

Independent Evaluation Report

ETHIOPIA

Technical assistance project for the upgrading of the Ethiopian leather and leather products industry

UNIDO project number: TE/ETH/08/008



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

UNIDO EVALUATION GROUP

Independent Evaluation Report

ETHIOPIA

Technical assistance project for the upgrading of the
Ethiopian leather and leather products industry

UNIDO project number: TE/ETH/08/008



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna, 2012

Distr. GENERAL

ODG/EVA/12/R.8

December 2012

Original: English

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Mention of company names and commercial products does not imply the endorsement of UNIDO.

The views and opinions of the team do not necessarily reflect the views of the involved Governments and of UNIDO.

This document has not been formally edited.

TABLE OF CONTENTS

ACKNOWLEDGMENTS.....	V
ABBREVIATIONS AND ACRONYMS	VI
GLOSSARY OF EVALUATION RELATED TERMS	VII
EXECUTIVE SUMMARY	IX
1. INTRODUCTION.....	1
1.1 OBJECTIVES OF THE EVALUATION	1
1.2 METHODOLOGY	2
1.3 STRUCTURE OF THE REPORT.....	3
2. COUNTRY CONTEXT	4
2.1 GENERAL CONTEXT	4
2.2 ETHIOPIA’S LEATHER AND LEATHER PRODUCTS INDUSTRY (LLPI).....	5
2.3 GOVERNMENT POLICIES	16
3. UNIDO SUPPORT TO THE LEATHER SECTOR	19
3.1 HISTORY OF INITIATIVES	19
3.2 THE MASTER PLAN	22
4. PROJECT IDENTIFICATION, DESIGN AND STRATEGY	25
4.1 PROJECT IDENTIFICATION	25
4.2 PROJECT DESIGN.....	25
4.3 CHANGES IN THE PROJECT DESIGN.....	27
4.4 PROJECT STRATEGY	28
5. PROJECT IMPLEMENTATION	31
5.1. CAPACITY BUILDING	32
5.2 COMPANY SUPPORT.....	33
5.3 ENVIRONMENT AND COMMON EFFLUENT PLANT	38
5.4 SUPPORT TO MSMES (INFORMAL SECTOR)	39
6. ASSESSMENT BASED ON EVALUATION CRITERIA	42
6.1 RELEVANCE AND OWNERSHIP.....	42
6.2 EFFICIENCY AND COORDINATION	44
6.3 EFFECTIVENESS AND IMPACT	46
6.4 SUSTAINABILITY	51
6.5 STRENGTHS AND WEAKNESSES OF THE PROJECT.....	52
7. CONCLUSIONS, LESSONS AND RECOMMENDATIONS.....	56
7.1 GENERAL CONCLUSIONS AND LESSONS	56
7.2 SPECIFIC CONCLUSIONS AND RECOMMENDATIONS	58

Annexes

Annex A: Terms of Reference

Annex B: List of persons met

Annex C: List of FDI investment in the leather and leather products industry
(2003-2012)

Annex D: Major problems along the leather and leather product industry value chain

Annex E: List of experts who conducted work under the project with brief role

Annex F: Detailed description of project outputs

Annex G: List of references

ACKNOWLEDGMENTS

This evaluation report has benefitted from many individuals. The CTA and staff members of the project office made themselves available for interviews, provided all necessary documents and arranged evaluation meetings. The UNIDO project manager spent time with the evaluators for in-depth discussions on a number of occasions. Key informants at Ministries, LIDI, ELIA, EIFCCOS, various associations and agencies as well as in enterprises and factories have also willingly taken their time to provide information and discuss issues.

ABBREVIATIONS AND ACRONYMS

CLRI	Central Leather Research Institute of India
CND	Cluster and Networking Development
CTA	Chief Technical Advisor
EASLIA	Eastern and Southern Africa Leather Industries Association
ECBP	Engineering Capacity Building Program
ECF	Ethiopian Competitiveness Facility
ETPs	Effluent Treatment Plants
EIA	Ethiopian Investment Agency
EIFCCOS	Ethio-International Footwear Cluster Cooperative Society
ELIA	Ethiopian Leather Industry Association
EPA	Ethiopian Privatization Agency
ERP	Enterprise Resource Management
ETP	Effluent Treatment Plant
FDDI	Footwear Design and Development Institute
FeMSEDA	Federal Micro and Small Enterprise Development Agency
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GTP	Growth and Transformation Plan
LLPTI	Leather and Leather Products Technology Institute
LLPI	Leather and Leather Products Industry
LLPTI	Leather and Leather Products Training Institute
LIDI	Leather Industry Development Institute
MoTI	Ministry of Trade and Industry
MoARD	Ministry of Agriculture and Rural Development
MoTI	Ministry of Trade and Industry
MSMEs	Micro and Small/Medium Enterprises
NIS	National Institute of Standards
PDC	Product Development Center
QSAE	Quality and Standards Authority of Ethiopia
ReMSEDAS	Regional Micro and Small Enterprise Development Agencies
TDA	Top Down Pull Approach
TIDI	Textile Industry Development Institute
TLIDC	Textile and Leather Industry Development Centre
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization

GLOSSARY OF EVALUATION RELATED TERMS

Term	Definition
Conclusions	Conclusions point out the factors of success and failure of the evaluated intervention, with special attention paid to the intended and unintended results and impacts, and more generally to any other strength or weakness. A conclusion draws on data collection and analyses undertaken, through a transparent chain of arguments.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.
Impacts	Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
Indicator	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.
Institutional development impact	The extent to which an intervention improves or weakens the ability of a country or region to make more efficient, equitable, and sustainable use of its human, financial, and natural resources, for example through: (a) better definition, stability, transparency, enforceability and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Such impacts can include intended and unintended effects of an action.
Lessons learned	Generalizations based on evaluation experiences with projects, programs, or policies that abstract from the specific circumstances to broader situations. Frequently, lessons highlight strengths or weaknesses in preparation, design, and implementation that affect performance, outcome, and impact.
Logframe	Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic

Term	Definition
	elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention. Related term: results based management.
Outcome	The likely or achieved short-term and medium-term effects of an intervention's outputs. Related terms: result, outputs, impacts, effect.
Outputs	The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.
Recommendations	Proposals aimed at enhancing the effectiveness, quality, or efficiency of a development intervention; at redesigning the objectives; and/or at the reallocation of resources. Recommendations should be linked to conclusions.
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies. Note: Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances.
Results	The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention. Related terms: outcome, effect, impacts.
Sustainability	The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long term benefits. The resilience to risk of the net benefit flows over time.

EXECUTIVE SUMMARY

This evaluation focuses on the project ‘Technical Assistance Project for the Up-grading of the Ethiopian Leather and Leather Products Industry’ (TE/ETH/08/008 – referred to as “Project”) but takes also into account previous UNIDO projects in the Ethiopian leather sector. The majority of these interventions, including the one at stake, were funded by the Italian Cooperation, one of UNIDO’s main donors.

The Project has been implemented by UNIDO between 2009 and 2012 in cooperation with the Ministry of Trade and Industry (MoTI). The budget amounts to 2.6 million euros. The evaluation was conducted between March and May 2012 by Professor Tegegne Gebre-Egziabher. In July 2012 Mr. Stefan Pfanner and Mr. Amanuel Kussi conducted complementary research on poverty issues, the informal leather sector and spillovers from subcontracting.

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. The Government adopted this comprehensive approach in its sector strategy, based on a “Master Plan” for the leather sector drafted by UNIDO under a previous project in 2005. The project implements important parts of this “Master Plan”.

At country level, the main purpose of the Project has been to upgrade the leather and leather products industry by catalyzing changes in the sector. The “Master Plan” introduced technical benchmarking as a powerful method to create awareness of international excellence standards and a positive attitude of competitiveness among producers. The Government decided to entrust the Central Leather Research Institute of India (CLRI) with the practical implementation of the benchmarking method at company level.

This evaluation has ascertained that the project is well aligned with the government policy and is fully owned by stakeholders at the highest level. The initial planning of the project included capacity building at the national leather institute LIDI, multidisciplinary support to a number of pilot factories in the shoe industry and support to the large numbers of Micro and Small/Medium Enterprises (MSMEs), which make up for half of Ethiopia’s shoe production, although many of them are still in the stage of “informality”.

Project relevance for LIDI and the formal sector was high. However, relevance for shoe manufacturers in the informal sector was dramatically reduced when the Project Steering Committee decided to redefine project priorities and refocus on the “modern” sector. Relevance for informal shoe manufacturers was, however, partially restored

again at the end of 2011 when the Ethio-International Footwear Cluster Cooperative Society (EIFCCOS), the leading association of MSMEs in the shoe sector, requested UNIDO to assist a cluster of small shoe manufacturers at the newly built EIFCCOS premises in Yeka. This assistance was still ongoing during the evaluation.

The bulk of the Project aimed at improving the capacity of the sector by imparting skills, introducing new products, introducing quality assurance, creating exposure to international markets and improving the management and marketing operations of firms. This approach has been implemented by focusing on selected factories and the LIDI. The Project has fielded several experts and attained skills transfer in different areas of operation.

At company level, the Project provided different types of support that resulted in productivity gains in some companies, increased product collections and developed brands and promotional materials.

The marketing component aimed to enable firms to adopt more aggressive marketing methods as a condition to enter international and national markets. Building on earlier experience under the “Taytu - Made in Ethiopia” initiative the marketing experts of the Project developed brands and other promotional tools for a number of factories. Beneficiaries recognized the quality of the support but not all of these Project inputs are in practical use.

At the productivity front, the Project decided to go beyond technical benchmarking and to promote innovative tools and methods for supply chain management. A pilot activity at one of the shoe factories tested a rather sophisticated Enterprise Resource Planning system (ERP) that is widely used in Italian shoe factories. The pilot experience showed, however, that this technology was not quite appropriate under the given circumstances. Upscaling the experience to other companies was therefore not envisaged. The experience helped the project to change strategy and to use a less sophisticated Open Source software that allows for a more step-by-step implementation approach. At the time of the evaluation these systems were being up-scaled and started to become operational in several factories.

Continuous capacity building of LIDI has been the second strand of the Project. The assistance to laboratory accreditation was highly successful and enabled LIDI to provide quality tests for the industry with the result of facilitating exports. The project also aimed at building capacity at LIDI’s marketing Directorate by transferring skills on how to conduct marketing studies. However, the support provided was not in line with LIDI priorities in this area and, as a result, LIDI does not make full use of this project input. The Project did also provide support to LIDI’s Communication Directorate, e.g. by developing the LIDI website.

By its product development activities the Project helped companies with developing new collections and facilitated participation of LIDI and selected enterprises in

international fairs. These product development activities could, however, been better associated with building the capacity of LIDI's leather goods product development center. The trainings in the communication department and the implementation of an ERP for human resource planning have the potential to improve the management and communication capacity of the Institute.

The Steering Committee mechanism of the project was effective and ensured excellent ownership at Government level. However, the project and its institutional partners encountered difficulties to translate the orientations of the Steering Committee into operational decisions. Ownership at institutional and company level was affected by these difficulties. As a result of these difficulties, the Project did not fully reach all of its capacity building objectives.

Interviews with stakeholders and partners indicate that LIDI has still deficiencies in technical skills and its ability to pioneer new technologies in the sector. Despite efforts made to improve its industry linkages through restructuring and capacity building, the Institute still awaits more work in this regard. Partners of the sector see part of the problem in the high turn-over of professionals the Institute is suffering from. In turn, this high turnover is due to the weak incentive structure of the Institute. The Institute is supposed to cover cost by its own incomes but to date there is no evidence to what degree this objective has been reached.

The Project relied rather heavily on inputs from international experts. Key informants at LIDI perceived certain weaknesses of this approach because they felt that the transfer of knowledge from international experts to LIDI and other local staff was not always efficient. Apparently LIDI did not encounter the same absorption problems with the long-term experts from the CLRI. This may again hint at the above mentioned specific communication and coordination problems.

The evaluation found that the Project made plausible contributions to the increase of leather and leather products exports from USD 67 million in 2004/05 to USD 104 million in 2010/11. Such increase has of course resulted from a whole range of projects, policies and programs. However, the quality of UNIDO's support in general and the Project in particular is widely recognized.

Another positive trend initiated by UNIDO is the shift from raw material exports towards exports of finished leather, shoes and leather goods. The tanneries' export capacity for finished leather has been very much influenced by earlier UNIDO interventions. Under the current Project, efforts to assist selected tanneries with improving their finishing techniques made additional contributions. For shoe exports, the focus on improving the technical capability of producing shoes in general and ladies shoe in particular is a contribution of the Project.

Overall the Project can claim to have made contributions to job creation and poverty reduction although there are no concrete figures available. However, possible poverty

effects have been reduced by the decision of the Steering Committee to withdraw the Project from its initial focus on MSMEs. It should also be pointed out that poverty reduction will remain limited as long as the very low wage levels in the leather sector and in particular in the shoe industry continue to exist.

Main recommendations

Recommendations to the Government and UNIDO

Design an innovative follow-up project

There is scope for an innovative follow-up project. It is advisable that such a project should pursue the sector-wide and systemic approach of the present project but also bring in innovative elements. While a certain amount of continuity is necessary, the follow-up project should not be just “more of the same”. To ensure the design of the future project takes into account the interests and priorities of all relevant stakeholders, the Government should set up a multi-stakeholder committee including, inter alia, the following organizations: MoI, LIDI, ELIA, EIFCCOS, FeMSEDA, AAMSEDA and UNIDO to accompany and steer the design of the future project. The Government should also set up the necessary donor coordination mechanisms to ensure synergies with other donor initiatives. The future leather project should envisage the following five priorities:

1. Review and update 2005 Master Plan for the leather sector and set up a mechanism for monitoring its implementation;
2. Support LIDI to provide state-of-the-art support services to the Ethiopian leather and leather products industry;
3. Provide technical assistance to MSMEs through EIFCCOS and other possible channels;
4. Assist the “tannery town” in Modjo with building a common waste water treatment plant;
5. Support the Ethiopian footwear and leather products industry for better access to export markets, improved bargaining power with international buyers and increased profit margins and knowledge transfer from subcontract arrangements.

Recommendations to UNIDO

Consider the systemic approach as a possible model

The multidisciplinary systemic approach adopted under the Project included policy support; capacity building of a technical centre; testing laboratory and quality control; company upgrading; export market development; subcontractor development; “cleaner production”; and cluster development. The UNIDO management should consider this approach as a model for other sector wide “industrial upgrading” initiatives in other countries.

Make use of all relevant UNIDO competencies

There is still room for improvement under a possible future leather programme in Ethiopia. Close cooperation and synergies should be built with other ongoing projects in Ethiopia, in particular the SPX project. Moreover, the responsible UNIDO agro-industry branch should mobilize relevant experience from other UNIDO branches in areas such as: policy support and policy benchmarking; industrial diagnosis and upgrading, in particular “green upgrading” (case of Senegal); and cluster development and twinning.

Adopt a more participatory approach to capacity building

Under a future project, UNIDO should discontinue its practice of providing direct support services to companies for web-site development, logo design, preparation of business etc. Instead, UNIDO should strengthen the capacity building aspect of its support, better align its activities with LIDI plans and programs and fully recognize LIDI as the responsible government institution for leading the industry. UNIDO should adopt, wherever possible, elements of “national execution”. However, this would require that not only UNIDO but also LIDI adopts the highest standards of transparency and accountability (see recommendation to LIDI below).

Better balance of international and national expertise

The current project had a certain bias towards using international expertise. A better balance of international and national expertise would be recommendable. There is room for UNIDO to make a better use of local expertise from different sources. UNIDO should screen and identify more systematically relevant expertise in LIDI, in the industry and in the country.

Considerations submitted to Government and LIDI management

Independence and accountability

The Government and LIDI management might want to consider strengthening LIDI's institutional independence, which would facilitate adoption of modern management methods based on results based incentives. They might also want to consider using external auditors on a regular basis, which could be a way to adopt the highest standards in accounting and transparency. Such measures would instill the necessary confidence to donors to move towards "national execution" modalities and implement greater parts of their technical assistance through LIDI subcontracts.

LIDI Laboratory

The accreditation of the LIDI laboratory is a major achievement. LIDI management should support the laboratory with adopting state-of-the-art management approaches that are inspired by private sector practices. To become fully sustainable the laboratory should have an independent budget from which all costs should be borne, including accreditation and maintenance costs. Furthermore, LIDI management should grasp opportunities to promote the services of the LIDI laboratory at sub-regional and regional levels.

Complement export promotion by internal market development

The Government might want to consider complementing its focus on export promotion with policy measures aiming to also develop the internal market. By developing its internal market, the Ethiopian footwear and leather products industry could improve its profitability and, ultimately, its competitiveness on export markets.

1. Introduction

The project ‘Technical Assistance Project for the Up-grading of the Ethiopian Leather and Leather Products Industry’ (TE/ETH/08/008) has been implemented by UNIDO between 2009 and 2012 in cooperation with the Ministry of Trade and Industry (MoTI). The project budget amounts to 2.6 million Euros.

While focusing on the above mentioned project, this evaluation takes also into account previous UNIDO projects in the Ethiopian leather sector. The majority of these interventions, including the one at stake, were funded by the Italian Cooperation, one of UNIDO’s main donors.¹

1.1 Objectives of the Evaluation

The evaluation aims to inform the Government, the donor and UNIDO on:

- the relevance of and the extent to which the UNIDO activities were in line with the priorities and policies of the government of Ethiopia and the various stakeholders in the leather sector;
- the effectiveness of the project in attaining its objectives and outputs;
- the prospect for development impact;
- the long term sustainability of the results and benefits; and
- the efficiency in implementation.

More specifically the evaluation should come up with concrete recommendations for a possible follow-up project.

In line with the common development priorities of the Government of Ethiopia, of the donor and of UNIDO, the evaluation gives particular emphasis to the potential contributions of the interventions to poverty reduction.

The evaluation was conducted between March and May 2012 by Professor Tegegne Gebre-Egziabher. In July 2012 Mr. Stefan Pfanner and Mr. Amanuel Kussi conducted complementary research on poverty issues, the informal leather sector and spillovers from subcontracting. Their contributions are reflected in the respective chapters of this report.

The evaluation was coordinated by Peter Loewe, Senior Evaluation Officer of UNIDO who participated in the initial round of interviews, together with Professor Tegegne and who compiled this report from the various sources mentioned above.

¹ The project preceding the one under evaluation here focused on capacity building of the national leather institute. It was independently evaluated in 2007. This evaluation is referred to under chapter

None of the experts has been involved in the planning or implementation of the activities under evaluation.

The evaluation was carried in compliance with the UNIDO evaluation policy and guided by the terms of reference (see annex A).

1.2 Methodology

The evaluation has been conducted in parallel with a broader thematic evaluation of UNIDO’s activities in the area of “Industrial Upgrading”. This thematic evaluation covers the different UNIDO approaches to “Industrial Upgrading” as shown in Figure 1.

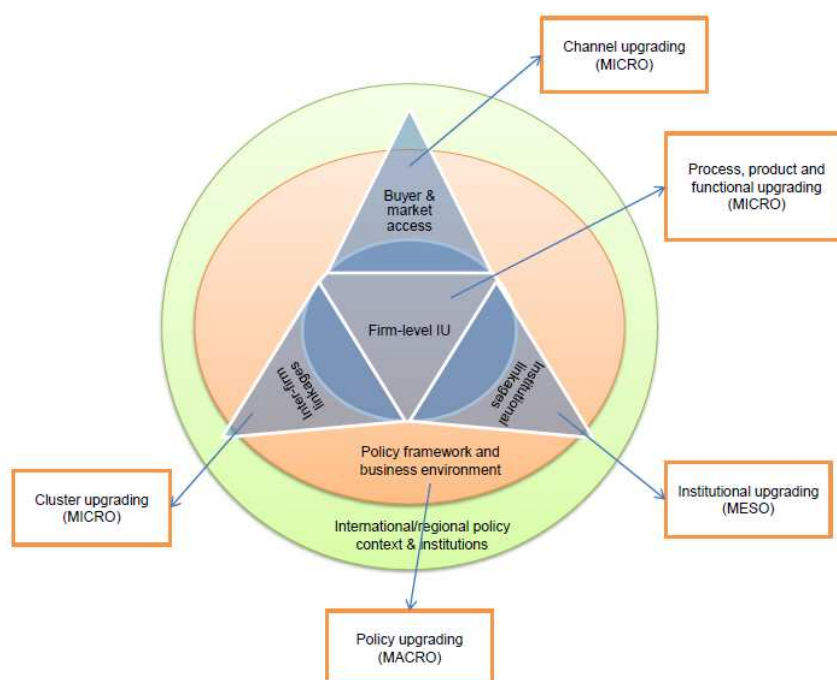


Figure 1: Dimensions of Industrial Upgrading

The evaluation adopts the broad based conceptual framework of the thematic evaluation, which is well adapted to the multi-faceted interventions of the project under evaluation.

The evaluators conducted extensive desk research (see bibliography in Annex G) Key informants were interviewed including the State Minister, the Italian Cooperation Office, the UNIDO project manager, the project team in Addis Ababa, LIDI, ELIA and a wide range of beneficiaries (see annex B for persons met). The evaluators also met representatives of other development agencies and donors, as well as international buyers.

1.3 Structure of the Report

Following the introduction, section 2 presents the overall country context and the situation of Ethiopia's leather industry. It gives particular emphasis to poverty issues and the income situation of Ethiopian leather workers. Section 3 provides an overview of UNIDO interventions in Ethiopia's leather sector. Section 4 describes the project at stake in greater detail by discussing project identification, project plans and design and the strategy of intervention. Section 5 presents project achievements in different intervention areas. Section 6 is the assessment section where observations are provided pertaining to the DAC criteria of relevance and ownership, efficiency, effectiveness and impact and sustainability. Section 7 contains the conclusions, recommendations and lessons learned.

2. Country context

2.1 General context

With a population of 84 million in 2012 Ethiopia is the second largest country in Sub-Saharan Africa. It is a federal country composed of nine regional governments and two city administrations. Most (84%) of its people live in rural areas making agriculture to be one of its dominant economic sectors. Agriculture contributed 42% of the GDP in 2010/11 coming second to the service sector (46%). The manufacturing sector stands at 13% in 2010/11 and is rather small and underdeveloped. This sector showed an average growth performance of 10% between the years 2004/05-2010/11 (Table 1).

Table 1: Real GDP (in Birr)², shares of sectors and annual growth

	2004/05	2005/06	2006/07	2007/08	2008/09	2010/11	Average 2004/5- 2010/11
Real GDP (millions birr)	83,804	93,474	104,499	116,190	127,844	141,187	111,166
Growth in real GDP	12.6	11.5	11.8	11.2	10.0	10.4	11
Share in GDP (in percent)							
Agriculture	47.4	47.1	46.1	44.6	43.1	42.0	45
Industry	13.6	13.4	13.2	13.0	13.0	13.0	13
Services	39.7	40.4	41.7	43.5	45.0	46.1	43
Annual growth							
Agriculture	13.5	10.9	9.4	7.5	6.4	7.6	9.0
Industry	9.4	10.2	9.5	10.0	9.9	10.6	10.0
Services	12.8	13.3	15.3	16.0	14.0	13.0	14.0

Source: National Bank of Ethiopia (NBE) 2009/10, P. 6

Human Development and Multidimensional Poverty Indices

According to UNDP, Ethiopia's Human Development Index for 2011 is 0.363, in the low human development category, positioning the country at 174 out of 187 countries. 88.6 per cent of the population suffer multiple deprivations. The Multidimensional Poverty Index (MPI), which is the share of the population that is multi-dimensionally poor, adjusted by the intensity of the deprivations, is 0.562. (UNDP 2011)

² Exchange rates per 30th June 2012: Birr 100 = Euro 4,43; Birr 100 = US \$ 5,61

National poverty line in urban areas

The *Central Statistical Agency (CSA)* of Ethiopia regularly conducts *Household Income Consumption & Expenditure (HICE)* and *Welfare Monitoring (WM) Surveys*, the last in 2010/2011. These surveys informed the recent *Report on Poverty Analysis* published by the *Ministry of Finance and Economic Development (MoFED 2012)*. It states, that 25.7 % of the population is living below the national poverty line and 27.9 % below the food poverty line in urban areas. Critical voices see these figures as being overly optimistic. The national poverty line was calculated to be Birr 3781/year in 2010/11. The inflation rate in the fiscal year 2011/2012 has been 31.4 %. Taking this inflation rate into account, the 2012 urban national poverty line could be estimated at Birr 5512/year or about Birr 460/month (25 USD).

Food prices, seasonality and vulnerability

The Food Inflation Rate has been above 40 % in the first half of 2012. A study on the effects of the food price shock 2008 in urban Ethiopia shows that many households had to adjust food consumption in response. Households headed by temporary workers were among the most affected by high food prices. (Alem and Söderbom 2011: 1) As footwear production in the informal sector is highly seasonal, workers are especially vulnerable not only to food price shocks but also to rising food prices due to inflation. Interviews suggest that rising food prices are the most severe threat to poor households.

Unemployment and underemployment

The 2010 *urban employment/unemployment survey* (CSA 2011a) estimates that 37% of employment is created in the informal economy. The urban unemployment rate was estimated at 18,9%. The inactivity rate was estimated at 40,6%.

Child labour

According to the *Demographic and Health Survey 2011 (CSA 2012c)*, in Addis Ababa 2,6% of children aged 5-11 and 15,8% of children aged 12-14 are working outside the family or household. In the leather industry child labour occurs in the informal economy, mostly in workshops of family or household members.

2.2 Ethiopia's Leather and Leather Products Industry (LLPI)

According to a recent CSA publication on livestock resources, Ethiopia has 53.4 million cattle, 25.5 million sheep and 22.7 million goats (CSA, 2011). This puts the country as one of the richly endowed countries in livestock resources. It is estimated that the country can collect 3.7 million cattle hides, 8.4 million sheep skin and 7.7 million goat skin. The sheep skins are well known for their quality. The goat skins in particular are known for their quality and international acceptance. Both goat and sheep skins are preferred for leather garments and gloves manufacturing in addition to being

used for shoe upper. The resource endowment of the country illustrates the considerable potential of the country in the leather industry.

The tanning sector

Currently, there are 26 tannery industries in operation (Table 2). The tanneries have 153,650 sheep and goat skin soaking capacity and 9,725 cowhides soaking capacity per day. Together they also employ 4577 persons. Ethiopia Tannery with 12,000 sheep and goat skin and 1,200 cowhide soaking capacity and Ethio-Leather - ELICO with 15,500 sheep and goat skin and 1,050 cowhides soaking capacity are the two largest industries. Most tanneries seem to be working below capacity.

