



VEGA Ethiopia AGOA+ Program

**Quarterly Performance Report
October 1 to December 31, 2007**

**Leader with Associate Agreement (LWA)
EEM-A-00-04-00002-02**

**Associate Cooperative Agreement
663-A-00-05-00430-00**

Prepared for the United States Agency for International Development (USAID)

Implementing Organization:



Submitted: December 31, 2007

TABLE OF CONTENTS

EXECUTIVE SUMMARY1

I. PROGRAM ACTIVITIES2

II. MARKET LINKAGE and TRADE CAPACITY9

III. PLANNED ACTIVITIES for 1ST QUARTER 2008.....10

EXECUTIVE SUMMARY

On July 25, 2005, VEGA was awarded an Associate Cooperative Agreement from USAID/Ethiopia, No. 663-A-00-05-00430-00. VEGA member International Executive Service Corps (IESC) is the primary implementer of this program. The main goal of the program is to support economic development in Ethiopia through the development of export trade between Ethiopia, the US and other international markets.

This report covers activities undertaken by the VEGA program during the fourth quarter of FY 2007, October 1 to December 31, 2007. All activities undertaken by the program are in compliance with the annual work plan. The major activities undertaken to date have contributed to promoting the Africa Growth and Opportunity Act (AGOA+) benefits to the Ethiopian business community and members of the Ethiopian Chambers of Commerce and Sectoral Associations.

During the past quarter:

- VEGA co-hosted an AGOA buyer workshop
- Assisted the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) to make institutional assessment and present its capacity development needs to the Donors' Assistance Group (DAG) and participated in its strategic planning process
- Prepared brief talking point on 'AGOA and its Relevance to the Ethiopian Situation' for the U.S. Ambassador
- Facilitated field visit to Ethiopian companies for guests from USAID/East Africa
- Briefed a team from USAID/East Africa and the Southern Africa Global Competitive Hub about Ethiopian Companies and shared AGOA project experiences
- Initiated collaboration with the regional office of the ILO to assist textile and garment manufacturers to qualify for WRAP and other social compliances
- Compiled activities of the National AGOA Steering Committee and revised committees' guidelines to bring the Ministry of Trade and Industry on board and to chair subsequent meetings
- The project staff compiled information on financial and non-financial services related to micro and small enterprises
- A handbook on 'How to Export Under AGOA' was prepared and disseminated to relevant companies and to the Customs office
- Shared information with the Ethiopian Customs Authority
- The COP participated at the 2007 U.S.-Africa Business Summit in Cape Town, South Africa, organized by Corporate Council on Africa (CCA)
- Assistance provided to two young university graduates enabled them to be exporters
- Facilitated market access by Ethiopian companies
- AmCham Started

This year's AGOA/GSP exports from Ethiopia to the US is at USD 8.1 million, up from USD 6.2 million in 2006 (Data compiled from the US International trade commission as of November 2007). This shows a marked increase of 42.5% from 2006 in the first 11 months.

The VEGA Ethiopia AGOA+ project is proud of this achievement thus far. We are on target to reach the program objective of USD 10 million for 2007.

Note that when the project came into being (2005), the total AGOA/GSP exports from Ethiopia were USD 5 million. USAID Ethiopia has played an instrumental role in doubling Ethiopia's export under AGOA/GSP in two years.

I. PROGRAM ACTIVITIES

VEGA Ethiopia AGOA+ co-hosted an AGOA buyer workshop

On October 9, VEGA co-hosted a textile and apparel manufacturing summit entitled "AGOA: How Can You Capitalize on the Opportunity? It's not too late!" The event was held in partnership with the Ethiopian American Trade and Investment Council (EATIC) out of Houston, Texas, and the Ministry of Trade and Industry.



Picture above shows State Minister of Trade and Industry and participants at the workshop

VEGA has worked for several months with the EATIC to promote and market Ethiopian apparel exports to the US. Over 40 apparel and textile factories, as well as sourcing agents, attended the event. Mr. William Hunt, the Chairman of EATIC as well as CEO of Champro Sports

(www.champrosports.com), a major importer of sports uniforms into the US from Ethiopia, was the main speaker and guest at the event.

