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Leather Products Industry Panel

Nairobi, Kenya, 29 November-3 December 1993

REPORT*

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PREFACE

1. The Second General Conference of the United Nations Industrial Development Organization (UNIDO), held at Lima, Peru, in March 1975, and subsequently endorsed by the United Nations General Assembly, recommended that UNIDO should include among its activities a system of continuing consultations between developed and developing countries with the object of raising the developing countries' share in world industrial output through increased international co-operation.

2. In May 1980, the Industrial Development Board decided to establish the System of Consultations on a permanent basis, and in May 1982 it adopted its rules of procedure (The System of Consultations, PI/84) setting out its principles, objectives and characteristics, notably:

- The System of Consultations shall be an instrument through which the United Nations Industrial Development Organization (UNIDO) is to serve as a forum for developed and developing countries in their contacts and consultations directed towards the industrialization of developing countries;
- Consultations would also permit negotiations among interested parties at their request, at the same time as or after consultations;
- Participants of each country should include officials of governments as well as representatives of industry, labour, consumer groups and others, as deemed appropriate by each government;
- Final report of consultations should include such conclusions and recommendations agreed upon by consensus among the participants; the report should also include other views expressed during the discussion.

3. Some fifty consultation meetings have been convened since 1977 covering agricultural machinery, building materials, capital goods, electronics, fertilizers, fisheries, food processing, industrial financing, industrial rehabilitation/restructuring, iron and steel, leather and leather products, non-ferrous metals, pharmaceuticals, petrochemicals, small- and medium-scale enterprises, the training of industrial manpower, vegetable oils and fats, and wood and wood products.

4. Benefits deriving from this activity include the monitoring of trends in world industry with a view to identifying obstacles to industrial development in developing countries and proposing action-oriented measures for increasing their industrial output; and the search for new forms of international industrial co-operation in North-South and South-South relations, including joint ventures and technical co-operation opportunities.

INTRODUCTION

5. The Leather and Leather Products Industry Panel was created as an advisory body consisting of high-level experts in accordance with the recommendations of the First Consultation on the Leather and Leather Products Industry which was held at Innsbruck (Austria) in November 1977.

6. Since its establishment, the Leather Panel has held ten meetings, the first of which was convened in Vienna (Austria) in June 1978 and the tenth, in Madras (India) in November 1991.

7. The terms of reference of the Leather Panel stipulate that its members, a maximum of 20, are appointed by the Director-General and confirmed by the Industrial Development Board, giving due consideration to the geographical distribution and technical competence of the members. An attempt is made to balance the membership by selecting experts from the leather industry of both developed and developing countries.

8. The Leather Panel has been an excellent tool for mobilizing participation of industry and industrial associations of this subsector in Consultations, as well as for improving co-operation between UN agencies and with some Member States.

9. The Leather Panel has given useful advice and guidance in the preparation of programmes and issues for the Second and Third Consultations, and for the Regional Meeting in Africa, as well as on the follow-up activities to those Consultations. In some cases, it suggested specific tasks which the UNIDO Secretariat and other international organizations could accomplish prior to each Panel meeting in order to derive the maximum benefit from its deliberations. The Leather Panel also provided technical guidance on the plans-of-action drawn up by UNIDO for activities in the leather and leather products industry.

10. The sound advice given by the Leather Panel has been a factor in enabling UNIDO to achieve positive results in the leather subsector. As a consequence, the role of the Leather Panel is now much wider than just that of a steering committee for Consultations; it has become an advisory body for all UNIDO efforts in the leather and leather products industry.

11. During the tenth session of the Leather Panel, the members recommended to give priority to projects which deal with hides and skins improvement, effluent treatment and the introduction of cleaner technologies and human resources development. The concept for the second phase of the African programme was acknowledged as well as justified and all members agreed on the general principle, structure, scope, issues and particular targets set by the sectoral pollution control programme.

12. During the discussion of the Asian regional programme for tannery effluent treatment, the panel members strongly recommended to strengthen efforts towards solving the waste disposal problems.

13. The objectives of the eleventh session of the Leather and Leather Products Industry Panel were as follows:

- To evaluate the actions undertaken in the implementation of the conclusions and recommendations of the ninth and tenth sessions of the Leather Panel;
- To guide UNIDO in the elaboration of strategies for carrying out technical co-operation programmes in the leather subsector;
- To advise UNIDO on the issues to be discussed at the forthcoming Regional Leather and Leather Products Industry Consultation for Asia and the Pacific (to be held possibly in 1995);
- To prepare conclusions and recommendations on strategies for carrying out technical co-operation programmes in the leather sector for implementation by UNIDO as well as government policy-makers, industries, financial institutes, and international organizations;
- To draw up technical assistance and investment project ideas for follow-up by UNIDO and other organizations.

I. ORGANIZATION OF THE MEETING

14. The eleventh session of the Leather and Leather Products Industry Panel was held in Nairobi, Kenya, from 29 November to 3 December 1993. The meeting was attended by 38 participants from 18 countries and 2 UN organizations. Out of these participants, 16 were members of the Panel. The list of participants is attached as Annex 1.

Opening of the meeting

15. The Director of the UNIDO's System of Consultations Division opened the meeting and highlighted its background and purpose. He expressed, on behalf of the Panel, his colleagues in UNIDO and on his own behalf, gratitude to the Government of Kenya, Kenya Tanners' Association, Kenya Footwear Manufacturers Association and others for their support and assistance in organizing the meeting.

16. The Chairman of the Kenya Association of Manufacturers welcomed the members of the Panel, representatives from UN organizations and observers.

17. The UNIDO Country Director also welcomed the participants on behalf of the Resident Representative of the United Nations Development Programme in Nairobi.

Election of Chairman

18. Mr. H.A. Awale, Chairman of the Kenya Tanners' Association, was elected as Chairman of the meeting, Mr. Sanjoy Sen as Vice-Chairman and Mr. J. Chacón as Rapporteur.

Adoption of the programme

19. The programme for the eleventh session of the Leather Panel that was adopted is given in Annex 2. The list of papers prepared by the UNIDO Secretariat and distributed to the participants of the meeting is given in Annex 3.

II. PRESENTATION OF UNIDO'S ACTIVITIES AND FOLLOW-UP DISCUSSIONS

20. A UNIDO staff member from the Industrial Operations Division informed the participants of the activities in the field of leather and related industries carried out by the IO/T/AGRO Leather Unit. Attention was drawn to the large-scale programmes such as the Regional Africa Hides and Skins, Leather and Leather Products Improvement Scheme, the Sectoral Programme of Pollution Control in the Tanning Industry in the South-East Asia Region and the National Leather Development Programme of India.

