



DJIBOUTI Leather Value Chain Strategy (2019-2023)



Developed by the “Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la Formalisation” in collaboration with Africa Leather and Leather Products Institute



Leather for Health, Wealth and Luxury!

May 2018

VISION

To be one of the top ten contributors to the GDP in Djibouti

MISSION

To facilitate the value addition process and enhance the performance of enterprises involved in the production of footwear and other leather goods through the application of modern and cleaner technologies, collaboration, capacity building, policy guidance and resource mobilization.

FOREWORD

(The Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la Formalisation.)

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LIST OF ACRONYMS

| | |
|--------------|---|
| ALLPI | Africa Leather and Leather Products Institute |
| COMESA/LLPI: | Common Market for Eastern and Southern Africa, Leather and Leather Products Institute |
| COMESA: | Common Market for Eastern and Southern Africa |
| EFTA: | European Free Trade Area |
| EU: | European Union |
| FANRPAN: | Food, Agriculture. And Natural resources Policy Analysis |
| GDP: | Gross Domestic Product |
| MSMEs: | Micro, Small and Medium Enterprises |
| PESTEL: | Political Economic Social Technical Economic and Legal |
| REACH: | Registration, Evaluation, Authorization and Registration of Chemicals |
| SME: | Small Medium Enterprises |
| SWOT: | Strength, Weaknesses, Opportunities and Threats |
| USD: | United States Dollar |

EXECUTIVE SUMMARY

The Republic of Djibouti is located in the Horn of Africa with its economy heavily concentrated (71% of the GDP) in the service sector. The livestock subsector, although constitutes a source of livelihood for approximately 60% of the population, is underdeveloped and has marginal contribution to the economy. The extreme aridity of the climate is said to significantly hindering the development of the agricultural sector and the contribution of the later to the GDP was estimated at only 4%. Due to the country's geographical position, political stability and small populations size, the potential of transforming its economy is very high, especially by promoting value addition activities along various value chains, especially that for leather.

The government of Djibouti, by setting a goal to make Djibouti a trading and services platform for the region, is working hard towards this economic transformation through formulation and implementation of policies and strategies that encompass Djibouti Vision 2035; the Master Plan for the Development of the Primary Sector of the Republic of Djibouti (PDSP) 2009-2018; the Djibouti national gender policy 2011-2021; the Accelerate Growth and Employment Promotion Strategy 2015-2019 and others.

Although the leather sector is known to have huge potential for job creation and wealth generation, Djibouti is currently losing an estimated 17.6 million USD or 3.1 billion Djibouti francs, annually, due to non-value addition in its hides and skins. The major constraints of the leather sub-sector were identified as finance, lack of inputs (leather and accessories), inadequate and rudimentary machinery, working space problem, lack of skills and absence of support from technical institutions.

The Djibouti National leather value chain strategy was formulated to address the above indicated constraints so that value addition, SMEs development and economic diversification could be attained and enhance the subsectors' contribution to the national poverty and unemployment reduction efforts.

The Leather Value Chain strategy that was made to have strong strategic link with other strategies and policies currently under implementation in the country, has its vision and mission statements and Strategic objectives as indicated here below

VISION

To be one of the top ten contributors to the GDP of Djibouti

MISSION

To facilitate the value addition process and enhance the performance of enterprises involved in the production of footwear and other leather goods through the application of modern and cleaner technologies, collaboration, capacity building, policy guidance and resource mobilization.

Strategic Objectives:

Djibouti national leather value chain strategy has five main objectives of and more than ---?-sub-objectives. The main objectives are:

1. To improve the quality and collection of raw hides and skins
2. To promote production and export of value added products;

3. To enhance competitiveness of Artisans/MSMEs in domestic, regional and international markets;
4. To develop the capacity of institutions in building Artisans/MSMEs technical and business management skills;
5. To promote cleaner and environmentally sustainable production techniques and systems.

The performance of the Strategy will be judged by the value that will accrue to value chain actors in form of outputs, employments, exports and other economic benefits.

The implementation of the strategy will be championed by the “Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la Formalisation” in collaboration with other line Ministries, institutions and stakeholders.

CHAPTER I: CONTEXT SETTING

Introduction

The Republic of Djibouti is situated in the Horn of Africa, at the southern entrance to the Red Sea. The country has a land area of 23,200 km² and the population was estimated at 913,714 inhabitants in 2016, of which about 50 % are less than 20 years of age. More than two third of the population are leaving in Djibouti-ville, the capital city of the country and the large majority (99%) are Muslim.

The government launched the Djibouti vision 2035 in 2014¹, which is a long-term strategic vision created to help the country position itself as a regional hub for trade and commerce. The attainment of this goal is anchored on rapid economic growth, fed from Peace and national unity (Strengthening unity, peace and solidarity); Good governance (Reinforcing good governance and democracy); A diversified economy (Promoting competitive and healthy economic growth); Investing in human capital (Building a hardworking, healthy and educated workforce); and Regional integration (Increasing trade and commerce with regional partners). The current leather Value Chain strategy is aiming at value addition, enhanced productivity, market access and cleaner production and Micro, Small and Medium Enterprises (MSMEs) development will have significant contribution for the attainment of Vision 2035 of the country.

Structure of the Economy and Sector Performance

The Djibouti Gross Domestic Product (GDP) was estimated at 2.083 billion US dollars in 2017². Figure 1 illustrated the changes in GDP for the period 2008 to 2015. The Annual Growth Rate between 1991 to 2017 averaged 2.59 percent. The 2017 GDP compared to the previous year expanded by 6.80 percent. In general it can be said that Djibouti has enjoyed rapid and sustained growth over the past fifteen years with per capita GDP increasing by 3.1 percent on average per annum in 2001-2017. The annual growth of GDP registered between 2008 and 2017 is shown in figure 2. The tertiary (Service) sector that is primarily dominated by port activities and those related to trade, handling and logistics services represent 76% of GDP, and employs 60% of the working population. The manufacturing (secondary) sector's contribution is estimated at around 16% and the sector is poorly developed. The high cost of factors, especially water and energy is said to have hindered the development of the manufacturing sector. This has significantly and negatively impacted economic diversification and development of SMEs/SMLs and the economy heavily concentrated in the service sector, mainly port activities as presented earlier.

¹ World Trade organization, WT/TPR/G/305, Trade Policy Review, Djibouti.

² The World Factbook, CIA <https://www.cia.gov/library/publications/the-world-factbook/geos/dj.html>



Source: <https://tradingeconomics.com/djibouti/gdp> (Accessed 2018 -4-25)

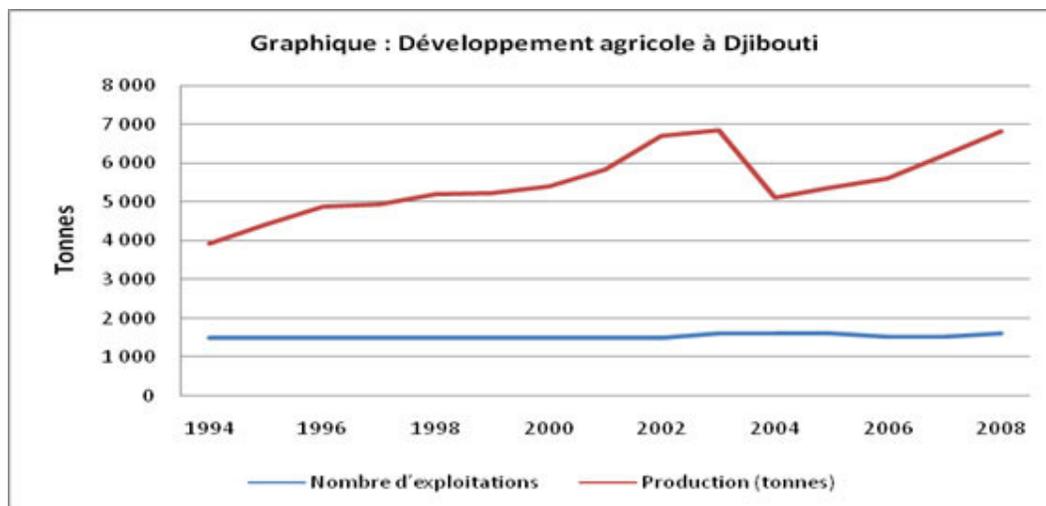
Figure 1: Djibouti GDP for the period 2008-2015



Source: <https://tradingeconomics.com/djibouti/gdp-growth-annual> (Accessed 2018-4-24)

Figure 2: Djibouti GDP growth rates for the years 2008-2015

Agriculture is the main source of income for rural communities, home to about 30 per cent of the total population. However the sector is undeveloped, mostly based on pastoralism due to a very low annual rainfall (an average annual rainfall of 5.1 inches) and its contribution to the GDP is marginal (only 4 per cent of GDP). It is estimated that only 10% of the country's total food needs is covered by domestic production and the rest is imported. Figure 3-shows the low level of progress registered over a period of 15 years in food production. The extreme aridity of the climate is one of the factors significantly hindering the development of agricultural sector.



