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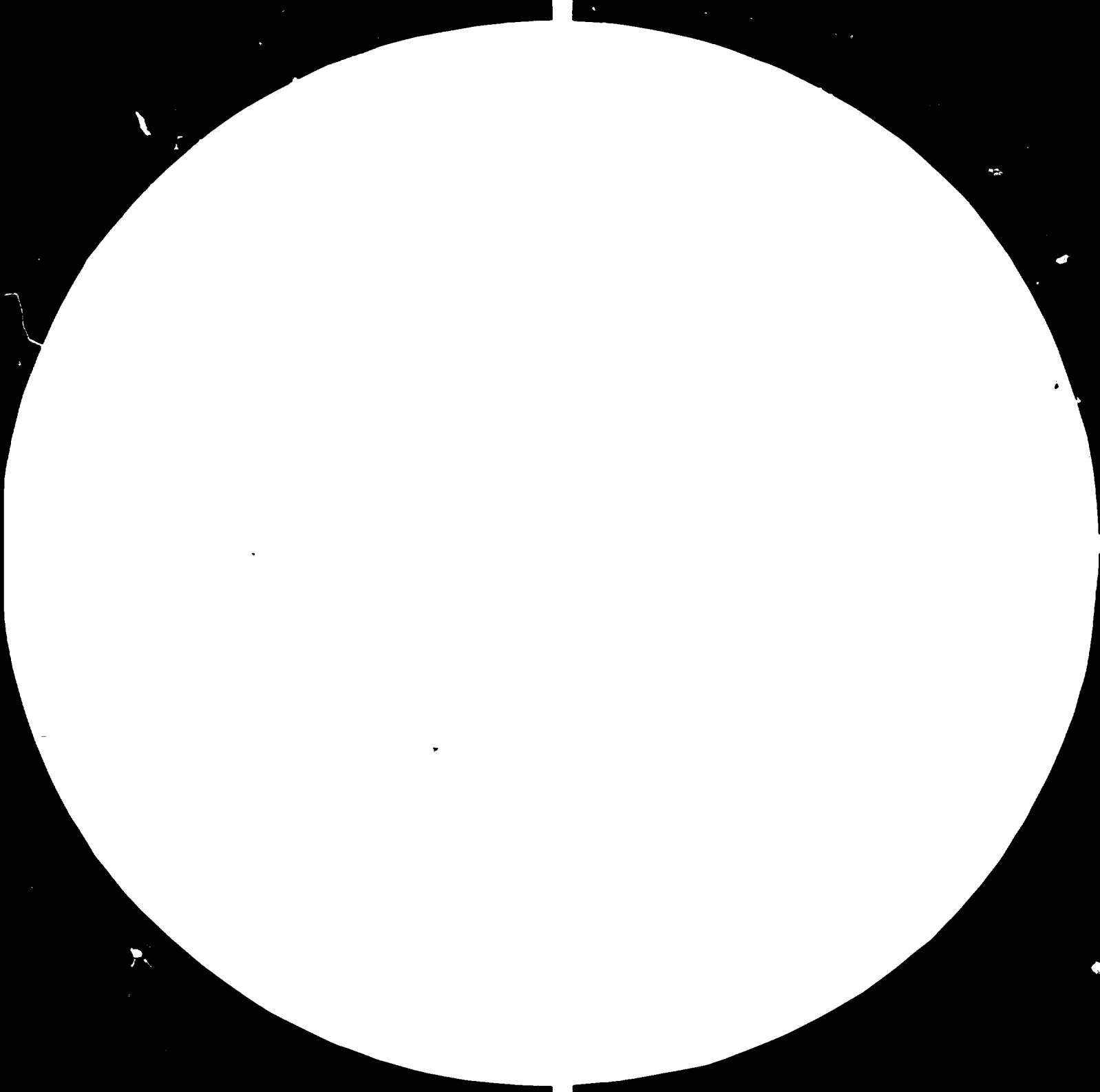
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ASSISTANCE TO THE LEATHER INDUSTRY

SI/URT/77/805

UNITED REPUBLIC OF TANZANIA

Terminal report*

Prepared for the Government of Tanzania
by the United Nations Industrial Development Organization,
executing agency for the United Nations Development Programme

Based on the work of Ronald G. Bowey, leather industry expert

United Nations Industrial Development Organization
Vienna

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ASSISTANCE TO THE LEATHER INDUSTRY OF UNITED REPUBLIC OF TANZANIA
(SI/URT/77/805/11-01/31.7.D)

CONTENTS

	<u>Page</u>
1. SUMMARY	5
Findings	5
Recommendations	5
2. INTRODUCTION	7
3. FINDINGS AND OBSERVATIONS	9
General	9
FINDINGS AND OBSERVATIONS - ACTION CALLED FOR	16
FINDINGS AND OBSERVATIONS - APPARENT ACHIEVEMENTS OF THE PROJECT	18
FINDINGS AND OBSERVATIONS - ACTION INITIATED BUT NOT ABLE TO BE COMPLETED	19
FINDINGS AND OBSERVATIONS - INCIDENTAL SERVICES RENDERED: (AS SEEN TO BE NEEDED AND AS REQUESTED)	20
4. CONCLUSIONS AND RECOMMENDATIONS	21
1. Management	21
General Manager	22
Group Production Management	22
Group Technical Management	22
Group Commercial and Marketing Management	23
2. Practical action required	23
a. Industrial and commercial organisation	24
b. Training	25
3. Funding	25
4. Marketing strategy	25
5. Proposed Leather Centre	26
6. Alternative and Additional Products and Market Contacts	26
7. Surveillance of Contracted-out Management and Marketing	26
5. APPENDIX 1 - TLAI: SCOPE OF LEATHER INDUSTRY RESPONSIBILITIES: ESTIMATED LEATHER PRODUCTION AND USAGE - PRESENT, FUTURE OUTLOOK AND AVAILABILITY FOR EXPORT; MONITORING OF ALLOCATION	28

(continued)

CONTENTS (continued)

	<u>Page</u>
LEATHER ESTIMATED PRODUCTION AND USAGE, PRESENT AND FUTURE OUTLOOK, AVAILABILITY FOR EXPORT	30
MONITORING OF ALLOCATION	32
APPENDIX 1a - LEATHER: EXPORT SELLING AND SHIPPING; QUANTITIES; MARKET OPINIONS - PRODUCTS AND SERVICING; ACCELERATED PRODUCT AND PROFITABILITY IMPROVEMENT THROUGH CO-OPERATIVE VENTURE	33
SELLING AND SHIPPING	33
Selling	33
Shipping	33
EXPORT QUANTITIES	34
MARKET OPINIONS - THE PRODUCT	35
Finished leather - bovine	35
Finished leather - ovine and caprine	35
Part-processed leather of all types	35
Market opinions - sales servicing	36
Product and profitability improvements-possibilities from the market	36
APPENDIX 1b - LEATHER EXPORT: SOME RELEVANT STRATEGIC FACTORS; THE BASIC CASE FOR CENTRA- LISATION OF MARKETING, SHIPPING AND PRODUCTION CONTROL	36
SOME STRATEGIC FACTORS AND ACTION POINTS	36
Centralisation of marketing, shipping and production control	4c
APPENDIX 1c - CENTRALISATION OF EXPORT MARKETING AND SHIPPING: ORGANISATIONAL AND PREPARATIONAL CONSIDERATIONS	43
MARKETING AND SALES REQUIREMENTS	43
SHIPPING CENTRE REQUIREMENTS	45
FINANCIAL CONTROL, INTERNAL SETTLEMENTS CONSIDERATIONS	46
EXTENSION OF CENTRALISATION	47
APPENDIX 2 - TANZANIA LEATHER AND LEATHER PRODUCTS INDUSTRIES NATIONAL CENTRE FOR RESEARCH AND TRAINING	48
LEATHER CENTRE - ACTIVITIES AND SERVICES	49
1. EDUCATION AND TRAINING	49
2. RESEARCH	50
3. MATERIALS TESTING	51
4. ERGONOMICS	51

(continued)

CONTENTS (continued)

	<u>Page</u>
5. TECHNICAL, TRADE AND REFERENCE LIBRARY	52
6. LIAISON	52
7. ADMINISTRATION AND ACCOUNTING	53
APPENDIX 2a - NOTES ON PROPOSED LEATHER CENTRE SECTIONAL ORGANISATION	54
1. EDUCATION AND TRAINING SECTION	54
2. RESEARCH SECTION	54
3. MATERIALS TESTING SECTION	55
4. ERGONOMICS SECTION	55
5. LIBRARY AND STATISTICAL RECORDS SECTION	55
6. LIAISON SECTION	55
7. ADMINISTRATION AND ACCOUNTING SECTION	56
<hr/>	
APPENDIX 3 - INTERNAL AUDIT - BASIS FOR INCEPTION OF A DATA BANK FOR CENTRAL RECORDS, REPORTING AND CONTROL	57
SUGGESTED SCHEDULE FOR INTERNAL AUDIT OF TLAI OPERATIONAL UNITS	58
SECTION I) Employment, Wages	58
SECTION II) Expenditure	59
SECTION III - CAPACITY UTILISATION AND SCALE ECONOMICS	59
SECTION IV - QUALITY CONTROL	60
SECTION V - TRADING	61
SECTION VI - EXPORTS	61
SECTION VII - MANAGEMENT	63
APPENDIX 4 - APPARENT IMMEDIATE AND EARLY TERM MARKETING, POSSIBILITIES FOR INTERIM, ALTERNATIVE OR ADDITIONAL LEATHER PRODUCTS	64
APPENDIX 5 - SUMMARY OF CONTRACTUAL INVOLVEMENT OF TLAI WITH MESSRS ITALMACCHINE, MILAN, ITALY AND SUBSIDIARIES	68
ACKNOWLEDGEMENTS	71

SUMMARY

The following pages set out to report a six months' duration Project of Advisory assistance to the Tanzanian Leather Industry via its purpose-created body TLAI Corporation which is charged with responsibility for leather industrial promotion and expansion to optimum degree. Findings and Recommendations are summarised:

Findings

In numerous practical respects, the industry's development and expansionist perception is beyond its present digestive capacity which is not only overloaded but malfunctioning.

Severe current problems have arisen from:

Inadequate management at all levels.

Absence of requisite business organization to cope with present practicalities and to programme for future work-load increases.

Shortcomings in technology, technical skills.

Absence of training facilities.

Complicating the operational problems so arising are natural, environmental, force majeure and other extra-industrial factors.

