

Consultation Paper:

Export Market Development Grants program – Strategic Refocus

Issued 5 July 2023

Consultation period closes 11 August 2023

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## Purpose

The Export Market Development Grant (EMDG) program contributes to Australia’s economic prosperity by supporting Australian businesses expand internationally. By supporting marketing and promotion activities, the program plays an important role in helping Australian businesses enter new markets and diversify their exports. The 2022 Operational Review report confirmed that there is broad support for EMDG among Australia’s exporters. The Review also found there is a need to better balance the level of interest in EMDG with available funding, so that Australian exporters are provided with meaningful support to develop new export markets.

The Government is committed to ensuring the EMDG program delivers on its objective of increasing the number of new exporters and supporting market diversification, and remains a sustainable program into the future. The Government has also committed to strategically refocusing the program to better support Australian exporters to develop new markets in line with the Government’s trade diversification priorities.

The EMDG program will be refocused to maximise the benefits to businesses and Government of EMDG grants, support the Government’s trade agenda and ensure the sustainable management of the program. That means, as well as assisting small and medium sized businesses enter export markets in line with the EMDG objectives, changes will be proposed for the Government’s consideration to support:

* Alignment of the program to the Government’s trade diversification and other policy priorities.
* Efficient and effective program administration.
* A stable and consistent program timetable.

The purpose of these consultations is to seek views on changes to the EMDG program that would deliver better alignment with the Government’s trade policy priorities[[1]](#footnote-2) and achieve quality outcomes within the available annual budget. This is important noting the Government’s May 2023 budget announcement, that EMDG funding, while remaining a significant investment, will be set at $110m per year.

These consultations build on previous feedback on a range of program design options, including opportunities identified as part of the [EMDG Operational Review](https://www.austrade.gov.au/australian/export/export-market-development-grants/operational-review), that will support government priorities, improve program management, and strengthen eligibility requirements to balance the demand with the available budget.

## Scope

Austrade will consult on options to improve EMDG outcomes in line with the Government’s decision to strategically refocus EMDG. Any changes that would require amendment to the ‘[Export Market Development Grants Act 1997](https://www.legislation.gov.au/Details/C2021C00244)’ or a change to the appropriation are out of scope. Changes to the ‘[Export Market Development Grants Rules 2021](https://www.legislation.gov.au/Details/F2021L00509)’ and [Guidelines](https://www.austrade.gov.au/australian/export/export-market-development-grants/guidelines-and-legislation) are within scope.

## All Australians benefit from trade

Australia is an open and adaptable trading nation, deeply connected to the global economy, and all Australians benefit from export growth. Trade contributes over 40 percent of Australia’s GDP and 75 percent of our trade is with the dynamic economies in the Asia region[[2]](#footnote-3). Trade diversification is a central objective of the Government’s trade policy strategy to fuel economic growth, generate innovation and create employment.

## The consultation process – have your say

We invite all our stakeholders – individuals, businesses, and industry bodies – to contribute suggestions for strategically refocusing the program to better support Australian exporters to develop new markets in line with the Government’s trade diversification priorities. We want to hear from you about the options raised in this discussion paper as well as your practical ideas for ensuring the program’s sustainability.

### Participate in a workshop

You can register via the [Austrade website](https://www.austrade.gov.au/australian/export/export-market-development-grants/refocus-consultation) to participate in a workshop to provide your views.

### Complete a survey or make a submission

You can also complete a survey (to be released on the Austrade website during the consultation period) and/or make a submission. More information is available on the [Austrade website](https://www.austrade.gov.au/australian/export/export-market-development-grants/refocus-consultation).

We ask that before you share your feedback, you please read this discussion paper.

* + We have developed **eight (8) questions** for you to consider. In addition, you are welcome to provide more general comments.
  + Please limit your response to 200 words per question and your entire response to three (3) pages.
  + Please provide your response by the consultation closing date of 11 August 2023.

### Next steps

Austrade will consider your response and may follow up with you for further information about your submission. Findings from the workshops and submissions will help inform recommendations presented to the Government in 2023.

### Contact us

Stakeholders may also contact us via email: **EMDGpolicy@austrade.gov.au**

## Background

EMDG has assisted more than 51,000 small and medium size Australian businesses promote and market their products and services to over 180 countries world-wide. EMDG is a substantial government investment aimed at assisting businesses to grow and support their export journey. The Australian Government is committed to EMDG’s success.

