

ETHIOPIAN COMPETITIVENESS FACILITY (ECF)

**GUIDELINE FOR PREPARATION OF
THE EXPORT DEVELOPMENT PLAN**

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Annexes:

- Financial Statements
- Confidentiality of the EDP and Other Client's Documents

INTRODUCTION

The EDP will be the basis for all ECF assistance. It includes a set of activities focused on developing: (a) new export products; (b) new export markets; and/or (c) new exporting firms. This would ensure that ECF would bring about “additionality” in exports.

This guideline is designed to assist the Ethiopian private manufacturing industries in the priority sectors of textile, leather, and agro-processing industries seeking an Export Development Grant through the Ethiopian Competitiveness Facility (ECF).

It will help ECF grant support applicant firms to have:

- A profound understanding of the contents of the export development plan to be submitted to the Ethiopian Competitiveness Fund (ECF).
- A concrete export development plan to guide them and their company through the successful development of export markets.

This is also applicable for all the other support windows after considering the nature and specific situation of the industry.

This guideline provides a brief explanation on the content of each of the sections. However, during the preparation of the EDP, the potential applicant may flexibly adopt and/or modify the contents and scope of each sections so that it will fits to their particular business situation.

It is important to note that “the intention of these plans is to identify, in order of priority, the weakness or gaps that, when remedied, will lead to the highest possible impact in terms of increased exports or domestic sales. This plan is not intended to be a comprehensive ‘diagnostic’ of all aspects of a firm’s operation. It will focus on what aspects constitute directly to export or domestic sales growth, and within this where improvements will have the largest growth impact.”

CHAPTER I COMPANY SNAPSHOT

1.1. Profile content

The Profile section of the export development plan should include subsections addressing the following topics:

- Firm's history: year of establishment, sector in which it operates, major product types, attainable and attained production capacities, etc.
- Goals and objectives
- Financial position of the firm: past turnover and profit levels, financial and ratio analysis of the applicant firm for the past three years, financing arrangement needed to implement the EDP
- Human and other resources capacity of the firm
- Gender orientation of the firm: owners of the firm by gender, gender mix of the management (middle and top), number and proportion of women employees of the firm.

The profile will help to set out objectives, current status of the firm and its business background in a manner understandable to a fund manager.

1.2. Previous Supports Given by ECF (Phase I) to the Firm and Their Impacts

This section will devote in exploring the grant assistance which the firm took (if any) from the ECF Phase I and the impact it brought. The under listed checklist may serve in investigating the required information.

- Indicate whether the firm has obtained grant fund from ECF Phase I.
- If yes to the above, indicate the total grant fund requested by the firm, approved and utilized.
- Indicate the major strengths and challenges/ problems faced by the firm in the grant implementation of Phase I.
- Provide a summary of grant implementation results (successes stories) that have been attained during the Phase I grant assistance.

1.3. Firm's Diagnostics - SWOT analysis

Examining the internal operations of the firm's business and researching the business environment will help the firm in developing short and long term strategies. A SWOT analysis identifies systematically the strengths, weaknesses, opportunities and threats that will affect the firm's business. It will help to identify the strong and weak areas of the firm, while highlighting any opportunities or threats (outside problems) that may affect the business.

A SWOT analysis also draws the management's attention to areas of the firm's business that require improvement and identifies core strengths that can be used to further develop and refine the firm's business performance.

Under the four headings, the SWOT analysis - 'Strengths', 'Weaknesses', 'Opportunities' and 'Threats', lists all the relevant aspects of the firm's business and external environment.

Strengths and weaknesses relate to the internal aspects of its business, while opportunities and threats relate to external issues.

The firm's internal analysis should cover the following:

- products and product range
- staff and management skills
- market share and competitiveness
- cost levels and profitability
- production capacity
- research, development and innovativeness
- level of borrowed funds in relation your equity funds

1.4. Market and Business Analysis of the Firm

- Review the production and sales (domestic and export) performance of the firm for the recent three years. The assessment should include information and analysis of the past business performances, strengths and weaknesses exhibited, major customers and recipient countries, customer's analysis, etc.
- Assess the market where the firm intends to export. Assess its market size (local production, supply of and demand for the product the firm is exporting), major producers/ suppliers (local and importing countries/ companies) as well as their quantity of supply, etc.
- What is the level of demand and requirements of customers in the target market
- Assess promotional efforts sought (mechanisms for selling the firm's products and/ or market entry efforts).
- Assess entry/ trade barriers (if any).
- Assess major buyers, trends and/ or market drivers, etc.

1.5. Competition and Competitors analysis

- Assess who the major competitors (country and companies) in your own country, third country and in the destination market are. List down the competitive advantage/ disadvantage compared to Ethiopia as a country and the firm under consideration. Include potential competitors in that country, in Ethiopia, and in other foreign countries.
- How far the firm can compete in quality, price, delivery, etc.
- Explore opportunities that exist in the target market for Ethiopian suppliers and the firm's products.