The overall situation is seen as critical and demanding of urgent remedial treatment and deficiency making-good.

Recommendations

These are virtually completely beamed on to provision of better management and missing (and now dangerously overdue) infrastructural and extension services. Major recommendations are accordingly directly relative to the root causes of present problems. Organizational innovations are put forward with suggested modus operandi. Practical action to mend an ailing trading reputation and to lay solid new foundations is proposed. Measures for quicker acquisition of higher technology and to improve

profitability of leather export sales are demonstrated. Priorities for instituting highly necessary executive training are shown and feasible action for strengthening key management pinpointed.

The detailed contents index will assist quick reference to appropriate text and appendixes of the report.

The leather and leather products industries of Tanzania are of considerable potential and have important contributions to make to both economic development of the country and to world leather and leather products-using markets.

This project, implemented at a critical stage in development of these industries, has been specially structured to investigate and report upon certain aspects of an undiagnosed and complex situation arising from practical under-performance as against programmed performance. The situation referred to has been disclosed by prior UNIDO surveys carried out in connection with assessment of Tanzania's technical assistance needs in the further development of its leather and related industries. These surveys were fore runners to planning finalization of a major technical assistance project, now agreed and due to commence 1 January 1980, with the fielding of its International Team Leader arranged for November 1979. Tanzania has received earlier assistance in leather and allied trades industrialization at various times during the 1970's from eg. Commonwealth Secretariat, World Bank and specially contributing foreign countries.

The above quoted SI - Project was requested by the Government of Tanzania in November 1977 and called for a Leather Goods Industry Adviser. The Project became operational May 1979 for a duration of 6 months. Originally scheduled for co-operation with the National Development Corporation of Tanzania - the para-statal with responsibility, inter alia, for the national leather and allied industries - in effect became assigned to Tanzania Leather Associated Industries Corporation (TLAI) recently created as an autonomous body under the Ministry of Industries.

The original terms of reference were adjusted after the first phase of one-month duration of the Project so as more effectively to serve the altered needs of the situation in Tanzania following the inception of TLAI and problems arising from its management, production and organizational difficulties.

In brief, leather production was found to be well below projected performance, scheduled new production of leather footwear and other leather products is

behind programme and probably unsuitable as to product mix for the quantities and qualities of leather likely to be available to the mid-term and for early market acceptability. Extremely well-scaled for optimum volume processing of raw material availability, the tanning capacity which has been installed for some time is severely under-utilised. Technology, technical management and staff are lacking so that the under-utilisation is exacerbated by sub-standard quality. Necessary infrastructural and extension services - training, research, product analysis, materials testing, maintenance engineering - are not adequately available.

Management information systems, production and marketing co-ordination are lacking and in some aspects totally absent. Proliferation of problems may be expected when imminent new production units come into operation.

Identification of trouble spots and advice for remedial steps became the objectives of the project. These were reported to concerned authorities after the first phase and confirmed for action. In terms of germane advice and constructive proposals, the retailored objectives of the project may be said to have been achieved, and this report records related investigational findings and remedial measures recommended. However, it is to be emphatically pointed out that the practical action and follow-up defined and as recommended require urgent action by Government and TLAI if needful and achievable improvements are to be realised.

FINDINGS AND OBSERVATIONS

General

TLAI has statutory responsibility to co-ordinate the State-owned leather and leather product manufacturing enterprises into an integrated national industry and to promote optimum development and expansion. However, there are many internal needs and shortcomings preventing early emergence of a comprehensive Tanzanian leather industry efficiently and adequately representing this country's undoubted potential as an important supplier to world leather and leather goods requirements.

Organizationally and executively, TLAJ is at embryonic stage only. Hopefully, the adverse situations and conditions observed, and now reported upon, are transitional. At this point, however, relative to its responsibilities, TLAJ is dangerously understrength as to managerially and technically experienced senior staff at all levels; within the management that is available leather trade knowledge is gravely lacking. Further, whilst a forward time factor tempers the problem and provides opportunity for present and recently recruited managerial staff to acquire practical experience, weighty extra responsibilities loom:- by early 1980, and by late 1980 - mid-1981, respectively, high volume, new production of footwear and leather products will be flowing. Additionally, a canvas mill will shortly be under construction and, scheduled for early realization, is a major project for a leatherboard plant; a polyurethane plant is in the offing plus a proposed Leather Centre.

All this latter, super-imposed on to the existing shortcomings and gaps in management referred to above, could lead to major breakdown in implementation of programming toward industrial development.

Exacerbating the unready (and therefore practically non-effective) state of TLAJ organizationally speaking, are many practical operational problems - raw and processing material shortages, production faults and failures, absence of technical skills and the training facilities through which the former might be provided, the repercussions of recent and continuing national emergencies.

The overall situation may reasonably and realistically be described as critical, but its gravity appeared not yet to have been appreciated at the time of the onset of this project. Accordingly, to identify and analyse major root causes, and to consider basic needs and remedial treatments, has necessarily demanded priority in conduct of the mission.

Work load, extent and depth of operational difficulties and other problems facing TLAI are formidable. It is blindingly clear that the Corporation must concentrate on getting its priorities right and immediately apply maximum effort to institute adequate management and grow steadily, if slowly, into its mantle. Concentration must be to provide basic organization, infrastructure and general competence to deal progressively and decisively with confronting challenges. General management presently available is lacking physically in number and in expertise to cope with the practical business situation. With but one exception, the inadequate cadre of personnel now incumbent is left with little or no time for performance of its practical executive functions being called upon to spend disproportionate amounts of worktime on statutory and corporate administration processes leaving too little time for 'minding the store'.

With specific reference to the project hereby reported upon, the prevailing circumstances described inevitably affected its conduct and progress; no counterpart was available until the final three weeks of the project's lifetime; there was virtually no consultative access to the only two senior TLAI executives with some leather trade experience; communication with operational units was difficult; information requested was scanty, or non-existent, or withheld; requisite secretarial assistance, willingly given when time permitted, was frequently not available when urgently needed. Consequently, observational, investigational and general work of the project has necessarily had to be carried out in isolation and virtually much more as a self-motivated executive staff member than as an adviser.

As earlier indicated, the Tanzanian leather and leather products industries have two overridingly important groups of problems to deal with: one for the central controlling and directing body - TLAI - to evolve into operational efficiency and two, correction of the technical shortcomings and faults prevalent in the production units.

As was known at the onset of this Project, the many needs for technical aid are to be catered for by imminent new project URT/78/010. The Project covered by this report has sought complementarily to deal with organizational, directional, infrastructural and extension service requirements and the provision, co-ordination and conduct thereof through the controlling body set up for these purposes - TLAI. Work carried out may thus be seen as a timely preliminary to URT/78/010: and, hopefully, if recommendations made are carried out, will assist its implementation.

All the findings and observations listed below call for urgent attention and are of equal priority. The list is in order of feasible action having in mind prevailing circumstances.

1. TLAI management must be strengthened.

2. Senior executive training - although the overall problem of technological and training needs is now in line for overdue attention, within this concern is the very special case of present key personnel at Head Quarters TLAI who must urgently be given opportunity for technical training if they are efficiently to carry out their allotted responsibilities:
 - a) The Project Controller, Mr T. Kalikawe, has an important executive function to perform and, although having several years practical experience in the Tanzanian leather industry, has no background of formal training or qualification commensurate with his duties. This will clearly impose limitations on the contribution to the successful functioning of TLAI which he is clearly potentially capable of making;
 - b) other recent appointments, made toward the end of the duration of the project, are:

Mr. I. N'Nembuka, Project Officer for the proposed Leather Centre;

and

Mr. I. N'Zowah B.Sc. (Chem.), Tanning Chemical Engineer Designate.

Both these gentlemen have little chance to perform their jobs successfully without the benefit of appropriate leather industrial training as both are newcomers to the field.

Accepting all the serious general economic problems now facing the country and the operational problems uniquely facing TLAI at this time,

its Board would be well advised purposefully to consider especial accommodation for this particular training exigency for senior personnel. Leading international instructional, training and research institutions have been contacted on TLAI's behalf and various prospectuses and descriptive literature passed over to General Manager, TLAI. Provision for overseas fellowships is made within Project URT/78/010 and TLAI contractual arrangements with a foreign agent (qv. below) cater for training services. The matter is stressed here for urgent action by TLAI Board.

The proposed Leather Centre should be "phased in" and give priority to training.

3. The Morogoro leather products units will become operational in the near future. A product mix of goods to be produced was programmed at the time the Monogoro project was planned in the early seventies. At that time, the limitations as to quality, availability and type of the leather from which the product range would be manufactured could not reasonably have been seen very precisely, nor perhaps was there marketing appreciation regarding extreme competition for sales of the goods in question. Up-to-date observations show that it will take considerable time for:

- a) Tanzanian leather to be consistently right for the proposed products; and
- b) the finished products to become acceptable and established 'sellers' in key, volume purchasing markets.

It is therefore submitted that early consideration be given to introduction of interim, alternative or additional products for which there are immediate and stable markets and which can be made from the types of part-processed and finished leather Tanzania can most readily provide. Such markets and possibilities have been researched as part of this project. Results were sufficiently encouraging to justify recommendations which have been made to General Manager, TLAI, but which still await follow-up by the Corporation. This follow-up is now considerably overdue

and has commercial urgency if initiative created is not to be lost. Market research and recommendations regarding alternative etc. products, and potential trading contacts made, are noted in appendix 4 to this report.

Unavoidable failure to take follow-up action is another pointer to pressing functional failures due to lack of a fully staffed, expertly managed Corporation.

4. Raw hides and skins:- as to quality, quantity and reliability of supply, herein lies Tanzania's greatest basic natural hindrance to good leather production. Open-range grazing and general environmental conditions which exist, wide geographical dispersal, collection and transport problems - all combine to constitute an everpresent physical concern which will take generations to lessen. Exacerbation of the situation comes from low-standard animal husbandry, unorganized slaughter, haphazard flay, bad curing and the already severe collection difficulty much worsened by illicit trading.

The overall environmental aspect with its inevitable very long-term considerations is the subject of continuous joint consultations between national and international agro-industrial organizations and agencies. Liaison with these programmes, devising educational and demonstration aids, training teams for extensive related field work, consideration of more effective incentives for farmers are all an implied responsibility of the Hides and Skins Improvement Section of the Research and Training Division of the proposed Leather Centre. Ongoing consultation by the latter with Tanzania Hides and Skins Ltd in its raw material collecting capacity (in which it has a rich fund of experience) must also be instituted.

