

Strategic study on the Egyptian Shoes , Leather Goods and Garment Sector

Part : IV

STRATEGY

AND

ACTION PLAN

January 2006

THE NEED FOR STRATEGY

The Egyptian leather based industry is in a very hard-pressed situation. The “good-old-days” are over i.e. when massive footwear and leather products could be exported to the markets of the then centrally planned economies- as a part of large trade agreements. Imports were limited due to high protective duties. Today the harsh realities of the global competition does not allow local manufacturers any room to produce shoddy products but demands top-quality products at internationally competitive price level - even at the domestic market. Therefore, the Egyptian shoe and leather products industry must compete on equal terms with the “big-boys” manufacturing in the Far-East for the standard cheap lines and with the sophisticated South-Europeans for the up-market products. This is not an easy task!

This situation among others, urges the need for a coherent strategy in order to realize the sector’s potential and its contribution to the national economy.

The Egyptian Leather Industry, (ELPI) presently is not an international operation. (The exception to this is the export of semi processed leather, a commodity based business). There has been sporadic export business of leather products generated in the past 5 years but there has been no real volume or continuity in the exporting process.¹ The 70’s business with the then East-Block has generated volume export business for companies, especially those involved with footwear manufacture. It has certainly made a contribution to manufacturing but nothing to do with marketing. With the demise of these economies, this business disappeared alarmingly quickly, to the detriment of the ELPI. From this time until now the industry has not fully recovered. This is due in the main to a lack of marketing skills and the lack of the ability to assess and assume risk.

The ELPI consists of two halves – those mechanised plants and the small and micro workshops. The latter make up most of the manufacturing for and the supply to the local market. The mechanised companies, from a manufacturing point of view, with some fine tuning, could become successful exporters. The small workshops require a lot of inputs to get anywhere near export status, a process that will take some years, assuming there is a willingness by owners and workers alike to change. The strategy for the ELPI should be to develop the mechanised sector and then create linkages with the SME’s to develop the industry further. With the advent of tariff reductions for leather products into Egypt, companies will find themselves more and more operating in an international market because of competition from importers.

**To be a successful operator in global markets the industry needs to
internationalise.**

¹ There is only one shoe manufacturing unit and one PLG unit which are regularly active and successful in international markets.

THE SENARIO FOR STRATEGY

I. INTERNATIONALISATION OF COMPANIES IN THE SECTOR

The international market environment in leather products is potentially hostile. (However the same pertains in almost any other manufacturing sector). It is understandable therefore why companies tend to ignore export markets and concentrate only on the domestic market. However only manufacturing leather products for the domestic market means that for a company to grow it can only do so at the expense of other companies in the sector because of the limited size of the market. In the case of Egypt this is not a particularly attractive proposition for the development of the industry and for the wider aspect of the Egyptian economy in general. Currently this lack of exports has reduced the mechanised companies to survival mode only, as they compete among themselves. Activity in the local market has reached saturation point. Exporting presents almost unlimited opportunities to grow if managed properly.

The ELPI has a number of international strategies open to it:-

- **exporting (i.e. selling)** products developed for the local market.
- **niche marketing of products internationally** that are differentiated from the main stream (hand stitched shoes, camel leather wallets, Egyptian cotton/leather handbags etc)
- **direct marketing** through the internet with an overseas partner
- **participation in the international supply chain** by linkages with international marketers.

The operating environment of the ELPI creates a scenario which really only points to exporting for increased business opportunities. Some of the factors are positive others are negative. The operating environment in Egypt concerning manufacturing, marketing and management of leather products can be generally described as follows:-

POSITIVE	NEGATIVE
availability of production capacity	a difficult local market
currency movement (£E/US\$)	difficulties importing essential components
favourable unsolicited export enquiries (from Cairo, East Africa shows)	inefficient transportation
exporting provides growth opportunities and profit	language barriers
a new range of leather products can easily be designed for the export market	lack of competitively priced products
government support for the export process	financial restraints
FTA's with various countries (Europe, USA, Region)	Utilization to the interest of the business

Most of the negative factors can be relatively easily overcome (import regulations, transportation, language, pricing and to some extent finance). Only the local market is the major difficulty. This places more emphasis on exporting.

However to be successful there needs to be an export minded manager, or owner who believes that exporting will work.

