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Support towards Industrialization and the Productive Sectors (SIPS) in the SADC Region

LEATHER VALUE CHAIN INCEPTION REPORT



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ABBREVIATIONS

ART	Antiretroviral Treatment
CESARE	Cooperation for the Enhancement of Southern African Development Community Regional Economic Integration
СТСР	Clothing and Textiles Competitiveness Programme
DRC	Democratic Republic of Congo
EU	European Union
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HS	Harmonized System
ITC	International Trade Center
IULTCS	International Union of Leather Technologists and Chemists Societies
NEMA	National Environmental Management Act
OHS	Occupational Health and Safety
PU	Polyurethane
SADC	Southern African Development Community
SAFLIA	South African Footwear and Leather Industries Association
SIPS	Support Towards Industrialization and the Productive Sectors
UNIDO	United Nations Industrial Development Organization
US	United States
USA	United States of America
VC	Value Chain

1. EXECUTIVE SUMMARY

The purpose of this study was to analyse the potentials and challenges of the leather value chain within the Southern Africa Development Community (SADC) region. The analysis starts with a comprehensive description of the leather value chain, and a detailed mapping and profiling of the key players in each of the different stages of the regional leather value chain (e.g. livestock farming, tanning, and manufacturing). In addition, the analysis presents the global economic outlook of the leather value chain, as well as a regional assessment, comprising an in-depth analysis which identified the capacities and challenges of the regional leather value chain in each of the SADC Member States. Considering the identified capacities and challenges, the analysis concludes by providing specific potential interventions to enhance the private sector development of the leather value chain.

The situation of the leather value chain in South Africa and Tanzania is unique for the region as all the stages of the Value Chain are actively operating within each country, contrary to other Member States, where only one or few stages of the value chain, such as livestock farming or manufacturing, are found. Furthermore, all countries in the region except Zimbabwe, South Africa, and Tanzania have minor to no tanning activities. South Africa is the largest leather producer and supplier in the region and exports most of its products to other Member States, however, it does not feature as a key global player in any of the stages of the value chain. Countries such as Italy, Spain, Vietnam, and the U.S. are leaders in various stages of the value chain, such as trade of raw hides and skins, processing of hides, and manufacturing of leather products. China is the largest supplier of leather products to SADC member states.

The identified challenges of the regional leather value chain include lack of good management practices resulting in low profitability, lack of regional and international market access and sustainable financing arrangements. Moreover, local leather producers are often constrained by weak supply chains and cheap imports of leather goods. Additionally, actors at various stages of the regional value chain often use outdated technology within their operations, which leads to weak compliance with international and regional environmental requirements and regulations. More critically, the availability of alternative substitute material commonly known as PVC or artificial leather, as a more affordable and environmentally friendly substitute has caused a significant global and regional decrease in demand for hides and skins. Similarly, the COVID 19 pandemic has also decreased the demand for meat and consequently the supply of hides and skins.

To address these challenges, increase growth of the regional leather value chain, improve product quality and enhance access of producers to international markets, a cluster approach is presented. The first cluster discusses the possibility of interventions for harnessing hides and skins as non-leather products for the pharmaceutical, cosmetic, and/ or food sectors to foster product diversification, penetrate new markets and create producers' awareness of hides and skins value. Complementary, the second cluster suggests improving livestock farming management practices, e.g. through the promotion of feedlots as opposed to conventional traditional livestock herding, to achieve and preserve a higher quality of hides and further the introduction of ear identification tags thereby eliminating the use of hot and cold iron branding. This would steadily increase the supply within the region as controlled livestock levels now prevail. Furthermore, the third cluster focuses on supporting

existing tanning facilities to continuously access hides and skins and advance technologically, avoiding further shutdowns and allowing them to produce larger quantities of higher quantities leather, which in turn will be an incentive for new investments in the region. To conclude, the fourth cluster presents a detailed market analyses and subsequent information sharing, and training interventions to increase market shares and turnover of existing manufacturers of leather products in the region.

2. INTRODUCTION

CESARE AND SIPS

The Programme "Cooperation for the Enhancement of Southern African Development Community (SADC) Regional Economic Integration" (CESARE) supports the SADC Secretariat and its Member States in the areas of economic development and good governance. Its main cooperation partner is the SADC Secretariat in Gaborone, Botswana. The Programme is further implemented in cooperation with national governments of SADC Member States as well as regional stakeholders, private sector companies, relevant industry associations and civil society.

Within the CESARE framework, one of the four measures of the Programme is the joint action "Support Towards Industrialization and the Productive Sectors (SIPS) in the SADC region". The SIPS measure of CESARE is co-financed by the European Union and the BMZ and works on key concerns of the private sector that are currently hindering industrialization in the SADC region. SIPS result area 1, which is implemented by the SADC Secretariat, ensures that the policy, regulatory and operational environment at the national and regional level for the development of both targeted value chains (i.e. the ARV and leather value chains) are beneficial. Result areas 2 and 3, which are implemented by GIZ, aim to enhance the participation of the private sector in the antiretroviral (ARV), Covid-19 Medical and Pharmaceutical Products and Leather value chains.

This report relates to the Leather Value Chain result area of the SIPS project. By facilitating the development and governance of the regional leather value chain in SADC, it is expected that Member States will be encouraged to address ongoing obstacles of regional trade, as well as supporting the private sector with regards to enhancing and upgrading the sector.

With the provision of capacity building and technical assistance to the private sector, SIPS supports (a) the move towards meeting international production standards, (b) improved understanding and respect of intellectual property rights, and (c) improved transfer of knowledge and know-how. Thus, in terms of the Leather component of the project, the specific objective of the SIPS Action is to improve the performance and growth of this value chain and related services, with the output being enhanced private sector participation in the regional leather value chain.

Structure of report

This report provides a comprehensive overview of the leather value chain, its challenges, and opportunities in the SADC region. It takes into consideration the different processes and outcomes in each stage of the value chain (Chapter 2) and where key state actors can be found (Chapter 3). Leather-related activities in the SADC region are compared to global performances and give a depiction of the position of SADC Member States in competitive international markets. Chapter 4 provides insight into

trade figures, business relations, global market trends and technologies used in the processing of leather and price development.

An assessment of each SADC member state (Chapter 5) describes the respective performance in the different stages of the leather value chain. Economic data is highlighted and put into a regional context. An outline is given as to the South African leather market as a key player in the region. Furthermore, chapter 4 entails a brief presentation on relevant infrastructure, environmental framework conditions and existing support structures at the government level. Cross-cutting issues on safeguarding in particular climate, security, gender equity, HIV, and COVID-19, and their impact on the leather value chain in the region are assessed.

The report concludes with a proposal of strategic interventions (Chapter 6) to foster and grow the leather value chain in SADC.

3. DESCRIPTION OF THE LEATHER VALUE CHAIN

This chapter provides an understanding of the structures and processes within the various steps of the Leather Value Chain. Leather and leather products are a high employment generating industry that plays a prominent role in the world's economy with an estimated global trade value exceeding 100 billion USD per year¹, thus representing the single largest agricultural commodity industry. Leather is durable and one of the most widely traded commodities that has existed for centuries. As the United Nations Industrial Development Organization (UNIDO) Leather Panel states²: "Leather industry is a strategically important sector for the economic and industrial development of many African countries. It has an abundant and renewable resource base in Africa's large population of cattle, sheep and goats; it has a great employment potential, especially in the downstream part (manufacture of footwear and leather goods)."

Various leather stakeholders have emphasized the need to introduce cleaner leather processing technology in developing countries. The final product demands well-coordinated processes, from the farming level to the manufacturing of goods.

Leather is used to produce a wide variety of products, e.g. shoes, vehicle and furniture upholstery, handbags, luggage, wallets, clothing, balls, strips, and saddles. Each material has its own unique quality to allow for different quality of styles and character.

The value chain is formed by the following stages:

- 1. Livestock farming,
- 2. Slaughtering for meat, by-product harvesting (Hide and Skin)
- 3. Raw Skin Trading,
- 4. Skin Processing and Tanning,
- 5. Leather Trading, and
- 6. Manufacturing

¹ <u>https://leatherpanel.org/sites/default/files/publications-</u>

attachments/future_trends_in_the_world_leather_and_leather_products_industry_and_trade.pdf

² <u>https://leatherpanel.org/publications-categories/trends</u>

Livestock farming

Commercial livestock farming such as cattle, sheep, goat, ostrich and crocodile, provide the raw material base for the leather value chain. Domestic livestock is typically bred in two ways: by traditional farmers or in industrialized farms. Due to vast grasslands, livestock grazing is a common traditional method of farming in the SADC region. A more industrialized method is the use of feedlots. Over the last decade, the introduction of grass-fed livestock has further entered the feedlot system resulting in higher returns.

Livestock grazing allows for cattle to consume wild vegetation. However, a noted disadvantage with this method is the compromised hide quality. Feedlots on the other hand can maintain production when lush pasture are not available. Rapid growth for cattle can be achieved with a balanced ration of grains, Lucerne and alfa-grass dry hay. The histology from hides gained from feedlots are visibly healthier and better quality due to the feed and healthcare given thereby potentially improving the quality of the leather, thereby improving the quality of the leather.

Slaughtering for meat, by-product harvesting (Hide and Skin)

The second stage of the value chain is the slaughtering process. There are two types of slaughtering methods: commercial and unregistered slaughter-slabs. Commercial are licensed operators with onsite veterinary and health inspectors' team(s). Regulated under the country Meat Act and by-laws. Modern approved abattoirs have mechanical hide-pulling equipment, thereby reducing damages through manual flaying, resulting in quality reduction, as skins are mainly pulled by hand, as the separation membrane is easier to takeoff from the carcass.. The unregistered slaughter slabs have no registered slaughter systems in place and is often carried out for private consumption or small-scale trade on local markets. Most of the rural livestock slaughtering is carried out under very poor and unhygienic conditions. While cattle are slaughtered in poorly equipped slaughter points³, goats and sheep are slaughtered mainly on slabs in scattered homesteads. Mechanized slaughtering or slaughterhouses are commonly referred to as abattoirs. They allow for special handling and inspection by government-assigned facilities. Hide and skins from the slaughtering process can either be discarded, used for raw material trading and timeously preserved (utilizing salt as on medium to curb the bacterial growth, leading to putrefaction of the collagen structure, decline in quality) for possible domestic or export trade, or taken in for further processing.

Raw skin trading, skin processing, and leather trading

This sub-chapter consolidates Stages 3, 4 and 5.

There is a dynamic global market for the trade of raw skins and hides. Raw skin and hides as such can be an end in the production line or a notable process in the value chain. Hides are identified as the larger livestock (bovine subfamily and other cattle) and skins are from smaller animals (sheep and goats)). Production and marketing of hides and skins provide opportunities to support and sustain livelihoods especially in rural areas.⁴

³ <u>https://www.unido.org/sites/default/files/2009-05/A_blueprint_for_the_African_leather_industry_0.pdf</u>

⁴ <u>https://leatherpanel.org/publications-categories/hides-skins</u>

Final hide and skin processing takes place in tanneries The raw materials and native collagen, is treated with chemical processes and the use of tanning agents, to convert the substrate to a stable product known as leather. In the further process, the substrate, now leather is re-tanned and dyed to reach a dried state, ready for the final stage of coating or finishing. Based on four methods of tanning i.e. Chrome = Wet-Blue, Aldehyde = Wet-White, Synthetic Tanning = New Technology and Vegetable tanning (Southern Africa Mimosa is one of the largest producers globally.) The final product known as finished leather can be supplied to various end product producing industries, these being fashion, shoe, leather goods and upholstery.

Leather Manufacturing

Leather continues to play a pivotal role in the manufacturing industry. Common examples are the automotive industry for car upholstery leather, accessories such as belts, gloves, bags as well as the clothing and shoe industries.

Depending on the type of animal, hides and skins are used for manufacturing different products. Cattle leather is most commonly used for upholstery (cars and furniture), shoes handbags and safety products. While sheep and goat leather for high end fashion products specifically shoes. Commercially farmed Ostrich and Nile Crocodile skins, regulated under international trade laws, has shown annual growth over the last 3 decades in the fashion and exotic leather goods industry.



Figure 1: General Overview of the Leather Value Chain in SADC Member States

4. GLOBAL PERSPECTIVE ON THE LEATHER VALUE CHAIN

This chapter presents the global outlook of the leather value chain and its economic perspective. The extent of global connection is depicted by presenting the data of exporting and importing countries in each stage of the value chain. Furthermore, the chapter considers the key actors for each category in the SADC region. Additionally, global market trends and technologies are analyzed.

All data originates from the International Trade Center (ITC) Trademap⁵ which uses the internationally standardized system Harmonised System (HS) classification code for traded products. The top 15 countries of each table always account for at least 75% of the respective trade volume.

Export of bovine and importing countries

	Country	Export of live bovine animals in `000 USD
1	France	1,641,597
2	Australia	1,134,796
3	Canada	894,962
4	Mexico	476,784
5	Spain	346,132
6	USA	292,492
7	Germany	282,492
8	Netherlands	259,459
9	Brazil	217,153
10	Thailand	209,523
11	New Zealand	208,946
12	Hungary	191,518
13	Czech Republic	189,409
14	Belgium	175,767
15	Romania	160,622
23	Namibia (highest turnover in SADC)	65,541

Table 1: Exports of live bovine animals in 2020 (HS Code 0102) in `000 USD

⁵ Trade Map provides indicators on export performance, international demand, alternative markets and competitive markets, as well as a directory of importing and exporting companies. Trade Map covers 220 countries and territories and 5,300 products of the Harmonized System. (<u>www.trademap.org</u>)

Cattle, goats and sheep are an elementary part of the raw material supply of the leather value chain. By far the most widely used animal leather derives from cattle, with around 65% - 70%. Sheep leather is the second most important raw material with approximately 10% of the world's leather production.

In 2020, over 8,27 billion USD of live bovine were traded around the world. As shown in table 1, France, Australia, and Canada alone traded and exported over 3 billion USD worth of live bovine. Compared to the size of cattle herds, led by Brazil with 214 million heads and closely followed by India with around 200 million heads, the top 8 exporting countries generate a much higher value with their bovine. In SADC, Tanzania is the largest producer of bovine with over 20 million heads⁶ but only exporting bovine animals' worth of around 432,000 USD.



Graph 1:Top four exporting countries (France, Australia, Canada and Mexico) and the top destinations in '000 USD

As shown in graph 1, from the top 4 exporting countries of live bovine animals, France has a strong inter-European and Mediterranean trade with main exports to Italy and Algeria. Australia exports mostly to countries in Southeast Asia such as Vietnam and Indonesia whilst Mexico and Canada trade mostly exclusively with the USA. Most of the trade between countries occurs on a regional or bilateral level.

The export and trade balance for cattle in Sub-Saharan Africa is low. There is no larger market demand for live bovine in the region. Without South Africa being a demanding market for meat, trade would be extremely limited in the SADC region (a more detailed analysis can be found in Chapter 5).

⁶ Source FAO STAT 2019

Table 2: Import of live bovine (HS Code 0102) in 2020 in `000 USD

	Country	Import of live Bovine Animals in `000 USD
1	USA	1,828,162
2	Italy	1,421,585
3	Vietnam	685,812
4	China	487,158
5	Indonesia	434,816
6	Turkey	410,707
7	Netherlands	343,501
8	Lebanon	283,407
9	Spain	268,445
10	Israel	233,797
11	Canada	199,644
12	Algeria	191,316
13	Lao PDR	152,511
14	Egypt	152,014
15	Russian Federation	133,973
19	South Africa (largest importer in SADC)	104,946

The USA and Italy are the largest importers of live bovine. Within the SADC region, South Africa is by far the largest importer. This is mainly due to the high demand for meat but also for the leather industry. Hides and skins are a by-product of the slaughtering process following the import of live bovine. Therefore, the trade figures on live bovine do not represent the leather sector as such. Nonetheless, the bovine trade has a notable impact on the hides and skins/leather business as shown in the following section.

