



VEGA Ethiopia AGOA+ Program

**Quarterly Performance Report
January 1 to March 31, 2007**

**Leader with Associate Agreement (LWA)
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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 second quarter of FY 2007, January 1 to March 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 Africa Growth and Opportunity Act (AGOA+) benefits to the Ethiopian business community and members of the Ethiopian Chambers of Commerce.

The past quarter saw the project involved in further promoting Ethiopian exports to the US through various tradeshow, as well as solidifying contacts with various US corporations interested in importing and investing in the country.

It should be noted that exports to the US, through this program, have increased by some 40% in the past year to USD 7.2 million, and total exports from Ethiopia to the US have risen to historical highs of USD 80 million.

The primary increase was due to the volume of textile and garment being exported as well as the number of firms exporting to the US.

US Trade Representatives

In January, VEGA arranged a visit for senior US Trade Representatives, Florizelle Liser and Bill Jackson to visit one of the garment factories in Ethiopia, as well as meet with some of the textile and garment producers operating in the country. Ms. Liser was able to witness first-hand the great strides that Ethiopia has made under AGOA.

Representatives of the producers, in meeting with Ms. Liser, stressed the support provided through the VEGA program and our COP was invited to further brief Ms. Liser on progress made to date in Ethiopia, issues of importance at the government level which Ms. Liser may be able to touch on in discussions with Ethiopian government representatives, and what still remains to be done for private sector development and how does it all fit into the framework of AGOA.

I. PROGRAM ACTIVITIES

A. Trade Shows

During the past quarter the VEGA Ethiopia project played an instrumental role in supporting and facilitating the participation of thirteen Ethiopian Firms to take part in two major US based trade shows.

These efforts are supported by the World Bank Enterprise Ethiopia program as well as the ECA Trade Hub in Nairobi, Kenya. The VEGA Ethiopia AGOA+ team played the role of facilitator and provided logistics as well as capacity support to the various firms that attended these tradeshows in the US. Building relationships with various private sector support groups both in Ethiopia and outside has been a key component of the program, but it is critical to go beyond the immediate program support funds to effectively implement the objectives of the program.

MAGIC, February 13-17th, Las Vegas, Nevada

The VEGA Ethiopia project, working in partnership with other donors and USAID-funded projects, helped support ten Ethiopian firms taking part in the MAGIC sourcing show in Las Vegas, Nevada. MAGIC is the premier garment and textile sourcing show in the world with over 400 apparel contractors from over 25 countries coming to showcase and meet with potential buyers not only from the US but from all over the world.

The Ethiopian delegation of ten firms was by far the largest delegation from Africa within the Africa Pavilion.

The companies that attended the MAGIC sourcing show were Almeda Textile, Nova Star Garment, WOW garment, Gulele Garment, Awassa textile, Ras Dashen, Ambassador Garment, Kombolcha Textiles, Delina Industrial and Knit to Finish.

For a vast majority of the firms, the MAGIC show was their first attendance at a tradeshow in the US and was very informative for all participants as it gave them more knowledge of the market, the market processes, general impressions of the market as regards Ethiopian goods, and what they need to do within their own firms to better meet future challenges.

The points below were raised during a debrief VEGA conducted with the members of the Association regarding the MAGIC show.

Overall impressions about the show

- *Magic* was considered an ‘*eye-opener*’ to the participants; it gave them the opportunity to witness the level of sophistication of the apparel sector worldwide, marketing strategies other countries have used, and the mix of visitors and buyers.

- All the participants confirmed that Ethiopian companies are not in a position to compete in that environment unless they start working together and brand Ethiopia as a country with the potential for garment sourcing.
- The presence of the Ethiopian Ambassador at the show created a special impression on the companies. It was reported that the Ambassador gave his commitment to support the sector in marketing products to the U.S.
- The support of one Diaspora member that came to MAGIC was encouraging.
- Ethiopian products were considered relatively expensive by MAGIC participants, compared to that of Asian countries; more work needs to be done on product quality and local fabric sourcing;
- MAGIC provided networking opportunities and AGOA+ staff are working with the firms to provide follow up to new contacts and potential business leads.
- In general, MAGIC offered the Ethiopian firms a chance to learn about the international apparel market.

Problems encountered during participation

- Ethiopia is not well branded. There was limited cooperation among Ethiopian firms and there was no group strategy.
- Booth allocation by the show organizers was not strategic for Ethiopian companies. Ethiopian companies were dispersed as opposed to Asian enterprises which were concentrated in their respective country pavilions.
- Product display by the Ethiopian companies was not attractive compared to other exhibitors.
- The number of the Diaspora members that visited Ethiopian booths was below expectations.
- In the end, participants were aware that they did not prepare adequately. This lack of preparation included: a shortage of brochures and business cards; unprofessional and non-standardized displays; a shortage of samples; a lack of knowledge regarding how to discuss qualities, characteristics, and processes; an absence of swatches and product sketches; a lack of pricing menus; limited information about shipping terms and conditions; and, little group cohesion.

