

HANDHOLDING PROGRAMS



**TAKING FIRMS TO PRESET GOALS
THROUGH COMPREHENSIVE HELP**

**GRIPS Development Forum
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ENTERPRISE ASSISTANCE

- Management
- Technology
- Kaizen
- Finance
- ICT
- Labor/recruitment
- Marketing
- FDI linkage
- Testing & certification
- Networking
- Start-up & innovation

Providing these services to firms separately, individually, and on as-needed basis:
final results are up to each firm's planning & effort

OR

Assisting selected few firms in a comprehensive and integrated manner until they succeed:
government works with firms until achieving final results

WHAT IS HANDHOLDING?

It is an assistance program that satisfies all conditions below.

- **Public service for SMEs with no or little fee**
- **A clear business goal is set (only one)**
- **A screening mechanism to select eligible firms**
- **Duration of 2-3 years (usually non-renewable)**
- **Multiple help is offered based on diagnosis and consultation**
- **A high success rate is expected**

Handholding (or hands-on, yoriso...) programs are all-inclusive support for selected few firms that show will and potentiality – to succeed and become a model for other firms to follow.

It is a common practice in East Asia, but some Western economists criticize it as too selective and approve only general help for all.

EXAMPLES OF PRESET GOALS

- Product development (incl. commercialization of R&D)
- Penetration of a foreign market
- Create a new high-quality product for export (champion products)
- Creation of a local industrial cluster
- Overseas investment (by source country)
- Helping incoming FDI firms to operate smoothly, make profit and expand (by host country)

PM Hailemariam (July 2013):

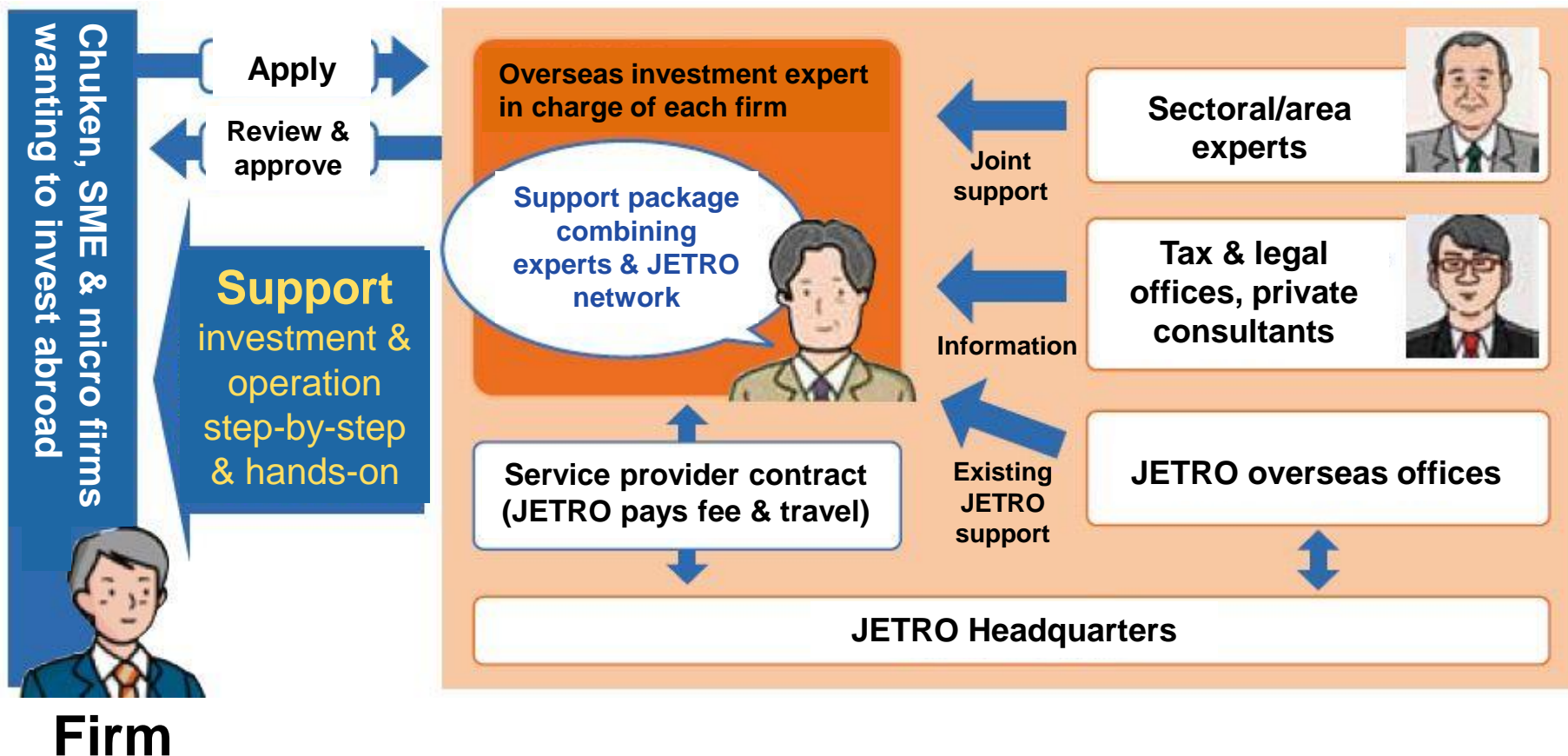
“Can there be a handholding program to assist Ethiopian traders and distributors to go into manufacturing?”

