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AGOA+

Volunteers for Economic Growth Alliance

VEGA/Ethiopia African Growth & Opportunities Act (AGOA+)

Quarterly Performance Report: July 1 - September 30, 2006

**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 \$299,278 program is effective through June 29, 2007.

This report covers activities undertaken by the VEGA program during the fourth quarter of FY 2006, July 1 to September 30, 2006. All activities undertaken by the program are in compliance with the annual workplan. The major activities undertaken to date have contributed to promoting AGOA benefits to the Ethiopian business community and members of the Ethiopian Chambers of Commerce.

During this quarter, the AGOA+ team solidified its relationship with the Ethiopian Embassy in Washington, DC, partnered with donor agencies in Ethiopia to co-sponsor activities, played an instrumental role in coordinating a US buyers mission to Ethiopia, and facilitated the attendance of nine companies at the Material World trade show in the US.

Further details of the past quarter's activities are described below.

PROGRAM ACTIVITIES

A. Firm Level Assistance

Trade Show Facilitation

Beginning in early July, the VEGA program played a major role in supporting the preparation of garment and handicraft firms to participate in a major US trade show. Through the use of an IESC Volunteer Expert (VE) and volunteers from Ethiocorps (an Ethiopian American NGO), the companies received valuable assistance, guidance, and technical input that enabled them to effectively participate in the trade show. Material World New York, one of the largest material and sourcing shows, had representation from about 455 companies worldwide. Major areas of VEGA support included:

- Export readiness assessment
- Preparation of company websites
- Preparation of company profiles
- Preparation of company business cards and brochures
- Facilitation of access to World Bank (75% funding covered) and Trade Links LLC co-funding
- Co-sponsorship of an African Pavilion breakfast at the trade show

Nine Ethiopian companies were assisted to participate in the 2006 Material World trade show that took place in New York on September 26-28, 2006. This is the first time that such a large delegation of companies participated at a trade show of this

scope and size, representing Ethiopia as a sourcing country for garment and handicraft products. The companies represented included:

- Maa Garments
- WOW International
- Nova Star Garment
- Ras Dashen
- GG Super Garments
- Feleke Garment
- Oasis Abyssinia Garments
- Negist Ethiopia
- K Designs

Participation in the show was key to providing the companies a learning experience and provided marketing exposure (getting their names known) for the companies and Ethiopia. Most companies made between 10-15 good contacts; buyers asked for samples from at least 4 companies, and many of these leads are expected to translate into orders. Prior to the show, several sample items from K Designs were displayed in the “Trend Area”, which encouraged participants to visit their booth and the African Pavilion.

It is expected that requests for samples and follow up on leads made during the show will continue throughout the next quarter. More results of the show, including lessons learned, contacts, and deals, will be collected and reported by VEGA next quarter.

Company Visits

In connection with the company’s participation in the Material World trade show, the program staff visited garment companies in collaboration with a technical VE deployed from the U.S. Margaret Bishop, an international consultant/volunteer with over twenty years of textile and garment experience, visited Ethiopia last quarter to work with the nine firms on issues such as:

- Cost analysis
- Sample production for the trade show
- Marketing material
- Worldwide Responsible Apparel Production (WRAP) certification
- Material World expectations
- Interaction with buyers

With this support, companies were able to produce product samples and materials that were deemed to fit the US market, and which helped them effectively participate in the Material World trade show.

US Buyer’s Mission

Apart from facilitating companies’ trade show participation, the program also supported a trip to Ethiopia for US garment buyers, with collaboration from the World Bank program and individual garment companies. Three distinct US buyers

participated in the trip, visited six garment factories, discussed local products, US market interests, and met with the State Minister of Trade and Industry, Tadesse Haile.

The potential buyers were invited to observe the industry firsthand and obtain information about the Ethiopian garment sector. The buyers visited garment manufacturers, giving them an opportunity to get to know and understand the Ethiopian context and potential for the country to be one sourcing spot for garment and handcraft products. Two buyers reported that they would be doing business with the Ethiopian factories and have already given sample orders to some of the local firms. The CEO of the "Butta" brand (www.madeinAfrica.us), Dr. Bill Releford, was extremely pleased with the trip and has assured the Chief of Party (COP) that business with Ethiopia will be forthcoming. Dr. Releford thanked the VEGA program for sponsoring his trip and opening his eyes to the potential garment production that Ethiopia has to offer. The VEGA Ethiopia program shared a portion of the trips cost with the World Bank and companies on the ground.