21. It was pointed out that in implementing the technical assistance programme, the Leather Unit has tried to work out new ways to achieve better sustainability of project inputs. For example, assistance has been provided to private industry

development through industry associations. An attempt has been made to help the development of institutions, by providing direct assistance to private plants through repayments to revolving funds and utilization of these funds for further sectoral development.

22. The integrated programme approach promoted firstly by the leather Consultations and then by the donor community and the UNDP, is now losing support due to financial constraints. While the donor community seems to appreciate good results so far obtained in the on-going large programmes no funds are available for such programmes.

23. In accordance with the recommendations of the tenth session of the Leather Panel, three associate experts and two UN volunteers are now involved in implementing the technical assistance projects.

24. The paper submitted to the tenth Leather Panel meeting entitled "Strategies of Firms in Leather Business" has been developed by UNIDO's Statistics and Sectoral Studies Branch into a printed publication entitled "The World Leather and Leather Products Industry". This publication will assist the industrialists in developing countries to achieve a deeper understanding of the strategies and operational structures of the world leather, footwear and leather products trade and industry.

25. Implementation of projects in 1993 is about US\$ 7 million. The pipeline projects and proposals ("firm pipeline") are over US\$ 12 million, the proposals amount to nearly US\$ 30 million within the five-year period 1993-97.

26. Past experience shows that about half of the pipeline might find funding sources. This would mean that the Leather Unit's implementation would average about US\$ 4 - 5 million in the coming years. This is, of course, a rough estimate which will depend on many factors including the world economic situation and the political and sectoral priorities of the donor community.

27. Additional information was also provided on the preparation of two UNIDO publications, namely, the "Acceptable quality standards in the Leather and Footwear Industry" and "Information Sources in the Leather and Leather Products Industry".

28. Information was also given on the different UNIDO projects with particular regard to the "National Leather Sector Programme of India" and the new "Assistance Project to the Da Chang Tannery Complex in pollution control and clean technology".

DISCUSSIONS

29. One of the members made an urgent plea to strengthen the role of the Leather Panel. He specifically urged the Leather Panel to:

- Emphasize the mutual interest and benefits between the donors and the recipient countries;

- Strengthen the "Revolving Fund Operations" (RFO) by providing advice on a case-by-case basis;
- Participate in closer monitoring of the quantitative projects results.

The above objectives should be achieved through:

- The creation of a steering committee;
- The holding of Leather Panel meetings twice a year.

30. This proposal was accepted in principle. However, it was felt that financial constraints might not permit the Leather Panel to convene more than once a year. In such an event, members of the Leather Panel were encouraged to have an exchange of views among themselves and with UNIDO through written messages or by electronic mail.

31. The Kenyan experience of direct assistance to the private industry through the RFO was explained by the Kenyan Panel member. This assistance, channelled through the Kenyan Association of Manufacturers and the Kenyan Tanners Association, had proved timely and had benefitted the ailing industry.

32. One of the members suggested that the Leather Panel monitor how the UN assistance funds are distributed. These funds should not be provided to countries which have already reached a certain development level in the leather and leather products industry.

33. The UNIDO Secretariat provided information about the modus operandi of the UN funding system and in particular on the difference between the funds available through UNDP country programme (called IPF) and UNIDO Industrial Development Fund (IDF).

34. The importance of creating awareness of the mutual benefits between the donor community and the recipient countries was stressed by several participants. Joint-ventures and other cooperation forms were discussed. One of the participants suggested that the most efficient way to obtain funding was to give direct credit lines to those private industries participating in a joint-venture as partners.

35. Several participants suggested to advertise the work of the Leather Panel through specialized trade press and publications. The ITC representative said that the Market News Service publication could be utilized to provide information of the work of the Leather Panel.

Implementation of the Regional Africa Leather Industry Programmes

First Phase

36. A UNIDO staff member of IO/T/AGRO Leather Unit presented the report on the Regional Africa Hides and Skins, Leather and Leather Products Improvement Scheme (US/RAF/88/100). This 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.

37. During the first phase of the programme efforts were initially directed towards the improvement of hides and skins and later to the development of semi-processed leathers for export and finished leathers and leather products for the domestic markets.

38. 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.

39. The national experts also play an important role in the activities of various national trade associations, sometimes acting as a catalyst and sometimes reviving them when they have become inactive. These associations are a valuable ingredient in the formation of bodies established to control the revolving fund (RFO).

40. The UNIDO IO/T/AGRO staff member stressed that a significant factor of the overall Programme was the introduction of the revolving fund (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. This organization 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.

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

42. The UNIDO IO/T/AGRO staff member listed the main achievements reached during the programme Phase 1 in the field of hides and skins improvement.

43. 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.

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

45. 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).

46. 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. Furthermore, these products could play an important role in substituting products made of skins of protected species.

47. Based on the recommendations received from the regional and national tripartite review 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.

48. In accordance with requests from the recipient countries, more emphasis will be given to the leather finishing aspects and the manufacture of footwear and leather products.

49. 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 Regional Africa Leather and Footwear Industry Scheme (RALFIS), Ethiopia, Tanzania and Uganda have been financed. All other projects are still without funding and negotiations are continuing.

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

51. In addition, the present procedures within the UN system militate against the adoption of this approach and, therefore, backstopping officers are reluctant to design and operate such programmes.

52. Financing of large-scale programmes has become more and more difficult, even though the donor community seems to encourage this type of programmes.

53. As funding for the second phase operations has not been fully realized, it is suggested that the project documents which are pending financial approval should be scaled down and re-submitted to the donors. The recommendation of the Leather Panel for this action would possibly be helpful in obtaining a favourable reaction from the donor community.

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

55. The Chief Technical Adviser (CTA) of the Regional Leather Programme in Africa also gave an overview of the activities carried out through the regional and associated national country projects.

DISCUSSIONS

56. On a query from a member of the Leather Panel regarding the modus-operandi of the RFO, the UNIDO Secretariat explained that 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. The modus operandi of the RFO was such as to ensure that funds will be continually available for the improvement of quality of the raw materials, 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.

57. The ITC representative stressed that a number of skins, of importance to the developing countries such as fish skins, chicken legs, frog skins and several reptile leathers, are not well known and should receive more attention. Several members pointed to the rather sensitive nature of this issue and suggested that farmed animal skins of the above types should be allowed for free export as done already in certain countries.

58. The hides and skins improvement activities and their quantitative and qualitative results obtained were discussed. The project management provided the information requested and explained the constraints. Participants agreed that hides and

skins improvement needs a continuous effort and that the results obtained in the target areas were encouraging so far. The importance of the grading norms and incentives was also recognized and the role of the butchers and traders in this respect was highlighted. The sharing of the benefits of the improved quality was also stressed.

59. One of the members strongly suggested that new and different approaches to promote the funding of UNIDO leather and leather products projects should be adopted including:

- Promotion of the UNIDO projects through the involvement of the private industry of the donor countries with the support of a strong marketing approach including press campaigns;
- Promotion and submission of UNIDO projects to non-traditional contributors.

