



DNA Economics
Making economic sense of common problems

National Evaluation of Government Business Incentives (2018)

Summary of findings and recommendations

3 October 2025

Evaluation objectives

- To bring together a consistent set of information across the entire national system of business incentives
- To explore how specific programmes and the system as a whole have been structured to achieve government's wider policy objectives (the ToC)
- To identify overlaps, complementarities and inconsistencies
- To assess whether the system is working effectively, efficiently and coherently
- To make recommendations on how the system can be strengthened or improved

Case studies

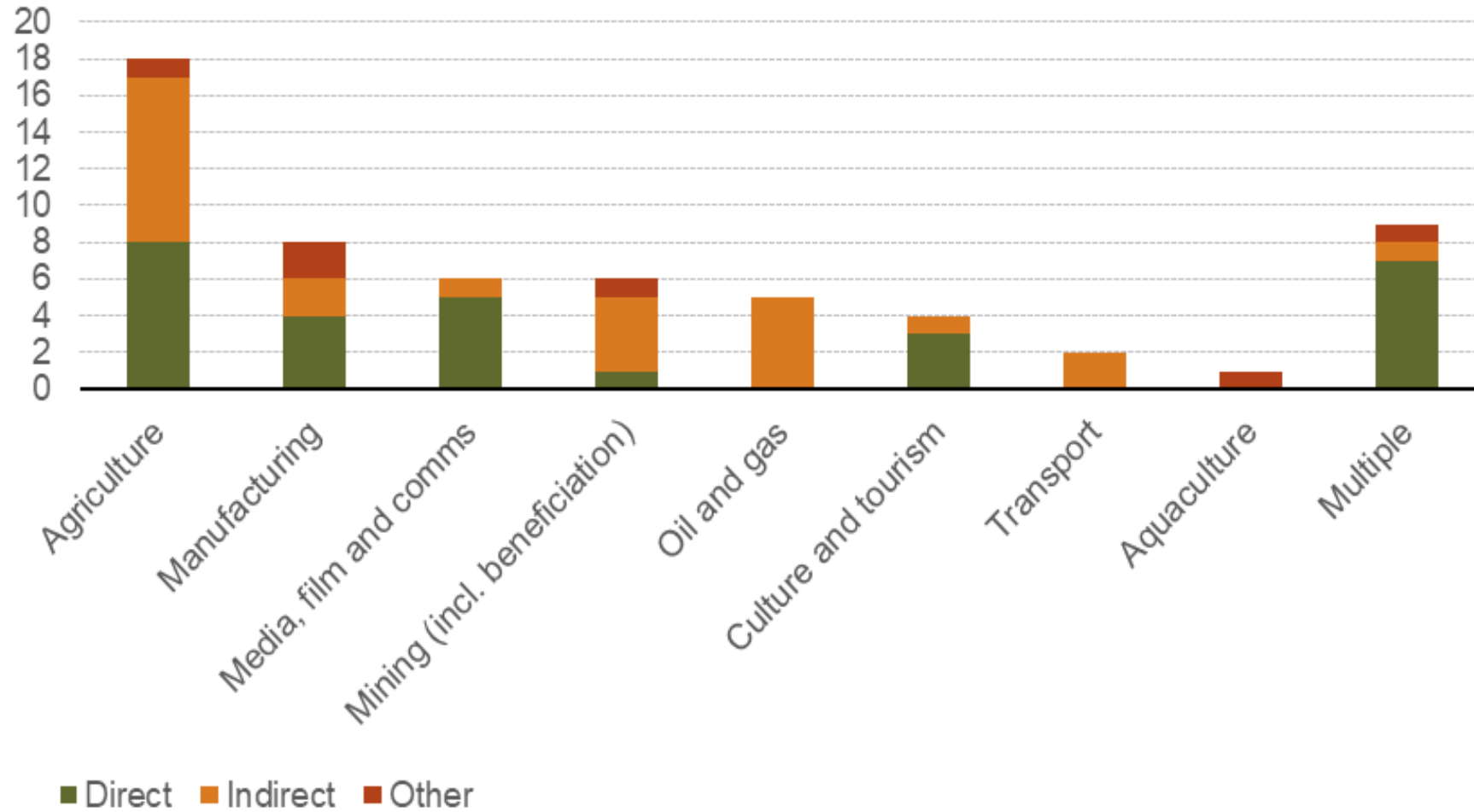
Incentive	Department / Agency
The Manufacturing Competitiveness Enhancement Programme (MCEP)	DTI
The Automotive Production and Development Programme (AIS)	DTI
The Tourism Incentive Programme (TIP)	Department of Tourism
The Black Business Supplier Development Programme (BBSDP)	DSBD
The Cooperative Incentive Scheme	DSBD
The SEDA Technology Transfer Fund	SEDA
The TIA Seed Fund	TIA
The Animal and Veld Management Programme (AVMP)	DRDLR
The Agri-Parks Programme	DRDLR
The Green Fund	DBSA
The Jobs Fund	NT
The Gro-E Youth Scheme	IDC
The MERSETA Apprenticeship Programme	MERSETA
The CHIETA Work Integrated Learning Grants	CHIETA
The Local Content Designation – Rail Rolling Stock	DTI
The Employment Tax Incentive (ETI)	SARS/DoL
The Research and Development Tax Incentive (12b)	DST/SARS
The Industrial Policy Projects Incentive (12i)	DTI/SARS
The Manufacturing Incentive (12c)	SARS
The Small Business Incentive (12e) and Reduced Headline Rate	SARS

