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First Consultation Meeting on the Leather and  
Leather Products Industry

Innsbruck, Austria, 7 - 11 November 1977

REPORT OF THE REGIONAL PREPARATORY MEETING FOR  
CONSULTATIONS ON AGRO-BASED INDUSTRIES:  
LEATHER AND LEATHER PRODUCTS <sup>1/</sup>

organised jointly

by

UNIDO and ECA

Addis Ababa, 27 June - 1 July 1977

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#### A. BACKGROUND OF THE MEETING

1. The system of consultations in the industrial sector, which was initiated in early 1973, was eventually formalized in the Lima Declaration and Plan of Action on Industrial Development and Co-operation, adopted by the Second General Conference of UNIDO, held in Lima in March 1975 (SID/B/155/Add.1). It is an innovative mechanism which is expected to contribute to increasing the developing countries' share in world industrial production.

2. However, even before the Lima Conference, important decisions in this area had been taken by the developing countries at the regional and international levels.

3. The third Conference of African Ministers of Industry, which met in Nairobi in December 1975, adopted a declaration under which the Follow-up Committee on Industrialization in Africa was entrusted with a focal role in the regional consultations and negotiations and in monitoring progress towards the quantitative target for African industrialization.

4. At the interregional level, the Group of 77, at its Second Ministerial meeting, held in Algiers in February 1975, adopted a Declaration and Plan of Action which called for a system of continuous negotiations and consultations at the global, regional and sectoral levels as a major tool in facilitating the establishment of a new international economic order. It called upon UNIDO to function as a forum for the negotiation of agreements between developed and developing countries and among developing countries themselves.

5. The Follow-up Committee on Industrialization in Africa, at its third meeting, held in Addis Ababa in November 1976, endorsed the system of consultations as a viable tool in the task of securing a greater degree of African self-reliance and promoting intra-African co-operation schemes.

6. The Second General Conference of UNIDO recommended that UNIDO should establish a system of continuing consultations at the global, regional and sectoral levels. This recommendation was subsequently endorsed by the General Assembly in resolution 3362(S-VII).

7. In accordance with these directives, the Industrial Development Board decided at its tenth session that, as an initial step, UNIDO should convene consultation meetings on a few specific sectors of industry on an experimental basis. It further decided that, to pave the way for sectoral consultations, UNIDO could, in co-operation with various regional bodies, initiate preparatory activities at the regional level. Accordingly, a preparatory meeting on the leather and leather products industry was organized by UNIDO and ECA in Addis Ababa from 27 June to 1 July 1977 with the aim of developing a regional strategy and an issue paper for consideration at the global consultation meeting.

#### B. ORGANIZATION OF THE MEETING

##### Opening of the meeting

8. The meeting was opened by Mr. G. Kimani, Acting Chief of the Joint ECA/UNIDO Industry Division. An opening statement was also made by Mr. H. Hanim, of the UNIDO Negotiations Section.

9. The meeting was jointly chaired by Mr. A.M. Nakamura, Chief of the Industrial Development Section in the Joint ECA/UNIDO Industry Division, and Mr. H. Hanim.

Attendance

10. The meeting was attended by the following regional consultants, who had prepared background documents:

Assrat Teferra, UNIDO Consultant, formerly General Manager of the Ethiopian Tannery, Addis Ababa

Manououd Ben Hassine, Chairman and managing Director of the Société Nationale de Développement de l'Industrie de la Chaussure and UNIDO Adviser on the development of the leather and footwear industry in Tunisia

11. The following experts were present:

Monawed Maher Abou El-Khair, Department manager, Quality Control Centre, Cairo, Egypt

T.S. Kalikawe, Development Officer, Mwanza Tanneries, National Development Corporation, Dar-es-Salaam, United Republic of Tanzania

Yoftane Kebede, Acting General manager, National Leather and Shoe Corporation, Addis Ababa, Ethiopia

Bacry Yusuf, Head, Planning and Research Department, National Leather and Shoe Corporation, Addis Ababa, Ethiopia

12. The following observers attended the meeting:

C. Coombes, FAO Country Representative, Addis Ababa

Miss Cecile Davis, UNDP Deputy Regional Representative and Liaison Officer with ECA

