokes the question why companies in comparable situations could become qualified as 'competent exporters'.

Moreover, after having entered the programme, no procedures and criteria are in place upon which decisions are made whether or not to include the company in certain programme modules.

As mentioned, essential criteria for selection are the candidate's commitment and resources. From the case study sample, four companies got distracted by having better chances in the domestic market which eroded their commitment to export, while others seemed to be hindered by lack of resources (people and money).

One of the official criteria to get involved into the programme refers to the size of the company, expressed as the number of persons employed. At least three of the selected participants can be defined as nascent entrepreneurs, and did not fulfil this criterion. This is not to say that a small company cannot be successful. As the example of the producer of innovative scalpels shows, although being a micro company, by outsourcing all of the activities (from engineering, to manufacturing and shipment), it has proven to be very successful.

Despite the fact that official CBI selection criteria do not refer to the financial status of a company, having (access to) finance to invest in export development seems to be a crucial factor²⁸. Especially for nascent companies and companies that are in the phase of survival, access to financial means is critical to company growth. About half of the companies indicated that they did not have the resources available to finance their export development, and therefore heavily relied on indirect

²⁷ At least 51% locally owned, or (co-) owners who reside in another developing country (excluding developing countries characterized as UMIC or higher); 25 to 500 employees; No joint venture with a company based in a country with a classification of UMIC or higher; Compliance or the willingness to comply with EU market requirements; No licensing commitments that prohibit or limit export possibilities of products to the EU competitive prices and sufficient production capacity; A management which is able to communicate in English; The willingness and capacity to invest in adaptations of, for instance, product assortment and production processes, if and as required by the European market.

²⁸ Official intake forms do ask for financial ratios (current ratio, net profit margin, solvability), though they often are not written down.

funding for trade fair participation by CBI. Some companies even indicated not to be able to finance the necessary follow-up trade fair participations themselves.

Company characteristics

Out of the 23 competent exporters, 13 companies have been visited (Table 2)²⁹. On average these companies have existed 19 years (the youngest is 10 years old and the oldest is 48 years old), of which the companies active in the service sector are relative the youngest (average 13 years). At the time the ECP interventions started, 6 out of these 13 companies could be qualified as starters; being five years or less in establishment. In terms of employment figures it is hard to give a general assessment, given the small sample. What has been noticed is that companies that are active in the service and consumer good sectors tend to employ a smaller number of fixed staff, making use of a work share that is hired on a temporary or contract basis.

3.4 Assessment of relevance

The context analysis described in chapter 2 has resulted in an understanding of the most important export barriers for South African companies. By comparing these to the barriers addressed by the ECPs it is assessed whether the ECPs have been relevant for the assisted companies and for South African companies in general.

Table 3 lists the biggest export obstacles ranked by the (weighed) scores according to 'The Global Enabling Trade Report 2014' (The World Economic Forum), and the (weighed) scores of the 13 case study companies³⁰. Moreover, the export obstacles mentioned by the Trade Promotion Organizations that were interviewed have been marked. Besides these three mentioned sources of triangulation, the last column indicates whether the export barriers are addressed by the ECPs. By comparing the perceived barriers to export with the activities delivered within each ECP, an ex-ante judgment on the relevance of the ECP can be made. The judgment on whether, and to what extent, the ECPs have actually alleviated these export barriers for ECP assisted companies is part of the contribution analysis which follows in the next chapter.

When trying to enter foreign markets, exporters face constraints which relate to the market supply, and demand side as well as the wider economic context within which companies operate. Each of the export barriers refers to one of these dimensions, as indicated in the third column (Table 4).

According to the 'The Global Enabling Trade Report 2014', major export constraints are for example the access to imported inputs at competitive prices which negatively influences export prices, especially since the currency exchange rate has worsened³¹. A highly complex tariff structure for imports and the inefficiency of border administration procedures to import and export goods are also considered to cause major problems. Half of the top-ten ranked export barriers are related to contextual issues.

The export barriers perceived by the 13 case study companies partly overlap with those mentioned by the recent World Economic Forum report, and also show a strong positive correlation when we look at the relative weights given to these barriers. Other obstacles identified by the companies, but not by the WEF report, include a lack of internal export organisation (capacity), dealing with demand changes and trends, and communication with foreign buyers.

²⁹ See annex 1 for information on case study companies.

³⁰ Calculated by multiplying the number of companies that identified the factor as an obstacle (max 13) by the average perceived importance of the obstacle (20%, 40%, 60%, 80%, and 100%).

³¹ These constraints are not of recent years, but also apparent at the time of ECP implementation.

Table 4 Export obstacles

Export obstacles	Dimension	WEF rank (weighed)	Case study companies (weighed)	TPO's	ECP
1 High cost or delays caused by domestic transportation	context	16,6			
2 Access to imported inputs at competitive prices / price level	supply	12,9	1,4	x	(x)
3 Identifying potential markets and buyers	demand	11,2	6	x	x
4 Tariff barriers abroad (e.g. import duties in target markets)	demand	9,3	3	x	
5 Inappropriate production technology and skills	supply	8,9			(x)
6 Burdensome procedures at foreign borders	context	8,9			
7 High cost or delays caused by international transportation	context	8,7	1,3	x	
8 Access to trade finance	context	5,8	2,4	x	
9 Corruption at foreign borders	context	5,4			
10 Difficulties in meeting quality/quantity requirements of buyers	supply	4,6	2,2		x
11 Technical requirements and standards abroad	demand	3,9	3		(x)
12 Rules of origin requirements abroad	demand	3,9		x	
13 Limited knowledge on legal issues and contracts	context			x	x
14 Volatility of the currency	context			x	
15 Internal export organisation	supply		1,4		x
16 Demand changes and trends	demand		1		x
17 Communication with foreign markets/buyers	context		0,9		x
18 Design quality	supply		0,8		x
19 Production Capacity	supply		0,8		(x)
20 Packaging	supply		0,4		

Source: World Economic Forum, authors

Many of the constraints mentioned both by the WEF report and case study companies are also in line with export obstacles identified by the South African Trade Promotion Organisations (TPOs) that were interviewed. Triangulation of these sources helps us identify the most important export constraints faced by South African companies:

- no competitive pricing due to high costs of inputs (e.g. raw materials, electricity, labour);
- problems with identifying potential buyers;
- tariff (import duties) and non-tariff barriers (technical requirements and standards);
- limited financial resources to overcome market entry costs (especially common among small companies);
- high transportation costs (and shipping delays); especially to Europe; and
- difficulties in meeting quality/quantity requirements of buyers.

From these six major export constraints, two are specifically addressed by the ECPs: the *identification of potential markets and buyers* (the most important export constraint faced by case-study companies) and *difficulties in meeting quality/quantity requirements of buyers*. The ECP can target the problems around the identification of potential buyers through market entry activities, such as support for trade fair participation and matchmaking, while difficulties regarding compliance with buyer requirements can be tackled through creating awareness and increasing knowledge by the CBI sector expert, at the EXPRO trainings and through getting into contact with “the market” when participating at a trade fair.

The remaining four constraints identified are context or demand market related constraints, which are difficult to tackle for any export development programme. *High prices of inputs* for example, result from macro-level problems, such as high electricity costs (due to inadequate capacity of power plants) and high labour costs (due to inflexible labour regulations and high minimum wages). However, case study companies do not seem to report this as an important issue, indicating that the ECPs particularly assisted companies that could sell their products at *relatively* low prices.

Another important constraint mentioned by ECP assisted companies relates to *tariff barriers*, which obviously also lie outside the sphere of influence of the intervention. *Non-tariff barriers*, such as

technical requirements and standards are also identified as major barriers, though here the knowledge of EU market requirements provided by CBI experts could potentially assist the companies. Most of the expert advice on this matter actually received by assisted companies deal with obtaining CE marking³² and certification. Only in case of one company did the ECP partially finance the acquisition of the certificate.

High transportation costs (and shipping delays) and inadequate access to financial resources for market entry are two other (context related) export constraint that are difficult to address. High transportation costs are especially caused by the physical distance to large and advanced markets, such as the US and the EU and high port charges for the export of value added goods. This is compounded by inefficient rail and port freight logistics³³. The distance to the EU in combination with *limited financial capacity or access to finance* predominantly makes it very difficult for many, especially micro and small sized companies in the sample, to enter a market and to overcome the fixed transaction costs related to market entry and long term buyer relationships. Searching and meeting with (potential) buyers inevitably induces high travel costs. Although the ECP cannot structurally lift this constraint, the ECP does assist companies to temporarily overcome this constraint, for example by offering highly subsidized services (e.g. covering stand and location fees at trade fairs).

To summarize, ECP interventions focus on two of the six major export constraints, while also partially addressing two others. In addition much effort goes out to constraints which were considered less important (e.g. trainings on legal issues, contracts and communication with foreign buyers). However, it has to be noted that many of the important constraints not addressed are context related and hence fall outside the sphere of influence of the ECP and export development programmes in general.

What does this mean for the relevance of the ECP in South Africa and for the assisted companies? While the identification of buyers and markets - considered the most important export constraint among assisted companies - is actively addressed by the ECP, there are many other important factors that are constraining these companies, which are not being addressed (e.g. high input prices). This implies that there was ex-ante a considerable risk that the effort of the ECP, even if highly successful in bringing companies in contact with buyers, would not lead to increased export turnover (i.e. when these other constraints turn out to be binding).

3.5 Assessment of additionality

In this section another aspect of the programmes relevance is assessed, by asking what inputs and services the ECPs did provide to companies in addition to what these companies could already obtain on the market or from other institutions in South Africa.

The concept of additionality in its most basic form refers to the 'amount of output from a policy as compared with what would have occurred without government intervention'.³⁴ Stated more positively, additionality refers to 'the specific inputs and services that these (non-market) institutions provide in addition to those delivered by the market or institutional framework in place'.³⁵ Being additional means having added value or being complementary to -and therefore not a substitute for- what the market or other institutions are already providing (textbox 1).

³² The CE mark, or formerly EC mark, is a mandatory conformity marking for certain products sold within the European Economic Area (EEA) since 1985. The CE marking is also found on products sold outside the EEA that are manufactured in, or designed to be sold in, the EEA. This makes the CE marking recognizable worldwide even to people who are not familiar with the European Economic Area.

³³ DTI (2013) Industrial Policy Action Plan.

³⁴ Mceldowney, J. (1997), Policy Evaluation and the Concepts of Deadweight and Additionality: A Commentary, Evaluation April 1997 3: 175-188, European Commission, Brussels.

³⁵ IEG (2008), Independent evaluation of IFC's development results 2008: IFC's additionality in supporting Private Sector Development, Washington D.C.: Independent Evaluation Group World Bank.

Textbox 1 Additionality defined

The Independent Evaluation Group (IEG) of the World Bank investigated the additionality of the International Finance Corporation, a World Bank institution for the provision of investments and advisory services to build the private sector in developing countries states that additionality has three main characteristics³⁶:

Additionality is relative: it refers to what is available from other parties.

Additionality is situational, because availability depends on circumstances and "situations exhibiting market and institutional imperfections that inhibit development"

Additionality is highly dynamic: the additionality of an institution may change as the institution itself changes, as other organizations in the environment change and as circumstances in developing countries change.

According to our interpretation, the question to be raised then is whether or not ECP assisted companies would have had access to a comparable and affordable alternative, in order to develop their export potential. This requires information on what type of export assistance the market and the institutional environment in place was offering in the intervention period and to what extent companies had access to this assistance.

Although a commercial infrastructure is in place in South Africa, new and growing firms often cannot afford the cost of consultancy services. This is confirmed by the interviews with case study companies, as half of them indicated not to have sufficient funds available to finance their export development, and therefore had to rely on indirect funding provided by the ECP (e.g., to participate at a trade fair). This lack of access to export development assistance offered by the market was considered a market failure by the South African authorities and has led to the introduction of a publicly financed export development infrastructure.³⁷ It can therefore be concluded that the ECP is complementary to what companies can obtain on the market. This leaves us with the question of how the ECP interventions relate to export development tools on offer by the institutional framework in place in South Africa at the time of the intervention.