Source: IMF, Djibouti Central Bank³;

Figure 3: Djibouti Agricultural Sector Development the period 1994-2008

Djibouti thus has a chronic food deficit and mainly depends on imports to meet its food needs. The national poverty rate estimated at 79 per cent, and the poverty level outside the capital, Djibouti-ville, is even worst (94.2 per cent)⁴. As per the 2010 survey, 54% of the workforce and 70% of young people are unemployed⁵ and the informal sector constitutes bases of the livelihood of a large part of the population. Three-fourths of the populations are living in the capital city and 47% them are said not to have enough income to afford a satisfactory diet.

The inflation rate in Djibouti is generally very low, it ranged from - 6.35 to 22.47% between 1981 to 2018 (See figure 3). The average inflation rate for the indicated period was 3.65 percent.



Figure 4: Djibouti Inflation rate

³ http://www.djiboutinvest.com/index.php?option=com_content&view=article&id=271&Itemid=648

⁴ Djibouti Country Strategy Paper, African Development Group

The Government of Djibouti with the aim of making the country a trading and services platform for the region, has established a free trade zone, (the Djibouti Free Zone) to facilitate trade, involving importation, storage, processing and re-export of goods. The government also grants fiscal, administrative and logistical incentives as part of attracting Foreign Direct Investment (FDI). The free convertibility of the Djibouti franc, the absence of foreign exchange controls, and the free movement of capital were also put in place to provide pull effect on FDI. However, despite these efforts, Djibouti ranked 154 among 190 countries with respect to “ease of doing business” as per the latest World Bank annual ratings⁶, and this was attributed to lack of transparency and clarity in the regulatory system. Figure 4 depicts the Ratings of Djibouti in different years with respect to ease of doing business.



Figure 5: Ease of Doing Business in Djibouti

The Leather Value Chain Strategy Relationship with other Policies in Djibouti

The Djibouti Vision 2035, sets the tone of development for the Republic of Djibouti. To achieve the targets agreed in that document, it is fundamental that all policies and strategies feed logically into its attainment. Policies or strategies in any country should have a strategic relationship or a logical link with the overall development vision and aspirations of a country. Disjointed and contradictory policies normally introduce distortions and implementation challenges. Djibouti has a number of policies that are aimed at contributing to its sustainable growth and development. Given the importance of a strategic linkage that must exist among policies, the leather value chain strategy was evaluated to identify areas of common interface with the National Industrial and Trade Policies of Djibouti.

The Djibouti Leather Value Chain Strategy anchored on five main objectives listed here below.

- To improve the quality and collection of raw hides and skins
- To promote production and export of value added products;
- To enhance competitiveness of Artisans/MSMEs in domestic, regional and international markets;

⁶ World Bank Annual Rating <https://tradingeconomics.com/djibouti/ease-of-doing-business> (Accessed on April 30,2018)

- To develop the capacity of institutions in building Artisans/MSMEs technical and business management skills;
- To promote cleaner and environmentally sustainable production techniques and systems.

Djibouti Vision 2035

Vision 2035 is the government's long-term strategy for Djibouti to build the country's future. It reflects a set of economic, political and social goals for the whole of society. The core economic objectives encompass tripling per capita income by 2035. Under macroeconomic projections, achieving this objective will require accelerated and sustained GDP growth. The vision also forecasts the creation of more than 200,000 jobs by 2035. Growth prospects are largely based on the diversification of the economy. The five core pillars that are targeted to be improved in the Vision 2035 are listed in column 1 of Table 1.

Table 1: The relationship of the Leather Value Chain Strategy with the Djibouti Vision 2035

| The five core pillars of the “Djibouti Vision 2035” | Leather Value chain Objectives | | | | |
|---|--------------------------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Peace and national unity: Strengthening unity, peace and solidarity | | | | | |
| Good governance: Reinforcing good governance and democracy | | | | | |
| A diversified economy: Promoting competitive and healthy economic growth | X | X | X | X | X |
| Investing in human capital: Building a hardworking, healthy and educated workforce | X | X | X | X | X |
| Regional integration: Increasing trade and commerce with regional partners | X | X | X | X | |

Primary Sector Development Master Plan (PDSP) 2009-2018

The Master Plan for the Development of the Primary Sector of the Republic of Djibouti (PDSP), is a reference framework for planning the development of natural resources in the primary sector. The master plan strategic intervention areas are grouped into five major pillars listed in the first column of the table 2.

Table 2: The Relationship of the Leather Value Chain Strategy with the Djibouti Master Plan 2009-2018 for the Development of the Primary sector.

| Primary Sector Development Master Plan (PDSP) 2009-2018 Main Objectives | Leather Value Chain Strategy Objectives | | | | |
|--|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Improve access to water | | | | | |
| Increase agricultural production and productivity | | | | | |
| Increase the productivity of the national livestock | X | X | | | X |
| Promote the rational exploitation of fishery resources | | | | | |
| Capacity building of producer organizations and institutional structures | | | | X | |

National Gender Policy 2011-2021

The Djibouti national gender policy was developed to tackle and eliminate the existing gender inequality problems at socio-cultural, social, economic, legal, political and institutional

levels and create a society with gender equality by 2021 in the Republic of Djibouti. The policy defines the planned intervention in to five interrelated Strategic Directions as presented in column one table 3.

Table 3: The Relationship of the Leather Value Chain Strategy with the National Gender Policy (NGP) 2011-2021

| National Gender Policy (NGP) 2011-2021 Strategic Objectives | LVC Strategy | | | | |
|--|--------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Promotion of gender awareness at household and community levels | | | X | X | |
| Strengthening equitable access of women, men and youth to basic social services | | | X | X | |
| Equitable promotion of the potential of women and men in the economy and their access to economic resources. | | X | X | X | |
| Strengthening the equitable exercise of women's and men's rights and their participation in economic and political, management and decision-making bodies. | | | | X | |
| Strengthening national institutional capacities for implementation of NGP | | | | | |

Accelerate Growth and Employment Promotion Strategy (2015-2019)

The Accelerate Growth and Employment Promotion Strategy is a medium term strategy for the period 2015-2019 and the first operational measure of the Djibouti Vision 2035 that aims to improve the living standards of the people and to reduce unemployment and the vulnerability and insufficiency of the national economy. It also aims to make the Djibouti economy resilient to the changing international environment. The four key objectives of the strategy are as presented in table 4.

Table 4: The Relationship of the Leather Value Chain Strategy with the Accelerate Growth and Employment Promotion Strategy (2015-2019)

| Accelerated Growth and Employment Promotion Strategy (2015-2019) | LVC Strategy | | | | |
|--|--------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Economic Growth, Competitiveness and the Private Sector Engine of Growth | X | X | X | X | |
| Human Capital Development | | | X | X | |
| Public Governance and Capacity Building | | | | | |
| Regional Development Focus and Sustainable Development | X | | | X | X |

Importance of the Leather Value Chain

Global Level

The leather value chain, globally, is estimated at over USD 130 billion. A comparison of this value chain with other commodities reveals that its trade is greater than the combined trade of meat, sugar, coffee and tea; (see Figure 6below). Despite this immense importance, the sector has not received much attention, especially in many developing countries, when compared with other commodities whose production and marketing are championed by institutional support, for example Meat Commission, Tea or Coffee Boards etc. The absence of an institutional support to the leather value chain has retarded its growth, as it has not attracted the desired policy and financial support from Central Governments and other relevant stakeholders.

