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The Ethiopian Leather Sector Competitiveness Cluster

“Towards Leather Together”

Presented to
The PAN AFRICAN COMPETITIVENESS FORUM
Launch Conference
Addis Ababa - April 14, 2008

by
Teshome Kebede
USAID Agribusiness & Trade Expansion Program
ETHIOPIA





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Some Truth About Ethiopia's Leather Sector

- Ethiopia is among the world's top ten countries endowed with the largest livestock resources
- 60% of the world's finest quality of gloving leather comes from Ethiopia
- The leather sector is the fourth largest industrial sector for the country
- The industry is just a starter exporting largely low value-added semi-processed hides and skins



Some truth...contd.

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❖ Factors affecting the sector's competitiveness:

- In Ethiopia, animal breeding is traditional and household based
- Most of the slaughtering is done in private homesteads instead of abattoirs
- Collection of raw hides and skins involves a long line of supply chain with incoherent relationships



- Quality is suffering and earnings reducing as a result
- **Huge global market – <70bln per annum and increasing**
- **Ethiopia shares <1/10th of 1% of this!**



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Main Opportunities in Clustering the Industry

- *Integrates VC actors to coherently work together*



- *Enlarges the industry capacity to mitigate problems*
- *Increases their respective shares than otherwise*
- *Makes them competitive in the global markets*



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The cluster model selected



Working Together



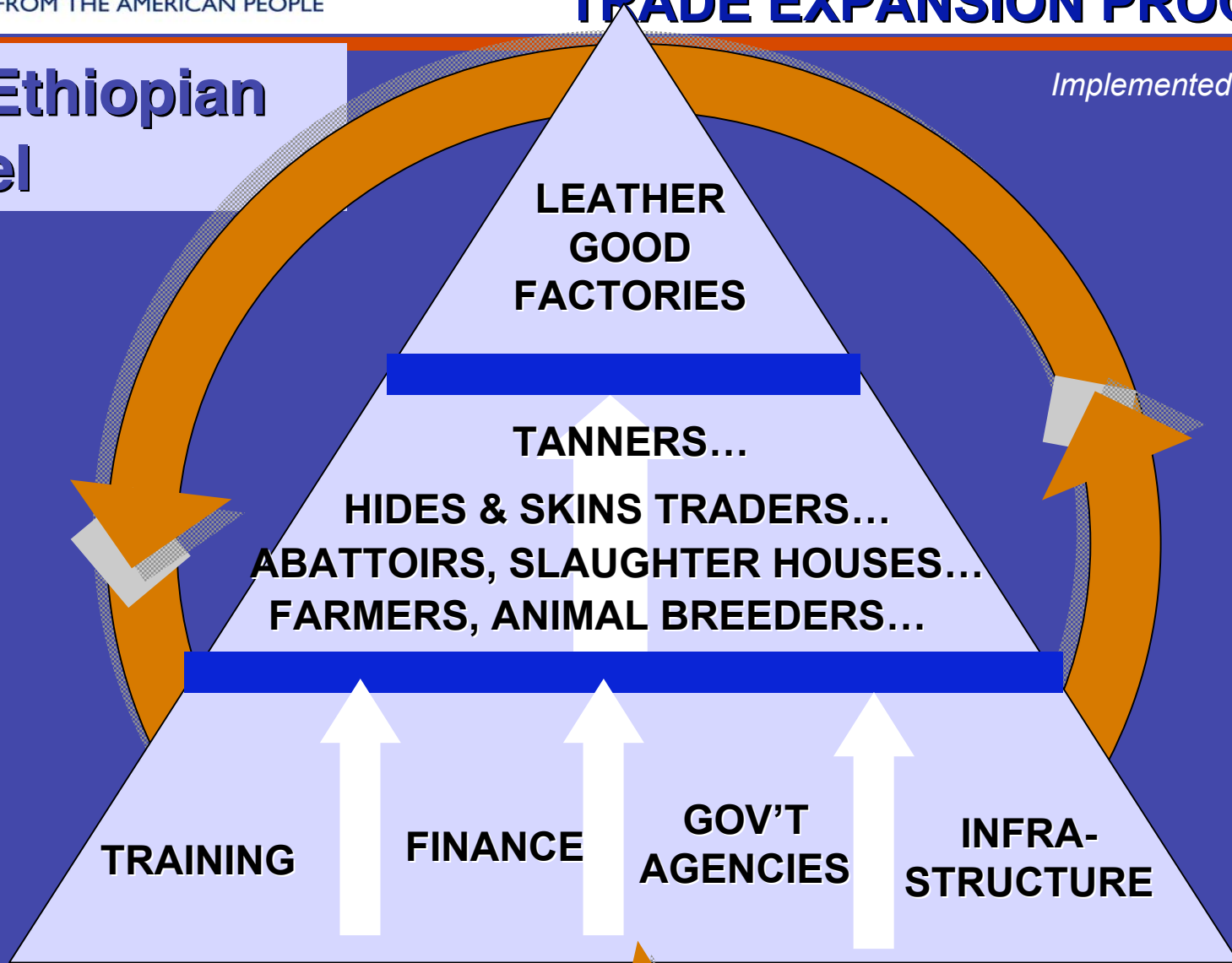


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The Ethiopian Model



WORKING TOGETHER FOR A COMMON GOAL



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The Objective

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Support national programs in HSL development with new policy inspirations by:

