

COMESA

Leather and Leather Products Institute (LLPI)

CLUSTER DEVELOPMENT INITIATIVES FRAMEWORK AND ACTIVITIES REPORT



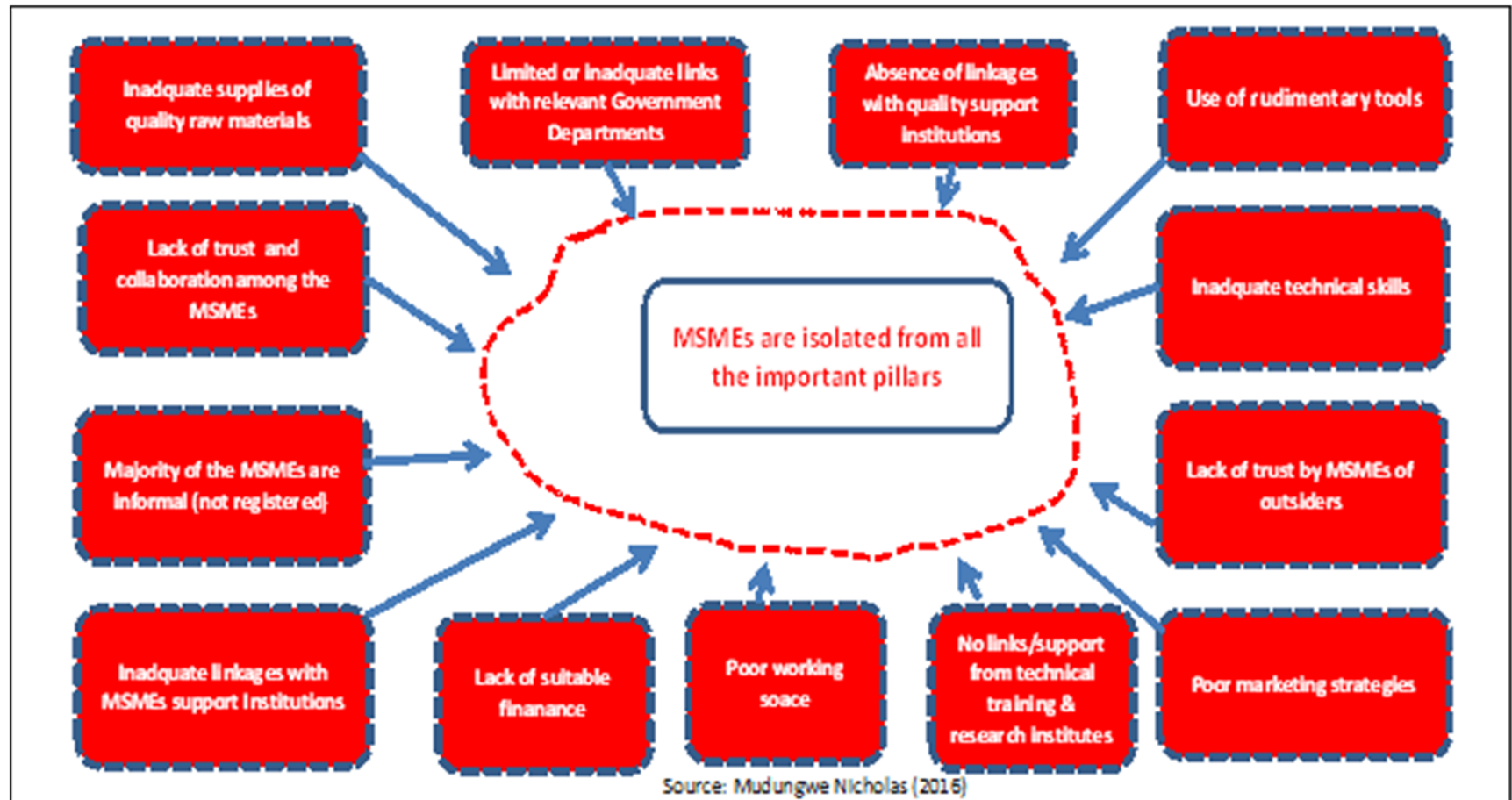
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Regional Member States Strategies Coordinator
10th Regional Leather Sector Core Team
Meeting and Stakeholders Consultative
Workshop