As indicated in paragraph 2.5, many different types of export development services and subsidies were on offer by several institutions in South Africa at the time of the intervention. What follows is an assessment to what extent the services per main component were already on offer in South Africa.

1. *Technical Assistance* by external consultant (auditing and distance guidance);
2. *Training (EXPRO)*, including various seminars and workshops (e.g., writing an Export Marketing Plan)
3. *Market entry* prepares companies for trade fair participations and, when possible, eventually company matchmaking.

Technical assistance

Long-term regular consultations and distance guiding of individual companies on export development by a sector and EU-market expert, as offered by CBI, was unique to South Africa. In fact except for SEDA, other trade promoting organisations in place did not structurally offer any individual company coaching. However, the mentorship offered by SEDA is generally not conducted by EU-market or sector experts and is normally focused on general business development.

It should be noted though, that the impression given by the documents reviewed and by the interviews held, is that although a sectoral approach is followed, there is a lot of uniformity in the way ECPs are implemented by the experts. Often a lot of attention is given to non sector-specific problems, in addition to sector specific constraints.

EXPRO

Export trainings on a range of topics for beginners and advanced exporters have been freely available in South Africa (by DTI, SEDA, TKNZ, WESGRO and Chambers of Commerce). However, according to a review by DTI the export trainings on offer in South Africa in the past were often too generic and did not offer enough in-depth sector specific knowledge and skills.

³⁶ Idem.

³⁷ As public programmes are also (partly) implemented by private partners, it is hard to sustain that public subsidised programmes have been crowding out private sector supply.

In this respect, the courses offered at the EXPRO in the Netherlands are partly additional to what is already available locally. Part of the courses offered in the EXPRO deal with general topics which were also on offer locally, while other courses and activities are more unique by focusing on sector and EU-market specific topics. The following activities were especially found unique and appreciated by the interviewed companies:

- Structuring of export strategy in an Export Marketing Plan
- Course on EU business culture
- Workshops by value chain actors (e.g. distributors)
- Market orientation activities: visits to retail locations and trade fairs

One exception in South Africa is WESGRO, who offers many stand-alone activities that actually resemble many of these activities that would make the EXPRO unique, such as visits to retail locations abroad, expert and buyer meetings in order to receive feedback on product and marketing mix and assistance in writing an export marketing plan. However, WESGRO only offers their support to companies in the Western Cape province.

Market entry (trade fair participation)

Foreign market entry services are widely available in South Africa. The DTI, provincial agencies, sector export councils and chambers of commerce offer trade fair assistance (for both individual companies and sector wide participations) and other matchmaking activities, such as inward and outward missions and meetings with potential business partners. Depending on the turnover of a company, DTI covers full costs of trade fair participation (incl. location, stand, travel costs and daily allowances). In contrast, CBI requires participants to cover at least their own travel costs and daily allowances, and requires for the second and third participation that the company pays part of the stand and location. Consequently, 5 out of the 10 companies that exhibited at trade fairs in Europe during the ECP did this at least once with DTI support instead of CBI support. When asked about the difference in participating at a fair with CBI or DTI support, there was a general consensus that CBI offers more support while being at the trade fair, this included:

- Advice on structurally liaising with business contacts,
- Cultural advice,
- Advice on styling of stand and displaying of products and promotional material,
- The presence of the CBI expert, who motivates, can offer advice and can play a matchmaking role.

Conclusion

For small companies in South Africa, like those supported by CBI, consultancy services available in the private sector are not affordable. Interviews with supported companies also show that investments in export development often hold a low position on the priority list, and many companies even refuse subsidized trade fair participation because the required co-investments are deemed too large. This means that any export development services offered to these companies is additional to what they can (or are willing to) obtain on the private market. The question then remains whether the ECP was additional to the export development services offered by the institutional framework in South Africa.

We can conclude that the ECP as a five-year integrated export support package is unique for South Africa. The ECP offers an opportunity for motivated and high-potential companies to become export ready and to enter the market within one programme. None of the institutions in place offers this type of intermittent guidance. However, many of the components within the ECPs are in fact also offered locally as standalone services. This is particularly the case for trainings on general export topics and support for market entry activities, such as trade-fair participation. The additionality of the ECP therefore constitutes primarily of the sector specific approach in combination with the EU market focus, as well as the five-year recurrent guidance of an expert throughout the programme.

4. Impact

4.1 Introduction

This chapter focuses on the effectiveness of the Export Coaching Programme in South Africa. The assessment both focuses on the extent to which the ECP has been able to reduce export constraints (intermediate outcomes), as well as the effect on the export turnover realised (outcomes) (paragraph 4.2). Moreover, in order to have an impact on the national development indicators, it is assumed that the effects are sustainable, and that the extra gains (in terms of value added and employment creation) will be, as much as possible, beneficial for the South African economy (paragraph 4.3). The implication of the programme's effects on the cost effectiveness is discussed in paragraph 4.4.

4.2 Effectiveness

Having discussed the ex-ante relevance of the ECP, in this chapter a judgment will be made on whether the ECPs have actually reduced these export barriers for ECP assisted companies. Moreover, in a contribution analysis an assessment will be made of the extent to which the assistance has also materialised in export growth.

4.2.1 Effectiveness on relieving export constraints

The theory of change, as described in chapter one, assumes that initially any company could be a flourishing exporter, except that certain constraints might prohibit this. It further assumes that if these constraints are – to some extent – reduced by the ECP or by other external or internal factors, the company has a higher probability to increase its export turnover. The following figure displays the constraints faced by case study companies, and the way in which these constraints have developed since the start of the ECP intervention.³⁸

When interpreting the data it should be kept in mind that a strong improvement (reduction) of the constraint is indicated with the maximum score (5)³⁹, while a score of 3 indicates that the determinant has not changed according to the assisted company; and a strongly worsened situation is indicated by 1 (red line). In addition, an assessment has been made by the authors to what extent the ECPs have contributed to these developments (green line).⁴⁰

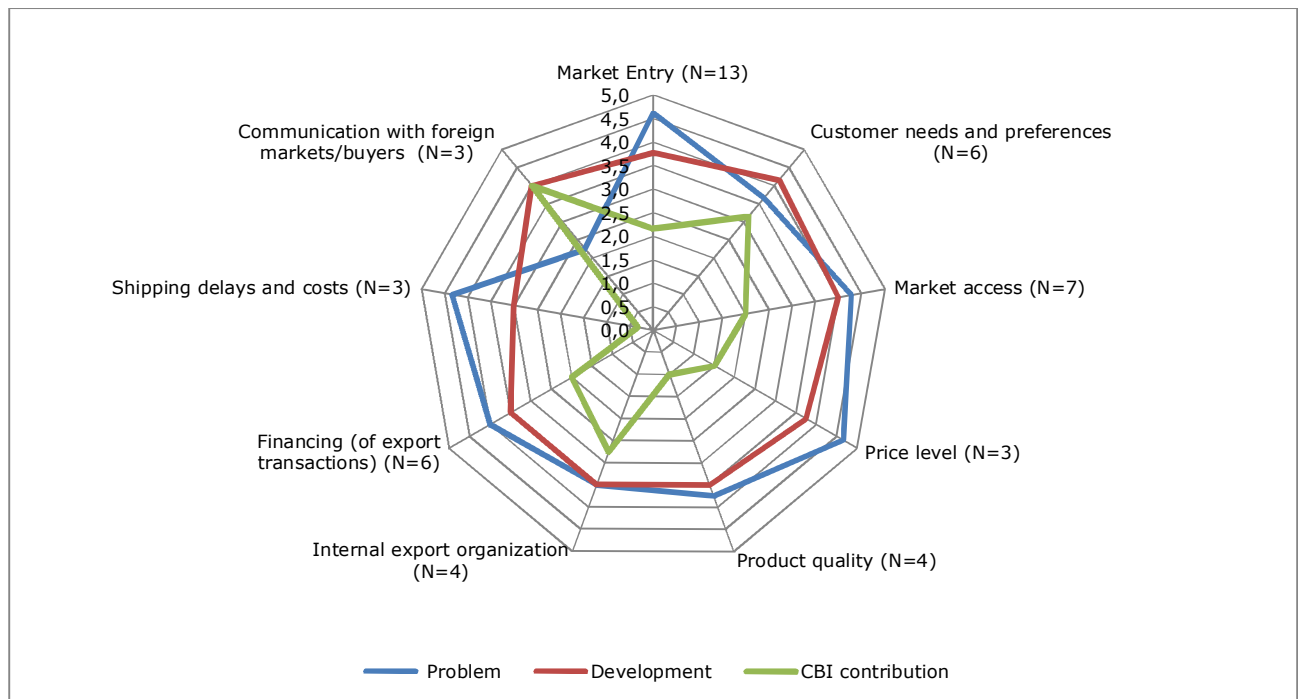
The results represent average scores for the case study companies (Figure 6). When interpreting the results one has to take into consideration that most scores are based on a smaller subset of the company sample (company numbers in parentheses). For example, three out of the 13 companies consider the product price level to be a problem (blue line). The problem slightly improved since the start of the ECP (red line), but hardly as result of the ECP intervention (green line).

³⁸ An oversight of company constraints per company, and the responding contribution stories, can be found in annex 1.

³⁹ Strongly improved =5, improved =4, did not develop = 3, worsened =2, strongly worsened =1.

⁴⁰ This has been done by asking ourselves the question: Did CBI contribute to this development? (How much on a scale from 1-5?).

Figure 6 Export constraints as perceived by CBI assisted companies



Source: authors

Market entry

The biggest obstacle identified is the entry into foreign markets. This relates to knowledge and the selecting of distribution channels, market segmentation, getting into contact with customers, et cetera.

This obstacle has improved for eight of the thirteen companies. Being able to attend trade fairs is considered a major contribution to getting into contact with the market and to be better informed about the competitive position of the company. However, most of the companies already had attended trade fairs before getting involved in the ECP. From the ten companies that indicated to have been participating eight were supported by CBI, some of which were offered participation twice. The professional approach and matchmaking events organised by CBI are well received, also compared to trade fair assistance by the South African Department of Trade and Industry (DTI).

Companies also indicate to have chosen for trade fair support by DTI who, contrary to CBI, fully covers the participation costs. For at least one company in the home decorative market, that was already exporting but faced a large reduction in demand from its partners in the United States, trade fair participation might have saved the company from bankruptcy (although it took more than the one or two participations organized by CBI). Three companies indicated that the trade fair did not pay off because of a mismatch between the product on offer and the dominant target group at the trade fair.

Market access

Market access refers to problems encountered with tariff- and non-tariff barriers (e.g., certification). This is mentioned to be a barrier for seven companies and has improved for six companies during the ECP.

For six companies that were in need of obtaining the necessary documentation to enter the EU, the ECP has been considered instrumental in obtaining CE marking in one case and ISO certification in two cases. It was the CBI expert that drove the decision to obtain the certification, but the companies themselves already applied for quotations before entering the ECP. Although, according to one company, certification helped to get local clients it did not materialise into exports.

One company that could not afford CE marking for medical devices arranged it through one of its suppliers, while another producer (inflatable life jackets) has to date not obtained the required CE marking. The ECP this company was involved in has been cancelled prematurely.

Increased awareness of the competitive position in combination with (perceived) hard to fulfil regulations, has made two CBI assisted companies decide not to become active in the EU market, but rather focus on regions with fewer regulation (Africa, and South America).

One company active in the field of defence communication systems has been hampered by defence industry related trade policy restrictions, causing long procedures to obtain permits.

On the contrary, external factors can also be beneficial, as shown in the example of the supplier of surgery scalpels, where prescriptions by the World Health Organisation (every WHO health kit should contain such device) led to an increased demand for the product.

Customer needs and preferences

Companies are operating in a competitive environment, facing changes in demands for their products and services, and forcing them to rethink their future strategy.

Driven by own initiatives, most companies had already made an inventory of the international competitive environment. Nevertheless, knowledge gained by participation in trade fairs, trainings (EXPRO), or technical assistance missions led to an increased awareness of the competitive position, and in some cases this initiated a process of product improvement. This obstacle has improved for all of the six companies since the start of the ECP.

