



VEGA Ethiopia AGOA+ Program

**Quarterly Performance Report
October - December 31, 2008**

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**VEGA Ethiopia AGOA+ Program
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Program Activities

During the past Quarter, the project:

- The Diaspora Direct Investment (DDI) project officially started operations and recruitment of all the key positions and the support staff were completed to facilitate the DDI program;
- Opened a new office to run DDI project;
- As an agreed deliverable, signed an agreement with NIB, Abyssinia, Dashen, and Awash Bank and organized a successful press conference to publicize the program and also met with banks to draft the requirement needs of potential investors;
- Submitted 3 business proposals for loan approval;
- Made follow-ups on buyer orders achieved through market linkage activities of the AGOA project and facilitated buyer's mission for additional product orders;
- Continued assisting the Ethiopian Chamber of Commerce and Sectoral Associations during its effort to organise major conferences of the Business Membership Organisations and the first conference of the African Chambers of Commerce. In addition, a proposal to get additional support from USAID to help ECCSA continue with its AGOA related activities was prepared;
- Supported the Ethiopian Textile and Garment Manufacturers Association (ETGAMA) by preparing a capacity building support proposal for donors assistance;
- Facilitated participation of businesses and their members in a comprehensive research on business related government procedures with specific emphasis to the export business - conducted by ILD;
- Continued linking Ethiopian companies with potential buyers in the U.S. and also providing information to new clients looking for information on AGOA and alternative means of local and overseas financing options;
- The American Chamber of Commerce (AmCham) officially started operations, board of directors assisted in getting expert service from IESC.
- AGOA Impact:

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 **USD15.722** million in 2008 indicating more than 100% increase within the last 12 months! The export value at the end of 2006 was USD 7.203 million, which grew by USD 8.973 million in 2007. It has been projected last quarter that the export value for the year 2008 alone would reach about USD 15 million and this plan has been met successfully. Because of encouraging results, the VEGA-Ethiopia AGOA+ project is now entrusted to managing two additional projects, i.e., the American Chamber of Commerce and the Diaspora Direct Investment (DDI). It is planned to publicise all the achievements at a National AGOA Forum scheduled to take place early 2009.

I. PROGRAM ACTIVITIES

1. AGOA Related Activities

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

The VEGA project has continued collaborating with the ILO/MoTI and is helping the companies deploy the proposed corrective action plan one by one.

The immediate plan of the VEGA project was to help at least six WRAP certified companies take part at the upcoming February/09 'magic show' in Las Vegas. The project could not make this because of the delay encountered by the ILO/MoTI project in bringing in a certifying company. The VEGA project, however, fully collaborated with the local WRAP follow-up consultant engaged in the preparation of six companies for the internationally recognized certifying body. About 90% of the companies are now ready for certification. The VEGA staff travelled to the regions accompanying the local WRAP consultant to see progresses and provide on the spot advice on the areas of improvement.

Support provided to ETGAMA towards institutional strengthening

The work relationship between the Ethiopian Textile and Garment Manufacturers Association (ETGAMA) and the VEGA project has gained momentum. The support provided to ETGAMA to participate in the biggest textile and apparel trade show last quarter in the U.S. was of paramount importance as it has resulted into key buyer contacts. One of the promising business relationships was the one that has been created between Almeda textile and MAA garment companies with JCM sourcing company in the U.S. The increasing involvement of ETGAMA in trade promotion on behalf of its members requires institutional capacity and the VEGA project identified a key marketing function that ETGAMA should focus on. In collaboration with ETGAMA the VEGA project outlined key marketing functions that must be undertaken:

- a) Effectively capturing the marketing function and supply chain of the industry;
- b) Identifying current market trends and opportunities;
- c) Analyzing and evaluating the competitiveness of the existing products of members and prompting the products to existing customers;
- d) Undertaking analyses of current, seasonal and future market needs and trends, taking measures to promote new product portfolios and maximizing competitiveness to gain beneficial returns to the organization;
- e) Maintaining effective work relationships and constantly communicating with customers, customer representatives and business units in order to obtain necessary information and providing to members;
- f) Organizing information and collect new developments in key areas of marketing like special market access opportunities, sourcing, buyers, trade fairs and exhibitions and providing to members on time;
- g) Developing appropriate customer contact database, identifying key decision makers and undertaking periodic contacts to explore valuable market information for members.