60. Only if the above efforts were not successful, should the recommendation of the UNIDO Secretariat to prepare a scaled-down version of the Regional Africa Leather and Footwear Industry Scheme (RALFIS) be carried out.

61. It was also recommended that organizations such as the International Council of Tanners (ICT) and the International Council of Hides Skins and Leather Traders Associations (ICHSLTA) should be more closely associated with the UNIDO's efforts to develop the world leather and leather products industry.

62. The local FAO representative in Nairobi made a statement during the second day of the Leather Panel meeting. He greeted the participants on behalf of the Director-General of FAO and stressed that FAO has always enjoyed a close relationship with UNIDO and that FAO welcomes the participation of UNIDO at the 4th Session of the Sub-Group on Hides and Skins scheduled to be held in Rome in September 1994. The FAO representative gave also a brief outlook of the current situation of the hides and skins trade. Copy of the statement of the local FAO representative is attached as Annex 4.

Sectoral Programme on Effluent Treatment in South-East Asia

63. A UNIDO staff member of IO/T/AGRO Leather Unit presented the report on the Sectoral Programme on Effluent Treatment in South-East Asia. In the course of recent negotiations with potential donor countries, UNIDO has revised the umbrella project, taking into account concerns raised by several of the donors. These concerns mainly related to the coordination and management aspects of the programme and the direct assistance to the leather industry. Finally, the social aspects, the cleaner technologies aspect and the sustainability of the programme were elaborated in more detail.

64. Recent missions and on-going consultations with the interested donor countries had led to the expectation that

decisions will be made early 1994 and the programme could be launched soon thereafter.

65. An overview of the current funding situation was also presented. It is included in this report as Annex 5.

66. In light of the above, it was pointed out that the programme was designed about two years ago, and the situation in each of the participating countries may have changed. Therefore, it was suggested to organize a UNIDO mission to reappraise the situation and modify project documents and work-plans accordingly.

67. The UNIDO staff member of IO/T/AGRO Leather Unit also highlighted UNIDO interventions aimed at solving the environmental problems of the leather industry. The catalytic, impartial, non-commercial character of UNIDO's technical assistance was emphasized as well as a three-pronged approach which concentrated on the legislative aspects, cleaner technology/pollution prevention and end-of-pipe treatment.

III. PRESENTATION OF BACKGROUND PAPERS AND DISCUSSIONS

Introduction of Cleaner Leather Production Methods, Prospects and Constraints

68. A UNIDO consultant presented a study on the most promising cleaner methods being introduced mainly in industrialized countries, many of them with great potential for implementation in developing countries and which can be applied at various stages of leather manufacture.

69. He pointed out that controls, which are necessary to run clean technologies, can also lead to an improvement in the quality of leather.

70. Further, the consultant stressed that tanners from developing countries, even when facing financial constraints, also have the possibility to apply the same methods, adapted to their particular production facilities.

71. The consultant listed an extensive range of processes that could be considered as possible criteria in defining the basis for an ecological leather.

Setting Up Tannery Effluent Treatment Plans in India - Practical Experience and Lessons Learnt

72. A UNIDO consultant presented a paper on practical experience in designing and setting-up individual and joint effluent treatment plants in the Indian tanning industry.

73. In India, there are more than 2500 tanneries located in different centres with a total processing capacity of 600,000 tons

of hides and skins per year. The total waste water discharge from these tanneries is about 80,000 cubic metre per day. More than 90% of the tanneries are in the small- and medium-scale sector with processing capacities of less than 3 tons of hides/skins per day.

74. The main constraints in the development of effluent treatment plants in India are: unpredictable seasonal and daily variations in quality and volume of tannery effluent discharge, selection of appropriate technology, finance for high capital investment, high operational and maintenance cost, frequent power failures and breakdowns, inadequate trained manpower for operation and maintenance, sludge disposal problems, difficulty in meeting pollution control standards and absence of an acceptable formula in sharing the operation and maintenance costs of Common Effluent Treatment (CET) plants.

75. A specific problem in the South and arid areas is salinity of effluent for which there is no economically viable technical solution.

76. The consultant recommended greater attention to improve training of manpower, management, creation of demonstration programmes of modern clean technologies, etc.

Discussions relating to tannery pollution control and clean technology

77. It was suggested by some of the participants to put more emphasis on the pollution control issues in Africa than in South East Asia.

78. The UNIDO Secretariat provided information on the activities and results obtained within the Regional Africa Programme in the area of the pollution control. Direct assistance has been provided to 18 tanneries and one institute (LDC/KIRDI, Nairobi) in the form of either complete effluent plant and advice in clean technology or complete effluent plant designs with supporting engineering drawings and environmental impact analysis. A commercial size "model effluent plant" has been installed in Kenya and a Tannery Pollution Control Seminar has been conducted in Nairobi for participants from various African countries. Information was also provided on the plans to be implemented in the Pollution Control Area during the forth-coming second phase.

79. The Panel member from the People's Republic of China highlighted the role of women in the industry and the hardships of women workers in the leather and footwear industry in many of the developing countries. Information was also provided on the Da Chang factory complex and the pollution control problems in this complex.

80. The Panel member from Egypt proposed that a closer link be established between the African regional programme and Egypt. He informed the Panel that Egypt had some interesting technologies

available which may be of interest to the African leather industry.

81. The UNIDO Secretariat supported and encouraged such a link and pointed out that Egypt's footwear and leather goods industry had already benefitted from the Regional Africa programme through participation in the marketing exhibitions organized by the Africa programme. Financial constraints hindered, however, a fuller relationship between Egypt and the Regional African programme.

82. A detailed technical discussion took place concerning various pollution control methods and clean technology aspects. One of the recommendations which crystallized out of these discussions was that UNIDO projects should study the possibilities for developing an appropriate technology for green fleshing of dried hides. The study of suitable equipment for this purpose and possibilities to adjust/modify existing fleshing equipment for this purpose should also be included.

83. The aspects of monitoring and enforcing legislation in tannery pollution was discussed and it was agreed that without proper legislation and monitoring it would not be possible to achieve good results in the pollution control area.

84. The Panel member from Costa Rica informed the meeting about the results of the UNIDO project in his country and specifically pointed out the usefulness of the mobile effluent treatment unit utilized by the Centro de Tecnología del Cuero (CETEC). Assistance to the Costa Rica leather industry and in particular to its environmental issues should be promoted and UNIDO should concentrate its efforts in this direction.

85. Training aspects and the lack of training facilities were discussed and it was agreed that it is necessary to improve training facilities and opportunities for tannery pollution control; various ways to achieve better training standards were mentioned.

86. Two videos, one on chrome recycling prepared by the British Leather Confederation (BLC) and the other on the Hides and Skins Identification Scheme prepared by the Australian Meat and Livestock Commission, were shown and several members requested copies of these videos.

