



The EAC Leather Business Forum

for Owners, CEOs and Associations
of Leather Manufacturing Industries
on Promoting Regional Value Addition
in Leather and Leather Products

23-24 May 2019, Four Points by Sheraton
Arusha, United Republic of Tanzania



giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH



Introduction

The EAC Regional Leather Forum for CEOs and owners of leather manufacturing industries focuses on “Promoting Regional Value Addition in The Leather and Leather Products”, hosted by the East African Community in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), East African Business Council (EABC), and Gesellschaft für Agraprojekte, GFA Consulting Group on 24 May 2019.

Objectives

The key objectives of the workshop were to:

1. Foster cooperation among leather and leather products entrepreneurs in EAC towards enhancing intra- and extra-EAC trade;
2. Develop a private sector driven prioritization of areas and actions in implementing the EAC Leather and Leather Products Strategy (2019 - 2029) with a special focus on regional framework conditions; private sector roles; regional product standards; and regional customs procedures;
3. Outline key factors for successful implementation of the EAC Leather and Leather Products Strategy;
4. Establish a regional leather platform.

Expected Outputs

1. Clear understanding of relevant regional policy matters by the EAC Business Community;
2. Buy-in by the owners of leather industries (private sector) of regional policies proposed for the leather sector development by the EAC Summit and executed by the Council;
3. Ownership and commitment by the private sector on transformation of the leather value chain;
4. Strengthened regional network of the private sector in leather and launch.

23rd May 2019 | Pre-Leather Forum Cocktail Reception

The cocktail event hosted a vibrant reception for private sector and key stakeholders' delegates, led by Hon Paul Mathuki (EABC), DPS Jean Baptiste Havugimana (EAC) and Kirsten Focken (GIZ). All six EAC Partner States were represented by able business teams in a captivating atmosphere, as delegates from all over East Africa, came together for a common cause and passion for leather sector development, networking, discussing and sharing ideas. DPS Jean Baptiste Havugimana (EAC) officially welcomed all delegates inviting them to feel free and discuss regional challenges and provide tangible recommendations for the development of the leather sector. The event was replete with some of the delegates proudly dressed in their own leather manufactured footwear, as others brought their manufactured leather articles/products from their own tanneries for exhibition. The cocktail night was capped with unique East African music, food and beverages.

24th May 2019

1. Welcoming Remarks

The forum was kicked off by introduction of the event sponsors and organizer, as well as the objective of the meeting, and delegates were called to openly participate in the agenda by sharing their current experiences and suggesting solutions for improvement. The EAC was encouraged to take the deliberations of the forum by supporting and strengthening ownership of the strategy implementation, that would ultimately lead to job creation and solidify regional value chain development initiatives.

2. Official Opening | Overview of Priority Actions of the EAC Leather and Leather Products Strategy

2.1. Lamech Wesonga (EABC)

The EABC appreciated the efforts and presence of all stakeholders, EAC, GIZ, GFA, and the private sector companies represented.

Describing the leather industry as one of “the flagship development sectors of the EAC”, the EABC’s interest is to ensure that there is progress in the implementation of the strategy, as well priority promotion of the leather value chain. EABC emphasized its vision of trade cooperation and integration within the community Partner States, citing as an example, the current trade between Uganda and Rwanda in processed leather products, among other products.

EABC urged the regional leather industry actors to strive to attain harmonized leather sector policies and urged continuous advocacy to ensure the implementation of the leather development strategy. In closing, EABC assured the regional leather actors of “existing available market within the region”, and looks forward to collaborating with actors at policy, industry, and regional level.”

2.2. Bernd Schmidt (GIZ/EAC Integration Program)

GIZ Tanzania thanked delegates attending the forum and expressed satisfaction with presentation and validation of The EAC Leather and Leather Products Strategy (2019-2029) at the forum. GIZ assured the EAC leather sector players of support to “realize the strategy”.

Updating the delegates on closure of current phase of GIZ support to EAC in June 2019, GIZ confirmed continued support to the sector in Phase II under a new programme, “Support to East African Market Driven and People Centered Integration (SEAMPEC), which emphasizes a closer cooperation with the private sector, providing continued support to Pharmaceuticals, and additional two value chains-Leather and Leather Products, and Fruits and Vegetables, with the overarching aim to attain regional industrial value addition and integration.

GIZ called on all delegates to openly present their views, challenges, and any ideas they may have, and wished the forum a fruitful and healthy deliberation.