- h) Analyzing market conditions, identifying current garment buyers and their pricing structures and liaising with manufacturing units to ensure that customer requirements have been identified and effectively met;
- i) Assisting member factories and ensuring that their existing pricing strategies are consistent with the market rates and are achievable;
- j) Gaining a thorough knowledge of the customer's buying procedures and identifying appropriate service levels for each customer, so as to ensure that product presentation is in-line.

These activities ensure ETGAMA's credibility to its members and also serve as means of income. ETGAMA's involvement in such key activities would also help the VEGA activities sustainable after its phase-out period. Hiring of a marketing officer for ETGAMA to undertake the above key functions were proposed by the VEGA project. A one-year funding by USAID is recommended to help ETGAMA hire a professional marketing staff.

Support provided to ECCSA

For the first time in its history, the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA), has prepared an "All African Chambers of Commerce Conference". The participants were from Africa and also from U.S. and Europe. The VEGA Project staff was member of the technical committee established to organize the conference and involved in making electronic invitations, airline reservations and advice on the thematic conference agenda items. The Conference initiated and organized by ECCSA under the theme, "Private Sector: A venue for Africa's Renaissance" attracted participants from more than 30 countries worldwide and Chamber Representatives from 20 African countries. The objective of the conference was to build the capacity of the Chambers of Commerce at all levels in Africa and empower them so that they can contribute to a prosperous Africa. This conference aimed to enhance the role of all African Chambers as representatives of the private sector in their respective nations and to set the groundwork to form a strong continental chamber that serves on one platform, as one voice, with a common vision.

In addition, the VEGA project staff assisted ECCSA on the occasion of its second conference of Business Membership Organizations (BMOs) and prepared conference proceedings to be disseminated to its members. The purpose of the conference was to discuss problems encountered in the process to implement proclamation No. 341/2003 (on the establishment of Chambers of Commerce and Sectoral Associations) and the accompanying directive (regulating mode of organisation, representation at local, regional and federal levels and issues of legal registration for sectoral associations) during the last four years. Since then, many new BMOs have been established and officially recognized by MoTI at local, regional and national levels, including:

- 9 new Regional Chambers of Commerce and Sectoral Associations;
- 2 City Chamber of Commerce and Sectoral Associations (Addis & Dire Dawa)
- New Regional Chambers of Sectoral Associations (in principle also up to 11);
- Sectoral associations at national level (6);
- One new National Chamber of Sectoral Associations.

The VEGA project has covered part of the cost of the BMO conference (Br. 10,000) based upon the request received from ECCSA. In addition, for the betterment of service delivery by ECCSA and as it has been done for ETGAMA - the VEGA project developed proposal on human resource requirement and which can be submitted to donor programs including the USAID.

Participation in PSD related researches

The VEGA project participated in the research work of the Institute of Liberty and Democracy (ILD). The purpose of the research was undertaking comprehensive assessment on business related government procedures with specific emphasis to the export business. The research outcome is to be reported to the Prime Minister's Office. With the invitation of the VEGA project three business Associations, i.e., ECCSA, ETGAMA and the Ethiopian Coffee Exporters Association took part in the focus group discussion with the researchers. Key policy issues such as the property right, the competition law, taxation, access to work premises and finance...were major points of discussion.

The staff of the VEGA project also involved in the survey organized by Precise Consult International (PCI) on the situation of internet service in Ethiopia and managed to collect feedbacks of the questionnaires emailed to about 20 companies. Some of the outcomes of the survey indicated that the private sector operators have major complaint on the slow internet speed while doing business with companies overseas. The majority of the businesses are willing to pay for any faster internet service such as the V-SAT. The survey was initiated by the World Bank.