VEGA also invited Mr. Finn Holm Olsen, AGOA director with the ECA Trade Hub project in Nairobi, to give a briefing on what the ECA Hub has been doing in partnership with the VEGA project in promoting Ethiopian garments in the US market.

Mr. Hunt, who has been in the apparel business for over 25 years, gave a detailed account of the business from a buyer's perspective and instructed the participants on how to get Ethiopian products into the US market. Some of the subjects covered were: The Global Apparel Market, overcoming disadvantages and capitalizing on advantages, cooperative marketing efforts, and identifying potential buyers.

VEGA's COP offered suggestions that matched some of the main points raised by Mr. Hunt. This was a unique event as local producers interacted directly from a US buyer who not only came to educate and inform but had orders in hand that could lead to opportunities for Ethiopian suppliers.

VEGA arranged for Mr. Hunt to pay a visit to one of the largest textile and garment-producing factories in Ethiopia and, as an initial outcome, there is a strong opportunity that an order from the US market will take place in the near future. Most interestingly, Mr. Bill Hunt promised to avail office space in the US if the companies are going to appoint someone that takes care of the marketing activities on behalf of them.

The seminar was attended by the State Minister of Trade and Industry thus offering a forum for manufacturers to converse directly with the government. The seminar also provided an opportunity for dialogue between textile factories and garment manufacturers. 30 companies took part in the seminar and each participant received a printed version of Mr. Hunt's presentation.

Similar technical support is under consideration for the next quarter in collaboration with the regional office of the International Labor Organization (ILO).

Assistance to the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA)

Technical Assistance was provided to ECCSA in its effort to assess capacity gaps and solicit funds from the Donors' Assistance Group (DAG). VEGA, in consultation with the Secretary General of ECCSA, deployed an experienced consultant to make internal capacity assessment that was followed by a presentation of his findings to the members of the DAG and representatives of the Regional Chambers of Commerce and Sectoral Associations. Some of the findings were:

- Currently ECCSA has: Nine Regional Chambers of Commerce and Sectoral Associations, Two city/regional chambers of commerce and Sectoral Associations, One National Chamber of Associations and Six Associations organized at the National level

- **Some Administrative Challenges**
 - o Acute capacity limitations exist in finance, human resource, and leadership throughout the BMO system countrywide. (Vicious circle: no capacity - no services – no membership – no capacity)
- Lack of awareness of what chambers do countrywide

To address the limitations of capacity, the following actions were proposed:

- Introduce a Business Membership Organization (BMO) Accreditation Scheme (will need financial and technical assistance)

Why?

- Ensures the performance standards of the whole BMO system are maintained and external credibility is maintained.
- Provides a mechanism for helping those BMOs unable to meet the standard

How?

- ECCSA in consultation with other chambers produces minimum operational standards which all BMOs are expected to meet.
- Accreditation scheme will set out minimum operational standards which all chambers will be expected to meet. Over time, as BMOs strengthen, these standards will rise to a higher level.

Proposed roles of Donors to support the chamber system:

- All donor projects should have an exit strategy which envisions initiatives being run locally by BMOs where appropriate.
- Support should be planned in a way that spurs sustainability and self-sufficiency, not promote a dependency syndrome.
- Support should be organized and coordinated for best effect system-wide. Consider supporting the system as a whole.
- Duplication of effort should be avoided while opportunities for collaborations actively sought.

The national chamber presented a project proposal for building its own capacity and that of its member chambers and sectoral associations to deliver better services to the business community.

Prepared brief talking point on ‘AGOA and its Relevance to the Ethiopian Situation’ for the U.S. Ambassador

VEGA’s COP prepared a document that was presented at the Ethiopian American business luncheon by the US Ambassador to Ethiopia. The meeting was organized to discuss the issues facing Ethiopian exports to the US.

