

ZIMBABWE LEATHER SECTOR STRATEGY

2012 - 2017





Zimbabwe Leather Sector Strategy 2012-2017

“To be a vibrant and internationally competitive leather industry contributing to sustainable development through value addition”

Note to the readers

The Zimbabwe Leather Sector Development Strategy presented in this document has been crafted by local stakeholders using a participatory private sector-led approach. More than 130 people representing the leather industry, including rural communities, Government and the civil society have undertaken a market-driven value chain analysis and contributed to define priorities at national level for the revival of the leather sector.

This strategy is aligned with the national development plans and seeks to provide a framework for national, regional and international policy coordination and development activities. It is also intended to be taken into consideration in the allocation of resources and in the development of new policies and national investment plans.

The results and recommendations contained in the document represent a concerted outcome between the public and private sectors and contribute to identifying:

- Market potential at national, regional and international levels;
- National challenges based on industry goals and opportunities;
- Actions to be undertaken at the national level by various stakeholders;
- Realistic policy goals and implementation objectives; and
- Resource prioritization and allocation.

The Zimbabwe leather strategy was developed in response to a Government and stakeholders' request and constitutes a vital input to the regional leather strategy to transform COMESA leather value chain from the production and trading of raw materials towards the production and trading of value added products. The development of this strategy was facilitated by COMESA Secretariat with the support of the International Trade Centre (ITC) under the "Programme for building African Capacity for Trade" (PACT II) funded by the Canadian International Development Agency (CIDA).

Acknowledgments

The participatory workshops and consultations for developing the leather sector strategy were championed by the Ministry of Industry and Commerce and facilitated by COMESA Secretariat and ITC. All decisions and deliberations were led by the leather value chain Core Team. The private sector played an active role all along the process and a special effort was put in having over 50% participation in all meetings, with the inclusion of smallholders, like livestock farmers and traders, as well as SMEs and multinational corporations.

ITC provided the Core Team and COMESA with support on technical matters related to the participatory process and facilitated the participation of international and regional buyers and sector specialists in the multi-stakeholders workshops. The most unique contribution of the participatory workshops was that different stakeholders came together for the first time to analyze their interdependencies and needs and managed to articulate common objectives that responded both to development and market priorities.

COMESA, ITC and the Core Team wish to thank all the stakeholders and the Government authorities involved in this process. In particular, we wish to thank:

Core Team members: Mrs. Thandi Henson, Mr. Bev Jack, Mr. Nelson Kuhudzai, Mrs. Memory Madondo, Mr. Stanslaus Daison Mangoma, Mr. Sam Miller, Mr. Nicoh Mpofo, Ms. Agnes Praise Mugova, Mr. Joseph Ndlela, Mr. Luis Pinto, Mr. Clement Shoko, Mr. Howard Sithole. Secretariat and resource people: Ms. Hazel Magumise, Mr. Ayan Kachepa.

COMESA resource people: Mr. Nicholas Mudungwe, Mrs. Mangoma Mulikita.

ITC: Mr. Hernan Manson, Ms. Roberta Lascari, Mr. Frank Mugenyi, Mr. Olivier Van Lieshout.

Background and link to COMESA regional strategy

In 2007, COMESA organized a series of roundtable meetings to bring together private and public sector actors with the objective of identifying the main constraints in different economic sectors and developing policy recommendations at regional level. Mining and minerals, cotton and textiles, agro-foods, tourism and leather were some of the priority sectors identified by COMESA.

In the case of leather, the meeting took place in Addis Ababa, Ethiopia, with the participation of 12 COMESA Member States, several sector associations and private sector entrepreneurs. One of the recommendations that resulted from the meeting, which concerned all sectors, including leather, was the need for COMESA to undertake a more in depth market-led strategic planning exercise for the provision of support to all identified priority sectors.

In light of the above, COMESA decided to champion the development of a regional leather sector strategy using a stakeholder led approach and requested the support of ITC, through the CIDA funded PACTII Programme, to develop and implement such strategy.

In February 2010, a group of 30 sector experts representing eight countries, the COMESA Secretariat, COMESA/LLPI and ESALIA met in Nairobi, Kenya, to agree on and customize ITC's proposed approach for participatory sector development. The delegates recommended that a Core Team composed of private and public sector representatives be formed for improved representation of the leather industry. The Core Team had the mandate to lead the development of the strategy, ensure stakeholders' interests representation and contribute to the management of the strategy's implementation. The role of the Core Team is therefore framed by the strategy design and implementation in the context of the COMESA Secretariat's related activities.

In the context of this regional initiative, and based on the success of the regional leather strategy as a private-public platform for improved policy formulation, Zimbabwe requested COMESA Secretariat support for the development of a national sector strategy. Following ITC's approach, a national Core Team composed of private and public sector representatives was appointed and, for the first time in the history of the leather value chain, all the stakeholders came together to decide on the future of their industry through several consultations and inclusive workshops which took place between 2011 and 2012.

Private Sector Statement

Manufacturing of quality leather and leather goods is deeply anchored in the history of Zimbabwe and represents a long tradition in craftsmanship for value addition that has provided a solid reputation across Africa and with our business partners.

Our people, whether it is at the rural level or in the factories, have the skills and knowledge to make leather and leather goods. Today, the industry represents more than 5000 people including, abattoirs, hide collectors and merchants, tanners, shoe and leather goods manufacturers and small and medium enterprises. The private sector believes that the sector has enormous potential to increase its contribution to the economy and become a social and development driver.

We can generate employment for the active population including youth and rural communities. We can add value through manufacturing of finished goods and exports

We are ready to contribute to the provision of affordable quality products to our consumers both at urban and rural levels, (for example school shoes and uniformed forces), exotic leather as well as fashionable Zimbabwe designed products.

We will also increase our contribution to the revenue and to the fiscus and we represent a substantial contribution to the foreign currency inflows. In 2011, US\$30 million were generated by exports but we believe that this can be up to US\$90 million by 2014 if this strategy is implemented.

We have been disadvantaged by low availability of affordable finance, policies that were not fully recognizing our enabling environment needs and lack of coherence. The value chain actors have also operated in an uncoordinated manner that has resulted in value loss, competitiveness disadvantages and reduction of our contribution to the economy.

We recognize the constraints the Government has been facing at macroeconomic and industry levels. In response, we have become united across the value chain to develop this strategy and position the leather sector among the priority ones based on our potential to generate benefits for the country.

This potential will be realized by improved marketing and commercialisation, including new markets and diversification of our product offer, reduction of our production costs and increase in overall competitiveness.

We have become united as a sector and have developed this strategy. We are now ready as a sector to work hand in hand with Government. As a partner, and in line with the Industrial Development Policy and the Mid Term Plan, we table the following requests in our strategy and ask Government to partner with us to provide improved access to finance through a development and investment fund, clear rules and a better enabling environment and finally to facilitate this private sector led committee in its task to advise Government for better policy.

Ministry of Industry and Commerce



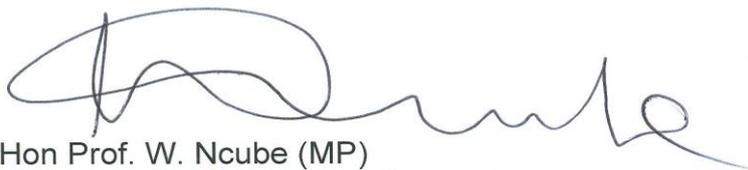
Zimbabwe experienced a turbulent and extremely challenging decade of economic downturn characterized by endogenous factors such as high inflation, high unemployment, and low capacity utilization and exogenously by low commodity prices and the global financial crash of 2008. Worst hit was the manufacturing industry and in particular the leather and leather products sector for which decisive corrective strategies and policies had to be crafted and implemented.

In a clear and determined effort to effectively and holistically address these challenges, my Ministry crafted the Industrial Development Policy for 2012-2016, which envisages transforming Zimbabwe from a producer of primary goods into a producer of processed value added goods for both domestic and export markets through promotion of viable cluster based Industrial and Commercial sectors the leather and leather products sector being key and critical among these.

Accordingly and in a concrete vein to implement these sector specific policies COMESA acceded to our request to assist both technically and financially to craft a Zimbabwe Leather and Leather Products Strategy.

I am both pleased and thankful that the strategy before you is the product of a thoroughly exhaustive and inclusive consultative process between the private and public sectors made possible by the generous assistance from COMESA through its executing agency the International Trade Centre (ITC) under the “Programme for building African Capacity for Trade” (PACT II).

Its launch will mark a significant milestone in our development trajectory that is underpinned by our IDP 2012-2016 and I commend and invite both our development partners and our private sector in particular to join the Government in ensuring that this important strategy is fully implemented.

A handwritten signature in black ink, consisting of a large, stylized initial 'W' followed by a series of loops and a final flourish.

Hon Prof. W. Ncube (MP)
Minister of Industry and Commerce

Ministry of Agriculture, Mechanisation and Irrigation Development

The Leather Sector is one of the important sub-sectors with high potential to contribute to the Zimbabwean economy in terms of employment creation, income generation, and poverty reduction. The country has immense potential to be a major supplier of finished leather, footwear and leather products.

Livestock production in Zimbabwe is an important and integral part of the agricultural sector with livestock products contributing about 30% of the value of agricultural GDP. Livestock provides a form of livelihood to a greater portion of the population in Zimbabwe. As such, livestock makes a significant contribution to the national economy and to the nutritional and material wellbeing of the country's population. There is no doubt that development of the downstream industry such as leather sector will provide a market for livestock products and hence in turn increase incomes for livestock owners.

The strategy will help secure resources, inform policy makers and help coordinate value chain stakeholders in the sector.

Through the Ministry's Livestock Sector Policy, Government seeks to promote:

- I. preservation, improvement and expansion of existing pedigree herds, especially indigenous breeds;
- II. research on appropriate and applicable technologies in livestock production;
- III. adoption of good animal husbandry practices;
- IV. establishment of strategic feed reserves;
- V. improved pasture and rangeland management;
- VI. strengthening of veterinary services;
- VII. facilitation of investments in disease surveillance and prevention measures; and
- VIII. establishment of veterinary infrastructure.

All of these priorities are an effort to increase production and productivity of livestock and animal health. The successful implementation of the Livestock Sector Policy is vital in order to realise the objectives of the Leather Strategy. It is then critical to also avail resources towards the livestock sector at the production level as this is the main challenge affecting production.

I would like to congratulate all the stakeholders and the coordinating committee for bringing us a step closer to realizing the Government's vision of reviving the leather sector.

Vision of the Zimbabwe leather industry

“To be a vibrant and internationally competitive leather industry contributing to sustainable development through value addition”



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List of acronyms

CIDA	Canadian International Development Agency
COMESA	Common Market for Eastern and Southern Africa
COMESA/LLPI	COMESA/Leather and Leather Products Institute
CSC	Cold Storage Commission
ESALIA	East and Southern Africa Leather Industries Association
FMTA	Footwear Manufacturers and Tanners Association
HS	Harmonized System
IDP	Industrial Development Policy
ITC	International Trade Centre
LAIFEZ	Leather and Allied Industries Federation of Zimbabwe
LIZ	Leather Institute of Zimbabwe
MTP	Mid-Term Plan
NGO	Non-Governmental Organization
SADC	Southern Africa Development Community
MSMEs	Micro, Small and Medium Enterprises
TASMA	Tanners and Shoe Manufacturers Association
UNIDO	United Nations Development Organization
ZIMRA	Zimbabwe Revenue Authority

EXECUTIVE SUMMARY

1. Context and importance of the sector

In the decade 2000-2010, Zimbabwe experienced a general economic downfall which also affected the leather industry and the livestock sector. Gross domestic product contracted by more than 40% between 2000 and 2008, and the manufacturing sector lost almost 50% of its output over the past ten years. Until 2000, Zimbabwe produced 17 million pair of shoes, whereas in 2011 only 1 million were made. In 2001, Zimbabwe exported nearly US\$30 million worth of meat, whereas in 2010 over US\$30 million was imported.

In 2011, cattle population stood at 5.1 million heads, with smallholder farmers owning about 90%. Off take rate was at 5%, which corresponded to about 270,000 animals killed and 388,000 hides being available in the market (including hides from imported cattle and informal sector). These hides represent a potential business of at least US\$7 million in their raw form, which could be tripled if they are all value added to finished goods within Zimbabwe. Several initiatives have been undertaken in Zimbabwe for rebuilding national herd and increase livestock production with financial and technical support from development partners, NGOs and Government to rural households in an effort to improve livestock marketing system and increase smallholders' income.

The challenge for Zimbabwe is how to derive the maximum value from such an output. Several factors compromise the quality of local leather and leather products. Due to the economic stagnation, Zimbabwe lagged behind in leather technological advancement over the past decade, which affected the performance of the leather manufacturing sector. The advent of dollarization in 2009 has provided new opportunities for investment in technology, which coupled with campaigns for improved hide quality and access to affordable credit, would enable Zimbabwe's leather industry to catch up with the rest of the world in the near future. The hard working, skilled and literate labor force makes the country an attractive destination for future investments.

The main objective of the strategy is to transform Zimbabwe leather value chain from the production and export of raw materials and partly processed products to the production and export of value added products such as finished leather, footwear and other leather garments.

2. Approach and methodology used

The strategy development process was facilitated by ITC and managed by a private sector-led Core Team with the support of COMESA and the national Government. A participatory stakeholder based approach was used whereby representatives from the entire value chain, including cattle farmers and rural communities, supporting institutions and Government worked together to identify the main issues affecting the leather value chain and proposed response objectives on the basis of market priorities and development objectives. This methodology has fostered a mechanism where the private sector became the actor and the public sector the facilitator: the strategy thus responds to the private sector's needs and

commercial targets while contributing to the overall national and regional development priorities.

The strategy is aligned with national development policies for revitalizing Zimbabwe's economy and is consistent with the priorities and plan of action elaborated at regional level by COMESA for revitalizing the leather sector with the aim of boosting intra-trade, creating employment and increasing sector's contribution to GDP and poverty alleviation.

The leather sector strategy is the result of stakeholders' evaluation of market potential, profitability of business, supply-side constraints and sector dynamics. The work done by sector stakeholders falls within the logic of public-private partnership and dialogue. **The data used in the analysis, as well as its results, were validated at all stages by value chain stakeholders, representing 80% of the players in the sector, through participatory workshops and focus group meetings.** Given the lack of information in the sector, the value chain and mass balance analysis presented in this strategy are a major contribution to existing sectoral knowledge and result from fostered partnerships between the private sector and the Government for improving decision-making.

3. The leather value chain

In 2011, total revenue generated by the leather industry was estimated at approximately **US\$82.2 million** and industry's contribution or value addition at **US\$31.7 million**. The largest contributions to total sales and margin come from shoe retailing and shoe manufacturing, the two levels of the value chain where there is more value addition. About 1,168 companies are estimated to actively work in the leather value chain, providing employment to approximately 5,610 people.

2011		Hide collection	Profitability	WB tanning	Profitability	Finished tanning	Profitability	Shoe making	Profitability	Shoe retailing	Profitability	TOTAL
Unity of measurement		hides	%	tons	%	m ²	%	pairs	%	pairs	%	
a	Quantity sold	388,000		3,464		229,400		986,207		1,262,207		
b	Sale price/unit (\$)	18		1820		22		20		35		
c	Margin/unit (\$)	6	30.6	420	23.1	4	18.1	8	42.2	15	42.9	
a*b	Total sales (\$ '000)	6,984		6,305		5,079		19,724		44,177		82,269
a*c	Total contribution (\$ '000)	2,134		1,454		917		8,313		18,933		31,753

Source: Core Team, ITC and COMESA calculations based on data provided by industry members and enterprise audits in 2011.

The strategy also estimates the **impact of the leather value chain at the farmer level**, by calculating total revenues generated by the hides and skins only. According to price information collected during rural workshops, value chain stakeholders estimated that the value of total hides and skins sales and revenue for the farmer population can range from US\$1 million for low quality hides up to US\$1.9 million for medium quality and US\$3.9 million for high quality hides. Therefore, the issue of quality is of paramount importance and if

properly addressed, as proposed in the strategy, it can help increase the income and improve livelihoods of rural communities and smallholders. Additionally, the strategy supports initiatives aimed at encouraging artisanal tanning and value addition for niche products at the community level.

As a result of the competitiveness analysis, value chain stakeholders have identified the following **weaknesses** of Zimbabwe leather value chain:

- Lack of trust, transparency and coordination among value chain stakeholders;
- Lack of affordable finance and/or innovative financial mechanisms;
- High cost price of raw materials and inputs for the industry;
- Shortage of hides and skins and poor quality leather, mainly due to poor husbandry practices and improper flaying techniques, as well as to an inadequate collection and storage system; and
- Low capacity utilization of the leather industry and poor diversification, quality and design of leather products.

On the other hand, **strengths** of Zimbabwe leather value chain include:

- Quality of management, particularly at manufacturing;
- Highly educated and skilled labor force at all stages of the value chain;
- An important livestock sector and plenty of resources of exotic skins.

4. The strategy

After evaluation of market trends and buyer requirements, the private sector has identified priority market segments for selected products. The overall market direction shifts **the focus of the leather industry to increasing the production of value-added leather products, such as footwear and leather goods, for the domestic and export markets**. The table below shows market segments in order of priority as identified by industry members.

2012-2017			
TARGET MARKET	SEMI-PROCESSED LEATHER	FINISHED LEATHER	MANUFACTURED GOODS
Export	HIGH Priority (1)	Medium High (3)	High Priority (2)
Domestic	-	HIGH Priority (1)	HIGH Priority (1)
Niche, High value (Artisanal, luxury, etc.)	-	Medium High (3)	Medium High (2)

Source: Elaborated by the Core Team and validated by leather stakeholders during participatory workshops.

In line with the above market segments, the private sector has also set the following commercial growth targets to be achieved by 2017:

- **Target 1:** To reduce EXPORT of WET SALTED HIDES from 229,000 hides in 2011 to 20,000 hides in 2017 (Reduction: -91%).
- **Target 2:** To increase INTAKE of WET SALTED HIDES by domestic tanneries from 194,000 hides in 2011 to 467,000 hides in 2017 (Growth: +140%).
- **Target 3:** To increase EXPORT of WET BLUE LEATHER by domestic tanneries from 1,250 tons in 2011 to 2,500 tons in 2017 (Growth: +100%).

- **Target 4:** To increase INTAKE of FINISHED LEATHER from domestic tanneries by domestic manufacturers from 229,000 m² in 2011 to 460,000m² in 2017 (Growth: +101%).
- **Target 5:** To increase PRODUCTION of LEATHER SHOES by domestic manufacturers from 1 million pairs in 2011 to 2.2 million pairs in 2017 (Growth: +120%).
- **Target 6:** To increase EXPORT of LEATHER SHOES by domestic manufacturers from 162,000 pairs in 2011 to 1 million pairs in 2017 (Growth: +517%).
- **Target 7:** To increase SALES of locally produced LEATHER SHOES by domestic retailers from 1 million pairs in 2011 to 1.4 million pairs in 2017 (Growth: +40%).

On the basis of market segment and commercial growth targets and in order to improve the competitiveness of the leather value chain, sector stakeholders have identified five response objectives, which are presented below in order of priority:

- **Objective 1: Strengthen value chain networking, coordination and policy advocacy;**
- **Objective 2: Improve access to finance across the value chain;**
- **Objective 3: Improve market intelligence of all enterprises and all stakeholders;**
- **Objective 4: Improve quality and collection system of hides and skins;**
- **Objective 5: Improve value addition and output through training and establishment of clusters.**

The strategy prioritizes the creation of a stakeholder-led sector association that will represent a public-private platform for private sector to agree on priorities and request support and facilitation from Government and development partners. Additionally, the strategy proposes the creation of a commercially-driven Leather Development and Investment Fund to solve the issue of access to finance and provide both working capital and investment to business projects in line with the strategy's objectives.

5. Anticipated impact and management framework

The strategy's anticipated impact can be quantified to total sector contribution of **US\$45 million** in 2017, compared to US\$31.7 million in 2011, and total sales revenue of **US\$116 million**, compared to US\$82.2 million in 2011, at current sales prices and margins.

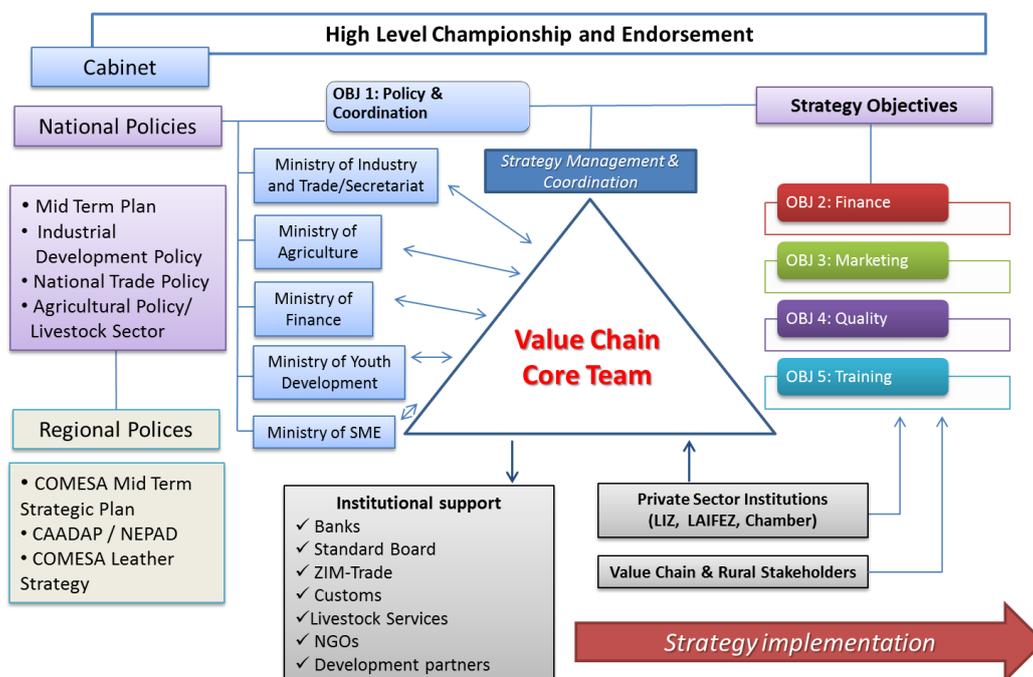
In the longer term, the implementation of the strategy is also expected to increase employment creation in the sector through deliberate support of Micro, Small and Medium Enterprises (MSMEs) operating as manufacturing clusters.

2017 (projected)		Hide collection	Profitability	WB tanning	Profitability	Finished tanning	Profitability	Shoe making	Profitability	Shoe retailing	Profitability	TOTAL
Unity of measurement		hides	%	tons	%	m ²	%	pairs	%	pairs	%	
a	Quantity sold (target)	487,000		2,500		460,000		2,200,000		1,262,207		
b	Sale price/unit (\$)	18		1820		22		20		35		

2017 (projected)		Hide collection	Profitability	WB tanning	Profitability	Finished tanning	Profitability	Shoe making	Profitability	Shoe retailing	Profitability	TOTAL
c	Margin/unit (\$)	6	30.6	420	23.1	4	18.1	8	42.2	15	42.9	
a*b	Total sales (\$ '000)	8,766		4,550		10,184		44,000		49,000		116,500
a*c	Total contribution (\$ '000)	2,678		1,049		1,840		18,546		21,000		45,114

Source: Core Team, ITC and COMESA calculations based on data provided by industry members and enterprise audits in 2011.

The diagram below shows the framework for the coordination of the strategy implementation, as well as the overall relationship between the strategy's objectives and existing national policies.



Source: Elaborated by the Core Team and validated by leather stakeholders during participatory workshops.

Zimbabwe Leather Sector 2011: baseline indicators and strategy

VALUE CHAIN STAGE	How many people are involved?			What is being traded?						How is the value chain performing?			What is the performance GAP?	What are the Enabling Policies?		What is our response?	
	NUMBER OF ACTORS			VOLUMES - 2011			IMPORTS - 2011		EXPORTS - 2011		INDUSTRY PERFORMANCE - 2011			MAIN ISSUES	SUPPORTING POLICIES		Strategy's Objectives & Sub-Objectives
	Enterprises	Direct employment by enterprises	Employment in informal sector	Units	Number of Hides	Pairs of Shoes	Units	Pairs of Shoes	Number of Hides	Pairs of Shoes	Average Profitability	Competitiveness Ranking	Used Capacity		National Policies	Existing development projects	CROSS-CUTTING STRATEGY OBJECTIVES FOR VC DEVELOPMENT
LIVESTOCK	12	200		5,156,753	-	-	29,000	-	-	12%	47/100	n/a	<ul style="list-style-type: none"> Poor animal husbandry and extension practices Unfair pricing structure and lack of transparency – No trust among VC players Scarce economic returns from hides No knowledge and few incentives for hide processing and preservation 	<ul style="list-style-type: none"> Medium Term Plan Agricultural Policy/ Livestock sector 	FAO, EC, USAID, CIDA, GRM: Improve animal productivity and linkages to the market. Support to extension services	<p>OBJECTIVE 1: STRENGTHEN VALUE CHAIN NETWORKING, COORDINATION AND POLICY ADVOCACY</p> <p>1.1: Strengthen subsector associations;</p> <p>1.2: Improve policy advocacy;</p> <p>1.3: Promote the importance and image of the subsector through awareness campaigns.</p> <p>OBJECTIVE 2: IMPROVE ACCESS TO FINANCE ACROSS THE VALUE CHAIN</p> <p>2.1: Undertake a financial needs-assessment of the sector;</p> <p>2.2: Promote self-financing of the value chain through innovative collaboration among chain players;</p> <p>2.3: Promote inflow of Foreign Direct Investment.</p> <p>OBJECTIVE 3: IMPROVE MARKET INTELLIGENCE AND PROMOTION OF THE VALUE CHAIN</p> <p>3.1: Support and promote the collection of accurate data at every stage of the value chain;</p> <p>3.2: Create linkages with international leather buyers.</p> <p>OBJECTIVE 4: IMPROVE THE QUALITY AND COLLECTION SYSTEM OF HIDES AND SKINS</p> <p>4.1: Standardize and legislate the hides and skins grading system;</p> <p>4.2: Extend extension services to hides and skins production and collection;</p> <p>4.3: Strengthen the hides and skins collection system by supporting MSMEs in peri-urban and rural areas.</p> <p>OBJECTIVE 5: IMPROVE VALUE ADDITION AND OUTPUT THROUGH TECHNICAL TRAINING AND ESTABLISHMENT OF CLUSTERS</p> <p>5.1: Facilitate the transformation of small-scale shoes and leather goods makers (clusters);</p> <p>5.2: Facilitate technical training in tanning and production of leather goods.</p>	
SLAUGHTERING	120	300		-	388,000	-	-	-	-	10%	47/100	69%	<ul style="list-style-type: none"> Inappropriate flaying techniques and tools Huge loss in quality of hides No grading system resulting in uneven quality 	<ul style="list-style-type: none"> Medium Term Plan Agricultural Policy/ Livestock sector 	GOAL, Agritex: Provide training and tools for appropriate flaying techniques to reduce losses		
HIDE COLLECTION	10	100		-	363,000	-	-	229,000	-	31%	60/100	62%	<ul style="list-style-type: none"> Unorganized collection system and lack of price transparency/information Poor storage and preservation system Scarcity and high cost of salt High cost of transport and inputs Shortage of liquidity by tanners generate cashflow problems 	<ul style="list-style-type: none"> Medium Term Plan Agricultural Policy/ Livestock sector 	FAO, EC, USAID, CIDA, GRM: Improve market linkages and collaboration between farmers and intermediaries		
TANNING	9	610		-	194,000	-	-	70,000	-	21%	60/100	33%	<ul style="list-style-type: none"> Insufficient quantity and quality of local hides High costs of production and no access to finance High prices of imported inputs and variable price of hides due to exports Insufficient market information and no support from ZIMTRADE 	<ul style="list-style-type: none"> Medium Term Plan Industrial Development Plan National Trade Policy 			
SHOE MANUFACTURING	12	1,800		-	-	986,207	-	-	162,000	42%	76/100	19%	<ul style="list-style-type: none"> High cost of finished leather and irregular supply Low capacity utilization due to competition by Chinese shoes Inadequate marketing information Inadequate support for export promotion and representation Irregular quality and design skills Unfair competition in domestic market 	<ul style="list-style-type: none"> Medium Term Plan Industrial Development Plan National Trade Policy 			
OTHER LEATHER GOODS MANUFACTURING	1000	2,100		-	-	-	-	-	-	n/a	65/100	35%	<ul style="list-style-type: none"> Inadequate marketing information Poor quality and design mostly in SMES Lack of representation towards export No access to finance mechanisms for export and working capital 	<ul style="list-style-type: none"> Medium Term Plan Industrial Development Plan National Trade Policy 			
RETAILING SHOES	300	5,000		-	-	1,262,207	-	250,000	-	43%	73/100	81%	<ul style="list-style-type: none"> Only competing in the low quality segment with no assortment of quality local shoes Unfair competition in the domestic market – Informal border trade of Asian and used shoes Inefficient and expensive transport system Lack of access to finance for providing customers with credit facilities 	<ul style="list-style-type: none"> Medium Term Plan Industrial Development Plan National Trade Policy 			

CHAPTER I: CONTEXT SETTING

1. Economic background

Zimbabwe has been recovering after a decade of economic decline when Gross Domestic Product (GDP) contracted by more than 40% over 2000-2008 due to several factors, including: unstable macroeconomic environment; fluctuating commodity prices on the international market; huge external debt; hyperinflation and high interest rates; frequent power cuts and shortages; limited access to credit and foreign currency.