12th – 14th December 2016
Haile Resort, Hawassa, Ethiopia

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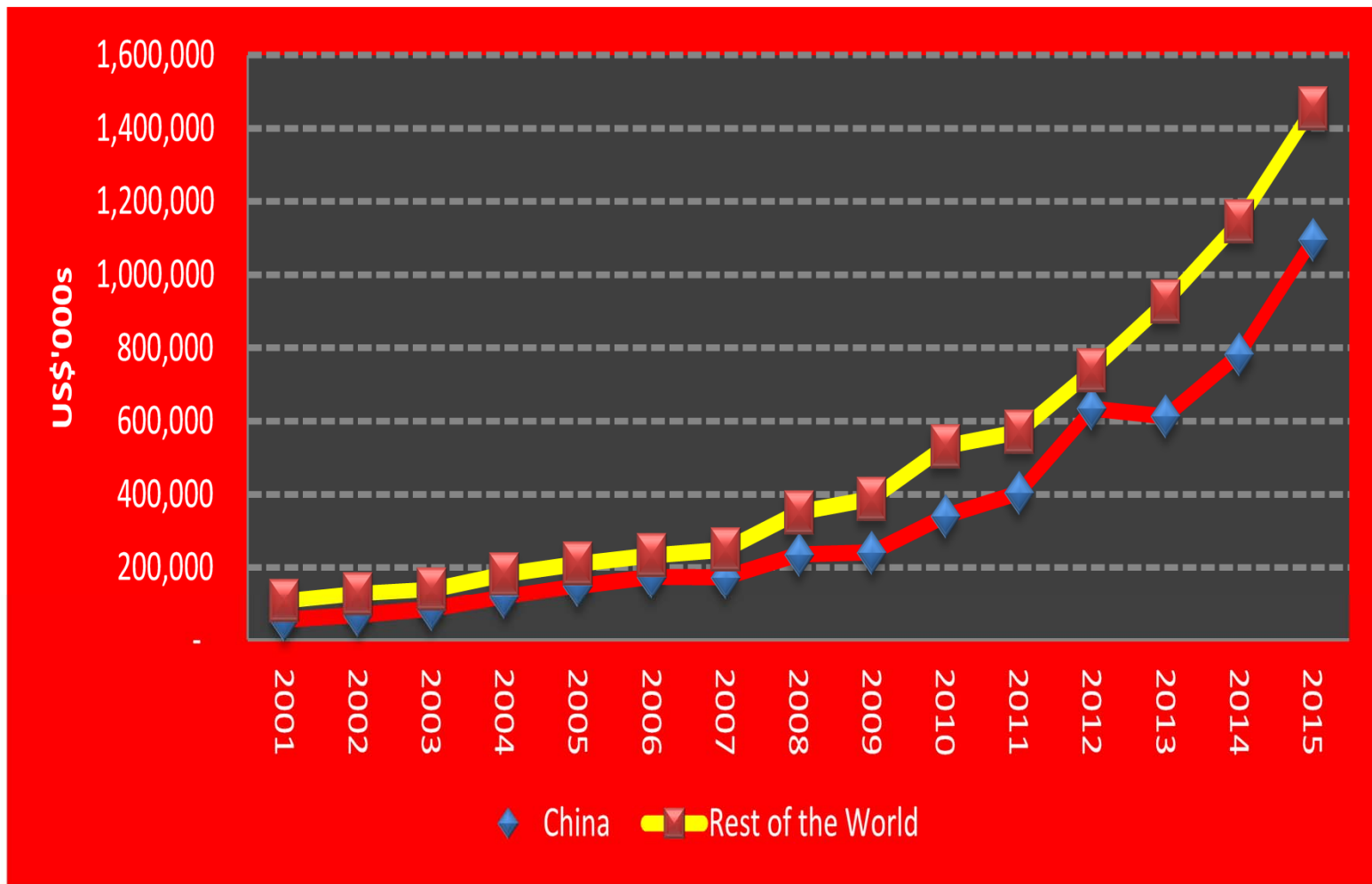
RATIONALE FOR CLUSTERING: ISOLATION OF SMES