It can be argued that the Egyptian leather product manufacturers are product and manufacturing oriented (understandably so, given the recent historical development of the industry). The thinking of entrepreneurs therefore is to seek out arrangements with another party which offers a strategy of least involvement – passing the marketing to agents or distributors, sub contract manufacturing etc. This meets immediate objectives of utilising excess capacity, gaining experience by technology transfer and exposure to international market conditions. However the danger is that it may not provide a basis, in the longer term, for really successful exporting by controlling the whole process in house.

It makes sound commercial sense for ELPI companies to start as the junior partner in an export relationship as long as the company has a goal to eventually make the gradual change to being an independent exporter. This means making the change to become a niche marketer of a differentiated product from a mere exporter of production capacity. The following illustrates the difference between exporting and international niche marketing.²

	EXPORTING	INTERNATIONAL NICHE MARKETING
Marketing strategy	selling production capacity	meeting customer needs
Financial objective	cover overheads	to add value
Pricing	cost based	market or customer based
Management focus	efficient production	meeting market needs
Distribution	using agents or distributors	managing the total supply chain
Market information	relying on agent or distributor	analysing the market independently
Segmentation	by country and customer	by common international customer benefit
Customer relationship	working through the agent or distributor	dealing directly with and building relationships

An international niche market must be a market segment that is too small to attract large international companies. e.g. hand stitched moccasins, hand stitched leather handbags, hand sewn dressing gloves, horse riding accessories etc.

² adapted from “International Marketing Strategy” Doole and Lowe, Sheffield Hallam University.

To be successful companies need to:-

- have good marketing information about the segment
- know what are the important criteria of the segment
- give a high level of service
- have a cost efficient manufacturing base and supply chain
- concentrate on profit rather than market share
- be content to remain relatively small
- have a proper market entry strategy
- have a differentiated product

It is therefore not easy for Egyptian leather products manufacturers to become active in international markets. For some companies the biggest risk is to become involved in international markets at all if there is no properly defined competitive advantage and little understanding or experience of the global market place. However with increasing globalisation companies can no longer hide their inefficiencies or lack of creativity in the local market as they will inevitably come under attack from imports. (This situation is starting to happen). There is also a risk in just selling production capacity into markets which the owners have little or no experience or empathy for.

This all points to the fact that exporting with differentiated products, a competitive advantage and unsurpassed service is the way forward

1 II COMPETITIVE STRENGTH ASSESSMENT

Footwear can be produced in highly mechanized conveyerised assembly lines or in modern "rink system" production units or by one shoemaker artisan with hand tools only. The comparative advantage varies, to a large extent, between different locations and the type of product.

However, concentrated efforts in restructuring and the training of skilled workers, supervisors, technologists, designers and entrepreneurs is needed before the ELPI will reach the right quality level to be able to produce large quantities to the international market. The initial progress made in starting a training and design centers for the ELPI is encouraging but needs still a concentrated, coordinated and focused effort to make a real impact.

It is expected that foreign investments and industrial cooperation, which are needed to boost-up the industrial development in this sector, would be forthcoming if the industrial skill levels can be improved and if the government can offer the potential investors a stable regulatory and industrial climate which includes free and fair trade in the leather sector and the reduction and eventual elimination of hindering elements of all kinds.

One of the major problems in the Egyptian small-scale shoe industry is the structure of the industry located in the various shoe industry clusters. If the industrial structure and way of operating is not radically changed, these small workshops will have to close their doors within a

short time. They will not be able to compete with the imported goods from abroad. It will be very difficult to implement such a re-structuring.

The lack of suitable shoe components and utilization of poor quality components has been a main constraint and has contributed to a large extent to the poor quality image on both local and export markets. *A strong base of manufacture and supply of quality components is inevitable.*

From the SWOT analysis and the benchmarking study a picture can be drawn of the competitive strengths of the ELPI. This assessment will show those areas of the ELPI which need to be strengthened to enable the industry to become a player in the global market. Knowing these areas will provide guidelines in drawing up a strategy for the industry. An industry's (Country's) competitive strength depends on certain *key success factors*. For the leather products industry these are listed in the chart below. The factors are assessed across the countries of the benchmarking study, with the addition of Italy, being the world leader as identified earlier in the report. This exercise highlights the position of Egypt vis à vis its major competitors. The scores are out of 10.

