



## FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA MINISTRY OF TRADE & INDUSTRY



## THE STATUS AND IMPLEMENTATION OF NATIONAL LEATHER VALUE CHAIN STRATEGY (2016-2020)

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# CONTENTS.

- ◉ Countries vision and GTP-2 goals.
- ◉ Overview of Ethiopian leather sub sector
- ◉ Rational and objectives of Leather value chain Strategy.
- ◉ Strategy in Action (Implementation).





# THE NATIONAL VISION 2025

## National Vision

“..... To reach to the level of a middle-income economy as of 2025”



**The Economy will Take off by 2025**

## Economy Vision

*“...building an economy which has a modern and productive an industrial sector that plays a leading role in the economy, sustaining economic development and securing social justice and increasing per-capital income of the citizens so as to reach the level of those in middle-income countries” (GTP II)*



# THE MANUFACTURING VISION

2025

*“Building Africa’s leading and globally competitive in light manufacturing industry sector”*



**The Economy will Take off by 2025**

## Economy Vision

*“...building an economy which has a modern and productive an industrial sector that plays a leading role in the economy, sustaining economic development and securing social justice and increasing per-capital income of the citizens so as to reach the level of those in middle-income countries” (GTP II)*

## GTP II-2016-2020

- To reach this objective the target for the industrial sector to grow by 20% annually and manufacturing sector by 21.9%.
- By 2020, the manufacturing sector share of GDP from the total economy will reach 8%, up from the current 4.8%.
- 750,000 new jobs will be added to the Existing 350,000 jobs.

## **GTP LEATHER SECTOR TARGETS**

- Export target 706 million USD.
- Export performance increment by 44% annually.

## LEATHER INDUSTRY RESOURCE BASE

### Livestock population: Raw Material Base

Type	Amount (Million)	World Rank	Africa Rank	Off-Take Rate	Annual Production
Cattle	57.8	6 <sup>th</sup>	1 <sup>st</sup>	13.87%	2 million
Sheep	28.9	10 <sup>TH</sup>	3 <sup>rd</sup>	27.34%	18 million
Goat	29.7	8 <sup>th</sup>	3 <sup>rd</sup>	40.29%	

➤ Due to this resource base, and its relationship with agriculture, nature of industry/light manufacturing/large manpower, selected as priority sector under the **country's industrial development strategy** to play part in structural shift from agriculture to industrialized economy.



# Tanning Industry in Ethiopia



- ➡ 32 Tanneries
- ➡ 60% local; 36% FDI; 4% JV.
- ➡ 28 located in Addis and 4 in regional state.
- ➡ Estimated annual production capacity of **500 million ft<sup>2</sup>** of finished leather.



# Footwear Industry in Ethiopia



- ➡ Currently 24 medium and large Industries.
- ➡ Estimated annual production 15 million pairs.
- ➡ 76% local and 24%, almost FDIs 95% are located in the capital.
- ➡ Emerging and promising industry