Contacts/Linkages

In August, the COP linked with a firm called Simba Holdings, based in New York. The firm outsources garments to about seven countries all over Africa. The COP explained the VEGA program and how it supports Ethiopian exports. As a result of this contact, Simba Holdings was introduced to Nova Star, an Ethiopian garment factory, for a possible order of uniforms for export to the US. This effort is ongoing, and the COP, along with the US Outreach office at IESC, will monitor communication and provide further support and guidance as necessary.

The Office of the Commercial Attaché at the US Embassy introduced Mr. Schulze, Red Bench Group Limited, to the COP. Red Bench is a group based in Hong Kong and interested in investing in Ethiopia, with the possibility of sourcing products from Ethiopia. At this meeting, the COP explained the VEGA program and the advantages of exporting under AGOA to the US. Mr. Schulze, who is a close family friend of one of the largest retail chains in the US, has agreed to help promote Ethiopia and introduce the COP to a buyer for the retail outlet in the US.

It is expected that interaction with these contacts will continue throughout the next quarter.

New Clients

VEGA is adding Peacock Shoes in Ethiopia as a new client to the program. Peacock shoes currently exports factory made shoes to Europe through labels such as Clarks and Sketches.

VEGA will work with Peacock Shoes to introduce them to US buyers over the life of the program. During September, the COP worked with the Managing Director of Peacock shoes on the best avenues for entry into the US market, and we expect this work to continue next quarter.

B. AGOA Specific Activities

AGOA Outreach and Promotion

This quarter, the VEGA program was publicized through three regular weekly newsletters at the Ethiopian Chamber of Commerce and Addis Ababa Chamber of Commerce, as well as two published articles in an English daily paper (The Daily Monitor) as well as a weekly business magazine (Capital and Access). It is expected that close to 5,000 people will read these articles both in Ethiopia and through the Internet.

During the past quarter, the COP was interviewed on the VOA Amahric program. He discussed the VEGA program and the links and cooperation the program is exploring with the Diaspora community. The program was aired to a global audience of close to 10 million Ethiopians.

AGOA-related Research Activities

The number of local scholars interested in conducting AGOA-related research is increasing, and the AGOA office at the Ethiopian Chamber of Commerce (ECC) is being seen as focal point to solicit relevant and timely information. Three researchers from the Addis Ababa University were assisted this quarter to obtain information about Ethiopia's AGOA status and activities being undertaken.

National AGOA Steering Committee

VEGA organized and participated in the national AGOA steering committee meeting that took place at the ECC on July 25, 2006. Participants included the ECC Secretary General, the VEGA Ethiopia AGOA+ program, USAID/Ethiopia, US Embassy, the Ministry of Trade and Industry (MoTI), the Ministry of Foreign Affairs (MoFA), and the Ethiopian Customs Authority.

Participants received a copy of the report on activities undertaken from April to June 2006 as well as the latest AGOA export data. The major points of discussion included feedback from the June 2006 AGOA Forum participants (USAID and ECC) and discussion on the activities of the VEGA program.

Mr. Michael Klesh (USAID) and Mr. Andualem Tegegne (ECC) briefed the committee members about the AGOA Forum. Mr. Addis Alemayehou and Mr. Teklu Kidane (VEGA) presented activities of the VEGA program. It was suggested that VEGA, in an effort to diversify Ethiopia's exports, should consider the supply capacity of the exporters, especially those engaged in exporting agricultural commodities. For that, it has been said that the program should make an assessment of the available potential of selected exportable items that do not suffer from supply shortages.