Problems emerging after participation

- The Ethiopian firms complained that there are potential orders to fill, based on contacts made at the show, but the lack of local fabric presents a serious barrier to finalizing orders and contracts. The costs and timing of having to import certain materials essentially eliminates Ethiopia from competition.
- Firms noticed the size of orders made in the international market and inquired as to how best meet such market demands with so little individual capacity. We informed them that there was a precedent in Ethiopia where 7 firms formed a coalition just for this purpose. They were encouraged to develop relationships with each other and/or with that existing coalition to see what

- best suits their needs and whether they may be able to fill a niche role within the coalition or in the market as a whole.
- The issue of fabric supply and accessories was considered the major obstacle that all garment companies in Ethiopia are facing and most participants found this situation frustrating.

VEGA reemphasized its support to the participants before heading to MAGIC, including bringing in a consultant who held a one-day workshop, and made site visits in preparation for MAGIC. Additionally, the visit of Mr. Bob Berg, of MAGIC, to Ethiopia, was beneficial in providing some insight as to what participants should expect in terms of networking, business, and learning opportunities. These consultations were performed well in advance to prepare the firms going to MAGIC. However, the VEGA project in Ethiopia is facilitative in nature rather than advisory which meant we were able to provide little follow up to the consultations.

Miami International Flower Show

With the Support of the ECA Trade Hub, the VEGA Ethiopia AGOA+ project sent three Ethiopian flower growers to the Miami International Flower Show, March 14-17, 2007.

The Show was attended by Summit Flower, Golden Rose and Blen Flowers from Ethiopia. As with MAGIC, the growers participating in the show were provided consultations in advance of arrival. The ECA Trade Hub sent a volunteer expert in horticulture to provide a briefing on what to expect at the show and how to prepare for it. The volunteer held a one-day workshop at VEGA Ethiopia's office to answer questions from the participants as well as give advice on logistics and support during the show.

Interestingly, all three show participants from Ethiopia are currently working on logistics arrangements to answer requests from buyers for Ethiopian products presented at the show. Summit is the firm that is currently exporting the majority of roses to the US but US export figures do not reflect the true numbers because much of the shipping goes through Amsterdam and this is more often than not listed as point of origin for these Ethiopian roses.

Currently VEGA is working with several of the growers, as well as Gatepro, an Ethiopian-American owned firm that is establishing an office in Miami with an American partner to find a solution for direct exports to Miami.

The 11th Addis Ababa Chamber of Commerce International Trade Show

VEGA Ethiopia worked with the US Embassy, as well as the USAID Mission, at the trade show held from February 22nd to February 25th, 2007 at the Addis Ababa Exhibition Hall. On February 25th, VEGA Ethiopia's COP was asked to be on a panel, hosted by the US Embassy, at the Hilton Hotel in Addis Ababa, entitled "How to Do Business with the US."

This panel, in addition to the trade show provided VEGA an opportunity to reach out to new and emerging businesses in Ethiopia as well as to inform the business community of the program and its activities. Additionally, the US Ambassador announced at the panel two new projects in Ethiopia dedicated to private sector development.

B. Firm-Level/Diaspora Support

VEGA Ethiopia provided support to more than 40 Ethiopian and Diaspora firms in a variety of trade issues. We have added five new firms to the Export Database. This support included:

- Added a company named 'EVOLVE', a spice exporter, to the Database, and provided information regarding AGOA+ benefits
- Assisted a garment company, named 'Ras Dashen,' in contacting a fabric supplier in India and a buyer in the U.S
- Informed two companies: 'Rome' Enterprise and 'K-design' about the 2007 Materials World Trade Show in Miami; both of them have now registered to participate
- Prepped companies to be visited by the Deputy U.S. Trade Representatives for Africa; hosted at 'NovaStar Garment'
- Linked the Association of Ethiopian Honey and Bees Wax Processors and Exporters to a marketing agent in the U.S.; via the Association, nine enterprises were added to the Database
- Collected profiles of two flower exporters to see where we may be able to assist them in trade efforts and as additions to our Database
- Consulted with 'Shoa' Tannery on AGOA+ benefits through a descriptive presentation of value-added businesses and the economic advantages of bringing these to market over exporting the raw hide; added Shoa to Database
- Briefed a handicraft company named 'Amen' on AGOA+ benefits
- Assisted women-owned handicrafts with establishing internet accounts, developing company profiles, and starting communications with potential international clients
- Met with a group of 15 women entrepreneurs, from the Addis Ababa Women Entrepreneurs Association, engaged in micro businesses; identified their services needs, including: help with accessing local and international markets; credit guarantees for commercial loans; business management training; and, specific technical training in their respective industries. They also want to develop their Association capabilities so they can provide these services in the future
- VEGA's COP has been actively seeking handicraft buyers from the US at the request of the US Embassy for the buyers' mission due to take place in the next quarter
- The process of opening an American Chamber of Commerce in Ethiopia is underway, VEGA working in partnership with the US Embassy commercial

attaché office. We are working on the best approach to get it off the ground and ensure the extensive participation of the Ethiopian-American community.