Table 2 : Tannery industries - Company profiles

No	Name of factory	Location	Soaking capacity per day		Number of employees
			Sheep and goat skin	Cow hides	
1	Ethiopia tannery	Mojo (Oromiya)	12,000	1200	682
2	Kolba tannery	Mojo (Oromiya)	8,000	500	290
3	Gelan tannery	Mojo (Oromiya)	3,000	0	87
4	Mesako Global tannery	Mojo (Oromiya)	3,000	0	40
5	East Africa tannery	Mojo (Oromiya)	8,000	0	92
6	Mojo tannery	Mojo (Oromiya)	8,000	500	360
7	Friendship tannery	Mojo (Oromiya)	10,000	1,000	100
8	Farida tannery	Mojo (Oromiya)	7,000	0	
9	Vasen United tannery	Mojo (Oromiya)	5,000	0	
10	Bale tannery	Debre zeit (Oromiya)	2,000	400	80
11	Hora tannery	Debre zeit	7,000	0	210
12	Ethio leather industry	Addis Ababa	15,500	1050	1128
13	Dire tannery	Addis Ababa	6000	600	425
14	Walia tannery	Addis Ababa	5000	1000	150
15	Batu factory	Addis Ababa	8000	1000	360
16	Addis Ababa tannery	Addis Ababa	2400	1200	190
17	Christal tannery	Addis Ababa	1750	100	80
18	China Africa tannery	Sululata (Oromiya)	10,000	0	450
19	Debreberhan tannery	DebreBerhan (Amhara)	6,000	0	80
20	Hafde tannery	Sebeta (Oromiya)	6,000	250	430
21	Blu Nile tannery	Sebeta (Oromiya)	3,500	0	78
22	Kombolcha tannery	Komoblcha (Amhara)	6,000	0	145
23	Mersa tannery	Mersa (Amhara)	6,500	325	161
24	Sheba tannery	Wukro (Tigray)	6,000	600	373
25	Bahirdar tannery	Bahirdar (Amhara)	4,000	0	125
26	Habesah tannery	Bahirdar (Amhara)	4,000	0	112
	Total		163,650	9725	4577

Source: LIDI, marketing department unpublished

The footwear sector

There are 13 large mechanized shoe industries currently in operation. Except for Sheba all shoe factories are located in Addis Ababa and its neighbourhoods. Together, they can produce about 10,000 pairs of shoes per day.

Table 3: Footwear industries - Company profiles³

No	Name of factory	Capacity (Pair of shoes per day)	Number of employees
1	Anbessa shoe factory	3500	900
2	Ara shoe factory	720 plus 1,300 upper	450
3.	Ramsay shoe factory	2,000	264
4.	Jamica shoe factory	800	125
5.	Kangaro shoe factory	420	193
6.	Ras Dashen shoe factory	500	100
7	Peacock shoe factory	2,000	500
8	Tikur Abay	3,500	480
9	Walia shoe factory	1,000	250
10	Bostex shoe factory	250	75
11	New wing shoe factory	500	160
12	Christal shoe factory	500	60
13	Sheba shoe factory	800	400
	Total (approximately)	10,000	>6500

Source: LIDI, marketing department unpublished

It is not easy to estimate capacity utilization but many companies seem to operate below their capacity. For instance in 2009/10, tanning and dressing of leather, luggage and handbag industries were operating at 56 percent of production capacity (CoMESA, 2012). An earlier study showed that the capacity utilization for shoe firms was, at the time, as low as 48% (Tegegne, 2007). Such low utilization of capacity could arise from a number of factors such as lack of raw material, lack of demand etc. On the other hand, the existence of idle capacities indicates that the sector has a potential to perform better provided that constraints are overcome.

The leather goods and garment sector

The number of industries in leather garment and accessories has shown an increase in recent times. Official statistics mention 13 leather goods and garment industries (LIDI, 2010) but the actual figures may be higher. Only recently, dress glove making industries have commenced production and export. List of investments in Annex C:

³ All companies located in Addis Ababa except Sheba, which is located in Wukro (Tigray).

Employment in the leather and leather products sector

Statistical figures from the Central Statistical Agency (CSA) show that the number of large and medium scale manufacturers in the leather and leather products industry (LLPI)⁴ has increased from 53 to 114 between 2000 and 2010 (Table 4). This increase has been rather steady over the years but with a significant peak for the two latest available years. Employment figures show a similar trend and the same sharp increase between 2009 and 2010. This seems to indicate that the world economic downturn of 2008 did not have a dramatic impact on the LLPI in Ethiopia.

Table 4: Large and medium scale manufacturing industries

	1999 – 2000	2000 – 2001	2001 – 2002	2002 – 2003	2003 – 2004
No. of establishments LLPI total	53	54	52	56	65
No. of establishments Leather, luggage and handbags	15	17	14	15	17
No. of establishments Footwear	38	37	38	41	48
No. of employees LLPI total	6,989	7,040	6,740	7,232	7,665
No. of employees Leather, luggage and handbags	3,594	3,742	3,608	3,502	3,725
No. of employees Footwear	3,395	3,298	3,132	3,730	3,940

Source: CSA 2005

	2005 – 2006	2006 – 2007	2007 – 2008	2008 – 2009	2009 – 2010
No. of establishments LLPI total	63	72	83	89	114
No. of establishments Leather, luggage and handbags	18	18	15	17	31
No. of establishments Footwear	45	54	68	72	83
No. of employees LLPI total	7,914	8,351	8,586	8,750	10,707
No. of employees Leather, luggage and handbags	4,050	3,793	3,703	3,635	5,056
No. of employees Footwear	3,864	4,558	4,883	5,115	5,651

Source: CSA 2011c

⁴ LLPI includes tanning and dressing of leather, luggage, handbags and footwear

Comparative Position and Performance of the Leather Sector

In 2009/2010 the 114 LLPI establishments formed 5% of the total large and medium industries in the country. With a total of 10,707 total employees, the sector contributes about 6% of the total employment in the manufacturing sector of the country. Compared to other sectors such as textile which absorbs nearly 15% of the total manufacturing labor force, the leather sector has a lower labor absorption capacity. Tanning industries are capital intensive and employ less labour. The footwear industries are more labor intensive but are not many and cannot absorb huge labor.

The efficiency of the leather and leather sector industry measured in terms of the ratio of value added to the gross value of product is lower (24.67%) than the national average of 35.92% (Table 5). Within the sub-sector, the footwear industry has higher levels of efficiency than the tanning and leather goods industry. Value added per labor or per wage bill as measures of productivity seems to be less than half of the total manufacturing sector in the country. The average wage per labor in the footwear industry (738.7 birr per month) is significantly below other industries. The tanning industry (938.8 birr) however performs better. On average, the leather sector seems to be relatively less competitive in its levels of efficiency and productivity and pays less than the national average. This is a matter for concern particularly in light of the need to make the sector competitive in the global market and provides justification for continuing development intervention.

Table 5: Efficiency and productivity levels, 2009/10

	Basic wages and salaries (000 birr)	GVP (000 birr)	Value added (000 birr)	Number of employees	Value added per GVP (%)	Value added per labor (000 birr)	Value added per wage bill	Monthly wage per labor (birr)
Tanning, luggage and handbags only	56,960	896859	186198	5056	20.76	36.827	3.26	938.8
Footwear only	50,093	742660	218314	5651	29.39	38.632	4.35	738.7
Aggregate figures for LLPI	107,053	1639518	404512	10707	24.67	37.780	3.77	833.2
Total manufacture	2,169,395	42,008,056	15093368	185086	35.92	81.547	6.95	976.7

Source: CSA 2009/10 and own computations

Wages in the leather industry

Table 6 shows the development of jobs and average monthly wages and salaries for the sector since 2000.

Table 6: Average monthly wages and salaries in the leather industry

	1999 – 2000	2000 – 2001	2001 – 2002	2002 – 2003	2003 – 2004
Average monthly wages/salaries LLPI total (in Birr)	631	714	756	667	590
Average monthly wages/salaries Leather, luggage and handbags	748	967	1,008	866	664
Average monthly wages/salaries Footwear	507	557	466	480	518

	2005 – 2006	2006 – 2007	2007 – 2008	2008 – 2009	2009 – 2010
Average monthly wages/salaries LLPI total (in Birr)	778	722	857	938	931
Average monthly wages/salaries Leather, luggage and handbags	963	960	1,242	1,299	1,081
Average monthly wages/salaries Footwear	584	524	565	681	797

Source: CSA 2005 and 2011c

Table 6 shows that, between 2000 and 2010 the average of nominal monthly wages and salaries in LLPI increased from 631 birr to 931 birr. This corresponds to a 50% increase, which is far below inflation. During a similar period (2002 to 2012) the Consumer Price Index (CPI) increased by about 460%.

Table 7 shows the income distribution between unskilled workers, skilled workers, professionals and members of management in the LLPI for 2009 in % of total employees.

Table 7: Average monthly wages and salaries in the leather industry (in Birr)

	below 200	200- 400	400- 600	600- 800	800- 1200	1200- 1600	1600- 2000	above 2000
LLPI	0,5 %	20,5	27,8	16,8	17,9	8,3	3,6	4,6 %
Footwear	0,9 %	30,8	30,3	13,2	13,1	7,4	2,1	2,2 %
Tanning and other leather products	0 %	9,3	25,1	20,6	23,1	9,3	5,3	7,2 %

Source: CSA 2011c

Taking into account the above mentioned adjusted poverty level of 460 birr/month (25 USD), almost one third of the workers in the shoe industry are “working poor”. One shoe factory stated, that un- or low-skilled workers earn Birr 400-500 minimum. Highly skilled workers can earn up to Birr 2000, professionals and members of the management more. Another shoe factory is offering un- or low-skilled jobs for Birr 500. A few professionals in this factory earn up to Birr 9000. Tanneries seem to have slightly higher minimum wages. One tannery is paying Birr 500-600 minimum and up to Birr 7000 for professionals. Another tannery raised wages and salaries by 25 % within the last year to compensate for inflation and reduce the loss of skilled workers to the better paying construction sector. They pay Birr 700 minimum.

Daily workers in one of the tanneries earn Birr 25 per day for work that is considered not difficult and Birr 35 for more demanding or hazardous work. Daily workers in a shoe factory (moccasin-stitchers) earn 1,50 Birr/pair (up to 3 Birr/pair for complex models). They are expected to stitch 15 – 16 pairs per day. If they produce more, they get 0,25 Birr extra/pair.

The persistently low wages in the shoe industry are causing scarcity of manpower. Unskilled and even skilled workers start leaving the shoe industry for better paying jobs, many of them in the construction sector. Wages in the tannery sector tend to be higher. One visited tannery has been raising its minimum wage to Birr 700.

“Cheap labour” is still being used as an argument to attract foreign investment. In 2008 a publication of the *Ethiopian Investment Agency* targeting foreign investors for the tanning sector explained: “With a population over 80 million, Ethiopia has abundant, hard-working, inexpensive and easily trainable labor force. The average wage for unskilled labor generally ranges from Birr 12-15 (US\$ 1.24-1.55) per day. The salaries of fresh university graduates normally range from Birr 1000-1300 (US\$ 104-135) per month.” (EIA 2008: 5).

Export and import trade in leather and leather products

According to data from MoI shown in Table 8, the leather and leather product exports increased from 67 million USD to 104 million USD between 2004/05 and 2010/11. Due to the financial crisis and other factors, export declined in 2009/10 but picked up heavily in 2010/11.

On average the leather and leather products industry contributed 5.9 % to the total export earnings for the years 2004/05-2010/1 corresponding to a slight decline, due to other export items occupying significant positions in the country’s export mix. According to FAO the global trade of light leather was 16.6 billion USD in 2010. Despite its impressive resource base, Ethiopia’s share in this trade is only about 6%. But trends of the different product categories show that crust, finished leather and shoe exports increased while wet blue and pickle declined. In fact, pickle and wet blue exports ended in 2010 due to the government policy which put heavy taxes on exports

of wet blue, pickle and crust in order to encourage production and export of finished leather.

Table 8: Exports of leather and leather products (million USD)

Product category	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
LLPI*	66.9	75.3	89.5	101	75.7	56.5	101.34
Pickle	28.2	28.4	30.5	32.1	18.9		
Wet Blue	21.9	28.7	27.1	29.3	15		
Crust	9.4	10.5	19.5	17.7	23.1	37.7	70.14
Finished leather	3.1	5.7	6.9	12.3	11.2	12.8	25.34
Shoe	3.4	1.6	5.5	9.7	7.2	5.7	8.64
Leather garment and articles	0.03	0.3		0.02	0.1	0.13	0.24
Total export **	847.2	1000.3	1185.1	1465.7	1447.9	2003.1	2747.1
LLPI export as % of total export	7.8	7.5	7.5	6.8	5.2	2.8	7.5

*Source: LIDI, unpublished **Source: National bank of Ethiopia, various annual reports,

Ethiopia's share in the global footwear market is lower than its position in leather trade. In the year 2010, Ethiopia accounted for 0.13% of the total world production while China and Italy, the two major producers, accounted for 41.7% and 5.4 %. Ethiopian leather products are mainly destined to Europe and Asia. The share of Europe in 2007/08 and 2008/09 was around 70% while Asian shares for the same years were around 25%. America and Africa receive a very small percentage of the export. Italy (35%), Germany (19%) and China (15%) were the three most important export destinations in 2008/09.

Table 9 illustrates Ethiopia's negative trade balance for shoes. For the period 2005-2010, Ethiopia imported on average 25.6 million USD while its export for the same period was only 4.9 million USD. The negative trade balance reflects the high domestic demand for shoes, which the national shoe industry is apparently unable to satisfy, leading to foreign currency outflows of 20.7 million USD per year on average.

Table 9: Shoe import and export value of Ethiopia (in 000 USD)

Year	2005	2006	2007	2008	2009	2010	Average
Import	23,067	25,101	20,582	22,259	30,804	31,860	25,612
Export	805	2,349	6,040	7,650	6,114	6,449	4,901
Trade balance (I_x)	22,263	22,752	14,542	14,609	24,690	25,412	20,711

Source: Ethiopian custom and revenue authority

FDI trends in the leather sector

Table 10 shows the total in-flow of FDI during the years 2003-2011 and the share of the leather sector, which is miniscule in terms of number of investments attracted and total employment created. This shows that despite the resource potential in the leather sector, FDI is yet to come to the sector.

Within the leather sector, 55 projects have been granted investment licenses in the country between the years 2003-2012⁵ (see Annex C for details of the projects). These investments have a total capital of 1.8 billion birr (USD 109,133,000)⁶. They can provide for 6288 permanent and 7206 temporary employment. Most of the licensed projects are in the manufacturing of leather products and tanneries. The projects are found at different operational status. According to the Ethiopian Investment Agency, 36 projects are in their pre-implementation stage, 5 in implementation stage and 14 in operation stage.

Table 10: Trends in total FDI and FDI in the leather sector in Ethiopia (2003-2011)

Year	Total FDI in the country				FDI in the leather sector			
	No projects	Capital in '000 birr	Perm Empl.	Temp Empl.	No of Projs.	Capital in '000' Birr	Perm Empl.	Temp Empl.
2003	126	2,668,418	10,967	9933	2	37,682	182	32
2004	265	5,751,830	26,789	26,202	2	920	61	11
2005	323	4,797,171	14,815	32624	3	13,778	210	45
2006	414	37,119,450	44,336	59352	1	36,330	50	150
2007	679	18,537,727	123,221	179,597	3	11,612	94	20
2008	1089	68,262,130	161,355	270,615	10	525,900	1,315	4,304
2009	1092	70,573,266	79,861	198,122	3	304,725	467	218
2010	1282	60,751,199	80,868	20,310	13	663,306	1,808	629
2011	578	68,491,256	45,654	131,681	12	190,501	1,911	1,300
Total	5848	336,952,448	587,866	928436	49	1,784,754	6098	6709

Source: Ethiopian Investment Agency, unpublished data

The informal leather sector

The informal sector is comprised of MSMEs (micro and small/medium industries) most of which tend to cluster in the 'Merkato' area in Addis Ababa (UNIDO, 2005).

⁵ This data includes 2012 which was not included in table 10 since the 2012 data is not complete

⁶ The conversion used is 1USD=17 birr

The exact number of these MSMEs is not known but past studies have estimated that there could be up to 40 units of medium scale producers, 75-100 units of small scale producers and 400-500 units of micro enterprises (UNIDO 2005). Together, these companies are estimated to produce 12,000 pairs of shoes per day, which is approximately the same amount as the formal shoe industry. Formal shoe factories are sometimes contracting out certain steps or parts of their production to informal MSMEs but statistical figures on this phenomenon are not available.

Working conditions in ‘Merkato’ enterprises are very precarious (Tegegne, 2007). In 2006, there were one association and four cooperatives of footwear MSMEs existing at Merkato, initiated by the sub-city MSE development agency together with cluster actors. The *Ethio-Leather Association* had 792 footwear MSMEs as members and the four cooperatives included 145 micro-producers of footwear. Later on the cooperatives joined the leading association which was renamed as *Ethio-International Footwear Cluster Cooperative Society (EIFCCOS)*, uniting the MSMEs of the sector under one umbrella. At present EIFCCOS has 1200 members, about 1000 of them producing footwear and the others other parts of the value chain. The initial aims of the *Ethio-Leather Association* were:

- To provide credit and saving service to the members.
- To gather support from the government particularly on the issue of infrastructural and financial problems that are prevalent in the Merkato Cluster
- To facilitate conditions and actively get involved in capacity building activities such as human resource and quality development.
- To develop raw materials supply and marketing arrangements that are more efficient
- To develop market outreach and promote export of quality shoe to the sub-regional and the international market. (UNIDO 2006)

Constraints of the leather and leather product industry

A study conducted under the Engineering Capacity Building Project (ECBP) has scrutinized the constraints of the LLPI along the value chain from animal husbandry to slaughtering, tanning, manufacturing, sourcing of inputs and marketing issues such as poor delivery time, poor customer communication, poor sample development etc (Annex D). Combining the findings of this study with the findings of the present evaluation, the main constraints of the LLPI can be summarized as follows:

i) Shortage of hides and skins: Acute shortage and quality of hides and skins is a major problem faced by tanners in Ethiopia (COMESA, 2012). This is considered to be one of the reasons for the tanneries’ low capacity utilization. The problem is associated with the value chain starting from animal husbandry, poor animal veterinary services, and traditional ways of slaughtering to poor collection and handling of hides and skins

at different levels (ibid). There has been a move to overcome the problem by importing duty free hides and skins from abroad. This however is not a lasting solution since those countries currently exporting hides and skins will soon develop their own capacity and process the same. Such move also defeats the purpose of establishing a competitive industry using the country's rich resource endowment (CoMESA, 2010)

ii) Shortage of finished leather: Leather garment and footwear industries face increased cost of production, underutilization of capacity and inability to deliver for export market mainly as a result of the shortage of finished leather (COMESA, 2012). Until recently the Ethiopian tanneries used to export semi-processed leather particularly wet blue, pickle and crust. Such practice led to low earnings as semi-processed goods have low value-addition and also created shortage of finished leather availability in the local market. Since December 2011, the government poses a tax of 150% on crust export with the intention of discouraging the export of semi-processed leather. As a result, the export of finished leather has increased and leather prices for the local industries are on the rise. Reportedly the price of finished leather increased from 11 Birr per square foot in 2011 to more than 40 Birr in 2012.

iii) Imported inputs: According to a COMESA (2012) study the leather garment and footwear industries use at least 40 different components but only five of these can be sourced locally. Buying components from abroad is a lengthy process that affects time-bound exports. Holding components on stock is difficult on account of differences in the demand of exporters and lack of working capital (ibid) The sourcing of inputs like chemicals from abroad is also found to be problematic due to long lead time, unavailability of chemicals locally⁷, bureaucratic procedures of the custom office etc.

iv) Skilled labor: The lack of skilled labor has been cited as major constraint of the sector, in particular in design and cutting (EEA, 2011).

v) Difficult access to export markets and low profit margins: Shoe manufacturers find it difficult to access export markets directly. They often depend on brokers who provide linkages to buyers but keep the lion share of benefits from such arrangements. Shoe manufacturers report that their bargaining power is pretty low due to heavy competition. As a result, export profit margins tend to be low, often extremely low or even inexistent.

vi) Competition with low cost shoe imports: The Ethiopian shoe market is of considerable and increasing size but the Ethiopian shoe industry seems to be unable to make full use this opportunity. Low cost shoe imports in particular from China have been an issue. As a result, Ethiopia's import/export balance for shoes is negative. However, Ethiopian consumers seem to be increasingly aware that low cost imports are

⁷ According to interview with the head of ELIA, there is an effort to establish Axions to import chemicals from abroad for the leather industry.

often of very low quality, leading to a stabilized demand for quality shoes from Ethiopia.

vii) Design weaknesses. Import competition is particularly heavy for lady's shoes because Ethiopian shoe manufacturers find it difficult to compete with the sophisticated and fast changing design of these shoes.

viii) Access to finance: The survey conducted by the Ethiopian Economic Association identified that finance, physical infrastructure and institutions constrain the sector (EEA, 2011). In terms of finance, the main problem is lack of access to finance due to collateral requirement, high transaction cost, high interest rate and low credit ceilings.

ix) Physical infrastructure and customs: In terms of infrastructure the major problems are power, water and transport services. Complicated customs procedures and delays are also quoted as major export constraints.

x) Labor, wages and poverty issues: Wage levels in the Ethiopian LLPI tend to be below wages in other industries. While tanneries are able to pay higher wages, the low profit margins in the shoe industry seem to be leading to problems of "working poor". There are signs of increased labour mobility to other sectors and even labor scarcity.

2.3 Government policies

The Ethiopian government has set for itself a long term vision of becoming a middle income country by 2020-2023 and meeting the MDGs in 2015. Several government policies and plans are in place to fulfill the larger goal of meeting the MDGs and the vision of becoming a middle income country. The latest is the Growth and Transformation Plan (GTP) that spans a period of 2010/11-2014/15 and emphasizes agriculture and industry as main drivers of growth⁸ (FDRE, 2010).

The industrial development strategy as a sectoral strategy issued in 2002 (FDRE, 2002) has preceded the GTP. It recognizes the private sector as an engine of development and emphasizes the need to follow export-led growth, the need to pursue Agriculture Development Led Industrialization (ADLI), the need to forge linkages between internal and external investors and the role of government in providing leadership. The purpose is to develop the industrial sector and enhance its contribution to the overall economic growth. In a bid to support industrial development, the strategy outlines that there is a need to create stable macro economy, establish modern financial system, provide reliable infrastructural facilities such as road transport, rail transport, air transport, telecommunication service, power provision, water and land delivery. Further, the need to create efficient and developmental administration including fostering transparency and accountability, improved tax and information system, fair competition and efficient judicial system was also emphasized.

⁸ Other growth factors include infrastructure, social development and good governance

Within the industrial sector, some specific industrial groups that are considered as strategic are selected as priority sub-sectors. These include textile, wearing apparel, leather tanning and footwear. These industries are labor-intensive, have the ability to forge strong linkages with agriculture and can bring export-led industrialization. The Ethiopian Government has provided various institutional and policy support in order to realize the development of these sectors. In terms of policy, the main thrust is to provide an enabling environment for the private sector. The deregulation and liberalization of goods and factor market, maintaining a stable and predictable macro-economic environment and issuance of investment policy are the major ones. The government has also established a consultation forum between the private sector and the government beginning of 2002. In addition, incentive schemes to encourage exports are also put in place. These include

- Exemption from income tax;
- Importing equipments free of tax;
- Improving service delivery (shortening period of license, renewal of permits etc);
- Exemption of imported inputs for export purposes from indirect taxes;
- Credit guarantee scheme to avoid problems of working capital for exporters;
- Allotment of finance for loan for those engaged in export activities;
- Provision of access to infrastructure for those engaged in export. The establishment of industrial zones in all regions addresses the infrastructural needs and land requirements of investors;
- Creating linkages with foreign investors in marketing and production; and
- Improving the transport and transit services.

The five year development plan of the Ethiopian leather sector (2009/10 to 2014/15) envisages significant increases of exports. Table 11 shows planned exports of nearly 500 million USD by the year 2014/15. There is also a planned shift in the export mix to shoes and finished leather. These products have higher value addition and would entail significant foreign earnings if plan targets are met.

Table 11: Planned export volumes in the leather industry

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Crust	81.950	49.170				
Finished leather	56.450	69.730	113.180	122.190	130.390	136.650
Leather Shoe	60.650	119.886	177.957	215.432	260.754	315.525
Leather garment	0.520	0.690	4.120	11.800	21.020	36.670
Leather articles	0.120	0.150	0.910	2.580	4.610	8.050
Total	199.689	239.625	296.167	352.012	418.434	496.895

Source: LIDI, Five year development plan, p.29

Business support structures for the leather industry

In terms of support structures, the Government of Ethiopia established the Leather and Leather Products Technology Institute (LLPTI) in 2004 with the financial support of the Italian Cooperation. Subsequently, UNIDO implemented the project TE/ETH/04/001 to strengthen LLPTI capacities as a training institute and service center for the industry in Ethiopia and possibly in the region at a later stage. The LLPTI was entrusted with creating technical capabilities to improve the competitiveness of the sector and engaged with supporting the leather sector through upgrading the capacities of leather industries and facilitating investment in the sector. As a result, it has been engaged in providing formal and short-term training for different actors⁹. Recently, the Institution was transformed into Leather Industry Development Institute (LIDI) by expanding its mandates and taking the overall responsibility for the development of the sector. Various interventions have focused on the leather institute in order to upgrade its capacity and deliver its services. For instance, UNIDO has implemented a project entitled ‘Assistance to the leather and leather products development technology institute for the development of its managerial and operative capacities during the years 2005-2008. Furthermore a twinning arrangement has started at the end of 2010 between LIDI and the Central Leather Research Institute CLRI and between LIDI and FDDI with the purpose of capacitating LIDI and enabling it to provide efficient services to stakeholders in the sector.

⁹ According to the leather sector development plan, the LLPTI provided formal education to 431 students at diploma level and to 506 students at certificate level during the years 2005/06-2009/10. In addition, skill upgrading training was provided for 848 workers drawn from various industries during the same years. The institute has also provided technical services to the industries in the sector through product development, use of model factories etc.

3. UNIDO SUPPORT TO THE LEATHER SECTOR

3.1 History of initiatives

Four decades of technical assistance to the leather industry in Latin America, Asia and Africa involving capacity building of support structures, technical assistance to manufacturing units and pollution control of tanneries endowed UNIDO with a unique knowledge base. In total, UNIDO's technical assistance to the leather industry between 1990 and 2012 adds up to an amount of US\$ 80 Mio

UNIDO has been providing assistance to the Ethiopian LLPI since the 1990s, applying a systemic approach ranging from hides and skins improvement to the upgrading of tanning and leather products manufacturing, building of support institutions, promotion of linkages to export markets, conducting studies and policy advice.

The total budget of UNIDO technical assistance to the Ethiopian LLPI since 2000 has been more than US\$ 7 Mio (Table 12). Much of this support has been granted by the Italian Cooperation. But technical assistance to the Ethiopian LLPI started much earlier as part of UNIDO's Africa Leather Programme - covering Ethiopia, Kenya, Malawi, Sudan, Tanzania, Zambia and Zimbabwe in phase 1 (1989-1992), Ethiopia, Kenya, Tanzania and Uganda in phase 2 (1992-1996). Phase 1 focused on raw material and semi-processed products. In phase 2 more emphasis was given to the leather finishing aspects, effluent treatment and the manufacture of footwear and leather products.

In Ethiopia, the tanneries Awash, Dessie, Dire, Ethiopia, Blue Nile and Wallia received primary *Effluent Treatment Plants (ETPs)*, equipment for waste water analysis and advice for the procurement of hides and skins. The shoe factories Ras Dashen, Peacock and Kangaroo were supported to upgrade their product quality and production process and marketing. Genuine Leather, General Leather Garments and other leather goods and garments companies were supported in a similar way. An export marketing strategy "Exporting Footwear from Africa" was elaborated together with the International Trade Centre (ITC) and the preparation for trade fair collections facilitated. The Ethiopian Tanneries' Association, which later became the Ethiopian Leather Industry Association (ELIA), was initiated in 1994.

In 1999 the Integrated Programme (IP) for Ethiopia was launched including capacity building of the then newly established LLPTI, the continued implementation of ETPs in tanneries and the upgrading of selected footwear and leather garment factories to international export standards. Another component focused on the development of Micro, Small and Medium Enterprises (MSMEs) and the building of institutional capacities for their support. Based on a government strategy for Micro and Small Enterprise (MSE) development, UNIDO focused on capacity building for the Federal

Micro and Small Enterprise Development Agency (FeMSEDA) and the Regional Micro and Small Enterprise Development Agencies (ReMSEDA). (UNIDO 2003a) Core institutions were supported in organizing entrepreneurship development and technical training courses, among them *Enterprise Ethiopia, Chamber of Commerce, Women Entrepreneurs Associations* and the *Ministry of Trade and Industry (MoTI)*. Linkages between the components dealing with leather and MSMEs were established and trainings conducted for beneficiaries from both components. After an evaluation in 2003 the MoTI requested a second phase of the IP under the title “*Unleashing the potential of MSMEs in Ethiopia*”.

