CASE STUDIES

CASE STUDY 6:

Sample Diagnostic Study: Merkato Leather Footwear Cluster – UNIDO Cluster Development Project in Ethiopia

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

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"UNLEASHING THE POTENTIALS OF MSMEs IN ETHIOPIA"

REPORT OF DIAGOSTIC STUDY OF THE MERKATO LEATHER FOOTWEAR CLUSTER

ADDIS ABABA
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UNIDO Cluster Development Program

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INDUSTRIAL DEVELOPMENT ORGANIZATION

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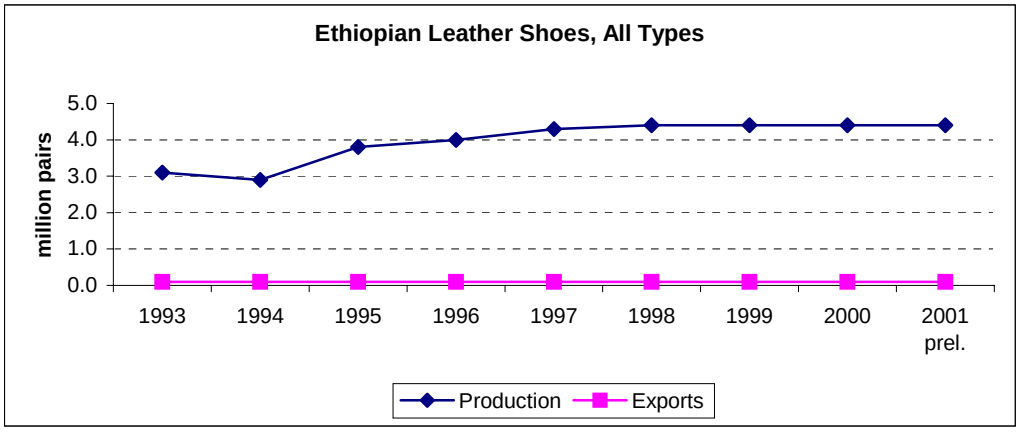
I. Introduction

2. The Footwear industry in Ethiopia

All mechanized and semi-mechanized footwear manufacturing in Ethiopia is concentrated in Addis Ababa. The industry may be considered as composed of two groups: the larger mechanized footwear industries[1] and the remaining production units that can be considered as MSMEs. These latter tend to cluster in locations such as *Merkato* in Addis Ababa. Their classification is based on their capacity, production volume and level of employment. In these areas, all the footwear producers share characteristics such as *seasonality of production, fluctuating employment levels, and limiting terms of employment, such as the absence of a formal contract, payment made per worked day, flexibility of working hours etc.*

There was an impressive growth in footwear production in 1995 and again leveling off to a static situation. Exports have been persistently low throughout the period, and imports of shoes have not been registered and properly documented. At present, the principal market base for both the large mechanized and the lower level MSMEs is still the local market. But there are recent attempts by some of the larger mechanized units to export to Europe and the potential regional.
Production and Exports of Leather Footwear



Source: FAO World Statistical Compendium for Raw Hides and Skins, Leather and Leather Footwear, 1984-2002

1.3 Mechanized Industries

A list of 12 mechanized footwear factories includes the most important medium-large producers, in the formal sector. In a review made by UNIDO in November 2002, one of these factories had reverted to producing only PVC injection-molded footwear[2], one produced only military footwear and another was 100% export oriented and did not serve the local market.

Most of the active manufacturing companies listed in the following Table produce, primarily Men's and children's shoes. Information received from MoTI in October 2004, indicates that there are footwear

[1] The definition of mechanized factory for a footwear plant derives from the ILO/UNIDO Memorandum 2 entitled:"Small-scale Manufacture of Footwear" (1982), which defines as mechanized footwear plant, a production unit, which is equipped with a complete line of machinery for the production of footwear.
[2] Ethiopian Canvas & Rubber Shoe Factory

plants that produce Lady's shoes, but do not export as they have yet to acquire the necessary technology and trained manpower.

Installed Yearly Production Capacity of the Major Footwear Enterprises in Ethiopia

COMPANY	INSTALLED CAPACITY (Pairs per day)	Actual output (pairs per day)
Tikur Abbay (military)	4,000	3000
Anbessa	2,100	1,200
Kangaroo	1,200	400
Italshoe	1,200	600
Peacock	1,200	500
Ras Dashen	900	250
Data Rapid	500	100
OK Jamaica	400	200
Wallia	400	200
M.T.	300	100
Ramsey	300	150
Wabe	PVC Injection Molding	N/A
TOTAL INSTALLED DAILY CAPACITY	**13,650 PAIRS**	**6500 pairs**
AT 50 WEEKS X 5.5 = 275 WORKING DAYS PER ANNUM	**3,726,250 PAIRS**	**1,787,500 PAIRS**

Source: LLPTI and ETFLGMA

1.4 Small, medium and Micro scale Producers[3]

The small, medium and micro scale producers in Addis Ababa are mostly found in clusters in different parts of the city, such as, *Merkato, Messalemia, Asco, Kuwas Meda* etc. The largest cluster is found in Merkato, locally known as *'Shera Tera'* where producers, input suppliers and component retailers are concentrated. The footwear producers are observed more concentrated and localized in the areas of *Sebategna* and *Mesalemia*, the shoe production shops in the areas of *Asco* and Kwas-*Meda* are quite few in number and scattered.

Furthermore, in the neighborhood of Merkato called *'Sebategna'*, many small-scale informal and formal producers are to be found along the narrow streets. *'Shera Tera";* which is the central market place for MSME footwear producers, is also conveniently placed at the end of the *'Amede Gebeya'* street, where there is a concentration of retail shops that sell locally manufactured footwear.

The following table gives the main characteristics of the three types of MSMEs operating in Merkato and neighbouring clusters.

[3] *Study on Leather Sector MSMEs located at Merkato, Addis Ababa, Addis Ketemakifle, Ketema, UNIDO November 2003*

Characteristics of Small and Medium Scale Footwear (MSMEs) Producers in Merkato Addis Ababa and other clusters [4]

Producers	Characteristics
Medium-scale Producers 30-40 units Production: 11 dz. per day Workers: 30-40	▸ They are located one level lower than the mechanized footwear industries. They have a higher capacity, better machines and workshops and better-known product brands than the informal and small-scale producers. ▸ They specialize on footwear for men, and mostly sell their products in their own shops. ▸ This group has potential for growth and a wider business outlook, many producers in this level attempt to produce for export. ▸ Because most are self-made indigenous entrepreneurs they share the following problems with the other two groups: no formal training and absence of modern financial and business management systems.
Small-Scale Producers 75-100 units Prices:60-110ETB for men Workers: 15-20 5 dz. Shoes /day	▸ Small-scale producers are engaged in footwear production through out the year. They are semi- mechanized. ▸ Experience seasonality of active production periods, as do the other two groups of shoe producers. ▸ Specialize on footwear for men and produce mostly for shops in the city. ▸ They have their own brands and some attempt to enter the export markets. ▸ They lack access to information on export markets, modern management and financial management.
Informal / Micro Units 400-500 units. Prices: 45 ETB for men, 20-18 ETB. For women and children	▸ Informal producers are marked by low quality and cheap footwear production, targeting principally rural traders and farmers. ▸ They specialize in footwear for women and children and the production is manual, however they sometimes use leased machinery. ▸ The informal industry employs a large but fluctuating number of people throughout the year. ▸ Their operations are highly flexible and most are not operational throughout the year. Producers engage in other economic activities in non-peak periods, although there are also informal producers that do not close their workshops during the year. ▸ Upward mobility is difficult but not impossible; there are large producers that started operating in the informal sector.

Estimated Yearly Production Capacity of the Footwear Informal Sector

CATEGORY	INSTALLED CAPACITY (pairs per day)
Medium scale (30-40 units)	4,620
Small scale (75-100 units)	5,250
Micro units (400-500)	2,700
TOTAL INSTALLED DAILY CAPACITY	**12,570 PAIRS (ca. 1000 Dozens)**
AT 50 WEEKS X 5.5 = 275 WORKING DAYS PER ANNUM	**3,456,750 PAIRS**

Source: McCallin, November 2004

[4] *The data in the above two tables is taken from the UNIDO/MOTI official publication "A strategic action plan for the development of the leather and leather products industry". It is based not based on actual census and but reasonable approximation. The data may not represent the actual present situation. At present the total number of producer units who are members of various cooperatives is 937 (792 Ethio-Leather association, other cooperatives 145 members).*

II. The Merkato Leather Footwear Cluster

4. Geographic location

The cluster is located at the heart of Addis Ababa (Addis Ketema Sub-city) in a place called Merkato, which is known to be the largest open market in Africa. The critical mass of MSMEs engaged in the production of shoe and related businesses are concentrated in two major locations with in Merkato. One of such locations that is close the main market center and accommodates the majority producers is known as *Sebategna area (Kebele 10, 11, 12)/Addis Ketema Subcity).* And the other area of Merkato where comparatively lower concentration of shoe producing operatives is found is known as the *Mesalemia area (Kebele 08, 09, 18/Addis Ketema Sub city).*

According to the recently updated database of the Addis Ababa Trade and Industry bureau, there are a total of only 118 registered and licensed enterprises that are engaged in the production and sales of shoe, soles, other inputs supply as well as marketing activities. However the database does not represent the reality on the ground as majority of micro and small enterprises are informal (nor registered and licensed) and most of these enterprises do not have fixed addresses.

The number of micro enterprises in particular is also highly influenced by the seasonality of market demand. It is practically difficult to get a reliable database on the number of these informal SMEs due to the fast changing conditions in the cluster and difficulty to get reliable information. Nevertheless; footwear production, sales and related businesses are important constituents of the economic activities in Merkato.

5. Products of the Merkato Footwear Cluster

The following major products are produced and marketed in the Merkato Cluster[5].

Product Type	Estimated Percentage of output
Men's shoe	60
Lady's shoe	25
Childeren's shoes	15

The most characteristic product of the *Merkato* cluster is Men's leather footwear. Except in few cases the uppers and inside lining material of Men's shoes are all 100% leather products. But in the case of Lady's and Children's shoes, there is significant production of semi-leather products (in which some "synthetic leather "or imitation-leather components are used).

The diversity of shoes in terms of design is limited. Most of the shoes produced in the cluster resemble imported Chinese shoes. The large percentage of the shoes produced in Merkato is marketed in the regional towns of Ethiopia.

[5] *R.C. M Reddy , "Integrated Programme for Private Sector Development and Enhanced Competitiveness with Special Emphasis on Textile & Garments, Leather & Leather Products and Food Processing "- UNIDO Technical Report*

6. Major Cluster actors

3.9 Shoe Producers

Naturally, the most important cluster actors are the shoe producers in the Merkato area. The largest mass of shoe producers and related firms is found in the Sebategna-Merkato area, where over one thousand enterprises are engaged in footwear related businesses among them up to 600-700 could be micro scale shoe producers. As mentioned above the number of these informal MSE operators is not known exactly

The main product in this area of the cluster is Men's shoe made entirely of essential leather parts. There is also significant production of Lady's and Childeren's shoe as well as leather made sandals (Artisan type of shoe).

In the other locality of *Mesalemia* – Mercado, there are about 150-200 shoe producers mainly engaged in the production of Lady's and Children's footwear. Some of the footwear products from this area are semi-leather and semi-synthetic. This part of the Merkato Cluster and the other areas (*Kwas Meda*) are comparatively less active in terms of production and sales activities compared to the Sebategna- Merkato area.

3.10 Suppliers of raw material, components, machinery and equipment

Supply shops are found in all corners of the cluster. Some of the raw materials such as some type of soles and leather (for upper and lining) are locally produced and are made available through retail shops in the cluster. But the remaining raw-materials (such as PU and some type PVC soles, insole materials, adhesives, counters, eyelets & locks, laces) are imported from abroad and made available at merkato through the sales units of the importers.

The second had purchase of some equipment such as skiving machine, hydraulic/mechanical press, stitching machine, grinders and other tools is also commonly practiced in Merkato.

3.11 Marketers: Dealer, Wholesalers and Retailers

The shoes from the producers are received directly by wholesalers and dealers at the nearby shoe wholesales center *Sheratera*. Some MSE operators have their own retail outlet. Direct sale of shoes to retail shops with in Merkato is also practiced to a limited extent.

3.12 Shoe Sole producers

There about 10-14 sole production plants that produce rubber and PVC soles for the Merkato shoe producers. The sole production is based on bulk order coming from the producers or from retailers in the area.

3.13 Shoe Last modifiers

There are also specialized technicians who are engaged in re-shaping or modifying old last forms to make them suitable for new designs. These technicians laminate sole leather on the the old last forms and use grinding machines to reshape for the required design. As lasting forms are expensive, shoe producers can

not use new last forms for every new design of shoe. Therefore that presence of Last modifiers is a great cost effective advantage to the shoe producers.

3.14 Skivers

Skiving shops are found in many places in the *Sebategna* area. Most of the micro scale shoe producers do not have skiving machine. Some of these operators can not afford to buy the skiving machine where as others can afford it but do not have sufficient workspace to accommodate the skiving work. Therefore they out-source the work sending patterned and cut leather pieces to the skiving shops.

3.15 Designers

Generally the so called shoe designers in Merkato are not professional ones who make creative designing work. They are mainly people who study the designs of imported Italian, Turkish and Chinese made shoes and copy the designs. Copying of design patterns is done by cutting out the patterns on card board. A certain degree of improvisation is also observed in terms of adding slight modifications to the copied designs. Size grading (preparing patterns of the same design for different size of shoe) is a difficult and often imperfect work for these design-copiers.

With in the cluster, there are also some shoe producers who have taken formal training in shoe designing at LLPTI. Though rare, creative designs of shoe are also made available to shoe producers. Designers are important not only considered important design-service providers, they are also known to being source of better market information with regards to the timely market demand of shoe design and construction.