1. JAPAN: JETRO'S ASSISTANCE FOR OVERSEAS INVESTMENT

- Supported by FY2012 supplementary budget
- Up to 1,000 firms in any sector (subject to expert availability)
- One JETRO official and one outside expert will support a firm “hands-on” for outbound FDI (allowing the case where it is concluded that the firm does not need to invest abroad)
- Up to March 2015 at the latest, or about 2+ years max. (duration to be agreed among firm, JETRO & expert)
- Eligibility—“chuken” (large but not very large) firms & SMEs seriously considering investing or expanding locations abroad (= ODA recipient countries)
- Requirements—appointment of key person at the firm; foreign travel at firm’s expense; legal compliance; submission of progress reports; filling JETRO questionnaire, etc.

HOW FIRMS ARE HELPED:

COMPANY ← JETRO + EXPERTS



Company
general
director
planning
to invest
abroad



JETRO
expert with
overseas
experience

Costs borne by firm

- Travel, accommodation, local transport, etc.
- Lawyer & accountant fees
- Translation & interpretation
- Costs incurred for establishing a company abroad
- All other costs not supported by JETRO

JETRO services (free)

- Expert support
- Consultation at JETRO HQ & domestic offices
- Country information by JETRO overseas offices
- Arrange meetings with potential overseas partners
- Introduce accounting, legal, tax consultants abroad
- Market, policy, tax, legal, etc. information

JETRO financial support

- Expert fees, expert travel & all other expert-related expenses
- One return air travel for one key person from the firm

2. JAPAN: JETRO'S ASSISTANCE FOR SME EXPORT

- **Starting in 2005, assisting 150-200 firms per year**
- **Sectors: machinery & parts, environment/energy, agro & fishery products, design & traditional products, household goods, fashion—“only one” technology & products preferred**
- **One expert offers special knowledge of his/her area; one JETRO official provides JETRO services and monitors expert activities**
- **Duration: preparation period + 2 years (non-renewable)**
- **Eligibility—SMEs engaged in production, wanting to export directly to a new market (not through a trading company)**
- **Screening process: (i) informal screening based on daily contacts, expert views, visits & reports from other organizations; (ii) application form filled; (iii) interview with GD; (iv) JETRO HQ selection committee → Approval**
- **Support contents—export strategy, market information, customer information, trade fairs, business negotiation, contracts, account settlement, etc.**

JETRO SME EXPORT (CONT.)

- **Success criteria: (i) exporting to the same buyer three times or more ; (ii) sales through an agent with payments received. If the firm develops two new markets, support is terminated even before 2 years.**
- **About 30% of firms “succeed” three years after the end of support. Even without “success,” most firms make progress.**

JETRO’s comments for both support (FDI & export)

- **Joint support by JETRO official and business expert is crucial. JETRO official has broad information and network while expert has specialized knowledge.**
- **Information sharing among experts is also important (30 for export and 150-200 for FDI)**

3. KOBE CITY: KOBE ASIAN BUSINESS SUPPORT CENTER

- **Kobe is a port city with a population of 1.45 million**
- **2010—central government policy shifts toward promotion of SME overseas investment**
- **2011—preparation**
 - Guidance of Prof. Asaka (Konan Univ; previously Panasonic)
 - City conducts SME surveys—a sharp increase of SMEs wanting to invest in Vietnam, Thailand & Indonesia detected
 - City conducts overseas study trips to these countries
 - Study group proposes establishment of the Center
- **July 2012—Center established next to JETRO Kobe**
 - Four full-time city officials at the Center; 95 registered experts
 - Yorisoi (standing by to help) support: one official + a group of experts, assisting with any problems related to overseas investment
 - Well-stocked shelves with latest information
 - 36 firms supported, 60 expert sessions in the first 15 months