Linking Ethiopian companies with potential buyers

Continued linking Ethiopian companies with potential buyers in the U.S. and also provided information to new clients looking for information on AGOA and alternative means of local and overseas financing mechanisms. Companies engaged in honey processing, oils seeds export and marble production have been linked to an interested buyer in the U.S. The trade process between a honey processing company and the buyer in the U.S. has gone well. Negotiations on prices, capacity, packaging and reliability have been completed and it is expected there would be a first order. On the other side, the effort made with one of the leading leather products producer could not bring tangible result because the company's slow responses to the buyer.

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

This was initiated during the previous quarter. During this quarter, the VEGA project assessed the specific training needs by the Ethiopian Revenues and Customs Authority (ERCA) and ECCSA. A Scope of Work (SoW) for the U.S. Customs has been prepared based on ERCA's request for training. The major topic is the "Rules of Origin" and the ultimate objective is to build the capacity of ERCA in areas of customs related operations, mainly knowledge about rules of origin to better serve the business community and this training is envisaged to equip selected staff members (as well as that of ECCSA) with the knowledge of rules of origin, as it applies to the U.S. and, possibly, that of the rest of the developed nations; knowledge about types of entry and entry requirements, classifications

(nomenclature), determining admissibility/Customs examination of goods, restricted merchandises, etc; knowledge about tariffs and valuations; basic customs procedures; knowledge about U.S. import requirements referring to GSP/AGOA privileges; and ways of increasing operational efficiency within in the customs system, based on U.S. experience. Participants of this training will be staff members of the ERCA and ECCSA, Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA), Ethiopian Shipping and Freight Forwarders Association, Ethiopian Maritime and Transit, and Customs Clearing Agents Association. The participants will be with relevant job assignment in their respective institutions. The number of participants could be 15. The VEGA project is now waiting for the availability of the staff of the U.S. Customs to provide the training.

Technical assistance for Muya Ethiopia PLC

The VEGA Ethiopia office was approached by one of our most successful local women exporters Mrs Sara Abera of Muya Ethiopia PLC for support towards building capacity for training on pottery craftsmanship and design. Mrs. Patty Wouters who is an IESC volunteer expert came to Ethiopia to work with Muya and the potters within her compound as well as some potters found in the southern part of Ethiopia.

Pottery is an ancient form of art and Ethiopians have been using pottery for household goods for centuries, Muya is one of the pioneers of export quality pottery from Ethiopia. The firm has employed local potters to work within the Muya family as well as potters in regions in and around Addis Ababa.

Some of the key subjects covered under Mrs Wouters training on the ground in Ethiopia were,

1. Forward planning, strategy and objectives.

Given the fierce competition from markets with countries with highly developed tourism and related handicrafts

Projects and cheap substitutes from Asia, the project worked on four key action fronts:

- a. Crafts production development training.
- b. Market-led product development in related fields of activities (basketry, packaging) including mentoring.
- c. Business development including production support, technologies transfer and capacity building through enabling environment.
- d. Market access development-through improvement of existing markets on development of new markets in

Important meetings/visits made by the COP:

- meeting regarding the Diaspora project;
- accompanied guests from the USAID to IKA Factory visit;
- meeting with the banks selected for the Diaspora Direct Investment project at USAID;

- lunch meeting with the Minister of trade and industry;
- meeting/lunch at the U.S. ambassador's house/banking luncheon with the Ambassador;
- meeting with the Ministry of Foreign Affairs on the Diaspora issues;
- meeting at the conference organized by the African Development Bank on "Private Sector Development: Financing Ethiopia's Continued Growth";
- business dinner at the ambassador for Ireland;
- meeting at the African Chamber of Commerce;
- meeting at USAID on the Diaspora Project;
- Meeting at the Ministry of Foreign Affairs.