Key findings

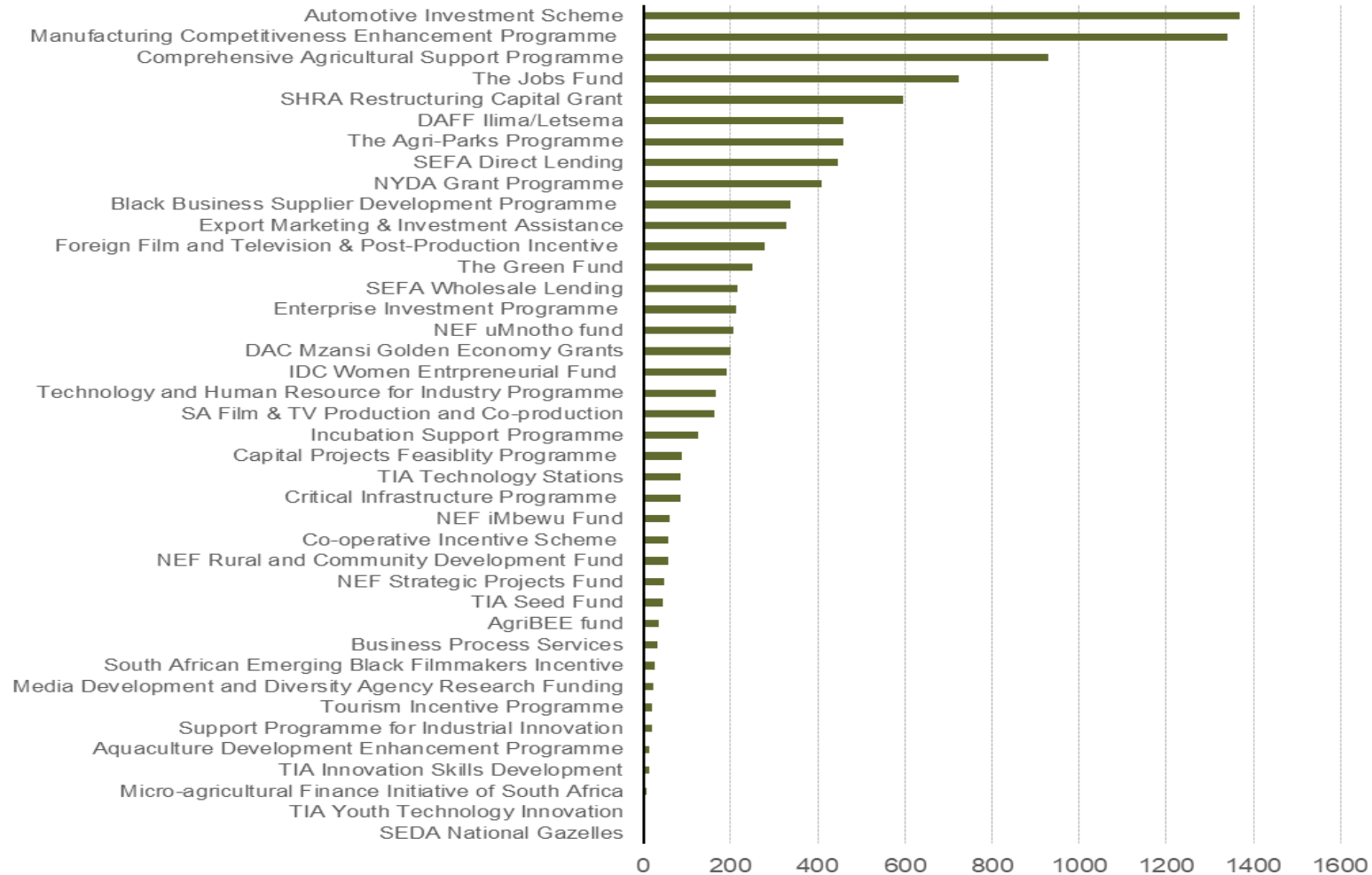
What business incentives are currently offered by the South African Government?

