UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Project of Government of the Federal Democratic Republic of Ethiopia

Project number:	SAP 150201
Project title:	*Phase 2 (Extension) of the Technical Assistance Project for the Up-Grading of the Ethiopian Leather and Leather Products Industry (SAP 101072-TEETH08008)*
Thematic area code	Poverty reduction through productive activities
Starting date:	June 2016
Duration:	3 years
Project site:	Addis Ababa (Capital of the Federal Democratic Republic of Ethiopia)
Government Co-ordinating agency:	Ethiopian Ministry of industry (MoI)/Leather Industry Development Institute (LIDI)
Counterparts:	Ethiopian Ministry of industry (MoI)/Leather Industry Development Institute (LIDI)
Executing agency/ cooperating agency:	UNIDO
Project Inputs:	
- UNIDO inputs:	EUR 2,477,200
- Support costs (13 %):	EUR 322,036
- Counterpart inputs:	- in kind
- Grand Total:	EUR 2,799,236

Brief Description: The origin of the proposal is based on the Official request of assistance sent by the Ethiopian Ministry of Industry (MoI) for continuing the technical assistance for “Upgrading of the Ethiopian Leather and Leather Products Industry” - TE/ETH/08/008, funded by the Italian Development Cooperation, in a new phase. The main objective is to increase the competitiveness and turnover of the Ethiopian MSEs working on leather footwear and products industry through the implementation of the action plans produced (and already started to be implemented) by the on-going project. Following the methodology, the natural time for achieving a mature network of small production units supported by assisted by supporting services institutions is taking a range of time between 5 up to 7 years. For this reason, in order to achieve this objective the present project expects to continue to implement the action plans for developing the 3 selected MSEs networks in Addis Ababa (continuing to provide the selected networks with the necessary assistance in implementing the action plans prepared as well as to upgrade local capacities, both at institutional and private sector levels) as well as extending this approach to other Ethiopian Regional States.

Approved:

	Signature:	**Date:**	**Name and title:**
***On behalf of* FL Office:**	____________________	__________	___________________
On behalf of UNIDO:	____________________	__________	___________________

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ACRONYMS

AA	Addis Ababa
AALF	All African Leather Fair
BDS	Business Development Services
CBE	Commercial Bank of Ethiopia
CGB	Cluster Government Body
COMESA	Common Market for Eastern and Southern Africa
CDA	Cluster Development Agent
CDP	Cluster Development Program
CPA	Cooperative Promotion Agency
CSC	City Steering Committee
CTC	Cluster Technical Committee
DBE	Development Bank of Ethiopia
EDC	Entrepreneurship Development Center
EIFCCOS	Ethio- International Footwear Cluster Cooperative Society
ELIA	Ethiopian Leather Industry Association
ELICO	Ethio- Leather Industry Private Limited Company
ETB	Ethiopian Birr
FEMSERA	Federal Micro and Small Enterprises Development Agency
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
ISID	Inclusive and Sustainable Industrial Development
LIDI	Leather and Leather Industries Development Institute
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MFI	Micro Finance Institutions
MoI	Ministry of Industry
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
NSC	National Steering Committee
PCP	Programme for Country Partnership
PIC	Productivity Improvement Center
PPP	Public Private Partnership
PSC	Project Steering Committee
PTU	Project Technical Unit
REMSEDA	Regional Micro and Small Enterprises Development Agency
SWOT	Strength, Weakness, Opportunities and Threats Analysis
TVET	Technical and Vocational Education and Training
QSAE	Quality and Standards Authority of Ethiopia
UNIDO	United Nations Industrial Development Organization
WEDP	Women Entrepreneurship Development Programme

A. CONTEXT

A.1. Background

Ethiopia's mid-term strategy, the Growth and Transformation Plan (GTP) which spans from 2011/12 to 2014/15, aims at doubling the country's output and achieving the MDG targets by 2015. It gives strong emphasis to the transformation of the economy. Progress towards achieving the MDG goals has been impressive (UNDAF, 2012). With an average annual GDP growth rate of 11%, the Ethiopian economy has performed well above the 7% estimated growth required to achieve the goal of eradicating extreme poverty and hunger (MDG1) by 2015.

Given the potential for the development of the sector, the Government of Ethiopia has identified the leather industry as one of the priority development sectors and has given due consideration to improve the leather value chain in order to obtain the desired quality and quantity of leather, footwear and leather goods for reversing the current negative trade balance. It is worth mentioning that the leather sector and in particular, the support to the leather products MSMEs, remain fundamental pillars also in the new phase of the GTP (i.e. GTP II 2015/16-2020/21). The Ethiopian footwear industry has also been identified as a priority sector, especially for the following reasons:

- It belongs to the light industries;
- For its high value addition and export orientation;
- For its high employment generation (from one person to thousands);
- For its competitive and comparative advantages;
- It has multiplying effects for other industries related to the sector.

Furthermore, the GTP highlights the importance of the private sector/MSEs[1] development. In line with this plan, a national MSEs Development Strategy has been developed in order to position the leather sub-sector as a growth oriented economic sector. In this regard more than 5000 micro and small enterprises are engaged in manufacturing and/or repairing leather footwear in the country. The production of leather footwear is highly dominated by micro, small and medium enterprises (MSEs) located in the central market of the Addis Ababa city.

The MSEs in the leather footwear and leather good sectors are creating huge employment opportunities for the peoples. In this regard, the MSEs manufacturers have the capability to design, fit and assemble footwear for a range of purposes – including men and women's casual shoes, fashion shoes, children's shoes. Since MSEs are operating in scattered formats without horizontal and vertical linkages, their production is relatively small and they cannot benefit the advantages of the economy of scale.

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[1] *The sustained growth of small holder farmers is the main inputs for economic growth and has also resulted in the reduction of overall poverty in the country. Despite the progresses, Ethiopia remains a low-income country with 33% of 92 million people living below the poverty line (MDG Report 2015) and the per capita GDP is less than USD 400. Rural-urban, as well as regional disparities in income levels, poverty, and social services provisions still prevails. Accelerating and sustaining broad based and inclusive economic growth is a key challenge. Removal of constraints to low private sector participation, agricultural productivity and small- and medium-scale enterprises becomes imperative.*

As per the LED assessment report (2011), capacities of the local revenue, investment and MSE offices in delivering their services remained low. The capacities of the key technical economic institutions in a locality, such as offices of Micro and Small Enterprises (MSE), Investment, revenue generation, Technical and Vocational Education and Training (TVET) Institutes, Chambers of Commerce and Micro-Finance Institutions (MFIs), leasing company are, considerably, limited in delivering their economic services. The public, private and civil society partnership in addressing the development issues is at the infant stage due to the inability of providing an enabling mechanism for the community, the private sector, the NGOs and other development forces at local level (Tegegne 2009). Although the Government of Ethiopia (GoE) encourages public-private and civil society partnership dialogues, it has not been widely practiced. Therefore, institutional capacity and enterprises development is essential for enhancing the advancement private sector, as this is the basis for creating and expanding economic opportunities. With an estimated 50 percent of the population below the age of 20 years, Ethiopia increasingly faces high youth unemployment and under-employment both in the rural and urban areas. Currently, unemployment nationally remains at 14 per cent (UNDAF, 2012-2015). In some localities, the unemployment rate rises up to 20 to 25%. Growth is expected from an expanded privatization programme and support for job creation through micro and small-scale enterprises (UNDAF, 2012-2015).

The private sector is considered as the main source of jobs creation and engine of growth. In this regard, although the GTP highlights the importance of the private sector/MSE development, this has not yet been translated into full action in the localities. On the other hand, there is a national policy document, such as the MSE Development Strategy, which is being implemented, but the localities have not taken sufficient advantage from their private sector's potentials, especially in terms of MSEs development and jobs creation. Furthermore, the local service providing institutions have not yet been better positioned to embrace the MSEs' networks development concept to make a difference in MSEs development. On the other hand, the skills, technologies transfer and access to micro-finance services play a crucial role in improving human capabilities and creating jobs. The formal micro-finance mechanism, which has rigid terms and conditions is not considerably reaching the poorest of the poor. The huge gap in terms of covering the credit needs, weak service delivery in the MSE sector and weak capacity of MFIs in mobilizing savings and securing recollection of credits are some of the challenges, highlighted in the National MSE Strategy.

A.1.1. The Leather Sector in Ethiopia

Ethiopia's leather industry (and its leather products sector in general) enjoys significant international comparative advantages owing to its abundant and available raw materials[2], highly disciplined workforce and relatively low prices. Ethiopia's leather and leather product sector produces a range of products, from semi-processed (in various forms) to processed leathers including shoe uppers, leather garments, stitched

[2] *Ethiopia has one of the world largest livestock populations with: 52 million cattle population that makes the country ranking 1st in Africa and 6th in the world, 27 million sheep population that makes 3rd in Africa and 10th in the world, and 23 million Goat population which makes 3rd in Africa and 8th in the world (LIDI, 2014). The off-take rate for cow hides 13.87%, goat skin 27.34% and sheep skins 40.29%. The hides and skins supplied to the tanneries reached 1.4 million cow hides, 6.7 million goat skins and 13.2 million sheep skins in 2014.*

upholstery, backpacks, purses, industrial gloves and finished leather. The products have been exported to markets in Europe (especially Italy and the UK), the USA, Canada, China, Japan and other Far Eastern countries, and the Middle East. Finished Leather is also exported to other African countries including Nigeria, Kenya and Uganda.

Ethiopian leather industry produces leather goods that are globally competitive in terms of both quality and price. Due focus is given to maintaining the quality of the hides and skins, leather and leather products for export (all exports are tested by LIDI Laboratories accredited by SANAS, RSA, within the MoU signed with the Ethiopian Quality and Standards Authority of Ethiopia - QSAE).

The leather footwear factories produce men's casual shoes and children's shoe-uppers made from pure leather and are selling directly to overseas importers/wholesalers, or to direct buying offices. The marketing of leather goods and shoes is facilitated by the private labels of department stores, local boutiques, shoe retail chains and mail-order houses. The production of leather footwear and leathers goods are highly dominated by the micro, small and medium enterprises located in the central market of the Addis Ababa city. The MSMEs were operating in the sector for decades with slight improvement in skills, technology, innovation and minimum support services from the local government and civil societies. However, the MSMEs in the leather footwear and leather good sectors are creating immense employment opportunities for the peoples.

MSEs' networks development for the micro, small and medium enterprise in general and leather and leather goods manufacturers in particular is one of the priority areas of intervention of the Government of Ethiopia to enhance and encourage MSMEs development. Although local governments, by allocating resources, are supporting development of MSEs' networks, their support is mostly provided for the construction of sheds and provision of premises. Access to quality raw materials, enough working space and marketing of the products and services are still issues confronted by most of the MSMEs in the leather sector. As there are no networking and linkages established amongst the stakeholders, many micro and small enterprises are at the risk of survival.

Understanding the need for further support in developing mature networks of MSMEs, and following the official request sent by the MoI, UNIDO in collaboration with the Ethiopian Government, LIDI and thanks to the support of the Italian Cooperation has started the upgrading of the Ethiopian leather and leather product industry project (will end in December 2015) focusing on the leather footwear and leather goods manufacturing MSEs.

A.1.2. The footwear sub-Sector in Ethiopia

The world livestock population is estimated at 3.5 billion, out of which Africa accounts for 26.32% of the population. The production of hides and skins is estimated at 1.3 billion PCs for the world, and Africa accounts for 14% share of the production. Following the large number of livestock, hides and skins productions, the size of world leather production is assumed to be 23 billion Sqft where 65% is geared towards footwear production (that is 14.9 billion Sqft). Leather and leather products are among the most widely traded agro-based commodities in the world, with the global estimated trade value of over US$ 100 billion a year, a trend that continues to grow. China and India are among the leading countries in manufacturing of footwear. The world eleven largest footwear-manufacturing countries are summarized in Table 1. It is worth mentioning that, with the industrial development strategy and policies laid and implemented after 2005, currently about 19 medium & large mechanized footwear factories (including FDIs) with the production capacity of 12 million pairs per year are operational. More than 5000 micro and small enterprises are engaged in manufacturing and/or repairing leather footwear in the Country. The production of leather footwear is highly dominated by micro, small and medium enterprises (MSEs) located in the central market of the Addis Ababa city. The MSEs have been operating in the sector for decades with slight improvement in skills, technologies, innovations and minimum support services from the local government and civil societies. However, the MSEs in the leather footwear and leather good sectors create huge employment opportunities for the peoples. The MSEs manufacturers have the capability to design, fit and assemble footwear for a range of purposes – including men and women's casual shoes, fashion shoes, children's shoes. Since MSEs are operating in scattered formats without horizontal and vertical linkages, their production is relatively small and they cannot benefit the advantages of the economy of scale. Ethiopian footwear manufacturers produce men's and female casual shoes and children's shoes-uppers made from pure leather. The factories are selling directly to overseas importers/wholesalers, or to direct buying offices. The Ethiopian footwear industries are producing shoes that are competitive both in quantity and price. The export value of footwear in Ethiopia has increased over the period of 2009 to 2013 (table 2) with a jumping trend in 2012 and 2013, nevertheless it needs a holistic effort to equalize the exported value with imported value.