Constraints Affecting the Leather and Leather Products Industry and Measures Required

87. A UNIDO consultant analyzed the prevailing situation of the African leather and leather products sector in the context of the global leather industry. He attempted to identify and highlight all the features regarding raw material/hides and skins production, quality as well as trade.

88. The major development changes which have occurred in Africa during the last three decades have promoted the economic position of hides and skins, leather and leather products sector within the

national economies. However, in spite of the large livestock population in Africa and the significant production of raw hides and skins, the sector plays a very small role in terms of the global leather and leather products trade.

89. With the recent successful implementation of UNIDO's regional project on Hides & Skins, Leather and Leather Products Scheme (US/RAF/88/100 and the associated national projects in East and Southern African countries) the potential of the sector and the constraints existing have been brought into sharp focus. The proposed solutions require strategies which take into account not only the magnitude of the constraints but also the benefit which the global leather industry will acquire through increased availability of better quality material for footwear and leather goods industries.

90. The consultant outlined the major constraints affecting the development of this sector such as low quality of raw hides and skins supply, lack of management, finance and trained manpower, low productivity, lack of information, etc.

DISCUSSIONS

91. Several members of the Leather Panel pointed out that in most of the African countries there is a lack of reliable statistical information reflecting the true quantity of raw material and livestock available in each country. They suggested that a detailed survey, as already done in other countries, should be conducted for selected countries in Africa.

92. The problem of enhancing the quality as well as the quantity of the hides and skins in order to develop the local leather and leather products industry and the domestic market was also discussed. Several participants recommended that the ultimate aim of the African leather and leather products industry should be to develop finished products. These products should achieve as high quality as possible and be mainly targeted for the domestic market. As soon as their quality reaches an exportable level, export should be promoted.

93. One of the members of the Leather Panel stressed the need of promoting the African footwear industry on the basis of the experience gathered within the UNDP/UNIDO Integrated Programme in India. Efforts should be directed to obtain the necessary funding for the Phase 2 of the Regional Africa Leather Programme which is mainly addressing the problems of the African footwear industry.

94. A member of the Leather Panel presented a short note on the consumption of cow hides as food in West and Central Africa. It was suggested that a survey on this topic should be conducted.

95. Another member recommended that increased efforts should be made to find funding for the Hides and Skins, Leather and Leather Products Improvement Scheme in the "francophone" African countries. This programme was originally developed by UNIDO as recommended previously by the Leather and Leather Products

Industry Panel. As suitable donors were not identified the programme was handed over to FAO for up-dating, reformulation and finding of suitable funds.

96. The representative from the International Trade Centre (ITC) made a presentation on the activities carried out by ITC in the field of the leather and leather products industry and pointed out the usefulness of the Market News Service (MNS). A pilot project for the marketing of footwear and leather goods of selected companies in different countries is also among the ITC activities, and should be supported by the Panel. A project proposal for the improvement of hides and skins in various African countries was presented by ITC as well as a proposal to seek donor countries' funding for a joint exhibition stand in selected international fairs.

97. The representative of PROTRADE, a programme financed by the Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ), made a presentation of her organization's activities in the field of the leather and leather products industry.

Integration of Women in Industrial Development: Trends and Perspectives in the Leather and Leather Products Industry

98. A staff member of UNIDO presented a study on the role of women in industrial development. This study showed that in the developing countries the proportion of women in the labour force has increased to the point where, in some places, it is higher than in any developed country.

99. In Africa the share of manufacturing in total employment has remained generally lower than in Asia. The experience of the developed countries has been different. In Germany, UK and USA women lost out in the manufacturing sector in terms of the total number employed, although they increased or practically maintained their overall share.

100. Referring to statistics collected in selected countries in 1981, 1983 and 1985, the following industries are the main sources of employment of women in most countries: textiles and clothing, food processing, chemical products, printing and publishing, and electrical machinery and apparatus.

101. The participation of women in the leather and leather products industry's activities, with the exception of some countries in the South Asia Region, has a short history due to cultural barriers, employment procedures and lack of opportunities to enhance women's skills at various levels.

102. Recommendations to promote the integration of women in industry and recommendations specific to the leather and leather products industries such as organization of leather technology training programmes for women, workshops, etc., were discussed.

The Kenyan Leather Industry

103. The two papers presented dealt extensively with the leather industry in Kenya providing background information on the history of this sector as well as specific information on the shoe industry in the country. The text of the above presentations is included in the report and is attached as Annex 6.

Recommended Issues to be Discussed at the Regional Consultation

104. The UNIDO Secretariat sought the advice of the Leather Panel as to whether the following issues would be suitable for discussion at the Regional Consultation on the Leather and Leather Products Industry in Asia and the Pacific (tentatively scheduled to be held in 1995):

- Application of modern technology such as CAD/CAM/CIM in footwear and leather products industries in developing countries;
- Measures to upgrade footwear and other leather products with special emphasis on quality control, marketing problems and firm strategy;
- Professional training systems used for the leather processing and leather products manufacturing industries;
- Project concept "ECO-LABEL" for leather and leather products

DISCUSSIONS

105. With regard to the first issue, namely, the application of modern technology such as CAD/CAM/CIM in footwear and leather products industries in developing countries, most of the Leather Panel members supported this proposal. However, it was pointed out by some members that these new technologies may be too advanced for many of the developing countries, taking also into account that in many of them, the labour cost as well as the level of technical skills are still very low.

106. Most of the members agreed with the second issue, namely, measures to upgrade footwear and other leather products with special emphasis on quality control, marketing problems and firm strategy. It was suggested that UNIDO should be involved in the production of healthy footwear through a foot measurement programme and development of well-fitting shoe lasts.

107. Referring to the third issue, namely, professional training systems used for the leather processing and leather products manufacturing industries, one of the members of the Leather Panel recommended that UNIDO instructors and field experts undertake training in UNIDO training methodology and new modern training systems. It is important that the UNIDO field experts have latest technical information available and, therefore, a spec

institute should be selected where such training could be provided to UNIDO field staff.

108. The fourth issue on the project concept for the ECO-LABEL for leather and leather products raised a lively discussion among the Leather Panel members. It was pointed out that as there is not a clear definition for environmental-friendly leather and leather products, although such a claim is made by various companies and organizations as part of their marketing strategy. A study should therefore be conducted by a group of experts, in co-operation with UNIDO and possibly, with the participation of representatives of specialized leather and leather products institutions, to give a general definition of the ECO-LABEL, its function, standards required, monitoring and issuances of certificates and labels. It was, therefore, recommended that UNIDO should establish a small experts' group to further study this matter and to elaborate appropriate criteria and guidelines.