Since 2009, as a result of the introduction of the multi-currency system and the adoption of restructuring policies like the Short Term Emergency Recovery Programme (STERP I and II) and the Medium Term Plan (MTP), GDP has returned to grow at an average rate of 9.5% over 2009-2011 reaching US\$9.4 billion in 2011. However, in 2012 the economic growth decelerated and GDP growth rate was revised downwards from 9.4% to 4.4% in 2012. In 2013, overall GDP growth is projected to reach 5%, thanks to improving performance of the agriculture and mining sectors (see Table 1 below), remaining below the target 7.1% growth rate set in the MTP.

The largest contribution to GDP is made by the services sector and mining. Agriculture remains an important economic sector, contributing 16% to total export revenue, 25% to formal employment and, most importantly, providing livelihoods to over 70% of rural population. Furthermore, agriculture provides more 60% of inputs required by the agro-processing industry. Manufacturing has severely declined in 2012 is projected to grow by only 2.3%.¹

Table 1 - Sectoral Performance (% Growth): 2009 – 2015

Sector	2009	2010	2011	2012 (e)	2013 (p)	2014 (p)	2015 (p)
Agriculture, hunting and fishing	21.0	34.8	5.1	4.6	6.4	6.4	6.1
Mining and quarrying	33.3	60.1	25.1	10.1	17.1	22.0	15.0
Manufacturing	10.0	-4.0	15.0	2.3	1.5	3.2	2.8
Electricity and water	1.9	19.1	7.8	0.3	2.2	6.6	5.4
Construction	2.1	5.4	6.2	4.9	6.2	5.2	5.2
Finance and insurance	4.5	5.6	2.0	5.1	6.0	7.5	6.3
Real estate	2.0	5.4	3.1	4.9	6.2	5.2	5.2
Distribution, hotels and restaurants	6.5	8.8	4.3	3.9	4.0	4.6	4.2
Transport and communication	2.2	20.5	18.7	5.8	3.4	2.6	2.7
GDP at market prices	5.4	9.6	10.6	4.4	5.0	6.3	5.5

Source: Ministry of Finance, Budget Statement 2013.

In 2011, Zimbabwe ranked 121st among world exporters and 132nd among world importers of goods, with total exports amounting to US\$3.5 billion and global imports to US\$4.4 billion (sharing 0.02% of world total exports and imports, respectively). Manufactures and fuel and mining products accounted for the bulk of Zimbabwe's global exports and imports (66.4%

¹ Source: Budget Statement 2013, Ministry of Finance.

and 74.8%, respectively), followed by agricultural products.² Exports are estimated to grow by 30.2% in 2011 and a further 15.3% in 2012, with total export earnings reaching US\$4.4 billion and US\$5.1 billion, respectively.³

Zimbabwe's main trading partner is South Africa, which in 2011 received 54.2% of its exports and accounted for 50.2% of Zimbabwe's imports. Other main trading partners were the European Union, the United States, the United Arab Emirates and China. Agriculture is the most protected sector, with an average applied MFN tariff rate of 23.6%, compared to 14.8% on industrial products, 15.4% in manufacturing, and 5.9% in mining.⁴ Finished consumption goods continue to account for a disproportionate share of Zimbabwe's imports implying the need for greater support for investment in domestic manufacturing value addition.

Zimbabwe is signatory to several preferential trade agreements (see Table 2 below) and applies tariff preferences under SADC and COMESA. The simple average rates of its preferential tariffs range from 0.2% (SADC, excluding South Africa) to 11.4% (South Africa). All imports must be accompanied by a SADC or COMESA Certificate of Origin in order to obtain preferential tariff treatment. Aggregate preferential imports remain rather modest (about 18% of total imports in 2010). Zimbabwe also benefits from preferential market access under the Generalized System of Preference applied unilaterally by Australia, Canada, the EU, Japan, Korea, New Zealand, Norway, Sri Lanka, Switzerland, and the United States.

Zimbabwe applies specific licensing requirements to a number of strategic goods, including agricultural commodities, regardless of their country of origin on the ground of health, sanitary and phytosanitary and environmental protection. The licensing system also applies to hides and skins, whose exportation is subject to the issuing of a permit from the Ministry of Agriculture, Mechanization and Irrigation Development (Director's signature), conditional on: (1) Veterinary Health Certificate; (2) Ministry of Industry and Commerce support letter.⁵

Table 2 - Zimbabwe's participation in preferential trade agreements (as of April 2013)

Agreement/Organization	Type of agreement	Status
Africa Union	Economic and Political Area	Continental Free Trade Area to be established.
African Economic Community	Customs and Monetary Union	Implementation in 6 stages to be completed by 2028.
COMESA	Customs Union	3-band CET to be implemented by 2012 + list of sensitive products. Free movement of goods. COMESA Fund. Trade Facilitation initiatives.
SADC	Free Trade Area	85% of intra-trade is duty-free. Sensitive products to be liberalized by 2014.
EPA with the EU	Free Trade Area	Negotiations on going

² Source: WTO Trade Profile, April 2013. <http://stat.wto.org>

³ Source: Budget Statement 2013, page 56.

⁴ Source: WTO Trade Profile.

⁵ Source: WTO Trade Policy Review Zimbabwe (WT/TPR/S/252), October 2011. http://www.wto.org/english/tratop_e/tpr_e/tp352_e.htm

The diversified economy and highly educated and skilled labour force (literacy rate was 92% in 2011)⁶ make Zimbabwe a potential investment destination: however, inflows of FDI decreased considerably in the period 2005-2010 due to socio-political crisis, insecurity of land tenure and indigenous ownership regulations. In 2010, Zimbabwe received total investment for US\$520 million: these were mainly channeled to construction (49.7%); mining (35.8%) and manufacturing (10.2%). Agriculture received only 0.4% of total FDI.⁷

Zimbabwe's manufacturing sector is relatively large and well-diversified. However, like all other economic sectors, it has declined over the past ten years losing almost 50% of its output. Capacity utilization, which dropped below 10% in 2008, has since then improved reaching 57.2% in 2011.⁸ However, the sector is projected to grow by only 2.3% in 2012 compared to 15% in 2011.⁹ The leather industry is currently operating at 30% of its capacity and is affected by the following constraints: high cost of raw materials; outdated equipment; erratic electricity and water supply; high cost of transports; shortage of working capital and lines of credit; unfair competition in the domestic market; and overall business uncertainty.

2. Zimbabwe's trade in raw hides and skins, leather and leather products

Global export of all leather and leather products was valued at an average of US\$139.5 billion over the period 2006-2011. After the 2008-2009 global financial crisis, international exports returned to grow up to US\$170.9 billion in 2011. About 35% of total trade consisted of articles of leather (HS 42); followed by leather shoes (HS 6403) (33%); raw hides and skins and leather (HS 41) (21%); and leather for upholstered seats (HS 940161 and 940171) (9%). The figures include all types of leather: bovine, sheep, pig, goat, and exotic leathers from crocodile, ostrich, elephant, hippo and the like. On the import side, the average value of leather and leather products between 2006 and 2011 was US\$143.8 billion. Leather shoes accounted for the largest imported category (36%), followed by articles of leather (34%), raw hides and skins and leather (19%) and leather for upholstered chairs (11%).¹⁰

In the decade leading to 2010, Zimbabwe has experienced a general decline in total exports which also affected leather products. The average export value of all raw hides and skins and leather and leather products in the period 2001-2010 was US\$17.6 million per year. Since 2010 exports have begun to recover driven by an increase in sales of raw hides and skins and leather. This category accounted for 70% of the exported value from the sector, followed by articles of leather (11%), leather shoes (10%), and leather for upholstered seats (9%). Mirror data available on the ITC Trade Map database for 2011 confirmed this upward trend as for export of raw hides and skins and leather and leather shoes, and the downward trend in the export of articles of leather and upholstered seats.

Markets for raw hides and skins and leather (all categories) were mainly overseas: France, Singapore, the United States and Japan imported mostly exotic raw hides and skins (HS 4103 and 4106), together with Italy which also imported wet blue (HS 4104). South Africa was the 7th largest export destination but the main market for bovine raw hides and skins

⁶ Source: World Bank: <http://data.worldbank.org/country/zimbabwe>

⁷ Source: WTO Trade Policy Review Zimbabwe.

⁸ Source: Confederation of Zimbabwe Industry (CZI) Manufacturing Sector Survey 2011.

⁹ Source: Budget Statement 2013, page 43.

¹⁰ Source: ITC Trade Map database. Detailed statistics on international trade in leather and leather products are provided in Annex 4.

(HS 4101). On the contrary, leather products manufactured in Zimbabwe were sold within the region, mainly to Zambia, South Africa, Malawi, Botswana and Namibia. Leather shoes were also exported to the United States together with leather articles – mostly trunks, suit-cases, camera cases, handbags, etc. (HS 4202). The latter category was also exported to Singapore, China, Italy and France.

On the import side, a record peak of US\$11.1 million was registered in 2010 mainly due to a large increase in imports of leather shoes. According to mirror data available in the ITC Trade Map database, imports of all leather and leather goods categories continued to grow in 2011, reaching a total value of US\$12.9 million. Leather articles accounted for 31% of the total, followed by leather for upholstered seats (29%), leather shoes (22%) and raw hides and skins and leather (18%).

Zimbabwe imported most of the leather goods from regional partners. South Africa, Zambia and Malawi were the main suppliers of leather shoes and upholstered seats in 2011, together with China. Articles of leather were mainly sourced from South Africa, China, Zambia, the United Arab Emirates and the United Kingdom. Whereas trade with Zambia and Malawi occurs on a preferential basis under the COMESA agreement, imports from non-regional partners and South Africa are subjects to custom duties: 102.6% on leather shoes; 82.5% on articles of leather; and 30.29% on imports of leather for upholstered furniture. Bovine raw hides and skins originated from India, South Africa, Hong Kong, China and Switzerland are subject to an applied tariff of 5%.

Zimbabwe also imports all raw materials and inputs used in the leather industry. For instance, salt is imported from Botswana and most of the chemicals from South Africa, Germany and China. For footwear production, some of the shoe components (i.e. insoles, soles, etc.) are sourced mainly from South Africa, Singapore, Italy and Portugal.¹¹

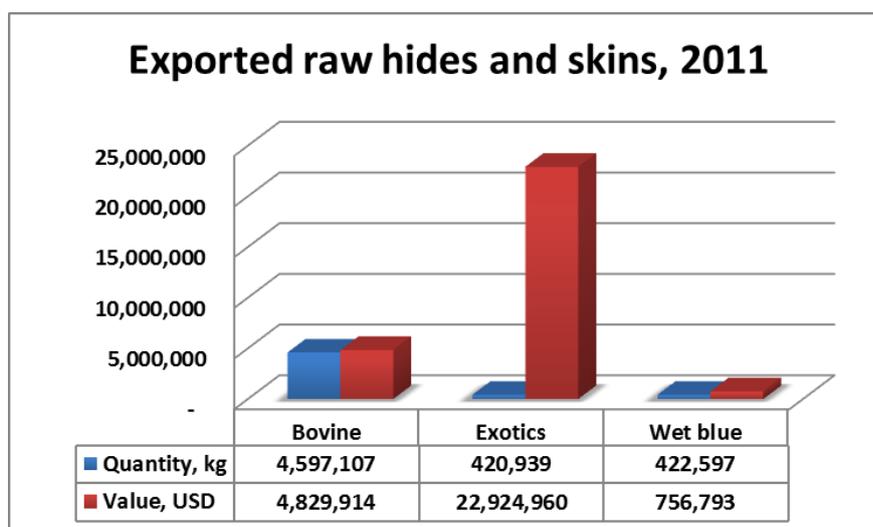
Raw hides and skins and leather (HS 41)

In the period 2004-2010, the average export volume of raw hides and skins and leather was 2,281 tonnes, corresponding to US\$12.5 million by value. Since 2008, exports have risen due to a large increase in export of bovine wet salted hides and wet blue, which accounted for 88% of total exports over the surveyed period, but for only 16% of their value. On the contrary, exotic skins (crocodile, ostrich, elephant and hippo) accounted for just 12% of total exports, but for 84% of value.

According to industry members and on the basis of export licences issued in 2011, approximately 5,441 tons of hides and skins (all types) were exported in the raw form representing US\$28.2 million by value. Bovine wet salted hides accounted for 84% of total exports (i.e. 229,000 hides or 4,597 tons), for a total value of US\$4.8 million. The average price of exported bovine wet salted hides was US\$1.05 per kg, i.e. US\$21 per hide (20kg/hide). In the same year, export of wet blue amounted to 1,250 tons and to US\$757 thousands. On the contrary, export of exotic raw hides and skins accounted for only 8% of

¹¹ Source: ITC/COMESA “Supply Survey on the Leather Industry in Zimbabwe”, December 2010.

total volume but for 81% of total value, amounting to US\$22.9 million. The average price of exported exotic raw hides and skins was US\$54.5 per kg.¹²



Source: ITC calculation on the basis of export licences issued in Zimbabwe (2011).

Mirror data for 2011 available in the ITC database shows that Zimbabwe exported 2,563 tons of bovine raw hides (HS 4101) and 851 tons of wet blue (HS 4104). No exports of finished leather have been reported in 2011 by both industry players and ITC database.

On the import side, ITC Trade Map database reported Zimbabwe's imports of raw hides and skins and leather at an average of 254 tons over the period 2004-2010, with a value of US\$743 thousands. According to value chain stakeholders, in 2011 Zimbabwe recorded no import of bovine raw hides and wet blue; however, it imported some finished leather (about 7,500 hides) which was mainly used by the shoe industry.

Leather shoes (HS 6403)

In the period 2001-2010, exports of footwear (HS 64) averaged US\$3.4 million per year and over half of it consisted of leather shoes (HS 6403). According to collected data, in 2011 Zimbabwe exported 162,000 pairs of leather shoes (16% of total production), corresponding to US\$2.4 million (at an average price of US\$15 per pair). In contrast, ITC Trade Map reported a total export value of about US\$1.3 million (mirror data) in the same year. The main markets for Zimbabwe's leather shoes are found in the region, with Zambia importing 75.9% of the total, followed by South Africa (16.3%) and Malawi (6.7%). Within the segment of leather shoes, exports of sport footwear, which peaked US\$2.3 million in 2004, have come to a complete standstill mainly due weakened competitiveness of Zimbabwe's manufacturing as a result of low quality leather and higher cost of imported parts.

The value of imported leather shoes averaged US\$7.7 million in 2006-2010. According to industry members, leather shoes imported in 2011 amounted to 250,000 pairs, of which 240,000 were sold through retailers and 10,000 in the flea markets. Leather shoes were mainly sourced from South Africa (66.4%), Zambia (22.5%) and China (8%).

¹² Exotic weight depends on the type of leather. The weight for crocodile bellies is approximately 1.2 to 1.3 kg per skin, whereas an elephant hide is approximately 500 kg. Source: industry members.

The footwear sector requires investment in order for Zimbabwe to regain its old position, especially in the regional market which represents a strategic market for local manufacturers. A positive sign of the resilience of the Zimbabwean shoe industry is the increasing sale of common leather shoes that reached over US\$1 million in 2011, within a total domestic market of 6 million pairs.

Leather articles (HS 42)

Export of leather articles (HS 42) averaged US\$1.9 million over the period 2001-2010. Leather bags and suitcases (HS 4202) made up to 95% of total export value. According to mirror data available in the ITC Trade Map database, export of leather articles went up to US\$379 million in 2011, of which US\$337 million was accounted by leather bags and suitcases. The main trading partners were Zambia (51.3%), South Africa (11.8%) and Malawi (10.3%). The quality of Zimbabwean craftsmanship remains high; therefore, the revival of production of leather articles represents an export opportunity for local manufacturers.

Import of leather articles experienced a boom in 2010, reaching over US\$1.6 million. These mainly consisted of high quality, luxury hand bags and suit case. Mirror data for 2011 confirmed this upward trend with reported value of US\$2.2 million. Import substitution is a clear opportunity for Zimbabwe in the leather article segment.

Leather furniture (HS 9401)

Export of leather for upholstered seats (HS 940161 and 940171) is mainly destined for the regional market, in particular to South Africa. However, since 2004 exports to South Africa have experienced a steady decline, except for an export peak in 2009, whereas exports to Zambia and Malawi are on the increase. The average value of leather for upholstered seats export was US\$1.5 million in the period 2001-2010. Mirror data for 2011 reported total export of US\$1.4 million. The quality of Zimbabwean craftsmanship remains high; therefore the revival of production of leather furniture represents an export opportunity for local manufacturers.

Import of finished leather for upholstery and furniture from South Africa and China has increased, especially over the last two years. The average value of total imports over the period 2001-2010 was US\$660 thousands. The immediate opportunity for the sector is import substitution from South Africa, provided that the issue of good quality and price of leather is addressed.

Figures 1 and 2 below show the composition of exports and imports of all leather and products at world level and Zimbabwe's trade in leather and leather products.

Figure 1 - Global trade of leather and leather products by value, 2006-2011

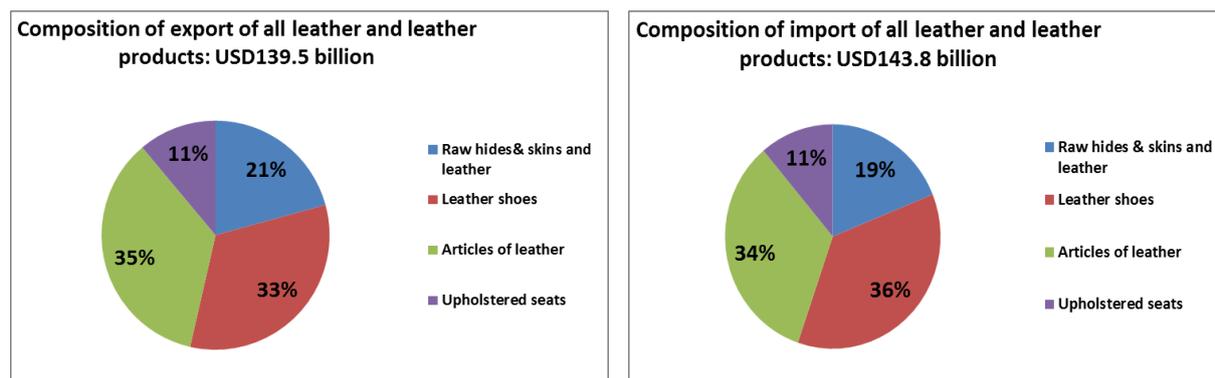
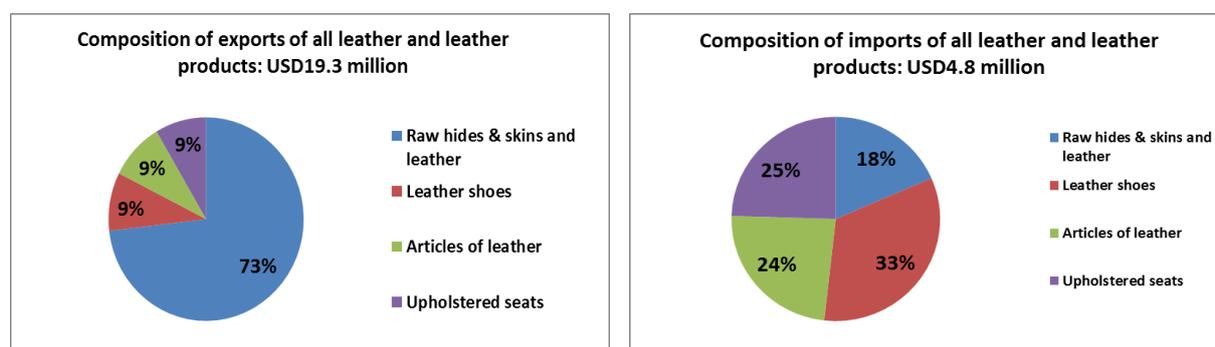


Figure 2 - Zimbabwe's average values for trade in leather and leather products, 2001-2011



Source: ITC, Trade Map Database.

3. Leather industry history in Zimbabwe

Mass footwear production started in Southern Rhodesia in 1939 with exports to Bechuanaland (later Botswana), Kenya, Northern Rhodesia (later Zambia) Nyasaland (later Malawi) and South Africa. With the independence from Great Britain in 1965, the United Nations imposed international sanctions until 1980 that forced the country to speed up import substitution. This resulted in total hides being supplied by local farmers with almost the entire domestic requirement for footwear satisfied by local production.

The Footwear Manufacturers and Tanners Association (FMTA) was formed in 1980 under the umbrella of the Confederation of Zimbabwe Industries (CZI) to look after the interests of tanneries and footwear manufacturers. FMTA met with its major supplier of hides and skins, the Cold Storage Commission (CSC), to incentivize farmers to brand animals in less prominent places thus preserving more hide surface for tanning and to improve flaying methods. In 1985, the Leather Institute of Zimbabwe (LIZ) was founded to provide technical training to all industry players and ensure quality control of raw material and finished products. LIZ received support from international donors¹³ and Zimbabwe was regarded as the benchmark for hides' improvement in Africa. Zimbabwe was also included in several Tannery Rehabilitation Programmes between 1987 and 1995, whereby equipment was provided to improve and expand the operation of local tanneries and a training school for manufacturers was created. At that time, the Zimbabwe Bata Shoe Company also had a fully equipped laboratory and footwear training centre inside the factory complex in Gweru.

¹³ Over 300 government and rural area workers were trained by UNIDO/ LIZ under the hides improvement programmes in Africa from 1985 – 1987. Thereafter, LIZ with the support of UNIDO continued with the programme until 1995.

FMTA members also formed the Tanners and Shoe Manufacturers' Association (TASMA) to be responsible for labour matters and for liaison with Government and sister national organisations. In 2002, it was agreed to unite the three organisations under FMTA and the name was changed to the Leather and Allied Industries Federation of Zimbabwe (LAIFEZ) with LIZ and TASMA retaining their individual names and responsibilities.

Exports of leather, footwear and other leather goods expanded in both the regional and overseas markets and Zimbabwe was the first country in Africa to be awarded the franchise to manufacture Nike products and other international brands (e.g. Adidas, Bubblegummers, Grasshoppers, Jack & Jill, North Star, Pierre Cardin, Power, Puma, Reebok, etc.). A record 17 million pairs of shoes were produced in 1999 and tanneries soaked up to 691,000 hides in 2002 during the destocking of commercial herd. However, price controls imposed in 2007 at the back of hyperinflation, among other factors, hindered the viability of business. Manufacturing dropped to about 10% of installed capacity utilization. In 2009, with the introduction of the multi foreign currency system, the economy started to recover and capacity utilization increased across all sectors. At present, Zimbabwe is a net importer of footwear from South Africa and cheap Chinese shoes flood the market. Only six tanneries are operational in 2012 at no more than 30% capacity and 19 of LAIFEZ members have closed down. Zimbabwean industries continue to face many challenges as production costs are very high with low productivity making it totally uncompetitive on the international market. Access to affordable, long-term working capital is the key to the revival of the leather industry.

CHAPTER II: ZIMBABWE LEATHER VALUE CHAIN ANALYSIS

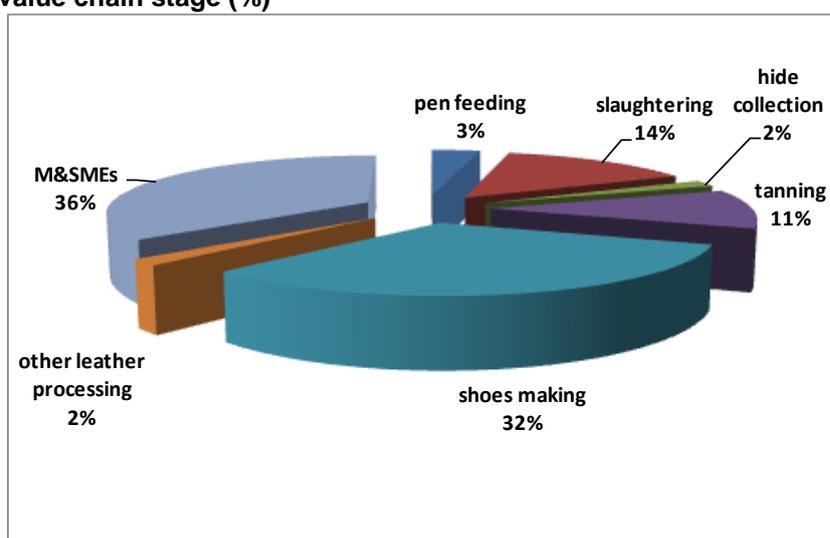
1. Industry structure and value chain map

During the participatory and stakeholder-led strategy formulation process, the Core Team and sector stakeholders collected data and statistics to elaborate an estimation of the number of active companies in the leather sector and people employed in each stage of the value chain. Table 3 below shows that 1,168 companies are estimated to be actively working in the leather value chain providing employment to 5,610 people.

Table 3 - Number of companies and employed people in the leather value chain

Value chain stage	Estimated number of companies	Approximated Employment
Pen feeding	12	200
Abattoirs	20	300
Informal slaughter houses	100	500
SME Hide Collectors	10	100
Tanning	9	610
Shoe making	12	1,800
Other leather processing	5	100
Other manufacturing SMEs	1,000	2,000
TOTAL	1,168	5,610

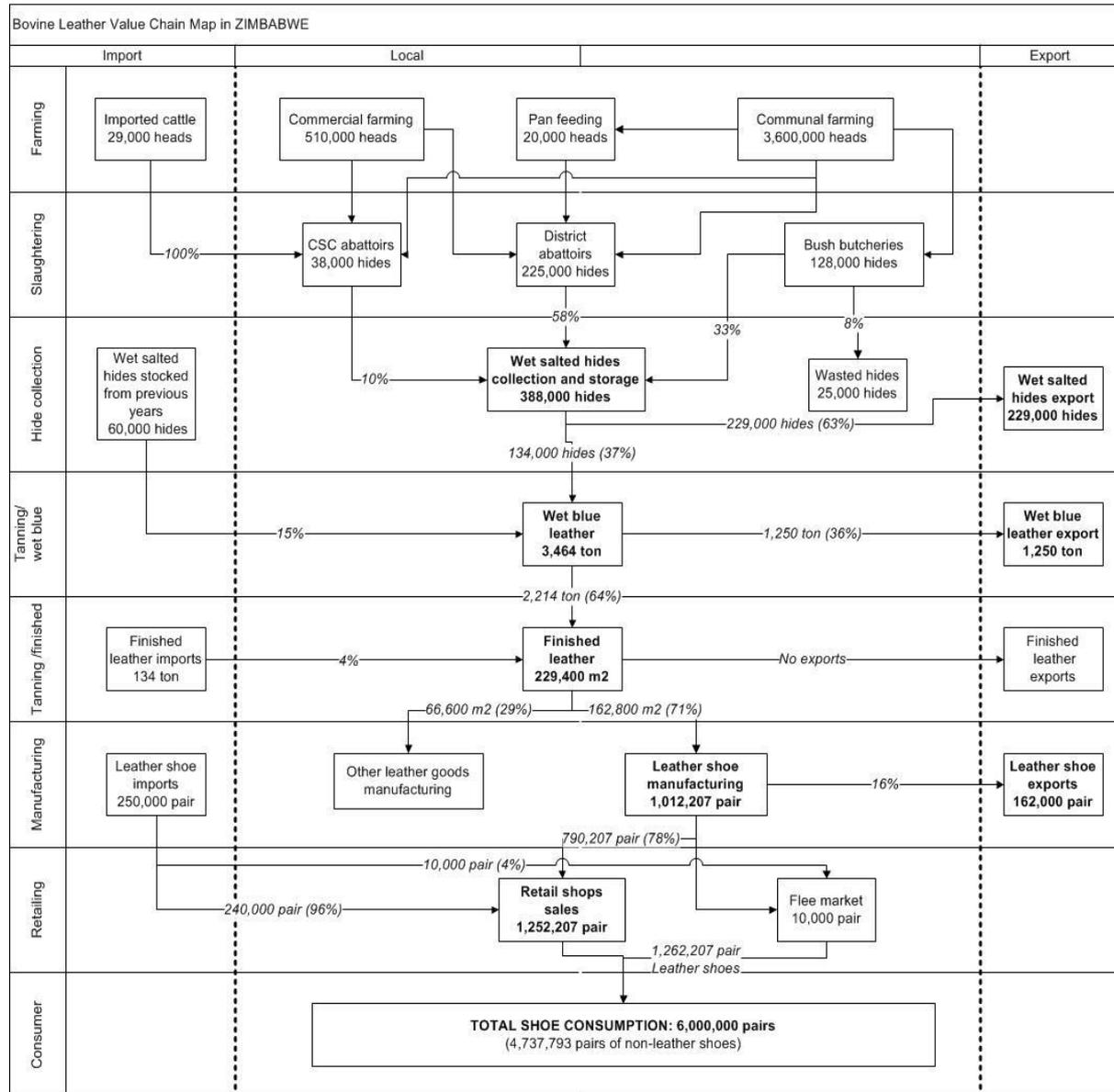
Employment by value chain stage (%)



Source: Elaborated based on Core Team estimations and official statistics (2011).