Although secondary to concerns of increasing food and nutrition for the population, weighty official emphasis in long-term programmes for improvement in animal husbandry and herd and flock expansion is clearly to be seen as essential to the future stability and scope of Tanzania's leather industry in the provision of more and better raw material.

5. More than half of TLAI Corporation's total potential production volume (including that of the Mwanza tannery and the whole of the Morogoro footwear - canvas, textile and leather and all the other leather products factories) is to be managed under contractual arrangements by a foreign leather technological group - Messrs. Italmacchine of Milan, Italy and subsidiaries, with another Company - Messrs. Technico Development and Financing Ltd. of Nairobi, and headed by a Mr. G. Kielty, apparently acting as local liaison when necessary. In view of the extent of Messrs. Italmacchine's involvement in TLAI operations, which in the case of Morogoro footwear and leather products manufacture includes full responsibility for both production and marketing with liability to sell or to purchase a majority proportion of the production, an added special aspect of proprietorial management falls upon the TLAI Board and management team. In ideal circumstances the arrangement can be most valuable to TLAI by providing expert technical management and guaranteed sales for at least the highly critical first three years or so of the new production units coming into existence.

However, if for any reason, say, leather from TLAI tanneries falls below delivery requirements and/or shoe and leather products output falls below sales requirements or exceeds them - very sensitive situations will arise. In effect, the future of the whole Tanzanian leather industry would be at stake not only with regard to its domestic operational efficiency but also reputation and standing in sought-after export markets. The substance and main points of the concerned contractual responsibilities and liabilities are summarized in appendix 5 to this report. Study will show that there is a sizeable on-site and overseas training element included. TLAI would be well advised to take full and earliest advantage of this. It also appears to be specially prudent to create a specific management function comprising a team of counterparts - one counterpart for each Italmacchine-managed production, technical, financial and marketing aspect. This will allow maximum opportunity to be taken in preparation for continuity of efficient operation and, in the best interests of both principals, for effective monitoring of the contractor's operations.

6. TLAI arrangements with Italmacchine, and the fact that these will effectively account for the control and disposition of more than half of Tanzania's leather, footwear and leather products production potential, bear influentially upon project URT/78/010 and its scope of operations. Originally structured to provide technical assistance to the whole industry as constituted under TLAI, that scope is effectively reduced and now appears limitedly to be:

- Marketing of Mwanza leather production (although this is still being conducted by Italmacchine at time of reporting)
- Total operation of Moshi and Morogoro tanneries
- Total operation of BORA shoe factory
- Inception and progress of the Leather Centre at Mwanza (although Italmacchine are reportedly initiating moves in this direction)
- Programming and implementation of proposed centralization of export marketing and shipping
- General guidance and assistance to TLAI in its organizational and functional development as the industry's managing body
- Long range consideration of TLAI reaction and adaptation to a possible post-Italmacchine situation
- Survey of needs and trends of the domestic and adjacent markets.

This altered scope situation is recorded above for easy reference of the international team leader of project URT/78/010.

FINDINGS AND OBSERVATIONS - ACTION CALLED FOR

1. TLAI needs to address itself to definition of its responsibilities, perfect its organizational structure and prepare function and job descriptions. Top management should confide more in executives and practice delegation. The management and executive team must immediately be brought to full operational strength. The corporation should hasten to institute management organization and information processes without which it cannot perform its ordained functions.

Foremost among other pressing practical duty requirements to be performed by TLAI are:

- a) co-ordination of the activities of the operational units; and
- b) institution of technical training and research services.

Comprehensive proposals to meet these needs have been prepared and supplied. Wholly, or in part, the proposals should provide necessary basic guidance. The proposals appear in appendices 1 and 2 to this report.

2. Managerial and operational shortcomings, gaps and weaknesses, as acknowledged by TLAI, and observed by earlier technical aid missions, call for pin-pointing prior to initiation of remedial measures. An internal audit to serve as a basis for the pin-pointing exercise was called for at the commencement of this project but had not been completed six months later when its lifetime ended. Example of required information appears as Appendix 3 to this Report for necessary early action by TLAI. In view of low morale fairly widespread among existing management, a factual base will permit any personal criticisms to be accurately and fairly levelled or avoided. Later and major use of the audit should be as basis for essential management information systems.

3. Leather requirements of TLAI manufacturing units had not been yet assessed against possible actual present production capabilities of TLAI tanneries. A superficial examination of the situation conducted by the project discloses probable problems of availability, suitability and

allocation arising in the near future. The matter is one of fundamental influence upon TLAI's trading policies and needs constant review. Appendix 1 to this Report records the findings of the superficial examination.

4. Leather production, marketing and sales servicing require co-relation and presently lack efficiency and control. Appropriate advice and proposals are contained in appendix 1 mentioned at (1) and (3) above.

5. The industry overall suffers greatly from lack of technology, technical expertise and training. Imminent project URT/78/010 is specially structured to provide aid in these areas during its two-year duration. Ongoing attention to the needs should stem from the activities of the proposed Leather Centre (see appendix 2). Additionally, a feasible short cut to early acquisition of higher technology, with other advantages of a commercial nature, is illustrated in appendix 4 to this report.

FINDINGS AND OBSERVATIONS - ATTAINMENT ACHIEVEMENTS OF THE PROJECT

The constraints under which the project was carried out have fortunately not prevented substantial satisfaction of the terms of reference. The following practical contributions considered to have been made toward further development of Tanzania's leather and leather products industries are summarized:-

1. Proposals for co-ordination, re-organisation and centralization of leather marketing, exporting and sales servicing.
2. Review of technical and training needs and proposals for provision of these via a Leather Centre together with constructive notes on organizational, functional, staffing and accommodation requirements thereof.
3. Provision of guidelines for marketing strategies and leather allocation from analysis and clarification of the present and mid-term supply and usage situation.
4. Research and identification of (a) new or alternative leather products and usages and (b) establishment of potential trading contacts. Possible early access to higher leather technology and security of tenure in export markets.
5. Exposure of management difficulties and deficiencies; feasible solutions.
6. Investigation and reporting the extent of outside contractor involvement and disclosures of need, in the common interest, for TLAI's continuous monitoring of the situation - with relevant suggestions. Drawing attention to the fact that any substantial failure on the part of the contractor will have serious retarding effect on the progress of the industry which, when it is through the transition to more and better leather production, has a highly promising future and an important role to play in Tanzania's economic development.

FINDINGS AND OBSERVATIONS - ACTION INITIATED BUT NOT ABLE TO BE COMPLETED

1. Unavoidable failure to complete internal audits to be regretted. These are a fundamental necessity for exposing 'necessary action' targets, the true state of the industry's health, and as foundation of a data bank, the institution and maintenance of which is essential for management information and control systems. Urgent attention of ^{the} Directorate, TLAI, has been called to the subject. The relative questionnaire which appears as appendix 3 to this report is probably too sophisticated for full implementation at this time but salient aspects can be acted upon without difficulty.

2. Prevented by management manpower and organizational faults, absence of positive action in regard to new, alternative or additional products is unfortunate. Prevailing conditions, as elsewhere referred to, must be seen to prevent early achievement of optimum product acceptability and sales. This situation should be acknowledged by adoption of 'second line' preparations for production and marketing of products which are readily saleable and within Tanzania's scope to make in exportable quantities quite quickly: the market for part-processed stock, finished on site in key markets, is ready and waiting, as also is that for protective clothing. These opportunities merit urgent consideration and action by the TLAI marketing section as soon as it becomes operational.

FINDINGS AND OBSERVATIONS - INCIDENTAL
SERVICES RENDERED: (AS SEEN TO BE NEEDED AND AS REQUESTED)

Provision of details of leather and leather trade text books, general and technical information and instruction works needed as basis for a reference library.

Provision of information on and introductions to suitable overseas instructional and training establishments and courses.

Assistance to Personnel Manager in preparing applications for training aids and in defining training needs.

Assistance to Personnel Manager in evaluating organizational charts submitted by contractors and suggesting necessary amendments.

Assistance to General Manager and Financial Controller in evaluating Italmacchine Footwear Survey and Progress Report and drafting comments.

General assistance in drafting replies to official correspondence concerned with technical aid programmes.

Advising TLAI on aspects and benefits of liaison with international leather trade bodies.

Assisting TLAI Legal and Administrative Section in connection with formation of a Tanzanian Leather and Allied Trades Association.

Investigating staff experience and accommodation availability at Tanzania Hides and Skins Ltd. to confirm suitability for expansion into a proposed Leather Export Shipping Centre.

Giving basic leather industry instruction to newly appointed senior executives from outside the trade and explaining scope and implications of their assigned duties.

General consultation and advice on day-to-day matters as referred to by TLAI staff.

CONCLUSIONS AND RECOMMENDATIONS

Clearly evident from findings and general contents of this Report as to their need, conclusions and recommendations are summarised here. All are of equal priority but cannot be dealt with together simultaneously for lack of personnel and organisation to act. The following list may be in a feasible order in which to proceed. Action required will be facilitated by:

- realistic appreciation by top authority and of top management of the present adverse practical situation; and
- concentrating well-directed effort of existing personnel on to its rectification by freeing them from tasks which are not of immediate operational priority.

1. Management. Installed and in-course-of-installation productive power, physical constructional implementation of the planned development of the national leather industry plus the serious low level of production performance are cumulatively making demands far in excess of the capacity of available general, technological and commercial management to deal with. Lasting damage will be done to industrial prospects if there is not radical, fast improvement.

Grave deficiencies exist in key top management functions - general, Production, technical and commercial. Also in middle and support management roles of all degrees.

Resultant problems from these conditions are serious and stem mainly from inexperience, work overload of some present incumbents, absence of organisational machinery through which to communicate and co-ordinate, need for more positive, enlightened direction, policy decision and delegation. Some of these factors are consequential to others and overall, in all fairness, could be labelled as 'teething troubles' and so are hopefully transitory.

It has to be faced that suitably experienced personnel to fill gaps and shortcomings are simply not currently available or have not been located.

Further, as has been reported clearly, the present managerial load and scope of responsibility will soon be greatly increasing. If prevailing management inadequacies are not promptly made up the eventualities could be disastrous.

It is therefore most strongly recommended that ^{the}Government ^{of}Tanzania, as a matter of utmost urgency:

- a) place absolute priority to suitably filling all vacant managerial posts;
- b) give immediate attention to arranging such technical training for present executives and for new appointees as may be required; and
- c) appoint, for a period of at least four to five years, expatriates to assist and advise the key posts mentioned;

General Manager, Group Production Manager, Group Technical Manager, Group Commercial and Marketing Manager.