IV. CONCLUSIONS AND RECOMMENDATIONS

109. The Leather Panel provided the following main recommendations:

1. UNIDO's activities in the leather and leather products sector and the role of the UNIDO Leather and Leather Products Industry Panel should be further reinforced. A small "Action Committee" composed of maximum of three to four members of the Panel should be formed to inter-act between the UNIDO Panel and the donor countries. This Action Committee should meet twice a year to follow-up the relevant issues.
2. The increased co-operation between the UN agencies, specifically ITC and UNIDO was noted and encouraged. The documents presented by ITC for joint execution between ITC and UNIDO in marketing of footwear and leather goods were supported and recommended to be presented to suitable donor countries for financing.

The proposal of ITC to request donor country funding for a joint UN organization exhibition stand in selected international fairs was supported by the Panel.

3. It was recommended that increased efforts should be initiated to find funding for the Hides and Skins, Leather and Leather Products Improvement Scheme in the "francophone" African countries. This programme was originally developed by UNIDO as recommended previously by the Leather and Leather Products Industry Panel. As suitable donors were not identified the programme was handed over to FAO for up-dating, reformulation and finding of suitable funds (possibly under the UNCTAD commodity funds). The updated document has now been completed by FAO and the Panel recommends strongly its urgent implementation.

4. It was recommended that further efforts should be made to improve the integration of women in the leather industry. The model presented by Zimbabwe i.e. training of women entrepreneurs in the small-scale industry and providing them tools, equipment and materials on loan or low interest credits and arranging marketing of the products through established shoe factories was agreed to be an interesting scheme which should be encouraged to be duplicated in other countries. The recommendations in the paper "integration of women in the industrial development in the leather and leather products industries" were endorsed.

It was agreed that UNIDO, jointly with ILO, should look into the working environment within the leather, footwear and leather products industry with a view to encouraging safe and healthy working conditions.

5. The Panel stressed the importance of cooperation between the donors and the recipient countries. All projects should be presented in such a way that the ultimate benefits of such cooperation are clearly demonstrated. One way of achieving such impact would be to encourage joint ventures and provide funding or credits for such joint venture operations.
6. The lessons learned in the Indian programme should be taken into consideration in the second phase of the Africa programme mainly the importance of training, components manufacture, effluent treatment, improved styling and designing.

Establishment of a model shoe factory was encouraged but only under strict monitoring of the results. The results would then be disseminated to other users to serve as guide in the establishment of such factories. The model shoe factory investment is provided by the joint venture partners and commercial loans.

7. It was proposed that the UNIDO Regional Africa Leather and Footwear Industry Scheme (RALFIS) should continue to make country surveys on the raw hides and skins situation in the African countries.

The fleshing of dried hides after soaking in African conditions should be studied within the UNIDO project and recommendations should be provided on suitable methods, adjustment and modifications which are likely to be needed for the existing fleshing machines.

8. UNIDO was congratulated by the Panel on the encouraging results obtained so far in the revolving fund operations. Further operations in this direction should be continued and benefit the whole industry sector. It should be studied how the revolving fund operations can be applied also in countries with state-owned industry.

9. The Panel reconfirmed the previous recommendation on the importance of the environmental and pollution control work in the leather industry in general and took note on the work so far accomplished within the Africa programme which exceeded the specified outputs of the project documents.

UNIDO should also continue and increase efforts to find funding for tannery pollution control and clean tanning technology projects in all parts of the world with emphasis on optimum cost effectiveness and most suited technology.

10. The efforts and difficulties encountered by UNIDO in obtaining funding for the second phase of the Africa programme and the South-East Asia Tannery Pollution Control Programme were noted and it was strongly recommended to continue efforts in identifying suitable donors and also from the non-traditional sources such as the European Economic Commission (EEC) and various development banks. If these efforts were not successful, the projects should be down-scaled to the level of available funds.
11. The importance of the ITC Market News Service, especially to the developing country hides and skin and leather trade, was noted by the Panel. It is essential that this service continues and - if possible - also enlarges its scope to report on other raw stock than bovine, sheep and goat through separate special service.
12. UNIDO and ITC should explore the possibility of enhancing the use of, and trade in, hides and skins of that are presently not utilized on a wide scale.

The UNIDO Leather Unit's work in the fish skin tanning, finishing and marketing efforts was commended and it is recommended that this work should continue.

13. The Panel agreed that issues presented in UNIDO's document entitled "Recommended issues to be discussed during the Sub-Regional Consultation" (ID/WG.536/6 (SPEC.)) regarding the application of modern technology to the leather products industry in developing countries, measures for total quality control and professional training for the leather products industry would be suitable for discussion at the Regional Consultation of the leather and leather products industry in South East Asia. In elaborating these issues, the UNIDO Secretariat will take due account of the views expressed by the Panel members. Reservations were expressed by some Panel members regarding the ECO-LABEL project. They feared that this could become a hindrance to world trade in leather products. UNIDO should establish a small expert group to further study this matter and to elaborate appropriate criteria and guidelines.

14. The up-grading of teaching skills of trainers and UNIDO international experts as well as uniform training methods applied need attention. It was recommended that periodic training courses for upgrading the skills of trainers and international experts need to be conducted in a selected institute in uniform manner.
15. The work of the UNIDO leather programme in Africa to originate and assist trade associations and work closely with such bodies was noted. It was recommended that work in this direction should continue.

ANNEX 1

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ANNEX 2

WORK PROGRAMME

Monday, 29 November

- | | |
|---------------|---|
| 9:00 - 9:30 | Registration |
| 9:30 - 10:00 | Opening of the session: <ul style="list-style-type: none">- Statement by Mr. Hayat Mehdi, Director of the System of Consultations Division- Inauguration of the meeting by Mr. J. Kuria, Chairman of the Kenya Association of Manufacturers- Statement by the UNIDO Country Director on behalf of the Representative of the United Nations Development Programme in Nairobi |
| 10:00 - 10:30 | Election of the Chairman, Vice-chairman, Rapporteur |
| 10:45 - 11:15 | Report on UNIDO's technical assistance activities (Mr. Berg) |
| 11:15 - 12:00 | Discussions |
| 14:00 - 15:00 | Report on the "Regional Africa Leather and Footwear Industry Scheme" (RALFIS) and national country projects (NALFIS) (Ms. Calabrò/Mr. Felsner) |
| 15:00 - 15:30 | Discussions |
| 15:45 - 17:00 | Continuation of discussions |

Tuesday, 30 November

- | | |
|--------------|--|
| 9:00 - 9:30 | Presentation of the sectoral programme on effluent treatment in South-East Asia (Mr. Buljan) |
| 9:30 - 10:15 | "Introduction to Cleaner Production Methods: Problems and Constraints." (Mr. Aloy, Consultant in cleaner technology) |

Tuesday, 30 November (continued)

