

# SOUTH-SOUTH & TRIANGULAR COOPERATION

Integrated Rural Development:  
Strengthening Women and Youth  
Empowerment through Jobs &  
Entrepreneurship

# The Case of Ethio Leather Industry Private Limited Company (ELICO) In Ethiopia

(February 11-12, 2016, Brussels, Belgium)

By Ambassador Brook Debebe  
General Manager, ELICO, Ethiopia

February 2016  
Brussels, Belgium

# Content

## ➔ Introduction

- Ⓞ An Overview of the Ethiopian Economy
  - Macroeconomic Aspects
  - Agriculture Development
  - Social and Human Development
  - Infrastructure Development
- Ⓞ The Leather Sub-Sector in Ethiopia
- Ⓞ The Role of ELICO in the Leather Sub-Sector
  - Production
  - Marketing
  - Outsourcing for Women's Cluster Groups
  - Internship and Employment Opportunities for New Graduates
- Ⓞ Conclusion and the Way Forward
  - Conclusion
  - The Way Forward

# Introduction

- ② The South-South and Triangular Cooperation of ACP has become one of the international platforms that can help identify development issues of the developing countries and their solutions.
- ② These development issues are mainly related to food insecurity, poverty and sustainable agriculture development.
- ② In view of these situations, therefore, there is a need to deal with main strategic priorities that can incorporate youth and women in agriculture and rural areas.
- ② The youth and women are key social forces for the successes of integrated rural development activities in developing countries like Ethiopia.

- ② In Ethiopia like in other countries, the development of the national economy is in the hands of youth and women's involvements in all development activities.
- ② This has been mainly manifested in the overall Small and Micro Enterprises (SMEs) development and rural farming activities.
- ② Accordingly, they have become owners of farming fields that produces various types of agricultural products (crops, livestock, etc), manufacturing enterprises (food processing, metal/wood works, textile/garments, leather products, etc.) both in rural and urban areas.
- ② This indicates that these economic and social forces have become catalysts for the growth of both agriculture and industrial sectors in Ethiopia.
- ② In general, it is of paramount importance to give high emphasis for the inclusion of youth and women in all endeavors of integrated rural development.

Ⓞ In light of the aforementioned statements, therefore, this paper tries to give some highlights what major roles ELICO as a leather industry has played in supporting youth and women in the integrated rural development activities.

Ⓞ Thus, the paper consists of 4 sections.

- The first and second sections give highlights about the Ethiopian economy and the leather sector in Ethiopia respectively.
- The third chapter deals with the contributions of ELICO in terms of production, marketing, outsourcing, Corporate Social Responsibility (CSR), etc. in the overall leather sector development in Ethiopia.
- Finally, conclusion and the way forward are incorporated in the last section.

# 1. An Overview of the Ethiopian Economy

- Ⓜ Ethiopia is the second highly populated country in Africa with an estimated population of above 95 million with a 2.5% population growth rate in the current year.
- Ⓜ Most of the people which are about 80% and 20% are living in the rural and urban areas respectively.
- Ⓜ These people are residing in highlands (Oromia, Amhara, SNNP and Tigray regions) and lowlands (Afar, Benishangul, -Gumuz, Gamabella and Somalia regions).
- Ⓜ In these regions, the economies are mainly dominated by crops productions and livestock husbandry.

- ② This indicates that the majority of Ethiopian population's livelihoods is based upon agricultural activities.
- ② However, the current economic development has manifested that service and manufacturing industries have also shown tremendous development.
- ② Since 1990, the country follows a federal structure with nine regional states and two chartered city administrations.
- ② The federal structure ensures equitable development in the regions through the coordinated and integrated approaches of both federal and regional bodies in order to bring about an overall growth and development in Ethiopia

# Aspects

- The decentralization economic system of the country has been supported by an economic policy that can maintain the macroeconomic stability in a sustainable way.
- Accordingly, the government has pursued strong fiscal and monetary policies through tax reforms alongside with efficient taxation tax collection and enforcement system; and monetary policy that is geared towards maintaining a single-digit inflation rate by putting every effort to reduce the amount money circulation in the economy.
- Through the Growth and Transformation Plans (GTP I &II) which are the country's National Five Year Development Plan, the Ethiopian Government aimed at improving the country's economy by achieving a projected Gross Domestic Product(GDP) growth of 11-15% per year from 2010 to 2015. Likewise, the second phase of GTP (2016 to 2021) has been under implementation since 2015.