One of the company's active in handicrafts realised that the design of its produce was not attractive enough and that prices were too high for wholesale. In order to survive the company refocused the product line (cheaper products in bulk), and changed its market entry strategy. Instead of managing a lot of small contracts with end users, resulting in high transaction costs per unit, a distributor was selected leading to lower margins but also reducing transaction costs. Another company active in the handicrafts sector decided to start delivering high-end (EU) markets with products made from recycled materials.

From the ECPs covered by this evaluation, market dynamics are especially strong in the IT outsourcing (ITO) and Business Process Outsourcing (BPO) sector. One of the companies had to refocus its product orientation twice while the market for its services shrank (web development services became superseded as a result of the introduction of self-help software tools).

Another company, active in the BPO sector had to completely refocus its service after loss of a major (UK based) client. This led to a downscaling of its agents, and changed the company's focus more on local customers. The company also saw a drop in demand as result of the EU recession, in which UK companies were incentivised by their government to create jobs in England, making it less profitable to outsource to South Africa.

Price level

Three of the thirteen companies reviewed indicated that price competition is a major constraint. For example, a company active in the BPO sector felt harsh competition from Indian companies that are better positioned, and believed that a higher cost price in combination with the EU recession resulted in the loss of its major client. For others a cost price does not seem to be a major problem as their competitive edge is not so much price related.

High cost prices cannot be easily changed due to minimum wage and high labour standards in South Africa. Nevertheless, some of the companies (especially those in the handicrafts sector), managed to lower the cost price relative to product characteristics and competition, making the companies more profitable. In this process the CBI expert helped to refocus the companies' product market strategy.

Product quality and design

Regulations on product standards set the minimum criteria which should be fulfilled when entering a market. Besides, in order to market, a product should appeal to customer needs and preferences. Some examples and reasons for successes and failures are given below.

Despite good engineering and a functional design, a CBI supported producer of an anti-stutter device acknowledged that the product did not sell because of a better design quality by the competitor, despite undercutting the competing sales price by far.

An important factor that contributed to the success of one of the producers for the medical industry is the understanding of the market which led to the creation of an innovative product.

Internal export organization

A lack of export marketing knowledge is a common problem encountered by companies, and is mentioned to be a barrier for four companies. For two of these companies the constraint was reduced somehow, partly because of the ECP which helped to increase the marketing knowledge and to introduce a more structured export development approach.

As a result of staff retention problems in combination with increased local demand, some of the companies active in the ITO sector encountered capacity problems, which distracted their focus from the ECP.

Financing (of export transactions)

South African companies face long distances to target markets, which require high investments. About half of the companies indicated not to have budget available for export development because of cash flow problems.⁴¹ In the framework of the ECP in principle no direct financing takes place, though indirect financing by bearing the costs of trade fair participation and preparatory trainings does take place.

For four out of six companies this constraint was reduced somehow, and at least for one of these companies it can be said that support by CBI was much welcomed, even coming at a crucial stage. Although support helped, at the same time companies also indicated that, in order to book results, financial support should have reached further than one time or maximum two times presence at a trade fair.

Shipping delays and costs

Distance from buyers result in long delivery times and high transport costs, which makes it difficult to export products that need short supply times or face high unit transport costs. Three companies mentioned this to be a barrier, and for none of them this barrier was relieved.

For one company it meant that the existing product (high volume life jackets) could not compete on the EU market because of high per-unit transport costs. The company is still working on obtaining CE marking for a new product (inflatable life jackets) for which long distance transport costs should be acceptable.

For another company, supplying medical equipment on short notice, long supply times might have prevented EU business development. In order to overcome these problems, companies either need a distributor or EU warehouse.

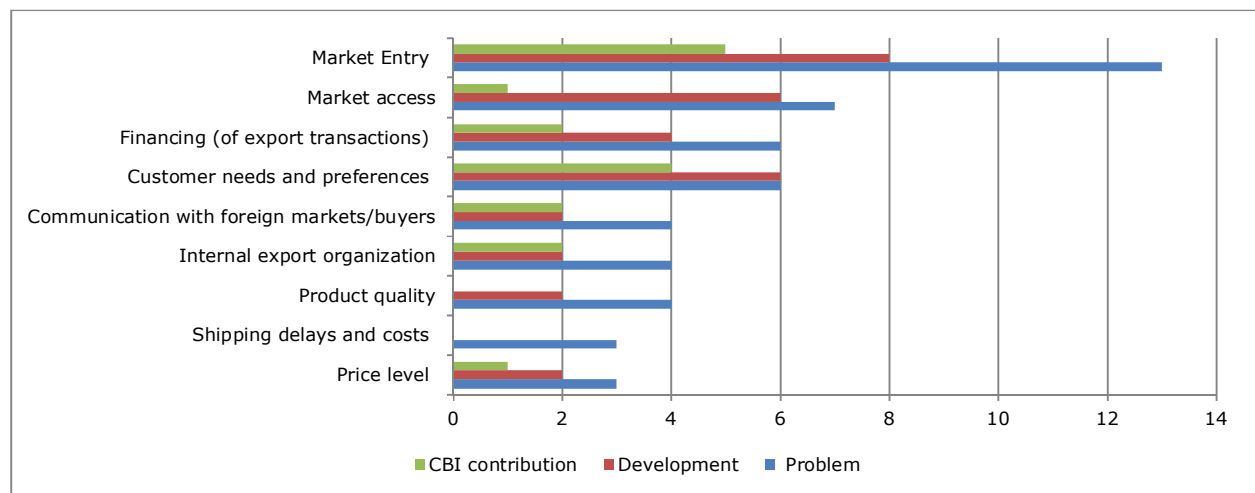
Communication with foreign clients

Four companies indicated that communication with foreign clients constrained them somewhat in entering the EU market. Two out of these referred to have been helped by the ECP which provided extra advice on cultural issues and opened their eyes by bringing companies from different countries together.

To summarize, what does this mean for the effectiveness on relieving export constraints for the assisted companies? Figure 7 displays the number of case study companies that faced a specific constraint (blue line), and the number of companies that perceived a relief of this constraint (instead of average 'constraint relief' scores such as shown in the figure showed earlier) as well as the number of companies for which the relief in constraints can be (partly) attributed to the ECP intervention (green line).

⁴¹ Some respondents mentioned that late payment by government departments created cash flow difficulties for the businesses.

Figure 7 Export constraints, and ECP contribution



Source: authors

'Market entry', which is actively addressed by the ECP, is considered as the most important export constraint among assisted companies. Eight out of thirteen companies saw a relief of this constraint, while for five companies one could state that the ECP contributed successfully. With regard to 'Market access', which is considered the second largest constraint, six out of seven companies saw an improvement, though only for one company the ECP intervention has clearly been one of the factors that contributed to this⁴².

From the remaining obstacles to export which are less widely shared among the case study companies, the ECP interventions contributed most to relieving constraints with regard to responding to customer needs and preferences, communication with (potential) foreign clients and adapting the internal export organisation. This implies that, although the majority of case study companies perceived the four most mentioned export constraints to have become less manifest over time, the ECP interventions predominantly contributed to two of these constraints.

4.2.2 Effectiveness on export turnover

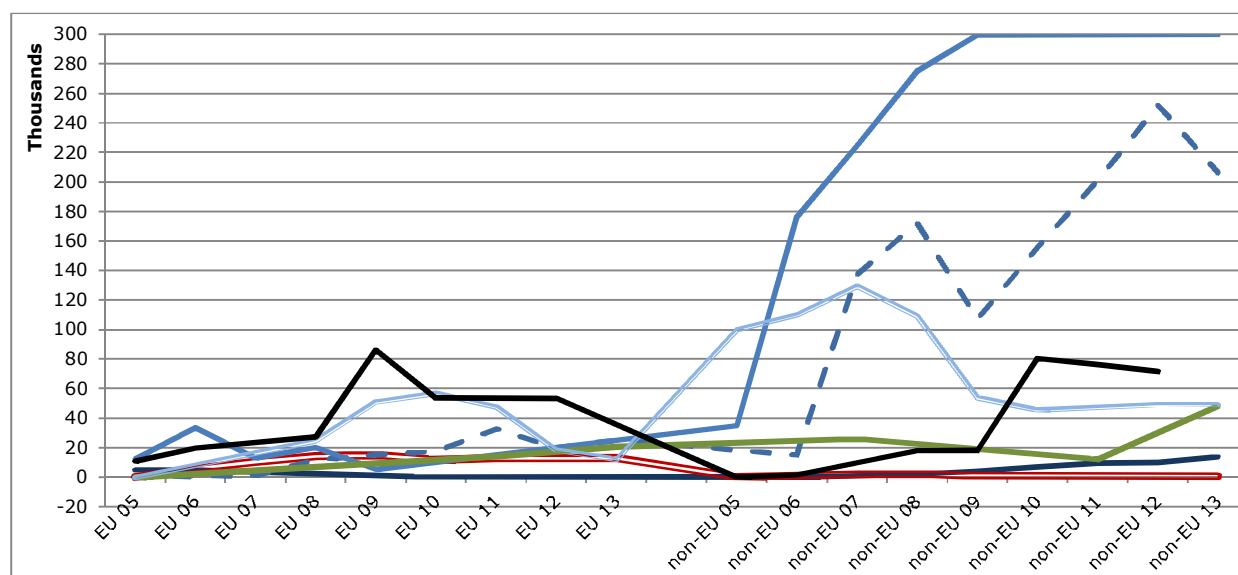
In order to get qualified as 'competent exporter' the CBI assisted company should fulfil quality indicators at result-, effect- and impact level. At the result level the company indicates that its skills and knowledge have improved, and that it translated its knowledge and insights of the EU and EFTA markets. The result level outcomes, such as defined by CBI, will not further be discussed here.

At effect- and impact level, the CBI quality indicators verify that the company did realise (more) export to the EU during the program (effect), of which the total realised additional export turnover to the EU is referred to as the impact realised. In this section the effectiveness on export turnover of the ECPs is discussed.

An overview of the gross export effects for EU/EFTA and non-EU are presented for seven out of thirteen case study companies (Figure 8). The remaining six companies either did not realise (significant) exports to the EU since the intervention took place. None of these six companies was already exporting to the EU before getting involved in the ECP.

⁴² From the company narratives it has become clear that new contacts, and possible additional exports resulting there from, could not always be attributed to a specific intervention; hence the use of the term contribution (rather than attribution) seems to be more appropriate.

Figure 8 Gross export turnover (none) EU/ EFTA (amounts in € 1.000)⁴³



Source: authors

Four companies already realised some exports to the EU upon entering the ECP; while two of them lost their EU clients during the intervention. Five companies were already exporting to non-EU markets, one of which saw a decrease in sales.

Small (temporary) effects in general, comparatively larger effects in non-EU countries

The graphical presentation of annual export turnover indicates that turnover figures, both to the EU/EFTA and non-EU, are modest and that comparatively, larger export turnover figures are realised within the non-EU areas. Also, the number of companies that started exporting to non-EU destinations is larger than the number of companies that started to export to the EU. Finally, the data shows that the increase in export turnover for most of the companies has been of a temporary character.

Effects according to CBI definition

When following the program effect definition used by CBI, which refers to the (sum of) exports realised during the intervention period, the total realised turnover, according to the CBI database (SAGE) amounts to EUR 7.3 million. The reported export turnover by CBI comprises all realised exports realised during the ECP intervention period (Table 5).

Table 5 ECP effect according to CBI definition, 2006-2010 (amounts in € 1.000)

Source	EU	non-EU	total
CBI/ SAGE	849	6,484	7,333
Total effects (review IOB)	679	3,217	3,897

Source: authors. Amounts in EUR x 1.000

A review by IOB, according to the same definition, adds up to a substantial lower amount (EUR 3.8 million). The large difference between the non-EU export figures reported by CBI/SAGE and IOB/total

⁴³ As the figure combines both EU and non-EU data the data lines connecting the EU data (first part) with non-EU data (second part) should be neglected.

effects can be traced back to one company. According to CBI/SAGE an export value of EUR 3.4 million.⁴⁴ has been realised, whereas according to IOB specification this would amount to EUR 84,000.

