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Networking small enterprises in Ethiopia's leather sector

INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

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UNIDO project is upgrading the Ethiopian leather and leather products industries

A progress report



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



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We would also like to thank all managers and members of clusters for their active participation in project implementation and in data collection.

UNIDO's Partnership Country Programme deserves a special acknowledgment for the support provided in replicating the project's achievements as well as for having successfully involved the Ethiopian institutions in overcoming challenges and identifying effective solutions.



1. Introduction

Funded by the Italian Agency for Development Cooperation, “Upgrading of the Ethiopian leather and leather products industry” is a UNIDO project whose primary objective is to facilitate the further development of the country’s leather sector with a special focus on micro and small enterprises (MSEs). Launched in March 2014 in Addis Ababa, the project provides direct support to small-scale footwear and leather goods manufacturers operating in the Yeka, Merkato and Kirkos areas of the Ethiopian capital. Project activities have been validated by the National Steering Committee and have been implemented in close synergy with all relevant local institutions in order to ensure sustainability. The project is to be completed in June 2016, and an extension request has already been submitted to the donor.

Inclusive and Sustainable Industrial Development and the Partnership Country Programme

The United Nations post-2015 development agenda reinforces the international community’s commitment to poverty eradication. One of the major items on this agenda is Inclusive and Sustainable Industrial Development (ISID), the core of the new mandate given to UNIDO by the 2013 Lima Declaration. The ISID strategy aims to pilot the development of innovative partnership business models; the main thrust behind such business models is the mobilization of external partners and resources to increase the impact of UNIDO’s technical cooperation.

Through partnerships with governments, development finance institutions, other United Nations agencies, multi-lateral and bilateral development agencies, civil society and the private sector, the Organization aims to have a much larger impact on the ground with its technical expertise being applied according to the needs of Member States and benefiting from the resources of financial institutions and private industry.

In order to apply effectively the partnership approach, UNIDO has developed a new type of assistance package for its Member States: the Partnership Country Programme (PCP). The PCP is not a static template, but a custom-built partnership formula with each beneficiary maintaining ownership of the complete process by defining its needs and required support and finally ensuring the success of its delivery. Each PCP is aligned with the national industrialization priorities and development plans of the beneficiary country, which in turn needs to fully align its policies with ISID objectives and to demonstrate full ownership of the Programme. The beneficiary countries need to embed the PCP into their national resource mobilization strategies and remain open to partnerships for up-scaling technical cooperation services and leveraging additional resources.

In this context, the UNIDO project for Ethiopia will directly contribute towards the achievement of the new United Nations Sustainable Development Goals: 1 (eradicate poverty); 2 (eradicate hunger); 5 (promote gender equality and empower women); 8 (decent work and economic growth); 9 (industry innovation and infrastructure); 10 (reduce inequalities); and 17 (partnerships in pursuing the United Nations Sustainable Development Goals). Moreover, the project will contribute to the implementation of the United Nations Convention on Climate Change and the United Nations Convention to Combat Desertification.

Piloting the partnership approach in Ethiopia

Ethiopia was selected as a pilot beneficiary of a partnership programme focused on three light manufacturing sectors: agro-food processing; textiles and apparel; and leather and leather products. These sectors were chosen due to their prospects for job creation, strong linkages to the agricultural sector, high export potential, and capacity to attract private sector investment. They are meant to act as a springboard for the transformation of Ethiopia's economy, currently mainly based on agriculture, into an economy primarily driven by light industries. The UNIDO project for upgrading the Ethiopian leather and leather products sector was designed to help set up footwear and leather goods clusters and strengthen the design and training capabilities of the Leather Industry Development Institute (LIDI). The project operates within the PCP for Ethiopia and in constant coordination with the PCP Secretariat.

2. Project outline

2.1 The context

Ethiopia's leather sector enjoys significant international comparative advantages owing to its abundant availability of raw materials, disciplined workforce and cheap prices. Ethiopia is the leading livestock producer in Africa and the 10th largest producer in the world. The country's livestock generates 2.7 million hides, 8.1 million sheepskins and 7.5 million goatskins annually. This comparative advantage is further enhanced by the fact that raw hides and skins constitute on average 55% to 60% of the manufacturing cost of finished leather and such leather products as shoe uppers, garments, stitched upholstery, backpacks, purses and industrial gloves.

About 20 medium and large mechanized footwear factories (including several based on foreign direct investment) with a total production capacity of 12 million pairs per year are currently operating in the country. More than 5,000 micro and small enterprises are engaged in manufacturing and repairing leather footwear, a sector dominated by enterprises located in the central market of Addis Ababa.

Footwear and leather goods MSEs have been operating for decades with slight improvements in skills and technology and with minimum support services from the local government and civil society. They provide very significant employment opportunities but are operating without horizontal and vertical linkages and cannot enjoy the benefits of economies of scale.

The goal of the UNIDO project is to improve the quality of leather products manufactured by MSEs in accordance with domestic and international standards and consequently increase the competitiveness and turnover of the Ethiopian leather products industry.