Figure 3 below shows the bovine leather value chain map in 2011. The information used to outline the value chain map is based on the mass balance analysis (see next paragraph and Annex 3 for more detailed information).

Figure 3 - Bovine leather value chain map, 2011



Source: Elaborated on the basis of Core Team inputs, participatory workshops and national statistics (2011).

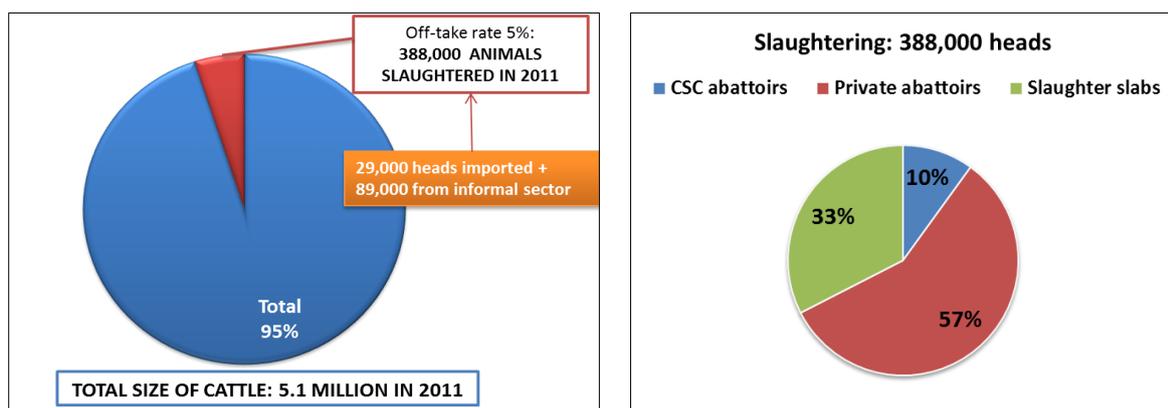
2. Mass balance analysis

The mass balance analysis tries to account for all quantities moved in the leather value chain, from the farming of cattle to the production of shoes with a focus on bovine leather. It is important to clarify that this analysis was done using the participatory approach and included 80% of the value chain representatives themselves who met as an industry to agree on the volumes and analyse the situation. In that sense, and given the lack of

information in the sector, this section represents a major contribution to the existing knowledge and allows for better decision-making.¹⁴

The mass balance analysis provides a quantitative “snapshot” that supports value chain analysis and interdependencies for the year 2011. Information includes local production, import and export (including informal trade) of raw materials, intermediate and finished products. The source of data used as an input to the analysis comes from official 2011 statistics provided by the Government (i.e. Ministry of Agriculture, Mechanisation and Irrigation Development, Ministry of Industry and Commerce, ZIMRA-Customs and ZimTrade) and was then adapted and corrected by industry representatives and the Core Team. Furthermore, value chain stakeholders, accounting for a broader sector representation, validated the information and conclusion of the mass balance analysis.

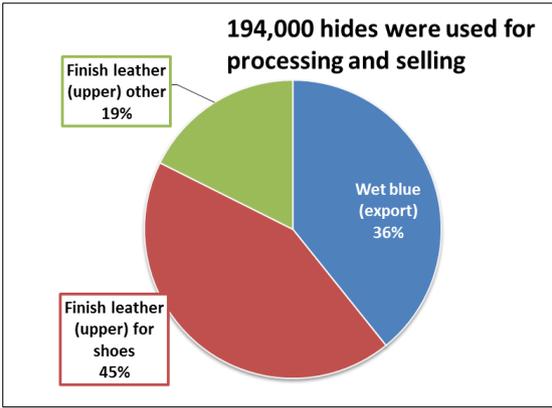
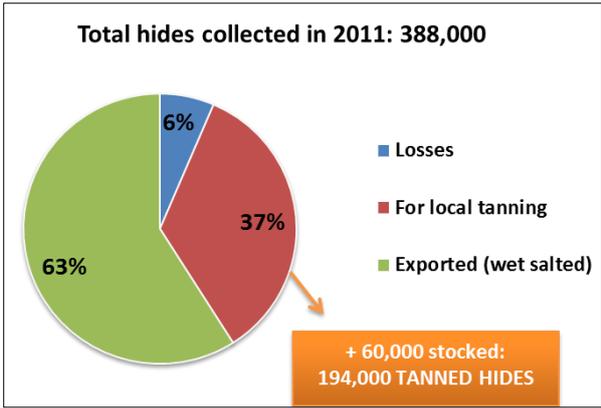
In 2011, national cattle herd counted 5,156,753 heads. Off-take rate was at 5%, corresponding to 270,000 animals. In the same year, Zimbabwe imported 29,000 cattle units and 89,000 came from the informal sector, bringing the total number of animals slaughtered in 2011 to 388,000 units. More than half of cattle were slaughtered in private abattoirs (57%); slaughter slabs processed 33% of total heads, whereas a small percentage (10% or 38,000 heads) was processed in professional abattoirs (e.g. CSC).



Of the 388,000 collected hides in 2011, about 6% (i.e. 25,000 hides) accounted for losses. The vast majority of hides (63% or 229,000 hides) was exported as wet salted (i.e. at pre-tanning stage), whereas about 194,000 hides, including hides stocked from previous years (60,000), were destined for local tanning. There are no records of imported bovine raw hides in 2011.

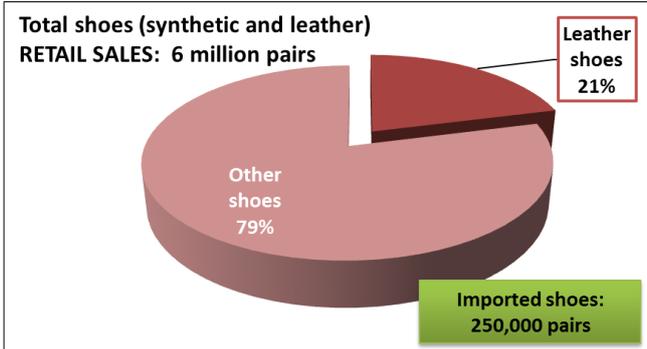
Tanneries transformed about 70,000 hides into wet blue for export (1,250 tons). The remaining hides were further tanned in Zimbabwe. Of these, 45% was transformed into upper leather for shoes and 19% into finished leather for other purposes (e.g. furniture and bag industry). No finished leather was exported by Zimbabwe in 2011.

¹⁴ For a detailed mass balance analysis please refer to Annex 3 on leather production data.



In 2011, Zimbabwe produced about 1,012,207 pairs of leather shoes with local finished leather. Of these, 875,000 pairs were produced in Gweru and Bulawayo and 111,207 pairs in Harare area. About 16% of Zimbabwe's leather shoes were exported (162,000 pairs). The remaining 84% (850,207 pairs) were sold in the local market.

Retailers imported about 250,000 pairs of leather shoes, which added to those consumed in the local market, bring the total amount of leather shoes available in Zimbabwe to 1,262,207 pairs. Total shoe consumption was 6 million pairs in 2011, of which 79% was accounted by non-leather shoes (synthetic, plastic, rubber, etc.).



4. Profitability analysis of the leather value chain

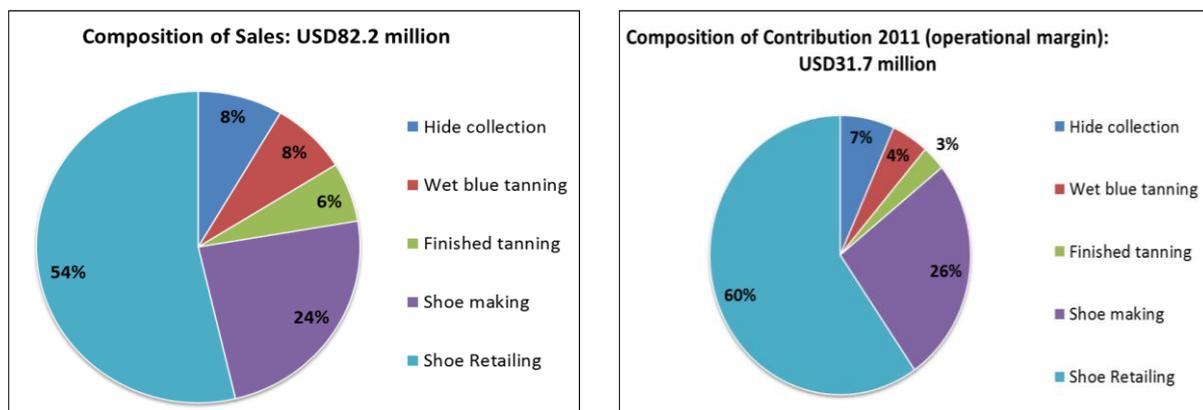
The profitability analysis was conducted for each link of the value chain. Collection of data took place during field visits and structured performance audits to the majority of existing companies. The process and selection of companies to be visited was directed and monitored by the Core Team, which provided feedback at all stages. The data used in this analysis, as well as its results, was validated by value chain stakeholders representing 80% of the players in the sector through participatory workshops and focus group meetings.

The analysis tries to quantify in monetary terms the dynamics and volume flows in the value chain, as it was presented in the mass balance analysis. Although some of the values used are based on working assumptions by the private sector, the Core Team believes that the information provided in the analysis is quite reliable and represents an unprecedented step towards the definition of the sector's performance in 2011. In order to provide an aggregated value for the whole industry, the Core Team used the volumes portrayed by the strategy through the mass balance for 2011. For each of the value chain stages, the Core Team also examined the composition of sales, the average sales price and calculated the average cost of goods sold.

Given the need to aggregate results at an industry level for each of the value chain stages, the Core Team also decided to concentrate only on operational costs; therefore, fixed costs as well as depreciation, interest payment costs and taxes were not included in the analysis.¹⁵

Figure 4 below shows total revenue generated by the leather industry in 2011 (i.e. sales quantity times sales price), which amounted to approximately **US\$82.2 million**, and industry contribution or value addition (total revenue minus variable or operational costs) estimated at **US\$31.7 million**. The largest contributions to total sales and margin come from shoe retailing and shoe manufacturing, the two levels of the value chain where there is more value addition.

Figure 4 – Total revenue and contribution generated by the leather value chain in 2011



¹⁵ The cost of capital varies largely from firm to firm. According to the stakeholders some firms could be paying around 10% and other 50% interest.

2011		Hide collection	Profitability	WB tanning	Profitability	Finished tanning	Profitability	Shoe making	Profitability	Shoe retailing	Profitability	TOTAL
Unity of measurement		hides	%	tons	%	m ²	%	pairs	%	pairs	%	
a	Quantity sold	388,000		3,464		229,400		986,207		1,262,207		
b	Sale price/unit (\$)	18		1820		22		20		35		
c	Margin/unit (\$)	6	30.6	420	23.1	4	18.1	8	42.2	15	42.9	
a*b	Total sales (\$ '000)	6,984		6,305		5,079		19,724		44,177		82,269
a*c	Total contribution (\$ '000)	2,134		1,454		917		8,313		18,933		31,753

Source: Elaborated using Core team inputs, Industry audit results and Mass balance Analysis for 2011.

It is important to highlight that such figures **do not include pen feeding and slaughtering**, since at these stages of the value chain the main contribution comes from the meat and to a lesser extent from meat-by products, such as bones or hides.¹⁶ Although total value generated by the hides is marginal compared to the meat, it is important to analyze it because it has a direct impact on income and employment generation for the rural population (cattle farmers, village traders, small slaughter slabs and rural communities). Revenue generated by the hides varies according to quality and districts of origin and it highly fluctuates depending on the buyer and distribution channel. During rural workshops, cattle farmers said they received as low as US\$2-3 per wet salted hide (salt is provided by traders at a value of US\$0.10-0.15 per kg). On the other hand, hide collectors affirmed to pay up to US\$8 per hide (good quality), accounting for US\$0.40 per kg, and tanners to pay directly the farmers US\$13-14 per hide.

If we take into consideration the 363,000 hides available in the market in 2011 (after losses) and that 63% was exported by traders and 37% was used by tanners, the revenue for the farmers generated by the selling of hides and skins can be estimated at an average of **US\$1 million** for hides directly purchased by tanneries and of **US\$1.9 million** for hides sold to hide collectors for export.

Revenue for farmers from selling of hides

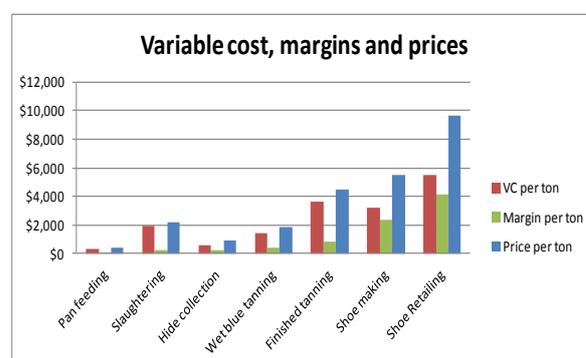
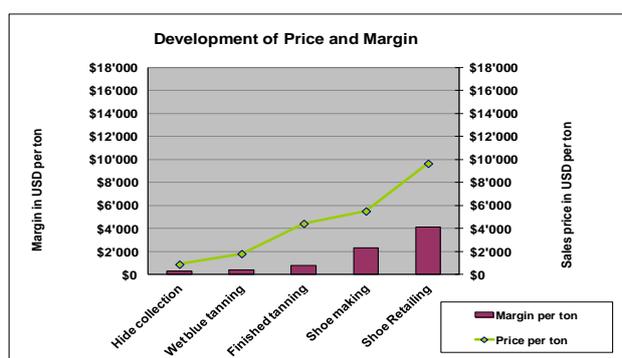
Hide collection		Average price Low Quality (per hide)	Average price Mid Quality (per hide)	Average price High Quality (per hide)
Total hides collected in 2011 (pieces) (minus losses)	363,000	US\$3	US\$5.5	US\$11
Estimated revenue for rural communities		US\$1,089,000	US\$1,996,500	US\$3,993,000

¹⁶ If meat were to be included in the analysis, then total sector contribution would account for US\$70 million and total sales revenue would add up to US\$454 million. Including meat and examining the abattoir/slaughtering stage, total sales in 2011 amounted to US\$376.5 million (approximately US\$971 per head) and represented a contribution of US\$38.5 million equivalent to 54% of the total sector contribution. The latter figures are explained by the high price of meat, which was of approximately US\$6-8/kg in 2011.

The overall sector profitability, detailed at each value chain stage, is illustrated in Table 4 below and further elaborated in the paragraphs to follow.

Table 4 - Profitability Analysis per Value Chain Stage

Value chain stage	Total sales (thousands US\$)	Average Margin	Contribution (thousands US\$)	Capacity Utilization
Hide collection	6,984	31%	2,134	62%
Tanning (wet blue)	6,305	23%	1,454	25%
Tanning (finished)	5,078	18%	917	41%
Shoe manufacturing	19,724	42%	8,313	19%
Shoe retailing	44,177	43%	18,933	81%
TOTAL	82,268		31,751	



Source: Core Team, ITC and COMESA calculations based on data provided by industry members and enterprise audits in 2011.

Analysis for Hide Collection

Hide collection is a profitable business, which benefits established traders, with total sales of US\$6.9 million and 31% of operational margin. In 2011, 388,000 hides were collected (without counting 6% losses) and either exported directly to South Africa or sold locally to the nine operating tanneries. About 63% of total hides collected (229,000) were exported at the pre-tanning stage (wet salted) at an average price of US\$21 per hide. About 37% (134,000 hides) were sold to tanneries, at an average value US\$18 per hide (US\$0.90 per kg). The increase in price (from about US\$0.90 to US\$1.05 per kg) is explained by the higher quality of hides destined for export. In an effort to encourage value addition in the country, the Ministry of Agriculture, Mechanisation and Irrigation Development in conjunction with the Ministry of Industry and Commerce has imposed a license system to control the export of raw hides to increase hide utilisation by local tanners. Hide collectors have gone into contract tanning that combined with the export control measure should result in a pricing equilibrium in the local market. Tanners said they can easily absorb the quantities of wet salted hides that were exported and are willing to find an agreement with hide collectors to purchase higher quality hides.

Analysis for Tanneries

In 2011, the nine operating tanneries in Zimbabwe processed 37% of collected hides plus 60,000 stocked from previous years, obtaining 3,464 tons of wet blue.¹⁷ Of these, 70,000 hides (1,250 tons) were exported as wet blue, whereas 88,000 hides were further tanned into finished leather for the shoe industry. Total sales of wet blue amounted to US\$6.3 million, with a margin of 25%. Finish leather was only used locally (no exports were recorded in 2011) mainly for shoes, bags and furniture: tanneries produced 229,400 m² of finished leather for shoes in 2011 (less than 40% of capacity utilization). Total sales of finished leather amounted to US\$5 million in 2011 with a margin of 41%.

Analysis for Shoes making

In 2011, Zimbabwe produced 1,012,207 pairs of leather shoes out of which 986,207 were made out leather tanned locally. The twelve shoe factories have a joint capacity of over 5 million pairs and total domestic market for shoes amounted to 6 million pairs in 2011. With an average sales price of US\$15 per pair, the margin on shoes is US\$8 (42%) per pair. About 16% (162,000 pairs) of leather shoes produced locally were exported in 2011.

Analysis for Retailing

The last step in the leather value chain is shoe retailing. Shoe retailing is the most profitable link in the chain: margins on local leather shoes are about 43%. Shoes are sold by retail shops (totaling approximately 1.2 million pairs in 2011 out of which 250,000 were imported) and by unregistered traders on the flea markets (the latter sold about 10,000 pairs of leather shoes, mainly imported). Retailers suggested local manufacturers to improve shoe design and assortment in order to be able to match imports from South Africa and China. Local producers have a cost price advantage and their order-production-delivery time is shorter. If they can match design and assortment then they can gain market share and outperform imported shoes.

5. Competitiveness analysis of the leather value chain

The competitiveness analysis shows strengths and weaknesses of the Zimbabwean bovine leather value chain and offers a comparison with major international players like China and South Africa and a regional partner Ethiopia. The analysis focuses on the bovine leather segment given that there is no major competitive disadvantage in the exotic leather segment which is already internationally competitive and well-financed even though it would be more profitable to export exotic skins as finished leather instead of the current situation where it is exported raw. This will also be in line with Government policy to encourage value addition.

The competitiveness analysis was undertaken by a professional international industry auditor who visited a sample of enterprises along the value chain, by Core Team members managing exporting companies and by representatives of national and international banks which had given loans to companies in the leather sector. The enterprises were selected by the Core Team according to two criteria: 1) representativeness of each stage of the value chain; and 2) company's size and perceived performance. A total of **19 companies** were

¹⁷ Conversion ratio used: 56 hides (20 kg per hide) is equivalent to 1 ton of wet blue.

visited and evaluated, together with one private sector association and five financial institutions.¹⁸

Value chain Stage	Number of companies visited - 2011
Pen feeding	1
Commercial Abattoirs	3
Hide Collectors	2
Tanneries	5
Shoe manufacturers	3
Shoe retailers	4
Other leather products manufactures	1
TOTAL	19

In order to gage the current performance of the leather value chain in Zimbabwe, each link of the chain was scored against five buyer-related benchmark indicators, which in an open market system with strong competition must all be met for a value chain to significantly contribute to the development of a country. The five indicators are:

- 1. Delivery of affordable quality at a competitive cost price;**
- 2. Availability of sufficient quantities of right quality raw material;**
- 3. Sufficient industrialization and diversification to make full use of all grades;**
- 4. Availability of reliable logistics;**
- 5. Availability of competent management.**

For each indicator Table 5 below portray a score which shall be interpreted as follows:

- Below 60% (C - red) means the situation is very bad on four or five criteria and should be abandoned and outsourced if possible. If not possible, strong measures and investment must be taken to regain competitiveness;
- Between 60% and 80% (B - orange) means the situation is alarming, but there is scope for improvement starting with the criteria that have the lowest score;
- Between 80% and 100% (A - green) means that the situation is acceptable and the industry is competitive in the region. If international competitiveness is the goal, improvements must be made on the weakest criteria to attain full 100%.

To offer a comparison, two regional partners Ethiopia and South Africa, together with China were also scored by the international auditors. China, like all leading leather exporters (Italy, Brazil, and the US) scores 100% on the five criteria. South Africa is nearly there with a score of 93%, whereas Ethiopia is scoring 83%. It must be noted that a 100% score is the starting point for international competition: after achieving 100% score the “competition” is fought on “excellence”, as well as “just in time management”.

¹⁸ It must be noted that figures coming out the competitiveness analysis are averages for the country. Individual companies score higher and lower.

Table 5 - Competitiveness of the Zimbabwean Bovine Leather Value Chain in 2011

Steps in value chain	Competitive cost price	Sufficient quantity & quality	Industrialization & diversification	Reliability logistics	Competent management	SCORE	SCORE %	RANK
Animal husbandry	2.3	1.3	1.0	1.0	1.3	7.0	47%	C
Pan feeding	1.3	1.0	1.0	1.7	2.0	7.0	47%	C
Hide collection	2.0	1.7	1.7	1.3	2.3	9.0	60%	B
Wet blue tanning	1.3	1.7	2.0	1.7	2.3	9.0	60%	B
Crust tanning	1.0	1.3	2.0	2.0	2.3	8.7	58%	C
Upholstry tanning	1.3	1.0	1.3	2.0	2.0	7.7	51%	C
Shoe manufacturing	1.7	2.3	2.0	2.7	2.7	11.3	76%	B
Furniture manufacturing	1.3	2.0	2.0	2.3	2.3	10.0	67%	B
Luxury articles manufacturing	2.0	2.0	1.7	2.0	1.7	9.3	62%	B
Retailing	2.0	2.0	2.3	2.0	2.7	11.0	73%	B
Flea market retailing	2.7	1.7	1.0	2.0	1.0	8.3	56%	C
Import - export	1.3	1.7	1.3	1.3	2.0	7.7	51%	C
Zimbabwe	1.7	1.6	1.6	1.8	2.1			
Zimbabwe %	56%	55%	54%	61%	69%	8.8	59%	C
RANK	C	C	C	B	B			
Ethiopia	3	3	2	2.5	2	12.5	83%	B
China	3	3	3	3	3	15	100%	A+
South Africa	2	3	3	3	3	14	93%	A
Scoring table	3 = Lower cost price	3 = Sufficient quantity and right quality	3 = High	3 = Reliable and reasonable	3 = Available in all fields	A+ = 100% A = over 80%		
	2 = Average cost price	2 = Sufficient, but not right quality	2 = Average	2 = Reliable but expensive	2 = Available, but not in all fields	B = over 60%		
	1 = Higher cost price	1 = Insufficient quantity & quality	1 = Low	1 = Unreliable and expensive	1 = Rare	C = below 60%		

Source: ITC Sector Specialist, Industry Buyer and Core Team scoring based on data provided by industry members and enterprise audits.

Of the five indicators, competitive cost price, quality and diversification score the lower grades and represent cross-cutting issues for the entire leather value chain in Zimbabwe. Starting from the hides and skins, all value chain stakeholders complained about the absence of grading system and clear price structure. Farmers complained about low prices and lack of transparency, as well as the absence of incentives to provide better quality hides. Butchers and abattoirs are said not to value the hides given that most of their revenues come from the meat. Slaughter houses tend to use the hide as part of the slaughtering fee and do not receive premium bonuses for quality. Furthermore, incorrect slaughtering practices and flaying technique compromise the final quality of hides.

Cost and quality of raw materials are also key issues for the tanning and manufacturing industry. At present, tanneries are working at around 30% of their capacity due to insufficient quantity and quality of local leather and high cost of inputs, among others. At manufacturing level, again, low quality and high price of leather inhibits local manufactures to competitively produce high quality leather shoes that are suitable for export. Similarly, shoes retailers would like to buy shoes produced locally but due to limited choice, poor design and lower quality, they are forced to import to meet local demand.

Low industrialization and unreliable logistics are among the most important supply-side constraints faced by the leather sector. Due to its landlocked position, Zimbabwe faces very high transportation cost: value chain stakeholders said that current transport system is inefficient and takes longer than normal lead times (about 90 days) for raw materials and finished products to be delivered. Production is affected by erratic electricity and water supply and high operational costs (such as electricity, rentals and water tariffs). Also outdated machinery and equipment contribute to increased production costs. Value chain

stakeholders also recognized that the absence of an organized and efficient collection system of hides and skins has a negative impact on the entire value chain.

For each of the value chain stages, the following conclusions can be drawn from Table 5:

Overall score of Zimbabwe's leather sector is **59% (C)** meaning that the situation is critical and urgent reforms, actions and investment must be taken for achieving improvement in all the five benchmark indicators.

According to the performed audits, main weaknesses of Zimbabwe leather industry are:

- 1. high cost price, particularly at the lower stages of the chain;**
- 2. lack of access to sufficient quantity and poor quality leather; and**
- 3. low industrialization/diversification.**

On the other hand, main strengths of Zimbabwe leather value chain are:

- 1. quality of management;**
- 2. highly educated and skilled labour force;**
- 3. an important livestock sector and plenty of resources of exotic skins.**

The weakest links in the chain are animal husbandry and pen feeding (47% score). They directly affect the entire sector. Stakeholders at all level recognized the need to improve husbandry practices and handling facilities to preserve animal health and quality of hides. In order to develop, the industry needs sufficient quantities of good quality animals at a competitive cost price. Zimbabwe can boast an important and diversified livestock sector, which provides income to 80% of communal farmers. The driver must be the meat industry, since 99% of the value of the slaughtered animal comes from the meat.

The hides and skins collection system must be reformed to become more competitive, in particular with regard to volumes collected and consistency in quality for local value addition. During the participatory meetings, the industry stressed the importance of putting in place an organized and efficient collection system that is capable to deliver sufficient quantity and quality of leather to the industry. This would also help reduce hides losses, which in 2011 amounted to 6% of collected hides. This issue is addressed under Objective 4 of the strategy. The fact that out of the 388,000 collected hides about 229,000 were exported to neighboring countries as wet salted proves that Zimbabwe is still competitive at the regional level.

Tanning is divided into wet blue, crust (finished leather) and upholstery. In 2011, the nine operating tanneries processed 194,000 hides, obtaining 3,464 tons of wet blue. Of these, 1,250 tons (70,000 hides) were exported and 1,571 tons (88,000 hides) were further tanned into finished leather for the shoe industry. Only one tannery currently produces finished leather for the upholstery industry, even though the furniture sector has become the biggest consumer of leather in the country (lowest score in the category, 51%), and most of the leather for the furniture industry is being imported from South Africa. Tanners denounced that the industry is facing many challenges, such as: high cost of inputs (e.g. hides and chemicals); poor quality of raw hides; low capacity utilization; and most importantly difficult to access to finance given that hide collectors request cash payment and importers and

retailers pay up to 90 days later. However, with appropriate interventions, tanning may return to be a profitable business, diversify its production and gain competitiveness. To this end, value chain stakeholders identified access to finance (Objective 2) as a key objective which would enable investment in upgrading and diversifying production and reduce operational costs. Objective 5 is also key to increase competitiveness of leather value added products.