Parallel to the technical assistance, UNIDO engaged in the regional leather-related research and policy advice activities. In 2003 “*A Blueprint for the African Leather Industry – A Development, Investment and Trade Guide for the Leather Industry in Africa*” (UNIDO 2003b) was compiled, containing an assessment and recommendations concerning the global leather value chain, the production and improvement of hides and skins, the processing and manufacturing of leather and leather products, market development and trade promotion.

In 2004 two projects were launched: one to continue capacity building of the LLPTI, the other one for the development of the “*Made in Ethiopia*” leather products industry – leading to the creation of “*Taytu*”, the first luxury designer label to emerge from Ethiopia.

In the same year, UNIDO’s research programme conducted a study on “*Social capital for industrial development*” (UNIDO COMPID 2005), including an in-depth assessment of the footwear cluster in Addis Ababa and feeding into UNIDO’s value chain and pro-poor cluster development methodologies.

In 2005 the *Ministry of Industry (MoI, former Ministry of Trade and Industry – MoTI)* asked UNIDO to prepare a “*A Strategic Action Plan for the Development of the Ethiopian Leather and Leather Products Industry*” in close cooperation with the industry. The “*Strategic Action Plan*” was delivered in two Volumes - a *Master Plan* and a *Business Plan*. The government embraced it as official policy document for the development of the sector. Applying a value chain and systemic approach, the development of the footwear industry, followed by the leather garments and leather goods industry, was selected as priority sector for to create a strong demand of quality finished leather, urging the tanning industry to upgrade and create the highest possible value addition in the country. As main drivers of this so-called “*Top-down (Pull) Approach*” the LLPTI and the *mechanism of subcontracting* were identified. The *benchmarking concept* was introduced and five areas for support interventions outlined: macroeconomic policies and finance, raw material, industrial management and market support, investment promotion, infrastructure.

2005 was also the start of the project “*Unleashing the potential of MSMEs in Ethiopia*”, the second phase of the MSME component of the Integrated Programme.

(UNIDO 2005c) Four industrial clusters were chosen for this project including the *Merkato (Addis Ababa) Leather Footwear Cluster*. *Cluster Development Agents (CDAs)* were trained, *Cluster Development Coordination Groups (CDCGs)* established and in 2006 an in-depth participatory *diagnostic study* conducted. (UNIDO, Duki 2006) The focus was on trust and cooperation building, identification and implementation of joint activities, the building of linkages along the value chain and the establishment of local governance structures for the cluster initiative. *UNIDO cluster development programme* and *UNIDO leather programme* worked together in offering training through LLPTI (the predecessor of LIDI), facilitating the participation in the *All Africa Leather Fair (AALF)* and organizing a visit of MSM entrepreneurs in a mechanized shoe factory.

Support for the *Leather and Leather Products Technology Institute (LLPTI)* now LIDI was provided in successive projects. From 2005 to 2008 management capacities for service delivery to the industry were strengthened; the basic training activities were enhanced by expatriate experts and training manuals prepared; the operation of the four pilot plants and the quality-testing laboratory received support.

In May 2007, upon request of MOI, two existing international *benchmarking studies* on footwear manufacturing (UNIDO, Clothier and Schmél 2005) and tanning (UNIDO, Buljan 2007) were adapted to Ethiopian needs and provided information on best practices for the industry to measure with. The benchmarking exercise in selected Ethiopian footwear factories could only be partially conducted by the Unido project due to funding constraints, but is now fully implemented by LIDI in cooperation with CLRI and FDDI, two Indian Institutions in the field of leather and footwear respectively (see below)

In June 2009 the “*Technical Assistance Project for the Up-Grading of the Ethiopian Leather and Leather Products Industry*” started implementation with a needs assessment of the export-oriented industry, followed by a wide range of technical assistance from production layout to management and marketing. The leather finishing capacities of selected tanneries were upgraded, leather garments and leather goods design trainings offered, trade fair collections prepared and the LLPTI’s technical and managerial capacities enhanced. A strong effort was made to upgrade LLPTI’s laboratories for further testing accreditation. In 2010 two major events changed the course of the project: The *Textile and Leather Industry Development Center (TLIDC)* was dissolved, the LLPTI renamed as *Leather Industry Development Centre (LIDI)* and mandated with an all-encompassing responsibility for the development of the sector. The second event was the twinning arrangement of LIDI with two Indian partner institutions - the *Central Leather Research Institute (CLRI)* and the *Footwear Design and Development Institute (FDDI)* for the implementation of the benchmarking at production level of tanneries and footwear manufacturing, building on UNIDO’s previous benchmarking studies.

Table 12 UNIDO's leather related TA in Ethiopia

Project Number	Project Title	Budget (USD)
DG/ETH/08/010	ETHIOPIA PROGRAMME COMPONENT: ENHANCED ECONOMIC GROWTH: PROMOTION OF LEATHER AND LEATHER PRODUCTS (LPP) SUPPORT TO INTERNATIONAL LEATHER FAIR 2009	100,000
TE/ETH/08/008	TECHNICAL ASSISTANCE PROJECT FOR UPGRADING OF THE ETHIOPIAN LEATHER AND LEATHER PRODUCTS INDUSTRY	3,213,108
TF/ETH/07/008	ETHIOPIA INVESTMENT FORUM 2007 FOR THE LEATHER PRODUCTS INDUSTRY	98,542
XP/ETH/07/005	ETHIOPIA INVESTMENT FORUM 2007 FOR THE LEATHER PRODUCTS INDUSTRY	26,970
US/ETH/05/005	INTEGRATED PROGRAMME FOR PRIVATE SECTOR DEVELOPMENT AND ENHANCED COMPETITIVENESS WITH SPECIAL EMPHASIS ON TEXTILE & GARMENTS, LEATHER & LEATHER PRODUCTS AND FOOD PROCESSING (COMPONENT B.1.5 - LEATHER INDUSTRY)	36,642
UE/ETH/04/160	ASSISTANCE FOR THE DEVELOPMENT OF THE "MADE IN ETHIOPIA" LEATHER PRODUCTS INDUSTRY	322,395
US/ETH/04/080	INTEGRATED PROGRAMME FOR PRIVATE SECTOR DEVELOPMENT AND ENHANCED COMPETITIVENESS WITH SPECIAL EMPHASIS ON TEXTILE & GARMENTS, LEATHER & LEATHER PRODUCTS AND THE FOOD PROCESSING (PHASE 2 OF THE INTEGRATED PROGRAMME FOR ETHIOPIA)- SEED MONEY	69,523
TE/ETH/04/001	ASSISTANCE TO THE LEATHER AND LEATHER PRODUCTS TECHNOLOGY INSTITUTE (LLPTI), FOR THE DEVELOPMENT OF ITS MANAGERIAL AND OPERATIVE CAPACITIES	1,566,793
YA/ETH/03/435	INTEGRATED PROGRAMME IN ETHIOPIA, (SUB) COMPONENT 1A – LEATHER	47,588
US/ETH/01/19A	ASSISTANCE FOR THE DEVELOPMENT OF THE ETHIOPIAN LEATHER PRODUCTS INDUSTRY	95,299
US/ETH/01/191	ASSISTANCE FOR THE DEVELOPMENT OF THE ETHIOPIAN LEATHER PRODUCTS INDUSTRY - IP COMPONENT 1A3, LEATHER	514,956
NC/ETH/00/003	INTEGRATED PROGRAMME FOR PRIVATE SECTOR DEVELOPMENT ENHANCED INDUSTRIAL COMPETITIVENESS AND ENVIRONMENTALLY FRIENDLY PRODUCTION: ASSISTANCE FOR THE DEVELOPMENT OF THE ETHIOPIAN LEATHER INDUSTRY	41,572

3.2 The Master Plan

The 2005 Master Plan entitled 'A strategic Action Plan for the Development of the Ethiopian Leather and Leather Products Industry' was endorsed by the GOE and became an eye opener in terms of putting the leather and leather products industry in the global value chain (State Minister of Industry, personal communication). It

introduced a top-down pull approach (TDA) with footwear, leather garment and leather goods industries taking the lead to pull the tanning sector to produce good quality leather and improve also the quality and quantity of raw material. The Master Plan identified the bottlenecks and constraints that affect the competitiveness of the sector. These problems were identified under each of the three leather sub-sectors: hides and skins, tannery and leather products. Under hides and skin sub-sector, the problems identified were lack of training and insufficient extension system resulting in poor husbandry, low off-take rate, defective and scarce hides and skins; poor hides and skins physical infrastructure resulting in lack of marketing system based on quality. Under the tannery sub-sector, the identified problems were poor management practices, inadequate pollution management, outdated equipment and technical constraints, lack of product diversification resulting in low production of finished leather and low capacity utilization. Such limitations of tanneries have put less pressure on the upstream hides and skin sub-sector. Under the leather products sectors, the problems were insufficient availability of finished leather, poor workshop management, difficulty in component procurement, lack of skilled manpower, inadequate costing in footwear and garment, lack of shoe engineering and technology resulting in poor design and low diversification. In addition weak market information system on leather and leather products, weak negotiation skills in international market and poor image of the Ethiopian leather industry were believed to have negative impacts on the competitiveness of the sector (UNIDO, 2005)

The Master Plan also included a benchmarking of Ethiopian leather and leather product industry with against four countries namely Italy, China, Vietnam and India, which show similarities with the Ethiopian leather industry. The Master Plan suggested intervention areas to support the Top-Down Approach. These intervention areas pertain to macro-economic policies and finance, raw material, industrial management and market support, investment promotion and infrastructure (UNIDO, 2005).

Following the master plan study, the Ministry of Trade and Industry prepared an action plan to upgrade the leather sector in 2006. The action plan was referred as ‘Ministry of Trade and Industry (MOTI’s) upgrading program for assisting tanneries and footwear companies’. The action plan has set up some specific targets for finished leather and footwear during the next Ethiopian fiscal years (UNIDO, 2007). Similarly, many donors have involved in the sector in order to improve its competitiveness¹⁰.

The Ministry of Industry requested development partners to assist in the implementation of the Master Plan. Since 2005 UNIDO, with financial support of the Italian Cooperation, implemented, among others, projects such as ‘Assistance to the Leather and Leather Products Industry to improve its managerial and operative capacity’, ‘Made in Ethiopia project’, ‘support to the MSME cluster’, ‘the national cleaner production center’ (see table 2 for full list).

¹⁰ Notable among these are Italian Cooperation, UNIDO, USAID, GIZ,

The latest project UNIDO is currently implementing began in June 2009 and aims at upgrading the technical and managerial capacity of different players in the leather industry in order to increase export and attract FDI.

Other than UNIDO, donors such as USAID, GIZ are also involved in the leather sector. USAID focused on improving the quality of raw hides and skins which is undertaken through treatment and construction of warehouse. GIZ is involved in providing technical assistance to LIDI and re-engineering of leather industries through the Engineering Capacity Building Program (ECBP). The main involvement of the ECBP is in building the capacities of private companies in the leather and tanning sub-sectors particularly in making the companies competitive in product quality, process, delivery, leadership etc. This is achieved through the benchmarking exercise implemented by LIDI in cooperation with CLRI and FDDI. The initial benchmarking was implemented in seven tanneries and seven shoe companies selected by the government. ECBP used UNIDO's initial benchmarking studies for the shoe and tanning sectors to conduct and implement company specific benchmarking studies.

In July 2011 the cooperation between LIDI and CLRI was confirmed by a twinning arrangement based on bilateral agreements of the two governments. The purpose of this twinning exercise is to strengthen LIDI's technical and managerial capacity in supporting the Ethiopian leather industry. The twinning arrangement foresees a total of 550 man/months for short- and long-term experts from CLRI to perform more than 40 tasks over a period of three years. To date, more than 50 CLRI experts have conducted technology transfer missions at LIDI. The funding for the program comes from ECBP who also follows on the general technical and operational issues of the program.

The cooperation between LIDI and CLRI is apparently quite successful. Both organizations seem to have established the basis for long-term cooperation. This apparent success story is also interesting with regard to an earlier attempt to establish a similar twinning arrangement with a German shoe research institute that was facilitated by GIZ. This bilateral cooperation was less successful and discontinued after about one year.

4. Project Identification, design and strategy

4.1 Project identification

The project focused by this evaluation cascaded from the previous involvement of UNIDO in the sector (see above). Following the preparation of the Leather Sector Master Plan by UNIDO in 2005, the Ministry of Industry prepared a strategy for the sector in 2006. In 2007, the ministry convened a meeting of development partners, i.e. UNIDO, the Italian Cooperation, ECBP (GIZ), USAID and others, to discuss ways of enhancing the competitiveness of the sector. UNIDO was asked to prepare a benchmark study for the footwear industry, which was approved by the export committee in June 2007. On this basis, the Ministry of Industry and the Italian Cooperation prepared a project document. UNIDO facilitated the process and the project document was completed in 2008. UNIDO also prepared the benchmarking study of the tannery sector which was previously assigned to another donor group (ECBP/GIZ).

The Technical Assistance Project for the Up-grading of the Ethiopian Leather and Leather Products industry started in 2009¹¹ as a means of strengthening the benchmarking exercise in selected factories as well as upgrading the whole industry. Owing to the importance of the Project, the State Minister of Industry (MoI) requested to speed up with the implementation of the Project as the leather industry needs to be enhanced.

4.2 Project design

The project was designed in order to cover the entire leather and leather products industry (i.e., tanneries, shoe factories, and other leather products companies) but with more focused assistance to a few selected plants to be utilized as pilot plants based on MOI's instructions. The idea was to use them as models and develop best practices for the sector as a whole. The initial design targeted the formal and informal sectors particularly in the footwear sub-sector. In addition, the project aimed at building capacity of the TLIDC and the LLPTI for improved support services to companies.

The initial project design included four phases:

¹¹ The present project benefited from UNIDO's previous projects especially from TEETH04001 'Assistance to the leather and leather products development technology institute for the development of its managerial and operative capacities' during the years 2005-2008.

Phase 1: Identification of the companies' technical and managerial needs

According to the project document, this phase is to be completed in the first two months of the project life and it is intended to prepare an in-depth SWOT analysis of companies in leather and leather products industry (LLPI).

Phase 2: Identification of the appropriate assistance and or consultancy

This phase involves the formulation of the appropriate technical training and management support and the upgrading of the selected companies based on the benchmarking study. The phase should also assist the LLPTI with designing new laboratory services to companies.

Phase 3: Technical assistance to the main actors of LLPI

Under this phase, the project would unfold its systemic approach and provide technical assistance to key actors in the sector: tanneries, footwear and leather products industry, the informal sector and the technical support centers TLIDC and LLPTI. Encouraging joint ventures with foreign companies has been a key objective for this phase.

With regard to the tanning sector, the technical assistance will focus on upgrading their capacity to produce finished leather and also on improving their management and marketing skills.

With regard to the footwear sector, emphasis will be put on improving the companies' management systems, upgrading workers technical skills, re-engineering the whole production system and improving the production activity through a series of quality tests on semi-finished materials and finished products.

The TLIDC will receive IT facilities and linkage supports and human resource training. The main focus with LLPTI is to upgrade management and the professionalism and skills of trainers and staff so that the LLPTI can improve its support and deliver new high-value services to the companies. The project also aims to make the CAD/CAM system fully operational for training purposes at LLPTI but also to enable the delivery of services on demand. In addition, the quality and quantity of services provided to companies (both tanning and shoe companies) by the LLPTI laboratories and workshops will be enhanced.

Phase 4: Monitoring and evaluation of the project

This phase involves constant monitoring of the project's activities and their final evaluation. The CTA will be responsible for monitoring all project components.

4.3 Changes in the project design

One year through the project, two major changes occurred:

- TLIDC was dissolved and two separate institutions namely the Leather Industry Development Institute (LIDI) and the Textile Industry Development Institute (TIDI) were established. LIDI embraces now the former training mandate of LLPTI together with a mandate to provide direct support services to industry. LIDI is now the leading national institute responsible for upgrading the leather sub-sector as a whole.
- The Ministry and LIDI signed agreements with the Central Leather Research Institute (CLRI) and the Footwear Design and Development Institute (FDDI) from India to implement the UNIDO technical benchmarking studies in eight tanneries and eight footwear industries (Table 3). In 2011, the cooperation between LIDI and the two institutes became an official twinning arrangement as mentioned above.

Table 13: Pilot companies for the application of benchmarking

Tanneries	Shoe factories
Dire Tannery	Anbessa
Colba	Peacock
Batu Tannery	Kangaroo
Walia Tannery	Tikur Abay
Hafde Tannery	Ramsay
Addis Ababa Tannery	Ras Dashen
Bahar Dar Tannery	Jamaica OK
Sheba Tannery	Sheba Shoe Factory

Taking into account these developments and following the recommendations of the 3rd Steering Committee, the Ministry and the Director-General of LIDI requested UNIDO in April 2010 to refocus the project on the following five areas:

1. The management area through the introduction of ERP systems for tanneries and footwear companies;
2. The marketing area;
3. The environment area (study on the establishment of Effluent Treatment Plant (ETP) in Modjo area);
4. Second phase of the Accreditation of LLPTI Laboratories; and
5. Leather products development.

The refocused project planning did not include policy advice and updating and follow-up of the Master Plan. Nor did it foresee monitoring the targets in the Master Plan and the results of the implementation of the benchmarking.

Most importantly, the initial focus on MSMEs was dropped. Although the evaluators are not aware of any official explanation of the reasons for this dramatic change, it seems that structural changes at the Ethio-International Footwear Cluster Cooperative Society (EIFCCOS) and its temporary inability to receive project support may have played a role. However, the initial project focus was partially restored at the end of 2011 when EIFCCOS requested UNIDO to assist the cluster of small shoe manufacturers at their newly built premises in Yeka. This assistance was still ongoing during the evaluation.

4.4 Project Strategy

Table 17 shows the components and outputs as agreed after the refocusing of the project. The seven initial components were maintained but with a significantly reduced number of activities.

The first two components revolve around identification of foreign investors, selection of companies, analyzing needs, designing courses and consultancy services.

Components three and four focus on tanning, footwear and leather sectors. The assistance is to be provided directly or through LIDI. The outputs of these components are related to improving management systems of factories; upgrading workers' technical capacities; production improved; re-engineering business processes and promoting leather products in international markets. These outputs were to be achieved by introducing ERP systems in different areas for LIDI and the companies; providing training on design and ISO certification, providing assistance to diversify products, implementing business process re-engineering, helping companies prepare marketing and implementation plan.

Component five is focused on technical assistance to the micro, small and medium enterprises (MSMEs) and upgrading their production processes. The outputs relate to having MSMEs production quality improved and enabling them to use CAD-CAM services; consortia of MSMEs established and having clusters of MSMEs specializing in specific stages of production. Planned activities include mapping of the SMEs, providing technical, management and design training, supporting clusters to develop into districts following the Italian industrial districts model, creating and supporting consortia.

Component six is building the capacity of LIDI to assist the factories and promote the sector. Planned outputs are to equip LIDI with the necessary IT facilities, to promote LIDI image, to train LIDI staff in marketing and project management, and to support MSMEs by LIDI. Key activities were provision of IT facilities, forging linkages

between LIDI and other institutes such as ELIA, train LIDI staff, support LIDI to develop legal framework for consortia, enable LIDI to supervise MSMEs.

Component seven aims at improving LIDI’s capacity to provide services by providing skills, consultancy, preparing marketing plan. It focuses on strengthening LIDI’s existing services to companies and developing new ones. Key outputs are therefore LIDI’s professionalism and skills upgraded LIDI’s service to companies strengthened, relations between LIDI and others institutes established.

Table 17: Planned outputs and activities of the project

Component	Output
1. Identification of the companies’ technical and managerial needs and potential foreign partners	1.1 Companies needs in terms of technical assistance identified 1.2 Potential foreign investors identified
2. Identification of the appropriate assistance and/or consultancy	2.1 Detailed plan of activities in support of LLPI designed and discussed among stakeholders 2.2 Appropriate technical training courses and management path formulated 2.3 New streamlined technical and consulting service for the companies to be provided in line with LIDI formation/mandate as well as CLRI redesigned and identified 2.4 Refocus assistance on management, marketing, laboratory accreditation, investment promotion, environmental aspects 2.6 Possible collaboration with USAID program, GTZ ECBP and others on the leather value chain and related activities discussed and identified with the counterparts
3. Provision of technical assistance to the tanning sector directly and through the LIDI	3.1 Tanneries’ management system upgraded in terms of efficiency and effectiveness 3.2 Workers’ technical capacities upgraded 3.3 Business processes re-engineered and upgraded 3.4 Support provided to tanneries for compliance with international environmental standards through the preparation of individual proposals for the establishment of the secondary effluent treatment plants
4. Provision of technical assistance to the footwear and leather goods companies, both directly and through the LIDI	4.1 Companies’ management systems improved in terms of efficiency and effectiveness 4.2 Workers’ technical skills upgraded for shoe uppers, ladies bags and leather garments as well as shoe manufacture. 4.3 Business processes re-engineered and improved 4.4 Production improved through the provision of quality tests on finished products; 4.5 Ethiopian Lather products promoted in foreign markets
5. Re-qualification, provision of technical assistance and access to financial credits to the MSMEs of the formal	5.1 Quality of the MSMEs production upgraded and complying with domestic and international standards; 5.2 MSMEs production designed according to modern techniques through the CAD-CAM services of the LLPTI

Component	Output
and informal sector	<p>5.3 On the basis of common agreement amongst stakeholders, consortia of MSMEs of the formal and informal sector established and/or mutual guarantees associations amongst them created through the provision of a mutual guarantee fund</p> <p>5.4 On the basis of common agreement amongst stakeholders, clusters of MSMEs specialized in each single phase of the production created according to the Italian industrial district model</p>
6. Provision of Technical Assistance and focused capacity building to the LIDI	<p>6.1 LIDI equipped with the necessary IT facilities</p> <p>6.2 LIDI image promoted within Ethiopia and abroad</p> <p>6.3 LIDI staff properly trained in project management and marketing</p> <p>6.4 Legal framework for consortia and/or MGAs developed</p> <p>6.5 MSMEs clusters supported and monitored by LIDI</p>
7. Technical and managerial training to the LIDI concerned staff aimed at the strengthening of the existing services and support to the establishment of new ones	<p>7.1 Professionalism and skills of LLPTI/LIDI and staff upgraded</p> <p>7.2 LLPTI and local companies' staff trained in design through the utilization of CAD-CAM laboratory;</p> <p>7.3 Companies provided with CAD-CAM design and consultancy services;</p> <p>7.4 Relations established between the LLPTI/LIDI and other similar international institutes;</p> <p>7.5 Competence upgrading plan for the LLPTI/LIDI staff designed and marketing plan established</p> <p>7.6 LLPTI existing services strengthened and new small machineries and software needed purchased</p> <p>7.7 New courses such as business process re-engineering, production line management, budgeting, costing, marketing etc offered by the LLPT/LIDI to the companies staff</p>

5. PROJECT IMPLEMENTATION

The UNIDO project manager is very well acquainted with Ethiopia. From 2006 onwards she was permanently based at the UNIDO office in Addis Ababa and hence managed the launching and the first phase of the project directly from the field. This situation changed when she moved back to UNIDO HQ in January 2011.

In the field, a project management unit was established in a permanent project office at LIDI, managed by a Chief Technical Advisor (CTA) who serves under a split mission in Ethiopia and home-based (Egypt). He is a specialist in leather goods development and laboratory accreditation and coordinates all project components. A full time national project coordinator takes responsibility for environmental and tannery activities as well as for office management and logistics. The project team includes also a project secretary and two drivers.

UNIDO's intervention strategy relied on bringing in a relatively large number of short-term international experts, including an ERP and management expert, a marketing and sales expert, a footwear expert, a market research expert, a footwear designer, a footwear and leather product designer and other experts (see Annex E). The durations of the expert missions varied widely. Some of them came for only one short mission; others were fielded for several subsequent rounds. The ERP and management expert and the marketing and sales expert had the highest number of missions. In 2010, the project hired also a national IT expert looking after the ERP implementation.

The Steering Committee chaired by MoI State Minister Ato Tadesse Haile is composed of representatives of the Ministry of Industry, the Italian Development Cooperation, LIDI and the Ethiopian Leather Industries Association (ELIA). Is UNIDO represented through the project manager and the CTA. The steering committee holds meetings at least once a year, to review the progress of the project and provide guidance on the next phases. To date, the steering committee has undertaken four meetings with different stakeholders present in the meetings.

The implementation process was structured in two periods. From May 2009 to June 2010 the project proceeded along the lines of the initial planning in the project document. In 2010 institutional changes and priority shifts necessitated streamlining of project activities (see above). Thus, stage two of the project focused on the revised intervention areas.

In the following, the output results are presented in a consolidated manner under the following headings:

- i) Capacity building
- ii) Accreditation of LIDI laboratory
- iii) Marketing
- iv) Managerial support and ERP system
- v) Product development and upgrading
- vi) Increasing FDI in the leather sector and
- vii) Environment.

A complete list of output achievements can be found in Annex F.

5.1. Capacity building

The capacity building component included training in Ethiopia and abroad as well as study tours for TLIDC/LIDI staff but also for staff of beneficiary companies. The capacity building covered the following areas:

- Training marketing skills of TLIDC staff, laboratory training for LLPTI technicians, finishing leather products and re-tanning for trainees from tanneries;
- Management training for managers from companies;
- Hands on training on specific skills such as design making, pattern making, cutting, stitching etc;
- Preparation of manuals in order to make the trainings have a lasting effect;
- Exposure to other experiences by organizing study tours for different stakeholder in the industry.

The project delivered also a number of equipments. ELIA received office equipments, lap tops and computers. LIDI received computers in order to enable implementation of the ERP system and improve its communication Directorate. Two servers were installed in Anbessa for the purpose of implementing the ERP system.

One of the services LIDI delivers to the leather sector is quality assurance tests for leather and shoes. The LIDI laboratory provides more than 80 different tests such as chemical and tanning material testing (5 tests), leather chemical testing (9 tests), leather physical testing (22 tests), pickled pelts testing (6 tests), process liquor testing (8 tests), water and wastewater physical and chemical testing (22 tests) and shoe testing (7 tests). With the support of the project, LIDI achieved international accreditation from SANAS for 12 of these tests (see Annex F).

Laboratory accreditation to ISO 17025 is a lengthy process. It required a number of project activities, including equipment calibration, proficiency testing, procurement of chemicals and equipments, training and restructuring of LIDI staff, and preparation of laboratory documents. Most of these activities have been undertaken by the Egyptian

National Institute of Standards (NIS) in close collaboration between the CTA and LIDI's laboratory management staff. This could be cited as a good example of south/south cooperation. The 3rd phase accreditation covering shoe testing is expected to be finalized in October 2012. The necessary equipment, procured by the project, has already been delivered.

The accreditation enabled the laboratory to provide test services particularly to leather and shoe factories involved in export. Table 18 shows the increasing numbers of requests and tests conducted since the accreditation. The number of requests made in 2010/2011 was 3.7 fold to that of 2006/07 requests while the number of tests conducted in 2010/11 was 4 four-fold to that of tests conducted in 2006/07. Income from tests has increased accordingly.