II. DONOR COORDINATION

Ethiopian Diaspora Investment and Export Center

VEGA has been working to support an Ethiopian Diaspora Investment and Export Center (EDIEC) in Ethiopia to be funded by a donor assistance group working within the private sector in Ethiopia. As part of this, VEGA submitted a proposal to the donor group regarding support of such a program.

EDIEC aims to tap into the Ethiopian Diaspora to find access to investment and pathways for trade with Ethiopian enterprises. Investment and trade via the Ethiopian Diaspora may prove to be at least as important as Foreign Direct Investment, and other forms of development assistance, in developing a sustainable economy and reducing poverty in the country. Success of the EDIEC will be measured in terms of increased direct investment and increased international trade.

The three main focus areas for EDIEC will be:

1. Establishing One-Stop Service Center

Organize the EDIEC as a one-stop shop for services within the Ethiopian Chamber of Commerce and Sectoral Associations. This 'shop' will work with donors, Embassy Commercial Sections in Ethiopia, and the Ministries for Trade & Industry and Foreign Affairs to provide up-to-date information on investment opportunities in Ethiopia as well as information on export opportunities from Ethiopia

2. Hosting Investment Forums and Trade Shows

EDIEC will organize Investment Forums not less than once a year with the aim of increasing Diaspora awareness of investment opportunities in Ethiopia. The first of these will be held during the Ethiopian Millennium celebrations in September 2007, which expects to see a significant number from the Diaspora return to Ethiopia. The forums will also serve to illustrate how such investment and trade will assist the development and growth of Ethiopia's economy. The September event will be organized by the Ethiopian Chamber of Commerce and Sectoral Associations, with a strong backing from both donors and the government. Its prime focus will be piggybacking the Millennium celebrations in order to market Ethiopia to the world community as such an event will attract the attention of not only Diaspora and others who may be in country at the time but the worldwide media.

3. Interactive Web-portal Development

Create and publish an interactive web-portal that provides information and live support to the Diaspora and Ethiopian business community on business opportunities, government policies, incentives, investment guides, licensing and registration procedures, contact details of facilitating agencies, contact information for businesses in various industry sectors, and any other information that may help potential investors initiate/develop business in Ethiopia, and/or with Ethiopian firms. In essence, the portal will serve as a mirror image of the one-stop shop but will provide an initial-step capacity for communication between the Diaspora and the Ethiopian business community.

At the moment, the World Bank and the Ethiopian Government are in discussion on funding and implementation of this project. VEGA has been working with both groups as this could be integral to the AGOA+ efforts in realizing increased exports for Ethiopian goods.

III. MARKET LINKAGES

A. Ethiopian American Joint venture

VEGA has been working with Victor Ozeri, of Interasian (www.interasian.com), a leading garment sourcing and distribution firm based in New York, with offices and manufacturing in China, regarding the potential of a manufacturing center in Ethiopia. VEGA introduced Mr. Ozeri to a woman-owned business in Ethiopia, which is building a garment factory, regarding the establishment of a joint venture. The initial discussions and introductions have been made and the two partners will be meeting in Addis Ababa in April. Further, VEGA has arranged for meetings between Mr. Ozeri and senior Ethiopian government ministers, as well as meetings with the US Ambassador and USAID mission.

B. Starbucks Sourcing

VEGA has been working with the Whitaker Group, a consulting firm specializing in developing international business relationships between Africa and the rest of the world, to source uniforms from Ethiopia for the more than 45,000 retail employees of Starbucks in the US. With the support of Cool Ideas, a sourcing firm based in South Africa, VEGA has identified seven factories in Ethiopia which passed the initial assessment to enable further negotiations with Starbucks.

The seven Ethiopian firms have been given nondisclosure agreements and must sign by the end of March. VEGA will continue following up with the firms to ensure their compliance and assist them as they attempt to secure this work and develop this relationship further. Should this agreement reach fruition, it may serve as the foot in the door for Ethiopian garment producers and is in line with our objective of supporting the Ethiopian textile and garment sector.

IV. PLANNED ACTIVITIES FOR NEXT QUARTER

- Diaspora AGOA+ Forum in Washington DC
- AGOA+ Steering Committee meetings
- Incoming US buyers of handicrafts
- Identify exportable products within AGOA+ product list
- Complete the registration and setting up of the American Chamber of Commerce in Ethiopia