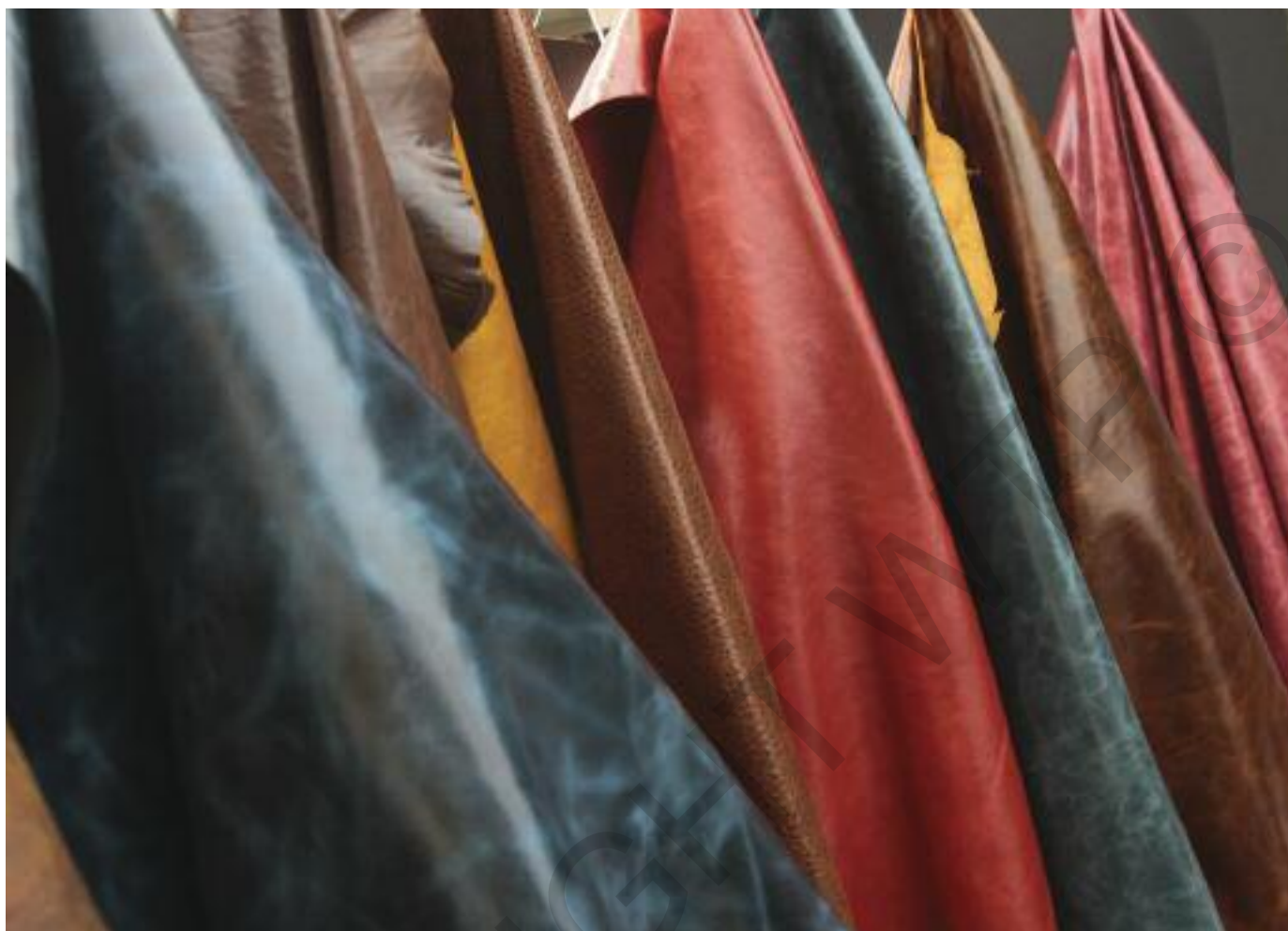




Make my day

After my blog entries on *Malawi Blues* and the *African Blues*, my theory about the waste of development money has unwittingly been endorsed by the minister of industry of Zimbabwe, Mike Bimha and he really made my day when I read an article that was published in the *Financial Gazette of Zimbabwe*.

The report reads:

"A FIVE-YEAR Zimbabwe National Leather Development Strategy (ZNLDS), launched in 2013, has not turned around fortunes in the leather sector as current indications are that the situation has further deteriorated.

"Since the turn of the millennium, the leather sector has suffered great losses prompted by the country's operating environment, making it difficult for companies to remain operational and competitive.

"Hence in a move to resuscitate the sector, the Ministry of Industry and Commerce launched the five-year revival plan outlined in the ZNLDS."

The strategy was developed by the International Trade Centre of Geneva, a UN agency, and has cost a fortune in travel, workshops and training. When the strategy document was presented in 2013 it was praised beyond the moon by the author, by the director of COMESA, Mr Chungu Mwila, and by the Zimbabwean authorities. It was considered the answer to a prayer and in their fantasies they saw the leather industry booming. None of these pen-pushers appears capable of thinking realistically.

The 85-page document sought to position the leather industry and allied sectors of the economy towards exports and international competitiveness, while ensuring that Zimbabwean firms and households enjoyed continued access to a wide range of high-quality goods.

