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REGIONAL AFRICA
HIDES AND SKINS, LEATHER AND LEATHER PRODUCTS
IMPROVEMENT SCHEME - US/RAF/88/100

and

REGIONAL AFRICA
LEATHER AND FOOTWEAR INDUSTRY SCHEME (RALFILS)
US/RAF/92/200*

Prepared by

the UNIDO Secretariat

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I. US/RAF/88/100 - GENERAL CONCEPT

The project idea was conceived in 1984 when the deteriorating position of the African leather industry and the unexploited potential of the sector was recognized by the Third Consultation on Leather and Leather Products Industry, meeting in Innsbruck, Austria, which recommended that UNIDO should adopt an integrated programme approach in solving this sector's problem. This approach encompasses both upstream and downstream activities of the hides and skins, leather and leather products sector.

The UNIDO Leather Panel and its individual members provided inputs for the development of the concept which was to concentrate in the first instance on hides and skins improvement and continue from there to development of semi-processed leathers for export and *finished* leathers and leather products for the *domestic markets*.

The donor countries which generously provided the funding emphasized that the assistance should be oriented towards "help for self-help" and not towards assistance, as the case has been on many previous occasions, to state owned enterprises with little possibilities for genuine rehabilitation. They further emphasized that the expertise available in the UN system from other UN agencies should also be utilized to the maximum extent and coordination provided between the inputs of the involved agencies.

Based on the above criteria the programme concept was developed and the results of the programme which was originally conceived through the UNIDO system of consultation - nearly ten years ago - are now explained in the following chapters.

1. Background information

The large-scale Regional Africa Hides and Skins, Leather and Leather Products Improvement Scheme, US/RAF/88/100, is the largest IDF programme and comprises several new elements in the so-called "programme approach". The Programme is a joint effort of the three agencies UNIDO, FAO and ITC. UNIDO is the executing agency and provides the total funding through IDF special purpose contributions from six donor countries, namely, Austria, Finland, France, Germany, Italy, the Netherlands and Switzerland, for a total amount of approximately US\$ 12,500,000. Inter-agency agreements with FAO and ITC provide expertise in their respective competence areas.

The Programme is composed of the umbrella project and the national projects in Ethiopia, Kenya, Malawi, Somalia*, the Sudan, Tanzania, Zambia and Zimbabwe.

The Programme concentrated its efforts on the whole spectrum of upstream activities such as introduction of proper flaying techniques, new hides and skins preservation techniques and grading, and provided proper flaying tools as well as training. The Programme also supported several tanneries with technical expertise and

* The implementation of the Somalia project, US/SOM/88/100, had to be discontinued due to the political situation which prevented any work in the target areas.

equipment was supplied under the complementary Rehabilitation Programme US/RAF/88/102, which proved to be most successful.

The Programme's immediate objectives are:

- a) to establish a regional pilot scheme and to demonstrate, in practical terms, the process of hides and skins improvement from butchering and flaying to conservation, grading and collection;
- b) to act as catalyst to national authorities to introduce incentives for improved quality performance;
- c) to rehabilitate existing infrastructures and selected leather tanning and processing plants by increasing their efficiency and capacity utilization, upgrading technical standards, operational methods and skills, product quality and marketing performance, as well as knowledge of those attached to these industries at various levels, starting from primary producers.

2. Implementation and achievements

2.1 The Programme

A unique feature of the Programme, and one which is thought to have generally contributed much to its success, was the introduction of the concept of national experts for each country project, coordinated by the CTA in Nairobi. They represent the project in each country, except in Kenya, where a regional coordinator was appointed to work alongside the CTA. The continuity of the project was assured through the national expert, usually selected from the ranks of the ministry of agriculture/livestock.

Their multifarious functions include the coordination of the national project, along with the CTA, and liaison with the UNDP, government departments and organizations, as well as primary producers and extension officers, butchers, traders, tanners and manufacturers especially in the target areas. They act as data collectors, demonstrators and administrators, organizing a variety of national and local workshops, and participating in regional and international seminars and site visits, as well as coordinating the visits and programmes of UNIDO headquarters staff and international experts.

The national experts also play an important role in the activities of various national trade associations, sometimes acting as a catalyst and even reviving force where these had become inactive. Generally, there is a need for concerted efforts on the part of hides and skins producers, tanners and manufacturers to establish a forum to present a common front to government on behalf of the industry. These associations are a valuable ingredient in the formation of bodies established to control the revolving fund, explained in a following paragraph, for further hides and skins improvement.