2006 AGOA Forum

According to Mr. Klesh, Ethiopia's participation at the June 2006 AGOA Forum was very successful in terms of the strong delegation lead by the Minister of Trade and Industry. A 12 person delegation from Ethiopia sent a strong signal to US businesses, government and civil society. Business-related meetings were organized by the Corporate Council on Africa, Woodrow Wilson (Trade for Aid TCB Proctor and Gamble), and the Whittaker Group (financial mediation by the president of the Addis Ababa Chamber of Commerce and Sectoral Associations). Meetings with top US officials took place at the State Department and a civil society meeting at George Washington University. Discussions focused on the potential banking business between US and Ethiopia, the current status of AGOA and prospective changes regarding third country fabric extension, as well as an accelerated tourism promotion campaign for Ethiopian Airlines in anticipation of 787.

In addition, it has been reported that sample AGOA business intermediation occurred at the forum. Accordingly, Summit PLC and Jobera Flowers held meetings with Giant Stores Diversity Purchasing Manager, as well as with potential agents in Washington, DC and Seattle. Another Ethiopian company, Prosper International, was introduced to major US purchasers of agricultural commodities, subsequently providing quotations and obtaining a letter of intent to purchase linseed and sesame from Ethiopia.

Mr. Tegegne, Secretary General of the Ethiopian Chamber of Commerce, also briefed participants about his participation at the forum. He appreciated the civil society meeting that took place. The following are some of the general comments he provided for future improvements:

- The private sector representation should be all-inclusive and should not be limited to a few economic sectors;
- Caution is needed in selecting the delegates and there should sufficient orientation to the delegates on priority concerns that need to be raised at such a forum;
- The Ethiopian Chamber of Commerce should take the lead in facilitating selection and orientation of the delegates through its partnership project with USAID. This suggestion was accepted, and ECC will take the lead in facilitating participation in the 2007 AGOA Forum.

C. Program Partnerships

Ethiopian Embassy in Washington, DC

The VEGA program is working with the Ethiopian Embassy in Washington, DC to help position it to play a larger role in promoting Ethiopian companies in the US. Based on this effort, an Embassy staff member, Fitsum Hailu, was able to participate in the Material World trade show and conferred with participating Ethiopian companies.

These discussions created a favorable condition for the Ethiopian companies to explain the type of market assistance they need in order to enter the US market. An agreement has been reached between the VEGA program and Ethiopian Embassy to strengthen the already initiated collaboration for continuing efforts in promoting access to sustainable market opportunities in the US for Ethiopian exporters.

Enterprise Ethiopia

The VEGA program is playing a prominent role in providing access for Ethiopian companies to other donor support programs. The best example of such an effort is the joint initiative undertaken with the World Bank Matching Grant Scheme (managed by Enterprise Ethiopia). The nine Ethiopian garment and handicraft companies were able to solicit technical and financial support from VEGA, Trade Links LLC, and the World Bank program to participate in Material World 2006.

CAWEE

CAWEE, a local NGO working with women-owned businesses, is expanding its exports to several markets around the world. CAWEE and VEGA have worked as partners for almost a year, with CAWEE participating in several workshops held by VEGA, as well as trade shows (sponsored by the ECA Trade Hub). CAWEE, together with the Canadian Trade Facilitation Office and VEGA, are beginning to work on a Design Africa model to promote African handicraft producers in the US.

German Handicraft Chamber of Commerce

The Export Quality Management workshop, coordinated by the German Handicraft Chamber of Commerce in conjunction with VEGA, was held at the ECC on July 17, 2006. It was designed to provide participants with a working knowledge that will enable them to plan for export to any major international markets, such as Europe and the US. The training focused on:

- the nature of technical regulations
- the fundamentals of standards and metrology
- how inspection, testing, certification and accreditation provide the required demonstrable evidence
- how to find relevant information for the above

The role of VEGA was to invite companies to the training session and inform them of the program's role in working with Ethiopian export ready products to the US.

