



South of the Sahara

Africa is huge and, in terms of leather and footwear manufacture, diverse. North Africa has a well-established industry, particularly in Morocco, Algeria and Tunisia, where French companies have operated for many years. Egypt also has a sizeable industry and one that has greatly improved under the government's new industrial policy. South Africa has an old leather industry, now largely focused on the automotive sector, but its footwear sector has declined due to cheap imports. Nigeria has good quality small skins and has also been a sizeable producer of footwear, but the commercial problems involved in dealing with the country have deterred all but the bravest of buyers.

This feature, however, focuses on a much broader region—sub-Sahara, the area that picks up countries such as Ethiopia, Kenya and further south to the borders of South Africa. It has seen considerable changes in its leather-based industries in the past few years and is the area seen as having the long-term potential due to its raw material resources.

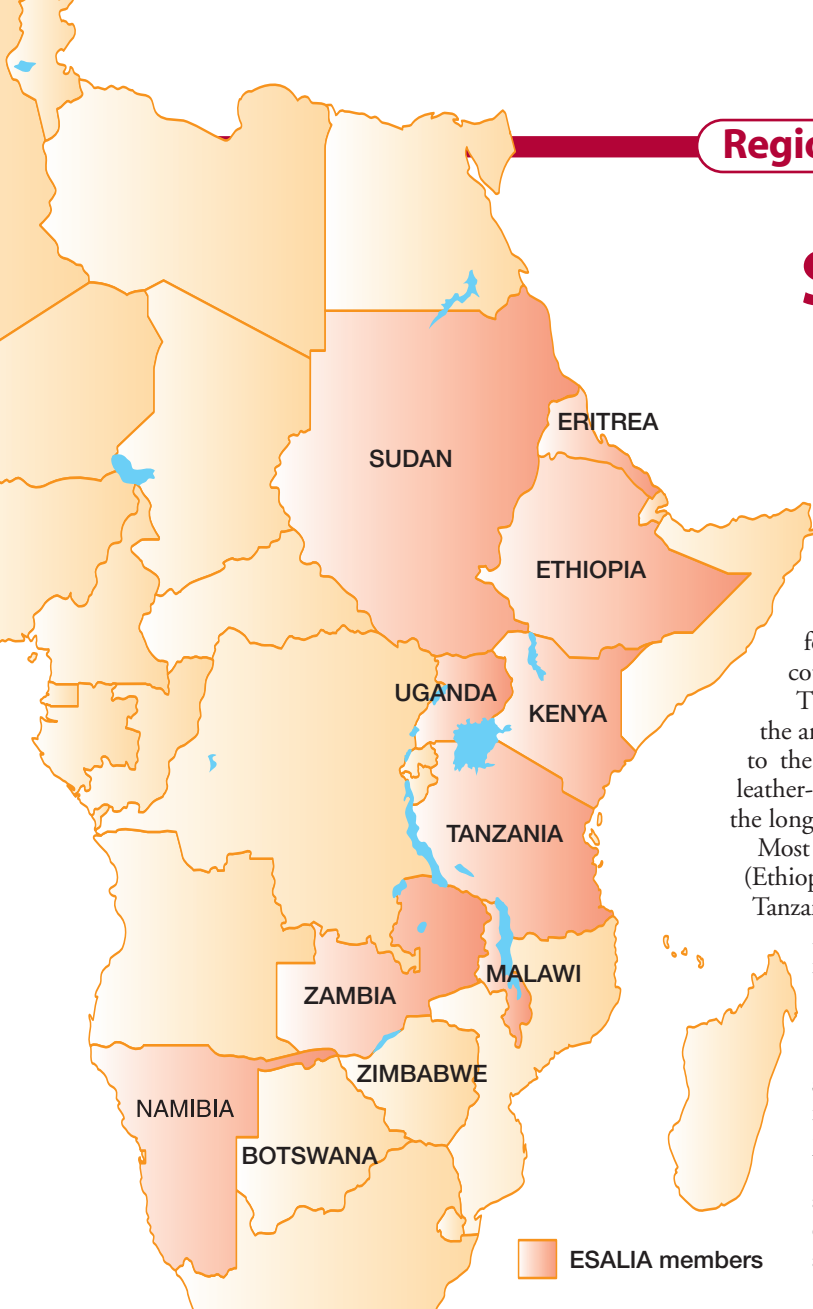
Most of the nine countries which would be included in the Esalia region (Ethiopia, Kenya, Malawi, Namibia, Sudan, Uganda, United Republic of Tanzania, Zambia and Zimbabwe) have always had the potential to be major local producers and exporters of semi-processed leathers and finished leather products. There is an abundance of renewable resources, the appropriate technologies and skills are available and there is a low-cost workforce. Countries such as Ethiopia and Kenya have had a good international reputation for leather products for some time. Despite all of this and an increasing local demand for footwear and leather goods, a number of internal and external problems have hindered the development of the industry.