2.2 Implementation

The implementation of activities followed the designed integrated programme pattern and was channelled to key areas at both regional and country levels. This also covered institutional activities such as assisting the existing leather institutions within the region and promoting interregional cooperation.

From a financial point of view, implementation reflected a good performance over the duration of the first phase as major components are expected to be completed by end 1993. In terms of inputs, the Programme employed long-term experts as well as short-term consultants (in total 38) in addition to a network of seven national experts and one regional coordinator. Seven subcontracts were awarded and partially implemented, their later on discontinued services were delivered by the international experts. Training inputs comprised 5 regional seminars, 5 regional study tours, as well as 10 study tours and 4 fellowships at country level. Acquisition of equipment is completed for the regional and country projects. Under the Rehabilitation Programme, equipment was delivered to the prior selected rehabilitation objects according to the rehabilitation studies conducted for each of the selected objects in the private and public sectors (19 tanneries and 4 shoe factories).

2.3 Revolving Fund Operations (RFO)

A significant factor of the overall Programme was the introduction of the so-called "RFO" in the participating countries which is expected to contribute to sustaining the hides and skins improvement and related activities upon completion of the Programme.

This mechanism was developed to channel assistance to the private industry. Under the Regional Tannery Rehabilitation project US/RAF/88/102, assistance was also given to selected private companies. It was agreed between the government authorities concerned, UNDP and the project management that such assistance can be provided if these companies pay the value of the machinery supplied by the project in local currency to a fund under the control of a suitable non-profit organization such as a leather institute or tanners association which will use these funds for further work in hides and skins improvement and/or similar activities in the interest of the country's leather and allied industry sector.

Such activities may include organization of hides and skins improvement seminars, starting up new collection points, purchase of improved flaying tools and equipment, as well as remuneration of international and local experts on special short-term improvement activities.

The "revolving fund" is already operational in Zambia, Zimbabwe, Kenya, Tanzania, Malawi and the Sudan and is expected to be started also in the other participating countries.

This modus operandi will ensure that funds will be continually available for the improvement of quality of the raw material, thus automatically improving the leather at the tannery stage. At the same time the linkage between tanners, footwear and leather goods manufacturers, and leather institutions/associations in each country, will

be strengthened and they will serve as an instrument to influence policy makers to formulate appropriate strategies for the development of the sector.

A good example how the revolving fund is assisting the industry is here in Kenya. The establishment of the "Training and Production Centre for the Shoe Industry" (TPCSI). The building of the new training centre is financed to large extent through the revolving fund.

2.4 Summary of Achievements

The Programme's integrated approach brought multi-disciplinary changes to the industry sector which paved the way for collaboration and interaction within the industry on the subregional level.

a) Policy Guidelines and Industrial Strategies

Based on the investigations of international and national experts, a document entitled "Improved Policy Guidelines and Industrial Strategy for the Development of the Leather Industry" was prepared, specifying, firstly, the regional aspect within the context of the world market and, secondly, the individual country aspects. The document examines the current position and proposes improved policies and industrial strategies for the development of the region's hides and skins, leather and leather products industry. These guidelines were presented at the meeting of the FAO Intergovernmental Sub-Group on Hides and Skins in April 1992. Round-table meetings were held with some government and industry bodies to discuss constraints, incentives and appropriate policies and strategies for the industry.

b) Hides and Skins Improvement Schemes

The pilot schemes established in the target areas in the associated countries, together with equipment and technical assistance, contributed to achieving positive results in the hides and skins sector.

- The upgrading of physical and human infrastructures in the target areas through the assistance of hides and skins experts, the supply of tools and rehabilitation and construction of slaughterhouses and curing sheds, has reduced flaying, curing and handling defects.
- Concrete hides and skins grading systems were prepared in the document "Guidelines for Grading Hides and Skins by Quality" and introduced in the participating countries. The realization of their full implementation is in progress. Financial incentive schemes were introduced by some tanneries to promote higher quality from the primary producers and butchers/flayers.
- In the field of statistical intelligence, strenuous efforts were made by the individual national experts to improve data collection, especially in the target areas, although progress at the national level has been varied, depending on the government departments involved, their level of

efficiency, and how up-to-date the information might be. In the Programme's target areas, attempts were made to introduce a database and to establish systems of data collection (including computerization) with the aid of government extension officers and improved transport facilities provided by the project, although implementation has been slower than anticipated, and the designated areas may be over-ambitiously large. Objective methods to measure improvement in grading at producer level, in yield from different methods of preservation, as well as improvement within the rehabilitated tanneries, are being introduced, wherever possible, in joint cooperation between the national experts, international experts especially in hides and skins improvement, and industry representatives, and tangible measurable results, especially in Ethiopia, Kenya and Zimbabwe, are already recorded. The application of improved statistical intelligence should be the tool for monitoring developments and related improvements in terms of quantity.