Export of hides and skins, leather, and importing countries

In this section, a comparison is made on export data of hides and skins, tanned, crust and finished leather. The figures of this category include all types and origins of leather. The export figures in table 3 indicate processing activities of hides and skins into leather or semi-finished leather, as well as the existence of important trading hubs.

	Country	Export of raw hides and skins and leather in `000 USD
1	Italy	2,933,295
2	USA	1,260,854
3	Brazil	976,000
4	China	644,474
5	Germany	584,305
6	Hong Kong	543,694
7	Spain	516,593
8	Thailand	512,593
9	France	393,029
10	India	374,601
11	Australia	373,815
12	Vietnam	354,417
13	Austria	342,143
14	Argentina	302,948
15	Netherlands	300,302
23	South Africa (highest turnover in SADC)	145,790

Table 3: Largest exporters in 2020 of raw hides and skins and leather (HS Code 41) in `000 USD

Italy is by far the largest exporter of raw hides and skins and leather. It can be assumed that most exported products are semi-finished or finished leather as the country has a large number of tanneries and important value addition takes place in the country. Italy exports largely to Romania, Vietnam, France, the USA, and China. The USA mainly exports its raw wet-salted hides and skins and leather to manufacturing countries, primarily China. China exports the finished goods to the USA amongst other countries. Therefore, beneficiation clearly takes place in Asia. Although China is the top manufacturer of leather in the world, Vietnam is the most significant leather shoe manufacturing industry. It is presumed that other countries use hides and skins for their own smaller domestic manufacturing or further trading.

In the SADC region, South Africa is the largest exporter of hides and skins and leather with 145,8 million USD, reflecting the high number of tanneries in the country. 90% of its export volume of hides and skins is outside the African continent mainly to Germany, China, Italy, France, and the USA. Lesotho imported raw hides and skins, and leather worth 5,8 million USD in 2020. Due to its developing manufacturing industry, it is by far the largest importer from South Africa within the SADC region.

It must be noted, that the export value of raw hides, skins and leather of South Africa has decreased considerably and progressively over the last 5 years by 42% caused by the global market price decline. In the same period, the export value of live bovine of South Africa has risen by around 10%. The global market crisis also concerns countries like Brazil. Their export value has dropped by over 50%.

Table 4 Largest importers of raw hides and skins and leather (HS (Code 41) in `000 USD in 2020
--------------------------------------------------------------------	------------------------------

	Country	Import of raw hides and skins and leather in `000 USD
1	China	2,728,101
2	Italy	1,680,209
3	Vietnam	1,223,488
4	Hong Kong	566,979
5	Mexico	541,762
6	France	525,411
7	USA	463,777
8	Thailand	429,271
9	Germany	424,908
10	Indonesia	384,124
11	Spain	358,272
12	India	351,045
13	Romania	329,938
14	Portugal	323,008
15	Poland	292,269
56	South Africa (largest importer in SADC)	25,140

Imports of hides and skins can be divided into two categories: raw hides processing into semifinished products and finished leather products for manufacturing purposes.

Hong Kong has traditionally represented a trade hub for hides, skins and leather, hub therefore its import and export figures are similar. Brazil has the largest cattle stock in the world, but its business model for hides and skins is largely export-oriented as imports constitute merely 3% of its export value. Countries like China, Italy, Spain and the USA have an important manufacturing industry. Their export products are mostly processed leather such as wet blue but also finished leather. Thus, extensive value beneficiation takes place in those countries.

The largest importer within SADC is South Africa, though with an overall comparable low import value, as displayed in table 4. Imports of raw materials are mainly from Namibia.

Export and import of leather articles (HS42)

Table 5 Exports of leather; saddlery and harness; travel goods, handbags, and similar containers; (HS Code 42) in 2020 in `000 USD

	Country	Export of leather goods in `000 USD
1	China	22,681,924
2	Italy	9,551,452
3	France	9,096,388
4	Vietnam	4,015,275
5	Hong Kong	3,519,827
6	Germany	2,357,893
7	Netherlands	1,929,091
8	India	1,855,790
9	Singapore	1,538,449
10	USA	1,271,584
11	UK	1,271,130
12	Spain	1,241,201
13	Belgium	1,072,836
14	Cambodia	1,008,780
15	Poland	697,555
56	South Africa (highest turnover in SADC)	35,832

Table 5 depicts the export value of articles of leather; saddlery and harness; travel goods, handbags, trunks and other products except for leather shoes. The top 15 countries cover 90% of the global value in 2020.

There are mainly three key actors and regions: China, Europe and Southeast Asia including Vietnam. It is imperative to differentiate between producers and traders. Producing countries are China, Vietnam, Italy, and Spain and to a certain extent Germany and France. However, the export value of European countries is mainly created through trade. European producers, in particular Spain and Italy are specialized manufacturers, however, split into two segments fast fashion orientated products and exotic handmade high-quality production in small volumes specifically, automotive and furniture upholstery leather. Hong Kong and Singapore are also involved in an expanding exclusive leather production and trading.

Within SADC, South Africa is the largest exporter of leather goods. The relatively high import of leather products to South Africa (table 6) leads to the assumption that an important part includes trade with China to be re-exported to neighbouring countries.

Table 6 Imports of leather; saddlery and harness; travel goods, handbags and similar containers; articles (HS Code 42) in `000 USD in 2020

	Country	Import of leather articles in `000 USD
1	USA	10,183,952
2	Japan	5,085,608
3	China	4,815,847
4	France	4,376,449
5	Germany	3,950,153
6	Hong Kong	3,694,414
7	Italy	3,255,538
8	Korea	3,244,641
9	UK	2,792,251
10	Netherlands	1,816,631
11	Singapore	1,683,371
12	Spain	1,474,484
13	Canada	1,358,169
14	Switzerland	1,306,389
15	Australia	1,166,405
47	South Africa (largest importer in SADC)	153,659

Countries that focus on trade have similar figures for import and export (e.g. Hong Kong). USA and Japan are large importers of final leather products which are then sold on the national market. China imports for regional trade but also for their domestic consumer market. The main importers in China are Italy and France.

Export and import of leather footwear (HS6403)

Table 7: Export of leather shoes (HS Code 6403- footwear with outer soles of rubber, plastics, leather, and upper of leather) in `000 USD in 2020

	Country	Export of leather shoes in `000
		USD
1	China	7,398,203
2	Italy	6,566,847
3	Vietnam	5,147,747
4	Germany	3,349,310
5	Indonesia	2,231,371
6	France	1,899,245
7	Netherlands	1,583,226
8	Portugal	1,482,841
9	Spain	1,377,226
10	India	1,333,495
11	Poland	1,134,367
12	UK	962,174
13	Hong Kong	921,943
14	Bangladesh	617,092
15	Switzerland	494,831
	South Africa (largest exporter in SADC)	35,113

As with the trade of leather articles, China is also the strongest exporter of leather shoes with outer soles of rubber, PU, plastics and uppers. Its turnover is approximately 2 billion USD with exports mainly to the USA. Vietnam, Indonesia, India and Bangladesh continue to be major players in the footwear industry. A lucrative investment climate including skilled and competitive cost of labour, caters for various industries such as textile and footwear. Vietnam's export value stands at around USD 2,1 billion and Indonesia USD 676 million trade with the US. In 2020 the export value of South Africa largely amounted to USD 35 million.

	Country	Import of leather shoes in `000 USD
1	USA	8,469,741
2	Germany	4,995,506
3	France	3,410,866
4	Italy	2,531,990
5	UK	2,402,283
6	China	2,392,015
7	Netherlands	2,109,184
8	Poland	1,412,359
9	Russia	1,306,355
10	Switzerland	1,152,263
11	Korea	1,108,211
12	Spain	1,065,121
13	Japan	1,030,471
14	Hong Kong	968,127
15	Canada	788,406
36	South Africa (largest importer in SADC)	165,000

Table 8: Imports of leather shoes (HS Code 6403 - footwear with outer soles of rubber, plastics, leather and upper of leather) in `000 USD in 2020

The respective overall imports are in correlation with the export (tables 7 and 8): compared to their respective export value, larger leather shoe producing countries like Vietnam and Indonesia do not import at the same level. The USA imports mainly for their domestic market. European countries are major buyers in the world, partially for their own use, but also for trade. The European market and its trading relationships are complex due to a general tax exemption scheme within the EU, tariffs applied, sourcing structures and networks.

South Africa is by far the most important importer in the SADC region by sourcing from China and other producing countries in Southeast Asia. The country acts as a trading hub and is therefore the main supplier of leather and other material-based shoes for most countries in the SADC region.

Number of cattle

Map 1: Number (heads) of cattle in 2018



Source: FAO

Livestock in Africa in terms of heads is comparable to many other countries in the world. As depicted in map 1, the quantity of heads in the African continent is significantly high. However, the output of hides and skins traded visibly lags behind. In contrast, Brazil has the largest bovine stock in the world and is at the same time one of the largest exporters of hides, skins and leather in the world. The country does, however, rank behind South Africa and Bangladesh in the export value of leather products.

Summary and conclusion

China evidently dominates the market for finished products, followed by its Southeast Asian neighbours. Vietnam is the second-largest producer of leather shoes in the world but relies to a greater extent on imports of leather for the production of goods. Their inbound supply chain is not sufficient to cover the needs of leather shoe manufacturers. The USA is less active in the production of leather goods but an important actor for raw material supply. Strong business relationships exist between China and the USA. European countries remain an important trading hub for all kinds of finished or semi-finished leather goods. Italy, Spain, and Portugal still have a traditional leather manufacturing industry that is significant to fashion articles and brands.

Africa ranks behind all these regions. Even as one of the strongest economies, South Africa does not appear in the top 20 irrespective of category.

A fully fletched leather value chain, from cattle to the leather product, does not automatically guarantee a country to have a fruitful market. Countries with the largest bovine population are not automatically the ones with a leading position in leather article production.

The leather value chain can be compared to the textile industry as the processes are similar⁷. Specialized producers contribute with their products to the chain. To establish a successful value chain, it is not compulsory to add the total value in one country to have a final product that is fully aligned with the market requirements.

On a small-scale level, Mauritius might be a good example of how the final stage of the value chain – the manufacturing of leather goods- can be assured without managing the full inbound supply chain on a national or even regional level. In the framework of commissioned work, customers prefer to control the supply of raw material and the sewing value segment simply assure the quality of final work. In-house production faces a similar situation, as the manufacturer must ensure that the quality and price of input supply matches with the market cost demand. A national value chain might not be aligned with these particular needs.

Global leather market price development

This sub-chapter looks at the market prize development of hides and skins and leather. Between 2014 and the beginning of 2020 the international leather market experienced a declining trend. Graph 2 shows the price development of raw hides and skins and leather since 1920. In this millennium, the first substantial decline occurred in September 2008 during the financial world recession, followed by a second dip in 2014. Since May 2020 the index shows signs of improvement. i.



Graph 2:Price development of hides and skins and leather from 1920 to 2020

Source: <u>https://fred.stlouisfed.org</u>, shaded areas are economic recessions

One important factor that has had a significant impact on the price of hides, skins and natural leather is the growth in demand for artificial leather. Artificial leather is a lot cheaper (60% of natural leather), they are more versatile and considered ethically friendly. Another important factor is the alternating supply of hides experienced since the outbreak of the COVID 19 pandemic. Meat consumption and therefore demand for live bovine declined due to main importing countries closing down their borders, further closure of restaurants/canteens, and consequently resulting in a reduced supply of hides.

⁷ Cotton is produced in the Sahel countries and Central Asia. The trading hubs Hong Kong and Amsterdam act like stock markets for the raw material. Spinning, dying and weaving are mainly done in China, India, Pakistan, Bangladesh, and southeast Asia. Sales markets are mainly Europe, Asia, and North America.

The current positive trend indicates that cattle as an important protein supply has returned in conjunction with leather products which have shown increase in demand again. Despite growing demand of synthetic leather, reall leather still has a traditional market position.

Global market trends

The value of the global leather goods market was valued at around USD 394 billion in 2020 and is expected to increase with an annual growth rate of 5.9% from 2021 to 2028⁸. Grand View Research notes: "The market is mainly driven by rising consumer income, improved living standards, changing fashion trends, and growing domestic and international tourism. The rising demand for comfortable, trendy, and fancy leather apparel, footwear, and accessories, along with growing brand awareness is expected to have a positive impact on the market."

The COVID-19 pandemic has taken its toll on many industries, including leather. The disruption of the supply chain continues, causing arduous losses in terms of product shipment, delivery and quality. However, as people return to a normal life, consumers are once again attracted to the exclusive and premium-priced products. As such, the demand for leather products is currently on the rise. Footwear, home décor, and furnishing segment are expected to have an an annual growth rate of 6.7% from 2021 to 2028⁹.

Due to increased awareness in conjunction to climate change and harmful effects due to outdated practices in the various value chains (construction, textile and footwear) has boosted the demand for sustainable replacement products. Brands and retailers have reacted accordingly by instituting stricter ecological and social compliancy within the production environment. Various international institutions and nations (e.g. Germany¹⁰) have started supply chain initiatives to protect social standards, human rights as well as the environment. It is expected that the consumer awareness will sharpen over the next decade, thereby exerting a strong influence on the supply chain practices.

Technology trends

This sub-chapter looks at the current technology trends, especially at the environmentally sensitive tanning processes. The leather value chain has undergone major changes thanks to the technologies brought to the different stages of the value chain, mainly the tanneries. Indeed, tanning is the link that allows offering a wide range of leather for different uses, shoes, upholstery, fashion accessories, and other. Each type of product requires various characteristics of leather which treatment processes entail the use of mineral, vegetable or other chemical exposure.

In general, the preparation process has three main steps:

- Soaking rehydration and washing process, the removal of dirt, followed by the fleshing process, removal of subcutaneous layer and non-leather making proteins, allowing for all following chemical treatments to penetrate the substrate.
- Splitting of the hide after liming and or after tanning in Wet-Blue stage (Bovine)
- Tanning
- Shaving (substance regulation)
- Re-tanning (dying, filling and fat-liquoring to ensure softness and character of final product enhancement)

9 ibid

⁸ https://www.grandviewresearch.com/industry-analysis/leather-goods-market

¹⁰ <u>https://www.bmz.de/en/development-policy/supply-chains</u> and <u>https://www.bmz.de/en/development-policy/green-button</u>

• Finishing (coating application)

OPERATION		Best Available Technique (BAT)		
	Preservation of the hides & skins using salt and possibly bactericide	 Working with fresh skins (GREEN), immediate input into tanning process Preservation use of salt (re-salt 24 hours later) Exceptions: in cases of long transport times (maximum processing time of fresh, unrefrigerated hides is 4-6 hours, 5-8 days if maintained at 2°C 		
	Liming process – Opening of the collagen structure and removal of non-leather making proteins, such as Elastin and Keratin, i.e. Hair removal	 within refrigerated environment Use of Hair-saving technology that leaves the hair intact. Use of enzymatic agents within the liming process increases profitability of the final product. Reduced strain on wastewater treatment plants Recycling of used liquors, new practice to reduce impact on the environment and major cost saving. 		
	Splitting	. The hide is horizontally split into two parts, (1 grain and (2) split side – Traditionally hides are spi in the lime phase, allowing for greater grain sid yield, lower chemical usage in the tannin processes and the split if not converted int leather, can be sold into the gelantine industry. Exceptions: if the input material is wet blu leather, common in the trade world today as Wet Blue hides are tanned in full substance and th purchaser can potentially recoup a portion due t splitting in blue for the grain split recovery an generating additional income stream.		
	De-liming and bating	Replace ammonium salts with CO2 and / or weak organic acids. This is more cost intensive and depending on the final product requirements. Bating, the use of enzymes to remove hair roots and ultimately reduce the pH in preparation for the following tanning process.		
TANNING	Degreasing: this process is built into various stages of the tanning process, for some animal types more than others	De-greasing by the use of organic surfactants, with or without the use of organic solvents. The main reason being to remove instable unsaturated fat in the substrate, as this would lead to oxidation and bad odour in the finished leather.		