Table 18: Number of Tests requested and conducted in LIDI laboratory (2006/07 - 2011/12)

Year	Number of tests requested	Number of tests conducted	Income (earnings) in Birr
2006/07	97	610	350.0
2007/08	140	730	3505.35
2008/09	142	824	5454.00
2009/10	164	1290	15014.2
2010/11	362	2441	24735.6
2011/2012 (six months)	264	1113	30992.4

Source: LIDI, Laboratory

5.2 Company support

5.2.1 Marketing

The marketing component is critical and involved several dimensions. Assistance was given to LIDI and ELIA but also to individual companies, such as Anbessa shoe factory, Sheba Shoe Factory, Addis Ababa Tannery, Batu Tannery, HAFDE Tannery, Dire Tannery, Bahir Dar Tannery. Substantial marketing assistance was also provided to EIFCCOS. The most important activities were:

- Preparation of market studies for France, Italy, Germany, Austria and Spain. The market studies cover market demographics, market structure, market, segmentation, trends, opportunities and threats, trade channels and market entry as well as a scanning of import prices and their evolution together with access market requirements. These studies are available from the LIDI website.

- Creating export access to the COMESA region by forging marketing linkages and introducing quality certification. The latter is meant to avoid impediments to export.
- Benchmarking marketing performances of companies;
- Creating brands and logos by following branding strategy for different factories and for EIFCCOS;
- Preparation of promotional materials for various occasions such as trade fairs and for different products;
- Awareness raising in different marketing areas;
- Supporting LIDI by promoting the institution and strengthening its communication strategy.

5.2.2 Managerial support and ERP system

Improving production and supply chain management has been identified as a priority need of most companies on the basis of the process benchmarking.

A workshop was organized in October 2009 with the top management of Kangaroo Shoes; Peacock Shoes; Anbessa Shoes; Tikur Abay Shoes; Ramsay Shoes; Walia Shoes; Batu Tannery; Dire Tannery and Sheba Tannery. Anbessa was selected as a ‘model’ factory because, as a government owned company, it was expected that it could be used as a demonstration plant for other companies.

Priority was given to introducing an Enterprise Resource Management (ERP) system as a means to initiate management change. An ERP system is a software application to manage business processes using a comprehensive database for business data. The project identified an ERP software named “Fashion”, which is tailor made for shoe factories, as the most appropriate solution for Anbessa. The software package including customization services was purchased, training abroad for the appointed Anbessa staff organized and a manual on managing supply chain management by ERP was developed.

The “Fashion” ERP was installed by mid 2010. The training of Anbessa staff required more than six months as some of them resigned and training had to be repeated. After a long period of data collection and loading (bill of materials and routings for all shoe models; materials base data; cost and price data, etc.) customization was undertaken. The system became operational for about four weeks in October 2011 as long as UNIDO experts took over direct responsibility for the ERP. After this period, however, Anbessa stopped using the system and reverted to manual procedures. Furthermore, the system administrator trained by UNIDO was promoted to another job and stopped giving support to the users and maintaining the system. Progressively almost all trained users resigned and some of them were not substituted.

A different approach was adopted for the other factories and also for institutional users such as LIDI, ELIA and EIFCCOS. Here, a less sophisticated modular ERP system was

introduced that is “open source” and can be freely customized by IT experts. Peacock received training on the HR module of this system, which they are now using successfully. The same HR module has also been implemented in Ramsay. Similar training was given to Tikur Abay where the IT department is expected to provide training to the HR department once the new HR manger is recruited. Batu tannery is preparing for the same module.

The “open source“ is being used by ELIA for HR and by LIDI for the testing laboratory, the fixed assets management, the supply management, for HR and for the management of its library and archive. Initially, implementation was delayed because most users had given low priority to collecting and loading data. But with higher management commitment, the situation is improving. At LIDI, the introduction of ERP was accompanied by providing eight new PCs in order to substitute old PCs with very low performances and comply with the requirements of the ERP. This operation required more than three months due to procurement and customs delays.

5.2.3 Product development and upgrading

At the tanneries, product upgrading focused on leather finishing. Such type of assistance has been extended to Dire and Sheba tanneries.

Product development for shoe manufacturers aims to introduce new products with higher export market potential. Given that Ethiopian shoe manufacturing is traditionally dominated by men’s shoes, the product development focused on introducing designs for ladies shoes. Most of the shoe design trainings were conducted during the first stage of the project but the design and collection development of leather goods, such as lady’s bags and hotel items continued during the second stage. The latter involved also participation of the respective manufacturers in a leather fair in Moscow.

In 2012, the project also initiated product development and upgrading which was conducted with the help of international design and collection development experts who provided training to LIDI experts but also directly to companies.

5.2.4 Export Development Program for finished Leather Articles (Ladies Bags)

The project conducted an export development program for ladies bags and other leather items targeting the Russian market. This initiative was led by the CTA and included training for leather goods designers which has covered a series of activities and attained results:

Table 19: List of activities and results under export development program for finished leather articles

PROGRAMME ACTIVITIES	Period	ATTAINED RESULTS
Gap analysis for companies selections	2 nd stage	Field survey & Selection of eligible companies to participate jointly with the CTA & counterparts
Skills upgrading for companies key staff	2 nd stage	Skills upgraded
Design & conduct of market testing collections	2 nd stage	Collections developed with guidance on costing techniques
Study tour the target fair Mosshoes and buyers meetings (3 companies & LIDI counterpart)	2 nd stage	Market intelligence achieved on design/quality and price
Full fledged collections development	2 nd stage	Fair collections developed
Advance fair preparations- promotion material & advertisements	2 nd stage	Readiness for participation
Ethiopian participation at Mosshoes fair March 2012 (five companies and 2 LIDI counterparts Adding ladies shoes & gloves after fresh survey and gap analysis for selection)	2 nd stage	Successful fair participation generating buyers interest in Ethiopian range and generating initial orders

5.2.5 Increasing FDI in the sector

One of the objectives of the project is to attract FDI to the sector. The project activity for this component involves identifying and inviting potential investors to the country and preparing feasibility studies for potential investment projects. In terms of the latter, feasibility studies for an upper shoe factory, for components distributor trading company, for sole manufacturing company and for Sheba company have been prepared by UNIDO. The latter is a business guidance study needed to expand the company in line with the machineries already available in the factory.

The rationale for the upper shoe factory is to encourage specialization in the shoe industry. The Ethiopian shoe industries are characterized by vertical integration with all activities of shoe production under one roof. If factories are vertically integrated there can be little specialization in different operations. Establishing upper shoe factory however can help bring specialization since footwear producers will engage in other stages of production as long as they are provided with uppers in the market. The rationale for the components trading company is the lack of components in the country and problems in their timely delivery when imported. For instance, Peacock shoe factory indicated that delays in importing components from abroad results in problems of timely delivery of their product. The hope is these projects will attract foreign investors.

The latest initiative of UNIDO along this line is its participation in a high level meeting on investment held in Italy in March 2012, to explain the potential of the leather sector to a group of investors.

5.2.6 The model factory approach

With the objective of developing Anbessa into a model factory, this company is receiving managerial support in terms of ERP, supply chain management and other special assistance. A study was done involving its costing procedures, operations and merchandising etc. The purpose is to make its export process more profitable since it is difficult to increase export prices while there is inefficient costing.

A benchmarking study on Anbessa's marketing system was also conducted. This study identified gaps and suggested ways of improving the marketing activities. Following up on this study, many marketing activities have been implemented. These include reduction of collection by removing dead products, new product development for future design department, preparing new communication and promotional materials such as websites, catalogues and posters and coaching the export manager to better handle and communicate with customers. In addition, an upper making specialist was fielded to the company. The productivity of the branch factory, Manpo, was improved by working on different aspects such as system, manpower, layout, design etc.

5.2.7 Benchmarking

Though benchmarking as an activity is not a component of the Project under evaluation, the Project has continued along the lines of upgrading the sector since the preparation of the Master Plan which includes a section on benchmarking by comparing Ethiopian Leather and Leather Products Industry with four countries namely India, Vietnam, China and Italy. In addition to the Master Plan, UNIDO has been asked by the Minister of Industry to prepare a benchmarking study in the years prior to the initiation of the present project. In particular, following the action plan prepared by MOI to increase the contribution of leather and leather products industry to the overall economy by enhancing its competitiveness, UNIDO prepared a Practical Benchmarking of Shoe Production in May 2007. The study has been endorsed by MOI and the National Export Coordinating Committee to serve as a guideline to develop and support the shoe sub-sector. The study describes good practices and benchmarks in 11 selected items: company size, location and management structure, financial structure and financial ratios, marketing and sales, overhead structure, purchasing, design and product development, material utilization, production, human resource management, quality control, information technology (IT). The purpose is for companies to conduct self-assessments on the basis of good practices and benchmarks.

Later on TLIDC conducted company specific studies on Process Benchmarking Analysis and Intervention Program for Ethiopian shoe factories by focusing on different companies.¹² Indicators from UNIDO benchmarking have been used in the present project to establish company monitoring system. The TLIDC process benchmarking has also been used to determine the priority needs for managerial support. In this regard, for example the supply chain process as a critical problem of companies is derived from such benchmarking. UNIDO footwear expert established a benchmarking stitching unit in order to help improve the stitching operation in Anbessa factory. UNIDO marketing expert has also undertaken, finalized and proposed a marketing benchmarking for Anbessa factory so as to give some points aiming at a marketing, communication and sales level. This proposal was accepted by the board and the Chairman (who is also the Director General of the LIDI) though it has been hardly implemented. This document seems to be implemented by the management who bought Anbessa from the Privatization Agency.

5.3 Environment and common effluent plant

UNIDO has a long standing involvement in assisting tanneries to mitigate their environmental impacts by establishing effluent treatment plants (ETP). As mentioned above, previous UNIDO projects had delivered ETPs to seven tanneries and the present project provided additional equipments and technical support. The project also conducted several studies to address the environmental concerns of tanneries. One of these studies is a waste water treatment assessment of 18 tanneries in Addis Ababa and Modjo. The study makes recommendations for each tannery to reduce their waste water.

Another significant intervention has been the preparation of a feasibility study for a new common ETP at the planned Leather City in Modjo. This common ETP would protect the environment more effectively and at lower cost than individual treatment plants at each tannery. The feasibility study was conducted by a team of five Project experts in cooperation with LIDI. To date the following activities have been undertaken under this component:

- A study tour to Italy by LIDI manager and UNIDO expert to learn from common effluent treatment plants (ETPSs);
- A stakeholder awareness creation workshop;
- Studies on company profiles, Modjo topography and investment and operation costs;
- The first draft of the feasibility study was submitted to the Steering Committee in October 2012.

¹² It should be noted that the MoI established a technical committee chaired by TLIDC and composed of different development partners who jointly conducted the assessment based on UNIDO benchmarking

5.4 Support to MSMEs (informal sector)

Most of the MSMEs in the footwear sector are organized under a cluster cooperative named as 'Ethio-International Footwear Cluster Cooperative Society (EIFCCOS)' ¹³. EIFCCOS has about 1000 members who are producers, traders, retailers and other related commercial merchandisers. The aim of the cluster company is to overcome the problem of the MSMEs and direct their efforts towards a meaningful development and participation in domestic and export market.

EIFCCOS was established and based in 'Merkato' area of Addis Ababa where almost all MSMEs in the footwear sector are found. In order to overcome the serious problem of production site faced by MSMEs, the City Administration built G+4 working and selling premises for the MSMEs. About 160 operators who are members of EIFCCOS have now moved to the premise though some are still left in their original location.

UNIDO in the past has assisted MSMEs who are mostly cluster members. Its assistance to the MSMEs is part of the broader Integrated Program for Ethiopia (IPE)¹⁴. Between 2005 and 2009, UNIDO implemented a project on "Unleashing the Potential of MSMEs in Ethiopia" in which four clusters namely the 'Merkato' Footwear Cluster, the Gullele Handloom Cluster, the Addis Abeba Ready-made Garment Cluster and the Mekelle Metal and Wood Works Cluster were selected out of the 14 clusters initially mapped¹⁵ on the basis of the clusters' potential for pro-poor growth, intervention feasibility and diffusion prospect (UNIDO, 2010). UNIDO believes that clustering is the right approach to industrial and MSME promotion in Ethiopia (Pietrobelli et al (2009). Some of the achievements of the cluster approach in the footwear sector include:

- Establishing two networks (TESFA and REDET) to engage in joint activities like joint purchase of raw material;
- Customized training for 75 enterprise owners and workers through LLPTI in three areas of shoe making namely a) design and pattern making, b) cutting – preparation-stitching c) Lasting-making-finishing-packing ;

¹³ It should be noted that there are some MSME operators who are not members of EIFCCOS

¹⁴ The initial involvement of UNIDO in MSMEs is in 2001 with a project 'Promotion and Development of MSMEs in Ethiopia' which run for three years

¹⁵ The 14 clusters identified were Mekelle metal and wood works cluster, Adigrat metal and wood works cluster, Wokru Bee keeping cluster, Mekelle handloom weaving cluster, Bahir Dar metal & wood works cluster, Bahir Dar garments cluster, Awassa metal & wood works cluster, Awassa garment cluster, Nazareth edible oil processing cluster, Nazareth flourmills cluster, Nazareth construction materials cluster, Addis Ababa (Merkato) leather footwear cluster, Addis Ababa readymade garments cluster, Addis Ababa (Guleli) handloom weaving cluster.

- Sensitizing small entrepreneurs to the use of better technology in shoe production and linking some operators with machine importers who import small new and second hand machines. This has resulted in small producers changing from their old machineries to semi-mechanized machineries;
- Participating in international trade fairs and bazaars with the purpose of creating market linkage and promotion. About 50 enterprises of the clusters participated in the event by passing wholesalers who were the usual customers for producers;
- Sensitizing cluster members about the workings of Micro Finance Institutions (MFIs) and assisting MFIs to customize their products to the needs of the MSMEs; and
- Strengthening inter-firm collaboration

Though the above are indications of some positive results, the MSMEs in the cluster still need support in different areas of technical and skill upgrading, finance, marketing etc. Cluster development is a long process and needs to be continued.

In light of the above, the present project document specifies the MSMEs as one component. The aim, according to the document, is to contrast competing cheap foreign products sold on the local market; pilot local new production to international market; and work on sub-contract arrangement to export-oriented mechanized firms. The Project thus envisaged developing technical and managerial skills within the informal sector; providing design training, facilitating the creation of Italian style industrial cluster; and encouraging the informal sector companies to update their production and establishing mutual guarantee fund.

The MSME component, however, was kept on hold at large except UNIDO's assistance extended to MSMEs to participate in the third All African Leather Fair (AALF) held in January 2010. Some intervention work particularly marketing activities in the form of the definition of a brand strategy and product development began only at the time of evaluation. The evaluation mission observed the marketing expert holding a meeting with the EIFCCOS executives to select logos for different products lines, in accordance to the new marketing strategy oriented towards a branding. The mission has also observed an expert fielded at EIFCCOS providing training for some workshop owners on different designs of men's, ladies and children shoes. The evaluation mission also learned that EIFCCOS approached LIDI only recently to express its demands. According to the Head of the EIFCCOS, the organization was not ready to seek assistance and it is only three months ago (i.e. 7 December 2011) that a letter was written to UNIDO specifying their needs of assistance in marketing, business plan preparation and ERP implementation as well as product development. The letter received a positive feedback from the Project Manager on the 12 December 2011.

Most recently, EIFCCOS, has hired through the Ethiopian Competitive Fund nine Italian footwear experts to design the production setup for the targeted 3 million pairs per year. On this occasion, EIFCCOS reconfirmed the brand strategy and the brands developed in cooperation with the UNIDO marketing expert.

6. Assessment based on evaluation criteria

6.1 Relevance and ownership

In the following, relevance and ownership are assessed for the key players of the project: Government; leather industry; LIDI; MSME and “Merkato” entrepreneurs; and – last but not least – workers in the (formal and informal) leather industry.

The project was designed in full compliance with the Master Plan for the leather sector developed by UNIDO under an earlier project. Subsequently, this plan was adopted as official government policy, which is why the initial project planning was also fully aligned with Government priorities for the leather sector. When government changed priorities in 2010, the project aligned with these new priorities. Therefore, Government relevance is assessed as very high, both for the initial planning and for the implementation process. Equally, Government ownership is assessed as very high. There is ample evidence that the MoI has been driving and steering this project at all stages.

For the community of the bigger shoe and leather companies, the project shows sustained relevance by its activities related to production and supply chain management; product development; subcontracting and FDI.

The focus on supply chain management and ERP introduction reflected the benchmarking priorities of the Master Plan and was confirmed by company managers at a workshop. The selection of Anbessa as a pilot factory for ERP introduction was relevant although management commitment was somewhat reduced when the company became privatized. The other companies also appreciated the introduction of ERP systems as a welcome support of their upgrading efforts. At factory level concern was raised about the transparency of sub-contracting companies or individuals working with factories.

Product development is relevant because it targets a widely recognized weakness of the Ethiopian leather industry. The current business model of exporters relies on buyers coming with their own design (known as the “cut, make and trim” model in the textile industry). It limits the ability of manufacturers to access their customers directly and reduces their bargaining power and hence their margins. But product development is also relevant for manufacturers delivering products to the national market. Overcoming Ethiopia’s negative trade balance for shoes depends, among other factors, on the manufacturers’ ability to come up with attractive designs. The initiatives of the project to introduce new designs are therefore relevant and appropriate. Companies, however, need to have their own design units to absorb such support for sustainable product innovation.

It should be underlined that Ethiopia's growing national market is a valuable asset for the leather and shoe industry. The better the industry will be able to cope with imports, the better they will also be able to cope with competitors on export markets. And, in turn, there are many ways how exporters can use the capabilities they gain as subcontractors to enhance their production for the local market.

Therefore, the project activities to facilitate subcontracting and to attract FDI were not only in line with government priorities but also with company interests. However, relevance depends on the willingness of investors and buyers to not only skim-off "cheap labor" profits but to encourage technology transfer and production of high-valued goods.

The project was also relevant to LIDI because MoI had asked UNIDO to follow-up on the recommendations of the earlier independent evaluation to continuously support the managerial and operative capacity of LLPTI (now LIDI). Such capacity building took place in the areas of management and ERP implementation, as well as LIDI staff training in the design and marketing units. This continuous capacity building has been highly relevant but the project does not seem to be fully owned by LIDI management.

This apparent discrepancy is not due to the original inception of the project or its objectives. Key informants agree that the project is relevant to LIDI in terms of helping the institute discharge its responsibilities. The existing ownership problems originate rather from the fact that LIDI management feels sidelined in the activity planning of the project and its recruitment, selection and evaluation of experts. However, UNIDO does not agree with this view and the evaluators have not been able to fully illuminate these differences of perception between LIDI and UNIDO.

As explained in chapter 2 above, the "informal" MSME shoe producers are mostly located in the "Merkato" area of Addis Ababa. They are presumably producing half of the national shoe production and offering more than 50% of the jobs. The decision of the Steering Committee to drop MSME support from the initial priority list of the project diminished of course the relevance of the project for the MSMEs and their associations, such as EIFCCOS. However, the decision to reiterate MSME support under the project extension in 2012 reestablished MSME relevance.

The income situation and working conditions of the workers in the leather industry have been analyzed in some detail under chapter 2 above. Because of slim profit margins, wages in the shoe industry are relatively low as compared to other industries. Helpers and other "working poor" at the bottom of the salary scale oftentimes don't earn living wages. In the tanneries sector, profit margins and hence wages seem to be slightly more advantageous. For many workers in the informal sector, their income situation and in particular their working conditions are presumably even worse than in the formal sector.

For the latter, the relevance of the project has been negatively affected by the priority shift mentioned above. However, the *potential* relevance of future project interventions to improve working conditions and reduce the numbers of “working poor” in the informal leather sector is pretty high. As regards the workers in the formal sector, it is quite likely that the project has contributed to increasing the number of jobs but the income situation of this group of stakeholders has not been on the radar screen of the project. As a result, project relevance in this regard has been limited.

6.2 Efficiency and coordination

Efficiency refers to how economically or timely activities are conducted and to what extent they lead to the desired outputs. In the following, the efficiency of the project is assessed in terms of delivering international and national expertise, conducting trainings and study tours, purchasing equipment and with regard to internal and external coordination mechanisms.

Most interviewees considered the technical assistance provided by UNIDO experts as useful. There are, however, some differences in technical capacities and usefulness. For instance, a footwear expert fielded in Anbessa and Peacock was highly appreciated and demonstrated significant results. On the other hand, another expert placed in Anbessa for costing and merchandise management was not fully appreciated and the outputs were not put into use. A key informant in another company mentioned that the assistance of a marketing expert had some merits although the objective of a more direct access to the customers is not yet achieved.

The efficiency of expert delivery is not only influenced by the competence of the expert but also by the delivery mode of expertise. Duration and frequency of contracts are key factors in this respect. In some cases, UNIDO relied on a few individuals who were repeatedly fielded for several rounds of missions. Some beneficiaries found that this practice can limit the transfer of experiences as it does not allow for a mix of people with different backgrounds and mix of creativity and innovativeness to come to the project. In other cases, when international experts came in only once and for very short periods, criticism arose that the efficiency of knowledge transfer could be limited because of that. As a matter of fact, there is no fixed rule for the optimum duration of expert missions but efficient and consensual decision making on that important matter is crucial.

The project relied on *international* experts for most of its activities. *National* experts were hired only in a few cases. A positive example has been the decision towards the end of the project to hire three local IT experts and a national IT consultant and to subcontract a local IT company for software training at Anbessa. Such use of local experts comes at a lower cost and may, at the same time, bring better results as these experts are locally embedded and can easily relate to the beneficiaries.

The efficiency of trainings, workshops and study tours is difficult to measure. Most of the numerous trainings resulted in outputs. Marketing trainees passed a test with certification of recognition. The hands-on training in stitching, cutting, pattern making resulted in preparing samples. The efficiency of such trainings was increased when training manuals were provided, as in the case of leather garment design and marketing, as well as for the ERP manual. Unfortunately, these manuals were not always transferred to the LIDI library and Directorates for future use and wider impact. The timeliness of training and other immaterial project services was generally good. In one case, the recruitment of an expert for glove technology encountered considerable delays.

Procurement efficiency was more of an issue, although not much at stake because the procurement component of this project was small. However, problems at customs did lead to late delivery of equipment for LIDI, apparently because of communication problems between the project and the UNIDO Office. When the project manager moved back to UNIDO HQ, communication between the project and the UNIDO Office became difficult. At the time of the evaluation, both sides perceived a lack of cooperation and due diligence.

Implementation efficiency was also affected by coordination problems between the project team and the team of consultants from India who are implementing the benchmarking component at LIDI. There have been cases, when LIDI staff was unavailable for training sessions of the project because they had to attend other trainings. Quite clearly, the project management unit was not in day-to-day contact with the Indian consultants, although these are located in an office across the floor at LIDI.

External coordination has been taken care of by a committee of donors who are active in the leather sector, although there is no evidence that this committee meets on a regular basis. There is also no evidence that a pro-active relationship took place between UNIDO and GIZ/CLRI/FDDI who are implementing the engineering capacity building program (ECBP). It seems that the decision of the Government to have the benchmarking activities for the leather sector executed by the ECBP has led to some unhealthy competition of the various parties. A positive exception in this regard seems to be the joint support to the Ethiopian leather industry association (ELIA) for the annual “East African Leather Fair”.

UNIDO has made very valuable contributions to *South-South* cooperation under this project. The Eastern and Southern Africa Leather Industries Association (EASLIA) was contracted to provide expertise to open up the Kenyan market. The sub-contracting of the National Institute for Standards (NIS) in Egypt for training laboratory technicians, of the South African Accreditation Body SANAS for the accreditation to the laboratory and of ACCORD for the customization of ERP software for Anbessa provide ample evidence along this line.

6.3 Effectiveness and impact

Effectiveness and impact are assessed against the two immediate objectives of the project:

- Objective 1: Upgrading and enhancement of the leather industry competitiveness in order to accelerate the implementation of the TDA approach.
- Objectives 2¹⁶: Capacity building of the LIDI to manage and coordinate the LLPI value chain and clusters and Upgrading of the technical and management skill of LIDI in order to turn it into a professional service center supporting the LLPI.

As mentioned above, the project planning was not fully compliant with RBM principles. Hence, the logframe does not include objectively verifiable indicators for the above mentioned immediate objectives.

Objective 1: Upgrading of the Ethiopian leather industry

The project document does not offer a viable definition of “competitiveness” of enterprises, nor does it include indicators or prescriptions for monitoring of this key success variable. As a consequence of this lack of indicators, systematic outcome monitoring data are not available.

The direct project interventions at companies focused on Anbessa as a “pilot” factory and on Peacock. Anbessa was selected as a “pilot” factory because, as a government enterprise, it can be used for demonstration. The company was, however, privatized towards the end of 2011¹⁷. Some activities were also conducted at Tikur Abay, Batu tannery, Addis tanneries, Sheba factory and leather goods industries such as ELICO, GLG, JONZO companies.

Anbessa

The interventions at Anbessa included management training, costing and merchandising, introduction of an ERP system, shop floor design, product development, marketing and market linkages with the East African market.

The major positive impact at Anbessa was achieved by training and changing the shop floor lay out at Anbessa’s branch factory Manpo. This has led to dramatic labor productivity gains from 1.6 pairs/operator/day to 21 pairs/operator/day.

¹⁶ Initially, these were two objectives. They have been merged when the former LLPTI became LIDI.

¹⁷ There is no evidence to attribute the privatization of Anbessa to UNIDO’s intervention. One can however assume that the privatization was facilitated by a combination of interventions, such as BPR implementation by the government, the effort to upgrade some of the machineries and the productivity gains registered in the Manpo branch factory where the UNIDO project intervened.

The product development assistance was less successful. The expert developed new ladies shoe designs but key informants indicated that these designs have not yet found their way to export or domestic markets. Anbessa's participation in the international fair was a learning experience but did not yet culminate in access to new customers or translate into sales. The costing assistance was also not found to be practical and hence not implemented.

Furthermore, the Project provided assistance to Anbessa to review its brand strategy including the analysis and benchmarking of its marketing, the redefinition of the range of the collection and the design of a new logo. However, the Anbessa management decided to refrain from implementing the suggested changes. The management and the UNIDO expert have contrasting views why this happened.

The implementation of the "Fashion" ERP system at Anbessa was inconclusive. Two main reasons were quoted why the implementation of this supply chain ERP is put on hold. The company had problems with gathering data from their manual procedures and from their network of shops. And the Chief Accountant resigned at the end of the training for a better employment. However, international and national experts who have followed this experience at Anbessa seem to concur that the introduction of specialized production and supply chain ERP systems in Ethiopian shoe factories may be premature at the present stage.

It can be concluded from the above that the effectiveness of the project interventions at Anbessa has been mixed. Besides the considerable improvements of labor productivity at Manpo, the interventions have not yet resulted in tangible and concrete changes in Anbessa's main factory. Of course, under these conditions, the expected demonstration effects to other companies did not occur.

Peacock

Assistance to Peacock shoe factory was more successful. Here, experts were fielded for training and rationalization, developing new ladies shoe designs and to help the company with entering COMESA markets. More recently an "open source" ERP system for human resource was introduced and the company indicated its capability to handle the ERP software by inputting data for around 375 persons. In addition, UNIDO assisted Peacock to enter into sub-contracting relations with the Italian buyer and brand owner GEOX.

The project interventions led to new systems of work and operation standards in the factory. According to a key informant, the training of 40-50 stitching operators enabled productivity gains that were however not quantified. Peacock continues using training guidelines and manuals to ensure the continuity of skills upgrading of their staff¹⁸.

¹⁸ This particular training has also involved a trainee from LIDI with the result that the skills can be passed on to other factories as well.

There was also an improvement in the shop floor lay-out for stitching as a result of an expert fielded in the company. The shop floor lay-outs are in use currently with positive impacts on the factory.