Participating companies included:

1. Agro Prom International PLC (engaged in export of sesame, Niger seed, pea beans, bed kidney beans and cumin seeds)
2. Ethiopian Honey and Beeswax Exporters Association
3. GG Super Garments
4. Ethiopian Grain Trade Enterprise (engaged in the trading of cereals)
5. Ethiopian Leather Industry PLC (engaged in export of various leather goods and articles)

World Bank

The COP held initial discussions with the World Bank Deputy Country Director for Ethiopia and Sudan on a potential joint program between VEGA and the Ethiopian World Bank office. The focus of the cooperation would be for a VEGA staff member to oversee and supervise the Donor Assistance Group (DAG) meetings, to help provide logistical support, as well as suggestions for donor synergies in an effort to support the private sector in Ethiopia. Should this cooperation materialize, it would enable VEGA to play a major role in supervising and assisting the World Bank facilitated DAG meetings as well as present possible cost sharing opportunities on other program initiatives.

D. Chambers of Commerce

Ethiopian Chamber of Commerce (ECC)

Apart from covering ECC's monthly internet costs, VEGA is extending assistance to organize semi-annual council meetings of all city chambers and sectoral associations. VEGA helped prepare official reports and invitation letters to council members this quarter. The facilitation of other ECC high level meetings are envisioned in future quarters.

The semi-annual council meeting held in August was one of the major meetings that ECC has conducted to date. The council meeting is mandated to review all the operational and financial performance of the national chambers and provision of overall guidance. Activities of all partnership projects with ECC must also be reported at such council meetings. Since VEGA is one of the several donor-supported initiatives to support ECC and the city chambers, its overall activities and planned interventions were reported.

The ECC AGOA project office prepared the necessary activity report, which was submitted to the Secretary General, and addressed to members of the council. Some items included in the report were:

- 135 enterprise owners engaged in various businesses
 - cereal and spice trade;
 - hotel and tourism;
 - wood and metal works;
 - transport services;
 - telephone, computer and IT services;
 - fruit and vegetable trade;
 - leather articles;
 - business development service provision;
 - coffee processing and packaging;
 - textile and garment production;
 - cattle fattening and meat exporting;
 - export of hides and skins;
 - agro processing and export of oil seeds and pulses.

- Diversification of Ethiopian Export Items and Participation at International trade shows
 - Export under AGOA diversified from textile, garment and handicraft to flower, oil seeds and honey;
 - US trade show participation to date: Global Sourcing Show - February 2006, World Floral Expo - March 2006, and Fancy Foods Show - May 2006;
 - Next trade show is Material World - September 2006 for textile and garment companies;
 - Total number of participating companies to date - 14.

- Companies export readiness assessment and trainings
 - 16 textile and garment companies assessed and 5-7 identified as export ready;
 - A consultative meeting was held at the ECC to discuss the findings of the field visit and to brief companies on how to “Export African Manufactured Apparel to the US Market Under AGOA”. 21 persons attended;
 - Training seminar held on “Developing Effective Export skills for the US Market” by an expert from Kenya. 25 company representatives participated.

- National AGOA Steering Committee
 - A National AGOA+ Steering Committee has been established;
 - The basic purpose is to enhance Ethiopia’s benefits under AGOA.

- Assistance to ECC and City Chambers
 - Monthly broadband Internet maintenance services of Birr 3,800 to ECC;
 - Branded ECC as a national institution that can provide significant support to the private sector, i.e. trade show facilitation, training on export markets, firm level technical assistance to improve quality and efficiency, and identified as a point of reference for AGOA related information;
 - Provided AGOA related information to all existing city chambers for further dissemination to member companies.

The council was also informed about the next priority intervention areas of VEGA including:

- undertake situation analysis of service delivery capacities of city chambers and find a means to assist the most disadvantaged chambers to improve their service delivery capabilities;
- identify and analyze existing exportable products by region and company and conform with AGOA list of products;
- Support in the maintenance of Made-in-Ethiopia website;
- coordinate the compilation of Ethiopian-American small and medium enterprise information into a central point of reference (i.e. databases);
- update ECC’s “How to Export Guide”.

Field level experience of VEGA showed that city chambers in the regions are constrained with:

- limited service packages to be delivered to the business community, thus fragile financial situation and reduced membership size;

- insufficient facilities such as internet connections and absence of trade information centers;
- lack of qualified personnel.

It was mentioned that VEGA would assess the possibility of assistance to solve these constraints.

