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para la  
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## COMMITTEE ON COMMODITY PROBLEMS

### INTERGOVERNMENTAL GROUP ON MEAT AND DAIRY PRODUCTS

#### SUB-GROUP ON HIDES AND SKINS

#### Ninth Session

Arusha, United Republic of Tanzania, 1-3 February 2006

### DEVELOPMENTS REGARDING COMMON FUND FOR COMMODITIES' PROJECTS ON HIDES AND SKINS

## I. INTRODUCTION

1. Under the Common Fund for Commodities (CFC) rules, the Sub-Group is the designated International Commodity Body (ICB) for the hides and skins sector. In this role, the Sub-Group is responsible for sponsoring hides and skins projects for funding by the CFC and for supervising and reporting on the progress of projects once implementation starts. In fulfilling its mandate, the Sub-Group works with different organizations to obtain assistance from the CFC for development activities in different parts of the world.

2. This document provides an update on progress made in the formulation and implementation of projects sponsored by the Sub-Group on Hides and Skins for financing by the CFC with co-financing from other donors. It includes information available to the Secretariat at the time of its preparation; additional information that becomes available will be provided during the meeting.

3. Since the Eighth Session in 2003, one project (*fast track*) has been completed and three are currently being implemented. Four project proposals endorsed by the Eighth Session of the Sub-Group were submitted to the CFC and were unfavourably considered.

4. Brief updates are provided on all projects in the paragraphs that follow but it is also expected that participants from relevant countries and the Project Executing Agencies (PEA) will

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provide additional information to the Session. The detailed progress reports are available upon request.

5. In view of the above considerations and based on the information provided on individual projects, the Sub-Group is invited to make comments and/or recommendations on any issues raised therein. In particular, the Sub-Group may wish to:

- a) review and examine the achievements of the completed project;
- b) assess progress of projects under implementation;
- c) endorse and prioritize any new project proposals; and
- d) identify new focus areas for future projects.

## **II. COMPLETED PROJECTS**

### **A. WORKSHOP ON PRE-SLAUGHTER DEFECTS OF HIDES AND SKINS AND INTERVENTION OPTIONS IN EAST AFRICA: HARNESSING THE LEATHER INDUSTRY TO BENEFIT THE POOR (BURUNDI, DJIBOUTI, ETHIOPIA, KENYA, RWANDA, SUDAN AND UGANDA)**

6. This fast track project was requested by the Sub-Group, during its Eighth Session. The request was considered and approved by the 34th Consultative Committee Meeting in July 2004 and by the CFC's Managing Director in August 2004. The workshop took place in April 2005 in Addis Ababa with the Leather and Leather Products Institute (LLPI) of the Common Market for Eastern and Southern Africa (COMESA) serving as the PEA.

7. The major objective of the workshop was to provide a forum for stakeholders to thoroughly assess the extent and impact of pre-slaughter defects of hides and skins in the region and envisage alternative options for rational interventions and sustained control mechanisms.

8. Based on the various presentations and the discussions that ensued, a number of recommendations were made as follows:

- Set up a regional coordinating committee consisting of public, private, national and regional associations;
- Undertake concrete and detailed studies on the extent and impact of the problems at the regional level;
- Based on the findings of the studies, prepare programs for control and, where possible, eradicate the causes;
- Prepare viable and comprehensive project proposals, at a regional level, with the involvement of all stakeholders for submission to potential funding agencies.

9. The PEA reports that it is in the process of liaising with a number of key stakeholders in the region to decide on how best to proceed based on the deliberations and recommendations of the workshop.

## **III. PROJECTS UNDER IMPLEMENTATION**

### **A. ADDING VALUE TO AFRICAN LEATHER THROUGH IMPROVEMENT OF QUALITY OF LEATHER AND LEATHER PRODUCTS**

10. The project is being implemented in Ethiopia, Kenya, Sudan and Zimbabwe. It was endorsed by the Seventh Session of the Sub-Group in 2001, approved by the CFC's Executive Board in April 2002 and launched in Addis Ababa in December 2002. COMESA/LLPI is serving as the PEA.

