



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

PROMOTING SMES FOR JOB CREATION AND POVERTY ERADICATION IN AFRICA:

Perspectives and Experience from UNIDO

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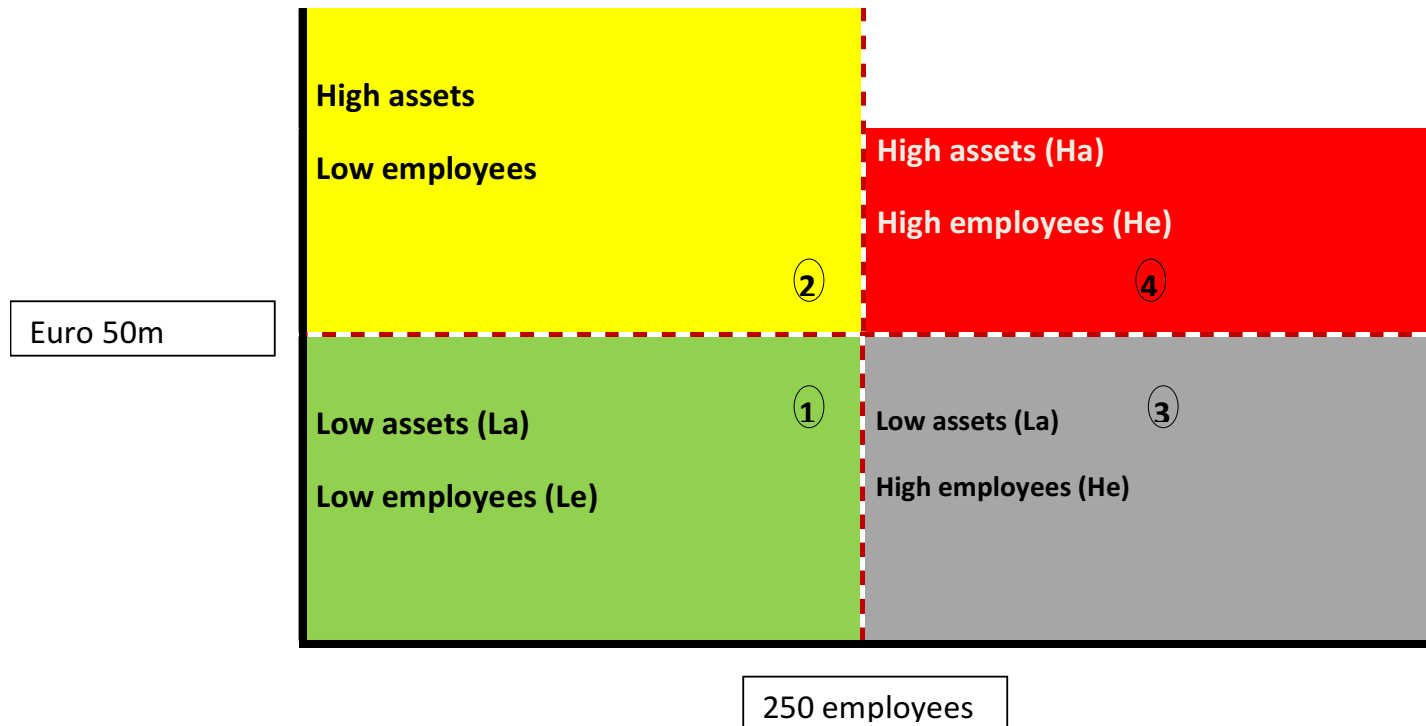
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A. Introduction

- 1997-2006: 1st UN Decade for the Eradication of Poverty
 - MDGs
 - FfD
- 2008-2017: 2nd UN Decade for the Eradication of Poverty
 - SDGs
 - Back to Industrialization?

B. Theoretical Issues

- Definition



B. Theoretical Issues ...ctd

- Contribution of SMEs

- SMEs create more new jobs and at a lesser cost and faster rate owing to innovation, labour intensity and equity advantages
- Yes, but factor in job durability and decency?
- So better to focus on *net* rather than *gross* employment.
- Manufacturing SMEs key to job creation: In 1990s they accounted for 32% of total employment for the low-income group, compared with 54% for the middle-income and 64% the high-income groups (Ayyagari, Beck and Demirguc-Kunt , 2003)
- In 2009 manufacturing accounted for around 470 million jobs worldwide – 16 percent of the world's workforce of 2.9 billion. That is 1 in six jobs globally (UNIDO IDR 2013).