3.16 Franchisers and Subcontractors

Sub contracting of shoe production from larger shoe factories to small and micro units is also observed in Merkato. Subcontracting activities are common especially at the times where the market demand is lower. In this arrangement, the sub-contractors are benefited in cost reduction where as the micro units are also benefited by utilizing their production capacity particularly in low market seasons. Various well known brands of shoes are produced in the Merkato cluster. Nevertheless the degree of subcontracting activity is very low that it benefits only few well recognized and well networked units.

III. Business operations in the Cluster.

The shoe production which involves a large but fluctuating number of daily-paid workers. Some of the micro MSE operators are sometimes job-workers for other shoe producers particularly during low-market times. Though their number is quite small compared to the micros, the small and medium scale units operate through out the year. Due to seasonality of the market demand the average down-time of the micro operators reaches 40-60% making the actual working days 150 – 200 days per annum.

There are also large numbers of supply retail shops selling Soles, Leather Synthetics, Plastic and metallic accessories, adhesives …etc. These shops are found along a narrow street in the Sebategna area and in the middle of a market in the Mesalemia area. Despite the fact that there is low demand in the shoe market for the nine months of the year (except December, January and February), there seem to be too many supply retail shops selling more or less similar input items.

All raw materials and equipment mentioned above are made available in the cluster by wholesalers and retail shops. The supply shops are located in the same neighborhood as the footwear producers. There are many raw materials that are imported from abroad but the main raw materials (Leather and Sole) being used in the cluster are locally made.

The raw material market is highly supply driven rather than demand/market driven, the composition of raw-materials used in the shoe construction and the quality of the shoe is highly influenced by the availability, price and quality of raw materials. Diversity in the raw material market is very small and hence the degree of freedom for choice of the best and economical raw material is quite limited.

Description of the main raw materials used in the Merkato footwear cluster and their sources is given in the index **(Index 1)**

There are a large number of shoes sales outlets in the Merkato area at *Sheratera*. The wholesalers, to whom the shoe producers sell their products, are concentrated in a small area with in Merkato known as *Sheratera*. A large volume of shoe is dispatched to retailers in Addis Ababa and regional towns. In Addis Ababa, shoe retail shops are found in all parts of the town. Some of the main shoe sales centers found in the Merkato area are *Amede Gebeya* and *Dubai-tera*. *Sheratera* is usually a crowded place accommodating the activities of shoe producers, wholesalers, dealers (middle-men) and also raw material shops.

The main marketing channel is the sales from shoe producers through wholesalers to retailers. However, the involvement of middlemen directly connecting wholesalers to retailers is also significant. Though, not very large in volume of trade, there is also some market through subcontracting arrangements between smaller units and larger units. So far, there has not been formal and legal agreement on subcontracting activities, again here the practice is predominately traditional trust based.

The trade practice between the shoe producers and the wholesalers at *Sheratera* is dominated by traditional, trust based arrangements. Producers do not usually sell their products for cash. Instead, the whole sellers agree on negotiated price range and receive the products from producers on credit and display it at their shop. And then they pay the producers the agreed price after selling the shoes to retailers. In some cases, shoe producers are paid partial payment by the wholesalers.

The type of products targeted for customers in Addis Ababa tend to have better quality and fashion orientation than products that are targeted for regional towns and rural areas. And there are also minor price differences between these two markets. The shoes that are dispatched from Sheratera to the regional towns and rural areas are generally cheaper in price.

IV. Features of the Merkato Footwear Cluster

1. Production Technology and Product quality

Starting from design and raw material purchase to the final packing of the product a number of value adding steps are involved. These process steps have typical features in terms of the level of technology used and the amount of labour involved. The process of footwear manufacturing by MSEs MSE operators of Merkato is illustrated in the Index **(Index 2)**

The shoe production activity in the cluster is poorly mechanized and hence requires involvement to more labour per unit product. The main equipment used in the Merkato micro and small scale producers are stitching machines, mechanical presses, grinders, skiving machines. However, most MSE operators do not have the complete range of these equipments. Most micro MSE operators have one stitching machine and use other machines by leasing from others. Most of the small and medium scale operators have better and full range of equipments.
The following observations have been made during the diagnostic study with regards to technology and the production activity.

- ***Design and Patterning:*** The Design of shoes produced Merkato has improved remarkably in the past few years. However the designs are merely copies of imported Chinese and western shoes. Design-copiers use card boards to coy the cutting patterns of the imported shoes. The set of cutting pattern along with important information on the construction of the shoe is sold to the shoe producers for a range of 300-500 Birr.
- ***Cutting operation:*** Cutting of leather and insole material is done manually in most cases. As the manual cutting process is slow and could lead to imperfections in the pattern, both the productivity and quality are affected. Some of the small scale producers have click machines that cuts leather more accurately according to the desired pattern using cutting-dies made in the cluster.

- ***Skiving***: Many of the micro MSE operators do not have skiving machine of their own. They use leased machine or outsource the skiving work to the skiving shops that are found in the neighborhood. The skiving shops perform the job for an average payment of 3 birr per dozen of patterned leather pieces.

Skiving

- ***Upper and Insole preparation***: Making the upper and its inside body with fabric, lining leather and other essential components is done on small working tables using simple hand tools. The process involves the use of certain type of adhesives and glue. The Insole material is also prepared in the same manner.

Preparation of Upper and Inner sole

Stitching

- ***Lasting:*** Lasting is done mostly on imported lasts (mainly Italy made lasts). As the last forms are not purchased by the producers based on required specification, their shape does not fir the shape of intended shoe design. Therefore the lasts are adjusted by grinding the surface to modify the shoe accordingly. Modifying the shape of lasts is done by specialized workers who provide the service for a payment of 800-2000 Birr per dozen of last form depending on the amount of work required.

These workers also modify the shape of used last forms by laminating pieces of sole leather and grinding. Recently a company has started producing shoe lasts in Addis Ababa.

Lasting is done purely manually as mechanized lasting machines are not affordable by the MSE operators. The process is laborious and lengthy.

- ***Attaching the sole to the lasted upper:*** This process involves pasting adhesives and heating in order to activate the effect of the adhesive. This heat-setting is accomplished in most cases using domestic type Kerosene stoves. The process releases a huge amount of VOC (Volatile organic component) and smoke from the stoves creating a harmful and discomforting atmosphere in the tightly packed shoe making shop. The heat-setting process is quite prone to accidents. And the quality of shoe produced with this method, with regards to attachment of the sole the upper is most likely to be below the acceptable standard. Some of Small scale producers use heating – lamps for heat setting, and therefore the quality of the product as well as the health and safety conditions are better than most micro MSE operators.

Grinding sole

Heating lasted upper on domestic kerosene stoves

Pressing: Most MSE operators do not have proper pressing equipment to press the sole against the lasted upper. Mechanical presses are used in most cases, in few cases light duty pressing machines are observed.

Pressing

- ***Finishing***: The shoes are brushed with pigmented wax to improve their appearance and perhaps cover some defects that may be seen on the surface of the upper. In many cases spray finishing is practiced. It has been observed that the pigments used in spray finishing are cheap pigments made for other surface finishing purposes. And the spraying is too heavy. As a result of such wrong practices, the esthetic value of the leather shoes has been diminished making the surface almost plastic-like.

Finishing work

- ***Branding*** Brand names are embossed on the leather upper using mechanical press or fixed on the insole as prints on synthetic fabric or plastic material. Some shoes produced in Merkato use also have the brand names molded on the sole of the shoe.

Branding

2. Supply of Raw Materials

There is large number of supply shops retailing the wide range of raw materials to the producers. There are fewer problems with regards to availability of raw materials except in rare cases. The main problems of raw material supply are high price and low quality.

Diagnostic interview and observations made in the cluster area indicate the following aspects

- Locally produced Leather is usually available in the retail shops. However shoe producers face problem in getting upper and lining leathers having the desired quality.
- It has been observed that even the corrected-grain hide uppers have major surface defects resulting in high percentage of wastage during the cutting operation in the shoe shop.
- Full grain upper leather is not available in the desired quantity. It is also difficult sometimes to get upper leathers of the right color; producers are forced to use mostly black and brown colored uppers that are normally produced by tanneries. In effect this problem has diminished the diversity of product feature that could have been achieved.
- Most of shoe produces assert that the quality of upper leather that is available in the supply shops does not deserve such a high price (i.e. 9.60 Birr per square feet)
- Most of the MSE operators believe that the quality problem on soles is not as severe as leather quality. The main problem with sole supply is availability of the right type of sole for the shoe design intended.
- In many cases, certain types of soles that are demanded by many MSE operators are controlled by a group of producers who make special arrangement (bulk purchase) with sole suppliers and producers. Normally soles with unique and new designs are not sold to all shoe producers but only to those groups of shoe producers who have agreement with the supplier or sole-producer.

This arrangement has benefited some of the MSE operators who can afford to make bulk orders as groups and make restriction on sale sole based on agreement with sole-produces.

- Adhesives and glues, cellulose based insole materials, synthetic linings and uppers are also available in wide varieties at through out the year.
- The main problem with the supply of adhesives and glues, cellulose based insole materials, synthetic linings and uppers, metallic and other plastic made accessories is the rise in the price.
- The use of synthetic leather as main raw material for making shoe upper and lining has significantly reduced. The large percentage of Men's footwear are made of leather, but still a large amount of synthetic material is consumed in the Merkato cluster (specially in the Mesalemia area) particularly for making the low price/low quality Lady's shoes.
- There are also some shops and dealers who supply machineries and parts. Nevertheless, the second-hand market in Merkato and second-hand dealers are the chief sources of parts and equipments used in the cluster.

Purchase of raw materials is mostly cash–based transaction, credit sales to the shoe producers are known but not very common practices. Suppliers sell to the producers on credit – basis only if they believe that there is better market situation at the Sheratera. On most of the raw materials, *availability is not a serious problem but rather price rise*. The price of raw materials is highly influenced by the importers, wholesalers and middlemen involved in the supply system. Retailers and shoe producers do not significantly affect the raw-material prices.

Most MSE operators are forced to use cheaper raw materials of lower quality for fear of not being able to sale their shoe at profitable price, if they use all better quality and higher priced raw material. For, instances the lower quality synthetic linings are becoming popular raw materials as they are difficult differentiate from the real leather linings. The sheep and goat lining leather lining is sold for average price of 5 Birr per square feet, where as the Chinese synthetic lining material is sold for about 2-3 Birr per square feet.

Supply shops at Sheratera market

Most of the interviewed MSE operators believe that it is absolutely impossible to imagine improvement in the quality of shoe with out the availability of affordable raw materials. The state that uncontrolled and ever increasing price is pushing the MSE operators to the option of using low quality synthetic products. On the other hand, the demand in the shoe market is increasingly inclining towards shoes that are made with good quality leather and other raw materials.

Some MSE operators are forced to stop working for some months of the year because of shortage of running capital in the face of rising raw material cost and low market. They close their shoe workshop in the non-peak periods and temporarily migrate to other fields of work.

The average price of some of the raw materials in Merkato Sheratera area at the time of the diagnostic study is given in the Index **(Index : 3)**

3. Product and marketing

A huge volume of shoes are sold to retailers through wholesalers the *Sheratera* market. Shoes received from producers in the *Sebategna and Meselemia* areas by wholesalers are displayed at the market. The selling prices of shoes (from producers to wholesalers) are strongly influenced by the wholesalers. Normally, wholesalers buy the shoes on credit basis with or with out partial payment. According to the normal practice the shoe that is 'sold' to the wholesalers could be returned if they could not attract retailers in quality and price.

The Sheratera Wholesale center

The average selling price of shoes at which the producers sale their product to wholesalers show too much variation and fluctuation depending on the following factors.

- ***Design and fashion-orientation***: New and trendy designs command better prices. Though not dynamic as it should be ideally, trends in the design of Merkato shoes the change. Design variation is main source of price differences. The fashion orientation of the products originates from the trends imported Chinese and European shoes.
- ***Raw material composition of shoe***: Shoe made with PU and TR soles are sold at higher prices than PVC and Rubber soled shoes. Similarly, shoes made with leather upper and lining command better price than others made of synthetic/ imitation leather components.
- ***Seasonality of demand in the shoe market*** : Generally price of shoes is high in the months December-February every year and during times of religious holidays)
- ***Cut-throat competition among producers***: There is little product diversity in terms of design and the raw materials used. Merely selling the shoes at lower price is considered as a competitive instrument by the MSE operators. Therefore the price of shoes with newer designs quickly falls down as more shoe of the same type flood the *Sheratera* market. Initiatives in common marketing and price agreements are not common practices.
- ***Price variations in the raw material***: the prices in the supply market are also reflected in the prices of shoes. The most sensitive raw materials prices that are immediately reflected in the shoe price are prices of soles.

Given the above conditions on the fluctuation and variation of prices of shoes at the *Sheratera* market, a survey on selling prices at which wholesalers sell their shoes to the wholesalers was made during the diagnostic study. This survey included interview inquiries to both the producers and the wholesalers.

The results are indicated in the following table.

Type of shoe	**Selling Price Range in Birr**	**Average Selling Price in Birr**
Men's	**60 - 110**	**75**
Lady's	**30 - 50**	**40**
Childeren's	**35 - 65**	**50**

Synthetic upper and linings are observed on Lady's shoes predominantly. To Some extent synthetic/imitation leather parts (particularly linings) are also used in Men's and Children's shoe. As incorporation of synthetic/imitation leather results in immediate cost reduction as well as lowering in quality level, shoe constructed as 'semi-leather' command considerably low prices.

Most MSE operators interviewed believe that despite the many market problems they are facing at present, the demand for Merkato made shoe has significantly improved in the past two years.