In more detail, the following overview shows the sub-steps that constitute this process:

	Pickling Tanning	Reduction of the pH in preparation or the tanning process. Recycle or partially reuse the (filtered) pickling liquors. (*) Tanning is the process of altering the collagen protein to stabilize it from potential putrefaction or degradation. A variety of tanning methods are available, use of metal based mineral salts,
		vegetable tannins, aldehyde and/or synthetic alternatives.
GRINDING / FINISHING	Neutralization and Re-Tanning	Possible retanning of alternative tanning agents, from syntans (synthetic tanning agents), vegetable tanning extracts, filling of the substrate for the arrangement of the final character, dying for the final colour (eveness across the substrates from hide to hide or skin to skin) for easier finishing and finally use of modified fat to stimulate the degree of softness. When removing natural fats, these need to be replaced with modified, water emulsable fats to generate correct softness degree.
	Sammying and Drying (there are various methods, vacuum and or toggle drying)	Reduction of water content to approximately50%, leading to shorter drying times and further opening up the hide or skin surface
	Finishing Application	Application of finishing film coating through the use of roller-coater transfer, or, spray carousel technology, with the ultimate goal to ensure levelness and continuity from hide to hide and or skin to skin. In addition, the finish will withstand consumer usage and scuff-resistance as also other mechanical abrasion resistance tests, depending on the final product requirements.

(*) Recycling or partial reuse of pickling liquors are best available practice (BAT), with the exception of high-quality leathers.

Traditionally, tanneries are regarded to be a high pollutant industry. It is fair to draw the assumption that the higher the input chemicals required for tanning will adversely have a higher cost attached in the wastewater treatment. Based on the matrix, the volumes of inputs and outputs are theoretically and may vary extensively based on the selected animal race as follows:



Current technology used for tanning

Vegetable tanning

Vegetable tanning is the oldest method of tanning. It requires the use of vegetable tannin extracts which can be derived from the following: tree bark (oak, mimosa, chestnut, quebracho), leaves (olives/wet green), or roots (sumac). It produces leathers that are often firm or full, used in the manufacturing of e.g. soles, saddles, shoulder straps, and bag handles, belts, and furniture. Vegetable-tanned leather is eco-friendly however under UV exposure may oxidize and change character.

Chrome tanning

About 75% of leather made today is chrome tanned. Chrome tanned leather has a higher performance compared to other tanning methods, specifically shrinkage and extended life use. The use of chrome in the tanning process requires higher input cost in the wastewater treatment discharge as the solids need to be separately be discarded. Should however, a larger volume prevail chrome recycling is a common practice today, thereby reducing the strain on the environment.

Chrome-free / aldehyde tanning

Chrome-free tanning is based on an alternative tannage, compared to the traditional use of Chrome III. In the industry, often referred to as FOC (free of chrome) / Wet-White, was introduced as the solution to working environmentally friendly, especially in the greater automotive upholstery industry. OEM's (Original Equipment Manufacturers) found this to be a sales friendly solution to the negative publicity over the use of Chrome III, incorrectly depicted in the press, describing the highly toxic Chrome VI. Over the last 3 decades, the wider implementation of FOC tannages linked to the use of

lightfast vegetable tannages, has created the new age substitute, however it must be noted, is at a higher cost. Not only in reference to the input chemistry, but in the overall processing stages and wastewater treatment, prior to discharge into communal wastewater plants. The common use of Aldehyde has become the basis of this new tanning system and the use thereof has increased to include the furniture upholstery industry. The side-effects of this new replacement system have shown the sensitivity to free aldehyde and triggered continuous developments to reduce and or eliminate the free unbound traces thereof. The leather performance, however, has certain setbacks in reference to lower shrinkage values in comparison the traditional Chrome III tannage. Waste management systems have been updated to allow the pre-tanned shavings, harvested when the substrate is mechanically altered to govern the substance or thickness of the material, allows these waste depositories to be discarded as compostable waste.

The quest to becoming 100% environmentally compliant, leading to the elimination of any metals within the tannages, is on the cards, forcing the chemical and leather industries to ensure deliverance as early as 2025 in many countries and industries.

The new age philosophy in the tanning industry, has become renown for moving away from the stigma of traditional, smell polluting and dirty industry. Companies, depending on the geographical location and linked local governance in waste treatment laws, have taken the cleaner drive to higher levels. Implementation in new designs of Plant & Equipment, shows the initiative to accept higher capital outlay and amendments to internal waste management systems. The goal to reduce cost is a given and thus the producers need to find alternative revenue streams with low impact measures to the human capital and environment.

Introduction of the following has proven very successful however, increased installation and maintenance cost:

- 1. Alternative tanning solutions (positive impact on wastewater treatment plant), leading to cost stabilization of existing facilities.
- 2. Pre-processing steps to reduce salt and other negative impact bearing fleshing's & trimmings waste to reduce the load on the existing wastewater treatment plants;
- 3. Solid waste management enhancement drive, use of fats and other fibrous matter as burning agents in the boiler system for steam and electricity generation.
- 4. Bio-digester systems to allow the partial generation of methane harvesting, conversion thereof into steam and electricity.
- 5. Pre-water treatment system, such as reed-bed ponds, prior to the deliverance to a primary wastewater treatment, reducing the cost load on the system.
- 6. New developments in the area of natural plant-based wastewater treatment systems, currently under pilot project oversight, with the goal of producing high-income generation of biomass and protein. These systems allow the breakdown of nitrates (salt), which under current equipment standards is non-feasible due to the high cost attached, as the salt usages in the tanning industries commence with the preservation of hides & skins, including the use of salt (NaCl) within the processing stages.
- 7. Incineration plants have proven to be high cost drivers and require continuous supply of burning agents, which requires an industry park to become the primary supplier. The resulting continuance of steam generation, leading to the conversion into electricity, has not shown any sustainable implementation over the last 2 decades. This method of waste to ash system, would be justifiable under circumstances of a communal effort, such as waste delivery by the

city and town municipal vendors. Electricity generated could alleviate the daily peak-load levels within this industrial park, with surplus electricity fed into the power grid.

5. ASSESSMENT OF SADC MEMBER STATES

This chapter provides an overview of the leather value chain situation of all SADC Member States. A comprehensive value chain analysis takes into consideration all strengths and challenges at country-level.

Background information

The Southern African Development Community (SADC) is a regional economic community comprising 16 Member States; Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe. Established in 1992, SADC is committed to regional integration and poverty eradication within Southern Africa through economic development and ensuring peace and security. The SADC region inhabits 355 million people and covers an area of 9,8 million km2 which is similar to the size and population of the USA. The GDP of SADC is approximately USD 634 billion in 2019¹¹.





Source: www.sadc.int

¹¹ https://countryeconomy.com/countries/groups/southern-african-development-community

Methodology and approach

This assessment of SADC Member States is based on a compilation of 16 separate country appraisals conducted by individual researchers from various SADC Member States. The country appraisals have been carried out as desktop analysis, by applying quantitative and qualitative research methods, as well as interviews with relevant stakeholders. A robust methodological guideline with key themes and key questions was followed (Appendix A). Additional data used in this chapter stems from FAO STAT, ITC Trade map and other official sources. The accuracy of the data is not fully assured, but an overall trend can be derived. For some countries (e.g. DRC), only limited data was available.

Appraisals were undertaken along the leather value chain (see chapter 3), their functions and actors.

Topics include:

- Quantitative analysis on numbers and figures
- Employment
- Economics and trade
- Supply chain management
- Infrastructure
- Quality management
- Environmental, social, (OHS)health and safety requirements
- Support structures
- Safeguards
- Cross-cutting issues

To ensure that the findings and conclusions from the inception report are in line with expectations from the leather value chain actors, a virtual stakeholder workshop was held on 22.09.2021. The report was previously shared with invited stakeholders from the SADC region and findings from the report were presented during the workshop. The objective was to receive feedback on the report from stakeholders that are directly involved in leather value chain activities. These comments and remarks were taken into consideration and added to the report. For further evaluation purposes, a survey was launched immediately after the workshop to allow participants to reply to key questions and add further comments to the report content and proposed interventions. The results of the survey are annexed to appendix D.

Analysis of the Leather Value Chain

This chapter presents a quantitative analysis of the leather value chain stakeholders and their functions. Firstly, it is crucial to recognize the different value beneficiation taking place in different countries, where only South Africa and Tanzania boast of having a fully vertical integrated value chain with all stages of processing from livestock breeding to manufacturing, whilst others are limited to only one stage of the value chain. Table 9 below indicates the level of country activity in each stage of the value chain.

Country	Livestock breeding/slaughtering	Tanning	Manufacturing
South Africa			
Tanzania			
Zambia			
Zimbabwe			
Madagascar			
Namibia			
Botswana			
Angola			
Eswatini			
Malawi			
Lesotho			
DRC			
Comoros			
Seychelles			
Mauritius			
Mozambique			

Table 9: Overview on level of valorization and integration in the leather value chain per SADC Member States

Green = large cattle stocks with at least 1 million heads, 3 or more operational and registered companies for tanning or manufacturing

Orange = only minor activities (cattle: below 1 million heads, 1 or 2 operational and registered tanneries, 1 or 2 operational and registered manufacturing companies

Red = non-existent or insignificant

Almost all SADC Member States have significant production of livestock, except for countries with a small geographical area (Mauritius, Comoros, Seychelles, Lesotho and Eswatini).

Overall, South Africa has the highest value adding facilities (tanneries and manufacturing) and an international market share. Tanzania, Zimbabwe and Madagascar only have a few operational tanneries and it must be noted that their number has subsequently decreased over the past years. The reasons are manifold: lack of market intelligence and management skills, outdated machinery, high competition from other countries.

The manufacturing sector is dominated by South Africa. However, Mauritius has a highly developed leather industry with access to international brands and markets.

Although not as advanced as South Africa and Mauritius; Madagascar, Zambia, Mozambique and Tanzania have immense potential for further development through their existing but smaller industries. Lesotho has a small but highly active leather manufacturing industry with over 20 operating companies. They do, however, strongly depend on the South African market.

The remaining countries have very few activities in manufacturing and mostly resort to traditional methods of manufacturing due to low production capacities, few machinery, basic quality management on production and supply level, basic design, and limitations to market access.

Data on production and manufacturing

This chapter provides an overview of the figures from the livestock value chain step to the manufacturing level.

Livestock

The SADC region is widely arid with extensive grassland, which are ideal conditions for animal husbandry. Suitable climate conditions, geographical spread of livestock, limiting the risk of diseases and positively increasing the demand for meat are additional important factors for the depicted livestock numbers.

Country	Cattle in '000	Goats in ´000	Sheep in ´000
South Africa	12,000	Not defined	26,000
Tanzania	33,400	21,300	7,800
Zambia	3,700	2,900	270
Zimbabwe	5,400	4,360	523
Madagascar	9,000	1,300	650
Namibia	1,200	1,500	1,500
Botswana	1,000	1,220	240
Angola	5,100	4,720	1,100
Eswatini	600	240	40
Malawi	1,900	8,375	200
Lesotho	360	750	1,530
Congo, DRC	1,210	4,100	1,000
Comoros	Not significant	Not significant	Not significant
Seychelles	Not significant	Not significant	Not significant
Mauritius	Not significant	Not significant	Not significant
Mozambique	2,180	5,055	886
Total	77,050	55,820	41,739

Table 10 Overview on the approximate numbers of cattle, goats and sheep per country

Source: Extract from the researchers reports: sources FAO STAT, national databases – data 2019/2020

With regard to alternative livestock holding, Zimbabwe, Zambia, Mozambique, Madagascar and South Africa have an estimated 500,000 crocodiles on specialized commercial farms. Moreover, South Africa is the number one producer of ostriches in the world (180,000 units in 2019). Crocodile and ostrich leather are commercially used in the high-end exotic markets. In various SADC member states, there are existing exotic tanneries, focusing on value addition and domestic SMME leather goods manufacturers.

The trophy and game-skin leather industry mainly exist in South Africa and Namibia. Due to the seasonal nature of the hunting industry, the processing companies continue throughout the year hence contributors within the employment market.

Map 3: Cattle density per km2



Source: FAO

From map 3 above, one can see that Madagascar, eastern South Africa, Zimbabwe, eastern Botswana, large parts of Tanzania, and southwestern Angola have higher densities of cattle livestock herds. The overall figure amounts to 77 million heads for the SADC region in 2019/2020. In comparison to the geographical land size India had approximately155 million during the same period. These figures show that the cattle heads in SADC are high but compared to the geographical area of the SADC region, the density is regarded to be average.

An important distinction must be made in regard to the development of livestock within the various SADC Member States. Due to historic drought data the effect of livestock numbers in the southern part of the SADC region (Namibia, Botswana and certain parts of South Africa) had shown a decrease in the stock numbers. In Madagascar, climate change and deforestation similarly had an impact on the livestock numbers. In correlation to the above, during the same period, countries like Angola showed a stable livestock holding.

Feedlot practices are underdeveloped in many countries within the SADC region due to high investment, maintenance and human capital cost. To generalize within this region the livestock sector traditionally was based on a model of low input, low output revenue generation and further on the principles of traditional small holder family operations.

Countries with significant feedlots (for around 20% to 25% of all livestock) are Mozambique, Zambia and South Africa. The latter has over 10 feedlots with a total of almost 3 million heads, mainly in the north east of the country, showing trends of growth in this sector. Zimbabwe has seen a decrease in

number of feedlots due to a shortage of feed and capital, today has approximately 10% to 15% of all livestock in feedlots. Tanzania, as one of the largest producers in the region, has practically no feedlots and relies on natural pastoralism. Madagascar in turn has approximately 2,000 head from feedlots.

Overall, most animals in the SADC region graze in the field and the performance in the feedlot sector is weak and can be considered as a major impact on the quality of leather.

Slaughtering

Country	Performance level for slaughtering process	Comments	
South Africa		High number of modern facilities, good coverage and specialized infrastructure	
Tanzania		Poor infrastructure and lack of modern abattoirs	
Zambia		High number of professional abattoirs and slaughterhouses, strong policies	
Zimbabwe		Good coverage and partially modern facilities, but operating below capacity	
Madagascar		Few modern slaughterhouses available, large majority slaughtered traditionally	
Namibia		Good infrastructure available and strong policies	
Botswana		Good coverage of slaughter facilities	
Angola		Governmental owned, outdated, limited number, no commercial activities	
Eswatini		Small but efficient slaughterhouses, compliance partially achieved for EU export	
Malawi		Few professional abattoirs but good coverage	
Lesotho		Only one operational slaughterhouse, large majority homebased slaughtered	
Congo, DRC		Limited number, no professional abattoirs	
Comoros		No slaughter facilities available	
Seychelles	Information not available	Probably slaughterhouses are non-existent	
Mauritius		Facilities exist, but slaughtering is realized only for meat, hides are not important	
Mozambique		Few professional abattoirs, but strong policies, good coverage	

Table 11: Overview on the slaughterhouse infrastructure in SADC Member States

Green = large modern infrastructure existing

Orange = general infrastructure existing, but only few modern facilities

Red = not existent or very poor infrastructure

As can be seen in table 11, a few countries have modern abattoir infrastructures linked to recognized methods of animal slaughter including the use of mechanized hide pulling systems resulting in better quality raw material. However, of the approximate 400 approved abattoirs in South Africa, only approximately 250 are modern state-of-the-art facilities. In total, South Africa has more slaughtering facilities than all other SADC Member States combined and by far the most advanced infrastructure. Larger countries like Angola, Tanzania and the DRC lack adequate infrastructure. Tanzania is one of the largest cattle producers, facing significant difficulties in the slaughtering process as infrastructure are outdated. Most slaughtering takes place on slabs or is home-based. It must be assumed that almost 70% of slaughtering is done traditionally in the SADC Member States. Without a reliable slaughtering process in place, tanneries lack continuous supply of quality hides and skins and thereby depend on alternative sourcing.