Adviser to General Manager - The executive Board of TLAI Corporation, and its general management particularly, need the top level specialized experience in leather trade industrial organization and direction such as would be found in a senior executive of a sizeable tannery group.

Adviser to Group Production Management - Depending upon his basic forte or background, such a man as indicated above for General Management might well be able to double up on the critical production control and organization function of the multi-unit constitution of TLAI. If not, a separate appointment should be made to cover this vital aspect.

Adviser to Group Technical Management - Capabilities which should embrace research, training, quality control, technological advancement of the industry and its practical application will be found in a man qualified to be principal of the proposed Leather Centre: see Appendix 2.

Adviser to

Group Commercial and Marketing Management - A provenly successful Leather and Leather Products Marketing Executive with international experience is needed: such a man as can suitably fill the job requirements indicated on the Organizational Chart for a recommended centralized marketing and shipping function to be instituted by TLAI: see Appendix 1.

2. Practical action required. In addition to immediate institution of steps to instal full, capable top management, urgent practical action is called for and could be taken NOW if present executives are appropriately re-deployed under pragmatic direction. Action areas are:

External: Realistic and thorough commercial survey should be made of outstanding leather commitments and liabilities and also of the industry's production and servicing capability to satisfy these. With this position established, all necessary effort should be concentrated to clear the outstanding situation. Further leather export commitments, i.e. further selling, should not be undertaken until:

- a. authentic and reliable production projections have been obtained;
- b. leather and other material requirements of the imminent footwear and leather goods factories at Morogoro have been realistically projected; and
- c. the disclosures of (a) and (b) above shall have been related and forward programming of supply and usage assessed and planned. Please see Appendix 1 - 'Leather Production and Usage' etc.

Internal: Attention must be given promptly to putting the industrial house in order and to the redressing of imbalance between performance and programming. Successful completion of this task will probably take at least three years but the right foundation can be laid through 1980.

Recommendations are made for centralization of leather marketing, shipping and production control. The proposals are tailored to the present and mid-term needs of the situation as observed and checked as far as possible in conditions of restricted availability of and access to information. Implementation of the recommendations is of great urgency - not only to rationalize marketing and allocation to production but also necessarily to institute a reliable basis for the industry's national and international commercial operations. It is emphasized that implementation of centralization should not be attempted until thoroughly planned and adequate management, staff and physical facilities have been made available.

Early preparatory consideration should be given to extension of centralized leather marketing etc. to cover footwear and leather products and the developing needs of home and adjacent markets. Centralization is discussed at length in Appendix 1, and a draft organizational chart is included.

Further internal areas for imperative action are:

- a. industrial and commercial organization;
- b. training - at all levels and at home and overseas.

a. Industrial and commercial organization. Currently, TLAI is virtually completely lacking in this respect. OPAS experts for posts briefly outlined above would be expected, in concert, to devise and implement all requisite systems, services and procedures for smooth working and successful, controlled development of the industry. The internal audit, outlined in Appendix 3, suitably adapted after more detailed examination than was permitted to the writer, is an essential aid to systematization and institution of management information services: necessary action should be taken. The short-term

assistance of a professional Systems Analyst is also desirable. Absence of management information is a major factor in the present under-functioning of TLAI in its statutory role as the co-ordinating body for the industry.

b. Training. In whatever form the proposed Leather Centre may be realized, responsibility for training, in all aspects, for the whole industry, MUST be included as a prime function. Control of Training will thus be in the hands of the Principal and his Head of Education and Training Section. Their selection and briefing should be conducted accordingly.

3. Funding of OPAS Expert or Ex-patriate assistance - as to Marketing and Commercial management, this is already allowed for in provisions for TLAI management cadre and budgeting. Technical and Training management is most explicitly scheduled as a prime function of the proposed Leather Centre (see Appendix 2), financing of which is under preliminary consideration. Coverage of the General and Production management functions thus remain for decision as to policy, financing and selection.

It is again stressed that need for able help in all four key management areas nominated is essential for TLAI to deal effectively with operational exigencies. No personal references are intended and should not be inferred: the inescapable fact is that proper organization and a much stronger force of capable management is required if TLAI is to operate as intended. It is also pointed out that the major Technical Assistance Project (URT/78/010) which will commence very shortly will be hamstrung as to practical implementation if the members of its international team of experts have no responding TLAI executives with whom to work.

4. Marketing strategy. Acknowledging the reasons for present national policy to convert all available raw material into finished products for maximum added value, in the country's best interests it is recommended that a significant trade in part-processed and finished leather be continued particularly with EEC and US markets. Notes on Leather Product and Profitability Improvement Through Joint Foreign Ventures in Appendix 4, and on continuity of access to key export markets in Appendix 1 refer.

5. Proposed Leather Centre. As indicated, the notes on a proposed Leather Centre were drawn up at special request to be comprehensive. The writer stresses, in view of the present state of the Tanzanian leather and leather products industries, that the proposed Centre, if realized, should immediately concentrate on providing only those practical technical services which are most urgently needed - Technical Education and Training (at all levels and with emphasis on production and quality control), Product Analysis, Materials Testing and Applied Research. In the event of delay in setting up the Centre in the physical sense, the priority-required services stated should be immediately instituted in suitably located temporary accommodation. Their need is outstandingly urgent and institution should not wait upon capability to provide less vital services nor upon completion of building construction and full equipping.

6. Alternative and Additional Products and Market Contacts. Adoption of these to accelerate export earnings, to assist the industry to earlier acquisition of higher technology and to apply its leather production more effectively over the present and mid-term is recommended. Investigations and correspondence conducted on behalf of TLAI and handed to the General Manager, cover this recommendation. Follow-up of contacts made and opportunities opened is now much overdue.

7. Surveillance of Contracted-out Management and Marketing. Somewhat more than one half of TLAI potential productive capacity and earning power is not managed by TLAI itself but by outside Contractors. It is strongly recommended that comprehensive monitoring and reporting procedures be instituted by TLAI over contracted-out operations - in the best interests of all concerned. It is further recommended that TLAI attempt to re-negotiate a contract awarded to contractors for a world-wide footwear marketing survey which would be out-dated by the time Morogoro shoe production is up to exportable standards in quality and quantity and is (the survey) too broadly structured for the programmed output. Further, such marketing information as the Tanzanian footwear export industry

needs could well be deemed to be considered part of the marketing responsibilities implicit in the contractor's appointment as Managing and Marketing Agents. Attention is invited to Appendix 5 'Summary of Contractual Involvement...'.
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8. Finally, it is considered that technical, general industrial and organization assistance to Tanzania will be needed for at least the next five to seven years.

TLAI: SCOPE OF LEATHER INDUSTRY

RESPONSIBILITIES: ESTIMATED LEATHER PRODUCTION AND USAGE -

PRESENT, FUTURE OUTLOOK AND AVAILABILITY FOR EXPORT: MONITORING OF ALLOCATION

In addition to leather and leather related items, TLAJ has considerable other responsibilities . . . canvas mill, canvas and textile shoe manufacture, projected leatherboard and polyurethane plants. The project now being reported upon is concerned with the former (leather and leather related items) and particularly the export thereof.

TLAI is charged to carry out industrial and commercial direction of State-owned enterprises which account for the vast majority of Tanzanian hide and skin, leather and leather products potential. These are:-

- 3 Tanneries
 - All operational - Morogoro
 - Moshi
 - Mwanza

- 2 Leather footwear factories - BORA (Dar es Salaam)

- Morogoro only considered in this project as its products are export-destined. - Morogoro
 - Not yet operational

- 1 Leathergoods factory - Morogoro
 - Scheduled to produce a range of items for export.
 - Not yet operational

1 Leatherboard plant - Morogoro
At project stage only

1 Servicing unit - Tanzania - Dar es Salaam
Hides and Skins Ltd (THS). Has dual
function of -

- exclusivity of raw material
collection and distribution in
the country;

- exporting of wet-blue and
crust leathers from Morogoro
and Mwanza. (Moshi tannery
handles its own exporting at
this time.)

THS Ltd. has long experience
in exporting and is handily
located for dock and airport
access.

Fully operational.

- 30 -

LEATHER ESTIMATED PRODUCTION AND USAGE,
PRESENT AND FUTURE OUTLOOK, AVAILABILITY FOR EXPORT

TLAI units produce, or will be producing, leather and leather products. Currently, the Corporation's own direct marketing-to-export is confined to part-processed and finished leather only - and will be for some nine months ahead. The volume of leather for export, under present policies, may be only to the extent of availability after the demands of TLAI's own leather-using plants plus those of home-market, private sector manufacturers shall have been met.

Excluding sole and other heavy leather (produced at Mwanza, 500 tons per annum, all used domestically), the total scheduled production of TLAI's three tanneries is some 32/33 million sq. ft. per annum, including splits. Actual production, however, has long been running at some 40/45 per cent, at least, under schedule and seems certain so to continue for some time. Reasons appear many and various: natural and environmental, force majeure, raw material and chemical shortages, insufficient or inefficient management at general, technical and quality control levels, and for other reasons not readily identifiable. TLAI HQ itself is grossly understaffed as to experienced leather trade executives and, as yet, has had little time to impose reporting systems which, inter-alia, would enable known deficiencies and shortcomings in production control and management to be pin-pointed and dealt with.

As already recorded, a detailed internal audit questionnaire prepared by the writer at the commencement of this assignment in May, and having as one of its objects more positive identification of production etc. problems, was still not completed at the end of the term of the assignment. The questionnaire appears as an appendix to this report and its early completion for use by the International Team Leader of Project URT/78/010 in detailed diagnosis has been proposed.

The actual current level of leather production in Tanzania may reasonably be estimated at about 20 million sq. ft. per annum. Of this availability, some 50 per cent - 10 million sq. ft. - is estimated to be taken up by Bora Shoes plus Private Sector **shoemakers**, some 'opportunity' production of leather goods by Moshi tannery and by some ^{nine} sizeable Private Sector leather product manufacturers who together are said by Small Industries Development Organisation (SIDO) to employ some 300 people.

Thus, present export availability is apparently of the order of ten million sq.ft.per annum but may remain so for only a short period: within the next 30-40 months the situation will change under the influence of in-plant training factors and developments.

- a) Leather requirements, when in operation, of the leather product factories now being built at Morogoro.
- b) Probable increase of leather requirement by Bora Shoes and Private Sector.
- c) Increased tannery output from improved productivity and quality via technical aid, increased and more reliable raw materials supply, expectantly better collection, and lessening of present chemical etc. importation difficulties.

