



VEGA Ethiopia AGOA+ Program

**Quarterly Performance Report
October 1 – December 31, 2006**

**Leader with Associate Agreement (LWA)
EEM-A-00-04-00002-02**

**Associate Cooperative Agreement
663-A-00-05-00430-00**

Prepared for the United States Agency for International Development (USAID)

Implementing Organization:



Submitted: January 31, 2007

TABLE OF CONTENTS

I.	Executive Summary	1
II.	Program Activities	1
III.	Market Linkage	10
IV.	Second Quarter 2007 Activities	10

I.I. 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 first quarter of FY 2007, October 1 to December 31, 2006. All activities undertaken by the program are in compliance with the annual work plan. The major activities undertaken to date have contributed to promoting AGOA to the Ethiopian business community, the Ethiopian Government as well as donors involved in the development of the Ethiopian Private sector.

During this quarter, the AGOA+ team will be reporting on the results of the Material World Trade show in NY, links with the various donors in Ethiopia, preparation for the MAGIC trade show, and new business achieved.

II. PROGRAM ACTIVITIES

Trade show facilitation

It was reported last quarter that nine Ethiopian companies traveled to New York to participate at the 2nd edition of Material-World-Trade Show. The companies were from the garment/textile and handicraft businesses.

From the garment making business seven companies participated. Namely: Ras Dashen, NovaStar, WOW International, Feleke, OASIS Abyssinia, GG Super and MAA. In the handicraft category there were two: K-Design and Nigist Ethiopia, both of them being women operated enterprises.

All the companies received support from VEGA Ethiopia staff, the IESC office, in Washington, DC, and the World Bank program managed by an organization named '*Enterprise Ethiopia.*' The former mainly provided technical assistance and covered some financial costs, where the latter helped by providing funds needed to cover 75% of the total cost of participation.

The feedback obtained from the companies showed the benefits of attending the trade show:

- First time exposure for 98% of the companies
- Substantial number of trade leads
- Good opportunity to brand Ethiopia as an upcoming garment sourcing destination
- Group strategy developed: how to share orders, accesses supplies, share resources/technology/equipment
- Good understanding of buyers' needs and psychology

- Good opportunity for contacting dealers and industry professionals
- Several educational seminars attended, such as: trade challenges, opportunities, trends, Africa-specific presentations with Ethiopia as example of good trade partner
- Visits to well known brands such as GAP in NY
- Better understanding of the industry with representatives from companies up and down the supply stream
- Good opportunity to learn about required standards – e.g. WRAP certification
- Ethiopian products selected for the trend area – K-Design

Learning points achieved

- Need for efficient communication by companies – Knowledge of English language is essential
- Need to have technical managers as representatives at trade shows
- Finding a means for price competitiveness – by reducing production and transportation costs
- More market linkage support in the US is Critical
- Diaspora contact is equally important to attracting US buyers
- Repeated tradeshow participation by companies is essential to improve level of confidence in the global market
- Post trade show measures by companies are as important as pre trade show preparations
- More to be done in the areas of labor productivity, marketing, product certification, communication skills, looking for continuous supply of fabrics and dealing with customs bottlenecks
- Cost sharing by participating companies is essential and must continue in the future

The Southern Africa AGOA Workshop

The Southern Africa Trade Hub held an AGOA workshop on October 11-12 in Cape Town, South Africa, entitled “Expanding Processed Food Exports under AGOA.”

VEGA was present to see and hear the experiences from other African countries as well as US specialty food buyers at the event.

This two day event had people from sixteen African countries as well as several US buyers and food distributors. It was useful to learn about the specialty food industry in the US, market access and constraints faced by African firms trying to break into the US food market.

The two points noted for the future of Ethiopian specialty exports to the US are:

Since Ethiopia does not have a packaging industry to meet US standards, food would have to be re-packaged and labeled in the US; and,

Ethiopian firms should concentrate on dried fruit exports to the US due to lesser FDA regulations for these products.

Side Meeting at South Hub Workshop

At the end of the two-day workshop, the COP arranged a side meeting with members of the West Africa Trade Hub, the ECA Trade Hub, Mr. Bruno Cornelio, Ingrid White from the Africa Fast Track program and members of the Canadian International Development Agency as well as the South Africa Textile Association.

The meeting was to present the program that CIDA as well as members of the South Africa Textile federation are working on in promoting Africa as a source of value-added and high-end traditional garment and textile.

The group had just completed a very successful show in one of Canada's premier high-end trade shows in Montréal this past May called "Africa Design." The idea is to take this African design model to US shows with the support of the various trade hubs.