Miss U. King, Assistant Regional Representative, UNDP, Addis Ababa

Shenkute Tessema, General Production Specialist, International Livestock Centre for Africa

E. Lord, Economist, Joint ECA/FAO Agriculture Division

13. The meeting was also attended by

R. Sen Gupta, UNIDO Leather and Leather Products Adviser in Ethiopia

14. ECA was represented by the following staff members:

G. Kizani, Acting Chief, Joint ECA/UNIDO Industry Division

A.M. Nakamura, Chief, Industrial Development Section

R. Noury, Regional Adviser, Joint ECA/UNIDO Industry Division

S.J. Walters, Economic Affairs Officer, Joint ECA/UNIDO Industry Division

15. UNIDO was represented by the following staff members:

M.O. Abdelmoneim, Sectoral Studies Section, International Centre for Industrial Studies

Mussein K. Rahim, Negotiations Section

Agenda

16. The meeting adopted the following agenda:

1. Opening statements
2. Adoption of the agenda and organization of work
3. General observations
4. Raw materials:
  - (a) Improvement of hides and skins
  - (b) Chemicals
5. The tanning industry
6. Leather products:
  - (a) Footwear
  - (b) Leather goods
7. Infrastructure
  - (a) Human
  - (b) Financial
  - (c) Transport
  - (d) Power
8. Other technological factors:
  - (a) Research and development
  - (b) Environmental factors
9. Access to markets
10. Redeployment of the industry
11. Consideration and adoption of the report of the meeting

C. ACCOUNT OF PROCEEDINGS

Opening statements (agenda item 1)

17. In his opening statement the Acting Chief of the Joint ECA/UNIDO Industry Division, after welcoming the participants to the meeting, briefly sketched the background to the regional preparatory meeting.

18. He urged the consultants and other participants who had specialized knowledge and experience in their own countries to make their contributions to the discussions so that specific issues could be identified for appropriate action at the national, subregional and regional levels and through co-operation with developed countries. The regional issues would be taken up together with the global issues to be considered at the Consultation Meeting for Leather and Leather Products to be held in Innsbruck, Austria from 7 to 11 November 1977.

19. Mr. Rania expressed UNIDO's satisfaction at having been able to organize the present regional preparatory meeting, which was the first in a series of similar meetings to be held at the headquarters of the regional economic commissions. He hoped that the series of meetings would succeed in formulating clear guidelines for the identification of the global patterns of development in the leather and leather products sector, and solutions to some of the problems faced by developing countries in building up and expanding their industrial production. They might also indicate some possibilities of co-operation among developing and developed countries. The meeting should not be considered as a seminar or symposium to review some technological developments, nor as a confrontation between the developing and developed countries, but should serve as a forum for posing and examining issues and problems faced by the industry in the developing countries and suggested possible ways and means of achieving the targets set for increasing the developing countries' share by the year 2000. It was in particular a forum to review those and other problems where a consensus may exist, and thus produce solutions on a global scale for the restructuring of world industrial production.

20. The purpose of the meeting was to specify the future requirements of the leather and leather products sector and its potential for expansion in the region, and on that basis to identify certain priority issues and problems for consideration at the global Consultation Meeting. The central theme in the regional deliberations would be to identify the opportunities for and constraints on redeployment or relocation in the African region of leather-producing capacity which had become non-productive and uneconomic in developed countries, and to accelerate the process of transfer through broad agreements providing, inter alia, for the transfer of know-how, the development of human skills, the mobilization of financial resources, access to markets, and so on.

21. The leather and leather products sector offered a unique opportunity to realize and implement on a practical and workable basis the principle of redeployment. It was no secret that in the Federal Republic of Germany and Sweden, to name only a few countries, leather tanneries and factories were closing down. He hoped that the meeting would provide some of the answers or a broad indication of areas of international co-operation which could be forged to bring about equitable redistribution of industrial capacity in this important sector.

#### General observations (agenda item 3)

22. The regional consultants made general presentations on the leather and leather products in their respective countries; national policy measures adopted to improve and expand leather production were also mentioned.