Slaughtering in the SADC region is mainly carried out for the consumption of meat and not for leather production. As such, the slaughtering process is not properly executed and the hide and skin are, therefore, potentially damaged due to hand-flaying. Only approved and modern abattoirs with the access to hides and skins further trade in this high-income generating segment.

Tanning

Limited tannery infrastructure proves to be a challenge for several SADC Member States. In reference to the previous statement, countries like Angola, Botswana, Mozambique and DRC have no tanneries. As in comparison, countries like Namibia, Madagascar and Zambia have limited number of tanneries in their respective countries. South Africa currently has approximately 10 tanneries in operation, further it must be stated smaller tanneries specializing in niche products <10, Tanzania <10 and Zimbabwe <10. The tanning industry in South Africa has declined over the past years due to the challenges within the automotive leather sector and further challenges due to competitiveness and political volatility. The study has found artisanal tanneries exist in various countries catering for the local market. As a footnote the international leather industry has faced financial challenges, however being regarded as a commodity product, will always be exposed to these fluctuations.

Within the SADC states, the study has shown that the most common tanning method in the industry shows the continuous use of chromium salts. International trends show the mandatory future requirements of a leather tanned without the use of chromium salts known as an FOC or chrome free will be instituted by no later than 2030. These requirements ensure that the supply base is compliant in all aspects related to OHS, environmental policies and other international best practice standards.

The International Union of Leather Technologists and Chemists Societies (IULTCS) is an international standardizing body recognized by ISO. IULTCS has developed and described the best practice in tanning technology, and brought recommendations to several countries in the world, among them South Africa to get cleaner technologies for leather production.

In reference to the above, South Africa is under environmental pressure due to continuous amendment of the NEMA Act and the tanning industries are challenged to comply with these regulations, which are controlled and policed. The Department of Trade and Industry in South Africa, notes: "The current technological challenges experienced in the tanning industry evolved around the internalization of real manufacturing costs, environmental, corporate/social responsibility, and health & safety."¹² Among the SADC Member States, only South Africa is known to improve its processing

¹² <u>https://www.up.ac.za/media/shared/655/ZP_Files/south-african-Iri-final-report-2017-jan-</u> 2017.zp113270.pdf

facilities accordingly. Within this assessment, several key points have been considered to get cleaner technology within the leather production

- Solid by-product management
- Total dissolved solids in tannery effluent treatment
- Assessment for Chromium containing Waste from the Leather Industry
- Typical performance indicators for tannery waste-water treatment
- Pollution values from tannery processes under conditions of GOP (Good Operating Practice)
- Chargeable Effluent Parameters in various countries
- Odor control measures in tanneries
- Sewer adaption for tannery effluents
- Restriction in chemical substance implementation within leather
- Concerns about health and safety in the use of chemicals in tanneries
- Minimum environmental standards

In conclusion, introducing control of chrome recovery inside the tanneries in South Africa but likely also in other SADC Member States is necessary to reduce the chrome discharge to the effluent treatment plant, if the volumes prove feasible for such an investment.

Technical assessments, recommendations and guidelines for environmental protection - specifically also for tanning - can be found on the website of IULTCS.¹³

Manufacturing

According to the 16 individual country reports carried out by researchers, an estimated 190 companies in the SADC region currently produce footwear and different types of leather products for the international market (regional and global). South Africa has the strongest leather manufacturing industry in SADC. Madagascar has a long tradition of manufacturing leather goods, however, only one major factory exists and few small businesses. Zambia has four key manufacturers of footwear, Zimbabwe has about 20 smaller companies producing leather goods for the regional and national market and Tanzania has five larger producers in footwear, mainly serving the local market as well as the region. Mozambique is in the same category as the previous countries mentioned: an estimated 8 professional companies produce for the regional and international market.

Although Mauritius is an island with no raw material available and few resources to utilize, it has approximately 20 companies offering various leather product ranges. It can be noted that skilled labour allows for quality products to be produced for an international market. Countries like Namibia produce mainly local leather goods for the tourist industry, a similar finding within the Comoros.

Lesotho has 2 major factories for international markets and 20 small production entities for the South African market, elevating leather manufacturing an important sector for such a small country. Malawi, like Eswatini and Botswana, has only traditional manufacturing and no regional or international market access Since 2019, a business incubator¹⁴ in DRC has launched smaller units of leather manufacturing. This can be considered as a first step for developing the leather manufacturing sector.

Employment

Table 12 shows the formal, full-time employment data within each step of the value chain in each SADC member state. South Africa has a vertically organized value chain, covering all functions and distributing jobs on every stage of the leather value chain. Tanzania, Zimbabwe and Zambia also have

¹³ <u>https://iultcs.org/commissions/iue-environment-commission/</u>

¹⁴ <u>https://incubateurcuirkinshasa.org/</u>

an established distribution of employment within the national leather value chains but are still far below South Africa's employment levels.

Country	Slaughterhouses, Trading of Hides and Skins	Tanneries	Manufacturing registered companies only	Total number of employees
South Africa	24,000	4,800	12,000	40,800
Tanzania	5,000	500	3,400	8,900
Zambia	1,700	1,000	3,000	5,700
Zimbabwe	1,800	400	1,600	3,800
Madagascar	1,200	150	200	1,550
Namibia	2,000	180	-	2,180
Botswana	500	-	-	500
Angola	Not available	-	-	Not available
Eswatini	200	-	-	200
Malawi	Not available	-	-	Not available
Lesotho	400	100	900	1,400
Congo, DRC	500	-	ND	500
Comoros	-	-	-	-
Seychelles	-	-	-	0
Mauritius	200	30	400	630
Mozambique	600	200	1,000	1,800
Total SADC	38,100	7,360	22,500	67,960

Table 12: Number of full-time employees per value chain stage

Source: researchers national reports, governmental sources

Numbers given for the manufacturing level only refer to employment created by registered companies. The informal sector would easily double these figures. It must be noted, that the above table does not include the additional contributors to the sector, such as the ostrich and crocodile *"farm to leather"* industry. In 2019, these showed steady employment numbers, of approximate 15,000 in the ostrich and 3,000 in the crocodile industry.

Countries like DRC have no official employment in tanning or manufacturing of leather goods, but it can be assumed that there are a couple of hundred people involved in an unregistered, local production of tanned leather and handicraft industry. Slaughtering, trading, and manufacturing are quite labour intensive as opposed to the tanning processes which are rather not. Comparison is made to the textile sector where stitching and tailoring is labour intensive. The overall formal employment number for the core business of leather processing (tanning and manufacturing) is estimated at around 30,000 jobs in the SADC region.

Economics and trade

This chapter covers the topics on economics and trade, mainly on export and import figures per value chain step, from the bovine to the leather goods trade. It provides an overview of market and business linkages on a global scale and shows how the SADC region is interconnected.

Background information

Like in chapter 4, economic data has been extracted from ITC Trade map. The data is based on the value imported or exported in USD in 2020. However, for some SADC Member States, there are no figures on the ITC database. Only data that is officially registered can be displayed. Thus, cattle that
are illegally traded and not retained by officials do not appear in the database. Also, some information is not shared publicly for political reasons or due to highly competitive situations.

This chapter concentrates on cattle, as there is almost no regional trade of goats and sheep¹⁵. The three main elements of products (HS 0102, 41 and 42) in the leather value chain are analyzed in the framework of the export and import relation to the respective countries. The importance of trade relationships and dependencies are displayed.

Export of live bovine



Graph 3: Top four exporting country in SADC of live bovine animals (HS Code 0102) in 2020 in `000 USD

Graph 3 above shows that Namibia is the largest exporter of live bovine in the SADC region with a value of more than USD 60 million. Botswana falls in at second place and like Namibia, its key export market is South Africa. Thus, South Africa is the biggest importer of live bovine but is also an important exporter, mainly to Mauritius (covering 100% of Mauritius imports, but solely for food purposes). These three countries practically cover almost 100% of the regional export trade with live bovine. Tanzania as one of the largest producers of livestock has no export figures. Non-official trade may occur, but in terms of the geographical circumstances, markets demanding for bovine do not share borders with Tanzania. The overall export value of live bovine of all SADC Member States is USD 125 million in 2020.

¹⁵ The exception is South Africa, with an import value in 2020 of approximately 16 million USD from Namibia and export figures of round about 12 million USD to the gulf states.



Export of Raw Hides and Skins and Leather Graph 4 export of raw hides and skins and leather (HS Code 41) in SADC in 2020 in `000 USD

Graph 5: Top 5 exporting countries in SADC and top destination for raw hides and skins (HS Code 41) in 2020 in `000 USD



The overall export value of all SADC Member States of raw hides and skins in 2020 is USD 230 million.

As shown in graphs 4 and 5, South Africa has the highest export rates of processed leather (USD 140 million). These markets are mainly outside the African Continent. The country has a very diversified export market with mainly Germany, Italy, China, France, the USA and Mexico. As most of these countries are famous for their leather manufacturing industry, the South African export product is either wet blue, crushed leather or finished leather.

Tanzania's major export market for raw hides and skins is Nigeria. Raw hides and skins are consumed as food in Western Africa. Even though no value-addition takes place in Tanzania, the export trade value is USD 36 million. On a regional level, Zimbabwe exports a larger quantity of raw hides and skins to South Africa.

Lesotho, though not in the graphs, figures under the top 20 exporting countries with a value of approximately USD 5 million.

In summary, South Africa exports processed leather to premium markets and the export volume of fellow Member States in SADC is very low.

Import of Raw Hides and Skins and leather

Graph 6: Import of raw hides and skins and leather (HS code 41) in SADC in 2020 in `000 USD



Graph 7: Top 5 importing SADC Member States and top countries of origin for raw hides and skins and leather (HS Code 41) in 2020 in `000 USD



The overall import value of all SADC Member States in 2020 is USD 46 million of which more than half of it is imported to South Africa. South Africa additionally sources different qualities from different parts of the world. The three other major leather producers, Lesotho, Madagascar, and Mauritius are countries with quite an important manufacturing industry but without a strong national inbound supply chain. They thus rely heavily on imported finished leather. Historically, Mauritius and Madagascar have exclusive trading ties with France. Lesotho on the other hand depends fully on South

Africa for imports of finished leather whilst the DRC imports finished leather from China, probably for a smaller local production of leather goods.

Import rates are far lower than export rates, except for countries with a stronger manufacturing industry. South Africa is the only country with a well-balanced export and import ratio whilst other countries in SADC depict very low and/or insignificant figures.

Export of Articles of Leather; saddlery and harness; travel goods; handbags and similar containers



Graph 8 : Export of leather articles (saddlery, harness, travel goods, handbags etc. – HS Code 42) in 2020 in `000 USD

Graph 9: Top exporting destinations for South Africa for HS Code 42 (saddlery, harness, travel good, handbags etc.) in 2020 in `000 USD







The overall export value of all SADC Member States for leather articles in 2020 is USD 62 million of which more than half of its turnover is by South Africa. The export volume of leather goods like trunks, saddlery, harnesses, handbags, and travel goods of South Africa amounts to over USD 35 million in 2020. Its main market is the SADC region. The most important trading partner of Mauritius and Madagascar is France. Lesotho trades bilaterally and is supplied with finished leather from South Africa. The outcome of the incubator start-up in DRC is still low with USD 230,000 in 2020.



Import of Articles of Leather; saddlery and harness; travel goods; handbags and similar containers Graph 11 : Top 5 importing countries of leather goods (HS Code 42) in SADC and the countries of origin in 2020 in `000 USD Graph 12: Origins of South African imports for leather goods



Despite being a major producer of leather goods itself, South Africa imports large quantities of leather articles from China, worth USD 107 million. A similar situation can be found in Tanzania. The second-biggest producer of leather goods in the region imports leather goods worth 63 million USD from China in comparison to USD 3 million from the rest of the world.

With the exemption of South Africa, an exchange of leather goods within the SADC Member States almost does not take place. The reasons are manifold: insufficient production capacities for most of the countries, high production costs, inefficient supply chain and most important serious competition and market dominance from China.

The competitive advantage of the South African leather industry

Various reasons determine the boost of the leather value chain in South Africa in comparison to other countries in the regions. This chapter aims at presenting the most important of those reasons.

General framework

South Africa has the strongest economy in the SADC region and is internationally recognized as an economic power. Its GDP in 2020 was 302 billion USD. The South African economy contributes 50 % to the annual GDP in 2020 of the entire SADC region.¹⁶ Despite the important extracting industries in Angola, the GDP of the second-largest economy in SADC only amounts to USD 62 billion in 2020.¹⁷ Framework conditions in South Africa are considerably more established than in the other SADC Member States.

In 2010, South Africa joined the BRIC group (Member States are Brazil, Russia, India, and China) an independent international organization encouraging commercial, political, and cultural cooperation between the nations upon the invitation of China. The group was renamed BRICS – with the "S"

¹⁶ https://countryeconomy.com/countries/groups/southern-african-development-community

¹⁷ International Monetary Fund

standing for South Africa – to reflect the group's expanded membership. The international business relations and its network are an important key for their strong economy.

South Africa's main income-generating industries are mining, manufacturing, agriculture, and tourism. A strong network of energy, transport, and telecommunications provides essential services that underpin the growth, productivity, and competitiveness of the country. The infrastructural network is well developed and includes roads, ports, and airports. Roads are the most important mode of transport as well as railways for freight and commuter services. The country's rail infrastructure, which connects the ports with the rest of South Africa, represents about 80% of Africa's total. South Africa's extensive rail network is the 14th longest in the world and connects with other networks in the sub-Saharan region and neighboring Namibia, Botswana, Mozambique, Zimbabwe and Swaziland.¹⁸ South Africa has a strong road development, in which remote rural roads are transitable and connected and is the longest of any African country. Furthermore, South Africa has six major ports. Durban port is the largest and busiest shipping terminal in sub-Saharan Africa. Durban alone handles up to 31.4 million tons of cargo each year. The flight network is of international importance and several airports, like Johannesburg and Cape Town, connecting the country to the world.

The predominant Mediterranean climate in many parts of the country, fruitful soils, as well as a harvesting season opposite to Europe, create huge opportunities for agricultural businesses with international retailers.

Since 1994 South Africa has established a unitary but decentralized structure with three spheres of government: national, provincial and local governmental structures. Decentralized structures can if operated and overseen adequately, create an enabling environment for businesses. Moreover, South Africa has a good educational system with top universities but also a non-academic educational system for handicraft apprenticeship. Skilled labor for the different economic sectors is available and is supported by the government through accredited and certified vocational training. Besides, South Africa has approximately 60 million inhabitants with a rising middle class. Thus, the domestic market is important and locally produced products have a direct market. For economic development, it is an important backbone.

The leather industry

Agriorbit notes: "The leather industry in South Africa is strongly developed in comparison to the other SADC Member States. South Africa's leather industry has come a long way from mainly supplying leather boots during the two world wars in the early to mid-twenties century. Since the British and Dutch colonies brought this industry to South African shores, the local leather and footwear value chain has diversified into multiple subsectors." "The South African leather industry comprises the domestic market, export market and the subsectors of footwear, leather goods, handbags and luggage, automotive, crocodile leather and ostrich leather."¹⁹

A further aspect of ideal framework conditions for manufacturing leather goods is that large state-ofthe-art quality infrastructure services are available: calibration and metrology services, accredited institutions, internationally recognized certification bodies as well as laboratories. The availability of national services is a competitive advantage, saving time and money as there is no need to rely on expensive and far-off services outside the country. Powerful economic sectors like for example the automotive industry is connected to the leather industry seeking suppliers for interior fittings. A

¹⁸ Africa gearing up, PWC

¹⁹ https://www.agriorbit.com/a-look-inside-the-sa-leather-and-hide-industry/

diversified and strong economy fosters the development of supplier companies. An effect that the leather industry is taking advantage of.