In 2021, EMDG was reformed, moving from a reimbursement scheme to an eligibility-based grant program.

The reforms, while effective at simplifying the program, resulted in increased interest in EMDG which led to questions about the ability of the program to deliver meaningfully for Australian businesses. As such, the Government initiated an internal Operational Review of the program in 2022 to document the issues that emerged from the reforms and identify further improvements to meet the Government’s objectives.

To address feedback and opportunities identified during the Operational Review and achieve a stable, sustainable EMDG program in the future, the program needs the agility to adapt quickly to government priorities and changes in the operating environment. There is an opportunity to enhance the program design to support government priorities, give the program flexibility to adjust to those priorities, and strengthen delivery of EMDG program objectives.

**Key EMDG timelines and outcomes**

**2020** [**Legislated Review**](C://Users/tracey-butcher/Downloads/2020-Review-of-financial-assistance-to-SME-exporters%20(12).pdf) **(Anna Fisher report):**

* Confirmed exporting is aligned with higher company performance and that the program has been effective.
* Informed the reform of EMDG.
* While most recommendations were implemented, some were not fully implemented, including how EMDG can be better integrated into Austrade services, and can be further considered.

**2022** [**Operational Review**](https://www.austrade.gov.au/ArticleDocuments/10857/EMDG-Operational-Review-February-2023.pdf.aspx?Embed=Y)

* Confirmed EMDG is highly valued by SMEs.
* Recommended evaluation and consultation on options to balance interest in the program with available budget.

**2021 Final year of the** [**previous EMDG program**](https://www.austrade.gov.au/australian/export/export-market-development-grants/previous-emdg-reimbursement-scheme)

**2021** [**Round 1**](https://www.austrade.gov.au/australian/export/export-market-development-grants/research-and-reporting/austrade-emdg-round-1-key-statistics) **of the reformed EMDG commences – 5,384 applications**

**2022** [**Round 2**](https://www.austrade.gov.au/australian/export/export-market-development-grants/research-and-reporting/austrade-emdg-round-2-key-statistics) **commences – 2,758 applications**

**2023** [**Round 3**](https://www.austrade.gov.au/australian/export/export-market-development-grants/research-and-reporting/austrade-emdg-round-3-key-statistics) **commences – 2,184 applications**

## Options to improve EMDG outcomes

It is important to note no decisions have been made, all suggestions below are based on previous engagement and are provided here as options to inform the consultation process only.

They do not represent government policy.

Legal, trade and administrative considerations will also inform Government decisions about the EMDG program.

### Strategic refocus to better support Australian exporters develop new markets

The Government welcomes feedback on how EMDG can better support Australian exporters to develop new markets, support the Government’s diversification priorities and manage the sustainability of the program.

In addition to developing new markets, Government’s diversification goals more broadly will target support for businesses to take advantage of net zero opportunities, for example with export products aligned to Australia’s transition to the net-zero economy[[3]](#footnote-4), and broaden our export base through initiatives such as providing targeted support to First Nations businesses.

We know that close integration with the dynamic economies in Asia drives wealth creation in Australia and strengthens our broader bilateral relationships, with 12 of Australia’s top 15 export markets in the Asia region[[4]](#footnote-5). In 2021-22 these markets attracted Australian exports worth A$472 billion, representing almost 80 per cent of Australia’s total exports of goods and services[[5]](#footnote-6).

Over the past ten years, EMDG applicants' predominant region of export has been the Americas, followed by Europe. A refocused EMDG could better support the Government’s bilateral and regional trade priorities, through initiatives such as accelerating uptake of free trade agreements (FTAs), as well as the forthcoming ‘Southeast Asia Economic Strategy to 2040’*,* to boost Australia’s two-way trade in the Indo-Pacific region.

A core part of the Government’s trade diversification agenda is negotiation and promotion of FTAs, which open doors for Australian businesses into significant markets. EMDG can support businesses take advantage of these new or upgraded FTAs.