Specific problems have included low-quality hides, finished leathers and end products through poor slaughtering, flaying and handling conditions, obsolete tanning, finishing and production technologies and a general lack of management, design and marketing expertise.

Other problems have been due to the poor overall business environment with its lack of competitive financial services for companies, poor transport and communication infrastructures and tariffs on imported raw materials needed by the industry. Something needed to be done.

UNIDO took the initiative and launched a number of country-specific and regional programmes for the Sub-Saharan Leather industry in collaboration with the United Nations Development Programme, the United Nations Food and Agricultural Organisation, International Trade Centre and the Industrial Development Decade for Africa. The Regional Africa Leather and Footwear Industry Scheme (RALFIS) was established to address some of the problems facing the sector and assist companies to adapt their manufacturing operations to exploit market opportunities. As a result, national leather industry associations are now operating in all nine Sub-Saharan countries and some are already providing considerable assistance to their members. The ITC set up an initiative to create a pan-African Leather Association at a meeting it held in Cape Town.

All national associations are full members of the Eastern and Southern Africa Leather Industries Association (ESALIA) that also co-operates with such counterparts as COTANCE, the Confederation of National Associations of Tanners and Dressers of ►



ESALIA

The association was established and registered in 1995 to promote the interests of the Regional Leather and Footwear Products Industry in the countries of Eastern and Southern Africa. These include Ethiopia, Eritrea, Kenya, Malawi, Namibia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe and any other country in the region that expresses interest in joining the Association. It was born out of UNIDO's original initiative and the urgent need to have a co-ordinated approach in charting both short- and long-term development strategies for the continent's leather industry. Its aim is to be the premier association spearheading the interests of the African leather industry in producing first choice leathers and leather products for the world market. To achieve this, it sets out to promote an exchange of information amongst members, promote capacity building, product development and marketing. It also seeks to commit members to the highest quality standards, to adopting appropriate technologies and to be environmentally friendly. Member associations at present include:

- Uganda Leather and Allied Association
- Ethiopia Tanners Association
- Kenya Tanners Association
- Eritrean Leather and Allied Industries Association
- Leather Industries Association of Zambia
- Leather Association of Tanzania
- Leather Association of Malawi
- Leather Chamber of Sudan
- Leather Industries Association of Namibia



the European Community and UNIC, Italy's National Association of Tanneries. ESALIA has recently established a single leather system in the region with the Common Fund for Commodities. The programme has been highly successful in creating new employment and investment opportunities. The whole sector is beginning to benefit and the overall reputation of the African leather industry is improving both locally and abroad.

Modernisation and training

In Kenya, at the request of the Kenya Footwear Manufacturers' Association, UNIDO assisted in the establishment of a Kenyan training and production centre for the shoe industry. This provides specialised training courses for manufacturers and support services to small- and medium-sized producers. Fees are kept as low as possible commensurate with covering centre operating costs. The project has created additional employment in the industry, particularly for women in rural areas, and opened up

new opportunities for Kenyan producers.

In another initiative in Ethiopia, the local Rash Dashen Shoe Factory underwent an upgrading programme to raise both quality and productivity levels. As a result of the improvement in its standards of manufacturing, quality and design, the company's production capacity has had to be increased to meet a growing demand for its products in export markets.

Expansion and strengthening of the network of leather industry associations and the creation of Revolving Fund Operations (RFO) for direct support to industry has led to further advances. Technical training has been provided to more than 2,000 individuals in tanning, finishing and product development. Besides the establishment of ESALIA, a quality grading and pricing system has been introduced for raw hides and skins.

A \$1 million investment in the participating ESALIA countries has shown benefits totalling some \$2.3 million in hides and skins due to improved quality and collection. Crust and finished leather output

also increased following a project to upgrade tanneries. Cleaner technology has been introduced in 11 tanneries and guidelines on gender issues prepared for the sector and training provided to over 150 women.