2.3. Jean Baptiste Havugimana (EAC Secretariat DPS)

The EAC emphasized Leather and Leather Products sector as among the regional priority industries, noting that it is lagging in development, and appealed for concrete steps to be taken by EAC Partner States to develop strong measures to promote this sector. Assuring the delegates that studies already conducted brought tangible evidence of gaps in leather supply and demand within the region, potential for processing raw materials and efficient integration within the community. These have been documented effectively in the Leather Sector Development Strategy that is expected to be endorsed by the Sectoral Council on Trade, Finance and Investment (SCTFI).

The EAC noted that partner states were facing policy, governance, and regulatory challenges; and asked the delegates to deliberate “how the EAC and partner states can work together to mobilize required investment capital; establish, implement and monitor good manufacturing practices (GMPs); end the imports of finished leather products and exports of unprocessed leather; improve leather and leather products quality and quantity.

Giving a pointer to solutions under consideration for current leather sector challenges, EAC cited, among other, the proposed 10 per cent levy imposed each year gradually to a maximum of 100 per cent over 10 years on raw leather material exports. The delegates applauded this measure with optimism.

EAC further underscored that much of the existing leather processing infrastructure do not meet international quality standards, and therefore urged the leather manufacturers to critically appraise their infrastructure status and challenges, especially in this forum, to ensure that infrastructure is improved for attainment of necessary quality standards for both local and export products.

EAC encouraged the Partner States to eradicate scattered and duplicated efforts, and develop close collaboration, and sector synergies for a competitive regional leather value chain development.

3. Summary of the EAC Leather and Leather Products Strategy

(Jennifer Gache, EAC Secretariat PS, Industrial Development Department)

Concise summary of the EAC Leather and Leather Products Strategy was shared and emphasized the following:

1. Key leather sector challenges included:
 - Exportation of wet blue, which results in loss in value;
 - Low quality hides and skin; up to 30 % unusable when it gets to tanneries;
 - Tanneries operating at under-capacity (40 per cent);
 - Poor collection system for delivery of good quality hides and skins;
 - Costly financing, reducing the ability of investors to invest;
 - Exportation of good quality leather products, leaving the local market with the low-quality leather; leading to exponential demand for imported leather products;
 - Inadequate collaboration among leather value chain actors;
 - Unskilled manpower, and lack of exposure to global leather product design trends;
 - Overdependence on traditional market, requiring market diversification; and
 - Inappropriate policy framework to incentivize leather good manufacturing.
2. Key priority areas of focus for leather sector development:
 - Strengthening of the leather sector representative associations/apex bodies, involving establishment of new ones where none exists;
 - Development of quality standards, a code of practice and certification schemes for the entire value chain;
 - Change in business value system mindset by flayers towards equal value between meat and hides and skins;
 - Development of a programme to support raw materials (hides & skins) quality improvement targeting the quality of hides & skins, operations of abattoirs, and tanneries, and training and certification of a pool of flayers;
 - Development of skills and entrepreneurship, training footwear producers and designers, involving strengthening TVETs and curriculum development training programs;
 - Market development, diversified product development, and market intelligence; integrating baseline data on the leather industry to facilitate development of regional information dissemination platform;
 - Adoption of a common regional leather strategy to ensure a harmonized approach to the development of the sector, and consequent financing of its implementation;
 - Development of flexible financing modalities for SMEs participating in the public tendering initiatives;
 - Development of country-specific implementation plans; and
 - Establishment of national coordination and institutional steering of leather development framework; integrating communication strategy developed and owned by implementing agencies to ensure each clarity and separation of roles.

4. Keynote Note Address: Regional Value Addition in the Leather Sector

(Beatrice Mwasi, Secretary General, Kenyan Leather Apex Society)

Reminding the delegates about the real meaning of the term ‘value’, to emphasize its currency, the speaker urged EAC Partner States to reflect deeply in the leather industry’s journey to add value, as the leather industry has immense potential not yet fully exploited.

Citing the common problem in African Communities where “animals are valued without harvesting their value”, this contributes to the large gap existing between supply and demand of leather and leather products, and yet, the industry in EAC context is barely scratching the surface of existing leather resources.

Sharing that most countries have moved away from unprocessed hides and skins, EAC leather industry is yet to develop from supply of semi processed leather. Narrating some of the innovative strategies in value addition, packaging as an example, has become important in adding or reducing value from the actual product, hence the EAC leather players need to focus on value added packaging.

