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REGIONAL AFRICA

HIDES & SKINS, LEATHER AND LEATHER PRODUCTS IMPROVEMENT SCHEME

US/RAF/88/100/11-71

TECHNICAL REPORT (*)

on a mission to SUDAN
23-30 July 1992

Based on the work of

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EXPLANATORY NOTES

Exchange Rate: 1US\$=100 Sudanese Pounds

Purpose of the mission

The purpose of the consultant's mission was to present and discuss with Government, the leather industry and some local representatives of donor contrives/agencies the various components of the draft project document for the proposed extension of the National Hides and Skins, Leather and Leather Products Improvement Scheme US/SUD/88/100 which is part of the large scale regional programme US/RAF/88/100 operating from Nairobi. The draft project document concentrates on development of the leather and footwear industry and its title is the National Leather and Footwear Industry Scheme (NALFIS) US/SUD/92/200.

The framework of the proposed new phase for Sudan was reviewed in order to assess Government counterpart inputs in light of the proposed changes in public ownership of enterprises in the leather sector which are now being privatized.

The consultant's work schedule included meetings and consultations with senior officials of the Ministry of Agriculture, Animal Resources, Ministry of Industry and Ministry of Planning.

INTRODUCTION

UNIDO's external assistance in the leather sector has been extended to Sudan through the regional programme on Hides and Skins, Leather and Leather Products Improvement Scheme US/RAF/88/100 which covers other six African countries in the region and the national programme US/SUD/88/100. Sudan has an agricultural based economy and the leather industry is important as it comes second to live animal exports in terms of foreign exchange earnings from livestock sector. The Government has, therefore, requested for the extension of this assistance phase and UNIDO has drawn a draft project document for the National Leather and Footwear Industry Scheme (NALFIS) which is expected to be implemented once the ongoing project is phased out.

UNIDO's Government counterpart implementing agencies are the Ministries of Industry, Agriculture, Animal Resources and Natural Resources at Federal level. This project has been designed to reinforce the capabilities of the Sudanese Hides and Skins, Leather and Leather Products sub-sectors. Hides and skins improvement activities will be continued in Kassala Region and new target area for hides and skins improvement will be established in Blue Nile and South Dafur Regions. The project also aims to assist in rehabilitation of selected tannery through the improvement of its finishing capacity and assisting in establishment of an effluent treatment plant.

The objectives and activities in the draft project document are in line with the Government's strategy for the development of this sector which has been spelt out in guidelines issued through a recently inaugurated Government comprehensive ten years strategy for the hides and skins, leather and leather products subsectors. The strategy emphasizes amongst other things on shifting away from live livestock exports to meat exports which will increase availability of hides and skins. It also aims at increasing livestock population, upgrading of slaughter facilities and increasing capacity utilization in tanneries and footwear units.

FIELD MISSION

Meeting with UNIDO Country Director Mr. M. Garzelli

UNIDO's National Expert, Dr. Abbo introduced the consultant to UNIDO Country Director Mr. Garzelli and informed the UCD that the consultant's mission will include visits to the Ministries of Agriculture, Industry and Planning as well as visits to tanneries and footwear factories. Mr. Garzelli indicated that he would join the meeting with the Planning Ministry.

The consultant then outlined the objectives and activities contained in the Sudanese national draft project document on Leather and Footwear Industry Scheme (NALFIS) which were to be reviewed with the relevant Government Ministries and the consultant was to assess the status of respective Government counterpart inputs which would enable the smooth implementation of this project. The consultant also expressed fears that there may be difficulties in identifying donors for this project as so far no donor interest has been reported for the Sudan project. Mr. Garzelli said he would organize a meeting with the Italian Embassy in Khartoum in order to acquaint the mission with the proposed activities at the local level as Italy is a major donor of the ongoing regional project US/RAF/88/100 and the national project US/SUD/88/100.

Meeting with Prime Under Secretary, Ministry of Agriculture Animal Resources

The National Expert organized a meeting with the Prime Under Secretary, Ministry of Agriculture, Animal Resources Departments.

The Prime Under Secretary, Professor Harbi welcomed the consultant and asked him to convey to UNIDO Sudanese Government's appreciation of UNIDO's hides and skins improvement activities during the ongoing national project US/SUD/88/100. The Sudanese Government has expressed hope that these activities will be continued by extending the programme as the livestock sector is a very important sector within the economy of Sudan. The potential of hides and skins in particular if fully exploited would benefit the country through creation of employment and in generating foreign exchange.