ECP contribution

Having determined the outcomes in terms of change in annual export turnover, the question remains which part of the realised effects can be attributed to the ECP. As discussed in section 4.1.1, an assessment was made how impediments to exports from the demand and supply side developed since the start of the intervention, and to what extent the ECPs contributed to overcome these impediments. Based on the judgments on these (export) development constraints, a contribution score was given to each company (scale: 1= low contribution; 5= complete contribution). For each of the seven case study companies that realised gross export effects for EU/EFTA and non-EU (presented in Figure 8) a contribution story has been drawn up.⁴⁵

From the 13 assisted companies that are part of this case study, information on the net change in export turnover (EU/EFTA and non-EU) is listed in the following table (Table 5). A contribution score has been included in the table, indicating the extent to which the effect can be reasonably attributed to the ECP. Moreover, information on the company size and employment development has been provided.

Table 6 ECP net effects, contribution score, company characteristics

Case study company	ECP	Net change EU	Net change non-EU	Contribution score (max =5)	Company size	Employment development
13	Home decoration, accessories and gifts	38,293	74,595	4	micro	increased
12	Home decoration, accessories and gifts	33,778	-81,613	2	micro	decreased
4	Medical devices and laboratory equipment	23,456	188,776	2	small	unknown, outsourcing
11	Home decoration, accessories and gifts	17,286	4,000	3	small	increased
3	Medical devices and laboratory equipment	9,643	129	3	micro	stable, outsourcing
1	Engineering products	0	15,000	1	small	
5	Medical devices and laboratory equipment	0	0	0	micro	unknown, outsourcing
6	ITO Services	0	20,974	1	small	increased
8	ITO Services	0	0	0	medium	increased
10	Personal Protective Equipment	0	0	0	small	
2	Medical devices and laboratory equipment	-5,000	10,054	2	small	decreased
7	ITO Services	-33,636	123,036	2	small	decreased
9	BPO Services	-145,906	0	0	small	decreased

Source: authors. Amounts in EUR

The net change in export turnover (net effect) is defined as the difference between the average annual export turnover during the (pre)-and ECP start year (baseline), as compared to the average annual turnover during the four years' period 2010-2014 (end line). This figure differs from the CBI definition, which refers to the sum of export turnovers measured from the start of the CBI intervention until one year after completion of the programme.

Five (out of thirteen) companies saw a net positive export effect to the EU, whereas seven companies did realise additional exports to non-EU countries since the intervention took place. Three companies saw a decrease of exports to the EU, and one company saw a downturn of the US market demand. Note that the fact that some companies did not realise any change at outcome level does not imply

⁴⁴ With an annual total turnover of € 860K, of which the major part is realised from domestic sales, it is also unlikely that the company would have realised a €3.4 mln. export turnover.

⁴⁵ See Annex 2.

that there haven't been effects at lower levels for these companies, such as at the intermediate outcome level⁴⁶.

The contribution score indicates the extent to which the effect can be reasonably attributed to the ECP. For three companies the ECP contribution has been assessed as moderate to substantial (respectively score 3 and 4), whereas for seven companies the ECP contribution has been assessed as weak to low (respectively score 1 and 2). For the remaining three companies no contribution has been assessed, because no additional exports were realised in either the EU or non-EU countries (textbox 2). In two cases the ECP intervention was cancelled prematurely⁴⁷.

Textbox 2 Assessing contribution

A contribution score of '4' would typically refer to a case in which the program helped the client to understand the global market, creating awareness of the position of its product vis-à-vis the global supply on offer. As a consequence of the raised awareness the company would reposition its product/service, and eventually increase its exports by selling to clients met during ECP supported market entry activities.

A contribution score of '3' would typically refer to a case in which the program helped the client to understand global market demands, creating awareness of the position of its product vis-à-vis its direct competitors. Nevertheless the program interventions could not take away major constraints faced by the company (e.g., CE marking, certification) or these constraints were taken away by other (company internal/external) factors, and the company would not benefit from ECP supported market entry interventions (trade fairs, matchmaking).

A contribution score of '2' would typically be given to a case in which the ECP has accelerated a development path that was already initiated before entering the ECP, but where increased exports have been realised despite the ECP intervention. This is for instance the situation for company 4, in which an already experienced manager from the sector took the opportunity to (further) develop an innovative product (on its own behalf), already having a good impression of customer needs and preferences, and already having a good insight into global competition.

A contribution score of '1' would typically be given to a case in which the ECP has opened the eyes of the company, but also making the company realise not being export ready for EU market. Additional exports to non-EU areas have partially been caused by increased market knowledge obtained at the trade fair and EXPRO, but entry into these non-EU markets were the company's own efforts.

The figures presented in the table above show modest effects in absolute terms for both EU and non-EU exports. Moreover, the table shows that the ECP has contributed modestly to this observed increase in exports. For four out of seven companies that realised exports, annual turnovers are presented by blue lines in Figure 8, indicating that the ECP contributed to a small extent (score 2/5). The ECP contribution for three companies is considered to be moderate (3/5; indicated by green and red lines) and substantial for one (4/5; indicated by black line).

Figure 8 also shows that the comparatively larger export turnover figures that are realised within the non-EU areas are especially realised by companies for which the ECP contribution is considered to be small. In other words, other factors –than the ECP intervention- have been contributing to these results.

One of the explanations for the small effects in export increase relates to the size of assisted companies; most of which are either micro (< 10 employees) or small companies according to the EU definition (Table 6).

The listing also indicates that on average the highest contribution has been realised in the subsector 'Home decoration, accessories, and gifts'. Since it is difficult for individual entrepreneurs to have a full-fledged overview of market demand for its products or services, we are aware that the contribution analysis might have not fully covered this aspect. For this reason, annex 3 further looks into how the development of export turnover at company level compares to that of sector.

⁴⁶ Examples of intermediate outcome level effects are relieved export constraints perceived by CBI assisted companies, such as discussed in section 4.2.1.

⁴⁷ The 'Personal Protective Equipment' ECP was cancelled as a whole, while the ECP intervention came to an end (although not officially) for company 1, after having not been possible to deliver its products for a trade fair exhibition in time.

4.3 Developmental relevance

Now we know to what extent the ECP contributed to increased export turnover of the assisted companies, we try to assess the impact of the ECPs on sustainable economic development in South Africa. For simplicity we define sustainable development as a combination of economic growth and creation of jobs. The gross domestic product can be defined as the sum of consumption, investment, government expenditure and net exports. This implies that only the percentage of additional export turnover of which the value is added in South Africa increases the GDP. Moreover, only when the additional export turnover is not realised at the expense of another company in South Africa (or any developing country) it can be claimed that the additional exports contributed to sustainable economic development.

In addition to the effects on economic growth, also the effects of the ECP on employment creation have been assessed by conducting a contribution analysis as specified in the previous paragraph.

Sustainability of exports

Positive indications for sustainability are increasing export volumes and export shares of total sales over time. Negative indications for sustainability are irregular export turnovers, or even one-time exports, companies continuously facing cash flow problems and companies that do not seem to be fully committed to exports; for instance because of being occupied serving the domestic market.

Based on the contribution stories a sustainability indicator has been attributed for each company, which is referred to in next table (Table 5, scale: 5= high sustainability; 1= low sustainability). For example, a company which saw its export turnover increase since the start of the ECP has been qualified as 'highly sustainable (5)', whereas a company that does not show much commitment for exports, for example because of better opportunities in the domestic market, would score low (1). A company that continuously refocuses its product/ service, and that seems to have found a niche market has been qualified as 'moderate sustainable (3)'.

As described in the previous paragraph, the annual export turnover seems to indicate a temporary effect for most of the assisted companies. Although one should be careful interpreting this, as the backdrop in export turnover by comparable non-assisted companies could have been even higher, it is clear that export turnover has been irregular. Only one company shows a steady increase in turnover, although the ECP contribution score of this company is small. At least three companies saw improved opportunities on their domestic markets, which resulted in lesser commitment to export.

For company 13, which has benefited most from the ECP on the short term, the programme was hardly sustainable as the manager who participated in all the activities and has therefore become an experienced importer, has recently left the company to a far less experienced person.

Added value

South Africa's economy underperforms that of fellow emerging markets. One of the problems is a weakened competitiveness, that is reflected in a falling share of manufacturing exports while (low value added) commodities account for more than half of exports. It means that in order to have an impact on the national development indicators, the current development should be reversed, exporting more value added goods and services.

For this purpose assisted companies were asked to give an indication on the percentage of inputs that are imported for their products.⁴⁸ For eleven supported companies, 75% or more of the value is added in South Africa. Low added value scores are in one case explained by the fact that the company outsourced the production to a German manufacturer, while in the other case the cost price was mainly determined by expensive semi-finished products imported from abroad. The average scores confirm that value added in the service sector is high, compared to the manufacturing for example. It should however be noted, that given the small number of companies reviewed the figures listed in the table are just indicative, as the value added strongly depends on the type of products; some products requiring a larger share of foreign inputs than others (Table 7).

⁴⁸ Note that this is an imperfect indicator of the percentage of value added in South Africa, as this indicator potentially misses out any imported inputs for semi-finished products.

Table 7 Contribution, sustainability and added value

Case study company	ECP	Total net change ⁴⁹	Contribution (max =5)	Sustainability (max =5)	Added value	Development relevance (rank)
11	Home decoration, accessories and gifts	21.286	3	5	90%	1
4	Medical devices and laboratory equipment	212.232	2	5	80%	2
13	Home decoration, accessories and gifts	112.887	4	2	100%	3
7	ITO Services	89.400	2	3	100%	4
6	ITO Services	20.974	1	3	75%	5
2	Medical devices and laboratory equipment	5.054	2	1	100%	6
5	Medical devices and laboratory equipment	0	1	1	100%	7
3	Medical devices and laboratory equipment	9.771	3	3	10%	8
1	Engineering products	15.000	1	4	20%	9
12	Home decoration, accessories and gifts	-47.835	2	5	90%	10

Source: authors

Employment

As indicated, the dominant size of assisted companies is micro or small. Since large firms tend to be engines of job creation, it is not surprising that the number of jobs created has also been very small. The only company that is qualified as 'medium size' doubled its employees as a result of a domestic merger during the intervention period. Assisted companies with the highest contribution scores saw a stable or small increase in their employment status. Companies with decreasing exports also experienced a reduction in staff numbers (Table 7).

In terms of employment, companies in the service- and home decoration sector employ a large share of the total staff on a temporary basis (e.g., freelance, home producers), creating a flexible base for their operations. In the medical sector three micro companies have been assisted, which should be considered as inventing- and design houses, that outsource the complete manufacturing process. Supply chain spill overs, in terms of employment are not known for these companies. What is known is that these employment effects (to a smaller or larger extent, depending on the company) do take place outside South Africa.

Summary

When looking at the combined assessments of contribution, sustainability and value added a ranking can be made, expressing the level of development impact of the ECPs (scale: 1= highest; 10=lowest) The ranking shows that the assistance of companies active in the sector 'Home decoration, accessories and gifts' has had the largest impact from a developmental perspective (Table 7).

4.3 Cost effectiveness

Scale effects

Scale refers to the number of assisted companies that benefited from the program interventions. It is important to note that enterprises may 'drop out' at various levels of the result chain so that the number who actually benefit might be smaller than the number who might potentially do so. A reconstruction has been made for all ECPs based on the case study findings (Table 8).

⁴⁹ Sum score for EU/EFTA and non-EU.

Table 8 Scale effects

Phase	Pipeline	case study	South Africa (all ECPs)	% initial selected	% 'competent' exporters
1	Selection into the program		36	100%	
2	Drop outs		13	36%	
3	Competent exporters	13	23	64%	100%
4a	Effects (EU)	5	(11) ⁵⁰	31%	48%
4b	Effects (non-EU)	7	(12)	33%	52%
5	ECP attributable effects	6	(10)	28%	43%
6	Sustainability	5	(8)	22%	35%
7	Value added	4	(6)	17%	26%

Source: authors

The table describes the various phases, starting from the selection into the program by CBI. From the 89 applicants (not in table), 36 companies got selected into the program. From this group that initially started, 36 percent dropped out during the intervention, leaving 23 'competent' exporters.

Based on the assessed net effects in the sample (case study), 31 percent of the initial selected companies (=48 percent of the companies declared 'competent') realised export turnover to the EU during the intervention period and thereafter. For the companies that realised exports to non-EU countries, this equals 33 percent for those companies that were initially selected (52 percent of 'competent' exporters).