11. The objective of the project is to improve the industrial capacity and quality of leather and leather products of the participating countries by upgrading the capacity of technical skills, establishing quality control systems and market development.

12. The specific activities being implemented include: a) identification of technical skills required for enhanced quality production and upgrading skills of personnel engaged in the production units; b) improving the quality and design of the leather products produced; c) improving marketing skills and market development; d) dissemination of good manufacturing practices; and e) project management and coordination to ensure smooth implementation of the project.

13. A mid-term evaluation of the project was undertaken in April 2005 and determined that project implementation suffered marked delays in the initial stages which is attributable to the process of recruiting and fielding of the international consultants. Due to this delay, the first phase of project implementation took longer than originally expected. It was therefore recommended that project implementation be extended, on a no-extra cost basis, by an appropriate time period in order to complete all project activities and achieve the target objectives. At the time of writing, the Project Coordination Committee had not yet met to decide on the modalities of the extension.

#### **B. COMMERCIALISATION OF HIDES AND SKINS BY IMPROVING COLLECTION AND QUALITY IN SMALL-HOLDER FARMING SYSTEMS**

14. The project is being implemented in Botswana, Malawi, Tanzania, Zambia and Zimbabwe and is in its third and last year of implementation. It was endorsed by the Eighth Session of the Sub-Group, approved by the CFC's Executive Board in October 2002 and launched in Harare in June 2003. The Eastern and Southern Africa Leather Industries Association (ESALIA) is serving as the PEA.

15. Tanzania was a late addition to the project and their participation was approved by the CFC's Executive Board in April 2003 as a separate project with an individual budget and project documents. However, since both projects shared the same PEA and implementation in the other countries had not started, a decision was made to have the two projects implemented as one.

16. The project aims at helping the hides and skins sectors of the participating countries to improve collection of raw hides and skins as well as improving the image of leather and leather products from those countries through improved quality, thereby boosting trade.

17. Specific activities include:

- Training in proper flaying methods, improved preservation techniques, collection methods and proper storage and transportation methods;
- Assessing the grading system and designing a suitable system of grading that is market based;
- Introducing inspection and certification systems for hides and skins;
- Identifying marketing constraints and improving the marketing capacities of selected enterprises;
- Promoting the use of e-commerce as a marketing tool through the already existing Africanleather.com web site;
- Project management and coordination to ensure smooth implementation of the project and dissemination of project results.

18. Project implementation started in July 2003 and, as called for by the Project Agreement, a mid-term evaluation of project activities was undertaken in May 2005 to determine whether the project was on course to achieve its stated objectives or whether some activities need to be refocused.

19. The general findings of the mid-term evaluation can be summarised as follows:
- In general, there was a slow start of actual on-the-ground project implementation in all countries but for different reasons. Such reasons include a) delayed grasp of what needed to be done and how; b) delayed recruitment of project staff; c) project staff changes in one of the countries; and d) the administrative arrangements put in place in some of the countries;
  - Overall, project implementation is going well in most of the countries but because of the delayed start, it is doubtful whether all project activities could be completed during the remaining project year;
  - A few activities were identified as needing refocusing in order to have the most impact;
  - Data collection and analysis by the National Project Coordinators (NPCs) in order to assess project impact is still poor and needs to be greatly improved;
  - NPCs were advised to make an effort to train and institutionalise flayers, in areas where there are no centralised slaughter facilities, as a means of ensuring quality production of hides and skins;
  - Work on grading and pricing of hides and skins that has been started in the participating countries was recognised and encouraged. NPCs were advised to involve all relevant stakeholders – including producers, tanners, traders and the National Bureaus of Standards – in the process of establishing and enforcing the standards;
  - The NPCs were advised to implement mechanisms to ensure sustainability of project results after the end of project activities.
20. During the final project year (July/June 2005/06) a decision will be made on whether the project should be extended.