Lady's shoes

Men's shoe

3.1 Marketing Problems

- **Seasonality of demand for shoe:** Commonly the market is non-steady and prone to unpredictable fluctuation both in demand and price. Wholesalers operate in a continuous state of uncertainty. Therefore they are not interested to do much cash- purchase and operate with large stocks lest their unsold stock cold lead tem to bankruptcy. Rather they prefer to get shoes form producers in a risk free manner as in the form of credit sales arrangement where by they may even return unsold goods to the producers.
- **Competition from imported shoes:** There is still stiff competition in the market from imported China made shoes. These shoes are sold all corners of Addis Ababa and the regional towns not only in retail shops but also even on the streets. The competition is particularly fierce in the case of Lady's and Children's shoe. The china made shoes have good appearance in design and structure. They are also cheap and attract buyers more easily than the Merkato made shoes. However, they are of very poor quality in strength and utility aspects because they are made of entirely cheap synthetic materials and plastics.

  Many MSE operators now feel that the customer is gradually understanding the low quality of these imported shoes and giving more consideration to the locally made leather-shoes. In recent months, there has been an increasing new trend of labeling the shoes as ***"Made in Ethiopia"*** in an attempt to differentiate the Merkato shoe from imported shoes.

"Made in Ethiopia"

- **Lack of variety in design of shoe**: Brand new designs of shoes that can attract market are rare. The shoes produced by the MSE operators are predominantly similar. As shoe of similar designs flood the *Sheratera* market the selling price decreases due to competition
- **Poor market out-reach out of Addis Ababa:** Many MSE operators state that the marketing activity in the cluster is slower and does not match with the productive capacity of cluster; the market outreach in to regional towns of Ethiopia is very poor.
- **Absence of Promotional and Advertisement activity:** There has not been promotional and advertisement of Merkato made footwear in the cluster. Participation in exhibitions and Bazaars in not common among Merkato MSE operators.
- **Low product quality features:** There are some shoe producers who believe they are producing and selling good quality shoe. But most of the MSE operators believe that they are not producing the right quality of shoe because of problems related to raw material, inability to produce using new & modern equipments and lack of skilled labour.

  Some people also believe there can only produce and sell lower quality and low priced shoes in order to compete with the imported shoes. Almost all interviewed MSE operators believe that the poor quality of locally available leather and other raw materials, lack of skill, non-mechanized operations are set backs for the improvement of quality.

4. Labour and Skill level

The workers in the cluster are commonly temporary workers. Their employment and the daily income they earn entirely depend on the seasonality of demand in the shoe market. The peak time of the footwear market is between December and January every year and the number of workers engaged in the footwear making fluctuates very much because the workers shift to other fields of work during the low market seasons. The same is also true to some in case of the micro MSE operators who shift to other forms of business when the shoe market is low.

Given the large number of unemployed youth in Merkato as well as through out the city, availability of labor is a critical problem to the employers/owners. Nevertheless, shoe producers are sometimes frustrated when the well trained and experiences workers shift to other works and they are faced with the problem of having to train new workers all the time. Workers in the shoe shop see the shoe-making work just as one of the jobs they can do to make ends meet. As they do not have formal agreement of employment to ensure their job security, they are not very interested and committed to specialize, develop their skill.

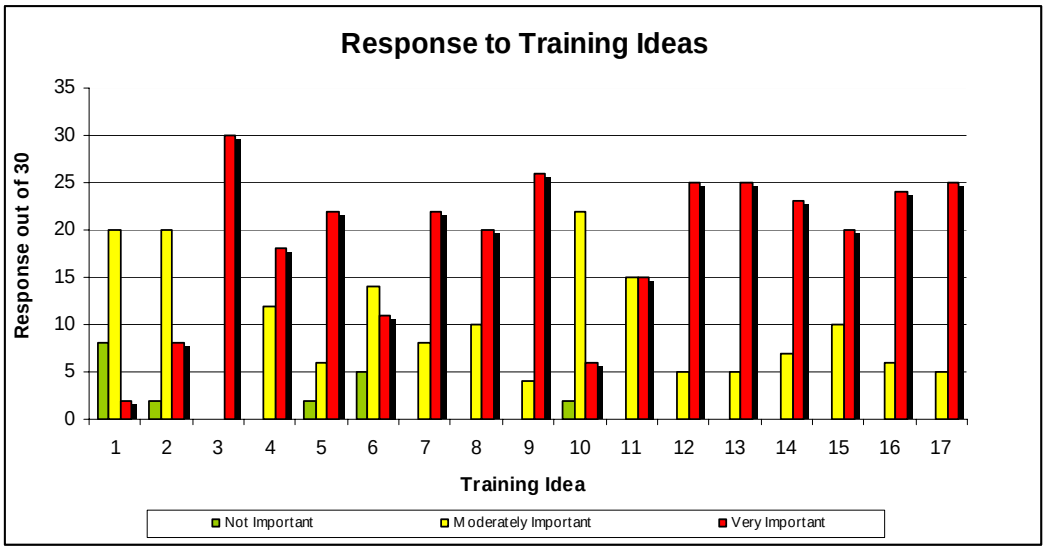
Workers having the required level of skill are employed as temporary workers for daily wage ranging from 15 Birr up to 50 Birr. There is also an appreciable degree of specialization in the Merkato leather footwear workforce. Workers get paid depending on recognition of their specialization in certain operations such as stitching, lasting and cutting. Workers who can make good lasting and stitching could be paid wage of 40-50 Birr per day where as others who are engaged in cutting and upper preparation could earn 15-35 Birr per day.

All workers in the cluster have developed their skill through the apprenticeship and practical experience. Formal training of shoe-technology is a very recent phenomenon for the cluster and not much known in the cluster in the past. There are only twenty shoe makers who have attended courses at LLPTI (Sponsored by UNIDO and PSU-MSE–EU) from the *Sebategna area* and about 10 people from the three cooperatives in the *Mesalemia area* who were given short term courses (sponsored by ReMSEDA – GTZ)on shoe making and other leather products manufacturing technology. The introduction of training in to

the cluster has increased awareness of the shoe producing MSE operators. And there is tremendous on the part of the MSE operators to get training opportunity.

Given the fact that there has been little formal training in the shoe technology, the craftsmanship of workers in the Merkato cluster is very good. And their existing good craftsmanship could be more developed and sharpened through introduction of modern practices through trainings. During the diagnostic study a training needs assessment was carried out in which the respondents were given a list of possible training ideas to rate them according to their priority as "Not important", Moderately Important "and "Very important". The training ideas and the results of tallied scores of 30 interviewee responses are given as follows. (Pls. see next page)

	Short Term Training Ideas	**Not Important**	**Moderately Important**	**Very Important**
	Technology, Production and Quality Aspects			
1	How to choose good raw materials.	*8*	*20*	*2*
2	How to reduce and use raw material waste	2	20	8
3	How to improve my product design and design new products, Patterns	0	0	30
4	Training on the use of modern equipment and technology	0	12	18
5	How to LAST better	2	6	22
6	How to do cutting properly	5	14	11
7	How to produce quality in-soles	0	8	22
8	How to attach soles properly	0	10	20
9	How to stitch the upper properly	0	4	26
10	How to make my workshop safer	2	22	6
11	How to improve my production process and system	0	15	15
12	How to improve the quality of my product	0	5	25
	Business Management and Entrepreneurship Aspects			
14	How to cost my product	0	5	25
15	How to sell my products more successfully	0	7	23
16	How to manage my finances properly	0	10	20
17	How to reduce my costs	0	6	24
18	Entrepreneurship	0	5	25



The above survey on the training needs of MSE operators done based in sampling on 30 MSE indicates the following. The results of responses on interviewee are shown in the table and graph next page.

- Generally, there is a great demand for all the above mentioned training ideas. Most of the training ideas presented to the interviewee were judged as "very important" and "moderately important".
- The needs for training and skill up gradation particularly in the areas of designing and patterning, improved lasting, upper preparation & stitching and use of modern equipments given comparatively higher priority by the MSE operators.
- Furthermore, trainings in costing, cost-minimization, marketing, financial management and Entrepreneurship are also highly valued by MSE operators.

Most of the interviewed MSE operators have also expressed their interest to pay reasonable fee for the trainings as long as the trainings they consider the trainings are useful and rewarding.

All of the interviewed MSE operators have also stressed that they can attend training programs only if the arrangement does not interfere with their normal daily activities, they prefer to take trainings in weekends and evenings because they could be normally intensely engaged in their production activity. Some MSE operators have also suggested that on-site training in the Merkato area could be more convenient for them.

5. Gender Issues

Shoe production an sales is considered an important economic activity in the Merkato area. However, involvement of women in the footwear cluster as owners, workers, and marketers is Very low. Ownership of shoe producing MSEs and the overall activity is largely dominated by male population. Women are a little more active in the marketing–sales and supply–sales activities than production activities.

In few production shops ladies are observed doing closing and insole-preparation works. In the *Merkato-Sebategna* area, compared to the other cooperatives the, Ethio-Leather Association more women members reaching up to 11 %. Cooperatives in the *Mesalemia* area have much lower women members, only 4%. The total number of women s engaged in footwear production, marketing and sales activities is estimated to be 105. The cluster development activity and subsequent improvement in the working condition and

wage level could attract more women to the activity. There is also a need to take deliberate action in order to enhance the participation of women in the footwear making activity.

Women in production activity

6. Occupational safety and Health (OSH)

The working condition inside all shoe making shops in Merkato cluster has a very poor status in terms of the minimum standards of safety and health. Even the minimum conditions such as proper ventilation and lighting are not in place. The following general observations made during the diagnostic survey indicate that the terrible OSH conditions are in the shoe production shops must be an issue of great concern.

- The workspaces of all workshops visited are too congested and crowded. There is no as such well defined lay-out for the production process as to enable workers move freely and safely.
- All the production processes are carried out in a small workspace that is also used as temporary storage of raw materials and finished products.
- The average area of the working premise of the micro MSE operators is about 6-7 meter square in which 6-8 people may squeeze in and work all day.
- There is no proper ventilation and lighting. Many of the working rooms do not have even windows to refresh the suffocated air.
- The production process involves the use of improper heating using domestic type kerosene stoves for heat setting of adhesive pasted in the upper. The smoke from the stoves and the VOC (Volatile organic component) from the adhesive result in an unhealthy atmosphere.
- Most workers do not have safety wear (Aprons) and the tables on which they are working are too short and small to allow for relaxed (ergonomically comfortable) condition to the workers who could work more that eight hours.

It appears that, the issue of health and safety is not a prime concern for the owners and managers of the shops as they are too much tied up with the worries about the supply, production and marketing issue. All the interviewed owners have stated that the matter is above their capacity. The main reason for the prevalence of such condition as stated by the owners of the shops is the lack of working premise with sufficient workspace. At present, almost all producers are using tiny rented rooms of residences in a

neighborhood consisting of large number of small houses crammed in to a small area (*Sebategna area*). On the other hand, it has been observed that the workers and owners are not very sensitive and concerned about worst condition in which they are operating. Exactly the same OSH condition is observed in the *Mesalemia area*, where the shops are found in the middle of a busy market area.

All the interviewed owners and workers hope that they will be able to improve the health and safety condition if they get proper working premise for their work. In fact, all the MSE operators in the area are eagerly anticipating getting working space by joining the cluster common production facilities that are under construction in the Mesalemia area and in the Yeka sub-city. Nevertheless, workers and owners would have to be sensitized and be aware of proper health and safety conditions in order to change their working habit.

7. Working premise and infrastructure

Shortage of sufficient and appropriate working premise is the most critical problem prevailing in the Merkato cluster. Almost all MSE operators use rented rooms of residential houses, only little small and medium scale MSE operators can afford to rent houses that have more sufficient workspace. The domestic electric lines of the house-owners are also used by the shoe producers for which they pay monthly based on agreements and depending on the electrical driven machines and equipments they run. The water supply and availability of sanitation facilities is very poor.

The average workspace being used by the micro MSE operators is 6-8 meter square. With in such small workspace up to sometimes 8-10 people work crowed and suffocated. The average use of space for a single worker and his/her working equipment is actually less than 1 meter square per person. The overage monthly rent payment is with in the range of 200-250 Birr for the micro MSE operators who use 6-8 meter square rented room. Other MSE operators who have better financial capacity use rented houses 25-40 m2 for monthly rent ranging 600-750 Birr per month.

Shortage of sufficient and appropriate working premise has entailed the following problems on the Merkato footwear producers in general.

- Very poor health and safety condition (as described in the previous section dealing with OSH)
- The rented houses are poorly designed and mostly houses that are found with in a tightly packed and unclean neighborhood of the Sebategna area. The whole area is inconvenient for production activity of micro and small enterprises.
- Low productivity: - MSE operators can not employ the desired number of workforce and install equipment (such as skiving machine and press etc...) due to shortage of space. This problem is highly felt especially in the peak market period (December- February)
- MSE operators do not have formal agreement with the owners of the house; renting service could be terminated by the owners of the house. As a result, most of the micro MSE operators do not have fixed address for their enterprise.
- There are no proper utilities such as latrines and solid waste collection areas to ensure the cleanliness and environmental safety of the area.

Even though there appears to be little or no opportunity for expansion of the shoe making activity in the Sebategna area due to the existing critical working premise shortage, however the number of micro MSE operators in the area is still increasing making the above-mentioned problems more and more severe.

The problem of poor working premise is the first and most burning issue in the cluster that is shared by all the enterprise owners and workers in the cluster. The networks in the cluster (Ethio-leather association and

other cooperatives in the Merkato area) are formed with the prime objective of seeking collective solution to the problem by gathering support from the government through the active support of the Addis Ababa ReMSEDA, Addis Ketema sub-city ReMSEDA and also the Ministry of Trade and Industry (MOTI).

The Federal and Regional government has given due attention in order to alleviate the problem and enhance the efficiency of the cluster for the achievement of targeted development goals. To this effect, two building complexes intended for common production facilities are being built.

One of these complexes found in the Yeka Sub-city (about 20 Km east of Merkato) is six blocks of G+3 buildings furnishing a total working area of about 11,000 meter square is under construction. The cost of the construction is covered by the Ethiopian government (MOTI). To acquire this common facility, the largest group of shoe producers (Ethio Leather association) is making the necessary arrangements in collaboration with the Leather sector development office of MOTI.