Table 1. World Footwear-Manufacturing Performance in 2012 (in millions of pairs)

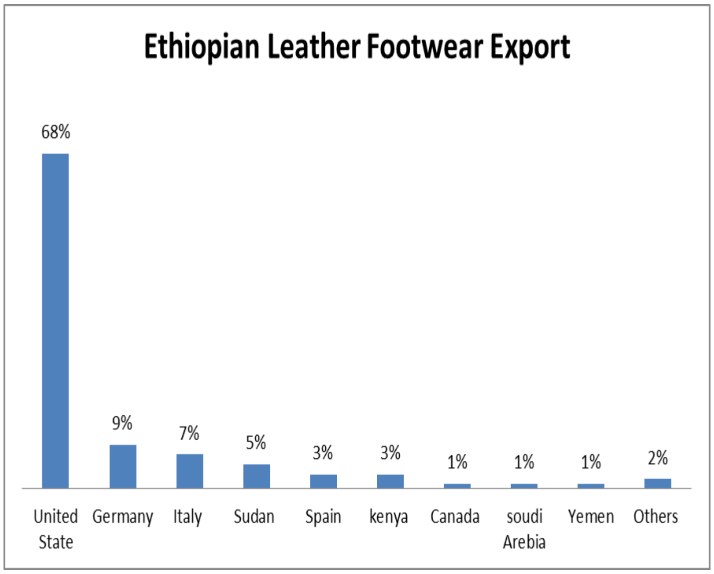
Country	Production	Export	Import
China	13,500	10,071	50
India	2,065	115	79
Brazil	864	113	36
Vietnam	725	625	25
Indonesia	700	320	33
EU	592	217	2287.5
Mexico	265	26	77
Thailand	250	110	45
Korea	85	30	169
Japan	69.2	1.2	629
Taiwan	40	17.2	75

Table 2. Ethiopia Footwear Export and Import trends in Millions of US Dollars

Years	Export value in US dollars	Import Value in US dollars
2009	6,611	87,947
2010	7,962	102,305
2011	8,637	116,085
2012	14,400	116,826
2013	23,524	122,190

Source: LIDI

As described in figure below[3], United States is the leading importer of the Ethiopian leather footwear, followed by Germany and Italy respectively. This figure reveals that the Ethiopian leather footwear products are sold worldwide. Given the cumulative advantages of the country, this export trend is a good indicator for the leather industries in order to work toward internationalizations, by upgrading technology, processes and products, so to better compete for high value market.



The leather footwear industries also have huge unmet domestic market demand. It is observed that there are huge demand supply gaps in the domestic market. As a result, imported leather footwear products from different countries cover the current unmet demands in the domestic market.

A.1.3. The Leather goods and garments sub-Sector in Ethiopia

The leather goods and garment sub-sector involves leather garments, bags, belts, gloves, wallet and others. Leather and leather products are export oriented sector of the country with increasing volume and value of export earning over the last decades. The marketing destination of leather goods and garment are China, India, Italy, UK and USA. The Leather garment and goods such as bags, belts, and wallets are produced mostly for domestic market. The gloves, however, is produced about 90% for export market. In general the quantity of production of leather goods and garment of the country is smaller as compared to leather footwear.

Similar to leather shoe factories, leather goods and garments factories are also concentrated in Addis Ababa city for about 92%. The leather goods manufacturers have acquired manufacturing skills from formal training institutions, opposed by the "learning-by-doing" experiences that characterize the footwear manufacturers. Moreover, It is worth mentioning that the leather goods manufacturing sub-sector is owned by women for the 50%.

The Distribution of Leather Goods and Garment Factories

Location of Leather goods, gloves and garments	No of factory	% age
Addis Ababa City	12	92%
Oromia Region	0	0%
Amhara Region	1	8%
Tigray Region	0	0%
Total	13	100

The education level of enterprise in the leather goods manufacturing business is beyond 10th grade and about 72% of enterprises owners are graduates of TVET, especially from leather Industries Development Institute (LIDI). The majority of the entrepreneurs are joining the sector recently, and the average years of experiences are 3.5 years. They are relatively young entrepreneurs with formal

[3] *Source: Ethiopia Revenue and Custom Authority*

training based skills that are very useful for applying modern manufacturing systems. Most of the women entrepreneurs in the sectors are designers with very good designing skills that are useful to make the sector competitive in the local as well as in the global market.

A.2 Problem to be addressed

From the mapping and diagnostic studies carried out within the on-going project (SAP 101072/TEETH/08/008), the main problems can be summarized as follows:

1. Lack of horizontal and vertical linkages: UNIDO project team observed that the manufacturers in the selected areas do not have any business-linkage practices in bulk purchasing of inputs, using common machineries and marketing. The study findings have revealed that manufacturers are competing among themselves especially in selling their products to the wholesalers and retailers. In general, there is no cooperation among the manufacturers that yields mistrust and increase unfair competition among themselves, with the consequent stagnancy of their business. In nutshell both the vertical and horizontal business linkages have to be strengthened through the project's implementation.

2. Obsolete technology and inadequate premises: the technology used by the MSEs' networks is obsolete: it is backward technology, which is less productive and requires high maintenance costs. The aspect of the technology needs serious attention by all stakeholders as it should be substituted by advanced/modern one in order to improve the products' quality and the competitive capacity of the MSEs' networks. Moreover, *ad hoc* capacities building activities have to be continuously provided to tMSEs (also with the involvement of the local medium and large companies), with the aim at improving their current limited knowledge on how to use modern technology. The GoE has provided to some of the supported networks with working premises, which are particularly useful for strengthening the cluster methodology implementation among the cluster's members. However, these public premises are not properly designed for supporting MSEs development (e.g. obsolete workshops, environmental and social hazards, lack of ventilation system, etc…). The current working premises need to be renovated and a more modern approach to cluster development also from the architectural point of view needs to be followed by the local institutions. In this context, it is worth mentioning that the City Administration of Addis Ababa MSEs Development Office requested UNIDO to prepare professional studies on this topic to design new and sustainable plans for developing clusters of MSMEs.

3. Lack of Capacities/skills: MSEs manufacturers have the capability to design and produce footwear and leather products. Both the owners and employees have basic manufacturing skills acquired through learning-by-doing over the years. Only few employees have acquired skills from formal training institutions such as the Leather Industry Development Institute (LIDI). The manufacturers lack the skills of resources arrangement and management within the manufacturing premises. Also at managerial level, trainings on entrepreneurship, leadership, marketing, finance and MSEs development and networking have to be continuously provided.

4. Lack of markets and marketing skills: the marketing of the products produced by the small production units is still very limited. Currently all marketing initiatives, strategies and opportunities within the selected networks are fragmented and are mainly dominated by wholesalers and retailers.

Wholesalers, who play a dominant role in the footwear products marketing, are not involved in the marketing of leather goods due to the small daily volume of production.

5. Limited organization of the supporting local Institutions: the networks' governance bodies have to be established and supported. In this context, it is fundamental to involve all the most relevant stakeholders (at private and institutional levels) in the MSEs networks strategies, in order to assure a continuous exchange of information as well as the project's sustainability. Some deficiencies of the local Institutions in terms of capacity to provide comprehensive extension services to the MMEs have been identified by the project.

6. Limited access to loans: the major source of finance of the MSEs' networks is represented by their own capital. Micro and small enterprises do not have access to bank loans, demonstrating that they are un-bankable or not aware about financial schemes availability. There is the necessity to involve the small production units in the different "initiatives for finance" developed in the country by national and international organizations and there is the need to create innovative solutions/strategies for supporting access to finance.

7. Limited support to gender focused groups: according to the studies performed (a gender analysis has been performed), women who are engaged in the production of leather products exceeds in number than women who are involved in footwear production. Based on the information gathered, it is clear that women and men entrepreneurs involved in the leather sector do not operate their business in the same manner, do not have the same opportunities and do not face the same challenges. Challenges regarding financial incapacity, unavailability of modern machineries, inaccessibility of sustainable markets, unavailability of production premises, poor quality of raw materials and accessories, limited skilled workers, limited capacity to create fashionable products, etc… represent serious and frequent challenges for women.

The above mentioned challenges are issues that will be addressed through the implementation of this project.

A.2.1 Institutions and actors involved

UNIDO project team (SAP 101072 - TE/ETH/08/008) has established bi-lateral network with key local stakeholders such as:

- Ministry of Industry
- Leather Industries Development institute
- Federal and Regional/city micro and small enterprises Development Agency
- Micro finance Institutions
- Machinery Leasing Company
- Cooperative promotion Agency
- Technical and vocational training office
- Productivity Improvement Center
- Entrepreneurship Development Centres

The network with the above institutions has been established at multi levels (federal, regional/city and sub-city level) in order to assure project sustainability as well as the correct implementation of the project’s activities at all levels. Multi-lateral networking activities, involving the above stakeholders and others relevant Institutions for the MSEs’ networks governance, will be established soon at all levels. Networking activities are planned to be reinforced at federal, city/regional and sub city levels in order to involve a relevant number of actors (service providers) and ensure the sustainability of the project. To this end, the on-going project has already set up ad hoc technical committee meetings (Cluster Technical Committee - CTC) to be held every two weeks. The CTC is the MSEs’ networks governance body organized under the National Project Steering Committee in order to manage and undertake the leather footwear and leather goods MSEs’ networks technical matters in Addis Ababa City. The CTC is the city level committee responsible to coordinate and execute the planned activities for the MSEs’ networks development in collaboration with project experts and the interested stakeholders.

The CTC has been established by the national steering committee and it is composed by different stakeholders such as:

1. Addis Ababa City MSE office, Chair person
2. Leather Industries Development Institute (LIDI)
3. Addis Ababa city capital good company
4. Addis Ababa city TVET Office
5. Addis MFI
6. Addis Ababa City Trade and Industry Bureau
7. Yeka Sub-city MSE Office
8. Addis Ketema Sub-city MSE Office
9. Kirkos Sub-city MSE office
10. UNIDO MSEs’ networks Facilitators (4 members)
11. UNIDO Cluster Agent (2 members)
12. EIFCCOS network chair person
13. Teramaj Network Members chair person
14. Tesfa network Chair person
15. Rediet network chair person
16. Women’s network Chair person

Roles and responsibility of CTC, to:

- Take the lead in leather footwear and leather goods MSEs networks development initiatives in Addis Ababa city (Addis Ketema, Yeka, and Kirkos sub-cities);
- Manage leather footwear and the leather goods MSEs networks development program implementation in the city;
- Conduct regular technical committee review meetings;
- Mobilize stakeholders for the joint support of the project’s initiatives;
- Mobilize required resources for the MSEs networks development;
- Prepare and provide periodic performance report to the National project Steering Committee;
- Approve the periodic plan of the working group;
- Monitor the performance of the MSEs networks, and give clear directions;
- Provide MSEs networks with the required services (working premises, machinery, and finance);

- Undertake periodic field visit to the network sites to identify challenges of the networks, to encourage networks and members, and to celebrate successes cases;
- Identify policy challenges of the MSEs' networks to be reported to the national Steering committee;
- Documenting lessons and sharing experiences of UNIDO methodology for the other sectors and locations.

The CTC, led by Addis Ababa city MSEs development bureau, set a meeting every two weeks in order to coordinate the project program/activities implementation at sub-city and city levels. The CTC is supported by the UNIDO CDAs in having a clear strategy and periodic action plans to cascade activities and to create synergies among stakeholders.

A.3. Origin of the project

Based on the results achieved so far by the on-going project TE/ETH/08/008 as well as on the action plans developed and validated by all the relevant stakeholders involved in sector, the Ethiopian Ministry of Industry (MoI) has officially requested to continue with the action plans implementation. Furthermore, the City of Addis Ababa MSEs development Office officially requested to support the cluster development implementation also throughout the support in terms of designing of new working areas for MSEs.

The main objective of this present project is to increase the competitiveness and turnover of the Ethiopian MSEs working on leather footwear and products industry through the implementation of the action plans produced (and started to be implemented) by the on-going project. Following the methodology, the natural time for achieving a mature network of small production units supported by assisted by supporting services institutions is taking a range of time between 5 up to 7 years. For this reason, in order to achieve this objective the present project expects to continue to implement the action plans for developing the 3 selected MSEs networks in Addis Ababa (continuing to provide the selected networks with the necessary assistance in implementing the action plans prepared as well as to upgrade local capacities, both at institutional and private sector levels) and for continuing to provide backstopping support activities to the Ethiopian Regions.

The on-going project TE/ETH/08/008 (completion date February 2016) has already performed all the necessary studies (Mapping and Diagnostic studies) that have been validated by all the stakeholders involved. In particular during the mapping phase it has been recorded that the leather footwear and leather goods manufacturers in all localities are operating in an isolated manner with limited capacity to respond to the current market demands. Because of their isolation, the existing enterprises are not able to make use of the advantage of economies of scale. The project has already started to create the appropriate institutional and organizational arrangements for the formal development of the selected MSEs networks (Yeka, Addis Ketema, Kirkos) in the field of footwear and leather products, but it is well known that from 5 to 7 years are requested for creating mature MSEs networks fully matured and operational. This mapping study was the first step for the identification of the potential sites where leather footwear and leather goods manufacturing enterprises are concentrated and to further assess the potential supporting environments for developing a pilot and model MSEs' networks on leather footwear and leather goods. As a result of these studies, and based on the validation workshop, the following sites were identified and selected for the development of leather footwear and leather goods MSEs:

1. Yeka (EIFCCOS) - footwear;

2. Addis Ketema (Merkato)- footwear;
3. Kirkos - leather goods.

Furthermore, backstopping support activities have been provided by the project for Institutions from Tigray-Mekelle, Amhara- Bahir Dar and Oromia-Bishoftu towns with the aim of internalizing the MSEs' networks development methodology and replicating experiences.

Following the mapping study, an in depth diagnostic study was undertaken on the selected areas, in order to develop specific plans of activities. In this context, the on-going project designed specific action plans (i.e. one for each selected area) in order to support the Government initiatives and MSEs engaged in manufacturing of leather footwear and leather goods to capitalize the benefit of the economy of scale. The validated action plans are currently being implemented by the on-going project and ad hoc initiatives have been implemented both at institutional and private sector levels. In a nutshell:

At private level:

12 networks/sub-networks are currently assisted with an average of 377 enterprises (involving 3811 workers). Ad hoc initiatives on MSEs' networks development and networking methodology have been implemented for the identified networks (a particular attention has been reserved for the women sub-networks).

Joint initiatives have been facilitated and started such as: joint purchasing of raw materials, tenders participation, joint manufacturing and selling. Ad hoc trainings on footwear and leather goods production, design and entrepreneurship development have been implemented and currently scheduled for the following months (it is relevant to note that all these activities are implemented in strong collaboration with the national institutes for assuring project sustainability). In collaboration with local institutions, market access initiatives have been performed (i.e. BtoBs, Participation in the All African Leather Fair, linkages with Regional Markets) and linkages between the networks and the local medium and large enterprises have been established in order to facilitate raw material purchasing and sub-contracts. A pilot production line for common use will be created in the following months in synergy with the local institutions (i.e. LIDI).