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RATIONALE FOR CLUSTERING— IMPORT RISING DEMAND



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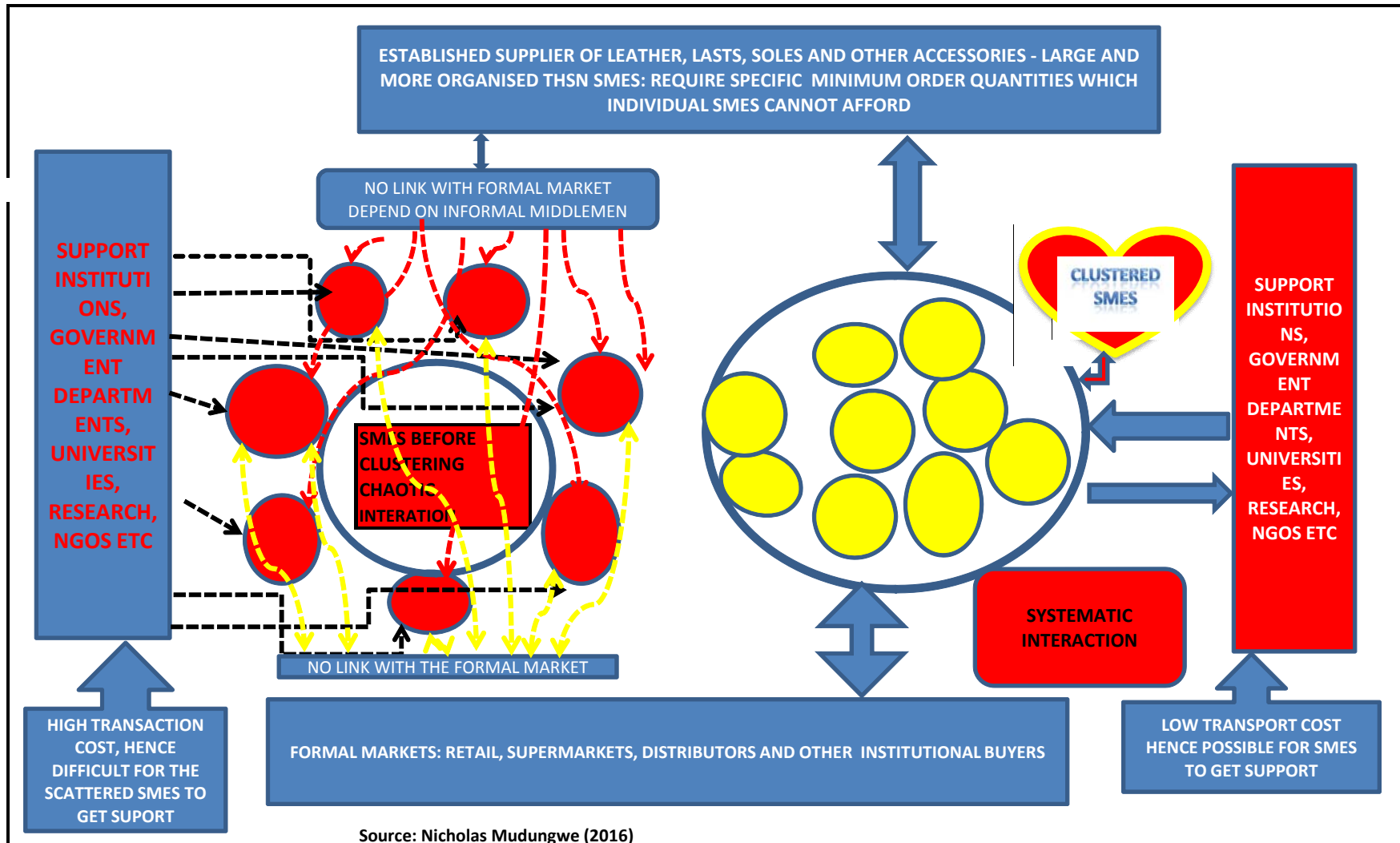
RATIONALE FOR CLUSTERING: POTENTIAL TO PULL UP LEATHER PRODUCTION