➡ The Growth and Transformation Plan as a strategic framework for the agricultural sector from 2010 to 2015, it aimed to:

- ➡ Enhance productivity and production of smallholder farmers and pastoralists
- ➡ Strengthen marketing systems
- ➡ Improve participation and engagement of the private sector
- ➡ Expand the amount of land under irrigation
- ➡ Reduce the number of chronically food-insecure households

➡ Accordingly, the achievements of the GTP I in few sectors were very promising and it now gives rise for the implementation of the GTP II which mainly focuses on the development of the manufacturing sector.

➡ All in all, the government's development strategy gives emphasis on heavy investment in infrastructure in which different economic sectors have become the major beneficiaries from it.

- Accordingly, due to the all-inclusive nature of the growth of the national economy, a large number of jobs have been created in both the public and private sectors, particularly through a boom in construction (covering infrastructure, housing and commercial developments).
- Although the share of agriculture to GDP has been declining steadily over the past decade, agriculture continued to form the backbone of the Ethiopian economy and in 2013/14 it accounted for an estimate 40.2% of GDP, 85% of employment and 60% of export earnings.
- The service sector grew by 11% mainly driven by an expansion in hotels and tourism financial sectors (18%), wholesale and retail trade (15%), and transport and communications (14%).
- The, industrial sector also accounted for 14% of GDP.

- ➡ Among the different industries, light manufacturing industries (garment, textile and leather) and small and medium manufacturers have shown a high rate of growth in terms of production, export and generating employment opportunities for both rural and urban communities respectively.
- ➡ The economy has experienced strong and broad based growth over the past decade, averaging 10.8% per year in 2003/04 - 2013/14 compared to the regional average of 4.8%.
- ➡ Expansion of the services and agricultural sectors account for most of this growth, while manufacturing sector performance was relatively modest.
- ➡ Private consumption and public investment explain demand side growth with the latter assuming an increasingly important role in recent years.

- The International Monetary Fund (IMF) ranks Ethiopia as among the five fastest growing economies in the world.
- After a decade of continuous expansion (during which real GDP growth averaged 10.8% per annum), in 2013/14 the economy grew for its 11th consecutive year posting 10.3% growth. Over the 12 months from July 2013 (the country's fiscal year runs from July-July), all of the economy's main sectors performed well.
- Agriculture (which represents 40.2% of GDP) grew by 5.4%, industry (14% of GDP) expanded by 21.2% and services (46.2% of GDP) rose by 11.9%.
- This positive growth should continue for the coming years.

- ➡ In general, the country's per capita income is \$550 which is substantially lower than the regional average.
- ➡ Despite all these, the government aspires to reach middle income status over the next decade through the implementation of its GTPs
  - ➡ Moreover, the country is also involved in various economic cooperation, regional integrations, trade, regional agreements, etc.
- ➡ Regarding regional agreements, Ethiopia is a member of a Common Market for Eastern and Southern Africa (COMESA) states and the Inter-Governmental Authority for Development (IGAD).
- ➡ Also, submissions of accessions and negotiations are made to the COMESA Free Trade Area, an Economic Partnership Agreement (EPA) with the European Union and the World Trade Organization (WTO).

# Development

- Agriculture is the mainstay of the Ethiopian Economy.
- It accounts for the lion's share of the total GDP, in foreign currency earnings and in employment creation.
- Both industry and services are dependent on the performance of agriculture, which provides raw materials, generates foreign currency for the importation of essential inputs and feeds the fast growing population.
- More specifically, it contributes the largest share to GDP, export trade and earnings, and employs more than 80% (of the population).
- On the other hand, despite such socio-economic importance, the performance of the sector is very low due to many natural and manmade factors.

- ➡ As a result, Ethiopia is characterized by large food self-sufficiency gap at national level and food insecurity at household level.
- ➡ Therefore, there is a need to undertake a full-fledged agricultural transformation so that youths and women can be key development actors in all agricultural activities.
- ➡ Due to its importance in the Ethiopian economy, the Ministry of Agriculture (MoA) is the Ethiopian Government Ministry which oversees the Agriculture and rural development policies of Ethiopia on a Federal level.
- ➡ Also, at regional levels, the Agriculture Bureaus have the powers and duties to look after all agricultural activities.