The consultant thanked the Prime Under Secretary for the warm welcome and expressed hope that his officers had already studied copies of the national draft project document for the National Leather and Footwear Industry Scheme (NALFIS) which has a major component of hides and skins improvement activities. The consultant presented the objectives and activities which are foreseen in the draft project document relating to hides and skins improvement training of extension officers, introduction of UNIDO's new grading system, and upgrading of slaughter-slabs and hides and skins drying sheds in the designated target areas. The meeting was also informed that UNIDO would like to ensure that the Government counterpart inputs in form of personnel and operational costs are provided for in the Ministry's budget.

The consultant was informed that the necessary budgetary allocations will be provided to ensure the smooth implementation of this project.

The concept behind the revolving fund was explained to the meeting by the consultant. This fund is expected to help sustain and support some of the activities which are funded by UNIDO project even after the project is phased out. The private leather industrial sector which will benefit from hides and skins improvement is expected to be involved in the management of the fund through a trade association.

The national expert enumerated the achievement of the ongoing project US/SUD/88/100 and was very optimistic that the hides and skins improvement activities now confined to the target areas of Kassala Region, and the new target areas of Blue Nile and South Dafur Region could be expanded throughout Sudan at a later stage.

It was noted that the draft project document is in principle within the expectations of the Ministry of Agriculture and UNIDO should strive to get financing for the project. The need to channel UNIDO's assistance to the Sudanese Institute of Hides and Skins, Leather and Leather Products was expressed but as this has not been considered within this document the consultant suggested that training element could be considered during the implementation of the new phase.

Visit to the Sudanese Leather Institute, Khartoum

This institute is under the Ministry of Agriculture, Animal Resources and is located at Khartoum West, close to two large tanneries, Khartoum Tannery and White Nile Tannery. The institute was established in 1963, with technical assistance of FAO and UNDP. The consultant was conducted on a tour of the institute which has five units

1. Tannery
2. Leather utilization workshop
3. Laboratory
4. Lecture rooms and administrative block
5. Tanning extract plant which is out of use

In all the units, it was observed that where as it was once well equipped, the Institute now has got old obsolete equipment, mostly out of use and unlikely to be put back into working condition. Some activity in training of artisans mainly ladies was being conducted in the tannery using a small tanning drum. All other equipment seemed to be defective and out of use. The technician carrying out demonstration appeared motivated in spite of working under extremely difficult circumstances.

In the laboratory, there appeared to be very minimal work carried out which is not surprising considering the circumstances. The consultant is of the opinion that the rehabilitation of this institute requires a separate project proposal document by itself and it is unlikely to benefit much during the implementation of the (NALFIS) US/SUD/92/200 project. The tannery was doing vegetable tanning using seed pods of the acacia nilotica tree (garad pods). These have been cleaned, ground and then sieved as the tanning extraction unit doe snot function anymore.

Meeting at the Ministry of Industry

Present:

Mr. Mohamed S. Fadbulah	-	First Under Secretary, Ministry of Industry
Dr. S. Kiruthu	-	Leather Industry Consultant
Dr. A.H. Abbo	-	National Expert

The meeting was later attended by the General Manager of Khartoum Tannery.

The national expert Dr. Abbo introduced the consultant to the First Under

Secretary, Ministry of Industry. The consultant then explained that the purpose of his mission was to present and review the draft project document of the proposed UNIDO project, the National Leather and Footwear Industry Scheme (NALFIS) US/SUD/92/200 with the relevant Government Ministries and make any desirable changes. During the mission, the consultant would assess the status of the counterpart inputs provided by Sudanese Government and private sector to enable smooth implementation of the next phase.

The first Under Secretary informed the consultant that Sudan was grateful for UNIDO assistance so far extended under US/SUD/88/100 and US/RAF/88/102 but the Government considers the level of assistance too low when compared to assistance provided to other countries within the region and hoped the situation is going to be different. The consultant told him that the poor state of tanneries under the public sector in regard to their operational levels during the implementation of UNIDO's ongoing project made it impossible to extend any assistance to the institutions as they have not been in a position to provide the required counterpart inputs. With privatization this situation will not persist and hopefully it will become easier to work with these tanneries. Fielding of experts to institutions which are not ready to receive them by availing the necessary chemicals or spare parts would only cause distrust between UNIDO and recipient tannery as well as frustrate the fielded expert.

The First Secretary indicated that privatization of tanneries was progressing and the capacity utilization in the sector is poised to increase. The consultant expressed the need to have a strong Leather Association made up of members of the industry who would participate in the development of the sector and be involved in the management of the "Revolving Fund" which would be used to support hides and skins improvement activities.

Visit to Khartoum Tannery

This tannery is next to White Nile Tannery in Khartoum West and is still in public ownership. The tannery has been faced with operational problems and has suffered from lack of spare parts, high over-heads and low productivity resulting in low capacity utilization.