- ❖ promoting a culture of team work across the industry
 - ❖ boosting private sector initiatives,
 - ❖ creating new areas of public/private partnerships,
 - ❖ taking direct action to seize more market share
- ...and as a result:

**INCREASE HSL EXPORTS BY OVER
IN THREE YEARS**

70%

We call this initiative **“TOWARDS LEATHER TOGETHER”**





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In TLT, Cluster members set priorities

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CWGs discuss Issues



Consult with professionals



Vote for most pressing matters

Priorities Articulated

- ❖ *Improve quality of raw material*
- ❖ *Urgent need for cluster working group dev't.*
- ❖ *Concerted action in human resource dev't.*
 - ❖ *Enhancing technological capacity*
 - ❖ *Widening market outreach*
 - ❖ *Improving the business climate*
 - ❖ *Upgrading physical infrastructure*

...and many others have been identified and continue to be.



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The priorities are converted into business plans

- ❖ Each one of them addressing:
 - Cluster challenge to be overcome
 - Objective of the proposed action
 - Key steps needed for implementation
 - Expected obstacles along the way
 - Resources required & committedAll leading to anticipated success

And most importantly:

Name a responsible person to CHAMPION
each action initiative



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The Cluster in Action

Our TLT is now 20 months old.

The following are the fast track cluster projects now being implemented headed by business leaders and professionals in the government:

- | Quality Improvement through Hides and Skins Diseases Control
- | Improvement of Harvesting Management, Increase Raw Stock Collection
- | Widening Industry Linkage to Global Markets
- | Making National Training Center, LLPTI, The Center of Excellence for the Ethiopian Leather Industry
- | Optimization of Financial Services to Industry
- | Enhance Marketing of High-end Valued Added Products
- | Strengthen Industry's Access to National Science & Technology Resources
- | Increase Efficiency and Capacity Utilization of the Tanning Industry





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Cluster Members Champion Action Initiatives

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Qty Improvement



Alem Asfaw

General Manager
Ethiopia Tannery S.Co.

Quantity Increase



Hussien Feyissa

Mrktg & Tech Mgr
HAFDE Tannery

Value-added Exports



Solomon Yesuf

General Manager,
Jonzo Leather

Industry Finance



Ato Elias Bedada

General Manager Pea
Cock Shoes Factory

Center of Excellence



Dr Eng. Belai Wodeyes

Director General LLPTI

Market Outreach



Abdissa Adugna

Secretary General ELIA

Science & Technology



Dr Eng. Daniel Kitaw

Director General University/Industry
Partnership - AAU



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**Each Action Initiative is Structured
with**

Objectives

Strategies

Expected Results



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Quality Improvement

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Objective:

Make 8 million pcs of additional raw stock available to the industry

Strategy:

- Treat animal health diseases
- Improve animal husbandry practices
- Increase farmer's benefits
- Coordinate with existing campaigns
- Take lead role in model campaigns
- Train community animal health workers
- Support rural vet dispensers
- Increase public awareness

Deliverables:

- Full treatment in areas involved
- Infestation level reduced to < 25%
- Rural drug supply and provision of treatment by communities sustained

1. Leveraged funds



2. Trained 550 veterinary TOTs in ectoparasite control



3. Regional treatment campaigns involving 42% of shoats held



Fig. 31 A technician spraying a sheep with insecticide against lice and ticks.

4. Supporting training & launch of CAHWs

5. Promoting rural vet clinics



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Quantity Increase

Objective:

Increase collection of HS by 3 million pcs

Strategy:

- Train technicians in RS management
- Support up-grading of abattoirs
- Establish collection centers
- Reduce post harvest damages
- Create live industry/trade relations
- Enhance competitive market structure
- Increase public awareness
- Support establishment of mini abattoirs

Deliverables:

- Most slaughtering done by trained techs.
- Post mortem defects reduced to <10%
- Urban/rural collection centers established in all focus regions



Production



Enhance Collection



Better management

Link trade to industry

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1. Trained 898 harvesting trainers in four regions, now training in their respective localities

2. Provided tech funds for upgrading model abattoirs



The new Collection center



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Marketing

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Objective:

Increased exports consumer goods of leather to high end market segment

Strategy:

- Build capacity of factories in the area
- Support building national image
- Link domestic producers to world class out sourcing companies
- Support rolled out market promotion programs, (of Ethiopia and Ethiopian leather goods.