➡ In general at both federal and regional levels, there are different activities incorporated like conservation and use of forest and wildlife resources, food security, water use, irrigation, early warning system, promoting agricultural development, providing agriculture and rural technology training.

➡ Regarding training, there are Agricultural Universities and Technical and Vocational Education Training (TVETs) institutes that are established to train students.

These trainings helped youths and women population participate in the overall agriculture and rural development of the country.

# Development

- Women and youth population has been made excellent contributions so far for the rise of Ethiopia.
- Thus, empowering women and youth through employment generation in achieving sustainable development and economic growth in the country has become one of the government's core agenda.
- In concertizing this agenda, however, there are two key issues that need to be addressed, namely, the need to empowering women and ensuring gender equality as they only dominate the informal sector and subsistence agriculture and the challenge of unemployment in general and among the youth in particular.

- Ethiopian rural women contribute 45 percent to 75 percent of on-farm labor in crop production, working with a variety of crops at different stages of production.
- Thus, empowering women and contributing to sustainable development is significantly important for the sustaining the development of the rural economy.
- Accordingly, Ethiopia provides guidelines for mainstreaming gender in several socio-economic sectors like agriculture, industry, services, etc.
- On the other hand, youths are encouraged to be creative and engaged in various SMEs to produce varieties of products that can be used as material inputs into different economic activities.

- Gender responsive policy and institutional environment for women's economic empowerment have been in place.
- Accordingly, women get accesses to financial services and then account a substantial client base of Micro Finance Institutions (MFIs).
- Thus, access to financial services is one of the critical tools in poverty reduction, and in tapping the productive potential of poor women, for inclusive economic growth.
- Accordingly, Women account a substantial client base of Micro Finance Institutions (MFIs) and Rural Savings and Cooperatives Organizations.
- According to recent estimation, around 49.1% of population fell under age range between 15 and 54 years in Ethiopia.

- Thus, Ethiopia is beset with productive age group whose potential can be tapped through various development mechanisms for making the economy so vibrant.
- As such, youths have also become active development actors in all development arenas, particularly in agriculture and rural developments.
- In recent years, young people are mainly engaged in manufacturing sector by producing various types of industrial outputs.
- There is a growing evidence for these achievements in various urban and rural centers of Ethiopia.
- As per the government's Agriculture Development Led Industrialization (ADLI) strategy, rural youth could play a great role in transforming the agriculture sector.

- The future of agriculture is in the hands of the young people.
- However, there exist problems related to negative attitudes among youth to adopt farming as a principal means of livelihoods.
- Despite all these problems, the fact remains that many rural youth have been determined to become farmers in order to develop the agriculture sector.
- Therefore, rural youth should get access to education, land, finance, etc. in order to integrate them in the overall agricultural development activities.
- Generally speaking, investing in Agriculture Sector Gender Sensitive Policy and Programs; and Youth's Policy and Programs are of paramount importance for the development of the national economy in general and agriculture and rural economy in particular.

- Regarding human development, education has been widespread all over the country by increasing the number of students enrollment at various levels of education grades such as 1-8, 9-10, 11-12, TVETs, Colleges, Universities and other training institutions.
- For instance, the total number of enrollments in grade 1-8 has reached to more than 20 million students. Likewise, in higher institutions the numbers of graduates from more than 35 universities have tremendously increased.
- These all trends are good indicators of laying good foundations for the sustainable economic development of the country. In these development activities, it is undeniable fact that youths and women are playing great roles in the growth of the national economy.

# Development

- The economic and social infrastructures developments have become the cornerstones of the overall agriculture, industry and service sectors development of the country.
- Accordingly, economic infrastructures like telecommunications (more than 1 million fixed and digital lines, 10 million mobile subscribers 200 thousand internet subscribers, etc.), roads (more than 60 thousand km of gravel and asphalt), electricity (more than 2 million MW), etc are already in place to support the accelerated economic growth of Ethiopia.
- In addition to these existing infrastructures, there are many economic infrastructure that are coming in the coming few years time, particularly electricity from Renaissance Dam (6 million MW), Gibe III (1870 MW) and other hydroelectric power generation sources

- Furthermore, the country has also shown dynamic changes in building up social infrastructures in terms of education, health and social amenities.
- The increase in number of primary and secondary schools, higher institutions (colleges and universities), Technical and Vocational Education Training (TVETs) institutions and other training centers have given rise for the increase of the number of students enrollments and under graduates and post graduates.
- Regarding health services, the number of medical personnel and medical/health facilities are more than 3000 and 20,000 respectively.
- Due to these increments and the improvement in health situation of the society, Ethiopia was considered one of the countries that met the Millennium Development Goals (MDGs).