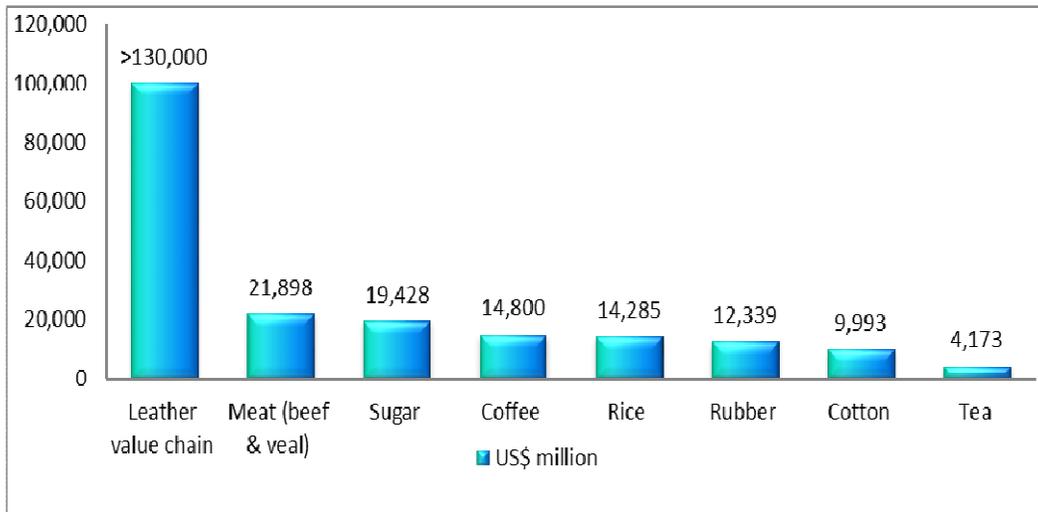


Figure 6: Global Importance of the Leather Value Chain in comparison with other commodities⁷

The global trade in the leather value chain grew over the period 1993 to 2011; the growth pattern for each product category is summarized in Table 5, below. There is a clear indication that growth in trade rose with the level of value addition, hence Swaziland must direct its attention towards the production and trade of value added products.

Table 5: Global Dynamics in the Trade of the Leather Value Chain

| Product Category | Average USD billions) | | Growth Rate (%) |
|----------------------------------|-----------------------|--------------|-----------------|
| | 1993 to 1995 | 2009 to 2011 | |
| Raw hides and skins | 4.7 | 5.4 | 14.9 |
| Semi tanned and finished leather | 11.7 | 17.5 | 49.6 |
| Footwear with leather uppers | 22.7 | 44.9 | 97.8 |

Source: FAO (2012)

COMESA Situation

The COMESA Region is made up of 19 African countries, which own approximately 11% and 56% of livestock globally and in Africa respectively; however, its contribution to the global trade is estimated at a paltry 3%. This is attributed mainly to a number of factors ranging from pre⁸-, peri⁹- and post¹⁰-slaughter challenges and limited or no value addition to hides and skins produced in the region. Figure 2 below illustrates the inverse relationship between the relative significance of the COMESA region in the global value chain, as it progresses downstream. Note that the illustration in the figure below relates only to bovine animals and bovine light leather and footwear. The illustrated situation is a true reflection of what leather proportion is obtained with regards to other types of hides and skins.

⁷ Mwinikione Mwinihija. 2017

⁸ Pre-slaughter defects – any damage caused by different factors like poor management genetic make-up, disease and nutrition etc, on the live animal.

⁹ Peri-slaughter defects: any defect that occur by several reasons, like failure to rest animals for certain period of times before killing, incomplete bleeding poor flaying of hides and skins.

¹⁰ Post-slaughter defects- groups of defects that take place after the hides/skins are flayed and include poor curing, poor handling, improper storage and poor tanning process

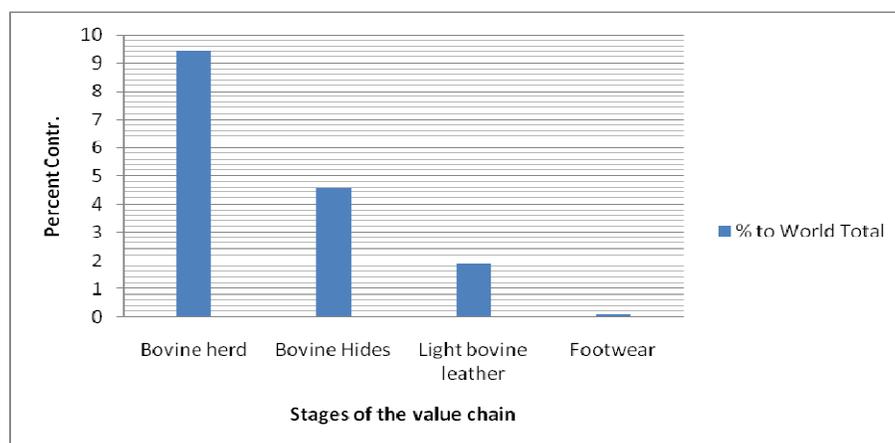


Figure 7 : Africa Trade Contributions to Trade of Leather and Products Globally

The limited importance of COMESA in producing value added products, has a significant opportunity cost with regard to incomes and employment creation in the region. The continuous export of raw hides and skins implies a loss of wealth and jobs, which could have been generated in the region. It is fundamental that drastic measures should be taken to transform this industry in the COMESA region; already there are noticeable improvements in the past 10 years in Ethiopia. Kenya and other countries in the region can therefore draw practical lessons from Ethiopia.

Market Size of Footwear in the COMESA Region

The COMESA region's market of footwear is estimated at 365 million pairs of shoes with a per capita of 0.85 pairs per annum. Assuming all these pairs of shoes are produced in the COMESA region, approximately 365,000 direct factory level jobs would be created, which would stimulate increased demand in the use of finished leather, soles, glues and other accessories consequently creating more indirect jobs. Total output of leather footwear in the COMESA region was estimated¹¹ at 80.6 and 92.3 million pairs in 2001 and 2011¹² respectively. The output figures exclude production from SMEs and other informal enterprises.

In 2012, USD 646 million worth of shoes were imported into the COMESA region from the rest of the world and this translates¹³ to approximately 64 million pairs of shoes. The total market demand is 365 million pairs against a supply of 156 million pairs (imports plus regional production). With an estimated shortfall of 209 million pairs, this is not satisfied per annum. This is, therefore, a market opportunity for SMEs to capitalize without any or limited competition from locally established firms and imports. Figure 3 below illustrates the sharp growth in footwear imports from the rest of the world, as opposed to slow or almost stagnant growth in intra trade in the COMESA region.

¹¹ FAO Compendium of Statistics, year/issue No.?

¹² FAO Compendium of Statistics< year/issue No.?