It is impossible to quantify the nett effect of above listed influences beyond calculating the apparent leather requirements of TLAI factories now being built at Morogoro. Assuming that these units will by 1983/84 run at full production (which is maybe optimistic), on the present proposed product mix their estimated need will be of the order of eight million sq.ft. per annum. On further assumptions that by 1983/84:

TLAI tanneries will achieve 85 per cent capacity production	= <u>27.50 m sq.ft.</u>
Bora Shoes and Private Sector footwear and leathergoods will increase their leather usage by 20 per cent	= <u>12.00 m sq.ft.</u>
<u>Plus</u> Above mentioned apparent requirement of the Morogoro units	= <u>8.00 m sq.ft.</u>
The apparent total domestic leather requirement' is	= <u>20.00 m sq.ft.</u>

At the domestic requirement stage outlined above, there will thus apparently be a lessened annual availability of leather for export, possibly for a period of some years, of 7.5 m sq.ft. per annum compared with the present 10.0 m sq.ft. (27.50 million sq.ft. less 20.00 million sq.ft. for estimated domestic usage).

Provision for continuity of export trade in part-processed and finished leather is strongly recommended as a highly desirable policy element in commerce with developed countries.

MONITORING OF ALLOCATION

Implications of the disclosed leather availability situation onto TLAI export marketing strategy and scope are obvious:

Overall and sectional trading will need to be continuously and closely monitored. Leather allocation, commitment and selling will have to be kept under day-to-day review:

Consideration should therefore prudently be given to:-

- a) aspects of commercial goodwill with leather export customers, agents and distributors;
- b) investment and contractual involvements in export and distributional organization;
- c) strategic and political considerations of maintaining security of tenure in, and access to, the leather-using markets of developed countries.

Trading, technological and import-market attitudinal influences especially feature at this time. Leather usage and availability fluctuations in Tanzania as above illustrated will predictably recur through other evolutionary and cyclical influences eg:

- a) trends in international leather and leather products trade;
- b) forward social and consumer consumption development in Tanzania itself.

Permanent surveillance and alertness to make prompt executive decisions to deal with such developments and eventualities is a competency charge on TLAI Directorate and further underscores necessity for efficient centralized control of production, marketing and distribution as recommended in this Report ~~as per~~ Appendix 1.

LEATHER: EXPORT SELLING AND SHIPPING;
QUANTITIES; MARKET OPINIONS - PRODUCTS AND SERVICING; ACCELERATED
PRODUCT AND PROFITABILITY IMPROVEMENT THROUGH CO-OPERATIVE VENTURE

SELLING AND SHIPPING

Selling

Currently, there is no overall selling policy nor co-ordination of production and marketing. TLAI tanneries conduct their own export selling through individual marketing and distributional arrangements, which are often inter-competitive. Headquarters TLAI is not yet organized nor managerially equipped to take initiative, nor to set up commercial contact, with customers and markets but is aware of its responsibilities in this regard.

Shipping

Tanzania Hides and Skins Ltd. (THS) acts as shipping agent for Morogoro and Mwanza tanneries. THS is ideally located in Dar-es-Salaam and has long experience in export dealings and shipping from its well-established trade in raw hides and skins over a period of years. This unit also acts as exclusive raw hides and skins dealer and supplier for the Government and as such to TLAI tanneries. Raw material supplies are ferried from THS to tanneries by road transport which, except at present in the case of Moshi tannery, brings back to THS export orders for shipment.

Moshi does its own shipping via Tanga basing its reasons for so doing mainly on historically better service, proximity to that port of outlet and thus cheaper transportation of goods thereto. On the other hand, THS, export customers and local authorities confirm that shipping in and out of Tanga is fractional to that of Dar-es-Salaam and that now sea freighting from Tanga is less reliable and results in delivery delays. It is reported that normally Moshi transport runs loaded to Tanga and empty back.

EXPORT QUANTITIES

Presently - and possibly until 1983/84	- 10 m sq. ft. per annum
1983/84 onwards	7.5 m sq. ft. per annum.

Availability of export leather supplies is discussed in detail elsewhere in this Appendix.

MARKET OPINIONS - THE PRODUCT

Finished leather - bovine

A formidable combination of adverse natural, human, technical and production shortcomings contribute weightily to complaints of severe deficiencies in quality:

- low quality raw material;
- bad flay and curing;
- absence of technology to make acceptable leather from low-grade raw material;
- poor quality control.

Recently, tanneries have had to contend with severe hindrance factors, beyond their control to prevent or to deal with, in addition to the former-mentioned.

Customers report that an unpredictable portion of supplies received can be good but that a very large proportion of deliveries is very inferior - dis-uniform in colour over the piece and within a parcel, also in substance and in finish. Selection particularly is unreliable.

Finished leather - ovine and caprine

The basic raw material is substantially better than bovine and the part-processed and finished leather from it generally is acceptable to good. However, selection continues to be unreliable and finishing much below what could be achieved.

Part-processed leather of all types

Customers report this is much improved since Tanzania concentrated on, and expanded, this trade and when Mwanza and Morogoro tanneries added their production to that of Moshi fairly recently. However, several customers interviewed complained of irregularity in formulation from delivery to delivery, inadequate tannage and unreliable selection.

Market opinions - sales servicing

Enquiries over this area produced unanimous complaints: bad or non-existent servicing, unacknowledged correspondence and orders, unreliable and failed deliveries, no apparent sales policy, absence or infrequency of 'offers'. Customers emphasized that they could place little reliability on Tanzania as a regular supplier under present conditions and that they look forward to considerable improvement when the new industrial organizational arrangements (i.e. TLAI) come into effective operation.

In two cases, reportedly upon enquiry to be due to administrative failures or postal loss, there had been no progress report beyond acknowledgement of an initial order despite pressure by the customers concerned, but progress of later orders at a higher price.

Product and profitabibility improvements-possibilities from the market

Whilst much of the customer criticism levelled at TLAI part-processed and finished stock stems from inefficient production and bad quality control, the major basic ^{production} factor is lack of the specialized technology, such as has been acquired over the years in erstwhile Tanzanian raw material-using markets, to make good leather from low grade hides and skins. Access to and linking of such skills to TLAI tanneries is clearly desirable and merits urgent, purposeful investigation.

Selective enquiries made in course of the Project disclose readiness of some well established, resourceful European tanners to extend co-operation in respect of Tanzanian part-processed material by provision of finishing knowhow in exchange for reliability of supply.

This disclosed possible solution to a pressing problem for the Tanzanian leather industry encouraged further research into possibilities of a refinement of the tactic: from specially selective enquiries three European tanneries accepted in principle willingness to participate in a joint venture. The proposition is TLAI part-processed stock to be finished to highest possible standard on location in key markets for sale by the finisher-partner at optimum prices on a profit-sharing basis. The sharing to be in proportion to the investment input of each participating partner. Potentially, such as arrangement. set up on a proper legal

basis and essentially conducted in a spirit of mutual co-operation and goodwill, would greatly increase profitability of TLAI present trade in part-processed stock, provide efficient and economic selling and sales servicing and materially contribute to stability and continuity of business. Access to TLAI of specialised technology would also be opened. The proposition is discussed in further detail elsewhere in this Report at Appendix 4 .

LEATHER EXPORT: SOME
RELEVANT STRATEGIC FACTORS; THE BASIC CASE
FOR CENTRALISATION OF MARKETING, SHIPPING AND PRODUCTION CONTROL

SOME STRATEGIC FACTORS AND ACTION POINTS

Implicit in the foregoing ^{pages} the following summarizes key aspects:

- bearing influence upon a feasible export strategy in prevailing and mid-term circumstances; and
- for priority remedial and inceptional action by TLAI:
 1. Paramount importance of bringing Head Quarters TLAI up to full, efficient management strength and imposition of resolute practical direction.
 2. Need of a well-defined, co-ordinated and suitably propagated national leather marketing and production policy with special and enlightened attention given to supply availability selling and sales servicing.
 3. Vital need for quality improvement, earliest possible technological advancement and available short cuts to its acquisition.
 4. Availability of supplies over related time scales.
 5. Present piece-meal marketing, consequential disadvantages to selling and production control and to economic marketing operations.
 6. Pressing need for centralised export marketing, shipping and production control with adequate staffing and management.

7. Advisability of maintaining an export trade in part- and fully-finished leather with key markets over an extended mid-term.

To the above may be added, with equal emphasis but reflecting needs of the industry overall:-

8. General, technical and production management training.
9. Provision of all necessary infra-structural and extension services.

Certain detailed consideration has been given to practical aspects and requirements of points 8 and 9 and these are reported separately at Findings and Observations, and Recommendations and Appendixes 1, 2 and 3, p. 5 et seq..

Action to improve quality is already scheduled:

- Expert attention to this need is a major consideration in the structuring and provisions of imminent Project URT/78/010.
- Proposals prepared by special request by TLAI for a Leather Centre (and therefore unavoidably anticipating a section of Project URT/78/010) include full catering to quality control and improvement needs - see Appendix 2.
- Early access to needful advanced technology is readily available if researched opportunities are taken up.

Equally important to future success and expansion of trade for the industry is consistently good sales servicing. It is advised that export marketing policies and decisions recognise that the trading attitudes be oriented to market needs - not the reverse. Policies must be directed to ensure provision of conditions of reliability and stability of supply over the full extent of the production scope of the industry at any given stage.

Centralization of marketing,
shipping and production control

It is considered that the emergent national leather industry of Tanzania can best capitalize and develop its resources and potential through efficient centralized direction and programming. It is for this reason that TLAI has been brought into being in line with official policy on industrial development of key indigenous resources. Viewed from the purely organizational and commercial standpoints there is compelling circumstantial and practical justification, and need, for centralized control at this critical period when planning and programming have run far ahead of performance and achievement of necessary production standards. The operational units generally, for whatever reasons, are not functioning effectively or efficiently in practically all respects. Domestic and imported raw and support materials are in short and/or sub-standard supply. The tanneries in both quantity and quality are producing at far below installed capacity. Shortly, new factories will be ready and expected to start production making heavy demands for leather which will probably not be available in requisite type and volume and needing management, infrastructural and extension services which are not yet adequately at hand.

Overall, the situation calls for a period of consolidation - if not retrenchment, a period for the mending of internal fences, the provision of lacking infrastructures and the filling of gaps in management at all levels. In terms of trading operations, if contracts are not to be broken, arbitration losses incurred and goodwill lost, realistic appreciation of the situation is called for, followed by rationalization of selling activities and commitments to a scale within the realm of possibilities. At the time of writing this Report, Mwanza tannery is reported to have announced intention to default on very substantial outstanding export contracts giving management troubles and chemical shortages as reasons.