23. Some of the major constraints hindering the development and expansion of the leather and leather products industry in African countries were discussed. The constraints identified included:

- (a) Poor quality of raw hides and skins;
- (b) Dependence on imported chemicals for the tanning industry;
- (c) Absence of adequate infrastructure (such as good roads, communications and trained manpower);
- (d) Lack of appropriate training facilities at the regional level, in particular at worker and middle (foreman) level; lack of research facilities.



24. Some African countries, such as Egypt, imported 50 per cent of their raw hides and skins requirements. Egypt also faced the problem of the uneconomic size of tanneries, and a plan had been devised for **amalgamating** some of them into larger units. Local tanneries could not satisfy all requirements, hence some tanned leather had to be imported. The problem of marketing was stressed as a particular constraint; the participants recognized that it was vital to adapt and improve the quality of leather to suit the quality-conscious markets in Europe. In Africa, it had so far proved difficult to do so because of the large numbers of small-scale traditional and family-type **enterprises** which abounded in African countries, which made it practically impossible to impose quality standards.

#### Raw materials (agenda item 4)

##### General technical considerations concerning constraints

25. It was generally agreed that poor quality of hides and skins derived from poor raw material. Traditional customs and religious ordinances had affected the quality of raw materials resulting in poor conservation of hides and skins, putrefaction, etc. Concerning chemicals (which accounted for 20-25 per cent of the total production cost), it was generally agreed that African countries would continue to depend on imports from developed countries, in particular as regards syntans, dyes and finishing agents. It was anticipated that within the next five years Africa might become self-sufficient in chrome tanning salt (from Zimbabwe) and in vegetable tanning agents (from Kenya and Zimbabwe).

##### Issues for consideration

###### At the national level

26. (i) Adoption of national legislation to control individual slaughtering
- (ii) Extension of veterinary services to small abattoirs
- (iii) Development of integrated plans to improve animal husbandry
- (iv) Introduction of flaying and curing as a combined operation.

###### At the regional level

27. With regard to syntans, it was recommended that leather-producing countries should seek the co-operation of African petroleum and chemical producers such as Algeria, the Arab Popular and Socialist Libyan Jamahiria, and Nigeria for the production of syntans and other leather chemicals.

###### At the international level

Because there was a restricted market for the production of chemicals for the tanning industry, and since those chemicals usually comprised only a small part of the production of chemical plants, it would be difficult to induce large chemical producers such as BASF, Bayer, and so on to enter into joint ventures in African countries for the production of syntans. However, UNIDO and ICA would investigate the possibility of existing chemical industries in Africa expanding their production to include leather chemicals.

The tanning industry (agenda item 5)

General technical considerations concerning constraints

29. The tanning industry in Africa was characterized by great variety in the machines utilized. National decisions to orient the industry towards either domestic or export markets would influence the level of mechanization to be introduced. It was agreed that gearing the industry totally or partially for export required a relatively higher level of mechanization, especially in the finishing operations, which required high-capacity, more sophisticated more expensive equipment and were therefore uneconomic in medium-sized tanneries.

Issues for consideration

At the national level

30. Standardization of tannery machinery and equipment.

At the international level

31. (a) Relocation of finishing plants from developed countries
- (b) Joint ventures with foreign partners, with follow through performance guarantee schemes over a specified period of years, to cover:
- (i) Plant management;
  - (ii) Training;
  - (iii) Provision of equipment and spare parts;
  - (iv) Provision of information on fashion; and
  - (v) Arrangements for marketing outlets.

32. Mention was made of one African country, the United Republic of Tanzania, with experience in plant relocation and joint ventures under a co-operation agreement with Sweden, a tannery had been relocated to Moshi in 1968. Recently another joint venture agreement had been signed between the National Development Corporation and an Italian firm, with financing from the World Bank, for the establishment of a large-scale tannery in Morogoro (1,200 hides per day to be processed into 7.5 million square feet of processed leather per year).

Leather products (agenda item 6)

(a) Footwear

General technical considerations concerning constraints

33. In comparison with Europe, the cost of production of leather footwear in some African countries was relatively high. The main cause was lower quality and lower productivity (in some countries as low as  $3\frac{1}{2}$  pairs per man per day, as against 10 pairs in some European countries).

34. Another constraint was variations in the level of mechanization: in Egypt, with 7,000 footwear workshops, it was found difficult to adopt or apply standardization and quality control, as is possible with larger workshops. Other constraints were poor upper leather quality and the high cost of imported material.