Additionally, the leather value chain is vertically organized, and the full supply of raw material and semi-finished products is realized in the country itself with the exception that additional raw material imports are assured from direct neighboring countries. Dependencies from suppliers are thus reduced. It can also be assumed that a national value chain has a positive impact on the pricing for the final sales market. Support programs from the Government of South Africa to the leather sector are important measures to boost the leather sector. In 2009 the Clothing and Textiles Competitiveness Programme (CTCP) was introduced in the footwear, leather, clothing and textile. In response to the flood of cheap clothing imports, the government has increased the import duty on clothing to 45% in line with World Trade Organization regulations.²⁰ The CTCP made targeted grants to grow and develop the clothing, textiles, footwear, leather and leather goods manufacturing sectors. Grants may be used for interventions that improve competitiveness, including upgrades and expansion of capital equipment, increasing productivity, enhancing employee skills, improving products and processes, reducing costs and subsidizing interest payments on debt. Since then, the support provided by the CTCP has helped the South African leather industry to grow by 14% from 2010 to 2013.²¹ The leather and footwear export sector also grew by 167% between 2010 and 2016, increasing from ZAR 1,98 billion to 5,29 billion. As the Agriorbit notes: "This intervention has contributed to turning the sector around."

In conclusion, it can be said that the South African leather industry is closely interrelated with the economic position of the country. Good physical qualitative infrastructure, a thriving local market, interconnected industries, a fully fletched value chain, and an enabling environment makes that the leather industry in comparison to other SADC Member States far more developed.

The lessons learnt from South Africa cannot easily be transferred to other countries, as every country has different framework conditions and its particularities. However, it can be retained that the successful development of the leather sector strongly depends on the other existing industries or sectors. The well-organized meat industry provides quality leather and leather demanding sectors like the automotive industry act as economic drivers for the leather sector. These accelerators can be diverse and could be identified in every country.

Infrastructure

Roads remain the most important means of transport, as animals are mainly hauled on trucks. The SADC region in general has an efficient road network, with the exemption of some countries like DRC. As for international trade, larger hubs and ports are located in South Africa or Dar-es-Salam in Tanzania. Land-locked countries like Zambia, Botswana, or Malawi have higher export and import costs e.g. for necessary machinery, equipment, and input supply. Compared to other Asian or European logistic hubs, exports from South Africa to international markets are a competitive disadvantage due to the costs involved.

²⁰ <u>https://www.gov.za/services/business-incentives/clothing-and-textile-competitiveness-programme-ctcp</u>

²¹ https://www.agriorbit.com/a-look-inside-the-sa-leather-and-hide-industry/

Quality management

Quality management is strongly linked to market demand and needs. Laboratories, metrology services, accreditation bodies, certification schemes, and specialized consultant firms follow market demand.

This is the case of South Africa where a large industry doing business seeks for service providers to support them in achieving compliance with market requirements. For most countries in the SADC region, quality management is driven by the government. The National Bureau of Standards sets standards for the whole value chain, but implementation and enforcement remain amendable. With regards to the eradication of diseases on livestock through vaccination, dipping, or spraying of animals, various efforts are made. These activities are not done to enhance the quality of the leather, though. The quality management of the outbound supply chain (e.g. livestock farming), to the slaughtering and manufacturing level, is not well controlled or taken into consideration by management systems. It appears that the respective market demand for quality management is still too low. Quality infrastructure is mandatory when it comes to legal metrology and services linked should be provided by the government.

As for the leather value chain the quality management aspects are underdeveloped in most other SADC Member States.

Environmental, social, health, and safety requirements

The status quo of environmental and social, as well as health and safety are very similar to the previous chapter. National environmental policies have been established by all countries and furthermore, the Institute of Waste Management of Southern Africa has been working closely with SADC Member States to improve solid waste management governance at the country level. The solid waste production of the leather industry is minimal, and the further development of hides into leather signifies better utilisation of by-products from the meat processing industry. Nonetheless, any potential for waste generation is adequately addressed and managed through compliance with national and international laws to prevent solid waste pollution. In contrast, animal rearing, skins preparation, skin tanning, and processing are water-intensive, as nearly 40-45 L water/ kg of raw hide or skin is used by tanneries for processing finished leathers. To regulate high consumption of water, the SADC Member States have water resources management policies in place.

In a bid to ensure that the industrialization drive in the region is not detrimental to the environment, SADC member states have environmental management bodies/ministries to oversee environmental protection through environmental assessments, monitoring and control. SADC, under the Environment and Sustainability cluster ensures that waste management, air quality, biodiversity, regional environmental agreements, and multi-nation environmental agreements are adequately addressed. This is aimed at preventing environmental pollution and degradation from activities in the priority (agriculture, water, biodiversity, fisheries, human health and security, settlements and infrastructure, tourism, and extractive industries).

Even when such bodies, policies, and regulations are in place, enforcement and compliance require extensive human and institutional capacity. Generally, many tanneries fail to adopt preventative and protective measures to improve occupational health and safety (OHS) standards, consequently increasing the risk of their workforce. Tannery workers are exposed to chemicals by (i) inhalation in a form of airborne substances such as gases, dust, mist and fumes. (ii) eating, drinking or smoking in the work area, without washing contaminated hands (iii) skin absorption, generally through pores or cuts and wounds of unprotected skin i.e. hands, arms and feet. Some chemicals damage the skin directly

while others penetrate and move into the body and (iv) contact with the eyes as splashes or airborne substances in the form of dust, mist, vapor or fumes irritate the eyes ²². According to the desk review carried out by researchers, in some member states the negative environmental impact is very apparent. For instance, no recycling of used chrome liquor at the tannery level exists, wastewater is released into rivers. International customers that do have a compliance mechanism have higher requirements with regards to these topics, but apart from South Africa, Mauritius and some standalone companies in other member states the linkage to international markets is very limited.

To develop and improve the leather value chain to cater to international markets, environmental, social, health and safety requirements must be a prerequisite, as new customer trends will demand its importance even more within the years to come.

Support structure on meso and macro level

The more a country is active in the leather sector, the more stakeholders from meso (support functions) and macro (governmental framework) are involved.

In South Africa, every stage of the value chain is accompanied by a respective association. Training is carried out; research facilities are provided, and several institutions and companies provide support and services. The Government of South Africa supports this important sector and has therefore developed relevant policies, plans, and acts. Member States like Tanzania or Zimbabwe have developed a Leather Sector Development Strategy, but implementation and financial commitment to the sector are low. For countries like DRC or Angola, no development plans or strategies are available. The respective Ministry of Agriculture assumes partial responsibility for the leather sector, but linkages to other key Ministries do not exist. The upcoming Leather Park in Botswana will foster free trade zones by including the leather industry. Intergovernmental organizations such as UNIDO offer access to information, various publications and e-learning facilities, links to leather-related industries and related UNIDO technical assistance programs.

Cross cutting issues and safeguards for the Leather Value Chain in the SADC region

Cross-cutting issues concern climate change, a business enabling environment, diseases and the impact of COVID 19, conflicts, crisis and insecurity, and gender equity.

Climate change

Since 2018, Southern Africa has been suffering through its worst drought in several decades and perhaps a century. Diminished and late rainfall, combined with long-term increases in temperatures, have jeopardized the food security and energy supplies of millions of people in the region, most acutely in Zambia, Namibia, South Africa, Botswana and Zimbabwe. Livestock farmers in southern Africa have suffered losses due to starvation and to early culling of herds forced by shortages of water and feed. Dryer periods are normal in the region, but the intensity and shorter intervals of these extreme weather events are a clear indicator for climate change.

²²https://hub.unido.org/sites/default/files/publications/Occupational%20safety%20and%20health%20aspects %20of%20leather%20manufacturing_2021.pdf

Map 4: Anomalies in rainfall in 2019



Source : <u>www.earthobservatory.nasa.gov</u>

Map 4 shows anomalies observed in 2019: green and white areas are normal or above compared to the reference period of 2000-2010. Brown areas are dryer compared to the same period. The dimension of the current drought shows the seriousness of the situation.

Doing business

For the SADC Member States who aspire to improve the investment climate for a private sector-led growth and regional integration the Doing Business Indicator provides an objective measure of business regulations for local firms.

Doing Business has been established by the World Bank. Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. Topics are on taxes, financial mechanism and credits, trading across borders, physical infrastructure, and administrative barriers.

The overall performance of SADC Member States is average to weak, except for Mauritius which is ranked 13. The enabling environment of Mauritius is not surprising: the high number of cross-sectoral companies and the international market linkages, as well as high export figures, are underlining the good performance. South Africa, Zambia and Botswana rank between the numbers 84 to 87 and all other countries in SADC are in the lower half of the ranking list. Comoros, Madagascar, Angola and DRC are the lowest ranked with DRC ranked 183.

An enabling business environment is a crucial factor for attracting investors.

Impact of HIV/AIDS and COVID 19 on the economy

Sub-Saharan Africa has the highest prevalence of HIV on the African continent of approximately 67%. According to 2020 data,²³ around 20.6 million individuals in East and Southern Africa are HIV-positive, representing around 54% of the total worldwide population, with the vast majority (17 million people) in the SADC region.

Currently, there are effective antiretroviral (ARV) therapies that do not completely cure the infection but offer long-term remission and reduction in viral load. ARV therapies allow most HIV-positive individuals to lead normal lives. Although ART therapies are widely available, and there has been a significant decline in the number of new HIV infections, it remains a major infectious disease risk.

The impact on the economy is in some highly affected areas is high. Productivity is reduced due to illness, absenteeism e.g. to care for sick family members and to attend funerals, and loss of skilled and experienced workers. The private sector is also increasing expenditures on health, disability, pension and death benefits. This contributes to decreased profit margins. Further awareness campaigns, higher testing rates and facilities as well as treatments are still key for fighting this long-lasting pandemic, especially in the highly affected SADC region.

The COVID-19 pandemic has severely affected the SADC economy, with reported fiscal deficits of 3.3% and 7.4% in 2019 and 2020, respectively. Efforts on COVID-19 prevention, which have triggered an increase in the demand for certain medical products such as personal protective equipment (PPE) including masks, gloves, hospital equipment such as ventilators and oxygen bottles, hand sanitizers, etc. but also on vaccines. Costs incurred to create a high additional burden on expenditures for both, the governments as well as the private sector.

Conflicts and insecurity

In some parts of the SADC region conflicts and insecurity is a major problem for economic development. Post-conflict countries like Angola have remained on a farming level and no investments into processing facilities have been undertaken. DRC is facing serious security issues in many parts of their country, especially in the Eastern provinces, where regular business with an international linkage is almost impossible. Madagascar experiences problems with criminals stealing cattle so powerful, that farmers have abandoned pastoralism. Regional conflicts like in the northern province of Cabo Delgado in Mozambique, close to the Tanzanian border, where Islamists and Mozambican military forces fight is another example of a dangerous development that might evolve into a regional conflict.

Conflicts and insecurity affect all steps of the value chain and a safe and secure environment is crucial for the sustainable development of the leather value chain. Many countries within SADC fulfill these safety and security criteria, but the examples above show that awareness about this topic is necessary when fostering the leather sector.

Gender equity

Women's entrepreneurial activity in the SADC Member States is focused on small-scale wholesale trade and retail activities. Their engagement in manufacturing and transport is low as is their employment rate in manufacturing, especially in the technical positions. Thus, one can suppose that women rarely lead small and medium enterprises in the industries the SIPS measure focuses on.

²³ https://www.unaids.org/sites/default/files/media_asset/UNAIDS_FactSheet_en.pdf

The reasons behind this are manifold. Girls' lack of access to education remains a major hurdle to women's economic empowerment and gender equality. Women are thus most likely to access the least skilled and lowest paid jobs and be active at the lowest level of business activity. Women have multiple roles that include domestic work, childcaring and rearing, adult care, caring for the sick, searching for and collecting water and fuel. Time left for entrepreneurship is often rare. Gender inequality is also evident in access, control and ownership of productive resources and assets such as land and access to credits. Women are underrepresented in economic decision-making positions where they could otherwise facilitate access to, and control and ownership of, productive resources, with a focus on land, credit and technology.

The participation of women in the leather sector regarding ownership of enterprises, management and also shop workers is generally weak across the SADC Member States. However, in relative terms, women's participation is more visible in the production of leather goods and accessories as opposed to footwear. Women are rather present in the semi-finished than finished areas of the leather sector. At present, women have a limited role to play in the cattle and leather value chain related to hides treatment and processing.

6. STRATEGIC INTERVENTIONS TO PROMOTE THE LEATHER VALUE CHAIN IN SADC

This chapter clusters the SADC Member States according to their current development and their needs within the leather value chain. The approach is market-driven and based on an assessment of the current state of the leather value chain of each country.

In general, it is recommended to work predominantly with existing structures, rather than promote an industry from a greenfield approach. Building up a leather industry is linked to major capital investments. Without a functioning inbound supply chain, relevant infrastructure, political and financial stability, investors will not be attracted. Quick wins can be realized e.g. by increasing awareness of the value of slaughtering, linked to the value chain beneficiation thereafter.

In the framework of this study, a more detailed country analysis for Madagascar, Namibia, Zambia, Zimbabwe and Tanzania has been undertaken by researchers bringing in their knowledge and familiarity with country specifics. A detailed value chain mapping, including a SWOT analysis of every stage of the value chain, has been carried out. Recommendations on how to promote and foster the leather value chain are given. These recommendations, formulated from the country perspective of the researchers, are valuable sources of information to confirm the overall strategic approach (executive summary Appendix B).

The proposed clusters of strategic interventions are as follows:

Project 1: Raw material supply and procurement strategy

Background: Studies have shown, in countries such as Angola, hides and skins are discarded for various reasons. Some of which are based on a lack of infrastructure and limited market access. For this reason, the first cluster will focus on the quantification of the raw materials, finding a suitable trading platform and establish a cooperative network to ensure viability to the various participants.

The systematic approach as to the above will be, a feasibility study to highlight the most viable trading options for the successful implementation of the cooperative structure and furthermore, identifying the product trade options.

The primary value adding sector, will be the supply of raw materials to the leather processing industries, for the upstream value markets, however the lower grade material to be offered into alternative industries, such as the following:

Gelatin/collagen is extracted from cow hide (as well as pig, chicken legs, and other animal bones) and used in various forms in the food industry to make food items such as jelly, gelatin sheets, fruit or wine gums, gummy bears, ice-cream, etc. It is also added to ready meals and other processed food in which it acts as a stabilizing agent. It must be referenced at this point, that traditionally these industries thrived from the tannery sub-waste supply, being the split component of the hide, being the bottom hide portion of splitting the substrate, as no true revenue generation for the tanneries existed at this point in time. Further, due to the booming photo-optics industry, the galantine was predominantly used for this end-consumer product line. Tanneries found gradually alternative market avenues, as ASA (PPE- protective apparel) was produced from the very spilt, thus generating a stable income stream and filled the capacities of the tanneries. In addition, over the last 3 decades, split found a major position within the automotive and furniture upholstery industry, as the input cost was lower compared to the high-end grain leather. In the late 1980's, a leading German leather producer developed and patented the use of split material, for the use of artificial sausage casings, known to become Naturin®. The versatility of this product placed major strain on the existing natural casing industry, however it is not regarded as a true edible product and only acts as a medium to hold the filling for smoking and curing of sausages and polonies.

Gelatin is also used in pharmaceutical companies to produce medical capsules for medicines and is added to medicines as a vessel. It further found a place in the cosmetic industry as a derma-filler in creams and lotions. The Japanese harvest collagen from cow hides (as well as other animal sources) to make collagen powder or bases which are used to make collagen soup, a trendy beauty treatment.

Target group: Member States that currently have no alternatives for further processing of hides and skins (e.g. Angola and DRC). There are local hide & skin collectors, who in turn export these either directly or via middlemen.

Objective: To utilize no-commercial value hides and skins and generate additional income for stakeholders at the entry point of the value chain. Hides and skins should become a product that is to be regarded as valuable and not discarded. Further on, the strategy will raise awareness for the value of raw materials, allowing the value chain to be established at the primary stage but with the perspective for further development towards the overall leather sector.