In all respects, strong direction and handling is overduly called for and can best be applied through assumption by Head Quarters, TLAI of responsibility for key policies and operations via adequate central

management. It must be recorded that the gravity of the overall situation does not yet appear to have been appreciated-possibly due to over-involvement on the part of General Management with day-to-day minutiae and shortage of other management staff to pick up delegated duties. The one TLAI well-experienced leather trade management member is grossly overworked to the point of limit of his endurance.

Relating points made in the foregoing to the specific case of export operations, justification of the strong recommendation from this Project for centralization is summed up:

In the special, singular circumstances of the Tanzanian leather industry at this time, centralization of export marketing, order progression, stock and production control is necessary in order that there is facility for the industry to trade objectively relative to its ability to supply or its need for orders at any time. Selling and production require to be programmed and disciplined to availability and necessity. The fact is, under present circumstances of unreliable raw material supply and chemicals etc., availability, of erratic and under-production, leather output flows in irregular spurts of volume, quality and selection.

These conditions cannot support a comprehensive, competitive marketing operation, nor reliable continuity of supply, nor efficient deliveries, nor good customer servicing. Inability to offer a stable selection pattern over volume ranges of products prevents optimum sales return. Existence of three independently-operating sales operations cannot make for economic selling of the comparatively restricted production available. Administration faults and shortcomings in dealing with orders and customer correspondence appear to go unnoticed and are therefore largely unchecked. Although said to exist, effective inter-tannery co-operation - e.g., to ease frustrated order situations, is negated because of absence of central systematization and inter-tannery production control and planning.

Contraversely, introduction of measures whereby selling is conducted on the basis of a known stock and 'in work' situation will provide conditions required for the industry to become established as a stable supplier inspiring customer confidence and meriting continuity of business at optimum prices. By thus measuring up to a quite fundamental standard of international business, inception by TLAJ of efficient control of raw material supply, production control, back-up stockholding and punctilious order progression also provides the industry with a ready flexibility to adapt itself, wholly and sectionally, to market changes and developments - an invaluable trading asset.

CENTRALISATION OF EXPORT MARKETING AND
SHIPPING: ORGANIZATIONAL AND PREPARATIONAL CONSIDERATIONS

Adequate basic organizational and back-up machinery and extension services will be required: various check-list points, physical and practical considerations are given below for purposes of illustration. These notes do not pretend to be exhaustive but set out to show, as a guide to TLAI, depth of detailed planning, preparation and effort involved in completing the recommended development effectively.

MARKETING AND SALES REQUIREMENTS

1. Inception of an organization to cover chosen key markets, customer contact and servicing, research and development, information and feedback.
2. Consideration and policy decision regarding type of overseas representation i.e. direct sales, via Distributor or Agent, foreign partner or other. The choice may be expected to be different from market to market to suit researched local characteristics.
3. Recruitment, or re-location from TLAI units, of required personnel; preparation of Distributors' etc. Contracts and Terms of Business; research into and appointment of Distributors etc.
4. Calculation of D-Day i.e. the vesting date for Centralization. Survey and rationalization of the pre D-Day order, stock, production and outstanding delivery situation involving:

Collation and analysis of all outstanding orders at each tannery, the disclosed situation to be compared with:

- orders in transit or ready for shipment;
- finished stock allocated; stock 'in work';
- tannery production scheduled up to D-Day;
- appropriate order and delivery advices to customers.

5. Readying-up the Exporting Centre (THS) for assumption of responsibility of export stock-holding and order-filling after the pre-D-Day order book situation has been cleared. (See "Shipping Centre Requirements").

6. Issue of a full announcement to all customers, directly and via press releases to world leather trade press. The new organizational arrangements should be explained and notice given that all future correspondence, orders, etc. should be sent to TLAI Marketing and Shipping Centre in Dar-es-Salaam as and from a date to be set at a calculated period in advance of D-Day. As an important aspect of public relations and trade goodwill, mention should be included of any export-market-known Tanzanian personalities who figure in the new set-up.

7. Devising and inception of comprehensive recording and reporting systematization covering eg:-

- Tannery raw stock deliveries
- Tannery production schedules
- In-store and in-work stock control; stock checks
- Stock on offer; stock ready for despatch
- Production costs; selling prices and structures
- Orders in hand and outstanding
- Order progression and advices to customers
- Payments in and outstanding
- Payment methods and invoicing
- Individual customer records
- Historic, current and forward trading situations
- SitRep printouts and periodic reports
- Inter-departmental liaison and follow-up procedures

- and such other commercial information necessary for sales, production and materials procurement programming, sales performance records and comparisons, relative financial information and results - all aimed to enable export selling to be on a reliable and realistic 'able to deliver' basis.

At the time of the ending of the Project now reported upon, TLAI is most definitely not staffed adequately to plan and carry out the detailed implementation of the centralization which is deemed essential. TLAI management expresses doubt that the problem can be partly met by re-location of senior personnel from the operational units and will have to be satisfied via recruitment which is now in progress. In any case, it may be more practical and economical of force if the auditing of pre-D-Day order and production situations at the tanneries were to be carried out on a tannery-by-tannery basis using a specially briefed and purpose-trained mobile task force. Thoroughness and accuracy is far more important than speed of completion in this operation.

SHIPPING CENTRE REQUIREMENTS

1. Re-organization and re-allocation of godown space in readiness for export stock holding, grading and selection of both part-processed and finished stock. Provision of adequate facilities for stock 'picking', packing and despatch. Assessment, procurement, installation of racking, stock 'horses', pallets, forklifts and leather area measuring equipment (could largely be satisfied by transfer from the tanneries.)
2. Assessment of extra work load and compare with present management and operatives capacity to handle. Recruit and/or re-train as necessary.

NB. Very special attention must be given to appointment of sorters and graders who must be as capable and experienced as it is possible to find. Allowance should also be made for specialized training in this area for continuity in this highly specialized and critical process.

3. Liaison with Marketing section regarding bulk of stock to be handled in readiness for D-Day both as regards 'ready for shipment' and back-up.
4. Assess packing and packaging requirements and cover for at least three months.
5. Review and up-date as necessary export-import regulations, documentation requirements, sea and air-freight know-how and contacts.

6. Consider and cover stock-storage safeguards and security. Institute appropriate reciprocating systems for operational liaison with Sales, Order Progression and Production Control sections.

NB. Most of the indicated physical and locational requirements are already met. Major areas for immediate preparational attention are appointment of key personnel and institution of well-analyzed systematization.

7. TLAI Directorate will need to give understanding consideration to aspects of esprit de corps, unit-wise and collectively, to facilitate smooth implementation.

8. TLAI Personnel Management will need to give purposeful thought to re-location, re-training and re-motivation of key personnel - particularly sales staff and graders.

9. Systems analysis, revision and programming for the changeover to centralized from dispersed control call for specialized treatment which may have to be hired in. Probability of EDP control at a not too distant stage should be borne in mind in this connection.

FINANCIAL CONTROL, INTERNAL SETTLEMENTS CONSIDERATIONS

1. Financial control systems are required to ensure proper credit to tanneries for deliveries made.

2. Provision for conducting arbitration on grading differences and related credit/debit adjustments.

3. Decision as to whether TLAI Marketing and Shipping Centre buys on own account from tanneries or acts as their selling agent: if the former, provision for cost checking and price structuring is needed; if the latter, the sales commission rates must be agreed.

4. Methods of payment by customers, agents' discount, commission rate scales and general invoicing procedures etc. must be evolved.

EXTENSION OF CENTRALIZATION

1. As will be obvious, the foregoing notes concern themselves only with part-processed and finished leather for export. In a comparatively short time, considerable quantities of footwear and other leather products will become available for export. For the first year or two of this new production, its marketing is contracted out to a foreign agent whose contract may, or may not, be renewed. It would be prudent now for TLAI to consider whether the physical exporting of new production, i.e. freighting and shipping, during duration of the contract, should be left as a responsibility of the contracting agent or conducted via TLAI Export Shipping Centre (TES). If the latter-space, staff, cost and charging aspects arise - all of which should be prospected in anticipation and readiness. Further, TLAI has intention to institute central/^{material}buying and procurement involving considerable importing. Logistical and administrative aspects of this development upon the Export Centre should be immediately considered as the latter should sensibly become the Import Centre also.

TANZANIA LEATHER AND LEATHER PRODUCTS INDUSTRIES
NATIONAL CENTRE FOR RESEARCH AND TRAINING

(NB: These notes were prepared in this form, by special request, for Ministerial guidance and use).

TLAI Corporation has been formed to co-ordinate, develop and expand Tanzania's Leather and leather products industries. Discharge of this great responsibility involves maximizing the national resource of hides and skins, the production potential of the tanneries, factories and agencies which make up its operational units - Morogoro (the whole Complex), Moshi and Mwanza Tanneries, Bora Shoes and Tanzania Hides and Skins and the successful marketing of all the products herefrom.

The TLAI "umbrella" will cover all aspects of leather and leather industrial promotion from improvement of raw hides and skins quality and easier availability to the tanneries to optimum achievement in profitable selling to export and domestic markets.

At this comparatively embryonic stage of its development, the industry must consider that each and every stage of expansionist aspect qualifies for priority treatment. However, for a number of reasons an important one of which is logistical - some priorities are even more pressing than others. Critical amongst these is the need for fundamental industrial infrastructure and services particularly in regard to back-up technical services and training.

Recognizing this, ^{the} Government has decided to create a Leather Centre, the function of which will be to fill the above-stated need. Establishment of the Leather Centre is documented as a second phase aim of UNDP Project URT/78/010/A/01/37 scheduled for inception in 1980 for a duration of two years. The Project document states that financial limitations restrict equipment of the proposed Centre initially but that extension to permit full realization will be implemented as and when funds are available.

The purpose of these notes is to outline ^{the}/scope of the functions the Centre should eventually assume, and to suggest a staffing cadre so that "head hunting" and recruitment may be started immediately for senior and key posts.

Testing, trial, laboratory and other scientific equipment plus classroom and teaching books and aids will be needed to adequate scale: UNDP project as above referenced includes some provision for these items and these notes will also form a basis from which further and detailed consideration of such needs may be given. TLAI has been provided by the writer with a catalogue of trial, testing and other equipment available from SATRA (Shoe and Allied Trades Research Association), Kettering, Northants, UK, and with an introduction to SATRA's Director to whom the writer has also written asking for all possible assistance to be made available to TLAI.