2.2 The blueprint of cluster development

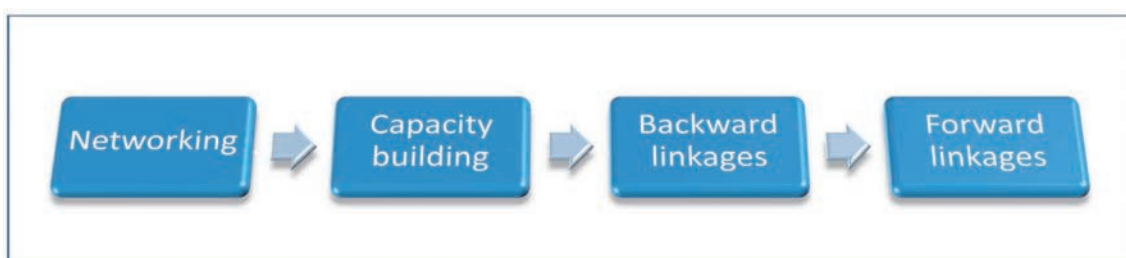
A **cluster mapping study** was initially conducted and led to the selection of three clusters in Addis Ababa: Ethio-International Footwear Cluster Cooperative Society (EIFCCOS)/Yeka, Merkato and Kirkos.

Validated by the stakeholders in July 2014, the selection was followed by a **diagnostic study** of the three clusters; it included a gender distribution analysis performed by a project expert.

The next step was the drafting of a **cluster vision**, which was further developed by the stakeholders during a diagnostic study validation workshop. The cluster vision was subsequently conveyed to the institutional stakeholders involved in MSE development and to cluster members.

A clear and comprehensive **action plan** reflecting the cluster development strategy was laid out and approved by all stakeholders. It entailed specific activities at sub-city level providing each cluster with a customized technical assistance programme.

Project activities have been carried out within the following four general areas:



3. Networking

Given the complex structure of stakeholder participation and in particular the very large number of beneficiaries, networking has been of utmost importance. Apart from the significant advantages of coordination and concerted action, networking has opened for small enterprises the road to the benefits of economies of scale.

3.1 Institutional networking

The UNIDO project team helped establish institutional networks involving various key cluster development stakeholders such as:

- Ministry of Industry;
- Leather Industry Development Institute;
- Federal and regional/city development agencies specialized in supporting MSEs;
- Micro-finance institutions;
- Addis Capital Goods Leasing Company;
- Cooperative Promotion Agency;
- Technical and Vocational Education and Training (TVET) offices;
- Productivity improvement centres;
- Entrepreneurship development centres.

To ensure adequate implementation and the sustainability of the cluster development programme, institutional networking is operating at both local (city, sub-city) and regional and federal levels.

A Cluster Technical Committee was set up in Addis Ababa in early 2015 to coordinate the contributions of various stakeholders in the management of cluster development. At regular meetings (twice a month), the Committee deals with relevant challenges and hammers out solutions to problems encountered by cluster members in their day-to-day activities. Implementation of Committee decisions is overseen at sub-city level by cluster working groups.

3.2 Policy support

Within the framework of the Partnership Country Programme for Ethiopia, the project team has been cooperating closely with the Ministry of Industry to define new policy measures capable to facilitate the development of the MSE manufacturing sector. This synergy is on-going and a new policy document has been drafted by the Ministry of Industry and submitted to the Ethiopian Parliament for approval.

3.3 Enterprise networking

By restructuring/strengthening existing networks and by establishing new ones within three clusters, the UNIDO project has been providing assistance to 377 enterprises with a total of close to 4,000 workers.

Ethio-International Footwear Cluster Cooperative Society (EIFCCOS) was established and legally registered ten years ago in the Yeka district of the Ethiopian capital. This cluster was largely underperforming, and the UNIDO project undertook its restructuring, a process which required approximately one year. Seven sub-networks were set up within EIFCCOS linking a total of 173 enterprises (employing 1557 workers) and enabling efficient joint activities in purchasing materials, manufacturing and marketing. One compelling example is the Yegna sub-network with 70 enterprises. Joint activities fostered by trust building consultations in weekly meetings enabled Yegna to secure seven orders/tenders for a total of 6,130 pairs of shoes. Some 4,000 pairs were delivered on time with the remainder reaching the clients 15 days later, and all products met the required quality standards. This was a first collective bid experience for the cluster, and EIFCCOS is now well positioned to expect replications of this business model.