Facilitated field visit to Ethiopian companies of guests from USAID/East Africa

VEGA’s COP accompanied the team from USAID/East Africa to assess the needs of Ethiopian rose exporters to the US and to begin the integration of Ethiopia into ongoing trade related SPS¹ capacity building activities in East Africa. USDA's SPS Advisor to USAID's East Africa Regional Office, has been involved for two years, funded under AGOA, in facilitating the development and processing of East Africa's fresh agricultural export applications through USDA’s regulatory system

This visit was coordinated with the Fintrac Agriculture and trade program under USAID. The two projects work as a team on agricultural exports to the US and have collaborated on various programs in the past.

A team from USAID/East Africa and the Southern Africa Global Competitive Hub Briefed about Ethiopian companies

The AGOA project in Ethiopia has become a focal point for other AGOA programs throughout Africa for its success in achieving its objective. Visitors from other projects are keen to learn of our success and our program.

One such visitor this past quarter was from the USAID Southern Africa trade hub. The AGOA project manager at ECCSA gave a brief on the Ethiopian Textile and garment manufacturing enterprises to the Director for Trade and Competitiveness Project of the Southern Africa Global Competitiveness Hub and to the Regional Trade Advisor of USAID/East Africa Region.

Comparative advantages, strengths, limitations and support services to the companies to overcome the limitations were discussed. The Project manager also provided a list of Ethiopia’s products with better potential for export to the U.S. market.

Collaboration with the Sub-regional office of the ILO

VEGA initiated a collaborative effort with the National Project Coordinator for Cotton and Textile of the ILO-SRO in order to assist Ethiopian Textile and garment companies in certification of social compliance requirements and, possibly, with WRAP.

¹ SPS – Sanitary and phytosanitary

Several preliminary discussions have taken place and an action plan was finalized which will bring experts in the mentioned areas by the end of January 2008. The experts will be tasked with sector and company assessments, conducting training seminar, and sharing the experience of other countries with the Ethiopian companies. They will also work on linking Ethiopian companies with potential buyers. The cost of the experts will be shared among the ILO-SRO and VEGA.

The National AGOA Steering Committee

VEGA compiled the activities of the National AGOA Steering Committee, revised the committee's guidelines, and presented these to the Ministry of Trade and Industry. The purpose is to bring the Ministry on board and continue chairing the committee's meetings in the future. It is envisaged that the meetings will be chaired by the Minister, as the committee serves the national interests of Ethiopia and is expected to deal with high level policy issues affecting exporters.

The Committee's overall objective is to facilitate an environment conducive to exporters and maximize Ethiopia's benefit from AGOA. The committee deals with macro- and enterprise-level issues regarding AGOA.

At the macro level, the Ethiopian Government and the private sector should join efforts diversifying AGOA exports to the US instead of the narrow emphasis on textile and apparel products. The manufacturing and agricultural sectors must be strengthened to benefit from AGOA. Extra effort is needed to attract export investments in different sectors. This requires effective implementation of appropriate incentive mechanisms to attract more exporters. Above all, the improvement of infrastructure requires the special attention of both the government and the private sector, as it has a determinant factor in facilitating international marketing.

At the enterprise level, the following specific activities must be given priority:

- Assisting exporters in developing export strategies based on internal capacities;
- Identifying bottlenecks in major sectors of the economy, in collaboration with available sectoral associations, and highlight the need for competitors to collaborate within their industries to overcome global competition and meet buyer requirements.

Compilation of information on financial and non-financial services related to micro and small enterprises

VEGA staff compiled survey information related to micro and small enterprises (MSEs). The information confirmed that the demand for financial products by MSEs has not been met among existing lending institutions and that the problem is most severe for enterprises attempting to scale up operations.

New entrants to the export market suffer from both a lack of financial and non-financial business development services (BDS). According to discussions with several MSEs in Addis Ababa, the following major problems in starting and/or expanding businesses are widespread:

- Internal infrastructure – any products not available in the immediate vicinity must travel unimproved and crowded roads; the added costs in time and damaged/expired goods create a disadvantage in the face of competition with local and international producers
- Access to finance – the lack of knowledge among local financial services providers in serving MSEs mean small loan sizes, excessive collateral requirements, and higher interest rates
- Access to BDS – without adequate consulting and training services available to entrepreneurs good ideas or products may not flourish
- Training needs – a lack of knowledge in business fundamentals such as marketing, quality improvement, business management, and leadership, among others, limits the ability of MSEs to grow their businesses through improved production processes, better market matching, and efficient management delegation
- A shortage of raw materials locally and lack of modern equipment & tools means longer production delays, higher input costs, more labor expenses, and production inefficiencies.