Manufacturing is divided into shoe, furniture and luxury articles. The luxury industry is relatively well off with very skilled and efficient workers, mostly suffering from high cost price of leather. The shoe and luxury articles subsectors have a specific problem related to lack of diversification and poor design. During the participatory workshops, sector stakeholders stressed the importance to be innovative in design and fashion and to obtain appropriate market information. For instance, there is growing demand in the domestic market, and in Africa as a whole, of “technical shoes”, sport shoes with special soles (e.g. with led lights) that at present nobody is able to produce in Zimbabwe. In addition, ZimTrade and other trade support institutions should provide improved marketing and information service to the leather industry and ensure an adequate representation and promotion of Zimbabwean products in target markets. To overcome these issues, Objective 5 of the strategy foresees the transformation of small scale producers into clusters and the provision of appropriate training on design and product innovation.

Retailing is a profitable business, scoring 73%. In leather shoes business, official retailers dominate the trade. In non-leather shoes (i.e. plastic, rubber and textile shoes), flea markets have a larger market share. However, they score very low on all aspects of competitiveness, except on price. This is partially due to informal trade and tax avoidance which cannot be classified as strengths. At this level of the value chain, quality and variety of assortment are very important factors. However, local manufacturers are not able at present to fully meet these market requirements.

Import and export shall be facilitated and encouraged through appropriate trade policy reforms to regulate in a more efficient manner trade in leather products and avoid informal activities which are causing a “war price” in the domestic market. In particular, the private sector has been requesting the Government to liberalize import of inputs and raw materials that are necessary for the leather industry in an effort to reduce production costs. Industry players shall also make better use of tariff preferences at the regional level. In the case of salt, for instance, import of salt from Malawi should be preferred over Botswana, since under COMESA it is duty-free, whereas a tariff of 7.50% is applied on salt originating from Botswana. At the same time, the ban and license system on export of raw hides applied by the Ministry of Agriculture Mechanisation and Irrigation Development should provide the local industry with sufficient quantities of hides, as requested by tanneries who are able to absorb the volume of hides currently exported. Objective 1 of the strategy is therefore addressing the issue of improving policy making and coordination for the leather sector.

CHAPTER III: PARTICIPATORY ANALYSIS OF THE VALUE CHAIN

During several meetings at national and rural levels, sector stakeholders were presented with industry expert views¹⁹ on the performance of the value chain and were asked to interact with each other undertaking a participatory value chain analysis exercise to agree on the main issues and interdependences among value chain stages.

Besides the value of stakeholders confirming or rejecting industry expert views, the main contribution of the participatory process was to create an open-ended forum for the discussion of issues affecting all value chain stakeholders and the agreement on a common vision for the sector.

The issues and information provided for each value chain stage in the following paragraphs reflect stakeholders' perceptions and are intrinsically related to the competitiveness analysis undertaken in the previous chapter. Their identification and prioritization provide additional substance for the five response activities proposed by the strategy.

The pictures below reflect the working modalities for each workshop.



1. Livestock and cattle farming

Livestock is an important sub-sector of agriculture in Zimbabwe contributing 15% to 25% of total value of the sector's output. In the past, the livestock sector was mainly driven by large scale commercial farms which dominated the production of formally marketed livestock and derived products. Today, the majority of cattle come from small scale communal farms: smallholders own 90% of cattle, 98% of goats and 80% of pigs.²⁰

In 2011, cattle population stood at 5,156,753 heads, which represented a decline compared to 5.7 million stock in 2000.²¹ According to the Ministry of Agriculture, Mechanization and Irrigation Development, in 2012 there has been a 2% increase bringing total cattle population

¹⁹ COMESA Regional Core Team for leather, COMESA Leather and Leather Products Institute, Industry Consultant Mr. Nicholas Mudungwe, ITC Sector Specialist Consultant Mr. Ralph Arbeid and ITC Adviser Mr. Hernan A. Manson participated in the National workshop held in Harare in July 2010 and provided inputs to the analysis on the industry performance.

²⁰ Zimbabwe "Medium Term Plan 2011-2015".

²¹ Source: "World Statistical Compendium for Raw Hides and Skins, Leather and Leather Product, 1992-2011" FAO. http://www.fao.org/fileadmin/templates/est/COMM_MARKETS_MONITORING/Hides_Skins/Documents/AA_COMPENDIUM_2011.pdf

at 5,241,192 heads. Of these, 4.7 million heads (about 90%) are found in communal and small scale commercial farming areas, whereas only 509,455 (10%) is found in large scale commercial farms (LSCF) and A2 farms. The latter value is quite low if we compare with 2.9 million cattle found in commercial farms in 1999.

Several initiatives aimed at increasing livestock herds are currently being implemented in Zimbabwe to support farmers' incomes and create new market opportunities for livestock-derived products, including hides and skins. Annex 2 provides information on these development projects.

Stakeholders highlighted the direct linkage between the decline in domestic meat consumption and internal supply of hides. Domestic demand for meat went down by 40% over 2000-2010, with beef consumption decreasing by 67%.²² According to official data, beef production is projected to marginally grow by 0.5% and 0.1% in 2011 and 2012. Potential growth of this sector has been estimated at over 5%, as it was in the 1990s, and this would help supporting the revival of the leather industry.²³

Off-take rate in 2011 was at 5%, which corresponded to approximately 270,000 cattle head. In the same year, Zimbabwe imported 29,000 cattle, which added to 89,000 heads estimated to come from the informal sector, result in 388,000 cattle slaughtered in 2011.

Table 6 – Livestock population by species and provinces and Cattle distribution by sector (April 2012)

Province	Cattle	Sheep	Goats	Pigs
Manicaland	586,619	100,462	634,742	41,630
Mash Central	514,966	38,997	227,751	53,905
Mash East	540,440	29,500	154,502	24,881
Mash West	739,442	126,398	85,546	69,871
Mat North	574,918	71,453	805,884	26,661
Mat South	556,619	31,709	445,827	14,492
Midlands	689,175	87,365	429,418	5,657
Masvingo	1,039,013	16,341	289,180	20,994
TOTAL	5,241,192	502,205	3,072,850	258,091

Source: Ministry of Agriculture Mechanisation and Irrigation Development, Division of Livestock and Veterinary Services

Farmers and rural communities further complained about pricing structure and lack of monetary benefits in hide trading where no price differential is paid by buyers for better hide quality. They also believed that abattoirs and hide merchants lacked transparency. Farmers claimed to receive about US\$350-400 per animal,²⁴ if sold to a trader, and about US\$2-3 per salted hide (US\$0.10-0.15 per kg) if slaughtered directly or if sold to the abattoir.

Almost all revenues for farmers come from the meat and given the low value of hides they have no incentives to properly process and preserve the hide. Farmers said they prefer to sell their hides and skins informally, where they receive better remuneration as compared to selling to abattoirs. Value chain stakeholders estimated that as much as 65% of hides and skins coming from rural areas were traded informally across the border without joining the national value chain. Tanners also complained about poor quality of hides and the absence

²²Source: Livestock and Meat Advisory Council (LMAC) statistics for 2011.

²³ Source: Zimbabwe Budget Statement 2012, page 111.

²⁴ According to the FAO Meat Price Index, the average price of bovine meat in the first six months of 2011 (January to June) was US\$188.52 per ton (average). In 2010, it was US\$162.94 per ton.

of a clear pricing structure. They recognized, together with collectors, that the absence of an organized collection system capable of providing a quality-based pricing structure and delivering the required quantity and quality to the industry has affected negatively the sector performance.

On the other hand, extension and veterinary service officers recognized the need to improve husbandry practices for obtaining better quality hides. In particular, they stressed the importance of training farmers on cattle management, as well as extension services staff on the importance of correct hide treatment for the leather industry. From their point of view, farming is also a business and prices shall be raised so as to incentivize farmers to care about hide quality and be able to cover their expenses.

MAIN ISSUES RELATED TO CATTLE FARMING
<p>HUSBANDRY</p> <ul style="list-style-type: none"> • Poor animal husbandry practices: limited information, high costs of inputs and lack of extension services • Improper animal handling facilities • Insufficient quantities of healthy animals at a competitive cost price • Seasonal diseases • Branding of animals is affecting quality of hides <p>COLLECTION & TRANSPORT</p> <ul style="list-style-type: none"> • Difficulty to collect and preserve hides from villages and rural areas • Distant selling points from villages and rural areas • Lack of transport for hide merchants to visit rural areas and collect hides <p>AWARNNESS & TRAINING</p> <ul style="list-style-type: none"> • Need to train farmers on how to salt and store hides to preserve value • Hide preservation skills are poor and little attention is paid to quality because hides have small economic value • Farmers not supported with training to recognize best practices • Inadequate research and extension services for small scale farming • The proper value of the hides is not known by farmers <p>PRICE & ECONOMIC INCENTIVES</p> <ul style="list-style-type: none"> • Price and benefit from hides is too low (in some cases farmers sell as low as US\$2 per hide, when a good quality hide can be bought at US\$13 by tanners) • Unfair pricing structure and lack of transparency between hide collectors, abattoirs and farmers • No incentives to small scale farmers to sell their animals due to unavailability of market • Perceived need to better remunerate the farmers



2. Slaughtering

In 2011, district abattoirs and slaughter slabs processed 90% of cattle for slaughter in the country. The remaining 10% was processed in CSC abattoirs. Abattoirs process cattle partly from their own livestock and partly from cattle sold for slaughter by traders and/or butchers, which pay a slaughter fee between US\$12-20,²⁵ part of which is paid in kind with the hide.

Table 7– Animals slaughtered in the formal sector

Class of stock	2006	2007	2008	2009	2010 (Jan-Sept)
Cattle	98,139	72,363	36,426	145,790	165,821
Pigs	57,748	83,627	123,709	78,953	85,920
Goats	6,046	5,608	3,570	3,242	3,734
Mutton	1,496	1,409	635	663	1,080
Lamb	1,660	2,217	1,113	828	1,156

Source: Ministry of Agriculture Mechanisation and Irrigation Development, Division of Livestock and Veterinary Services

Due to poor flaying and conservation techniques, the quality of hides produced in country abattoirs and slaughter slabs is significantly inferior compared to hides from professional abattoirs. Given the fact that in 2011, South African buyers paid up to US\$1.20 per kilo for good quality wet-salted hides (approximately US\$24 per hide), abattoirs have entered the business of exporting wet salted hides with no value addition. During the same period, local tanners were offering to pay up to a maximum of US\$0.85-0.90 per kg of good quality hide (US\$17-18 per hide).

Besides lack of price incentive to sell domestically, at this level of the value chain, the main issue is again inadequate treatment of hides due to poor slaughtering practices and bad flaying techniques. Similarly to farmers, butchers and abattoirs denounce that local traders and buyers of raw hides pay the same price regardless of quality: therefore there are no incentives to properly preserve the hides. In their view, it is important to reintroduce or implement existing grading system, whereby improved flaying and hide care will result in better compensation.²⁶ On the other hand, both hide collectors and tanners said that abattoirs only value the meat without caring about hide preservation and that their price structure include the hide as part of the slaughtering fee.

MAIN ISSUES RELATED TO SLAUGHTERING
<p>FLAYING TECHNIQUES</p> <ul style="list-style-type: none"> • Poor slaughtering practices: unskilled labour force, inappropriate technology • Bad flaying techniques: unskilled labour force, inappropriate knives, low value of hides • Existing policy on correct slaughtering of animals not implemented and not policed by local authorities • Poor meat inspection facilities and services • Low capacity of slaughter houses <p>HIDE QUALITY</p> <ul style="list-style-type: none"> • Uneducated butchers: no proper flaying techniques and no notion of hide use and value • Low quality of hides, too many hides wasted

²⁵ Butchers said they pay a slaughter fee of US\$12, whereas official figure from the Ministry of Agriculture is US\$20. Source: "Report on the value chain analysis of the hide sector", March 2011, Ministry of Agriculture, Mechanisation and Irrigation Development, Zimbabwe.

²⁶ The grading of hides and skins is illustrated in Annex 3.

MAIN ISSUES RELATED TO SLAUGHTERING

PRICE/GRADING

- 90% of the revenue come from the meat and Hide is considered as a by-product of less importance
- Slaughter houses keep the hides as part of the slaughter fees
- No premium bonuses for quality and no formal grading system



3. Hides and Skins Collection

Collection, salting and storage of hides and skins is done by small private operators who have taken over after the closure of bigger companies (such as SM Lurie). In 2012, around 14 small and medium businesses (formal and informal) were estimated to operate around the country²⁷ and some of them have created the “Hides and Skins Merchants Association of Zimbabwe” (HSMMAZ).

Communal or grassroots level hide collectors said they pay farmers around US\$0.25-0.30 per kg of wet salted raw hide (US\$5-6 per hide), whereas farmers said to receive US\$2-3 per hide, sometimes even less, regardless of quality. More established hide collectors claimed to pay farmers up to US\$8 per hide good quality. Hide merchants buy the raw hides at around US\$0.50 per kg (US\$10 per wet salted hide) and sell at US\$0.60-0.90 per kg (US\$12-18 per hide), for the lower and better quality respectively.²⁸ Hide collectors find it advantageous to export raw salted hides since they receive upfront payments and good prices (up to US\$24 per hide) even without a grading system in place. Hide collectors complained about local tanners who often do not have liquidity to pay for the hides or cannot afford to pay export parity prices. On the other hand, tanners complained that current collection system is not capable of delivering required quantity and quality and that hide collectors cheat on the price they said to receive from export of wet salted hides. Hide collectors also showed mistrust towards tanners since tanners were trying to bypass the middle men and source directly from the rural area farmers and slaughter-houses.

The need to set up a formal and better organized collection system is recognized by all value chain stakeholders, including village and communal chiefs who denounced the absence of depots or sheltered collection points to properly store the hides; the distance of collection and selling points from villages and cattle areas; and the high transport costs for connecting remote areas.

²⁷ These are: Mergertop; Tricastol; Ginshin; Presmer; Lushaba Trading; Amazimzim; Super Hides and Bones Collection; Mariba; Yassin Trading; Bulawayo Abattoir; ER York; Swaan; Surrey; Montana; and Carswell.

²⁸ Source: ITC-COMESA Rural Workshop findings and “Report on the value chain analysis of the hide sector”, Ministry of Agriculture, Mechanisation and Irrigation Development 2011.

MAIN ISSUES RELATED TO HIDE COLLECTION

HIDE QUALITY

- Scarcity and high price of salt which is imported mainly from Botswana
- Poor storage and preservation techniques and infrastructure
- Grading system is not implemented although procedures exist
- No premium bonuses paid for quality hides

COLLECTION SYSTEM

- Lack of enough depots and sheltered collection points
- Selling points are not adequate and they are a distance apart
- Transport is relatively expensive and not frequent enough in remote areas
- Hide pick up and input delivery system not in place: no organized business with national coverage for collection of hides

PRICE

- Abattoirs have a pricing structure where the hide price is part of the slaughtering fee
- Buyers of raw hides say they are forced to pay the same price for good and bad quality hides
- Collectors claim that Tanners are not willing to pay a fair price

FINANCE

- Hide Collectors need to pay cash to cattle farmers and hide traders
- Shortage of liquidity by tanners and buyers to pay for the hides upon delivery
- Finance is very expensive, up to 30% annually and inadequate. since most of the collectors cannot access a commercial loan



4. Tanning

In 2011, only eight tanners were operating in Zimbabwe. These were: Imponente Tanning, Wetblue Industries, Bata Zimbabwe Shoe Company, Zambesi Tanners, Spencer`s Creek, Prestige Leathers, Eagle Tanning Pvt. Ltd and Tambudze Tanneries. The tanning industry representatives denounced low capacity utilization, at around 30% in 2011. The main issue behind low capacity utilization is not lack of markets (both export and domestic) but the unavailability of quality wet salted hides and skins at an affordable price. Furthermore, lack of affordable finance for investment in the industry, obsolete machinery, working capital and export financing are some of the major issues that impact negatively on the industry.

Tanners declared they could increase production if provided with appropriate quantity and quality of local raw hides. However, according to hide collectors, tanners do not pay premium prices for better quality and in some cases cheat on their evaluation of quality delivered. Furthermore, hide collectors complain about liquidity problems and delayed payments by tanneries. In contrast to what tanners say, hide collectors affirm that the main reason for exporting raw hides and skins is that tanners cannot financially afford to absorb

the existing volume of raw hides and skins (due to high price of hides and skins on the local market) and lack of affordable finance.

Cost of production for local tanning is too high due to high price of raw materials and utilities, antiquated machinery and inappropriate maintenance. The upgrade of machines cannot be done due to lack of capital and difficult access to finance and maintenance and repairs are executed to the strictly necessary also due to lack of capital. Tanneries complained about the level of import duties on chemicals and spare parts, which are crucial to processing operations.

The landlocked position of Zimbabwe and the high costs of imported raw materials also make local tanners uncompetitive compared to imported finished leather, which is not subject to import duties when originating from either COMESA or SADC member states. Local manufacturers, however, complained about erratic availability of quality finished leather in the country which forces them to import.

MAIN ISSUES RELATED TO TANNING
<p>HIDE QUALITY</p> <ul style="list-style-type: none"> • Poor quality of hides going for tanning, in some cases up to 30% of what is bought is not usable • High price of hides and skins. Collectors claim they buy hides at US\$8 per hide and tanners at US\$13 per hide. Farmers claim that in some cases they receive as low as US\$ 2 per hide or even lower <p>COLLECTION</p> <ul style="list-style-type: none"> • No collection system capable to deliver required quantity and quality of hides • Hide collector prefer exports because they get paid upon delivery and in cash <p>PROCESSING</p> <ul style="list-style-type: none"> • Outdated machines and bad maintenance due to lack of working capital • Lack of good manufacturing processes • Low capacity utilization due to lack of raw materials and working capital • High prices of inputs (e.g. chemicals, salt) which are mainly imported • Disruption of production due to erratic supply of electricity and water <p>PRICE</p> <ul style="list-style-type: none"> • No grading structure for raw hides and skins (tanners are forced to buy per Kilo) • Volatile price of hides due to large players exporting periodically and creating market disruption • Hide collectors accuse Tanners of forming a cartel to agree on hide prices in the domestic market • Tanners are not paying premium prices for better quality hides <p>COMPETITIVENESS</p> <ul style="list-style-type: none"> • Inadequate market information and Government support to compete at international level <p>FINANCE</p> <ul style="list-style-type: none"> • Lack of working capital • Lack of capital to rejuvenate the industry • Lack of affordable finance and shortage of liquidity to pay raw materials which in the case of imported chemical is • cash upon delivery • High cost of borrowing from banks and financial institutions and in some cases no available financial product given the high ratio of debt to assets, some firms have (high risk). • Lack of capital to rejuvenate and upgrade machines and equipment



5. Shoe Manufacturing and Retailing

In 2011, Zimbabwe produced about 1 million pairs of leather shoes, which were mainly sold in the domestic market, and about 16% exported. BATA alone accounted for around 80% of the total sector production and for 90% of the exports in 2011. The twelve shoe factories operating in Zimbabwe have a joint capacity of 5 million pairs per year; however, current capacity utilization stands at around 19%, mainly due to uncompetitive price-product position for the export market, high fixed and input costs, lack of market information and lack of working capital finance.

Local manufacturers denounced stiff competition in the local market from importers and retailers that are commercializing cheap imports from China. The invasion of low priced imports, coupled with lack of capital and a 60 to 90-day payment period by retailers has impacted negatively on cash flow and profits. Moreover, lack of marketing information and poor quality and design represent further priority issues particularly if the industry wants to become competitive on the international market. Manufacturers also complained that local industry is not represented adequately towards export and that ZimTrade and other supporting institutions do not properly respond to sector's needs.

MAIN ISSUES RELATED TO MANUFACTURING

PROCESSING CAPACITY

- Low capacity utilization mainly due to unavailability of finished leather and difficulty to export
- High cost of electricity
- High cost of finished leather which is sold at international prices

MARKETING INFORMATION

- Poor dissemination of market information by support agencies
- Low market research capabilities. Most of the manufacturing enterprises are SMEs
- ZimTrade and supporting institutions are not properly aware of the sector's potential
- Lack of information on statistics and industry baseline figures
- No agency or association is helping with buyer identification and the existing private sector associations are not providing the required support to its members

QUALITY AND DESIGN

- Quality of available finished leather is inconsistent and forces manufacturers to import
- Lack of a range of accessories and availability of design
- Leather goods manufacturers are struggling to compete domestically with cheap imports and second hand goods
- Lack of trained and skilled staff to improve design and manufacture efficiently
- No product development skills and low ability to create innovative designs
- Insufficient training available for design, middle management and operations
- Poor design
- Zimbabwe's leather shoes not competitive due to low quality leather and high cost of imported raw materials
- Lack of diversification



6. Commercialization and Exports

At present, Zimbabwean exports of value added leather products are mainly directed to the regional market, including South Africa. One of the major constraints to overseas exports is the lack of visibility and representation, either through export promotion facilities or participation in events for the promotion of Zimbabwean leather products. Local manufacturers stressed the importance of receiving training on design and product innovation in order to become more competitive on the international market. Due to its landlocked position, Zimbabwe also faces high transportation and freight costs, which represent important competitive and logistic obstacles to commercialization.

MAIN ISSUES RELATED TO COMMERCIALIZATION

- Volatile economic situation impacting on overall attractiveness and competitiveness
- Lack of coordination and information flow within the value chain
- Market information is not targeted precisely and there are low market research capabilities
- Lack of representation towards export
- High transportation and freight costs

7. Finance

Lack of affordable access to finance is a major constraint for the entire value chain. Interest rates are extremely high (20-30%) given the high country and business risk and there are hardly no financial products available for companies seeking working capital or investment capitalization. Furthermore, the leather sector is currently unable to generate enough profits to pay interest on loans and re-invest in the business at the same time.

Inflows of FDI have decreased considerably in 2005-2010 mainly due to the socio-economic situation in Zimbabwe and the enforcement of the indigenization regulation. Of total approved FDI in 2010 (US\$520.5 million) nearly half of them (49.7%) went to construction and 35.8% to mining. Manufacturing received 10.2% of total FDI and agriculture only 0.4%.²⁹

Both financial institutions and Government recognized that in the current situation commercial loans were not the best option for supporting the industry: lending rates are very high in Zimbabwe due to the linkage with foreign currencies and lack of reserves, mainly the United States dollar. There is no control on demand and supply of US\$ and this results in a

²⁹ Source: WTO, Trade Policy Review.

shortage of liquidity in the market. Banks themselves have to borrow from banks outside the country as the Reserve Bank has lost its function as lender of last resort. Foreign banks lend at very high interest rates because they consider Zimbabwe a risky country: therefore, local banks have to increase their interest rates.³⁰ Multinational bank representatives stated that they are not interested in lending to small and medium companies due to the perceived risk and lack of collateral. From their point of view, the main weaknesses of the sector are: lack of coordination amongst value chain players and low quality of leather products which were difficult to export.

However, bankers acknowledged that the leather sector has got strengths that can be exploited for the benefit of the country and that it needs to be funded and banked with affordable capital. To assist the leather sector, financial institutions approved the idea of creating a development and investment fund for reviving the industry, as proposed under Objective 2 of the strategy. The fund should not provide loans but rather operate as an equity investor with the aim of injecting fresh capital into the industry (for details of the leather development fund see next Chapter).

MAIN ISSUES RELATED TO ACCESS TO FINANCE
<ul style="list-style-type: none"> • Dollar inflation is increasing costs, as it is imported inflation. • Low FDI in the leather sector due to perceived high enterprise and country risk. • Tanners and manufacturers are self-financing the value chain through the cash advance for purchases. • No long term finance available for working capital and no diversified financial product offer. • High interest rates of between 20-30%, low stock of money and country risks. • Liquidity and finance problems in the value chain. Farmers require cash payment for their cattle; abattoirs face 15 to 20 days payment for their hides from tanners; tanners wait up to 90 days for wet blue exports and 30 days for finished leather; and manufacturers wait up to 6 months for payment of goods by bigger domestic retailers • No long term finance available for working capital and capital investments

8. Supporting institutions and policies

As it can be evidenced by the private sector statement in this document (page iv), private sector believes that policies in place do not fully recognize the importance and potential of the leather sector when compared to other sectors such as mining, services and tobacco. Private sector also acknowledged that one of the main issues is lack of coordination and coherence between different ministries and development partners in their proposals for providing an enabling environment.³¹

Main export players also requested the Zimbabwe Revenue Authority (ZIMRA) and Government to adopt trade promotion policies aimed at reducing import duties on raw materials and inputs used in the production of leather and leather products and to develop measures to protect local industry from unfair competition by cheap Asian and South African products, especially plastic, canvas and leather shoes. Lack of regulation and policies for informal cross-border trade was also believed to be exacerbating the situation in the sector contributing to a “price war” in the local market.

³⁰ Information was based on interviews to representatives of main banks and financial institutions in Zimbabwe.

³¹ Through this strategy private sector decided to form an association of all value chain representatives, including farmers and SMEs, in order to be able to speak one voice and liaise with policies-makers on the definition of sector's development interventions. Additionally, Government introduced the leather sector as a priority sector in the Industrial Development Plan for 2012-2016.

Extension and veterinary services are said not to have leather and hides as a priority since they mainly deal with animal health. This is partially due to insufficient knowledge by extension officers of the economic potential of the leather sector and in particular on how to obtain and preserve good quality hides at rural level.

Private sector representatives across the value chain said that ZimTrade and other sector associations do not prioritize representation of Zimbabwe leather products abroad and they are never invited to participate in trade fairs and exhibitions in the region and abroad.

Finally, value chain stakeholders expressed their dissatisfaction with the services provided by existing sector associations, namely LAIFEZ and LIZ. LAIFEZ, which was created to represent all industry players, does not receive payment of membership fees because it is considered unable to provide valuable services. The Leather Institute was created to provide training and carry out laboratory tests; however, due to major financial and governance issues, it stopped providing training as well as the testing services. Some companies still require LIZ to run some tests but machinery and equipment need renovation.

LIZ and LAIFEZ management stated that they have no resources, both human and financial, to operate properly and that the industry was operating with hardly any profits and could not afford or would not accept to pay membership fee.³²

MAIN ISSUES RELATED TO SUPPORTING INSTITUTIONS AND POLICIES

- Private sector perceived insufficient support from the Government to the leather sector.
- Underperformance of existing sector associations and no provision of value added services for sector's development
- Inadequate support by extension services staff to rural areas resulting in quality loss
- High tariffs on import of raw materials and inputs for the leather industry resulting in high operational costs
- Weak border measures and controls resulting in unlawful and unfair informal trade
- Weak representation of Zimbabwe leather products abroad, No participation in trade exhibition fairs

³² As a result of this situation, value chain stakeholders agreed, through this strategy, to have one sector-wide association, inclusive of all representatives from different stages of the chain with the mandate of representing sector's interests and priorities before the Government, financial institutions and other partners. The conclusion of this discussion is contained in Objective 1 of the strategy.

CHAPTER IV: STRATEGY EXPECTED IMPACT, PROPOSED OBJECTIVES AND ACTIVITIES

This chapter presents the strategy’s response objectives and activities proposed by value chain stakeholders to address identified constraints and issues as a mechanism of ensuring that the Zimbabwe leather sector develops and realizes the envisaged vision.

The overall objective of the strategy is to transform Zimbabwe leather value chain from the production and export of raw materials and partly processed products to the production and export of value added products such as finished leather, footwear and other leather garments.

1. Vision and mission of the strategy

The vision of the Zimbabwe leather value chain is: “To be a vibrant and internationally competitive leather industry contributing to sustainable development through value addition”.

The **core industry values agreed are:**

- Employment creation through industry
- Fully utilize the renewable resources (hides & skins)
- Foreign exchange earner
- Contribute to Rural poverty reduction

2. Target markets and growth objectives

In accordance with the vision and mission of the strategy, the private sector has identified specific target markets for selected products. These are shown in the table below. The overall market direction shifts the focus of the leather industry to increasing the production of value-added leather products, such as footwear and leather goods, for the domestic and export markets. The ultimate objective is to foster the production and export of value added products so as to promote job creation, income and foreign exchange generation and economic growth.

Table 8 - Priority Markets for Respective Products, 2012-2017

2012-2017			
TARGET MARKET	SEMI-PROCESSED LEATHER	FINISHED LEATHER	MANUFACTURED GOODS
Export	HIGH Priority (1)	Medium High (3)	High Priority (2)
Domestic	-	HIGH Priority (1)	HIGH Priority (1)
Niche, High value (Artisanal, luxury, etc.)	-	Medium High (3)	Medium High (2)

Provided that the industry is capable to absorb the necessary volumes, hides and skins sourced locally shall remain in Zimbabwe and be made available to local tanneries for further

processing; including through private sector agreements such as contract tanning by hide collectors.³³ This would result in a larger value retention and contribution of the leather sector to exports earnings and employment creation. To this end, leather value chain stakeholders have set seven commercial growth targets to be realized by 2017, as illustrated in table 9 below.