Deliverables:

- >25% of export earnings from finished consumer goods.
- Established consistent relationship with world class buyers

1. Supporting “*Made in Ethiopia*” brand formation: The TAYTU Project



2. Supporting participation in high end trade fairs:
 - *Paris October, 2007
 - *New York February 09 11/08,
 - *Los Angeles March 14 – 16/08



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Some of TAYTU's Products

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*Presented in New York, 9 – 11 February
Los Angeles, March 14 - 16*



and in Paris, 6 – 8 October



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2. Supporting participation in high end trade fairs:

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*New York 09 – 11 February, 2008

*Los Angeles 14 – 16 March, 2008

3. Linking local companies with world class buyers

4. Supporting international investors in finished goods:



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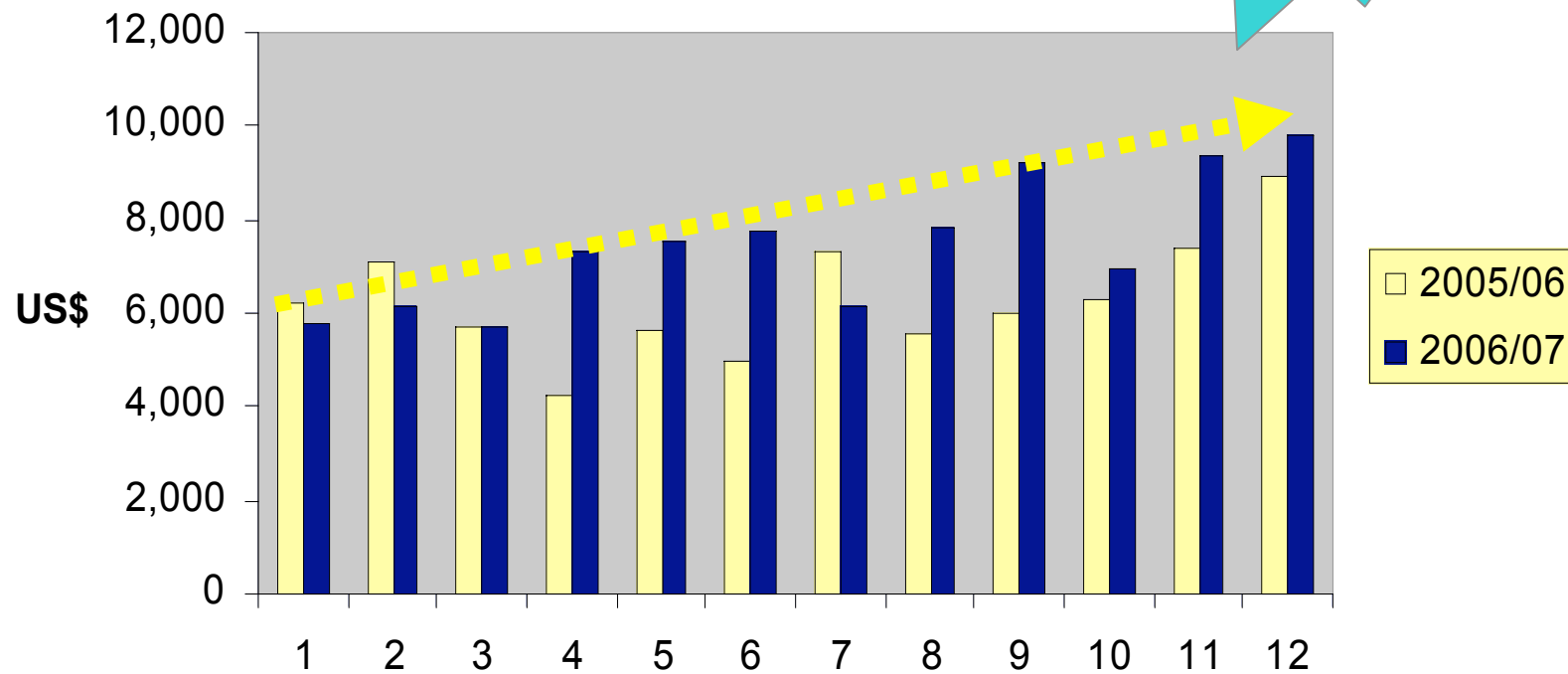
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We are on an encouraging track