➤ According to UN-World Statistics Pocketbook 2014, the Social indicators are the followings:

- ⊙ Population growth rate (average annual %): Year 2010-2015 (2.6%)
- ⊙ Urban population growth rate (average annual %): Year 2010-2015 (3.6%)
- ⊙ Rural population growth rate (average annual %): Year 2010-2015 (1.8%)
- ⊙ Population aged 0-14 years (%): Year 2013 (42.7%)
- ⊙ Population aged 60+ years (females and males, % of total): Year 2013 (5.4/4.9)
- ⊙ Sex ratio (males per 100 females) Year 2013: 100.1
- ⊙ Life expectancy at birth (females and males, years) Year 2010-2015 (65.0/61.7)
- ⊙ Infant mortality rate (per 1 000 live births): Year 2010-2015 (49.7)
- ⊙ Education: Government expenditure (% of GDP): Year 2006-2012 (4.7)
- ⊙ Education: Primary-secondary gross enrolment ratio (f/m per 100) Year 2006-2012 (65.8/71.2)
- ⊙ Education: Female third-level students (% of total): Year 2006-2012 (31.5)
- ⊙ Seats held by women in national parliaments (%): Year 2014 (27.8)

## 2.1. General

- ➔ In Ethiopia, modern leather manufacturing began in the mid 1920s. This was mainly happened due to its abundant livestock population which possesses the largest livestock population in Africa and tenth largest in the world.
- ➔ Ethiopia's livestock population is estimated at 44.3 million cattle, 23.6 million sheep, 23.3 million goats and 2.3 million camels.
- ➔ The country is producing on average about 8.1 million sheep skins, 7.5 million goat skins and 2.7 million ides per year.
- ➔ These estimated productions have been produced by 32 tanneries that are established in different regions of the country.

- The tanneries are producing different products ranging from semi-proceed leather (pickled, wet-blue, crust) and finished leather and leather products (leather garments, leather articles, ladies bags, hand bags, school bags, belts, baggage, upholstery, industrial gloves, etc. These products are mainly dominated by sheep and goat skins which represent the bulk of leather production in Ethiopia.
- Skins like Bati and Sellal types are making the finest leather products in the world and are sold at premium prices in the international markets.
- However, hides are not well known in the world market due to its poor quality and the small size of the zebu animal.
  - The supply and marketing chains of raw skins are multifaceted.
  - Thus, raw skins are collected from farmers and household by skin collectors.

- ➡ These skins are preserved in temporary stores in the form of salted skins and are then supplied to tanneries from these stores.
- ➡ Through these processes, however, there are quality deteriorations, wastages, etc.
- ➡ Due to irregularities in the supply of hides and skins, most tanneries will be forced to operate under capacity utilization.
- ➡ In the marketing chain of inputs to tanneries other than raw skins, chemicals are also contributing about 30% of the total tanning cost.
- ➡ These chemicals are mainly imported from abroad and are kept in stock for a minimum of 3 months to avoid the interruption of operation.

➔ In general, it is very important to consider the basic reasons for the development of the leather sector in Ethiopia as follows:

Ⓞ Existence of Markets

✚ A population of 94 million people with a growing per capita income is a good market.

✚ Qualified low pay abundant labor force.

✚ Access to EAC and COMESA member states' markets

Ⓞ Duty and quota free access to USA (AGOA), EU (EBA), China, Canada, Japan, etc.