When looking at the ECP attributable effects, it can be concluded that 28 percent of the initially selected companies realised the intended increase in export turnover at least partially because they participated in the ECP (43 percent of the 'competent' exporters). For most of these companies the effects were also assessed as sustainable. When controlling for value added, one company in the sample realised 90 percent of its input from the EU, and therefore was excluded.

Cost effectiveness

How does this translate in the cost effectiveness of the program? The South African ECP portfolio accounted for EUR 1,2 mln., or EUR 52,000 on average per 'competent' exporter. When the beneficiary group is limited to the number of companies that realised the intended effect (i.e. contribution score of 2 or higher), the average cost per company would amount to € 120K, and even higher for the group of companies where a positive development impact can be expected (€ 200K on average per company).

Another way of assessing the cost effectiveness of a program refers to the return on investment. CBI uses such definition as a standard for assessing the impact, which is defined as the total realised export to the (none) EU/EFTA markets measured one year after completion of the programme. This program indicator is assessed as sufficient if the total value of the realised export is at least the same or more than the planned export. The standard for the planned export is 2.5 times the planned expense, i.e. the CBI investment. The export turnover is measured from the start of the CBI intervention until one year after completion of the programme.⁵¹ From this internal CBI standard we conclude that a programme can be considered as cost effective if exports more than double the program costs.⁵²

Applying this definition to the South African case study, programme costs of assisted companies have been set against the (attributable) additional exports (instead of total exports realised). According to

⁵⁰ Based on the sample findings, results have been postulated to the population of assisted companies (23 companies). Since this is a postulated situation results are placed within brackets.

⁵¹ 'CBI Theory of Change and indicators', 13 November 2013.

⁵² It should be noted that ECP evaluation perspective used here differs from that used by CBI. Instead of evaluating all companies participating in the same ECP, the object of current evaluation are ECP assisted companies in a specific country.

this definition export turnover is the sum of additional exports over the years 2007-2013 on top of the sum of baseline export turnover during these years (Table 9). Please note that a longer timeframe has been taken into account as compared definition used by CBI (7 instead of 5 years), which enables us to capture effects more than one year after completion of the programme.

The next table lists the additional exports realised (by the assisted companies) according to this definition. To put figures in perspective, the first two rows list the sum of exports realised during the program period according to the CBI definition (reviewed by IOB), and was presented earlier.

Table 9 Additional exports

Source	EU	non-EU	total
CBI (2006-2010)	849	6,484	7,333
Total effects 2006-2010 (CBI definition, review IOB)	679	3,217	3,897
Additional exports 2007-2013 (IOB)	369	1,888	2,257
Attributable additional exports 2007-2013	314	913	1,227

Source: authors. Amounts in EUR x 1,000

One again, when interpreting the figures above, it should be realised that program effects are judged for a longer timeframe and that only additional exports have been taken into account.

The additional exports realised during the period 2007-2013 amount to € 2.2 mln. The attributable export share has been calculated by multiplying the additional exports with a contribution factor.⁵³ Given the average program costs per competent company (EUR 52,000), one could state that for every euro spent by the program, the additional export realised amounts to € 1.8. When, for comparative reasons, the review is limited to a five year period (2007-2011), the additional export realised would reduce to € 0.8 for every euro spent.

In conclusion, when defined according to the return on investment of attributable program effects it can be stated that these have not been cost effective for the sample of ECP assisted companies in South Africa.

⁵³ Contribution factor 1= 20%, factor 5 =100%; it means that export shares for all companies with a contribution factor of 1 or higher are included in the calculation.

5 Discussion

In this evaluation an assessment has been made of the relevance, additionality, and effectiveness of the ECP programme in South Africa during the period 2005-2012.

The ECP programme, set up as a 5 year integrated export support package, is unique for South Africa and the additionality of the ECP primarily exists of the sector specific approach in combination with the EU market focus, as well as the recurrent guidance of an expert throughout the program period.

From the sample of assisted companies (thirteen), five companies realised additional exports to the EU, whereas exports to non-EU countries increased for seven companies. This questions the additionality of the specific EU market knowledge, which is considered to be one of the main strengths of the ECP. Furthermore, the companies where the ECP contributed the least are responsible for the largest share of additional export turnover. However, one has to take into account that the EU went through a recession right at the time of the ECP, which might explain a diversion away to other markets. At the same time, globalisation of trade and more complex and dispersed value chains have created a new market reality. The stimulation of South-South trade by the Dutch government should be interpreted as an answer to this new reality, but at the same puts a question mark behind the assumed relevance of EU market expertise upon which the ECP is based.

When looking at attributable effects, we conclude that for five (out of thirteen) companies the contribution of the ECP to the observed increase in export turnover was moderate to substantial⁵⁴. For the other ten companies results have been disappointing. The main reason for this is that, although the ECP addresses the most important export constraint among assisted companies, it has not been able to alleviate other constraints -some of which lie outside the sphere of influence of the ECP- which were binding for the company. In other words, there was ex-ante a considerable risk that the effort of the ECP, even if highly successful in bringing companies in contact with buyers, would not lead to the expected effects.

What does this tell about the current programme set up? Based on a study of international best practices, the South African National Export Development Plan identifies five phases of export development:

- Phase 1: The explorer is the enterprise that is exploring options for developing the business, of which exporting might be a possibility;
- Phase 2: The export-aware enterprise has some idea of what exporting entails, is export-ready in some aspects, but lacks basic export skills;
- Phase 3: The export-ready company has the basics in place and needs to develop an export marketing plan;
- Phase 4: The start-up exporter is export-ready and has completed an export marketing plan, which now needs to be implemented to achieve initial orders; and
- Phase 5: The global exporter may have been exporting for a number of years and now needs to further penetrate markets, develop new markets or new products.

When looking at the profiles of assisted companies it becomes clear that the ECP in South Africa has been servicing companies from all abovementioned phases, phase 1 excluded. The implication of this is that companies are in need of different types of services and interventions at different stages of their export development. The aim of the current ECP is to offer different types of services into one integrated program, without really discriminating between companies that really need the service and those that don't, also without being selective in the group of beneficiaries served.

⁵⁴ In the programme set up the success of an ECP is defined by the average result of all competent companies. It means that although the results of an ECP might be positive, this could mask the fact that at an individual company level it becomes apparent that the larger, more mature export companies are responsible for these positive outcomes. Although the main point of entry chosen in the current review has been the country and not ECP level, it shows that a limited number of the initial selected companies realised the intended benefit. This rises the question what success rate would be acceptable.

The review of South African assisted companies has learned that the ECP delivers most added value, in terms of transferred knowledge, to those companies that are the least knowledgeable. This is because all selected companies in an ECP, notwithstanding their export developmental state, are offered by and large the same set of interventions. As said, these not always correspond to the actual needs of individual participants; which often the more advanced companies that indicate to be in need for assistance on a more sophisticated level.

Moreover, the impression of the intermittent consultations and distance guiding of individual companies by a sector and EU-market expert -the least standardised part of the program- also confirms that ECP's are implemented quite uniformly by the experts. Often, next to sector specific constraints, a lot of attention is given to non-sector-specific problems.

It seems that not always the right needs analysis has been made, as in the case of companies that were in need of a more effective market entry strategy, that could have been better served by for instance linking them up to an EU-distributors/ joint selling, or searching for warehouse facilities in the neighbourhood of target markets in order to shorten delivery times. Moreover, in some cases the market potential of a product or service (not applying EU standards, or too few potential clients to generate a turnover that could overcome the high market entry costs) seems to have been misinterpreted by the EU-expert, questioning the ex-ante risk analysis of the products' market chances. At least two companies had to decide themselves, after having participated in EU trade fairs, not to become active in EU markets. Also a mismatch took place between the selection of a trade fair and the company products/services in at least two cases.

How could the program then become more effective? Based on the abovementioned, improved program delivery would ask for either allowing 1) a more tailor made intervention approach better addressing the individual needs of companies in various export development stages⁵⁵, or 2) continuing a rather standardised service offer, while at the same time putting more effort in the selection of a coherent group of beneficiaries. In both options the program would probably become more effective as the success rate would increase, thereby also increasing the cost-effectiveness of the program.

⁵⁵This option, making the programme offer could more unique by adapting it more to the specific country context demands, hence would increasing the additionality of the programme for the specific country.

6 Conclusions

For each of the main research questions, mentioned in chapter one, a concise answer is provided below.

Regarding the **relevance**:

1. *What are the key barriers to export for South African companies and what barriers were addressed by the ECPs?*

While the identification of buyers and markets - considered the most important export constraint among assisted companies - is actively addressed by the ECP, there are many other important factors that are constraining these companies, which are not being addressed (e.g. high input prices). This implies that there was ex-ante, a considerable risk that the effort of the ECP, even if highly successful in bringing companies in contact with buyers, would not lead to increased export turnover (i.e., when these other constraints turn out to be binding).

2. *What inputs and services did the ECPs provide to companies in addition to what these companies could obtain on the market or from other institutions in South Africa?*

For small companies in South Africa, like those supported by CBI, consultancy services available in the private sector are not affordable. Interviews with supported companies also show that investments in export development are often low on the priority list and that many companies even refuse subsidized trade fair participation because the required co-investments are too large. This means that any export development services offered to these companies is additional to what they can (or are willing to) obtain on the private market. The question then remains whether the ECP was additional to the export development services offered by the institutional framework in South Africa.

We can conclude that the ECP as a 5 year integrated export support package is unique for South Africa. The ECP offers an opportunity for motivated and high-potential companies to become export ready and enter the market within one programme. None of the institutions in place offer this type of intermittent guidance. However, many of the components within the ECPs are in fact also offered locally as standalone services. This is particularly the case for trainings on general export topics and support for market entry activities, such as trade-fair participation. The additionality of the ECP therefore constitutes primarily of the sector specific approach in combination with the EU market focus, as well as the 5-year recurrent guidance of an expert throughout the programme.

Regarding the **effectiveness**:

3. *To what extent did participating companies increase exports to EU/EFTA and non-EU countries as a result of the export coaching programmes?*

Based on the assessed net effects in the sample, 31 percent of the initial selected companies realised export turnover to the EU during the intervention period and thereafter. For the companies that realised exports to the non-EU, this equals to 33 percent for initial selected. When looking at the ECP attributable effects, 28 percent of the initial selected companies realised the intended benefit.

In absolute terms additional exports to both EU and non-EU areas have been modest. This does not mean that the effects at lower levels (intermediate outcomes) can be large for individual companies.

Comparatively larger export turnover figures were realised within the non-EU areas, which is especially true for the companies for which the ECP contribution is considered to be small. When considering the total sum of exports realised it also becomes clear that the exports to non-EU markets (regional and non-regional) outweighs that of exports to the EU. The developments comply with the distress in Europe, South Africa's main trading-partner region, which in general has resulted in stagnating export volumes, and a re-orientation away from Europe towards Sub-Saharan Africa and Asia. However, comparing trends in EU imports at product level with developments in export turnover

realised to these markets by assisted companies provides a more differentiated picture, and supports the perception that a small number of companies has benefited from the ECP.

4. *To what extent did the ECPs contribute to sustainable economic development in South Africa?*

The dominant size class of assisted companies is micro or small. Since large firms tend to be engines of job creation, it is not surprising that the number of jobs created has also been very small. Assisted companies with the highest contribution scores saw a stable or small employment increase. Companies with decreasing exports also experienced a reduction in staff numbers.

Despite the fact that official CBI selection criteria do not refer to the financial status of a company, having (access to) finance to invest in export development seems to be a crucial factor.⁵⁶ Especially for nascent companies and companies that are in the phase of survival, access to cash is critical to company growth. About half of the companies indicated not to have budget available to finance their export development, and therefore heavily relied on indirect funding for trade fair participation by CBI. Some companies even indicated not to be able to finance the necessary follow up trade fair participations themselves.

When ranking the development impact, defined as the combined assessments of net changes in export turnover, contribution, sustainability and value added, the assistance of companies in the 'Home decoration, accessories and gifts' sector has had the largest impact. However, given the small sample size it is difficult to make a general conclusion with type of companies or sectors have benefited most from the ECP.