¹³ Assuming import price of USD10 per pair

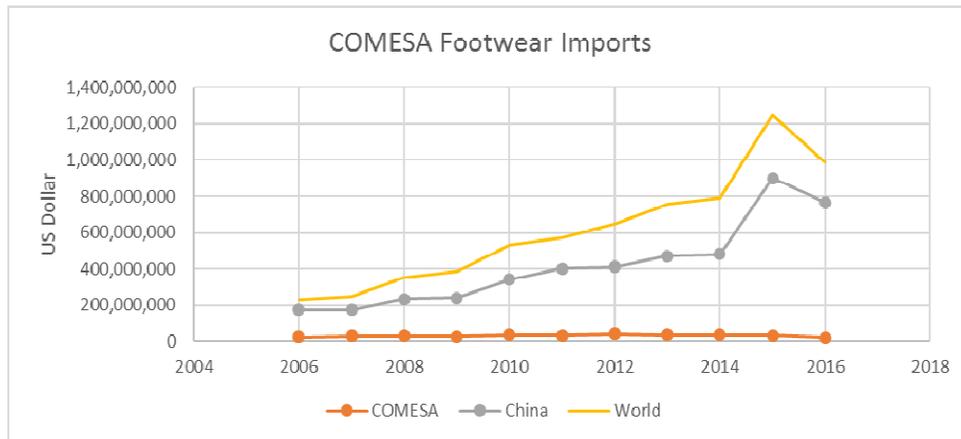
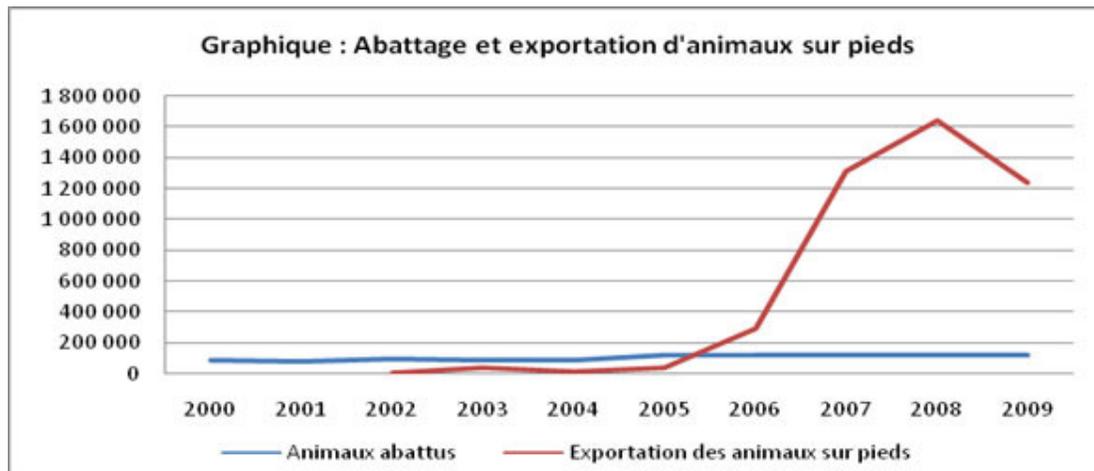


Figure 8: COMESA Imports of Footwear from COMESA Region, China and the World

Djibouti Situation

The Djibouti livestock subsector constitute a source of livelihood for approximately 60% of the population. There are an estimated 1 million head of sheep and goats and 300,000 cattle in the country. The sector, however is undeveloped and constrained by many challenges that encompass inadequate government policies to support sustainable livestock production, lack of rainfall to naturally produce pasture/fodder, insufficient groundwater to grow irrigated livestock feed, poorly developed public or private sector animal health, production and breeding services¹⁴. Djibouti also plays a major role in the regional trade of cattle. The port of Djibouti is one of the three ports in the Horn of Africa (Berbera, Bosasso and Djibouti) said to be the largest movement of live animal – ‘on hoof’ – trade anywhere in the world. The trade network penetrates deep into Ethiopia’s Somali Region where many of the animals are raised. The livestock trade also forms an economic system providing jobs and livelihoods for many people. Figure 4 shows cattle slaughter and export situations in Djibouti.



Source Source : IMF, Djibouti Central Bank¹⁵

Figure 9: Slaughter and live animal export trends in Djibouti

¹⁴ IGAD/ICPALD <https://igad.int/programs/95-icpald/1342-validation-of-djibouti-livestock-development-fund-ldf-report-undertaken/>

¹⁵ http://www.djiboutinvest.com/index.php?option=com_content&view=article&id=271&Itemid=648

Table 6 illustrates the number and distribution of animals exported from Djibouti in the past 5 years.

Table 6: Export of Livestock by species and per head

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------|---------|---------|---------|---------|---------|
| Sheep / Goats | 449,009 | 461,464 | 509,505 | 350,147 | 156,772 |
| Camels | 38,053 | 10,878 | 3,791 | 37,444 | 16,285 |
| Cattle | 48,439 | 45,830 | 54,777 | 55,470 | 55,825 |
| Total | 535,501 | 518,172 | 568,073 | 443,061 | 228,882 |

Source: : Annuaire statistique Dised,

Emerging Issues

The picture emerging from Chapter One is the overall commitment of the Republic of Djibouti to facilitate the transformation of the country's economy by implementation of strategic activities targeting economic prosperity, health, education, infrastructure, governance and corruption reduction, among others. The Leather Value Chain Strategic objectives exhibit strong strategic linkages with the different policies and programmes of action under implementation in the country.

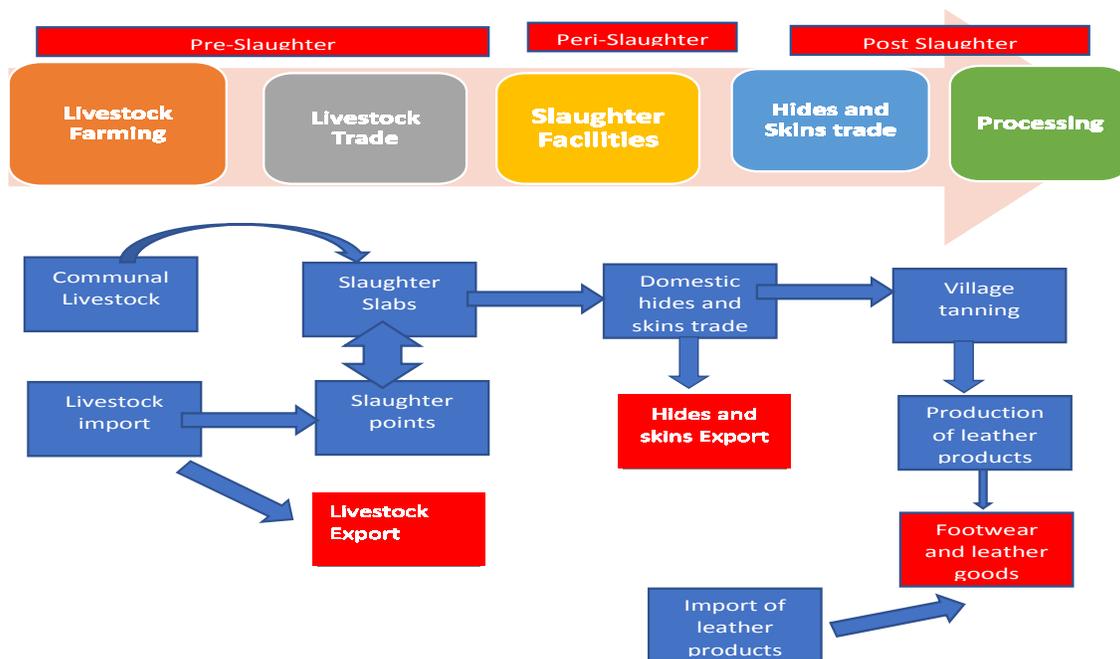
CHAPTER II: SITUATIONAL ANALYSIS OF THE VALUE CHAIN

Introduction

The livestock base of Djibouti is small in comparison to other neighboring countries; however, large number of animals are regularly arriving Djibouti from neighboring Ethiopia either for slaughter or export on hoof. The hides and skins from slaughtered animals are exported in raw state or used domestically for the production of traditional leather goods, drums and others. A situational analysis of the Djibouti Leather Value Chain is presented in this Chapter. Primary and secondary data and value chain map are used to analyze the potential of the leather value chain; opportunities forgone due to the exporting of raw hides and skins; income distribution in the marketing of bovine hides; trade performance; situational analysis of SMEs in the footwear manufacturing subsector and a regional competitive comparative analysis. This analysis builds a foundation for identifying strategic interventions that are important in enhancing the performance of the Djibouti leather value chain.

Industry Structure and Value Chain Map

According to Kaplinsky and Morris (2000), mapping the range of activities in a value chain provides the capacity to decompose total value chain earnings into the rewards which are achieved by different parties in the chain. The Djibouti leather value chain is inclusive of livestock farmers, livestock traders, butcheries, slaughter facility owners, hides and skins traders and exporters, artisanal tanners & footwear makers. The schematic presentation of the leather value chain in Djibouti is illustrated in the Figure 10.