Clearly some significant advances have been made but the area still has a long way to go. As always seems to be the case in Africa, the impetus is provided from outside. A further weakness is the lack of money to invest. Governments have too many other problems to solve and individuals lack the funds needed to create modern high tech tanneries and shoe factories.

Fingers have been burnt in the past. Take the instance of Tanzania where, in 1980, the World Bank lent \$39 million to build one of the world's largest shoe factories that would sell millions of pairs of shoes to Europe. The Morogoro factory lay idle for years because of a lack of suitable finished leather from within Tanzania itself and finally closed in 1990. During the ten years of its existence, it operated at only 4% of capacity and cost \$490,000 a year to keep open. 🌐

Creating the Mystique of Fine Automotive Leathers

Eureka® family of fatliquors:

Eureka® 487 • Eureka® 800-R • Eureka® 950-R • Eureka® 975-ES

Clearly the choice for automotive upholstery leather.

Atlas®  www.atlasrefinery.com

REFINERY, INC.

142 Lockwood Street • Newark, NJ 07105 USA Phone: 973.589.2002 • Fax: 973.589.7377





Kenya—a tradition of cattle grazing

Kenya, bordering the Indian Ocean, between Somalia and Tanzania, covers an area of 583 km² and has a population of 31 million.

Cattle grazing has always been a traditional activity in this part of Africa and the number of beasts a man owned was an indicator of his wealth and position. The current national herd numbers about 15 million head. The majority are indigenous short horned Zebu of various sizes, the largest of which is the Boran from the North West. The smaller Maasai humped Zebu is concentrated on the eastern and southern plateaus. Crossbred cattle arising from a successful artificial insemination service are reared in the highlands, the lake region and the eastern plateau. Imported breeds such as Friesian, Guernsey, Jersey, Ayrshire, Simmental and the Indian Sahiwal can also be found in Kenya.

Sheep are also grazed and total about

eight million. Most are hairsheep and consist mainly of the fat tailed Dorper, Red Maasai and Nyanza breeds. They do not show the consistency or quality of those available in Ethiopia. A few wool and mutton types, including Merino, Romney Marsh, Hampshire Downs, Comedale and Suffolk, are raised on the highlands and eastern and southern plateaus. Goats are more plentiful at around 11 million and are particularly suited to the more arid areas of the country.

The indigenous meat goats are the East African, the Galla, the Nubian and the Bedouin. The Boer goat is also reared particularly in the highlands. Other livestock includes camels, pigs and horses though in much smaller numbers.

The footwear industry

The main consumers of finished leather in Kenya are footwear and leather goods

manufacturers. There are three levels of footwear manufacturers: big producers such as Bata Shoe Company, small- to medium-size enterprises in the organised manufacturing sector and a large number of micro enterprises (Jua Kali artisans, etc). There is much potential for growth considering that the domestic market alone consumes 20 million pairs per annum based on a per capita of 0.75. Assuming a pair of shoes costs around Ksh. 350.00 (\$1 = 75 Ksh), the actual value of the Kenya's domestic footwear market is actually worth some 7 billion Kenya shillings or \$93 million per annum.

Pre-liberalisation

During pre-liberalisation, there were more than 25 enterprises producing formal footwear and leather products with a capacity utilisation of over 70%. For many years, Bata has dominated the industry, ➤

It is not the best way to finish the leather...



Fratelli Carlessi

Tel. 035 891210

Fax 035 891067

<http://www.carlessi.it>

E-mail: info@carlessi.it



although other players have since entered the market. In addition to the formal sector, a thriving informal sector (known as Jua Kali sector) became responsible for the manufacture of between 55-60% of all leather footwear and leather goods manufactured in Kenya. This sector alone created approximately 12,000 jobs, mainly through self-employment and therefore greatly contributing to poverty eradication and reducing levels of unemployment.

Post-liberalisation

Things have changed drastically over the years, and mostly through imports of cheap or second-hand shoes. Industry sources estimate the volume of second hand shoes now entering the market to be over 10 million pairs per annum. The current situation can be summarised as follows:

Bata's output has dropped considerably although it is now again on the rise. The once thriving Jua Kali sector with its high level of employment has become virtually non-existent with an estimated loss of at least 12,000 jobs. Average capacity utilisation is under 30%.