KEY SUCCESS FACTORS	Italy	Spain	Tunisia	Turkey	Romania	Vietnam	Egypt
Product innovation	9	7	3	5	3	4	5
Unique, differentiated products	9	7	3	5	3	6	4
Developed components industry	10	8	3	7	3	7	5
Supply of leather	9	9	3	7	3	6	6
Low cost leather	5	5	3	7	5	6	8
Flexible manufacturing	8	8	6	8	7	5	8
Low labour rates	3	3	4	5	4	4	6
High productivity	8	8	7	6	6	7	4
Excellent international marketing skills	9	8	5	6	5	6	4
International trade agreements	3	3	8	6	6	6	8
Institutional support	8	8	8	8	5	7	6
Well managed supply chain*	8	8	8	7	7	7	5
Close relationships through supply chain	8	8	7	6	6	6	5
Senior management /owner commitment	9	9	8	7	8	8	4
Technical knowledge	9	9	7	7	7	7	6
Excellent communications	7	7	7	6	6	7	5
Excellent promotional materials	8	8	7	6	6	7	5
Sophisticated financial control**	9	9	8	7	7	7	5
Favourable currency exchange rates	3	3	8	7	7	8	8
TOTAL SCORE	142	135	113	123	104	121	107
POSITION	1	2	5	3	7	4	6

*customers, customers customer, competitors, suppliers, supplementary suppliers, distributors, agents, banks, etc

**budgets, costing, pricing

STRATEGY APPROACH

The first strategy approach is:

A pressure to be exerted by the development of ELPI in order to create a pressure/demand on the supply of quality leather and components: the so called “Top Down Pull Approach”.

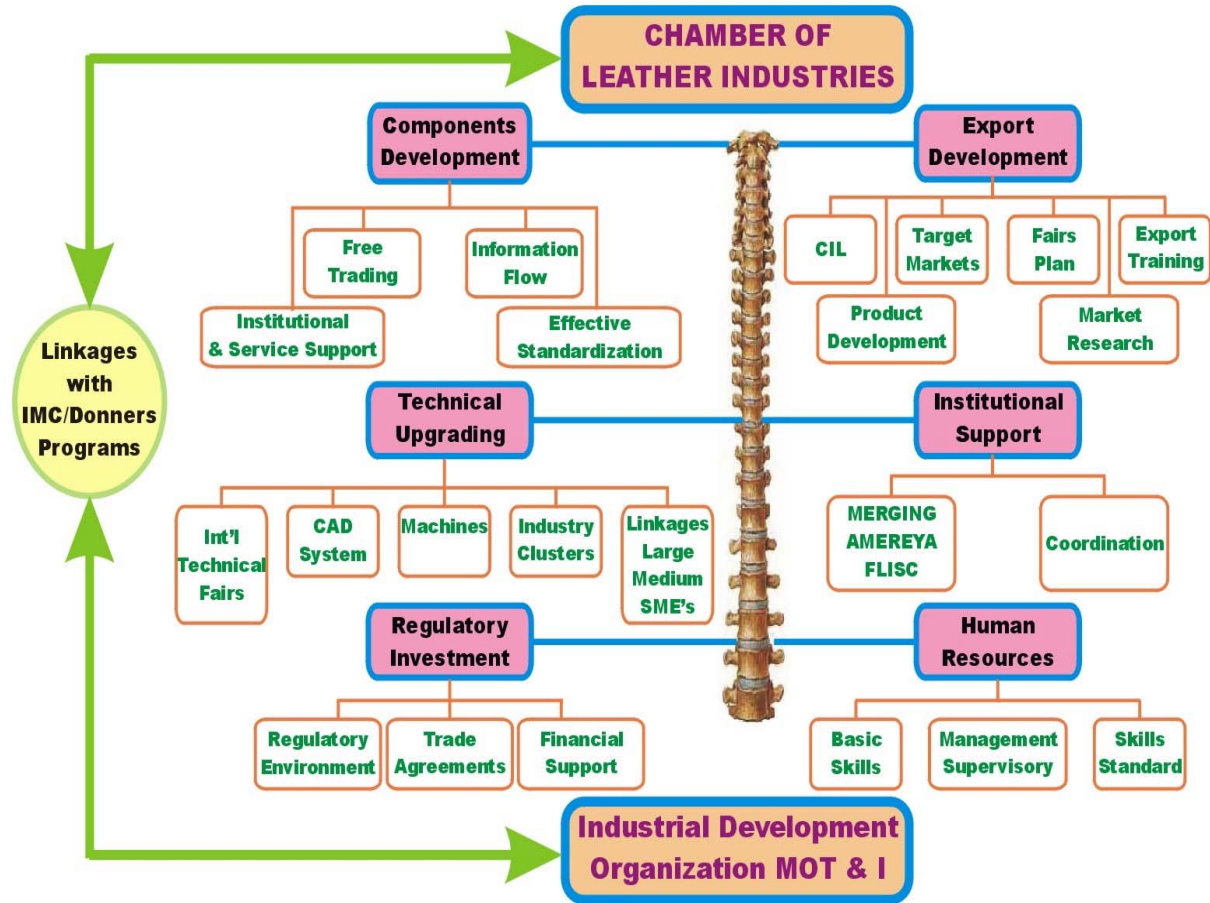


This approach entails:

- PRIORITY TO EXPORT
- DEVELOP LEATHER PRODUCTS
- CREATE DEMAND/ EXERT PRESSURE
ON
FINISHED LEATHER
&
COMPONENTS

The second approach is the Back Bone rational picture of the coherent strategy elements:-

BACK BONE STRATEGY



1.1 A) STRATEGIC ELEMENTS

1. For Export Development

The strategy for export development is spread across 6 elements each with its own objectives which together make up the combined strategy of upgrading the ELPI to enable it to introduce products of international standards to the global markets.

1.1 Product Development.

The main criterion for success in exporting is to have unique and differentiated products serving a niche market. In the leather products industry, being a mature industry, this is not an easy thing to do. An operating, user friendly, mechanism needs to be created for the dissemination of fashion and market information, which has the confidence of the industrialists so that products of international quality can be exhibited at international fairs .

1.2 Market Research

Over the next four years the sector must acquire enough information to enable it to target certain markets.

1.3 Cairo Inter-Leather Fair

Have in place a plan to continue the development of the Cairo International Leather Fair as a platform for interaction among the local Egyptian players in the sector on the one hand, and overseas visitors/exhibitors on the other hand.

1.4 Export Subsidy

It has to be said many powerful and successful leather product exporting countries have had comprehensive central government support at the initial stages of entering world markets. (China, India, Vietnam etc). As part of the export development strategy Egyptian producers should have a financial export subsidy, to act as an incentive to enter the export process, over a 5 year period.

1.5 International Supply Linkages

The Egyptian leather product manufacturers have a choice in entering the international market as business to business marketers. They can become sub contractors for international distributors or sell their own product direct to international distributors. Perhaps the easier of the two entry mechanisms is as a sub contractor as there is excess production capacity available. A survey needs to be carried out among industrialist as to which method they would prefer or a combination of both. The result will determine the strategy to be pursued and implemented.

1.6 Export Marketing

All leather product manufacturing in Egypt is production oriented (with a few exceptions). This situation is unlikely to change for the foreseeable future. This means that there are no real export marketing skills available in the industry. The availability of this skill is necessary for the industry to operate successfully in the global market. The strategy for the industry therefore would be to set up a mechanism so that interested and committed companies can operate and properly compete in international markets with modern marketing skills.

2. For Technical Development

The strategy for manufacturing development is spread across two sub sectors, manufacturing finished products (4 elements) and component manufacturing (3 elements). Together these represent the strategy to enhance all manufacturing in the ELPI to international levels to enable products to be made at the lowest cost and the highest quality.

2.1 Machine Upgrading

High productivity is necessary in leather products manufacturing to get costs in line. Much of this is achieved by modern machines (CAM /CAM). There has to be a plan in place to enable the upgrading of machine inventories in factories by soft financial mechanisms targeted to all manufacturers.

2.2 International Technical Fairs

There are possibly three major international technical fairs exclusive to the leather products industry where the latest manufacturing techniques and machines are on display. These are SIMAC, Italy, APLF, Hong Kong, and Turkey Leather Machinery Fair, Istanbul (ASAF). These fairs provide an excellent educational experience for entrepreneurs. The strategy is to provide a continual upgrading of technical expertise to the industry at large.

2.3 Technical Upgrading

The small enterprise sector of the industry is in desperate need of modernising. In order to do this an enabling environment is required. For the long term good of the industry the strategy should be to actively encourage co-operation between the larger, mechanised companies and the smaller informal sector.

2.4 Manufacturing Facilities

Successful exporting countries have set up satellite manufacturing areas (sometimes referred to as “shoe or leather cities”). These are custom built manufacturing units which are almost self contained with supporting services. They appear in China, India, Vietnam, Turkey. Egypt has 10th Ramadan and 9th October cities which are similar but not specialised. Some leather product manufacturers have relocated to these areas. Many producers however are still operating in cramped multi floor conditions in Cairo city centre locations. To make for efficient manufacturing at international levels companies need to be in single floor factories.

