



**CONSULTATION ON HIDES AND SKINS
17 DECEMBER 2003 ROME, ITALY**

Executive Summary reproduced from the document

“Blueprint for the African Leather Industry: A Development, Investment and Trade Guide for the Leather Industry in Africa”.

Executive Summary

The gap between resources and production

African countries have 20% of the world's cattle, sheep and goats, but produce only 14.9% of world output of hides and skins. They have 10% of the world's cattle but produce only 4.5% of bovine hides. Their exports of hides and skins have fallen in recent years from 4% to 2%, and their tanning capacity from 9.2% to 6.8%. At a time when other developing countries have substantially increased their share of world footwear production in relation to developed countries, African countries have shown only a modest increase. Import penetration of their domestic leather footwear markets by other developing countries is estimated at 73.3%.

This gap between resources and production shows the considerable potential of the African leather industry. Reducing this gap is especially critical in an important strategic sector for the economic and industrial development of many African countries. Not only does this sector have an excellent and renewable resource base, but it is also labour-intensive with the potential to be a major source of employment all along its supply chain. In eight of the nine countries surveyed in the studies from which this Blueprint is derived, the leather and shoe manufacturing sub-sector already provides 4% to 5% of total industrial employment, with contributions to MVA of 2.9% in Egypt, 8.3% in Tunisia and 74% in Ethiopia, where the cattle population is the highest in Africa, and close to 1% in the remaining five countries¹. Clearly the realization of the African leather industry's potential would bring significant economic gains to the continent.

A Blueprint for the African Leather Industry has been commissioned to identify ways in which this potential can be realized. Its purpose is to serve as a guide for designing policy instruments and activities that will assist the different players in the leather supply chain - the government, the private sector and international organizations - to tackle, jointly and in an integrated manner, the problems that affect the African chain, applying cost-effective solutions within the context of globalization and interregional trade.

The African leather industry is not without its positive indicators:

- Institutions have been set up to introduce and reinforce standards and quality.
- Databases have been established and are in operation to support the industry, though not all with the same level of efficiency.
- Standards have been, or are in the process of being, harmonized at the national level in all the nine countries surveyed, a step that facilitates transactions and greatly reduces costs.
- Some advances have been made towards general macroeconomic stability and a more stable political environment, though still with room for improvement.

¹ Years 1997-1999, UNIDO World Industrial Data Base. Countries: Egypt, Tunisia, Morocco, Ethiopia, Senegal, South Africa, Tanzania, Benin and Kenya.

- The reduction of environmental pollution is now recognized as a factor of competitiveness.
- Trade promotion strategies have been designed and support institutions established, although their coordination needs to be improved.

The problems, however, that negatively affect the growth and competitiveness of the African leather industry are many. These include:

- The quality of hides and skins.
- A poor and deteriorating infrastructure of roads, power supply and telecommunications that affects all the components of the chain.
- Low levels of transparency in business operations.
- Insufficient experience in trade negotiations.
- Inadequate levels of technological development.
- Low labour productivity, poor management, and out-dated training services.

These, moreover, are the kind of problems that discourage FDI, joint ventures and sub contracting, all of which are important mechanisms for participating in the global leather chain, and for gaining the transfer of technology and know-how and less expensive capital.

A supply chain concept

A Blueprint for the African Leather Industry takes a supply chain perspective. It regards the various components of the African leather industry as stages in a supply chain, from animal husbandry through to the production and marketing of leather and leather products. The value of this perspective is that it provides an integrated approach to the analysis of problems throughout the industry. It supports the generation of solutions in specific components that will positively impact other components, and of solutions in the chain as a whole that are most cost and resource effective.

Outline of the Blueprint

The Blueprint consists of four parts, with seven chapters, followed by appendices and with a separate Table of Recommendations supplement.

Part One places the African leather supply chain in the context of the global supply chain.

Chapter One presents:

- The concept of the supply chain in the leather and leather products industry, briefly describing the different components of the chain, and the links between them.
- Dynamic changes occurring in the global leather supply chain, particularly in the geographical distribution of raw materials, and of intermediate and finished products for the global markets.

- The market position, both international and domestic, of the African leather and leather products.
- Factors determining the competitiveness of the African leather supply chain, as well as recent positive developments.

Part Two examines the production of hides and skins in Africa, and looks at ways that this could be improved.

Chapter Two: Animal Husbandry, presents an analysis of animal husbandry practices conducted in four representative African countries, and examines development, trade, and policy issues.

Chapter Three: Slaughterhouse Management, deals with technical and policy issues related to the slaughter of animals, and their impact on the quality of hides and skins and the products processed from them.

Part Three examines the processing and manufacturing of leather and leather products, and presents recommendations for improvement.

Chapter Four: Tannery management, examines technical, investment, policy and environmental issues related to the tanning of hides and skins for the production of leather.

Chapter Five: The Manufacture of Leather Products examines issues of development, trade, human resources development, and quality and competitiveness in the leather products industry.

These chapters emphasize the need to modernize enterprises, and to improve the service infrastructure for training and technical assistance, and the provision of integrated services.