Table 9 – Commercial growth targets by 2017

Target	Description	2011	2017	%
1	Export of wet salted hides (units)	229,000	20,000	- 91%
2	Intake of wet salted hides by local tanneries (units)	194,000	467,000	+ 140%
3	Export of wet blue (tons)	1,250	2,500	+ 100%
4	Local finished leather intake by manufacturers (m2)	229,000	460,000	+ 101%
5	Production of leather shoes (pairs)	1,000,000	2,200,000	+ 120%
6	Export of leather shoes (pairs)	162,000	1,000,000	+ 517%
7	Local retail of leather shoes (pairs)	1,000,000	1,400,000	+ 40%

If the seven growth targets are met and the strategy is implemented, the expected impact can be quantified to approximately a total sector contribution of US\$45 million in 2017, compared to US\$31.7 million in 2011, and a total sales revenue of US\$116 million, compared to US\$82.2 million in 2011, at current sales prices and margins (see figure below). In addition, employment creation in the subsector will increase tenfold compared to current level through the deliberate support of MSMEs operating as clusters.

2017 (projected)		Hide collection	Profitability	WB tanning	Profitability	Finished tanning	Profitability	Shoe making	Profitability	Shoe retailing	Profitability	TOTAL
Unity of measurement		hides	%	tons	%	m ²	%	pairs	%	pairs	%	
a	Quantity sold (target)	487,000		2,500		460,000		2,200,000		1,262,207		
b	Sale price/unit (\$)	18		1820		22		20		35		
c	Margin/unit (\$)	6	30.6	420	23.1	4	18.1	8	42.2	15	42.9	
a*b	Total sales (\$ '000)	8,766		4,550		10,184		44,000		49,000		116,500
a*c	Total contribution (\$ '000)	2,678		1,049		1,840		18,546		21,000		45,114

³³ As a direct result of this strategy and in line with Target 1, hide collectors and tanners have agreed to pilot contract tanning operations during the second half of 2012 for wet blue exports as opposed to raw hide exports.

3. Strategy's objectives and sub-objectives for value chain development

The specific objectives and interventions sections list the proposed mechanisms of addressing the issues identified by stakeholders at each level of the value chain. Sub-objectives and activities are listed under each specific objective. The implementation of such interventions would contribute towards the attainment of the main thrust of this strategy, which is to promote the production and export of value added products, such as finished leather, footwear and leather goods.

The strategy's objectives, in order of priority are:

Objective 1: Strengthen value chain networking, coordination and policy advocacy

Objective 2: Improve access to finance across the value chain

Objective 3: Improve market intelligence and promotion of the value chain

Objective 4: Improve the quality and collection system of hides and skins

Objective 5: Improve value addition and output through technical training and establishment of clusters

Objective 1: Strengthen value chain networking, coordination and policy advocacy

Objective 1 focuses on promoting the organization of the leather industry through a private sector-led association representing all value chain stakeholders for policy advocacy and coordination. This objective will impact on all levels of the value chain. The **sub-objectives** are:

1.1: Strengthen subsector associations;

1.2: Improve policy advocacy;

1.3: Promote the importance and image of the subsector through awareness campaigns.

Lack of coordination and unity across the value chain was considered as one of the main obstacles to sector development. Despite the existence of sector associations (e.g. LAIFEZ and LIZ), value chain stakeholders prioritized the creation of an umbrella Association that includes all players in the value chain, from cattle farmers, to hide collectors, tanners, manufacturers, SMEs and retailers. The mandate of the Association was defined for the provision of value added services in particular for the longer term development of the industry and to advocate for private sector's needs and priorities. Existing entities shall then amend their constitutions in line with the new sector Association.

The Government also stressed the importance for the private sector to be organized in one single association for the purpose of interacting with policy makers and collaborate in the formulation of policies for sector development. The new Association shall foster trust and coordination among all players by establishing regular stakeholder consultative meetings

and by providing a discussion roundtable forum to agree and negotiate on priorities and required support.

Objective 1: STRENGTHEN VALUE CHAIN NETWORKING, COORDINATION AND POLICY ADVOCACY			
Sub objectives	Activities	Anticipated Outputs	Estimated resources needed (US\$)
1.1: Strengthen Sub-sector Associations	<i>1.1.1: Establish an Apex Association for the value chain</i>	The sector association and institutionalized dialogue mechanism contribute to establish a constructive interaction among sector stakeholders and between the private and public sectors.	50,000
	<i>1.1.2: Stakeholder consultative meetings</i>		
	<i>1.1.3: Review and amend the constitutions of all existing sub-associations in line with the framework of the Apex Association</i>		
	<i>1.1.4: Mobilize and develop a database of membership for the sub-associations, which will feed into the Apex Association</i>		
	<i>1.1.5: Apex Association to provide services to Membership and interact with the Government and other supporting institutions</i>		
1.2: Improve policy advocacy	<i>1.2.1: Lobby Government to support the industry by giving incentives</i>	Adoption and implementation, through a participatory approach, of a policy framework that is conducive to sector development and promotion.	50,000
	<i>1.2.2: Lobby Government to put in place policy instruments to eradicate import of substandard footwear and other leather products</i>		
	<i>1.2.3: Lobby Government to review import duties, which are impacting negatively on the sector</i>		
	<i>1.2.4: Develop footwear standards and lobby Government for their legislation</i>		
	<i>1.2.5: Explore possibility of applying export duty to raw hides and wet blue as to create a sector-specific incentive fund</i>		
	<i>1.2.6: Undertake a policy review to understand which existing Government policies are preventing sector development</i>		
	<i>1.2.7: Participate in national policy review, formulation and national budget design processes</i>		
1.3: Promote the importance and image of the subsector through awareness campaigns	<i>1.3.1: Increase awareness of industry importance through publicity and communication campaigns</i>	Leather is recognized as a strategic sector for national economic development	25,000
	<i>1.3.2: Create visibility to attract SMEs into leather sector association through advertising and targeted communications</i>		
	<i>1.3.3: Create strong ownership to the leather sector development through private sector meetings</i>		

Objective 2: Improve access to finance across the value chain

The objective addresses one of the most important and transversal issues for the leather value chain: access to appropriate financial mechanisms in support of the leather sector's development and competitiveness. The identified **sub objectives** are:

2.1: Undertake a financial needs-assessment of the sector;

2.2: Promote self-financing of the value chain through innovative collaboration among chain stakeholders;

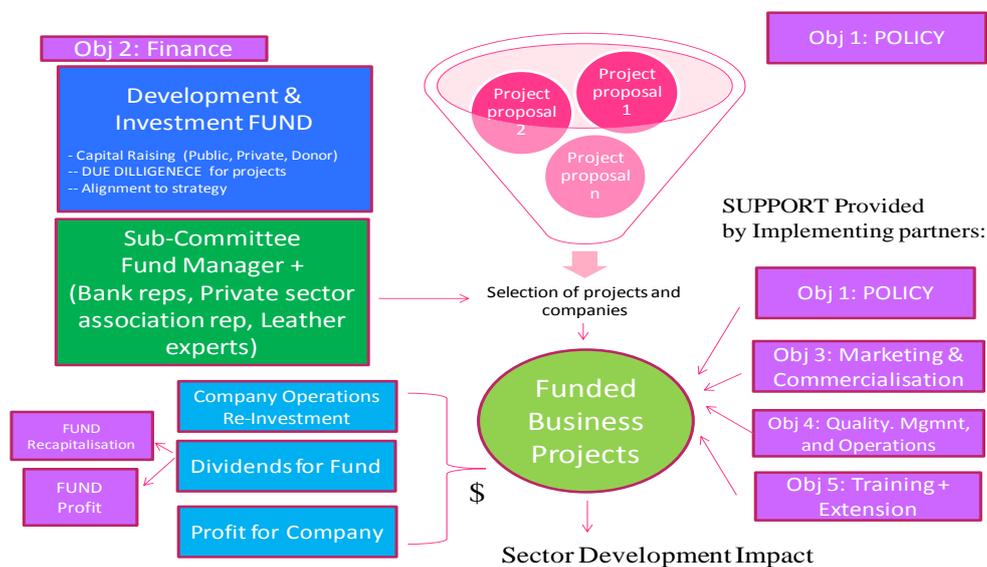
2.3: Promote inflow of Foreign Direct Investment.

All value chain stakeholders considered lack of affordable access to finance -for investment or working capital- as a major constraint. Lack of long term finance, high interest rates and low market liquidity are among the main challenges faced by the leather sector. During the participatory workshops, value chain stakeholders discussed with financial institutions and Government about different solutions to inject capital into the industry. The first step is to undertake a financial needs-assessment of the leather value chain to understand the sector's priorities and how to address them. The adoption of policies to promote FDI in the sector, as well as facilitation of access to long term financial solutions are among the identified priority areas.

In addition, as a result of several private sector meetings, a series of self-financing instruments have been agreed by stakeholders, namely: the barter system (e.g. a pair of school shoes for two hides, which could be suitable for tanners and shoe manufacturers); contract tanning, where clients paying upfront receive discount; and pre-financing of raw materials, where clients of value added products may advance partial payments to allow their suppliers to purchase raw materials necessary for the production of the final product.

In particular, one of the longer term solutions proposed by the strategy is the creation of a **Leather Investment and Development Fund**, whose structure and functions are illustrated in the figure below.

Figure 5 – The Leather Development and Investment Fund



The Fund's main objectives are to raise capital and invest in the industry by providing a combination of: i) funding (working capital and investment for startups); ii) technical assistance; and iii) managerial governance for selected private sector projects across the value chain.

Through an annual call for proposals, the Fund will receive project ideas and perform due diligence services to ensure the potential profitability, return on investment and alignment to the strategy's objectives. The Core Team will be an active member of the Fund Management Board together with government agencies, banks, financial institutions, as well as regional development partners and experts from the leather sector. Each member will inject capital into the Fund that will be used to buy equity in the participating companies for each of the selected projects. The overall objective of the investments will be to support the leather industry expand, gain competitiveness and overcome the supply-side constraints identified in this strategy.

The level of support provided by the Fund and the repayment period will depend on the needs of the individual companies. Once the companies obtain profits, these will be reinvested in the Fund for recapitalization and used as dividends which will eventually allow the companies to buy back their shares and exit the Fund. Because of its development nature, the period for repayment through dividend will be after 1 or 2 years. The selection of fundable projects shall be made in line with the strategy's objectives and shall have an impact on value chain development.

In line with its development nature, the Fund will also provide working capital and physical capital loans to small value chain players (e.g. farmers, merchants, collectors and abattoirs).

Objective 2: IMPROVE ACCESS TO FINANCE ACROSS THE VALUE CHAIN			
Sub objectives	Activities	Anticipated Output	Estimated resources needed
2.1: Undertake financial need-assessment of the sector	<i>2.1.1: Undertake a finance demand situational analysis to understand what are needs of the sector and how to address them</i>	Financial needs at each level of the value chain are identified and feasible solutions are proposed. Banks and other financial institutions are engaged into constructive dialogue with sector stakeholders and understand potential of the leather sector and ease access to finance.	15,000
	<i>2.1.2: Identify potential financial solutions to lower interest rate and provide finance of working capital</i>		
	<i>2.1.3: Lobby Central Bank and private banks for affordable credit by dramatically reducing interest rates and other fees</i>		
2.2: Promote self-financing of the value chain through innovative collaboration among chain actors	<i>2.2.1: Explore innovative finance solutions that would imply strongest actors in the value chain (buyers) to fund operations (cascading from buyer to rest)</i>	Alternative solutions to finance the value chain are identified. The Leather Development Fund is established and capable to inject fresh capital into the value chain, in line with the strategy's development objectives.	
	<i>2.2.2: Identify export markets and buyers that are willing to pay upfront</i>		
	<i>2.2.3: Develop the Leather Development and Investment Fund</i>		
2.3: Promote inflow of Foreign Direct Investment	<i>2.3.1: Develop a strategy for attracting finance in cooperation with sector associations, ZimTrade and Ministries</i>	Collaboration with relevant ministries and supporting institutions	30,000

Objective 2: IMPROVE ACCESS TO FINANCE ACROSS THE VALUE CHAIN			
Sub objectives	Activities	Anticipated Output	Estimated resources needed
	2.3.2: <i>Explore possibility to promote joint ventures as a way of funding capital investments</i>	will result in the adoption of investment development policies for the leather sector.	
	2.3.3: <i>Identify potential investors and organize targeted campaign</i>		

Objective 3: Improve market intelligence and promotion of the value chain

This objective addresses the issues of obtaining key information and data across the value chain and improving marketing and promotion of Zimbabwe leather domestically, regionally and abroad. This objective has an impact at all levels of the value chain.

The identified **sub-objectives** are:

3.1: Support and promote the collection of accurate data at every stage of the value chain;

3.2: Create linkages with international leather portals.

In the response to the need for obtaining reliable and consistent information and data for each level of the value chain, value chain stakeholders agreed to create a framework for collecting data and information for the industry, including production and distribution data, database of companies operating in the sector, trade statistics, etc. This is particularly important because many activities and transactions take place informally and are not accounted by official statistics.

Manufacturers also complained about the lack of appropriate market information for their products - such as market trends and consumers' preferences, entry requirements in target markets, applied standards and regulations, as well as prices and tariff treatment. Furthermore, they said that trade supporting institutions do not represent properly the leather industry on the regional and international markets. Therefore, industry players urged trade support institutions to improve promotion of domestic production and facilitate the creation of market linkages through participation in trade fairs and exhibition, promotion of Zimbabwe brand through ad-hoc awareness campaigns, and the creation of websites.

Objective 3: IMPROVE MARKET INTELLIGENCE AND PROMOTION OF THE VALUE CHAIN			
Sub objectives	Activities	Anticipated Outputs	Estimated resources needed
3.1: Support and promote collection and dissemination of accurate data at every stage of the value chain	3.1.1: <i>Create a framework for collecting key data and information for the sector</i>	The leather sector is provided with strategic information and data that will help to increase productivity and better position	100,000
	3.1.2: <i>Develop inventories of companies in the sector, including SMEs</i>		
	3.1.3: <i>Develop an inventory of all enterprises in the leather value chain including suppliers of accessories and chemicals</i>		

Objective 3: IMPROVE MARKET INTELLIGENCE AND PROMOTION OF THE VALUE CHAIN			
Sub objectives	Activities	Anticipated Outputs	Estimated resources needed
	<p>3.1.4: Collaborate with the Central Statistical Office in the collection of production data for the sector</p> <p>3.1.5: Develop market linkages through trade fairs, promotion of Zimbabwe Brand (Buy Zimbabwe Campaign) and websites</p> <p>3.1.6: Monitor the inflow of poor quality and second hand shoes and leather products</p> <p>3.1.7: Disseminate market intelligence quarterly</p>	Zimbabwe leather products in the regional and international markets.	
3.2: Create linkages with international leather trade portals	<p>3.2.1: Identify regional and international leather portals</p> <p>3.2.2: Analyze the information and share with association membership</p> <p>3.2.3: Work on mechanisms of creating the Apex association website, which will be linked to regional and international portals</p>	Zimbabwe leather sector is promoted through innovative communication networks and information flow is guaranteed across the value chain.	50,000

Objective 4: Improve the quality and collection system of hides and skins

The objective focuses on the first level of the value chain by improving quality and quantity of collected hides and skins so as to supply the leather industry with competitive raw materials sourced locally.

This objective targets cattle farmers, abattoirs and hide collectors but will have an impact on the entire leather sector.

The identified **sub objectives** are:

- 4.1: Standardize and legislate the hides and skins grading system;**
- 4.2: Extend its extension services to hides and skins production and collection;**
- 4.3: Strengthen the hides and skins collection system by supporting micro, small and medium enterprises (MSMEs) in peri-urban and rural areas.**

The issue of poor quality hides was unanimously considered as a major constraint to the development of a competitive leather value chain. As mentioned in previous chapters, many factors compromise the quality of local hides and skins, including: poor animal husbandry practice; inadequate handling facilities; poor slaughtering and flaying techniques; the absence of incentives for better quality hides and the non-application of the grading system; a disorganized collection system and improper storage; etc. However the main reason behind poor quality hides is related to the economic incentive and the benefits received out of the trade. As emerged during rural workshops, farmers, rural butchers and abattoirs are

not fully aware or are not receiving the economic value of the hides. This is mainly due to the low prices paid for the hides and skins and to lack of efficient marketing channels at this level of the value chain.

Through the implementation of the agreements reached (between private sector) through this strategy, the hide collectors shall be able to provide adequate quantity and quality of hides to the local market for value addition in the country. To this end, sector stakeholders agreed to establish and enforce an effective grading system which would pay better price for better qualities and to raise awareness of the importance of good quality hides. Information on the grade-based pricing system was to be made available through extension workers, hide collectors, local media and farmer associations.

The Government also agreed to provide support services at communal level, as well as to support training of farmers and extension staff on proper hide treatment and management.

Objective 4: IMPROVE THE QUALITY AND COLLECTION SYSTEM OF HIDES AND SKINS			
Sub objectives	Activities	Anticipated Outputs	Estimated resources needed
4.1: Standardize and legislate the hides and skins grading system	<i>4.1.1: Draft a position paper on hides and skins grading system and submit it to Government</i>	The application of the grading system will result in more consistent quality and quantity of good quality hides for the local leather industry and support the production of value added products. A transparent price system will increase small holders' revenue from the selling of hides.	25,000
	<i>4.1.2: Publish the grading system in both print and electronic media and disseminate it at the national level</i>		
	<i>4.1.3: Lobby for the legislation of the hides and skins grading system through a statutory instrument</i>		
	<i>4.1.4: Raise awareness of the grading system</i>		
	<i>4.1.5: Lobby Government to institute penalties to slaughter facilities which produce reject hides and skins through poor flaying and storage</i>		
4.2: Extend extension services to hides and skins production and collection	<i>4.2.1: Develop a position paper on the importance of the Government supporting hides and skins extension services</i>	Extension services will cover hides and skins and contribute to quality improvement. Increased quantity of good quality will be available for local tanning.	10,000
	<i>4.2.2: Submit the paper through relevant channels</i>		
	<i>4.2.3: Lobby the Ministry of Finance to allocate resource towards hides and skins extension services</i>		
	<i>4.2.4: Facilitate training on pre, slaughter and post slaughter techniques to extension workers</i>		
4.3: Strengthen hides and skins collection system by supporting MSMEs in peri-urban and rural areas	<i>4.3.1: Develop a position paper for designing a statutory instrument for registering hides and skins collectors</i>	An organized hide collection system will establish market links between small holders and industry players, reduce hides losses and stabilize market prices of hides.	250,000
	<i>4.3.2: Facilitate the training and certification of hides and skins collectors</i>		
	<i>4.3.3: Promote grade based pricing system</i>		

Objective 5: Improve value addition and output through technical training and establishment of clusters

The objective focuses on the more advanced stages of the value chain, in particular manufacturing and commercialization, to improve technical skills of Zimbabwe manufacturers and increase competitiveness of value added products.

The identified **sub objectives** are:

5.1: Facilitate the transformation of small-scale shoes and leather goods makers (clusters);

5.2: Facilitate technical training in tanning and production of leather goods.

Quality of management and skilled labour has been identified as the main strengths of Zimbabwe leather industry. Nonetheless, in order to compete and export, local manufacturers need to be trained, in particular with regard to design, costing and good manufacturing practices. They also need to invest in new technology and updated machines and equipment.

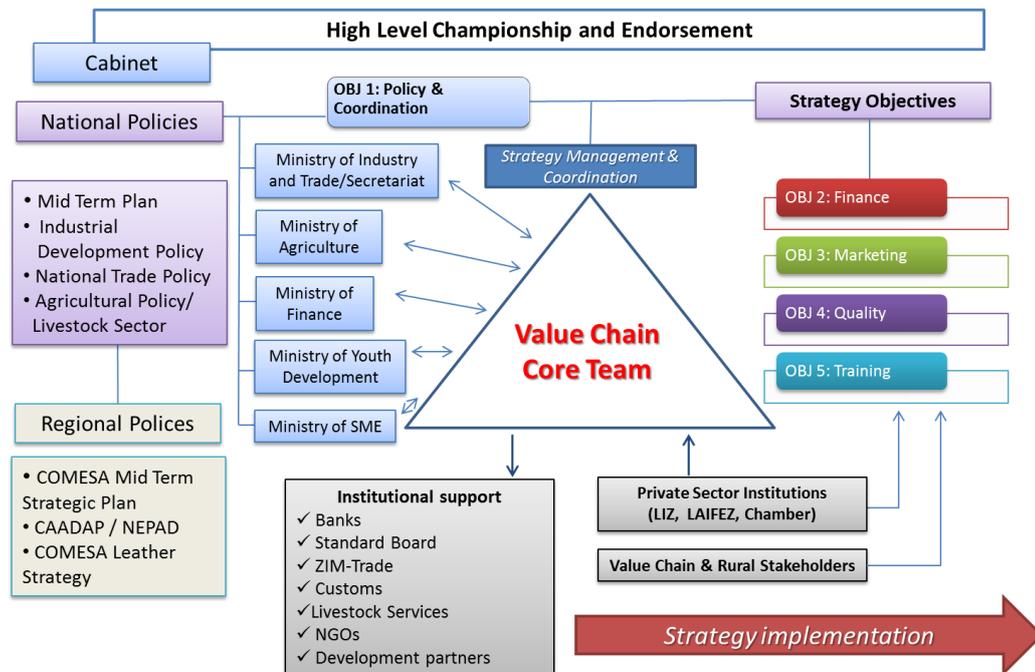
The strategy foresees collaboration with vocational colleges and institutes, as well as with regional and international organizations, for the provision of specific training on leather goods production and environmental management.

Objective 5: IMPROVE VALUE ADDITION AND OUTPUT THROUGH TECHNICAL TRAINING AND ESTABLISHMENT OF CLUSTERS			
Sub objectives	Activities	Anticipated Outputs	Estimated resources needed
5.1: Facilitate the transformation of small-scale shoes and leather goods makers (clusters)	<i>5.1.1: Identify and profile SMES</i>	Leather goods manufacturers, especially small scale producers, are provided with adequate technical and financial support to regain competitiveness in the market.	1,000,000
	<i>5.1.2: Provide business training</i>		
	<i>5.1.3: Provide technical skills training</i>		
	<i>5.1.3: Identify and estimate their machine and investment requirements</i>		
	<i>5.1.4: Develop linkages with institutional buyers and manufacturing companies</i>		
	<i>5.1.5: Negotiate with local Government to provide shelter</i>		
5.2: Facilitate technical training in tanning and production of leather goods	<i>5.2.1: Collaborate with vocational college to offer appropriate training on leather technology/tanning</i>	Technological gaps in production methods and design of leather goods products are reduced.	250,000
	<i>5.2.2: Collaborate with vocational college to offer appropriate training on footwear production</i>		
	<i>5.2.3: Collaborate with vocational college to offer appropriate training on leather goods production</i>	Zimbabwe leather products can compete on the regional and international market and increase their contribution to the economy.	
	<i>5.2.4: Collaborate with regional and international training organizations to provide training of leather tanning, footwear and leather goods production</i>		
	<i>5.2.5: Facilitate training in environmental management</i>		
	<i>5.2.6: Training on the job</i>		

4. Implementation framework

The diagram below represents the framework for the coordination of the strategy implementation³⁴ as well as the overall relationship between the strategy objectives and the existing national policies.

Figure 6- Strategy Implementation and Management Framework



Source: Elaborated by the Core Team and validated by leather stakeholders during participatory workshops.

³⁴ Annex 1 provides the Terms of reference of the Core Team.

CHAPTER V: STRATEGY ALIGNMENT TO NATIONAL AND REGIONAL POLICIES FOR ECONOMIC DEVELOPMENT

1. The Medium Term Plan (2011-2015)

The Medium Term Plan's (MTP) main target is to ensure that economic growth remains stable at an average growth of 7.1% for the next five years (2011-2015).³⁵ Economic growth will be realized through the "transformation of Zimbabwe's economy from being a producer of primary commodities to value addition, beneficiation and new knowledge based industry".³⁶ The private sector has been recognized as the "engine" of economic recovery and growth by the MTP. Other strategic priorities are: employment creation and poverty reduction; human development and social security; good governance; and cross-cutting priorities, including infrastructure.³⁷

The leather strategy aligns itself to the MTP's priorities, by supporting the transformation of the leather sector through public and private sector interaction into a competitive industry that contributes to sustainable development through value addition. Table 9 below shows the linkages between the MTP's national priorities and the strategy's objectives

Table 10 - Zimbabwe Medium Term Plan and linkages with Strategy's objectives

MTP NATIONAL PRIORITIES	Contribution to MTP per Strategy's Objectives				
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5
Infrastructure Development	✓			✓	
Employment Creation	✓	✓	✓	✓	✓
Human Centered Development					✓
Entrepreneurship Development	✓	✓	✓	✓	✓
Macroeconomics Stability	✓				
ICT and Science and Technology Development					✓
Good Governance	✓				
Investment Promotion		✓			
Resources Utilization and Poverty Reduction			✓	✓	✓
Gender Mainstreaming into Economic Activities	✓	✓	✓		✓

2. The Industrial Development Policy (2011-2015)

The overall objective of the **Industrial Development Policy (IDP)** is to restore the manufacturing sector's contribution to GDP from current 15% to 30%, and its contribution to export from 26% to 50% by 2015.³⁸ The IDP identifies four priority sectors as "pillars and engines" for industrial development, namely: i) agro-business; ii) fertilizer and chemicals industry; iii) pharmaceuticals; and iv) metals and electrical.³⁹

Leather and footwear are included in the agro-business sub-sector and have also been prioritized in the NTP as a result of the strategy development work and as implementation of Objective 1. The IDP "intends to replicate the outcome of the cluster approach under the

³⁵ "Zimbabwe Medium Term Plan 2011-2015", Ministry of Economic Planning and Investment Promotion. www.mepip.gov.zw

³⁶ Medium Term Plan 2011-2015, page 1.

³⁷ Medium Term Plan 2011-2015, page 91.

³⁸ "Zimbabwe's Industrial Development Policy 2012-2016", Ministry of Industry and Commerce. www.mii.gov.zw

³⁹ Industrial Development Policy 2012-2016, page 17

PACT II Programme to other sectors of the economy” and recognizes the need to recapitalize the leather industry. To this end, the Government has committed US\$15 million for retooling, recapitalization and working capital.⁴⁰

The IDP also supports the SMEs through cluster development initiatives, including the provision of capacity building for skills training and setting up of common facilities (e.g. laboratories, machinery, etc.) and the promotion of cluster associations.⁴¹ Objective 5 of the Strategy is fully aligned with the cluster development initiative.

For the successful implementation of the industrial policy, the IDP stresses the importance for the Government to create an “enabling environment and make appropriate policy interventions” and calls on the private sector to “identify, recommend and implement strategic action plans on a sub-sector by sub-sector basis and create favorable employment conditions”.⁴² In this context, the development of the leather sector strategy by private and public sector stakeholders can be considered as a building block towards the successful implementation of the IDP. Table 10 below indicates the linkages between the IDP main objectives and the strategy’s objectives.

Table 11 - Zimbabwe Industrial Development Policy and linkages with Strategy’s objectives

IDP OBJECTIVES	Contribution to IDP per Strategy’s Objectives				
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5
Restoring Manufacturing Sector’s Contribution to GDP	✓	✓	✓	✓	✓
Create Additional Employment	✓	✓	✓	✓	✓
Increase Capacity Utilization		✓	✓	✓	✓
Re-equip and Replace Obsolete Machinery and New Technologies		✓	✓	✓	✓
Increase Manufactured Exports at Regional and World Level	✓		✓	✓	✓
Promote Utilization of Available Local Raw Materials	✓		✓	✓	✓

3. The National Trade Policy (2012-2016)

The vision of the **National Trade Policy (NTP)** for 2012-2016 is “to have trade function as the engine for sustainable economic growth and development of Zimbabwe”.⁴³ The NTP’s main objectives are: i) to increase exports’ earnings by at least 10% annually, from US\$4.3 billion in 2011 to US\$7 billion in 2016 and promote diversification of the country’s exports basket; ii) to promote value-addition of primary commodities in all sectors and restoring the manufacturing sector’s contribution to export earnings from 16% in 2011 to 50% in 2016; iii) to consolidate and expand existing export markets and explore new markets, with a particular focus on regional markets; iv) to enhance trade facilitation; and v) to give guidance on trade policy instruments such as tariffs, non-tariff measures and trade defense mechanism so as to promote trade and protect local industry from unfair trade practices.⁴⁴

⁴⁰ Industrial Development Policy 2012-2016, pages 22 and 23.

⁴¹ Industrial Development Policy 2012-2016, page 31.