The strategy should be to have a designated “leather products city” fully integrated with support services in single storey buildings with the necessary social provisions and to incentivise companies to relocate to them.

3. For Components Development

3.1 Supply of Leather

It is vital that Egypt has a competitive advantage in the supply and cost base of leather finished to international standards. In the next 5 years 5 to 10 tanneries must be able to fulfil this function on a regular, sound, commercial basis, using the latest techniques and quality control methods. Selling semi processed Egyptian leather on the world market helps international leather products manufacturers compete with Egyptian made products. Strategically incentives have to be put in place to encourage the natural evolution to producing finished leather in Egypt on an accelerated time table.

3.2 Supply of Lasts for Footwear

The manufacture of lasts in Egypt, although prolific, is not done to the standards required for international business. (It also follows from this they are not really of the standard required for the local market). Many mechanised and semi mechanised companies know this and import their lasts from recognised sources.

However the industry needs quality well engineered lasts from local sources. Incentives need to be put in place to either facilitate the upgrading of local producers and/or attracting FDI to set up a plant(s) in Egypt.

3.3 Supply of Ancillary Components

In today’s global market the accessories required to design a differentiated product are vital. These comprise the buckles, zips, fastenings, handles, decorations, moulded innersoles and importantly for footwear, unit soles. Egypt has to be fashion forward in the supply of these components particularly unit soles.

The foundation of leather products manufacture i.e. the basic materials – reinforcing and insole boards are also vital. International quality of this type of material is not easily available in the local market.

A plan has to be put in place to encourage the investment in this side of the industry either from local investors, joint ventures or FDI. This can be in the form of local manufacture and/or an accelerated unencumbered importing regime.

Development of components and accessories should recognize the economy of scale in order to attain feasible and quality operation whilst the domestic absorption capacity is rather limited. Therefore, the plan needs a tie-up with the export development of components the the needy African markets for footwear and leather goods.

4. For Institutional Support

The strategy is to provide focal points of reference for the planned upgrading of the ELPI.

4.1 Current Support Centres

The current regime of support centres is fragmented in its approach as service centres to the industry. Some services are duplicated by the agencies (e.g. laboratory testing, training). The strategy must be to provide one seamless, efficient, central, mechanism for the supply of services to the clients, the manufacturing industry.

4.2 Chamber of Leather Industries

This organisation must play a vital role in the internationalisation and upgrading of the industry. The role of the Chamber should be expanded to be the focal point for the whole industry strategy. The Chamber should provide strategic direction and advice to the industry in a regular and pro-active manner.

5. For Human Resources

The strategy of human resources is to provide the ELPI with sufficient trained manpower who can manage the commercial and manufacturing processes to international standards.

5.1 Basic Skills

A strategy should target the creation of educated generation of workers with basic employable skills according to a recognized functional map and skills standards. This is to induce a certain level of division of labour as well as working habits at manufacturing level with a resultant higher productivity.

5.2 Trained Shop Floor Management

A strategy of expansion of existing training regimes to be able to produce a cadre of middle managers / supervisors trained in shop floor operations.

5.3 Financial Controls

Likewise a strengthening of industry training institutions so that they can train in costing techniques for international competitiveness.

5.4 International Marketing

Provide a mechanism to train senior management and proprietors in international marketing techniques geared to leather products.

B) ACTION PLAN

1. Export Development

1.1 Cairo International Leather Fair

1.1.1 Adhere to fixed dates of the fair on regular basis once/year.

This should support the fair credibility and inclusion among recognized international fairs.

1.1.2 Advance preparations/promotion at domestic level.

1.1.3 Expand foreign participation for finished products/machines/components-

In order to:

- Promote overseas linkage.
- Enrich with technical seminars

1.1.4 Continued attraction of African participation at and after Meet in Africa

1.2 Identify Priority Target Markets

The following target markets are prioritized according to :

- Proximity for entry
- Offered advantages

A) COMESA markets should receive the first priority

Specifically for :

- components &
- finished products

Being accessible through COMESA trade agreement and recipient to certain Quality level.

B) EU Markets , Specifically for :

- Trend/technology information
- Gradual penetration
- Utilization of trade agreements

Gathering trend information and technology innovations are precursory elements for successful export development which are obtainable at the EU markets- which eventually should enable gradual penetration.