Proportion Produced in the COMESA Region	Estimated Demand for Footwear	Estimated Amount of Footwear to be Produced	Amount of Leather Required (Square feet)	Number of Hides required to Produce the Finished Leather	Expected Revenue from the Sales of Shoes	Estimated number of Workers	Estimated Number of SMES	No of Clusters
0.1	420,000,000	42,000,000	105,000,000	3,500,000	504,000,000	42,000.00	8,400.00	420.00
0.2	420,000,000	84,000,000	210,000,000	7,000,000	1,008,000,000	84,000.00	16,800.00	840.00
0.3	420,000,000	126,000,000	315,000,000	10,500,000	1,512,000,000	126,000.00	25,200.00	1,260.00
0.4	420,000,000	168,000,000	420,000,000	14,000,000	2,016,000,000	168,000.00	33,600.00	1,680.00
0.5	420,000,000	210,000,000	525,000,000	17,500,000	2,520,000,000	210,000.00	42,000.00	2,100.00
0.6	420,000,000	252,000,000	630,000,000	21,000,000	3,024,000,000	252,000.00	50,400.00	2,520.00
0.7	420,000,000	294,000,000	735,000,000	24,500,000	3,528,000,000	294,000.00	58,800.00	2,940.00
0.8	420,000,000	336,000,000	840,000,000	28,000,000	4,032,000,000	336,000.00	67,200.00	3,360.00
0.9	420,000,000	378,000,000	945,000,000	31,500,000	4,536,000,000	378,000.00	75,600.00	3,780.00
1	420,000,000	420,000,000	1,050,000,000	35,000,000	5,040,000,000	420,000.00	84,000.00	4,200.00

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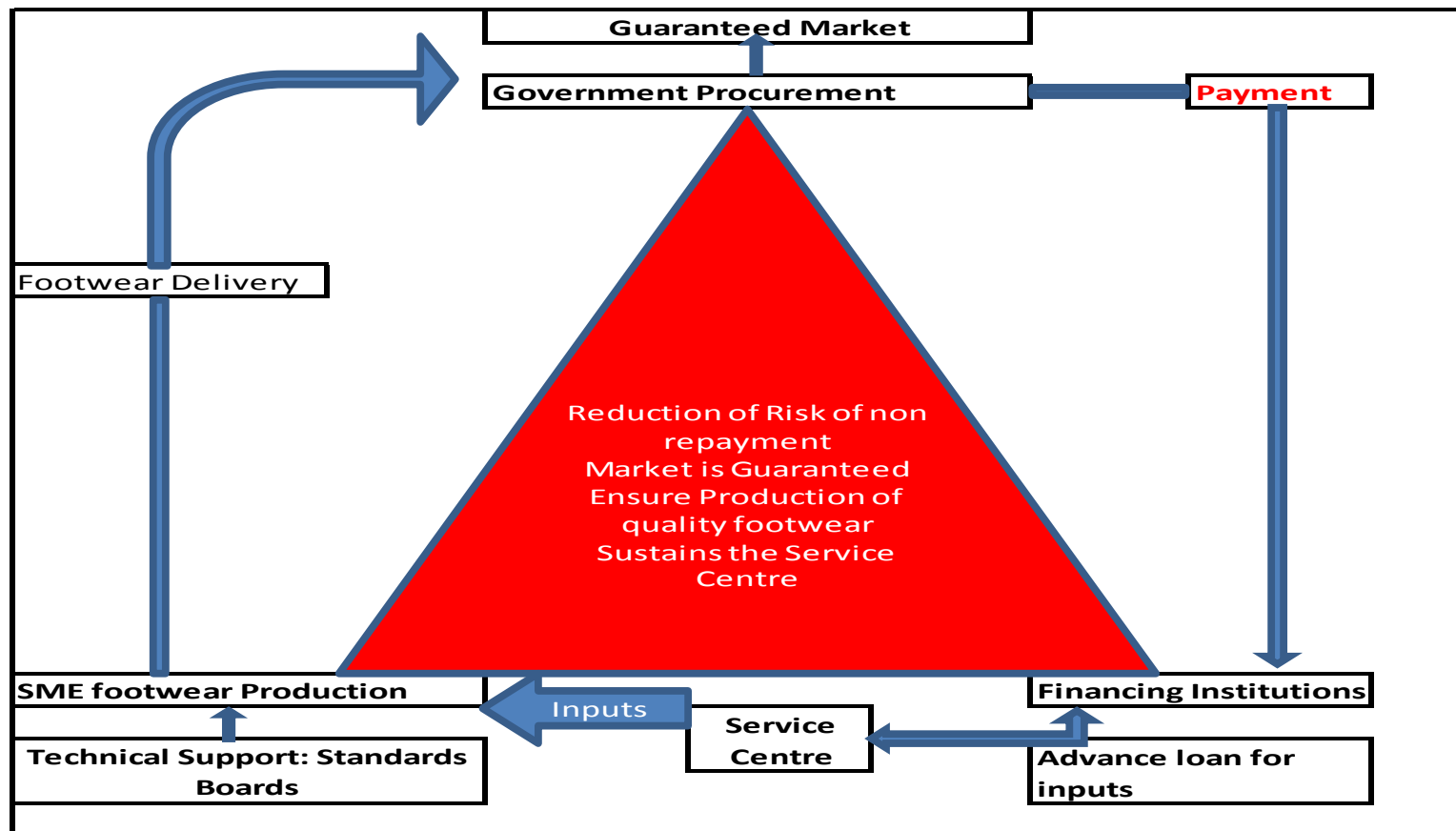
RATIONALE FOR CLUSTERING :COSTLY TO DEAL WITH SCATTERED SMES