MAGIC

Over the past quarter, the VEGA Ethiopia program has been working in partnership with the ECA Trade Hub in Nairobi, Enterprise Ethiopia and the Ethiopian textile and garment producers association to organize yet another garment/textile trade show (MAGIC) to be held in Las Vegas, Nevada on February 13-16, 2007. The sales manager for MAGIC was in Ethiopia during the past quarter to do a workshop with Association members on MAGIC.

We are pleased to announce that **fourteen** Ethiopian firms will be heading to MAGIC which will make this the largest delegation to a major trade show for Ethiopia. Four of the firms will be sponsored by the ECA trade hub and the rest will be receiving support through the Enterprise Ethiopia matching grant program through the World Bank.

The VEGA office has held various workshops to provide critical input on what to expect at such a show, support in filling out the forms, and support regarding accommodations and ensuring that it was all done through the Association.

It is our objective that after this experience, the Ethiopian textile and garment producers association will be able to fully support and facilitate such trade show programs.

Assistance to Ethiopian Chamber of Commerce (ECC)

The VEGA project office provided technical support to ECC's department for Donor Support by reviewing and preparing PowerPoint slides of training materials on membership development. Participants of the training were from all city chambers, both existing and newly-established.

The project office also prepared a brief note on support services that city chambers and sectoral associations in the regions need for the US Embassy. In the meantime, it has been agreed with the commercial section of the Embassy to make joint visits to the regions and discuss possible joint support to the city chambers. Among others, city chambers in the regions need the following:

- professional and qualified persons;
- regular access to international market information, with specific emphasis on the US market – thus, the need to have fast and effective internet connections and websites;
- skills to generate personal income from marketable services to the business community; and,
- a budget to cover running costs such as purchase of training materials that include stationery items and CD-ROMs for information dissemination.

Proposed support by the US Embassy to city chambers and sectoral associations could be:

- Provision of current and relevant business information to foster trade relationships between US companies and those of Ethiopia;
- Assistance to chambers in acquiring high speed internet connections;
- Organization of video conferences for US companies with an interest in purchasing Ethiopian products; and,
- Organization of exchange visits by experienced professionals.

As has been done in previous quarters, VEGA helped the ECC by covering the cost of Internet maintenance.

Diaspora and Donors

VEGA had discussions with various donors on the need to incorporate the vast and untapped Ethiopian Diaspora towards the development efforts currently underway in Ethiopia.

The various donors who are part of the Donor assistance group in Ethiopia were keen to learn more of the Diaspora involvement and how best to support such a program. The main concerns from the World Bank were on ways to engage the Diaspora in supporting Ethiopia's export to the international market.

To this effect, VEGA's COP held a personal meeting with members of the World Bank private sector office to discuss ways of expanding outreach to the Diaspora.

Using the VEGA Ethiopia model, the COP was asked to put together a budget proposal for the World Bank to consider funding a fully fledged Diaspora export office in Ethiopia, with possible

satellite offices in various cities in the US, Europe, and possibly the Middle East, where the vast majority of Ethiopians are found.

The VEGA office was also asked to put together a proposal that would cover three main areas for immediate consideration by the DAG group:

A major investment forum to be held in September, during the Ethiopian millennium celebrations.

A comprehensive website that will have two major functions for the Diaspora (Incoming investment and export).

A tour of major Diaspora centers in the US and Europe as well as a possible Video conference link with major Diaspora groups in the US.

WRAP and the ILO

WRAP stands for World Wide Responsible Apparel Production and is a certification standard that US buyers look for in a supplier. The need for Ethiopian garment and textile manufacturers to be certified in WRAP is critical.

The issue was raised during the visit of our technical expert before the garment sourcing trip to New York and was raised again by a vast majority of the buyers who spoke to the Ethiopian suppliers during the show.

The VEGA Ethiopia team feels that WRAP certification for the Ethiopian suppliers would add to the marketability of the firms in the US and, as such, has developed a possible partnership with the International Labor Organization (ILO) office in Addis Ababa on collaboration to certify as many firms as possible under WRAP in the year 2007.

The COP, along with the program manager at ECC, held a meeting with representatives of the ILO on ways to find assistance on behalf of the sector in Ethiopia. Thus far, the response from the ILO office has been positive and we look forward to implementation of such a program in Ethiopia.

Enterprise Ethiopia (World Bank)

The COP and program manager at the ECC met with senior management of Enterprise Ethiopia to discuss future support and collaboration with VEGA regarding capacity building and trade linkages.

During the discussion, the two programs agreed that an immediate capacity building support is needed for the Ethiopian Textile and Garment association. As a result of the discussion, VEGA will develop a proposal for the Association requesting support from the World Bank.

The proposal will be for the hiring of one full-time staff member to assist with event coordination and providing logistics and information to members of the association.