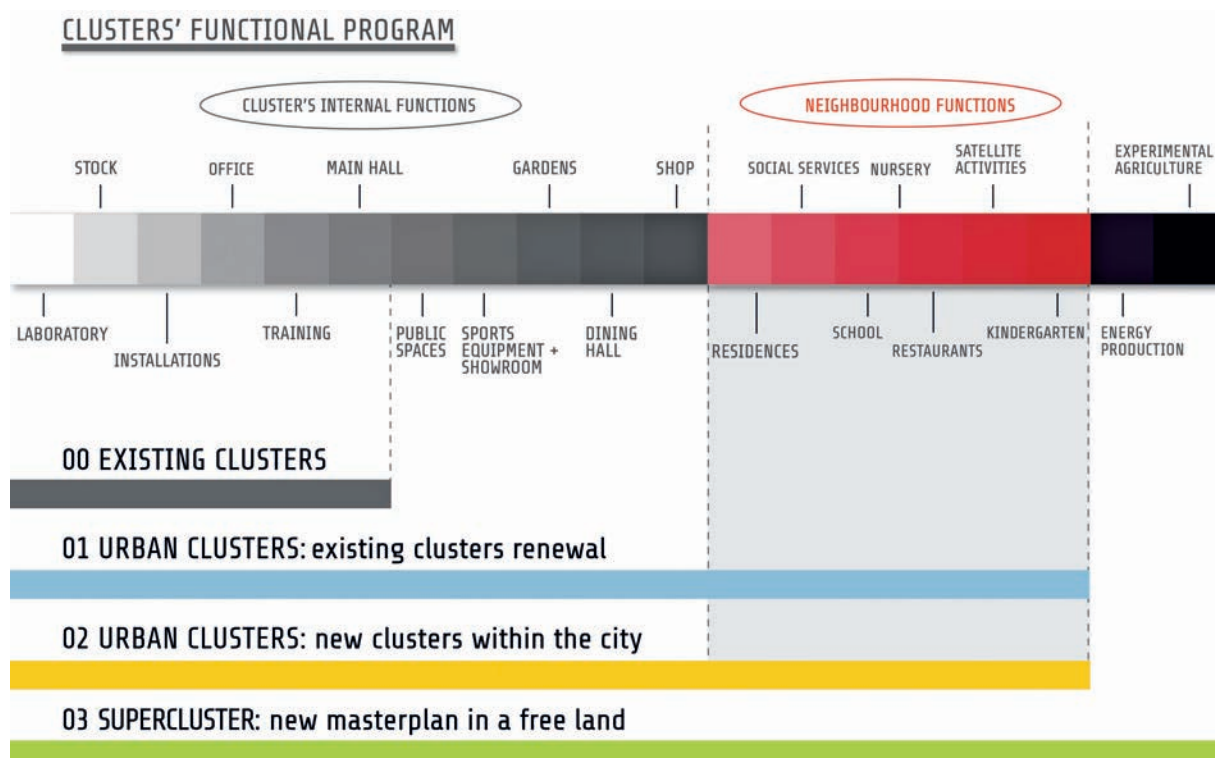
EIFCCOS entrepreneurs have been the beneficiaries of a pilot initiative to apply the Kaizen methodology of upgrading all aspects of business operation. Forty cluster members have participated in training sessions, and 11 enterprises have already started to implement this methodology.

Merkato Cluster currently consists of three networks with a total of 182 shoe manufacturing enterprises. At the inception of the project, two of these cooperatives (Tesfa and Rediet) were operating in government facilities at Remo Site. Limited expansion potential due to the size of available premises led to the project management decision to establish a third network. In collaboration with the Addis Ketema Cooperative Promotion Office, UNIDO facilitated the establishment and legal registration of Teramaj Shoe Manufacturing, which currently consists of 82 enterprises employing 1722 workers. Teramaj enterprises are scattered in Merkato, many of them at very expensive and isolated locations. Common premises would facilitate effective networking, and the project has been facilitating negotiations with the municipal administration to relocate the cooperative in a government industrial building.

Kirkos Leather Goods Cluster was a loose group of informal producers of leather accessories operating as two unregistered networks in the Kirkos district of Addis Ababa. The project intervention reorganized the networks and registered them as Bella and Lomi, the latter consisting exclusively of women’s enterprises. Twenty-two businesses operate in the two networks and their total current employment is 132 workers.

3.4 Clustering the city

At the request of the State Minister of Industry and the Addis Ababa SME Development Bureau, an Italian architect was commissioned by UNIDO to survey the areas selected by the municipal administration for cluster development facilities. The outcome was a concept (below) that provides the city government with a strategy for revitalization of depressed urban areas, upgrading of existing areas of cluster activity, and the creation of new modern cluster zones. Apart from its economic benefits, such a programme would improve urban services and would lead to a general enhancement of life quality in the targeted areas.



4. Capacity building

An extensive and diverse capacity building programme has been implemented in close cooperation with local institutions and targeting both institutional stakeholders and entrepreneurs.

4.1 Building capacity in institutions

Over one hundred trainees from Oromia, Amhara and Tigray regions have been familiarized with the cluster development methodology on the basis of diagnostic studies conducted in their regions. The participants represented local administration, SME promotion agencies, vocational schools, trade chambers, etc. Similar training was conducted at city level with UNIDO cluster facilitators playing a crucial role in the selected areas.