From Kobe to World

神戸から海外へ



The Kobe Asian Business Support Center

The City of Kobe



- **Targeted: manufacturing SMEs in Kobe (SMEs in other cities may also come for advice)**
- **Support measures:**
 - Dispatching a group of experts (+ city official) to the firm for advice
 - Seminars and study meetings
 - Free expert consultation, upto 10 times/year (legal, accounting, tax etc.)
 - Overseas missions for information gathering and networking
 - Cooperation with other business or support organizations

4. KOREA: KOTRA'S BRANCH OFFICE SERVICE FOR SME EXPORT

- **Customized marketing services offered by KOTRA's overseas offices, which act as local sales representatives of Korean SMEs—collecting market information, identifying potential buyers, business matchmaking, etc.**
- **All sectors are targeted**
- **Eligibility—SMEs engaged in production of goods with new overseas market potential**
- **KOTRA overseas officers will assess market potential of goods proposed by firms, in light of local market conditions and KOTRA office's capacity for service provision**
- **Screening process: (i) application filed by firms; (ii) selection (KOTRA HQ request relevant KOTRA overseas offices for review); (iii) service fee payment by firms and contract agreement; (iv) service provision by KOTRA overseas offices; (v) evaluation by KOTRA overseas offices and follow-up.**

KOTRA SME Export (CONT.)

- **Duration: 1 year (renewable upto 3 years)**
- **Fees: 2.5-3.5 million won/year (export to Japan; fees differ by country) (approx. 2,500-3,500 USD)**
- **50-60 SMEs/year (supported by KOTRA office in Japan)**
- **KOTRA overseas offices can provide additional marketing support, as necessary (extra fees charged)**
 - Hiring local sales representatives on behalf of firms (“Sales Representative Service”)
 - Providing firms with rental office space, which can be used for marketing activities (“My Office Service”); KOTRA overseas officers can also give necessary advice
 - Extending the support period (upto 3 years), by providing limited scope of services for those firms unable to achieve the objective.

5. KOREA: KOTRA'S ASSISTANCE FOR FDI ATTRACTION

- Within KOTRA, Invest KOREA (IK) is responsible for promoting inbound FDI—identifying potential foreign investors, supporting investment projects, providing ongoing support for foreign investors already in Korea, etc.

IK's Project Manager (PM) Program

- A PM (KOTRA officer or govt./relevant agency official) is assigned to each investment project to offer customized services.
- The PM provides information at every step of the investment process—e.g., providing administrative services as proxy, arranging meetings with relevant agencies for clients, and setting up task forces to resolve client grievances.
- Experts are mobilized to accelerate the process of FDI—free consultations; a pool of 20 private experts (finance, tax, law securities, accounting, construction, IP, etc.).



Information on Korean markets and industries

On-site administrative support

Consultation on FDI incentives, Law, tax, labor issues

Investment consultation for operation set up

Project site search support

Assurance in seeking business partners

Helping in arranging meetings with government officers

References to invest-related agencies

Ongoing evaluation of your business Development plan

Source:

http://www.ikp.or.kr/why/pm_program.jsp

■ **Duration: no limit (pre-investment ~ implementation F/U)**

■ **Other existing services available**

—Incubation Center, providing rental offices (extra fee) and initial start-up support, in collaboration with local govt., banks, and consultants, etc.

—Foreign Investment Ombudsman Service (NPO within KOTRA): “Home-Doctor” System, one-on-one service in investigating and resolving grievances

6. MALAYSIA: MATRADE'S HANDHOLDING FOR SME EXPORT



- Starting in 2003/04; high success rate expected
- 24 firms per year (12 Malay SMEs & 12 woman SMEs)
- All sectors are targeted, but high-value, high-tech & knowledge firms are prioritized
- Two MATRADE officials support for 3 years (non-renewable)—one program officer & one trade expert (total 20 officials available)
- Eligibility—Malay or woman ownership & CEO; in operation for at least 3 years with domestic market presence; office or factory located in Malaysia
- Screening process: (i) internal selection based on MATRADE database & SME Corp information; (ii) submission of firm profile to MATRADE; (iii) MATRADE Technical Committee evaluation & company visit → Approval
- Support contents—seminars on branding, laws/taxes/markets, standards, trade finance, etc.; business missions & trade fairs; free web listing: **all costs paid by MATRADE incl. foreign travel**