At institutional level:

MSEs networks development and support methodology has been transferred to the major institutional stakeholders operating in the support of MSMEs active in the leather sector such as: REMSEDA, FEMSEDA (regional and federal MSEs development Agencies), LIDI, Micro Finance Institutions, Cooperative associations, Technical and Vocational Training Centers, etc. A Study Tour for the major Ethiopian institutions has been organized and implemented in Italy in October 2014 and the best success cases on leather industrial districts have been visited, underlining the strong collaboration that has been established between the institutions and the private sector (which in Italy is mainly composed by MSEs). As a follow up, ad hoc committees and working groups have been established at sub-city and national levels for assuring project's ownership and sustainability; furthermore, the governmental institutions are providing the MSEs networks with the necessary working premises.

In order to continue with the implementation of the validated action plans a new project has been required by the Ethiopian MoI and expected by the project beneficiaries and supporting institutions. Ad hoc activities for building capacities, creation of common premises and production facilities, reinforcement of backward and forward linkages, access to finance and markets have to be strengthen with the implementation of the present project proposal. **SWAT analysis**

Strengths	Weaknesses
• The large concentration of MSEs in the footwear and leather goods manufacturing in Addis Ababa. • The location advantage of enterprises (nearby/within) central market. • Flexibility in manufacturing. • The availability of input suppliers. • The sector has created large number of employment especially for young girls due to its labour intensive nature of the sector. • The sector and the MSMEs are considered by the GoE as strategic for the economic development and job creation (Growth and Transformation Plans - GTPs). • Huge development potential for the MSEs organized in a organized manner, both in terms of products' quantity and quality.	• The intensive competitions among MSEs in the sector. • The absence of networking/weak networking among enterprises. • Weak backward linkages with input suppliers. • Weak forward linkages with distributors and exporters. • Less quality productions. • Seasonal production nature of the sector (holly day oriented business). • Lack of working capital. • Expensive procurement of raw material through which MSEs buy row material on credit providing check for the purchase price plus 10% interest monthly basis. • Lack of enough working space. • Absence of skilled manpower. • Lack of trust among MSEs and leather sector actors. • Absence of joint business/activities among MSEs. • Long business value chain with unnecessary additional cost of production. • Limited designing skills and product development. • Obsolete technology/machinery used. • Low quality raw materials and accessories. • Low level of entrepreneurial know haw. • Lack of credit services for the small production units. • Lack of information on marketing, technology, services etc…
Opportunities	**Threats**
• The sector is one of the priority sectors of the GoE • The livestock base of the country 1st in Africa and 10th the world that ensure sustainable resource basis/input basis. • The presence of local institutions (service providers) Capital good company/machinery leasing company to access machinery. • The presences of training centres (LIDI, TVET). • Availability of cheap workforce. • The presence of large number of tanneries and other accessory suppliers in the area. • The presence of different support institutions. • The presence of big market to distribute for different corner of the country (internal market potential). • The exporting opportunity of the sector (export potential). • The availability of large shoes and leather goods factories for subcontracting opportunities/business linkages. • The availability of financial services for SMEs. • The already established networks both at institutional and private sector levels. • The possibility to continue the technical assistance to the organized MSEs in synergy with the local institutions. • The possibility to continue, upgrade and upscale the success cases and best practices already performed by the last technical assistance project TE/ETH/08/008. • To create mature MSEs' networks and organize the local institutions which are providing support services.	• Insufficient experiences of MSEs on networking and economy of scale. • The involvement of too many informal manufacturers in the sectors. • The availability imported shoes in the local market at relatively lower price with lower quality. • The matured small & Start-up medium are not in the services of Ethiopian financial institutions (unbankable). • The presence of informal cross border trade of the leather products. • High competitiveness of products produced by other countries.

In response to the above mentioned SWOT analysis UNIDO has developed a project extension that deals with the following issues:

- *Strengthening and creation of networks and vertical and horizontal linkages;*
- *Rehabilitation of the clusters working premises and technology upgrading;*

- *Capacity Building programmes;*
- *New markets creation, business promotion;*
- *Establishing and supporting a MSEs network Governance body;*
- *Support access to loans and linkages with Financial Institutions;*
- *Support to gender focused groups through the creation of "creative hubs".*

Following the areas' selection and the diagnostic analysis, and building on the experience gathered in the field, the project implementation will follow these steps, namely:

- The **Implementation phase**, i.e. the management and coordination of the activities outlined in the action plans prepared during the diagnostic phase in the 3 selected areas.
- This will be followed by a **Capacity Building** phase in technical and managerial skills upgrading programmes (including products development and manufacturing, introduction of ERP system, marketing and purchasing etc.).
- An important activity will be the one of **Monitoring & Evaluation** (M&E) of the qualitative and quantitative outcomes of the project.

A.4 Target Beneficiaries

The immediate objective of the project is objective is to increase the competitiveness and turnover of the Ethiopian MSEs working on leather footwear and products industry through the implementation of the action plans produced (and already started to be implemented) by the on-going project SAP 101072-TE/ETH/08/008 and validated by the local stakeholders (both at institutional and private sector levels).

The general development objective is to improve the livelihood of the local small leather products production units through the development of their business and of their organization in networks. The project intends to continue to provide the necessary technical assistance to the Ethiopian institutions and MSEs engaged in manufacturing of leather footwear and leather goods through UNIDO technical assistance.

The beneficiaries will be all individuals and families working in the value chain of footwear and leather products production, processing and marketing. These groups have already been identified and organized within the selected areas. A particular attention will be reserved to the vulnerable groups with a special reference to the women entrepreneurs' active in the leather products sector. Also at institutional level the coordination and the supporting services for MSEs will be strengthened thanks to the organization and establishment of technical groups at national, city and sub city levels aimed at supporting the identified networks of companies.

A.5 Relevance of the Project In Relation to National and International Frameworks

UNIDO has been actively involved in Ethiopia since 1968, with nearly 300 projects covering a wide range of technical assistance interventions, such as vocational training, cluster building and value chain development. In addition, between 1999 and 2008, UNIDO implemented two phases of its Integrated Programme for Ethiopia, where the leather component has been one of the key sectors in the different TA programs.

Most recently within the new UNIDO strategy, known as Inclusive Sustainable Industrial Development (ISID), Ethiopia has been selected as pilot program for the implementation of a Programme for Country Partnership (PCP) with the aim at bringing together development partners, UN agencies, development finance institutions (DFIs) and the private sector – under the ownership of the national Government – to help achieve the goals set out in the country's Industrial Development Strategy and Growth and Transformation Plan (GTP).

The PCP focuses 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 capacities of attracting private sector investment. They act as a springboard for the transformation of Ethiopia's economy, mainly based on agriculture, into one primarily driven by light industries.

In light of the above, this project is fully in line and already inserted within the PCP which "*will help to set up footwear and leather goods clusters, and strengthen the fashion design and training capabilities of the Leather Industry Development Institute (LIDI)*". Furthermore, it is worth mentioning that the project is totally in line with the priorities stated by the GTP II and contributes to the achievement of its targets, i.e.:

Sector	Targets	Interventions
Leather and leather products	• Export US$132 million (Base) • US$1.4 billion (Target) • 150,000 jobs	• Improve livestock VC • Technical assistance for entrepreneurial and management skills, production diversification • MLC (IZ) and clustering of MSEs

The Ethiopian Government, with wide national consensus, put poverty eradication as the main priority of the national development agenda. To achieve this goal Ethiopia is guided by a comprehensive and integrated strategic plan which is considered as a key tool to eradicate poverty and end dependency on food aid in a short period of time: The Growth and Transformation Plan (GTPs)[4] is a national vision of Ethiopians to end poverty. A key component of this growth is represented by the micro and small medium companies that are working in the leather sector. They concretely contribute to the development of the Ethiopian leather industry and to the increasing of the employment opportunities. MSEs play a significant role in sustaining economic growth. The government's industrial development strategy states that ensuring and sustained industrial development is a fundamental policy direction.

[4] *The Federal Democratic Republic of Ethiopia: Poverty Reduction Strategy Paper: Growth and Transformation Plan 2010/11–2014/15 and Growth and Transformation Plan 2015/16 - 2019/20*

The development of MSEs is also critical for strengthening sustainable rural-urban and urban to urban functional and economic linkages. In other words, the expansion and the formalization of MSEs are crucial for sustaining the rapid growth being witnessed in the leather sector. The Government's aim is to strengthen micro and small- scale processing and manufacturing enterprises, as they are the foundation for the establishment and expansion of medium and large scale industries. In this way opportunities will be opened for employment generation, expansion of urban development.

The GTP sector development plan stipulates that the plan cannot be achieved without empowering women and youth and ensuring that they benefit from the policy. To address the multi-dimensional problems faced by women and youth, the Government is committed to ensuring equitable socio-economics and political participation by unleashing the potential contribution of women to national development. This will have profound effects on the speed, equality and sustainability of economic development and on the country's overall growth and prosperity.

The United Nations System is committed to prioritize the development of small-scale producers to increase production and productivity. In addition, capacities of public and private sector institutions and Micro, Small and Medium Enterprises will be strengthened and focused on inclusive economic growth. Pro-poor value chain integration will be emphasized with regard to private sector development, especially in the Ethiopian strategic sectors such as the leather and leather products industry.

The project is also recognizing the need for Inclusive and Sustainable Industrial Development (ISID)[5]. It has been recognized that industrial development increases productivity as well as employment and generates income, thereby contributing to poverty eradication, while providing opportunities for social inclusion. As industry develops, it drives an increase in value addition and enhances the application of science, technology and innovation, encouraging greater investment in skills and education, and thus providing the resources to meet broader, inclusive and sustainable development objectives.

While integrating in a balanced way all three dimensions of sustainable development — economic, social and environmental — it is believed that effective measures towards inclusive and sustainable industrial development should encompass enhancing productive capacities in a way that: i) supports the structural transformation of the economy; ii) encourages economic growth and the creation of decent jobs; enhances productivity and development, transfer and absorption of technology on mutually agreed terms, infrastructure and technological innovation; iii) advances trade and development, particularly in the small and medium-sized enterprise sector, micro-industries and other new forms of community-based entities; iv) promotes the sustainable use, management and protection of natural resources and the ecosystem services they provide; and v) supports related research and development.

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 was given to UNIDO by the 2013 Lima Declaration. The ISID strategy aims to pilot the development of innovative partnership business models

[5]*UNIDO, February 2014, Inclusive and Sustainable Industrial Development, creating shared prosperity | Safeguarding the environment.*

considering that the main thrust behind the partnership business model is the mobilization of external partners and resources to increase the impact of UNIDO's technical cooperation.

Through partnerships with governments, development finance institutions, UN agencies, multilateral 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 operationalize the partnership approach, UNIDO has developed a new type of assistance package for its Member States: the Programme for Country Partnership (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. At the same time, the selected countries need to be fully aligned with ISID objectives and demonstrate full ownership of the Programme. They 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 order to develop pilot PCPs, UNIDO conducted high-level scoping missions to consult with relevant stakeholders in late 2014. Ethiopia and Senegal were selected for the first two UNIDO-PCP initiatives. Multidisciplinary technical teams were assembled, who in close collaboration with the respective governments and potential partners, formulated the PCP for each country.

Ethiopia has been selected as pilot program for the implementation of a Programme for Country Partnership (PCP) with the aim at bringing together development partners, UN agencies, development finance institutions (DFIs) and the private sector – under the ownership of the national Government – to help achieve the goals set out in the country's Industrial Development Strategy and Growth and Transformation Plan (GTP II).

The PCP focuses on three light manufacturing sectors: agro-food processing; textiles and apparel; 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 capacities of attracting private sector investment. They act as a springboard for the transformation of Ethiopia's economy, mainly based on agriculture, into one primarily driven by light industries. In light of the above, the UNIDO project "for upgrading the Ethiopian leather and leather products industry" is fully in line and already inserted within the PCP which "will help to set up footwear and leather goods clusters, and strengthen the fashion design and training capabilities of LIDI".

Taking into consideration the priorities of the government and the aforementioned international strategy documents, the project will contribute to poverty alleviation by supporting MSEs working in the leather and leather products sector by organizing them in networks in order to take advantage of the economy of scale as well as of the Institutional service providers. The objective of this project is to improve MSEs' income generation and increase job opportunities, with a special attention to youth and women.

B. REASON OF UNIDO ASSISTANCE

The Ethiopian Government through the Ministry of industry of the Federal Government of Ethiopia recognized UNIDO's competence and experience in:

- Developing and upgrading the Ethiopian leather and leather products industry, supporting MSEs thought the creation and organization of networks, cooperatives of small production units through public and private partnerships;
- Aligning the project activities to the relevant policy strategies of the government;
- Considering international best practices and engaging with relevant stakeholders.

Therefore the Ministry of Industry requested UNIDO to continue the support to identified MSEs networks and upgrade their capacity to work within an organized environment able to give them the possibility to upgrade their productions, to increase their products' quality and to take advantage of the economy of scale, for acceding to new markets and exploit the internal market opportunities.

Taking into account the potential of the identified areas, the action Plan that has been validated and is currently under implementation under the on-going project - SAP 101072 TE/ETH/08/008 - has to continue to be implemented. The activities performed and the success cases created have to be upgraded and up-scaled, in order to reach the present project objective to create mature MSEs networks supported by the local service providers/institutions for the enhancement of the footwear and leather products production both in terms of quantity and quality.