- 10:30 - 11:30 Discussions
- 11:30 - 12:30 "Setting up Tannery Effluent Treatment
Plants in India: Practical Experience and
Lessons Learnt"
(Mr. Rajamani, Tannery Effluent Treatment
Consultant)
- 14:00 - 15:00 Continuation of discussions
- 15:15 - 16:00 Videos on chrome recycling prepared by
the British Leather Confederation (BLC)
and on hides and skins identification
scheme prepared by the Australian Meat
and Livestock Commission
- 16:00 - 17:00 Discussions on the videos

Wednesday, 1 December

- 9:00 - 10:00 Presentation of the paper on constraints
affecting the leather and leather
products industry and measures
recommended (Mr. Kiruthu, Hides and Skins
Co-ordinator)
- 10:15 - 11:15 Discussions
- 11:15 - 12:30 Contributions of UN agencies and
observers followed by discussions
- 14:00 - 14:45 Presentation and discussion of the paper
on integration of women in the leather
and leather products industries
(Ms. Calabrò)
- 15:00 - 17:00 Presentation and discussion of the Kenyan
Leather Industry (Mr. Awale and
Mr. N'ghete and selected Kenyan
industrialists)

Thursday, 2 December

- 8:30 - 11:45 Visit to Sagana Tanneries
- 14:00 - 17:00 Visit to Sana Shoes Holdings, Thika

Friday, 3 December

- | | |
|---------------|---|
| 9:00 - 10:30 | Discussion of issues to be raised at the forthcoming Consultation meeting in South-East Asia
(Mr. Mehdi) |
| 10:45 - 12:00 | Discussion of conclusions and recommendations |
| 14:00 - 16:00 | Continuation of discussions and adoption of conclusions and recommendations |
| 16:15 - 17:00 | Official closing of the Panel |

ANNEX 3

DOCUMENTATION

Aide-Mémoire	-
Provisional Work Programme	-
Provisional List of Participants	-
Regional Africa Hides and Skins, Leather and Leather Products Improvement Scheme - US/RAF/88/100 and Regional Africa Leather and Footwear Industry Scheme (RALFIS) US/RAF/92/200	ID/WG.536/1(SPEC.)
Integration of Women in Industrial Development: Trends and Perspectives in the Leather and Leather Products Industries	ID/WG.536/2(SPEC.)
UNIDO Technical Assistance Activities in the Field of Leather and Leather Products as at September 1993	ID/WG.536/3(SPEC.)
Status of UNIDO Pipeline Programme: US/RAS/92/120: Assistance to the Tanning Industry in South-East Asia	ID/WG.536/4(SPEC.)
Constraints Affecting the Leather and Leather Products Industry and Measures Required by S.M. Kiruthu	ID/WG.536/5(SPEC.)
Recommended Issues to be discussed during the Sub-Regional Consultation	ID/WG.536/6(SPEC.)
Setting up Tannery Effluent Treatment Plants in India - Practical Experience and Lessons Learnt prepared by S. Rajamani	ID/WG.536/7(SPEC.)
Introduction of Cleaner Leather Production Methods - Prospects and Constraints prepared by Michael Aloy	ID/WG.536/8(SPEC.)

ANNEX 4

STATEMENT OF HAROLD L. NORTON, FAO REPRESENTATIVE IN KENYA

Mr. Chairman, Mr. Vice Chairman, Distinguished Guests, Colleagues,
Ladies and Gentlemen,

I have been asked by the Director-General of FAO and the Commodities and Trade Division of FAO to extend their greetings and regards to those attending the 11th Session of the UNIDO Leather and Leather Products Panel.

The FAO Council and Conference is being held in Rome which has precluded Headquarters staff from participating in this important Panel Session, particularly as FAO has attended the previous 10 sessions of the Panel. FAO Headquarters follows closely the work being carried out by the UNIDO panels and shall use the information and materials in its work.

FAO has always enjoyed a close working relationship with UNIDO and the delegates and we value this relationship very highly. FAO is carrying out, following close consultation with UNIDO, a study on the market of Hides and Skins in Africa and look forward to receiving the Panel's recommendations. Also, FAO welcomes the expected participation of UNIDO at the forthcoming 4th session of the Sub group on Hides and Skins scheduled to be held in September 1994 and looks forward to a further strengthening of relations between the two organizations in the coming years.

On another note, I am advised that the current situation and outlook for hides and skins on a worldwide basis points to the possible continuation of a depressed world demand for hides and skins which reflects reduced consumer expenditures for leather manufacturers in the major consumer countries, who were affected by persistent economic recession in 1993. This is reflected in value of leather and leather products from major developing countries which fell in 1992 for the first time in 10 years. Also, global output of bovine hides and sheep and lambskins declined in 1993 and no significant changes are expected on a worldwide basis in 1994. With demand remaining depressed in the principal consumer countries, prices for most types of hides and skins are unlikely to show any significant rise in the short term. This situation became evident in 1992 and 1993 as trade, particularly imports, of bovine hides and skins were characterized by depressed demand for leather and leather products in major consumer markets which remained in economic recession. Also, global exports of sheep and lambskins decreased by about 5 percent in 1992 and continued in 1993 mainly due to reduced shipments from Australia and New Zealand.

Thus, there appears to be a slack demand for leather and leather products and hides and skins which is unlikely to improve significantly in 1994 given the continuation of the economic recession in the major consumer countries. Thus, a higher demand for quality leather products will need to be influenced by a significant rise in prices that reflects a substantial world economic recovery.

In conclusion, the Director-General of FAO and his staff wish the delegates and officials participating in this 11th Session of this UNIDO Panel all the best in your deliberation on the leather and leather products industry.

. Thank you.

ANNEX 5

CURRENT FUNDING SITUATION (DECEMBER 1993) FOR REGIONAL ASIA TANNERY POLLUTION CONTROL PROGRAMME (US/RAS/92/120)

Project No and Cost in US\$ (figures incl. 13% support costs)	Title	Status of funding and donor countries (figures incl. 13% support costs)
USRAS92/120 (2,747,030 \$)	Assistance in Pollution Control in the Tanning Industry in South-East Asia (Umbrella Project)	NET has indicated its firm interest to contribute: NET: 1,247,030 \$ DEN has indicated it is seriously considering a substantial contribution. The desired amount would be: DEN: 1,500,000 \$
USINS92/120 (1,381,990 \$)	Assistance in pollution Control in two selected Areas of Indonesia	SWI has approved the project for funding (US\$ 700,000). The project will be implemented in a scaled down version (West Java only).
US/THA/92/120 (1,122,090 \$)	Establishment of tannery sludge handling facilities and pollution control laboratories at Samut Prakarn	DEN has indicated it is seriously interested in financing the project entirely
USCPR92/120 (2,574,850 \$)	Assistance in Pollution Control and treatment of tannery wastes in China	GER has approved the full project for funding.
USNEP92/120 (697,210 \$)	Plant rehabilitation and establishment of a effluent treatment facilities at BLSF, Kathmandu	AUS has approved the full project for funding. Govt. of Nepal has reconfirmed its commitment.
USIND90/244 (1,534,500 \$)	Assistance in treatment of tannery effluents, Tamil Nadu	Project is ongoing and funded by SWI. Likely to be regional HQ for the programme
Total 10,057,670 \$		
Funding is insecure for the following countries		
USPAK92/120 (545,790 \$) (Prep.Assistance)	KLT.E Common Effluent Treatment Plant	Funding is unlikely at this stage since no donor has expressed specific interest
USBGD92/120 (545,790 \$)	Establishment of a Common Effluent Treatment Plant at Hazaribagh, Dhaka	BGD Government has decided to relocate tanneries to the coast. ADB is funding study on the relocation
USSRL92/120 (1,402,330 \$)	Assistance in establishment of a common wet processing facility.	Funding is unlikely at this stage, since no donor has expressed specific interest
Total 2,493,910 \$		

