



VEGA Ethiopia AGOA+ Program

**Quarterly Performance Report
April - June 30, 2009**

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VEGA Ethiopia AGOA+ Program

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EXECUTIVE SUMMARY

During the past Quarter, the project:

- Made follow-ups on companies access to WRAP certification in partnership with the ILO/MoTI project
- Assisted businesses and their member associations in preparing comprehensive marketing brochure by way of using an intern from Canada;
- The VEGA Ethiopia office facilitated various visits by US delegations;
- Continued working with the Ethiopian Chamber of Commerce and Sectoral Associations in institutional capacity building;
- Made follow-ups on buyer orders achieved through market linkage activities of the AGOA project and facilitated efforts of other donor programs for linking companies to the EU market;
- Continued linking Ethiopian companies with potential buyers in the US and also providing information to new clients looking for information on AGOA;
- In collaboration with the ECA Trade Hub in Nairobi facilitated trade show for the flower exporting companies;
- As part of assisting women SMEs, the project sponsored one company to take part at Las Vegas Gem and Jewelry Show in May 2009;
- The Diaspora Direct Investment (DDI) project continued operating as per the plan and registered encouraging results in facilitating companies access to local financial services;
- In June 2009, VEGA Ethiopia sponsored a Diaspora business forum event organized by The Ethiopian American in Washington DC and Los Angeles;
- VEGA AGOA was well represented in Chicago where the annual soccer tournament was hosted by the Ethiopian Sports Federation in North America (ESFNA) in June 2009;
- Needs assessment of partner financial institutions working with DDI project conducted and A Volunteer Expert (VE) identified to train the banks;
- DDI was able to successfully secure financing for two separate projects during the quarter
- The American Chamber of Commerce (AmCham) continued operating after its official launching;
- To gain a better understanding of member company needs. AmCham Ethiopia developed a survey;
- Also based on the AmCham Ethiopia survey result, developed a three years strategic plan;
- organized a luncheon forum titled “*How the Current Financial Crisis is Affecting Ethiopia*”.
- Impacts/Results:

A. AGOA Plus Project

Impact: The 2008 AGOA/GSP exports from Ethiopia to the U.S have been extraordinary compared to that of the 2007 (USD **USD18.087** million, indicating 102% increase from 2007). The current global financial crises, however, is negatively impacting upon the continued growth of the export.

B. Diaspora Direct Investment (DDI) Project

Impact: Though it has been a tough quarter for banks as well as investors, DDI was able to successfully secure financing for two separate projects during the second quarter of the year. The projects referenced include a recreational center promoted by a local women entrepreneur and a food spice & flour processing plant by a Diaspora. Each project was approved for and funded 2,000,000 Ethiopian Birr.

C. American Chamber of Commerce in Ethiopia (AmCham)

Impact: AmCham made itself ready to properly undertake activities. Office organized, enhanced public visibility and recruited six new members in the last three months.

PROGRAM ACTIVITIES

1. AGOA Related Activities

WRAP¹ certification program in collaboration with ILO/MoTI

As part of its continuous activities, the VEGA project has continued collaborating with the ILO/MoTI project and has been collaborating for the companies to reach the final stage of the certification. It is expected at least three companies will be certified with WRAP at the end of August 2009. If this is achieved, it would be a great milestone for the Ethiopian Textile and Garment Sector and will open the door for other companies to learn from the experience and implement the same. Access to WRAP certification is becoming a necessity by many buyers and sourcing companies in the US and the number of certified companies needs to increase.

Preparation of comprehensive information kit for Ethiopian companies

One of the important tools in doing business with US buyers is company brochure that provide about each exporting enterprise. Buyers are highly interested in knowing company information such as product ranges, production capacity, product quality, order quantities, lead times, unit product price, number of employees and respect to social standards. The project deployed an intern from Canada who collected ample information about the companies. The companies are ranges from sectors such as leather, handicraft and garment. The information is to be edited and compiled in electronic form for better dissemination. At the end of the quarter, the project gathered information from more than 20 companies.