Product development assistance for ladies shoe design was successful and resulted in a trial order of 3000 shoes by the international buyer Worthman. The order, however, did not continue because Peacock did not accept the margin consented by the buyer. However, in the meantime Peacock has managed to open up new export market for ladies shoes.

Unlike Anbessa, Peacock seems to be developing its buyer relationships rather successfully. Two of its international buyers, namely MAGOCOR and GEOX, are actively engaged into knowledge transfer activities. GEOX seems to be particularly proactive. They trained three Peacock employees in Italy and sent technical experts who provide on-the-job training for almost all Peacock employees as well as quality inspectors who inspect the quality of the shoes and safety and health requirements according to international standards. GEOX even supplied some machinery to Peacock. UNIDO facilitated this productive relationship between Peacock and GEOX, which could be considered a model case for the positive spill-over that trustful buyer-subcontractor relationships can deliver.

UNIDO's effort to link Peacock with COMESA countries did, however, not yet come to fruition because of external factors. An envisaged export to Kenya did not yet materialize. Because Ethiopia is not a full member of COMESA, the Quality and Standards Authority of Ethiopia (QSAE) cannot deliver certificates that are recognized by the Kenyan Bureau of Standard (KBS). However, the UNIDO initiative raised the company's awareness for quality certification and encouraged it to move towards ISO certification for the whole factory from the QSAE. Peacock believes that, with such an ISO certificate, they will be able to export to international markets including Kenya.

It can be concluded from the Peacock case that this company has significantly improved its competitiveness. Good management as well as intensive and trustful buyer relationships seems to be the key.

Other shoe factories, tanneries and leather goods industries

ERP and marketing have been the main areas of intervention in other factories and tanneries. Tikur Abay, Ramsay, Pittards and Batu tannery proceed with implementing the "open source" ERP for human resource management. In Tikur Abay, Peacock and Ramsay the module is already operational. Attendance, holidays, leaves, contracts, skill mapping and development, discipline and acquired experience are now managed through ERP.

Three staff members of Addis Ababa Tannery attended an intensive two-week training by a UNIDO expert. The tannery management confirmed that their finishing and re-

tanning processes have tangibly improved since that event. Addis and Batu tanneries confirmed that the support for web site development was useful.

In the leather goods industries the initiation of companies for export has concentrated on product development for ladies bag collection and hotel items. The introduction of ladies bag design and fabrication to GLG, JONZO and ELICO resulted in production of newly designed products. In addition, the companies were supported to participate in a trade fair in Moscow. The growing interest in ladies bags in the domestic market could also be cited as spinoff of the project.

Under its FDI component the marketing expert of the project plans prepared a number of business plans. The business plans for Sheba and for component trading attracted the interest of possible investors from Italy. Another Italian company showed interest in a joint venture on sole production.

Objective 2: Capacity building of LIDI

This component is a continuation of the earlier UNIDO project with the LLPTI, which concentrated on capacity building. The independent evaluation of this project in 2007 found that progress had been made but that capacity building objectives and the intended refocusing of the institute to business needs were not yet fully achieved. The evaluation therefore recommended to UNIDO and the Italian Cooperation to provide continuous support for capacity building, although under certain conditions.

LIDI (former LLPTI) is entrusted with training leather workers and technicians and with providing services and skills training to the companies in the leather sector. LIDI is structured in different directorates and sections: laboratory, leather technology, shoe technology, leather goods manufacturing, marketing etc. UNIDO's assistance to LIDI pertained to capacity building for the laboratory, the marketing and product design departments, introducing an ERP system, improving the LIDI website and communication strategy and providing logistical support for fairs.

The laboratory support has been very successful. LIDI officials confirm that test results have acceptance among foreign buyers. The laboratory has intensified its activities after the accreditation and by implication has enhanced the competitiveness of the leather sector. Companies that used to send samples abroad are now using the local service at significantly lower cost.

The marketing department received training on preparing and presenting market studies. While LIDI management recognizes, in principle, the usefulness of such training, it appears that staff members are unable to use their newly acquainted skills properly because of work overload in the department. The department made available the market studies conducted by the international marketing expert (see above in chapter 3) to industry. However, there is no evidence that companies make effective use of these studies.

Due to UNIDO's assistance, LIDI's product development unit has been able to design and manufacture new ladies bags and participate in the Moscow trade fair together with the above mentioned companies. According to LIDI, this created an important opportunity to introduce Ethiopian leather products to the international market. The branding strategy designed for the Moscow trade fair also appeared in international Italian subscription magazine read by international producers, buyers and manufacturers.

However, the Project provided only limited efforts to link its product development interventions with the existing product development centers at LIDI. Thus there should be room for improvement for possible product development support under a future project to strengthen LIDI's product development capacities on a sustainable basis.

UNIDO's assistance to LIDI management focused on introducing the "open source" ERP system to improve LIDI's human resource management, fixed assets management, supply management, laboratory management, archive management, library management, and communication. The respective departments were equipped with eight PCs, printers and scanners. ERP trainings were provided to the human resource directorate, communication, laboratory and finance directorates. These departments acknowledge the value of the trainings but the full impact is still to be realized. At the time of the evaluation, the institute was in the process of putting data into the ERP and the communication directorate believes that there is still a need for improving communication skills to discharge their responsibility effectively.

Workshops were organized in Ethiopia and abroad. While these workshops were useful in their own rights, they have not always resulted in change of practice by LIDI, companies or the government. For instance, the workshop held in Kenya on quality certification gave a responsibility to LIDI to optimize quality certification for exports to COMESA countries but these improvements are still to come.

In addition to LIDI, EIFCCOS had also some ancillary benefits from the capacity building component. An ERP module for membership management has been implemented including a complex accounting module for the 600 production units of EIFFCOS.

6.4 Sustainability

Sustainability at enterprise level (Objective 1):

The project implemented two different types of ERP systems at enterprise level: a specialized ERP for footwear companies (“Fashion”) at the pilot company Anbessa and customized open source ERPs in other companies. The pilot company found the specialized ERP rather complex as compared to the current state of management and therefore difficult to sustain. Factors that constrain anticipatory planning at factory level needed to be overcome and managerial prerequisites in place before implementing this kind of ERP successfully. Furthermore, sustainability is constrained by the cost of the “Fashion” system that is too expensive for companies to purchase on their own.

The open source ERP is less costly and complex and poses less sustainability challenges. Challenges with this system rather related to the implementation approach. In one of the companies the evaluation mission observed that the IT specialists in the company were waiting for the local UNIDO specialist to come and fix the problems instead of addressing the problem themselves. This may be an indication of over-assistance and that, at least at the moment of the evaluation, sustainability was not yet achieved.

Under product development beneficiaries have been given hands-on training in design and fabrication of products. Companies that benefited from product development support have developed their collections and are now able to produce new models provided there is a market. The sustainability of product development depends thus on the extent to which developed products enter export or local markets.

The marketing component is likely to have a lasting effect as it is concerned with skills transfer and accompanied by a marketing manual. The branding and logo development however was often conducted as a one-time direct support without strengthening the marketing capacities of firms on a sustainable basis. This reflects of course the scarcity of the human resources available at the firms, such as marketing managers, sales managers and graphic designers. In addition, as mentioned above, the cost-benefit effectiveness of these services are not always clear and pose sustainability challenges. The marketing studies contain useful information but end-users do not seem to be fully convinced of the practical importance of these studies. Most companies still very much depend on brokers to access export markets and the marketing studies alone are insufficient to overcome this dependency.

Sustainability at LIDI (Objective 2):

The Project support to the LIDI laboratory has imparted the necessary equipment and skills for the laboratory to become accredited and hence to conduct tests that are internationally accepted. The laboratory staff is by now able to conduct these tests

without external assistance. The LIDI laboratory has established a good reputation among beneficiaries and the demand for testing services is growing. Technically, the laboratory support is therefore likely to be sustainable.

The implementation of the open source ERP system at LIDI was still underway at the time of the evaluation. However, the high level of commitment of LIDI management and of the concerned staff members to this task is a positive sign for sustainability.

The main sustainability challenges for LIDI capacity building are of a more general nature and relate to UNIDO's "agency implementation" mode. This mode implies that the ultimate responsibility for the implementation of project activities lies with UNIDO and not with the partner agency. LIDI officials have contrasted this mode of operation with the "national execution" modality practiced by other donors who avail funds directly to the partner institution for implementation of project activities.

Partners tend to perceive "agency implementation" as less transparent and to develop limited ownership even if UNIDO submits all necessary information and strives for joint decision making. In the present context the question arises whether, after almost 10 years of capacity building, "agency implementation" is still the most appropriate modality and whether UNIDO has enough room for maneuver in its implementation methods to gradually accommodate the concerns raised by the partner organization. On the other hand, it remains to be seen whether LIDI would be capable to fully comply with the accountability requirements of "national execution".

6.5 Strengths and weaknesses of the project

The following distills the strengths and weaknesses of the project from the foregoing discussion.

Project strengths

Relevance of the project

The major strength of the project is its relevance and alignment with the national plan of the country of strengthening the leather sector in order to boost exports. The immediate objectives of the project are clearly aligned with the intentions of the government.

Project steering committee

Project management is supervised by a steering committee which reviews progresses and provides guidelines. This has ensured consistency with government policies and priorities and good ownership at the political level.

Accreditation of the laboratory

The project has made a difference in achieving accreditation of the LIDI laboratory which is currently providing internationally recognized test services to industry. This service is crucial for the Ethiopian leather and leather products industries to enter international markets.

Productivity improvement in Manpo and Peacock

Key informants indicated that the intervention of UNIDO has resulted in productivity improvement particularly in the stitching sections of Manpo and Peacock. Since productivity improvement is a key to competitiveness, the gains in this regard are therefore significant achievements.

Skills transfer

The project has organized several short term trainings and training manuals in different topics such as marketing, garment making, ERP etc. These trainings have transferred skills to the industry and to LIDI.

Product diversification

The project has worked to introduce ladies shoes and ladies bags to some companies. The idea is to diversify their product type and derive the benefits from such products. This has increased the collections of companies and can be used as a basis for better market penetration and entering new markets.

Image creation and lee way for e-commerce

Much of the marketing support to companies focused on brand strategy redirection. This included as well logo design, web site development, posters and brochures. This is fundamental in organizing companies, creating image and providing lee ways for e-commerce which is the order of the day.

International exposure and international awareness creation

One of the intervention areas of the project is to enable beneficiaries participate in international trade fairs with their own products and samples. This has two benefits. First it helps beneficiaries to be able to participate in international fair by developing products, samples and logos and helps them learn from international exposure. Second, it helps to create awareness and position the Ethiopian leather sector with the international community.

Business plans for critical industry in the sector

One of the serious problems of the shoe sector in the country is the lack of components in the country. This has led the shoe sectors to suffer from long lead time in importing components with its own effect on the export activities of the industry. Cognizant of

this fact, the project prepared a business plan for component distributing company with the hope of attracting potential investment. A prerequisite to attracting FDI in the sector is the preparation of business plans for potential projects.

Sub-contracting specialized institutions and organizations

UNIDO has undertaken sub-contracting arrangements with several institutions and organizations that are appropriate for the activity. It has worked with SANAS for the laboratory, ACCORD for ERP customization, ESALIA for COMESA market etc. These specialized institutions bring their own institutional specializations to the sector and enable UNIDO to deliver quality service. Some of them also foster south-south cooperation.

Weaknesses

Limited ownership at institutional level

There is a discrepancy between the good ownership at the political level and limited ownership at the institutional level. Although the Steering Committee mechanism of the project was effective and ensured excellent ownership at Government level, the project and its institutional partners encountered difficulties to translate the orientations of the Steering Committee into operational decisions. Ownership at institutional and company level was affected by these difficulties. As a result of these difficulties, the Project did not fully reach all of its capacity building objectives.

Coordination of activities and sharing of information

There is a discrepancy between the perception between project management and key partners when it comes to sharing information and coordination. While project management is satisfied with the flow of information, key informants at LIDI did not feel sufficiently informed about project plans, achievements and progress. Concerned departments in LIDI indicated that they are not aware of current project interventions in factories. There is evidence that coordination of interventions at factory level and training activities in LIDI has been sub-optimal.

Empowering partners in recruiting and evaluating international experts

Project partners do not feel sufficiently empowered to participate in the ex-ante selection and ex-post performance evaluation of international experts. This may be partly a consequence of UNIDO's "agency implementation" mode and has resulted in dissatisfaction and reduced ownership among partners.

Trade-off between continuity and innovation

The project did not find a proper balance between continuity and innovation when hiring international experts. In some cases, the project fielded the same experts for many rounds of missions and partners felt that this continuity reduced the variety of

experiences and knowledge and may ultimately affect creativity and innovation. In other cases valuable experts were brought in for very short periods of time and partners felt they didn't have a chance to take full advantage for knowledge transfer and learning.

Limited utilization of local experts

Though there is some effort to use local experts and inputs, the project heavily relies on international experts and inputs. This reduces the efficiency of resource use. It has been mentioned above that the project needs to mix both national and international experts particularly in areas that might require creativity and innovation.

Capacity building of LIDI technical departments

The product development centers, the CAD/CAM centers, the leather technology directorate and the shoe technology directorate are among the critical arms of LIDI. Currently, the project's involvement in these centers is, however, limited. Key informants from LIDI are unsatisfied with the project performance in developing the capacities of these departments.

Identification of best practices and up-scaling

There is room for improving the transfer of know-how from the pilot enterprises and scaling up good practices. A case in point is the workshop to share the experiences of Anbessa, which has been a one-time exercise only. The Project does not extract best practices systematically and share them widely to stakeholders in the sector.

Gender mainstreaming

The project has aimed at achieving gender mainstreaming by working together and creating synergy with the Ethiopian Women Development Fund (EWDP). This however has not been followed up in the project life.

Donor coordination

A number of donors are currently operating in the sector: CLRI, GIZ, USAID etc. In the past donors had established a special donor group for the leather sector but there is no evidence that this group is still active. There is also no evidence that LIDI gives high priority to donor coordination.

7. CONCLUSIONS, lessons and recommendations

7.1 General conclusions and lessons

The decision to address the upgrading of the leather industry by a comprehensive and “systemic” approach is commendable since the sector requires multi-front interventions, including policy interventions, for improved competitiveness. The government adopted this comprehensive approach in its sector strategy, which calls for simultaneous interventions in different dimensions. Accordingly, the project under evaluation decided broadening the focus of the earlier project. Instead of a limited focus on LIDI capacity building only it also included direct interventions in tanneries, shoe factories and leather goods industries.

According to its initial planning, the project would have been highly relevant for shoe manufacturers in the informal sector but this relevance was dramatically reduced when the government decided to redefine project priorities and refocus on the “modern” sector only. Relevance for informal sector players in “Merkato” was partially restored in 2012 when the Project extended the scope of its activities to EIFCCOS.

The bulk of the Project has been aiming at improving the capacity of the sector by imparting skills, introducing new products, introducing quality assurance, creating exposure to international markets and improving the management and marketing operations of medium sized enterprises. This approach has been implemented by focusing on selected factories and the LIDI. The project has fielded numerous experts and attained skills transfer in different areas of operation.

This evaluation has ascertained that the project is well aligned with the government policy and is fully owned by stakeholders at the highest level. However, the project and its institutional partners encountered difficulties to translate the orientations of the Steering Committee into operational decisions, which affected ownership at institutional and company level.

At company level, the project provided different types of support that resulted in productivity gains in some companies, increased product collections and developed brands and promotional materials. In doing so the project envisaged to develop the capacity of companies and promote their image by providing lee way for e-commerce.

The marketing component aimed to instill a more proactive marketing approach to international and national markets, which is a condition for increased bargaining power. Building on earlier experience under the “Taytu - Made in Ethiopia” project the

marketing experts of the programme developed brands and other promotional tools for a number of factories. Beneficiaries recognized the usefulness of the support but not all of these project inputs are actually used.

At the productivity front, the project decided to go beyond technical benchmarking and to promote innovative tools and methods for supply chain management. A pilot experience at one of the shoe factories tested a rather sophisticated Enterprise Resource Planning system (ERP) that is widely used in Italian shoe factories. The pilot experience showed, however, that this technology was inappropriate under the given circumstances. Upscaling the experience to other companies was therefore not envisaged. The experience helped the project to change strategy and to use a less sophisticated Open Source software that allows for a more step-by-step implementation approach. At the time of the evaluation these systems were being up-scaled and started to become operational in several enterprises.

Continuous capacity building of LIDI has been the second strand of the Project. The assistance to laboratory accreditation enabled LIDI to provide quality tests for the industry with the result of facilitating the international business. The project also built the capacity of the marketing department by transferring skills on how to make marketing studies. However, the department does not make full use of the developed capacity due to other priorities. The leather goods department has been party to UNIDO's initiative to develop new products for purposes of participating in international fairs. This activity has however remained a one-time event and needs to be continued and diversified for lasting impacts. Since the institute has a leather goods product development center (PDC) such initiative should have been closely associated with building the capacity of such center as well. Trainings in ERP for human resource and trainings in communication department have the potential to improve the management and communication capacity of the institute.

Overall, the Project did not reach all of its capacity building objectives. Interviews with stakeholders and partners of indicate that the institute has still deficiencies in technical skills and its ability to pioneer new technologies in the sector. Enterprise managers also indicated that they need to re-train graduates of LIDI to acquaint them with practical skills that are key to the trade. Despite efforts made to improve its industry linkages through restructuring and capacity building, the Institute still awaits more work in this regard. Partners of the sector see part of the problem in the high turn-over of professionals the Institute is suffering from. In turn, this high turn over is due to the weak incentive structure of the Institute. The Institute is supposed to cover its cost but to date there is no evidence to what degree this objective has been achieved.

At country level, the purpose of the project is to upgrade the leather and leather products industry by catalyzing changes in the sector. In this regard UNIDO introduced production benchmarking as a powerful method under an earlier project as part of the sector business plan. Benchmarking introduces the idea of international excellence

standards and creates a positive attitude of competitiveness among producers. Subsequently, the government decided to transfer the implementation of the benchmarking to improve production techniques at company level to CLRI with positive changes in the sector. The present project has expanded the benchmarking method to marketing though its implementation is still wanting.

The project has contributed directly or indirectly to the increase of leather and leather goods exports from USD 67 million in 2004/05 to USD 104 million in 2010/11. Such increase has of course resulted from a whole range of projects, policies and programs. However, the contribution of UNIDO's projects in general and the current project in particular is widely recognized. Another positive trend is the shift from raw material exports towards exports of finished leather, shoes and leather goods. The export of finished leather has been very much influenced by earlier UNIDO interventions at tannery level. Under the current project, efforts to assist selected tanneries with improving their finishing techniques made additional contributions. For shoe exports, the focus on improving the technical capability of producing shoes in general and ladies shoe in particular is a contribution of the project.

Overall the project can claim to have made contributions to job creation and poverty reduction although there are no figures available to that effect. However, poverty effects will remain limited as long as the very low wage levels in the leather sector and in particular in the shoe industry continue to exist.

7.2 Specific conclusions and recommendations

Recommendations to the Government and UNIDO

Design an innovative follow-up project

There is scope for an innovative follow-up project. It is advisable that such a project should pursue the sector-wide and systemic approach of the present project but also bring in innovative elements. While a certain amount of continuity is necessary, the follow-up project should not be just "more of the same". To ensure the design of the future project takes into account the interests and priorities of all relevant stakeholders, the Government should set up a multi-stakeholder committee including, inter alia, the following organizations: MoI; LIDI; ELIA; EIFCCOS; FeMSEDA; AAMSEDA and UNIDO to accompany and steer the design of the future project. The Government should also set up the necessary donor coordination mechanisms to ensure synergies with other donor initiatives. The future leather project should envisage the following five priorities:

- Review and update 2005 Master Plan for the leather sector and set up a mechanism for monitoring its implementation;

- Support LIDI to provide state-of-the-art support services to the Ethiopian leather and leather products industry;
- Provide technical assistance to MSMEs through EIFCCOS and other possible channels;
- Assist the “tannery town” in Modjo with building a common waste water treatment plant;
- Support the Ethiopian footwear industry for better access to export markets, improved bargaining power with international buyers and increased profit margins and knowledge transfer from subcontract arrangements.

These five priorities are explained in greater detail as follows:

Review and update the 2005 Master Plan and introduce a better monitoring

The “Strategic Action Plan” for the leather sector was drafted by UNIDO and officially adopted by the Government in 2005. It provided a solid basis for the policy measures and initiatives taken by the Government over the last years. It is advisable that this Action Plan should be reviewed and updated to take into account internal and external changes. UNIDO could provide valuable assistance to the Government in this respect together with relevant national research institutes and experts. In line with the Government’s and UNIDO’s commitment to poverty reduction, the revised Action Plan should emphasize poverty reduction and social upgrading objectives and include indicators to measure progress in these areas. An appropriate monitoring mechanism with yearly progress reports should ensure the new Action Plan will become a practical tool for evidence based policy making.

Support LIDI for providing state-of-the-art support services to the industry

Over the last ten years, the Government and UNIDO joined forces to strengthen LIDI and its predecessors to provide technical support to the Ethiopian LLPI. Considerable progress has been made but, in many ways, there is still room for improvement. Efforts were made to better link the Institute with the industry through restructuring and capacity building but the Institute still awaits more work in this regard. Part of the problem lies in the high turn-over of LIDI professionals that is due to the weak incentive structure of the Institute. In principle, LIDI is supposed to cover its cost but to date there is no evidence to this effect. On the other hand, there has been a tendency on the side of UNIDO to provide its assistance to companies directly, sometimes without the necessary focus on using and strengthening the capacities of LIDI staff and LIDI institutional capacities. Under the future project, the Government and UNIDO should make efforts to optimize the capacity building dimension of UNIDO assistance. The Government should strengthen LIDI’s institutional independence and enable modern management using results based incentives. UNIDO should reduce its over-reliance on injecting international expertise and provide its support to companies not

directly but through LIDI who should be in the driver's seat for all company assistance. Both parties should ensure the sustainability of past support measures such as, inter alia, the implementation and effective use of the ERP; the accreditation of the laboratory; and the design and CAD/CAM facilities.

Give high priority to an assistance programme for MSMEs

Half of the production capacity and more than half of the jobs in the Ethiopian footwear industry are provided by MSMEs, many of which still in the stage of "informality". The "Strategic Action Plan" of 2005 had recognized the importance of the MSME sector and the current project was designed in view of providing substantial support to this sector. However, due to changing priorities, such MSME support started only in 2012. Today, all necessary conditions are in place for MSME support to become one of the priorities of the follow-up project. EIFCCOS should become a major channel for such support, although not the only one. The future project should deliver multi-dimensional assistance to EIFCCOS (management; production techniques and lay-out; design; marketing; etc). Such assistance is urgently needed for EIFCCOS and its members to make full use of their new premises. However, it should not be forgotten that these premises are insufficient to host all footwear MSMEs. In the foreseeable future, many of them will remain located in the "Merkato" area. The future programme should, therefore, also include support measures for those MSMEs that are not EIFCCOS members. Such measures should be designed in close cooperation with AAMSEDA and other agents active in the "Merkato" area. Moreover, the future project should envisage providing support to MSMEs outside Addis Ababa, provided the financial resources will be sufficient for such a geographic extension. The MSME assistance should go beyond purely technical aspects and also pursue social objectives such as prohibiting child labor, improving working conditions and enforcing "living wages".

Common waste water treatment plant and integrated waste management in Modjo

An important cluster of tanneries is located around the city of Modjo 80 km north of Addis Ababa. The Government is planning to develop this location into a "leather city". Control of tannery effluents by a common effluent treatment plant is part of these plans. Under the current project, UNIDO provided valuable support to build consensus among the participating tanneries, study the topography of the Modjo area and estimate the expected investment and operation costs. A feasibility study for the common effluent treatment plant is underway and the follow-up project should include the necessary support for the construction and operation of the common effluent treatment plant. The Government and UNIDO should also consider the opportunity for developing a more ambitious integrated plan for "greening" the future "leather city" in Modjo. Such an integrated plan would go beyond the operation of the common effluent treatment plant. To develop such an integrated plan, UNIDO could take advantage of

experiences gained under the BEST programme and with developing “green industrial zones” in other countries, such as Viet Nam.

Support the Ethiopian footwear industry to enhance their benefits from exports

By providing multi-dimensional support in areas such as new product design, developing production processes and marketing, the project under evaluation assisted the Ethiopian LLPI to improve its export competitiveness. This support made tangible contributions to increasing exports. However, shoe exporters have difficulties to reap the benefits of exports. Profit margins are extremely low, sometimes negative. Exporters often depend on middle-men taking the lion’s share of the margins and preventing direct access to markets. Export guarantee schemes and government measures to protect exporters from fraud are not yet in place. Oftentimes buyers impose unfavorable conditions, pay late or prohibit knowledge transfer and other valuable spill-over benefits from subcontracting arrangements. A possible future programme should pursue the multi-dimensional support, while putting stronger emphasis on developing new creative approaches to facilitate better access to export markets, improve the collective bargaining power of exporters, protect them from unacceptable profit margins and possible fraud and assist them with more favorable subcontract arrangements. Typically, such innovative measures could be developed in cooperation with the UNIDO SPX and CSR programmes.

Recommendations to LIDI

LIDI should pursue its course towards greater independence and accountability

LIDI management should strive for more institutional independence and adopt modern management methods based on results based incentives. Using external auditors on a regular basis could be a way to adopt the highest standards in accounting and transparency. Such measures would enable UNIDO and other donors to implement greater parts of their technical assistance through LIDI subcontracts. Another priority issue is staff turnover, which is recognized as one of the main reasons why LIDI has not been able to make full use of staff training and capacity building under the current project. Some of the project results were not effectively implemented because of workload or changes in staff positions. For example, staff members in the marketing department have not utilized their training due to work overload. Similarly, management changes in the communication directorate prevented effective use of the new knowledge acquired by the training. Higher salaries and results based incentives should be considered in this regards.

LIDI Laboratory

The accreditation of the LIDI laboratory is a major achievement. LIDI management should support the laboratory with adopting state-of-the-art management approaches

that are inspired by private sector practices. To become fully sustainable the laboratory should have an independent budget from which all costs should be borne, including accreditation maintenance costs. Furthermore, LIDI management should grasp opportunities to promote the services of the LIDI laboratory at sub-regional and regional levels.

Submissions to the Government

The Government might want to consider the following submissions:

Strengthen the competitiveness of shoe production for the national market

Given its endowment with a huge natural resource base and labor force, Ethiopia's LLPI has the potential to improve its position on international export markets. Over the last ten years, the Government implemented successful policies to develop the export potential of the LLPI. These policies should be pursued. However, Ethiopia's huge and growing *internal* market for footwear and other leather products is another "resource" that could be turned into a potential competitive advantage of the country as compared to other smaller leather exporters. Ethiopia's trade balance for shoes is negative and the country as a whole is probably losing foreign currency due to the difficulties of the Ethiopian LLPI to compete with imports and to satisfy the growing *national* demand. By developing its internal market, the Ethiopian footwear industry could improve its profitability and, ultimately, its competitiveness on export markets. Government may therefore consider complementing its focus on export promotion with policy measures aiming to also develop the internal market. For example, macro-economic research should be conducted whether the current import taxes on equipment, components and other inputs for the shoe industry may lead - overall - to foreign currency losses. If this is the case, allowing tax-free imports of such inputs not only for shoe exporters but also for manufacturers serving the domestic market could be considered. Other policy measures could aim at more effective controls of the considerable imports of second hand and sub-standard shoes.

Government should consider policy and institutional measures for a better access of Ethiopian shoe factories to the COMESA market

The project has enabled some firms to get access to COMESA markets though not in a continuous manner. The case in point is BATA's order to Anbessa and Peacock factories. Among the various factors that led to the discontinuation of the linkage is the lack of institutions that can certify export shoes to COMESA countries. The government needs to create capacity for institutions that can do such activity in order to promote export. In this regard, the government needs to focus on those institutions such as the Quality Standards Authority to certify shoe exports from the country.