The speaker recommended that the EAC leather industry must begin their development journey from the market, by establishing consumer needs, and using that focus to create leather products that address the relevant gaps in the market. Noting that individual stakeholders perceive value differently, EAC can be pivotal in ensuring stakeholder’s value is addressed accordingly. Illustrating that there is a startling value addition metrics, that ‘1,000 jobs are created by every additional 1 million pairs of shoes produced, the EAC and leather stakeholders must no longer waste time, and instead strongly support the development of the leather sector to actualize this potential.

The speaker praised the organizers of the forum for providing great opportunity to EAC Partner States to work together to identify weaknesses and strengths of each partner state” to create and/or solve the leather industry puzzle, through focusing on collaboration and not competition.

Drawing inference from “The Smiling Curve” in business management, delegates appreciated the graphical illustration of value creation/addition across the entire leather value chain. The delegates were encouraged to consider leather value addition and creation at every processing stage more critically and implement innovative and creative measures in the leather industries by committing to implement the harmonized regional leather strategy immediately.

The key note speaker wished all delegates a fruitful deliberation and underscored that creating and capturing value is the EAC region’s sure way to global leather and leather products market leadership and creation of greater impact in the region’s socio-economic landscape.

5. Panel Discussion and Plenary

Panel discussions led by Partner State team leaders provided informed views on successes, challenges and recommendations for individual Partner States leather.

Country group discussion complemented and validated the panel discussion outputs through open responses to each country's top/notable 3 successes, challenges and solutions at three levels, nationally, regionally, and internationally, summarized in the table below.

Common points from all teams are summarized in the following table:

Common Successes, Challenges and Recommendations of the Regional Leather Industry

Level	Successes	Challenges	Recommendations
National	<ul style="list-style-type: none"> Government support and commitment Capability development through government & development agencies support Available market for quality leather and leather products, including opportunity to supply disciplined forces Individual country leather sector development strategies Continuous improvement of national livestock breeds/herds Leather sector management/regulation bodies being operationalized Enhanced regulation/control of hides and skins trade, including raw hide smuggling Individual country developing leather quality standards 	<ul style="list-style-type: none"> Smuggling of raw materials Poor/weak leather and leather products marketing strategy Access to leather processing accessories and chemicals Weak resource accountability High cost of production energy, inputs, labor and water Cheap imported leather and leather products Counterfeits Inadequate regulations and policies, Weak enforcement of policies Lack or weak enforcement of leather and leather products quality standards Application of outdated technology Weak manufacturing practices Limited value adding infrastructure 	<ul style="list-style-type: none"> Review leather sector development regulation and policies Build sector technical and managerial capacity Consolidate leather development bodies/organizations Develop institutions for leather technology capacity & vocational training Improve leather sector development coordination Remove internal trade barriers, especially logistics Restrict importation of leather and leather products
Regional	<ul style="list-style-type: none"> Tax harmonization being implemented Market access for finished leather products Leather & leather products development strategy EAC prioritization of leather sector in its industrialization strategy Growing demand for hides and skins, leather products 	<ul style="list-style-type: none"> Export of first-grade leather Cautious commitment to EAC trade protocol Inadequate supply of leather and leather products Lack of regional leather quality standards Mistrust between regional leather actors and partner states Uncontrolled leather and leather products imports Weak leather market structure, conduct, and performance 	<ul style="list-style-type: none"> Ban importation of used leather products Develop a common marketing platform/market intelligence portal Implement regional leather and leather products development strategy Develop and implement leather and leather products quality standards
International	<ul style="list-style-type: none"> Growing demand/market for quality leather and leather products Source of chemicals, equipment and accessories Trade opportunities and/or duty-free/preferential market access to lucrative markets through global partnerships 	<ul style="list-style-type: none"> High cost of leather processing chemicals, machinery and inputs Increased competition Limited market access and market information, and barriers to trade Strict and dynamic quality leather standards and environmental conservation 	<ul style="list-style-type: none"> Benchmark regional quality standard to international Gradual control/elimination of imported used leather products Implement fair trade practices Restrict importation of footwear

6. The Regional Leather Private Sector Apex/Platform

(Lamech Wesonga, EABC)

EABC advanced the noble idea of forming/establishing a platform at EAC level to bring together the policy makers and key private sector players. Emphasizing the need for a framework of implementing the leather strategy. He shared an example of the East Africa Women in Business Platform (EAWB) which is constituted by an executive committee, members from the 6 states, and a coordinator who sits with EABC to coordinate strategy with EAC. A similar body should be adopted and established for the regional leather sector.