- In total, 244 incentives were identified.
 - This includes 64 direct incentives; 43 indirect (tax) incentives; 10 other incentives (mostly information services) and 127 different SETA grant programmes.
- Most (56%) of the direct incentives are offered in the form of subsidies or grants.
- Accelerated depreciation provisions account for the largest number of indirect incentives.
- Only three demand-side incentives were found, two of which are implemented through the government procurement system – and a third which seeks to shift consumer demand in the motor industry.

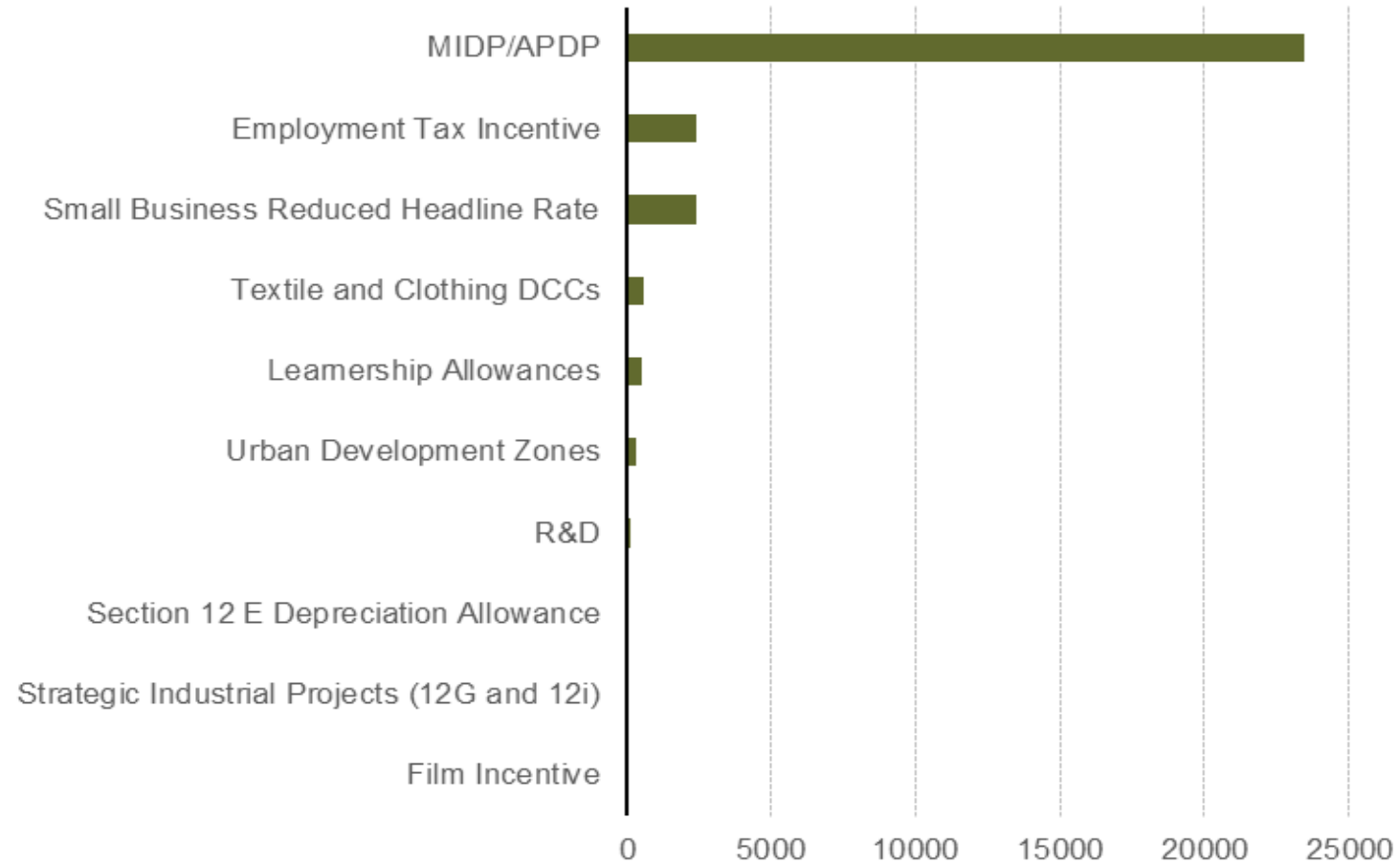
Priority sectors



Total expenditure on direct incentives (R mn, 2014/15)



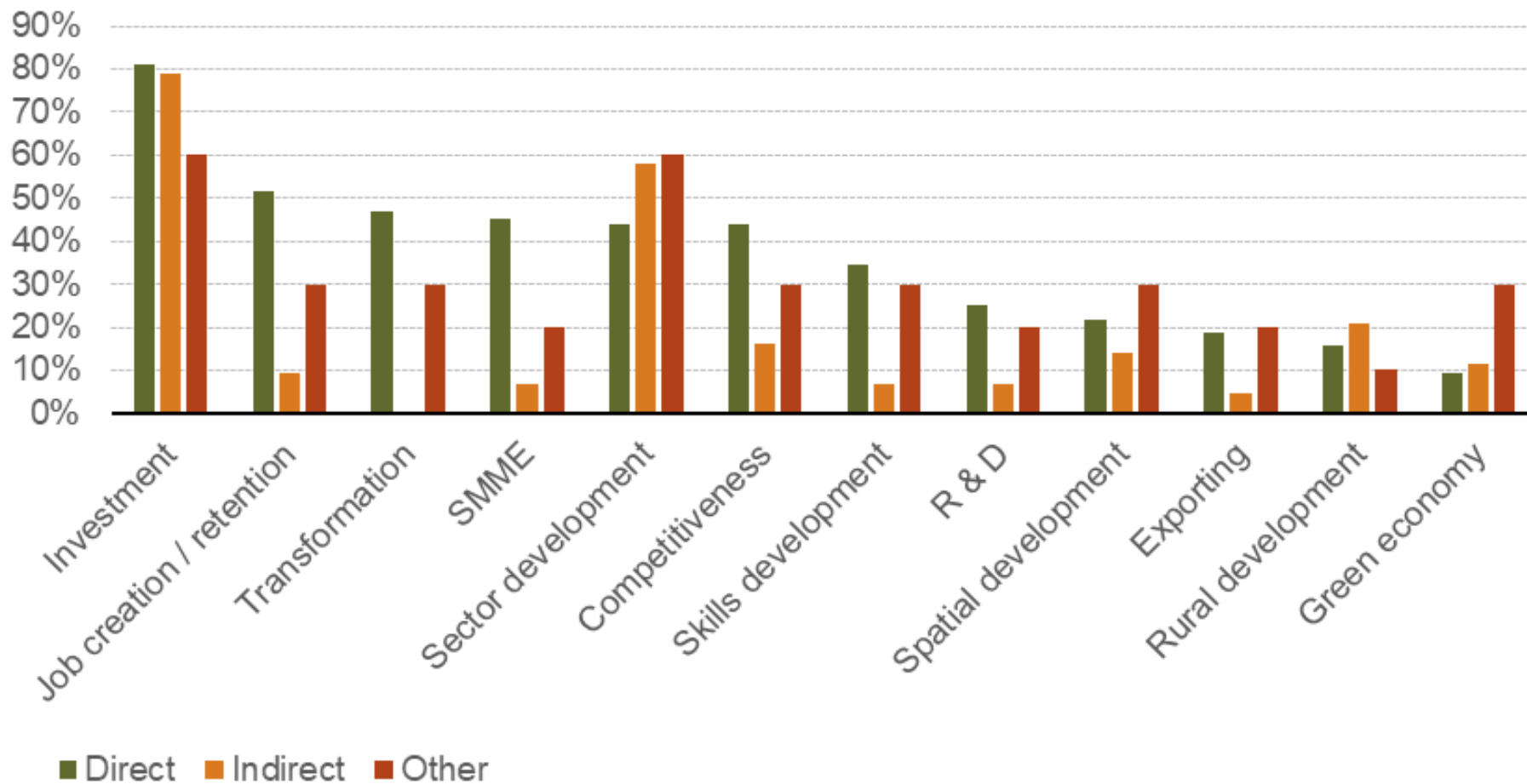
Total expenditure on indirect incentives (R mn, 2014/15)