Ⓞ Improved Ethiopia's image abroad

Ⓞ Good infrastructure facilities, availability of land, etc

Ⓞ Unreserved government support through various institutions (like Ethiopian Investment Commission), duty free privileges, loans from government banks

Ⓞ Peace and security

## 2.2.1. Production

- ➔ There are varieties of finished leather and leather products that have been produced for the last many decades in Ethiopia.
  - ➔ Historically and even currently, leather products are still being produced by farmers on traditional bases.
  - ➔ This production system was the base that it has given rise for the establishment of modern tanneries.
  - ➔ At present there are 33 modern tanneries that are established in different regions of the country with average production capacities of about 8.1 million sheep skins, 7.5 million goat skins and 2.7 million hides per year.

- The tanneries are producing different products ranging from semi-processed leather (pickled, wet-blue, crust) and finished leather and leather products (leather garments, leather articles, ladies bags, hand bags, school bags, belts, baggage, upholstery, industrial gloves, footwear, etc.
- These products are mainly dominated by sheep and goat skins which represent the bulk of leather production in Ethiopia.
- Skins like Bati and Sellale types are making the finest leather products in the world and are sold at premium prices in the international markets.
- However, hides are not well known in the world market due to its poor quality and the small size of the zebu animal.
- However, in recent times, we have begun exporting to European and Asia markets.
- The supply chains of raw skins are multifaceted.

- ➡ Thus, raw skins are collected from farmers and household by skin collectors.
- ➡ These skins are preserved in temporary stores in the form of salted skins and are then supplied to tanneries from these stores.
- ➡ Through these processes, however, there are quality deteriorations, wastages, etc.
- ➡ Due to irregularities in the supply of hides and skins, most tanneries will be forced to operate under capacity utilization.
  - ➡ Due to its great importance in the Ethiopian economy, the leather sector is one of the economic sectors that employ a great portion of unemployed people.
    - ➡ The majority of people employed are both young and women population which consists of more than 70% of the labor force in the leather industries.

➔ In due course of improving the performances of the sub-sector, there are various supports provided both by the government, associations and development partners respectively.

➔ With regard to the former one the supports are:

- ✚ The formation of National Export Council which is led by the Prime Minister
- ✚ The establishment of Leather Industry Development Institute (LIDI)
- ✚ The incorporation of Graduate and Post Graduates Degrees in leather technology by Universities (Addis Ababa Technology University, Bahirdar University)
- ✚ The establishment of Ethiopian Leather Industry Association
- ✚ The importation of duty free chemicals and shoe accessories.
- ✚ Access to land, finance, etc.

➤ Moreover, the supports from associations and development partners are coming from:

- Ethiopian Chamber of Commerce and Sectoral Association
- Addis Ababa Chamber of Commerce and Sectoral Association
- Ethiopian Leather Industry Association
- Development partners like Common Market for Eastern and Southern Africa-Leather and Leather Products Institute (COMESA/LLPI), UNIDO, DIFID/PEPE, etc.

# 2.2.2. Marketing

- The leather sector in Ethiopia generates exports earnings from 47 leather and leather products factories which include 26 tanneries, 15 leather footwear firms, and 6 leather products companies.
- The leather markets in Ethiopia serves both local and export market outlets. More than 60% of the total production on average is for export market and the remaining 40% is for local markets which are mainly dominated by hide products.
  - Hide products are mainly consumed by local and foreign shoe manufacturers, particularly the SMEs of shoes producers which are numbering about 3000 small units.
- On the other hand, sheep skins and goat skins are also consumed by local manufacturers of shoes, leather garments, leather gloves, leather articles, etc.

- These all are clear manifestations of the development of the sector through the whole supply chains which ultimately create value added products that can enter both local and export markets.
- Regarding export markets, the finished leather are mainly exported to Italy, United Kingdom, China, Japan, Korea, Hong Kong, etc.
  - Leather products are also exported to Europe, the United States, Canada, Japan, Middle East (Yemen), Africa (Nigeria, Uganda, Kenya) etc.
- These export activities are highly supported by the government policy by prohibiting the export of raw skins, semi-processed products such as wet-blue and crust (less value added products) by imposing 150% export taxes.
- The government monitors and follows up the implementation of this policy and other leather sector related directives through Leather Industry Development Institute (LIDI).

- Ethiopia secures a significant export market share in the international market. It also secures markets in finished hide leather and the leather goods and articles in the local market.
- Moreover, the country is a trail-blazer in the production and export of finished dress and sports gloving leather.
- Its finished dress and sports leather from sheepskin has penetrated the international finished leather markets.
- On the other hand, it is also known in the export market with its high quality Suede Leather from Goatskins.
- In general, with persistent efforts, the tanning industries have put Ethiopia on the global map of finished leather manufacturers and exporters.