C) Middle East Markets for

- Finished products
- Utilization of trade agreements

D) CIS Markets for:

- Revival of old trade relation
- Opportunities for finished products among other suppliers

E) South African Markets for:

- Finished products

1.3 Trade Fair Considerations

For planning and implementation of the trade fairs participation, it is necessary to consider:

- a) Focus on new trade fairs and secure continuation.
- b) Focus on specialized fairs rather than general fairs.
- c) Selection of eligible companies.
- d) Advance preparations at promotional & product levels.
- e) Identify foreign partners/subcontracting.
- f) Provide feedback information to a wider base of industry.
- g) Continued after fair follow-up

1.4 Target Fair: Markets

- a) **Nairobi Fair** : COMESA
- b) **South Africa Fairs**: Durban, Johannesburg, Cape Town: South Africa
- c) **Motexha – Dubai**: Middle East
- d) **GDS – Dusseldorf**: EU
- e) **Galant – Georgia**: CIS
- f) **CIL – Meet in Africa**: Domestic/Africa

1.5 Trade Missions

- a) WSA Show – Las Vegas (US Market)
- b) Ivory Coast (W.Africa Market)
- c) Poland (East – EU Market)
- d) Slovenia (East – EU Market)
- e) Russia (Revive former traditional Market)
- f) EU (Trends/Components)
 - Linea Pelle/Simac – Italy
 - Micam/Mipel – Italy
 - SIPIEL – Spain
- g) APLF – Hong Kong
- h) Aysaf/Aymond – Turkey

Trade missions planning and implementation should respond to risen needs and should be followed by organized seminars for presentation of gathered information to a wider industry base in order to maximize the missions benefits.

1.6 Product Development

Product development actions should consider:

- Close tie-up with target market/fairs
- Programme Package Approach with costing/pricing component
- Sectoral focus: Shoes/ L.Goods/L.Garments.
- Product line focus

1.7 Export Promotion and Development Programme

To develop a Programme at pilot scale comprising a package of Technical, Marketing and promotional assistance for implementation at sub-sector's level.

2. Technical Development

2.1 Machines & Equipment

Certain level of modernization needs to introduce at medium and large scale shoe Factories specifically for :

- Computer Aided Manufacturing (CAM)
- Automatic sewing machines
- Rink systems

This should cover a new generation Computer Aided Design (CAD) + Plotter
In order to achieve :

- Quick response.
- No cutting dies.
- Accurate costing.

For imparting knowledge and increasing awareness with innovations on technical development , the CIL should offer the best platform through invitations to the machinery and components suppliers and the organization of series of seminars for presentation to the wider bas of industry participants.

A system of rolling visits should be established to the following International Technical Fairs:

- | | | |
|--|---|---|
| <ul style="list-style-type: none"> - SIMAC-Italy - APLF - Hong Kong - AYSAF –Turkey | } | to be followed by seminars presentation upon return |
|--|---|---|

Acquiring of machines and equipment should utilize the IMC support mechanism.

2.2 Manufacturing Environment

Technical developments needs to be filtered down to the wider base of manufacture at small workshops level through the following avenues:

- A) Establish linkages (partnerships) with SME's through Sub Contracting Pattern of manufacture where certain labour intensive operations are Sub-contracted to small worshops with constant follow-up on quality requirements by the contracting company
- B) In the longer term to establish “Leather City” a cluster to provide :
 - Single floor factories for smooth flow of production
 - Facilities for common machinery services
 - Environment for introduction of modern technology at SME's level.
 - Financial incentives for relocation

3. Component Development

The leather goods manufacturing industry in successful manufacturing environments depends on the efficient supply of components. (Italy, Spain, Turkey, India etc are examples of this). As the ELPI develops so too will the supply industry. Generally the producers of goods “pulls” the development of component supply. However they are mutually dependent on each other. An efficient component producing sector will only enhance the capabilities of the leather product manufacturers and lead to a lower cost base, which will establish a dynamic, internationally competitive, supply chain.

Supply of All Components

Actions Required:-

3.1 The critical action will be to implement an umbrella project to conduct feasibility studies and give recommendations for the development of the component supply industry in its strategic role as the provider of the base on which to build an export oriented ELPI. This work should be undertaken by the IMC.

Presently the supply of components is a weak link in the ELPI in its efforts to internationalise. The basic raw materials of leather, lasts and unit soles for shoes, and reinforcing materials are generally not up to the standards required in developed markets.

