



ENTERPRISE PARTNERS

making markets work for all

**Improvement of Leather Finishing capacity
Intervention
April 2016**



Leather Market Intervention

Constraints

- *Lack of proper leather finishing capacity*
 - *Lack of technical skill on finishing*
 - *Lack of requisite facilities*
 - *Lack of right raw materials, inputs/chemicals (type, quality, quantity and time)*
- *Lack of marketing skills (end market orientation)*
- *Poor capacity utilization of tanneries*
- *Financial problem/Illiquidity*
- *Lack of adaptation skills/responsiveness to changing realities*
 - *Innovativeness, Risk taking, Complacency /Safe zone*
- **Green production (Cleaner production and End pipe treatment and disposals)**



Leather Market the intervention

Key actors and their capacities/incentives

Actors	Capacities	Incentives
Chemical suppliers	Posses high technical leather finishing skill, Knowledge of the existing and forecasted need of the buyer (type, quality and quantity), and on marketing experience	Secure more order by the tannery for their products, embedded their service cost in chemical cost
Tanneries	Posses plant machinery for finished leather sample development and commercial production	Improve teir leather finsing skill, secure moresalesand improve their liquidity, profit
Shoe and LP Factories	Capacity to produce shoe and other leather products and sell in the domestic and international market	Get the type, quality and quantity of finished leather for their produces and increased sales and profit



Leather Market the intervention

Objectives:

The objectives of the intervention is to facilitate the improvement of leather finishing capacity of tanneries.

- As a result tanneries can produce the desired finished leather (type, quality and quantity) from the available stock and supply to both domestic and export market in a timely fashion and earn better price
- The shoe factories secure the desired finished leather (type, quality and quantity) from domestic tanneries and produce the quality and price competitive shoes and supply to domestic and export market
- This will lead to the improved competitiveness of the industry in both domestic and export market, ensure growth of the industry, increase in export revenue, better market share in domestic market,



Leather Market Intervention

The how ?

- The intervention seeks to facilitate an enhanced role played by chemical companies (support market)
- Chemical companies support their client tanneries (core market) and ensure that tanneries are capable to supply finished leather as per the need of the shoe/other finished product factories (core market).
- This will lead to increased production and sales of chemicals, finished leather, components, shoe and other leather products and growth
- This in turn contributes to the achievement of GPT II and country's vision of becoming middle income nation (by way of creating more jobs and incomes)



Leather Market Intervention

Why Chemical companies?

Chemical companies are in the best position to play key role in improving the leather finished capacity is because they have:

- High Marketing intelligence (knowledge on the requirements of the latest trend in the end market)
- High Technical expertise (Possess the requisite expertise for finished leather product design/development; accordingly produce the chemicals)
- Durable and strong Market incentive (Know that when tanneries sell more then buy more chemicals)



Leather Market Intervention-Chemical companies Role:

Chemical companies by deploying TA to tanneries are expected to facilitate and support the tanneries in performing the following activities:

- Assess the need of the shoe factories/brands for the coming seasons (type, quality and quantity of finished leather)
- Make available all the requisite sample chemicals for intervention and help in development of sample collections as per the requirement (sample/specification) of the buyers and show the shoe factories/brands the sample.
- Support tanneries in incorporate buyers' feed backs received and produces the final sample (quality and price competitive product) and solicit the approval and order of buyers.



Leather Market Intervention-Chemical companies Role (Con..)

- Supply expeditiously the requisite chemicals for the process of at least one batch of the commercial order
- Support tanneries to produce and deliver the commercial ordered products as per the approved sample and other specifications and terms and conditions of the order



Leather Market Intervention-Tanneries Role:

Tanneries are expected to play the following key roles:

- Assign technicians and assistants who will work closely with chemical companies to benefit from the possible technology/ knowledge transfer
- Make available the raw materials (wet blue hides and skin), facility to produce the sample and one batch of commercial order for the intervention
- With the support of Deployed TA produce sample collections and show for buyers (shoe factories/ brands) for their feed backs
- With the support of TA, incorporate feed backs and produces the final sample and show shoe factories/brands for their approval
- Negotiate and secure order for the approved and selected samples and produce and deliver as per the term and conditions of the order



Leather Market Intervention-Shoe Factories Role:

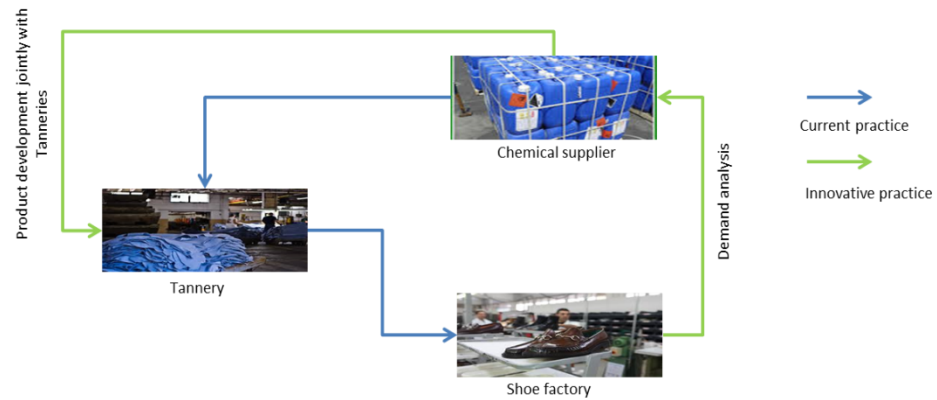
Shoe factories are expected to be part of the solution in performing the following activities:

- Provide information on their need (specification/sample and volume) for at least the next two seasons
- Assesses the sample collections produced and provide feedbacks to be incorporated by the tanneries
- Assess the final sample collections incorporated the comments and if so approve the samples
- Negotiate terms and conditions and place order for the production of the first commercial scale finished leather
- Collect the finished leather and produces the shoe and deliver to the market



Leather Market Intervention

Current and Proposed practice





Leather Market Intervention-EP, ELIDI and ELIA Role:

EP in collaboration with ELIDI and ELIA plays facilitative role for market actors to play their respective expected role. These includes :

- Share risks and costs with chemical companies and tanneries in implementing the interventions
- Monitoring, Review and Manage the interventions
- Document and communicate the knowledge generated
- Design and facilitate the scale up and expansion of proven practices by the participating market players and other new market players in the industry
- Facilitate the promotion and continuous improvement of the business model
- Continue to identify other constraints limiting and opportunities supporting the success of the interventions and design additional interventions



Leather Market: Purpose the Intervention Partnership Fund(IPF)

- The purpose of this **Intervention Partnership Fund(IPF)** is to encourage and de-risk potential tanneries who would like to participate in the Leather Finishing Capacity Improvement Intervention initiated by Enterprise Partners in collaboration with ELIDI and ELIA
- The IPF will facilitate the creation of a more effective partnership between tanneries and chemical companies



Leather Market Intervention: Eligibility for the IPF

This challenge fund is open to all **interested tanneries** who:

- Have a basic leather finishing capacity (facility and technicians)
- Would like to have their leather finishing capacity improved
- Interested to work closely with chemical companies
- Fill the application form within the deadline set by Enterprise Partners



Leather Market Intervention: Size and Modality of IPF

- The maximum size of the challenge fund per Tannery is GBP 40,000
- The IPF will be given in equivalent ETB at the ruling exchange rate of the transfer date.
- The payment will be in two instalments: 50% during intervention start up and 50% after the successful achievement of the intervention
- The duration of grant for providing the Capacity Development Services is between 3-6 months after application received and award is declared
- The IPF will be disbursed up on successful accomplishment of the Tannery in delivering the first commercial order to the buyers



Leather Market Intervention: Application process

- EP will announce the Intervention Partnership Fund and invite application. It will be communicated through different channels including News paper and EP website (www.enterprisepartners.org).
- The deadline for submission of application will be also announced in the same media.
- Chemical companies will have one-to one discussion with tanneries who indicated interest to participate in the intervention 2 to 3 weeks and support tanneries to apply for the IPF.
- Application will be assessed by EP in conjunction with the Chemical companies and shoe factories
- Up to **10** tanneries will be shortlisted for the IPF and communicated
- EP will sign contract with selected tanneries and disburse 50% the IPF up on signing of contract and 50% upon success of intervention (Tanneries have to provide proof of success)