⁴² Industrial Development Policy 2012-2016, page 34.

⁴³ “National Trade Policy 2012-2016”, Ministry of Industry and Commerce. www.mii.gov.zw.

⁴⁴ National Trade Policy 2012-2016, page 6.

According to the NTP, and as enunciated in both the MTP and the IDP, Zimbabwe “shall evolve from an exporter of primary commodities to a major exporter of high-quality, processed and value-added goods”. In line with this principle, the main intent of the leather strategy is to transform Zimbabwe leather value chain from the production and export of raw materials and partly processed products to the production and export of value added products such as finished leather, footwear and other leather garments. This would result in a greater contribution by the leather sector to total export earnings, passing from US\$30 million in 2011 to projected US\$90 million by 2014 if the strategy is implemented.

The NTP also recognizes as vital for the implementation of an effective trade policy the coordination and collaboration between the Government and the private sector through an inclusive approach involving all relevant stakeholders in the formulation, implementation, monitor and review of the national trade policy.⁴⁵ In this context, the creation of a coordination body in the leather sector, as per Objective 1 of the Strategy, represents an implementation of the private sector capacity development principle contained in the NTP.

Table 12 - Zimbabwe National Trade Policy and linkages with Strategy’s objectives

NTP OBJECTIVES	Contribution to NTP per Strategy’s Objectives				
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5
Increase exports’ earnings and diversification			✓	✓	✓
Promote enhanced value addition of primary commodities				✓	✓
Consolidate and expand existing export markets and explore new markets	✓		✓		✓
Enhance trade facilitation	✓		✓		
Give guidance on trade policy issues to promote trade	✓	✓	✓		

4. Agricultural policy: Livestock industry

Livestock production⁴⁶ contributes about 30% of value of agricultural output in all farming sectors. Over 80% of communal farmers own livestock, mainly cattle (90%) and sheep and goats (95%). Animal draft power remains a major source of traction in the smallholding farming sector and a key input to crop production. Commercial livestock farming has declined during the recent years as a result of the land reform: the producer base, livestock ownership and marketing structure have changed. In the case of beef, of the 5.1 million animals, only 650 000 are found in A2 farms and former commercial farms, compared to 2.9 million cattle in commercial farms in 1999. Off-take from the former commercial sector, which used to be about 20%, has declined as most producers are concentrating on herd rebuilding. The smallholder sector currently supplies most of the slaughtered animals, although off-take from this sector is about 5%.

The Government recognized that the “transformation of the smallholder livestock sector into a fully commercialized system would ensure a higher output to meet increased demand for animal protein and surplus for export”.⁴⁷

⁴⁵ National Trade Policy 2012-2016, page 9.

⁴⁶ This includes: cattle, sheep, goats, pigs, poultry, farmed crocodiles, farmed ostrich and donkeys.

⁴⁷ Source: Zimbabwe Agricultural Policy – Livestock Industry, Ministry of Agriculture, Mechanisation and Irrigation Development.

The livestock sector currently faces several challenges, namely: declining quality in the beef herd; declining numbers in the dairy herd; loss of pedigree breeders; reduced animal productivity; insufficient resources for controlling animal diseases; high cost of inputs; inadequate marketing infrastructure; insufficient funding; natural disasters, such as recurrent droughts; and the need to meet international sanitary and other technical standards. Many of these challenges are addressed by the strategy, particularly with regard to the need of improving animal husbandry practices and extension services, reducing costs of inputs, reorganizing the marketing system and providing financial support (see Table 12 below). The strategy objectives target all value chain stakeholders to ensure increased smallholder participation in marketing of livestock and livestock products.

Table 13 - Zimbabwe Agricultural Policy for the livestock sector and linkages with Strategy's objectives

AGRICULTURAL POLICY – LIVESTOCK OBJECTIVES	Contribution to Agricultural Policy – Livestock per Strategy's Objectives				
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5
Establish livestock development finance schemes to encourage livestock commercialization		✓			
Provide technical services to farmers to improve production and productivity				✓	✓
Establish a functional emergency preparedness system to deal with livestock emergencies	✓				✓
Improve and support sound livestock breeding practices				✓	
Improve quality and safety of livestock products to meet national and international standards	✓				✓
Improve marketing of all classes of livestock and livestock products			✓		✓
Promote research into appropriate livestock technologies			✓		
Support the establishment and strengthening of institutional arrangements to coordinate livestock industry	✓				
Promote investment in provinces and districts to ensure fully functional veterinary infrastructure that meets the needs of the livestock producers as well as livestock traders		✓			

5. COMESA regional strategy for the leather value chain

The COMESA Secretariat is supporting its Member States to design and implement strategies to coordinate the financing and delivery of a cohesive set of market-led prioritized development activities across the region. Such strategies seek to reinvigorate those productive sectors from which most of the people in the region derive their livelihoods. As a result of this initiative, a COMESA leather value chain has been elaborated. It represents the outcome of various regional consultative roundtable meetings on the leather sector.

The COMESA leather strategy aims to transform the regional leather value chain from manufacture and export of raw materials towards the production and export of value added products. This will result in a 5% increase in intra-regional trade of leather products and in a 15% increase in employment creation. The strategy identifies four main objectives on the basis of the

main issues raised by value chain stakeholders: 1) to improve access to finance; 2) the creation of enabling policies, legal environment and a strengthened institutional framework; 3) to improve overall quality of leather and derived products ; and 4) to improve information and marketing for the value chain.

Within this regional framework, the COMESA Core Team selected Zimbabwe to support the development of its national value chain, in an effort to contribute to the development of the regional value chain. The objectives contained in the Zimbabwe leather strategy are fully aligned to the regional objectives. Both strategies pursue the same goal: increase sector’s contribution to GDP and employment creation.

Table 14 – Linkages between Zimbabwe national leather strategy and COMESA regional leather strategy

COMESA STRATEGY OBJECTIVES	Alignment to COMESA as per strategy’s objectives				
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5
Improve access to finance		✓			
Create enabling policies, legal environment and strengthen institutional framework	✓				
Improvement of overall quality				✓	✓
Improve information and marketing			✓		

ANNEXES

Annex 1: Terms of Reference of Zimbabwe Core Team

Background

Within the context of the sub-regional integration in Africa, COMESA is implementing a Canadian International Development Agency (CIDA) funded project, Programme for Building African Capacity (PACT II), in partnership with the International Trade Center (ITC).

One of the purposes of the programme is to strengthen the support capacity of relevant regional and national institutions to enhance the export competitiveness, market linkages and trade performance of the African Small and Medium-Scale Enterprises (SMEs) in high potential sectors.

One of the priority development components stemmed from the outcome of the strategy development and supply chain analysis conducted during the COMESA Leather Sector Round Table Meeting in Addis Ababa, Ethiopia in August 2007, in collaboration with the COMESA Secretariat and COMESA/LLPI.

The regional initiative which is aimed at strengthening the leather sector is being cascaded downwards as a mechanism of generating tangible results at enterprise level. It is within this vein that national consultation workshops have been held in few selected COMESA countries, which included Zimbabwe.

Further to a national consultative workshop which was held in Harare in 2010, where stakeholders identified a number of factors, which are constraining the performance of the leather sector in Zimbabwe, the Zimbabwean Government went on to request COMESA and ITC to facilitate the formulation of a national leather strategy in consultation with stakeholders. This was followed by a National Planning meeting which was held in Harare on 18 August 2011. At this meeting Stakeholders went on to appoint a National Core Team, whose main mandate would be drive the formulation of the national strategy

I. Objectives

- i. To ensure that interests of Zimbabwe leather sector stakeholders are represented in the strategy design, policy alignment, planning and strategy implementation.
- ii. To act as a consultative and advisory body to the Ministry of Industry and Commerce and other national stakeholders.

II. Mandate of the National Core Team

Lead the strategy formulation process:

- i. Consulting national stakeholders and interacting with high level authorities as a mechanism of getting the buy-in of stakeholders and Government;
- ii. Ensure that the final strategy document takes into cognizance the interests of all value chain stakeholders, as a mechanism of promoting sustainability;
- iii. Communicate, validate and disseminate strategy priorities and monitor implementation progress at national level and promote cross fertilization of success models;
- iv. Provide regular feedback to COMESA Secretariat and ITC through the line Ministry about the technical support required by the Core Team to perform its mandate;
- v. Finalizing the implementation plan, based on the feasibility analysis;
- vi. Conducting targeting focus group meetings;

- vii. Organize the national workshop to validate the strategy;
- viii. Promote awareness of the leather sector;
- ix. Drive the implementation process.

III. Composition and Governance of the Core Team

The Core Team is made up of 10 members drawn from the public and private organisations.

The Core Team members term of office will be renewed every two years by the Ministry of Industry and Commerce in consultation with stakeholders of the leather sector.

The Core Team shall elect a Chairperson,⁴⁸ Vice Chairperson,⁴⁹ and Secretary with a two year term of office, but may be re-elected to serve for a further one year depending upon the strategy development, implementation and monitoring progress.

The Core Team has the delegated authority to replace one or more existing members if they can no longer perform their function or are not fully committed.

The Core Team shall prepare its annual work plan in consultation with the Ministry of Industry and Commerce.

The Core Team shall meet in ordinary session once every two months. In addition, an extraordinary session may be convened when required.

IV. Support to the Core Team

The Ministry of Industry and Commerce has the ownership of the strategy, through the Core Team, and is responsible for the following:

- i. Provide overall administrative support and consult with the Core Team on technical and all organisational matters related to the leather sector activities.
- ii. Ensure high level visibility and commitment to the work of the Core Team.
- iii. Mobilise and secure resources for strategy implementation and Core Team operational purposes.

⁴⁸ Must be drawn from the Private Sector.

⁴⁹ Must be drawn from the Public Sector.

V. The Core Team Members

NAME	ORGANIZATION	POSITION	E MAIL	PHONE
Mr. Sam MILLER	Imponente Tanning	Managing Director	sammi@superior.co.zw	+263 (0)772 276457
Mrs. Thandi HENSON	AWIDE	Regional Coordinator	thandi.henson@yoafrica.com	+263 (0)772 552376
Mr. Joseph Ndlela/ Mr. Luis PINTO	Bata	Tannery Manager/ Managing Director	bataharare@africaonline.co.zw Luis.pinto@bata.com	+263 54 223391/7 +263 (0)712 283228
Mr. Howard SITHOLE	Infrastructure Development Bank of Zimbabwe (IDBZ)	Economist	hsithole@idbz.co.zw	+263 (0)773 591345
Mr. Clement SHOKO	Tricastol Enterprises	Director	shokoclement@gmail.com	+263 (0)772 470484
Mr. Stanslaus Daison MANGOMA	Ministry of Industry and Commerce	Director	sdmangoma@yahoo.com	+263 4 790786
Mr. Nelson KUHUDZAI	ZimTrade	Market Advisor Operations	nkuhudzai@zimtrade.co.zw	+263 (0)772 374890
Mr. Bev JACK	Leather and Allied Industries Federation of Zimbabwe (LAIFEZ)	Consultant	bevjoy@zol.co.zw	+263 (0)772 254873
Mr. Nicoh MPOFU	Wetblue Industries	General Manager	wetblue@mweb.co.zw	+263 (0)712 262495
Mr. Colleen KABUDURA Ms. Agnes Praise MUGOVA	Ministry of Agriculture, Mechanisation and Irrigation Development	Agricultural Economist	kckabudura@yahoo.com agnesmugova@gmail.com	+263 (0)772 743785
Mrs. Memory MADONDO	Ministry of Finance	Officer	m_tadzw@yahoo.com	

Annex 2: Existing development projects related to the leather sector in Zimbabwe

This annex contains information of ongoing, completed or planned development projects and activities in Zimbabwe that directly or indirectly affect the leather value chain. Most of the projects relate to food security and poverty reduction targeting vulnerable households in several rural districts across the country. Such projects, by aiming at, for instance, increasing livestock and promoting market linkages or training farmers on production and marketing, have a positive impact on the leather value chain. They help improve quantity and quality of cattle available – and consequently hides and skins - and create new business opportunities for farmers. Therefore, they are coherent with the strategy’s objectives and contribute to their implementation.

Development projects and activities contributing to Objective 1: “Strengthen Value Chain Networking, Coordination and Policy Advocacy”

Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
DAI	AGRICULTURAL COMPETITIVENESS PROJECT (ACP) October 1 2010 – February 2015	USAID	<ul style="list-style-type: none"> Supporting and strengthening representative farmers unions, commodity associations and agribusiness associations and assisting them to develop their analytical and advocacy capacity, with the ultimate goal of improving the enabling agri-business environment for Zimbabwean farmers, agribusiness and foreign investors. Increasing the efficiencies in agricultural markets, developing and applying improved technologies and enhancing the capacity of institutions that support agricultural markets. Enhancing the capacity of business service providers to deliver demand-driven trainings and technical assistance at a firm and farmer level. 	Farmers
Contact Information		Budget		
Joe Burke, Chief of Party <i>joseph_burke@dai.com</i>		Approximately US\$15 million		

Development projects and activities contributing to Objective 3: “Market Intelligence and Promotion of the Value Chain”

Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
Oxfam (through partners)	PROTRACTED RELIEF PROGRAMME PHASE II (PRP II): FOOD SECURITY AND SUSTAINABLE LIVELIHOODS PROGRAMME	GRM	<ul style="list-style-type: none"> Livestock fairs for 2000 households Market linkages for 600 households 	Farmers
	Duration : 12 Months	Budget		
Contact Information		£256,250.00- (for livestock fairs only)		
Destelia Ngwenya 28 Josiah Tongogara Ave Milton Park, Harare <i>dngwenya@oxfam.org.uk</i>				
Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
Practical Action	IMPROVING THE MARKETING AND PRODUCTIVITY OF SMALLHOLDER CATTLE IN SOUTHERN AFRICA	Common Fund For Commodities (CFC)	Quantitative value chain analysis of the beef sector, focusing on : - current domestic market for a variety of cattle product and current extent of participation of smallholders; - application of the Product Value Chain Analysis Framework to map out and critically assess current state of organization and collaboration of smallholder cattle farmers and value-adding market intermediaries for effective delivery of cattle products to respective markets; - identification of main actors engaged in the flow of cattle products and related services to final consumers, their current value adding activity (including costs, capacity and value share), critical capacity and institutional constraint and opportunities for selected cattle product lines, identified constraints and opportunities and practical strategies VC development to enhance market share and competitive advantage of smallholder cattle farmers.	Farmers
Contact Information	October 2005 – September 2006	-		

Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
Practical Action	IMPROVING LIVELIHOODS OF MARGINALISED SMALL LIVESTOCK FARMERS IN GURUVE DISTRICT October 2004 – April 2006	CIDA	Improve incomes for farmers by facilitating a positive transformation of the market. Through a participatory approach, identify what blockages were hindering the development of a competitive, fair and effective market before facilitating new approaches to addressing those obstacles in a way that would benefit all.	Farmers
Contact Information		Budget -		

Development projects and activities contributing to Objective 4: “Improve quality and Collection of Hides and Skins”

Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
Practical Action	PREPARATION OF LIVESTOCK DEVELOPMENT PROJECTS TO KICK-START THE REJUVENATION OF THE LIVESTOCK SECTOR IN ZIMBABWE March - June 2008	FAO Zimbabwe	Food security and poverty reduction for rural and peri-urban households in designated areas of Zimbabwe by increasing animal productivity and enhancing the income generating capacity of 5,425 households through improved production and marketing of livestock and livestock products. The project offered options in dairying, small ruminants and micro stock production and marketing to cater for the different poverty levels and production capacity status for the participating households and communities.	Farmers
Contact Information		Budget -		
Practical Action	ENHANCING FOOD AND LIVELIHOODS SECURITY OF VULNERABLE COMMUNITIES IN DROUGHT-PRONE AREAS OF ZIMBABWE 2006-2009	European Commission (EC)	Enhance food and livelihood security of vulnerable communities in drought prone areas of Zimbabwe through: <ul style="list-style-type: none"> - Small livestock production; - Sustainable food production and agricultural innovation; - Natural resource management and opportunities for value addition; - HIV and AIDS and gender mainstreaming; - Community based approaches and extension systems; - Documentation and policy influencing. 	Farmers
Contact Information		Budget -		
Implementing	Name and	Financing Organization	Main activities	Target

agencies	length of the project			VC segment
Land O'Lakes	REBUILDING LIVELIHOODS AND RESILIENCY IN ZIMBABWE	USAID	Increase incomes and food security of vulnerable households by assisting them to: <ul style="list-style-type: none"> • increase smallholder meat, milk and production; • rebuild goat and dairy cattle herds, and • pilot test the use of donkeys for animal traction, with the aim of building profitable livestock and dairy business and stimulating market linkages between value chains. 	Farmers
	January 2010 – April 2014	Budget		
Contact Information		Approximately US\$5 million		
David Harvey, Chief of Party <i>david.harvey@i</i> <i>dd.landolakes.c</i> <i>om</i>				

Development projects and activities contributing to Objective 5: “Improve Value Addition and Output through Technical Training and Establishment of Clusters”

Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
Practical Action	ENHANCING FOOD AND LIVELIHOODS SECURITY OF SMALLHOLDER RURAL FARMING HOUSEHOLDS IN DROUGHT-PRONE AREAS OF ZIMBABWE	DFID – GRM International	Enhance food & nutrition security of 8100 poor, labour endowed households in Matebeleland South through improved crop and livestock (goats and indigenous chickens) production training and marketing systems. Support to extensionists with veterinary kits, enabling them to deal with local disease outbreaks and other common animal conditions	Farmers
Contact Information		Budget		
		-		
	September 2011-March 2013			
Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
GOAL, Agritex, Ministry of Health	MAKONI FOOD AND LIVELIHOOD SECURITY PROJECT (PRP) September 2011-August 2012		Improve food security, nutrition and livelihood options of poor and vulnerable communities in Makoni District. <ul style="list-style-type: none"> • Conduct surveys (Baseline, post planting, pre and post-harvest; value chain analysis and project reviews); • Conduct trainings and facilitate workshops for Goal and Agritex staff, lead farmers and PHHE communities; • Promote internal savings and loans; • Establish and Support 39 Village Health Clubs; • Support the District Agriculture and Natural Resources Subcommittee. 	Farmers (6,500 households)
Contact Information		Budget		
Joseph Kamuzhanje 3 Lezard Ave, Milton Park, Harare <i>jkamuzhanje@zw.goal.ie</i>		£413,000		
Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
GOAL, Agritex, Ministry of Health	FOOD SECURITY SUPPORT PROJECT (OFDA) September 2011-August 2012		To improve food security among poor household in Manicaland and Mashonaland West provinces. <ul style="list-style-type: none"> • Conduct assessments (market, post planting, pre and post – harvest); • Conduct trainings for communities and farmers communities in reducing post-harvest losses and participatory market development systems; • Conduct learning visit to Zambia; • Support District Agriculture and Natural Resources Subcommittee; 	Farmers (12,000 farmers)
Contact Information		Budget		
Joseph Kamuzhanje 3 Lezard Ave,		US\$785,360		

Milton Park, Harare <i>jkamuzhanje@zw.goal.ie</i>			<ul style="list-style-type: none"> Procurement and distribution of CF tools. 	
Implementing agencies	Name and length of the project	Financing Organization	Main activities	Target VC segment
International Labour Organization (ILO)	Skills for Youth Employment and Rural Development	DANIDA	Skilling the youth in various economic opportunities through value chains and capacitate for wage and self employment through provision of micro finance	Youth
Contact Information	2010-2014	Budget		
Tapera Muzira <i>muzira@ilo.org</i> Blessing Gwengwe <i>gwengwe@ilo.org</i>				

Annex 3: Leather Production Data

Table 15 below provides information of all quantities moved in the bovine leather value chain for the year 2011. The information used to complete this table comes from official 2011 statistics provided by the Government (i.e. Ministry of Agriculture, Ministry of Industry and Commerce, ZIMRA and ZimTrade) and was adapted and corrected by industry representatives and the Core Team.

Table 15 – Mass Balance Analysis, 2011

MASS BALANCE ANALYSIS OF BOVINE LEATHER VALUE CHAIN IN ZIMBABWE						
						2011
1	Zimbabwe herd	Unit				Quantity per year
	Size of cattle herd	(heads)				5,156,753
	Local animals slaughtered	(heads)	5%			270,000
	Imported cattle	(heads)				29,000
	Unaccounted/informal sector	(heads)				89,000
	Total					388,000
2	Slaughtering					
	CSC abattoirs (3)	(heads)	10%			38,000
	Private abattoirs (25)	(heads)	58%			225,000
	Slaughter slabs (>250)	(heads)	33%			128,000
	Total animals slaughtered	(heads)	100%			388,000
3	Hide collection					
	Total hides collected	(pcs)	100%			388,000
	Hide losses	(pcs)	6%			25,000
	Hides exported (salted)	(pcs)	63%			229,000
	Hides for tanning coming from 2011 kills	(pcs)	37%			134,000
	Hides tanned (stocked from previous years)	(pcs)				60,000
	Total hides tanned in 2011	(pcs)				194,000
4	Tanning (9 tanneries)		100%			194,000
	Total Wet blue for export	(hides)	36%			70,000
	Wet blue for upper/shoes	(hides)	45%			88,000
	Total Finished leather other purposes	(hides)	19%			36,000
	Finished leather exported	(hides)	0%			-
	Local Upper leather for shoes	(hides)	45%			88,000
4.5	Finished Leather Imported	(hides)			4%	7,500
	TOTAL Upper leather for shoes	(hides)				95,500
5	Shoe manufacturing					
	Shoes produced with LOCAL leather	(pair)	sqft per pair	2.32	0.216	986,207
		(pair)	Gweru + Bulawayo		89%	875,000
		(pair)	Harare		11%	111,207
	Shoes produced locally (imported leather)	(pair)				26,000
	Total shoes produced locally (imp + local)					1,012,207
		(pair)	sold to Institutions (Police, Army)		6%	60,000
		(pair)	to retailers		78%	790,207
		(pair)	exported		16%	162,000
	Shoes for local market					1,012,207
6	Shoes imported	(pair)	flea market			10,000
		(pair)	retail market			240,000
	Total					250,000
7	Shoe retail sales	(pair)	flea market			10,000
		(pair)	retail market			1,252,207
	Leather shoes sold	(pair)			21%	1,262,207
	Other shoes sold (synthetic)	(pair)			79%	4,737,793
	Total shoes sold	(pair)			100%	6,000,000

In Zimbabwe the grading system has different specific weight classes. These are illustrated in the table below.

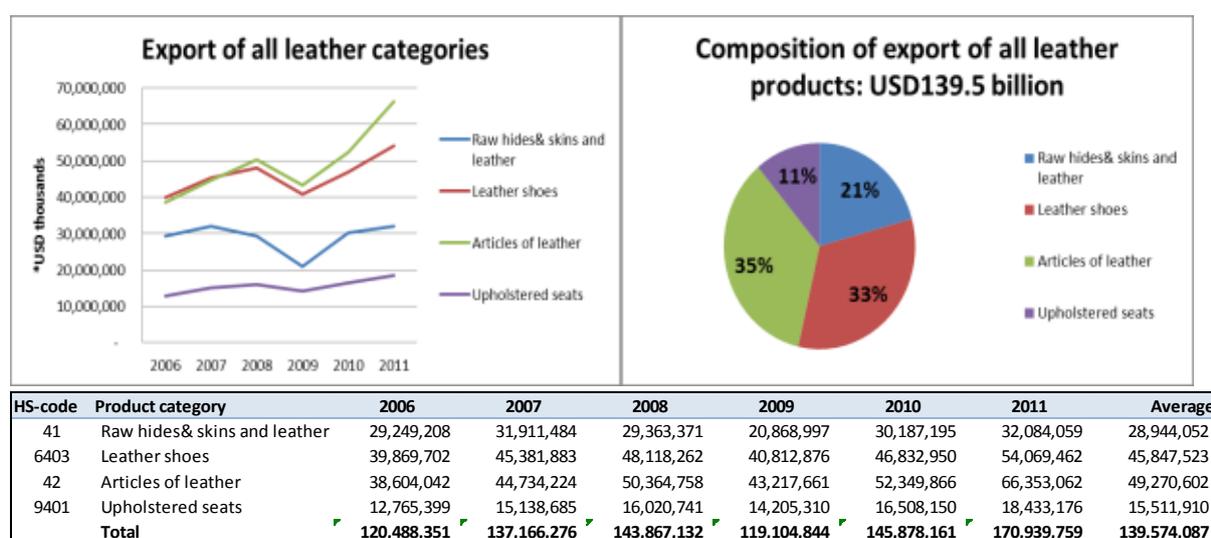
Table 16 – Hides and skins grading system

GRADING OF RAW HIDES AND SKINS	
Raw hides - Grade 1	<ul style="list-style-type: none"> • 1 brand mark • 1-2 scratches • very smooth grain all over
Raw hides - Grade 2	<ul style="list-style-type: none"> • 2 brand marks outside working area • 3-4 scratches
Raw hides - Grade 3	<ul style="list-style-type: none"> • 3 brand marks • few scratches on the centre or outside working area
Raw hides - Grade 4	<ul style="list-style-type: none"> • 4 brand marks outside • Some scratches on the working area (not too deep) • 2-3 holes on either side of the belly • Loose grain on a small area (bellies) • Some tick bites but not too many
Raw hides - Grade 5	<ul style="list-style-type: none"> • 6 brand marks some on the working area while some outside working area • Loose grain covering 10% • 3 holes but not very big • Some tick bites
Rejects	<ul style="list-style-type: none"> • Too many brand marks • Too many holes • Grain damage all over • Too many deep scratches • Lumpy skin disease • Lots of tick bites • Area usage less than 30%

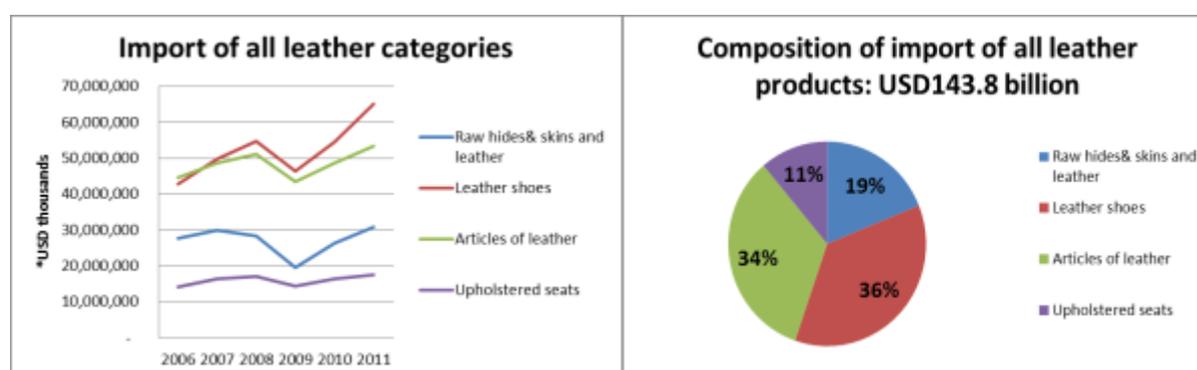
Annex 4: Leather trade statistics and target markets

1. International leather trade

The average export value of leather and leather products between 2006 and 2011 was US\$139.5 billion. After the 2008-2009 crisis, international exports rose to US\$170.9 billion in 2011. About 35% of total trade consisted of articles of leather (HS 42); followed by leather shoes (HS 6403) (33%); raw hides and skins and leather (HS 41) (21%); and leather for upholstered seats (HS 940161 and 940171) (9%). The figures include all types of leather: bovine, sheep, pig, goat, and exotic leathers from crocodile, ostrich, elephant, hippo and the like.⁵⁰



On the import side, the average value of leather and leather products between 2006 and 2011 was US\$143.8 billion. Leather shoes accounted for the largest imported category (36%), followed by articles of leather (34%), raw hides and skins and leather (19%) and leather for upholstered chairs (11%). Export and import trends are almost identical at world level. The difference in value is mainly due to two reasons: 1) the Free On Board (FOB) value, which is used for exports, is lower than the Cost & Freight (C&F) value, which is used for imports; and 2) the difference in transit time (e.g. goods exported in November are imported in March the following year).

