



VEGA Ethiopia AGOA+ Program

**Quarterly Performance Report
July - September 30, 2008**

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EEM-A-00-04-00002-02**

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EXECUTIVE SUMMARY

On July 25, 2005, the Volunteers for Economic Growth Alliance (VEGA) was awarded a Leader with Associate Award, Cooperative Agreement number 663-A-00-05-00430-00, from USAID/Ethiopia to manage the Ethiopia AGOA + program, designed to support the African Growth and Opportunities Act (AGOA). Through a competitive internal award process, VEGA member International Executive Service Corps (IESC) became the primary implementer of the 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 Ethiopia AGOA+ program during the fourth quarter of Fiscal Year (FY) 2008, July 1 to September 30, 2008. All activities undertaken by the program are in compliance with the annual work plan. The major activities undertaken to-date have contributed to promoting African Growth and Opportunity Act (AGOA+) benefits to the Ethiopian business community and members of the Ethiopian Chambers of Commerce and sectoral Associations.

Program highlights for the quarter include:

- Received a modification from USAID to the existing program by extending the project to September 30, 2009 with new additional funds of \$625,000. The significant feature of this modification was to add two new components, i.e., to establish and provide assistance to a newly created American Chamber of Commerce in Ethiopia as well as to facilitate investment by Ethiopian Diaspora;
- In collaboration with the United States Embassy in Ethiopia, facilitated a country visit by a team from the United States Customs and Border Protection Agency;
- Made follow-ups on the implementation of the World-wide Responsible Apparel Production (WRAP) certification program in collaboration with the International Labor Organization (ILO);
- Supported the Ethiopian Textile and Garment Manufacturers Association (ETGAMA) to take part at the 2008 Las Vegas *'Magic show'*, on behalf of its members;
- Provided technical and Website Development Assistancess to Sectoral Associations
- Undertook preliminary observation on the data organization and dissemination practice by the Export Promotion Department of MoTI;
- Linked the Ethiopian Customs Office with the U.S. Customs and Border Protection Agency - Office of International Affairs and Trade Relations - for technical training by the later;
- Disseminated information on alternative means of overseas financing to Ethiopian companies;
- Collected basic data from partnering companies and compiled Monitoring & Evaluation tables. Also collected Ethiopia's export data by sector and analyzed the status;
- Assisted the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) by covering its monthly internet connectivity bill;
- Provided press interview with an international News Agency;
- Worked toward the establishment of the American Chamber of Commerce in Ethiopia;
- Assisted in the establishment of the Diaspora Direct Investment (DDI) facility program in partnership with USAID Ethiopia under the Development Credit Authority (DCA);

Impact: The year-to-date total AGOA/GSP exports from Ethiopia to the U.S. (updated September 2008) grew from USD 5.423 million in 2007 to USD 11.293 million in 2008 indicating more than 100% increase within the last six months alone! The export value at the end of 2006 was USD 7.203 million, which grew by USD 8.973 million in 2007. If this growth sustained, it can fairly be assumed that the export value for the year 2008 alone would reach about USD 15 million. It is important to note that Ethiopia made remarkable progress in the export of textile and apparel products at a time when the total AGOA export to the U.S. by all the SSA countries dropped by 16%.

I. PROGRAM ACTIVITIES

Facilitation of a visit by a team from the U.S. Home Land Security and Customs and Border Protection Agency

The VEGA project, in collaboration with the U.S. Embassy, facilitated the visit of a team from the U.S. Department of Homeland Security and Customs and Borders Protection from August 4 - 8, 2008. The textile inspection team came to Ethiopia for the first time and made surprise visits to local AGOA compliant exporters including the Ethiopian Customs Authority. At the briefing meeting held at the U.S. Embassy, the AGOA+ program, Chief of Party (COP) explained the mission and activities of the VEGA-Ethiopia AGOA+ program and the overall situation and performance of the Ethiopian Textile and Apparel Sector. The team visited seven companies and made the necessary investigations towards any transshipment of goods from non-AGOA countries to the U.S. Discussions with the companies were so detailed that it went to the extent of checking production records such as input purchase orders, and cutting and sewing records. Companies visited were:

1. Nazareth Garment Factory
2. GG Supper garment
3. Garment Express - Knit-to Finish
4. Mulat Garment
5. Feleke Garment
6. Menby's Design
7. Sabahar

Visits were also made to the head office of the Ethiopian Customs Authority and its branch office in Adama town. Officials from these two offices accompanied the team during its field visits. The major limitation observed at the majority of the companies visited was their inability to properly record production related records such as purchase orders and production records. This was the first time that this team came to Ethiopia to make AGOA related investigation.