B. Theoretical Issuesctd

- Farm size as (reliable) predictor of labour intensity? Firm by firm (rather than artificial cohorts) job figures seem to suggest that job creation is a function of increasing (rather than decreasing) firm/enterprise size)
- SME sector is positively associated with economic growth, but causality claims are often not undisputed by evidence.
- Agreed: SMEs are good for economic growth and industrial development in particular.
- The challenge is to ensure development of SMEs is job-rich and pro-poor

C. UNIDO Experience

- Established in 1966, over 170 member states, UNIDO is the specialized agency of the UN working to promote sustainable industrial development for shared prosperity.
- Primary objective of UNIDO is the promotion of *inclusive and sustainable industrial development* (ISID) in developing countries and economies in transition by
 - Acting as a forum for debate on industrial development and facilitator for the exchange and dissemination of industrial information, appropriate technologies, best practice principles, and norms and standards
 - Promoting and providing technical cooperation services at the global, regional and national levels, with a special focus on capacity building of institutions on policy development and programme implementation in developing countries

C. UNIDO Experiencectd

- Instruments for Supporting SMEs
 - Policy support
 - Support to public and private institutions
 - Business development services
 - Clustering and networking:
 - Participation in global value chains
 - Gender and special programmes for women & youth
 - New partnerships

C. UNIDO Experiencectd

Project Example: **Upgrading the Ethiopian Leather and Leather Products Industry**

Background

- Ethiopia has one of the world largest livestock populations of which is 52 million cattle heads, ranking 1st in Africa and 6th in the world. Leather and leather products industry is key to the Ethiopian economic development.
- Highly dominated by micro, small and medium enterprises (MSMEs), especially located in Addis Ababa, which are creating huge employment opportunities.
- However, MSMEs are operating in a scattered manner, with slight improvement in skills, technologies, innovations and minimum support services received from the local stakeholders.

Main Approach/Strategy:

- UNIDO's cluster development approach is based on overcoming knowledge fragmentation, lack of coordination among MSMEs clustered within a sector and on facilitating joint actions among cluster members, including enterprise support organizations serving the cluster.
- The specific project strategy aims at achieving its expected outcome by helping/creating 3 leather footwear/products MSMEs clusters in Addis Ababa and by providing backstopping support activities to the Ethiopian Regions.

C. UNIDO Experiencectd

Achievements:

- Mapping and Diagnostic studies on the selected clusters undertaken and validated by all the stakeholders involved.
- Organized networks established networks within the clusters: 12 networks/sub-networks of 377 enterprises, with up to 4,000 workers
- Joint initiatives facilitated on joint purchasing of raw materials, tenders participation, joint manufacturing and selling.
- Ad hoc trainings on footwear and leather goods production, design and entrepreneurship development being implemented.
- In collaboration with local institutions, market access initiatives have been performed (i.e. BtoBs, participation in exhibition) and linkages between the networks and the local medium and large enterprises established in order to facilitate raw material purchasing and sub-contracts agreements.
- A Study Tour for the major Ethiopian institutions organized and implemented in Italy in 2014 and the best success cases on leather clusters and industrial districts visited.
- As a follow up, specific networks and working groups established at sub-city and national levels for assuring project's ownership and sustainability.

D. Conclusion

- UN commitment and mobilization of political support to address the perennial problems of employment and poverty appears to be stronger than ever
- Inclusive and sustainable industrial development (ISID), and manufacturing SMEs in particular hold an important key to job creation and poverty eradication
- A good understanding of the context and constraints faced by SMEs must inform policy and practical support programmes of national and international institutions
- Strong and broad Partnerships are needed to enhance the economic, environmental and social impact of every single unit of investment towards a better world

Programme for Country Partnership in Ethiopia

Sector	Indicative Targets	Interventions
Leather and leather products	Export US\$132 million (Base) US\$1.4 billion (Target) 150,000 jobs	Improve livestock VC Technical assistance for entrepreneurial and management skills, production diversification MLC (IZ) and clustering of MSEs
Textile and apparel	Raise cotton production from 210,000 to 1.8 MM t Yield from 1.7 to 2.8 t/ha 260,000 new jobs by 2020 Export US\$2.7 billion (Target)	Improve cotton VC Increase efficiency of ginning factories and establish new facilities Support TIDI
Agro-food	Establish 4 IAIPs Establish 90 large companies Export US\$1.7 Billion 160,000 new jobs by 2020	Establish 4 IAIPs and 50 RTCs Upgrade selected VCs (coffee, fruit and vegetables, livestock, fisheries) around IAIPs Promote investment in 4 IAIPs
Industrial zones and investment promotion	Establish 4 IZs 534 factories 175, 000 new jobs	New IZs established Two existing IZs expanded Management of the IZs established One-stop services provided at IZs

THANK YOU