A particular feature of this endeavour was the use of an open-source Enterprise Resource Planning (ERP) software customized by local IT experts. This is a business management software that provides an integrated real-time survey of business processes using common databases maintained by a database management system. In collaboration with the University of Addis Ababa, UNIDO has achieved a significant increase in the numbers of Ethiopian engineers and IT specialists trained in ERP implementation, which is expected to lead to an expansion of the application of this effective methodology to other industrial sectors such as textiles and food processing.

Another useful component of institutional capacity building was a study tour in Italy in October 2014. Representatives of key stakeholders visited two of Italy's state-of-the-art leather and leather footwear districts, Santa Croce sull'Arno and Vigevano. At Santa Croce sull'Arno, the modern common effluent treatment plant was the main focus of the visitors' interest given Ethiopia's planned Modjo Leather City, which is intended to upgrade significantly the country's leather production in compliance with high environmental standards.

4.2 Enterprise capacity building

With lectures and working groups, the project conducted entrepreneurship development training in cooperation with Ethiopia's Entrepreneurship Development Centre. A total of 121 network members from the three Addis Ababa clusters participated in the programme, which covered ten "personal entrepreneurial capability" topics, such as goal setting, opportunity seeking and initiative, taking calculated risks, independence and self-confidence, and persuasion and networking.

4.2.1 Training in design and pattern development

The initial diagnostic study indicated that insufficient technical capabilities in the footwear and leather goods industries were a major obstacle to enterprise development in general and to the development of MSEs in particular.

In close collaboration with LIDI and the Technical and Vocational Education and Training office in Addis Ababa, the project conducted two rounds of training in design and pattern development attended by 182 entrepreneurs from the three clusters. A major objective of this initiative was to improve understanding of the basic principles and methodology of designing and patterning products that meet current market expectations. A market assessment was also conducted in Addis Ababa to discern trends and thereby identify immediate market opportunities.



The project developed linkages with international and national organizations that render capacity building services to small businesses and are primarily focused on enterprises run by women. One such organization, North South Consulting, provided training on design and export opportunities. Conducted by well-known Belgian designers, the training was attended by four women leather goods manufacturers supported by the project. Theoretical and hands-on classes held at LIDI were followed by visits to the workshops of the trainees where the experts provided further technical assistance regarding product design.

Summarized below are the results of a self-evaluation survey regarding the impact of skill training in footwear design and pattern development:

Area of evaluation	Satisfied 😊	Average 😐	Not satisfied 😞
Time allocated for training	67.3%	28.8%	3.9%
Training methodology	92.3%	7.7%	0%
Ability and experience of trainers	90.5%	9.5%	0%
Training relevance	88.4%	11.6%	0%
Experience acquired	57.7%	34.2%	8.1%
Average percentage	79.2%	18.4%	2.4%

4.2.2 Training in cooperative management and marketing

In collaboration with Addis Ababa City Administration Trade and Cooperative Promotion Office, the project endowed cluster network executive committees with legal and marketing skills for cooperative development. A manual prepared by the Ethiopian institution conveyed the cooperative principles and rules, and the members' rights and obligations established by the Ethiopian Cooperative Society. The trainees also had the opportunity to understand which institutions they had to refer to for legal matters and how to deal with marketing issues.

4.2.3 Raising awareness regarding machinery leasing and credit facilities

With the participation of Addis Credit and Savings Institution, a micro-finance lender, and Addis Capital Goods Leasing Company, the project organized a presentation of these services and their crucial significance for the development of small businesses.

Subsequently, the leasing company carried out an assessment of machinery requirements at various cluster workshops, and the project team assisted cluster members with leasing application procedures.

It was decided that the best way for micro-enterprises to access the credit facility was a group loan, and the interested parties were familiarized with the required formalities.

5. Cluster linkages

5.1 Linkages with support services

The UNIDO project has facilitated linkages between cluster networks and key local government providers of support services such as MSE development offices and cooperative promotion institutions. Negotiations with the city MSE development authorities are at an advanced stage to ensure the granting of government manufacturing premises to Teramaj Shoe Manufacturing. The significance of this decision is magnified by the fact that another key provider of support services, Addis Capital Goods Leasing Company (see page 11), renders its services only to MSEs operating in government manufacturing facilities.

Cluster enterprises have established useful linkages with the city's Entrepreneurship Development Centre, which provides entrepreneurship training and business development services on a cost-sharing basis. The Leather Industry Development Institute, a key counterpart in project implementation, provides cluster members with continuous technical training in design, product standardization, and technology options as well as consultancy services in areas such as feasibility studies and marketing.

UNIDO cluster development facilitators have assisted all cluster networks in preparing group-loan requests to Addis Credit and Savings Institution. The loans will be released as working capital to cover the leasing cost of machinery purchased by Addis Capital Goods Company through an international bid procedure.

5.2 Backward linkages

Backward linkages are basically business-to-business relationships with input and accessory suppliers aimed at establishing direct supply channels with leather tanneries and accessory importers to secure advantageous prices and better variety and quality by avoiding or minimizing the involvement of middle men. The efforts to create backward linkages started with selected companies as a pilot initiative. The aim was to reach agreements for providing large quantities of good quality inputs at competitive prices.