The strategy was aimed at improving market intelligence and access to finance by adding value to the raw materials.

The document didn't take into account that you cannot process leather or produce shoes with market intelligence or the wishful thinking of access to credit in a country that suffers a chronic lack of foreign exchange and an increasing national debt, not to speak of international sanctions. The shoe sector



produces today 10% of what it produced 10 years ago and the tanneries are a shambles, with old outdated hardly working machines producing a fraction in terms of quantity and quality compared to 10 years ago.

The ZNLDS sought to create a council at national level that would deliberate and articulate issues affecting leather-sector players, facilitate the provision of capital, access to information and markets, make raw materials available, and create clusters across the nation.

The actual achievement of the strategy is that there is now a myriad of discussion groups, "clusters" and associations that debate from morning till evening anything but production, marketing and sales. One Mr Nyathi from Bulawayo is a master in talking, promoting theories, submitting statistics, ideas for training, meetings, praising institutions and authorities but never achieving anything in terms of saleable leather and footwear. Last year Zimbabwe was the favoured nation at the APLF and ACLE fairs, obtaining a stand and limitless visibility, but hardly took advantage of the occasion, proposing out-of-the-market prices to prospective buyers. When buyers objected they reduced the prices step by step but by then the buyers had lost confidence and withdrew. So the marketing training was left standing in the cold.

Accideli Nyamayaro, the Harare leather cluster assistant chairperson, said they were still being impeded by financial challenges and that there had been no growth since 2013. He said that despite the measures taken [were there any?], Zimbabwe was still unable to boost productivity since "the unlocking of capital from financial institutions is impossible due to the fact that we are required to provide immovable property as collateral". Procuring raw materials [hides are putrefying in the fields] and machinery is still "a mammoth task" because of the lack of finance, he said.

My comment is that lack of finance is the key term. So why is there money for useless workshops, training, travel and not for production or equipment?

In 2014, the government introduced a \$0.75 levy on raw hide exports in a move that was expected to boost value in the leather industry and curtail the export of raw hides by local abattoirs.

The introduction of the levy was requested by the tanners as they assumed that they would then dominate the domestic hide market, imposing their prices and selection standards on the hide traders. Predictably, that backfired. The border with South Africa is open and goods move across it, sometimes legally and sometimes illegally.

Finance and Economic Development Minister, Patrick Chinamasa, recently granted a tax waiver to raw hide exporters. He listed seven merchants with a total export quota of just over 1.5 million kilos worth about \$10 million as the beneficiaries.

Realism has never been the forte of many African countries: 1.5 million kilos of wet salted hides for export bring about \$1.1 million in the current market, not \$10 million, without considering transport from a landlocked country like Zimbabwe to final destination.

When the tax was introduced in 2014, the Livestock and Meat Advisory Council pointed out that it had a negative

impact on the viability of abattoirs. The council alleged that tanners were unable to buy raw hides from abattoirs due to lack of finance, hence the tax had not helped to lift the local leather sector but, instead, it impacted negatively; raw hide stocks continued to pile up, prompting huge losses for operators.

Anybody with a minimum amount of knowledge of the leather industry could have anticipated this result, but the local thinkers who were told so, did not listen. The Zimbabwe Leather Development Council said challenges beyond the government's control were to blame for the strategy's non-performance. It mentioned "the perpetual economic challenges" but said there had also been "sound success stories".

I beg to disagree. What are the clusters doing apart from existing? What do they produce? How much money are they making?

The council hinted that through the cluster formations, accessing loans would be easier in future because processors would approach the financial institutions as registered associations. But banks look at collateral, figures in dollars and cents, not the number of people gathering in a meeting or on paper.

One trader in the leather sector, Owen Taruvinga, has dismissed these claims, saying that while the government appeared to be in support of the sector, there was a clear lack of commitment, evidenced by not setting aside a specific budget for the sector. "We have never heard the Finance Minister setting aside a substantial amount of money to be invested in the leather sector," Mr Taruvinga has said. "The little assistance we have received so far is in the form of donations from well-wishers such as the European Union and the Common Market for Eastern and Southern Africa."

The EU and other donors are not well-wishers that give a little assistance. The EU and other countries have spent millions, millions, that have been used for everything but the development of the industry. The money has been used to pay for transport, conferences and workshops, whereas it should have been used for creating micro credits, money that allows stakeholders to buy equipment, raw materials and transform these into leather and leathersgoods.

The Zimbabwe leather industry has been doing nothing but attend workshops and training sessions. Apparently these are not the answer for getting the industry back on its feet. The strategy was overtaken by events on the day it was published.

The biggest share of the blame is on the NGOs and other international organisations, which design these projects in countries like Zimbabwe, not in coordination with the industry involved, but with the civil servants in the ministries. They love workshops, the travel, the meals and they don't have to produce anything at the end of it all (other than words) to keep their jobs.

Let the donors put money in the banks, serious money, to be used only and exclusively as a back-up credit for stakeholders to buy machines, chemicals and accessories to run their business. Then we would be talking. The right export strategy was shown 40 years ago by India, Pakistan and Bangladesh. 🌐