When the consultant visited this tannery he found a major rehabilitation exercise being undertaken by the Sudanese Government which involved major civil works, installation and relocation of equipment in an attempt to make the tannery more attractive to potential investors and allow its privatization.

The consultant's assessment was that such a major rehabilitation exercise should not have been undertaken before a potential investor was identified as the rehabilitation entail changes in production flow and may result in characteristics which may discourage potential investors. The rehabilitation of Khartoum tannery is no doubt quite expensive and may be it could have been better if it was left to the investor who would make the necessary conversions to his liking. In the end this may prove to be cheaper for the Government.

Overall very little leather processing was going on with the exception of vegetable tanning of hides. In the finished leather store some very well finished sheepskin leathers were observed.

Visit to White Nile Tannery

This tannery has been taken over by the private sector and could be a test case for the privatization of the other two tanneries in the public sector.

UNIDO's national expert introduced the consultant to the General Manager Eng. MA. Osman and the technical manager El Fatih Abu Rafad who conducted him through the tannery.

The tour of the tannery indicated that the tannery has a well laid out production flow in the areas of wet and dry processing of hides and skins. Most of the equipment for wet processing seemed to be in good condition and were being utilized. There appeared to be good workers morale and the capacity utilization had risen progressively from the time the tannery was privatized.

This tannery was receiving UNIDO's technical assistance and during this visit the UNIDO Tannery Expert Mr. Carlos Marzo was already fielded in the tannery. The management of this tannery expressed gratitude for this assistance and indicated that they needed assistance in the dry section as well as in the leather finishing plant.

White Nile Tannery is in a position to provide counterpart inputs required if selected during the next phase US/SUD/92/200 for the establishment of a leather finishing unit.

Afro-Tan Tannery

A quick visit was made to Afro-tan tannery with the national expert and Mr. Carlos Marzo, UNIDO Tannery Expert fielded in Sudan. This is a medium sized skins tannery which is privately owned. It has a capacity to process 8,000 skins per day but at the time capacity utilization was about 4,000 skins per day. the limitation is because the tannery avoids use of dried skins which are mostly ground dried.

This tannery processes pickled sheepskins and is also crusting and finishing some of the skins. The tannery is concerned with the improvement of hides and skins and is enthusiastic about the establishment of a trade association.

Afro-tan employs a mainly female labour which is being trained in all aspects of tannery work as the production emphasis is shifting from pickling to crusting of skins.

The tannery would require training assistance in the areas of splitting and shaving where the skills are lacking in Sudan.

Visit to Ghezira Tannery

This is a very large tannery with a designed capacity of 9 tones of hides per day and 2,500 skins per day. During the time of the visit the actual attainable capacity was only 14-30% for hides and about 60% for skins. the tannery used to have a labour force of 450 but most of these have now been laid off and only 150 are presently working.

This tannery is equipped mostly with Mercier and Aletti machines but most of these are not working and there is evidence that spare parts have been cannibalized from some machines in order to service others until eventually the machinery ground to

a halt. It is clear that this type of machinery which normally last for many years did not receive adequate servicing with proper supply of spare parts over the years.

The tannery has a laboratory size pilot tannery which is well equipped and most of the equipment is in good working order. The effluent treatment which is large and with a design similar to that of a sewage plant does not work and requires to be rehabilitated. The Manager of the tannery indicated that the South Koreans are interested in taking over the tannery and converting it into a skins tannery only. The government of Sudan had not yet accepted this offer.

Visit to Salim Tannery

Present:

Salah Salim	-	Manager, Salim Tannery
S. Kiruthu	-	Leather Industry Consultant
A.H. Abbo	-	UNIDO National Expert

Salim tannery is receiving technical assistance in form of equipment under the ongoing UNIDO project US/RAF/88/102. The equipment had not arrived at the time of the visit and therefore the tannery still faced constraints in fleshing, sammying and staking.

This tannery is located in Omdurman, Khartoum and processes both hides and skins from pickle to finished stage. The hides are processed to finished stage for the local footwear market. The tannery also faces problems in the disposal of effluent and the owner of the tannery is seeking assistance from UNIDO to relocate to another site outside Khartoum city.

The consultant toured the tannery and observed the difficulties experienced in effluent disposal and is therefore proposing that Salim tannery should be assisted by UNIDO to relocate to the new site if the resources are available.

The details of pay-back arrangement into the "Revolving Fund" for the equipment were discussed. Mr. Salim was unhappy with the repayment terms because the Sudanese pound had been devalued very heavily and paying for the equipment at the prevailing exchange rate of 1US\$ for 100 Sudanese pounds would be too expensive. I agreed with him that paying at the prevailing terms would remove the element of assistance and suggested a way should be found so that the assistance does not become punitive.