Company visits/on-the-spot consultancy services

During this quarter the project staff made field visits to the following companies and provided on-site marketing advice:

- Nabe leather (marketing brochure advice)
- Jonzo leather (marketing brochure advice)
- Taytu leather/made-in-Ethiopia (marketing brochure + market opportunity)
- MAA garment (factory with visitors + head office for advice on potential market, sample products)
- Almeda textiles (head office to discuss with top management and new manager on how to effectively meet buyers' orders)
- Menbey's Design (marketing brochure advice)
- Muya Ethiopia (marketing brochure advice + official visitors + buyers)
- Astab (marketing brochure + product advice)
- Nova star garment (official visitors, product samples)
- Golden Rose (market opportunity + VIP visits)

Associations visits:

- Ethiopian Textile and Garment Manufacturers Association (ETGMA) - to discuss with board members on policy and market issues

¹ WRAP stands for 'Worldwide Responsible Apparel Production'.

- Ethiopian Women Exporters Association (EWEA) - to get members profile

Facilitation of various visits by US delegations

The VEGA Ethiopia Chief of Party accompanied US visitors during their official visit to Ethiopia in the months of May and June 2009. The visitors were from (1) ONE Campaign, (2) US State Department-Africa Desk and (3) VIP visit (Mr. Jack Lew, Deputy Secretary of State for Management and Resources). The project displayed products of leading exporting companies at USAID's main office to showcase its program activities during the visit by Mr. Lew. The delegation from ONE has been taken to a flower farm for first hand information about the sector. Companies engaged in handicraft, textile and garment were also visited. Such visits usually provide policy makers and buyer's concrete information about Ethiopia and its economic progresses and all VEGA projects are at stand by for facilitating such visits.

Working with the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA)

Repetitive discussions held with chambers' leaders on the possibility of implementing ChamberNet project that help facilitate the role of Ethiopian chambers and sectoral associations as better service providers to local and international business communities. It is to be remembered that the VEGA program conducted a feasibility study of the chamber IT infrastructure and the assessment revealed that there are many areas of improvements in the chamber system to implement the IT project. The magnitude of the work is so extensive and requires substantial amount of funding, the VEGA project consulted ECCSA to take up the issue to the donor community for extended assistance. In the meantime, however, VEGA has a plan to implement the project, provided there will be sufficient funding in the new budget effective as of October 2009.

2. Diaspora Direct Investment Related Activities

Diaspora Direct Investment continues to demonstrate its need for existence as the demand level has continued to grow. There has been strong demand for the program deliverables since the project was established and has continued to receive and advise investors (both local and Diaspora) about the program. There have been more than 300 investors that have inquired about the program with approximately 80 investors taking advantage of the Diaspora Direct Investment by officially starting and eventually completing the application process.

Current Lending Environment in Ethiopia

The Central Bank of Ethiopia (CBE) issued a directive to all operating banks, both state owned and private, to slow the flow of credit and in some instances to cease lending to the public at large. The rationale behind this directive was to fight inflation which has been extremely high. There has been too much money supply in Ethiopia which has helped inflation increase dramatically over the past few months. Although Government spending played a major role in the flow of money supply, the private sector was forced to deal with the issue by limiting their availability of funds.

The directive was issued for a period of three months (April, May, and June). During these months where credit was limited, many banks were not lending unless it was loans related to critical working capital loans, projects that are export oriented which generated foreign currency for the financial institution, or for customers who were very important to the banks (maintain relationship). Even in the latter case, it has been difficult to obtain loans unless it was a short-term loan.

Today, the lending environment has improved somewhat. As of June 30th, banks are now free to make loans as they see fit. Albeit, with more caution than previous years. The good news here is that the Diaspora Direct Investment program has weathered the storm that has slowed credit to targeted groups of DDI. It is anticipated that credit will be more readily available than what was experienced in the past three months. The strategy DDI has implemented was “business as usual”. As clients came in to Program Office, the staff have been diligent in informing all interested parties about the situation in the banking environment so as to have their expectations of a speedy approval processing time as real as possible. During this time DDI staff had continued to accept and review project which were deemed feasible. Although lending had temporarily ceased with our partner financial institutions, DDI continued to work even harder.