The project will be part of the Programme for Country Partnership (PCP), which was recently developed by UNIDO to bring together investors and specialists to support the country's progress towards becoming a middle-income country by the year 2025 where more value-added products will be produced (Chapter A.5 of the present PRODOC). The project will contribute to reach the Ethiopian GTP, contributing to Ethiopia long-term strategy in terms of relevant thematic policies (specifically poverty reduction, job creation and MSMEs development) as there is a plausible causal relationship between the project and several policies in the country, in particular the overall strategy for economic development and the strategy for up-grading the Ethiopian leather Industry. It is clear the relationship between the present project and several policies in the country. Furthermore, it is worth mentioning that the project focuses on supporting MSEs development through the involvement of the local institutions at all levels (National, City and Sub-city levels) supporting the public-private dialogue also as means of enabling the reorientation of the policy-making (i.e. the CTC is a useful tool (body) that have already been put in place, by the on-going project, for assuring Public Private dialogue continuously and the project's sustainability). The present project capitalizes on the previous UNIDO initiatives/programmes developed and implemented in the country, with a special reference to the leather sector (UNIDO has contributed to create the National strategy for the leather sector and has supported LIDI since its creation) and the MSEs development.

The project will also be aligned with other initiatives currently developed by national and international donors in Ethiopia which are aimed at supporting the MSMEs development (e.g. WB, Italian Development Cooperation, EU, DFID, etc…).

Furthermore, it will directly contribute towards the achievement of the UN Millennium Development Goals such as: 1 - eradicate extreme poverty and hunger; 2 - promote gender equality and empower women; 3 – Global partnership for development.

C. THE PROJECT

C.1.Objective of the Project

The project objective is to increase the competitiveness and turnover of the Ethiopian leather footwear and products industry MSEs through the implementation of the action plans produced (and already under implementation) by the on-going project SAP 101072/TE/ETH/08/008 and validated by the local stakeholders (both at institutional and private sector levels).

C.2 UNIDO approach

The Project will take into consideration ongoing activities while considering the relevant leather value chain approach to support the development of MSEs working on the identified MSEs networks.

It will address the major constraints present in the country, supporting specific target beneficiaries through the implementation of the action plan already validated by the GoE and all the relevant stakeholders. In order to assure project sustainability and local ownership the project will be implemented in close collaboration with the local institutions and MSEs' networks representatives.

C.2.1. Project Phases

Following the MSEs' networks selection and the diagnostic analysis, and building on the experience gathered in the field, the project implementation will follow the UNIDO step-by-step approach to promote MSEs' networks development starting from the following steps:

- The **Implementation phase**, i.e. the management and coordination of the activities outlined in the action plans prepared during the diagnostic phase in the 3 selected MSEs' networks.
- This will be followed by a **Capacity Building** phase in technical and managerial skills upgrading programmes (including products development and manufacturing, introduction of ERP system, marketing and purchasing etc.).
- An important activity will be the one of **Monitoring & evaluation** (M&E) of the qualitative and quantitative outcomes of the project.

The **implementation phase** will focus on delivery technical assistance to MSEs networks both at enterprise and institutions levels, providing also assistance in upgrading their capacities. The implementation is following the guidelines/activities scheduled on the action plans produced by the on-going project and validate by the GoE. It is worth mentioning that the on-going project already started with the implementation of the action plans in synergy/collaboration with the local institutions. For this reason the present project is required for continuing with the action plans implementation.

In this regard, the MSEs networks development strategy requires a continuous and holistic approach able to implement all the strategic interventions continuously and in close cooperation with the local stakeholders, in order to assure project's sustainability. It has to be mentioned that the project implementation will have a particular attention also to the target groups including youth, women and people with disabilities, disaggregated by sex. In this regard, an ad hoc gender analyst will work closely with the CDAs and MSEs' networks facilitators, in order to support and assure that disadvantaged groups (especially women and youth) will benefit of the project activities.

The key areas that require strategic intervention for the next period in order to achieve the project's objective are summarized as follows:

Strengthening and creation of networks and vertical and horizontal linkages

During the assessment performed by the on-going project the UNIDO team observed that the small manufacturers in the leather sector do not have any business linkages practices in bulk purchasing of inputs, using common machineries and marketing. The study findings have revealed that manufacturers are competing among themselves especially in selling their products to the wholesalers and retailers. In general, there is no cooperation among the manufacturers that yields mistrust and increase unfair competition among themselves, with the consequent stagnancy of their business. In nutshell both the vertical and horizontal business linkages have to be strengthened through the MSEs' networks facilitators' attention. Local Institutions such as REMSEDA, FEMSEDA, Addis Ababa City Administration, LIDI, have already involved in the on-going project and started to strengthen the linkages with the MSEs' networks in order to provide them with the necessary assistance (premises, networks, trainings, etc…). Ad hoc trainings and direct visits to mature MSEs districts (success cases in Italy) have been organized, implemented and followed up, but further support is requested.

Within the MSEs' networks, an internal restructure is currently on-going for reinforcing the internal organization and the external capacity to work in synergy with the local institutions and the private sector. In this context, ad hoc governance body at different levels have been established and supported in order to provide MSEs with the necessary capacities to enhance their development. Within the selected areas, the establishment of internal networks and associations has to continue in order to facilitate common activities and joint initiatives. All the activities, such as the establishment of sectorial associations, implementation of the action plans, transferring of knowledge and experience in the establishment of horizontal and vertical linkages (networks) as well as the facilitation of common initiatives between the members, necessitate of a continuous support, especially at this starting level. In this context, UNIDO project team is working closely with the network members and local institutions, improving their capacity to follow a clear and strategic action plan and to jointly work for its implementation. In collaboration with local institutions, market access initiatives have been performed (i.e. BTB meetings, participation in the All African Leather Fair, linkages with Regional Market) and linkages between the networks and the local medium and large enterprises have been established in order to facilitate raw material purchasing and sub-contracts.

Ad hoc initiatives on networking methodology have been implemented for the identified networks. Joint initiatives have been facilitated and started such as: joint purchasing of raw materials, tenders participation, joint manufacturing and selling.

<u>Rehabilitation of the clusters working premises and technology upgrading</u>

The production processes require a certain number of machineries and technologies, especially in the footwear sector. The productivity and efficiency of the shoes enterprises as well as the quality of their final products are also depending on the following issues: the availability of machineries and skilled labor forces; the level of the technology deployed on the production process.

The main equipment available in the footwear operators is including: sewing machines, mechanical presses, grinders, skiving machines, heating machines, cutting machine, compressor, shoe lasts and hand tools. However, the micro operators don't use a full range of the specified machineries to produce the footwear products. The technology used by the MSEs is obsolete: it is backward technology which is less productive and requires high maintenance costs. The technology needs serious attention by all stakeholders to be substituted by advanced/modern technology, so to improve the products' quality and competitive capacity. Moreover, ad hoc capacities building activities have to be continuously provided to the MSEs' networks, in order to improve their current limited knowledge on how to use modern technology.

Joint financing initiatives for machineries purchasing are currently on-going among the MSEs' networks. Furthermore, the project is reinforcing the linkages with local institutions such as LIDI, TVETs, REMSEDA and local leasing companies, for supporting the transfer of adequate technology. Ad hoc visits to local and international factories have been performed in order to expose MSEs' networks members and institutions to concrete success cases. Moreover, a pilot production line for common use will be created in the following months within one of the selected areas.

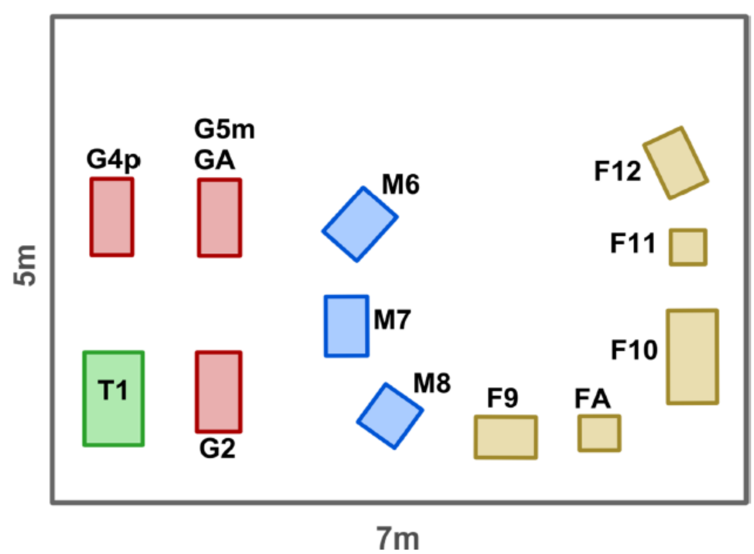
Thanks to the present project, pilot production lines, for footwear and leather goods production, will be established within the MSEs common premises. These lines will facilitate building of capacities and transfer of technology to the clusters members and will be used also for common purposes for increasing products quality and quantity, improving income and jobs generation for MSMEs active in the clusters.

The main aim of the initiative is to enhance technology and manufacturing of micro-enterprises and small family-run footwear workshops, through the introduction of basic mechanization plants to allow quantity and quality improvements and products diversification (see figure below). The secondary aim is to reinforce the vertical integration of production processes directly involving clusters' actors, commodities and raw materials locally available. In particular, the installation of the mechanized plants, with innovative equipment, simple and cheap, for the handicraft production of footwear with an average production capacity (up to about 150 pairs per day for the lasting department) represents the competitive key to achieve the project targets. The initiative intends to supply all the necessary machineries and equipment for the production lines, installation, models and samples, technical sheet, training material and technical trainings[6]. Finally, during the on-going project and following the indication of the project donor, some activities for improving the living conditions of the workers in their working premises have been performed. In this context, a support in terms of rehabilitation of clusters workshops, including ventilation systems, is required. Sustainable working premises and innovative technology will facilitate the cluster approach implementation as well as the inclusion of additional members in the clusters and will create a pilot cluster model to be easily replicated by the local Institutions.

It is worth mentioning that, following the ongoing project implementation methodology, the activities related with the rehabilitation of the workshops as well as with the establishment of pilot processing lines, will be developed in cost-sharing arrangements with the clusters' management as well as with the clusters' members and with the close involvement of the local Institutions. This approach will ensure the project's sustainability and the full ownership of the project's beneficiaries as well as of the local Institutions.

Shoe manufacturing equipment for a pilot processing line

STAT.	EQUIPMENTS	Q.TY
T1	Table for the manual cutting	1
G2	Skiving	1
G4p	Flat-bed sewing	1
GA	Table	1
G5m	Manual punching	1
M6	Upper steaming	1
M7	Sole «reversed» stitching	1
M8	Pneumatic clamp	1
F9	Last aluminum ironing	1
FA	Lasting jack	1
F10	Oven	1
F11	Last puller	1
F12	Brushing	1



[6] The lasting – finishing part, the «heart» of the line, has a daily capacity of 150 pairs. A subsequent increasing of the production will require less investment in technology (sewing machines) and more manpower on the closing and cutting parts.

Capacity up-grading programme

The MSEs have been operating in the footwear and leather products sectors for decades with slight improvement in skills, technologies, innovations and minimum support services from the local government and civil societies. The MSEs manufacturers have the capability to design, fit and assemble footwear and leather products. Both the owners and employees have basic manufacturing skills acquired through learning-by-doing over the years. Only few employees have acquired skills from formal training institutions such as the Leather and Leather Industries Development Institute (LIDI). The manufacturers lack the skills of resources arrangement and management within the manufacturing premises. Also at managerial level, trainings on entrepreneurship, leadership, marketing, finance and networking development have to be continuously provided. Ad hoc linkages between MSEs networks and local training institutions (LIDI, TVET, Entrepreneurship development center, etc..) have to be established and reinforced, and trainings provided, following ad hoc training programs (improving production capacity, products design and quality, etc…), as stated by the validated action plans.

Capacity building initiatives have to be continuously performed and followed up for supporting institutions, in order to assure the correct project sustainability. Moreover, the present project is needed for reinforcing linkages between training institutions and MSEs networks as well as for transferring UNIDO MSEs' networks development methodology to the local institutions, in order to assure project's sustainability.

New markets creation, business promotion

The output marketing of the MSEs is still limited. Facilitation of market linkages both at internal and international levels have to be provided and supported. Currently all the marketing initiatives, strategies and opportunities within the MSEs' networks are fragmented and it are mainly dominated by wholesalers and retailers. Wholesalers, who play a dominant role in the footwear products marketing, are not involved in the marketing of leather goods due to the less daily volume of production. The base of the competition both for local and export markets depends on the ability to accede to market information as well as to the ability to produce good quality products with good design and at lower prices.

Suitable marketing initiatives have to continue to be conducted in synergy with local and regional institutions, in order to increase the visibility of the manufacturing networks and promoting access to markets, such as: participation in local and international fairs and exhibitions, establish common show rooms, organize BtoB meetings, establish sub-contracting initiatives with medium and large companies, etc. Some of these initiatives already started within the on-going project, but the present project is needed for continuing the assistance aimed at increasing market access for the identified networks and improving the demand of footwear and leather products.

Establishing and supporting a MSEs' networks Governance body

As stated by the Diagnostic study (performed by the on-going project and validated by all the stakeholders involved) the MSEs' networks governance bodies have to be established and supported. In this context, it is fundamental to involve all the most relevant stakeholders (at private and institutional levels) in the strategies (action plans implementation), in order to assure a continuous exchange of information as well as the project's sustainability. At city and national level, a governance bodies have been crated, in order to facilitate linkages between MSEs' networks members and supporting institutions – the CTC. The present project is requested in order to continue in providing the Institutions with the necessary technical assistance.

Support access to loans and linkages with Financial Institutions

The major source of finance of the MSEs' networks members is represented by their own capital. Micro enterprises do not have access to bank loans, demonstrating that they are un-bankable or not aware about financial schemes availability. However there are strong needs to access to loans facilities, especially for financing product diversifications, expanding manufacturing capacity, purchasing of important machineries and equipment, for product's quality up-grading, sales promotion and development of new product lines. The manufacturer's linkages with national financial institutions are very weak and need to be facilitated and supported by the present project. The on-going project started sharing the necessary information among the MSEs' networks concerning credit opportunities; moreover the project is facilitating the contacts between MSEs' networks and micro finance institutions. Considering that the MSEs' networks are still at their initial stage, the present project is needed for continuing to facilitate these linkages and for supporting the small production units to become bankable through the establishment of networks between themselves.