Regional City Chambers of Commerce

The VEGA COP made visits to Bahir Dar and Gondar Chambers of Commerce and Sectoral Associations in the northern region to assess capacity building needs for better performance and sustainable services to member companies. The visit provided invaluable inside information on the needs of the said city chambers for possible VEGA support throughout the duration of the program.

E. Diaspora

Ethiocrats

The number of Ethiopians living in the US and looking for business opportunities in Ethiopia is increasing. The project office at the ECC is providing information to the Diaspora community accordingly. A minimum of 2-3 visitors each day come to the office seeking information on potential sectors for investment, company profiles, and detailed information about the opportunities of AGOA.

The VEGA program, in cooperation with our partner Ethiocrats, mobilized two Ethiopian-American fellows this quarter. The volunteers arrived in Ethiopia in early July to assist several of the garment companies who participated in the Material World trade show. They helped the companies by preparing websites, writing company profiles, brochures and designing business cards. It is anticipated that a similar effort would continue in other sectors throughout the program to help other companies in their marketing and promotion efforts, should there be a need and interest.

Ethiopian American Sports Federation

Every July 4th weekend, the Ethiopian American Community in the US has an annual gathering during the Ethiopian American Sports Federation Soccer tournament. This year, the event was held July 1-8, 2006 in Los Angeles, California. The event was attended by close to 40,000 Ethiopian Americans from all over North America and Europe. In conjunction with the event, a private Ethiopian owned publishing firm organized a workshop entitled "Engaging the Diaspora".

The COP was invited to speak on the workshop panel to discuss the VEGA Ethiopia AGOA+ program and the ways the Ethiopian Diaspora could get involved. The panel discussion gave the COP an opportunity to confer with key members of the Ethiopian Diaspora and assess potential program areas.

USAID ISSUES

A. Program Extension

At the request of USAID/Ethiopia, the VEGA program responded to a program extension request which, if approved, would extend the Ethiopia AGOA+ program to September 2008. USAID and VEGA have corresponded to address the program activities in detail, including a revised timeline of activities and a revised monitoring and evaluation plan.

B. Program Visits

In August, Congressman Payne, a representative of New Jersey, visited Ethiopia. The COP was asked by the VEGA CTO and the head of the business section at the BEAT Office to escort the Congressman on a visit to one of the VEGA Ethiopia client sites.

The client selected, Sara Abera, has been working with the project for sometime and is not only a program success but a success for Ethiopian women exporters. She has taken part in several international trade shows and is now a partner with a US client, one linked through the VEGA project. Ms. Abera explained the support she has received from the project, as well as from USAID, and the need for additional support in sourcing US markets for her products.

Also in August, Mr. Fritz, head of the Fritz Institute, a US-based NGO working towards development in Africa, visited Ethiopia to assess the various support projects being facilitated through USAID. At the request of the USAID BEAT Office and the VEGA CTO, the program accompanied Mr. Fritz on a site visit to Sara Garments. The COP explained the VEGA Ethiopia AGOA+ project as well as the support provided to the private sector and the Government of Ethiopia. Mr. Fritz was impressed with the progress and the support given by the project thus far, and has maintained communication with the CTO.

The VEGA program also facilitated visits from program staff: Mr. Earl Yates, VEGA Executive Director; Ms. Ashley Gasque, IESC Regional Director for Africa; and, Ms. Melinda Packman, IESC AGOA+ US Program Manager.

C. Other

In mid-September, Nova Star Garments, a VEGA client, launched the grand opening of their garment factory. Ethiopian government representatives, USAID representatives, sector partners, and the general public were invited to the event, to tour the factory and to view sample products. During a speech made by USAID/Ethiopia Mission Director Glenn Anderson, the VEGA program was thanked for their continued work and support in the textile and garment sector. Further, the Ethiopian President, Honorable Girma Wolde-Giorgis, thanked the US government for their support in promoting the Ethiopian private sector and export development.

FIRST QUARTER 2007 ACTIVITIES

- COP participation in Southern Africa AGOA Workshop in South Africa
- AGOA Steering Committee meetings
- Continued website development by Ethiocorps fellow
- Identify exportable products by region within AGOA product list
- Ensure follow up of Material World leads and contacts