Support for the exporters to develop new markets in line with the Government’s trade diversification priorities could be achieved by:

* **Prioritising businesses that are exporting to markets or regions identified as priorities for Government’s diversification agenda.** This includes markets for which the Government is pursuing new FTAs or upgrading existing FTAs, to deliver new opportunities for our exporters.
  + This could be achieved by targeting applications or funds within rounds to specific categories or tiers, for example, only opening for businesses seeking to diversify their existing markets (EMDG Tier 3) in support of the government’s trade diversification agenda. A further example might be, at a point in time, Austrade proactively reaching out to support new exporters, prioritising support for their businesses to increase chances of success as new exporters (EMDG Tier 1).
* **Aligning EMDG with Government’s trade priorities,** for example as they relate to the net-zero economy or supporting First Nations businesses to export.

**Tell us:**

1. **From your or your business’ perspective or experience, how can changes to EMDG best support your ability to diversify or expand into new markets?**
2. **What steps can we take through EMDG to effectively encourage First Nations exporters?**

### Ensure impactful support for exporters

The objective of the EMDG program is to help Australian exporters succeed internationally. In doing so the program delivers measurable benefits for the Australian economy. To maximise the value of the program to exporters and the economy the program should be targeted to businesses that are well-positioned to benefit at the right time in their export journey.

Exporters applying for an EMDG grant will derive more benefit from it if they are committed to export, have the knowledge and capability to succeed in exporting, have capital to meet the program’s requirements to match grant funding with their own, and are meeting their obligations as a business including with respect to being tax compliant.

Strengthening eligibility criteria could help to improve demand on the EMDG program, delivering more meaningful grant amounts for businesses, and ensuring government support goes to those most capable of delivering a productive outcome. Monitoring and evaluation of the program will also continue to ensure the program is well targeted and meeting its objectives. Options for improving the likelihood of impactful grants that deliver outcomes for exporters include:

* **Introducing an enhanced export readiness test.** This could entail a more rigorous assessment of export readiness to ensure that businesses are better placed for export success and therefore derive more value from the grants. This could include testing of export knowledge and market readiness, accreditation of applicants as export ready, or requirements to complete accredited training prior to applying for a grant.
* **Introducing a minimum marketing spend threshold.** This reintroduces a Fisher Review[[6]](#footnote-7) recommendation (which has not been implemented to date) that a minimum export marketing spend threshold be at least $15,000. Exporters would be required to commit to a minimum spend and provide evidence of matching capital contribution at the time of application, with grants subject to meeting the spend requirement.
* **Adjusting the matching contribution model from 50:50 to 70:30.** This would entail a requirement that applicants spend 70 per cent on eligible marketing expenses, to receive up to 30 per cent grant contribution, rather than the current provision for matched grants.
* **Introducing a minimum annual business turnover threshold.** To ensure that EMDG grants are targeted towards businesses of a size that, measured by annual turnover, research supports can deliver proportionately higher returns on their investment to the Australian economy and increasing employment opportunities through their exports.
* **Consider the number of financial years for which applicants can be eligible to apply for EMDG.** This could entail reducing the number of years for which an applicant can claim the grant, to encourage recipients to utilise the grants for strategic purposes at particular points on their export journey.
* **Introducing an Employment Growth requirement**. Establishing a new criterion for Tier 2 and Tier 3 exporters to show how their business has grown their employee base in Australia to support their improved export outcomes (either through expanding their exports or diversifying their exports) could ensure benefits to the economy.
* **Increasing requirements on representative bodies to demonstrate transparency and return on investment for grant funds and/or limiting the number of years a grant may be received.** This change would bring all Tiers into alignment and ensure Representative bodies use funding for strategic purposes, as well as ensuring training provided through grants is effective, quality and value for money.
* **Limiting the number of years Tier 1 grants can be received.** This change reflects that Tier 1 is intended for businesses on the verge of exporting and that grants will not continue without export success.
* **Introducing a ‘minimum years in business’ requirement.** This measure provides an indication of the stability and capability of the business, through a requirement to be in business for a minimum number of years.
* **Reviewing and adjusting the eligible products and expenses for the grant.** This measure is to ensure products and eligible expenses support the program and Government policy settings, including verification of Australian product origin and the Government’s commitment to transition to carbon net zero targets.
* **Introducing a further requirement that businesses must be ATO tax compliant**. EMDG applicants could be required at the time of application to demonstrate tax compliance to ensure grant recipients are meeting their legal obligations and are worthy of Government funding.