In a case like this the "Revolving Fund" committee could ask Salim to pay at the rate prevailing when the purchase of machinery was agreed with UNIDO and then shorten the repayment period, say to two years instead of five years, or the committee could agree on a suitable rate say 50 Sudanese pounds per dollar and then increase repayment period to about eight years.

Note: The above are suggestions

Visit to Artisanal tanneries

A visit was made to some of the artisanal tanneries in Ghezira by the consultant, UNIDO national expert and international tannery expert Mr. C. Marzo.

The tanning is done in a series of pits using lime, chicken dung for enzyme and bacterial dehairing. The vegetable tanning is done using tannin from garad pods (pods from the acacia nilotica tree). This informal sector is very important within the tanning subsector as it consumes large amount of skins and provides leather for the manufacture of cheap sandals.

Leather Products Subsector

Immediate Objective 4 of the draft project document for Sudan on Leather and Footwear Industry Scheme NALFIS (US/SUD/92/200) deals with the activities aiming at improving production and quality of value added articles such as travel goods, small leather goods, footwear and garments.

Implementation of the above mentioned objective will involve fielding of leather goods expert and training of local manpower.

The consultant toured two leather products factories in the Omdurman area of Khartoum but unfortunately due to shortage of finished leather both factories had resulted to producing pvc and rubber products only.

A meeting in AL ASIMA FIBRE PLASTIC AND LEATHER CO. with the owner and member of the proposed Leather Association, Mr. Saad Osman Abunikhila highlighted the difficulties facing the sub-sector. The national expert confirmed that this is an area which requires a major input from UNIDO. The consultant observed that in order to increase the use of leather and promote its use in production of articles, finished leather of good quality at affordable prices might be made available to the industry. This is one of the issues to be addressed to during the implementation of the proposed next phase.

Meeting at the Ministry of Planning

This meeting was attended by two senior officials of the Ministry of Planning, UNIDO Country Director, Mr. Garzelli, S. Kiruthu, Leather Industry Consultant and the National Expert, Dr. A. Abbo.

Activities and achievement of the ongoing UNIDO project were summarized by the national expert, and the consultant discussed immediate objectives and activities contained in the draft project document for the National Leather and Footwear Industry Scheme (NALFIS) US/SUD/92/200. The concept of the "Revolving Fund" was discussed and the Ministry's officials suggested that this should be discussed in the proposed project "Implementation committee" which is composed of inter-ministerial members and members from the Leather industrial sector.

In this meeting it was agreed that a Government request for the National Leather and Footwear Industry Scheme will be forwarded to the UCD as soon as possible.

Meeting at the Italian Embassy, 27 July 1992

Present:

Italian Mission Charge d'Affaires	
Mr. M. Garzelli	- UNIDO Country Director
S. Kiruthu	- Leather Industry Consultant
A. Abbo	- National Expert

This meeting had been arranged by UNIDO country Director Mr. Garzelli so that the consultant could acquaint the Italian mission in Khartoum with the main objectives and activities of UNIDO's proposed project for Leather and Footwear Industry Scheme (NALFIS) US/SUD/92/200 which is an extension of the ongoing project on hides and skins, leather and leather products improvement scheme US/SUD/88/100.

The consultant gave the background of the regional and national programmes and then outlined the specific activities foreseen in the draft project for Sudan. Italy Charge d'Affaires said that the leather sector is of special interest to Italy and he would be interested in receiving a copy of the final project document which he could utilize in finding possible assistance for the sector from Italy. The consultant told him the final project document was expected to be finalised in early September and a copy would be forwarded to him through the UCD from Vienna.

Meeting of the Projects Implementation Committee, 30 July 1992.

The project implementation committee is chaired by senior official of the Ministry of Planning and committee of a panel from the Ministry of Agriculture, Animal Resources, the Ministry of Industry, the Leather Industrial Sector and the national expert. The meeting was called to review the draft project document and discuss the Revolving Fund. Various amendments were proposed to the draft project document and this has already been incorporated in the final project document.

Regarding the establishment of the revolving fund the committee observed that since the idea of private sector trade associations is new to Sudan a study tour should be organized to familiarize Government officials charged with the responsibility of allowing and facilitating formation of such associations with similar associations possibly in Kenya and Zimbabwe. It was also agreed that the issue of devaluation of sudanese pound for the concerned parties paying into the revolving fund should be determined case by case. The committee also called for further assistance from UNIDO in the establishment of Leather Association.