Implementation of the WRAP certification program in collaboration with ILO/MoTI

In the last quarter report, it has been mentioned that there has been collaborative effort between the project and the International Labor Organization (ILO)/MoTI program to help about six companies to become certified before the end of 2008. WRAP stands for "World-wide Responsible Apparel Production" and is a set of social compliance principles that apparel-manufacturing companies should comply with in order to export. Many countries that have been successful in implementing such internationally recognized work place standards have been able to use such recognition as a marketing tool for attracting buyers and investments. The pre-audit team, co-financed by the two programs, submitted its assessment report with corrective action plan that each of the companies should work on before the arrival of the independent WRAP auditors. Most of the corrective actions were around housekeeping issues requiring a few or limited size investment by the majority of the facilities.

The VEGA project has continued collaborating with the ILO/MoTI and is helping the companies deploy the proposed corrective action plan one by one. This first phase initiative is considered a

showcase for the other remaining 60 or more apparel factories to follow suit and secure the WRAP certificate that the U.S. buyers are looking for. The ILO/MoTI project has hired a local consultant that undertakes technical follow-ups and report progress being made by each company towards the final certification phase.

The ultimate goal of the VEGA-Ethiopia AGOA+ project in this process is to get as many WRAP certified companies as possible in order to be able to attract known U.S. brands/buyers and maximize Ethiopia's AGOA export earnings.

The immediate plan of the VEGA project is to help at least six WRAP certified companies take part at the upcoming February/08 *'magic show'* in Las Vegas. The project will make the necessary effort to solicit funds from other donors running private sector development programs, such as that of the World Bank.

Support provided to ETGAMA to take part at the August/08 *'Magic show'* in Las Vegas

The project helped the Ethiopian Textile and Garment Manufacturers' Association (ETGAMA) participate in the biggest textile and apparel trade show of the World, Magic International Apparel trade show, for the first time.



ETGAMA at the 2008 Magic Show in Las Vegas, Aug. 24-27

ETGAMA represented about 25 Ethiopian companies at the show and displayed their sample products. One of the VEGA-Ethiopia project staff accompanied the Secretary General of ETGAMA at the show. The outcome of the mission has been found to be very encouraging:

- 28 key contacts were made, three strong businesses secured, 300,000 garment order booked with price negotiations currently ongoing

- Approximately 70% of the big buyers showed interest in placing orders for hundreds of thousands of pieces; while approximately 20% middle sized buyers contacted us with an interest between 20-100,000 pieces. Approximately 10% of smaller buyers contacted wanted to put orders less than 20,000 pieces. Woven medical scrap and packs were the most demanded products.
- In addition to assisting ETGAMA at the show floor in Las Vegas, the VEGA project staff held important meetings with the Ethiopian Embassy, IESC and VEGA staff members in Washington, D.C. Further, an important meeting with two staff members of the U.S. Customs and Borders Protection Agency were conducted. The discussion with the Ethiopian Embassy focused around maximizing AGOA exports.
- At the VEGA AGOA+ office, there was a joint meeting between the staff members of IESC, VEGA and ETGAMA's representative. One of the outcomes of this meeting was the preliminary agreement reached between ETGAMA and IESC to solicit funds for the former to have one marketing officer. The other importance of the meeting was in the fact that both IESC and VEGA have got the chance to get first hand information about the Ethiopian Textile and Garment Sector. To serve as a marketing tool, ETGAMA provided sample products to VEGA, to be displayed in its office in Washington DC. The discussion with the U.S. Customs and Borders Protection Agency focused on the possibilities of providing technical assistance and training to the Ethiopian Customs Office. It is planned to coordinate training session to the Ethiopian customs office by its U.S. counterpart next quarter.