Awash Tannery was selected as the pilot supplier of leather to the Teramaj network in the Merkato cluster, EIFCCOS, and the women's enterprises in the Kirkos cluster. The cluster members identified their leather purchasing needs and developed a proposal outlining order specifications and volumes as well as the general objectives of their business relationship with the tannery. Based on this proposal, the project team prepared a memorandum of understanding describing the roles and responsibilities of the two parties. Under this agreement, EIFCCOS has already ordered leather worth 1 million Birr at a 15% discount.

The project's close collaboration with the staff of the Italian Agency for Development Cooperation facilitated the identification of an adequate supplier of soles. Cluster representatives are currently conducting discussions with DATA RAPID and a binding decision is expected soon.

All cluster networks have been made aware of the services provided by the Addis Capital Goods Leasing Company, and 225 enterprises have already submitted their machinery requirements. A total of 1059 machines worth 61.5 million Birr is the subject of a call for tenders in an international bid procedure.

5.3 Forward linkages

The forward linkages established by the UNIDO project are business relationships between manufacturers of leather products and market players (wholesalers, retailers, exporters) and subcontracting providers as well as participation in events aimed at promoting the products of cluster enterprises. The cluster development teams designed three strategies to pursue these linkage objectives: joint marketing orientation, capitalizing on subcontracting opportunities, and participation in trade fairs and exhibitions.

5.3.1 Strategy A: joint marketing orientation

Joint fund mobilization and collective purchasing of raw materials were the foundation for securing the benefits of economies of scale for the 13 formal and informal networks and subnetworks established in the three clusters. The next step was the launching of joint marketing initiatives to expand market reach and increase sales volume. Enterprises are aware of the potential of common shops and joint distribution, and several endeavours are under way to this effect. EIFCCOS businesses, for example, are selling their products in a store opened in the Kasanchi area by one of its members.

5.3.2 Strategy B: capitalizing on subcontracting opportunities

One attractive solution identified by the project team to meet the need to increase production of cluster shoe manufacturers is subcontracting agreements with local medium-size and large companies. Under such agreements, small enterprises can contribute manufacturing processes that do not require a high technological capability.

An important subcontracting agreement was officially signed in October 2015 between EIFCCOS and Tikur Abay Shoe Factory, a company specialized in the manufacture of military footwear, which it sells both in Ethiopia and in other African countries, such as South Sudan, Somalia and Djibuti. Initially, Tikur Abay will outsource the production of uppers for 50,000 pairs of shoes, and the company intends to do the same with several other large orders if it is satisfied with the initial performance of the cluster. EIFCCOS enterprises will benefit from leather inputs and cutting services as well as from the absence of business and marketing risks.

5.3.3 Strategy C: participation in trade fairs and exhibitions

All-African Leather Fair 2014

UNIDO has always been a supporter of the All-African Leather Fair organized by the Ethiopian Leather Industries Association, which has become a point of reference for national and international business stakeholders in the leather sector. At the request of the Italian Agency for Development Cooperation, the Organization provided technical assistance in the development of a collection of leather products presented at the 2014 edition of the All-African Leather Fair held in Addis Ababa. The collection was produced by young local designers supported by an international consultant.

First LOMI exhibition

An exhibition of leather products manufactured by MSEs owned by women was held in the Ethiopian capital in June 2014 with the Ethiopian First Lady, Roman Tesfaye, commending UNIDO efforts to help empower women and promote gender equality. The women's network decided to apply for legal registration as a business association under the name of LOMI.



All-African Leather Fair 2015

Enterprise networks from the three clusters exhibited new collections of their products in separate booths at the following edition of the All-African Leather Fair (February 2015).

Tanners, manufacturers of footwear and other leather products, equipment suppliers, suppliers of chemicals and other inputs, training institutions and trade promotion organizations from Ethiopia and numerous other countries attended the fair, an ideal opportunity for enterprises supported by the UNIDO project to acquaint themselves with the latest technical and market developments in the leather sector. Some of the networks enlisted their participation in future local exhibitions, and promising contacts were established with foreign buyers.

New Year Exhibition

Selected cluster networks participated in the Habesha New Year Expo 2015. With stands of some 400 local and foreign companies and an attendance exceeding 500,000 visitors, this event constitutes a point of reference for small-scale enterprises. Held at the Addis Ababa Exhibition Centre between August 22nd and September 11th on the occasion of the Ethiopian New Year, Habesha is an excellent selling and contact-building platform.

Hub of Africa Fashion Week

Since 2010, Hub of Africa, a fashion promoter, has been the organizer of the Hub of Africa Fashion Week, an annual event that is a showcase for African designers. Hosted by Addis Ababa's Millennium Hall in October 2015, the most recent edition of the Fashion Week included the participation of the LOMI women's cooperative. Supported by the Embassy of Italy in Addis Ababa and the Italian Agency for Development Cooperation, LOMI's participation consisted of a collection of ladies' bags and wallets specially developed for the occasion. The LOMI stand enjoyed good attendance levels and a fair amount of positive responses, including that of Vogue Italia talent scout Sara Maino.