Part Four deals with market development and trade promotion.

Chapter Six: Marketing of Hides and Skins, Leather and Leather Products:

- Reviews the market position of African leather and leather products, and the negative competitive factors in trade and marketing that contribute to this.
- Identifies the implications for the African supply chain of current trends and requirements in the global leather and leather products industry, and in the trading policies and import regulations of importing countries.
- Describes mechanisms that could be used to enable African enterprises to participate more effectively in the global supply chain.
- Suggests initiatives to support African enterprises' participation in the global supply chain.
- Presents recommendations for improving the market position, both global and domestic, of African leather and leather products.

Chapter Seven: Business Strategies and Tools, presents business mechanisms for developing the African leather supply chain:

- Macro policies to increase FDI inflows to African countries.

- Strengthening the financing system for the leather supply chain in Africa: the financing needs of different components of the leather supply chain; the potential sources of finance; guidelines on how to present proposals to financial institutions; the main components of a structured finance system, and the advantages and challenges of introducing such a system in Africa.
- A discussion of electronic trade and its application in the African leather supply chain.
- Benchmarking as a tool for understanding the position of African raw materials, leather and leather products in the global market.

Appendices: A number of appendices have been included which provide useful reference material on norms and standards, specialized institutions and services, contact persons and institutions, and importers' requirements, all of which should be very useful for all actors in the African leather supply chain.

Table of Recommendations: This is a comprehensive table of recommendations on the development of policies; the improvement of animal resources and hides and skins, and of tanning and the manufacture of leather products; training and technical services; the marketing of hides and skins, and of intermediate and finished products; information technology; and finance. It specifies the roles to be played and the activities to be undertaken by the agents of improvement: governments, the private sector, producer associations, producers' federations, finance institutions, international organizations, including bilateral cooperation and NGOs, and regional economic agreements and regional cooperation agreements. It is included with the Blueprint as a separate pullout supplement designed for quick reference, convenient filing, and ease of use in meetings and discussions.

Actions and actors

The Blueprint sees the development of the African supply chain as requiring several primary actions:

- The design of comprehensive strategies and related policies.
- The application of a large number of interrelated activities to improve governance, information flow, the modernization of services to industry and infrastructure, and the introduction of updated technologies and investments throughout the supply chain.
- The modernization of trade mechanisms and institutions, and the building of training institutions to improve productivity throughout the chain.
- The strengthening of the capacity of the local banking system to deal with leather as a commodity, together with the setting up of a structured finance system.
- The removal of barriers to FDI and inter-regional trade.
- Inter-regional cooperation to improve market access.

The government and the private sector should undertake these actions jointly, with the assistance of international organizations specialized in the different areas of the supply chain. Given the number of problems that have to be simultaneously addressed along the supply chain to attain the maximum impact, there will be a need to prepare and implement integrated programmes.

This Blueprint, with the Table of Recommendations that forms its core, will provide a platform for initiating dialogue and designing partnership initiatives. Mechanisms such as Public-Private Partnerships (PPPs) will promote consultation and dialogue with participants from the public sector, both at the national and the local levels, and from the private sector as represented by associations, federations, chambers of industry and commerce, trade unions, financial institutions, and research and university institutions. International organizations such as UNIDO, UNDP, FAO, ITC, CFC, the World Bank, and the African Development Bank should participate actively, as should NEPAD² with its capacity to accelerate the solution of problems related to regional infrastructure and the promotion of intra-regional trade. These international organizations are seen as having an essential role as catalysts of the dialogue in supporting the technical assistance and investment components and partnerships that will result from this dialogue, and in monitoring the progress made as a result of the dialogue.

Vision and goals

The challenge faced by the African leather supply chain, enormous though it may be, is undoubtedly one that can be met. With a major strength in the availability of raw hides and skins, and with global forecasts³ that world demand for leather in the coming decade will be greater than supply, the African leather industry is well capable of realizing the vision espoused at the Expert Group Meeting and based on the progress observed in several countries in surveys carried out for this Blueprint, of ‘A world in which African leather and leather products are seen by local consumers and by consumers in developed countries as having the best quality, design and value for money’. This vision will be realized in the attainment of seven goals:

1. The gap between available raw material resources and the products processed and traded from these resources is substantially reduced.
2. A market-oriented approach with a buying system based on value incentives is applied throughout the supply chain.
3. Private sectors and governments are agreed on regional trade initiatives and an approach to trade liberalization.
4. Investment and working capital are available in the form of equity finance and other mechanisms to facilitate production and trade.
5. An improved business environment and the transparency of operations attract FDI.

² NEPAD: The New Partnership for Africa’s Development

³ Milone 2002

6. The components of the African leather supply chain are modernized, both technically and managerially, and the quality of human resources and support institutions is of a high standard.

7. The production of footwear and other leather products is driven by the market in the pursuit of import substitution; the promotion of linkages with the global leather supply chain through sub-contracts, partnerships and other alliances; and the development of Africa's own design capacity in the 'Made in Africa' strategic approach.

With the realization of this vision, the African leather supply chain will be able to make an important contribution to the economic and industrial development of the continent.