As mentioned in preceding paragraphs, the CBE had instructed all banks to limit and cease lending. Even under this extreme credit environment, DDI was able to successfully review, analyze, submit, and eventually get loans approved by the financial institutions (fully disbursed). During the last quarter, two loans were fully approved, with full disbursements in an amount of 4,000,000 birr, to one local women entrepreneur and one Diaspora from the United States. (Please see section titled “Loan Profile of the Quarter” in section below).

Outreach and Promotions

In June 2009, VEGA Ethiopia sponsored a Diaspora business forum event organized by The Ethiopian American in Washington DC and Los Angeles. The overall vision of the forum was to educate and provide information to potential high-value Ethiopian Diaspora investors who are interested in investing in Ethiopia. The objective for the forum was to attract Diaspora investors by making a business case for investing in Ethiopia by highlighting US Government and other resources in support (Diaspora loan guarantee scheme) of Ethiopian American investors. Forum participants discussed business opportunities in Ethiopia, and existing Ethiopian American investors shared their business experience in Ethiopia.

Aside from the VEGA AGOA Diaspora Direct Investment panelist (Sehul Truesaw), the forum was paneled by other distinguished guests such as Borany Penh (USAID African Diaspora Marketplace), Rick Angiuoni (The Export Import Bank of the United States), Henok Assefa (VEGA/AGOA Consultant), Yusuf Reja (Infomind Solutions / Zebrajobs), Manny Amare (ModernETH), as well as a representative from Western Union who promoted the partnership between USAID for a business competition project. Other highlights included a short video on existing investors (Diaspora, foreign, and local Ethiopians) on their experiences in conducting business in Ethiopia and the business opportunities that exist in Ethiopia.

Additionally, VEGA AGOA was well represented in Chicago where the annual soccer tournament was hosted by the Ethiopian Sports Federation in North America (ESFNA).

It was estimated that over 10,000 Ethiopians from across the US, Canada, as well as other parts of the world, came to participate and support the annual event. The promotional efforts in Chicago were not similar to those conducted in DC and LA. A unique approach was taken where VEGA distributed marketing brochures and educated individuals on the programs and the various investing opportunities that existed in Ethiopia. This was conducted via one on one meeting with interested parties attending the event and also by visiting entrepreneurs that were operating vendor booths at the stadium.

The events were held on these dates and places;

- June 22nd at the Four Point Sheraton, Washington DC
- June 27th at the University of California at Los Angeles (UCLA)
- June 29th – July 3rd Soccer tournament hosted by (ESFNA), Chicago

Overall, the marketing efforts were effective and successful. In Washington DC, there were over 120 individuals that showed interest and attended the event. In Los Angeles, where the event was co-sponsored by UCLA, we were met by professionals and Ethiopian business pioneers which shared ideas and demonstrated an increasing interest in investing in business opportunities in Ethiopia. Also in Los Angeles, audience members shared their own experience in doing business in Ethiopia and were witnesses to the services that VEGA AGOA has provided to assist investors (Diaspora Direct Investment program service recipient).

Training Partner Financial Institutions

Earlier this quarter DDI met with Awash Bank, Dashen Bank, NIB Bank, Bank of Abyssinia, and Ethiopian Bankers Association representative, to collect information related to their needs in training and capacity building in order to serve our targeted investor groups. Based on these meetings, an assessment report was drafted and certain subject matters were identified that needed attention. A Volunteer Expert (VE) was identified and contacted to perform the task of teaching and training the banking staff of the partner banks. The person identified has had a strong experience (45 years) in the banking sector, including serving as a president of a bank. The gentleman also has had approximately 15 years of experience in conducting training to banks in 14 countries on both long term and short term assignments. VEGA AGOA is highly confident in the success of this training to be conducted by a very seasoned professional. The training will take place over a three day period on July 21 – 23, in Addis Ababa, Ethiopia. Some of the topics to be covered will include, but not be limited to the following; cash flow analysis, credit analysis, risk management, customer service, as well as asset liability management. It is expected that approximately 65 persons will be invited to attend the training session.