- Increasingly wider use of audio-visual aids also benefited the scheme, utilizing the newly purchased video equipment to highlight especially the malpractice at the slaughter-slab, and the negative effects on the quality of hides and skins. To aid the valuable but still inadequate extension work being undertaken in the field, multilingual posters and illustrated brochures were designed, printed and distributed to key production, slaughter and collection points, indicating the potential increase in revenue from improved raw materials. The proceedings of the workshops and demonstrations were frequently covered by the media - radio, television and press - again widening the impact of the scheme nationally and internationally.
- c) **Industry: Tanneries and Leather Products Manufacturers; Revolving Fund Operation; New Products Development.**

The Rehabilitation Programme was very successful and the productivity and capacity utilization improved in the rehabilitated factories.

Tanneries

The tanners who benefited from the assistance under the Rehabilitation Programme, were generally able to register substantially increased throughput, yield and quality, as machinery and spare parts were installed and became functional. Some tanneries were assisted to the wet-blue stage, while others progressed from crust to finished leathers. Dramatic improvements were already noted in a number of participating countries in terms of semi-processed and finished leather, quality and yield, aided by tanning, maintenance and finishing experts, with further important inputs in terms of pollution control, as indicated in the individual country reports.

Leather products

On a less extensive scale in this phase of the Programme, assistance was also given to footwear and leather goods manufacturers, large, medium as well as small scale.

The work of the Programme experts in this field has already made an impact on the industry in many of the participating countries, and governments have to turn their attention to decreasing the financial burden and encouraging investment, and to heighten their appreciation of the importance of these industry subsectors. In some cases urgent, if not drastic, measures need to be taken if the manufacturing of footwear and leather products is not to disappear and revert to more traditional, artisan-level production. For others, there is some merit in adopting the strategies of some neighboring countries, which are successfully expanding their client base and the potential for foreign exchange earnings through increased added value, diversification, marketing and sales. Phase 2 is designed to focus activities on this industrial area.

New Product Development

During the implementation of US/RAF/88/100 and US/KEN/88/100 successful efforts were made to develop fish skin leathers for the production of footwear and leather goods. A fish skin expert was fielded to assist the KIRDI/LDC in the commercial processing and finishing of Nile-perch skins into leather. These skins are readily available as by-products of the export-oriented fish filleting plants in Kenya. The skins were previously regarded as waste or, in the best case, processed as animal feed.

The R & D work sponsored and actively promoted by the Programme provided processing methods and technology suitable for the commercial production of various types of finished Nile-perch leathers. These new leathers are considered to be good substitutes for various reptile leathers which often originate from protected species. The leathers are suitable for the production of high-class footwear and other leather goods. Pilot-scale runs proved the technical suitability and commercial value as well as the market acceptance of the product.

This work has culminated in a contract between the KIRDI/LDC and an overseas company for fish skin pilot-scale production. This pilot run is considered as a preliminary stage to pave the way for the establishment of a commercial-size, joint venture fish skin tannery and fish skin leather products manufacturing company to be located in a suitable place. Phase 2 is expected to provide assistance in starting up these production units. Pre-feasibility studies have been prepared.

Also, as a direct result of UNIDO's pioneering work on Nile-perch leather, another tannery has been established as a joint venture between a Kenyan and an overseas company and is expected to start pilot-scale operations soon. UNIDO has been requested to provide assistance during the start up of the commercial operations of the proposed plant. This has been taken into consideration in the preparation of the Phase 2 Programme.

UNIDO's assistance in Phase 2 (US/RAF/92/200) would complete the circle that started with an innovative idea, was developed through R & D work to pilot-scale level, and is now ripe for commercial exploitation and would provide sophisticated consumer products which are manufactured from a previously wasted by-product. Furthermore, these products could play an important role in substituting products made of skins of protected species.

Environmental Issues

Current concern in the industry, nationally as well as internationally, for environmental protection is growing. The problems of effluent control and disposal both of liquid and solid waste are increasing.