This should be an inclusive project across all sections of the industry. It will have the following sub sectors represented:-

- tanners capable (and willing) to produce finished leather
- last makers who are willing to use proper engineering techniques.
- upgrading of local manufacture of insole, toepuff and counter sheet materials.
- injection moulded unit sole manufacture combined with mould making.
- feasibility study on setting up independent leather finishing tanneries either by local investors (possibly shoe manufacturers) or Joint Ventures or by FDI using wet blue that is currently exported.
- feasibility study on the local manufacture of properly engineered insole units, the blanking and austempering of steel shanks.
- the feasibility of setting up independent built up unit sole manufacturing facility(ies). Possibly by consolidated the present plants which are operating at very low capacity levels.

The project should recommend actions to involve local investors, consider joint ventures or FDI in all of the above sub sectors.

3.2 Form a pathfinder association of 5 senior executives drawn from tanners and components manufacturers and 10 leather products executives to set out guidelines of mutual co-operation and self interest to produce a range of internationally acceptable quality finished leather at competitive prices. This exercise to be done twice per year. The results of this to be made available to the industry at large. The co-ordination of

the pathfinder group should be under the guidance of an independent chairman or body. This is vital to the internationalisation of the industry.

- 3.3** The development of components takes place predominantly in Italy. The Chamber of Leather Industries has recently formed a sub group concerned only with components and ancillary services. (A very welcome development). This group should visit Linea Pelle (Bologna) twice per year to research the latest developments in component design. On return a seminar should then be held for the industry at large to report back the findings in an informal manner with a question and answer session.
- 3.4** Recently there has been a free trade agreement signed with Turkey which allows (among other things) the importation of components free of duty and taxes. In addition to this the total trading environment should be liberalised further for all components, including leather, by allowing the importation free of duty and taxes, from all countries, irrespective if they are to be exported or not.
- 3.5** The Cairo International Leather Fair is an excellent vehicle for the accumulation of commercial knowledge about the international leather products industry. Action should be taken by the organisers to invite foreign component suppliers to exhibit at the show by way of special offers (free stand or reduced entrance fees etc). The incentive being the large local market for all types of components.

4. Institutional Support

The leather products manufacturing sector has available to it institutions which provide shop floor training of operators, training in pattern making, laboratory testing and fashion information. These institutions need to be strengthened and augmented.

Current Support Centres

Actions required:-

- 4.1** Amerya Training Centre and the Footwear and Leather Industry Service Centre (FLISC) should be merged into one body.

The mandate of the new body should be expanded to provide the services that similar institutions in other countries provide. To decide what and how should be studied from the best practices of these organisations. The aim would be to become affiliated with one of the international organisations. This really means SATRA (Shoe and Allied Trades Research Association, UK), CTC (Centre de Technique du Cuir, France), INESCOP (Spain) and possibly the FLRI (Footwear and Leather Research Institute, India). Under the auspices of the IMC in co-operation with the MOTI/SFD and the Chamber of Leather a project should be set up to recommend the articles of association of such a body, how it should be managed, and what services it should provide.

- 4.2** The focus of the Chamber of Leather Industries is mostly towards the interests of the manufacturing side of the industry and this is correct. However the activities of the Chamber should be expanded to include the other major sectors of the industry to make it inclusive.

- (i) Strengthen the special section of the Chamber devoted to the interests of the small scale manufacturing companies.
- (ii) Form an associate section of the Chamber for interested retailers of shoes and PLG.
- (iii) The Chamber to instigate formal relationships with other local institutions namely:
 - Chamber of Tanning and Fur
 - New Leather Industry Technology Centre
 - Textile Fashion Design Center on leather garment training
 - Others as deemed necessary

Meet every three months to exchange views: world and local market information, policy, developmental issues (Government inputs), technical issues, mutual co-operation, human resources.

- (iv) Upgrade the present newsletter to a proper quarterly bulletin for circulation to all members, special sections and associate members. This could be done in co-operation with FLISC and Almereya to produce a meaningful publication.

4.3 Subsidies & Information Transfer

- (i) The Chamber of Leather Industries to investigate, discuss and propose export subsidy(ies) coverage for the sub-sectors. Present the case to Government
- (ii) Collect and disseminate information on applicable trade agreements. Continue negotiation improvement of the regulatory environment within general polices. Report the findings in the quarterly bulletin.
- (iii) Circulate feasibility studies on components manufacture to potential investors, priority to members.