2. Diaspora Direct Investment (DDI)

BRIEF BACKGROUND

A DCA agreement was signed in September of 2008 to cover collateral requirements for women and Diaspora investors in an amount equal to USD 17.12 million. The program was designed to strengthen the ability of partner banks to extend loans to business enterprises in new sectors or targeted clientele. USAID will guarantee 50% of the borrower's collateral requirements and, if applicable, compensate up to 50% of loan losses due to business failures.

PROJECT UPDATE

The DDI team has been very busy since operations started in October of 2008. There are currently a staff of three which serve as a DDI Director, DDI Facility Manager, and DDI Communications Manager. The staff has been very active and busy in setting up procedures and policies related to the program.

All in all, the DDI project has demonstrated the ability to inform potential investors regarding DDI, screen qualified participants, and provide strong support for Diaspora investors and local women entrepreneurs. In the coming months, DDI staff is anxious in streamlining the process of loan approvals by applying various techniques to provide additional services to the targeted groups and make the loan approval process more efficient.

PROCEDURES IN PLACE

- a) Inform investors about the program and services that DDI provides
- b) Provide all requirements that are needed to qualify for the program
- c) Screen potential investors that are qualified to meet program criteria
- d) Collect and analyze all documents that are required by the banks
- e) Provide feedback to investors to improve business plans / feasibility studies in order to give them the best chance to secure financing
- f) Draft 2-3 page summary of the proposed project along with a supporting letter indicating that the project is backed by USAID
- g) Submit all pertinent legal documents along with proposal of project to the banks for approval

PAST ACTIVITIES

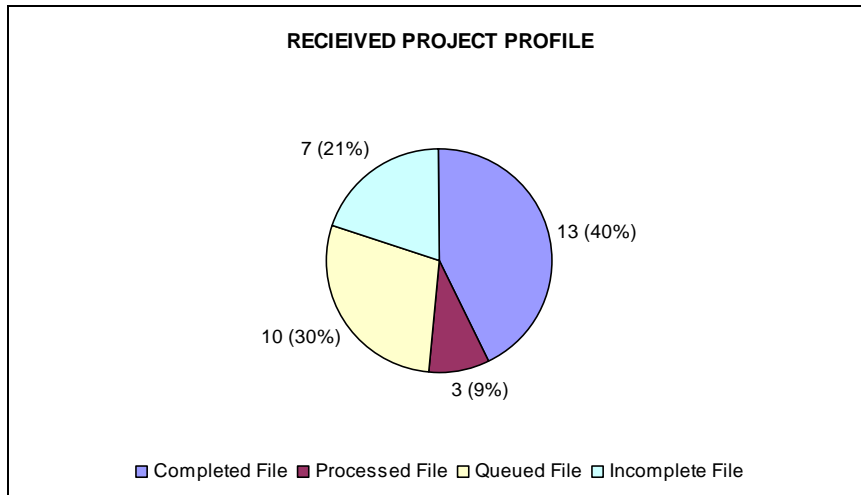
- a) Signed an agreement with NIB, Abyssinia, Dashen, and Awash Bank
- b) Hired competent staff to facilitate the DDI program
- c) Organized a successful press conference to publicize the program
- d) Met with banks to draft the requirement needs of potential investors
- e) Opened a new office to run DDI project
- f) Submitted 3 business proposals for loan approval

CURRENT STANDING

- a) Accommodated approximately 121 potential investors via office visits regarding the DDI facility program by providing different level of information
- b) Successfully opened an office for DDI staff to perform project duties
- c) Accepted a total of 30 applications of which 15 have completed all the requirements and 3 have been formally submitted to the banks for loan approval while 12 are waiting in queue to have a formal review and analysis prior to submission. It is anticipated that at least 6 of the files that have completed requirements will be formally presented to the banks before February of 2008.
- d) Visited 3 project sites to perform some level of due diligence
- e) Held discussions with participating banks regarding their need of capacity building. DDI is to provide a workshop seminar in order to meet the needs of the banks. We are currently seeking comments from the banks and assessing the overlapping needs to bring an expert from the US to provide training based on our assessment
- f) Streamlined the process of handling the multi-level needs of investors seeking financing for proposed projects