Therefore, environment protection and reduced risk hazards of the tannery operations were put into effect on a pilot scale in selected rehabilitated tanneries (Kenya, the Sudan, Tanzania, Zambia and Zimbabwe). Demonstration and training facilities for the subregion on housekeeping practices, tannery waste management and low pollution technologies were also made available. The construction of a model effluent treatment plant at the Sagana Tanneries plant (Kenya) was completed and operational in October 1992. Detailed information on effluent treatment activities is enclosed as Annex 3.

Training Activities

Technical seminars at the regional level on machinery maintenance, leather tanning and finishing, hides and skins improvement and on pollution control in the leather industry, as well as several lower level courses on hides and skins improvement at the national level, were successfully conducted throughout the subregion.

These combined theoretical presentations with practical demonstration and visits to tanneries, manufacturers, livestock production units and abattoirs. They brought together equipment, machinery and chemical suppliers, tanners, leather goods and footwear manufacturers, as well as representatives of international and national trade associations and institutes, including the Leather Development Centre (LDC/KIRDI) in Nairobi, and the Leather Institute of Zimbabwe (LIZ) in Bulawayo, both recipients of substantial assistance within the Programme, and other relevant government and institutional bodies.

Workshops, study tours, and practical demonstrations were organized by the Programme with the assistance and support of relevant government bodies. Generally, these gatherings covered a vast area of activities such as flaying, fleshing and preservation, the use of bactericides and insecticides, and the comparative advantages/disadvantages of salting and suspension drying.

At the international level, international and national experts, as well as national industry representatives participated in the Semaine Internationale du Cuir in Paris in September 1990, and in the workshop organized by the Programme to coincide with this premier world fair of the industry.

On a regional basis, the Programme was strongly represented at the PTA Leather Fair and Symposium held in Addis Ababa in January 1990. This event gave impetus and international publicity to the Programme. It also enabled the industry, and others, to compare development and achievement in the region, and highlighted some of the constraints affecting the expansion of domestic, regional and international trade. The participants could explore opportunities through buyer/seller meetings organized by PTA/ITC.

Institution Building

The consolidation of the functions of two subregional leather institutes in Kenya (KIRDI/Leather Development Centre) and in Zimbabwe (the Leather Institute of Zimbabwe) enables their effective performance in their individual roles of providing training and demonstration service facilities to the national and subregional industries.

Gender Development

The attachment of a women-in-development expert to the Programme is completely in line with the strategies set up in UNIDO's medium term plan 1990-1995 to promote the consideration of women in UNIDO's technical cooperation activities. Footwear and leather goods industries are the major sectors in which women in Africa are very actively involved.

The work on "women-in-development" began by identifying appropriate measures and activities to enable women in the region to fully benefit from the Programme. The following main activities were carried out:

- a) creation of gender awareness in the leather sector;
- b) analysis of employment patterns of women in the leather industry;
- c) assessment of training needs.

As main recommendation it clearly emerged that actions aimed at improving the socio-economic status of women should concentrate on the following two-pronged approach:

- i) Preparing women for better employment alternatives through training in industrial activities (management, technical skills, entrepreneurship, etc.);
- ii) Creating an awareness of the role of women in the leather industry by sensitizing managers, employers, project personnel, industry associations.

In the Phase 2 Programme, the Regional Africa Leather and Footwear Industry Scheme, the expanded activities in the leather products industry increases general employment opportunities and creates specific jobs for women in several areas.

II. US/RAF/92/200 - BACKGROUND AND GENERAL CONCEPT

Based on the recommendations received from the regional and national TPR meetings, the mid-term in-depth evaluation report and from several other regional and national meetings conducted during the implementation of the first phase (US/RAF/88/100), it was decided that the programme should continue, subject to availability of funds from the donor community and any other non-traditional funding agents, and that three additional countries should be included. The second phase would therefore include the following 10 countries: Botswana, Ethiopia, Kenya, Malawi, Namibia, the Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

The first concept of the second phase was presented to the 10th meeting of the UNIDO Leather Panel in Madras in November 1991 for the consideration and recommendation of the members. Several recommendations and conceptual modifications emerged from the meeting and were incorporated in an executive project concept. This concept was presented to the donors in a special meeting in February 1992.

The donors recommended that full-fledged project documents should be prepared for the consideration of the traditional donors but also for presentation to the non-traditional donors such as the various development banks and the EEC. Accordingly, the documents were prepared involving close in-house cooperation between the concerned offices and the documents were finally completed and approved by UNIDO Project Review Committee in two batches, namely, RALFIS and UGANDA NALFIS in October 1992 and the rest in February 1993.