5. *To what extent did benefits continue after the ECPs were completed?*

The changes in annual export turnover seem to indicate a temporary effect for most of the assisted companies. Although one should be careful interpreting this, as the backdrop in export turnover by comparable non-assisted companies could have been even higher, it is clear that export turnover has been irregular. When comparing the development in export turnover of assisted companies to their sector averages, the conclusion is supported that only a relatively small number of companies has benefited from the ECP in a sustainable way.

Another factor undermining the sustainability is a lack of export commitment by some of the assisted companies, often for legitimate reasons in itself. At least three companies saw improved opportunities on their domestic markets, which resulted in priority settings that were not in line with the company's program involvement.

*Regarding the **efficiency**:*

6. *What were the costs of the ECPs in South Africa and what can be said about the cost-effectiveness?*

⁵⁶ Official intake forms do ask for financial ratios (current ratio, net profit margin, solvability), though they often are not written down.

The South African ECP portfolio accounted for EUR 1.2 million., or EUR 52,000 on average per 'competent' exporter. When the beneficiary group is limited to the number of companies that realised the intended effect, the average cost per company would amount to EUR 200,000, and even higher for the group of companies where a positive development impact can be expected.

Also, when defined according to the return on investment of attributable program effects it can be stated that these have not been cost effective for the sample of ECP assisted companies in South Africa.

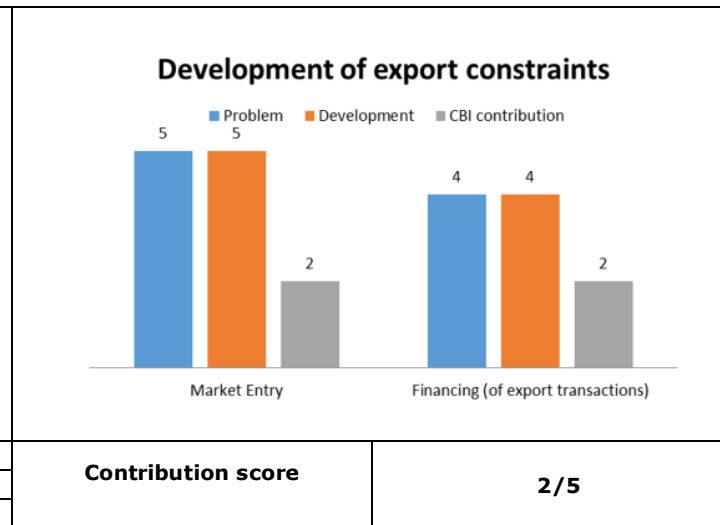
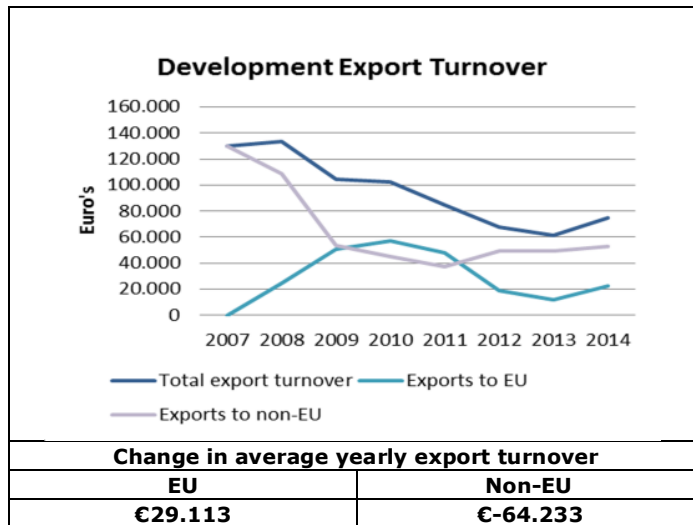
ANNEX 1: Interview list

Case study company's	ECP	Date
13	Home decoration, accessories and gifts	07-MAR-2014
12	Home decoration, accessories and gifts	11-MAR-2014
4	Medical devices and laboratory equipment	06-MAR-2014
11	Home decoration, accessories and gifts	11-MAR-2014
3	Medical devices and laboratory equipment	06-MAR-2014
1	Engineering products	12-MAR-2014
5	Medical devices and laboratory equipment	14-MAR-2014
6	ITO Services	10-MAR-2014
8	ITO Services	12-MAR-2014
10	Personal Protective Equipment	14-MAR-2014
2	Medical devices and laboratory equipment	07-MAR-2014
7	ITO Services	11-MAR-2014
9	BPO Services	10-MAR-2014
Control companies	Sector	Date
Skinny La Minx	Home decoration, accessories and gifts	06-MAR-2014
SDK agencies	Cosmetic manufacturing	13-MAR-2014
CBI experts	ECP	Date
Aileen Brindle	Home decoration, accessories and gifts	25-FEB-2014
Lazlo Klucs	ITO Services	28-FEB-2014
External Expert	Interviewee	Date
Added Asset	Peter Hurst	06-MAR-2014 – 14-MAR-2014
Local BSO's	Interviewee	Date
Dti		12-MAR-2014
WESGRO	Nadine Smith-Clarke	07-MAR-2014
TIKZN	Claude Moodley and Francois Bietrix	10-MAR-2014
Johannesburg Chamber of Commerce and Industry	Nada Reyneke	13-MAR-2014
Automotive cluster (B&M analysts)	Laurie Coyle-Dowling	10-MAR-2014
Other stakeholders	Interviewee	Date
The Embassy of the Kingdom of the Netherlands	Bonnie Horbach (Consul General)	14-MAR-2014

ANNEX 2: Contribution Stories

Company ID	13	ECP:	Home Decoration, accessories and jewellery																																																																								
<u>Initial situation</u>																																																																											
This company (established around 1995) produces South African Handicrafts with a modern design ("with the western consumer in mind"). Before they joined the ECP the company was already exporting small quantities to France, Germany and Holland. The major initial constraints identified included "lack of market linkages" (market entry), a high cost price relative to the competition and product characteristics and a lack of financial means to invest in finding new buyers. Less important constraints were high costs of shipping, lack of marketing capacity and lack of knowledge on customer needs and preferences.																																																																											
<u>Development of export turnover</u>																																																																											
Since the start of the ECP in 2006/2007, this company has seen their export turnover to both the EU and non-EU increase tremendously. Between 2006 and 2011 they increased their yearly export turnover by more than €100.000. In 2009 and 2010 they received a big order from a Dutch NGO, who re-sold their products to a big retailer in the Netherlands. They obtained this contact in Cape town through their own efforts. Then, in 2011 at the Ambiente trade fair, the company got into contact with new big customer in the US who placed big orders in 2011 and 2012.																																																																											
<u>Contribution analysis</u>																																																																											
Although the ECP did not assist in getting into contact with the big EU client, the assistance the company received prior to this deal might have played a role. At the EXPRO in 2007, probably the most useful experience for the manager of this company was to visit retailers who were selling goods similar to the company's and visit the Ambiente trade-fair as a visitor. Here she learned about the market they were targeting (what type of products are popular and what is the competition offering). This has led her to decide to move away from beadwork products (for which the competition from India was too strong) and focus on products from recycled materials. In 2011, the ECP assisted the company, both financially and with technical assistance (styling of stand, marketing advice etc.) to participate at the trade fair. Through efforts of a consultant hired by CBI they obtained a big deal with a big US-based customer. Although this first time was a success, the company could not afford to go to the trade fair with CBI a second time (as the financial contribution, demanded by CBI, increased).																																																																											
<p>Development Export Turnover</p> <table border="1"> <caption>Data for Development Export Turnover (Euro's)</caption> <thead> <tr> <th>Year</th> <th>Total export turnover</th> <th>Exports to EU</th> <th>Exports to non-EU</th> </tr> </thead> <tbody> <tr><td>2004</td><td>10,000</td><td>10,000</td><td>0</td></tr> <tr><td>2005</td><td>10,000</td><td>10,000</td><td>0</td></tr> <tr><td>2006</td><td>20,000</td><td>20,000</td><td>0</td></tr> <tr><td>2007</td><td>40,000</td><td>40,000</td><td>0</td></tr> <tr><td>2008</td><td>40,000</td><td>40,000</td><td>0</td></tr> <tr><td>2009</td><td>100,000</td><td>80,000</td><td>20,000</td></tr> <tr><td>2010</td><td>130,000</td><td>50,000</td><td>80,000</td></tr> <tr><td>2011</td><td>130,000</td><td>50,000</td><td>80,000</td></tr> <tr><td>2012</td><td>120,000</td><td>50,000</td><td>70,000</td></tr> </tbody> </table>		Year	Total export turnover	Exports to EU	Exports to non-EU	2004	10,000	10,000	0	2005	10,000	10,000	0	2006	20,000	20,000	0	2007	40,000	40,000	0	2008	40,000	40,000	0	2009	100,000	80,000	20,000	2010	130,000	50,000	80,000	2011	130,000	50,000	80,000	2012	120,000	50,000	70,000	<p>Development of export constraints</p> <table border="1"> <caption>Data for Development of export constraints (Score 0-5)</caption> <thead> <tr> <th>Constraint</th> <th>Problem</th> <th>Development</th> <th>CBI contribution</th> </tr> </thead> <tbody> <tr><td>Market Entry</td><td>5</td><td>4</td><td>4</td></tr> <tr><td>Customer needs and preferences</td><td>3</td><td>3</td><td>3</td></tr> <tr><td>Price level</td><td>2</td><td>2</td><td>2</td></tr> <tr><td>Internal export organization</td><td>2</td><td>2</td><td>2</td></tr> <tr><td>Financing (of export transactions)</td><td>1</td><td>1</td><td>1</td></tr> <tr><td>Shipping delays and costs</td><td>1</td><td>1</td><td>1</td></tr> <tr><td>Communication with foreign markets/buyers</td><td>2</td><td>2</td><td>2</td></tr> </tbody> </table>		Constraint	Problem	Development	CBI contribution	Market Entry	5	4	4	Customer needs and preferences	3	3	3	Price level	2	2	2	Internal export organization	2	2	2	Financing (of export transactions)	1	1	1	Shipping delays and costs	1	1	1	Communication with foreign markets/buyers	2	2	2
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Change in average yearly export turnover		Contribution score	4/5																																																																								
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€33.905	€42.771																																																																										

Company ID	12	ECP:	Home Decoration, accessories and jewellery
<u>Initial situation</u>			
This company (established in 1995) was, according to both the manager and CBI consultant, in many ways overqualified. The company had an excellent product (high end home decoration, accessories and jewellery made out of scooby wire) and the manager had sufficient marketing and product knowledge. However, according to the manager, the financial crisis had a negative effect on the demand for her products from the US (by that time her main market), while the company was struggling with an internal crisis, which almost led to bankruptcy.			
<u>Development of export turnover</u>			
Through five subsidized trade fair participations, the company could enter the EU market where the existing product line did well.			
<u>Contribution analysis</u>			
Only the first of the trade fair participations was with CBI, the other four were fully organized and subsidized by an organisation called "Design for Africa". The company acquired their biggest contracts during the later participations. The technical assistance the manager received at the first CBI organized trade fair helped her "somewhat" at the other trade fairs.			



Change in average yearly export turnover	
EU	Non-EU
€29.113	€-64.233

Contribution score	2/5
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Company ID	11	ECP:	Home Decoration, accessories and jewellery
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Initial situation

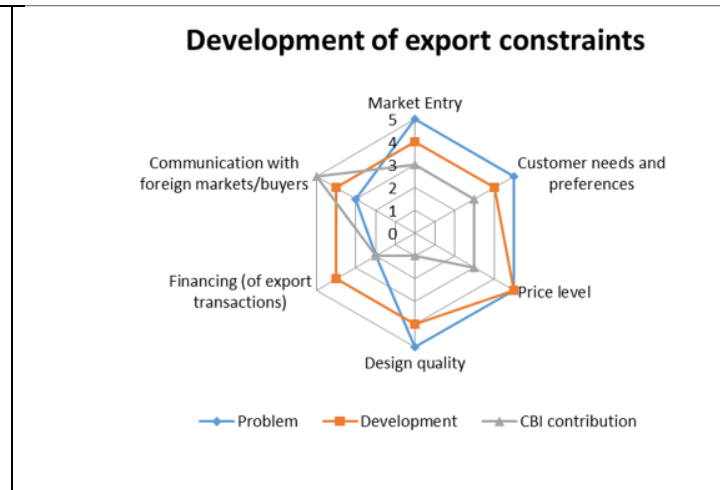
Before 2005 this company was an NGO. Before the ECP started in 2007, the company was exporting copperwire products to one client. The biggest export constraints the company was facing initially was a lack of knowledge on customer needs and preferences, lack of market entry possibilities (in combination with a lack of finance), unattractive design and a high price level compared to the product characteristics.