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Project Name	Business Type	Loan Amt (Birr)	Equity Amt (Birr)	Equity %	Total Cost	Investor	Remarks
AllemDess Plc	Coffee & Spices	\$ 10,000,000	\$ 7,287,573	42%	\$ 17,287,573	Diaspora	File Processed
Werfa Trading	Workshop Hardware	\$ 2,000,000	\$ 600,000	23%	\$ 2,600,000	Local	File Processed
Woyni Resorts	Hotel	\$ 10,000,000	\$ 4,463,455	31%	\$ 14,463,455	Diaspora	File Processed
Amaro Gayo Coffee	Export / Coffee	\$ 10,000,000	\$ 7,961,850	44%	\$ 17,961,850	Diaspora	File Completed
Awassa Hotel Resorts	Hotel	\$ 10,000,000	\$ 10,493,643	51%	\$ 20,493,643	Diaspora	File Completed
Betel Korasuma	Poultry Farm	\$ 1,610,732	\$ 690,314	30%	\$ 2,301,046	Diaspora	File Completed
Foreign Trade & Cleaning Services	Cleaning Services	\$ 700,000	\$ 300,000	30%	\$ 1,000,000	Local	File Completed
GORILLA ICT Solution	Distributor / Hardware	\$ 10,000,000	\$ 4,285,714	30%	\$ 14,285,714	Diaspora	File Completed
Kelly Environmental Center	Hotel	\$ 5,631,628	\$ 2,423,960	30%	\$ 8,055,588	Diaspora	File Completed
Khadar Jigre Adan	Building Materials	\$ 10,000,000	\$ 12,000,000	55%	\$ 22,000,000	Diaspora	File Completed
Marianne Plc	Food Services	\$ 10,000,000	\$ 7,395,000	43%	\$ 17,395,000	Diaspora	File Completed
Maxi Interlock Blocks	Building Materials	\$ 800,000	\$ 342,857	30%	\$ 1,142,857	Diaspora	File Completed
Seble Mamo Quarry Development	Quarry Development	\$ 2,776,113	\$ 1,295,876	32%	\$ 4,071,989	Diaspora	File Completed
Solerelax International Trade	Export / Sesame	\$ 7,000,350	\$ 3,000,150	30%	\$ 10,000,500	Diaspora	File Completed
St. Yared Hospital	Heath Services	\$ 4,991,081	\$ 4,078,837	45%	\$ 9,069,918	Diaspora	File Completed
	TOTAL	\$ 95,509,904	\$ 66,619,229		\$ 162,129,133		
	AVERAGE	6,367,327	4,441,282	36.4%	10,808,609		



3. American Chamber of Commerce in Ethiopia (AmCham)

Chamber Support

Background:

During this quarter, the VEGA Ethiopia AGOA+ team accomplished a rare feat in the form of the launch of the American Chamber of Commerce in Ethiopia (AmCham Ethiopia), the first international chamber of commerce ever to be inaugurated in Ethiopia and only the fourth of its type in sub-Saharan Africa. The inauguration event was a well planned event that attracted the attention of all media outlets in Ethiopia as well as many members of the foreign press from the U.S to Europe to nations all across Africa.

Although the concept behind the chamber as an image builder for the country and a useful tool for promoting two way trade and investment ties between the U.S and Ethiopia, the road to the inauguration of AmCham Ethiopia was not simple. Given the ambiguities in the Chamber of Commerce Proclamation of the Federal Democratic Republic of Ethiopia, it was unclear if such chambers were to be allowed to operate under Ethiopian law. The VEGA Ethiopia team worked in smooth coordination with Hon. Donald Yamamoto, U.S Ambassador to Ethiopia, the staff of the U.S Embassy Commercial Service, as well as member of the BEAT Team at USAID Ethiopia to successfully gain Government of Ethiopia approval for the launch and operation of AmCham Ethiopia. The coordination was crucial to gaining support from government officials including H.E Girma Birru, Minister of Trade and Industry (seen below) who attended the highly publicized launch event.