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RATIONALE FOR CLUSTERING:GVT PROC. & FINANCE



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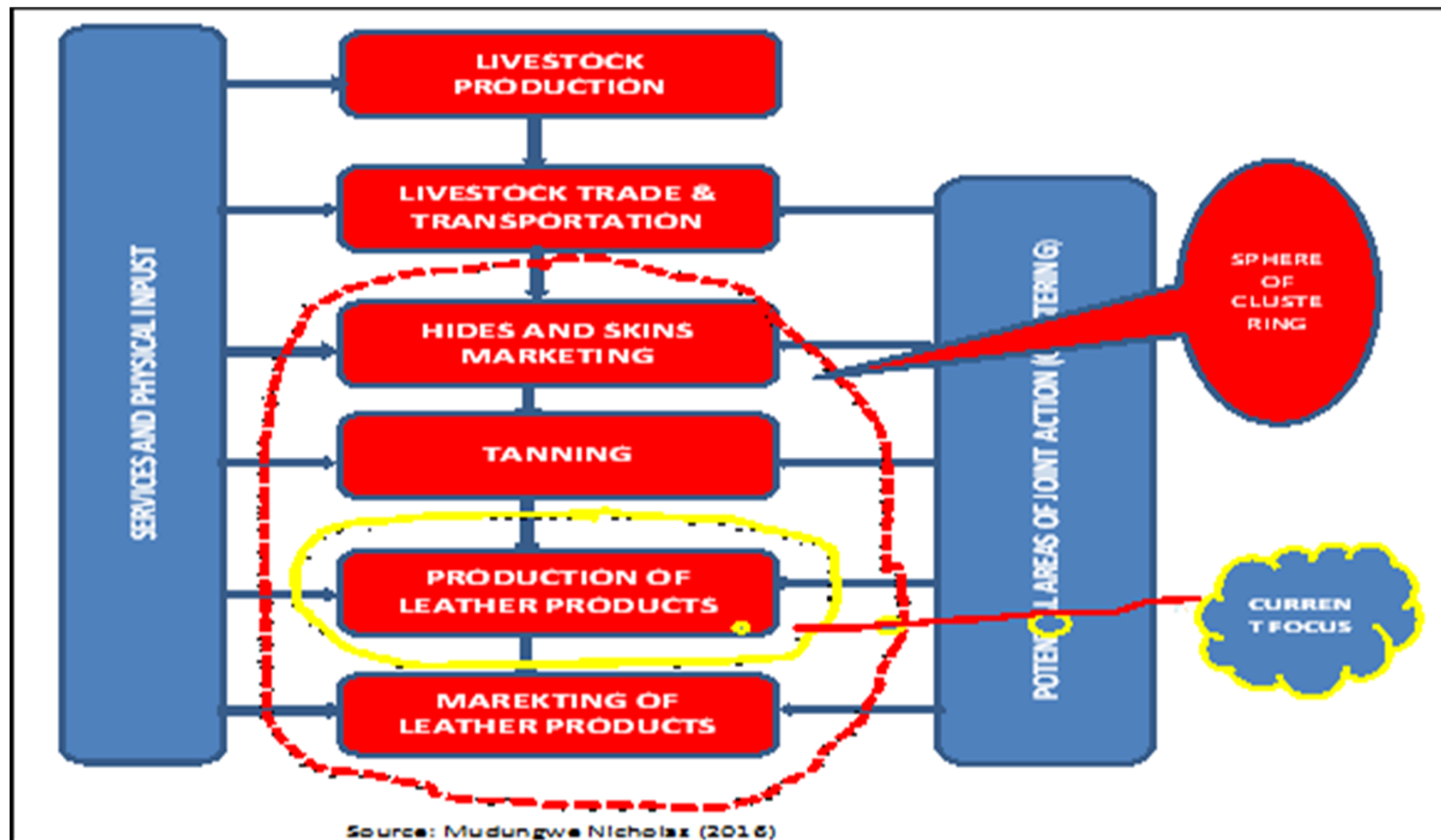