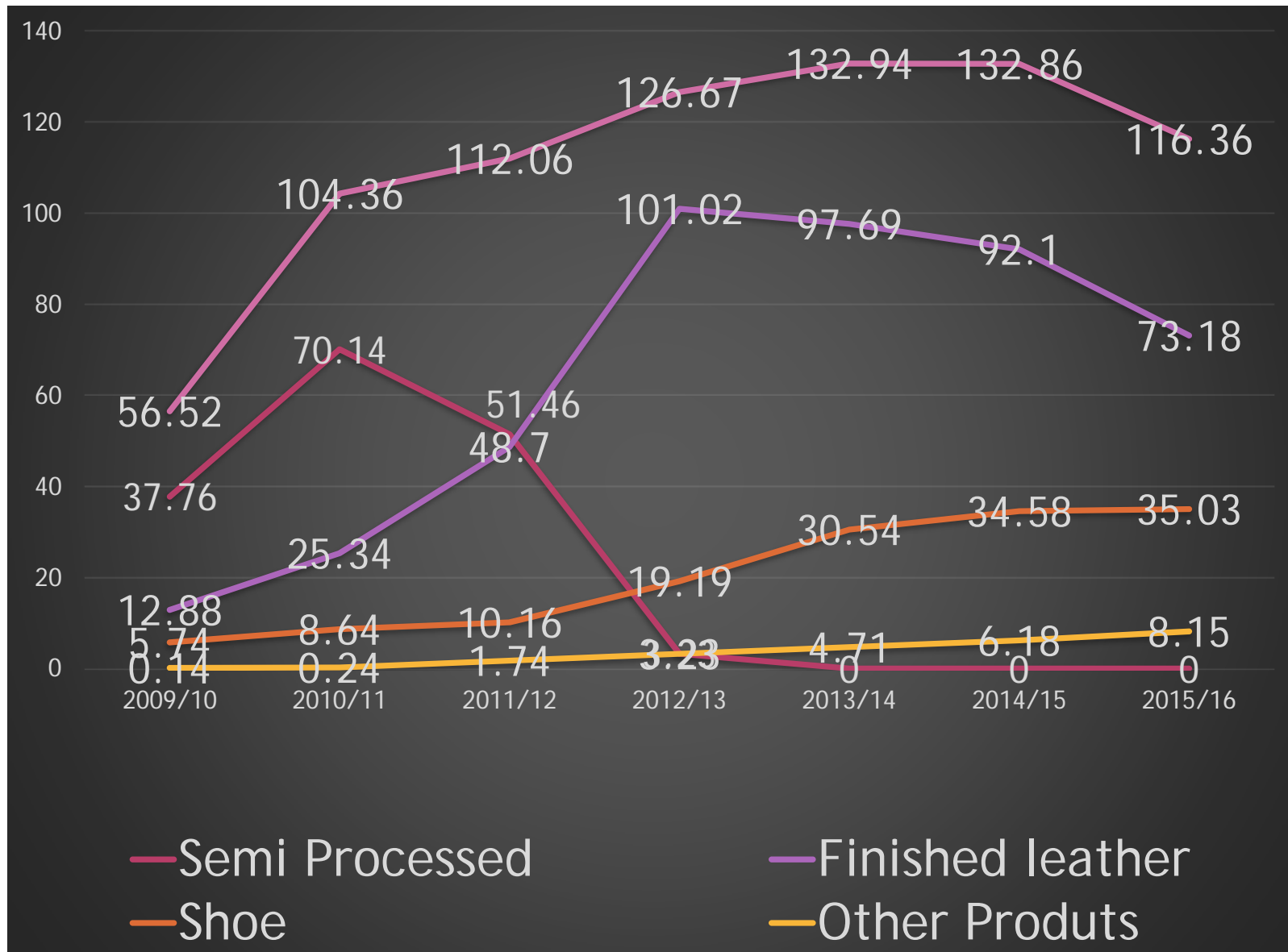
# Goods, Garments & Gloves Industry



- ➡ Around 23 M & L Goods & Garment producers.
- ➡ (76% Local & 24% FDI).
- ➡ Total production capacity:- 1.3 MP/annum.
- ➡ 4 glove factories; capacity of 1.65 MP/annum.
- ➡ Emerging and promising industry especially Glove.



## Export Performance of the Sector ('Mil USD)



## MAJOR ACHIEVEMENTS IN LEATHER SECTOR.

- Structural transformation in terms of value addition.
- Continuous export performance increment by 24% annually.
- Institutional and private industries Capacity building like benchmarking, Twinning projects.
- Some grand investments that signals potential investment flow like Huajian, Goarge shoe.



## **MAJOR PROBLEMS CONFRONTING THE LEATHER MANUFACTURING SECTOR**

- ◉ Challenge in environment management and sustainability.
- ◉ Management Capability.
- ◉ Quality of raw material base.
- ◉ Finished leather Technological base, adoption and innovation.
- ◉ Research and Development.
- ◉ Lack of Concentration in high value added products
- ◉ Highly Trained Man powers
- ◉ Market Intelligence and Marketing linkage
- ◉ Availability of quality accessories and components
- ◉ Investment Attraction (therefore we need to address these Issues).

# LEATHER VALUE CHAIN STRATEGY

- The Ethiopia Leather Sector Value Chain Five Year Strategy that was facilitated and fully sponsored by COMESA/ALLPI was Launched on 25th November 2016 at Nexus Hotel, Addis Ababa, Ethiopia.