Ongoing Advisory Service to the Ethiopian American Business Community Association (EABCA) to help create the American Chamber of Commerce in Ethiopia

VEGA AGOA+ staff worked with the staff of the Embassy of the United States in Ethiopia, USAID Ethiopia, and the Ethiopian American Business Community Association to provide technical support in the effort to convert the Ethiopian American Business Community Association into the new American Chamber of Commerce in Ethiopia (AmCham). The establishment of the AmCham in Ethiopia could not have been accomplished without the support and efforts of the US Ambassador to Ethiopia, the Honorable Mr. Donald Yamamoto. His efforts were instrumental in encouraging the business community to establish the AmCham which will enable the AGOA+ program to provide greater services to Ethiopian businesses as they work to expand their operations and markets.

The collaborative efforts have now resulted in the AmCham receiving recognition from the FDRE, Ministry of Justice as an NGO, resulting in the creation of only the third American Chamber in sub Saharan Africa. VEGA staff has continued to work with the aforementioned stakeholders and plans are currently underway to support the new board election process of the AmCham and grand launching ceremony to be opened by U.S Ambassador to Ethiopia, Hon. Mr. Donald Yamamoto. VEGA staff has also worked with USAID Ethiopia and the Corporate Council for Africa to finalize a technical assistance package to be provided to the new AmCham in order to assist it to be self-sufficient.

Support to the creation of DDI facility for Ethiopia

VEGA AGOA+ staff members were involved from day one in the USAID/Economic Growth, Agriculture, and Trade (EGAT) and USAID Ethiopia efforts to create the first ever Diaspora Direct Investment Facility for Ethiopia (DDI). The DDI facility, which was recently commissioned, involves a Development Credit Authority (DCA) credit guarantee being provided by USAID to two new banks (and one existing one) so that business loans can be extended to a new class of Diaspora investors. VEGA AGOA+ staff supported USAID/EGAT and USAID Ethiopia in the process including the conceptualization of the framework, understanding the local conditions for Diaspora support, understanding the nature and needs of the Diaspora community, and providing an analysis of local commercial banks' capacity to deliver the planned program. Accordingly, VEGA Ethiopia has now been commissioned to manage the DDI facility providing technical support to potential Diaspora investors, local commercial banks, as well as the Ethiopian Diaspora Business center, an independent entity working with the World Bank to provide business development services to the Ethiopian Diaspora.

Technical and Website Development Assurances to Sectoral Associations

Ethiopian Women Exporters' Association (EWEA): As part of its support to women small and medium-sized enterprises (SMEs), the VEGA AGOA+ project has been working closely with women owned organizations. During this quarter, the project was invited by EWEA to exchange ideas on how to organize effective trade missions overseas for member companies. The VEGA staff, based on its experiences from participating at international trade shows, provided valuable information to the members of the association. An agreement has also been reached to provide training to members of the association recruited to take part at the upcoming trade show in Burkina Faso in October/November 2008.

Ethiopian Textile and Garment Manufacturers' Association (ETGAMA): The support provided to ETGAMA during this quarter was mainly related to its participation at the 2008 trade show in Las Vegas and the development of a world class website to help it to become a global player in the industry.

Development of the www.ETGAMA.org Website

The overall objective for the development of the ETGAMA website was to design a dynamic website for the association that helps serve its founding objectives and to address the various constraints identified by its member organizations. The website thus aimed to:

1. To serve ETGAMA's current membership base by:
 - a. Providing a marketing outlet whereby member textile and garment factories can find buyers for their products
 - b. Creating an updatable information library on doing business in the industry
2. To help attract current non-members of ETGAMA to become members
 - a. Differentiate the level of access to information and services on the site between members and non-members
 - b. Provide a membership application online
 - c. Clearly communicate the benefits of membership in ETGAMA
3. Serve as a communications tool between ETGAMA and its members as well as between members themselves.

The company that designed the website was established under Diaspora investment from the U.S. In addition to the website, ETGAMA was assisted to create a professional brochure with the profiles of 25 companies whose products were displayed at the trade show in the U.S. from August 24-27, 2008.

Data organization and dissemination practice by the Export Promotion Department

One of the appropriate places where timely and accurate data on export values should be available to key users is through the export promotion department of Ministry of Trade and Industry (MoTI). The VEGA AGOA+ project staff visited this office and observed that the person assigned to organize data for reporting purpose was working under pressure due to a lack of proper computerized data management system. This person must be able to reorganize raw data that has been received from the customs office to meet the needs of his organization. However, the process has been very time consuming and tiresome in addition to being very inaccurate. The suggestion provided was to have appropriate IT infrastructure that connects the Customs office with the export promotion department and also properly automated system (software). The VEGA AGOA+ project plans to make further assessment of the problem and consult on ways to solve the problem next quarter.