Some of the suggested solutions to the MSEs included:

- Guarantee fund/mutual guarantee system for MSEs
- Promotion of supplier credit to MSEs
- New financial service for MSEs by micro finance institutions (e.g., cash-flow based lending, micro leasing)
- Linkages between financial institutions and BDS providers (e.g., One-Stop Service)
- Access to donor support programs (e.g., USAID’s and KfW’s credit guarantee schemes, UNIDO’s industrial cluster development support, SNV’s and ECBP’s value chain development supports, ILO’s cotton and textile development services, VEGA’s export promotion assistance, and the services of chambers of commerce in the country).
- Weak inter-firm linkages (e.g., between local producers and exporters of handicraft items or among garment producers and exporters).
- Women Entrepreneurs have additional constraints from a gender-biased culture, limited education, and limited mobility in their dual roles as mothers and homemakers.

The assistance provided to women exporters by VEGA is considered timely and essential and should be strengthened to address the problems of this majority of the business community.

Compilation of handbook on “How to Export under AGOA”

VEGA has seen that many companies are lacking the necessary information about accessing the export market. The number of companies looking for information on customs procedures and

export-related technical know how is constantly increasing. Therefore, ECCSA, with assistance from VEGA, prepared an export guidebook and disseminated it electronically.

The basic contents of the guide are:

- The types of internationally recognized commercial finance terms (e.g., letter of credit, bills of exchange, cash against documents, cost, freight and insurance, etc.)
- Organizing for exports – issues to consider
- Foreign market analysis
- Transport and communications
- Special customs procedures
- Social and Fair Trade Compliances
- Access to information on food, health and quarantine requirements
- Official documents required under AGOA export (Commercial invoice, shipping documents – either airway bill or bill of lading, customs declaration, AGOA certificate of Origin, bank permit and packing list)
- Sample formats for the official documents.

Sharing of information with the Ethiopian Customs Authority

VEGA has a strong relationship with the Customs Authority. VEGA traces the export status from customs registration and the Customs Authority provides VEGA updates on the progress of registration. The project provided printed documents to Customs that included:

US import requirements, total value of imports by US companies of textile and apparel (obtained from AGOA and OTEXA websites), figures on trade balances between AGOA eligible countries and the US, and the new textile rules of origin, which the customs was not sufficiently aware of.

Assistance provided to two young university graduates enabled them to be exporters

VEGA engaged the help of two internships early in the project to develop a study on Ethiopia's export opportunities. After finishing the assignment, the two young university graduates decided to work in the export market themselves, utilizing the knowledge gained in the report's development. With the assistance they received from VEGA's staff, they finalized their first export of USD 5,000, to the US. These two contrast most university graduates who seek employment in the government or larger, more-established businesses. For further information about these exporters, refer to the website: (www.ethiopian-incense.com).

Participation of the COP at the 2007 U.S.-Africa Business Summit in Cape Town

VEGA's COP participated in the US –Africa business summit of 2007, organized by the Corporate Council on Africa (CCA), held in Cape Town, South Africa. The major issues raised at that summit were:

1. Constraints faced by African exporters in exporting agricultural products to the US
2. Influence of China in Africa
3. Lack of information on Africa in the US market

The summit provided VEGA's COP an opportunity to meet and discuss the market potential of Ethiopian products with some US buyers, such as Whole Foods, and to discover what more VEGA can do to get Ethiopia noticed in the US market.

The was the first CCA summit held on African soil and, thus, was instrumental in linking major US business's with African private and public sector.