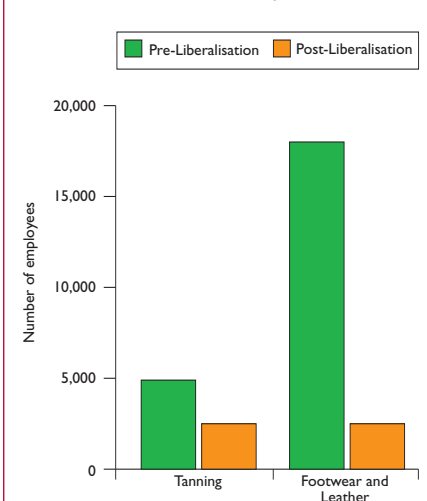
Elements of decline:

- **Unfair competition from second hand**

footwear. Liberalisation of the economy resulted in an influx of imported second hand shoes.

- **Dumping of cheap footwear.** A large volume of cheap footwear has been imported from the Far East by unscrupulous traders who claim the shoes are from the COMESA region.

Leather sector: Loss of jobs



Source: Stakeholders Position Paper on Leather Industrial Sector in Kenya-2000

- **Lack of technical skills.** Existing technical training institutes lack the basic equipment and tools to offer modern training techniques.
- **Product development and marketing.** Most manufacturers belong to the small-scale sector and have usually seen very little diversification in type and design of products.
- **Poor product quality.** The lack of proper skills, basic equipment and general information about fashion trends, means that factories end up producing products that are not in demand.
- **High local manufacturing costs.** High duties on raw materials and power, poor infrastructure and high interest rates, have kept local manufacturing costs too high for smaller businesses to develop.

Current situation

It is not all doom and gloom, however, as there has been a considerable increase in the production of footwear both in the formal and the informal sector in the last two years or so. This has mostly been driven by better government policies which have led to a more conducive environment for investors. 🌐

Ethiopia—a new master plan

Ethiopia is twice the size of Kenya at 1.13 million km² and has double the population at 66 million. It is again located in eastern Africa but surrounded as it is by Djibouti Eritrea, Kenya, Somalia and the Sudan, it is totally land-locked.

There is a substantial national cattle herd amounting to some 34.5 million head.

Livestock

Ethiopian livestock is on the whole indigenous and the product of inbreeding rather than cross breeding. Ethiopian cattle have three origins. The Bos Primigenius domestic, which is long horned and non-humped, the short horned Brachyceros and the humped Zebu.

Sheep are also important at over 20 million. They belong to the hairsheep type and include Hairly, Woollen, Thin Tailed, Fat Tailed and Fat Rumped varieties. The 16 million goats also consist of a variety of types and usually bear the names of their locations such as Highland, Adal, Somali, Nibian, etc.

The leather and footwear industry

In the last few weeks a new business plan has been accepted. The Master Plan and a Business Plan for the Development of the Ethiopian Leather and Leather Products Industry (LLPI), developed jointly by UNIDO and the Government of Ethiopia, have now been officially adopted as Ethiopia's strategic framework for all



The beamhouse in the model tannery at the Leather and Leather Products Technology Institute, Ethiopia

further development the Ethiopian Leather and Leather Products Industry. UNIDO formally received the good news in a letter to Director-General Carlos Magariños from Ethiopia's Minister of Trade and Industry, Girma Birru in July, requesting support in the implementation phase of the Business Plan.

The Master Plan and Business Plan received full endorsement by the National Export Coordination Committee chaired by Prime Minister Meles Zenawi in June, and were presented to all stakeholders of the sector by State Minister for Industry, Ato Tadesse Haile, in early July.

The Master Plan provides the framework for the implementation of a five-year Development Programme, or Business Plan for the leather and leather products industry. The Business Plan proposes a product mix in which the footwear industry is the priority sector to be developed, mainly for export, followed by the leather garments and the leather goods industry.

UNIDO's leather specialist, Aurelia



Calabro, said that Ethiopia is very serious in its intention to adopt an appropriate policy mix and plan of action for the leather and leather products industry to compete in the national, regional and global value chains.

It certainly appears that things have started to happen in the Ethiopian leather industry after many years of stagnation. Until this announcement, the two big events of the last few years relate more to the hair sheep and the glove industry, but success in that sphere brings interest and excitement to all sectors of the leather industry.