Loan Profile(s) of the Quarter

As referenced in the previous section titled “Current Lending Environment in Ethiopia”, it has been a tough quarter for banks as well as investors. However, as tough as an environment as it has been, DDI was able to successfully secure financing for two separate projects during the second quarter of the year.

The projects referenced include a recreational center promoted by a local women entrepreneur and a food spice & flour processing plant by a Diaspora. Each project was approved for and funded 2,000,000 Ethiopian Birr. The loans were made with the assumption that the borrowers had sufficient collateral to cover the debt (especially with USAID's 50% collateral pledge) and also because the projects exhibited profitable business plans / models. VEGA AGOA is proud to have had the opportunity to effectively finance these transactions. DDI also believes that with the current reduction in inflation rates (at the least stabilized rates), the Central Bank of Ethiopia will not prohibit or impose any additional policies that will affect lenders' ability to issue credit. With the directive having been removed (in this case not extended to longer period of time) additional projects will flow through the Diaspora Direct Investment program to obtain credit and financing from USAID's partner banks.

Bata Recreational Park (ETB 2,000,000)

Bata Recreational Park is a project promoted by a local women entrepreneur. Resting on a total area of 4,320 m² of land, the center is set up with the objective of providing full recreational services to tourists and the general public. The center is well structured to host seminars, conferences, meetings and other events, particularly wedding ceremonies.

A 2,000,000 birr loan was facilitated through the Bank of Abyssinia to finance the working capital requirements of the facility. In this transaction, the promoter has contributed 4,726,130 (approximately 70% for fixed assets), while the bank financed the remaining 2,000,000 (30% working capital).

The projected income statement shows that the recreation center will be able to generate an average annual net profit of 456,967 over the next five consecutive years.

Habtamu Dagne Food Spices & Flour Processing Center (ETB 2,000,000)

Habtamu Dagne Food Spices and Flour Processing Center is a projects promoted by a Diaspora from the United States. The project owner previously had constructed a 700 m² production warehouse facility (2,000 m² of land) in Kality, in the outskirts of Addis Ababa. After completing the warehouse which was financed 100% via personal funds, the investor needed additional capital to purchase machineries, equipment, as well as required working capital to start operations. All machineries and equipment were purchased from the local market and did not require a Letter of Credit to receive foreign currency. The availability of machinery and equipment in the local market provided an advantage to receive funding in such a credit environment. On a full scale basis the business has the potential to generate up to 8.1 million birr of annual profit. However, the deal was re-structured to implement the project in phases based on current capabilities. The company is now in the process of installing the required machineries to be able to start operations.

3. American Chamber of Commerce in Ethiopia (Amcham)

During this quarter, the American Chamber of Commerce in Ethiopia has taken measures to properly organize its internal functioning. It has also increased its public visibility by contacting various stakeholders, organizing business forums and by taking part at some important meetings relevant to the business community.

Highlighted below are some of the major activities undertaken during the months of April, May and June 2009:

- Hired a temporarily staff to assist in the office establishment.
- Established office and procured office equipment (Computer, telephone and fax)
- From April 15- May 15 Advertised the AmCham job opening, 105 CV's has been received for the Executive secretary position. 35 candidates have been screened, 20 have been interviewed and one candidate has been selected for the job.
- The board decided to fill the Manager position after AmCham receive the USAID fund.
- To gain a better understanding of member company needs. AmCham Ethiopia developed a survey. The survey response will help AmCham address how to most effectively serve members better. The Survey was sent to members and stake holders on May 15th, 2009.
- Based on the AmCham Ethiopia survey result, developed a three years strategic plan. The plan has been sent to the AmCham Ethiopia board for approval. The business plan addresses the core AmCham Ethiopia business activities. The board will discuss the business plan in August.
- Developed a membership application form for the new members.
- Updated membership information for current members.
- Business Luncheon: to address the current financial crisis and its effect on Ethiopia, On May 21, 2009 AmCham organized a luncheon forum tilted "How the Current Financial Crisis is Affecting Ethiopia". Presentation was made by Mr. Sunkhinder Singh, Country Representative, IMF and Mr. Fantahun Belew, Head of Macro Economy Policy and Management, Ministry of Finance and Economic Development, Ethiopia. The event was attended by H.E. Donald Yamamoto, U.S. Ambassador to Ethiopia, H.E. Ambassador Samuel Assefa, Ethiopian Ambassador to the U.S., USAID Ethiopia office representatives and Members of AmCham Ethiopia members.
- Signed the MOU with USAID
- Negotiated with local hotels to get a better rate for AmCham organized future events.
- Introducing AmCham Ethiopia letters has been sent to stake holders in Ethiopia and the U.S. including to H.E. Samuel Assefa, Ethiopian Ambassador to the U.S.
- Developed accounting and reporting system

- From June 3- 5 Participated on the three day workshop titled “strengthening Business Associations” organized by Center for International Private Enterprise (CIPE) of the U.S. Chamber of Commerce. The workshop training focused on Association Governance, Strategic planning, market economy and public policy advocacy.
- Wrote a proposal to establish “The AmCham Ethiopia Quarterly Business Magazine”. The \$25,000 grant requested from CIPE will enable AmCham Ethiopia to provide an excellent source of information about doing business in Ethiopian to our members. In addition, the magazine will provide a platform for public private partnership and for a policy dialogue.
- Recruited six new members in the last three months.

II. Market Linkages - AGOA Plus Project

A. Linking Ethiopian companies with potential buyers - product diversification

As it has been working in the past, the VEGA project continued linking Ethiopian companies with potential buyers in the U.S. and also provided information to new clients looking for information on AGOA, the DDI credit facility and the AmCham. The project office closely worked with a local office (Connect Ethiopia) to promote export of Ethiopian textile and garment products to Ireland. The Project assisted in getting product samples from three leading companies that were sent out to the buyer. The outcome of the effort is to be seen in the next two quarters. In addition to promoting market access in the US and EU, the Project also encourages sales within the country to expatriates. One exemplary work is the monthly Friday Market at the US Embassy. In this quarter, two such events were conducted at the US Embassy in Addis. Women owned companies with handicraft products were able to make sales to the Embassy staff. So far eight women owned enterprises has benefited. The effort was initiated by the joint collaboration of the WTO project and backed by US Embassy that allowed marketing space with Embassy's compound.

Emphasis to product diversification: So far the AGOA export is highly dominated by the textile and garment products. The plan is now to look for other potential sectors/products that can be included in the AGOA export list. The contacts created with the two enterprises listed in the next paragraph are part of this initiative and there is a plan to conduct product availability assessment by a local consultant after the next phase of the program that starts in October 2009.

As its regular task, the VEGA office also makes company visits to check out new products for export. This quarter, the VEGA staff made visit to a shoe manufacturing enterprise called Gellila and has seen the potential the factory has. The types of shoes produced are relatively better in meeting US and EU market requirements in terms of design and quality. Further follow-up will be done to help the company access international markets. Another company engaged in trading agricultural products was also consulted. The company declared that it can supply the following to export market per year: 100 quintals of natural honey, 11000 quintals of red pepper, 500 quintals of garlic, 200 quintals of cotton seed, 500 quintals of linseed and 800 quintals of potatoes.

B. Trade show participation

Textile and garment: Last quarter, one of the leading textile and garment companies (Almeda textiles) was sent to take part at the 2009 Magic show in Las Vegas. The outcome will be assessed in the future as it is very short time to undertake the assessment this moment. The cost of participation was covered by the USAID ECA Trade Hub in Nairobi. The field office in Ethiopia provided technical support to the company starting from registration to participation.