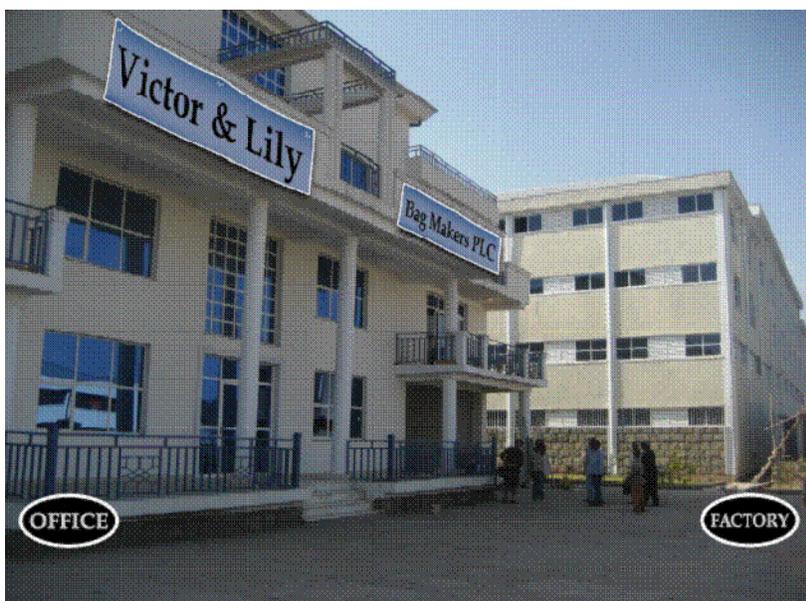
II. MARKET LINKAGE and TRADE CAPACITY

The American Chamber of Commerce in Ethiopia

VEGA has been working on the start up of the American Chamber of Commerce office in Ethiopia for nearly a year. The Ethiopian American Business Council, the group with whom VEGA has been working, finalized the structure to set up the American Chamber of Commerce in Ethiopia this quarter. At a meeting held recently with the US Ambassador, and members of the organization, the bylaws of the American Chamber of Commerce, approved by the head office at the US Chamber, have been endorsed and enacted.

Facilitated market access by Ethiopian companies

VEGA secured a major contract for Almeda with Starbucks and this order for aprons is now in the final stage. VEGA is working with Cool Ideas (www.coolideas.co.za), the firm contracted by Starbucks to source from Ethiopia. Two representatives from Cool Ideas were in Ethiopia this past quarter to perform due diligence on Almeda's factory.



The first joint venture between a US investor and an Ethiopian SME is finally on track for the production of bags. VEGA brought Mr. Victor Ozeri into the Ethiopian market last March to look at the possibility of sourcing and manufacturing in Ethiopia. After initial discussions, VEGA introduced Mr. Ozeri to Lily Betru, a local women's business leader, and the two recently finalized their joint venture. They have ordered the machinery from China, are currently in the

process of hiring 1000 people, and plan to start production in March. Initial plans are to export USD 5 million of bags to the US in 2008 and open a new sourcing office to link Ethiopian garment producers with the US market.

III. PLANNED ACTIVITIES for 1ST QUARTER 2008

Garment Workshop

VEGA and the ILO-SRO plan to implement a joint workshop for Ethiopian companies in the cotton and textile sectors. There will also be at least 8 company assessments by recruited experts with the goal of accessing WRAP and completing social compliance certifications.

Meeting of National AGOA Steering Committee

The National AGOA Steering Committee Meeting will be held at the Ministry of Trade and Industry with the possibility of having the State Minister chairing the meeting. Consecutive meetings will be hosted by the Ministry to ensure the sustainability of the committee. The number of organizations will also be increased to include all relevant institutions and sectoral associations.

ECCSA Support

Technical assistance to ECCSA will continue as needed.

Assistance to Sectoral Associations

Industry associations approach VEGA for technical assistance related to association services, membership and management, e.g., the Ethiopian Textile and Garment Manufacturers Association and Women Exporters/Entrepreneurs Association. VEGA will provide services with existing staff when it is able and will recruit volunteer experts when needed.

Firm-level assistance to companies

VEGA will intensify its direct assistance to companies looking for AGOA information and technical support in areas of market linkages, on-the-spot advice and technical support of volunteer experts.

Trade shows

Working with the ECA Trade Hub, VEGA will support the attendance of Ethiopian firms at two trade shows:

1. Magic sourcing show in Las Vegas, Nevada.
2. The World Flower Show in Miami, Florida.