The concept of the second phase (US/RAF/92/200 and associated projects) is presented in its totality in Annex 1 to this paper. The following is a short summary:

In accordance with requests from the recipient countries, a certain change in the direction - in comparison with the first phase - will take place. More emphasis will be given to the leather finishing aspects and the manufacture of footwear and leather products.

- a) Hides and skins improvement will continue and the main goal is to make the national schemes self-financing. The revolving fund system started during the first phase, and the involvement of the end users - the tanneries - through their associations, will be an important new aspect in this respect.
- b) Private industry assistance and assistance in the privatization of public leather companies will continue and will even be intensified. It is intended that a Rehabilitation and Establishment of Finished Articles Manufacturing (REFAM) project will be included in the programme. Assistance in the form of equipment provided by this project to selected tanneries, shoe factories and leather products manufacturers will have to be refunded by the recipient company to the revolving fund.
- c) Assistance in the application of clean technology in combination with the effluent treatment and tannery waste management will be an important

part of the programme. Selected tanneries will benefit directly and great importance will be given to training on the regional and country levels.

- d) The development of women in the industry is to be continued and the recommendations provided during the first phase by the project expert will be reaching the implementation stage.

1. Financial constraints

The Programme was sent for financial consideration to the potential donor countries. No doubt, the present world-wide recession has affected the financial approval of the projects and presently only part of the RALFIS, and Tanzania and Uganda have been financed. Negotiations with Switzerland have been concluded for providing half of the funds for Ethiopia and UNDP has in principle agreed to provide the other half.

All other projects are still without funding and negotiations are continuing. If, however, funds are not received shortly a down-scaling of the operations must take place. This would be a great loss as the Programme has provided valuable inputs which may not be sustainable in their totality without continuation of the Programme.

2. Present status of implementation

The implementation of the programme has started in accordance with the project work plan and the first year of operations is successfully completed. The present financial status based on the end-October 1993 delivery report is presented in annex 2.

3. Constraints to development, new approaches developed and lessons learned

3.1 Constraints to new development

Financial

The type of new development recommended by the UNIDO System of Consultations within the leather sector and further developed through recommendations of the Leather Panel, i.e. the programme approach of large integrated projects, is presently meeting strong constraints of a financial nature.

The traditional donor community, which also endorsed and recommended this approach, have, due to financial problems, informed UNIDO that although the approach is correct no funding is expected to be available for large programme approach projects in the foreseeable future.

The donors such as the international and regional development banks and the EEC are interested in principle in financing well-developed projects and programmes for the leather sector. The problem to obtain such financing seems

to be that the recipient countries are reluctant to submit the requests needed for such assistance as they seem to look at the different donor agencies as separate entities and for various reasons feel that a UNIDO-executed project should not be financed from other sources than UNDP/UNIDO. The financing from other sources is planned for other purposes.

UN bureaucracy/inter-agency cooperation

The programme approach recommended for the implementation of UN programmes is not compatible with the present bureaucracy of the UN system. Our system is still geared for executing projects on recipient country requests and the development and execution of programmes which include several countries and several UN agencies is very cumbersome due to the bureaucratic system and do not give incentive to the officers to work in that direction.

3.2 Lessons learned

The programme approach is an excellent way of operating large scale industrial assistance project and the following specific points pro and contra should be observed:

- a) UN bureaucracy, in its present form, is badly suited to cope with it, therefore, backstopping officers are reluctant to design and operate such programmes.
- b) The inter-agency cooperation involves such a lot of red tape that a volume of extra work and very poor cost efficiency is the end result from the implementing agency's point of view.
- c) It is difficult to attract competent experts who accept the type of assignments needing extensive travels, often in rather primitive conditions and with certain security risks.
- d) The RFO operations have proved to be an excellent tool to assist private industry development and the assistance through branch associations have been a very useful instrument.
- e) Financing of large-scale programmes has become more and more difficult, on the other hand the donor community seems to encourage this type of approach.

4. Recommendations

4.1 Down-scaled version

As we have not been able to obtain the funding for the second phase operations except for parts of it, it is suggested that the project documents which are pending financial approval will be scaled down and presented in the new format to the donors. The recommendation of the Panel for this action would possibly be helpful in obtaining a favourable reaction from the donor community.

4.2 New efforts to obtain funding

A new effort to solicit funding is proposed and it is suggested that some of the Panel members participate in a presentation of the new down-scaled version to the donors. It is also proposed that such a meeting will be organized at Pirmasens during the IMS and "Leder Woche" from 29 April - 3 May 1994.