CHAPTER II

ASSESSMENT OF POTENTIAL AND TARGET MARKETS

2.1. Assessment of Potential Markets

This sub-section is the first step in the scanning process which will be made to identify target countries and potential customers. It encompasses an appraisal of the following issues.

- Which countries use your products/services? Which countries presently import your type of product from Ethiopia?
- Are they satisfied with your product? If not can you produce new or modified products to meet the needs of the appropriate market segments in potential importing countries?
- Of the markets you listed, have imports of your type of product increased or decreased over the past five years?

2.2. Identification of Target Markets

After an overall assessment of the potential customers and countries and using the conclusions arrived at the above section, the EDP shall identify and list target markets and companies into which the firm will export its products. To identify these, the EDP should consider, but not limited to, the following points.

- i) Once you have taken a detailed look at your potential markets, you can assess your options and find a good market for your product type and your company.
- ii) What target market(s) will your company focus on in this export plan? Summarize why the preferred foreign market(s) presents the best opportunity.

2.3. Designing Market Development Strategy

Set down product, pricing, distribution and advertising and promotion strategies.

Product strategy: Based on what the firm has learned about its selected market's potential to accept its product and given the firm's business internal resources, (i) determine whether the firm will market your products in their present state or (ii) if they require modifications in order to conform or (iii) whether you will develop and market new products to suit your overseas buyers.

Pricing Strategy: When you determine export pricing, you need to consider costs that are unique to exporting. What is the best price to charge based on your pricing strategy and competition? Your first step is to determine what price range your type of product sells for in the target market.

Unit Price is estimated based on your final destination price less some or all of the following export related costs:

- Freight costs (from warehouse to product's final destination).

- Freight forwarding and documentation fees.
- Inspection and certification fees (if any).
- Costs of special shipping needs (temperature gauges, pallets etc).
- Cargo insurance.

Market Entry Strategy: Now it is time to look at just how you are going to "mix the ingredients" in your Recipe for Export Success. You have identified company goals, clarified your product, and identified your market. How are you going to break into that market? How are you going to approach export marketing, that is, what market-entry strategy are you going to use to segment, position, promote, sell, and deliver your product in your target market?

Promotional Strategies: If the firm has decided to export its products, it will need a plan to promote its product and company in the target market. In developing the promotional strategy and or reach his customers, one may resort to foreign buyer's lit, or through direct research in the target country or participate in trade shows.

Some of the communication methods that can be used to outreach potential buyers in the target market are:

- Direct mailings.
- Country based buyer-alert announcements & supplier lists.
- Advertisement on the Internet.
- Advertising in international trade journals (List the three most popular business journals read in the target market.)
- Local publications of the target market.
- Trade missions.
- Trade shows/exhibitions.
- Government Export Assistance Programs.

CHAPTER III

IMPLEMENTING THE EXPORT DEVELOPMENT PLAN

3.1. Implementation Tasks

In this subsection, you need to list everything that must happen to accomplish each of your objectives and to list all important actions needed to accomplish each task. Once you have a complete list of objectives and the tasks that will accomplish them, you need to organize that list in the order that you plan to accomplish each goal and each task within that goal.

3.2. Resources Needed for Implementation

It is important to have a clear idea of the expenses you are likely to incur, and this requires the preparation of an export market development budget. The plan and budget require approval from the firm management/ and Board of Directors (if any).

Some of the tasks that may need budget are:

- Export market research.
- Overseas travel.
- Participation in trade events such as trade shows or trade missions.
- Professional marketing collateral, such as brochures, data sheets, product literature, CD-ROMs and samples.
- Interpreting or translation services, if you are marketing into countries where English is not widely spoken.
- Product customization to adapt or fine tune the firm's product for the target market.

In addition to budgeting it is likely that the Management will require information on the financial feasibility of the export venture. This will require the following types of information:

- Capital expenditure items specific to supplying the export market.
- Sales Revenue Forecast for each target market: numbers of units to be exported, unit price, total sales revenue (e.g. three to five year forecast, with monthly targets in first year)
- Cost of Goods Sold for each target market: number of units to be exported, unit cost, total cost of goods sold.
- Projected Income Statement: sales less cost of goods sold and overhead expenses to obtain projected net profit.
- Projected Cash Flow: expected expenditures of cash and receipt of cash.
- Breakeven Analysis: number of units and sales revenue needed to cover export cost of goods.
- Financing Requirements: term financing and working capital requirements, equity contribution and collateral available to secure needed financing.
- Financing Sources: identify type of financial support.