Strategy: Focus on product diversification by developing a new market. This is a challenging task in terms of business development; however, the level of complexity is low, and implementation is seen to be feasible. This strategy should focus on the marketing of hides and skins for the regional leather value chain. Accessing alternative export markets would be further investigated and implemented upon conclusion of justifiable feasibility study reports.

Working packages: Working packages are defining activities which are to be undertaken to achieve the objective through the defined strategy. The following are the working packages including activities for the first cluster:

Tentative Working Package 1: Market analysis and benchmarking

- A) Conduct a market study on key players, purchasing structures, entry points and trading centers within the region, market position, competition & marketing analysis and existing regulations. Further, the study should include an analysis of product and quality requirements in the relevant markets linked to customer expectations.
- B) The result of this working package should give a clear indication of the feasibility, scope of success and steps for implementation.

Tentative Working Package 2: Pilot zone selection

- A) Identification of pilot zone(s) in selected countries: definition of criteria for selection is crucial for the success of the project. Countries that have existing tanning infrastructures to the target market should be prioritized.
- B) Reviewing the interest, readiness and buy-in of relevant stakeholders
- C) Dissemination of the project approach amongst the target group in cooperation with local stakeholders and interested group(s).

Tentative Working Package 3: Organizational and capacity development of target group

- A) Capacity development for farmers and pastoralists: This will enable the target group to commercialize hides and skins for the potential market(s)
 - Training on quality requirements (implementation and commitment to the use of Standards and Norms to be developed under working package 5)
 - Capacity development in trade and marketing competencies
- B) Organizational support to pastoralists positioning them to produce the required quantities and meeting the delivery timeframes. Organizational support structures through the engagement of trade associations or cooperatives, who will assist and guide in the trading framework and ensure compliancy.
- C) Integrating slaughter facilities in the project concept as they represent an import source of raw material supply.

Tentative Working Package 4: Marketing activities

- A) Support market engagements:
 - a. Participating in trade promotion activities (trade exhibitions and fairs etc.)
 - b. Development of required marketing tools (websites or other related trading platforms)
 - c. Promotion of Business-to-Business activities

Tentative Working Package 5: Quality assurance

- A) Development of standards and norms ensuring compliancy of the product quality are for the targeted market requirements. Standards and norms should include a guideline with defined and simple instructions on practical application (GOPs) for the targeted group(s). The guideline should be made available for those with minimal knowledge and understanding of these processes, ensuring a transformation into these sectors.
- B) Assuring that services are available, in respect to export of goods and the requirements, such as veterinary approvals and documentation compliancy.

Project 2: Harnessing of Hides and Skins as leather products

Background: South Africa is the largest buyer of hides and skins in the SADC region. The sourcing of hides and skins is mainly supplied by neighboring countries e.g. Namibia with its large bovine population. This regional trade is of importance for the entire region but could be improved through better animal husbandry management systems. Hides and skins are currently largely damaged through livestock branding and uncontrolled slaughtering methods, linked to a lack or limited veterinary control within these methods of animal holding. The main quality problem remains to be the holding of livestock, where animal hide, or skin is exposed and thus prudent to damages while grazing in the savannah or bushland environment. Feed-lots allow controlled holding of animals, significantly reducing the potential damages to the hide and skin, resulting in an increase meat production and improved healthcare, generating higher returns for the owner. Feed-lots exist in many countries, however the potential for additional participants exist. These specific court is are esteemed strong suppliers of hides and skins for the South African leather industry; however, their potential is not fully unlocked.

Target group: the SADC Member States that are major bovine producers for meat as well as hides and skins as a by-product and strong business relations with South Africa. These countries are mainly Namibia, Botswana, Mozambique, Eswatini and Zimbabwe.

Objective: The objective is to reduce the damages to hides and skins, creating increased awareness of their value and resulting in potentially higher revenues. The significance of hide & skin quality improvement could have a leveraging effect on the processing business. A continuous supply of higher quality skins would attract key investors in the tanning value and vertical integrated business.

Strategy: This strategy focuses on penetration of existing markets, namely the South African market, including other offset market opportunities, as it is important to not have single sales strategies, which already have a competitive setup arrangement. The strategy should include an approach to increase the investment potential for further beneficiation steps in the leather value chain. Synergies with cluster 3 are intended. The strategy consists mainly in the promotion of feed-lots and improved life cycle management, from calf (weaner) to the slaughterhouse or export of bovine animals

Tentative Working Package 1: Development of different modules and investment plans for new feed-lots

- A) Support the creation of business alliances and networks of regional and national intermediary organizations relevant to the leather regional value chains (e.g. regional B-2-B meetings to promote regional business linkages).
- B) Enable small-scale livestock farmers to become investors of feed-lots: organizational development and capacity building from small-scale livestock farmers to cooperatives or other forms of cooperation with access to funds, grants, or loans for investments in feed-lots. Open to public investment opportunities and ultimately engage retail as also streamline future listings.
- C) Increase involvement of governmental structures to support the business enabling environment for investments in feed-lots: Government could rent out feed-lots or designated land at favorable terms and conditions to cooperatives, facilitate the investments and support all types of investment promotion. Governmental surveys to include rational land identification with clear livestock herd success, which in turn will create a glass ceiling for capacity planning and any surplus land allocation can be rented out to participants in the region under a 'Feedlot Hotel# concept. Finally, this controlled environment, will allow for the returns to be correlated under strict guidelines, husbandry practices, environmental impacts for waste management and ultimately allow the generation of Carbon Credits for future offset and business awarding, especially when linked to reputable retail groups who benefit from such initiatives.
- D) International financial and technical cooperation should be informed about the investment activities and access to funding mechanisms from donors should be elaborated. Once a Investment brief and teaser documents are established based on a clear vision, there will be sufficient interest to support such initiatives.
- E) The creation of synergies with already existing investments plans, like the Leather Park in Botswana should be strengthened and supported.

Project 3: Increasing market shares of existing underutilized tanneries

Background: The present study shows that in many countries operational tanneries work below their capacity threshold. Furthermore, tanneries have shut down in the past and the low utilization rate of existing tanneries remains an existential economic threat. Reasons are manifold:

- The sales market has seen a decline over the last decade, especially in the traditional leather sectors, such as the automotive upholstery supply industry, specifically in South Africa, however this was triggered in parallel, due to the discontinuation of the Motor Industry Development Program (MIDP), volatile currency markets and trade union activities, to name some of the core reasons.
- The inbound supply chain is interrupted or inadequately organized, thus necessary quantities for processing are insufficient.
- The quality of raw material is low; skins are damaged and not aligned with market requirements.
- Plant and equipment in use, are found to be outdated, with a lack of re-capitalization and thus do not permit the production of required high quality product

Target group: the SADC Member States which have operational tanneries with a low utilization rate. Countries affected are mainly Tanzania, Zimbabwe, Zambia and Madagascar. These countries have a long-standing history in tanning; however, utilization rate and operation in comparison to modern technologies is minimal to non-existent, resulting in weak and underdeveloped marketing strategies, disallowing innovative product development.

Objective: The objective is to increase the production capacity of existing tanneries, mitigating the risk of potential closure and creating incentives for new investments. Strengthening existing structures is key for further sector and industrial development. If existing tanning companies are to successfully compete in the domestic, region and global market, further investments and sector growth can become a realistic perspective.

Strategy: The strategy is focusing on penetration²⁴ of existing markets and development of new future markets. Market development with existing products may prove to be necessary if the existing customer base is not utilizing the tannery capacity to the fullest. The strategy focuses on "Change management"²⁵ culture at the shop-floor level, which includes the awareness of environmental impact and sustainability, implementation of modern technology and best practices as per international procurement level. In addition, market intelligence based on current trends and opportunities on an international level. Buyers' requirements in reference to environmental compliancy are of growing importance in conducting business going forward. It is crucial for tanneries to not only be aware of these compliance expectations but to put these into practice. Green Technology production is crucial for future business; however, the quality assurance and requirements stand in the foreground in the trade world currently. The change management concerns inter alia the introduction of new processes, improved management skills and production practices should become the basis of any cluster formation.

The cluster or Hub approach consists of groups of companies that share local resources, use similar technologies and are forming linkages and alliances and increasing their networks, resulting in joint training, marketing, or research initiatives. Group purchasing allows competitive buying of local and imported products. The companies remain competitors on a customer level, but synergies created

²⁴ According to the Ansoff market product matrix

²⁵ Planning and introducing of new processes, methods of working, etc. in a company or organization (Cambridge dictionary)

should be beneficial for all. The approach can be also called "co-competitors". Development of new leather tanning technologies, showcasing environmental awareness, water saving measures in line with greener wastewater treatment options and revenue generation of solid waste, hosted within roadshow exhibition creating customer awareness.

Tentative Working Package 1: In-depth analysis of existing tanning industry

Conducting a status analysis of the existing tanning industry by taking into consideration the following aspects: quality, state and performance of existing plant & equipment, labor force skillset, Quality & environmental management systems, procurement & supply of raw material including chemicals, management systems & practices and Marketing & Sales systems.

Tentative Working Package 2: Market analysis

A) The market analysis should provide information on markets with the highest domestic, regional and export potential. Questions that should be answered by this analysis are pricing, competitiveness, qualities and quantity requirements. A prior pre-selection of markets should be conducted to highlight new markets with the highest penetration potential and risk analysis.

A detailed analysis to be conducted on existing markets: Identifying measures to increase market share and additional growth potential in the future. The analysis should further provide insight on the potential increases of these markets if favoursome in all aspects to conduct expansions and highlighting alternative market penetration through engaged R&D (Research & Development).

B) Tentative Working Package 3: Clustering of tanning companies

Tanneries can be organized in a cluster formation with clearly defined benefits and duties for all participants of the program. All activities should be aligned with a joint cluster approach.

Tentative Working Package 4: Improving the framework conditions of the tanning companies

- A) Assuring a reliable supply of raw material (hides and skins) by establishing close cooperation with slaughterhouse facilities. Change of approach and uplift the farmer by understanding the ownership and value of the entire animal, use the slaughter facilities as a service provider. It must be noted, that abattoirs are likely to oppose this option due to potential profit losses. An alternative solution is mobile slaughter units, which are gaining momentum in the greater EU.
- B) Defining and training of quality standards (if non-existent) and establishing a monitoring system for ensuring that quality expectations are met at the incoming hide & skin inspection level.
- C) Train quality management system requirements within the tanning process (certification schemes, technical regulations, continuous training measures, environmental and social requirements. It must noted at this point, that increasing regulations and customer expectations are in global circulation for vendor approval status, thus it must be factored in that a large cost or capital requirement will be to ensure compliancy of all these tentative required accreditations.

Tentative Working Package 5: Marketing and promotion activities

- A. Fostering of product marketing for market access and market penetration:
 - Participating in trade promotion activities (trade fairs, sectorial events etc.)
 - Development of relevant marketing tools (like websites or other adequate means)
 - Promotion of B-2-B activities

Project 4: Manufacturing of leather goods

Background: In most SADC Member States, the beneficiation possibilities within the leather value chain become significantly more limited the further up the value chain. Manufacturing of leather goods is hardly developed compared to the livestock figures. Only South Africa has a production capacity that is of regional significance, but on a global scale almost invisible when compared to the output of countries in Asia or Europe. The challenge exists not only for export markets but also for national markets which are dominated by cheap imports, mainly from China. For a relatively small country in size, Mauritius is one of the best performers in leather production in the SADC region. Companies have managed to reach international markets, but their situation must be considered as special: Mauritius also has a strong textile industry and the link between both sectors is obvious. Ease of doing business, foreign investment, tax benefits and skilled labor are the main reasons for their success story. On the contrary, the large majority of producers within the other SADC Member States are small-scale producers without access to international markets.

Target group: The SADC Member States with existing leather manufacturers who have low output from their current activities. Countries that face such situations are Zambia, Mozambique, Madagascar, Zimbabwe and partially Lesotho. This is because Lesotho exclusively produces for the South African market. Mauritius is not in the scope of this group.

Objective: The objective is to increase market shares and turnover of current manufacturers alongside the creation of incentives for start-ups and potential investors.

Strategy: The strategy is twofold: market penetration of the national and regional markets by obtaining market shares from SADC external importers and market development by accessing new markets. Therefore, the strategy needs to support the manufacturers in achieving compliance with the market requirements.

Tentative Working Package 1: Detailed assessment of capacities on factory level

A) The assessment should identify relevant manufacturers and their status with regards to labor availability, labor skills, equipment, machinery availability, quality of produced goods, supply chain management, customer relationship management, marketing, investments realized and the profitability of the company. The analysis should include a SWOT analysis to identify the gaps and barriers in development.

Tentative Working Package 2: Market analysis

Based on the results of the assessment, market analysis should be conducted focusing on markets with the highest access potential. Pricing, quality, product specifications and volumes would be key questions to be answered. The market selection process should take into consideration the assets of the manufacturer, that could be the location or ability to produce a smaller volume. The ability to produce smaller volumes and thus smaller orders could be a unique selling point, shorter lead-times and a competitive advantage, especially in comparison to large-scale manufacturers.

A) In coordination with various associations within the different segments of the leather value chain a consumer market trend study is to be commissioned in a selected country, several countries and/or the SADC region.

Tentative Working package 3: Clustering of manufacturers

A) Manufacturers could be organized in a cluster with clearly defined benefits and duties for all participants of the cluster program. All activities should be aligned with the cluster approach.

Tentative Working package 4: Improving the framework conditions of manufacturing companies

- A) Implementing the quality system requirements and customer product specifications.
- B) Training of workers, training of trainers (Train the Trainer concept) and development of a curriculum for future training modules and measurables.
- C) Improving business skills development, strengthening market competencies and linked marketing strategy.

Tentative Working package 5: Marketing and promotion activities

- A) Marketing strategy & planning for product marketing, access, market penetration scope and launch:
 - Participating in trade promotion activities and provide companies the possibility to showcase their products (trade fairs, sector driven events, other)
 - Development of relevant marketing tools (like websites or other adequate means)
 - Promotion of B-2-B activities
 - Establish and promote virtual market showrooms, as per APLF virtual platform trading

Conclusion

The SADC Member States have the potential to develop a thriving leather value chain. The raw material in terms of hides and skins is available in vast quantities and with different qualities but the overall potential has not been unlocked. Countries like Zimbabwe and Tanzania have a long history of leather processing and countries such as Mauritius showcase their ability to produce high-end quality leather goods for an international market. The differences in the development of the leather sector in the different SADC Member States are significant. The presented strategy therefore considers the particularities of each country and clusters them accordingly. Countries with no or only a few activities in the leather sector may have the chance to innovate and to make use of the skins in a non-traditional way for pharmaceutical use or as proposed under cluster one as alternative protein substitute for specific markets within the Western African region. The leather value chain stakeholders from the SADC Member States can learn from each other and make use of practices that are applicable for their situation in the leather sector. Consequently, the cluster approach is an ideal way to share experiences, practices and joint marketing initiatives. The proposed cluster interventions above need to be approved by the involved stakeholders and to be elaborated more into detail, especially on the working package level. Resulting commitment and support of the beneficiaries in the leather value chain can lead to first attainable changes in the pilot regions of the project.

Appendixes

Appendix A. Guideline for leather VC analysis in all SADC Member States

THEME A: Analysis per VC function – quantitative physical figures on factory and production level

An initial description of the different functions and actors in the respective country is requested to get a better understanding on the conditions and the framework. The introduction should not provide answers to the questions below.