This full-time staff member will provide support and information on market entry requirements, WRAP certification, trade show information, and information fund-sourcing from VEGA Ethiopia.

The Enterprise Ethiopia program has also agreed to fund the certification for WRAP for all interested firms operating in Ethiopia.

Field Trip

The COP, with the Program manager at the ECC, visited Awassa textile factor, c. 450 kilometers from Addis Ababa.

The visit was to check on the progress made thus far with the factory vs. plans for the factory under the new Turkish management. We found the factory to be busy installing new machinery for expansion of capacity and management with a clear understanding of the sector as well as the needs of the Ethiopian garment producers.

In discussion with the CEO of the Awassa textile factory, the COP raised the issue of WRAP certification, which was duly noted by the CEO, and also for the need to provide support to the local suppliers in terms of advice and market linkage.

The CEO of Awassa Textile has assured the COP of his willingness to support, in anyway he can, the realization of our program objectives within the Ethiopian textile and garment sector.

American Chamber of Commerce (Ethiopia Chapter)

The COP, with the program manager in Washington, DC, has been working on the formation of an Ethiopia American Chamber of Commerce in Ethiopia. The program manager, at the request of the COP, contacted the US Chamber of Commerce on the policy of setting up an international US Chamber of Commerce.

With the information received from the program manager, the COP held a lunch meeting with the US Embassy commercial attaché office, as well as the head of the BEAT office within USAID Ethiopia, to discuss the possibility of setting up such a chamber.

The COP was assured support would be provided by the US Embassy and the new administration at the Embassy is very much behind such a program in Ethiopia.

Meeting with State Minister of Industry

The COP met with the State Minister of Trade and Industry to provide background and information as well as a briefing on the recent AGOA third-country fabric extension.

At this meeting, the COP had the opportunity to brief the State Minister on the extension and what it means for the Ethiopian Cotton and textile sector, the need for Ethiopia to start the process of manufacturing quality fabric, and the future of the garment industry in Ethiopia.

The minister was also briefed on the past work of the program and the upcoming MAGIC show preparation and the need for the Ethiopian government to support such a show. The Minister thanked the program and the US government support provided thus far and assured all of his full support.

Website Update

The VEGA Ethiopia website (www.vegaethiopia.org) has been updated to include new information, with easier navigation for the increasing number of visitors.

The site now boasts:

- A library menu for visitors to find information on AGOA, studies done, lists of AGOA and GSP products;
- News menu with the latest news on our program;
- Pictures of the various trade shows and factory floors'
- A calendar of events upcoming for the year; and,
- Company of the month feature with product list, pictures and contact info

World Flower Show

The VEGA Ethiopia project has been working closely with the ECA Trade Hub office on supporting four Ethiopian firms to attend the World Flower Show in Miami, Florida, in March 2007.

The show will be the second show for Ethiopian firms and it fits into our objective of diversifying Ethiopia's export to the US. VEGA has been providing logistics and information to the ECA trade hub to support such a project.

In the next quarter, the ECA trade hub will send a technical expert to Ethiopia to provide support to the firms attending the Miami show. The year 2006 saw Ethiopia's export of roses to the US rise by 157%, according to the US International Trade Commission website.

We feel a need to provide more support in market linkage to this sector is needed and the Miami trade show is part and parcel of that support, getting Ethiopia noticed by US Flower buyers.

III. Market Linkage

During the past quarter, the VEGA Ethiopia AGOA+ program contacted various buyers and possible partners for the Ethiopia private sector, including:

- Emergent Global (www.emergentglobal.net), a US based Ethiopian American firm as a new partner to the program. The Managing Director of the firm was in Addis Ababa recently to meet with the COP on ways the AGOA+ program could facilitate a market link with Ethiopian exporters. The COP has arranged for the managing director to meet with various exporters and has shared the export database.
- Mr. Victor Ozeri, the CEO of Interasian (www.interasian.com). Mr. Ozeri and the COP met in Addis through Bob Berg of MAGIC. Mr. Ozeri is a major importer and distributor of sports uniforms and other products in the US. The COP will be in touch with the CEO for a quick, and possibly, successful market linkage with Ethiopian firms.
- Gatepro USA is another Ethiopian American firm with interests both in Ethiopia and the US. The CEO of Gatepro has been working with the VEGA Ethiopia AGOA+ project in introducing Ethiopian exports to the US market. The firm has now signed with six Ethiopian growers to export to the US.

IV. Second Quarter 2007 Activities

- MAGIC Show Participation
- Addis Ababa Chamber of Commerce International Trade Show
- The World Flower Show in Miami
- Bringing on additional program staff
- AGOA steering committee Meeting