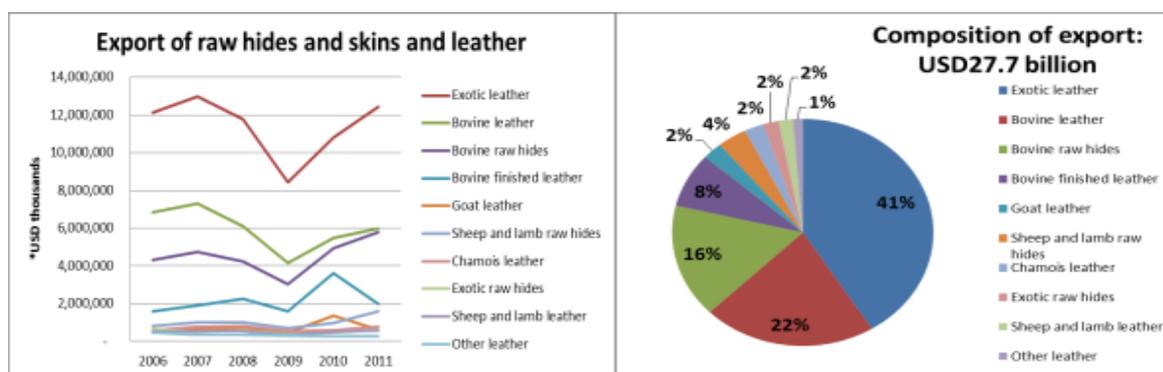


⁵⁰ Statistics used in this section were sourced from the ITC Trade Map database, <http://www.trademap.org>

HS-code	Product category	2006	2007	2008	2009	2010	2011	Average
41	Raw hides& skins and leather	27,810,603	29,943,690	28,345,493	19,676,759	26,361,939	30,933,286	27,178,628
6403	Leather shoes	42,936,047	49,912,555	54,865,452	46,505,607	54,515,576	65,252,979	52,331,369
42	Articles of leather	44,739,276	48,670,670	51,298,523	43,495,395	48,620,313	53,392,631	48,369,468
9401	Upholstered seats	14,168,525	16,529,696	17,014,672	14,324,941	16,533,982	17,523,509	16,015,888
	Total	129,654,451	145,056,611	151,524,140	124,002,702	146,031,810	167,102,405	143,895,353

Raw hides and skins and leather

On average, the value of exported raw hides and skins and leather (HS 41) between 2006 and 2011 was US\$27.7 billion. After the 2008-2009 crisis, exports rose again reaching US\$30.6 billion in 2011. The biggest contribution in terms of value was generated by exotic leather (HS 4107), which in 2011 reached US\$12.4 billion. On the contrary, bovine leather accounted for 22% of total export and was valued at US\$5.9 billion.

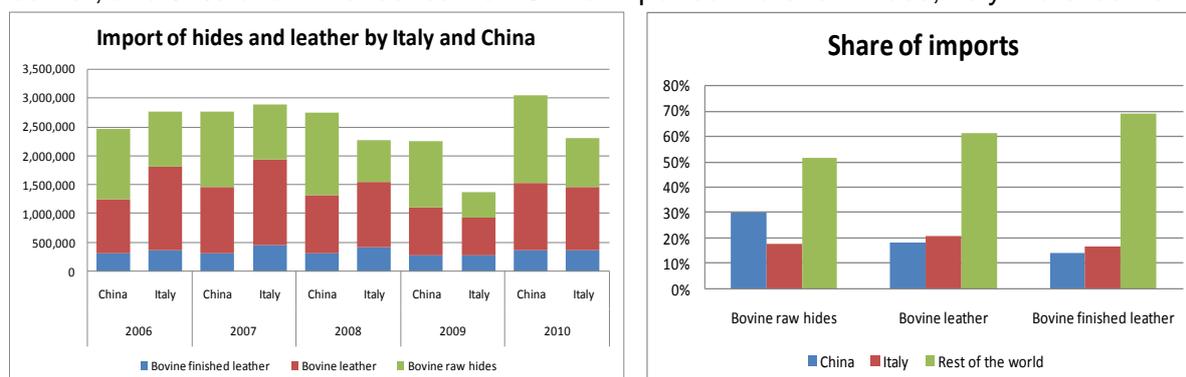


Product	2006	2007	2008	2009	2010	2011	Average
Exotic leather	12,124,185	12,977,581	11,752,895	8,446,048	10,786,528	12,415,015	11,417,042
Bovine leather	6,841,818	7,281,725	6,097,959	4,136,010	5,480,813	5,968,053	5,967,730
Bovine raw hides	4,301,557	4,731,778	4,213,218	3,006,550	4,940,521	5,801,193	4,499,136
Bovine finished leather	1,600,803	1,878,812	2,258,519	1,571,530	3,616,588	1,993,178	2,153,238
Goat leather	450,299	639,271	641,314	449,348	1,341,076	628,231	691,590
Sheep and lamb raw hides	818,672	1,007,033	1,006,798	689,021	948,471	1,576,890	1,007,814
Chamois leather	566,591	781,159	800,252	556,115	574,753	756,546	672,569
Exotic raw hides	653,547	515,081	558,497	373,582	446,026	623,762	528,416
Sheep and lamb leather	496,154	544,751	521,154	353,315	513,010	572,639	500,171
Other leather	447,163	358,701	345,070	304,162	254,078	278,863	331,340
Total	28,302,560	30,717,865	28,197,318	19,886,745	28,903,350	30,614,370	27,770,652

The ten largest exporters of raw hides and skins and leather are listed in the table below (by exported value). In 2011, Zimbabwe ranked 72nd among global exporters.

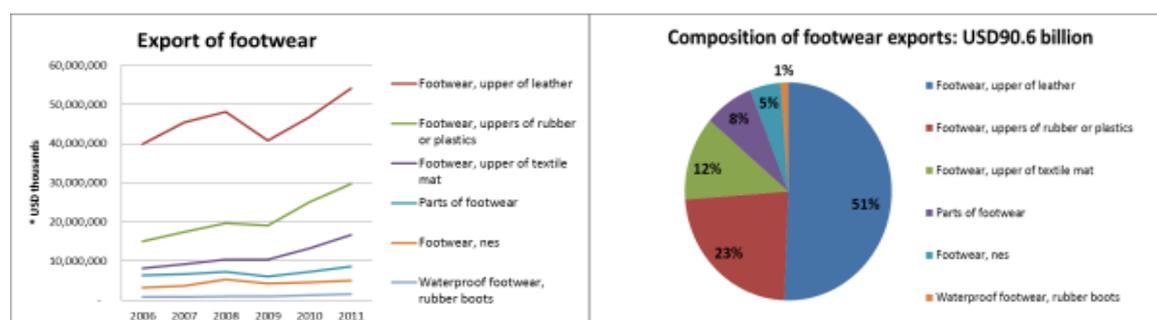
Rank	Exporters	2006	2007	2008	2009	2010	2011
1	Italy	4,855,592	5,436,028	5,080,257	3,861,293	4,631,449	5,361,757
2	United States	2,875,167	3,064,781	2,710,842	1,863,363	2,905,178	3,326,049
3	Hong Kong, China	3,219,853	29,468,89	2,330,285	1,770,915	2,300,335	2,550,614
4	Brazil	1,878,352	2,193,931	1,880,173	1,160,770	1,742,435	2,045,753
5	Germany	1,135,539	1,315,786	1,326,085	862,465	1,168,548	1,416,707
6	India	722,999	805,164	845,668	56,2082	789,832	1,176,391
7	Australia	805,307	914,383	868,221	599,207	889,757	1,133,850
8	Spain	669,060	721,273	781,451	591,480	753,118	983,297
9	France	687,349	775,369	685,245	502,693	712,619	903,402
10	Argentina	886,213	969,481	897,343	662,843	1,001,060	892,515
72	Zimbabwe	11,458	11,864	10,076	10,997	20,329	30,022

On the import side, China and Italy are by far the largest importers of all three bovine categories. Together they imported 48% of all raw hides, 39% of all wet blue and crust leather, and 31% of all finished leather. China imported more raw hides, Italy more leather.



Footwear and leather shoes

The average value of footwear (HS 64) export between 2006 and 2011 was US\$90.6 billion. After the decline in 2009, shoe exports rose again in 2011 reaching US\$115.5 billion. More than half of total exports concerned leather shoes (HS 6403), whose value amounted to US\$54 billion in 2011.



Product	2006	2007	2008	2009	2010	2011	Average
Footwear, upper of leather	39,869,702	45,381,883	48,118,262	40,812,876	46,832,950	54,069,462	45,847,523
Footwear, uppers of rubber or plastics	15,056,781	17,465,857	19,714,041	19,144,763	25,111,330	29,635,048	21,021,303
Footwear, upper of textile mat	8,120,980	9,154,618	10,399,832	10,345,927	13,218,773	16,676,724	11,319,476
Parts of footwear	6,280,580	6,577,471	7,252,583	6,014,707	7,201,926	8,538,578	6,977,641
Footwear, nes	3,240,453	3,704,128	5,283,582	4,318,692	4,595,478	5,059,284	4,366,936
Waterproof footwear, rubber boots	778,167	887,573	987,236	955,876	1,319,256	1,539,309	1,077,903
Total	73,346,663	83,171,530	91,755,536	81,592,841	98,279,713	115,518,405	90,610,781

The five largest exporting countries of leather shoes were China, Italy, Vietnam, Hong Kong China and Germany. In 2011, Zimbabwe ranked 88th among world exporters of leather shoes (see table below). The largest importing country was the United States (US) with 361,000 tons (about 450 million pairs), followed by Italy (142,000 tons), UK (132,000 tons), Germany (121,000 tons), Russia (104,000 tons) and France (102,000 tons).

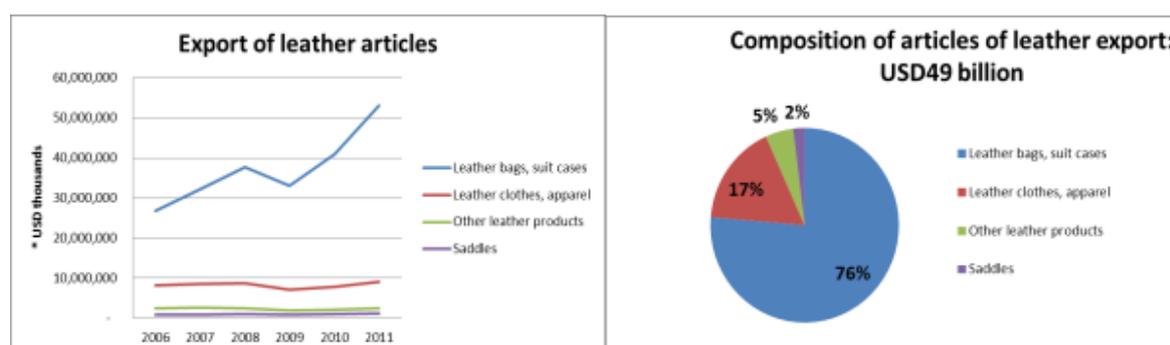
Rank	Exporters	2006	2007	2008	2009	2010	2011
1	China	8,697,711	9,437,837	9,731,536	8,305,873	10,369,415	10,854,124
2	Italy	6,895,967	8,111,718	8,538,593	6,803,703	7,122,071	8,413,359
3	Viet Nam	1,266,839	1,951,652	2,332,047	2,054,094	3,514,052	3,828,050
4	Hong Kong, China	3,753,259	3,731,803	3,911,829	3,062,310	3,664,035	3,751,876
5	Germany	1,873,415	2,186,064	2,495,671	2,089,453	2,079,815	2,550,797

6	Indonesia	1,144,826	1,150,492	1,321,829	1,167,412	1,685,142	2,198,646
7	Belgium	1,428,927	1,826,797	1,974,285	1,787,312	1,848,284	2,049,244
8	India	866,409	1,044,946	1,221,363	1,179,326	1,341,309	2,012,643
9	Portugal	1,294,981	1,494,180	1,573,856	1,359,385	1,507,615	1,822,544
10	Spain	1,634,869	1,788,420	1,862,537	1,684,397	1,556,275	1,792,708
88	Zimbabwe	3,704	2,004	884	254	1,301	1,333

Articles of leather

The average value of exported leather articles (HS 42) between 2006 and 2011 was US\$49 billion. After the decline in 2009, exports rose again in 2011 reaching US\$65.8 billion. About 76% of all exports concerned HS 4202 “Trunks, suit-cases camera cases, handbags etc., of leather, plastic, textile, etc.”.

By far the largest exporter is China, with 40.5% market share (US\$26.8 billion), followed by Hong Kong, China (US\$6.9 billion), Italy (US\$6.8 billion), and France (US\$6.2 billion). Zimbabwe was the 108th largest exporter in 2011 (see table below). The US and Hong Kong, China were the largest importers, with a share of respectively 18% and 9.5% of total imports, followed by Japan (8.8%), Germany (6.3%), and France (6.1%).

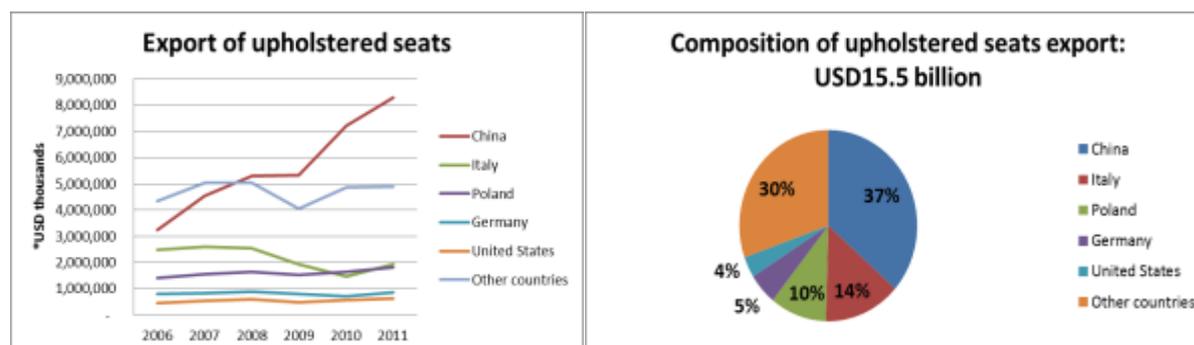


Leather article	2006	2007	2008	2009	2010	2011	Average
Leather bags, suit cases	26,806,195	32,185,498	37,680,728	33,050,829	40,915,188	53,186,633	37,304,179
Leather clothes, apparel	8,218,134	8,630,829	8,790,091	7,088,386	7,791,062	9,037,582	8,259,347
Other leather products	2,512,992	2,607,270	2,450,419	1,853,698	2,191,192	2,406,610	2,337,030
Saddles	818,523	948,484	973,571	868,761	968,838	1,199,639	962,969
Total	38,488,052	44,421,910	49,939,006	42,901,161	51,896,561	65,830,464	48,922,726

Rank	Exporters	2006	2007	2008	2009	2010	2011
1	China	12,403,779	14,327,787	16,989,376	15,115,638	20,845,585	26,892,327
2	Hong Kong, China	5,821,837	6,210,732	6,482,484	5,463,149	6,015,987	6,904,969
3	Italy	4,203,774	5,284,769	5,736,750	4,373,436	5,033,873	6,818,456
4	France	3,628,409	4,054,379	4,633,668	4,278,317	4,867,508	6,256,370
5	India	1,222,453	1,328,002	1,622,022	1,417,471	1,446,996	2,310,278
6	Germany	1,318,507	1,683,429	1,964,826	1,719,909	1,822,013	2,148,589
7	Netherlands	505,179	937,785	1,058,717	956,222	1,127,130	1,520,978
8	Viet Nam	376,694	483,004	626,332	653,502	1,056,103	1,388,067
9	United States of America	1,150,081	1,131,856	1,224,272	1,131,887	1,209,977	1,356,600
10	Belgium	1,067,944	1,224,423	1,399,846	1,133,935	1,139,326	1,324,976
108	Zimbabwe	2,712	2,069	3,929	465	335	379

Leather furniture

Between 2006 and 2011, the average export value of leather upholstered seats and sofas (HS 940161 and 940171) was US\$15.5 billion. China was the biggest exporter, with 45% share and did not suffer from the recession: in 2011, sales were up to a record US\$8.2 billion. Italy, the second largest exporter (11% share) has recovered after the dip in 2008 and regained market share in 2011. Poland, the third largest exporter (10%) has also increased its exports. Germany (5%) and the US (3%) ranked 4th and 5th among world exporters. The US and Germany are also the largest importers, followed by France, UK and Japan.



Exporting country	2006	2007	2008	2009	2010	2011	Average
China	3,256,360	4,542,055	5,306,229	5,344,770	7,208,473	8,289,300	5,657,865
Italy	2,478,889	2,597,350	2,538,702	1,952,339	1,469,674	1,943,205	2,163,360
Poland	1,405,903	1,569,275	1,648,613	1,534,672	1,655,106	1,812,309	1,604,313
Germany	799,887	830,163	895,672	819,474	725,262	857,687	821,358
United States	473,032	541,891	590,882	484,938	565,816	630,908	547,911
Other countries	4,351,328	5,057,951	5,040,643	4,069,117	4,883,819	4,899,767	4,717,104
World	12,765,399	15,138,685	16,020,741	14,205,310	16,508,150	18,433,176	15,511,910

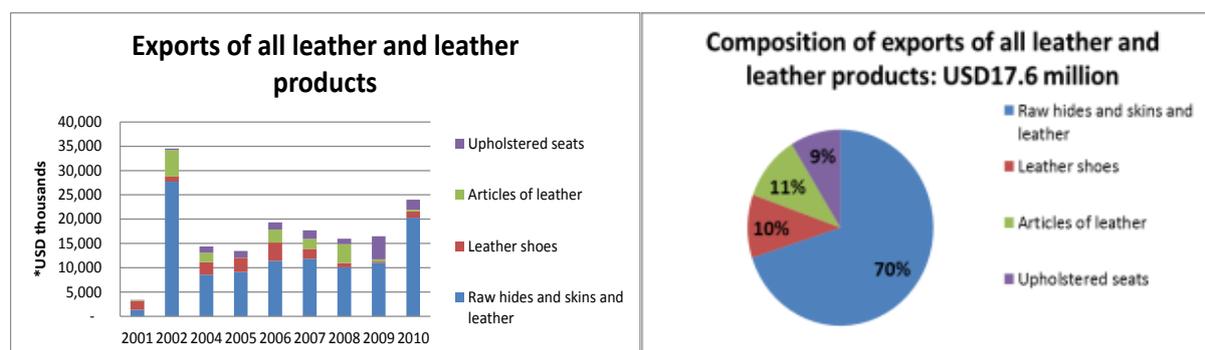
2. Zimbabwe's trade in leather and leather products

Trade statistics used in this strategy are sourced by the ITC Trade Map database as reported by Zimbabwe authorities to the UN COMTRADE. For 2011, mirror data reported by Zimbabwe's trading partners has been used, as direct data is not yet available in the ITC Trade Map database.⁵¹ Where available, this analysis has been completed with national official statistics and information provided by leather value chain stakeholders for the year 2011.

In the past decade, Zimbabwe has experienced a decline in export of leather and leather products. To show its former export position, statistics from 2001 onwards are displayed. The average export value of all leather and leather products in the period 2001-2010 was US\$17.6 million. The highest exports of the last decennium were recorded in 2002, when they reached a value of US\$34.5 million. The negative trend started in 2007; however, since 2010 exports have begun to recover driven by an increase in sale of raw hides and skins

⁵¹ It is important to note that there is a difference between the export data reported by Zimbabwe to UN COMTRADE, "direct data", and the corresponding import data reported by the country of destination, "mirror data". Mirror import data are usually higher than direct export data since they are reported on a C&F-basis, whereas direct data are reported on a FOB-basis. Usually the difference is 10%; for very low value goods, where transport costs weigh relatively high, the difference can be up to 25%. For imported articles the same thing applies: direct import data can be compared with mirror export data from that country. Direct import data are again 10% to 25% higher than the corresponding mirror data.

and leather (HS 41, all types of hides and leather). This category accounted for 70% of all Zimbabwe's exports from the sector over the period surveyed, followed by articles of leather (11%); leather shoes (10%) and leather for upholstered seats (9%).

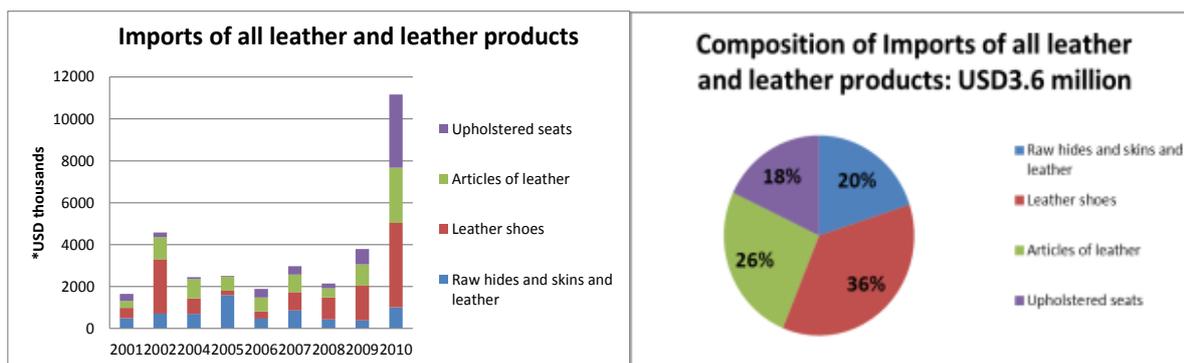


HS-code	Product category	2001	2002	2004	2005	2006	2007	2008	2009	2010	Average
41	Raw hides and skins and leather	1,330	27,723	8,560	9,120	11,458	11,864	10,076	10,997	20,329	12,384
6403	Leather shoes	1,877	1,019	2,565	2,963	3,704	2,004	884	254	1,301	1,841
42	Articles of leather	159	5,478	1,941	46	2,712	2,069	3,929	465	335	1,904
9401	Upholstered seats	3	290	1,317	1,312	1,449	1,748	1,078	4,749	2,027	1,553
	Total	3,369	34,510	14,383	13,441	19,323	17,685	15,967	16,465	23,992	17,682

Direct export data for 2011 is not yet available in the ITC Trade Map database. Therefore, mirror data for Zimbabwe's export of all leather and leather products in 2011 - based on the partners reported data - has been used in this analysis and is shown in the table below. To offer a comparison, mirror data for 2010 has also been included. Mirror data for 2011 confirms the upward trend started in 2010 as for export of raw hides and skins and leather and leather shoes, and the downward trend in the export of articles of leather and upholstered seats.

HS CODE	PRODUCT CATEGORY	2010 (direct)	2010 (mirror)	2011 (mirror)
41	Raw hides and skins and leather	20,329	26,276	30,022
6403	Leather shoes	1,301	1,155	1,333
42	Articles of leather	335	583	379
9401	Upholstered seats	2,027	1,888	1,488
	TOTAL	23,992	29,902	33,222

In 2010, Zimbabwe's imports of all leather and leather products soared and were the highest of the last decade, with a peak of US\$11.1 million. This was especially due to a large increase in imports of leather shoes that reached US\$4 million in 2010. Over the decade, leather shoes accounted for 36% of total imports, followed by articles of leather (26%), raw hides and skins and leather (20%) and leather for upholstered seats (18%).



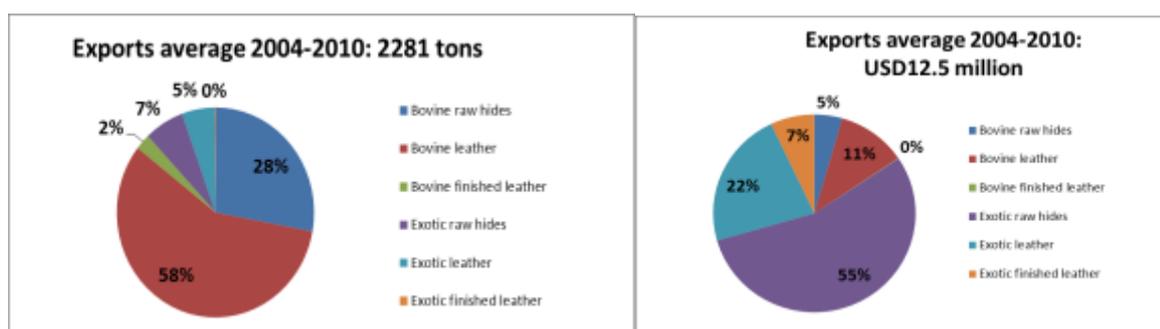
HS-code	Product category	2001	2002	2004	2005	2006	2007	2008	2009	2010	Average
41	Raw hides and skins and leather	490	706	698	1,589	464	859	428	379	1,014	736
6403	Leather shoes	497	2,596	728	212	349	875	1,054	1,660	4,024	1,333
42	Articles of leather	319	1,054	925	668	669	842	429	1,021	2,637	952
9401	Upholstered seats	345	221	94	34	404	391	235	730	3,490	660
	Total	1,651	4,577	2,445	2,503	1,886	2,967	2,146	3,790	11,165	3,681

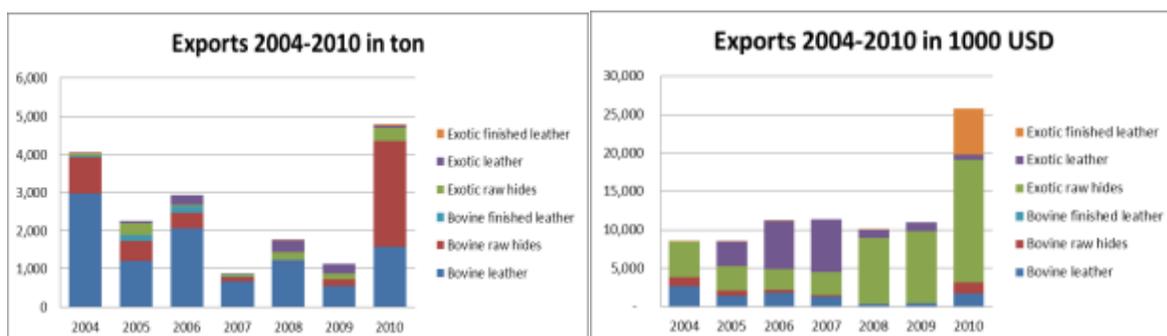
According to 2011 mirror data available in the ITC Trade Map database, imports of all leather and leather goods have increased, reaching a total value of US\$12.9 million in 2011. Leather articles accounted for 31% of total imports in 2011, followed by leather for upholstered seats (29%), leather shoes (22%) and raw hides and skins and leather (18%).

HS CODE	PRODUCT CATEGORY	2010 (direct)	2010 (mirror)	2011 (mirror)
41	Raw hides and skins and leather	1,014	1,295	2,316
6403	Leather shoes	4,024	2,759	2,814
42	Articles of leather	2,637	4,025	4,001
9401	Upholstered chairs	3,490	1,714	3,782
	TOTAL	11,165	9,793	12,913

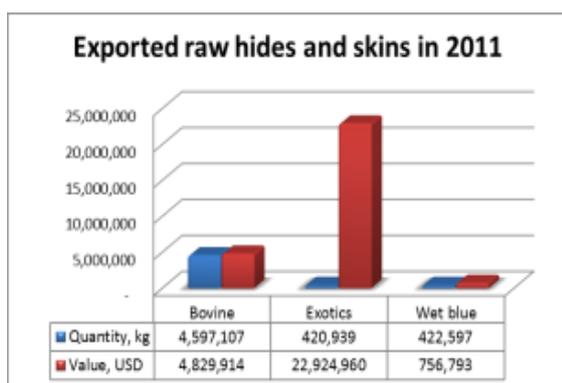
Raw hides and skins and leather

In the period 2004-2010, the average export volume of raw hides and skins and leather (HS 41) amounted to 2,281 tons, corresponding to US\$12.5 million by value. Exports of raw hides and leather fluctuated from 4,030 tons in 2004 to 874 tons in 2007. Since 2008, exports have risen again mostly due to a large increase in export of bovine wet salted hides and wet blue. Bovine hides and leather (mostly wet blue) accounted for 86% of export volume over the surveyed period, but for only 16% of value. On the contrary, exotic skins and leather (crocodile, ostrich, elephant and hippo) accounted for just 12% of export volume, but for 84% of value.





According to industry members and on the basis of the licences and export permits issued by the Ministry of Agriculture in 2011, the quantity of exported raw hides and skins was 5,441 tons. Bovine raw hides and skins accounted for 84% of total exports (229,000 hides), but for only 17% of the value (US\$4.8 million). The average price of exported bovine raw hides and skins was US\$1.05 per kg, i.e. US\$21 per hide. On the opposite, exotic raw hides and skins accounted for 8% of total exports and for 81% of value, reaching US\$22.9 million. The average price of exotic raw hides and skins was US\$54.5 per kg. In the same year, export of wet blue amounted to about 423 tons and to US\$757 thousands by value. Main markets are shown in the table below.