### **C. HIDES AND SKINS IMPROVEMENT SCHEME IN WEST AFRICA**

21. The project is being implemented in Burkina Faso, Mali, Niger and Senegal. It was endorsed by the Seventh Session of the Sub-Group, approved by CFC's Executive Board in April 2003 and launched in Bamako in September 2004. The project is being executed over a three-year period by UNIDO in collaboration with Governments and national leather associations of the four participating countries.
22. The objective of the project is to improve the quality of leather in the participating countries through the introduction of a grading and pricing system for raw hides and skins, making the commodity and derived products more competitive in international markets.
23. The main activities being undertaken include:
- Establishment of pilot schemes, for improved quality grading and pricing systems;
  - Design and implementation of a system for quality marking and certification of the raw hides and skins graded and traded according to the quality standards established;
  - Dissemination of the system of quality grading and procurement by quality of hides and skins to other countries through seminars and workshops;
  - Project management and coordination to ensure smooth implementation of the project.
24. According to the first project progress report submitted by the PEA, actual, on-the-ground, project implementation was quite slow at the beginning as the cost of some of the essential project equipment had escalated since the budget was framed. A budget revision was undertaken and project activities have since commenced in earnest.
25. At the time of writing, a supervisory mission to the participating countries was planned to take place before the end of 2005.

#### **IV. PROJECT PROPOSALS ENDORSED BY THE SUB-GROUP BUT NOT APPROVED BY THE CFC**

##### **A. REGIONAL RAW HIDES & SKINS GRADING AND PRICING SCHEME IN BURUNDI, MALAWI, RWANDA, SUDAN AND UGANDA**

26. The project proposal sought to improve the quantity and quality of raw hides and skins reaching the market through the introduction of standardized and uniform grading system in conjunction with the price-by-quality grade scheme. The proposal, submitted by the Leather and Leather Products Institute (LLPI) of the Common Market for Eastern and Southern Africa (COMESA), was endorsed by the Eighth Session of the Sub-Group.

27. The proposal was submitted to and examined by the Consultative Committee at its 34<sup>th</sup> Meeting in July 2004. The Committee determined, among other things, that project activities were too vague. The Committee recommended that the project proposal should be reformulated with incorporation of the outcome of the final evaluation of a related project that had been completed and taking into account a number of other specific concerns, including the provision of details on how the key integral elements of the proposal were to be implemented and enforced.

28. A revised project proposal was submitted to the Committee's 36<sup>th</sup> Meeting of July 2005 for its consideration. The Committee noted that the proponents of the project had made reasonable effort to address the clarifications requested by the Committee's 34<sup>th</sup> Meeting. However the Committee, based on the findings of the final evaluation of a related project as well as the outcome of discussions held thereafter, felt that the effectiveness of the suggested mechanism to further promote the hides and skins grading norms and price transmission are doubtful means of interventions to support the small livestock farmers and their integration in the value chain. The Committee concluded that the project remained unconvincing and was not strongly founded for CFC support.

##### **B. STRENGTHENING OF HIDES AND SKINS TRADE CHANNELS IN KENYA, UGANDA AND TANZANIA (EAST AFRICAN COMMUNITY)**

29. The project proposal aimed at instilling transparency along the hides and skins commodity chain, facilitating government revenue collection and creating a level playing field for all stakeholders in the industry. The proposal was submitted to the Secretariat by ESALIA and was endorsed by the Eighth Session of the Sub-Group in 2003.

30. The proposal was formally submitted to the CFC in May 2005 and reviewed by the Project Appraisal Committee (PAC) in the CFC Secretariat during the same month. The PAC felt that the proposal did not bring in any novel aspect, as the Common Fund had already provided ample support for the promotion of grading norms of raw hides and skins in a number of African countries. Grading standards had been established. It was felt that the activities proposed should now be taken up by National Governments through their Bureaus of Standards and followed up by the private sector and industry associations. As such, the proposal was not forwarded for further consideration.

##### **C. MEET IN AFRICA (MIA) 2006, 2008, 2010**

31. The project proposal aimed at promoting intra-Africa leather trade as well as trade between Africa and the rest of the world with a view to strengthening and widening the international market share of African produced leather and leather products. The proposal was submitted to the Secretariat by the International Trade Centre (ITC) and was endorsed by the Eighth Session of the Sub-Group.