## 2.2.3. Challenges

➔ The leather industry has been facing various problems which have become challenging grounds for the potentials for its development.

Ⓞ Supply of Raw Skins

Ⓞ Quality problems (flay cuts, putrefaction, dirt, dung, animal disease/Ekeke)

Ⓞ Live animal defects due to:-

✚ Nutrition

✚ Handling

✚ Health Care

Ⓞ Live Animal Export

Ⓞ Raw Hides and Skins defects due to:-

✚ Slaughtering

✚ Preservation

✚ Storage

✚ Transportation

✚ Trade Practices (mainly hoarding)

Ⓢ Institutional problems (slow customs processes) in Ethiopian Customs and Revenue Authority (ECRA) and other related organizations

Ⓢ Manufacturing Constraints

✚ Low quantity level

✚ High Inventory

✚ Insufficient capacity

✚ Absence of Trade Cluster, common Services and Miscellaneous Supplies

✚ Social and environmental compliance

Ⓢ Technology Transfer

Ⓢ Restructuring (Companies)

### 3. The Role of ELICO in the Leather sub-sector

- Ethio-Leather Industry PLC (ELICO) was established in August 1997 with a total registered capital of Birr 51,705,000 (USD 7,673,640).
- The Company's current total capital is more than Birr 300 million (USD 15 million).
- Before other tanneries has recently begun producing finished leather, It was the only leather industry to produce finished sheepskin and goat skin leather in Ethiopia and has provided about 1,300 employment opportunities, 40% of whom are women including 74 degree graduates and 272 semi-professionals.
- The Company has a capacity of producing around 25 square feet of leather on average from each bovine hide manufacturing unit, 4.25 square-feet from sheepskins and about 3.75 square-feet from goat.

➡ It is now a leading company in Ethiopia in the leather industry that has taken initiatives in the early 2000 to produce value added export oriented high-quality and world-class leather products which can perfectly suited the international leather market.

➡ As stated above, ELICO is an umbrella which represents four different leather companies, which is, now treated as a production division (manufacturing plants) with their own offices.

➡ And ELICO has the main office to execute and control the overall activities and services of these manufacturing plants for the reason to provide easier one-stop services to its honorable customers.

➡ The 4 leather manufacturing plants under ELICO are Awash Tannery, Abyssinia Tannery, Universal Leather Products Factory and Fontanina Shoe Factory.

➔ ELICO has so far registered a lot of achievements as follows:

- The Leather Processing Technology was completely changed
- Both product and market diversifications are significantly made
- Number of customers increased and we now sale to Europe, Asia, Africa and USA for finished leather, shoes and leather garments
- Sales has increased by three fold and profit has doubled
- Employment opportunities for more than 1300 people were created in which more than 80% of them are young and women population
- Upgrading of waste water treatment plants both Primary and Secondary for both tanneries
- ELICO is ISO certified both for environment and quality.
- Undertaking a Feasibility Study to build the second phase of shoe factory with a capacity of 5,000 pairs of shoe per day.
- Founding member of Ethiopian Institute of Corporate Governance.
- Member of Ethiopian Leather Industry Association (ELIA)
- Member of Ethiopian and Addis Ababa Chambers of Commerce and Sectoral Associations
- Represented as one of the private enterprises in the Regional Leather Core Group of COMESA/LLPI

# S. I. Production

- ▶ ELICO has many years of experiences in producing quality and competitive finished leather and leather products in international markets.
- ▶ Thus, the company has dedicated its 2 tanneries, namely; Awash and Abyssinia to produce finished leather for golf glove, dress glove, leather garments, shoes, leather articles, etc.
- ▶ The finished products particularly dress and golf gloving leather, sheep shoe upper and goat suede are of the highest quality.
- ▶ In terms of value additions and diversifications of products, Universal Leather Products Factory and Fontanina Shoe Factory have been producing different types of products that can meet the demand of both local and export markets.
- ▶ Universal Leather Products Factory produces leather garments, bags, wallets, belts, and small leather articles.
- ▶ It is the biggest garment and leather goods factory and has good domestic demand. Also, Fontanina Shoe factory - just one year old, produces, classical, smart casual, and casual men's and women shoes.
- ▶ It caters to middle income group of Ethiopians and other countries.