Support gender focused groups

According to the studies performed by the on-going project (a gender analysis has been performed), women who are engaged in the production of leather products exceeds in number than women who are involved in footwear production. Based on the information gathered, it is clear that women and men entrepreneurs involved in the leather sector do not operate their business in the same manner, do not have the same opportunities and do not face the same challenges. Challenges regarding financial incapacity, unavailability of modern machineries, inaccessibility of sustainable markets, unavailability of production premises, poor quality of raw materials and accessories, limited skilled workers etc… represent serious and frequent challenges for women.

As a consequence the project will continue to implement the action plan for developing mature MSEs' networks having a specific attention for the gender issue and implementing specific activities for supporting women entrepreneurs involved in the leather sector (it is worth mentioning that Kirkos network is composed 100% by women). The following actions will be taken in consideration during the implementation phase:

- Facilitating their organization in networks.
- Facilitating the acquisition of loans.
- Facilitating the opportunity of training for women entrepreneurs both at productive and entrepreneurship levels.
- Facilitating the establishment of a common production place.
- Facilitating them on the acquisition of proper machineries.
- Facilitating joint initiatives (joint purchasing, participation in tenders, participation in exhibitions, etc…)

It is worth mentioning that a women network has been created and is operating within Kirkos area[7]. The network has been fully supported in providing trainings (entrepreneurship development, networking development, design) as well as in supporting forward linkages through participation in exhibition (i.e. All African Leather Fair) and subcontract activities with a large company operating in Ethiopia. Ad hoc linkages has been created with other initiatives currently implemented in Ethiopia such as with the Women Entrepreneurship Development Programme (World Bank Programme) or NGOs which are providing specific trainings (in collaboration with LIDI) or services to women (Center for Accelerating Women Empowerment and Enat Bank – a local bank that is supporting women financial loans).

The intervention of this project proposal intends to strengthen the women network linkages, providing LOMI[8] association members with the necessary skills for creating a specific collection of leather goods to be promoted locally and abroad.

The following constraints have been identified during the project implementation, which represent bottlenecks for producing good quality and fashionable products able to be inserted in the international markets:

- lack of innovation;
- use of traditional trade systems;
- lack of training in craft techniques;
- limited experience in design development;
- limited knowledge in promoting the products.

With this objective, the project intends to create a "Creative Craft Hub" for supporting the identified women working in the leather products sector (e.g. LOMI members) as well as the local supporting institutions in creating specific collections to be promoted locally and abroad.

A "Creative Craft Hub" is a platform that offers services and spaces to the crafts producers, in order to diffuse craft knowledge and culture and improve creativity. It includes working by-doing experiences and trainings, besides activities as mentoring and incubation, lectures, conferences, exhibitions and special events. The "Creative Craft Hub" will be suitable platform for LOMI members and entrepreneurs in general (especially women) who are starting or developing business in the creative leather industry. It offers to creative enterprises and entrepreneurs support which helps them to develop entrepreneurship, encourage internationalization, and promote sales activity on foreign markets.

Creative entrepreneurs become more visible for customers and other important target groups and it also helps creative people in improving their capability to understand business and the prerequisites for conducting business. The Creative Crafts Hub should offer all the conditions to enable entrepreneurs to develop and grow successfully. In a country known for its rich and unique cultural heritage, the Ethiopian leather products and creative industries are considered to be a sustainable source of income for a large

[7] *A Success story has been also published on the UNIDO official Web page http://www.unido.org/news/press/women-leather-produc.html - "Women leather product entrepreneurs in Ethiopia benefit from UNIDO support".*

[8] LOMI association has been created by the on-going project and it counts of 10 women entrepreneurs' active in the leather products sector. www.lomileather.com

percentage of the Ethiopia labor force, with a special reference to women entrepreneurs. In addition, this industry requires small capital investments and provides high value added.

Within this context, the Creative Crafts Hub aims to integrate the Creative groups active in the clusters into the national and international supply chains of the leather products, through increasing the competitiveness and market penetration opportunities. The hub will be at the same time a:

- A common facility center
- A technical training center
- A business incubator
- A social enterprise community center
- An innovation lab
- A platform where to exchange collaborations/opportunities
- A facilitator for direct market linkage access

The initiative intends to create a unique ecosystem of resources, inspiration, and collaboration opportunities to grow new ideas, business opportunities and creative networking. The diverse communities will inspire, connect, and enable the Ethiopian creative people to develop their best work in every step of the way. The hub will be a point of reference not only for inspiration and creation of new collections, but also for preparing the participation in exhibitions (locally and abroad), setting up the dedicated shop for selling leather products items, organizing relative workshops and conferences and facilitating the establishment of business linkages with local and foreign markets. The hub will use a holistic approach, providing the beneficiaries with all the strategic capacities for improving their business, as briefly presented in the figure here below.

<u>Support the GoE in creating new cluster areas for MSMEs development</u>

As requested by the Addis Ababa City Administration (official letter sent the 26 May 2015 to UNIDO) and the GoE, the preparation of a feasibility study for the creation of new cluster areas for the development of MSMEs active on footwear and leather goods is required. This study will provide the local Institutions with the necessary architectural design for building inclusive and sustainable cluster areas, taking in due consideration environmental and social aspects as well as the specific needs of the MSMEs active in footwear and leather products sectors. It is extremely important to provide MSMEs with proper working areas and facilities, in order to support their development as well as forward and backward linkages both with public and private sectors. The idea of developing "clusters in the city" (clusters of MSMEs linked with local society and stakeholders) was presented to the Ethiopian responsible Authorities during the on-going project and it was well perceived. As a follow up, it has been requested to UNIDO to perform all the necessary studies (architectural and socio-economic) for providing the city Administration of Addis Ababa with the necessary plans for developing the first leather cluster of MSMEs.

C.2.3 Project management

The Project Coordination Unit (PCU) has already been established by the on-going project TE/ETH/08/008 and it is expected to coordinate also this present project. The PCU is composed by:

- JPTA (36 w/m)
- NPC in charge of coordination and administration
- CDAS (5)
- GENDER EXPERT
- M&E EXPERT
- 2 DRIVERS
- ADMIN AND FINANCIAL

International and national consultants will be recruited on the basis of short-term contracts to address specific tasks. The PCU will work closely and in full coordination with the National Project Manager (NPM). The PCU will be responsible for the overall day-to-day coordination and supervision of field activities and will establish a good working relationship between the project, the beneficiaries, the counterparts and other on-going projects and programmes.

It is important to mention that the PCU will be mainly composed by local personnel, in order to assure project's sustainability (trust building with project beneficiaries is increased) and to improve local capacities.

The PCU, in addition, will ensure an effective day-today monitoring of all project activities. At Project start-up, also a Project Steering Committee (PSC) will be established with the task of decision-making, supervision and general guidance.

In particular, the main functions and responsibilities of the PSC will be to: a) Provide the Project with strategic direction in terms of implementation of project activities. b) Ensure the effective coordination and cooperation between all involved stakeholders. c) Review and approve, at the end of the Inception Phase, the documents containing the reviewed version of the Project and the relevant Action Plan, prepared by the PCU. d) Monitor the progress of project activities towards achieving the planned outputs. e) Review and approve the annual work plans prepared by the PCU. Members of the PSC will be representatives of the counterparts involved. During the PSC's meetings can be invited to attend, but shall not be entitled to cast a vote, representatives of associations of the sectors and of the unions. Normally, the PSC will hold bi-annual meetings but an emergency meeting can be held at any moment whenever deemed necessary. The PCU shall serve as the secretariat of the PSC.

C.3. Thematic area and code

- Results Based Management (RBM) code: EC13
- UNIDO thematic code: PRP

C.4. Impact

Developing mature organized MSEs' networks increases the income of the small production units as well as the quality and the quality of their products. This will be positive effect also on their ability to take advantage of the economy of scale as well as to access to the services provided by the local institutions. With reference to the Institutions, they will be able to provide ad hoc services to the MSEs networks and to work in a coordinate manner.

C.4.1 Expected outcome

In synergy with the local Institutions, MSEs working on footwear and leather products are organized in networks taking advantage of the joint activities and economy economies of scale.

C.4.2 Outputs and Activities

A comprehensive Log-Frame of the project can be found in Annex I. The main output expected from this project is:

1. Sustainable and formally structured MSEs' networks in the field of leather products are established.

The following activities will be implemented and a particular attention will be given to the gender issue:

1. Establishing and Strengthening of Networks among Producers

1.1 Establishing and strengthening shoes and leather products producers' sectorial association (with an attention to support target groups disaggregated by sex).
1.2 Support the local Institutions and networks in implementing the strategic action plan
1.3 Organizing workshops on networking methodology and experiences
1.4 Establishing and strengthening of networks
1.5 Facilitate the establishment of networks for common marketing, joint-purchasing raw materials, and linkages with medium companies etc.

2. Strengthen Backward Linkage

2.1 Organize workshops for fostering direct linkage among small enterprises with tanneries, shoes sole producers and component importers and distributors
2.2 Facilitate joint and bulk purchasing of raw materials

3. Technology Upgrading

3.1 Link operators with machinery leasing company

3.2 Organize technology exposure visit in LIDI and other big shoes industries

3.3 Support the purchase of common machineries for improving the quality and quantity of footwear and leather products

3.4 Set up pilot production lines within the clusters and facilitate technology transfer and building of capacities

3.4.1 Assessment in clusters and definition and selection of footwear models

3.4.2 Acquisition and installation of the machineries

3.4.3 Supplying of models and semi-finished materials (lasts, uppers, soles, accessories)

3.4.4 Trainings on upper and lasting

3.5 Rehabilitate workshops within the clusters

4. Capacity Building conducted

4.1 Skills capacity building

4.1.1 Design and pattern development

4.1.2 Upper and insole preparation, cutting and stitching

4.1.3 Lasting and sole attaching techniques

4.1.4 Materials wastage reduction and quality and productivity improvement

4.2 Business management training

4.2.1 Entrepreneurship

4.2.2 Leadership

4.2.3 Marketing

4.2.4 Finance and product costing

5. Forward Linkage, creation of new markets and promotion both locally and abroad implemented

5.1 Conduct market study on the major cities of the country and COMESA countries

5.2 Participation of exhibition and trade fairs at local, regional or international level

5.3 Develop brochures and promotional material

5.4 Develop trade market products

5.5Facilitation for establishing common showroom and sales premises

5.6 Facilitating sub-contracting arrangement with the medium and large shoes manufacturers working on footwear and leather products

5.7 Organizing buyers- sellers meetings

5.8 Facilitate business linkages

6. Capacity-Building for supporting institutions on UNIDO CDP and networking methodology and experiences provided

6.1 Organize workshop for leaders

6.2 Organize training to experts and extension workers

6.3 Assess the lacks of strategic supporting institutions (e.g. LIDI, Addis Ababa Capital Goods – National leasing company, etc...) and provide them with tailored trainings

6.4 Conduct a feasibility study for the creation of a new cluster area for the development of MSMEs active on footwear and leather goods sectors

6.5 Organize a presentation of the feasibility study for the establishment of new cluster areas in order to facilitate their implementation

7. Access to loans and manufacturing premises created

7.1 Organize workshop between producers and financial institutions

7.2 Facilitate access for finance through innovative financial tools

7.4 Facilitate the allocation of appropriate working premises by the local government/institutions to the MSEs

8. Establishment of a creative craft hub

8.1 Conduct diagnostic study and formulate work plan

8.2 Establish stakeholder network and destination steward

8.3 Assess leather products demand and open new markets

8.4 Support women entrepreneurs in develop fashion and design

8.5 Develop a specific collection for LOMI, in synergy with its members as well as involving the local supporting institutions

8.6 develop and communicate LOMI brand

8.7 create/upgrade tailored business models (eco/religious/historic)

8.8 promote LOMI activities/business models

9. M&E

9.1 Set up a monitoring and evaluation mechanism to be implemented throughout the project

9.2 Baseline data collection

9.3 Mid-term and end-of project evaluation

C.5. Risks

A Risk Management Matrix can be found in Annex 5. The Government of Ethiopia and all the institutions involve in the on-going project have shown a full commitment to continue the implementation of the activities of the action plans, with the UNIDO technical support, aimed at develop mature and organized networks of MSEs. It is however expected that some delays may be registered during the implementation of the project mainly due to the national bureaucracy and regulations.

C.6. Sustainability

The project approach is needs-based and sustainability will be insured by integrating the technical assistance into the institutional local framework and by maximizing the MSEs active on footwear and leather products to benefit from value chain development and networks organization. The on-going project has already created an innovative development strategy and action plans, taking into account local knowledge as well as institutional structures and support systems. In this context, it is worth mentioning that the action plans have already been approved and validated by all the involved stakeholders and the implementation has already started. In order to fully implement the action plan the present project initiative is necessary and requested by the local institutions and GoE. The project will make sure to maximize the benefits for the involved beneficiaries, continuing to involve the local institutions. Furthermore, local institutions have already been organized in technical groups (at national, city and sub-city levels), in order to organize their activities and to provide ad hoc services (in a co-ordinated manner) for MSEs development. Moreover the project will improve the entrepreneurship capacity of the MSEs (project's beneficiaries) and will involve the local private sector by linking their business with the organized networks of MSEs. Furthermore, the project will be bridged with the on-going initiatives developed by other national and international organizations aimed at supporting MSEs, entrepreneurship and gender empowerment development.

The project will contribute to environmental sustainability through increasing the awareness of waste management related with the leather and leather products industry.

C.7 Gender Mainstreaming

The main objective of this project is to increase the competitiveness and turnover of the Ethiopian MSEs working on leather footwear and products industry through the implementation of the action plans produced by the on-going project. This will result in continuing to provide the selected MSEs' networks[9] and the regions with the necessary assistance in implementing the action plans prepared as well as to upgrade local capacities (both at institutional and private sector levels) for improving the local leather MSEs capacities.

A particular attention has been given to the gender issue since the project's starting[10]. A local gender analyst, who was working for a local NGO that provides supporting services to women, has been recruited in the on-going project and a specific network of women entrepreneurs (working on leather products) has been established. It is worth mentioning that also a Gender analysis has been performed during the diagnostic phase of the on-going project and ad hoc activities have been performed.