Main market destinations		
Bovine raw hides	Exotic raw hides	Wet Blue
South Africa	Singapore	Hong Knog
Italy	France	Italy
Hong Kong	Italy	United States
Thailand	United States	Mauritius
United States	Japan	
China	Germany	

Source: Official statistics on export licenses issued in 2011

In contrast, mirror data available in the ITC database reported that Zimbabwe's export of bovine raw hides and skins (HS 4101) in 2011 was about 2,563 tons and export of bovine leather (wet blue, HS 4104) 851 tons. As far as finished leather is concerned, no exports have been reported in 2011 by both industry players and in the ITC database (see table below).

HS CODE	PRODUCT CATEGORY	2010 (direct)	2010 (mirror)	2011 (mirror)	2011 (VC stakeholders)
4101	Raw hides and skins, bovine	2,768	2,164	2,563	5,500
4104	Bovine leather (wet blue)	1,580	1,311	851	1,428
4107	Finished leather, bovine	32	0	0	0

The tables below provides more detailed information about quantity, value and price of exported raw hides and skins and leather, as reported in the ITC Trade Map database. The average export price between 2004 and 2010 ranged from US\$ 0.80 per kg of bovine raw hides to US\$ 1 and US\$ 3.7 per kg of bovine leather (wet blue) and finished leather,

respectively. The average price of exotic raw hides was US\$41.1/kg and US\$20.3/kg for exotic leather. Exotic finished leather was sold at US\$231.1/ kg in 2010.

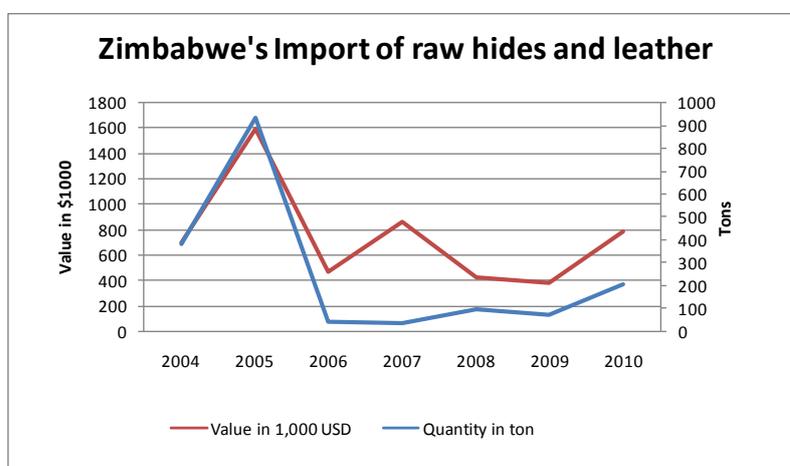
Quantity, value and price of hides and leather exports

Quantity in ton	2004	2005	2006	2007	2008	2009	2010	Average
Bovine raw hides	954	523	394	106	31	183	1260	493
Bovine leather	2974	1205	2071	671	1188	549	1289	1421
Bovine finished leather	31	157	185	31	33	0	0	62
Exotic raw hides	69	312	40	50	184	144	355	165
Exotic leather	1	62	254	16	312	251	56	136
Exotic finished leather	1	0	0	0	2	0	26	4
Grand Total	4030	2259	2944	874	1750	1127	2986	2281

Value in 1,000 USD	2004	2005	2006	2007	2008	2009	2010	Average
Bovine raw hides	1,109	700	369	188	12	58	364	400
Bovine leather	2,688	1,367	1,803	1,318	332	398	2,084	1,427
Bovine finished leather	81	612	306	499	98	5	28	233
Exotic raw hides	4,581	3,211	2,683	2,995	8,605	9,383	15,978	6,777
Exotic leather	47	3,225	6,287	6,864	1,028	1,153	739	2,763
Exotic finished leather	49	5	12	-	2	-	6,014	869
Grand Total	8,555	9,120	11,460	11,864	10,077	10,997	25,207	12,469

Price/kg	2004	2005	2006	2007	2008	2009	2010	Average
Bovine raw hides	1.2	1.3	0.9	1.8	0.4	0.3	0.3	0.8
Bovine leather	0.9	1.1	0.9	2.0	0.3	0.7	1.6	1.0
Bovine finished leather	2.6	3.9	1.7	16.1	3.0			3.7
Exotic raw hides	66.4	10.3	67.1	59.9	46.8	65.2	45.0	41.1
Exotic leather	47.0	52.0	24.8	429.0	3.3	4.6	13.2	20.3
Exotic finished leather	49.0				1.0		231.3	209.7
Average	2.1	4.0	3.9	13.6	5.8	9.8	8.4	5.5

On the import side, ITC Trade Map database reported Zimbabwe's imports of raw hides and skins and leather at an average of 254 ton over the period 2004-2010, with a value of US\$743 thousands. As shown below, there was a peak in 2010 when 931 tons were imported, corresponding to US\$1.5 million. According to value chain stakeholders, in 2011 Zimbabwe recorded no import of bovine raw hides and wet blue; however, it imported some finished leather (about 7,500 hides) which was mainly used by the shoe industry.

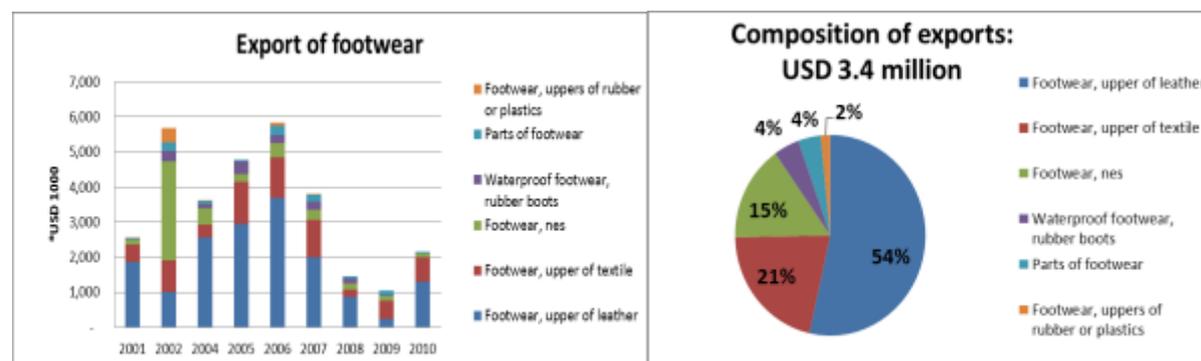


Imports	2004	2005	2006	2007	2008	2009	2010	Average
Quantity in ton	383	931	44	38	99	74	207	254
Value in 1,000 USD	697	1,589	464	858	429	380	785	743
Price in \$/kg	1.8	1.7	10.5	22.6	4.3	5.1	3.8	2.9

Footwear and leather shoes

In the period 2001-2005, exports of footwear (HS 64) averaged US\$3.4 million per year. In the last five years (2006-2010), they plummeted to an average of US\$2.8 million. From 2010, the trend is upwards again. Over half (54%) of exported footwear consisted of leather shoes (HS 6403).

According to value chain stakeholders, in 2011 Zimbabwe exported 162,000 pairs of leather shoes (16% of total local production), corresponding to US\$2.4 million (average price of US\$15 per pair). In contrast, ITC Trade Map reported a total export value of about US\$1.3 million (mirror data) in the same year. The main markets for Zimbabwe's leather shoes are found in the region: Zambia imported 75.9% of the total leather shoes exported in 2010, followed by South Africa (16.3%) and Malawi (6.7%).



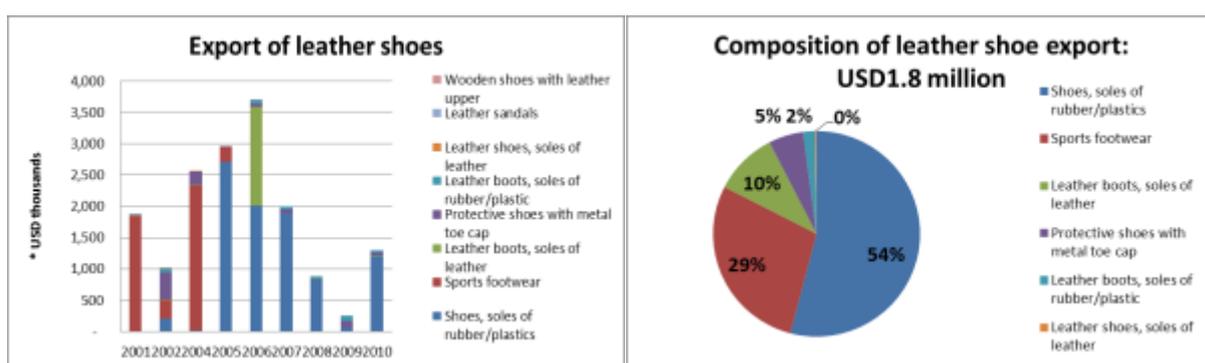
HS code	Product category	2001	2002	2004	2005	2006	2007	2008	2009	2010	Average
6403	Footwear, upper of leather	1,877	1,019	2,565	2,963	3,704	2,004	884	254	1,301	1,841
6404	Footwear, upper of textile	479	888	359	1,192	1,147	1,060	196	512	714	727
6405	Footwear, nes	135	2,818	491	224	395	300	184	140	106	533
6401	Waterproof footwear, rubber boots	10	300	100	356	240	215	120	8	1	150
6406	Parts of footwear	46	262	102	49	267	199	74	147	41	132
6402	Footwear, uppers of rubber or plastics	9	387	7	-	88	13	-	-	-	56
	Total	2,556	5,674	3,624	4,784	5,841	3,791	1,458	1,061	2,163	3,439

The value of imported footwear rose to US\$14 million in 2010. This included both shoes and parts for shoe making (heels, toes, shanks, etc.). Import of shoes only (all types of shoes) amounted to US\$10.9 million, which is equivalent to about 1,090,000 pairs (US\$10 per pair). As reported by industry members, total import of leather shoes only in 2011 was 250,000 pairs. Leather shoes were mainly sourced from South Africa (66.4% of total leather shoes imports in 2010), Zambia (22.5%) and China (8%).



HS-Code	Product category	2006	2007	2008	2009	2010	Average
6401	Waterproof footwear, rubber boots	697	1,115	1,058	1,843	1,678	1,278
6402	Footwear, uppers of rubber or plastics	377	570	612	805	2,086	890
6403	Footwear, upper of leather	349	875	1,054	1,660	4,386	1,665
6404	Footwear, upper of textile mat	185	361	27	296	1,362	446
6405	Footwear, nes	2,154	5,620	638	752	1,439	2,121
6406	Parts of footwear	999	957	790	808	3,115	1,334
	Total	4,761	9,498	4,179	6,164	14,066	7,734

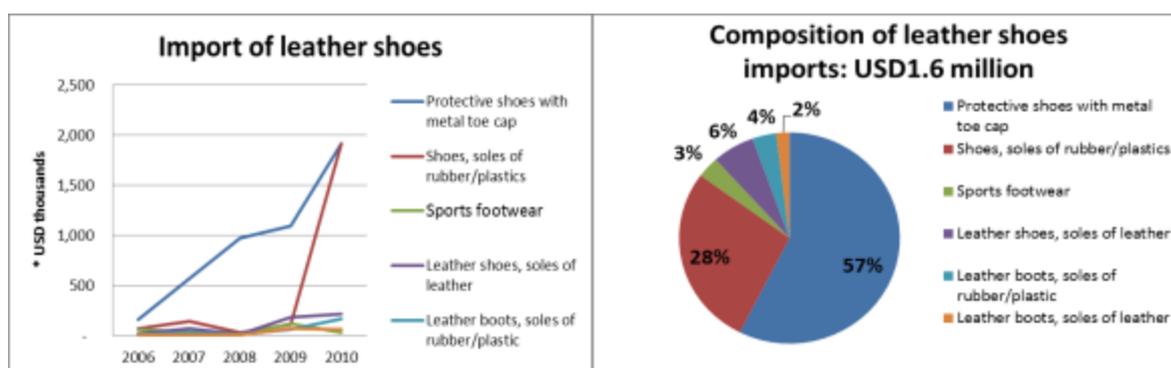
Within the segment of leather shoes (HS 6403), exports of sport footwear, which peaked US\$2.3 million in 2004, have come to a complete standstill. Also, protective shoes, which were exported until 2004, are now mostly imported. The remarkable drop in exports of sport shoes is caused by weakened competitiveness of Zimbabwe's manufacturing due to lower quality leather and higher cost of imported parts. In addition, sport shoes have become more and more technical, especially the soles with air cushions, led lights, etc. With sufficient investments, Zimbabwe could reclaim its old position, especially on the regional market, and therefore this can be seen as an export opportunity for local shoe manufacturers. A positive sign of the resilience of the Zimbabwean shoe industry is the increasing sale of common leather shoes that reached over US\$1 million in 2010. Data provided by industry members show that total leather shoes sold in Zimbabwe in 2011 reached 1,262,207 pairs and total domestic demand reached 6 million pairs of shoes.



HS Code	Product label	2001	2002	2004	2005	2006	2007	2008	2009	2010	Average
6403 99	Shoes, soles of rubber/plastics	7	203	12	2,711	2,012	1,892	850	61	1,207	995
6403 19	Sports footwear	1,838	300	2,320	241	5	1	2	3	-	523
6403 51	Leather boots, soles of leather	18	17	14	3	1,580	-	5	1	10	183
6403 40	Protective shoes with metal toe cap	2	418	213	8	45	62	2	103	44	100
6403 91	Leather boots, soles of rubber/plastic	-	59	4	-	53	49	24	84	40	35
6403 59	Leather shoes, soles of leather	10	18	2	-	4	-	-	-	-	4
6403 20	Leather sandals	3	4	-	-	1	-	-	-	-	1
6403 30	Wooden shoes with leather upper	-	-	-	-	5	-	-	-	-	1
Total		1,878	1,019	2,565	2,963	3,705	2,004	883	252	1,301	1,841

The value of imported leather shoes rose to over US\$4.0 million in 2010. Imports of leather shoes through informal channels are probably negligible, because they are too expensive to be sold on the flea market. According to industry members, leather shoes imported in 2011 amounted to 250,000 pairs, of which 240,000 were sold through retailers and 10,000 in the flea markets.

There has been a remarkable increase in the import of safety shoes: this may be explained with the expanded activity in mining and presents an import substitution opportunity for local shoe manufacturers. At present, imported shoes/boots have soles that cannot yet be manufactured in Zimbabwe. Hence investments are needed.



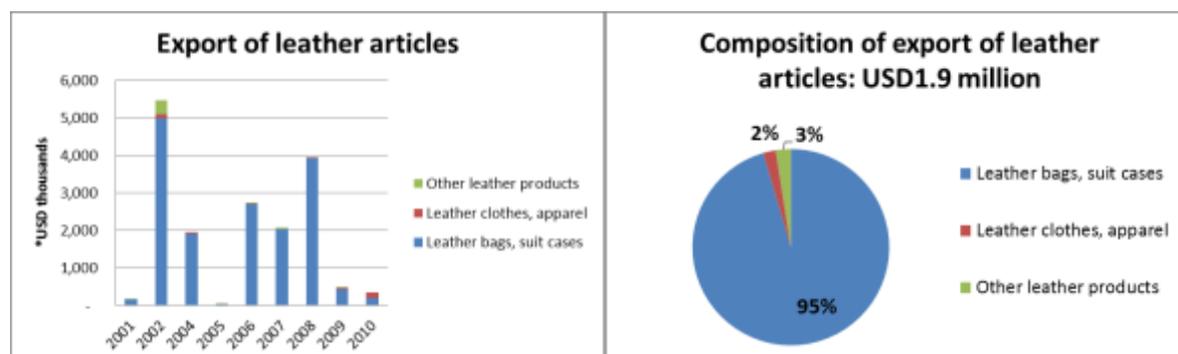
HS Code	Product category	2006	2007	2008	2009	2010	Average
6403 40	Protective shoes with metal toe cap	160	574	975	1,097	1,918	945
6403 99	Shoes, soles of rubber/plastics	68	140	32	115	1,920	455
6403 19	Sports footwear	66	40	16	118	27	53
6403 59	Leather shoes, soles of leather	24	68	17	181	220	102
6403 91	Leather boots, soles of rubber/plastic	14	33	11	62	169	58
6403 51	Leather boots, soles of leather	7	9	3	75	65	32
6403 20	Leather sandals	7	8	-	8	67	18
6403 12	Ski-boots, snow-board boots	-	2	-	3	-	1
6403 30	Wooden shoes with leather upper	2	-	-	-	-	0
Total		348	874	1,054	1,659	4,386	1,664

Articles of leather

Export of leather articles (HS 42) averaged US\$1.9 million over the period 2001-2010; however, it has experienced an erratic trend in the last decade. Leather trunks, suit-cases, camera cases, handbags etc. (HS 4202) accounted for 95% of total exports. The quality of Zimbabwean craftsmanship remains high; therefore, the revival of production of leather articles represents an export opportunity for local manufacturers. The segment requires strengthened marketing and sales contracts with overseas buyers.

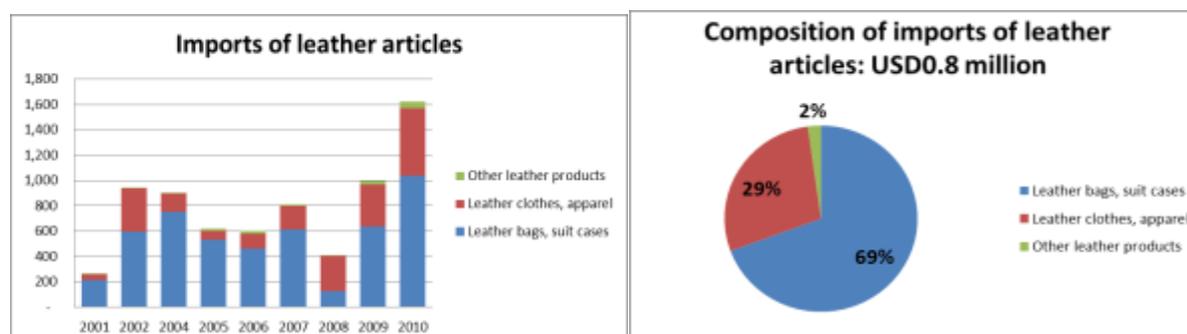
According to mirror data available in the ITC Trade Map database, export of leather articles went up to US\$379 million in 2011, of which US\$337 million is accounted by export of

leather bags and suit-cases. The main trading partners of Zimbabwean leather bags and suit cases were Zambia (51.3%), South Africa (11.8%) and Malawi (10.3%).



HS code	Product category	2001	2002	2004	2005	2006	2007	2008	2009	2010	Average
4202	Leather bags, suit cases	151	4,991	1,908	38	2,695	2,026	3,926	421	195	1,817
4203	Leather clothes, apparel	4	101	32	1	17	15	3	41	139	39
4205	Other leather products	3	382	-	6	1	29	-	2	-	47
	Total	158	5,474	1,940	45	2,713	2,070	3,929	464	334	1,903

Import of leather articles exploded in 2010, reaching over US\$1.6 million. These mainly consisted of high quality, luxury hand bags and suit cases which were imported from South Africa (42.7% of total imports), China (20.2%) and Zambia (11.8%). Import substitution (and regaining the previous export premium markets) is a clear opportunity for the sector. Mirror data for 2011 confirmed this upward trend, with reported export value of US\$2.2 million.

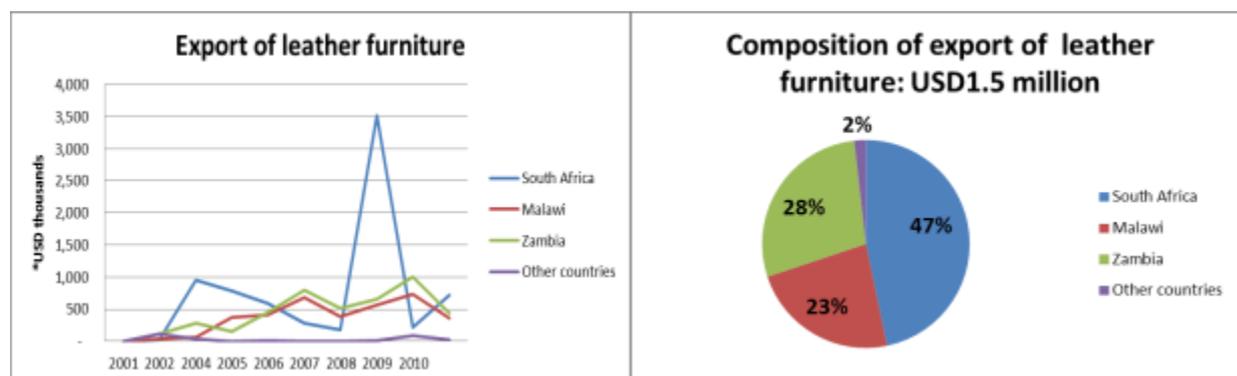


Product category	2001	2002	2004	2005	2006	2007	2008	2009	2010	Average
Leather bags, suit cases	214	596	755	532	463	616	129	636	1,040	553
Leather clothes, apparel	48	343	141	70	119	181	275	335	529	227
Other leather products	4	8	4	17	22	15	4	27	57	18
Total	266	947	900	619	604	812	408	998	1,626	798

Leather furniture

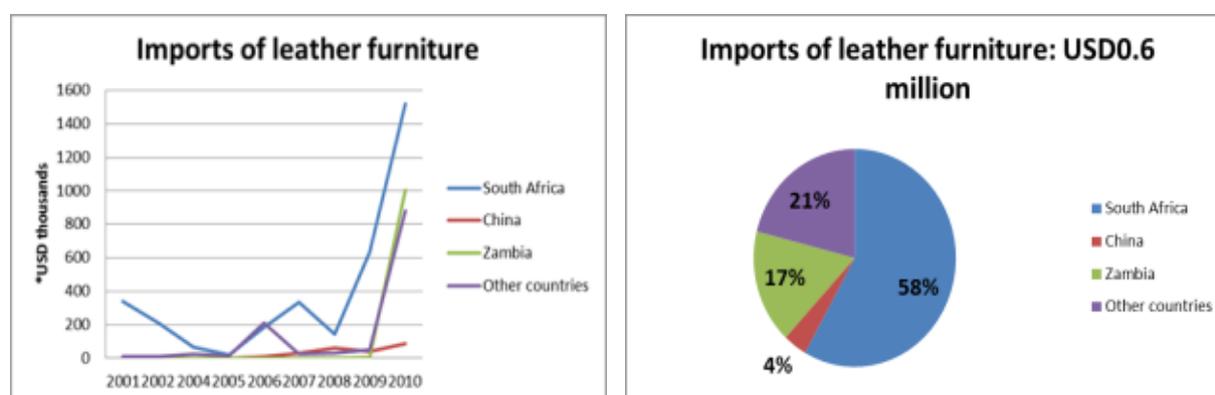
Export of leather for upholstered seats (HS 940161 and 940171) is mainly destined for the regional market, in particular to South Africa. However, since 2004 exports to South Africa have experienced a steady decline, except for an export peak in 2009. In 2010, Zimbabwe has increased its exports to other neighbour countries like Zambia and Malawi, which accounted for 23% and 28% of total exports. The average value of leather for upholstered seats export was US\$1.5 million. Mirror data for 2011 reported total export of US\$1.4 million. The quality of Zimbabwean craftsmanship remains high; therefore the revival of production of leather furniture represents an export opportunity for local manufacturers. This segment

requires: i) improved quality of local upholstery leather; and b) strengthened marketing and sales contracts with regional and overseas buyers.



Country	2001	2002	2004	2005	2006	2007	2008	2009	2010	Average
South Africa	-	23	947	786	585	275	177	3,524	213	726
Malawi	2	38	63	374	411	677	380	561	728	359
Zambia	-	112	276	152	449	795	519	651	1,004	440
Other countries	1	117	31	-	4	1	2	13	82	28
Grand Total	3	290	1,317	1,312	1,449	1,748	1,078	4,749	2,027	1,553

Import of leather for upholstered seats has increased over the last two years, especially for South Africa, Zambia and China. The average value of total imports over the period 2001-2010 was US\$660 thousands. The immediate opportunity for the sector is import substitution from South Africa, provided that the issue of good quality and price upholstery leather is addressed.



Country	2001	2002	2004	2005	2006	2007	2008	2009	2010	Average
South Africa	338	213	68	19	187	335	141	636	1,522	384
China	-	-	-	1	7	31	62	39	85	25
Zambia	-	-	-	-	-	1	-	3	1,004	112
Other countries	7	8	26	14	210	24	32	52	879	139
Grand Total	345	221	94	34	404	391	235	730	3,490	660

Target markets

Table 17 below presents target markets identified by value chain stakeholders during the participatory workshops. Target markets are based on present market knowledge (2010 export data) and presumed market requirements. Semi processed leather (wet blue) is mainly destined for exports, whereas finished leather shall be retained into the domestic market for the leather industry to produce value added products. Manufactures leather goods are destined for both the local and export markets.

Table 17 – Target Markets

PRODUCT	SEGMENT	PRESENT MARKETS	TARGET MARKETS	BUYER REQUIREMENTS	CONSTRAINTS	SUGGESTIONS	
Raw hides and skins (HS 4101)	Traders	Export control measures	China, Italy, Hong Kong, China, South Africa, Egypt	<ul style="list-style-type: none"> • Quality consistency • Reliability • Technological sound • Ecological • Bio-degradable 	Export of raw hides regulated	Export what local tanneries do not absorb	
Wet blue (HS 4104)	Traders	Italy, United Kingdom, Kenya, South Africa	Italy, China, Hong Kong, China, South Africa, Kenya, Madagascar				
Finished leather (HS 4107)	Manufacturers	Australia, South Africa, Mozambique	Domestic market			Quality not up to requirements	Update machines and know-how
Leather Shoes (HS 6403)	Military, safety, school, Ladies/gents fashion	Domestic and regional market (Zambia, South Africa, Malawi)	Domestic, Regional/CO MESA niche markets			Cheap imports, lack of design technology updated. No standards	
Upholstery (HS 9401)	Furniture & Car manufacturers	Domestic and regional market (Zambia, Malawi, South Africa)	Domestic, South Africa, Europe, US, China			Only small quantity of Zimbabwean hides suitable	
High quality products	Niche markets		US, Europe, individual shops Regional/COMESA	<ul style="list-style-type: none"> • Design 	No R&D, no market approach		
Ethical fashion	Niche markets		US, Europe		No R&D, no market approach		

Annex 5: Lists of Participants

COMESA Zimbabwe National Workshop, Harare, 1-2 July 2010

Name	Company/ Organization	Sector	Phone	E-mail address
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Mr Muzeyah	Shippy Marketing	Private/Industry		
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Zimbabwe National Workshop, Harare, 2-3 May 2011

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Zimbabwe National Workshop, Bulawayo, 14-15 November 2011

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Langton Mharira	Superior Footwear	Private/Manufacturing
Manuel Makiwa	BATA	Private/Manufacturing
Michael Mhute	Meggertop	Private/Manufacturing
Hilda Moyo Busi Chitewe Peter Nleya	AWIDE	Private/NGO
Wilson Tshuma	Zimbabwe Farmers Union	Private/Association
Joseph Muzwodiwa	Lushaba	Private
Jacqueline Ncube	ZIMTRADE	Private/Marketing
Tapfumanezi Ruzvidzo	Hire Collectors	Private/Collection
Edgar Mukwende	SIMITRI Chemicals	Private/Industry
Godfrey Murewa	Shoe manufacturer - SME	Private/Manufacturing
Vengai Mdzingwa Sibusiso Sibanda	Signature Crafts	Private/Manufacturing
Isaiah Machingura Dumisani Sibanda	Cold Storage Commission	Private/Abattoirs
Edward Chipfuwa	AMAZIMZIM	Private/Industry
Dumisani Sibanda	Veterinary Services	Public/Gov
Mike Maramwidze	SME	Private/Manufacturing
Temba Mhlanga	Belmont Leather	Private/Tanning
Eliot Matsika	Goodhope	Private/Manufacturing
Nicoh Mpofu	WetBlue Industries	Private/Tanning
Clement Shoko	Tricastol	Private/Collection
Larry Brown	Karasons	Private/Collection
Stabile Miilo	Leather Institute of Zimbabwe	Private/Training
Naomi Munyarachi	Luxury Leather	Private/Manufacturing
Nyasha Chatambudza	Sunday News	Private/Media
Sheila Shuro	PRESSMA	Private/Media
Thandeka Moyo	Chronicle	Private/Media
Progress Manenza	Phenomenal Events	Private/Media
Samba Mupodyi	Ministry of Agriculture, Mechanisation and Irrigation Development	Public/Gov
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Emmanuel Patsika	Ministry of Small and Medium Enterprise Development	Public/Gov
Memory Madondo	Ministry of Finance	Public/Gov
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