## 3.2. Marketing

- ➡ Marketing activities in the leather industry are critically important in a global competitive environment.
  - ➡ Thus, adopting market mechanisms from the best practices of other countries and improving marketing activities are utmost important for ELICO's future successes.
- ➡ Accordingly, it has been in many international trade Fairs and visits to foreign countries to get access to foreign markets.
- ➡ These are in addition to the traditional markets that the company has already had both in local and export markets.
- ➡ The company has been expanding its market outlets by producing various types of leather products.
- ➡ In doing so, it strictly follows both the local and global supply chains which are highly determining the strength of the market.
  - ➡ Both chains have become bottlenecks for the leather industries.

- ▶ Despite all the problems, ELICO strives to become center of excellence in the leather sub-sector in Ethiopia through the development of products and attracting existing and potential customers.
  - ▶ Over the past years, the sizes of the markets have been expanding to the extent of accessing to the well known big trading companies like Frescopeli of Italy, Nagai of Japan, Brown Shoe of USA, George Shoe of China, and other plenty of importers like Rockel, Fermani, Sunshine, Bale, etc.
- ▶ The average monthly orders of each traders range between 100 to 300 thousands of square feet of finished leather and thousands of pairs of shoes and leather articles.
  - ▶ The past 3 years annual average sales revenue of ELICO is estimated to be over Birr 350 million (USD 15 million).
  - ▶ Of which, about Birr 230 million (65%) and Birr 120 million are amounting to export and local sales revenue respectively.
- ▶ Therefore, the revenues generated by ELICO has spillover effects on improving the income of the rural communities because of the nature of the leather supply chain and its tractability back to the agricultural sector where the farmers are taking care of animal husbandry which is the main sources material inputs of leather industries.

### 3.3. Outsourcing for Women's Cluster Groups

- ▶ The development potentials of micro, small and medium enterprises in terms of creating employment and income opportunities are immense. However, these potentials have been remained untapped for several years. Accordingly, they are operating in isolation, scattered way, in absence of efficiency and quality inconsistency, etc.
- ▶ Due to these reasons, therefore, it was found necessary to organize these MSEs in cluster forms by building susustainable linkages with larger manufacturing enterprises and support institutions.
  - ▶ By doing so, they can benefit a lot from larger enterprises through outsourcing and thereby access to both local and export markets, finance, modern technology, training for upgrading skills and other related aspects that can improve their production systems.

➡ Despite all these opportunities, there are also critical challenges that will hamper the development of cluster groups to meet their anticipated objectives.

➡ Therefore, it is the responsibilities of every private sector and government institutions to support the clusters in all economic sectors to become the backbone of the development of the manufacturing sector in Ethiopia.

➡ In light of these considerations, therefore, ELICO has begun playing a leading role in the leather sector to accommodate Cluster Groups through outsourcing which will help do business together for both mutual benefits.

➡ It was in March 2015 that UNIDO high level delegation visited ELICO and had discussions that were related to clusters organized by UNIDO. These clusters are engaged in the production of leather products in different parts of Addis Ababa.

➤ They are named as Cherkos Women's Networking Cluster Groups, Teramaj Cluster Group and EFFICOS. After lengthy discussions, UNIDO ultimately proposed to ELICO to outsource some of its orders to these clusters in order to get access to market outlets both local and export.

➤ It was in considerations of these clusters' importance for the future development of the manufacturing sector in Ethiopia, ELICO accepted the proposal made By UNIDO and has begun the work with the cluster groups.

➤ So far, the achievements made in doing business with cluster groups are insignificant.

➤ However, the prospects to do business with the Cluster Groups are very encouraging although the current operational situations of the clusters are not inviting due to many problems surrounding them.

➤ As a result, the speed to move the business partnership has become too slow.

➤ In spite of this, there are still some advancements so far made with Cherkos Women's Clusters Group which consists of 10 individual small.