RATIONALE FOR CLUSTERING- BENEFITS

- **Peer pressure** - Local rivalry can spur companies to better performance. When similar companies are located near each other, differences become more noticeable.
- **Relationships** - Personal relationships facilitate the flow of information. In clusters, there tend to be strong informal networks where specialized knowledge is dispersed quickly through business transactions, social activities and other casual interactions.
- **Reinforcing growth** - Once a critical mass of cluster activity develops, the attractiveness of locating in the cluster increases rapidly, which accelerates the cluster's growth.
- Clustered enterprises can achieve levels of **competitiveness** that reach beyond the potential of individual enterprises because firms within clusters benefit from collective efficiency gains, i.e. "the competitive advantage derived from local external economies and joint action."



Nodes of Potential Clustering in the Leather Value Chain



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The Kamenge Artisans, Burundu Case Study: Unleashing Value through Joint Action

Items	# of Artists	Cost of Trip per Unit (US\$)	Total (US\$)	Savings if Joint Purchase was done	Equivalent Extra ft2	Number of Sandles	Total Revenue Lost@US\$)
Cummulative Cost of Trips to Uganda per Month	50	52	2,600.00	2,548.00	1,274.00	1,274.00	7,644.00
Cummulative Cost of Trips to Uganda per Year	50	52	31,200.00	30,576.00	15,288.00	15,288.00	91,728.00
Cummulative Cost of Trips to Uganda for 5 Years	50	52	156,000.00	152,880.00	76,440.00	76,440.00	458,640.00

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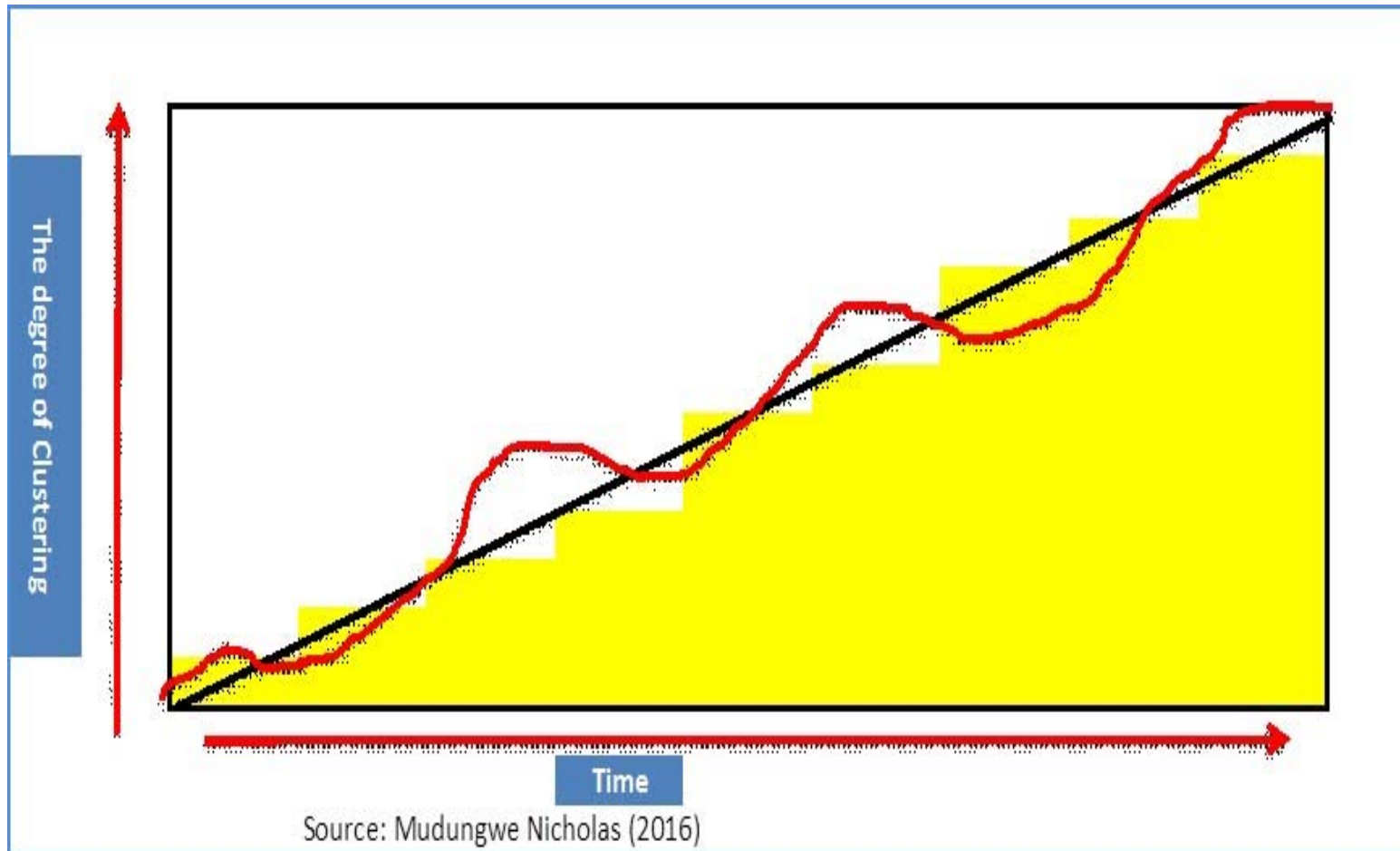
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Dr. Tadesse, 12/9/2016