In November 2015, LOMI received its legal certification as a "cooperative association" while the effect of customer appreciation was beginning to gain in significance. During the 12-day Christmas Festival held at the Millennium Hall alone, the women's network registered sales worth 123,535 Birr.

TVET Exhibition

The Technical and Vocational Education and Training Office in Addis Ababa invited EIFCCOS to participate in an eight-day exhibition held in February 2016. It was a good opportunity for the cluster to promote its products, and it managed to sell footwear worth 40,000 Birr although it was soon after the holidays.

Cooperative Exhibition

Also in February 2016, EIFCCOS was present at the annual exhibition of the Federal Cooperative Agency held at the Addis Ababa Exhibition Centre. This is a major marketing event that enjoys the participation of farmers' unions, purchasing associations and manufacturers' cooperatives from all over the country. The farmers' unions, which are conglomerates of cooperatives, showed a particular interest in EIFCCOS products, and the cluster registered total sales worth 69,000 Birr with the additional benefit of increasing its market share in various rural areas.

5.4 Trade mission in East Africa

An initiative of the Ethiopian Leather Industries Association (ELIA) supported by the Ministry of Industry and the Ministry of Foreign Affairs led to a fruitful trade mission in East Africa. The delegation included UNIDO, ELIA and LIDI officials and representatives of three cluster networks (EIFCCOS, Teramaj, and the Kirkos women's network) and of four medium-size and large shoe manufacturers (Fontana, Tikur Abay, Mohan plc, and Oliberte Ltd). Following an assessment of demand for footwear and other leather products, the countries selected to be visited were Uganda, Rwanda, and United Republic of Tanzania. The delegates of the three cluster networks represented 270 enterprises which supplied product samples.

In **Uganda**, local promoters recruited by the Ethiopian Embassy organized display stands at a major shopping mall in Kampala and invited some 200 local wholesalers and retailers of leather products. The mission included a visit to the city's central market where the cluster representatives gained important insights about local demand for footwear and leather goods.

Rwanda has been exploring possibilities to expand trade ties with Ethiopia with a special interest in promoting imports of finished leather, soles and glue, and the UNIDO project mission received a high level of support from the Government and the Chamber of Commerce. A small workshop and an exhibition in Kigali were organized to showcase product samples and enable contacts with Rwandan Government officials, traders and manufacturers of leather products.

In spite of the strong presence of Chinese and Indian companies, **United Republic of Tanzania** is another strategic target for Ethiopian exports due to its sizeable demand for leather products and the role it can play as an access route to neighbouring Malawi, Burundi, Democratic Republic of the Congo, Zambia and Mozambique. The Merkato representative received orders to the tune of US\$800,000 for shoes manufactured by Teramaj and other cluster enterprises, and EIFCCOS decided to establish an independent marketing company in Dar es Salaam.

5.5 Links with international development agencies

Italian Agency for Development Cooperation

The Italian agency has been acting not only as a project donor, but also as a project partner. It has participated in efforts to deal with project challenges and has contributed ideas that increased the effectiveness of project strategies. The Agency commissioned a renowned expert in commodity-collateralized financing to assess the performance of marketing systems in Ethiopia and provide advice on small-holders' access to inputs, markets and finance through cooperation, contract arrangements and other means. The expert visited EIFCCOS enterprises and conducted discussions with the cluster management to assess subcontracting opportunities and possibilities of securing bulk purchases of leather and other materials. He also presented a cluster case study which outlined a "merchandise loan" initiative and the potential of subcontracting agreements with major manufacturers.

World Bank

Given its special focus on promoting entrepreneurship among women and on youth employment, the project has endeavoured to develop links with other international agencies pursuing these objectives. The World Bank, which is implementing its Women Entrepreneurship Development Project for Ethiopia, showed prompt interest in establishing synergies with the UNIDO leather project. A World Bank task force conducted consultations with the UNIDO project team and the Organization's Regional Office representative surveying possibilities of carrying out joint initiatives and of facilitating the acquisition of loans for women operating within the Kirkos cluster. Most enterprises in the LOMI network already benefit from assistance under the World Bank project.

6. Impact data analysis

Teams of cluster development facilitators and network managers have been monitoring and evaluating enterprise performance at network level. Considerable seasonal fluctuations in production required separate data collection for three periods of the 2015 calendar year: January-April, May-August, and September-December. Each enterprise was interviewed individually on its premises about employment, production and sales in each of the three periods.

6.1 Employment performance

One significant indicator generated by the collected data is an increase in average employment per enterprise in the various networks of the three clusters during one year of project implementation: 33.3% in the two Kirkos networks, 11.1% in EIFCCOS, and 34.2% in the Rediet and Tesfa networks of the Merkato cluster. The total number of jobs created was 539. (The analysis used baseline data collected during the diagnostic study conducted in 2014).