Issues for consideration

At the national level

35. Introduction of standardization and quality control measures.

At the international level

36. Sophisticated machinery for manufacture of shoes, as well as components such as last and synthetic soles, would require joint ventures with foreign firms to permit the application of international standards, the provision of marketing outlets, and training of technicians at all levels.

(b) Leather goods

General technical considerations concerning constraints

37. In the African region, with the possible exception of some countries in North Africa, low purchasing power and unfavourable climatic conditions meant that there was at present little interest in the production of such leather goods as gloves and leather garments. The investment required was small compared with the footwear industry, since it involved simple cutting and sewing machines. In addition to the low quality of the leather goods produced, most of the accessories required, which constituted about 35 per cent of the cost of production, were imported. Locally produced accessories were of relatively low quality, and were usually not in line with fashion trends.

Issues for consideration

At the international level

38. The meeting noted the new opportunities created by the recent demand in European markets for leather garments, which mainly utilize goatskins and sheepskins. As these were in abundance in Africa, the meeting recommended that the global consultation meeting should consider the relocation of leather garment production to African countries.

39. Concerning metallic accessories, the meeting recommended licensing agreements, joint ventures or commercial agreements with developed countries to establish plants for the manufacture of accessories in the major leather-goods-producing countries in the region.

Infrastructure (agenda item 7)

(a) Human

General technical considerations concerning constraints

40. In Africa, the rapid expansion of the leather industry had resulted in a severe constraint in the form of low availability of qualified manpower. Despite the fact that a number of African countries had established training institutes or centres, a majority

of African countries had no established medium or long-term training plans for the leather industry. Further, some African countries were unaware of the existence of training facilities in other countries in the region.

41. Although it was feasible to train workers at the national level at reasonable cost, considerable expense was involved in training middle-level and higher-level technologists and engineers abroad.

#### Issues for consideration

##### At the national level

42. Medium-term and long-term plans for training requirements at all levels should be prepared. Information should be up-dated on a continuous basis, and this information should be made available to African and other developing and developed countries.

##### At the regional and subregional levels

43. ECA should undertake to disseminate information on national training plans and available training facilities.

44. In the training of middle-level and senior staff, African countries should plan for the establishment of regional as well as subregional training centres. ECA and UNIDO should keep training at higher levels under consideration with a view to identifying possibilities for setting up centres of higher training in one or two African countries. It was noted that Tunisia was interested in investigating the possibility of establishing such a centre for both English-speaking and French-speaking trainees.

##### At the international level

45. After considering the closing down of tanneries and leather products factories in Belgium, the Federal Republic of Germany and Sweden, and of the leather training centre in Leeds (United Kingdom), the participants felt that international co-operation should be sought in:

(a) Transferring idle machinery and equipment to African training centres from closed-down European factories, and also transferring machinery suppliers' demonstration models;

(b) Transferring teachers and training equipment to Africa from training centres which have closed down (such as Leeds);

(c) Ensuring that operation, maintenance and spare parts manuals are translated into English or French as well as into the working languages of the importing country. At the very least, the essentials of operations, maintenance and spare parts should be available in the local working language.

##### (b) Financial

##### General technical considerations concerning constraints

46. African countries often sustained higher financing costs because of the long time-lags between the ordering and start-up of the plant, as well as between the ordering and delivery of chemicals and other imported materials. To that should be added the higher rates of interest usually paid by African countries, in return for the presumed

higher risks involved in developing countries. Finally, African countries suffered from higher costs arising from over-invoicing, and the inclusion of unnecessary equipment.

Issues for consideration

At the international level

47. International suppliers of chemicals and other imported raw materials were called upon to assist in the establishment of bonded warehouses for leather and leather products in order to reduce the high costs of financing imports.

48. Similarly, international suppliers were called upon to extend easy payment terms whenever the establishment of bonded warehouses was not feasible.

49. International and bilateral financing organizations should assist in strengthening national industrial development finance institutions by extending soft loans and expert services, so that African countries can obtain the best possible credit terms for as many leather industry projects as possible.

Other technological factors (agenda item 8)

(a) Research and development

General technical considerations concerning constraints

50. If leather and footwear industries in Africa were to develop rapidly and have a solid foundation, they must be provided with centres for applied research and for testing the materials and processes used.