ANNEX 6

PRESENTATION BY H. AWALE, CHAIRMAN, KENYA TANNERS ASSOCIATION TO THE LEATHER AND LEATHER PRODUCTS INDUSTRY PANEL

First Tannery was established in Kenya in the late 30's early forties to produce Leather for use in war efforts. At that time the general quality of raw materials were very poor and the majority were dried on the ground - hence the name ground dried. Slowly things changed for the better upon introduction of shade drying method by having Hides suspended in frame. Meanwhile, development of better method of production gradually took place discarding the old. New technology and modern machinery and equipments were introduced. To match these changes, greater efforts were made then to improve the quality of Raw materials. Bye-laws were enacted governing the overall preparation and the care of Hides and Skins to ensure standards set were maintained and observed. Branding of live animals, flaying at the slaughter houses and the subsequent drying. Under these arrangements Hides and Skins improvement officers were trained, and the inspectorate was run under qualified Tanners. The officers were then active and had a role and a target to achieve. I hasten to add though that this area of control has been eroded partly by lack of commitments on the part of the authority who give this sector low priority despite healthy contribution it makes to the country's forex earnings. We have in Kenya coffee research stations, Kenya Agriculture Research Institute, etc but not a real development and research oriented establishment for Leather industry. The one in existence has been virtually rendered ineffective by lack of proper management and real commitment to work. The confidence by investor in sinking large amount of cash in the sector does not receive commensuration measure of support where it matters most. Improvement of quality cannot be considered the sole preserve of the Tanner. The Tanners have enough problems in running the industry particularly now under difficult economical condition. Developing world can least afford the continuing waste of scarce resources which can be saved by exerting the right effort and enacting policy that will arrest the declining quality. Little of the effort and zeal and expended to attract new investors to the country should be spent to give those who are here a little more hearing and support. Committed personnel in the field are one of the prerequisite to educate the producers and the butchers, organise seminars, spent little money in keeping in reducing and eventually eliminating preventable waste of scarce resources. Money is greatest motivator and strategy to reward good performers need to be adopted. License the flayers under Hides Improvement set-up and recognise best flayers for special awards and cash donation. Encourage young entrepreneur to set up collection post in the rural arrears and who for instance offer free slaughter and flaying of animal for half the price of the Hide or Skins.

We all know, those in the industry know, that it is far more difficult and costly to process substandard material, and even more difficult to sell. The ability to obtain improved material for processing.

Early in the fifties commercial firming took firm grip and ranches were established with specific aim of breeding and rearing animals for beef. Sahiwal Bulls were imported to improve the breed. Cross of local Boran animals produced a strain that were considered good and which matured early gaining weight comparatively better than those that were not cross bred. These are today in evidence in some of the better run ranches in the country. Unfortunately, some of the economically run large ranches were later subdivided to settle landless and this had adverse effect. The number of high breed animal the country produced dropped considerably. Some large size farms still exist but are few in numbers. These are either privately owned or run by co-operatives societies.

LEATHER: From the late sixties, Kenya developed Leather Industry faster at the expense of neighbouring countries whose industries collapsed either due to civil strife as the case has been in Uganda and or due to introduction of socialist type of government and nationalisation of industry as happened in Tanzania. Today the total installed capacity exceeds by far Kenyas' own production of Raw Hides and Skins.

As privatisation process and rehabilitation of Tanning industry take root in Tanzania, Kenya will have less and less Hides and Skins coming through the border of Tanzania and Uganda outside the custom's control as in the past. Shortage of Raw Materials is already evident and capacity utilisation badly affected.

The old Tanneries in Kenya are also being rehabilitated and expanded and new ones are planned with one of them near completion and is expected to start operation in January '94. The pressure of high demand and low supplies is now being felt and is creating a sellers market as Tanners compete for the low quantities that are available. In addition, number of animals being exported live on the hoof are on the increase and is thus depriving the industry and the country of a vital source of raw material. In this climate of shortage quality also suffers as Tanners and buyers are left with little choice and have to accept the dictates of the seller.

Furthermore, Raw Hides and Skins are allowed for export with the same level of forex retention (50%) as Tanners who have to spend forex earned to service imported inputs. The attraction to earn forex has produced overnight crop of exporters of raw without comparative cost in terms of employment and investment.

The situation is aggravated even further by monetary policy or lack of it. Exchange rate in January '92, stood at Shs 28.94 for one USD. Foreign exchange control was lifted and freed to be dictated by market forces within the private banking system. This made the foreign currencies soar to a level that was unheard before. Dollar for example went up to Shs 79.00/82.00 (one USD). New directives issued allowed exporters of Raw, semi processed or processed products 100% retention of forex earnings. Majority of manufacturing industries with foreign bills to pay had to find extra cash to meet their commitments of products some of which were

long used up and costed at the old rate. Export earnings rose in terms of Shilling and to some extent cushioned the impact of huge losses suffered by most manufacturing concerns. Soon most exporters fed into their procurement the level of increased Forex earnings in Kshs and Hides prices moved from Shs 45.00 per kilo to Shs 150.00.

In march this Year, the freed Forex dealings was abolished overnight and the country reverted to the old method of control of forex at a fixed rate determined by the Central Bank. Dollar rate was reduced to Shs 36.00 from the peak of Shs 79/82.00 previously. Earnings from export fetched considerably less Shilling than was invested in the merchandise and and inversely less Shilling paid on foreign bills that had not matured for payment, although the net result was huge losses for most enterprises.

The successive changes wreaked havoc and as a result threatened the existence of minor as well as major firms. Yet once again in June, this Year, Forex retention was reintroduced at a lower rate of 50% but for all exports whether Raw or not. The Foreign currencies were allowed to float and firms had to buy Forex from the Bank at rates fixed by commercial Banks. This has now stabilized to Shs 69.00 to a dollar.