5. Human Resources

Human resources development should receive the utmost attention for supporting the modernization and export development plans with appropriate range of required skills.

A basic consideration in this respect is the action on strengthening the existing institutions and ensuring their proper functioning to the interest of the industry. Here it should be noted that the life of the training institute is determined by : the extent of meeting the industry requirements for manpower in its established bridges with the industry clients.

For an **Efficient Training operation** the following actions are required:

- i) Assign professional management for the training institute.
- ii) Assign suitable instructors with higher qualifications.

- iii) Start instructors local training by expert trainers with participation of recipient companies – SUSTAINABILITY, i.e: tie up with Technical Assistance Programme.
- iv) Provide further overseas training to assigned instructors.
- v) Follow Sectoral Functional Map & Skills Standards.

CATAGORISATION OF ACTION PLANS

ELEMENTS	ACTION	SHORT TERM ³	MEDIUM TERM	LONG TERM
1. Export Development	Strengthen CIL			
	Fair Plan /Target Markets			
	Implement Fairs & Trade missions			
	Design & Implement Pilot Programme			
2. Technical Development	Technical Fairs			
	Induce sub-contracting to SMEs			
	Establish Leather City			
3. Component Development	Umbrella Project			
	Pathfinder project			
	Visits to Linea Pelle			
	Liberalised trade environment			
	Cairo International Leather Fair			
4. Institutional Support	Merging of institutions			
	Inclusivity of SME's			
	Inclusivity of Retailers			
	Formalize relationships with other institutions			
	Upgrade newsletter			
	Case for subsidies			
	Disseminate industry information			
5. Human Resources	Assign Professional Management to Training Instit.			
	Assign Suitable Instructors			
	Establish Tie-Up with Technical Assistance			
	Apply Functional Map and Skills Standards			

³ Short term in 1 year, medium term in 3 years, long term in 5 years

QUANTIFIED COMMERCIAL TARGET

The following projections are worked out on the assumption of full conversion of the locally available hides/skins into a balanced product mix under the local conditions.

The said projections should provide an initial base for a commercial target to be achieved by the leather products sub-sectors whether for the export and/or domestic markets- as a commercial an output of follow-up development programmes- among other correlated economic and social benefits.

FINISHED LEATHER PRODUCT MIX AND TOTAL EARNING (*)

Material Base	Quantity (Sq. ft - 2004)	Product Mix	PERCENT	Consump. Per PC Sq. ft	Output Estimate PCs	Average Price \$/PC.	Total Earning \$
Cow Hides Av. Sq. ft 45	75,499,740	Footwear	85%	2	32,087,390	15	481,310,843
		Bags	5%	7	539,284	15	8,089,258
		Wallets	5%	1.5	2,516,658	4	10,066,632
		Belts	5%	1.5	2,516,658	5	12,583,290
Buff. Hides Av. Sq. ft 50	39,652,000	Footwear	70%	2	13,878,200	10	138,782,000
		Diverse	30%	5	2,379,120	8	19,032,960
Buff. Calf Av. Sq. ft 12	10,207,104	Bags	50%	5	1,020,710	18	18,372,787
		Wallets	30%	1.5	2,041,421	5	10,207,104
		Belts	20%	1.5	1,360,947	6	8,165,683
Sheep Skin Av. Sq. ft 8	13,941,400	Garments	100%	40	348,535	50	17,426,750
Goat Skin Av. Sq. ft 4	310,775	Garments	50%	40	3,885	50	194,234
		Lining	50%	1.5	103,592		0
Camel Av. Sq. ft 50	9,810,800	Diverse	100%	8	1,226,350	4	4,905,400
(*) on the basis of total conversion of local material base into finished leather products							729,136,941

MODUS OPRENDI FOR ACTION PLAN

The Strategy and its action plan stipulate implementation involving the Chambre of Leather Industries (CLI) jointly with the newly formed Industrial Development Organization (IDO)- with financial support of the IMC and donor agencies.

Both executing bodies as well as the supporting body have ambitious plans for sectoral development, with main focus at present for developing healthy environment for industry performance. Therefore, the Programme Multidisciplinary Approach need to be professionally designed and executed in order to provide the quickest vehicle for achieving results – which should eventually catalyze the other multiple elements of strategy.

Two specific elements are hereby identified as prioritized catalysts :

❖ **Export Development**

❖ **Components & Technical Development**