Why are government business incentives important and how?

- In general, incentives are used to assist firms to overcome specific market failures, or to encourage firms to undertake activities which generate wider spill-over benefits for the economy or society.
- In South Africa, many incentives are designed to address skills/education failures in the labour market.
- However, the greatest amount of funding goes to capital incentives, where market failures are not the primary focus.
- It would seem that investment incentives are used to mitigate against the cost or uncertainty of doing business in South Africa, especially in priority sectors.
- In addition, the South African Government sees business incentives as an important mechanism to raise competitiveness and increase the participation of historically disadvantaged groups in the economy.

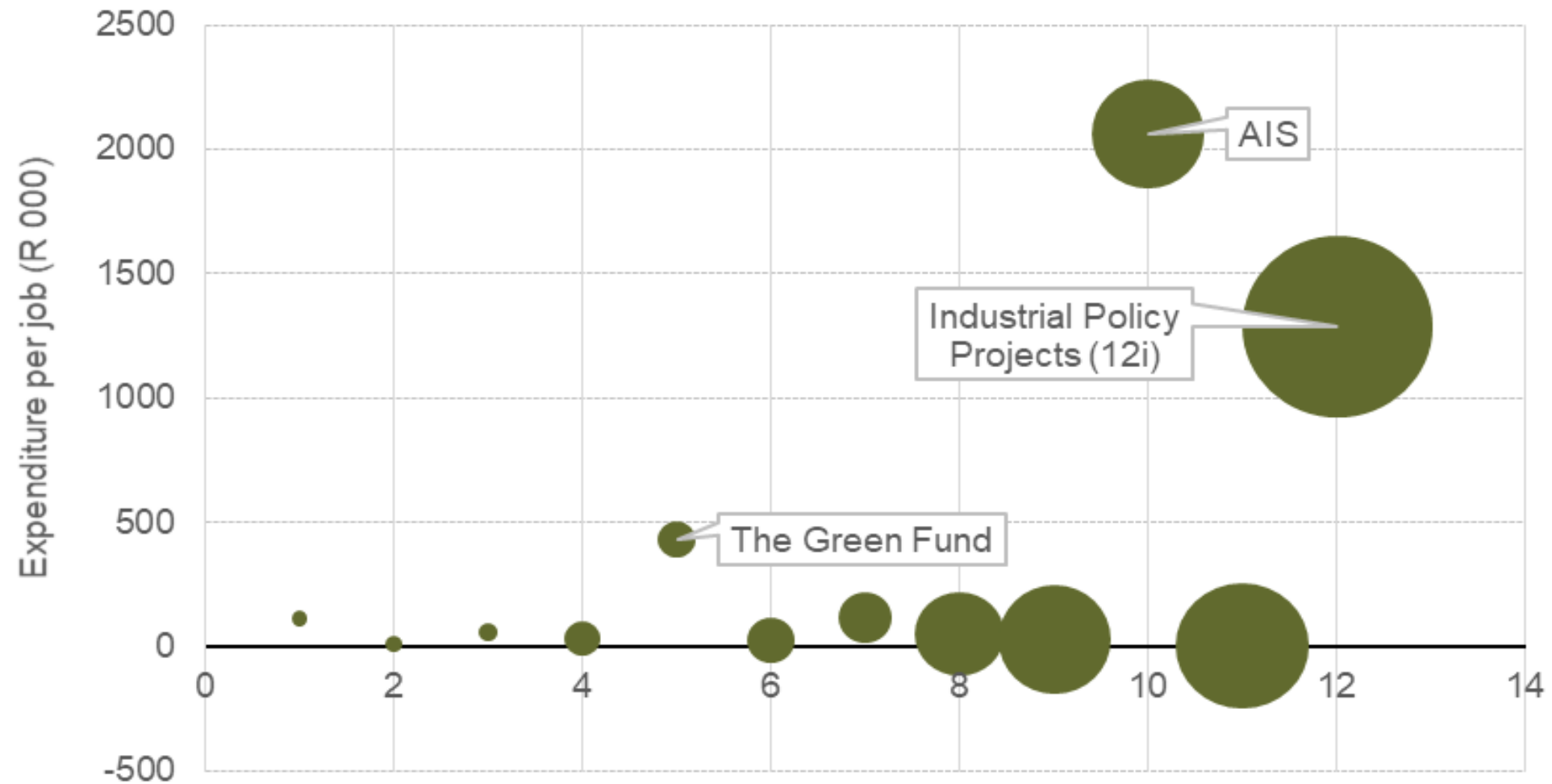
Objectives



Is the incentive package achieving the broader objectives and are they aligned with overarching frameworks and plans?

- The incentive system is well-aligned with Government's overall economic objectives
- Specific incentives are clearly targeted at industries that are a stated policy priority or are addressing key areas of market failure
- The extent to which these outcomes are realised, is generally not reported and cannot be measured or evaluated
- For most incentives, the only data that is available is on expenditure.
- A large part of the incentive system is oriented towards sustaining mature industries and existing companies and jobs, rather than facilitating new entrants (companies or sectors) or technologies

Expenditure per direct job created or sustained



Do these incentive programs complement each other in relation to the frameworks/plans and what are the gaps?

- There is little evidence to suggest that incentives in South Africa are designed, managed or reported in a systematic way.
- Different departments and agencies assume responsibility for the implementation of their own programmes, to address their specific interests and those of their constituency, while also accounting for the Government's wider policy objectives.
- Most incentives come with multiple objectives, many of which overlap and some of which conflict with the primary purpose of the incentive.
- There is a risk that in loading incentives with too many sub-objectives, some areas that are deserving of more focused intervention, are effectively neglected.
- Specifically, in South Africa, it would seem that insufficient attention has been given to supporting R&D activities and innovation across all sectors of the economy.