Source: ALLPI

Figure 10: Djibouti Leather Value Chain

The Potential of the Djibouti Leather Value Chain

Djibouti has the capacity of exporting around 150,000 hides and skins per annum, which translates to 270 million Djibouti Franc (1.5millionUS\$), when valued at approximate unit

price of US\$ 1.00 per Kg. However it is imperative to note that the prices of hides and skins fluctuate just like all other prices of commodities. Djibouti is currently exporting a small quantity of its raw hides and skins, in dry salted form while most of it is lost in the collection process before reaching market. It is also fundamental to note that the export of raw hides/skins is tantamount to exporting approximately twelve fold value loss that could have been generated domestically had the raw materials been processed to finished products. Exporting raw hides implies the exportation of jobs, foreign currency earning opportunities and other indirect benefits, which could have been generated if the hides and skins been transformed into finished leather or finished products. Djibouti produces hides and skins, which are estimated to be earning an average of 1.00 US\$ per kg.

The losses, which are incurred due to non-value addition, are illustrated in Table 7 below. The value addition threshold that is expected per stage is shown in the last column of the Table. The cumulative loss is estimated at USD 17.6 million (3,1 billion Djibouti Franc). Strategic intervention that should be drawn from this analysis is that there is a need to explore possibilities of setting up a medium size tannery, which will target processing to wet blue, then with experience gradually move to crust and finished leather. This could significantly contribute to the Djibouti's Vision 2035. See Table 7 for potential earnings simulations.

Table 7: Potential Revenue Earnings Simulations

| Stage of Processing | Potential Earnings (US\$) | Current Actual Earnings (estimate) (US\$) | Estimated Losses (US\$) | Value Addition Threshold (E) |
|--------------------------------------|---------------------------|---|-------------------------|------------------------------|
| Raw hides and Skins Current Value | 1,500,000.00 | 375,000.00 | 1,125,000.00 | 1 |
| Wet Blue | 3,000,000.00 | 375,000.00 | 2,625,000.00 | 2 |
| Crust | 4,500,000.00 | 375,000.00 | 4,625,000.00 | 3 |
| Finished Leather | 6,000,000.00 | 375,000.00 | 5,625,000.00 | 4 |
| Finished Products | 18,000,000.00 | 375,000.00 | 17,625,000.00 | 12 |
| Cumulative Loss | | | 17,625,000.00 | |
| Computations based on Djibouti Franc | | | | |
| Raw hides and Skins Current Value | 265,500,000.00 | 66,375,000.00 | 199,125,000.00 | 1 |
| Wet Blue | 531,000,000.00 | 66,375,000.00 | 464,625,000.00 | 2 |
| Crust | 796,500,000.00 | 66,375,000.00 | 818,625,000.00 | 3 |
| Finished Leather | 1,062,000,000.00 | 66,375,000.00 | 995,625,000.00 | 4 |
| Finished Products | 3,186,000,000.00 | 66,375,000.00 | 3,119,625,000.00 | 12 |
| Cumulative Loss | | | 3,119,625,000.00 | |

Situational Analysis of SMEs in the Footwear Industry

Overview of the Footwear Supply Chain in Djibouti

The footwear manufacturing industry is yet to develop in Djibouti; however, it holds great potential. The country's annual footwear demand is estimated at 776, 656 pairs based on a regional average of 0.85 pairs per person and per year. MSMEs involved in footwear and leather goods production are however producing only a small quantity of sandals and they are facing a plethora of challenges. The summary of the characterization of Djibouti footwear supply chain presented in the Table 8 shows inputs that are required in the manufacturing of footwear. Almost 100 percent of inputs required in the manufacturing of footwear and other leather goods, except for traditional goods, which depend on domestic artisanal tanning are not available in local markets. This scenario has raised production costs of MSMEs involved in this business, as they are forced to travel to neighboring Ethiopia to purchase these inputs. Their orders are usually small, as they purchase as individuals, hence depend on the secondary market.

Table 8: Characterization of Footwear Supply Chain

| INPUTS | IMPORTANCE | SITUATION IN DJIBOUTI |
|------------------|--|--|
| Finished leather | It contributes 50% in terms of value to footwear with leather uppers, thus this is the main input. | The production of leather in Djibouti is limited to artisanal tanning, which feeds into the production of traditional articles and other artifacts, however, there is no production of leather which is suitable for the manufacturing of man's and ladies' formal shoes and other leather goods. |
| Cutting dies | It's a tool which is used for cutting; it is very important in ensuring speed in cutting and also ensures consistency. | There is no local production in Djibouti, however, at the moment most of SMEs which are operating, do not have cutting machines, and use cutting knives. There is no immediate need to manufacture or import cutting dies. |
| Lasts | A last is a mechanical form/mould that has a shape similar to that of a human foot. Without a last footwear manufacturing is next to impossible | No local production in Djibouti and; SMEs depend on secondary imports. In order to produce comfortable shoes, these lasts' shape and dimension should reflect the average foot shape in a country. Most lasts, which are emanating from China, are meant for the shape and foot size of Chinese; when used in the region, the outcome is an uncomfortable shoe. This is an area which again requires joint action and also support from technical institutes and engineering industry. |
| Heels/soles | Second important component of a shoe after leather. | There is no production in Djibouti. All these are imported |
| Accessories | Important, especially for finishing sandals and other types of footwear. (rivets and buckles) | No local production in Djibouti |

Source: Stakeholders Consultations by ALLPI

The absence of production of the materials listed in the Table 7 is the main weakness in the footwear manufacturing business in Djibouti. Leather is the main input in footwear or leather goods manufacturing business, contributing 40-50% to total cost. Djibouti has the potential to produce quality finished leather to support this subsector, which has the potential of creating employment, reduce poverty and also save foreign currency.

The shortage of leather and other inputs may be addressed in the short-run by facilitating MSMEs to procure these inputs in bulk, jointly. In the medium to long term, there is a need for policy intervention to encourage the production of semi-processed leather and move towards finished leather gradually. The production equation of various types of footwear is summarized in Table 9. Leather and soles are the most critical inputs in terms of costs, implying that the MSMEs footwear productions competitiveness is hinged on the two inputs. Intervention to boost the performance of MSMEs should be focused on assisting MSMEs to purchase leather and soles competitively and also conveniently.

Table 9: Footwear Production Costing

| Materials | USD | | | Remark |
|----------------|--------------|-------------|-------------|--------|
| | School Shoes | Boots | Sandal | |
| Leather | 2.24 | 4.7 | 1.12 | |
| Soles | 1.6 | 6.2 | 1.6 | |
| Insole | 0.19 | 0.33 | 0 | |
| Shanks | 0.2 | 0.2 | 0 | |
| Glue white | 0.4 | 0.48 | 0.25 | |
| Glue Neoprene | 0.3 | 0.4 | 0 | |
| Toe Puff front | 0.19 | 0.2 | 0 | |
| Back counter | 0.29 | 0.32 | 0 | |
| Shoelaces | 0.25 | 0.32 | 0 | |
| Eyelets | 0.05 | 1.28 | 0 | |
| Machine Thread | 0.02 | 0.03 | 0 | |
| Sock Lining | 0.28 | 0.3 | 0 | |
| Polish | 0.03 | 0.04 | 0.05 | |
| Colour | 0 | 0 | 0.3 | |
| Total | 6.04 | 14.8 | 3.32 | |

Identified Constraints

During the ALLPI Experts three subsequent missions conducted to Djibouti in 2017 for leather sector survey and to facilitate training in footwear and leather goods making as well as Artisanal tanning, the following were identified as binding major constraints that have hampered the production of quality products and productivity: shortage of finance, unavailability of inputs from local market, skills gap and use of old and rudimentary equipment and others.

The absence of a dedicated common working facility impacted negatively on Artisans/MSMEs visibility as some of them were operating in their backyards and in markets. Most of the Artisans/MSMEs are of the view that a centralized working space could assist to solve a lot of their challenges through collaboration and sharing of the equipment, knowledge and skills. In addition, this could improve on the visibility of these enterprises that would in turn boost their turnover, capacity utilization and competitiveness. The overall impact to the economy will be employment creation and enhancement of the livelihoods of the owners and workers. The constraints impacting on the performance of the Artisans/MSMEs in Djibouti are summarized in Figure 11.