AmCham General Assembly Meeting and Board of Directors Election

Having succeeded in gaining government approval for the AmCham-Ethiopia to operate in the country, the next step in the process to fulfilling the requirement of joining the family of American Chambers of Commerce was to hold an open and transparent general assembly meeting to elect a board of directors. VEGA Ethiopia staff worked directly with the old members of the board of the now defunct Ethiopian American Business Community Association (EABCA) and coordinated the efforts of U.S Embassy and USAID Ethiopia staff to hold the first general assembly meeting of the AmCham -Ethiopia on November 27, 2008. VEGA furthermore offered expert advice and guidance to all parties on the proper process of establishing AmCham according to the rules, regulations, and customs of the U.S Chamber of Commerce.



The general assembly event, which was presided over by the guest appearance of Hon. Mr. Donald Yamamoto, U.S Ambassador to Ethiopia elected the first Board of Directors of the American Chamber of Commerce in Ethiopia in a free and transparent election process.

Launch Event of AmCham Ethiopia

VEGA Ethiopia led a team made up of members of the U.S Embassy Commercial Service, USAID Ethiopia, and the newly elected members of the Board of the American Chamber of Commerce in order to plan and execute a launch event for the AmCham. While logistics for the event will be handled by staff members of the U.S Embassy in Ethiopia, VEGA staff will contribute where assistance is required.

VEGA Ethiopia staff also will spearhead the publicity element of the event, compiling press release to be distributed to the press and working with the president and board of the AmCham to prepare for a press conference to be given during the launch event.

II. Market Linkage and Trade Capacity

Facilitated market access by Ethiopian Companies

Ethiopia has been seen as one of the sourcing destinations for the textile and garment products. One of the major achievements during the last quarter was the promising order received from a sourcing company JCM. The company created promising business linkages with two fully integrated textile and garment companies (Almeda and MAA garment). The business deal is expected to result into an export value of more than 5 million USD. The VEGA project facilitated the visit schedule by JCM in two occasions and accompanied Mr. Jean Cloud Mazingue in his trip to companies in the regions. The first shipment of the order placed by the Starbucks has also been effected during the quarter.

Each month, the VEGA office has had to provide information to a minimum of 10 inquiries from overseas. A Substantial number of Ethiopians leaving in the U.S. have also come to the office for AGOA and other VEGA projects information.

IV. Planned Activities for the First Quarter of 2009

A. AGOA

Activity
Continued linking Ethiopian companies with potential buyers in the U.S. and also providing information to new clients looking for information on AGOA and alternative means of local and overseas financing options
Assist in the functioning of the AmCham
Assist in the implementation of DDI project
Update program website & brochure
Training to Customs Authority
Update the Public with AGOA Successes - hold National AGOA Forum
Conduct staff meetings

B. DDI

FUTURE ACTIVITIES

- a) Organize second phase of discussions with the participating banks to determine the performance of the DDI project, inquire about additional services that DDI can provide to meet the needs of the banks, and filter out some technical questions that DDI is approached with regarding the processes that the banks have about each proposed projects
- b) Organize an informational conference in selected cities in the US to further promote direct investment in Ethiopia and expose the Diaspora to the available financing opportunities in the country
- c) Organize a training workshop / seminar in Addis Ababa for interested banks related to credit analysis, risk management, and risk controls (among other identified needs by the banks)

C. AmCham

- A) Assisting the launch event
- B) Obtaining services of an organizational expert to support the functions of AmCham
- C) Setting up of the Amcham office
- D) Hiring of key staff for the new office
- E) Working on a work plan and business plan for the association
- F) Organizing the first luncheon of the Amcham
- G) Setting up of an Amcham Website
- H) Setting up of the Amcham news letter