32. It was submitted to and considered by the CFC's PAC in January 2004. The PAC recognized the importance of the MIA event to the African Leather Sector, including hides and

skins. However, it felt that the financing of such events as trade fairs, conferences and meetings of other institutions as the principal project objective did not fall under the CFC mandate. It, however, pointed out that the CFC could consider financing special events (as part of the MIA) dealing with matters that fall under their mandate (as was done during the 2002 MIA in Tunis). The PAC concluded that by the very nature of the MIA events, the private sector is better positioned to finance them (on a sustainable basis) as opposed to tapping scarce development funds.

**D. HIDES AND SKINS WASTAGE IMPROVEMENT SCHEME FOR THE DRASTIC REDUCTION OF WASTED HIDES AND SKINS THROUGH THE CAPILLARY DISTRIBUTION OF THE STATIC FLAYING FRAME, SLAUGHTERHOUSE UPGRADING AND IMPROVED CONSERVATION TECHNIQUES AND AWARENESS**

33. This project proposal was also submitted to the Secretariat by the ITC. The main objective of the proposal was to help the participating countries to improve the quality of their hides and skins and to add value due to the improved raw materials.

34. The proposal was submitted to the CFC in May 2004 and reviewed by the PAC in the same month. The PAC noted that the proposal, while identifying a number of problems linked to wastage and non collection of hides and skins, is not presenting strategies to address them other than through upgrading of slaughter houses and the installation of a 'low-tech' low cost mechanical flaying device. The PAC further noted that the aim to promote and disseminate the technology should respond to an existing demand and, in order to ensure the sustainability of project activities, involve the private sector.

35. The PAC also pointed out that the proposed area of intervention was not within ITC's field of expertise, as it is not a technical organization in this field and therefore might not be a suitable PEA for this project. The ITC could be very suitable for projects in its specific areas of expertise, such as marketing and trade. It was also mentioned that there were no background statistics presented on waste due to flaying defects to assess the economic losses, which the project seeks to address.

36. The PAC, therefore, concluded that the proposal was not suitable for CFC funding.

**V. FUTURE PROJECTS**

37. Delegates may wish to identify new areas for future project proposals. In doing so, due consideration should be given to the Sub-Group's strategy for development (refer to document CCP: ME/HS 06/2). In the event that some proposals are developed in any of the identified new areas, such proposals should be sent to the Secretariat not later than 3 January 2006.

Table 1. Summary of Hides and Skins projects partly financed by the Common Fund for Commodities

| Title  | Value (US\$)   |              | Location of Project Activities  | Starting Date  | Completion Date                         |
|--|----------------|--------------|---|----------------|---|
|  | Grant from CFC | Total Budget |   |                |   |
| 1. Completed Projects  |                |              |   |                |   |
| a) Workshop on Pre-Slaughter Defects of Hides and Skins and Intervention Options in East Africa: Harnessing the Leather Industry to Benefit the Poor | 73 927         | 80 227       | Ethiopia, with sponsored participants from Burundi, Djibouti, Kenya, Rwanda, Sudan and Uganda | April 2005     | April 2005                              |
| 2. Projects Under Implementation   |                |              |   |                |   |
| a) Adding Value to African Leather Through Improvement of Quality of Leather and Leather Products  | 1 551 400      | 2 273 000    | Ethiopia, Kenya, Sudan and Zimbabwe   | December 2002  | November 2005 but likely to be extended |
| b) Commercialization of Hides and Skins by Improving Collection and Quality in Small-Holder Farming Systems  | 2 207 600      | 3 075 047    | Botswana, Malawi, Tanzania, Zambia and Zimbabwe   | July 2003      | June 2006 but likely to be extended     |
| c) Hides and Skins Improvement Scheme in West Africa   | 1 911 201      | 2 716 201    | Burkina Faso, Mali, Niger and Senegal   | September 2004 | August 2007                             |