I must emphasise however, that these wild changes were not entirely of the country's own making but as a part of structural adjustments called for by the IMF/World Bank. In real terms employment shrunk due to overall fall in demand of consumer products which leaped in prices than the rise of earnings. Meanwhile, another adverse effect came in the form of high rates of return offered by Government for Treasury Bonds. It paid until very recently 70% interest P.A. thus diverting the flow of cash away from productive sector of the economy to unproductive area. Manufacturing sector were deprived of vital cash as commercial interest rate were then on average 25% P/A., Banks naturally had to follow where their earnings were higher, and even major traders found it profitable to purchase government bonds than to invest in stocks.

The mopping up of excess liquidity to finance government expenditure when foreign aid stopped coming in created shortage and there was no sufficient cash available to businesses. Inversely, due to erosion of the value of Kenya Shilling, the business enterprises required three times the capital to service the same volume of business as that of say Sept last Year. It is only last week that glimmer of hope was seen by the announcement that the aid is going to be resumed. The commercial interest rate is at present 30/35% P.A. but is expected to fall, as Government Bonds have also dropped to 50% and less.

Duty on most Chemical were raised in June last Year by 10% but had less impact on Export as one old claim rebate. The local consumers however had to carry this extra burden as well as extra cost arising from the fall of shilling against foreign currency. The up

shot of this is overall fall of demand and cut back in production, which in turn has caused great number of people to lose their jobs. Demand for meat has drastically fallen and in consequence thereof the supply of Raw Hides and Skins. Farmers cannot be expected to keep rearing animals when the off-take is not regular and the rate of return does not measure up to other alternatives use of the land. Overseas demand for cut flowers and fresh fruit and vegetables and other crops such as Macadamia Nuts, Bixa etc are all going to compete for the marginal arable land that is available with less priority being given to animal rearing, and once the change takes place it will be very difficult to reverse.

Animal production will be confined to arid and semi arid areas where land has little chance to produce other kind of crops and these are the areas including viable ranches that need to be given attention and full support for their development. Collective ranching could be one of the answer with borehole for steady supply of water.

Africa will remain potentially most important area to expand animal rearing and production but development have to be mapped out now and goals set to realise its fullest potential.

In conclusion I should like to pose a question. Where is the Leather Industry going to be in the Year 2000 given the increasing campaign against animal slaughter for food, and the change of eating habits from red meat to white meat?

I wish to thank you for listening to this presentation and I would highly value your comments or observations.

PRESENTATION BY CHARLES NG'ETHE, CHAIRMAN, KENYA FOOTWEAR
MANUFACTURERS ASSOCIATION

The shoe industry in Kenya dates back to early 1940's when a shoe factory was set up by Bata at Limuru. The development of the shoe industry as a whole was rather slow until the late sixties and seventies when a major growth was witnessed when several medium scale shoe manufacturing companies were set up with an average production of 1,000 pairs a day. However, in the late seventies, up to the half of 1980's the growth had a nose-dive which culminated in most of the factories being put under receiverships and eventually closing down altogether. The main cause of the closures was:-

- i) Damping of cheap footwear.
- ii) Uncontrolled importation.
- iii) High customs duty charged on raw materials.

From 1984 onwards, small scale shoe manufacturing units started coming up in way of family businesses, producing men's moccasin shoes which are basically hand-made. The steady growth of these units has developed into small scale shoe factories producing an average of 60 - 100 pairs of shoes daily. The total annual production of all footwear in Kenya is approximately 17.5 million pairs. These factories formed the Kenya Footwear Manufacturers Association which in turn sought assistance from Unido in terms of rehabilitation and training. It is gratifying to note that Unido has assisted these units with machinery, basic shoe making equipment thereby effectively making some of them semi-mechanised. The success behind these units may be attributed to the fact that they are run and managed by the owners on a full time basis. The shoe manufacturers Association has since identified other key areas on Human Resources Development that require attention immediately the priority being training.

TRAINING.

The shoe industry has no training facilities whatsoever in Kenya apart from "on the job training" which is very expensive all round and the fact that the small scale manufacturers cannot afford it. At the Associations level it was decided that we should once again approach Unido with a view to getting assistance in this very important area. To start with Unido gave us experts in such fields as pattern cutting, clicking etc who were attached to our factories for a few weeks in addition to overseas training seminars in specialised areas such as machine maintenance and pattern cutting and designing. The result has been improved productivity and quality. Our long term request was a Training Centre where basic skills would be taught e.g pattern cutting, die making, closing etc. It was requested whether the Revolving Fund money could be used on the Training Centre and after lengthy discussions between our Association, Tanners Association and Kenya Association Of Manufacturers, It was finally agreed that the funds be used for construction. The centre we believe is a classic example where Donors Funds have been well utilised and also a true demonstration of Co-operation at the local level.

It is the Footwear Association's intention to fully utilise all the facilities available within the Training and Production Centre, train the local personnel and eventually train people from the neighbouring countries as they also don't have training facilities. Other problems areas that are currently affecting the shoe industry and the small manufacturers in particular are:-

- i) Jua Kali.
- ii) Customs duties levied on raw materials.
- iii) Second hand footwear (imported).

JUA-KALI.

This is the informal sector of the shoe industry which hasn't a fixed abode, doesn't pay any form of taxation and has relatively no overheads. The name Jua Kali is Swahili meaning "Craftsmen operating directly under the hot sun". Their main occupation is to copy our shoe designs, use inferior materials, poor workmanship and to sell the shoes at throw away prices. They have no idea of how to cost the shoes and as a result, their businesses don't last long but no sooner do they close than others open. Our Association is trying hard to make them join us so that we can at least give them clues in costings etc and try to establish a level playing field. The Footwear Association is also trying hard to up-grade our shoes by using much superior raw materials including soles, but the main constraint is importation due to high customs duties and the fact that our quantities are small.

CUSTOM DUTIES.

Duties levied on raw materials have a negligible difference from those of finished goods thereby making the locally manufactured shoes appear rather over-priced in comparison with the imported ones. Effective representation has been made to the government and it is hoped that meaningful results will be achieved.

We believe that inspite of all the high-lighted problems the shoe industry has a bright future now that we have reasonably good leather coupled with properly trained personnel with the ability to understand the modern methods of technology in shoe manufacturing. In addition the potential of the shoe industry in Kenya is high especially when we take into account that we are ahead of our immediate neighbours and have bright chances of exporting to these countries. Unit soles production would have a ready market both in Kenya and in neighbouring countries.

At this juncture I would like to take this opportunity to thank the organisers of the Leather Panel and the Chairman for inviting the Shoe Manufacturers to this very important meeting. We leave this meeting with high expectation that the phase Two of the Leather Project will get funds from donors so as to continue the good work that Unido has done whose positive results can be seen clearly.

We wish you very successful deliberation and a pleasant stay in Kenya.