Recommendations to UNIDO

Make use of all relevant UNIDO competencies

The UNIDO leather programme in Ethiopia applied a unique “systemic” approach to “industrial upgrading” by providing technical assistance in different areas as diverse as: policy support; capacity building of a technical centre; testing laboratory and quality control; company upgrading; export market development; subcontractor development; “cleaner production”; and cluster development. UNIDO should consider this interdisciplinary systemic approach as a model for other sector wide “industrial upgrading” initiatives of in other countries. In turn, there is still room for improving this approach under a possible future leather programme in Ethiopia. Close cooperation and synergies should be built with other ongoing projects in Ethiopia, in particular the SPX project. Moreover, the responsible UNIDO agro-industry branch should mobilize relevant experience from other UNIDO branches in areas such as: policy support and policy benchmarking; industrial diagnosis and upgrading, in particular “green upgrading” (case of Senegal); and cluster development and twinning.

Adopt a more participatory approach to capacity building

There is an ongoing debate in UNIDO about how the Organization could better align its mode of operation with the Paris Declaration and shift, whenever appropriate and practically possible, from “agency execution” modalities to “national execution”. This debate is of direct practical relevance for a possible future leather project in Ethiopia. LIDI management suggests that UNIDO’s mode of cooperation could become more transparent and participatory in nature. Under a future project, UNIDO should consider moving away from its current practice of providing direct support services to companies for web-site development, logo design, etc. Instead, UNIDO should strengthen the capacity building aspect of its support, better align its activities with LIDI plans and programs and fully recognize LIDI as the government institution that is responsible for serving the industry. The LIDI management perceives a need to be more recognized as an equal partner and to be mutually informed about plans and progress. After almost ten years of capacity building, it is difficult to admit that the partner institution perceives such deficits. UNIDO should undertake every possible effort to overcome the underlying reasons of such perceptions. Reducing “agency execution” and adopting, wherever possible, elements of “national execution” would be recommendable. However, this would require that LIDI adopts the highest standards of transparency and accountability (see recommendation to LIDI above). There is also room for UNIDO to make better use of local expertise from other national sources.

Support LIDI’s Product Development Centers

Product development is critical for Ethiopian companies to penetrate the international market on their own and lessen their dependence on sub-contracting relations. Taking this into account, LIDI has set up Product Development Centers that are supposed to

support companies with product development but these centers are still at their incipient stages. The Project has attempted product development on ladies shoes and bags for some companies. The future Project should deliver its product development related assistance through LIDI's Product Development Centers with a particular emphasis on sustainability and upgrading the skills and talents of LIDI designers.

Better balance of international and national expertise

Trainings by international experts are needed to inject new skills to the staff of LIDI and of private enterprises. There is however a need to contextualize these trainings. International experts may not be aware of the local situation or it is difficult for them to absorb such knowledge in a short period of time. Local trainers may better cope with certain problems since they are more embedded in the local environment. Under the current project there has been a bias towards using international expertise, sometimes without such contextualization. A better balance of international and national expertise would be recommendable and UNIDO should proceed by thoroughly screening and identifying the relevant experts that exist in LIDI and in the industry as a whole.

Avoid inappropriate hi-tech ERP systems

Under certain conditions, ERP systems are critical to improve company performances. ERP systems are however complex and require prerequisite information, data, knowledge and hardware. The strategy of implementing the ERP system should give more consideration to such factors. "Technology push" strategies should be avoided in environments where they are not likely to work. Highly specialized ERP systems are powerful tools in advanced environments but, as demonstrated under the present project, less sophisticated "open source" software is more adapted in terms of data requirement and existing capabilities. UNIDO should thus seek such or other methods of simplifying procedures and technological solutions for a better fit to reality.

Transfer documentation, studies and learning materials properly

Under the current project, UNIDO conducted numerous short term trainings on different issues and produced learning materials in the form of manuals, work books, CD ROMs and various studies. These should be properly documented and transferred to the appropriate organs in LIDI. In turn, LIDI should make greater efforts to make these products accessible to companies and other beneficiaries.

Gender mainstreaming

Gender mainstreaming is critical to poverty reduction. The possible future leather programme should be designed in a way to promote equal opportunities and gender mainstreaming in a comprehensive and systematic manner in all its aspects and activities.

Annex A: Terms of Reference



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Terms of Reference

Independent Evaluation of the UNIDO Project:

TE/ETH/08/008

“TECHNICAL ASSISTANCE PROJECT FOR UPGRADING OF THE ETHIOPIAN LEATHER AND LEATHER PRODUCTS INDUSTRY”

I. BACKGROUND

Leather is one of the main industrial sectors in Ethiopia. The Government of Ethiopia (GoE) has given high priority to this sector in its industrial policy and its “Export Development Strategy”. Leather has also been a priority of UNIDO’s Technical Assistance (TA) to the country. Table 1 lists all leather related UNIDO projects in Ethiopia since 2000.

Table 1 UNIDO’s leather related TA in Ethiopia

Project Number	Project Title	Budget (USD)
XX/ETH/09/X01	ASSISTANCE TO THE LEATHER AND LEATHER PRODUCTS TECHNOLOGY INSTITUTE (LLPTI) TWINNING ARRANGEMENT INITIATIVE WITH PARTICULAR EMPHASIS ON THE LEATHER GARMENTS AND LEATHER GOODS DEPARTMENTS	1,234,000
DG/ETH/08/010	ETHIOPIA PROGRAMME COMPONENT: ENHANCED ECONOMIC GROWTH: PROMOTION OF LEATHER AND LEATHER PRODUCTS (LPP) SUPPORT TO INTERNATIONAL LEATHER FAIR 2009	100,000
TE/ETH/08/008	TECHNICAL ASSISTANCE PROJECT FOR UPGRADING OF THE ETHIOPIAN LEATHER AND LEATHER PRODUCTS INDUSTRY	3,213,108
TF/ETH/07/008	ETHIOPIA INVESTMENT FORUM 2007 FOR THE LEATHER PRODUCTS INDUSTRY	98,542
XP/ETH/07/005	ETHIOPIA INVESTMENT FORUM 2007 FOR THE LEATHER PRODUCTS INDUSTRY	26,970
US/ETH/05/005	INTEGRATED PROGRAMME FOR PRIVATE SECTOR DEVELOPMENT AND ENHANCED COMPETITIVENESS WITH SPECIAL EMPHASIS ON TEXTILE & GARMENTS, LEATHER & LEATHER PRODUCTS AND FOOD PROCESSING (COMPONENT B.1.5 - LEATHER INDUSTRY)	36,642
UE/ETH/04/160	ASSISTANCE FOR THE DEVELOPMENT OF THE "MADE IN ETHIOPIA" LEATHER PRODUCTS INDUSTRY	322,395
US/ETH/04/080	INTEGRATED PROGRAMME FOR PRIVATE SECTOR DEVELOPMENT AND ENHANCED COMPETITIVENESS WITH SPECIAL EMPHASIS ON TEXTILE & GARMENTS, LEATHER & LEATHER PRODUCTS AND THE FOOD PROCESSING (PHASE 2 OF THE INTEGRATED PROGRAMME FOR ETHIOPIA)- SEED MONEY	69,523

Project Number	Project Title	Budget (USD)
TE/ETH/04/001	ASSISTANCE TO THE LEATHER AND LEATHER PRODUCTS TECHNOLOGY INSTITUTE (LLPTI), FOR THE DEVELOPMENT OF ITS MANAGERIAL AND OPERATIVE CAPACITIES	1,566,793
YA/ETH/03/435	INTEGRATED PROGRAMME IN ETHIOPIA, (SUB) COMPONENT 1A - LEATHER	47,588
US/ETH/01/19A	ASSISTANCE FOR THE DEVELOPMENT OF THE ETHIOPIAN LEATHER PRODUCTS INDUSTRY	95,299
US/ETH/01/191	ASSISTANCE FOR THE DEVELOPMENT OF THE ETHIOPIAN LEATHER PRODUCTS INDUSTRY - IP COMPONENT 1A3, LEATHER	514,956
NC/ETH/00/003	INTEGRATED PROGRAMME FOR PRIVATE SECTOR DEVELOPMENT ENHANCED INDUSTRIAL COMPETITIVENESS AND ENVIRONMENTALLY FRIENDLY PRODUCTION: ASSISTANCE FOR THE DEVELOPMENT OF THE ETHIOPIAN LEATHER INDUSTRY	41,572
	Total:	7,367,388

Overall, the budget of UNIDO's leather related TA to Ethiopia accumulates to the considerable amount of more than seven million USD. Most of this financial support has been granted by the Italian Cooperation.

In the context of UNIDO's earlier Integrated Programmes (IP) in Ethiopia, several projects targeted the leather sector, including the projects "Assistance to the Leather and Leather Products Technology Institute (LLPTI) for the Development of its Managerial and Operative Capacities", "Development of a Master Plan for the Leather Sector", "Made in Ethiopia", "Cluster support for the informal leather sector", and the National Cleaner Production Centres that provided services to firms in the leather sector, especially tanneries. The IP was evaluated in 2008.

The project "ASSISTANCE TO THE LEATHER AND LEATHER PRODUCTS TECHNOLOGY INSTITUTE (LLPTI), FOR THE DEVELOPMENT OF ITS MANAGERIAL AND OPERATIVE CAPACITIES" was covered by a project evaluation in 2007. The project started in May 2005 and finished in March 2008 (almost 2 years later than planned but without cost extension).

The evaluation found that the intervention logic was that a strengthened technical centre - the LLPTI - would support the development and competitiveness of the leather sector in Ethiopia and ultimately in the region. The specific objectives of the project concerned the development of general management and operative capacities of the LLPTI, including the building of capacities to operate four pilot plants, the quality-testing laboratory, the maintenance department and the CAD/CAM department. In addition, there was a specific objective to provide TA to the top management of the institute regarding coordination of the activities of the project.

The project was relevant and aligned to national plans and priorities and supported a sector with high potential for growth, employment generation and export development. The project addressed the needs of the industry through developing the capacities of the LLPTI to carry out training and supply services with potential multiplier effects.

Ownership was also high from the public and private sector through the involvement of industry associations and work with an existing institution that was well endowed in terms of physical resources. Synergy effects have been created with other UNIDO interventions and programmes of other actors such as the USAID Agribusiness and Trade Expansion Program and GTZ who assisted the LLPTI education wing.

The evaluation found that the project has strengthened the capacities of the LLPTI and of individual firms working in the sector of leather and leather related production. Courses were conducted for more than 500 participants (from the LLPTI as well as private sector). The services and training are delivered through the LLPTI but the evaluation noted that capacity improvements were limited, since the international experts had not been present very long and carried out mostly basic training.

The evaluation concluded that the project did not provide the LLPTI with sufficient capacity to respond to the needs of the Ethiopian leather firms. This is mirrored in the issue of cost sharing. The service fee paid by users of LLPT services is minimal and unsustainable from the LLPTI's point of view. The evaluation concluded that the industry would increasingly use the LLPTI if it offered quality services but it does not yet value the LLPTI capacities to the extent that it would be willing to pay for services other than the use of the pilot facilities.

II. PROJECT INFORMATION

The project to be evaluated here started in June 2009 and built upon the achievements of the LLPTI project but with a much wider aim of upgrading the Ethiopian leather and leather product industry. The main objectives of the project are to upgrade the technical and managerial capabilities of different players in the Ethiopian leather and leather products industry (LLPI) in order to create favourable conditions for increasing exports and FDI. The project was based on a Master Plan for the leather sector developed under the IP and a benchmarking system introduced in 15 firms.

The current project has the following components: (i) management component, (ii) leather finishing, (iii) footwear, (iv) marketing, (v) leather goods, (vi) leather garments, (vii) TLIDC and LLPTI staff training, (viii) assistance for LLPTI laboratory accreditation (second phase), and (ix) investment promotion activities. It aims to boost export performance as well as to counteract the increase in cheap imports that dominate the local market. To this end the project provided assistance to the newly established Textile and Leather Industry Development Center (TLIDC) responsible for sectoral policies and the overall implementation of sector development strategies. Furthermore, continuing support is provided to the LLPTI.

The project document states two specific directions - a firm-level focus and an institution focus. Phases 1 and 2 started with the identification of the firms' technical and managerial needs as a foundation to identify the appropriate assistance and/or consultancy inputs. This was developed to include a practical benchmarking for the footwear and the tanning industry. A team of national experts was assigned to conduct the benchmarking studies at the firm-level. As a result, 16 firms were identified by the Ministry of Trade and Industry as the target beneficiaries of the "upgrading

programme”, consisting of 8 tanneries and 8 shoe factories. Project assistance has been later focused on four firms (including Sheba Group (one tannery and one shoe factory), Dire Group (including Peacock Shoe Factory), Anbessa Shoe Factory) as these firms are strongly involved in export activities and, therefore, they are in need for further upgrading to meet the international market requirements.

Phase 3 covers TA provided to representatives and employees of the LLPTI. Phase 4 covers the M&E of the project towards its completion. The project has a focus on firm-level development as firms are the main players for the sectors’ development. But the importance of institutional development is also seen to secure a certain level of self-reliance for service delivery to the beneficiaries upon completion of the assistance.

In the course of the project certain changes occurred related to two events: (i) the Ministry’s of Trade and Industry decision to dissolve the TLIDC and assign its mandate to the LLPTI to become the responsible body for the overall sectoral development in addition to its original role as a human resource development and services provider to the industry and (ii) arrangements for the CLRI’s and FDDI’s involvement at the production level in the target tanneries and footwear firms by conducting the benchmarking activity coordinated by the LLPTI. Based on the two major events, the Ministry requested UNIDO through LLPTI to focus the project activities on the following thematic areas:

- Management area through the introduction of ERP systems for both tanneries and footwear firms
- Marketing area focusing on footwear for local, regional and international markets
- Environment area conducting a study on the establishment of a secondary effluent treatment plant
- Second phase of the accreditation of LLPTI laboratories
- Leather products development, including export development and promotion of leather goods and the completion of a feasibility study for shoe components covering options of local manufacture through foreign partnership and possible procurement by a trading company

During the needs assessment phase of the project, it was realized that the component for the re-qualification and access to financial credit for micro-, small and medium sized enterprises (MSMEs) of the formal and informal sector represents a project in itself. Given the insufficient resources allocated for this component and that there is no previous experience of the recommended approach (Mutual Guarantee Associations) in Ethiopia, this component was cancelled.

The project activities have been recently extended for another six months to finalize the ongoing activities in the areas named above until end of June 2011

III. EVALUATION SCOPE AND PURPOSE

This evaluation will combine the Independent Terminal Evaluation of project TE/ETH/08/008 with an attempt to also trace the impact of the other projects and activities listed above.

The purpose of this independent Terminal Evaluation is to inform the Government, UNIDO and the Italian Cooperation on:

- (a) the relevance of and the extent to which the UNIDO activities were in line with the priorities and policies of the Government of Ethiopia and the various stakeholders in the leather sector
- (b) the effectiveness of the project in attaining its objectives and outputs
- (c) the prospects for development impact
- (d) the long-term sustainability of the results and benefits
- (e) the efficiency in implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities.

Furthermore, the evaluation will make recommendations to UNIDO, to the Government and to the Italian Cooperation for a possible continuation of the project.

IV. METHODOLOGY OF THE EVALUATION

The evaluation will contribute to the ongoing Thematic Evaluation of UNIDO initiatives related to/on “Industrial Upgrading” (IU). It will adopt and adapt the analytical roster developed under this TE and seek to draw lessons of wider application for the replication of the experience gained in Ethiopia for future IU projects in Ethiopia and in other countries.

The Figures 1 and 2 show the generic intervention logic and the impact channels and impact drivers of IU projects. From these generic descriptions on the one hand and the analysis of project documents on the other, the following evaluation questions have been derived:

Project identification and formulation

The extent to which:

- The project identification process was comprehensive, objective and participatory in selecting problem areas and counterparts;
- The project design encompasses the macro-, meso- and micro-dimensions of IU in an integrated fashion (e.g. have Government policies with regard to import tariffs, export taxes and local content been incorporated in the design; were external structural problems (i.e. infrastructure, access to finance) been addressed; etc);
- The project design takes into account the initiatives of government and other donors and establishes a logically valid means-end relationship between the project objective(s) and outcomes and the programme-wide or country level objectives;
- The project design adopts a value chain approach with a focus on markets and demand as well as on vertical integration and linkages to agriculture and raw material sectors;
- The project design takes into account private sector BDS and addresses BDS market failures;
- The intervention theory is logical, plausible and realistic
- The logical framework is in line with internationally recognized good practices.

Ownership

The extent to which:

- UNIDO HQs and the Field representation paid adequate attention to and was effective in project preparation and funds mobilization.
- The national management and counterparts were able and willing, to contribute (in kind and/or cash) to project implementation and in taking an active part in funds mobilization.
- The project was formulated with participation of the national counterpart and/or target beneficiaries.
- The counterpart(s) has (have) been appropriately involved and were participating in the identification of their critical problem areas and in the development of technical cooperation strategies and are actively supporting the implementation of the project.

Relevance:

- Did the project address the policy priorities of the Ministry of Trade and Industry?
- Did the project address the policy priorities of other Ministries and Authorities (e.g. Labor and Social Affairs; Civil Service; Women's Affairs; Environmental Protection Authority; Micro and Small Enterprises Development Authority; Ethiopian Investment Office; etc)
- Does the project address the priorities expressed by the Ethiopian leather industry (eg. Ethiopian Leather Industry Association)?
- To what extent does the project address the needs of the firms in the leather industry (considering different firm sizes, market segments, formality/informality, etc)?
- Do the services address systemic competitiveness, i.e. the actions of groups of firms in clusters or along value chains?
- Are interventions at the levels of the firms, of the institutions (LLPTI) and at the policy level aligned and complement each other?
- Can interventions overcome negative external effects (international context, business environment, factor markets)?
- Are internal and external synergies with other technical assistance activities used?

Efficiency

- Does UNIDO have a competitive advantage for this project and is it well equipped to produce the outputs?
- Were UNIDO and Government/counterpart inputs provided as planned and adequate to meet requirements?
- Was the quality of UNIDO inputs and services (expertise, training, equipment, methodologies, etc.) as planned and timely?
- Were local contractors and services used if and when appropriate?
- Were the least costly resources and processes used?
- Was there coordination with other projects and were possible synergy effects used?
- Was the project implementation coordinated with other providers and institutions (institutional anchorage) or did it rely on parallel structures?
- Is sustainable institutional leaning secured through these services?

Figure 1: Generic intervention logic of Industrial Upgrading interventions

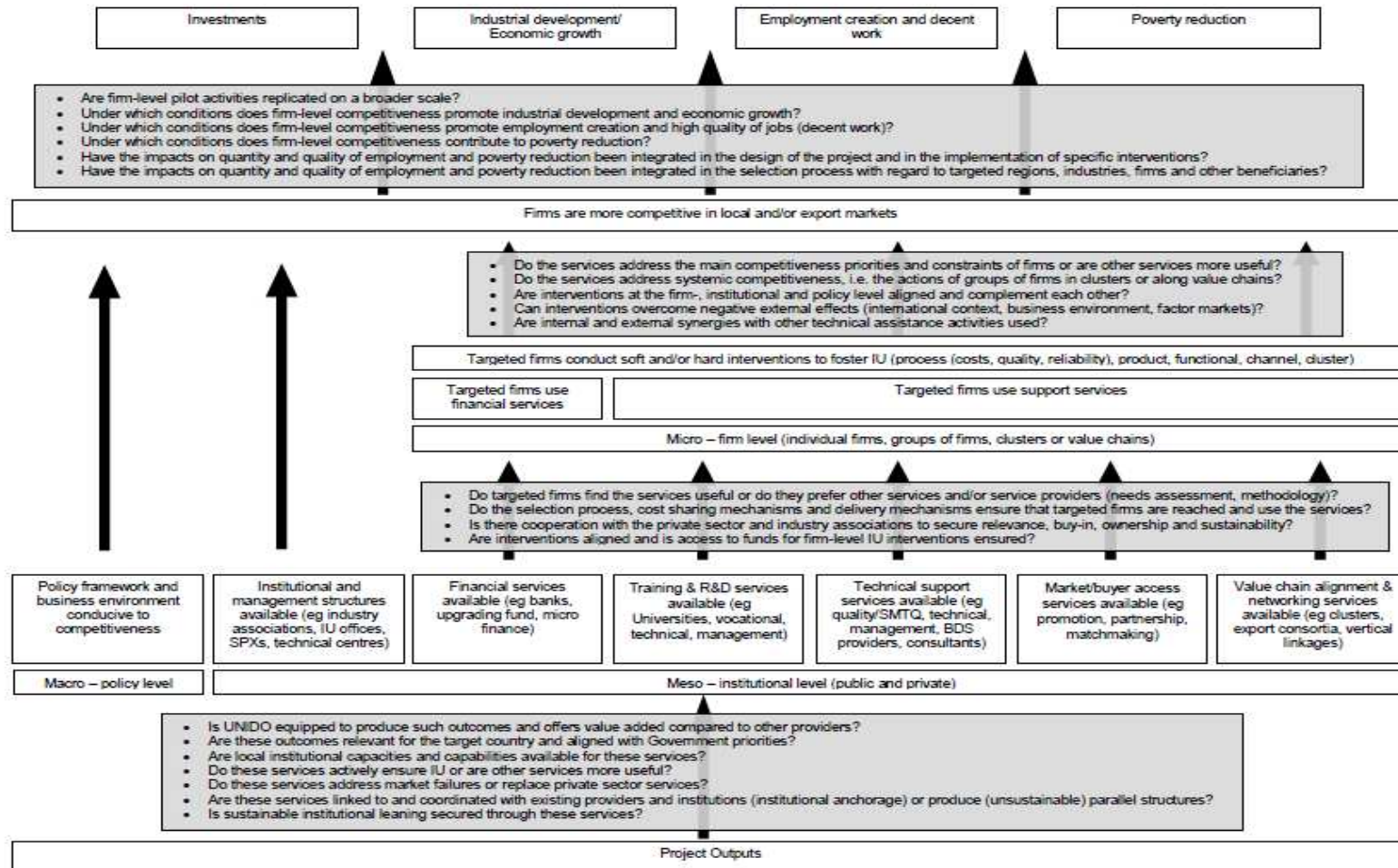
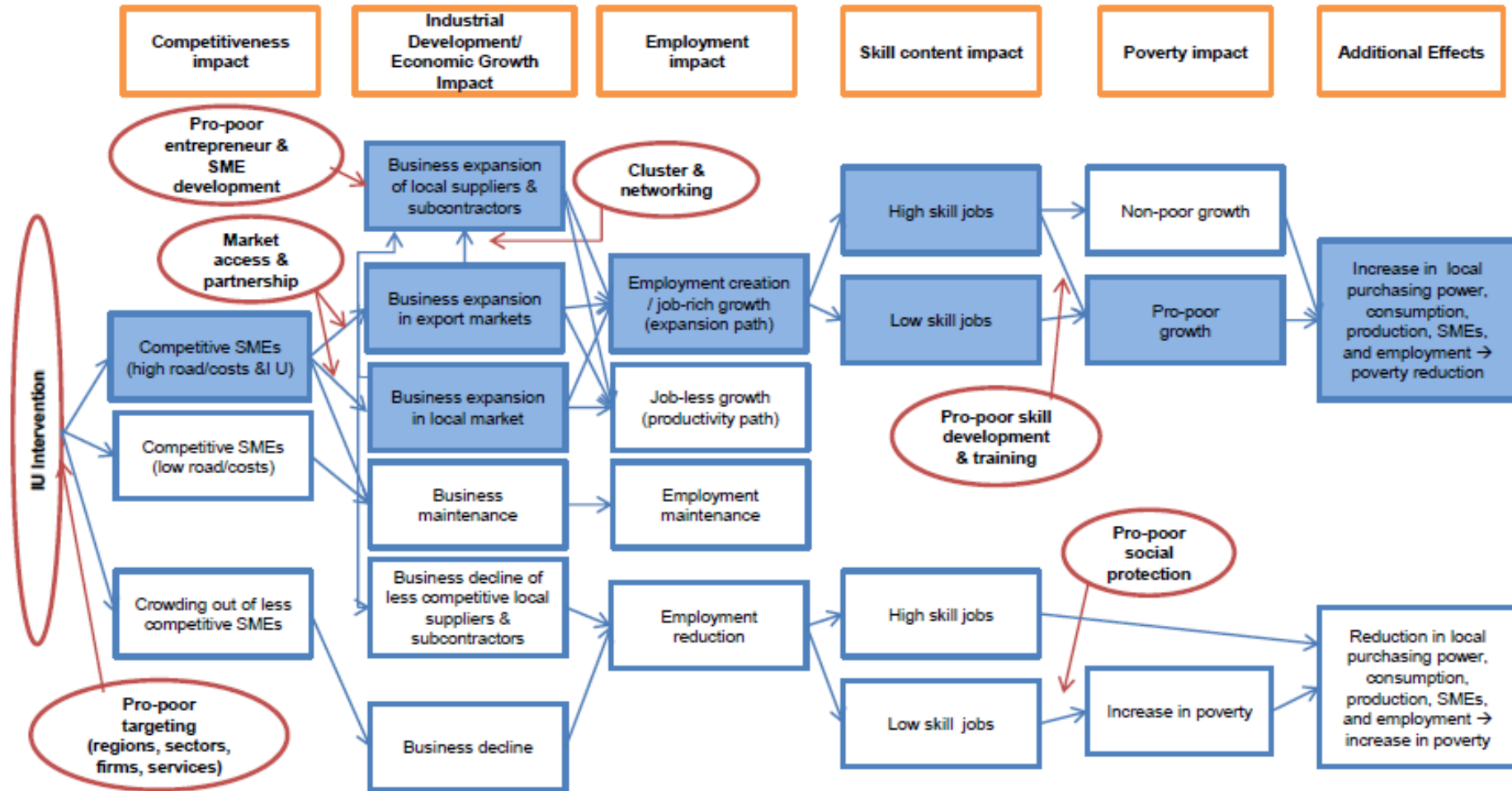


Figure 2: Impact channels of Industrial Upgrading projects



Project coordination and management

The extent to which:

- The national management and overall field coordination mechanisms of the project have been efficient and effective.
- The UNIDO HQ based management, coordination, quality control and technical inputs have been efficient and effective.
- Monitoring and self-evaluation was carried out effectively, based on indicators for outputs, outcomes and objectives and using that information for project steering and adaptive management.
- Changes in planning documents during implementation have been approved and documented.
- Coordination envisaged with other development cooperation programmes in the country has been realized and benefits achieved.
- Synergy benefits can be found in relation to other UNIDO activities in the country.

Effectiveness

- To what extent were the expected outcomes (at micro-, meso- and macro-level) achieved?
- Did the selection process, cost sharing mechanisms and delivery mechanisms ensure that targeted firms are reached and use the services?
- Effectiveness in addressing BDS market failures?
- How effective was the cooperation with the private sector and industry associations?
- Effectiveness of the project in the context of increasingly tough global competition and stringent requirements of global lead firms
- Effectiveness of the project in addressing challenges and opportunities related to new end markets, investors and buyers from emerging markets particularly China
- Do targeted firms find the support services of the project useful?
- Are interventions aligned and is access to funds for firm-level IU interventions ensured?

Impact:

Impact on firm competitiveness

- Did the supported firms increase sales on their traditional export markets? Did they expand into new export markets? Did they increase sales on the national market?
- Did the supported firms improve the quality of their products?
- Did the supported firms increase investments in production capacity, machines or technology?
- Did the supported firms increase employment? Did the quality and skill-level/content of employment increase?
- Did the supported firms cannibalize market shares of other firms?
- Did the project have indirect effects on firms that were not directly supported?