- In general, the outsourcing of businesses to cluster groups by ELICO can be mentioned as of its first kind in the leather industry in Ethiopia.
- This business experience will continue in the coming years by including additional cluster groups that can make a difference in the development of the leather industry in the country.
- Ethio Leather Industry Private Limited Company (ELICO) always strives for the center of excellence in the leather sector in Ethiopia.
- In view of this valuable motto of the company, therefore, there is a strong belief that clusters are one of our business partners that both of us have the potential to grow together and make a difference in the leather industry in Ethiopia.
- Furthermore, beyond doing business together with clusters groups which are mainly inclusive of young and women population, ELICO also has a Corporate Social Responsibility (CSR) to invest in leather clusters to create conducive environment for them to become good bases for the development of the leather sector in Ethiopia.
- Simultaneously, they also serve as one of the catalysts for achieving the objectives of the Growth and Transformation Plan II (GTP II).

## 3.4. Internships and Employment Opportunities for New Graduates

- As indicated in section 1.3 above, the development of the human resources has become one of the key agenda of the government by setting up various higher institutions to produce educated people that can help build the country's economy.
- Graduates from these higher institutions of Science and Technology are expected to transform the manufacturing sector in general and the leather industry in particular.
- Thus, ELICO has the tradition to receive those prospective under graduates to do their apparent ships in its 4 factories at least for 1 semester. Every year it has an intake capacity of more than 20 students.
- These students are given some money allowances during their stays in the factories and they ultimately go back to their respective universities to do their final graduating study.

- Some of the interns after their graduations have also employment opportunities in ELICO.
- This shows that there have been strong linkages between ELICO and Universities to create enabling environment for the young generation to become more productive in the leather industries.
- Once the jobs are secured then newly recruited young people have continuous on job trainings to upgrade their skills in the leather industries. Accordingly, many Chemists, Chemical Engineers, Industrial Engineers, Leather Technologists, Mechanical Engineers, etc. have prominent places in the leather processing activities.
- In general, ELICO has played great roles in creating entrepreneurs skills and permanent job opportunities for those graduates through appropriate internships services and provision of employment opportunities for both youth and women population at large.
  - Therefore, ELICO is an exemplary of strengthening women and youth empowerment through entrepreneurs and jobs creation in the leather sub-sector in Ethiopia.

## 4.1. Conclusion

- ➔ The objectives of South-South and Triangular Cooperation to bring about an integrated rural development through women and youth empowerments are highly appreciable and recognizable.
- ➔ Particularly, for developing economies like Ethiopia this type of development mechanism that give higher importance for women and youths to be part and parcel of the overall economic development processes through the integration of rural development is greatly remarkable.
- ➔ In view of the above situations, therefore, the growth of ELICO is highly related and traced back to the rural economy where you can find the major development actors of women and young population.

- More specifically, women and youths are basics for nurturing livestock population that can provide raw skins and hides to tanneries.
- Without these segments of the rural communities, it would have been unthinkable that tanneries will reach to their current development stages.
  - In general, the integrated value chain of the leather product is strongly associated with these communities which have created bases for the development of the rural economy in which both women and youths have become one of the most beneficiaries groups.
- Therefore, the roles ELICO has played in the processes of integrating rural economy through women and youths empowerments is immense and commendable for the development of the leather sub-sector in Ethiopia.

## 4.2. The way forward

- The Ethiopian economy has shown steady growth for the past 10 years, this has not been much reflected in the standards of living of the rural poor especially women and youth whose incomes still on the low sides.
- Thus, since the future economic development is in the hands of these populations, there should be future outlooks and solutions to integrate women and youths in the rural economy so that they can play great roles in improving the livestock sub-sector and their living standards.
- Therefore, the way forward, among other things, should consider the followings:
  - @Extending micro credits to poor women and youth beneficiaries
  - @Train them on business and credit management

- Ⓢ Encourage savings to improve incomes and standards of living
- Ⓢ Basic educations and extension trainings to improve the animal husbandry
- Ⓢ Provision of trainings towards pre and post animal slaughtering
- Ⓢ Providing basic instruments and inputs that can serve the improvements of the livestock population
- Ⓢ Trainings that are associated with the entrepreneurship and marketing skills
- Ⓢ Encourage and give full hardware and software supports for leather industries to adopt outsourcing production models for cluster groups

➡ In looking forward, the long term impact of the above stated proposals are crucial in changing the current situations of both rural women and youth groups.

➡ Therefore, ELICO and other leather companies should play important roles in the processes of implementing the integration of the rural economy through the women and youth empowerments.

Thank you !!!!!!!