

Technical Assistance Project for the Upgrading of the Ethiopian Leather and Leather Products Industry

Context

Ethiopia's 90-million cattle, sheep and goat population is one of the world's largest, and its highland sheepskins and Bati Genuine goatskins enjoy international recognition for their unique mixture of fine characteristics. The country's 27 tanneries are largely export-oriented and produce both semi-processed and finished leathers. About a dozen large mechanized factories spearhead the footwear industry, some of them having lucrative subcontracting arrangements with Italian, Chinese and German companies, while numerous small and medium-size enterprises tend to cluster in various districts of Addis Ababa, most notably Merkato. An emerging leather garment sector is catering mostly to the domestic market, and lately a number of small companies have gained a foothold in the international market for upscale leather accessories with products featuring an ingenious mixture of ethnic motives and modern design under the label Taytu – Made in Ethiopia.

Strategy

At the request of the Ethiopian Government, UNIDO elaborated a Master Plan as the blueprint for what became an Italian-sponsored programme entitled: "Technical assistance project for the upgrading of the Ethiopian leather and leather products industry" launched in 2009. The Project has adopted a comprehensive and "systemic" approach, which is commendable since the sector requires multi-front interventions, including policy interventions, for improved competitiveness. An analysis of strengths, weaknesses, opportunities and threats (SWOT) was the basic tool used to determine the conditions of the Ethiopian leather sector. The next step was a benchmarking exercise that compared the Ethiopian leather sector with four best performers: India's West Bengal, Viet Nam (leather and footwear), China (footwear) and Italy (footwear). Conclusions drawn from these comparisons were used to formulate recommendations as a policy mix capable to upgrade the country's leather value chain and facilitate the access of Ethiopian products to the global market.

A Top-Down ("Pull") approach the defining strategy of the programme has been a "top-down (pull) approach" modeled on the policy mix applied in China and Italy in the footwear industry. According to this approach, development policies applied primarily in the footwear industry exert demand pressure for more and better leather, which pulls tanneries up to a higher performance level; in turn, tanneries demand more and better raw material thereby having the same upward pulling effect upon the bottom level of the value chain, the suppliers of hides and skins. The main driving forces in the application of the top-down development strategy have been Ethiopia's Leather Industry Development Institute (LIDI), and the mechanism of subcontracting.

Impact/Outlook

- ♦ Expansion through UNIDO cluster development approach of the base of leather products by artisan workshops in order to create a critical mass participation in the export activities including product development and promotional support. Conversion of Ethiopian hair-on sheepskin into high added value expensive items, such as dressing gloves.
- ♦ Export development of shoes through expanded participation of large companies and artisan clusters - targeting markets such as Europe, COMESA and Russia.
- ♦ Establishment of a common effluent treatment plant (CETP) for a cluster of existing and relocated tanneries at Modjo town for the realization of the "Modjo Leather City".



Results:

The impact of this comprehensive UNIDO programme has drawn repeated statements of appreciation from the Government of Ethiopia, and implementation has been extended beyond 2012. Among the most important results:

- ♦ Most notably, between 2006 and 2012, the total value of Ethiopia's exports of leather and leather products grew from US\$ 66 million to US\$ 112 million
- ♦ The shift from raw material exports towards exports of finished leather, shoes and leather goods
- ♦ Major foreign shoe manufacturers such as ARA of Germany, GEOX of Italy and China's Hua Jian Industrial Holdings, which pledged recently to invest US\$2 billion and create 100,000 jobs over the next ten years, have started subcontracting operations in Ethiopia
- ♦ Accreditation of the modern laboratory facilities at LIDI, in 21 physical and chemical tests for finished leather, shoes and wastewater have by the South African National Accreditation System (SANAS)
- ♦ Introduction of an enterprise resource planning system developed in cooperation with LIDI introduced in 10 plants including two institutions (LIDI and ELIA)
- ♦ Creation of a Brand "Taytu-Made in Ethiopia" grouping 12 local companies and paving the way to "niche markets" in Europe, USA and Japan

At a Glance

GOAL:	to upgrade the technical and managerial capabilities of all players in the Ethiopian leather sector in order to create favorable conditions for increasing the country's export as well as FDIs in the local leather and leather products industry (LLPI)
MDG:	The project is supportive of MDG 8 "Develop a Global Partnership for Development" in as much it fosters increased quality exports of leather, footwear and leather products in general.
THEME:	TCB
DONORS:	Italy (the Italian Cooperation)
PARTNERS:	Ministry of Industry and the Leather Industry Development Institute
BUDGET:	2,6 million Euro (€)
STATUS:	Ongoing
DURATION:	Since May 2009