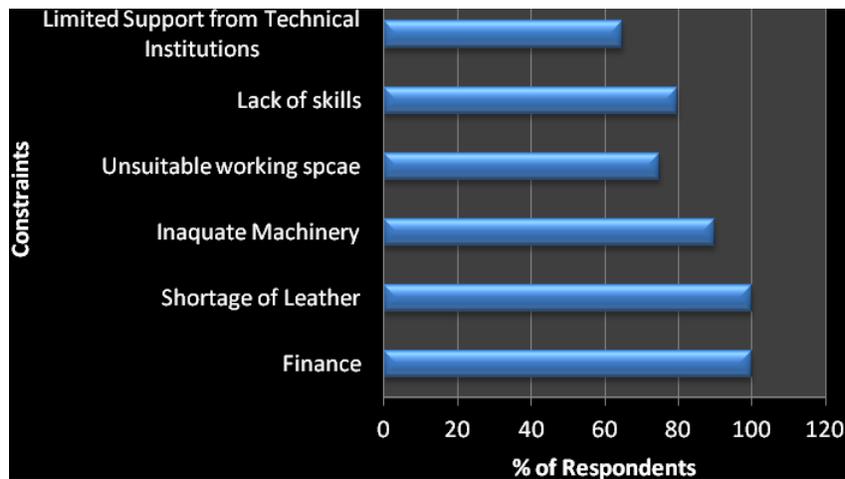


Figure 11: Rating of Constraints

Imports of Finished Leather and Footwear

In this section, an analysis of trade of the various products under the leather value chain is presented. This is meant to demonstrate the market potential presented by the Djibouti leather value chain. Imports relate mainly to two commodities, namely, finished leather and footwear. Other imports include soles, accessories and machinery.

Finished Leather

Artisans/MSMEs who are involved in the production of footwear (sandals) and other leather goods such as wallets, bags, purses and key holders are using semi processed hides and skins from artisanal tanning. The imports, normally made from neighboring Ethiopia are generally informal and in small packages, consequently they may not be documented, hence, they may not be included in the national imports statistics. Given the scenario, it was difficult to present figures and tables. Therefore, for the future there is need to organize the Artisans/MSMEs, so that they can purchase together in bulk; this would help to have recorded data, reduce the number of trips, the travel costs and consequently increase their competitiveness and productivity.

Footwear

As indicated earlier Djibouti annual footwear demand is estimated at 776,656 pairs. If all these could be produced within the country it has the potential to create 1,294 direct jobs¹⁶. The visit made to the Djibouti ville market showed that all the closed shoes in the market are imported ones, mostly from Asia. The Djibouti footwear import value under Chapter 64 of the Harmonized System, as per COMSTAT database for the year 2015 was 70.7 million¹⁷ USD or 12.5 billion Djibouti Franc.

The annual demand figures as well as the number of shops in Djibouti ville dealing with only footwear trade reflects that there is a viable footwear market in Djibouti, which can be capitalized by developing Artisans/MSMEs to start with manufacturing sandals, school shoes, security and military boots.

Emerging Issues

The key emerging issues are as follows:

- There is potential to develop a medium sized tannery for the production of wet blue, which will create jobs in the medium term, which can then be expanded to the production of crust and finished leather depending on the viability of the products;
- The footwear market is growing, based on market visits and per capita income growth;
- There is a good base to develop the Artisans/MSMEs sector, as there are already Artisans/MSMEs, who are involved in the production of footwear, leather goods and other items;
- Artisans/MSMEs are facing a number of challenges, namely: limited access to affordable finance; inadequate machinery and inputs, poor working facilities, lack of skills and they are isolated.
- Imports of finished leather is mainly done informally, hence, there is a need to facilitate the importation of bulk leather and accessories;

¹⁶ ALLPI calculation

¹⁷ Brief to his excellency Mr. Ismael Omar Guelleh President of the Republic of Djibouti on the status of CLOMESA integration and programs being implemented in Djibouti for the COMESA Summit to be held in Bujumbura, Burundi on 9th and 10th June, 2018

CHAPTER III: VALUE CHAIN ANALYSIS

Introduction

The generation of issues and designing of suitable intervention was accomplished through hybrid methodology that drew from secondary data and also from inputs through one to one meetings with stakeholders during the three subsequent missions to Djibouti by the ALLPI team of Experts. ..

Issues Impacting on the Performance of the Leather Value Chain

The issues which were generated through one to one meetings with Artisans/MSMEs, are summarized in the form of SWOT analysis. In addition, some of the issues were drawn from the various Djibouti policy and strategy documents. The strategic intervention should seek to strengthen the **S**trengths, deal with the **W**eaknesses, capitalize on the **O**pportunities and tackle the **T**hreats. The SWOT analysis is summarized below in Table 10.

Table 10: SWOT Analysis of the Djibouti Leather Value Chain

| STAGES | STRENGTH | WEAKNESSES | OPPORTUNITIES | THREATS |
|----------------------------|---|--|---|---|
| Cross Cutting | <ul style="list-style-type: none"> • Government commitment • Available raw hides and skins • Political stability | <ul style="list-style-type: none"> • Limited access to affordable finance; • High cost of finance in comparison to rate of return in the industry • Undeveloped leather value chain | <ul style="list-style-type: none"> • Growing domestic, regional and international market for value added products • Large pool of trainable work force | <ul style="list-style-type: none"> • Global Economic lowdown • Synthetic materials • Influx of second and leather products |
| Livestock | <p>Growing livestock base;</p> <p>Political stability;</p> | <p>Weak Government policies to support sustainable livestock production, poorly developed public / private sector animal health, poor production and breeding services. Limited or lack of collaboration of chain players</p> <p>Limited support or collaboration with Academia, Private and Government</p> <p>Weak animal husbandry system</p> | <p>Strong cultural attachment to livestock</p> <p>Renewed interest by Government to support the sector</p> | <p>Lack of adequate rainfall to naturally produce pasture/fodder, insufficient groundwater to grow irrigated livestock feed,</p> |
| Slaughter houses/points | <p>Government commitment to strengthen the leather sector;</p> | <p>Poor slaughter facilities;</p> <p>Poor flaying and preservation techniques;</p> | <p>New investment in slaughter facilities;</p> | <p>Energy and water problem</p> |
| Hides and Skins Production | <ul style="list-style-type: none"> • Interest by Government to support leather sector • Availability of Hides and skins | <ul style="list-style-type: none"> • Weak collection system • Poor quality due to pre peri and post slaughter defects • No local value addition to hides and skins • No grading system and price distinction | <ul style="list-style-type: none"> • Growing demand for meat, increasing the slaughter rates | <ul style="list-style-type: none"> • High frequency of drought due to climate change • Disease incidence |
| Tanneries | <ul style="list-style-type: none"> • n/a no tannery operating in the country | | <ul style="list-style-type: none"> • High interest by Government to support value addition • Growing demand for finished leather | <ul style="list-style-type: none"> • Synthetic materials /leather |
| Manufacturing | <ul style="list-style-type: none"> • Artisans/MSMES engaged in footwear and leather goods making • Large pool of trainable human resources; | <ul style="list-style-type: none"> • Inadequate tools and equipment among MSMEs/artisans involved in footwear and leather goods production • unavailability of quality finished leather and accessories; • High cost of finance • unavailability of technical training facilities; • Limited collaboration with upstream and downstream chain players • Absence or lack of qualified footwear and leather goods designers; | <ul style="list-style-type: none"> • Growing domestic and regional demand for finished leather • The industry is still in infancy hence there is great potential for expansion; • Renewed interest to support the development of leather sector regionally and internationally; • Government interest to develop a sector specific policy; • Potential Government procurement for military, police and other Government institutions | <ul style="list-style-type: none"> • Influx of new sub-standard and second-hand products from China and other far East Countries; |

| STAGES | STRENGTH | WEAKNESSES | OPPORTUNITIES | THREATS |
|----------------------|----------|---|---|---------|
| Support Institutions | | <ul style="list-style-type: none"> • No Technical Training Centres • Limited support and interaction with Academia; • No advanced specialized courses to support the leather value chain | <ul style="list-style-type: none"> • Renewed interest by Academic institutions to work with the sector | |

External Analysis (PESTEL)

The Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analysis posts how the governance, economic, social and political, environmental and technological dynamics prevailing has a bearing on the performance of the Djibouti Leather Value Chain. The Djibouti Leather Value Chain PESTEL is summarized in Table 11.