According to the information gathered from chairman of the ELIA (Ato Paulos Endeshaw) and the concerned office of MOTI, there is plan to allocate / distribute the total area of the common working premise according to the scale of the enterprises (i.e. 25 M^2 to Micro MSE operators, 50 M^2 to small scale MSE operators and 100 M^2 Medium scale MSE operators).

However, as to how the common facility will be provided to members of Ethio-Leather Association (meaning in the form of Lease, Rent or other arrangement) is not clearly defined or disclosed so far. Furthermore, the number of MSE operators from the Merkato cluster who will be the first beneficiaries of such common facility and the criteria for selection of such enterprises is still being studied.

According to the chairman, Ethio Leather Association has also plans to fully mechanize the shoe making operation in this new common facility, enhance the product quality standard and reach out to the export market in a short time. To this effect, the association has plans to purchase highly efficient and modern machines to be installed as common-use machines in the afore-mentioned complex. The machines will be purchased from well known European companies.

The other intended MSE common working facility is found in the Mesalemia area, this building complex is under construction by the Addis Ababa ReMSEDA to be used in the future by various MSE cooperatives of Handloom, Ready made garment and leather products. The complex is much smaller than the Yeka Sub-city complex (in front of the British Embassy). The allocation of the workspace of this building for each MSE sub-sectors (Leather products, Handloom and Readymade garment) will be studied and decided by the Addis Ababa ReMSEDA. The members of the three cooperatives in the locality of Mesalemia are eagerly waiting to get proper working space in this building. The working facility will be used by the MSE operators for a monthly rent payment ranging from 2- 3 Birr per square meter per month.

There is a growing hope among the Merkato footwear operators that the crucial problem of shortage of working space will be solved significantly in the near future. In this regard, the Trade and Industry bureaus, ReMSEDA (city and sub-city level) of the Addis Ababa city-government and the Federal Ministry of Trade and Industry have been exerting commendable effort. The two common working facilities will significantly alleviate the problem and also create conducive physical atmosphere for the cluster and networking activity in which the development actors such as UNIDO-Cluster development program, government and non-governmental stakeholders will act concertedly to create a common vision and bring about overall development.

8. Financial issues

The large majority of micro-MSE operators are unregistered unlicensed survivalist enterprises. For most of these operators, the main potential for starting the shoe making business is more their workmanship skill than financial capacity. In all cases, the initial capital for starting the business comes from income of their family and personal savings.
The problems in the purchasing of raw materials and marketing of the products (mentioned above) are reflected in the form of finical problems on the micro MSE operators. The small scale MSE operators that have higher running capital are not highly affected by cash–flow problem and financial shortage; some of these even have their own sales outlet, supply shops and sole–production plans.

These financial problems are reflected in:

- Being unable to buy raw materials in desired quantity and being forced to stop working because of financial problem
- Being forced to use cheaper raw materials to stretch the usability of their limited cash diminishing the quality level of the products. Shoes produced by using cheap raw materials are named "Wolkesso" meaning low-grade shoes.
- Being unable to buy equipments and parts (such as skiving machine press, stitching machine…etc)
- Not being able to afford larger and more convenient rented working premises and /or not having the potential of building their own working premise collectively or individually
- Unable to employ and pay for workers.

The trade system in the Merkato does not favor productivity and betterment in the performance of MSE operators. This is because raw materials are purchased in cash; there is no appreciable degree of credit sales of raw materials, where as the MSE operators do not have the influence in the market to sale their goods in cash to wholesalers at *Sheratera*. Many MSE operators face critical financial problem during low-market times as their small working capital would be tied up with unsold stock. Delay in payment from wholesalers is also a common problem for micro-MSE operators.

Due to financial problems the down-time of micro MSE operators could reach up to 60 % of the total annual production time. During these times, the micro operators are forced to shift to other businesses or work for other MSE operators who are in better condition financially. In fact; not withstanding the financial problem to ensure the relative permanence of the work, some of the micro MSE operators considered their business as seasonal and temporary.

All MSE operators interviewed in this study have never taken loan from micro-finance institutes found in Merkato. Some of the MSE operators are afraid of the unpredictable risk of market and no being able to pay back. Others who were interesting to take loan could not meet he collateral requirements. One of the prime requirements of MFIs to give loan is the need for permanent address, registration and license of the enterprise. These micro enterprises do not fulfill all of these preconditions. There is also a general perception that the amount of money that could be availed for loan to individual MSE operators is very much less that what could be a usable capital for shoe producers in Merkato.

On the other hand, most of the MSE operators in the cluster do not make proper and well documented follow up in their financial status. They do not maintain formal book-keeping to clearly analyze their costs, profits and financial needs. Most of their decisions are based on estimations and speculative

judgment. Most of them do not even study in depth about profitability of producing a certain new design of shoe. Therefore the problem is clearly not only the mere shortage of capital but also inadequacy in financial management and control.

9. Business development service

Almost all MSE operators in the Merkato cluster run their business in a traditional style. They are not exposed to new entrepreneurial ways of doing business. Part of the reason for this could be the low educational level of most owners and managers. On the other hand there have not been any activity of business development service that should have come in terms of consultancy (Technical managerial & financial) and training.

The BDS need has not been well studied and articulated. Perhaps the only form of business development service observed in the cluster is the service of designers (Copy-designers) who are also important sources of market information.

There have been some effects exerted in order to instill BDS in to the cluster by the joint activity of GTZ and Addis Ababa ReMSEDA. The BDS activities were mainly focused on technical, entrepreneurship and business management trainings (CEFE training). This activity could not continue in a sustained manner as the GTZ- MSE support project phased out. One of the main technical trainings conducted by the sponsorship of GTZ in the area of shoe technology was conducted by a private BDS provider (Messay Leather craft training Institute). The trainings given by this Institute are highly valued by MSE operators particularly in the *Mesalemia* area.

10. Horizontal linkage and Inter film collaboration

The Merkato footwear producers are part of a community having strong relationship among each other. Nevertheless, the degree of inter-firm collaboration in terms of carrying out joint activities is not very significant due to greater degree of isolationism. More than 80% of sampled enterprises do not undertake any joint purchase of raw materials with similar firms or engage in joint marketing activities. This is mainly due to lack of trust between the enterprises, the uniqueness of raw materials used and differences in purchasing power of enterprises. The only form of joint venture observed during the diagnostic study is joint purchase of soles by very few medium scale shoe producers

There is also high degree of cut-throat competition that is observed specially in the marketing of shoes. The shoes produced have largely similar design and other product features, and hence there is too much competition in the market that is mainly reflected in lowering selling prices to wholesalers.

11. Vertical linkages : sub-contracting and franchise practices

Some of the small scale shoe producers have sub-contracting linkage with larger firms. These firms are the ones that are technically better equipped have good image of being capable to complete sub-contracted work as per mutually agreed specification. However, sub contracting activity involves only very small part of the MSE operators in the cluster. In general terms footwear enterprises have rather weak vertical linkages. Only few enterprise (less than 30% of interviewed producers) work with other footwear producers in the form of receiving contracts or giving contracts, in particular capacity subcontracting (as it is contrasted with specialisation-subcontracting

Some of the medium scale producers (e.g. Korem shoes) have linkages with shoe exporters who make specific orders, inspect the quality and export the shoe. Again the number of such firms is too small and export of shoe from the Merkato cluster has not reached any significant.

12. Forward linkage and backward linkages

The largest proportion of the sale of Merkato shoe is undertaken by wholesalers at Sheratera who distribute to retailer clients in Addis Ababa and Regional towns. Some producers also sell their products at their own retail outlets in town. The forward linkage is highly influenced by wholesalers, producers (particularly the micro MSE operators) are not practically price-makers. Linkage of the cluster to the global can be considered insignificant at present.

Regarding governance within the value chain, the business seems to be more like buyers driven chain rather than producers driven, since the large majority of the enterprises receive orders from their buyers specifying volume, quality and/or design. Shoe shops in a certain parts of Merkato (i.e. Amede Gebeya) order shoes, customarily in dozens, from the small-scale shoemakers in a different part of Merkato. However, more detailed research is needed to establish this further, and especially for which types of firms it applies and for which it does not apply.

A new form of forward linkage that has recently emerged in the Merkato cluster is the franchise trade of shoe under the brand name "GAMB". The company (***GAMB trading Plc.)*** makes orders with complete specification including design raw material composition and construction of the shoe. The company also provides the required raw materials in the form of credit. Then the shoes are sold to company based on pre-arranged agreement. Gamb Trading Plc. distributes the shoes at the retail outlets found in different parts of Ethiopia.

At present there are about 30 small scale shoe producers who are actively doing business under this form of ‘franchise’ arrangement. GAMB trading does not have its own shoe factory but involves activity as trader in an arrangement that alleviates the financial problems of MSE operators mentioned earlier. GAMB Trading Plc. (Manager and Owner Ato Paulos Endeshaw, also chairman of the Ethio-Leather Association) has an ambitious plan to expand the franchise arrangement to include more small micro units of the Merkato. The company also has plans to export "GAMB" franchised shoes to regional and international market.

Other forms of linkage observed in the cluster are business relations of the core firms with service providers such as last - modifiers, skivers, and upper-makers. These elements of the cluster play important role in enhancing productivity and their technical specialization that adds to improved efficiency.

With regards to backward linkage, an estimated more than 75% of the required raw materials are provided to the producers through retailers. Most of the mediums and some small scale enterprises directly purchase the input items from importers/wholesalers or producers. Micro enterprises can not take the same option because of their lower financial capacity to buy in larger volumes.

13. Institutional Linkages: Linkage with governmental and support institutions

Members of the cluster have been operating in isolation from most governmental bodies and activities of NGOs in the cluster have been very weak. The main institutional linkages of the cluster that have flourished recently owing to the effort of the Regional and sub-city level ReMSEDA offices. Furthermore the Ministry of Trade and Industry is now closely following up the cluster development activities in Merkato.

14. Information on marketing and technological aspects

The technology practiced in the cluster is quite old and has not been upgraded for the last many decades. Part of the reason for the prevalence of such backwardness is lack of information and training on modern applications and equipment. Operators in the cluster can admire and perhaps try to copy the designs of imported shoes; however they have little or no information/ knowledge on the modern manufacturing methods in which those imported shoes are produced. The operators and networks in the cluster are not dynamic enough to gather new information, adopt new technology, new designs and workmanship methods. Slowness and inadequacy of information flow is also observed.

Dissemination of information in the technological and marketing aspects and enhancing the sensitivity of operators towards this information should be on of the strategic focus of the Cluster development.

V. Networks in the cluster

The major and most significant network in the Merkato Cluster is the Ethio-Leather International Association. This association was established about one year ago by the initiative of Addis Ketema Sub-city MSE Development office and support of important cluster actors. The main objectives of the association are:

- To provide credit and saving service to the members.
- To gather support from the government particularly on the issue of infrastructural and financial problems that are prevalent in the Merkato Cluster
- To facilitate conditions and actively involve in the capacity building matters such as human resource and quality development.
- To develop raw materials supply and marketing arrangements that are more efficient
- To develop market outreach and promote export of quality shoe to the sub-regional the international market.

The membership composition of the association is as follows

S/N	Scale of Enterprises	Number
1	Micro Scale Shoe Producers	700
2	Small Scale Shoe Producers	66
3	Medium Scale Shoe Producers	26
	Total enterprises	792
4	Other members (Workers, Suppliers and Markers and other professionals)	208
	Total	***1000***

Source: Interview, Chairman of Ethio- Leather Association

The membership of the association has tremendously increased in the past 12 months from few hundred to one thousand. According to the chairman of the association, there is still more request for membership from shoe producers in the area. However the association has temporarily decided to proceed with the existing members only.

The membership of the association is in the form of share holding pattern. Each member has to buy shares worth Birr 1200 to 12,000. The total projected capital of the association that is to be collected from members is Birr 10 million. Apart from undertaking the activities for collective interest of the members, the association has planned to start credit and savings operations, with the objective of addressing the working capital problem of the members.

The association works in close collaboration with the Addis Abeba Trade Industry bureau, Addis ReMSEDA, Addis Ketema Sub-city ReMSEDA offices as well as with the Ministry of Trade and Industry. Ethio-Leather Association has also gained assistance from UNIDO and EU-MSE – PSU (EU-MSE, Project Support Unit) in training the members.

With a view to relocating the large majority of the Merkato shoe producers to a new location, a new common working facility is being built by the Ministry of Trade and Industry under the supervision

of the Trade and Industry bureau of Addis Ababa city government. The common working premise under-construction is located in the *Yeka Sub-city* some 15 km east of the Merkato and is planned to have production, marketing facilities (modern machineries and display room. This common premise and facility is provided by the government as part of the activities that are being undertaken in order to achieve the targets stipulated in the ***Strategic Action plan for the Development of the Leather the Leather products industry***.

There are also other networks (three cooperatives) of shoe producers in the Merkato-Mesalemia area and one cooperative in the Sebategna area. These cooperatives are relatively smaller in membership size ranging from 15- 62 members. The total members these three cooperatives is 145 increasing.

These cooperatives were established in the year 2005, as a result of sensitization and organizational role of the Addis Ketema sub city –ReMSEDA and the Kebele MSE extension workers.

The membership composition of these cooperatives is described as follows.

S/N	Name of Cooperative	Number of Members
1	Tesfa Cooperative of shoe producers	62
2	Redet Cooperative of shoe producers	36
3	Andinet – Mesalemia Cooperative of shoe producers	32
4	Andinet-Merkato Leather products cooperative	15
	Total	145

The main objectives of the above mentioned cooperatives was to seek collective solution to their common problem, mainly shortage of workspace (proper working premise) and also work together in the supply/market activities collectively. Each member of the three cooperative contributes Birr 100-150 monthly. In all the three cooperatives, the saving is planned to be used for the purpose to giving credit service to the members, acquiring common facilities (machineries) and opening display and sales shops.