**Tell us:**

1. **Considering the options above, from your experience, what eligibility requirements do you think the EMDG program could include to target and ensure businesses are well positioned to achieve export success? Are there eligibility requirements that should/should not be included; if so, what and why?**
2. **How would the proposed eligibility requirements impact your business or relevant stakeholder group? What would be the benefits or downsides to you and/or other stakeholders?**
3. **What are your ideas on how EMDG can deliver the best returns for the Australian economy and job creation within a fixed funding appropriation?**

### Improve program sustainability

EMDG needs to be managed through administrative mechanisms that will deliver increased certainty to businesses and administrative efficiency for the Government. As an eligibility-based grants program, it does this without the need for a competitive grant assessment. A mechanism to manage the program, to better balance demand for the program against available budget appropriation, could include allocating a pre-determined number of grants, and the amounts for those grants, for each category or Tier of EMDG. This could be adjusted according to the financial year funding budget and the Government’s direction or focus for EMDG in that round.

This could provide certainty regarding grant amounts, program stability and consistency, through:

* **Closing an EMDG round once a specified number of applications are received**. A round capped at a predetermined number of grants and predetermined grant value according to annual budget appropriation (e.g. 2000 eligible grant recipients).
* **Establishing a regular program timetable consistent with normal grant processes.** This would enable set consistent timing for the round opening; assessment period; grant agreement issuance, milestone reporting, and grant payments. EMDG could become an annual program with one-year grants, or a program that opens once every two years with two-year grant agreements demonstrating a commitment to implement marketing promotion in a sustained way with less administrative overhead. Assessment prior to a grant year starting with partial or complete grant payments made up front on grant agreement acceptance could ensure businesses are able to commence marketing promotion with the grant funding in line with the start of any grant year. Milestone reporting could be more flexible.
* **Reducing opportunities for common errors and reporting burdens associated with payments.** Trialling and delivering payments through new mechanisms other than cash transfers (i.e. payment virtual credit card) could help improve a range of issues including business concerns with providing bank account numbers and errors (leading to delays in payments), reduce milestone reporting burdens on grantees (as credit card providers can deliver detailed reports), and avoid challenges with repayments when businesses don’t proceed with grant activity as planned (and need to repay grant amounts provided up front).

**Tell us:**

1. **What do you see as the opportunities and benefits for fixed program settings and timing, capable of delivering certainty on timing and meaningful grant amounts? What do you see as the potential downsides?**
2. **What, in your view, is the optimal timing (including rounds opening, assessment period, milestone reporting and grant payments) for the EMDG program? And do you have any feedback on reducing administrative burdens in reporting and payment options?**

### Combination of changes

A combination of changes to support Government priorities, improve program management and strengthen eligibility requirements will be considered.

1. **What combination of changes would best support a sustainable, targeted and efficient EMDG program?**

1. These include climate change, net zero targets; embedding/supporting First Nations interests as well as diversification. [↑](#footnote-ref-2)
2. Why Australia? Benchmark report ‘Asian Markets Drive Export Success’ [Why Australia - Benchmark Report - Global ties - Austrade](https://www.austrade.gov.au/benchmark-report/global-ties#:~:text=Global%20ties%20help%20make%20our,important%20areas%20of%20trade%20growth.). DFAT defines the Asia region as economies located in Asia and Oceania, including the Middle East region. For more information, visit www.dfat.gov.au/trade/resources/trade-statistics/Pages/trade-time-series-data [↑](#footnote-ref-3)
3. In 2022 Australia signed the world’s first Green Economy Agreement with Singapore, towards transitioning economies to net zero. Source: DFAT [Singapore-Australia Green Economy Agreement | Australian Government Department of Foreign Affairs and Trade (dfat.gov.au)](https://www.dfat.gov.au/geo/singapore/singapore-australia-green-economy-agreement) [↑](#footnote-ref-4)
4. The Asia region is defined as economies located in Asia and Oceania, and excludes the Middle-East region. Source: ‘Department of Foreign Affairs and Trade, 2023, Trade statistics, Australia’s trade in goods and services: 2021–22’ [↑](#footnote-ref-5)
5. Source : Austrade [Why Australia - Benchmark Report - Global ties - Austrade](https://www.austrade.gov.au/benchmark-report/global-ties#:~:text=Global%20ties%20help%20make%20our,important%20areas%20of%20trade%20growth.) [↑](#footnote-ref-6)
6. Review of Financial Assistance to Small and Medium Enterprise Exporters, report by Anna Fisher, July 2020. The Fisher Review informed the reform of the EMDG program. [↑](#footnote-ref-7)