LEATHER CENTRE - ACTIVITIES AND SERVICES

1. EDUCATION AND TRAINING

Total overall responsibility for organizing and provision of training and instruction at all levels including: operative, instructional, technical, technological, management and ancillary staff, and also arranging and organizing overseas training for selected personnel.

Provision of education and development of demonstration aids and equipment for improvements in primary hide and skin treatments and care: slaughter, flay, curing, collection and storage.

Leather Production, Footwear Production, Leather Goods Production - Senior Management Refresher and Up-dating Seminars; Departmental and Process Management Training and Up-dating Courses; Teacher/Instructor Training for In-house Courses for green labour, semi-skilled and skilled operatives; Provision of aptitude tests, training manuals and aids; Liaison with overseas leather technological centres; Selection and preparation of Fellowship and Scholarship candidates.

Suitable technical training information manuals and services will be prepared and published for TLAI use and for sale to outside firms and organizations as need and opportunity arises.

Design Service - to include pattern-making and grading; Design instruction and training; Liaison with design-influencing organizations and agencies - probably through the Liaison Officer, as per para 6 below.

2. RESEARCH

Pure and Applied Research will be provided.

Evaluation, adaptation and installation of production, technical and quality control methods - provision of related instructions to Education and Training Section of the Centre for propagation.

Equipment maintenance and related advisory and training indications; Tannery and Chemical engineering.

Research into and development of new products and processes for benefit of the industry. This to include pilot and test runs on home-produced and competitive, standard and new "lines".

Research into availability and adaptability of indigenous raw materials and chemicals for usage by the national industry and possible export e.g. chemicals, tanning materials.

Profitable or import-cost-saving development/usage/re-cycling of waste and by-products: glues, gelatines, hair for felting and insulation, wool for clothing and lanoline extraction, nitrogenous animal food products, chrome ash, granula carbon, insulation board, leather fibre board etc.

3. MATERIALS TESTING

Establishment of required technical and quality standards for TLAI products, regular monitoring of same in and through production by physical and chemical tests and analysis, reporting to concerned production unit and to TLAI as necessary to ensure attainment and maintenance of required standards.

4. ERGONOMICS

Has the vital function of ensuring maximum efficiency and profitability of all enterprises and will thus be active over all units and the Centre itself. Will examine all energy and environmental aspects and problems. Will monitor work of all Centre staff and take part in training by lectures related to its function.

Will institute and maintain on-going review of management and production performances, methods and techniques, making recommendations as necessary. Will carry out comparison studies at production units as to their relative productivity, profitability, cost effectiveness; will identify and eliminate bottlenecks and capacity under-utilization; will compare, investigate and raise to uniform optimum levels achievement of production schedules and punctual fulfillment of orders; will carry out work study, devise and apply incentive schemes. Will institute on-going review of stock and cost control and costing methods and recommend efficient handling and economy of force measures generally. Will conduct feasibility investigations into ancillary industrial development: last making, clicking knife making, components and accessories manufacture. Will institute, possibly via Library - as per para 5 below-a leather industry statistical and data bank:

- a) for domestic reporting, interpretation and record building within TLAI for inquests, forward planning and budgeting purposes;
- b) for management information systems; and
- c) for statutory official and other returns and reports.

5. TECHNICAL, TRADE AND REFERENCE LIBRARY

Institute, keep updated and catalogued, a library of technical and trade publications and data; preparation of manuals and instruction pamphlets, technical news letters, bulletins. Publication of extracts of technical importance and interest for dissemination within TLAI e.g. details of new processes, directory of suppliers, international and national items of trade news, register of overseas trade organizations and key personnel for collaborative contact from time to time, dates of trade fairs and other events, preparation of press releases using source material such as: Scientific journals e.g. JALCA, Technical journals e.g. "LEATHER"; Chemical engineering journals and text books; catalogues and other literature from e.g. BASF, BAYER, HOECHST, EARNSHAW, SANDOZ, CHEMICAL, CIBA-GEIGY; Fashion style and design journals e.g. "Ars Sutoria", "Mipel", "Wear" and "Vogue".

In general to build up all the background information required for a leather and leather products industries' enquiry, advisory and intelligence service from world wide sources. Additionally, to institute and maintain liaison with suppliers and other trade bodies and organizations so as to be able to act as a channel through which they may advise the industry of new products and developments, mount trials and demonstrations and stage the various training facilities on offer by them.

6. LIAISON

Public relations, organization of exhibitions and demonstrations, organize attendance at trade fairs, assist with liaison with foreign trade bodies and other industries, observe and interpret fashion and style trends. Will probably be an adjunct to the Library section but will have own professional functional responsibility.

7. ADMINISTRATION AND ACCOUNTING

Provision of Bursar cum Company Secretary range of services for administration of all day-to-day functions: financial and accountancy control, pay records, staff recruiting and welfare, secretarial services; all book-keeping and records systems, financial reports; maintenance and security of establishment, equipment and plant inventory; cash advances and receipts in relation to e.g. students going overseas for instruction, research teams visiting production units; payments for courses from outside persons and organizations, sale of research and training etc aids and material.

NOTES ON PROPOSED LEATHER CENTRE SECTIONAL ORGANIZATION

1. EDUCATION AND TRAINING SECTION

Will consist of four sub-sections operating under supervision of Head of Section:

- a) hide and skin improvement with considerable emphasis on field work;
- b) leather production desirably sharing a small experimental tannery with research section;
- c) footwear production using a small footwear making unit;
- d) leather goods production using small making units for leather goods, clothing and gloves etc.

The training units above may also be used by Research Section for pilot runs and by Materials Testing Section for its purposes. All should be serviced by a common facility design, pattern-making and pattern-grading unit.

2. RESEARCH SECTION

Will consist of two sub-sections operating under supervision of Head of Section:

- a) pure research - investigative work into indigenous resources; development of new products, processes, etc;
- b) applied research - for "trouble shooting" at the production units; advice on effluent, mechanical and maintenance engineering, quality control; could hold seminars and conduct selected training on site in respect of new and adopted operations identified by its researches.

3. MATERIALS TESTING SECTION

Will test all products by:

- chemical analysis;
- physical testing.

Will draw up specifications and guidelines.

Will advise on materials, quality control, tolerance limits etc.

This section will require a chemical laboratory and an air-conditioned room for the physical testing.

4. ERGONOMICS SECTIONS

A vital operational section - functions outlined in notes on ACTIVITIES AND SERVICES.

5. LIBRARY AND STATISTICAL RECORDS SECTION

An essential servicing and back-up section - functions outlined in notes on ACTIVITIES AND SERVICES.

6. LIAISON SECTION

Largely complementary to Library and Statistical Records Section but providing service externally in the main.

7. ADMINISTRATION AND ACCOUNTING SECTION

In addition to its professional services, to provide support staff and domestic services: typographical, clerical, ~~communications~~ - telephonic, mail etc., security, canteen, welfare, cleaning, transport... in line with needs of the establishment.

INTERNAL AUDIT - A BASIS FOR INCEPTION
OF A DATA BANK FOR CENTRAL RECORDS, REPORTING AND CONTROL

To exercise enlightened control and executive management of the industry, TLAI requires continuous management information so that individual and collective positions of operations and trading are readily available.

At the commencement of this project an internal audit of operations was called for so that assessment could be made of the health of each unit:

- a) for guidance in determining need and locations for remedial and support action; and
- b) to be the basis of a data bank from which recording and reporting systems could be built up.

At the time of writing this report, five and a half months later, the requested information is not at hand and this is very largely due to TLAI executive staff shortage and gross overwork load of the one executive at TLAI HQ with the experience necessary for the job.

Information required for the audit has now been expanded into a questionnaire schedule and is included in this Appendix. A recommendation is made for early completion of the audit, its analysis, use for indicating trouble shooting areas and inception of management information records -to be maintained updated by the appropriate section at TLAI HQ.

A simplified or streamlined version of this questionnaire may provide sufficient information for part inception of the data bank with expansion of scope undertaken later.

SUGGESTED SCHEDULE FOR INTERNAL AUDIT OF TLAI OPERATIONAL UNITS

SECTION I

1. Employment

Total number of workers (full-time).

- a) Working proprietors, administration, technical and other staff
 - working Directors including Managing Director
 - Administration - Directors
 - Technical - Directors
 - Heads of Departments
 - Other staff
- b) Seasonal or casual workers (man-days used - 250).
- c) Is labour in good supply, easily trainable?
- d) What is your labour turnover?
- e) What training do you give?

2. Wages

Direct wages (range and average) - Per Day.

	<u>Range</u>	<u>Average</u>
a) Skilled workers:		
b) Unskilled workers:		
	<u>Average</u>	<u>As percentage of direct wage total</u>
a) Skilled workers:		
b) Unskilled workers:		

SECTION II

3. Expenditure Per year
- Especially separate:
- Material costs
 - Imported materials
 - Labour costs
 - Other materials
 - Interest
- Other charges:
- Medical
 - Labour welfare
 - Refreshment
 - Other (specify)

SECTION III - CAPACITY UTILIZATION AND SCALE ECONOMICS

4. Is the factory designed for one, two or three shift operations?
5. a) What percentage of installed capacity was actually utilized in the last full year of working?
- b) What percentage of installed capacity was actually utilized this year to date - say January 1, 1979 to April 30, 1979?
6. What were the principal reasons for unutilized capacity. Please include reasons relating to equipment failure or inadequacy and outside factors e.g. official restrictions?
7. What cost reductions do you calculate you would make if able to increase production by (a) 20 per cent and (b) 30 per cent?

Describe reasons for such cost reductions.

SECTION IV - QUALITY CONTROL

8. Do you have formally written quality standards for your products?
9. If yes, are these based on foreign or domestic specifications?
- 10.a What percentage of output passed quality tests on first inspection?
 - b What percentage of output delivered has been complained of, returned or put to arbitration on quality and selection grounds?
 - c How much, if any, sub-standard or unsaleable stock do you currently hold?
 - d What is your normal grading pattern expressed by percentage of 1st, 2nd, 3rd, 4th and 5th and reject grades?
- Bovine, Ovine, Caprine
11. Summarize quality control methods employed and state availability of trained quality control staff, ease or difficulty of recruitment.
12. What was the average cost of correction of defects, expressed as a percentage of total cost of production?
13. What was the cost of materials and labour wasted in rejected products?
14. What was the cost of wages of quality control staff, expressed as a percentage of the total wage bill?
15. To whom does the principal quality control officer report?