7. TAIWAN: HELPING TO CREATE LOCAL INDUSTRIAL CLUSTERS

- In 1989, “One Town, One Product” (OTOP) was started by SME Administration under MoEA (copied from Japan’s OVOP)
- Create high-value, high-image local cultural products for tourist & export markets under “Taiwan OTOP” brand name





- **SMEA dispatches a group of experts to target community for 3 years: (i) identify local needs, existing resources & missing factors, local consensus building & training; (ii) strengthen businesses & promote products; (iii) achieve growth & sustainability under community ownership**
- **Support contents—R&D, remaking traditional products, workflow re-engineering, branding, packaging, store display, tourism linkage creation, marketing (4 OTOP shops, web, media, ads, trade shows...), Taiwan OTOP Design Award**
- **286 featured towns have been successfully coached**

<http://otop.tw/> (accessed Dec.26, 2013)

COMPARISON: SELECTED HANDHOLDING PROGRAMS

Country / Agency	Goal	Target Sector	Duration	Screening	Fee	Service
JAPAN/ JETRO	Overseas FDI promotion of SMEs	All sectors	2+ years	Yes	Actual expenses only (Expert costs paid by JETRO)	1 JETRO official + 1 business expert (special knowledge)
JAPAN/ JETRO	SME export promotion	Machinery & parts, etc. (Only one tech. preferred)	Preparation period + 2 years	Yes	Actual expenses only (Expert costs paid by JETRO)	1 JETRO official + 1 business expert (special knowledge)
KOREA/ KOTRA/	SME export promotion	All sectors	1 year (upto 3 years)	Yes	Yes (2.5m-3.5m won/year)	1+ KOTRA officers at overseas offices (Sales Representative service, etc)
KOREA/ KOTRA (IK)	Inbound FDI promotion	All sectors	No limit	(FDI law compliance)	Actual expenses only (Expert costs paid by KOTRA)	1 KOTRA/govt. official (Project Manager) + a group of experts
MALAYSIA/ MATRADE	SME export promotion	All sectors (high-value, high-tech. & knowledge preferred)	3 years	Yes	Free (All costs paid by MATRADE)	2 MATRADE officers (1 program officer + 1 trade expert)
TAIWAN/ MoEA	One Town, One Product	High-value, high-image local cultural products	3 years	Yes	N.A.	A group of experts (special knowledge)

FINDINGS FROM COMPARISON (JETRO, KOTRA, MATRADE)

There are differences among selected handholding programs of three Agencies:

■ Use of internal vs. external resources

- MATRADE: internal resources (staff)
- JETRO (& Kobe City) and KOTRA (Invest KOREA, PM System): combination of internal and external resources

■ Scope of support

- MATRADE: strategic use of the existing support services
- KOTRA (Branch Office Service): intensive support to overseas marketing, using their overseas functions
- JETRO: all types of customized support and advisory services

■ Direct vs. indirect support

- KOTRA (Branch Office Service): provide services on behalf of SMEs (direct support)
- JETRO (& Kobe City) and MATRADE: coaching, standing by to help (indirect support)

FINDINGS FROM COMPARISON (CONT.)

■ **ALL Agencies have “functioning” standard support services of export promotion and investment attraction services, such as:**

- Trade missions, business matchmaking, exhibition & seminars, market information, etc.
- FDI investors consulting, administrative support, grievance resolutions, etc.

→ ***Handholding programs fully utilize these basic functions.***

■ **For screening eligible firms, Agencies must have capacity to identify firms with high potential and strong will to work hard**

- JETRO: **day-to-day contacts** with SMEs by JETRO officers (HQ, regional offices), interviews with GD
- MATRADE: **good database**, supplemented by the information provided by SME Corp.
- KOTRA (Branch Office Service): **overseas offices** providing the information on local market potential

The depth of information and knowledge of the Agency officers on individual SMEs is critical to select eligible firms.

FINDINGS FROM COMPARISON (CONT.)