Nr	Function of the value chain	Key question	Explanatory note	Level of complexity
1		Number of animals per animal types?	Predominantly cattle, goat, sheep, ostrich and exotic livestock.	basic
	Livestock breeding	Percentage of animals being in feedlots?	How the feedlots are organized and what are the benefits for the animals (from the product perspective)	
		Growth figures on livestock husbandry development in the past 10 years		basic
		Number of modern slaughterhouses?	Modern implies that technics are used that do not harm the skin	basic
		Number of animals slaughtered in modern slaughterhouses per year.	Percentage on overall animals if possible	Basic
2	Slaughtering	Percentage of hides and skins used for leather purpose from modern slaughterhouses?	The ratio of skins used might be of interest	advanced
		Number of animals slaughtered under traditional conditions per year?		advanced
		Percentage of hides and skins used for leather purpose from	The ratio of skins used might be of interest	advanced

		traditional slaughtering?		
	Marketing of	Number of hides and skins markets?		Basic
3	hides and skins	Number of agents/ middlemen/wholesalers involved?		Basic
		Number of tanning factories/facilities?		Basic
		Number of tanneries having a modern management system using state of the art processing standards?	It implies certification schemes and international recognition of quality insurance systems.	Basic
		Number of hides and skins processed per animal type per year?	Wild animals are of importance? Countrywide	Basic
4	Tanning	Number of chrome tanned leather "wet blue" produced per year?	Used mainly; for shoe-upper, garment upholstery and general leather goods countrywide	Basic
		Number of vegetable tanned leather produced per year?	Used for: Belt leather, sole leather, saddle leather and apparel	Basic
			Synthetic tanning (wet white) is not considered Countrywide	Basic f Basic Basic Basic Basic Basic Basic Basic Basic
		Number of finished	Fully finished leather semi-	
		leather produced per	aniline leather	Basic
		ycar:	Exotic leather (aniline types)	
			Countrywide	
5	Marketing of tannery products	Number of middlemen involved in the sales of tannery products?	Type of market might be of importance, if it is internationally or nationally, otherwise the tanneries are	Basic
6	Manufacturing	Number of larger professional factories/ production units for leather goods?	If possible and applicable factories should be divided in different product categories (shoes, leather clothes, furniture, technical use etc.)	Basic

	Number of small production units with small capacities?	These units could be informal, "backyard producers", sub- contractor, family based etc.	Advanced
	Number of factories producing for the national and regional market versus an international market with higher quality requirements?		Basic
	Number of shoe and or apparel and leather clothing produced per year?	Countrywide	Basic

THEME B: Quantitative analysis per VC function – Employment

The employment is one core criteria and should be highlighted in the report. Due to COVID19 the recent figures might not represent the overall development of the sector. Thus, it is recommended to collect data from the past 3 to 5 years, but at least the one from 2019 also to see if COVID19 had an impact on the employment in the sector.

Nr	Function of the value chain	Key question	Explanatory note	Level of complexity
1	Employment opportunities Direct and ind Are the empl migrant work from which c nationals? How importa	Employment opportunities created. Direct and indirect Are the employee's migrant workers (if yes from which country) or nationals? How important is the	These figures might only be available as approximate figures, as some of them are informal or not officially registered. If possible, the ratio of migrant workers and national workers should be shown.	Basic
		lack of skilled labor (if any)? Are training options offered to workers and is skilled workforce available?		
2	Slaughtering	Number of employees in modern slaughterhouses versus jobs in traditional slaughter methods? Question on migrant workers as per above	If possible separated by gender	basic

		How important is the lack of skilled labor (if any)? Are trainings offered to workers and is skilled workforce available?				
3	Marketing of hides and	Number of jobs offered by hides and skins market? Question on migrant workers as per above	These figures might only be available as approximate figures, as some of them are informal or not officially registered.	Basic		
	581115	lack of skilled labor (if any)? Are trainings offered to workers and is skilled workforce available?				
		Number of employees? Question on migrant workers as per above	If possible separated by gender	Basic		
4	Tanning	How important is the lack of skilled labor (if any)? Are trainings offered to workers and is skilled workforce available?				
	Manufacturing	Number of employees in different areas of leather manufacturing? Question on migrant workers as per above	If possible separated by gender	Basic		
5		How important is the lack of skilled labor (if any)? Are trainings offered to workers and is skilled workforce available?				
THE	THEME C: Economic analysis per VC function					
Inco for e ther	me and sales mar employment the re e was an impact d	ket structure for value chain ecent figures and the ones the ones the communication of the ones the communication of the communication	n actors (providing value addition to from 2020 might be affected by CO nended to have at least the figures	o the product). Like /ID19. To check if from 2019 too.		
Nr	Function of the value chain	Key question	Explanatory note	Level of complexity		

1	Livestock breeding		It can be assumed that there is no direct benefit for farmers as they animal is sold in total	
2	Slaughtering	What is the revenue per hides and skins per type of animal for main markets (national and regional)?	Need to be checked who is in charge of sales – slaughterhouse, agents or marketplace – important is to get the figures on prices for hides and skins (per kg/units or other comparable categories) per market.	Advanced
3	Marketing of hides and skins	What is the revenue per hides and skins per type of animal for main markets (national and regional)?	Same as above	Advanced
		Direct sale: What are the sales markets for the different types of processed leather (chrome, vegetable, finished)?	Specification in % per country or region (e.g. EU)	Basic
	Tanning	What is the revenue per type of processed leather? - Chrome tanned - Vegetable tanned - finished for which market?	Kg or area unit price	Advanced
4		Indirect sale via middlemen/agency: What is the revenue per type of processed leather: - Chrome tanned - Vegetable tanned - finished	For this scenario the market prizes and sales markets should be collected per product from the middlemen structure.	Advanced
		<u>Middlemen sale:</u> What are the sales markets for the different types of processed leather (chrome, vegetable, finished)?	Specification in % per country or region (e.g. EU)	Advanced

		What are the sales channels for		Basic
		manufactured leather goods (direct sale from factory to customer, middlemen or agency)?		
		What are the sales markets? (local, national, international)	Countries should be mentioned, and percentages shown. Regional markets should be highlighted.	Basic
5	Manufacturing	Are the companies producing own brands on stock or contracted manufacturing for buyers?	These are the two main types of production: own brands or models are produced, and the marketing is assured by the factory or middlemen, or the factory produces according to contracts and specifications with buyers.	Basic
		What is the revenue for manufactured leather goods (shoes, leather clothes, furniture, technical use etc.)?	It might be difficult to find answers to this question as the prizes are difficult to compare, as the quality might vary a lot. It would give an idea about markets with good income opportunities and markets with	Advanced
			lower purchasing power.	
THE	EME D: Supply cl	nain management analys	sis per value chain function	
THE Sup	EME D: Supply cl	nain management analys ment implies the input supp	sis per value chain function	
THE Supp Nr	ME D: Supply cl ply chain manager Function of the value chain	nain management analys ment implies the input supp Key question	sis per value chain function bly of components and raw material Explanatory note	Level of complexity
THE Supp Nr 1	ME D: Supply cl ply chain manager Function of the value chain Livestock breeding	nain management analys ment implies the input supp Key question Probably no activities	Sis per value chain function Sis per value chain function Day of components and raw material Explanatory note Could be interesting to know where the young animals are from (own production or purchased) but overall less important	Level of complexity
THE Supp Nr 1	EME D: Supply cl ply chain manager Function of the value chain Livestock breeding Slaughtering	Nain management analys ment implies the input supp Key question Probably no activities How the animals are sourced and from which region?	isis per value chain function sis per value chain function oly of components and raw material Explanatory note Could be interesting to know where the young animals are from (own production or purchased) but overall less important The key question is where the animals are coming from? Is there a transboundary cooperation? Who is engaged in the supply? If feasible per type of animal.	Level of complexity Basic
THE Supp Nr 1 2 3	EME D: Supply cl ply chain manager Function of the value chain Livestock breeding Slaughtering Marketing of hides and skins	Nain management analyse ment implies the input suppression Key question Probably no activities How the animals are sourced and from which region? Where the hides and skins are sourced from and which region?	isis per value chain function bly of components and raw material Explanatory note Could be interesting to know where the young animals are from (own production or purchased) but overall less important The key question is where the animals are coming from? Is there a transboundary cooperation? Who is engaged in the supply? If feasible per type of animal. Same as above	Level of complexity Basic Basic

		and which region?		
		What type of chemical components are purchased and from which supplier (national, regional or international)?	The question on machineries might be less interesting, as they are most of the time long- lasting. It would be important to check why XY components are sourced from XY supplier/country- for cost reasons, quality available or other reasons?	Basic
5	Manufacturing	What type of components are purchased and from which supplier (national, regional or international)? Where finished leather is purchased (national, regional, international)?	Components are mainly accessories like buttons, zippers etc. for leather clothing and quite important the sole for shoes and different chemicals like glue.	Basic Basic
THE	ME E: Logistics	and logistical infrastruct	ure	
	Function of			
Nr	the value chain	Key question	Explanatory note	Level of complexity
1	Livestock breeding	Are the transport companies having adequate means to transport animals and is the animal transport conducted in a suitable manner?	Question is if the animals are harmed during any transport and the skin is damaged?	Basic
		Does the road		
		infrastructure allow to reach all farmers?	should be checked	Basic
2	Tanning and manufacturing	infrastructure allow to reach all farmers? What is the logistics means used for export (for finished products and semi-finished leather) for the different markets (national, regional and international)?	What are the hubs used and where are the exit points?	Basic
2 THE	Tanning and manufacturing ME F: Quality m	infrastructure allow to reach all farmers? What is the logistics means used for export (for finished products and semi-finished leather) for the different markets (national, regional and international)?	What are the hubs used and where are the exit points?	Basic

		How many farmers have put a pest control into place?	Mainly ticks that are harming the skin	Advanced
1	Livestock breeding	How many farmers have a veterinarian control and preventive measures to reduce infections and increase the animal welfare?	It might be mandatory, but the question is if special care is taken of the health and the skin of the animals.	Advanced
2	Slaughtering	Is a management system in place assuring that the killing of animals will not reduce the quality of the skin?	It can be assumed that professional slaughterhouses have these mechanisms in place, traditional killing might be different.	Advanced
3	Marketing of hides and skins	Not sure if anything can be done wrong at that stage, from my understanding not.		
		Are the factories having a quality management system put into place, like ISO 9001 or others?		Basic
4	Tanning	What type of quality infrastructure (QI) services are used by the factories and from where the services are coming (national, regional or international)?	Ql is quite brought, but it is about calibration of machineries, safety tests, QM audits, certification schemes, testing of products (in laboratories etc.). The question is who is providing these services and from where the structure comes.	
5	Manufacturing	What type of quality infrastructure (QI) services are used by the factories and from where the services are coming (national, regional or international)?	Same as above, but in addition the quality tests (component tests, mechanical tests and chemical analysis) of samples is crucial.	Basic
THE	ME G: Environn	nental, social and health	and safety requirements	
The	se issues are main	ly concerning the tanneries	and manufacturing companies	
Nr	Function of the value chain	Key question	Explanatory note	Level of complexity
1	Tanning	Have tanneries put a wastewater management system	The topic is quite extensive, but wastewater would be one major	Basic

		into place and if yes how many in %?	topic for tanneries	
		Have companies put health and safety measures into place to protect workers and if yes how many in %?	Same as above, but it is mainly about protection from the chemicals and accidents. Certifications like OHSAS or similar.	Basic
		Have companies put health and safety measures into place to protect workers and if yes how many in %?	It is mainly on vapors and harmful substances used and accident prevention.	Basic
2	Manufacturing	How many companies have implemented social protection in their company (in%)?	It is probably mainly those dealing with international buyers. Standards like SA8000 e.g. would be of interest. Are Core ILO principles considered?	Basic

THEME H: Support structures on meso and macro level: Sector specific support organizations, financing, governmental and donor support

These supports are probably mainly on a sectorial level and not per VC function, but to be checked

Nr	Function of the value chain	Key question	Explanatory note	Level of complexity
		Has the Government of XY country put a strategy into place for the development of the leather sector?	It would be important to cluster what type of vision and strategy is followed	Basic
		Does an efficient financing system exist to support investments of the private sector?	Are credits affordable for enterprises, easy to get, is the banking system well developed?	Advanced
		Are any governmental support programs available and is the government providing an enabling business environment?	Policy level	Basic
		Does NGOs exist supporting the leather sector and how they are supporting?		Basic
		Are donors engaged in promoting the leather	EU, WB, GIZ, DFID, AfD, KfW etc.	Basic

		sector and what is their contribution?					
THE	THEME I: Cross cutting issues/ Safeguards						
The	actors have no or	extremely limited influence	e on these factors	1			
Nr	Function of the value chain	Key question	Explanatory note	Level of complexity			
		How is the Climate change affecting the LVC?	Drought, flooding, bush fire etc. It would be important to know the impact and the development of the past years. Farmers might be the primary group affected by climate change	Basic			
		How are exchange rates affecting the trade?	Exchange rates are of importance for sourcing and sales. It might primarily concern the exporting companies and those producers sourcing from foreign countries.	Advanced			
		Are any trade barriers affecting the LVC actors?	Policy level, to be checked on trade actors (farmer, tanner, manufacturer)	Basic			
		How global, regional and local crisis / conflicts affect the LVC?	Global crisis might be difficult to address, but it could be that migration and regional conflicts have an impact on the value chain	Advanced			
		How does HIV or other diseases (expect COVID19 that has been treated separately) impact the functionality of the LVC?	COVID19 has a different impact on the economy as HIV, which is lasting, far more lethal and concerns especially the younger population (workforce).	Advanced			

Appendix B. Executive summary of in-depth reports for Namibia, Madagascar, Zambia, Zimbabwe and Tanzania

Namibia

Hides and skins have an international market price which declined since October 2014 and reached a bottom in May 2020 and is currently at 45% of the 2014 price level. The decline in hide (bovine) prices was also felt in Namibia with an absolute low in 2020 with 1 NAM per kg. Hide quality and low capacity utilization coupled with a decline in the number of sheep and cattle slaughtered had a negative impact on the supply side.

The demand side was affected due to a recession since 2016 and an economic collapse in 2020 and tourism is at a level of 10% from the peak in 2019. The contribution of leather and related products was on average 0.2% of GDP and the decrease occurred since 2014 when hide prices peaked.

Namibia plays an insignificant role in the world, but within SADC it could play a more meaningful role if the local slaughtering of cattle is supported by the Namibian Government through price incentives. The corporate tax for manufacturing companies have to reduced and support and assistance should be given for SME's by improving the business environment and assist companies to find niche markets for unique leather products from hides and game leather. The leather value chain can only prosper if it becomes more competitive and the co-ordination and co-operation between government and the private sector is the key for future growth.

Madagascar

Madagascar has development potential in the leather value chain, given its livestock, its significant manufacturing structure, its skilled workforce and its ability to develop creations.

However, the benefits generated by this sector are limited due to low productivity. The structure of the Malagasy economy reflects a high level of underdevelopment. Malagasy livestock is one of the largest in Africa, but the level of industrialization in the country remains low. It is currently based on the craft sector, which is very widespread. Few companies are concerned by formal exportation at higher level.

Given the type of leather and tanned produced locally, Madagascar is a smaller-scale leather producer compared to other SADC flagship countries in the field of leather. The level of trade shows a 20 times greater import of raw material than export. This specifies a level of use of local manufacturing units that mix imported materials and those available locally. The demand for quality leather is expressed by manufacturers who offer quality products.

Tanzania

The current level of exploitation of the leather resources within the country is low, inadequate livestock management, limited coordination in upstream and downstream activities, low capacity utilization and limited adoption of skills and technology inhibit the leather value chain development in Tanzania.

The following are the recommendations to foster the leather sector: Transforming the leather industry for sustainable industrialization by harnessing and adding value to the country's resource potentials, increasing beneficiation and trade for the leather and leather products, and create multiplier effect to the downstream industries to supply competitive leather products to the local, regional and international markets. Working out modalities through which there shall be selective import restrictions at least in the short term to minimize suffocation of the domestic leather products. Support should be directed at footwear market which is currently highly saturated by imports of all types of shoes including sandals and leather imitations. To avoid undue regional market clashes and contraband business, it is suggested that there should be harmonization of this approach for the entire SADC Community. Discourage import of footwear and leather goods in bulk from countries like China by instituting appropriate import duty; also, if feasible, ban import of secondhand footwear, if not put under high duty – preferably specific duty

The Government may create a Hides, Skins and Leather Regulatory Body to act as a sector development coordinator and policy advocate for the sector, implementing policy and ensuring that stakeholders continuously address issues of hide quality, personnel training, and market penetration. In that fashion, existing capacities can continuously be pushed to evolve.