How does South Africa compare with other countries on business incentives?

- South Africa offers an elaborate mix of business incentives that cut across multiple departments and sectors.
- The system appears less coordinated and focused than those in the comparator countries.
- In some of the comparator countries, greater attention is given to the economic design and targeting of specific incentives, and more rigorous processes are in place for monitoring success.
- The comparator countries seem to place greater emphasis on supporting new businesses and technology; especially in less-developed regions.
- Where incentives have narrow or more focused objectives, they appear to be more effective.

How can the system of business incentives be strengthened and achieve greater value for money to enhance more inclusive economic growth in the country?

- It was estimated that South Africa currently spends around R50 bn a year on business incentives; equivalent to around 3% of the total national budget in 2018/19.
- There is surprisingly little information available, from most departments and agencies, on the outcomes (or returns) on this investment.
- To maximise the potential gains from the system, incentives should be more closely directed at specific policy concerns or market failures, and support firm-level activities that create the strongest potential for spill-overs.

Recommendations

Key recommendations

1. Enhance the governance of the incentive system through the development of an overarching framework to inform the design, administration and review of both existing and new business incentives in South Africa.
2. Strengthen systems for the management and monitoring of incentives, including the recording of beneficiaries and the collection and reporting of results.
3. Conduct and publish independent evaluations of all incentive programmes.
4. Review specific components and refine the focus of the existing incentive system (R&D/innovation, digital economy/AI, green economy)

Reports

Full report:

<https://www.dpme.gov.za/publications/Reports%20and%20Other%20Information%20Products/Business%20Incentives%20Draft%20Full%20Report%20V7%2005112018%20STC.pdf>

Summary report:

<https://www.dpme.gov.za/publications/Reports%20and%20Other%20Information%20Products/Evaluation%20of%20Business%20Incentive%20Draft%20Summary%20Report%20V6%2005112018%20%20STC.pdf>

Report on the Evaluation of Government Business Incentives

POLICY SUMMARY, EXECUTIVE SUMMARY AND
SUMMARY REPORT

5 November 2018



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