Moreover, the gender expert will seek to ensure balanced access and participation of women and men in project activities, with particular attention to capacity building and related support activities to the women network. To this end, the gender expert will develop specific actions to ensure gender balance and activities taking into consideration special needs of women working on the leather products sector.
All the project's activities are equally provided to women and men, but a particular attention has been reserved to the women. In particular, the women network is fully supported in providing trainings (entrepreneurship, leather products crafting development, design) as well as in supporting forward linkages through participation in exhibition (i.e. All African Leather Fair) and subcontract activities. Ad hoc linkages has been created with other initiatives currently implemented in Ethiopia such as with the Women Entrepreneurship Development Programme (World Bank Programme) or NGOs which are

[9] *Kirkos MSEs' networks are composed 100% by women.*

[10] *A Success story has been also published on the UNIDO official Web page http://www.unido.org/news/press/women-leather-produc.html - "Women leather product entrepreneurs in Ethiopia benefit from UNIDO support". It is also worth mentioning that the current JPTC already demonstrated, during the ongoing project, to be sensitized to the gender issue has already accomplished some of the training courses available on https://trainingcentre.unwomen.org.*

providing specific trainings (in collaboration with LIDI) or services to women (Center for Accelerating Women Empowerment and ENAT Bank – a local bank that is supporting women financial loans). All these initiatives will be reinforced and upgraded with this project proposal.

Regarding project staff, gender balance in the recruitment of project management and staff will be emphasized, and efforts will be made to ensure that recruited staff either has existing knowledge on integrating a gender perspective or their capacity will be built in this area, or will be trained (e. g. I Know Gender Course on UN Women's eLearning Campus: https://trainingcentre.unwomen.org).

D. BUDGET

D.1 Counterpart inputs

All the involved local institutions will provide relevant inputs (as they are currently doing for the on-going project) for the action plans implementation. In example, LIDI is providing all the necessary facilities for the Project Office and all its departments are involved in the project implementation. The TVETs and other technical institutions such as the Entrepreneurship Development Center (EDC) are actively contributing in the trainings implementation and they will enhance their support to the present project implementation. Also the Leather Industry Association (ELIA) is providing concrete inputs for supporting the MSEs' networks in acceding to foreign markets, in synergy with the MoI. The Addis Ababa City Administration SMEs Office is actively supporting the current project and they will provide the small production units with the necessary common building, as planned in the action plan. Also in all these cases the support will be enhanced during the implementation of this project proposal.

D.2. UNIDO Inputs

UNIDO will be responsible for:

- Maintaining the project management unit, recruiting national and international experts and consultants required for the project. The project will strive to achieve a gender balanced structure.
- Organizing and implementing all the activities planned in the validated action plan in synergy with the local institutions and with the private sector for assuring project sustainability.
- Providing vehicles required for the project.
- Managing the overall implementation of the project, making sure priority is given to national expertise whenever applicable, insuring the gender balance through the entire project cycle.

D.3 Preliminary Budget

Summary of the estimated budget in € EU:

BL	Description	Unit cost € EU	Units	Total cost
11-00	Junior Project Technical Adviser	7,000	36	252,000
11-00	International Experts	13,500	14	189,000
11-00	International coordinator of the creative hub	13,500	12	162,000
11-00	Evaluation	10,000	3	30,000
15-00	Project travel	15,000	3 (years)	45,000
16-00	UNIDO staff travel	5,000	3 (years)	45,000
16-00	Evaluation			5,000
17-00	Support personnel (Admin.& Log. Assistant)	1,000	36	36,000
17-00	Support personnel (Driver)	600	72	43,200
17-00	National project Coordinator	2,500	36	90,000
17-00	National Experts	1,750	216	378,000
17-00	Evaluation			15,000
21-00[11]	Subcontracts – LIDI*			25,000
21-00	Subcontracts **			265,000
21-00	Subcontracts - Civil construction & Feasibility Study for the Cluster area***			240,000
30-00	Training		3 (years)	480,000
30-00	Fairs, study tour and exhibition			100,000
51-00	Miscellaneous		3 (years)	77,000
TOTAL				2,477,200
Support cost (13% of Subtotal)				322,036
GRAND TOTAL				2,799,236

[11] *This BL will foresee three subcontracts shred as follows:*

1. ** This sub-contract will be given to the Leather Industry Development Institute (LIDI) with the aim at putting at the disposal of the project its training facilities and personnel for facilitating technical trainings implementation.*
2. *** This subcontract refers to the establishment of the shoe manufacturing equipment for the pilot processing line.*
3. **** This subcontract concerns the rehabilitation of the clusters working premises as well as the preparation of the feasibility study for the creation of the new footwear and leather cluster area.*

E. MONITORING, REPORTING AND EVALUATION

E.1. Reporting

The reporting framework is already on place from the on-going project so as the PCU and the PSC. In general, the following reports will be prepared by the PCU and submitted for the PSC consideration:

a) Semi-annual reports. They will be prepared twice a year: no later than 30 calendar days after the end of each six-month period.
b) Final report. It will be prepared once, no later than 45 calendar days after the end of the implementation.

E.2. Monitoring

The performance monitoring will be executed by PCU through the recruitment of a M&E local expert, if necessary with the support of consultants, based on a detailed work plan and the Logical Framework Matrix. Day-to-day technical and financial monitoring will be part of UNIDO responsibilities. The PSC will also be responsible for the overall Project oversight and guidance.

A Project Oversee Committee will be established and will be responsible for the overall program oversight and guidance. The gender expert will support the collection of sex-disaggregated data as well as the regular monitoring and reporting of gender issues and behavioural changes towards greater gender equality.

E.3. Evaluation

The Project will be subject to independent review processes assisted by the UNIDO Evaluation Group. It will include:

- a mid-term review;
- a final evaluation.

The budget allocated for the evaluation activities is €50,000. The conclusions and recommendations of the mid-term review will lead to the follow-up actions to be taken and any corrective action necessary including, if recommended, the reorientation of Project components.

The counterparts and beneficiaries will be informed at least two months in advance of the dates foreseen for the external missions. The counterparts and beneficiaries shall collaborate efficiently and effectively with the monitoring and/or evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities

F. PRIOR OBLIGATIONS AND PREREQUISITES

The specific prior obligations or prerequisites have already been met during the on-going project SAP 101072 TE/ETH/08/008 and will be followed also during the implementation of this project proposal.

G. LEGAL CONTEXT

The Government of the Federal Democratic Republic of Ethiopia agrees to apply to the present project, mutatis mutandis, the provisions of the Standard Basic Assistance Agreement between the United Nations Development Programme and the Government, signed on 26 February 1981 and entered into force on 5 November 1984.

Annex 1. Logical Framework

OBJECTIVE, OUTCOMES, OUTPUTS, ACTIVITIES	INDICATORS	MEANS OF VERIFICATION
DEVELOPMENT GOAL		
Contributing to achieve the goals to the Growth and Transformation Plan (GTP) through the development of the Ethiopian Leather Industry.		
Objective		
To increase the competitiveness and turnover of the Ethiopian MSEs working on leather products industry (footwear and other leather products)	• #of jobs created (full-time, part-time, seasonal or jobs on 'ad-hoc demand') • # increased jobs with a special attention to special target groups including youth, women and people with disabilities, disaggregated by sex • income level of the target groups, disaggregated by sex (increased) • % increase of products sold in the internal market • % increase of products exported • volume of production, disaggregated by sex • % decrease in unit cost of production • % increase of profit margin per unit	• Baseline study, project monitoring and evaluation reports; • National and city statistics.
Outcome		
In synergy with the local Institutions, MSEs working on footwear and leather products are organized in networks taking advantage of the joint activities and economies of scale.	• # of MSEs (% of women involved) involved in the project • # of workers involved in the project • value, number and participants of systematic joint operations activated • value of joint orders successfully finalized • unit cost of raw material	• Activity reports • Final evaluation • Networks assisted; • Enterprises and networks regularly registered in the country; • Baseline study and number of SMEs involved
Output 1.		
Sustainable and formally structured MSEs' networks in the field of leather products are established.	• Status of the implementation of the Action plan • Average return on assets (ROA) • # of networks recognised/licensed by the competent authorities. • % of the women and youth involved.	• Baseline data • Progress Report • Final report;
Activities		
1. Establishing and Strengthening of Networks among producers	• # of MSEs' networks and sub-networks created and supported • % of the women and youth involved	• Activity Report • Progress Report

1.1 Establishing and strengthening shoes and leather products producers' sectorial association (with an attention to support target groups disaggregated by sex). 1.2 Support the local Institution and networks in implementing the strategic action plan 1.3 Organizing workshops on networking methodology and experiences 1.4 Establishing and strengthening of networks 1.5 Facilitate the establishment of networks for common marketing, joint purchasing raw materials, linkages with medium companies, etc..	• # of MSEs' networks and Institutions supported and organized • # of capacity building initiatives performed both for institutions and private sector, concerning networking methodology and providing of support services • # of MSEs' networks created and supported • # of meetings and services provided by the local technical committee • # of joint initiatives started among the project beneficiaries.	• Final Report • Final Evaluation; • Newsletters; • Baseline data; • Feasibility Study for the new cluster area • Project visibility.
2. Strengthen Backward Linkages 2.1 Organize workshops for fostering direct linkages between small enterprises and tanneries, shoes sole producers and component importers and distributors, etc... 2.2 Facilitate joint and bulk purchasing of raw materials.	• # of training/workshops/visits performed for fostering direct linkages • # of backward and forward linkages established.	
3. Technology Upgrading 3.1 Link operators with machinery leasing company 3.2 Organize technology exposure visits in LIDI and other big shoes industries 3.3 Support the purchase of common machineries for improving the quality and quantity of footwear and leather products 3.4 Set up pilot production lines within the clusters and facilitate technology transfer and building of capacities 3.4.1 Assessment in clusters and definition and selection of footwear models 3.4.2 Acquisition and installation of the machineries 3.4.3 Supplying of models and semi-finished materials (lasts, uppers, soles, accessories) 3.4.4 Trainings on upper and lasting 3.5 Rehabilitate workshops within the clusters	• # of activities for increasing access to technology initiatives performed • # of machineries requested by the MSEs to the leasing companies • # of meetings and initiatives for facilitating technology access and upgrading performed • # of visits performed both for the private and public sector • # of stakeholders involved in the strategic visits • • # of pilot processing lines installed and training performed • # of workshops rehabilitated	
4. Capacity Building conducted	• # of capacity building initiatives performed both for institutions and private	

4.1 Skills capacity building 4.1.1 Design and pattern development 4.1.2 Upper and insole preparation, cutting and stitching 4.1.3 Lasting and sole attaching techniques 4.1.4 Materials wastage reduction and quality and productivity improvement 4.2 Business management training 4.2.1 Entrepreneurship 4.2.2 Leadership 4.2.3 Marketing 4.2.4 Finance and product costing	sector • # of initiatives developed in synergy with the local institutions (sustainability) • % of the women and youth involved in trainings/capacity building initiatives. • # of capacity building initiatives performed both for institutions and private sector • % of the women and youth involved.	
5. Forward Linkages, creation of new markets and Promotion both locally and abroad implemented 5.1 Conduct market study on the major cities of the country and COMESA countries 5.2 Participation of exhibition and trade fairs at local, regional or international level 5.3 Develop brochures and promotional material 5.4 Develop trade market products 5.5Facilitation for establishing common showroom and sales premises 5.6 Facilitating sub-contracting arrangement with the medium and large local enterprises working on footwear and leather products. 5.7 Organizing buyers- sellers meetings. 5.8 Facilitate business linkages	• # of products quantity and quality level upgrading • # of collections, marketing and business promotion performed • # of market linkages established both at internal and external levels • # of study tour performed and participation in expositions/fairs • # of products sold • # of forward linkages activities performed • # of initiatives facilitating women networks • % of the women and youth involved.	
6. Capacity-Building for supporting institutions on UNIDO CDP and networking methodology and experiences provided 6.1 Organize workshop for leaders 6.2 Organize training to experts and extension workers 6.3 Assess the lacks of strategic supporting institutions (e.g. LIDI, Addis Ababa Capital Goods – National leasing company, etc..) and provide them with tailored trainings 6.4 Conduct a feasibility study for the creation of a new cluster area for the development of MSMEs active on footwear and leather goods sectors. 6.5 Organize a presentation of the feasibility study for the establishment of new cluster areas in order to facilitate their implementation	• # of capacity building initiatives performed both for institutions and private sector • % of the women and youth involved. • # of ToT (trainings of trainers) performed • The feasibility study for the creation of the new cluster area is prepared and presented	
7. Access to finance and manufacturing premises created	• # of activities for increasing access to finance performed.	