51. In view of the accelerated development of technology, national research was necessary for adaptation of some material and production processes. However, research facilities were unavailable in most African countries; the exceptions included Egypt and Nigeria.

Issues for consideration

At the national level

52. Since research and testing centres could help leather and footwear industries to solve their technological problems, the participants recommended that Government and professional or business groupings should expedite their establishment. Furthermore, leather manufacturers should be organized in professional associations.

At the regional level

53. Co-operation should be initiated among national research centres, especially where standardization, quality control and the exchange of experience were concerned. ECA was called upon to assist in that respect.

At the international level

54. In order to assist in the establishment of an African R and D Centre for the leather industry, it was agreed to call upon ECA to ascertain the interest of individual African countries in hosting and providing financial and other facilities for such a centre.

UNIDO was requested to ascertain the interest of bilateral agencies and international research institutions and professional bodies in negotiating with African countries so identified and to assist them as required.

(b) Environmental factors

General technical considerations concerning constraints

55. The increasingly high pollution levels observed in developed countries had still to be reached in developing countries. Consequently, developing countries should acquire those environmental control technologies which were appropriate to existing pollution levels in each country.

Issues for consideration

At the national level

56. Governments should adopt and apply environmental control measures appropriate to their pollution levels.

At the international level

57. African developing countries should seek agreement and co-operation with developed countries in securing the technical expertise and know-how required in this field.

Access to markets (agenda item 9)

General technical considerations concerning constraints

58. The market for leather footwear and some leather goods was extremely sensitive and was subject to frequent changes in fashion. African countries, probably **excepting** North Africa, were unable to cope with frequent fashion changes because of their inability to recognize or anticipate the changes in design; difficulty in acquiring imported chemicals, dyestuffs and accessories at a speed dictated by the fashion changes; their distance from European and high air freight and shipping rates.

59. The consumer in the developed countries was biased in favour of known popular brands.

60. Trade protection barriers imposed on leather and leather products differ unduly depending on the degree of processing.

Issues for consideration

At the national level

61. African countries should ensure the application of quality standards in respect of leather and leather products destined for export.

62. National export promotion marketing boards should be set up for leather and leather products to provide an institutional base for marketing.

At the regional level

63. Regional trade co-operation, with preference given to regional exchanges of leather and leather products within Africa, should be encouraged.

At the international level

64. Co-operation was needed between developed and developing countries in international subcontracting to overcome the obstacles caused to fashion changes as well as by trademark loyalty of consumers.

65. Lower air freight and shipping rates in international transport would encourage the export of leather and leather products from developing to developed countries.

66. Free trade in leather and leather products would help to expand trade between developed and developing countries. Furthermore, free trade would lower the price payable to the consumer and lead to high consumption rates.

67. Buyers from developing and developed countries were called upon to intensify and expand their activities in African countries, especially with regard to exploiting possibilities for utilizing production facilities in different African countries for the different processing stages. That practice was being followed in other regions, such as Asia, with considerable benefit to all concerned.

Redeployment of the industry (agenda item 10)

General technical considerations concerning constraints

68. For several reasons, tanneries in developed countries were closing down, and therefore opportunities existed for redeployment of such tanneries to developing countries. However, before taking advantage of such opportunities developing countries would need to ascertain the technical suitability of used tannery equipment, the continued availability of spare parts and the additional costs involved in dismantling and reconditioning, as well as the fairness of valuations and prices involved.

Issues for consideration

At the national level

69. Governments must ensure that adequate machinery performance guarantees are provided, as well as assurances for continuity of spare parts supplies.

At the regional level

70. ECA was called upon to ascertain the interest of major African leather-producing countries in accepting such industries.

At the international level

71. UNIDO was called upon to ascertain the interest of developed countries in redeploying tanneries and other leather products industries, with a view to bringing representatives of such countries together, at the November meeting, with those of African countries which had expressed interest to ECA in accepting such industries.

72. UNIDO was also called upon to extend assistance in ensuring that such redeployment was beneficial to all parties concerned.

Consideration and adoption of the report of the meeting (agenda item 11)

73. The meeting unanimously adopted the present report on 1 July 1977.





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