Development of export turnover

In 2009 the company started to focus on scooby wire jewellery which, in combination with two trade fair participation in 2010 and 2011, led to an increase in exports.

Contribution analysis

Although the CBI consultant has helped the company change their product line, the resulting designs were not selling well. The manager decided to change the design of the products and use a different type of material after she visited the Ambiente trade fair for the first time in 2009 together with CBI. Here she realised her design was not attractive enough (after she did not sell any products), and inspired by this visit she decided (by herself) to refocus on scooby wire products. In 2010 and 2011, the company again exhibited at Ambiente, but now with support from DTI (who financed everything), during which she got into contact with many small and big customers, which led to an increase in sales. She acknowledged that the assistance of CBI during the first participation was a little helpful (advice on cultural issues, advice by stylist) also in the subsequent trade fair participations.



Change in average yearly export turnover	
EU	Non-EU
€17.286	€2.667

Contribution score	3/5
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Company ID	2	ECP:	Medical Devices and Laboratory equipment
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Initial situation

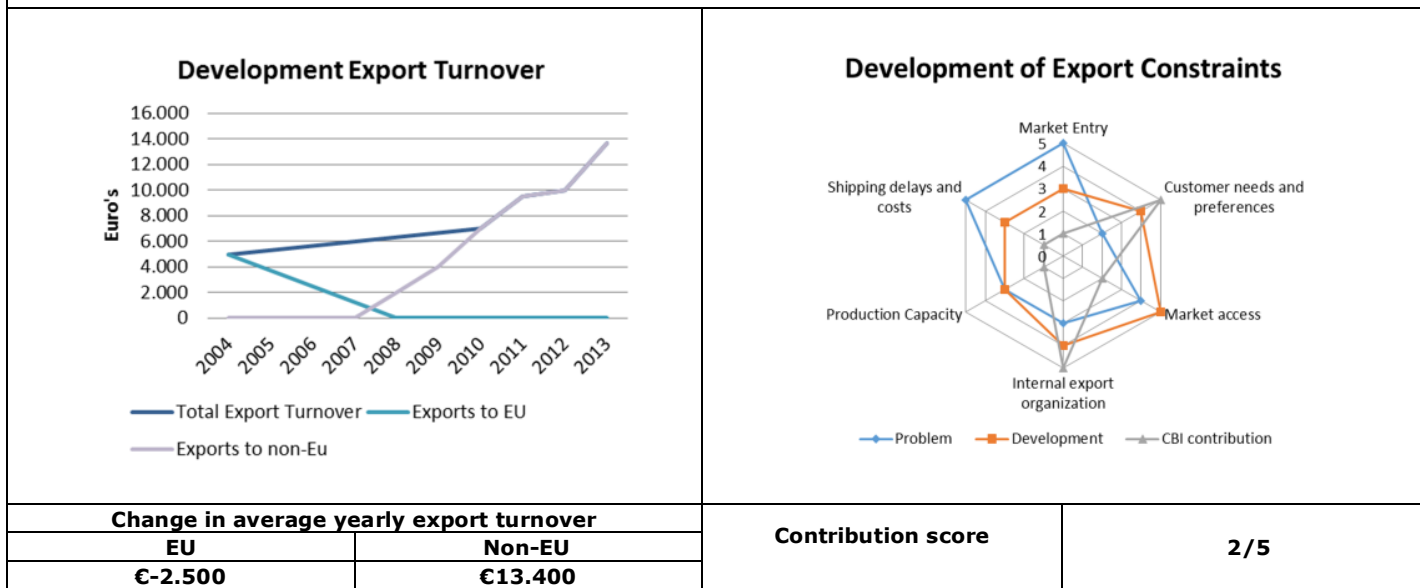
The company produces low-tech medical products. Initially the company was only exporting small quantities to a Greek importer. Their main constraints included market entry constraints, high shipping costs and delays (this and lack of CE-marking (certification), which falls under *market access* constraints. As the competitive advantage in this industry is mainly determined by cost prices and services (e.g. short delivery times), especially the expensive and slow delivery turned out to be problematic.

Development of export turnover

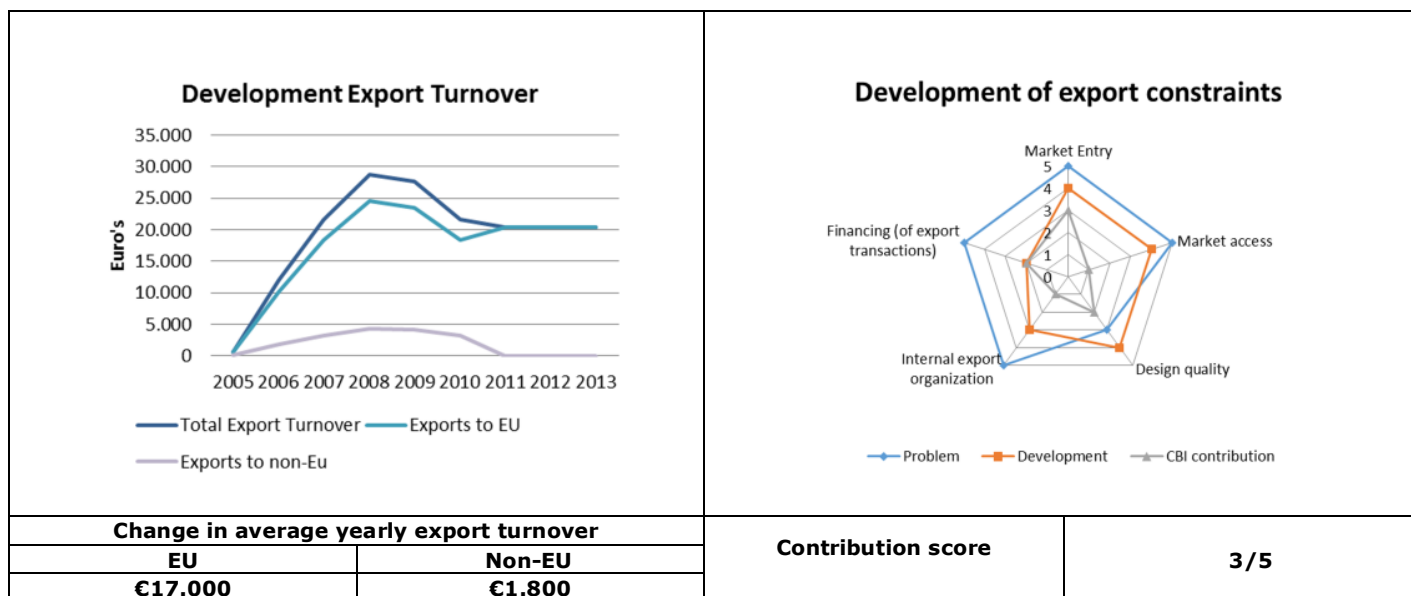
Due to the financial crisis, the company lost their customer in Greece. In 2007, they started to supply to a client in Dubai, who is buying more every year. This is to date their only customer. In 2013, 3% of the company's turnover was realized out of exports.

Contribution analysis

The ECP made the manager of this company aware that they needed the CE marking to be able to operate on the EU market. They acquired this marking on their own initiative using local consultants. They went twice to a trade fair with ECP assistance, but these visits did not materialize in any additional export turnover. It is unclear how they got into contact with the client in Dubai and whether any of the other ECP assistance was instrumental in increasing exports.



Company ID	3	ECP:	Medical Devices and Laboratory equipment
<u>Initial situation</u>			
This is a start-up company (est. 2004) developing a single product for the medical/consumer market. Although the manager was a new entrepreneur, before participating in the ECP he already went to a trade fair as a visitor and travelled around Europe to find clients, which succeeded partially. His major export constraints at that point included a lack of access to the market (as he needed a CE-mark), lack of finance and capacity for marketing efforts abroad and of opportunities to find potential buyers.			
<u>Development of export turnover</u>			
Since entering into the ECP export turnover slowly increased up till 2009, where after it declined up till 2011 where it remained stable around 20.000 euro per year. Almost the entire turnover is earned abroad.			
<u>Contribution analysis</u>			
After the manager visited Medica before he started participating in the ECP and as a result of consultation with the CBI expert he realized he had to improve the design of the product to meet the "sophistication" of the EU market, which he did. Access to the consumer market was improved when he obtained a consumer CE-mark. It is unclear what the role of CBI was in this process. Obtaining a CE mark for medical products was too costly however. This meant he could only access the consumer market. CBI assistance that brought him to Medica therefore did not result in many sales as most potential clients there required a medical CE mark. His biggest constraints, the capacity of the company to focus on marketing/export issues and the access to finance for export transaction worsened during participation in the program. Turnover did not increase sufficiently to hire new staff and the company got indebted after investments did not pay off.			

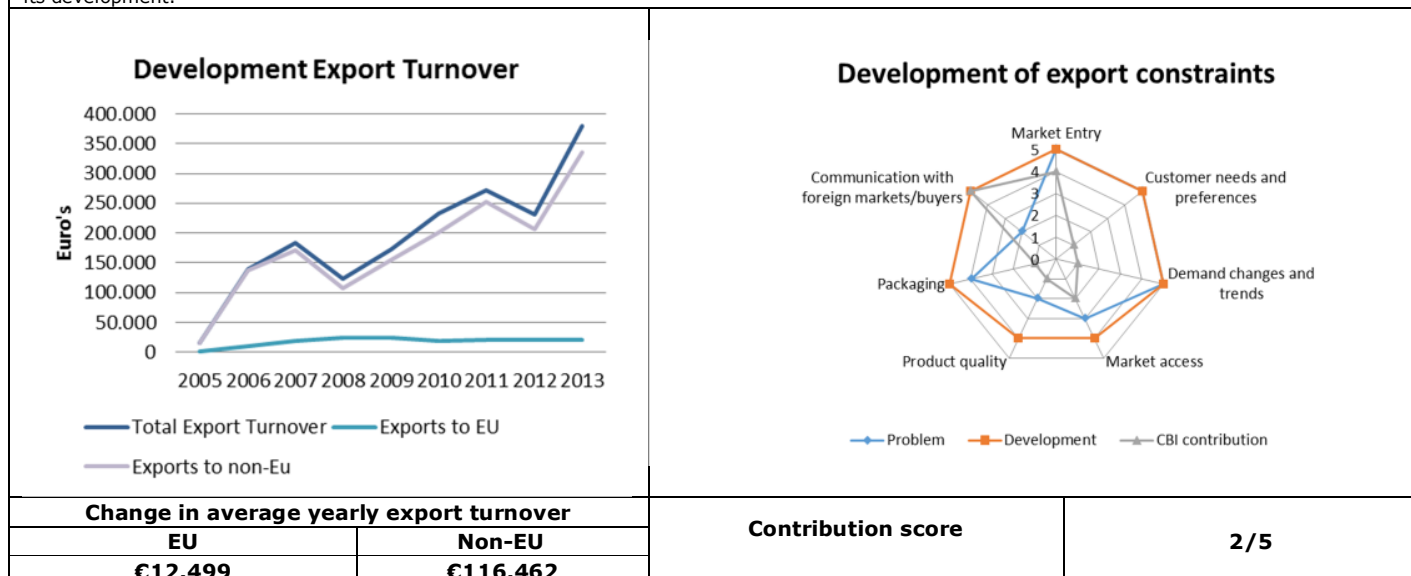


Company ID	4	ECP:	Medical Devices and Laboratory equipment
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Initial situation
The company was established in 2003. Initially they had a good innovative product, but little market knowledge. The company is more or less a design house, which developed this one product. They outsourced the manufacturing process and only sold via distributors.