At present, the members of the above mentioned cooperatives eagerly waiting to join the new common production facility This common working premise being built by *Addis ReMSEDA* is intended to be a common multi-sectoral workspace for MSE engaged in Garment, Handloom and Leather activities.

VI. The cluster Map of Merkato

The existing cluster linkage is depicted graphically in the Cluster map given in the next page. This cluster map is made by considering the degree of functional linkages among members of the cluster and with other bodies who are outside the cluster but yet closely related to it. Absent linkages are also indicated in order to highlight the need to form these linkages in the future.

The following observations were made on the presence/absence and degree of linkages. Ideas of possible improvement to be perused in the cluster development process are also suggested.

- The cluster map indicates that the linkages of the cluster are merely business oriented, the degree of development oriented linkages (such as linkage between Ethio-Leather Association and **LLPTI**) are still weak and hence need to be strengthened.

- Business linkages in the forms franchise and sub-contracting are observable in the cluster but need to be strengthened through the cluster development process.

- Formal recognition of the MSE footwear MSE operators as important actors in the leather footwear sub-sectors should be promoted and the MSE footwear industry would have to be in the same platform by joining the national sectoral association **ETFLGMA (Ethiopia Tanners Leather Footwear and Garment Manufacturers)**

- The linkage of ReMSEDA (Regional and Sub-city offices) is quite appreciable and would be instrumental in the cluster development process

- Linkage of the Merkato cluster members with BDS providers (such as **Enterprise Ethiopia-(EE**) and other private BDS providers) is practically non-existent.

- At present, export of shoe from the Merkato cluster has not reached significant level and hence the linkage with exporters is obviously weak. Strengthening this linkage and establishing export-consortia should be one of the strategic targets of the cluster.

- Promotion quality awareness and quality development are of prime importance. Therefore linkage of the Merkato cluster with **QSAE (Quality and Standard Authority of Ethiopia)** is a necessity. This linkage may also synergized with the linkage of **LLPTI** with the Merkato cluster.

- The four small cooperatives would have to be strengthened in terms of developing mutual trust maturing to the level of carrying out joint development activities and developing common vision. The level of trust with in the Ethio-Leather Association, the devotion of its members and its leaders are practically commendable. Such effect of trust would have to be cultivated in order to facilitate conditions for the eventual formation of the collective-cluster –governance framework.

- The linkages of the core firms with special technical service providers (such as Last modifiers, Upper makers and Skivers) and the degree of specialization reflected in the cluster is quite important in fostering efficiency and hence should be strengthened further. Training and

advisory service to these special technical service providers could enhance the effects of promoting improved quality and productivity.

- Linkages in the supply area are dominated by the presence of large number of retailers selling the same raw-material. At the same time linkage of groups in the cluster with wholesalers/Importers/producers is not very strong. This is mainly because of the uncommonness of the joint-bulk purchase in the cluster. Joint purchase activities area limited to the purchase of raw material. Adjustment in the supply chain by way of development of the bargaining power of MSE operators (*bargain in price and in quality!)* through encouragement of bulk purchase should be one of the strategic activities of the cluster.

- There is no direct linkage between tanneries and the Merkato cluster. Members of the cluster do not have any way of putting forward their quality requirements as there is no enforced quality standard on finished leather. Making the linkages with tanneries and working in collaboration with them would give opportunity for quality development.

- The cluster development may also create an opportunity for the weakened and barely capable shoe technology shop of the productivity improvement center **(PIC).** Formation of support linkage between **LLPTI** and **PIC** is practically imaginable.

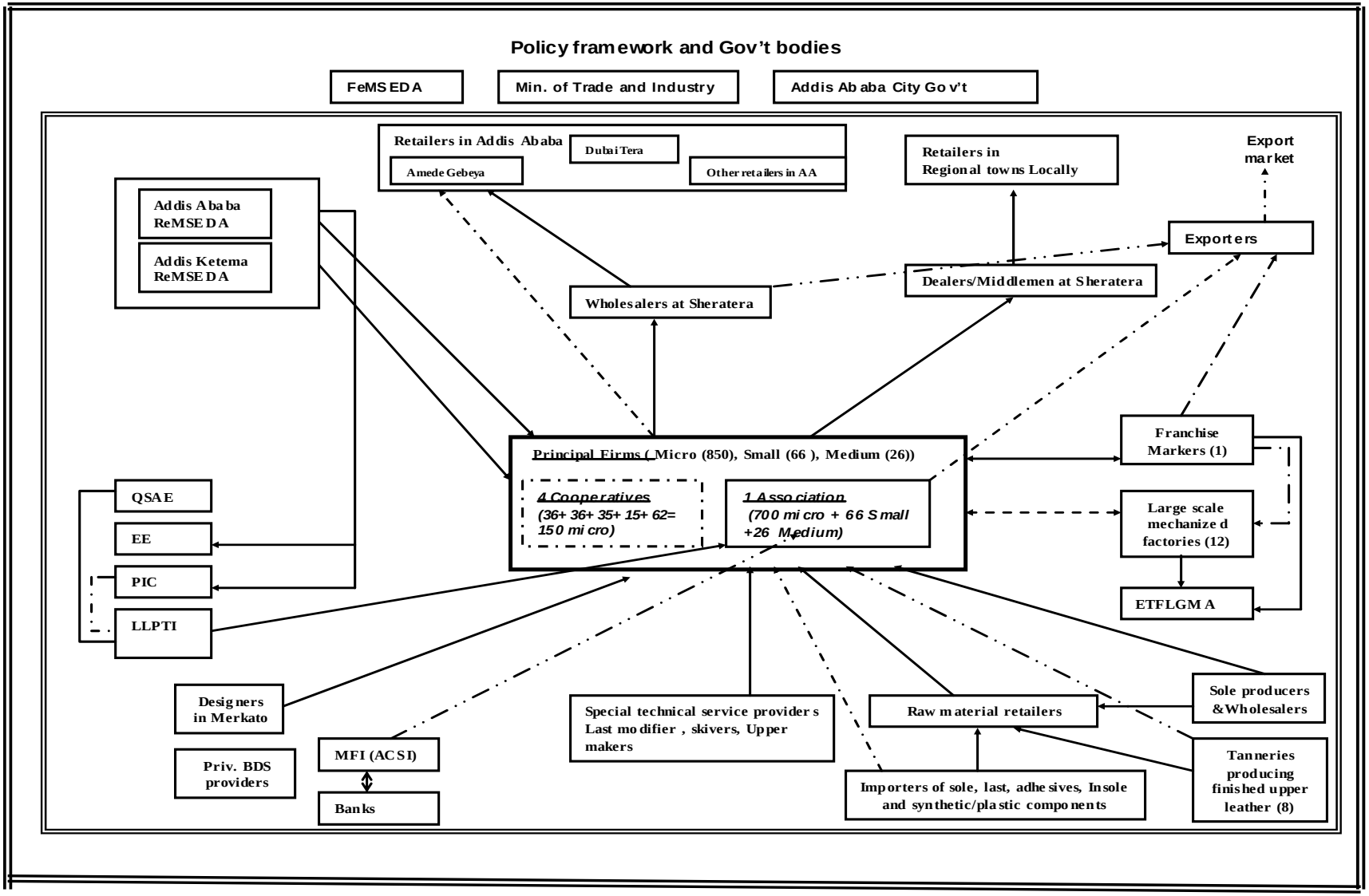
- At present designers have close ties with each MSE operators in Merkato. However in the future, the mere design (actually design copying) practice could be transformed in the cluster development process in to a more organized and advanced form of product development activity.

- Linkage with micro finance institutes and Banks is very weak at present. The cluster development process would have to create ample opportunity for the **MFIs** (Micro Finance Institutes) to promote their work and for the cluster members to benefit from the MFI services. Orientations and workshops on the issue of Micro finance to raise awareness of the MSE operators could be considered as a strategic activity.

Key :

FeMSEDA :	*Federal Micro and Small Scale Enterprises Development Agency*
ReMSEDA :	*Regiona Micro and Small Scale Enterprises Development Agency*
QSAE :	*Quality and Standard Authority of Ethiopia*
PIC :	*Productivity Improvement Center*
LLPTI :	*Leather and Leather Products Technology Institute*
EE :	*Enterprise Ethiopia*
ETFLGMA :	*Ethiopian Tanners, Leather footwear and Garment Manufacturers Association*
ACSI / MFI :	*Addis Credit and Saving Institute / Micro Finance Institute*

THE CLUSTER MAP OF MERKATO FOOTWEAR CLUSTER



(*Keys Next page)*

VII. An overview of the Value chain

The activities in the cluster are diverse in their variety depending on the type of product and differences among SMEs with respect to ways of doing business. Products of the SME operators could be placed in to wide categories depending on design and raw material used. Furthermore, there are wide differences are observed in the cluster in terms of production capacities, market access, capital, technology and other factors. It is practically difficult to make generalizations.
Consequently getting a clear picture to make value chain analysis required gathering of more relevant data for reasonably longer period of time.

Nevertheless, a value chain mapping attempt was done during the diagnostic study for a particular type of Men's shoe. Price information on raw material and shoe were gathered from wholesalers, retailers and the MSE producers. The average processing cost of each operation was calculated based on the cost of specialized labor (cutting, stitching, etc.) and the daily productivity.

The value mapping done in this study indicates the following aspects:

- The Large percent of the value of the shoe is constituted by the raw material (About 61%) and the value added by the MSEs producers represents about 20%. The remaining 19% percent is distributed in the marketing chain. The high price of raw materials is clearly reflected.
- Leather and Lining materials make up 27 % of the total value constituting the largest cost ingredients. The value of sole in the total value (15%) is also considerably significant.
- The value margin by producers could be perhaps measurably lower than the figure given here because there could be other operational and raw material costs not accounted in the survey due to shortage of time and lack of consistent information (e.g. Design cost per unit product)
- Compared to the amount of laborious work and capital expense, the value that shoe producers make is very low. The actual profit margin of shoe producers, after considering all costs is most likely to be low.

Raw material Retailers

		Raw materials Cost for 1 Dz Mens shoe		
	Price	Consumption per Dozen	Cost in Birr	Value % on final sales
Leather Upper	9.5	27 Sqf	257	25.1
Leather Lining	5	12 Sqf	60	5.9
Sole PVC	18	12 pair	156	15.3
Insole	3	4 Sqf	12	1.2
Adhesive	40	1 Kg	40	3.9
Fabric Material	3	3 Sqf	9	0.9
Glue	28	1 Kg	28	2.7
Others inputs (shoe lace, eyelets, finish wax…etc)			60	5.9
		Total Raw Material cost	**622**	**60.9**

Micro and Small Shoe Producers

Processing Cost for 1 Dz of Mens shoe		
Consumption per Dozen	Cost in Birr per Dz	Value % on final sales
Cutting and Skiving	17	1.6
Closing	17	1.6
Stitching	27	2.6
Lasting & Sole fixing	27	2.6
Finishing	13	1.3
Total Processing Cost	**100**	9.8
Overall Direct costs (Raw mat. + Production)	622 + 100	70.8
Selling Price per Dozen	840	
Margin	218	
Value % on final sales		21.4

WholeSalers

Purchase Price per Dozen @ Avg price of 75 birr/ pair	Selling Price to Retailers @ Avg price of 80 Birr per pair
840	960
Gross Margin / Birr	Value % on final sales
120	11.8

Retailers

Sales per dozen in birr : @Price 85 birr/pair to Customer
1020
Gross margin/ birr
60
Value % on final sales
5.9

Customer

VII. Summary of assessment of the cluster and SWOT analysis

Descriptions of the Merkato cluster and its detail features given in the section I-V indicate the great growth potential of the Merkato footwear cluster. The following SWOT table summarizes the current status of the cluster and gives indications with regards to strategic goals and activities that may have to be focal issues in the cluster development process.

STRENGTH ☺ ☞ *Large population of semi-skilled and trainable man power* ☞ *Friendly business environment for inter-firm collaboration.* ☞ *Recent trend in formation of Associations and cooperatives* ☞ *Good entrepreneurial culture and growth potential.* ☞ *Growing financial strength of cooperatives and associations* ☞ *Presence of large number of suppliers and marketers in merkato.* ☞ *Considerable improvement in design and quality of Merkato shoes in recent years.* ☞ *Brand specialization in the cluster and growing trend in marking "Made in Ethiopia"* ☞ *Considerable involvement of women in production and sales activity.* ☞ *Emergence of entrepreneurs who can lead networks (cooperatives and associations) the cluster development activities.*	***WEAKNESS*** ☹ ☞ *Cut-throat competition with in the Merkato cluster* ☞ *Lack of skill in good workmanship and low level of business management knowledge.* ☞ *Lack of awareness on the issue of quality development* ☞ *Poor marketing system* ☞ *Low level of capital and financial problems* ☞ *Poor knowledge and practice of financial management* ☞ *Use of low level technology* ☞ *Absence of organized product development activity.* ☞ *low level of Business development service in the cluster.* ☞ *Non-existence of collective agreements on the quality of raw-materials and absence of quality standards.*
OPPORTUNITY ☞ ☞ *Wide local marker base nationwide and possibility of extending to the regional and international market.* ☞ *Locally available finished leather, increase in number of tanneries and sole producers* ☞ *Presence of technology institute for technical support and training.* ☞ *Presence of Micro-finance institutes and eminent possibility of getting loan from Banks.* ☞ *Commitment of the government to support the SME cluster development particularly in the area of infrastructure.* ☞ *Preferential attention given to the LLPI sector by the government and support-priority given accordingly* ☞ *Presence of large number of suppliers and marketers.*	***CHALLENGES*** ☠ ☞ *Fierce competition from cheap and low quality shoes that are imported from Asian countries with out passing through quality standard regulation.* ☞ *Setback in improving market competitiveness because of rise in price of raw materials and low quality of locally available finished leather.*

VIII. Main Problems in the Merkato Footwear Cluster

The main problems of the cluster as a whole could be generalized as follows:

1. **Infrastructure** : *Lack of appropriate working premise*

2. **Occupational Safety and Health** : *Very poor working conditions, a serious problem closely related to the problem in lack of appropriate working premise but also exacerbated by lack of awareness.*

3. **Innovative capacity** : *Poor capacity in design and product development*

4. **Technology**: *Low level, less mechanized and inefficient technology. Use of old, outdated and sub-standard manufacturing technology.*

5. **Manpower** : *Low level of skill and absence of skill up gradation opportunities in the form of formal and well structured training*

6. **Level of trust and Horizontal linkage**: *Abundance of cut-throat competition and low level of inter-firm collaboration efforts.*

7. **Sub-contracting and Vertical linkage**: *Insufficient degree of sub-contracting practice to utilize the production capacity of the MSEs and promote efficiency, absence of linkage with exporters, lack of exposure of cluster members to the global footwear market.*

8. **Supply and backward linkage**: *Low quality of raw materials and rising price, Low level or effective linkage with tanneries, sole-producers and importers in order to assure minimum quality standards.*

9. **Marketing and forward linkage**: *Seasonality, low market demand, poor out-reach of market in the local market, absence of export opportunities, poor price-making and bargaining power of producers.*

10. **Finance**: *Low capital in the face of high price for inputs, lack of knowledge and skill in financial management and costing.*

11. **BDS** *Absence of Business Development Services in the cluster to assist enterprises in market promotion, linkage, product development, technical consultancy and training, financial management… etc.*

12. **Quality**: *Low level of product quality, Poor awareness of quality in general, Absolute absence of Quality development and control body in the cluster.*

13. **Lack of Information** : *Poor access to relevant market, design and technological issues*

IX. The Vision and Strategic Framework of the Cluster

UNIDO-CDP : Merkato Leather Footwear Cluster

A Validation and Vision Building Workshop was held on May, 08, 2006 to discuss on the diagnostic study and set future direction. Participants of the workshop have remarkably participated in providing feedback and inputs to the diagnostic study. During the main results of the diagnostic study mentioned in the above sections, the cluster map, overview of the value chain and the institutional framework for the cluster development process were presented to representatives of Networks and stakeholders. Plenary and group discussions were held during the workshop

Furthermore, after intense discussion the participants have also generated useful ideas of vision and strategic framework for the intended cluster development process. In addition to the validation and vision building workshop further meetings were held together important ideas and enhance participation of the cluster members. The following vision statement has been drafted during the workshop.

VISION :

"The Vision of the Merkato Leather Footwear Cluster is to increase collective efficiency by *working together as cluster, improving the technology, human resource and market features* so as to significantly satisfy the local shoe demand in Ethiopia and utilize the existing potential in the regional/global market by entering the export market."

Strategic Framework

A strategic framework that includes the following twelve focal areas has been developed. This strategic framework was developed after deliberation on the diagnostic study (Validation and Vision Building Workshop, May, 08, 2006). The list of strategic activities proposed by the CDA has been used as initial reference for the development of this strategic framework and important inputs from all relevant stakeholders was incorporated.

The following major areas of activities have been considered as core elements of the strategic focus in the development of the cluster towards its future vision.

1. **Technical skill up gradations trainings**
2. **Trainings on Business management skill and Business competency development**
3. **Promote awareness on quality, quality development activities**
4. **Marketing promotion**
5. **Capacity building in product development**
6. **Facilitation for utilization of LLPTI technical service facilities by operators in Merkato**
7. **Capacity building facilitating information service provision**
8. **Fostering Cooperation in the cluster: Inter-firm collaboration, Sub-contracting activities and specialization.**
9. **Facilitate conditions to make workable linkage between Micro-finance institutes and members of the cluster.**

10.Promote Product diversification and creation of further production activity

11.Facilitate conditions for provision of BDS service to the cluster members

12. Building the capacity of cluster supporting bodies and stakeholders

1. **Technical skill up gradations trainings**

- ***Development of a tailor-made technical training package in Amharic by LLPTI in order to enhance the effectiveness of technical trainings for operators of the Merkato area.***
- ***Organize TOT training to the few members of the cluster who have already obtained repeated technical-trainings from LLPTI (UNIDO- Leather development project) on the methodology of technical trainings and use these potential trainers as assistant-trainers in intensive training activities to come****. (The most important relevance of this activity is also the effect of building the training capacity with in the cluster.)*
- ***Organizing and Conducting continuous short term training programs on technical-operational skills of workers and enterprise owners in the following.***
  - **Designing Patterning and Cutting**
  - **Upper and Inner Sole Preparation**
  - **Stitching**
  - **Lasting and Related Aspects**
  - **Use of Adhesives and Attaching Soles**
  - **Finishing and Packing**
  - **Use of Modern Equipment and Machines**

2. **Trainings on Business management skill and Business competency development**

- ***Organize and conduct customized/tailor made entrepreneurship and SIYB (start and improve your business) short term trainings for cluster members.***
- ***Organize and conduct customized short term courses on Production management, Product costing and financial management.***
- ***Conducting WED (Women Entrepreneurship development) workshop to enhance participation of women in the strengthening of the cluster.***

3. **Information dissemination on the issue of Health and Safety**

- ***Workshops on Production management, Product costing and OSH in Amharic.***
- ***Information dissemination through brochures and bulletins.***

4. **Promote awareness on quality, quality development activities**

- ***Create and strengthen linkage of the cluster with the quality and standards authority of Ethiopia (QSAE)***
- ***Organize workshops to promote awareness on the concept of quality, quality development and initiate activities for development of standards. Conduct practical demonstration of testing raw-material quality and product quality and disseminate quality focused information.***
- ***Support and strengthen joint efforts of LLPTI and QSAE in quality standard development and facilitate use of LLPTI testing facilities.***

5. **Marketing promotion**

- ***Organizing shoe trade-fairs to promote the Merkato footwear cluster in the local market and boost the image of locally produced shoes.***
- ***Assist the cluster members in their effort of forming workable linkage to the export market by providing support for participation in regional and international trade fairs.***

- ***Organize a workshop to sensitize cluster members and stakeholders on the issue of market promotion. Initiate a joint effort in the establishment of market promoting body for the Merkato footwear.***
- ***Support mass-media and web-site promotional activities that could foster building of good image of the cluster.***

6. Facilitation for utilization of LLPTI technical service facilities by operators in Merkato

- ***Organizing group visits and meetings in order to enable operators of the Merkato cluster understand the possibility of obtaining technical services at LLPTI at reasonable fee and discuss more on the practical ways of using the institutes facilities (Eg. Injection mold machine (sole making), sole-stitching, computerized design and grading machine …etc)***

7. Capacity building facilitating information service provision

- ***Establishing a Product Display center in the cluster in order to promote newly designed products, promote image of the cluster and sales of shoe.***
- ***Establishing information center for facilitate easier and faster dissemination of information on production technology, quality aspects and activities of the cluster by publishing periodicals, brochures and providing other services.***

8. Fostering Cooperation in the cluster: Inter-firm collaboration, Sub-contracting activities and specialization.

- ***Organize and conduct seminars, workshops and business oriented meetings to create more awareness on the advantages and needs for cooperation (Vis-à-Vis cut throat competition), and joint activities (purchase, production and marketing)***
- ***Organize a workshop to create awareness on the advantages of specialization in the production activity.***
- ***Organize a cluster body for the purpose of fostering sub-contracting activities, promote specialization and improve capacity utilization of particularly micro enterprises.***

9. Facilitate conditions to make workable linkage between Micro-finance institutes and members of the cluster.

- ***Fostering linkage of Micro finance Institute (Eg. Addis Credit and saving Institute) with the cluster by organizing seminars, meetings and workshops in order to promote awareness about the potentials and opportunities of using Micro-finance services to address the financial problems with in the Merkato leather footwear cluster.***

10. Facilitate conditions for provision of BDS service to the cluster members.

- ***Organize meetings of members of the cluster and BDS providers in order to facilitate linkage and enable them articulate real BDS needs.***
- ***Encourage and Support BDS service provision in the form of consultancy, training and market research.***

11. Building the capacity of cluster supporting bodies and stakeholders

- ***Organizing and conducting trainings in areas such as business counseling and facilitation skills to social workers to social workers of MFIs, MSE development workers at the Sub-city level and Kebele extension workers.***
- ***Organizing and conducting short term trainings in the areas of group leadership and organizational management to leaders of cooperatives, associations and other forms of networks.***
- ***Conduct trainings on the methodology and practice of the UNIDO Cluster development to MSE development officers at Kebele and sub-city level.]***

X. Institutional framework for the cluster development activity

At present, the support institutions that are closely related to the cluster are mainly governmental organizations. There are also developmental networks with in the cluster that provide convenient platform for the implementation of activities in the cluster development. Some NGOs such as GTZ-MSE project could be a good potential partner in the future. The following is brief description of organizations and networks are identified to be potential active participants in the development process

1. Ministry of Trade and Industry

The Ministry of trade and Industry has a special department dedicated for the support of the leather and the leather industry as a sector. The support given to the sector by the government is based on the countries long term Master plan and Business plan that was developed in 2005 by MOTI and UNIDO. The plans are prepared with a view to enhancing the competitive of the Ethiopian LLPI sector and promote better access to the global LLPI value chain.

The strategy proposed by the Government of Ethiopia would take as a model the policy mix, experimented with in China and Italy for the footwear industry according to a "Top-down (Pull)" Approach (TDA). According to this approach the leather products, mainly, footwear, selected as the priority sector, followed by leather garments and leather goods, should be developed in a way that they would "pull" the tanning sector to produce better quality and increased quantity of finished leather; subsequently the quantity and quality of raw material. In the master plan, the ***Kolkata & West Bengal*** and ***Vietnam*** Footwear industries are taken as benchmarks. The footwear SME cluster of Merkato is given high emphasis in this development plan.

The package of development support activities of MOTI mainly focus on:

- Infrastructure: providing better infrastructure (specially working premise) to MSMEs working in the Merkato cluster in order to improve their efficiency, productivity and their working condition
- Marketing promotion to widen the local market and most importantly to reach out to the export market in a sustainable approach.
- Technical assistance: To facilitate conditions for strengthening the local capacities in the area of product development using LLPTI as active support body.

To the effect of these development initiatives and for the fulfillment of targets that are articulated in the business plan, the MOTI has taken initiative of building a new common working facility that is to used by the Merkato MSMEs. This cluster facility (found in Yeka sub-city) will provide more than 11,000 meter-square of working area for the MSME footwear producers. At present the members of the largest network in Merkato (Ethio-Leather Association) are taken as prime candidates to acquire this facility. And hence, the association is closely working with the concerned MOTI offices.

According to the plan prepared by MOTI and Ethio-Leather Association, 25 meter square area will be allocated to Micro-producers, 50 meter square to Small scale MSE operators and 100 meter square to Medium scale MSE operators. However, how many percent of the Merkato footwear producers will be relocated to this new facility is not clear yet. The intended common facility center will also have design and display center. It will also accommodate raw material supply outlets and all other essential utilities.

According to the chairman of the Ethio-Leather Association, procurement activities are underway in order to purchase new and modern machineries to be used in the common facility. Its is expected that with in less than a year time, MOTI and Ethi0-Leather association will be able to relocate large number of footwear producers from Merkato to this working facility. The Leather sector support office of MOTI also has plans in the future to have market and product development experts in the department who will serve the footwear sub-sector particular and the LLPI sectors in general.

The Merkato footwear cluster is well positioned to benefit from the development initiatives of the Ethiopian government owing to the fact that the development of the footwear sub-sector is considered to be of highest importance according to the Top-Down-Approach adopted in the leather development plan.

2. Federal Micro & Small Enterprises Development Agency (FeMSEDA)

FeMSEDA is the main project counterpart for the UNIDO project (Unleashing the potentials of MSMEs in Ethiopia). The main objectives of FeMSEDA are to Encourage, Coordinate & Assist institutions engaged in service provision to the development & expansion of Micro & Small Enterprises in the country at large. In order to promote Micro & Small Enterprises, the agency establishes a coordinated working relationship with regional government organs, regional agencies responsible for MSE development, NGOs & the private sector.

In addition to various technical and craftsmanship training, special training and training of trainers have been given by FeMSEDA in Management and Entrepreneurship Training (i.e. Grassroots Management GMT, Start and Improve Your business SIYB, Creation of Economies through formation of Enterprises CEFE). At present these courses are not being delivered regularly.

FeMSEDA also has various technical facilities such as foundry, woodwork, metal work and handloom workshops for training and technical support. During the diagnostic study; discussion with the head of LLPTI footwear department has revealed that there is a possibility to use some the facilities of FeMSEDA (i.e. Metal shop and Foundry) especially for developing technical capacity in making soles and sole molds. At present sole-molds are imported from abroad. Making these molding and enhancing the productivity sole-producers by making molds locally would be useful for the whole footwear industry in Ethiopia. Exploiting such opportunities through linkage and joint-projects would be fruitful for the footwear industry in general and would practically synergize efforts.

FeMSEDA is currently highly active in supporting SMEs through out the country in market linkage and export promotion. Furthermore, the organization has recently embarked up on advisory and promotional activities with a view mentoring cluster development activities through out Ethiopia.

3. Regional Micro and Small Scale Enterprises Development Agency -ReMSEDA (Regional and Sub-city offices)

The ReMSEDA was established as agency for MSE development in 1995. It is governed under the MSE development department of the Regional Trade and Industry Bureau. In addition to the MSE development department, the Trade and Industry Bureau also include other two departments for cooperation promotion & control and market research &promotion.

There are MSE development offices organized in 10 sub-cities and 302 Kebeles. The main objectives of the Regional, Sub-city and Kebele MSE development offices are:

- Training and capacity building for MSEs
- Project development support for MSEs

- Facilitating linkage and market promotion.

The regional ReMSEDA office has been very active in supporting the MSE of the city in the last few years. A wide range of Business development Activities have been carried out by the ReMSEDA office in collaboration with GTZ-MSE project. At present there are many extension workers in each Kebele who mentor the MSEs of their locality in assessing their needs or problems and facilitate conditions to in order to enable SME MSE operators solve their problems.