Zambia

The current breeding / genetic structure of the cattle stock of which only 17% are either pedigree or well-planned exotic crossbreed does not provide for optimal leather yields. Experts have established that Zambia requires a minimum of 30% of its cattle stock to be pedigree or exotic crossbreeds to be able to generate the desired quality and quantity of bovine leather. Coupled with weak husbandry practices, most of the raw hides from the current stock is 40% less in size from the regional best practice but also thin, wrinkled and scarred. On the other hand, Zambia's cattle stock has demonstrated global best practice in terms of off-take that stands at 25%.

Based on the foregoing, Zambia's production of raw hides has been weakened by the high attrition or rejection rate averaging 44% of the off-take rate. Poor marketing arrangements modelled on beef production escalated by weak logistics and low prices for the hide have resulted in a considerable number of hides particularly from the remote places, not being collected. Further, poor quality of hides instigated by a combination of unfavorable genetic make-up and poor cattle husbandry by small scale farmers that own 83% cattle has contributed significantly to the attrition. This is in addition to the poor flaying processes due to poor skills and equipment at abattoirs.

Timely access to hides by tanneries has proved elusive due to capacity and cash-flow limitations. Absence of significant economies of scale has also weakened accessibility to hides on the part of tanneries. Tanneries only require a limited volume of hides at short intervals throughout the years. Coupled with their cash-flow limitations which prevent them to purchase in bulk for storage, and in the absence of an alternative (export) market, the bulk of the hides have either gone to waste or exported illegally. Third-country reports from by the ITC have proved that cattle hides have always been exported even during the period 2003 – 2020 when the export ban was in force and this has reflected significant weakness in the enforcement regime. The unbanning of exports hides coupled the new market for hides as a food product, and which market offers more than twice the price offered by tanneries has increased their inability to access the hides resulting into the closure of one of the two tanneries that have existed in the last 5 years. The one and only surviving company is the one that is vertically integrated from breeding to husbandry, abattoir, tannery and even shop and enjoys monopolistic price advantages.

This notwithstanding, the leather industry continues to produce wet-blue, crust leather, finished leather and finished leather products. Though with an increasing hostile and shrinking market in Europe and Asia, production for all these products has been boosted and increased through domestic demand and that of other countries in SADC. This though has been frustrated by several challenges that include illegal / unilateral tariffs on the part of DRC, sheer banning of entry of Zambia's wet blue into Tanzania as well delayed customs clearance that takes up to 4 days to clear. Coupled with lack of appropriate transport for exportable leather goods it becomes almost impossible to enter a regional value chain and compete effectively.

There are currently many SADC instruments at the disposal of Zambia which, with better targeting and coordination with other countries and actors can stimulate the existing latent comparative advantage and enable it to effectively participate in the regional leather value chain.

Zimbabwe

The leather sector in Zimbabwe is still of importance but has declined in the past years. The framework conditions are favorable: the country has bovine herd of some 5.4 million cattle mostly held by Communal farmers and the Communal/Commercial sub-sector has 30 % of the herd whilst the full commercial farmers now hold 8%. The importance of these numerical divisions is the contribution of the animals to both the formal beef and leather value chain industry.

Current herd size is on the decline due to a combination of factors that include to climatic, economic factors. Breeding has returned to traditional breeds and less on the imported hybrid animals that held sway in commercial farming sector a few decades ago prior to the Fast-Track Land Reform Programme which saw large scale farms distributed into smaller farm sizes. Equally the magnitude of cattle that are finished off in feedlots has declined drastically.

Abattoirs have invested in appropriate skinning/flaying equipment; knowledgeable and experienced workers; and adopted handling and quality preservation methods. This is because modern hide processors and customers demand mechanically flayed hides. Overall, abattoirs are currently operating below capacity,(40%) due to a combination of factors that include : the immediate impact of the 2000 Land reform process reduced the herd size from large scale producers; low productivity that has seen calving rate fall from 60% to about 35% in the large cattle producers; relative poor state of the economy where cost of living in an environment that has been characterized by low incomes has meant families opt for cheaper sources of meat like chicken. This leaves production costs high for abattoir operators who still have to maintain premises and staff.

The country has 10 tannery companies of various tanning capabilities in existence, but 2 large ones are currently not operating. Most claim challenges of to do with poor quality of available hides, high cost of imported input materials especially chemicals. The number of tanneries having a modern management system using state of the art could be just 2 out of the 10 mentioned above.

The footwear and leather goods manufacturing are dominated by SMEs, with some doing well in both domestic and regional markets. There are approximately 20 such SMEs across the country and there exists only one larger company. In terms of small production units, the sub-sector is composed of individual artisanal/clusters/cooperatives and micro-operators both registered and unregistered backyard operators. There could be up to 1,200 such units employing approximately 2,000 people nationwide, involved in the manufacturing operations ranging from leather crafts, footwear, leather goods, upholstery, garments manufacture etc.

To improve the leather value chain, it is mandatory to modernize the whole value chain, from the cattle breeding to the manufacturing. It demands a national effort and larger investments to modernize the facilities and to make them competitive on a globalized market.

Appendix C. List of Leather Value Chain Stakeholders

Operations	Organization	Country
Abbatoir	Kachema Meat Supplies	Zambia
	Zambia Abattoirs	Zambia
Association/Cooperative	Buy Eswatini	Eswatini
	Eswatini Leather Cooperative	Eswatini
	Private Sector Foundation of Lesotho	Lesotho
	Leather Association of Malawi	Malawi
	Leather & Allied Industries Association of Namibia	Namibia
	Meat Board of Namibia	Namibia
	South African Footwear and Leather Industries Association (SAFLIA)	South Africa
	The Skin, Hide and Leather Council	South Africa
	Skin, Hide and Leather Council (SHALC)	South Africa
	National Ostrich Processors Association (NOPSA)	South Africa
	National Union of Leather and Allied Workers (NULAW)	South Africa
	Southern African Clothing and Textile Workers Union (SACTWU)	South Africa
	SAFA – South African Feedlot Association	South Africa
	SAMIC - South African Meat Industry Company	South Africa
	SAFLEC- South African Footwear and Leather Export Council	South Africa
	Leather Association of Tanzania	Tanzania
	Tanzania Tanners Association (TTA)	Tanzania
	Tanzania Leather Products Producers Association (TALEPPA)	Tanzania
	Hard Book Society of (Z)	Zambia
	Leather Industries Association of Zambia	Zambia
	Zimbabwe Leather Development Council	Zimbabwe
	Tanners & Footwear Manufacturers of Zimbabwe	Zimbabwe
	Leather National Working Group	Zimbabwe
	Beef National Working Group	Zimbabwe
	Mat North Women Farmers Livestock Association	Zimbabwe

Operations	Organization	Country
	Bulawayo Leather Cluster	Zimbabwe
	Leather Institute of Zimbabwe	Zimbabwe
	Crocodile Farmers Association	Zimbabwe
	Zimbabwe Leather Collective	Zimbabwe
	The Leather Warehouse	Zimbabwe
Breeding/Farming	Kalimba Crocodile Farm	Zambia
	Zongwe Crocodile Farm	Zambia
	Padenga Holdings (Crocodile Farm)	Zimbabwe
	AAA Enterprise, Lda – (Crocodile Farm)	Zimbabwe
Hides and Skins Trade	Gametan	South Africa
	Hides and Skins Exports	Botswana
	Proctor and Hides	Botswana
	Mama Dada hides	Malawi
	Anpro Hides & skins	Namibia
	Libra Investments Hide Trading	Namibia
	Steak B Investments Hide Trader	Namibia
	Ostrich Import Export	South Africa
	Richard Kane And Company	South Africa
	Beit Ore Tannery	South Africa
Livestock Farming	Karan Beef	South Africa
	Beefmaster	South Africa
	Triple C Feedlot	South Africa
	Beefcor	South Africa
	Agricultural Business South-Africa – AgriBSA	South Africa
	AFGRI	South Africa
	Allem Brothers	South Africa
	Barnlab	South Africa
	Brennco Feeds	South Africa
	Dalein Voere	South Africa
Operations	Organization	Country
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	De Heus	South Africa
	Farmix	South Africa
	RCL Foods	South Africa
	Sernick Veevoere	South Africa
	Zambeef (Feedlot and Abattoir)	Zambia
	Silverlands Ranching	Zambia
	Lwimba Ranch	Zambia
Tannery	OIM Tannery (Omnium Industriael de Madagascar)	Madagascar
	Luxor tannery Ltd	Mauritius
	Beekun Luxor Tannery Ltd	Mauritius
	Meatco Okapuka Tannery	Namibia
	Nakara Tannery/ Leather Council	Namibia
	Midlands Tannery (Wet-Blue & Wet- White) Finishing operation	South Africa
	Oasis Tanning Company (Gameskin Tannery)	South Africa
	Mosstrich (Ostrich Tannery)	South Africa
	Bader Leder (Automotive leather Tannery)	South Africa
	Richard Kane & Co (Sheep skin and general leather trader)	South Africa
	Hanni Tan (Furniture Upholstery Tannery)	South Africa
	Rosslyn Tannery (Wet-Blue & Wet- White Automotive)	South Africa
	SA Dorper (Sheepskin Pickel Tannery)	South Africa
	GST/Seton SA (Automotive Tannery)	South Africa
	Skhumba Skins of Africa (Small Game tannery)	South Africa
	South Cape Ostrich Tannery (Ostrich Tannery)	South Africa
	Swartland Tanning (Ostrich)	South Africa
	The ING Thing cc (finishing operator)	South Africa
	Woods Tanning cc (Game, ostrich and crocodile Tannery)	South Africa
	Klein Karoo International (Ostrich leather tanning Group)	South Africa
	African Hide Trading Closed down, CPC new Owner	South Africa
	AfriTan Tannery (Hair-on tannery)	South Africa

Operations	Organization	Country
	Brits Leathers (Wet-Blue & Wet White Tannery)	South Africa
	Le Croc (Crocodile Tannery)	South Africa
	CrocoCo Leather SA	South Africa
	Sutherland Tanning (Wet-Blue & Wet-White)	South Africa
	Leather from Hart (Leather product leather)	South Africa
	Moshi leather Industries limited	Tanzania
	ACE Leather Tanzania Limited	Tanzania
	Himo Tannery	Tanzania
	Phiss Tannery	Tanzania
University/Vocational Institution	International School of Tanning Technology (ISTT)	South Africa
	Dar es Salaam Institute of Technology (DIT)	Tanzania
	Vocational Education Training Authority (VETA)	Tanzania
	Institute of Rural Technologies	Zimbabwe
	Lupane State University	Zimbabwe
	Private Sector Foundation of Lesotho Country	Lesotho

Appendix D. Results of the stakeholder workshop

Explanatory note: The stakeholder consultation workshop took place virtually on 22nd September 2021. Different stakeholders, mainly from the SADC region in the Leather Value Chain were invited to provide comments and feedback on the presented findings of the leather value chain inception report and the proposed interventions. A survey was launched in which participants were given an opportunity to provide feedback until the 10th October 2021. 14 leather value chain stakeholders participated in this survey. Out of 15 questions 9 were answered by the participants. The overall survey results indicate participants widely approve of the content in the inception report and its findings.

Following are the results:

Question 1: The Inception Report correctly describes the current situation of the Leather Value Chain in the SADC region as a whole.



Question 2: The Inception Report correctly describes the current situation of the Leather Value Chain in the SADC region as a whole. Can you please indicate what fundamental content was missing, inaccurate or not represented at all?

So far no responses were given to this question.

Question 3: The country and regional information of SADC member states is accurately reflected (compare Chapter 5 of inception report).



Question 4: "The country and regional information of SADC member states is accurately reflected (compare Chapter 5 of inception report)."Please name the country and corresponding information that was missing or inaccurately represented and provide a source if possible.

So far no responses were given to this question.

Question 5: The challenges of the Leather Value Chain in the SADC region are fully described (compare Chapter 5 of inception report).



Question 6: "The challenges of the Leather Value Chain in the SADC region are fully described (compare Chapter 5 of inception report)."Please indicate additional challenges that were not covered in the Inception Report.

So far, no responses were given to this question.

Question 7: The presented interventions are relevant and realistic (compare Chapter 6 of inception report).



Question 8: "The presented interventions are relevant and realistic (compare Chapter 6 of inception report)."

So far no responses were given to this question.

Question 9: Would you like to provide additional recommendations for interventions?



Question 10: "Would you like to provide additional recommendations for interventions?" Please provide additional recommendations for interventions.

- 1. To make data clearer and easier to interpret, I think it would be better if they are expressed in percentage (figure). But by using color alone, it gives no clear information. Answer: it is common sense to provide data in charts
- 2. Consult us in Botswana to establish the Hub of trainings for leather products manufacturing. I am highly skilled on that.
- 3. The next phase includes more participants. Answer: during the implementation a larger number if participants will be included
- 4. Establish virtual market showrooms. Answer: the idea will be retained for the implementation phase. At that stage it is too early to know where and how a virtual market showroom should be included. Answer: it has been included into the report.
- 5. Focus strengthening of clustering on SMEs. Answer: this is the overall approach
- 6. Establish a strong inter-regional stakeholders' cooperation and integration. Seek to strengthen other novel and innovative interventions like production of non-leather products like gelatins, leather boards, and other valorization products. Answer: this approach will be taken into consideration during the implementation phase
- 7. The issue of quality of the raw hides and skins is a critical one. In Tanzania most of the hides are damaged at the slaughter places and thus reduce the area of wet blue or finished leather hence increase cost of production. Interventions at slaughterhouses is needed. Answer: it is part of the strategy for cluster 1, 2 and 3.

Question 11: The key stakeholders in the Leather Value Chain in the SADC region have been correctly identified throughout the Inception Report. (Stakeholders of the Regional Leather Value Chain work e.g. in Livestock Farming, Slaughtering, Hides and Skins Trade, Skin Processing, Leather Trading, leather product manufacturing, associations/ cooperatives relevant to leather value chain activities, universities and vocational institutions, regulatory institutions, other public sector service providers, etc.).



Question 12: "The key stakeholders in the Leather Value Chain in the SADC region have been correctly identified throughout the Inception Report.(Stakeholders of the Regional Leather Value Chain work e.g. in Livestock Farming, Slaughtering, Hides and Skins Trade, Skin Processing, Leather Trading, leather product manufacturing, associations/ cooperatives relevant to leather value chain activities, universities and vocational institutions, regulatory institutions, other public sector service providers, etc.)."

So far, no responses were given to this question.

Question 13: Do you know of additional private sector stakeholders active in the Leather Value Chain in the SADC region (Appendix C of inception report)?(Stakeholders of the Regional Leather Value Chain work e.g. in Livestock Farming, Slaughtering, Hides and Skins Trade, Skin Processing, Leather Trading, leather product manufacturing, associations/ cooperatives relevant to leather value chain activities, universities and vocational institutions, regulatory institutions, other public sector service providers, etc.).



Question 14: Please indicate the company name and country.

Himo Tannery - Kilimanjaro Country Name :Private Sector Foundation of Lesotho Country : Lesotho Zimbabwe Crocodile Farmers Association

Question 15: Do you have any additional remarks?

- 1. The report it's a true reflection of what is happening on the ground. I am highly interested in skills development and Production of leather products like shoes. That's my area of expertise and I would love to have a much import on the intervention's rollout and development as a whole.
- 2. This is great initiative for our region
- 3. Could also help to create a network of LVC technical experts and other key stakeholders to help in the facilitation of sharing of ideas of implementation in of the next steps. Answer: it will be assured by a team of consultants that will be identified via a tender process.