

Ethiopian Competitiveness Facility, ECF

INTRODUCTION

The Government of Ethiopia is executing the Private Sector Development Capacity Building Project (PSD CBP) financed by the Department for International Development (DFID)'s. Private Enterprise Programme Ethiopia (PEPE).

The objective of the project is to facilitate increased participation of the private sector in the Ethiopian economy by creating conditions for improving productivity and export competitiveness.

The success or failure of this program will be evaluated primarily on the degree to which firms supported by the ECF are able to increase their exports, or their domestic sales, at a rate significantly faster than firms not supported.

ECF is managed by ECF Management Unit accountable to the Public-Private Steering Committee (PPSC) constituting members from representatives of private sector and chaired by the State Minister of Ministry of Industry.

The grant support can include hand holding technical assistance on how to best use the services that are eligible for funding.

Each firm benefiting from this grant support shall confirm to constitute positively to Environment (green growth) and to increase female employment and empowerment.

The ECF will have four windows; the Export Development window, the institutions that support export development Window, chambers of commerce and sectoral associations and the new window introduced to support firms currently not exporting and/or indirect exporters.

The ECF is a time-bound scheme that shall operate for a period of three years ending on **December 31, 2015**. The general features of the four windows are given in this leaflet and more details are provided in the respective brochures.

1 Export Development Sub Project

It is a Firm-Level Support to priority sectors (leather products, textiles and garments, and agro-processing) through a Matching Grant Scheme. Eligible private sector enterprises will receive reimbursements in the form of cash grants from the fund to cover a substantial proportion of the implementation cost of an integrated Export Development Plan

Eligible firms shall be entitled to grants at the following levels:

- a. For grant payment up to an initial cumulative grant total of the equivalent of US \$100,000 per firm, the proportion of eligible costs that shall be supported by the grant shall be 75%.
- b. For additional or second and last grant payments up to a cumulative grant total of the equivalent of US \$200,000 per firm, the proportion shall be 50%.
- c. Firms that have received grant funding in Phase 1 will also be eligible to receive up to \$200,000 in ECF funding in Phase 2, with a grant portion of 50% for all funding.
- d. Firms that have not received previously funding from ECF will be given priority over those who have benefited from the first phase.
- e. The grant support can also cover expenditures on capital expenses of less than 50% of the total requested support. Except in exceptional circumstances, these expenses should either (i) directly relate to the recommendations of the technical assistance or (ii) support green growth. Such activities will be clearly defined in the LGA.

External services such as in-factory consultancy or temporary management services can be supported on a temporary basis only for up to 12 months where firms can make a strong case for requiring such a duration.

Any private firm employing under 250 persons, which is either currently involved in production for export, or plans to move into production for export, and that is operating in the leather, textiles and garment or agro-processing industries, is eligible.

Any private firm employing 250 persons or more, currently involved in production for export and operating in the leather, textiles and garment or agro-processing industries, is eligible, so long as it currently exporting at least 50% of its output [on the basis of the most recent available formal annual accounts].

2 Institution Development Sub Project

The objective of this second window is to assist institutions that enhance the export development capacities of private firms that are exporting or preparing to export so as to better to enable them to expand their exports. These providers could, for example, provide services to prepare firms for ISO 9000 certification; provide ISO 9000 audits; undertake market research; rent design equipment; conduct quality testing; carry out web searches on behalf of exporters in advance of market investigation visits; etc.

The institution must have produced a Business Development Plan, which will become the basis of support, exactly as an Export Development Plan is the basis of support to exporters.

This plan would need to show how the institution intends to build its capability to provide exporter-relevant services. It would also need to show how the proposed grant-supported activities would contribute directly to the fulfillment of the plan

No recipient institution may receive grants in excess of \$300,000

3. Chamber of Commerce and Sectoral Associations.

The objective of the support is to help representative organizations to develop their capability to delivery of better services and advocacy roles to their members. The target beneficiaries of this support are representative organizations of the private sector, including chambers and sectoral associations.

- The first grant will be at the rate of 100%, and will be up to a maximum total grant of \$10,000. The first grant must demonstrate that it will lead to income generation for the supported organization and support the objectives of the ECF.

The second and final grant will be at the rate of 75%. No supported organization can receive total grant support in excess of \$50,000.

Local and regional chambers of commerce and sectoral associations, and professional associations, registered with the Ministry of Trade and Ministry of Justice, or regional or city administration authorized by Ethiopian law to keep such a registry, will be eligible for support.

4. Firms currently not exporting (New Window)

The objective of this new Fourth Window, being introduced on a pilot basis, is to support the development of the targeted sectors (agro-processing, leather products, textiles and garments – and also, for this window only, metal and engineering, pharmaceuticals and chemicals) by providing grants to firms who are a) producing or wish to produce products (e.g. buttons, zippers) that are currently being imported and which support the supply chain of exporting firms or b) substituting imports.

This is in support of the Government's stated objective of reducing the currently large import bill by producing more locally, and importing less.

Eligible firms will receive grants under this window at one single standard rate of support, namely 75%.

To ensure broad coverage during the pilot, no single firm may receive total grant funding in excess of \$50,000 from this Window.

The arrangements applying to families of firms under common control, applying to the First Window, will also apply here. Only three firms under the same common control may benefit from ECF grants overall, from any Window.

Private firms operating legally in Ethiopia are eligible under this Window that: a) are producing products that are used in the target sectors (agro-processing, leather products, textiles and garments and also, for this window only, metal and engineering, pharmaceuticals and chemicals) and b) expect that at least 50% of their sales will be to exporters in the target sectors.

The discretion of the ECF business development experts will be important in determining which companies are eligible to apply under Window 4.

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*Ethiopian Competitiveness facility
Strengthening productivity and Export and domestic sales
Competitiveness*

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