Table 11: PESTEL Analysis

| PESTEL Dimensions | Impact on the Sector |
|---|---|
| Political | |
| <ul style="list-style-type: none"> Government commitment Political stability | <ul style="list-style-type: none"> Improve domestic and foreign investment in the sector |
| Economic | |
| <ul style="list-style-type: none"> Growing GDP per capita | <ul style="list-style-type: none"> Increased demand of leather products |
| <ul style="list-style-type: none"> Frequent droughts | <ul style="list-style-type: none"> Impacts negatively on livestock productivity, consequently hides and skins production and rural income |
| Social | |
| <ul style="list-style-type: none"> Population growth; Improved living standards | <ul style="list-style-type: none"> Increased demand of footwear and other leather goods; Improved pool of labour force; |
| <ul style="list-style-type: none"> Improved literacy rate; Increased number of higher education graduates; | <ul style="list-style-type: none"> Improved supply of trainable labour force |
| Technological | |
| <ul style="list-style-type: none"> Rapid expansion in productivity in China and other countries; Rapid growth in environmental friendly technologies | <ul style="list-style-type: none"> Decline in the consumption of locally produced footwear and leather goods; Decline in demand of locally produced leather products globally, if the region fails to upgrade new technologies. |
| Environmental | |
| <ul style="list-style-type: none"> Increasing environmental demands such as REACH Climate Change Waste disposal laws; Environmental Protection laws | <ul style="list-style-type: none"> Leather products, which fail to meet the REACH directive maybe barred from entering European markets; Increased investment cost for effluent management |
| <ul style="list-style-type: none"> Establishment of Common Effluent Treatment Plants | <ul style="list-style-type: none"> Improved environment management, which will boost the image of Djibouti leather industry; Cost reduction in effluent management; |
| Legal | |
| Health and safety regulations | <ul style="list-style-type: none"> Failure to meet these may impact negatively on the Industry globally |

The strategic issues emerging from the SWOT and PESTEL analyses are as follows:

- The Government is committed to support the growth of the industry,;
- The country is politically stable, which is favorable for business development;
- The leather value chain in Djibouti is underdeveloped;
- There is potential to set up a medium sized tannery, because Djibouti produces hides and skins which are being exported in raw state or wasted;
- The footwear market is growing,
- MSMEs involved in the production of leather footwear and other leather goods face many challenges. These issues are important in crafting the strategic interventions, which are important in transforming the leather value chain of Djibouti

Stakeholders Analysis

On the basis of the above framework, leather value chains Stakeholders were identified and their strengths/importance assessed as presented in Table 12. The following key was used: L= low influence (score = 1); M = medium influence (score = 2); H = high influence (score = 3).

Table 12: Stakeholders Analysis

| No. | Stakeholder | What are the services the Stakeholders are expected to deliver | What do Stakeholders Expect from the Leather Industry in return | Likely reaction and /or impact if expectations are not met | | Degree of Stakeholder Influence on the Leather Value | | | | | | Overall Degree of Importance | |
|-----|--|---|---|--|---|--|---|---|---------|---|---|------------------------------|-----------|
| | | | | Stakeholders | Leather Industry | Power | | | Support | | | | |
| | | | | | | L | M | H | L | M | H | | |
| 1 | Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la Formalisation. | <ul style="list-style-type: none"> Policy support; Facilitate the development and growth of MSMEs | <ul style="list-style-type: none"> Increased productivity and output; Manufacture of quality products; Create jobs | <ul style="list-style-type: none"> Impact negatively on their capacity to lobby for resources from Government; Switch to other sectors showing promising results | Underperformance with no policy and financial resources support | | | H | | | | H | Very High |
| 3 | Djibouti Environmental Authority | Raise awareness of the importance of cleaner production and waste management | Use cleaner production technologies and also employ appropriate waste management systems | Negatively impact on the environment, consequently contribute to environment contamination and climate change | Violate the regulations, as they are not equipped with the skills to employ cleaner production and proper waste management systems. | | | x | x | | | | High |
| 4 | Djibouti Water Authority (Direction de l'Eau) | Provide cleaner water and adequate quantities to the enterprises. | Use the water economically | Increase the cost of water production | Undermine productivity is the water is not available | | x | | | x | | | Moderate |
| 5 | Djibouti Standards Authority | Facilitate the development of standards and also products certification | Ensure that they participate in standards development, manufacture products which meets minimum safety standards. | No development of standards related to leather and its products if there is no demand of such services | No benchmarks to follow with regard to production of products which meet quality standards | | x | | | x | | | Moderate |
| | Djibouti Revenue | Facilitate the | Import through formal | Duty payment | No recognition from | | | x | | | x | | Very High |

| No. | Stakeholder | What are the services the Stakeholders are expected to deliver | What do Stakeholders Expect from the Leather Industry in return | Likely reaction and /or impact if expectations are not met | | Degree of Stakeholder Influence on the Leather Value | | | | | | Overall Degree of Importance | |
|-----|---|---|---|--|---|--|---|---|---------|---|---|------------------------------|-----------|
| | | | | Stakeholders | Leather Industry | Power | | | Support | | | | |
| | | | | | | L | M | H | L | M | H | | |
| | Authority | importation of leather and other accessories | routes and also ensure that MSMEs are registered | avoidance | government if the enterprises are not registered, consequently limited Government support | | | | | | | | |
| | Ministère de l'Agriculture, de l'Elevage et de la Mer | Extension service and training to produce quality raw hides and skins | No wastage and all hides and skins produced in Djibouti are processed | Poor quality hides and skins | No development of the leather value chain. | | | x | | | | x | Very high |
| | Service National d'appui au Développement | Skills development | Value addition | Export of raw hides and skins | No value addition and loss of opportunities | | X | | | | | X | High |

Key HH = Very high, H M = High, MM = Moderate, ML = below model, L L = Insignificant

Emerging Priority Intervention Areas

The quantitative and qualitative analyses in Chapter II and III reveal the key issues that must be addressed by this Strategy to ensure the optimization towards value addition of raw hides and skins being produced in Djibouti. The following are the main issues which were identified during the one to one meetings and through the quantitative analysis of data:

- There is political stability, and the Government is committed to support the development of the manufacturing sector;
- The Leather Value Chain is underdeveloped, as reflected by the fact that there is no commercial tanning of hides and skins and also rudimentary manufacturing of footwear or leather goods;
- Most hides and skins produced are wasted or exported in raw state other than small Artisan use;
- High frequency of drought is potential risk for the development of the leather value chain;
- MSMEs/Artisans involved in the production of leather and leather products are facing numerous challenges;
- There is a large pool of stakeholders, which may contribute to the development of the MSMEs/Artisans Clusters and also the tanning industry in Djibouti;
- The footwear and other leather goods market is 95% dependent on imports, which is an opportunity for developing the local industry.

CHAPTER IV: STRATEGY

Introduction

This Chapter presents the strategic interventions, which should improve or contribute to the transformation of the underdeveloped leather value chain in Djibouti into a vibrant economic sector, which will contribute to the attainment of the country's "Vision 2035" and other policies, like the Master Plan for the Development of the Primary Sector, Djibouti national gender policy, the Accelerate Growth and Employment Promotion Strategy.

Vision and Mission

VISION

To be one of the top ten contributors to the GDP of Djibouti.

MISSION

To facilitate the value addition process and enhance the performance of enterprises involved in the production of footwear and other leather goods through the application of modern and cleaner technologies, collaboration, capacity building, policy guidance and resource mobilization.

Strategic Market and Growth Goals

The Vision and Mission of this Strategy creates a new interest for Djibouti to focus on development of the leather sector. The trust to develop the leather value chain will compliment the planned interventions to strengthen the livestock sector (the Accelerate Growth and Employment Promotion Strategy). The hides and skins, which are by-products of the meat and dairy industries, have the potential to earn foreign currency that exceeds the earnings currently being earned by the meat sector. It is proposed that the value addition process should be done in phases, starting with the production of wetblue, and crust and then finished leather. In addition to this, the line Ministries and Institutions in the short run, should start to support the Artisans/MSMEs, which are already involved in the production of footwear and other leather goods. This will assist in building the potential market of finished leather. See the products and market targets illustrated in Table 13.