- **The Agency officers play a key role as program officers, by linking the need of a particular SME with Agency's existing support menu (not just outsourcing to outside experts)**
- **Combination of a program officer and specialized expert(s) (internal or outside expert) seems to work well.**
 - **MATRADE: a program officer + a trade expert (internal staff), providing comprehensive support by using the existing support menu.**
 - **KOTRA (Invest KOREA): a project manager + outside experts, providing comprehensive one-stop services to foreign investors**
 - **JETRO: a program officer (HQ or regional offices) + outside business experts with specialized knowledge, working together.**

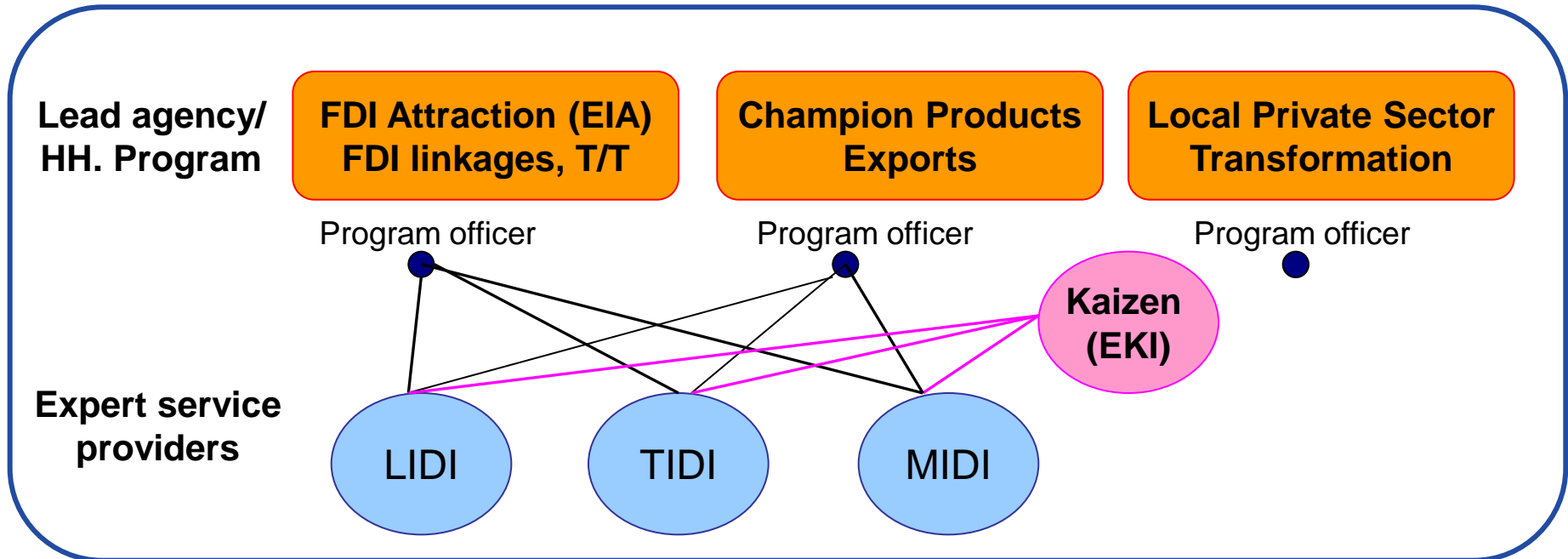
In Japan, there are many private business experts, with rich experiences of overseas trading business (incl. retired businessmen) —e.g., by sector, country and region. JETRO and Kobe City (and other local governments) actively mobilize such business experts.

IMPLICATIONS FOR ETHIOPIA

To establish “Ethiopian” handholding programs, the following aspects may worth considering:

- **Make “the basics” work: Strengthening the basic functions of FDI attraction (EIA), export promotion is fundamental.**
- **Designate a lead Agency, in light of a clear goal: FDI attraction (e.g., FDI linkages, technology transfer), champion products, domestic private sector development, etc.**
- **Establish criteria and process of screening eligible firms.**
- **The lead Agency should assign (at least one) officer, who coordinates handholding programs.**
- **Work with the existing service providers, which have specialized expertise and day-to-day contacts with firms. Integrate their services into the Agency’s support packages.**
- **Ethiopia does not yet have many business experts like Japan; but it has accumulated sector expertise (e.g., LIDI, TIDI, MIDI) and is now introducing Kaizen (EKI).**

IMPLICATIONS FOR ETHIOPIA (CONT.)



■ Possibilities?

- Can EIA officers and LIDI/ TIDI/ MIDI & EKI officers work together, providing customized support packages to FDI companies, and also support local partners for technology transfer (T/T)?
- Can EKI train LIDI/ TIDI/ MIDI officers for Kaizen, so that these expert service providers could further upgrade their capacity and Kaizen become an integral part of the support packages?