The Addis Ketema sub-city MSE development office is responsible for the MSE support and control activities in the Merkato area which has a population of 320,000 people living in an area of 86,000 square kilometer area. The Addis Ketema Sub city has the highest population density and concentration of SMEs in Addis Ababa.

The leather and Garment sectors are given emphasis in the activities of the sub-city and Regional ReMSEDA offices. In the past, a number of cooperatives/associations of SMEs have been organized as a result of the relentless effort of kebele extension workers (also known as BDS facilitators) and leadership of the MSE development offices at all level. A number of technical, managerial and entrepreneurship trainings have also been delivered to members of the newly formed cooperatives. Furthermore, the MSE development offices have also assisted and facilitated conditions in provision/improvement of infrastructure for SMEs with particular attention to the common problem of working premise.

In the footwear area, the Addis Ketema MSE development office and its offices in the Kebele have been the prime leaders in sensitizing and initiating SMEs to form cooperatives. The four cooperatives and one large-member association (Ethio –Leather Association) in the *Sebategna* and *Mesalemia* areas are the results of the persistent effort of MSE development officers of the Addis Ketema Sub city.

The head of the MSE development office of the Addis-Ketema sub-city stress that there is no reliable statistics with regards to the number of SMEs in the Merkato area. He has emphasized that even though the number of micro and small scale footwear producers and related enterprises is estimated to be around one thousand (based on membership of cooperatives and associations), the actual could be much higher than that. There is still large number of micro footwear producers who are not members of any of the cooperatives/associations and the situation in the Merkato footwear cluster is quite dynamically changing.

Recently the Addis Ababa city government has also build a new cluster working premise in the Mesalemia area (Kebele 08, 09,18 of Addis Ketema sub-city) in order to alleviate the problem of SMEs with respect to lack of proper working premise. This cluster facility is intended to be a multi-sectoral workspace for ready-made garment, handloom and also the leather footwear clusters. When the construction of the building is completed in completed in the coming few months, the trade and Industry bureau plans to provide the facility to selected SME groups based on certain criteria to be set in the near future.

Owing to their experience in dealing with MSE development issue and because of their mandate in being the focal bodies for the regional/sub-city based SME development issues; the Addis Ababa city ReMSEDA and Addis Ketema sub-city MSE offices are natural counterparts for the UNIDO cluster development initiative in the Merkato footwear cluster.

4. United Nations Industrial Development Organizations - UNIDO.

UNIDO has been one of the prime partners of the Ethiopian government in the development activities been undertaken under the framework of the countries Industrial development strategy. Promotion and development of MSMEs was among the focal areas of UNIDOs development assistance in its ***'Integrated Programme for Ethiopia - IPE, Phase one"*** (“***Integrated programme for private sector development, Enhanced industrial competitiveness and environmentally friendly production”)***

The MSME component of the IPE phase I had the main objective of building the capacities of MSMEs development support bodies (FeMSEDA and ReMSEDAs, Chambers, Enterprise Ethiopia and other institutions). A number of capacity building activities have been accomplished particularly in the areas of: -

- **Training of Trainers (TOT).**
- **Transfer of training methodologies and manuals.**
- **Organizing entrepreneurship development programmes.**
- **Women entrepreneurship development, preparation of a manual by a gender specialist.**
- **Provision of paperless training courses aimed also at upgrading the IT capacities of institutions and trainers.**
- **Up gradation of facilities of FeMSEDAs and ReMSEDAs**
- **Sector specific trainings (Metal working, Leather crafting and food processing)**
- **Study tours.**

International consultants from UNIDO and national certified trainer conducted various types of trainings namely, WED (Women Entrepreneurship Development), EDT (Entrepreneurship Development Training), BDS (Business Development Services), BES (Basic Business Skills), BCS (Business Counseling Services) and TOT. People selected from FeMSEDA, Oromia-ReMSEDA, EE (Enterprise Ethiopia), ECC (Ethiopian Chamber of Commerce), MOTI (Min. of Trade and Industry) and SNNPR (southern nationalities peoples region) obtained the above-mentioned training services.

The entrepreneurship and business management development training packages that were introduced and promoted by UNIDO (IPE phase one) are being used at present by FeMSEDA, ReMSEDA and Enterprise Ethiopia. There are also a number of private BDS providers, consultants and trainers who use the above mentioned trainings and TOTs in their service.

UNIDO's involvement in the establishment and strengthening of LLPTI was very crucial. The organization has undertaken a number of activities in order to strengthen the training and technical services provision capacities of the main Leather technology institute of the country. UNIDO has also directly assisted the tanning industry, mechanized footwear industry, garment manufacturers and also the Merkato footwear cluster as part of its assistance package in the Leather industry development component.

In the past two years a number of operators from Merkato and mechanized factories have been given opportunities to attend advanced short term technical trainings of footwear technology. These trainings were delivered by international experts hired by UNIDO. Such efforts of UNIDO have benefited not only the trainees drawn from the mechanized footwear industry and the Merkato Cluster, but also the local LLPTI staff in providing ample opportunity to gain experience from the international experts.

It is apparent that the institutional capacity built up by the assistance of UNIDO in the IPE phase-I could be utilized in the strategic activities that would be outlined in the cluster development program. The UNIDO's Cluster development program is intended ensure sustainable development of MSME clusters and the local support institutional infrastructure. Hence it will focus on utilizing and further strengthening of the capacities of local MSME development institutions such as FeMSEDA and ReMSEDAs.

5. Addis Credit and Savings Institute. (ACSI)

ACSI is a governmental micro-finance institute established in 2000. As a micro finance institute, its major objectives are to support sustainable development of SMEs, enhance employment generation ,promote gender equity and support self–reliance though provision of customized micro finance service that matches the needs and capacities of the low- income earning public. ACSI gives its service in 10 branches in Addis Ababa in the form of loan, saving, third party finance administration and business advisory / counseling service.

ACSI works in close collaboration with the regional and sub-city ReMSEDA offices and gives preferential attention to SME sectors that are given priority by the ReMSEDA. These sectors include Weaving, Garment, Footwear and Leather-products, Food process and Metal / Wood works.

ACSI gives loans to SMEs at the interest rate of 10-12% depending on the type of loan agreement. A 3% service charge is also imposed on all loan services. It also gives 4-5% interest on savings. The main collateral requirements for getting the loan service are:-

- Collective guarantee and financial asset of MSE cooperatives and Associations
- Personal Guarantees (Permanent employees of organizations having a certain minimum income level to be guarantee for a given loan)
- Fixed Asset : Legally registered property (Building, House, Vehicle, Truck…etc)
- Business Guarantee: Assets of an existing business

Up to 20,000 Birr can be given on loan to individual MSE operators where as the 70,000 – 100,000 Birr can be given to Cooperatives.

ACSI has been very active in the Merkato locality particularly. A large number of MSE have benefited from the loan and saving service. One of beneficiaries of the ACSI service in the Merkato area is the Ethio-Leather Association (Which is practically a credit association at present).

A promotional activity on the benefits and practical features of using micro finance service is actively being pursued by the Institute in the Merkato area. This activity is accomplished by engaging social workers (Credit extension a Men's), distribution of publications and using the public media. Despite the growing awareness on the part of the public about the benefits of micro finance services, the micro –finance service could not expand to reach to the large majority of MSEs who are working in dire need of financial assistance.

At present there are almost no individual MSE footwear producers who are clients of ACSI. The main setback that held back many MSE from becoming beneficiaries of the available micro-finance service are:

- **Informal and Unlicensed MSE operators**: Because many footwear producers in Merkato do not have legal status of registration, many MSE operators do not feel comfortable to come to MFIs and get the service.
- **Enterprises not having fixed address**: Most footwear producers change their address frequently because they use rented houses and they don't have formal agreement of the rented house.
- **Loan provided by ACSI deemed insufficient:** Many small scale MSE operators believe that the money that may be borrowed to them will not be sufficient to serve as running capital because the daily consumption of costly raw-materials and labor very high.
- **Poor Entrepreneurial behavior** on many MSE operators (risk aversion, low confidence and fear of failing to pay loan)

ACSI manager of the Merkato Branch has expressed the readiness of his office in collaborating with the cluster development program of UNIDO and jointly promoting the micro-finance service in the process of development of the Merkato Leather Footwear Cluster.

6. Leather and Leather Products Technology Institute (LLPTI)

LLPTI was established in the year 2002. The main objective of the Institute are developing skilled and trained manpower, providing essential technical and consultancy services, serve as center of technological information center and promote quality development in the Leather and Leather product industry. The institute have has a long term vision of becoming a regional center of excellence for the development

activities of the leather and leather products industry. LLPTI is the one of the main focal bodies of the government with regards to technical training, technical support and R&D activities in the leather and leather products industry. Hence it is one of the most important participants in the Merkato footwear cluster development.

At present regular Diploma and higher courses are being delivered at the institute in Footwear Technology, Lather processing, Garment and Leather-goods manufacturing. Furthermore the institute has also conducted a number of short-term training courses to technologists coming from mechanized shoe factories and MSE operators. These short term trainings were conducted in the particular areas of footwear processes namely design & pattering, stitching, lasting, etc.) and were delivered by the LLPTI staff and foreign experts. Most of these trainings have been sponsored by UNIDO Leather development project.

Regular students received through the Addis Ababa Education Bureau do not pay for the curses as they are government sponsored students. However, trainees coming from the industry pay 200-300 Birr per month for the higher certificate course. Short term courses organized by the Institute also cost the same amount per month. LLPTI has a good experience of arranging short term trainings in half-day and weekend programs so that the daily work of MSE operators is not affected very much.

According to the head of the footwear department of LLPTI, the short term courses on designing and patterning given repeatedly in the paste three years were very successful and highly valued by participants. The design and patterning training in the LLPTI includes not only basic training but also introduction to the advanced computer aided design system (CAM –CAD system).

LLPTI shoe department has also planned to improve the content and structure of short-term trainings and make them more effective by making them more suitable to the level of understanding trainees who come from factories and MSE operators from Merkato.

LLPTI has the following complete facilities that can be utilized by the leather industry as well as the Merkato footwear cluster.

- Model plants having complete machines and equipment (Tannery, Footwear factory, Garment and Leather Goods factory). These model plants are used for practical trainings and giving technical support to the industry.
- Physical and Chemical testing laboratory.
- Computer aided design unit (CAD –CAM)
- Library and Computer center.
- Effluent treatment plant.

In addition to the training activities, the shoe department of LLPTI is also giving technical services in the following areas using is complete facility

- CAD-CAM design and size-grading service
- Making cutting dies for mechanized cutting operation
- Sole stitching service
- Other services such as use of eyeleting machine and Insole preparation.

One of main technical problems in the shoe department has been the shortage of sole molds to be used on the sole making (injection molding) machine. Presently, technologists of the shoe department are studying new and workable way of making these sole-molds locally instead of relying on imported molds. Such

activities of the technologist not only benefit the institute but also build up the local technological knowledge and capacity thereby benefiting the whole footwear sub-sector.

LLPTI and its shoe department are ideal partners for the cluster development activities focused on the Merkato Cluster. The institute could be instrumental in achieving desired goals of technological-up gradation through training and serve center of technical supports/ consultancy for the Merkato footwear cluster particularly with regards to use of its product development facility.

7. Productivity Improvement Center (PIC)

PIC was established in 1970 and in the oldest institute in Ethiopia that has been giving training in the field of Leather and Leather products. PIC also has other departments training and technical services namely Woodwork, Metal work, Electricity and Garments department.

Prior to establishment of LLPTI, this institute was the only institute to address the training needs of the leather and leather products sector. In fact most of technologists working in the industry have been trained by PIC in its regular and short-term training programs that use to be organized in the past. The footwear technology has also been supported by UNDP for many years. However, there is no significant training activity in shoe technology at present. Only very few trainings are organized mainly in leather goods craftsmanship. The main reasons being:-

- Most of the shoe technology experts who have been working for PIC have migrated to the new and more ambitious institute, LLPTI
- The machinery and equipment in the shoe technology workshop are now old, outdated an need a lot of maintenance work
- The demand for training and technical services in shoe technology has shifted completely to LLPTI
- The institute has not invested in renovation of the shoe technology shop and up gradation of the human resource required for the section

At present, there are two people working in the workshop (One technologist and another assistant) mainly in giving leather goods craftsmanship training.. Recently two design and product development experts have delivered design training to young trainees already engaged in the work as MSE operators.

According to the head of the department, there is a serious need to revitalize the shoe technology department of PIC and this could be done by renovating the technical facilities of the workshop and employing active trainers. At its present condition, the usability of PICs shoe technology shop in addressing the technical and training needs of the Merkato Cluster can be considered impractical and impossible.

8. Ethiopian Tanners Footwear and Leather Goods Manufacturing Association (ETFLGMA)

ETFGMA was established in August 2003 and comprises three independent associations namely Ethiopian Tanners Association (ETA), Ethiopian Shoe Association and Awash Leather Garments Manufacturing Association. It has as a main objective to provide for an interchange of views amongst members on matters affecting the leather industry and to promote/protect the interest of the leather industry.
The association is composed of large and medium scale industries engaged in the Leather and Leather products sector. It is engaged in market promotion, gathering support for the industry from various supporting bodies and the government. ETFLGMA is also the prime advocacy body for the sector in Ethiopia and a founding member of AFLAI (African Federation of Leather and Allied Industries).

One of the most important achievements of ETFLGMA in the past few years has been facilitation for participation of its member enterprises in various leather, leather products and allied industries international trade fairs. A number of trainings and workshops have also been organized by the association in collaboration with supporting bodies such as UNIDO and CDE.

With regards to membership requirements, all legal and licensed enterprises engaged in the sector can be members of the association. The main difficulty for the membership of MSEs in this association could be the fact that some are informal and unregistered. Nevertheless, according to the general secretary of the association strong MSE associations / cooperatives (such as Ethio-Leather associations) could be taken in to membership in the future provided that some basic requirements are fulfilled.

