



Australian Government

Australian Trade and Investment Commission

Export Market Development Grants Operational Review

Executive Summary

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Executive summary

The Export Market Development Grants (EMDG) program helps Australian businesses grow their exports in international markets. These grants encourage small to medium enterprises market and promote their goods and services globally.

Since 1974, as the Government's flagship export grants scheme, EMDG has assisted more than 50,000 Australian small and medium-sized enterprises (SMEs) to promote and market their products and services to over 180 countries world-wide.

The most recent legislative review of EMDG published in 2020 found exporting is aligned with higher company performance and that government support for SME exporters is effective. Specifically the review found:

- Providing financial assistance to SME exporters has a strongly positive impact on their performance.
- The principles of the EMDG scheme remain relevant.
- Each SME's export journey is unique, and assistance needs to reflect this.
- The administration process needs to be simplified and streamlined.

The reformed Export Market Development Grants (EMDG 2.0) program commenced in the 2021-2022 financial year. The eligibility-based non-competitive program was a shift from the old reimbursement scheme (EMDG 1.0), which required exporters to spend their own funds, with Austrade then paying reimbursements after auditing receipts from the previous year's eligible spending.

EMDG 2.0 is designed as an upfront multi-year grant program, with a simplified, streamlined application process designed to reduce the significant administrative burden of EMDG 1.0. EMDG 2.0 provides upfront certainty of grant amounts and encourages more SMEs to export. The last year of the EMDG 1.0 scheme coincided with the first year of EMDG 2.0 with both programs running concurrently in 2021-2022.

Exporters responded positively to the new program but there was also some criticism of EMDG 2.0. This was a result of two programs, both EMDG 1.0 and EMDG 2.0, operating at the same time, confusion over EMDG 2.0 concepts, and unmet expectations for higher grant amounts for Round 1 resulting from the high volume of applicants.

The Government acted swiftly to investigate these concerns. On 3 August 2022, the Minister for Trade and Tourism, Senator the Hon Don Farrell, announced an Operational Review of EMDG. The Operational Review considers policy settings, client experience, systems, processes and communications to help improve delivery of the program.

Round 1 of EMDG 2.0 (that opened for applications in August 2021 and closed in November 2021) attracted an unprecedented 5,384 applications. The program reached its small exporter target market with 89 per cent of businesses having an annual turnover of less than \$5 million. By late December 2021, Austrade had notified all Round 1 applicants of the expected grant amounts and by February 2022, their grant outcomes. For the first time in the program's history, recipients knew their grant amounts upfront and exporters could spend funds marketing their export products and services with certainty about the level of government support they would receive.

Under EMDG 2.0, the grant amounts did not meet stakeholders' expectations. The multi-year grants, which open for applications on an annual basis, increases the volume of applicants in the eligibility pool. This means that the budget available may not sufficiently match the level of interest in the program or deliver amounts in line with stakeholder expectations or requested amounts. It is predicted that application numbers will increase and therefore grant amounts will continue to drop. This needs to be managed for future rounds.

The EMDG 2.0 design, including multi-year grant agreements, is stretching the program to the point it is in danger of running at a deficit in 2025-2026. The current program design needs to be refined to ensure the program can continue to operate annually and achieve its objectives within its appropriation.

During early 2022, Austrade sought feedback from stakeholders about Round 1 of the EMDG 2.0 program in order to make improvements for Round 2. In August and September 2022, under the scope of this review, Austrade facilitated 53 external interviews (through independent facilitator, John Angley), internal (within Austrade) interviews and a survey of EMDG 2.0 Round 1 stakeholders with 452 responses. In summary, we heard the following:

Program design

While export businesses are positive about a simplified program that facilitates SME eligibility, some issues were identified.

- Grant amounts were considered too low and likely to decrease for applicants in future rounds. The change to a forward-looking grant program, which provides multi-year grant agreements, created an imbalance between the level of interest and program appropriation. As more exporters enter the funding pool over multiple years, the grant amounts drop. This situation needs to be managed in future to ensure meaningful grant amounts are available to meet exporter needs.
- Concepts new to EMDG 2.0 (for example plan to market document requirements, grant agreements, milestone reporting, tier system) caused confusion but will bed down with more familiarity. Austrade will continue to improve application and reporting templates in line with feedback.
- Tier 3 (existing exporters expanding markets through a strategic shift) eligibility was considered unclear especially in relation to the meaning of “strategic shift”, an important element of the Government’s trade policy agenda. It requires a tighter definition.

Client experience

Implementing the last year of EMDG 1.0 and the first year of EMDG 2.0 concurrently presented significant challenges and impacted Austrade’s capacity to service clients at its usual high standard. The net effect was a lower-standard client experience.

- Normally under EMDG 2.0, applications would open, be assessed and grant agreements issued prior to the commencement of the grant year. However, to ensure accelerated implementation, this was not possible.

Applications for Round 1 opened in the same financial year as the year in which those grants applied. The application window was 3.5 months from August to November 2021 to allow time for applicants to understand the new program and for Austrade to establish processes and build the assessment component of the IT system. The required timeframes meant applicants received advice on likely grant amounts almost halfway through their first grant year, with final grant paperwork received in the third quarter of the grant year, which was not ideal. Businesses would like certainty and consistency over EMDG 2.0’s annual cadence of applications and reporting.