Impact on country competitiveness

- How did Ethiopia's exports of leather and leather products develop – quantity- and quality-wise?

- Did the sector achieve upgrading with regard to processes, technology and productivity; higher value and more complicated products; and broader and higher value added functions?
- Did the project have positive cluster or value chain effects at the national, regional or international level? Have vertical (supply) and horizontal (subcontracting) linkages between local firms increased?
- Did the level and the quality and skill-level/content of employment increase?
- How did the perception of international buyers of Ethiopia as a sourcing destination for leather and leather products develop?
- How did Ethiopia's imports of leather and leather products develop? Did the project lead to improved protection from substandard imports?

Wider impact

- On industrial development and economic growth
- On regional development
- On number and quality of jobs in the leather industry
- On poverty reduction
- On the environment

Upscaling and sustainability

- Are firm-level pilot activities replicated on a broader scale?
- Did the project contribute to make the provision of market based BDS services more sustainable?
- Recognition of LLPTI and its services by industry and development of demand for LLPTI services
- The extent to which the LLPTI, including the four pilot plants, the quality testing laboratory and the CAD/CAM department have reached technical and financial sustainability

The evaluation will be conducted in compliance with the UNIDO Evaluation Policy and the UN Evaluation Standards. It will determine as systematically and objectively as possible the relevance, efficiency, achievements (outputs, outcomes and impact) and sustainability of the project. The evaluation assesses the achievements of the project against its key objectives established in the project document, including re-examination of the relevance of the objectives and of the design. It also identifies factors that have facilitated or impeded the achievement of the objectives.

The evaluation will be carried out through analyses of various sources of information including desk analysis, observation at the project site and interviews with project staff, counterparts, beneficiaries, partner agencies, donor representatives and through the cross-validation of data.

The thorough analysis of the relevant facts includes the review of inputs used, activities carried out, management mechanisms applied (in particular planning, monitoring and self assessment) and project specific framework conditions (in particular policy environment, counterpart capacities, related initiatives of the Government, donors and the private sector). The analysis of

these factors is an essential part of the evaluation work and provides the evidence-base for the assessment of the project.

While maintaining independence, the evaluation will be carried out based on a participatory approach, which seeks the views and assessments of all parties.

Recommendations for next phase

For its recommendations for the next phase the evaluation team will assess to what extent the existing proposals for the next phase:

- are relevant to Government and UNIDO priorities
- are compatible with currently available implementation capacities;
- are based on logically valid means-ends relationships and take into consideration factors to mitigate likely risks;
- can take recommendations from this evaluation into account/can be based on recommendations from this evaluation.

V. EVALUATION TEAM

The evaluation team will be composed of a staff member of the UNIDO Evaluation Group (EVA) and a national evaluation consultant. As appropriate, the team might require additional data collection services from national survey staff, data compilation and a telephone survey among international buyers from an evaluation assistant at UNIDO HQ and additional analytical input from an international value chain expert.

The UNIDO Evaluation Group will be responsible for the quality control of the evaluation process and of the report. It will provide inputs regarding findings, lessons learned and recommendations from other UNIDO evaluations, ensuring that the evaluation report is useful for UNIDO in terms of organizational learning (recommendations and lessons learned) and in compliance with the UNIDO evaluation policy and these Terms of Reference.

All consultants will be contracted by UNIDO. The tasks of each team member are specified in the job descriptions attached to these terms of reference.

The members of the evaluation team have not been directly involved in the design and/or implementation of the project.

UNIDO Field Office in Addis Ababa will provide support to the evaluation team.

VI. TIMING

The evaluation is scheduled to take place between February and April 2012.

The draft version of the evaluation report incorporating comments received will be submitted 8 weeks after the debriefing, at the latest.

VII. REPORTING

The evaluation team will present its preliminary findings, to the key stakeholders, at the end of the field mission. The evaluation report will follow the structure given in Annex 1. The reporting language will be English.

Review of the Draft Report: The draft report will be shared with the Ethiopian and Italian Government, the Project Manager and the project staff for initial review and consultation. They may provide feedback on any errors of fact and may highlight the significance of such errors in any conclusions. The consultation also seeks agreement on the findings and recommendations. The evaluators will take the comments into consideration in preparing the final version of the report.

Quality Assessment of the Evaluation Report: All UNIDO evaluations are subject to quality assessments by UNIDO Evaluation Group. These apply evaluation quality assessment criteria and are used as a tool for providing structured feedback. The quality of the evaluation report will be assessed and rated against the criteria set forth in the Checklist on evaluation report quality (Annex 2).

Template of in-depth evaluation reports

Executive summary

- Must be self-explanatory
- Not more than five pages focusing on the most important findings and recommendations
- Overview showing strengths and weaknesses of the project

I. Introduction

- Information on the evaluation: why, when, by whom, etc.
- Information sources and availability of information
- Methodological remarks and validity of the findings
- Project summary (“fact sheet”, including project structure, objectives, donors, counterparts, timing, cost, etc)

II. Country and project context

This chapter provides evidence for the assessment under chapter V (in particular relevance and sustainability)

- Brief description including history and previous cooperation
- Project specific framework conditions; situation of the country; major changes over project duration
- Positioning of the UNIDO project (other initiatives of government, other donors, private sector, etc.)
- Counterpart organisation(s); (changes in their situation since project start)

III. Project Planning

This chapter describes the planning process as far as relevant for the assessment under chapter V

- Project identification (stakeholder involvement, needs of target groups analysed, depth of analysis, etc.)
- Project formulation (stakeholder involvement, quality of project document, coherence of intervention logic, etc.)
- Description of the underlying intervention theory (causal chain: inputs-activities-outputs-outcomes)
- Funds mobilization

IV. Project Implementation

This chapter describes what has been done and provides evidence for the assessment under chapter V

- Financial implementation (overview of expenditures, changes in approach reflected by budget revisions, etc.)
- Management (in particular monitoring, self assessment, adaptation to changed circumstances, etc.)
- Outputs (inputs used and activities carried out to produce project outputs)
- Outcome, impact (what changes at the level of target groups could be observed, refer to outcome indicators in prodoc if any)

V. Assessment

The assessment is based on the analysis carried out in chapter II, III and IV. It assesses the underlying intervention theory (causal chain: inputs-activities-outputs-outcomes). Did it prove to be plausible and realistic? Has it changed during implementation? This chapter includes the following aspects:

- Relevance (evolution of relevance over time: relevance to UNIDO, Government, counterparts, target groups)
- Ownership
- Efficiency (quality of management, quality of inputs, were outputs produced as planned?, were synergies with other initiatives sufficiently exploited? Did UNIDO draw on relevant in-house and external expertise? Was management results oriented?)
- Effectiveness and impact (assessment of outcomes and impact, reaching target groups)
- Sustainability
- If applicable: overview table showing performance by outcomes/outputs

VI. Issues with regard to a possible next phase

- Assessment, in the light of the evaluation, of proposals put forward for a possible next phase
- Recommendations on how to proceed under a possible next phase, overall focus, outputs, activities, budgets, etc.

VII. Recommendations

- Recommendations must be based on evaluation findings
- The implementation of the recommendations must be verifiable (indicate means of verification)
- Recommendations must be actionable; addressed to a specific officer, group or entity who can act on it; have a proposed timeline for implementation
- Recommendations should be structured by addressees:
 - UNIDO
 - Government and/or Counterpart Organizations
 - Donor

VIII. Lessons learned

- Lessons learned must be of wider applicability beyond the evaluated project but must be based on findings and conclusions of the evaluation

Checklist on evaluation report quality

Rating system for quality of evaluation reports

A number rating 1-6 is used for each criterion: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, Highly Unsatisfactory = 1, and unable to assess = 0.

Report quality criteria	UNIDO Evaluation Group Assessment notes	Rating
A. Did the report present an assessment of relevant outcomes and achievement of project objectives?		
B. Were the report consistent and the evidence complete and convincing?		
C. Did the report present a sound assessment of sustainability of outcomes or did it explain why this is not (yet) possible?		
D. Did the evidence presented support the lessons and recommendations?		
E. Did the report include the actual project costs (total and per activity)?		
F. Quality of the lessons: Were lessons readily applicable in other contexts? Did they suggest prescriptive action?		
G. Quality of the recommendations: Did recommendations specify the actions necessary to correct existing conditions or improve operations ('who?' 'what?' 'where?' 'when?'). Can they be implemented?		
H. Was the report well written? (Clear language and correct grammar)		
I. Were all evaluation aspects specified in the TOR adequately addressed?		
J. Was the report delivered in a timely manner?		

Annex B: List of persons met

No	Name	Organization	Position
1.	AtoTaddesse	MoTI	State Minister
2	Mr Michele Bario	Italian cooperation	Senior Economic Advisor, Italian development cooperation
3	Prof Massimo	UNIDO	Management expert
4	Mr Marlen Bakalli	UNIDO	Marketing expert
5	Dr Maher Abou el-Khair	UNIDO	CTA
6	Mrs Aurelia Calabro	UNIDO	Project manager
7.		ECBP	Private sector development director
8.	Ato Abate Argaw	ECBP	Leather team leader`
8		ECBP	Shoe expert at ECBP
9		Bahirdar tannery	Owner, Bahirdar tannery
10	Ato Solomon Taddesse	Anbessashoefactory	General Manager
11	AtoWondewessen	Anbessa shoe factory	
12	AtoFrew	Anbessa shoe factory	Public relations
13.	AtoTatek	Batu tannery	General Manager
14.	AtoTilahun	Addis Ababa Tannery	Production manager
15	AtoDawitBiressa	Peacock shoe factory	Deputy General manager
16	W/O Almaz	TikurAbay shoe factory	Head, IT department
17	AtoTemesgenZewde	GLG Co	Owner/manager
18	AtoWondu	LIDI	General manager
19	AtoBerhanu	LIDI	Laboratory director
20	Ato Yirgalem	LIDI	Director, Leather technology department irector
21	Ato Tesfaye Legese	LIDI	Director, Marketing department,
22	W/o Saba	LIDI	Delegating the Footwear department director
23	AtoWondemu	LIDI	Director, HR department
24	Ato Haile Kiros	LIDI	Director, Shoe manufacturing technology
25	Ato Solomon	LIDI	Director, Leather goods manufacturing technology
26	AtoBerhahun	LIDI	Director, corporate communication technology
27	AtoAbdissa	ELIA	Manager
28	International buyers		

Annex C: List of FDI investment in the leather and leather products industry (2003-2012)

No	Name of Investor	Country of Origin	Investment Activity	Region	Investment Status	Perm Empl.	Temp Empl.	Year
1	Gaafa Enterprise (Blue Nile Tannery) PLC	Sudan	Tannery	Oromia	Operation	42	10	2003
2	Ethio-Italy PLC	Italy/Ethiopia	Leather shoe Factory	Addis Ababa	Operation	140	22	2003
3	New P.A.G.E DestgncompaanlyLimted Ethiopia Branc	China	Fabric Design Garment & other Fabric Leather Products	Amhara	Pre-Implem.	60	10	2004
4	Kenneth danel	USA	Manufacture of leather Products	Addis Ababa	Pre-Implem.	1	1	2004
5	ITAL PROGETTI Africa PLC	Italy/Ethiopia	Tannery Machinery and Spare parts Manufacturing	Addis Ababa	Operation	15	0	2005
6	Ink-Mate Ethiopia PLC	India/Ethiopia	Manufacturing of Leather & Sign Articles	Multiregional	Operation	25	20	2005
7	Chen Jinghai	China	Textile and leather industry	Addis Ababa	Pre-Implem.	170	25	2005
8	Ethiopia Tannery Share	Britain/Ethiopia	Crust and finished Leather Production	Oromia	Implem.	50	150	2006
9	Ariston Holleta Tannery PLC	Italy/Ethiopia	Tanning Above Crust Level and Finishing Leather	Multiregional	Implem.	35	10	2007
10	Blossom Leather Finishing PLC	Canada/India /Ethiopia	Leather Finishing Production Above Crust Level	Oromia	Operation	34	0	2007
11	Valentine Gifts and Caps Factory PLC	India	Manufacturing of Caps,ags,GiftArticles,PVC,Garments, Leather Products and Plastic Moulding Item	Addis Ababa	Operation	25	10	2007
12	Pittarde Global Sourcing PLC	Britain/Ethiopia	Manufacturing, Sourcing and Exporting of Leather Products	Addis Ababa	Implem.	120	0	2008
13	Kiran Overseas Exports LTD (Ethiopia Branch)	India	Tannery Above Crust Level and Manufacturing of Leather Products	Dire Dawa	Pre-Implem.	500	4000	2008

14	Shi Lei	China	Manufacturing of Leather Products	Addis Ababa	Pre-Implem.	15	5	2008
15	Mahmoud Alla Gabo	Sudan	Export of Leather & Garment Products	Addis Ababa	Pre-Implem.	10	0	2008
16	Tiwira Fashion Wear Technology Business PLC	Algeria/Saudi Arabia/Ethiopia	Manufacturing of Textile & Leather Products	Multiregional	Operation	607	124	2008
17	Aster Belayneh	Canada	Export of Traditional Articles, Spices, Hot Pepper, Leather Products & Incense	Addis Ababa	Operation	3	0	2008
18	Village Industry PLC	Italy	Manufacturing of Textile & Leather Goods	Addis Ababa	Operation	15	0	2008
19	Yellore Mohammed Idris	India	Manufacturing of Leather Products & Articles	Addis Ababa	Pre-Implem.	10	100	2008
20	Isc-International Shoe Competence Center Pirmasensg GmbH (Ethiopian Branch)	Germany	Leather Technology Training Center	Addis Ababa	Pre-Implem.	5	5	2008
21	Iyad M.S. Aljurf	Palestine	Export of Spices, Crops, Fruit, Vegetables, Flowers, Incenses, Processed Meat & Finished Leather	Addis Ababa	Operation	30	70	2008
22	China-Africa Overseas Leather Products Share Company	China	Tanning of Hides & Skins Above Crust Level & Producing Leather Gloves for Export	Oromia	Pre-Implem.	450	200	2009
23	Abdoulaye Nassir	Chad	Manufacturing of Leather Product	Oromia	Pre-Implem.	15	15	2009
24	Kyle Dexter Sanders	USA	Export of Leather Products	Addis Ababa	Pre-Implem.	2	3	2009
25	EAST AFRICA TANNERY PLC	Italy/Britain	TANNERY ABOVE CRUST LEVEL (RETANNED AND FINISHED LEATHER PRODUCTION) for Export	Oromia	Pre-Implem.	55	20	2010
26	ADORN CHEMICALS PLC	India	MANUFACTURE OF LEATHER & TEXTILE CHEMICALS,	Oromia	Pre-Implem.	30		2010

			PRINTING INK, PAINTS, PIGMENT, EMUISSIONS & REDUCER (THINNER)					
27	FARIDA TANNERY PLC	UAE/India	TANNERY (CRUST & FINISHED LEATHER)	Oromia	Implem.	75	25	2010
28	Friendship Tannery PLC	China	TANNERY(CR UST AND FINISHED LEATHER PRODUCTION) AND SHOES AND GLOVES FACTORY	Oromia	Implem.	600	100	2010
29	BERGER TEXTILE AND LEATHER PLC	Turkey	GARMENT, TEXTILE AND FINISHED LEATHER FACTORY	Addis Ababa	Pre- Implem.	500	250	2010
30	JOSPHINE NDINDA KITETA	Kenya	EXPORT OF FINISHED LEATHER PRODUCTS	Addis Ababa	Pre- Implem.		3	2010
31	DC INDUSTRIES PLC	China	Production of Chemicals for Tannery and Textile Industry	Addis Ababa	Operation	10	15	2010
32	DIAMOND RESOURCES DMCC/ETHIOPIAN BRANCH/	UAE	LEATHER SHOE MANUFACTUR ING FOR EXPORT	Addis Ababa	Pre- Implem.	20	15	2010
33	JIANXIN ZHANG	China	FINISHED LEATHER PRODUCITON	Oromia	Pre- Implem.	75	100	2010
34	INDO-ADDIS INDUSTRY PLC	India/Ethio pia	MANUFACTUR E OF LEATHER AND NON- LEATHER FOOT WEAR, UPPERS AND RAW MATERIAL	Addis Ababa	Pre- Implem.	200	100	2010
35	CesarinoBenigna	Italy	Consulatancy service in leather and shoes manufacturing & marketing	Addis Ababa	Pre- Implem.	1		2010
36	Farida Tannery PLC	India/UAE	Export of Leather (Crust and Above Level)	Addis Ababa	Operation	1	1	2010
37	United Vasn Leather PLC	China/Indi a	Manufacturing Of Leather and Leather Products	Oromia	Pre- Implem.	241		2010

38	Habesha Tanning PLC /AykutBerdimgr/	Turkey/Ethiopia	Finished Leather and Leather Articles Manufacturing	Amhara	Pre-Implem.	80	20	2011
39	East Africa Tannery PLC (SenaitAssefagr)	Italy/Britain	Tannery Above Crust Level (Expansion)	Oromia	Pre-Implem.	30		2011
40	Wook Sam Kim	korea	Tannery (Finished Leather Production)	Oromia	Pre-Implem.	30	20	2011
41	YinpengXie	China	Leather Shoes Factory	Addis Ababa	Pre-Implem.	60	25	2011
42	Dong Ruiqi /DSF International Trade Enterprise/	China	Import of Chemichals for Leather Industry/Through Bonded Warehouse System/	Oromia	Pre-Implem.	6	20	2011
43	Pittards Products Manufacturing S.C /Mr Jason Perry mgr/	Britain/Ireland	Manufacturing Of Leather Products	Addis Ababa	Operation	180	20	2011
44	New Wing Addis Shoe Factory PLC /Mr.RenzoBertini/	China/Italy	Leather Footwear Manufacturing	Addis Ababa	Operation	1000	1000	2011
45	Shilei Wang	China	Manufacturing of Leather Shoes and Bags	Oromia	Pre-Implem.	50	80	2011
46	PengGao	China	Manufacturing of Leather products	Oromia	Pre-Implem.	15	20	2011
47	Oliberte Limited /Ethiopia Branch/	Canada	Manufacturing of Shoe and Leather Products	Addis Ababa	Pre-Implem.	10	15	2011
48	Africa Shoes Factory PLC	Italy/Ethiopia	Manufacturing of Leather Shoes	Addis Ababa	Pre-Implem.	50	40	2011
49	Ahraf Tannery and Dkin Processing PLC	Sudan	Manufacturing of Leather Products	Oromia	Pre-Implem.	400	40	2011
50	Tancuir Chemicals Africa PLC	Spain	Bonded Warehouse For the Import of Leather Chemicals	Oromia	Pre-Implem.	10	2	2012
51	TAHA SeedahmedSaeed	Sudan	Manufacturing of Leather shoes for Diabetic and Obese	Addis Ababa	Pre-Implem.	10	20	2012
52	ShandongDong'eEjiao Co.LTD /Ethiopia Branch/	China	Buying & Processing of Donkeys' Leather,Meat and Its Product for Export	Oromia	Pre-Implem.	70	100	2012
53	Kripto Mining and Chemicals PLC	India	Manufacturing of Leather and Leather Products	Oromia	Pre-Implem.	20	25	2012

54	AVR Engineering and Infrastructure plc	India	Manufacturing of Leather and Leather Products	Amhara	Pre-Implem.	80	150	2012
55	Seokwang International (Eth. Branch)	South Korea	Leather Glove Manufacturing	Oromia	Pre-Implem.		200	2012

Annex D: Major problems along the leather and leather product industry value chain

Stage in the value chain	Specific activity	Findings
Husbandry	feeding	Poor Quality of natural pasture (80-90 % of feed resource) is in low grass-legume composition (low nutritive value) due to poor grazing management (e.g. continuous overgrazing); Poor Quality of crop residue having low nutritive value in which the crude protein is below critical level; Low pasture yield (one ton dry matter per hectare (TDM/ha) due to limited practice of improved forage plantation/ seeding) and poor management; Low pasture yield due to mismatch of Tropical livestock unit (TLU)/sqkm (27-130) due to farming expansion in high lands → 1TLU=250 kg; Decreasing of grazing pasture due to bush encroachment in pastoral area.
	Breeding	Uncontrolled natural mating which resulted in small size of animals. (< 25 sq.ft/hide); Limited supply of artificial insemination (AI) and cross breeding service for improvement of breeds; Lack of records and documentation practice on best performing breeds (natural breed selection).
	Animal health	No proper care in handling of animals (scratches due to whipping, thorn cuts, brand marking).; High prevalence of diseases such as ecto parasites which cause about 65% of the down grading of H&S). In Ethiopia grade level 1,2,3 of H&S is about (10-15%).
Livestock trading	Livestock trading	Improper handling of animals (beating, no rest, no feed & water, crowded in truck.); Trekking animals from villages to wereda level which causes loss of weight of animal and affect the quality of the skin; Livestock brokers (Delala) are manipulating prices , disturbing the smooth market chain due to the lack of up-to-date market information and marketing facilities. Places.; The market chain is long and inefficient resulting in higher prices and decreasing slaughtering rate which will affect supply of hide and skin negatively.
Slaughtering	Slaughtering	Poor flaying skills (20% of defects such as flay cuts, deformation occurred at this stage) due to limited technologies and lack of the right slaughtering tools and equipments (facilities) & logistics .90-95% of H&S came from backyard slaughters (villagers).; The percentage of backyard slaughtering is 90% for sheep and goats and 70% cattle due to absence of slaughtering facility, lack of legislation enforcement and cultural and religious practices.; Most big slaughter houses lack facilities for small ruminants ;Hides and skins produced in the

Stage in the value chain	Specific activity	Findings
		<p>country are not recovered fully; (85% for sheep and goat and 47% for cattle hide).;inefficient supply chain of animals due to backyard slaughtering practices.</p> <p>Currently the existing modern export abattoirs are not operating at their full capacity. (only at 50% of their capacity).</p> <p>Illegal cross boarder trade of live animals as well as hide and skin which result in shortage of H&S supply.</p>
Hides and skin trading	Hides and skin trading	<p>Improper preservation (putrefaction, smoke & sun drying, less/high salting), and transportation of H&S with charcoal, other goods. (15% of the quality defects of H&S comes from this stage). 3-4 days transportation from farmer to trader which might result in putrefaction;. Long and imperfect market chain (farmers /pastoralists - Small traders - middle traders - big traders - tanneries) which adds little value but increases the price of H&S substantially. At farmers/pastoralists the price of sheep skin is 20-25 birr and goat skin 10-15 birr. Tanneries purchase sheep skin currently at birr 60-70 birr and goat skin 25-30 birr from big traders. Purchase of H&S is not done based on the quality and no grading system in the market and there is a very high price volatility. At the end of last year the sheep skin price was birr 30 and now reaches up to Birr 88.</p>
Tanning	Sourcing local chemicals	<p>Only five to ten percent of the total required chemicals are locally available (Lime, Salt, Sulfuric Acid, Soda Ash, Caustic Soda, Al- Sulfate);. Lime: The lime factory has outdated production techniques, old machineries and low quality raw materials (lime stone) which results in high impurity content that damages the grain of skin (rub off grain) and hides;Salt : Salt from Hafedera and Mamole is coarse , contains sand and which can lead to grain damages in form of rub off grain and scratches; Caustic Soda: liquid 45.5%, high impurity level but only small amounts are used in tanneries for pH adjustment.; Standard: Currently only sulfuric acid (ES599) and sodium hydroxide (ES654) have standards which are mandatory for safety and health reasons and not for the product quality used in tanneries;</p>
	Sourcing imported chemicals and spare parts	<p>Long lead time (from order to delivery to factory, up to 4 months) which ties up significant amount of working capital. Chemical constitutes 15% of the total cost of tanneries; Shortage of special chemicals does not allow to produce up to date samples (high value fashion leather);ELIA Dev. share</p>

Stage in the value chain	Specific activity	Findings
		company is allowed to use bonded ware house facility but has very limited working capital to supply imported chemicals. Tanneries substitute similar chemicals because of shortage or delays and this some times result in lower and inconsistent quality of products.
Leather processing	Product development and sample preparation	Most Tanneries do not have well organized R&D department for new product development and optimization of the production process. Tanneries are very slow to produce counter samples due to poor organization, skill gaps and lack of quick access to chemicals; Marketing and new product development are not well integrated
	Pre-production planning, organizing and control	Lack of pre production planning skills and information technology system);No awareness of importance of delivery date; Low availability of spare parts and poor maintenance of equipment; Lack of costing and pricing systems (cost & price calculations)
	Leather production	Inconsistency of product quality (thickness, moisture content, shade difference). Frequent power cuts; Low quality of raw H&S increases the overall cost of tanneries and this is reflected on the higher price quoted by the tanneries; Low productivity of company resulted in delays in delivery which ultimately affected the shoe production (production stopped temporarily) . Average productivity in Bale tannery was 80 sq.ft/person/day; Shortage of working capital costs another change of L/C and took another two weeks
Shoe production	Sourcing and import	<p>Voucher systems makes it difficult to import input supply (System is not adjusted to needs of companies since there is a mismatch between obligatory advance calculation of needed imports (one year before) and ad hoc import driven through trends within the season / year). Opening L/C for moulds etc. extremely time consuming, however, moulds are mandatory technical elements in the shoe production; Custom officials do not use HS code effectively, they rather stick to the description and the wording of their own list.</p> <p>The TR sole material has officially been imported as thermo plast cement for dentist;. Pre-financed material by customer conflicting with customs procedures.</p> <p>Franco Valuta is allowed in Ethiopia now only up to 300 USD</p>
	Cutting	Cutting boards are not maintained regularly; Inferior know how of cutting dice making. Simple ones are possible, but if it comes to hand stitched or Moccasins (the most easy shoe for Ethiopia)

Stage in the value chain	Specific activity	Findings
		people need precise knowledge and skills;
	Stitching	. The stitching system is jeopardized due to the unavailability of the eyelets on time.(Due to uncertainty how to handle FRANCO VALUTA deliveries of eyelets under the voucher system took 4 weeks at customs leading to delays
	Lasting	Unclean workspace causes damages on shoes (e.g. nails on conveyer). Low quality control in lasting department. Lack of supervisory skills in the lasting department. The mind set supervisors is focused on controlling and not supporting workers. Supervisors do not practically guide the working process; Supervisors are not trained in the middle management jobs such as team building, motivation, planning , monitoring etc
	Packing	The packing industry in Ethiopia is not in a position to satisfy the demand of the shoe industry according to the international standards (packaging, printing and labeling) . The local packing material industry could not become competitive in price as they are required to import raw materials by paying import duties and taxes from Malaysia, Indonesia and China; Confusion and delay in packing and shipment happened due to missing packing items (6 weeks in customs). 7000 pairs have been produced until the packing materials were cleared from customs. The invoice from China came with the details such as declaration hangtags, sticker , poly-bags as per HS code but customs didn't allow to clear it because it was not written specifically as packing material on the voucher book
	Custom and banking procedure	Custom clearance takes long time (1-4 weeks) because of lengthy procedures;. Customs officers are not fully acquainted on the sector and do not effectively utilize the HS code; Customs officers use their own interpretation of HS code, sent goods back because of spelling mistakes in the document; There has been shortage of foreign exchange from time to time causing the delay in imported chemicals; Chamberzed commercial invoice is required in Ethiopia to import chemicals which can cause delays and unnecessary documents.(8 documents);. The existing export incentives systems (duty drawback, voucher and manufacturing bonded ware house systems) are not flexible enough to allow the smooth importation of chemicals
	Shipping and	Ethiopian shipping lines enjoys monopoly position and its rates

Stage in the value chain	Specific activity	Findings
	local transport	<p>are higher (up to 15%) than its competitors.</p> <p>Tanners have to get waver from ESL if they are to use other carriers in the ports where ESL is not calling; Inland transport of goods by trucks entail high cost due to lack of alternative mass transportation (train cargo) system of from Djibouti to the centre. (The cost of transport cost from Djibouti to Addis is expensive (\$2480) than the cost of sea freight from Genoa to Djibouti (\$1400).</p> <p>Shortage of containers from Djibouti as the result shoes had to be flown out entailing higher costs.</p>
Marketing	Contact to customers	<p>Institutions mandated in contacting customers and matchmaking like LIDI and ELIA do not take an active role in brokering; Companies don't develop their own collections due to the usual scheme of subcontracting of their production. Any need on marketing and materials are supplied by the customer. Consequently Ethiopian shoe collections are not presented at international fairs and the companies don't make the necessary preparations(research on the market, samples, pricing and delivery date);Rare direct communication from Ethiopian companies to customer putting order placement and trustful relationship at stake.</p>
	Sample production and capacity assessment	<p>Delay in response to customer (6 weeks) on samples, prices etc; Lack of availability of accessories in the PDC; Lack of functional product development center (PDC) (receive sample of customer, produce counter sample, select the right last and soles proper material sourcing and pattern making, collection development)</p>
	Contract and opening L/C	<p>Time frame in this process took four weeks , due to:</p> <ul style="list-style-type: none"> ➤ L/Cs are opened only “at sight” from ETH Banks leaving no flexibility for ETH companies to negotiate payment terms and conditions according to international standards–L/C drafts had to be renewed 4 times. ➤ Due to uncertainty about matching the final delivery date, the companies did not send the proforma invoice on time (Consequence of lost time in sample confirmation).; <p>Export permit is needed for exporting</p>
	Production preparation	<p>Extended time of Sample Production and Preparation. Due to lack of skills and available material; Production was delayed due to unavailability of eyelets which were stacked in customs for 4 weeks; Companies are not proactive in production preparation which causes delays to start production (3 months)</p>

Source: ECBP

Annex E. List of international experts at the time of the evaluation. The list is not complete

1)Dr. Maher Abou EL Khair, Project CTA for overall coordination, Laboratory Accreditation and other leather Products Development.