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Flower: The USAUD Trade Hub in Nairobi financed participation of following Ethiopian companies at the Atlanta World Flora Expo in June 2009:

- Summit flowers
- Menagesha flowers
- Minaye flowers
- ET highlands and
- Golden rose

As the result of this participation, some encouraging results are being observed. One of the companies striving to break into the US market was Jobera Flowers. Jobera is a flower grower in Ethiopia that has just signed a contract with Whole foods, one of the largest grocery chains in the US to supply them with fresh roses and flowers produced at its farm in Debre Ziet. The USAID funded project VEGA Ethiopia AGOA+ together with the Ethiopian Embassy in Washington DC as well as the regional USAID trade hub program in Nairobi have been supporting Jobera in its ambition to export fresh roses in the US market in the past. This new achievement in a time when the markets are tight and growers are facing an uphill task to find new markets and increase exports is welcome news and a testament that trade development in Ethiopia is proving to be productive and showing results. Jobera flowers has worked with USAID and the VEGA Ethiopia AGOA+ program for over four years and has participated in various trade shows in the US, the firm has also taken part in a study tour of the US to analyze and learn of the market and customs procedures in 2008 which gave them a unique opportunity to observe and learn of the needs from the US market side. The impact on the rest of the companies is to be assessed in the future. The next trade show participation by the Ethiopian companies (possibly February 2010) would be unique as it may be for the first time that companies will be there with WRAP Certification.

Handicraft: It was for the first time that an Ethiopian company (Orbit Gems), engaged in Gem stone and jewelry works taking part in trade shows in the US. The VEGA project assisted the enterprise to take part at the 2009 G.L.D.A. Inc Gem and Jewelry Show in Las Vegas. Based on the feedback to be obtained from this company and feasibility of market in the US for such products, the VEGA office will try to encourage other companies to try the US market. This can also be seen as product diversification for Ethiopia.

III. Planned Activities for the Third Quarter of the year 2009

A. AGOA Plus

Activity
Continue linking Ethiopian companies with potential buyers in the U.S. and also provide information to new clients looking for information on AGOA, AmCham and DDI services (continuous)
Assist companies to access WRAP certification (in collaboration with ILO, MoTI and ETGAMA), possibly certification completes until September 2009
Hold training session for food manufacturing companies (August 10 th and 11 th , 2009)
Assist ECCSA based on requests for support (continuous)
Facilitate participation of Ethiopian delegation to take part at the Annual AGOA Forum in Nairobi (August 4-6, 2009)
Facilitate/hold Ethio-Kenyan Business Forum in Kenya, in collaboration with the Kenyan Embassy in Addis and ECCSA (August 7 th , 2009).
Facilitate US/USAID VIP visits (New USAID Mission Director-July 29 th , USTR-August 8 th , Senate Staff-Aug. 15 th).

B. DDI

Activity
Continue assisting loan applicants (Diaspora and local women entrepreneurs) to qualify for bank loans
Conduct Bankers' training using the VE already identified
Conduct training for businesses on how to prepare business plan
Conduct field visits to Harar, jijiga, benishagul, omo valley and wolkait tsegele.

C. AmCham

Activity
July 16, 2009: Farewell reception to H.E. Donald Yamamoto, U.S. Ambassador to Ethiopia
July 24, 2009: AmCham Business luncheon: Financing Opportunity. The Honorable Mimi Alemayehou, U.S. Executive Director at the African Development Bank
August 3-5 , 2009 : Participating at the AGOA forum in Nairobi
August 8, 2009 : AmCham business luncheon: U.S.- Ethiopia Trade, Keynote Address, The Hon. Ambassador Ron Kirk ,United States Trade Representative, Office of the United States Trade Representatives
Week of August 17th, 2009 : AmCham Board Meeting
September 27- October 2, 2009 Participate at the U.S. – Africa Business Summit and organize “Ethiopia Investment Forum”