7.1 Organize workshop between producers and financial institutions 7.2 Facilitate access for finance through innovative financial tools 7.3 Facilitate the allocation of appropriate working premises by the local government/institutions to the MSEs	• % of the women and youth involved. • # of collaborations established with other national and international development partners • % of finance collected. • # of success cases collected of access to finance for facilitating replication, upgrading and promotion. • # of innovative initiatives scouted and implemented for the facilitating access to finance and MSEs' bankability.	
8.Establishment of a creative craft hub	• # of trainings performed • # of new products developed • # of business linkages established for LOMI members • # of entrepreneurs (women and youth) involved in the initiative • # of participation in promotional events • # of promotional activities performed	
8.1 Conduct diagnostic study and formulate work plan 8.2 Establish stakeholder network and destination steward 8.3 Assess leather products demand and open new markets 8.4 Support women entrepreneurs in develop fashion and design 8.5 Develop a specific collection for LOMI, in synergy with its members as well as involving the local supporting institutions 8.6 develop and communicate LOMI brand 8.7 create/upgrade tailored business models (eco/religious/historic) 8.8 promote LOMI activities/business models		
9. M&E		
9.1 Set up a monitoring and evaluation mechanism to be implemented throughout the project 9.2 Baseline data collection 9.3 Mid-term and end-of project evaluation	• # of baseline data collected	

Annex 2. Detailed Budget

ANNEX 1 - PROJECT BUDGET	UNIDO budget lines													
Components	**11-00 Int'l experts**	**11-00 w/m**	**total 11**	**1300/1700 support staff**	**15-00 project staff travel**	**16-00 UNIDO staff travel**	**17-00 Local experts**	**17-00 w/m**	**total 17**	**21-00 Sub-contracts**	**30-00 Training**	**45-00 Equipment**	**51-00 Miscellaneous**	**TOTAL**
Sustainable and formally structured MSEs' networks in the field of leather products are established.	7,000	36	252,000	79,200	45,000	45,000							77,000	498,200
1. Establishing and Strengthening of Networks among producers							1,750	36	63,000					63,000
1.1 Establishing and strengthening shoes and leather products producers' sectorial association (with an attention to support target groups disaggregated by sex).														
1.2 Support the local Institution and networks in implementing the strategic action plan														
1.3 Organizing workshops on networking methodology and experiences											20,000			20,000
1.4 Establishing and strengthening of networks														
1.5 Facilitate the establishment of networks for common marketing, joint purchasing raw materials, linkages with medium companies, etc…														
2. Strengthen Backward Linkages							1,750	36	63,000					63,000
2.1 Organize workshops for fostering direct linkages between small enterprises and tanneries, shoes sole producers and component importers and distributors, etc…											20,000			20,000
2.2 Facilitate joint and bulk purchasing of raw materials.														
3. Technology Upgrading	13,500	1	13,500							265,000				278,500

3.1 Link operators with machinery leasing company														
3.2 Organize technology exposure visits in LIDI and other big shoes industries											3,000			3,000
3.3 Support the purchase of common machineries for improving the quality and quantity of footwear and leather products														
3.4 Set up pilot production lines within the clusters and facilitate technology transfer and building of capacities 3.4.1 Assessment in clusters and definition and selection of footwear models 3.4.2 Acquisition and installation of the machineries 3.4.3 Supplying of models and semi-finished materials (lasts, uppers, soles, accessories) 3.4.4 Trainings on upper and lasting														
3.5 Rehabilitate workshops within the clusters										170,000				170,000
4. Capacity Building conducted	13,500	6	81,000				1,750	36	63,000		270,000			414,000
4.1 Skills capacity building 4.1.1 Design and pattern development 4.1.2 Upper and insole preparation, cutting and stitching 4.1.3 Lasting and sole attaching techniques 4.1.4 Materials wastage reduction and quality and productivity improvement										25,000				25,000
4.2 Business management training 4.2.1 Entrepreneurship 4.2.2 Leadership														

4.2.3 Marketing 4.2.4 Finance and product costing														
5. Forward Linkages, creation of new markets and Promotion both locally and abroad implemented							1,750	36	63,000					63,000
5.1 Conduct market study on the major cities of the country and COMESA countries											25,000			25,000
5.2 Participation of exhibition and trade fairs at local, regional or international level											100,000			100,000
5.3 Develop brochures and promotional material											10,000			10,000
5.4 Develop trade market products														
5.5Facilitation for establishing common showroom and sales premises														
5.6 Facilitating sub-contracting arrangement with the medium and large local enterprises working on footwear and leather products.														
5.7 Organizing buyers- sellers meetings.											15,000			15,000
5.8 Facilitate business linkages														
6. Capacity-Building for supporting institutions on UNIDO CDP and networking methodology and experiences provided	13,500	3	40,500				1,750	36	63,000		30,000			133,500
6.1 Organize workshop for leaders														
6.2 Organize training to experts and extension workers														
6.3 Assess the lacks of strategic supporting institutions (e.g. LIDI, Addis Ababa Capital Goods – National leasing company, etc..) and provide them with tailored trainings														
6.4 Conduct a feasibility study for the creation of a new cluster area for the										70,000				70,000

development of MSMEs active on footwear and leather goods sectors.														
6.5 Organize a presentation of the feasibility study for the establishment of new cluster areas in order to facilitate their implementation														
7. Access to finance and manufacturing premises created	13,500	2	27,000				1,750	36	63,000		30,000			120,000
7.1 Organize workshop between producers and financial institutions														
7.2 Facilitate access for finance through innovative financial tools														
7.3 Facilitate the allocation of appropriate working premises by the local government/institutions to the MSEs														
8. Establishment of a creative craft hub	13,500	36	162,000				2,500	36	90,000		57,000			309,000
8.1 Conduct diagnostic study and formulate work plan														
8.2 Establish stakeholder network and destination steward														
8.3 Assess leather products demand and open new markets														
8.4 Support women entrepreneurs in develop fashion and design														
8.5 Develop a specific collection for LOMI, in synergy with its members as well as involving the local supporting institutions	13,500	2	27,000											27,000
8.6 develop and communicate LOMI brand														
8.7 create/upgrade tailored business models (eco/religious/historic)														

8.8 promote LOMI activities/business models														
9. M&E	10,000	3	30,000			5,000			15,000					50,000
9.1 Set up a monitoring and evaluation mechanism to be implemented throughout the project														
9.2 Baseline data collection														
9.3 Mid-term and end-of project evaluation														
TOTAL														**2,477,200**
13% Project Support Costs														**322,036**
GRAND TOTAL														**2,799,236**

Annex 3. Action Plans developed by the on-going project and validated by the GoE

1. *Ad hoc Action Plan for EIFCCOS network*

Major Activities	Responsible Institution
Establish two levels of governance structure	MOI, LIDI &UNIDO
Undertake NSC regular meetings	MOI, LIDI, UNIDO
Undertake CSC regular meetings	MOI, LIDI, UNIDO
Establish strong linkages between MSEs' networks and institutional stakeholders	All stakeholders
Avoid management problems of the MSEs' networks	EIFCCOS, & CPA
Clear membership status of the MSEs' networks enterprises	EIFCCOS & CPA
Provide networking education to the involve actors	UNIDO
Improve product quality of the MSEs products	EIFCCOS, LIDI, UNIDO, TVET
Ensure Access to Market	
Establish direct linkages with regional and zonal traders	LIDI, MOI, UNIDO
Participate in trade fairs, bazaars in major cities	FEMSIDA, REMSIDA, UNIDO
Facilitate the establishment of common product distribution centers in the central market	REMSIDA, EIFCCOS, UNIDO
Undertake trade mission to Kenya, Tanzania, Uganda and South Sudan	MOI, LIDI, UNIDO & COMESA
Facilitate sub-contracting with M&L shoes factories	LIDI & UNIDO
Ensure Access to Finance	MFI, CBE, DBE
Provide financial education for enterprises	Addis MFI
Promote joint financing activities	EIFCCOS, UNIDO
Link to Addis MFI, BDE, CBE	EIFCCOS, MOI, LIDI, UNIDO
Search for possibility of credit guaranty fund	EIFCCOS, MOI, LIDI, UNIDO
Ensure access to Raw material supply	
Establish direct linkages with components' importers	UNIDO, & LIDI
Establish direct business linkages with tanneries	UNIDO, LIDI & MOI
Promote joint purchasing of inputs	UNIDO
Ensure Access to technology	
Link manufacturers to Addis Ababa city machinery leasing company	UNIDO
Adopt or provide jointly used machines	Machinery leasing company
Link with technology services providers (LIDI)	LIDI
Capacity Building plan for relevant actors	
Design and pattern development training	UNIDO
How to produce good quality product and a control system	LIDI & UNIDO
Marketing techniques	UNIDO & LIDI
Shoes manufacturing process management	LIDI
How to operative machines/new technology	LIDI
Leadership training	UNIDO, Local Institutions
Monitoring & Evaluation plan	
Monitoring	UNIDO, LIDI, MOI
Evaluation	UNIDO, MOI,LIDI

2. *Ad hoc Action Plan for Merkato MSEs network*

Major Activities	Responsible Institution
Establishing and Strengthening of networks among producers	MOI, UNIDO, LIDI
Establishing shoes producers sectorial association	UNIDO,ELIA,LIDI
Develop a five year strategic action plan of the association	UNIDO, LIDI,COMESA
Organizing workshop on networking methodology and experiences	UNIDO,MSEs office
Establishing and strengthening of networks	UNIDO
Strengthen Backward Linkage	
Organize workshop for fostering direct linkage among small enterprises with tanneries, shoes sole producers and component importers and distributors	UNIDO , LIDI, ELIA
Facilitate joint and bulk purchasing of raw materials	UNIDO,MSE
Technology Up grading	
Link operators with machinery leasing company	UNIDO, MSE
Organize technology exposure visit in LIDI and other big shoes industries	UNIDO,LIDI
Support common machineries for improving the quality of footwear products	UNIDO,LIDI
Capacity upgrading	
Skills capacity building	
Design and pattern development	UNIDO,LIDI
Upper and insole preparation	UNIDO,LIDI
Lasting and sole attaching techniques	UNIDO,LIDI
Materials wastage reduction and quality and productivity improvement	UNIDO,LIDI
Business management training	
Entrepreneurship	UNIDO, FEMSEDA ,EDC
Leadership	UNIDO, FEMSEDA ,EDC
Marketing	UNIDO, FEMSEDA ,EDC
Finance and product costing	UNIDO, FEMSEDA , EDC
Forward Linkage , creation of new markets and Promotion both locally and abroad	
Conduct market study on the major cities of the country and COMESA counties	UNIDO, LIDI,COMECA
Participation of exhibition and trade fairs in local and COMESA countries	UNIDO, LIDI,COMECA

Major Activities	Responsible Institution
Develop brochures	UNIDO, LIDI
Develop Common Brand building	UNIDO,LIDI
Facilitation for establishing common showroom and sales premises	UNIDO,FEMSEDA, MSE
Facilitating sub-contracting arrangement with the Medium and large shoes manufacturers, leather and soles manufacturing industries	UNIDO,LIDI, ELIA
Organizing buyers- sellers meetings	UNIDO,FEMSEDA,LIDI
Capacity building for supporting institutions on UNIDO CDP and networking methodology and experiences	
Organize workshop for leaders	UNIDO
Organize training to experts and extension workers	UNIDO
Create access to loans and manufacturing premises	
Organize workshop between producers and financial institutions	
Facilitate access for finance	UNIDO, MSE office, MFI
	UNIDO, MFI
Facilitate the accessing in working premise facility	UNIDO, City MSE ,
M&E	
Monitoring	
At MSEs' network level	MSEs' network governance body
At national level	Project steering commit
Evaluation at project level	UNIDO, Italian Government

3. *Ad hoc Action Plan for Kirkos* MSEs' network

Major Activities	Responsible Institution
Establishing and Strengthen of governance body and networks among producers	
Establish Governance body of the MSEs' networks	UNIDO and LIDI
Undertake regular meeting of the MSEs' networks governance body	All stakeholders
Organize workshop on networking methodology and experiences for the operators	UNIDO,MSEs office
Establish and strengthen of MSEs networks in the selected areas	UNIDO
Access to raw materials	
Organize workshop among tanneries, importers and leather goods producers	UNIDO , LIDI, ELIA
Facilitate joint and bulk direct linkage with raw materials suppliers	UNIDO,MSE, ELIA
Access to technology	
Organize technology exposure visit in LIDI and other big leather goods industries	UNIDO,LIDI
Link operators with machinery leasing company and LIDI	UNIDO, MSE, and LIDI
Provide machineries for common facility	UNIDO,LIDI
Capacity building	
Skill capacity training	
Design development	UNIDO,LIDI
Cutting and stitching	UNIDO,LIDI
Quality and productivity improvement	UNIDO,LIDI
Business management training	
Entrepreneurship	UNIDO, FEMSEDA ,EDC
Leadership	UNIDO, FEMSEDA ,EDC
Marketing techniques	UNIDO, FEMSEDA ,EDC
Finance and product costing	UNIDO, FEMSEDA , EDC
Access to marketing	
Facilitate to local and international exhibition and trade fair	UNIDO, LIDI,COMECA
Create brochures	UNIDO, LIDI
Facilitate Sub contracting arrangement with the Medium and large industries	UNIDO,LIDI, ELIA

Major Activities	Responsible Institution
Organize buyers- sellers meeting	UNIDO,FEMSEDA,LIDI
Building capacity of support institutions	
Organize workshop for leaders on UNIDO CDP and networking	UNIDO
Organize training to experts and extension workers UNIDO CDP and networking experiences	UNIDO
Access for loan and manufacturing premises	
Organize workshop between producers and financial institutions	
Facilitate access for finance	UNIDO, MSE office, MFI
	UNIDO, MFI
Access working premise facility	UNIDO, City MSE
M&E	
Monitoring	
At MSEs' networks level	**CGB**
At national level	**PSC**
Evaluation at project level	UNIDO

Annex 4. Gender Matrix

	Outputs and Activities	Possible Gendered Outputs	Possible Gender Indicators	Indicative Gender Outcomes
Project Implementation	• Developing conducive regulatory frameworks and project management structure.	• Gender impact assessments of planned activities are carried out. • Policy makers and institutions are engaged and trained on gender implications of related policies and regulations related to the project. • Sex disaggregated data and gender information for the project are collected • Consultation with women producers and entrepreneurs are undertaken continuously • Dialogues are facilitated among key stakeholders from government, civil society, private sector and community leaders to discuss gender implications of the project initiatives.	• # of reports produced to inform policy design and implementation. • # of policy makers and enforcers trained, disaggregated by sex. • # of gender impact assessments undertaken. • # of women cooperatives and associations. • # of gender specific targets included in the framework . • # of specific recommendations for equitable access to benefits for male and female producers and entrepreneurs. • # of dialogues on gender implications of the project's processes facilitated.	• Project design and implementation reflect women's participation in production, processing, marketing of leather products and promotes women's economic empowerment • Policy makers and enforcers make use of gender sensitive information for decision-making. • Women entrepreneurs have increasing access to productive assets and market. • Opportunities for women and men to benefit from leather products sector are more equitable.
Training on Production of high quality and fashionable products and leather crafting	• Access to appropriate technology and design is facilitated ➢ Improvement of productivity, quality and marketing. ➢ Products diversification. ➢ Upgrading of the existing used technology. ➢ Generation of increased job opportunities for women and youth. ➢ Involvement in fashion events and exposition to national and international designers.	• Technology transfer targets female and male entrepreneurs, in synergy with local institutions. • Technologies transfer is facilitated and selected considering the need of women entrepreneurs. • Training materials and infrastructures are developed/provide in synergy with the local institutions taking into account the women needs. • Strategies are identified to improve equitable employment and income opportunities for female and male workers.	• # of female participation in technology transfer events/initiatives. • # of female-owned business applying for receiving technology. • # of technology transfer-agents sensitized on gender dimensions of business in the leather products sector and creative industries. • # of studies on women and appropriate technology undertaken.	• Women's income increase through appropriate technology identified. • Women lead application of technics in MSME. • Working conditions for women improve through application of appropriate technologies. • Employment opportunities for women increase in workshops and factory operations. • Design and development of machinery and tools are increasingly appropriate to specific women's work.