# THE ETHIOPIA LEATHER SECTOR VALUE CHAIN STRATEGY LAUNCHED



## THE RATIONALE FOR DEVELOPING THE LEATHER VALUE CHAIN STRATEGY.

The rationale for developing this Leather Value Chain strategy is based on the following fundamental issues:

- ❑ Ethiopia has a significant potential for developing the Leather Sector because it has a large livestock base, ranking the tenth globally;
- ❑ Most segments of the leather value chain such as manufacturing of footwear, leather goods and garments are labor intensive, hence the sector has a high job creation propensity;
- ❑ Historically many developed countries have transformed their economies at the back of the leather sector and textiles, these are quick win sectors;



## THE RATIONALE FOR DEVELOPING THE LEATHER VALUE CHAIN STRATEGY.

- ◉ There is a growing demand of footwear, leather products globally; and
- ◉ The sector has strong linkages with other sectors such as the meat, energy, water, chemicals and textiles, thus its growth may stimulate economic activities across the economy.

## THE LEATHER VALUE CHAIN STRATEGY RELATIONSHIP WITH GTP AND INDUSTRIAL POLICY

- ◉ The Leather Value Chain Strategy must contribute directly to the attainment of the GTP; hence its interventions must be logically linked with the GTP.

The following pillars of GTP's relationship with the objectives of the Leather Value Chain Strategy.

# PILLARS OF GTP'S

- ◉ Pillar 1: Sustaining rapid and equitable economic growth;
- ◉ Pillar 2: Maintaining agriculture as major source of economic growth;
- ◉ Pillar 3: Creating conditions for the industry to play key role in the economy;
- ◉ Pillar 4: Enhancing expansion and quality of infrastructure development;
- ◉ Pillar 5: Enhancing expansion and quality of social development;
- ◉ Pillar 6: Building capacity and deepening good governance;
- ◉ Pillar 7: Promoting gender and youth empowerment and equity;
- ◉ Pillar 8: Building climate resilient green economy.

**TABLE 3: THE STRATEGY RELATIONSHIP WITH GTP**

Leather Value Chain Strategy Objectives	GTP Pillars							
	1	2	3	4	5	6	7	8
Improve supply chain management across the whole value chain	x	x	x					
Enhance resource optimization	x	x	x					
Facilitate exports expansion in high returns markets	x		x					
Promote technological transfer and up gradation	x		x					
Enhance total quality management across the value chain	x		x					
Facilitate resource mobilization	x		x					
Support the development of Clusters				x			x	
Facilitate horizontal and vertical collaboration of chain players and other relevant stakeholders			x		x	x		
Promote environment management and sustainability	x							x



## EMERGING PRIORITY INTERVENTION AREAS

- ◉ Inadequate environment management systems across the value chain.
- ◉ Inadequate market development capacity in the domestic, regional and international markets;
- ◉ Low capacity utilization across all the segments of the value addition segment of the leather value chain is raising Average Fixed Costs of Production.
- ◉ Limited technological knowhow;
- ◉ Low labor productivity.

## EMERGING PRIORITY INTERVENTION AREAS

- ◉ Limited usage of e-commerce and communications systems;
- ◉ Weak sector associations.

## STRATEGY IN ACTION

- ◉ Establishing The Modjo Leather City: A Modern Leather District With A Waste Water Treatment Plant.
- ◉ The construction of a common Waste Water Treatment Plant is considered as a priority, in order to reduce the environmental impact of the leather processing.
- ◉ The main parts of the organized leather industrial district are represented by the common Waste Water Treatment Plant and centralized services for chrome recovery and by-products processing.

## STRATEGY IN ACTION-IMPLEMENTATION

- ◉ Modjo leather city project (Grand Project in the leather sector, 100m usd, 200 Hectare of land).

High positive impact on the eco-system).

progress:-Feasibility study is finalized, Resettlement Action plan, 50% of the Finance is secured from European Development Bank.

- ◉ Cluster development across the development corridors. With the standard of 50, 100 and 200 Hectare of land (IPD).
- ◉ Made By Ethiopia Project. (sole rebels) 500,000usd.
- ◉ Capacity Building Programme. (LIDI-Twinning programme with Indian Institute).
- ◉ Product development with globally known chemical suppliers. Stahl Africa, C and H etc).
- ◉ solid waste in to by product (construction bricks) project proposal is ready and looking for finance.

THANK YOU!!!

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