3.3. Implementation schedule

Once you have established the viability of your export development, it is then appropriate to plan the stages out and appropriate actions/responsibilities. To do this you will need to do the following:

- Decide which date to accomplish each of the tasks, or set of tasks, in your action plan? Be realistic. Consider when you want to achieve your objective and your company's overall goals for developing export markets. Also, consider the availability of human and financial resources.
- How much time and money can you realistically expect your company to allocate to each task over what period?
- Periodically, check your results against your company goals. Adjust your plan, and perhaps even your goals, as you gain more experience

3.4. Risks to the implementation of the EDP

The strategy should conclude with a discussion of the risks to the firm. That is, what are the risks that the firm may face in entering the export market and how will it manage these risks? The main types of risks facing the business will be the following:

- Inadequate product quality and specification
- Non Tariff Barriers and Standards imposition
- Tight price competition
- Shipping and distribution delays
- On-time completion of orders
- Maintaining adequate after sales support
- Non-payment and delayed payment
- Inability to access export/shipment finance

A discussion of these types of risks, and others, will provide a useful indication to the fund manager of how carefully and insightfully the business is being managed, and will also be a useful type of discipline for the internal management.

CHAPTER IV

THE PROPOSED PROJECT: COSTS, BENEFITS AND FUNDING NEEDS

4.1 project activities for funding

In this section, the EDP will identify the specific (priority) activities out of the overall export market strategy which the firm is going to submit as areas of intervention through the Ethiopian Competitiveness Fund (ECF) for financing through the Export Development Grant.

Examples of activities (areas of interventions) that would be suitable for funding are:

- Training/skill upgrading for staff in export issues and management
- Procurement of professional or technical services (both local and international specialists)
- Foreign technical assistance/ employing international specialists
- Purchase of key capital items (machinery/equipment) that are critical for the successful implementation of the EDP. Grants 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.
- Procurement of temporary management services
- Marketing visit programs
- Sample development and distribution
- Market research programs
- In-market representation
- Advertising and promotion including Production of marketing literature, branding, design and development of brochures
- Trade fairs and events including renting space and development
- Creating a website,
- Certification & quality standards (ISO SPS, HARCP)

4.2 Financing the proposal

Based on the itemized list of expenditures explain the amount of financing available in the following categories:

- Internal financing from the firm's own reserves and profits
- External financing through loans (e.g. from banks), family funds, equity participation or other assistance
- Determine the funding gap between cost and funds available
- Determine the funding needed from the ECF

Justify the funding requirement on the basis of the applicant's recent financial statements (provided with this plan) by showing what the firm's current capacity is to fund the project.

4.3 Expected Project Benefits

This section will aim to provide answers to the following:

- What is the likely net impact of the total project on the firm's overall capacities?
- What is the expected impact of the grant funded service on the firm's export strategy?
- Assessment of the anticipated environmental impact of the grant support intervention (and/ or implementation of the EDP).
- What are the expected additional sales revenue, employment and profits?
In this regard, the EDP should provide detail plan regarding, but not limited to,
 - Export Growth/ Sales (quantity and value) for the first three years.
 - Female employment plan of the Firm for the envisaged three years.
 - Female empowerment plan (women's training, skill up gradation and development plan to the Middle and top management of the Firm.
 - The firm's quantified plan towards the Green Growth. Such intervention activities may include energy efficiency activities, shifting sources of energy of the Firm towards green sources, substituting raw materials, inputs and auxiliary materials that are environment friendly, waste water treatment and related environment hazard reduction interventions, etc.
- What impact would the envisaged grant has in terms of increasing the firm's capacities and the overall export performance of the sector?

CHAPTER V

THE PROJECT ACTION PLAN

Formulation of the action plan follows in principle some of the same requirements as the overall market strategy implementation plan. It is necessary to itemize expenditures, set objectives, targets, and timetables. In the case of the project, however, the range of actions is narrower and the objectives simpler. For example the project might consist of getting a certain number of employees trained in the requirements for international standards certification, or it might involve attending a trade fair.

It is a good idea to use one of the simple, standard activity planning approaches such as a Gantt chart or Bar Chart. Alternatively a simple table of activities could be made with required timing, and responsibilities.

The preparatory actions are needed prior to the launch of export project may include for example:

- arrange training venues and temporary staff redeployment
- hire additional staff for export project responsibilities
- finalize costing, targets, and itemized budget
- Finalize packaging/labeling design and printing for product promotion
- Assemble materials and equipment if needed
- Arrange transportation to project location
- Confirm logistics and define responsibility for delivery of each task
- Detail the main activities, target dates and action program for main tasks within the project

Annex 3. Implementation Schedule

Objectives	Tasks	Timeframe	Budget	Responsibility (Person)	Comments
Export Sales Projections					
Production Projections					

ANNEXES:

Annex 1. FINANCIAL STATEMENTS

Financial Statements (Profit and Loss and Balance Sheet) for the firm for three latest years are required along with the EDP.

Annex 2. Confidentiality of the EDP and Other Client's Documents

ECF holds all proposals and client information in the strictest confidence. However, subject to the Grant Agreement signed between the Government and the DIFID, we must provide limited details of grant recipients to third parties. This information may include:

- The name of businesses that receive our funding
- The amount of the funding
- Contact details for businesses that have received funding
- General information about the projects we are funding
- The outcome of an activity we helped fund.

ECF will not release any details beyond those listed above without first consulting the client involved.