CLUSTER EVOLUTION



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BENEFITS OF A PROPOSED CLUSTER INITIATIVE FRAMEWORK

- What is a Cluster Initiative:
 - An increased focus on the microeconomic business environment as opposed to the traditional macro focus;
 - A long term agenda to improve competitiveness of clusters rather than individual firms or broad sectors;
 - Improve networking among cluster firms, trust building and enhanced dialogue to create spillovers;
 - The provision of seed money rather than large subsidies;
 - A balanced input of resources from Government, industry and the academia;
 - A selection of Clusters through a process of the competition, implying a weaker form of winner picking;
 - A mix of the competition and the cooperation as underlying drivers of the learning and innovation;
 - A mix of SMEs and large firms participation;
 - Partnership across the “triple helix) involving not only cluster firms and government, but also the academic community;
 - Learning and innovation based on a systems-view rather than the isolated firm;



IMPLEMENTATION PROGRESS

Countries	Burundi	Eritrea	Ethiopia	Kenya	Malawi	Rwanda	Sudan	Uganda	Zambia	Zimbabwe	Swaziland	DRC
Activities												
National Strategy												
Design												
Validation												
Launch												
Unpacking												
Clusters strategies												
Validation												
Launch												
Unpacking												
Association Strategies												
Design												
Validation												
Launch												
Unpacking												

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IMPLEMENTATION PROGRESS

Countries	Burundi	Eritrea	Ethiopia	Kenya	Malawi	Rwanda	Sudan	Uganda	Zambia	Zimbabwe	Swaziland	DRC
Trade Fairs												
All Africa Leather Fair												
National Trade Fairs												
Cluster Development Capacity Building												
Regional Training												
National Training												
SMEs Training												
Production Skills												
Business Management and Finance												
Resource optimisation & Industrial Symbioses												

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IMPLEMENTATION PROGRESS

Countries	Burund	Eritrea	Ethiopia	Kenya	Malawi	Rwanda	Sudan	Uganda	Zambia	Zimbab	Swazila	DRC
Equipment Purchase												
PTA Bank												
BADEA in Progress												
RISM in progress												
Studies												
FAO Study												
SME Survey												
REACH Compliance Project												
Dissemination of Findings												
Traceability Study with ITC												
Designer studio												

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RECORDED IMPACTS

- Increasing of number of SMEs working as Clusters;
- Quality of leather products improving
- Improving relationship between SMEs and tanners (service level agreements) being signed
- Improved policy support
- Improved intra trade
- Exports of leather and leather products from Ethiopia to the COMESA region grew from US\$ 672,000 to US\$ 6,758,000 within 3 years
- ETHIOPIA CLUSTER EXPORTING TO KENYA



RECORDED IMPACTS: FROM WET BLUE TO UPHOLSTERY IN 3 YEARS



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RECORDED IMPACTS; COLLABORATION WITH UNIVERSITIES AND FINANCIAL GIANTS



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ZAMBIA KITWE COLLABORATING WITH MINNING GIANTS



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THANK YOU!



For More Information

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