



CONTEXT...

Funded by the World Bank and DFID, the Growth and Employment in States (GEMS) programme aims to increase growth, income and employment, especially for poor men and women, by improving competitiveness in strategically important Nigerian industry sectors in selected states and nationally. Wholly-funded by DFID, the target market for the GEMS1 component is the meat and leather industry.

As in other target markets, GEMS1 uses the Making Markets Work Better for the Poor (M4P) approach targeting sustainable improvements in market outcomes by altering the incentives that the market as a system provides to participants. It addresses major government and market failures in the system thus bringing about systemic change. Improving the incomes of the poor, especially women and the young, is an explicit goal of M4P programmes. The GEMS1 component is being implemented over 5 years (2011-15).

This GEMS1 Output Fact Sheet summarizes Project support to markets and linkages for **increasing domestic production of FLGs for domestic and regional markets.**

STRATEGY and RATIONALE...

FLGs Strategy: The overall GEMS1 leather industry strategy compliments target outputs of the Nigerian Leather Industry Transformation Agenda while ensuring high local ownership by the private sector. It is responsive to resolving major industry competitiveness constraints identified by stakeholders while exploiting growth and employment opportunities.

The FLG sub-sector is one of three intervention areas for GEMS1 support to markets and linkages within the leather industry mainly in the southeast and also Kano. The Project is working with partners in both the local leather goods manufacturing sector and those that supply services to the sector to improve marketing, develop access to improved materials and implement improved production techniques.

The aim is to increase competitiveness to secure a domestic market niche above Chinese imports (which currently account for 90% of the Nigerian FLGs domestic market leaving Nigerian producers with just a 10% share) while targeting consolidation and expansion of market share in neighbouring west African countries which is under threat due to poor quality products.

Cross-cutting entry-points for GEMS1 interventions in FLGs (see also GEMS1 Fact Sheet on BMOs and Advocacy) include: (1) strengthening business networking amongst sub-sector actors; and, (2) improving MSME access to finance for working capital and modern equipment.

The Project will facilitate improved business networking for FLG enterprises and Business Membership Organizations (BMOs) through Business-to-Business (B2B) meetings and other events, and raising awareness of the benefits of improved networking. The aim is to stimulate a combination of dialogue on sub-sector business issues (including constraints and opportunities), the creation of forward and backward market linkages for enterprises to generate new customers and make deals, and seeking/sharing information and learning from each other.

In addition to facilitating access to commercial finance for FLG enterprises along the value chain, GEMS1 is also assisting BMOs to explore and negotiate available sources of concessional finance for target enterprise members to generate early upgrading and growth momentum in the sub-sector (see also Output Fact Sheet on Support to BMOs and Advocacy). Concessional finance can facilitate an early transition of MSMEs to the next levels of business where they can generate more incomes and employment while also better positioned to subsequently access and service commercial finance.

Optimizing other opportunities for private sector linkages and services, and mainly targeting improved quality and expanded footwear production, interventions available to the Project for improving FLGs material inputs, production, and marketing include:

- Technical skills training and upgrading;
- Quality issues training;
- Product design and development training;
- Business skills training (e.g. business plans, finance applications, etc);
- Transfer of appropriate and intermediate technology; and,
- Marketing and promotion (including branding, packaging, trade shows/market days, FM radio and other).

By the end of the 5-year GEMS1 Project, the expected results for support to markets and linkages for FLGs include:

- Additional sub-sector growth of \$10 million wholesale/\$13 million retail (i.e. the equivalent of the production and marketing 1 million pairs of mid-value shoes); and,
- 650 net additional full-time equivalent jobs created targeting poor workers and job seekers (50% for women).

OUTPUT FACT SHEET: FINISHED LEATHER GOODS (FLGs)

Rationale for Support to Markets and Linkages for FLGs: The estimated annual value of the Nigerian FLG sector for domestic and regional markets is USD 200 million. The sector is job-rich providing direct employment for around 100,000 in Lagos, 300,000 in Aba, 150,000 in Onitsha, 60,000 in Kano, 10,000 in Kaduna and a further 200,000 in other areas: indirect employment is significantly higher. Women comprise about 30% of the FLG workforce. The industry estimates that Nigeria currently imports around USD 300-500 million of leather products informally annually (the import of leather is officially banned). If the industry can improve its competitiveness vs. Chinese imports to increase domestic production for local and regional markets, the prospects for pro-poor sector, income and employment growth are promising.

OBJECTIVES, INTERVENTIONS and INDICATORS...

The **expected outcome of GEMS1** is to “improve the performance and inclusiveness of meat and leather sector market systems that are important for poor people” (the Brief on GEMS1 Support to the Meat and Leather Industry provides additional information on target impact and outcome indicators). Carrying a contribution weight of 15% to these GEMS1 impact indicators (i.e. impact outreach and value, and employment) and outcome indicators (i.e. firm growth and value, and systemic competitiveness changes), the **target output of support to markets and linkages for FLGs** is “new and/or improved inputs, products and services that benefit poor people within the finished leather goods markets are introduced through GEMS1 facilitation”.



GEMS1 interventions in FLGs target:

- Improved Quality Materials:** (a) in conjunction with suppliers and purchasers developing appropriate specifications to apply to finished leather to be used in the traditional artisan production of leather goods in Nigeria (the finished leather to be well-tanned but able to be produced from raw skins that will not meet the quality standard requirements of the export market); and, (b) working with partners to improve the availability of good quality leather goods accessories in order to improve the quality of the finished leather goods;
- Improved Production Techniques:** (a) developing improved access to modern finished leather goods manufacturing equipment (including possible linkages with complimentary interventions); and, (b) development of a market-based training and skills development program for the production of improved finished leather goods; and,
- Improved Marketing:** working with partners to develop new paths to market for improved finished leather goods that meet acceptable quality criteria.

Indicator information for the GEMS1 FLGs output is summarized below.....

Indicator	Baseline 2011	Target 2015
1. Increased production value of finished leather goods in target enterprises (GBP)	0	4.2m
2. Number of enterprises in the finished leather goods sector that apply and benefit from improved levels of knowledge and skill and/or use improved inputs and services	0	6,000
3. Number of service providers that offer and benefit from offering new and/or better inputs and support services to the finished leather goods sector	0	170

Sources of verification for indicators include: impact assessments sub-sector guides; sub-sector analysis and baselines; intervention control frameworks (containing impact summary); GEMS1 applies the Donor Committee for Enterprise Development (DCEd) results measurement and reporting standards including Value for Money

Assumptions: FLGs import/export trade conditions do not undergo dramatic step changes

Risk Rating: (LOW) Sites in the southeast are unlikely to be affected adversely by security problems

Prepared by GEMS1, the DFID-funded programme supporting the Nigerian Meat and Leather Industry implemented by GRM International Limited