Institutional and human capacity development	• Institutional human and infrastructure capacity building. • Provision of training at enterprise level to existing and potential MSME entrepreneurs and to trainers in order to develop fashionable leather products. • Training on networking and entrepreneurship/business management.	• National partners are sensitized on the benefits of gender mainstreaming in capacity building. • Local Institutional capacities to develop ad hoc initiatives for supporting women entrepreneurship are developed. • Encourage all stakeholders involved to offer equal opportunities for female and male professionals involved in the project. • Partnerships with the private sector to employ female and male graduates, with equity. • Involve women in the local initiatives developed by national and international stakeholders on entrepreneurship, business management, access to finance and products improvement (design). • Support women in establishing backward and forward strategic linkages (e.g. access to raw material, access to markets). • Training opportunities in the leather products crafting and design available for women with specific incentives and facilities. • Training materials reflect women and men as dynamic actors with equal rights and different priorities. • Trainers are sensitized on benefits of gender equality through the training materials/presentations developed. • Training materials are developed to sensitize trainers and trainees on gender dimensions of the leather products production. • Women are trained and informed about the benefit of the UNIDO approaches.	• # of women entrepreneurs and managers engaged in project activities. • # of measures taken to support women's and men's professional to be involved in the project initiatives. • # of women involved in training courses. • # of partnerships with the private sector to support gender equitable employment opportunities and women entrepreneurs business. • # of rural women benefiting from the backward and forward linkages. • % of women trained. • # of events undertaken to sensitize trainers on gender equality in. • # of trainees who can explain the gender dimension. • # of trained women who apply their knowledge in leather products processing and marketing.	• Stakeholder institutions are gender balanced working-places. • National partners are able to identify and meet gender-sensitive goals by promoting women entrepreneurs • The leather products value chain benefits from a more gender balanced work force. • Women entrepreneurs in the MSEs' networks are empowered by using a networks development approach. • Women are increasingly represented among MSME entrepreneurs. • Women are increasingly represented among the qualified workforce in the sector. • Increased awareness on gender implications of the leather products processing and marketing.
	• Building stakeholders partnership both at institutional and private sector levels. ➢ Promoting strategic partnership for supporting access to foreign and domestic markets ➢ Develop branding capacity for the	• All partners are gender sensitized and aware of the benefits of the gender equality and women's empowerment approaches. • Promotion materials are developed with the emphasis of the women role. • Female representation stakeholders and partners are facilitated through specific measures (e.g. incentives and direct invitations). • Trade fairs and market promotion materials are gender sensitive	• # of measures undertaken per project to sensitize involved stakeholders. • # of gender analysis/assessments carried out with participation of all partners. • # female representative and participants in marketing and women's economic empowerment. • # of materials/initiatives developed to market the products and its quality in	• Women's participation and decision-making power increases marketing of leather products. • Marketing of products and investments multiply their impact on poverty reduction as women's income increases. • Marketing in leather products is more efficient and sustainable as a result of

Market channels of leather products are identified and facilitated. Production quantity and quality are enhanced.	leather products (e.g. Taytu made in Ethiopia) ➢ Participate trade fairs and market promotion channels are established ➢ Common premises for the women products production are provided by the local institutions thanks to the UNIDO facilitation.	• Support women in establishing backward and forward strategic linkages (e.g. access to raw material, access to markets, linkages with the private sector). • Participation in trade fairs and improvement of the capacity to develop fashionable products/collection • Building the capacity to work as a group and take advantage of the economy of scale. • Access to common premises and facilities is facilitated. • Capacity in branding is improved.	terms of gender sensitivity.	women's increasing participation.
	• Establishment of business networks among public and private organizations and targeted women entrepreneurs.	• Business networks' frameworks contribute to gender equality in business development. • Women's specific business networks are established, including linkages to national and international forums/events. • Female owned start-up entrepreneurs and MSEs are supported through technical assistance and mentorships. • Publications for start-up entrepreneurs and MSEs are translated to women's main local language, if necessary. • Gender analyses inform the identification of business networks' key interventions in leather products sector.	• # of measures undertaken to contribute to gender equality and women's empowerment as a result of gender analyses. • # of measures undertaken to sensitize involved stakeholders. • # of women's specific business networks established. • # of linkages to national and international fora/events facilitated to women's business and networks. • # of specific measures undertaken to support female entrepreneurs and female led MSEs.	• Women are empowered to become entrepreneurs. • Business networks' impact on poverty reduction multiplies as women's income in targeted areas. • A more gender-equitable business environment results in more efficient and sustainable business.
Promote access to finance	• Promoting access to finance (credits and loans) through the involvement of the supported women entrepreneurs to national and international initiatives on micro finance (e.g. WEDP, Italian development cooperation loans programmes, etc…)	• Access to finance is promoted among the women entrepreneurs. • National and International finance opportunities are promote among the women entrepreneurs. • Ad hoc initiatives and strategies are developed for facilitating access to finance for women entrepreneurs.	• # of women informed about finance initiatives. • # of women who enjoy finance programmes. • # of women who benefit from finance programmes.	• Dissemination of information among the women entrepreneurs on finance initiatives. • Women are able to access to credit lines.

Annex 5. Risk Management Matrix

Number	Risks	Potential adverse impact	Risk level (H/M/L)	Risk management strategy	Responsibility
1.	Leather products and footwear MSEs' networks development strategy is not completed.	The quality of the baseline study and performance is reduced.	**L**	More commitment and collaboration among stakeholders.	UNIDO, MOI, LIDI, Addis Ababa Administration
2.	The beneficiaries are not interested to participate in the project.	The impact of the project is limited or none	**L**	All the actors are involved in the on-going project and benefiting from the project.	UNIDO, UNIDO, MOI, LIDI, Addis Ababa Administration, assosiations
3.	Potential private sector participants are limited or no interested parties.	Increase the strategies for enhancing backward and forward linkages for the MSEs.	**L**	Private sector is already involved in the on-going project and networks have already been established. The success cases must be replicated and upscale.	UNIDO, MOI, LIDI, Addis Ababa Administration, assosiations, private companies
4.	Footwear and Leather products are not sold to the international market.	No international orders are reaching the MSEs.	**L**	Developing quality and fashionable products and working in synergy with the institutions for facilitating MSEs exports.	UNIDO, MOI, LIDI

6.	Micro production units are not interested to act as group and to establish networks among themselves.	MSEs are not taking advantage from the economy of scale.	**L**	To continue to follow the action plans developed by the on-going project which have been accepted by all the stakeholders and to improve the supporting services for the MSEs' networks.	UNIDO, MOI, LIDI, Addis Ababa Administration, assosiations.
7.	The stakeholders do not agree to participate on international trade fairs/events.	International market promotion does not take place.	**L**	Values and benefits of promoting the products to international market are clarified to concerned stakeholders.	UNIDO, MOI, LIDI, Addis Ababa Administration, assosiations
L: Low M: Medium H: High					

Annex 6. Timeline of the activities

Timing for the implementation of the various Activities

Output	ACTIVITY	Year 1				Year 2				Year 3			
		Implementation											
		Quarters											
		1	2	3	4	1	2	3	4	1	2	3	4
1	**1. Establishing and Strengthening of Networks among the Producers**												
	1.1 Establishing and strengthening shoes and leather products producers' sectorial association (with an attention to support target groups disaggregated by sex).												
	1.2 Support the local Institution and networks in implementing the strategic action plan												
	1.3 Organizing workshop on networking methodology and experiences												
	1.4 Establishing and strengthening of networks												
	1.5 Facilitate the establishment of networks for common marketing, joint purchasing raw materials, linkages with medium companies, etc..												
	2. Strengthen Backward Linkages												
	2.1 Organize workshop for fostering direct linkages between small enterprises and tanneries, shoes sole producers and component importers and distributors, etc..												
	2.2 Facilitate joint and bulk purchasing of raw materials.												
	3. Technology Upgrading												
	3.1 Link operators with machinery leasing company												
	3.2 Organize technology exposure visits in LIDI and other big shoes industries												
	3.3 Support the purchase of common machineries for improving the quality and quantity of footwear and leather products												
	3.4 Set up pilot production lines within the clusters and facilitate technology transfer and building of capacities												
	3.4.1 Assessment in clusters and definition and selection of footwear models												
	3.4.2 Acquisition and installation of the machineries												
	3.4.3 Supplying of models and semi-finished materials (lasts, uppers, soles, accessories)												
	3.4.4 Trainings on upper and lasting												
	3.5 Rehabilitate workshops within the clusters												

Output	ACTIVITY	Year 1				Year 2				Year 3			
		Implementation											
		Quarters											
		1	2	3	4	1	2	3	4	1	2	3	4
	4. Capacity Upgrading conducted												
	4.1 Skills capacity building	■	■	■	■	■	■	■	■	■	■	■	■
	4.1.1 Design and pattern development	■	■			■	■			■	■		
	4.1.2 Upper and insole preparation, cutting and stitching	■	■			■	■			■	■		
	4.1.3 Lasting and sole attaching techniques	■	■			■	■			■	■		
	4.1.4 Materials wastage reduction and quality and productivity improvement	■	■			■	■			■	■		
	4.2 Business management training												
	4.2.1 Entrepreneurship			■	■			■	■			■	■
	4.2.2 Leadership			■	■			■	■			■	■
	4.2.3 Marketing			■	■			■	■			■	■
	4.2.3 Finance and product costing			■	■			■	■			■	■
	5. Forward Linkages, creation of new markets and Promotion both locally and abroad implemented												
	5.1 Conduct market study on the major cities of the country and COMESA countries						■						
	5.2 Participation of exhibition and trade fairs at local, regional or international level	■			■	■			■	■			■
	5.3 Develop brochures and promotional material	■			■	■			■	■			■
	5.4 Develop trade market products	■			■	■			■	■			■
	5.5 Facilitation for establishing common showroom and sales premises		■				■				■		
	5.6 Facilitating sub-contracting arrangement with the medium and large local enterprises working on footwear and leather products.	■	■	■	■	■	■	■	■	■	■	■	■
	5.7 Organizing buyers- sellers meetings.	■				■				■			■
	5.8 Facilitate business linkages	■				■				■			■
	6. Capacity-Building for supporting institutions on UNIDO CDP and networking methodology and experiences provided												
	6.1 Organize workshop for leaders		■				■				■		
	6.2 Organize training to experts and extension workers		■				■				■		
	6.3 Assess the lacks of strategic supporting institutions (e.g. LIDI, Addis Ababa Capital Goods – National leasing company, etc..) and provide them with tailored trainings		■				■				■		
	6.4 Conduct a feasibility study for the creation of a new cluster area for the development of MSMEs active on footwear and leather goods sectors.		■				■				■		

Output	ACTIVITY	Year 1				Year 2				Year 3			
		Implementation											
		Quarters											
		1	2	3	4	1	2	3	4	1	2	3	4
	6.5 Organize a presentation of the feasibility study for the establishment of new cluster areas in order to facilitate their implementation												
	7. Access to finance and manufacturing premises created												
	7.1 Organize workshop between producers and financial institutions												
	7.2 Facilitate access for finance through innovative financial tools												
	7.3 Facilitate the allocation of appropriate working premises by the local government/institutions to the MSEs												
	8.Establishment of a creative craft hub												
	8.1 Conduct diagnostic study and formulate work plan												
	8.2 Establish stakeholder network and destination steward												
	8.3 Assess leather products demand and open new markets												
	8.4 Support women entrepreneurs in develop fashion and design												
	8.5 Develop a specific collection for LOMI, in synergy with its members as well as involving the local supporting institutions												
	8.6 develop and communicate LOMI brand												
	8.7 create/upgrade tailored business models (eco/religious/historic)												
	8.8 promote LOMI activities/business models												
	9. M&E												
	9.1 Set up a monitoring and evaluation mechanism to be implemented throughout the project												
	9.2 Baseline data collection												
	9.3 Mid-term and end-of project evaluation												

Annex 7. Request for the Feasibility Study for Clusters area design

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City Government of Addis Ababa
Micro & Small Enterprises' Development Bureau

Ref.No. 312/2/6/1/NR/24/2009/07
ቁጥር
Date 14/09/07
ቀን

Mr. Jean BAKOLE
UNIDO Representative and Director the Regional Office
P.O. Box 14771
ECA Old Building
Addis Ababa, ETHIOPIA

Please scan the letter and share it with Aurelia for potential action. JBAL.

Dear Mr. Bakole

I would like to express my appreciation & thanks for the UNIDO technical assistance in supporting Ethiopian leather sector through implementation of the UNIDO cluster development methodology. As you know, we are working really closely with the UNIDO project's team and other Ethiopian Institutions for providing services and assistance to the micro and small production units which are working in the footwear and leather products sector.

Our objective is to fully implement the UNIDO approach in order to set up mature clusters of micro and small production units. Following the guidelines of the Ethiopian Government, we are also working for developing proper industrial zones and clusters in different areas, with the aim to physically set up the necessary facilities and premises for the MSMEs development.

Within this framework we have need of UNIDO assistance in supporting us by developing Industry cluster design for MSE with cluster especially focus on the leather sector.

Looking forward for your kind feedback,

Please accept the assurance of my highest consideration.

Regards,

...of the UNIDO Representative
Date May 26, 2015
Log-In No. –
Referred to JB
File No. PRO/300/ETH/09/16

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011-155 37 61
011-111 77 90
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Quote our Ref.No.in Response to our Letter

Fax 011-553755

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