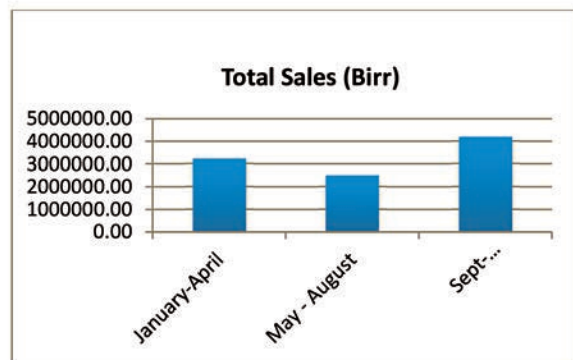
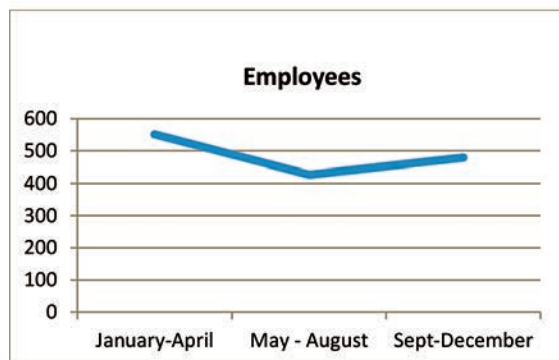
6.2 Production and market performance

Participation in trade fairs and exhibitions and, most notably, a subcontracting agreement with a major Ethiopian company (ELICO) have boosted production of bags, wallets and belts in the Kirkos cluster. Production of ladies' bags grew by 61.4%, while the manufacture of wallets went from 43 to 1023 units, and the production of belts from 103 to 1087 units.

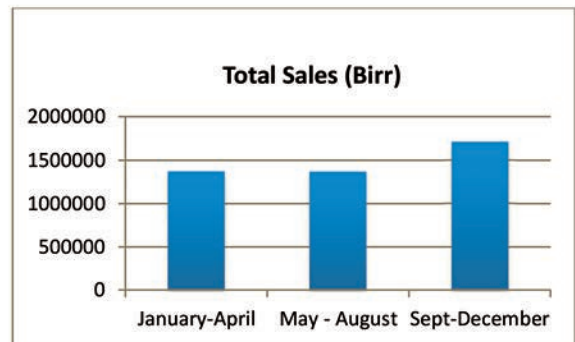
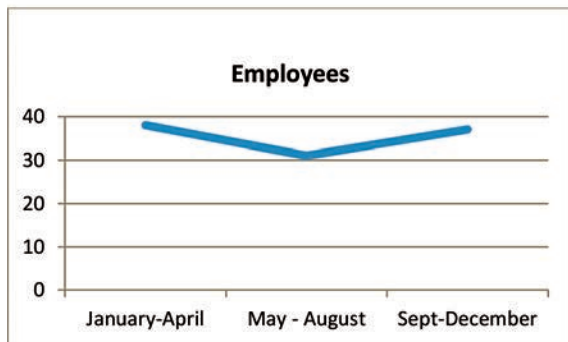
The footwear manufacturing networks have also logged in significant production increases over one year of project implementation. EIFCCOS took the lead with a 30.8% increase with Tesfa and Rediet close behind at 27.5%. A gain of 29.1% in production performance was registered for all footwear manufacturers supported by the UNIDO project.

Promotional initiatives, participation in trade fairs and exhibitions and subcontracting contributed to healthy growth in sales volume in the peak september-december period. For detailed information on employment and sales performance of selected networks in the three four-month periods of 2015, see the charts below and on the following page.

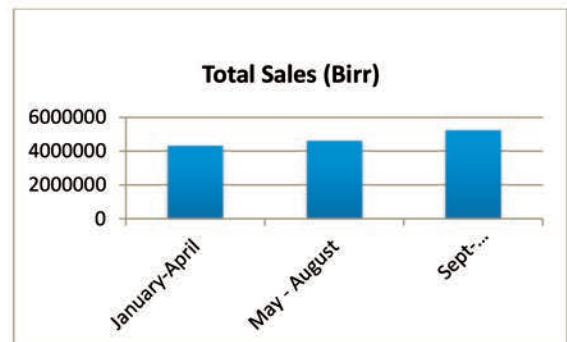
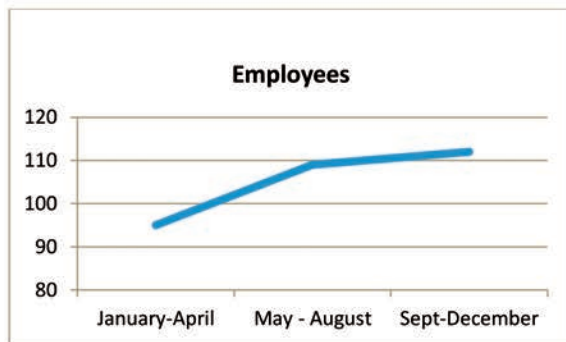
EIFCCOS employment and sales chart