After the end of the communist Mengistu regime moves were made to privatise the industry. Few takers were found other than Sheikh Mohammed H. Al-Amoudi whose internationally powerful Midroc organisation has invested billions of dollars in Ethiopia over the last decade. Midroc's leather investment has created ELICO, which has quietly moved the leather industry toward high volumes of finished leather rather than semi-processed pickle.

Within the last six months, English tanning group Pittards has taken a stake in country's largest government-owned tannery, Ethiopian Tannery. This is a large old plant built with East European money and imagination. It poses a formidable task, but Pittards' unique configuration and long experience in Ethiopia makes it one of the few companies which can make it a success. Statements made at the company's AGM in May 2005, by new Pittards chairman Stephen Boyd indicate that Pittards were already seeing gains from its investment, and in answer to detailed share holder questioning indicated the interest to develop the bovine side in Ethiopia. This indicates that the investment by Pittards is more of a major strategy change by the company, rather than a tactic to ensure access to hairsheep supplies for its gloving division.

Ethiopian Tannery has a small skin division and a bovine division, and it is the latter that the local shoe industry is hoping will be developed. If Pittards can improve the quality of local hide production and then add in some higher quality hides on top, the industry can look forward to a regular supply of quality leather. Further foreign investment in footwear should then become much easier to attract.

The strength is local supply

It is accepted that hairsheep, whose value lies in gloving, is the prime article but that goatskin makes outstanding shoe suede. Bovine is a good general-purpose article if



Working with hides.

tanned to enhance its character rather than hide it with sandpaper and paint.

It is in fact this large raw material supply which must underpin the potential of footwear production in Ethiopia as it gears up to compete with the likes of China, India and Brazil. Indeed, without the security of a good raw material supply and the investment of producers such as ELICO and Pittards to guarantee some quality, the future would be quite uncertain.

Current manufacturing

Industrial level shoemaking in Ethiopia dates back to 1938. Currently there are about 20 factories, mostly quite small, producing some two million pairs of leather shoes a year.

Some of the factories are still owned by the state, which is trying to privatise them, others are in private hands. One of the oldest companies is Anbessa, which is a share company, still owned by the government. It produces some 2,500 pairs a day with 680 employees. It also has retail outlets in Ethiopia and, despite strong efforts to export, it remains over 90% dependent on the domestic market.

Foreign involvement

One important aspect has been the 'Ethio-Italian Programme Aid' of €8 million for the leather sector launched in October 2001 and which has already provided the Ethiopian Leather and Leather Products Institute (LLPTI) with outstanding equipment and industrial training facilities. LLPTI was established by the Ministry of Trade and Industry in order to train technicians and workers for tanneries and leather goods and shoe factories and to help create better conditions for the development of local manufacturing enterprises. It is unusual in that rather than just being a training school it incorporates three smallish factories for shoemaking, tanning and garment manufacture. 🌐

Botswana — aiming for added value

Botswana is another landlocked country, bordered as it is by Zimbabwe, Zambia, Namibia and South Africa. The population is only 1.6 million, with 190,000 people living in the capital Gaborone. It is sparsely populated as the Kalahari Desert occupies a large proportion of the 585,000 km² total land area.

General economy

Botswana is largely a primary sector-dependent economy and the third largest producer of mineral products in Africa behind South Africa and the Democratic Republic of the Congo. To reduce this dependency an intensive industrialisation programme was instigated in 1997 with particular emphasis on diamond mining. This now accounts for over 33% of GDP, earns around 80% of foreign exchange, 50% of government tax revenue and is the predominant economic activity.

Agriculture no longer plays a significant role and now accounts for less than 5% of GDP. However, approximately 62% of the country's total labour force is still employed in this sector. Livestock ➤

GDP:

Purchasing power parity	— \$5.597 billion
Real growth rate	— 8.3%
Per capita	— \$13,000

Investment:

Gross fixed	— 24.7%
-------------	---------

Inflation:

	— 6.5%
--	--------

Unemployment:

	— 21.5%
--	---------

Budget deficit:

	— 4.3%
--	--------

Industry:

Growth rate	— 5%
Exports	— \$2.13 billion
Imports	— \$2.14 billion
Deficit	— \$7.00 million

1998 estimates



production is the most prevalent activity as the arid weather conditions are better suited to grazing than food production. This led to the growth of value-added industries such as meat processing, grain storage facilities, hide processing and the manufacturing of cattle and chicken feed.