Linking the Ethiopian Customs Office with the U.S. Customs and Border Protection

One of the observations made by the U.S. Customs and Borders Protection Agency (which has also been discussed with the concerned staff members of the Ethiopian customs office) was the lack of sufficient capacity to properly undertake export related activities in Ethiopia. In specific terms, the customs staff explained that the office needs more technical knowhow and understanding regarding the rules and regulations of the U.S. customs. Another observation was that there has been very limited field experience by the customs office and missing random checks on companies to ensure the *rules of origin* for products with Ethiopian origin. Based on the discussion made with the U.S. Customs and Border Protection Agency (International Affairs and Trade Relations), the VEGA AGOA+ project has planned to invite experts to train responsible staff members of the Ethiopian Customs Office. The plan is also to include participants from selected chambers of commerce and sectoral associations across the country.

Information on alternative means of overseas financing to potential companies

The recent visit made by one of the VEGA staff members to IESC helped to link Ethiopian companies with the initiative of IESC under '*Overseas Private Investment Corporation (OPIC)*'. The OPIC project creates opportunities for existing and new companies in the least developed countries to access long-term loans under a joint venture arrangement with U.S. companies. The company in the U.S. is considered as a sponsor for a company in the developing nations and should have an ownership of at least 25% equity in the foreign entity or project. The VEGA project disseminated the necessary information about OPIC to more than 50 companies for application to this scheme and is waiting for their response. One of the companies, however, is advancing to the second stage of the process and is on the verge of completing the pre-qualification stage. The IESC staff following up the OPIC program is assisting the companies in

the process. The necessary follow up will be made to help more companies to benefit from the OPIC program. The OPIC program is a good opportunity for Ethiopian companies as they are suffering from acute financial problems both for working and investment capital.

Compilation of the Monitoring & Evaluation (M&E) tables for the project and collection of export data

One of the regular activities of the VEGA project is to update the M & E tables designed to follow up project progress. So far the following major activities have been accomplished towards meeting project objectives:

- Four VE missions accomplished, varying from technical support to women SMEs to textile and garment, rose production and IT
- Nine training programs conducted, both by project staff, consultants and VEs
- Six technical assistance missions undertaken by VEs and staff members
- Five tradeshows in the U.S. attended by companies and their associations
- Three buyer missions organized

All these efforts have started bearing fruit, measured in terms of export amount and increase in export value, increased employment and improvement in the business mentality of the participating company owners and management.

II. Market Linkage and Trade Capacity Building

Facilitated market access by Ethiopian companies

Textile and garment

Following the participation of ETGAMA at the 2008 'Magic Apparel tradeshow' in the U.S., potential orders are being received. Examples include:

- 28 key contacts made, three strong businesses secured, 300,000 garment order booked with the price negotiation ongoing;
- Approximately 70% big buyers showed interest in placing orders for hundreds of thousands of pieces;
- Approximately 20% middle sized buyers contacted with an interest between 20-100,000 pieces;
- Approximately 10% small buyers met (that wanted to put orders less than 20,000 pieces). Woven medical scrap and packs were the most demanded products.

Additionally, four big potential orders are on the table to be taken up by companies with enough capacity to produce the required amounts. For this specific project, a consultant has been assigned to visit six companies to identify available capacities to absorb the four projects at hand.

Ethiopian Honey

The Ethiopian Honey and Beeswax Processors Association, linked to an Ethiopian-American in the U.S., showed great interest in importing Ethiopian honey from reliable companies. Company profiles of 11 enterprises has been collected and sent to the buyer. The same request has been received from the Ethiopian Embassy in the Washington D.C and similar follow up was undertaken by the VEGA team.

III. Planned Activities Quarter One, Fiscal Year 2009

- Assist the Ethiopian Customs Office and ECCSSA to receive technical support/training by the U.S. Customs and Border Protection Agency
- Make further study on the possibilities of assisting the Export Promotion Department of MoTI in accessing proper software/IT infrastructure for better export data organization and analyses
- Continue working with ETGAMA and potential companies to realize the various orders placed by potential buyers
- Continue working on phase two of the WRAP certification with the ILO/MoTI project
- Make follow-ups on the possibilities of implementing ECCSA's IT study
- Assist the Ethiopian Women Exporters Association (EWEA) to have a proper website