SECTION V - TRADING

16. Please provide details of your customers:

- a) names and addresses, type of business (shoe manufacturer etc)
- b) contact (buyer etc)
- c) summary of business done annually over the past three years
 - quality
 - value
 - type of product purchased
 - total nett sales
- d) methods of payment and creditworthiness
- e) general remarks (relationships, how and when in contact)
- f) present situation of orders on hand and expected delivery dates.

SECTION VI - EXPORTS

17. Is there a designated staff member with responsibility for export sales?
18. If not, what percentage of the working time of your marketing staff is devoted to export sales?
19. What percentage of your total value of sales was exported in the last two years - or nearest accounting period?
20. For each of your main export products, how does your export price compare with your price for the domestic market, expressed as a percentage (ex-factory realization of domestic sales=100).
21. Which countries buy the bulk of your exports?

22. If known, who are your main competitors in export markets?
23. What percentage of the ex-factory value of your export sales is absorbed by imported components and materials?
24. Do you export directly or through agents or importer wholesalers?
25. If through agents, what commission do you pay?
26. Do you have any foreign collaboration for the export of your products?
27. Do you have a formal export sales plan? If yes, please indicate what percentage of output you intend to export in each of the next three years?
28. Do you have a rigid or flexible method of payment policy? Please give full details.
29. Do any of the factors below hinder your ability to export?:
 - High costs or availability difficulties of domestically produced input.
 - Lack of markets and/or market information
 - Difficulty in obtaining credit
 - Interrupted or lost business from quality short comings
 - Price or servicing causes
 - Lack of knowledge of export procedures
 - Administrative difficulties
 - Transport costs

SECTION VII - MANAGEMENT

An audit of existing management was called for as part of the Internal Audit as a whole. Requirements were explained in detail to the then responsible executive holding the appointment of Personnel Officer. Perhaps untrained for his then position and because of communication shortcomings and personal unrest within the organization - nil information was provided except in the case of Mwanza tannery. It thus remains to record that the Project now reported upon is unable to present a precise picture of the current management structure at TLAI operational units as to qualifications and suitability of incumbents, extent of over- or under-strength and record of service or performance. The need remains.

APPARENT INTERMEDIATE AND EARLY TERM MARKETING
POSSIBILITIES FOR INTERIM, ALTERNATIVE OR ADDITIONAL LEATHER PRODUCTS

Consideration of the now apparent conditions and factors in the industry enabled the survey of marketing possibilities in Europe to be objectively beamed. Results are as follows:

1. Part-processed leather - enhanced sale, profitability and access to higher technology:

This may be quite quickly achieved through joint enterprise with selected tanner-finishers. A suitable potential partner was identified in France and approached with the proposition (previously discussed and agreed with General Manager, TLAI) of combining in a shared-profit experiment with a view to progression and expansion if results are satisfactory. Acceptance in principle was obtained and confirmed in writing. Purposeful follow-up by TLAI is now called for.

Briefly, the experiment proposed is on the basis of joint investment and profit sharing in proportion to the investment of each participant:

TLAI to invest part-processed stock and cif costs to port of entry, the tanner-finisher to invest finishing costs and skills, costs of storage and sales.

Apart from the trading profit earned, additional benefits accrue to each partner as follows:

To TLAI - Enhanced profit earning from the proportional share on sale of finished leather which would be greater than the profit made on sale of part-processed stock.

access to the tanner-finisher's technology
diffusion of know-how
availability of equipment

Better sales servicing
Establishment within the market giving
highly desirable flexibility eg, in
adapting to meet colour and texture changes
Safeguard against protectionist measures

To
PARTNER - Continuity of supply in existing, and probably
on-going, conditions of procurement difficulty.

Reduced investment costs
Saving on liming and tanning costs
Elimination of major effluent costs and problems
Eventual saving on finishing costs through
contracting back to TLAI tanneries production
of basic colour leathers having imparted
the technology for higher quality finishing
as part of the deal.

2. Industrial gloves - The market, although very price conscious, is immense (West Europe imports in excess of 300 million pairs per annum alone), is self-generating as usage life is very short, servicing is easy via the substantial agents and importer-wholesalers who handle the vast majority of distribution and sales. A situation of under-supply exists and is likely to continue.

The product is simple to make, uses low grade leather, has very limited sizing and style requirements and is highly suitable for dispersed-unit manufacture.

High volume purchasers have been identified in UK, France, Germany and Italy and are prepared to furnish samples, specification and prices. Early follow-up action called for:

- Obtain samples and establish liaison with Buyers Prospect manufacturing possibilities among existing leather goods manufacturing workshop units and entrepreneurs in Tanzania.
- Establish present and projected supply of splits

TLAI has been furnished with details of contacts in Europe.

3. Protective clothing and safety equipment, military and public services equipment - This is a high volume, quick turnover field comprising mainly simple design, easy-to-make items. It is specialized as to specification and performance standards. Once these latter have been reached, good and continuous trade may be expected. Because of specification requirements and the level of contact necessary, entry into this market is far best achieved in collaboration with overseas manufacturers established in the field. A suitable UK firm has been contacted and is prepared to co-operate with samples and advice on products and to evaluate pilot run samples submitted back.

Official follow-up by TLAII now required.

4. Workmen's tools etc. bags and holdalls - Not so demanding in specification as those detailed above, these items have several of the same characteristics, and are usually in the product ranges of protective and safety etc, equipment manufacturers. Moreover, for price reasons, they are acceptable in lower grade leather providing rugged enough. The firm indicated above at -3-, is also a good contact for co-operative entry into this market.
5. Cut and closed footwear uppers, cut and shaped ladies' boot linings, lining leather (ready-to-finish and finished) - There are excellent and growing markets for all these categories.

Suitable Agents, ~~importer-wholesalers~~ and customers were identified and contacted in UK, France, Germany and Italy, and also in Austria whence unique trading contacts with Hungary and Yugoslavia are available. Samples have been requested and the prospects opened now call for follow-up.

Copy correspondence relating to all the above mentioned opportunities has been explained and passed over to TLAI for action.

6. Exotic leathers - Due to restriction and controls properly imposed by the Convention on International Trade in Endangered Species of Wild Flora and Fauna and the International Union for the Conservation of Nature, demand for these leathers is great and frustrated as to supply. Some countries and game species are not debarred by the Convention and offer good opportunity for trade at premium prices.

TLAI has already acted on advice proffered in this connection.

7. Manufacture of cheamois leather is feasible from Tanzanian raw material and offers possibilities.

SUMMARY OF CONTRACTUAL INVOLVEMENT

OF TLAI WITH MESSRS. ITALMACCHINE, MILAN, ITALY AND SUBSIDIARIES

1. Mwanza Tannery Ltd

Managing Agents and Managerial, Technical and Financial Consultants to Mwanza tannery for three years from 1 January 1977. Contractual responsibilities are to 'manage, run and conduct the tannery and business in all operational aspects, to advise on and organize training of Tanzanian technicians, operating and managing personnel in Tanzania and abroad.' Remuneration is on a fee, share of profits and reimbursement of certain costs basis. Mwanza production capacity is 7.5/8.0 million sq.ft. of bovine leather (about 25 per cent of TLAI's total) plus 500 tonnes of sole and other heavy leather per annum.

2. Morogoro Shoe Company

Managing and Marketing Agents, Managerial, Technical and Financial Consultants to Morogoro Shoe Company for three years from 25 June 1979. Responsibilities are in line with those for Mwanza plus marketing and a liability to sell all products of the factory not marketed in Tanzania; if unable to effect such sale, then to purchase 85 per cent of such production. Morogoro may not impose limitations on the contractor's liberty to negotiate world-wide but may sell direct, if so desiring, in which case a commission is payable to the contractor. If deciding to sell the whole production, Morogoro may terminate Italmacchine's selling/purchasing obligation at three months notice. Italmacchine remuneration is on a fee, profit sharing and commission basis. Morogoro is to provide housing, travel and living expenses for key Italmacchine staff.

Morogoro Shoe is scheduled to produce 2 million pairs each of leather and canvas or textile footwear per annum.

3. Morogoro Leathergoods Factories

Operational and commercial management of Morogoro Leathergoods factories - contract reported signed 10 April 1978, , effective 15 May 1979 for a term of three years. Italmacchine thereby appointed Consultants with responsibility for provision of engineering, marketing and technical services. A training commitment is also included comprising recruitment, in-house training, and overseas training in Italy for six months for five Tanzanian trainees. Costs of training are to be borne by TLAI.

Italmacchine remuneration is from fees for each of the Technical, Engineering and Training services to be provided, payments in respect of 'Other Costs' and a commission to cover 'Marketing Services'. The Contractor is liable/sell the whole production or to purchase 75 per cent of it. The latest programme for goods to be produced is:

18,000	Handbags
36,000	Wallets
30,000	Belts
12,000	Garments
120000	Prs. Industrial Gloves.

The above production schedule has undergone two or three revisions as to product type and quantity since inception of the project and may well need to be changed again under influence of leathers available, production capability and market conditions.

4. Marketing Consultants - Footwear

Italmacchine has been contracted to make a world-wide survey of footwear production and marketing for a reported fee of US\$250,000. The survey is to be completed within six months of TLAI acceptance of a programme of implementation which latter was to be submitted within 30 days of signing an Agreement by General Manager, TLAI, in Milan on April 10, 1979.

Not yet having available in-house experience of surveys of this nature, TLAI requested comments on both the implementation programme and the

structure of the survey itself. In TLAI's interest, advice was necessarily proffered that the proposals were inadequate and unrealistic for the purpose intended and that, more concerningly, the project did not appear to be at all usefully related to specific requirements of development of Tanzania's footwear exports.

Advice has been given that the footwear marketing liability noted at (2) above should properly include ongoing observation by the Contractors of shoe design and style trends and that identification of market trends, potential and emerging export opportunities and observation of international trade in footwear generally, could and should be a function of TLAI's own Marketing Division. It is understood that some representations have accordingly been made by TLAI to their Contractors but no developments were available for report as at the time of leaving Tanzania.

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Mr. P. Nyquist, Industrial Training Expert, UNIDO, on assignment in Dar -
-es-Salaam

Director-General and Officers, SIDO, Government of Tanzania

General Manager, Officers and Staff TLAI, Government of Tanzania

The President of the Tanzanian Union of Chambers of Commerce

All those many friends and acquaintances of International Leather and
Leather related industries for unstinting willingness to help and understanding
when contacted in connection with the Project herein reported upon.