The leather and footwear industry

The Republic of Botswana is both self-sufficient and an exporter of beef. Hides are exported either as raw material or in wet blue, a sizeable amount of which goes to Italy. There is no tannery capable of producing finished leather and, as a result, no footwear industry as yet.

The Botswana Export Development and Investment Authorities (BEDIA), has therefore carried out a survey on the possibility of establishing such a facility in order to improve both the added value to the abundant raw material within the country and to provide much needed further employment.

Background

Roughly 45% of raw hide production is controlled by the Botswana Meat Corporation (BMC). The remaining 55% is in the hands of hide traders among which SN Lurie has 80-90%. The national herd is around 2.6 million head. While this might indicate a large source of hides, it is essentially tied to meat production and so totally controlled by that market. In 1998 for example, 317,536 hides representing only 12% of the herd were marketed. Non-collected hides amounted for only around 2.5%, so the actual hide processing system itself is nevertheless quite efficient. The hides are far from perfect but are more consistent in size and quality than hides in much of the rest of Africa.

Abattoirs

You cannot have hides without slaughtering and hide quality depends very much on the standard of abattoirs involved. Botswana has four basic types:

- BMC abattoirs
- Slaughter slabs
- Slaughterhouses
- Municipal and district abattoirs

The two BMC abattoirs control 45% of throughput, 55% in Lobatse and 45% in

Typical cattle scene in Botswana.



Francistown. Carcasses are flayed with dehiders and automatic hide-pullers to a good standard of quality.

In the other three categories, flaying is by hand with knives and naturally generates cuts on the flesh side. A lack of adequate supervision and training is evident in most slabs, improving through private slaughterhouses up to the municipal and district abattoirs. Unlike BMC, none of these enterprises buy stock to slaughter for resale, but provide a slaughtering service on a fee basis.

After flaying, hides are generally put to one side for transfer to a hide merchant's premises where washing and salting is carried out. Fleshing of hides is not carried out other than in the BMC abattoirs.

The slabs are the most basic type of facility and around 200 of them slaughter four to five animals per week each, accounting for some 60% of the country hides marketed. Most are primitive and employ casual labour, with the result that flayed hides are often left out in the sun while awaiting collection. A degree of putrefaction therefore becomes inevitable. There are seven proper slaughterhouses, three privately owned and four belonging to rural councils. All are 'approved' and their output is exportable to South Africa. While some of these establishments can slaughter up to 15 head per day, conditions are often little better than in the slabs. The six municipal operations are both better and much larger, processing between them some 60,000 animals per year. Unfortunately, hide collection is also haphazard and so quality again suffers.

There is also an ostrich abattoir located in Lobatse, run by the Botswana Ostrich Commission (BOC), but this is far from flourishing at present. The abattoir was actually set to close at the end of June, as local farmers failed to supply the 20,000 birds needed to meet the annual EU export quota. However, it won a last

minute reprieve and will remain open for the time being as the government has now agreed to enter a venture-partnership agreement with the company.

This has proved to be a disappointment to those involved in the project as they had held high hopes that this industry would flourish thanks to Botswana's arid climate.

Hide traders

There are five hide traders and exporters. All but SM Lurie are relatively small. SM Lurie collects hides from all over the country and exports them to South Africa for processing by local tanneries, many of which have a financial interest in the company. It operates through a network of collection depots and pays spot cash with the result that it collects 97.5% of all available hides.

Tanners

There is one tannery operating in Botswana, owned by BMC and located in Lobatse. It processes all the hides from the BMC abattoirs, either fresh from the Lobatse facility immediately after flaying and fleshing or via refrigerated truck from Francistown. Capacity is around 25 tons per day although it normally runs at only 15 tons except when SM Lurie hides are being processed under contract.

The building of another tannery has just been announced, again to be built in Lobatse. The facility will be built by Tannery Industries Botswana (TIB), a publicly-owned company which has received funding from the Citizen Entrepreneurial Development Agency Venture Capital Fund (CVCF) for the project. It is envisaged that the tannery will employ up to 100 people and is set to be operational by March 2006.

Finished leather

But, as we said at the outset, there is no capacity to produce finished leather in Botswana and, this, is the major problem. Despite the potential offered by having a good national herd, there is almost no footwear or leather goods production and the local finished leather requirement has in the past not justified the setting up of a leather finishing unit. The government wants this to change and is actively seeking outside participation in a project to establish such an operation and so create the foundation for a leather and footwear industry in Botswana. 🌐