EABC also emphasized that other key drivers of leather strategy development required financing and encouraged the private sector to chip in and invest in the industry as well, to avoid dependency on external financing. Delegates from some of the EAC members states supported the interim establishment of the proposed regional leather apex body at the forum. However the delegates carefully considered the different levels of leather sector development in the Partner States and agreed that adequate consultation be undertaken by each Partner State to develop their own national apex bodies first, before considering the regional one.

To fast track this proposal, the delegates appealed for support to hold a future regional meeting to stock-take and deliberate the actualization of the regional apex body. Key actions proposed for moving this agenda forward included:

3. Nominating a team leader for each Partner State;
4. Allowing enough time for Partner States without an apex to form one, with timeline for national apex formation;
5. Planning a workshop to align and select/elect a regional apex governing body.

7. Closing Remarks (Ella Naiman, Empower Limited¹)

To make valuable gains in leather value chain development, EAC partner states need to remain aligned; industry team leaders to stay connected and in communication and keeping their engagements alive, in addition to agreed actions and timelines. This forum demonstrates the commitment of partner states to develop common approaches to problem solution through healthy dialogue, critical reflection and decision making. The regional leather industry conversation has just begun, and there is need to focus on developing a plan to have a regional platform that steers the development of the leather sector in the EAC.

¹ Ella Naiman and Lightness Mtaita from **Empower Limited** (www.empower.co.tz) provided valuable services for the successful execution of the workshop, including event management, joint planning, moderation and report writing.

The Leather Business Forum in Pictures



List of Participants

No.	Name	Company/Institution	Partner State
1	Bede Bedetse	Afritan Leather Ltd	Burundi
2	Nduwimana Gédéon-King	KLK (King Leather Group)	Burundi
3	Bitegetsimana Frédéric	Atelier hope house.	Burundi
4	Bankuwunguka Dismas	Cordonnerie Moderne	Burundi
5	Robert Njoka	Leather Centre	Kenya
6	Maurice Omondi	Fly-eagle Leather Enterprises	Kenya
7	Peter Kitheka Matata	Kitheka Leather Enterprises	Kenya
8	Niaz Hirani	Leather Industries of Kenya	Kenya
9	Beatrice Mwasi	Kenyan Leather Apex Society	Kenya
10	George Okundi	Agro-Economist/Consultant	Kenya
11	Mukashyaka Germaine	GJS Arts Promoters and Consult Ltd	Rwanda
12	Mfuranzima Jean	Star Leather Products Company Ltd	Rwanda
13	Niyonsaba Isaac	Vision Business Company Enterprise Ltd	Rwanda
14	Ntirandekura Jean de Dieu	Shenzaka Trading Co Ltd	Rwanda
15	James Daniel Chuang	Pastoralists Union	South Sudan
16	Moses Philip Richard	Hides and Skins Association	South Sudan
17	Nasona Tombe Musa	Hides and Skins Association	South Sudan
18	Nganf Patirachomonyach	Hides and Skins Association	South Sudan
19	Daudi Wangwe	Kirobe Investments co Ltd	Tanzania
20	Alawi Albeit	Director	Tanzania
21	Ibrahim Kisungwe	Local Investment Climate	Tanzania
22	Valency Utakyamirea	TPSF	Tanzania
23	Freddy Kabala	Leather association of Tanzania	Tanzania
24	Ella Naiman	Moderator	Tanzania
25	Lightness Mtaita	Assistant moderator	Tanzania
26	Lamech Wesonga	EABC HQ	Tanzania
27	Hon. Peter Mathuki	EABC HQ	Tanzania
28	Thomas Walter	GFA Consulting Group	EAC HQ, TZ
29	Wesley Ronoh	GFA Consulting Group	EAC HQ, TZ
30	Daniele Stuebi	GIZ/EAC Integration Program	EAC HQ, TZ
31	Bernd Schmidt	GIZ/EAC Integration Program	EAC HQ, TZ
32	Kirsten Focken	GIZ/EAC Integration Program	EAC HQ, TZ
33	Hon. Christophe Bazivamo	EAC Secretariat	EAC HQ, TZ
34	DPS Jean Batiste Havugimana	EAC Secretariat	EAC HQ, TZ
35	Eng. Jennifer Gache	EAC Secretariat	EAC HQ, TZ
36	Victoria Senkubuge Byoma	Crafts-A-Curios Ltd	Uganda
37	Robert Okot Gates	Sky fat Tannery – Jinja	Uganda
38	Mr. Steven Alibaruho	Big Leather Ltd	Uganda