2)Prof. MasimoBoario, Management Expert has introduced a Management framework system through an ERP system at Anbessa Shoe Factory and introduced such system as well as at other stakeholders (LIDI) and beneficiaries (footwear factories). Has also produced a manual on ERP application.

3)Mr. Marlen Bakalli, Marketing and Sales Expert, conducted training for Export Development and Marketing of Products. Together with Mr. Terry McCallin prepared a Business Plan Concept for Sheba Group.He also prepared a market study for the footwear export to EU countries and along with LIDI marketing staff, Market studies targeting specifically various European countries. Moreover he preparedbusiness plans for components, shoe uppers, soles as well as defined LIDI's new image and communication strategy. Promotional material for LIDI's capacity building , fairs & other companies. Has also produced a manual on marketing planning.

4)Mr. Terry McCallin, Senior Footwear Marketing Expert, who covered Costing and Pricing at Anbessa..

5)Ms Rose Vidal, Leather Finishing Expert, has assessed the finishing operation at Dire and Seba tanneries and advised on process upgrading.

6)Mr. Ralf Arbeid, Tannery Expert, in two consecutive missions i) has elaborated on the introduction of process control equipment, automation and enterprise resource planning (ERB) to Ethiopian tanneries ii) has analyzed the status of export oriented shoe companies with current disadvantageous application of local upper leather where feasibility is proven for imported finished leather in order to boost the exports of shoes to overseas markets.

7)Ms. Martha Wieder, Footwear Expert has carried out crucial operations for shoe upper manufacturing at Anbessa and Manpo where she clearly demonstrated that with a good production organization an output of 21 pair uppers per worker/ per day can be achieved.

8)Dr. Sam Kirulthu, Market Research Expert made great efforts to create market opportunities between Ethiopian shoe companies and Kenyan companies (Tusky's and Bata) where delivery time, lack of available soles and components as well as accessories short comings were experienced. Also quality assurance scheme for shoes exports

9)Mr. Reinhold Scheidler, Leather Goods Expert, has conducted product development workshop for ladies bags with key staff of LIDI and companies demonstrating all operations and techniques as well as collection development with fair participating companies

10) Mr. Emad Michael, Leather Garments Expert, has conducted product development workshop on leather garments demonstrating fabrication techniques and collection building to LIDI staff and companies as well as manual production on employable skills training

11) Mr. Giorgio Gadina- Footwear Designer worked at Kangaroo and Anbessa Shoe factories and developed a collection for ladies shoes for the Kenyan Market and established the supply chain of shoe component. These prototypes were exhibited at EXPO Riva del Garda Trade Fair in January 2010 and originated the interest of a French buyer.

12) Ms. Christiane Murner, Leather Goods Designer, has provided technical intervention into leather good first with the conduct of a gap analysis at companies unveiling the companies status and provided further assistance in design, pattern making and fabrication

13) Ms. Giovanna Villani Footwear and Leather Products Designer in cooperation with

14) Mr. Gino Malinverni, Leather Goods Expert, was engaged in the preparation of a collection for the participation in HOTELEX Shanghai April 2010 as well as Moshoes fair in Moscow. Has conducted training on Fashion Design for ladies bags and she has produced training manual on the subject.

14) Dr. Khaled El-Nagar & 15) Dr. A. Senna, Laboratory Calibration Experts have calibrated LIDI laboratory equipment for 1st and 2nd phase accreditation together with staff training.

16) Mr. Franco Paulucci, Component Expert, has conducted survey on companies requirements for components in support to establishing components trading with possible foreign investment.

17) Mr. Cédric Breton, Audio Visual Expert, has conducted training to LIDI communication's staff on video application for the institute capacity building

18) Mr. Jacov Buljan, Tannery Effluent Expert, has conducted a study on collective tannery effluent treatment covering technical, staffing, investment & financial aspects for implementation.

Annex F: Detailed description of project outputs

List of Trainings and study tours

Trainings	Period	LIDI staff	Trainees from companies	Remark
Management training was conducted for six days for operation and middle managers from companies and experts from TLIDC and LLPTI	Stage 1 of the project (4-11 November 2009)	Participants from TLIDC and LLPTI took part	Participants from different companies took part	A total of 28 participants from companies, TLIDC and LLPTI attended the training. The training was in country training. With a focus on supply chain process, and concepts and implementation of the supply chain management- Training was conducted by UNIDO management expert Massimo Boario
A workshop for the top management of the companies of the sector, TLIDC, and LLPTI on re-engineering the Supply Chain was conducted in November 2011	Stage 1 of the project	Top managers from TLIDC and LLPTI took part	The participants were top managers of Kangaroo Shoes Company, Sheba Tannery, TikurAbbay Shoes Company, Anbessa Shoes Company, Ramsay Shoes Company	The workshop was conducted by UNIDO management expert Massimo Boario
TLIDC, LLPTI staff received training on marketing and sales management by marketing expert three days a week for about three hours each day from September to December 2009. Furthermore, a course on International business tools with subjects on the INCOTERMS 2000 as well as the theory and practice of the Letters of Credit was conducted.	Stage 1 of the project	15	-	In country training, 13 participants took tests and received certificates. Participants were able to score more than 62% which is an indication of good understanding of the materials by the students. Training was conducted by UNIDO marketing expert Mr Marlen Bakalli
The LLPTI staff particularly those engaged in the laboratory received training on laboratory operation	Stage 1 of the project (28/2/2010-4/3/2010)	5	-	Conducted in Egypt. Topics included review of standards; audit planning and preparations; audit processes; preparing checklist; accreditation requirements; internal audit; control of quality controls; audit analysis and reporting as well as filed training on test conduct, calibration and uncertainties calculations. All coordinated by the

Trainings	Period	LIDI staff	Trainees from companies	Remark
				CTA.
Ladies bag manufacture training was conducted for eight participants	Stage 1 of the project (Nov 5/2010-Dec 14/2010)	1	Jonzo 3 ELICO 2 General leather 2	In country training which was conducted by Mr. Scheidler and coordinated by the CTA
Training on design/fashion course given at LIDI design unit for LIDI participants.	Stage 2 of the project 26 April 2011 to May 06 2011)	13		In-country training, conducted by Ms Giovanna villain, UNIDO fashion design expert ; Training accompanied by manual and coordinated by the CTA
Training on four areas of pattern making, cutting, assembling and stitching was conducted for 16 participants from LIDI and other companies.	Stage 2 of the project 0di9 May 2011-June 09, 2011	9	ELICO 5 Modern zege 2	In-country training; The training was conducted by Mr. Emad Michael, UNIDO leather garment production. The training was hands-on since it was concluded by the fabrication and finishing of three designs to visualize training results: A training manual was also prepared with close coordination of the CTA including manual editing and production
Leather goods production	Stage 2 of the project Feb 28-13 March 2011	4	ELICO 3 GLG 1	In country training. Training conducted by Mr. Gino Malinverni, UNIDO leather goods expert
		Study Tours		
Delegates from LLPTI) TLIDC , Private Companies) , UNIDO Ethiopia office visited industries and institutions (tanneries (3), shoe factories (2), leather garment factory (1) and components factories (2)) and made discussions with representatives of Chamber of Leather Industries, Export Council of Egypt and National Standards Institute (NIS) of Egypt..	Stage 1 of the project	2 from LLPTI and 2 from TLIDC	2 from private companies and 2 from UNIDO	The study tour was conducted in Egypt for five days. The training was prepared and coordinated by the CTA
Anbessa System Administrator was trained in Italy at ACCORD (the developer of Fashion ERP software) premises	Stage 1 of the project		Anbessa 1 (AtoWendesen)	

Trainings	Period	LIDI staff	Trainees from companies	Remark
About 20 ERP Users were trained in Anbessa on Fashion ERP and on how to manage the supply chain with an ERP system. The training was based on many sessions done also in overtime during more than six months. Each user received a specialized training for about 60 hours, as an average.	Stage 2 of the project	1 LIDI	ANBESSA 20	The above mentioned Manual (Managing the supply chain with an ERP system) was distributed and used extensively in this course. Unfortunately at the time of the evaluation most of these users had resigned. In some cases the skill they developed in implementing an ERP system was put to profit in their new jobs (for instance AtoBinjam in Pittards)
LIDI laboratory experts have Egypt to	m			
Intensive training on OpenERP customized module was given to the different users of LIDI and other companies involved. This training is still in course because new modules and customization are continuously requested by LIDI and other companies	Stage 2 of the project	11 LIDI 2 ELIA	3 Ramsay, 1 Peacock, 3 TikurAbbay, 3 EIFCCOS, 1 Pittards	User Manuals have been produced and utilized to train the users on the modules: HR Management, Supply Management (LIDI), Fixed Assets (LIDI)
A study tour to Italy was arranged to learn from the experiences of effluent treatment plants (see below)				The purpose was to collect first hand information from Santa Croce of Toscana region where there are clusters of tanneries.
A study tour was conducted by foreign companies interested in importing Ethiopian shoes to their country. In this regard two companies namely Tuskyes and Bata Kenya had visited Ethiopia and held discussion with the MoTI officials to identify sustainable imports of footwear.				

Source: Progress reports of the project

Accredited Physical and Chemical tests at LIDI

Materials/Products tested	Types of tests/Properties measured, Range of measurement	Standard specifications, Equipments/Techniques used
Chemical-Leather	Chromium as cr+6 by spectrophotometer	ISO 17075:2007
	Formaldehyde content by spectrophotometer	ISO-TS 17226:2003
Water and waste water		
Physical-Leather	Chemical Oxygen Demand (COD) by open reflex digestion	SM 5220-CODB:1998
	Determination of tensile strength and elongation excluding elongation at load	ISO 3376:2002 excl.item 6.3 ed 2
	Color fastness to exclude testing of wet leather and felt wetted with artificial perspiration solution	ISO 11640:1993 excl item 6.3 and 6.4
	Determination of tearing load-single edge	ISO 3377- 1:2002
	Determination of tearing load-double edge	ISO 3377-2:2002
	Determination of flex resistance by flexometer method	ISO 5402: 2002
	Determination of distension and strength of grain –ball burst	ISO 3379:2005
	Determination of water resistance of flexible leather	
	Determination of water vapor permeability	ISO 5403: 2002
	Test for color fastness-color fastness to perspiration.	ISO 14268:2002
		ISO 11641:1993

Source: UNIDO (2011) Technical assistance project for the upgrading of the Ethiopian Leather and leather products industry progress report covering January-October 2011,p.47

List of achievements under marketing component

Achievements	Period	Remark
1.Training and coaching		
1.1 Training on marketing and sales for 15 participants at the beginning and 13 at the end	Stage 1	The training ended with an examination in which the students scored from 62% and above.
1.2 Coaching export manager for export purpose at Anbessa	Stage 1	Coaching to the newly appoint Export manager: custom procedures, follow-up, collection analysis, offer proposals.
2.Market and business guidance studies, gap analysis, sales analysis, market plans, business plans and consultancies		
2.1. Market Research on Footwear Business in COMESA countries,	Stage 1	
2.2. A study on the European Union Market for Footwear as well as studies for 5 specific countries.	Stage 2	Countries included are France, Italy, Germany, Austria and Spain
2.3.A study on local markets covering segmentation, competition etc	Stage 1	An overview of the actual situation.
2.4 Sales analysis at Anbessa	Stage 1	To analyse the best selling models and discontinue those that are dragging down the collection, and thus save in working capital.
2.5 Strategic market plans for Anbessa	Stage 1	For market development
2.6 Consultancy to ELIA to better organize its activities during the All African Leather Fair (AALF) in 2010	Stage 1	Proposal to work around the communication and the sponsoring system.
2.7 Sheba shoe factory business guidance study	Stage 1	This study was done in order for the company to attract investors and it reached its goal.
2.8 Business plan for establishing a sole factory in joint ventures	Stage 1	This study was done for a Joint Venture between Ethiopian and Italian company. Unfortunately, the two parties failed to reach an agreement.
2.9 Feasibility study for the establishment of a leather component distributor	Stage 2	The study is meant to attract potential investor and was distributed at the AALF 2012
3.Export Access to East Africa Region		
3.1.Market linkage with Kenya	Stage 1	The activity resulted in Tuskys placing a trial order for footwear worth some US\$ 60,000; BATA Company requesting for samples of ladies shoes
3.2. Quality certification to promote export access to East Africa Region	Stage 2	The initiative led to ‘a capacity building workshop on certification of leather and leather products for export market access’; Tangible outcomes in terms of orders put to some factories; working relations initiated between KEBS and LIDI

Achievements	Period	Remark
4 Benchmarking in marketing		
4.1 Benchmarking in marketing	Stage 1	This has been implemented in Anbessa by identifying gaps in the performance of marketing
5. Branding strategies and promotional and communicational materials		
5.11.Brand for Anbessa	Stage 1	A new brand strategy for Anbessa developed and this included, new i.e. a company new logo, brochure and posters developed as well as an elaborated website.
5.2.New logo and web site for Dire Industry and dire tanneries	Stage 2	Increase the visibility of the company in the foreign market.
5.3.Logo and website for Bahirdar tannery	Stage 2	Increase the visibility of the company in the foreign market.
5.4.Logo website and promotion material for Addis Tannery	Stage 2	Increase the visibility of the company in the foreign market.
5.5. Logo website and promotion material for Batu tannery	Stage 2	Increase the visibility of the company in the foreign market.
5.6.Logo and website for HAFDE tannery	Stage 2	Increase the visibility of the company in the foreign market.
5.7.Promotional materials for Mos shoes trade fair in September 2011	Stage 2	Helps exhibitors to attract end-users
5.8.Website for ELIA	Stage 2	Helps the association to better communicate with its customers.
5.9.Laboratory Brochure, letterhead and fax head	Stage 2	Helps the laboratory to advertise its services.
6. Awareness raising on marketing and strategic approaches		
6.1.Workshops held on trade promotion	Stage 2	Aim is to raise awareness of participants on the importance of being customer oriented
6.2.Workshops held on leather product challenges	Stage 2	Aim is to raise awareness of participants
6.3.Workshop held on strategic approaches	Stage 2	Aim is to raise awareness of participants
7. Supporting Hotelex in marketing		
7.1Photo shooting of products, preparation of Brochure and Posters for each participating companies, following ups after trade fairs	Stage 2	Four companies namely Jonzo, Elico, HAFDE and Concept.

Achievements	Period	Remark
8. Supporting MSMEs		
8.1 Strategy design	Stage 2	Helps the association to shift towards the formal sector with a customer and market approach focus.
8.2 Brand development to support market development	Stage 2	7 brands developed to respond to various local segments.
9. Support to LIDI		
9.1. New logo for LIDI	Stage 2	New logo and web site developed for LIDI to address its new mandates
9.2. Support to corporate communication department	Stage 2	To strengthen external and internal communication of LIDI; use of standardized communication tools such as brochures, Cd-roms, Power Point presentation, Photoshop and graphic design. Training was given on audio-visual techniques and a manual was prepared to go with it
9.3. Preparation of LIDI magazine and laboratory brochure	Stage 1	

List of achievements under management and ERP

Achievements	Period	Remark
1 Training and coaching		
1.1 Anbessa System Administrator was trained in Italy at ACCORD (the developer of Fashion ERP software) premises	Stage 2	
1.2 About 20 Fashion ERP Users were trained in Anbessa on Fashion ERP and on how to manage the supply chain with an ERP system. The training was based on many sessions done also in overtime. This activity lasted from mid 2010 to October 2011 mainly because of the turnover of many users Each user received a specialized training for about 60 hours, as an average.	Stage 2	A user Manual (Managing the supply chain with an ERP system) was utilized as training materials

Achievements	Period	Remark
1.3 Intensive training on OpenERP customized module was given to the different users of LIDI and other companies involved: Peacock, Ramsay, TikurAbbay, EIFCCOS, Pittards, and ELIA. This training is still in course because new modules and customization are continuously requested by LIDI and other companies	Stage 2	HR, Supply, and Fixed assets management Manuals were utilized. Up to now 25 users in total have been trained and more than 20 are being trained and /or coached by the UNIDO IT local experts
2 ERP System Implementation		
2.1 A full ERP system was installed in Anbessa. It included the server, the system network, switches, routers, and Fashion software. An operational user manual was produced and included the new procedures for an effective supply chain management. Fashion software was customized according to the requirements of the users to cope with their needs of a high flexibility in changing the production plan on a day by day basis	Stage 1	Data loading was delayed by Anbessa for more than six months, despite the coaching given by the UNIDO Experts and the formal commitment of Anbessa management that approved several subsequent implementation plans.
2.2 Fashion ERP system started the full implementation in Anbessa at the end of October 2011 and was operational for about four weeks	Stage 2	To obtain this result, UNIDO experts were authorized to take the direct responsibility of the ERP users for two weeks.
2.3 Implementation of OpenERP at LIDI. The following modules have been developed, customized and, after the training, started the implementation: HR management, Fixed Assets management, Supply management, Laboratory management, Archive management, Library management	Stage 2	Lack of suitable PC's (afterwards procured by UNIDO), the procurement of a scanner and the very slow data collection and loading delayed the full implementation of some modules. This situation is now being improved.
2.4 Implementation of OpenERP HR management module at Ramsey	Stage 2	Also a Discipline management module have been requested and developed
2.5 Implementation of OpenERP HR management module at	Stage 2	Also a Skill management module have been requested and developed

Achievements	Period	Remark
Peacock		
2.6 Implementation of OpenERP HR management module at Tikur Abbay	Stage 2	A further module for payroll processing has been requested and is now under development
2.7 Implementation of OpenERP Membership management and Accounting modules at EIFCCOS	Stage 2	The Accounting module is intended to allow all operational units (more than 500) to be fully accountable for their contribution to the assets and profit of the Cluster
2.8 Implementation of Open ERP Membership management at ELIA		

Table 22: Achievements in product development

Product upgrading	Period	Remark
1. Leather finishing	1 st stage	A leather finishing expert assisted Dire tannery and Sheba tannery between 18 th July and 1 st August/2009 . At Dire tannery problems of water, power and machinery maintenance were identified. At Sheba tannery technical information, finishing control quality laboratory, assigning appropriate staff and defining managers' job at finishing plans etc were among others identified to begin finishing production in the new finishing plans of the company
Product development	Period	Remark
1. Ladies shoe	1 st stage	Collections have been designed and produced with the supervision of the UNIDO designer in two companies namely Anbessa and Kangaro.
2. Lady's bags	1 st and 2 nd stages	Collection has been developed and a workshop was conducted to improve the collection. The Participants were GLG- ENDU LEATHER CRAFT- FUR ETHIOPIA- WOSSIE FASHION- CONCEPT FASHION. During Feb/mar 2011, two experts were fielded to design and develop bags together with counterparts. This culminated with a study tour to Moscow to participate in a trade fair. Later, three companies (ELICO, BASIC and GLG) and LIDI together developed further collection of ladies bags with a total of 22 bags being developed.
3. Hotel luxury items:	First stage	Done in four companies with a bid to help them participate in Hotelex trade fair

		held in Shanghai
4. Leather garment	First stage	Collection was developed for quality leather garments with the participation of the following companies: ABIYSSINA, ZEBRA, UNITY, WOSSI, and LION Leather Garments.

List of LIDI customers

No	Name of customer	No	Name of customer	No	Name of customer
A.	Tanneries	13	Modjo tannery	C.	Chemical and mineral industries and trading
1.	Wallia Tannery	14	East African tannery	25	AgecaEthiopia
2	Mesaco global tannery	15	China Africa tannery	26	Ethiopian trading chemical service
3	Batu tannery	16	Galian tannery	27	KalidAbdela gum stone producer
4..	Dire industry PLC	17	Habesha tannery	28	Oliyad trade auxillary
5.	Addis Ababa tannery	18	Ethiopia tannery	29	Adorn chemicals PLC
6.	Colba tannery	B.	Shoe and garment industries		Sherif Ahmed Mohamod Importer
7.	Ethio leather industry	19	TikurAbay shoe	30	Zeway caustic soda
8.	Sheba tannery	20	Ramsey shoe factory	31	BASF chemicals
9.	Kombolcha tannery	21	Nil she & shoe factory	32	Birhane W/Sellassie salt producer
10.	Bahridar tannery	22	Ara shoes AG Ethiopia branch	33	Harini Bio Tech chemicals
11	ELI leather development	23	Anbesa shoe S.C		
12	HAFDE tannery	24	Lucy garment industry		

Table (cont..)

	Government institutions				
34	Quality standard authority of Ethiopia	44	Abdurahman GT plc		
35	Ministry of Defence	45	Daylight applied technologies		
36	Ethiopian revenue	46	MNT leather art Plc		
	Ethiopian conformity assessment agency	47	Centro business trading PLC		
37	Federal audit	48	Z-farm stat plc		
38	Ethiopian custom authority	49	Guts agro industry		
	Higher educational institutions	50	DC industries		
39	Addis AbabaUniversity	51	Higher 7 M.L TvTi		
40	HaramayaUniversity	52	SNN industries		
	Others	53	ZewdituNegussie agro plc		
41	NIS	54	Hussien M/Birhanplc		
42	ESGPIP	55	MK Trading and idustries		
43	GAAFAR enterprise				

Annex G: List of References

CoMESA, (2012) Annex to volume I, Study on the competitiveness of Ethiopian firms for participating in CoMESA free trade

CSA (2009/10) Report of large and medium scale manufacturing and electricity industries survey

CSA (2011) Agricultural sample survey, report on livestock and livestock characteristics, Statistical bulletin 532

Embassy of Japan (2008) A series of studies on industries in Ethiopia, AA, www.et.emb-Japan.go.jp

Ethiopian Economic Association (EEA) (2009) Report on the Ethiopian economy, AA

Ethiopian Economic Association (EEA) (2011) Report on the Ethiopian economy, AA

FDRE (2010) Growth and Transformation Plan, 2010/11-2014/15, Ministry of Finance and Economic Development, Addis Ababa

FDRE (2002) “Industrial development strategy” (Amharic version). Ministry of information, Addis Ababa

Pietrobelli, C, Tsegaye Teklu and Dobinger, J (2009) Draft Evaluation report Unleashing the potential of MSMEs in Ethiopia

LIDI (2010) LIDI’s journal, Volume 2, No.1c

Tegegne Gebre-Egziabher (2007) “Impacts of Chinese imports and coping strategies of local producers: The case of small scale footwear enterprises in Ethiopia” Journal of Modern African Studies V45, No 4

UNIDO Quality Assurance and Evaluation Branch (1997): Regional Africa Leather and Footwear Industry Programme. Report of the programme evaluation.

UNIDO (2005) A strategic action plan for the development of the Ethiopian leather and leather products industry, Volume 1

UNIDO (2007) Assessing the competitiveness of the Ethiopian shoe manufacturing: A practical benchmarking of shoe production. Technical paper

UNIDO (2009) Technical assistance project for the upgrading of the Ethiopian leather and leather products industry, Project document

UNIDO (2009) Technical assistance project for the upgrading of the Ethiopian leather and leather products industry, Project progress report, first six months implementation, Addis Ababa

UNIDO (2010) Cluster development in Ethiopia: Achievements and lessons learned

UNIDO (2010) Technical assistance project for the upgrading of the Ethiopian leather and leather products industry, progress report for May 2009-June 2010)

UNIDO (2011) Technical assistance project for the upgrading of the Ethiopian leather and leather products industry, progress report covering January-December 2011

UNDP (2011): Ethiopia - HDI values and rank changes in the *2011 Human Development Report*.

UNIDO (2003a): Integrated Programme For Private Sector Development, Enhanced Industrial Competitiveness and Environmentally Friendly Production. Report of the Independent Evaluation.

UNIDO (2003b): A Blueprint for the African Leather Industry – A Development, Investment and Trade Guide for the Leather Industry in Africa.

UNIDO (2005c): Unleashing the potential of MSMEs in Ethiopia. Project document.

UNIDO (2008): Technical Assistance Project for the Up-Grading of the Ethiopian Leather and Leather Products Industry. Project document.

UNIDO (2010a): Cluster development for pro-poor growth. The UNIDO approach.

UNIDO (2010b): Cluster Development in Ethiopia. Achievements and Lessons Learnt.

UNIDO Evaluation Group (2008): Independent Evaluation ETHIOPIA. Assistance to the LLPTI for the Development of its Managerial and Operative Capacities.

UNIDO Evaluation Group (2009): Independent Evaluation ETHIOPIA. UNIDO Integrated Programme.

UNIDO Evaluation Group (2010): What has UNIDO done to reduce poverty – Evidence from UNIDO evaluations 2008 and 2009. Desk review.

UNIDO Industrial Development Board (2011): Midterm review of the medium-term programme framework 2010-2013.

UNIDO Leather Unit (2010): UNIDO’s Activities in the Leather-based Industry.

UNIDO; Anthony Clothier and Ferenc Schmél (2005): Benchmarking, good manufacturing practice and performance assessment in the footwear industry.

UNIDO; MoTI (2005a): Master Plan. A Strategic Action Plan for the Development of the Ethiopian Leather and Leather Products Industry. Volume I.

UNIDO; MoTI (2005b): Business Plan. A Strategic Action Plan for the Development of the UNIDO; Ethiopian Leather and Leather Products Industry. Volume II.

Van der Loop (2003c): Study on Leather Sector MSMEs located at Merkato, Addis Ababa, Addis Ketema Kifle Ketema.

UNIDO; Addis Duki (2006): Report of the diagnostic study of the Merkato leather footwear cluster.

UNIDO; Jakov Buljan (2007): Benchmarking in the tanning industry.

UNIDO; Boario, Massimo (2012): Technical Assistance Project for the Up-Grading of the Ethiopian Leather and Leather Products Industry. Report on Mission from 01/05/2012 to 30/06/2012.