**18.7%
Sector
Export Growth
This Year**

National Leather Sector Export Performance
FY 2006/07





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Challenges

ISSUE

1. Trust in working together:
 - Selfish interests
 - Nostalgia and bad experience
2. Institutional framework:
 - Private sector leadership
 - Legislative support
3. Desire for quick results:
 - Lack of stamina to sustain
4. Lack of funding

ANSWER

1. Shared vision:
 - Change of mind set (**COOPETITION**)
 - Pilot projects and test runs
2. Empower Associations:
 - Promote social entrepreneurs
 - PPP
3. Fast paced initiatives:
 - Early victories
 - Measurable outcomes
4. Non-traditional funding leverage



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Proving the age old sayings

***“A strand of thin fibers
makes a rope that harnesses a lion”***

“Unity is strength”

***“United we stand;
divided we fall”***



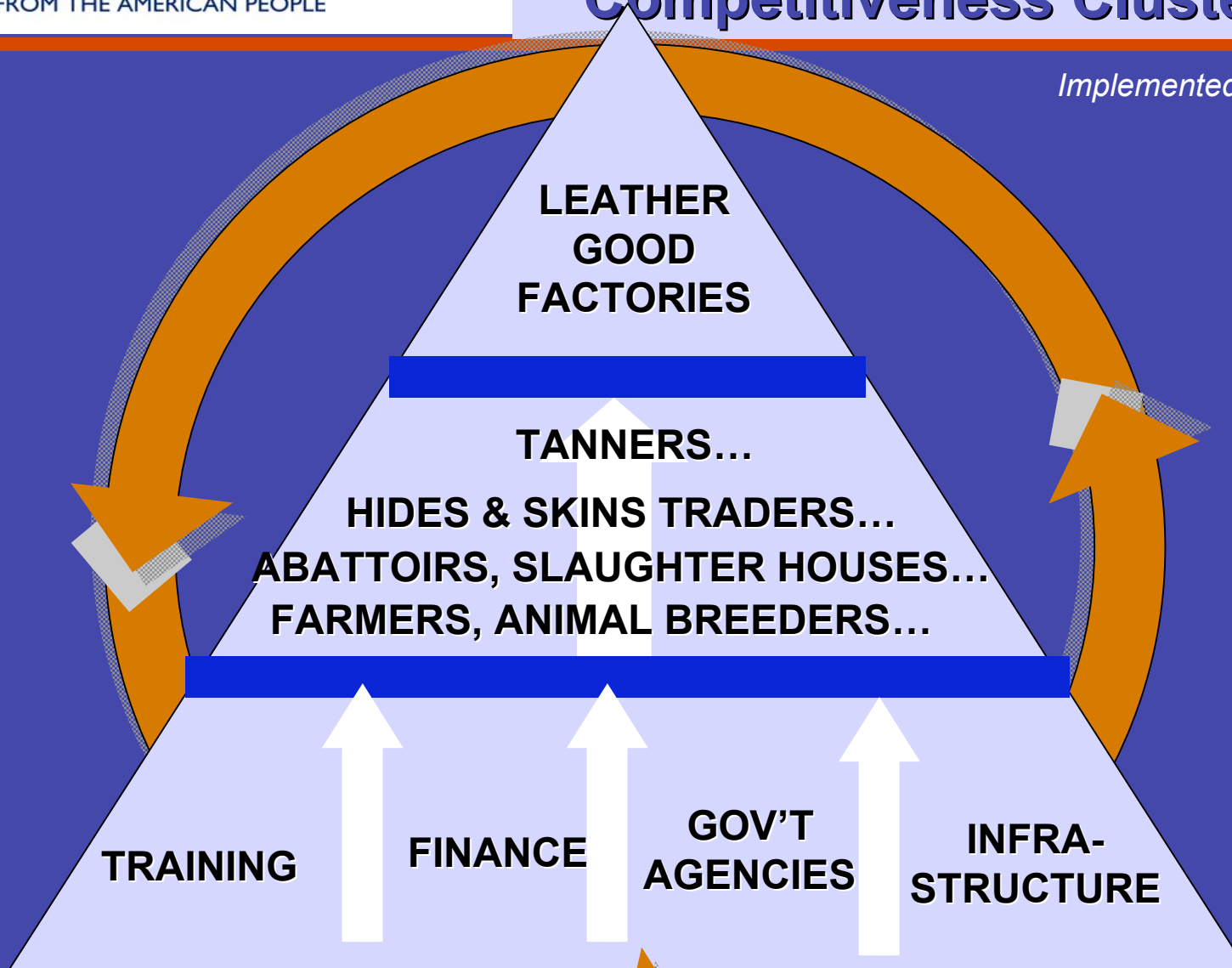
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