Development of export turnover
Export turnover grew immensely since 2005 (when they were not yet exporting) up to more than 350.000 euro in 2013. Most of the turnover is realised in non-EU countries.

Contribution analysis
The manager learned about the needs and preferences of potential users of the product, when he started to travel all over the world to visit companies and speak with users, potential clients and competitors. This also led to improvements in product quality. As the manager now knew his target market and could be considered very competent from the start, there only remained one major constrained to be resolved by the ECP. Although he was already in contact with some potential clients, the company still had to enter the market. CBI assisted the company financially and facilitative in participating in Medica twice, where the company got many new business contacts - many with whom the company is still doing business. Additionally, other sales were realised because the WHO organisation determined the product of this company is mandatory equipment in WHO health kits. In conclusion, the ECP has clearly contributed to the development of the company's export turnover, but as many other factors outside the influence of CBI also made a big contribution the overall contribution score is assessed at 2/5 points. The manager claimed that the ECP has primarily helped the company speed up its development.



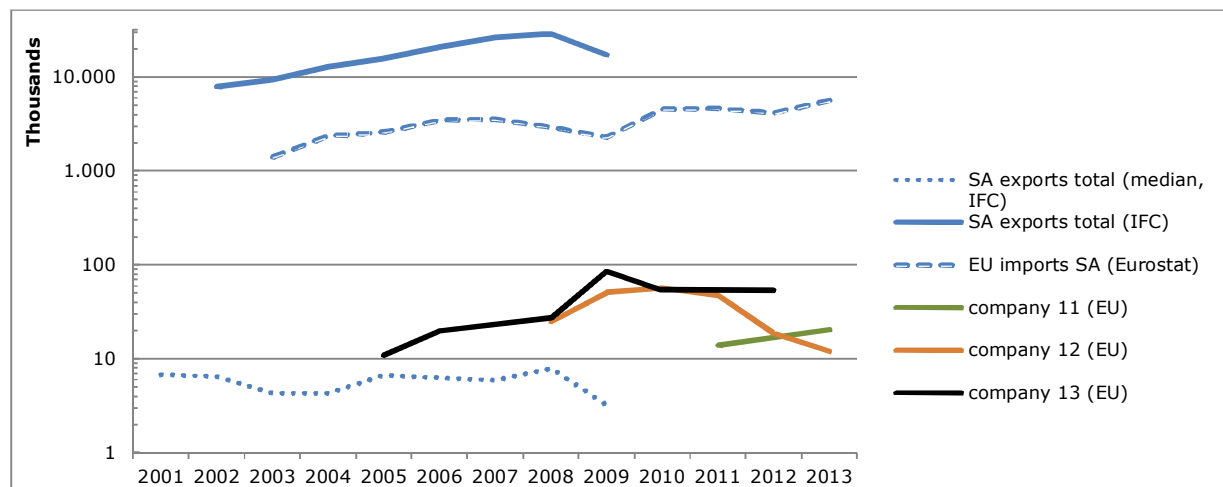
ANNEX 3: Comparative analysis of performance of ECP participants within their sector

As it might be difficult for individual entrepreneurs to have a good overview of market demand for its products or services, the contribution analysis might have not fully covered this aspect. A company showing an increasing trend in export turnover, might for example have well benefited from an increased demand for its product abroad.

In this section the results are shown when comparing the trend in export turnover from the five companies with the highest contribution scores with that of the sector average. Such comparison may provide a better interpretation and understanding of the company’s positioning vis-à-vis the sector average. For instance, ECPs that started just before 2007 would see its positive effect influenced by the negative effect of the global crisis of 2008–2009. A simple before/after comparison of outcomes would likely suggest a negative effect of the intervention. In order to filter out these influences, one would want to know how beneficiary firms would have performed in the absence of the intervention (presumably worse). Although the setup of this qualitative case study does not allow for a real (quantitative) counterfactual analysis, developments at company level can be compared with sector averages, in order to get a more in-depth understanding of the effects.

For this purpose we have compared export figures from individual assisted companies, with sector level export data from the ‘Exporters Dynamics Database’ (2001–2009) and data on EU imports (2003–2013).⁵⁷ In the three following figures results are presented for the companies with the highest contribution scores.

Figure 9 Export developments within the ‘Home decoration, accessories, and gifts’ sector



Source: IFC, Eurostat, authors

The figure above displays the export development (EU and non-EU combined) for three companies that participated in the ‘Home decoration, accessories, and gifts’ ECP. All three companies export a similar product range. The blue lines represent the EU imports (HS 6 digit product level) from South Africa and SA exports (total and median per exporter, at HS 2 digit level).

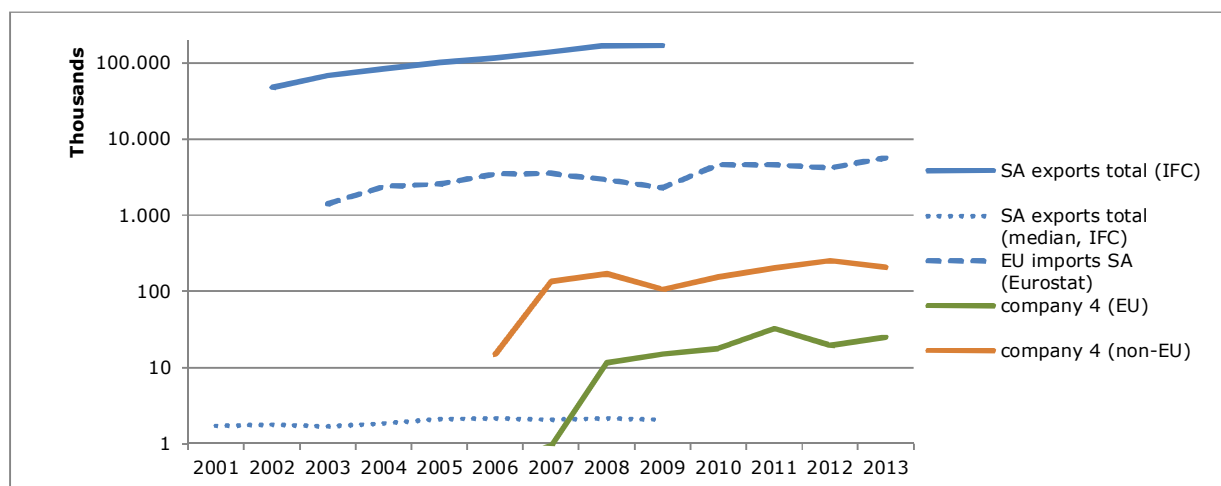
⁵⁷ South African export figures are taken from the IFC ‘Export Dynamics Database’ (only available at HS code 2-digit level), and EU imports from South Africa taken from Eurostat (HS 6-digit). Since our main interest lies with comparing trends at individual company and sector level in one combined view, the scale of South African exports (2 digit level) has been reduced with a factor 100. Real export figures increased from € 800 mln. in 2002 to € 3 bln. in 2008, almost halving the year after because of the global crisis.

From the three companies, export developments of company 13 show an upward trend till 2010 against diminishing EU imports for the product and a decreasing export turnover from South Africa as a whole. Moreover, the company has been able to increase its export turnover, while the sectors' median export turnover dropped sharply between 2008 and 2009. The company saw its EU export share fall (and stabilise) as from 2011. Decreased exports to the EU were compensated by increased non-EU export that picked up as from 2010 (not shown in figure).

On the contrary, for company 12 the loss of important non-EU export markets was compensated by an uptake of EU exports after 2008. Though the EU export upheaval seems to have been of short duration, since the company was confronted with diminishing EU exports (as from 2011) against the EU import trend. In conclusion, despite the fact the program might have come at a crucial stage, the company seems to have only shortly benefited from the intervention, as total export turnover shows a decreasing trend, while in that same period the rest of the sector in South Africa was increasingly exporting more to the EU.

Although company 11 went through a difficult period during the intervention, it has seen a steady increase of its export turnover since 2011, especially in the non-EU area. The new business contacts were met at DTI financed trade fair participations, just after the end of the ECP intervention. In conclusion, it could be argued that the ECP intervention has laid a root, at least part of this success.

Figure 10 Export developments in the medical device sector, company 4



Source: IFC, Eurostat, authors

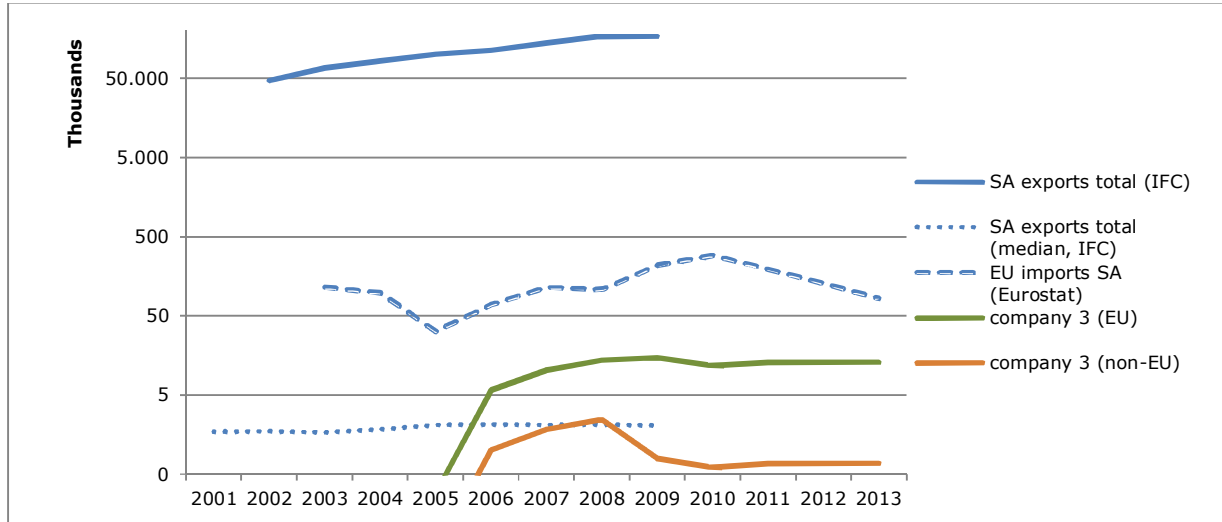
The figure above displays the export development (both EU and non-EU) for one of the companies that participated in the 'Medical devices and laboratory equipment' ECP. The blue lines represent the EU imports (HS 6 digit level) from South Africa and exports (total and median per exporter, at HS 2 digit level).

Contrary to the companies active in the 'Home decoration, accessories, and gifts' ECP, the total volume of South African exports show a continuous upward trend, and the sector does not seem to have been much affected by the short downturn in EU demand. Since the company realises its largest exports in the non-EU area it has not been affected by the EU downturn. In fact the companies' export trend line shows a better performance (steeper curve) than EU imports from South Africa in the period until 2010. After that the companies' EU exports do not diverge much from the EU import trend line. In conclusion, the company seems to have been profiting from a rising global demand for its product, without outperformed the sectors' average. Although the ECP has clearly contributed to the development of the company's export turnover, there are other factors outside the influence of CBI that made a large contribution to the companies' success.

The figure on the next page displays the export development (both EU and non-EU) for one of the companies that participated in the 'Medical devices and laboratory equipment' ECP. The blue lines

represent the EU imports (HS 6 digit product level) from South Africa and SA exports (total and median per exporter, at HS 2 digit level).

Figure 11 Export developments in the medical device sector, company 3



Source: IFC, Eurostat, authors

The export development of this young company (est. 2004) –with a very small export turnover- shows an upward trend (till 2010), and is in line with steadily increasing South African exports and EU imports for the product. As the company loses its non-EU market, it keeps the EU exports at a low but stable level, against a decreasing trend in EU imports for the product. In conclusion, the contribution story indicates that this nascent company has been profiting from the program, though not so much in terms of getting into new business contacts. Although the company realises almost all its exports in the EU area it has not been affected by the EU downturn.

The above results show that four out of five companies were confronted with a steadily increasing trend in EU import for the specific good, which could also have been contributing to the realised development in export turnover, suggesting a lower contribution by the ECP as such.