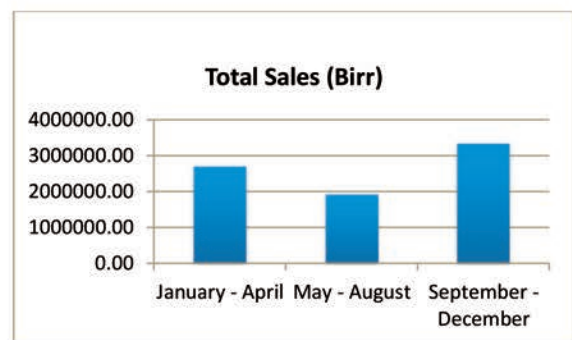
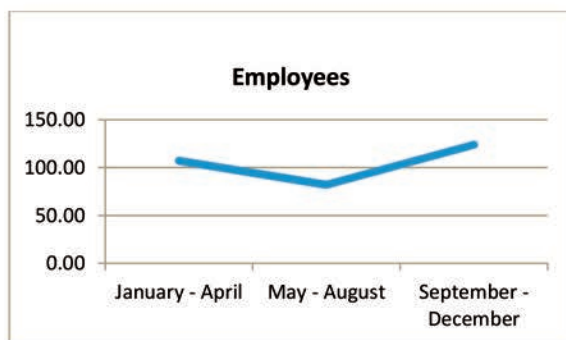
Bella employment and sales chart



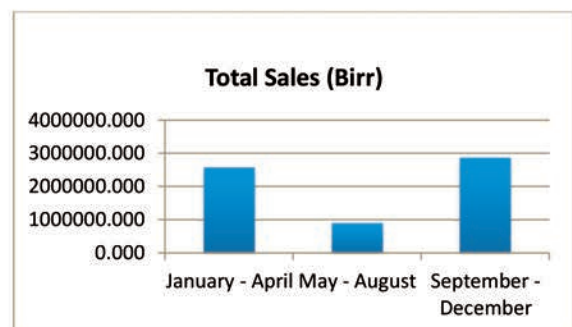
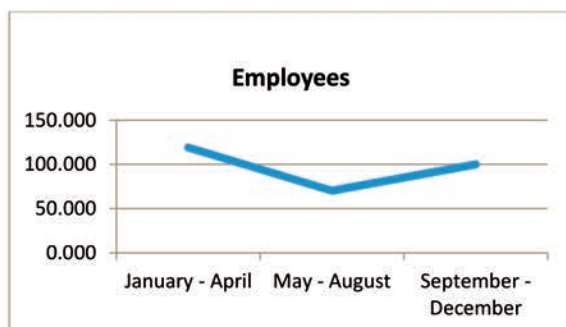
Lomi employment and sales chart



Rediet employment and sales chart



Tesfa employment and sales chart



6.3 Trend analysis

As illustrated by the charts, increases in employment, production and sales have been the general trend in all networks. The main Ethiopian fasting season (in April-May), characterized by a drop in production, is largely responsible for a lower level of sales in the second period (May-August).

A comparison between the first and the third periods shows that, on average, cluster networks registered increases in sales, namely between 11% and 29%. Employment also increased somewhat, the highest growth rates being at Bella (17%) and Rediet /14%).

Employment and production gains were mainly the outcome of two factors: (a) during the low season, many enterprises started to manufacture semi-finished products expecting to sell more during the high-demand season, and (b) most employees who had used to work four days per week started clocking in six-day weeks.

Given the challenges encountered in the effort to obtain new production premises, machinery and access to credit, the positive performance of cluster networks was largely made possible by capacity building, the establishment of backward and forward linkages, and the promotional activities undertaken under the UNIDO project. It is undeniable that natural business development and further investments made by entrepreneurs also contributed to performance gains.

6.4 Database tool

IT experts in the project team have developed a database tool whose general aim is to keep track of all cluster enterprises, activities, events, etc. This tool allows the project management to monitor the market performance of MSEs and the results of project interventions in order to tailor new assistance programmes for each cluster.

All data on project activities carried out in 2015 has been recorded, and the database is continuing to capture relevant project information. Last year's records cover the following:

- all project-supported enterprises with names, addresses, existing machinery, production costs, etc.;
- employment, production, and sales performance for each of the three periods of the calendar year;
- participation in training activities (names of entrepreneurs/employees, venues, dates, etc.);
- leads, meetings, offers and MOUs related to backward and forward linkages;
- participation in trade fairs and exhibitions (names of participants, venues, dates, names of organizers/sponsors).



To increase awareness of the project and its achievements, UNIDO has provided videos, photographs, interviews and press releases, and the coverage by Ethiopian and Italian television channels and print media has been considerable. Two project videos produced by UNIDO can be accessed by the following links:

www.youtube.com/watch?v=jbcxW2g2Cnk

www.youtube.com/watch?v=JotXfGR7Uck

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MERON SEID

Leather Exotica



AYNALEM AYELE

Ayni's Design



GENET ASREGA

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ABAYNESH BEYENE

AB Leather



HIRUT ZELEKE

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