The ETFLGMA works in closely with MOTI leather sector support office, UNIDO, AFLAI, ESALIA (Eastern and Southern Africa Leather and Allied Industries Association), COMESA (Common market for eastern and southern Africa), CDE (Center for development of Enterprise-EU) and many other international organizations.

9. Trade Chambers and Sectoral Associations

The Ethiopian Chamber of Commerce (ECC) is umbrella body for the 15 city chambers all over Ethiopia. ECC is mainly engaged advocacy, capacity building and networking of the city chambers. ECC also takes the prime role of facilitating marketing linkages with in the country as well as to the export market by information exchange and organization of trade events /trade fairs, exhibitions and bazaar/. In the coming year, ECC has plans to work on expansion of membership representation of city chambers particularly on the membership of MSE and MSE networking (cooperatives and association).

The Addis Ababa Chamber of Commerce and sectoral association (AACCSA) has also ambitious plan to improve membership of MSEs and the services. Some of the services that are provided by the association are networking of members, organization of trade fairs/exhibitions annually, organization of meeting/seminars on relevant business/sector development issues and facilitation in training of members (technical/ entrepreneurial trainings). Some of the trainings organized by the AACCSA are Book Keeping, Basic Marketing, Market Research, Salesmanship, Customer Service, Import/Export management, Purchase and Inventory Control, Office administration and record keeping and Business Communication.

At present, most of the members in the Merkato Leather Footwear Cluster are not members of the chambers and the sectoral association. As membership of the MSEs in to the sectoral associations could enhance their empowerment and market linkage, the cluster development would have to include support activities with regards to promoting membership of operators in the representative sectoral associations. The Trade chambers and sectoral associations in the country could be instrumental in promoting MSE networking and play important role in the MSE cluster development.

10. Quality and Standards Authority

The quality and standards authority of Ethiopia has achieved a lot with respect to promoting awareness, assisting organizations in establishment of appropriate quality management practices and promoting standardization at all levels in the country. Nevertheless, QSAE does not have a great deal of experience in assisting the SMEs in the country. This is because the SMEs in the country have been acting largely in the informal sector and operate in isolation.

Development of SME clusters; which paves the way for more organization of the activities, is an ample opportunity for QSAE to get involved in the development process in the areas of promoting quality awareness, providing advisory service and follow up of quality development activities. QSAE has already started developing an adapted and customized form of awareness creation training package and hopes to implement it in collaboration with the UNIDO – Cluster development program. Currently QSAE is working

in close collaboration with LLPTI in the areas of quality awareness promotion, standardization of testing facilities and technical support to the leather footwear sector.

11. Enterprise Ethiopia

Enterprise Ethiopia is a program office established by UNCTAD, UNDP, Enterprise Africa and Ministry of trade and Industry. EE has a commendable experience in SME development support activities mainly in the area of business counseling, organizational development, and conducting feasibility study, trainings on entrepreneurship, leadership and business management.

At present Enterprise Ethiopia is one of the few BDS providers in Ethiopia and has good experience in giving business management and Entrepreneurship trainings to micro level enterprise. Therefore EE will be an important partner in the cluster development activities. EE is making preparation to incorporate cluster development in to its programs in order to serve as center of training and excellence in the area of SME development in general.

Index 1: List of Raw Materials and Sourcing

Raw materials

S/N	Raw material	Description
1	PVC Sole	Locally produced in the cluster
2	PU Sole	Both locally produced and imported
3	TR Sole	Both locally produced and imported
4	Rubber Sole	Locally produced in the cluster (recycled material)
5	Leather Upper	Locally produced (tanneries), Full grain and Corrected grain Hide Upper Leather
6	Leather Lining	Locally produced (tanneries), Low grade goat and sheep lining.
7	Insole material	Imported
8	Eyelets	Imported
9	Counter	Imported
10	Eyelets and Locks	Imported
11	Shoe Last	Both locally produced and imported
12	Adhesives	Imported and Locally produced
13	Glue	Imported
14	Shoe Lace	Imported
15	Threads	Imported
16	Synthetic lining	Imported
17	Synthetic upper	Imported
18	Sponge	Locally produced
19	Fabrics for upper making	Locally produced

Machines and Equipment

	Description
Stitching m/m	Most of these Equipment and Machinery are purchased as second hand items. There are also some suppliers selling brand new presses, stitching machines..etc
Presses (Mechanical and Hydraulic)	
Grinding machines	
Skiving machines	
Spray guns	
Compressors	
Hand tools (different pincers, brushes)	

Index 2: The Process of Shoe Manufacturing in the Merkato Cluster

Design and Patterning	**In Merkato, the major sources of designs are "Copy-Designers" who study the designs of Imported Chinese shoes and copy the patterns of card-boards. Copy Designers sell the pattern to shoe makers for 300 to 500 Birr per design. Copy designers are also important sources of market information.**
Skiving	**Skiving (thinning down the edge of patterned leather pieces to make them convenient for stitching and folding) is done using modern skiving machines. The machine can be operated fast and does not occupy much space. Some operators in the merkato area do not have their own skiving machine, these operators send their leather pieces to the skiving shops who give the service for small price (about 3 Birr per dozen of leather pieces)**
Closing and Preparation of the Upper and Insole	**This process involves fitting the skived leathers to form the upper leather. In the closing process; linings fabric and other comfort enhancing materials are fitted to the upper leather The closing process involves the use of adhesives and glue. The process is performed manually on tables using simple hand tools. Insoles are prepared from cellulose-based material (main Insole material), leather and synthetic lining.**
Stitching	**Stitching the upper leather and the attached components is done using stitching machines. Most of the stitching machines used in the cluster are old and second hand. The stitching machine is the most important and indispensable equipment in the shoe making process.**
Lasting	**Lasting is the step at which the upper and Insole are fitted together on lasting form and given the desired shape of the shoe. The process involves mechanical operations such as stretching and folding the leather on the last form. This process is done entirely manually in the Merkato Cluster**
Attaching the Sole (Making)	**The sole and the bottom of the lasted upper are slightly buffed using motorized grinder, then the adhesive is pasted at the bottom of the upper and heated to activate its effect (Heat setting). After sufficient heat setting the sole is fixed on to the bottom of the upper by pressing. Heat setting is done using domestic type Kerosene stoves. Pressing is done manually in some cases and using light pressing machines.**
Finishing and Packing	**The finishing works involve branding of the shoe. The brand names are either embossed on the upper and /or fixed on the insole of the shoe as printed brand tags. The shoe are also cleaned and brushed with pigmented shoe – wax to improve the appearance of the shoe. Some operators also use spray guns to spray pigments on the shoe. Shoe are also packed in cardboard boxes on carrying the brand name of the producer**

Index 3 : The average price of main raw material inputs Sheratera

Raw material Item	**Purchase Unit**	**AverageUnit Price in Birr**
Sole PVC *(Gents)*	Pair	18
Sole PU *(Gents)*	Pair	20
Sole TR *(*Gents*)*	Pair	25
Sole Rubber *(Gents)*	Pair	10
Sole PU *(Ladies and Kids)*	Pair	16
Sole PVC *(Ladies and Kids)*	Pair	12
Sole Rubber *(Ladies and Kids)*	Pair	8
Leather Upper	Square Feet	9.50
Leather Lining	Square Feet	5.0
Synthetic Upper	Square Feet	3
Synthetic lining	Square Feet	2
Insole material	Square Feet	2.5
Glue	Kg	25
Adhesive	Kg	40

Index 4: Interview list of the Diagnostic study

A. List of Core Firms Interviewed

S/N	Name Operators (Interview respondents)	Address (Kebele)	Product Specialization	Membership
1	*Ato EshetuTemesgen*	08,09,18	Ladys and Kids shoe	Tesfa Cooperative
2	*Ato Mulatu Biratu*	08,09,18	Gents and Kids shoe	Tesfa Cooperative
3	*Ato Bruk Tesfaye*	08,09,18	Ladys and Kids shoe	Tesfa Cooperative
4	*Ato Gezachew Demeke*	08,09,18	Ladys and Kids shoe	Tesfa Cooperative
5	*Ato Fedlu Abdurahman*	08,09,18	Ladys shoe	Redet Cooperative
6	*W/ro Emebet Welde-Giorgis*	08,09,18	Ladys shoe	Redet Cooperative
7	*Ato Mulu Bayu*	08,09,18	Ladys shoe	Redet Cooperative
8	*Ato Redwan Juhar*	08,09,18	Ladys, Kids and Gents shoe	Andinet Cooprative
9	*Ato Mazengia Yilma*	08,09,18	Ladys, Kids and Gents shoe	Andinet Cooperative
10	*Ato Tefera Muleta*	08,09,18	Ladys, Kids and Gents shoe	Andinet Cooprative
11	*Ato Mesele Welde-Abe*	08,09,18	Ladys, Kids and Gents shoe	Ethio-Leather Int. Asso.
12	*Ato Samuel Mulugea*	10,11,12	Gents shoe	Ethio-Leather Int. Asso.
13	*Ato Damtew Teshale*	10,11,12	Gents shoe	None
14	*Ato Abebe Getachew*	10,11,12	Gents Shoe	None
15	*Ato Mesele Tadesse*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
16	*Ato Asfaw Yilma*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
17	*Ato Mechal Denboba*	10,11,12	Ladies, Kids and Gents shoe	Ethio-Leather Int. Asso.
18	*Ato Mulugeta Amare*	10,11,12	Ladies, Kids and Gents shoe	Ethio-Leather Int. Asso.
19	*Ato Tajebe Belete*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
20	*Ato Siefu Tsega*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
21	*Ato Desta Temesgen*	10,11,12	Ladies, Kids and Gents shoe	Ethio-Leather Int. Asso.
22	*Ato Tsegaye Tamre*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
23	*Ato Girma Obbe*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
24	*Ato Shewalem Zergaye*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
25	*Ato Admassu Denboba*	10,11,12	Ladies, Kids and Gents shoe	Ethio-Leather Int. Asso.
26	*Ato Tsegaye Abencare*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
27	*Ato Temesgen Nuri*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
28	*Ato Admasu Tekle*	10,11,12	Gents Shoe	Ethio-Leather Int. Asso.
29	*Ato Alemayehu Wurgessa*	10,11,12	Gents shoe	Ethio-Leather Int. Asso.

30	*Ato Afwork Yilma*	10,11,12	Ladies and Kids shoe	Ethio-Leather Int. Asso.

Index 4 / Continued….

B. List of Suppliers and Buyers (Marketers) interviewed

S/N	Name of Shoe Producers	Address (Kebele)	Product Specialization
	> **Suppliers**		
1	*W/ro Wubit Asfir*	K: 08,08,18	Raw material Supplier: Supply of Sole, Insole, and Adhesives Synthetic components, thread and shoe lace.
2	*Ato Tabor Amerga*	K: 08,09,18	Raw material Supplier: Supply of Sole, Insole, and Adhesives Synthetic components, thread and shoe lace
3	*Ato Ali Kedir*	K: 08,09,18	Raw material Supplier: Supply of Sole, Insole, and Adhesives Synthetic components, thread and shoe lace
4	*Ato Sisay Kersema*	K: 08,09,18	Raw material Supplier: Supply of Sole, Insole, and Adhesives Synthetic components, thread and shoe lace
5	*W/ro Wesene Sisay*	K: 10,11,12	Retailer of shoe components: Adhesives, Synthetic materials, Insole and fabrics
6	*Ato Mengistu Haile*	K: 10,11,12	Leather (lining and upper) Supplier
7	*Ato Alemayehu Gizachew*	K,10,11,12	Leather (lining and upper) Supplier
8	*Ato Fasika Worku*	K: 10,11,12	Sole Producer and Supplier
9	*Ato Gizachew Hailu*	K: 10,11,12	Sole retailer
	> **Technical Service Providers**		
10	*Ato Mesfin Seleshi*	K: 10,11,12	Service Providers : Last Modifiers
11	*Ato Bizuneh abebe*	K: 10,11,12	Service Providers : Last Modifiers
12	*Ato Habte Marega*	K: 10,11,12	Leather (lining and upper) Supplier
	> **Marketers/ Wholesalers and Retailers/**		
13	*GAMB Shoe Trading Co.*	Gullele Sub-City	***Franchise sales of "GAMB" , Chairman of ELIA***
14	W/ro Serkaddis Worku	K: 10,11,12	***Wholesalers***
15	Ato Admassu Tekle	K:,10,11,12	***Wholesalers,***
16	Ato Kassahun Worku	K: 10,11,12	***Retailer***
	> **Private BDS Provider**		
17	MESSAY Leather Training Inst.	Bole Sub-city	***BDS provider, Trainer***

Index 4 / Continued….

C. List of Business Support Institutions and Organizations interviewed

S/N	Name of Institution	Type
1	***Addis Ketema Sub-city , MSE offices***	Gov
2	***Min. of Trade and Industry, Sectoral office***	Gov
3	***Addis Credit and Saving Institute***	Gov
4	***Leather and Leather Products Training Institute***	Gov
5	***Productivity Improvement Center***	Gov
6	***Ethiopian Tanners footwear and Leather Goods Manufacturers Association.***	Gov
7	***Federal Micro & Small Enterprises Dev. Agency***	Gov
8	***Enterprise Ethiopia***	Gov

List of Networks
(Representatives of Cooperatives and Associations Interviewed)

S/N	Name of Network	Address
1	***ETHIO-LEATHER International Association***	*Addis Ketema Kebele 04,.05,06,07,10,11,12*
2	***TESFA Cooperative of Shoe Producers***	*Addis Ketema Kebele 08,09,18*
3	***REDET Cooperative of Shoe Producers***	*Addis Ketema Kebele 08,09,18*
4	***ANDINET (Mesalemia) Cooperative of shoe Producers***	*Addis Ketema Kebele 08,09,18*
5	***ANDINET(Sebategna) Cooperative of shoe Producers and last modifiers***	*Addis Ketema, Kebele 04,05*