- Almost 2,000 more applications for EMDG 2.0 were received than had been anticipated. The available budget for EMDG administration is insufficient for this volume of clients and has required Austrade to divert other resources to it.
- Building the IT system in a limited timeframe within available resources resulted in the need to deliver a minimum viable product.
- The additional staff required to manually assess significant applications and issue grant agreements for EMDG 2.0, while also assessing reimbursements for EMDG 1.0 concurrently, resulted in some delays in delivering grant agreements and payments which generated stakeholder and client dissatisfaction.
- Training staff and applicants on EMDG 2.0 while still administering and supporting EMDG 1.0 impacted program delivery.
- The speed with which the new EMDG application portal was created, and linked with MyGovID, resulted in a poor client experience that was at times difficult to navigate. The EMDG helpline was unable to assist with queries about other Government agencies’ IT systems, which complicated Austrade’s response to clients’ technical difficulties.

Communication

Overall, stakeholders commented positively on Austrade's responsiveness, website, newsletters and assistance from the EMDG helpline but expected more.

- Stakeholders requested additional communication, including training, targeted to their export group, whether new to export, established or diversifying.
- Stakeholders would welcome increased communications on program changes and updates.

The report identifies opportunities for improvement over two phases – short-term and medium-term – that respond to and build on stakeholder feedback to address EMDG 2.0's program design, client experience and communications.

Opportunities for improvement – Phase 1: Short-term

Implement immediate improvements to EMDG program design, client experience and communication

In addition to improvements already undertaken by Austrade, this EMDG Operational Review provides short-term opportunities for improvement in three main categories (program design, client experience and communication) to ensure:

- Processes are client-friendly and information is accessible for stakeholders.
- Communication to stakeholders through various channels is timely, targeted and accurate.
- Round 3, applications for which are planned to open in early 2023, operates with the benefits of these changes where possible.

Opportunities for improvement – Phase 2: Medium-term

Balancing demand on the program with meaningful grant amounts to ensure quality outcomes

There is a growing number of EMDG applications in the system (8,107 – after two rounds and likely to increase further in future), which means that grant amounts are decreasing for later applicants. Given the fixed budget appropriations, adjustments to policy settings are required to balance the level of interest in the program and provide sufficient funding for quality outcomes for applicants. The sooner policy settings can be planned, consulted on and implemented, the sooner EMDG grant amounts could increase. While the Terms of Reference for this Review noted significant policy changes could be identified for consideration in the next legislative review, it is clear that the requirement for change is needed much sooner. There is a window of opportunity between now and EMDG Round 4 in 2024-2025 to progress this work.

To reduce complexity experienced by both stakeholders and Austrade in previously administering two programs with different rules at the same time, any changes to program rules should attempt to avoid any overlap with previous grant agreements. This can be achieved by issuing EMDG 2.0 Round 2 grant agreements for a maximum of two years and EMDG 2.0 Round 3 agreements for one year. This will allow the full appropriation for EMDG in Round 4 in 2024 (2025-2026 payment year) to be allocated to new program settings and avoid confusion and the cost associated with the concurrent application of different rules.

To improve the client experience and to reduce administrative costs, EMDG's IT system should continue to be updated. Improved IT will build greater automation, reduce manual staffing costs, allow for collection of data to measure return on investment and increase opportunities for risk-assessed grant extensions, where warranted.

A consolidated list of opportunities for improvement are in Table 1 on page 7.

Table 1: EMDG Operational Review opportunities for improvement

PHASE 1	
Short-term opportunities for improvement	
Program design	
1.	Update the definition of “strategic shift” in the EMDG Guidelines for Round 3 to align with Government’s trade policy objectives on product and market diversification and improve clarity.
2.	Limit grant agreements to a maximum of two years for all Tiers for Round 2 (a decision for the Austrade delegate within Round 2 Guidelines) and one year for Round 3 (a decision for the Minister when approving the Round 3 Guidelines).
3.	Set a regular program cadence, with application dates, milestone reporting and processes occurring at same time each year. Grant recipients should ideally know their grant allocation before the commencement of the financial year to which it applies.
4.	Where feasible, ensure administrative processes (i.e. application and milestone reporting) are scheduled to avoid applying additional pressure to SMEs during End of Financial Year and where feasible (noting requirement for Ministerial decision) communicated early.
5.	Ensure that data collected in the EMDG 2.0 application and milestone reporting process allows for effective, continuous evaluation of the program against objectives.
6.	Collaborate with the Australian Taxation Office (ATO) to ensure the risks associated with EMDG applicants who are not compliant with their taxation obligations are considered appropriately prior to potentially issuing grant agreements. Austrade needs to ensure businesses are solvent and able to apply their grant funds to EMDG and not potentially to meet tax debts.
Client experience	
7.	Seek the support of other agencies (e.g. ATO and Services Australia) to provide helpful guidance for EMDG clients in relation to processes related to EMDG such as linking MyGovID.
8.	Streamline the Plan to Market and Milestone Report templates for ease of applicants’ use while ensuring these meet program requirements and objectives, especially in relation to data for evaluation.
Communications	
9.	Refine and provide information materials regularly throughout the EMDG cycle. These activities, such as webinars, could be tailored to meet the needs of those who are new to EMDG, and those who are experienced with the previous EMDG program.
10.	Continue to provide all applicants and industry stakeholders with clear and regular communications on EMDG and the opportunity to provide regular feedback on the program.
11.	Communicate key program information, including opening and closing dates, early where feasible (noting requirement for Ministerial decision) and more frequently.
PHASE 2	
Medium-term opportunities for improvement	
12.	Ahead of Round 4, change the EMDG Rules to better balance the level of interest in the EMDG with the budget appropriation, which should result in an increase in grant amounts. Stakeholder engagement is recommended to consider design changes for EMDG. Implementation of program design recommendation 2 would clear legacy grant agreements in the EMDG pool.
13.	Upgrade the EMDG IT systems to improve automation and deliver quicker and higher quality application processing. Investment in the IT infrastructure would reduce manual processing, thereby reducing Austrade’s administration costs, which are currently above the allocated 5 per cent appropriation due to resourcing required to administer the program.



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