Table 13: Target Market

| Market | Raw hides and skins | Wet blue | Crust leather | Finished leather | Footwear and leather goods |
|----------|---------------------|---------------|---------------|------------------|---|
| Domestic | ongoing | Year 2 | Year 3 | Year 4 | • School shoes & security boots after 2 years |
| Export | ongoing | After 3 years | After 4 years | After 5 years | • After 5 years |

Strategy Objectives

The specific objectives and interventions listed in Table 14 below elaborate the proposed mechanisms of addressing the issues identified by stakeholders and also drawn from the quantitative analysis. Sub-objectives 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 trade of value added products, such as finished leather, footwear and leather goods.

The Strategy's objectives and the rationale of selecting the given objectives are summarized in Table 14.

Table 14: Rationale for the Selected Objectives

| Objectives | Rationale based on Emerging Issues Summarized in Chapter III |
|--|---|
| 1. To improve the quality and collection of raw hides and skins | Most slaughtering, particularly that of sheep and goats, are conducted in individual's household back yards and most of the hides and skins are wasted or used for mat and other artisanal articles making for household uses. These hides and skins, if produced through proper flaying techniques and managed well, will contribute a lot to the sector development other than generating income to the producer. |
| 2. To Promote production and export of value added products; | Djibouti has a small livestock base, however with off take rates and importation of live animals which generate, raw hides and skins amounting to more than 150,000 per annum, there is a solid base for establishing a medium sized tannery with a soaking capacity of 100 hides and up to 500 skins per day. This development will create jobs and also double the export revenue earnings. |
| 3. To enhance competitiveness of Artisans/MSMEs in domestic, regional and international markets | MSMEs are the engine of economic growth. Currently there many micro enterprises, which are involved in the production of footwear, however, many of them lack basic skills in production and business management and also they are isolated. These MSMEs have the potential to grow, generate jobs and contribute to Government revenue, that is, if they are supported to work jointly in procurement, production and marketing. |
| 4. To develop the capacity of institutions in building Artisans/MSMEs technical and business management skills | Inadequate capacity among technical institutions and Artisans/MSMEs is one of the binding constraints undermining the growth of the leather value chain. Thus, technical and vocational training institutions' capacity to offer relevant training programmes for the leather sector should be facilitated. Many Artisans/MSMEs who are currently involved in the production of leather and leather products lack minimum skills in production and business management. |
| 5. To promote cleaner and environmentally sustainable production techniques and systems. | Cleaner production is critical in order to contribute to the attainment of the Sustainable Development Goals (SDGs). In addition, cleaner production also impacts positively in the area of resource use optimization. |

Sub-Objectives, Activities and Measurable Outputs

Under this section, specific sub-objectives, activities and expected output indicators under each of the prioritized objectives are presented. The assumption is that the implementation of these activities would generate outputs that would create outcomes and contribute to the attainment of this Strategy's Vision and mission to be manifested through measurable indicators specified under strategic market and growth goals. The specific activities would be crafted as part of the annual work plan by stakeholders in collaboration with the "Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la Formalisation".

Objective 1: To improve the quality and collection of raw hides and skins

Hides and skins improvement in quality as well as in quantity is very important. This is mainly because quality raw materials are bases for the production of quality value added products, and also to benefit from economy of scale through increased quantities of raw

materials. The specific sub-objectives and expected outcomes, which would contribute to the attainment of the above objective, are listed in Table 15.

Table 15: Objective One

| Objective 1: To improve the quality and collection of raw hides and skins | | | |
|--|--|---|----------------------|
| Sub-objectives | Responsible Institution | Collaborating Organizations/Institutions | Budget (US\$) |
| Conduct supply chain management diagnostic survey across the country | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
| Validate the report and design an intervention work plan | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
| Organize Seminars to raise/create awareness of hides and skins values, proper flaying and preservation techniques | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
| Mobilize resources to implement the findings of the study and the work plan | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
| Train 100 flayers and extension officers in hides and skins flaying, preservation, handling and quality grading | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
| The trained extension officers to pass the information and skills to others in their respective areas of operation | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
| Design performance indicators template to monitor the performance of those implementing and not implementing | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
| Review its adoption and implementation bi-annually | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
| Organize exchange visits, targeting enterprise, which have implemented it successfully, to promote cross learning | Ministère de l'Agriculture, de l'Élevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |

| | | | |
|---|--|---|--|
| Facilitate the development of an efficient Hides and Skins marketing system | Ministère de l'Agriculture, de l'Elevage et de la Mer, | <ul style="list-style-type: none"> • Abattoirs • Meat Industries • Private Farmers • Extension Service • Training Institutions | |
|---|--|---|--|

Objective 2: To Promote Production and Export of Value Added Products;

This objective focuses on enhancing capacity at all the levels of the leather value chain in order to improve quality, value and volume of value added products. The specific sub-objectives and expected outcomes, which would contribute to the attainment of the above objective, are listed in Table 16.

Table 16: Objective Two

| Objective 2: To Promote Production and Export of Value Added Products; | | | | |
|---|---|--|--|---------------|
| No. | Sub-objectives | Responsible Institution | Collaborating Organizations/Institutions | Budget (US\$) |
| 1 | Undertake a feasibility study on the possibility of setting up a tannery | <ul style="list-style-type: none"> • Ministry of Commerce • Ministère de l'Agriculture.. • Djibouti. Environment. Author. • Djibouti Standards Authority | <ul style="list-style-type: none"> • Cooperative of Leather Processing. • NGOs • Associations | |
| 2 | Facilitate the production of semi and finished leather which meet national and international quality and environmental standards through Artisanal tanning, | <ul style="list-style-type: none"> • Ministry of Commerce and Industry • Ministère de l'Agriculture. • Djibouti. Environment. Author. • Djibouti Standards Authority | <ul style="list-style-type: none"> • Cooperative of Leather Process. • NGOs • Associations | |

Objective 3: To Enhance Competitiveness of MSMEs in Domestic, Regional and International Markets

MSMEs operating in Djibouti face a myriad of constraints ranging from finance, Lack of inputs in local markets, lack of technical and business management skills, inadequate equipment and poor working space, among others. Djibouti is a small nation with regard to geographical and population size, thus, supporting the development of MSMEs could significantly boost the industrialization agenda, and consequently contribute to the Vision 2035. This intervention will focus on strengthening the operations in the area of technical skills development, enterprise development, capitalization; promotion of joint action in procurement, production and marketing; and also participation in Government tenders, among others. Table 17 summarizes interventions/Sub-objectives and activities that will contribute to the development and growth of Artisans/MSMEs in the leather value chain.

Table 17: Objective Three

| Objective 3: To Enhance Competitiveness of Artisans/MSMEs in Domestic, Regional and International Markets | | | | |
|--|--|--|---|---------------|
| No. | Sub-objective and Activities | Responsible Institution | Collaborating Organizations/Institutions | Budget (US\$) |
| 1 | Profile the Artisans/MSMEs operating across Djibouti | <ul style="list-style-type: none"> • Ministry Commerce • Central Statistical Office • Ministry of Agriculture | <ul style="list-style-type: none"> • Research Inst. • Crafters Coop. • Ministry Planning & economics | |
| 2 | Design a framework of Artisans/MSMEs clustering | <ul style="list-style-type: none"> • Mist. Commerce (Coop. Dpt.) • Colleges | <ul style="list-style-type: none"> • NGO • Municipalities • Mist. of Agri. Staff across the | |

| Objective 3: To Enhance Competitiveness of Artisans/MSMEs in Domestic, Regional and International Markets | | | | |
|--|---|---|--|----------------------|
| No. | Sub-objective and Activities | Responsible Institution | Collaborating Organizations/Institutions | Budget (US\$) |
| | | | country <ul style="list-style-type: none"> • Federation of Djibouti. Business Community • Training Centers • Federation of Djibouti Employers • Chamber of Commerce | |
| 3 | Facilitate the establishment of 5 Clusters, each with a minimum membership of 20 Artisans/MSMEs | <ul style="list-style-type: none"> • Djibouti Enterprise Development. • Ministry of Commerce • Crafters Coop. | <ul style="list-style-type: none"> • NGOs • Colleges • Leather crafters cooperatives. • Leather crafters | |
| 4 | Train 100 Artisans/MSMEs in Clustering | <ul style="list-style-type: none"> • Colleges • Ministry of Commerce (Artisans/MSME Dpt.) • Ministry of Education | <ul style="list-style-type: none"> • NGOs • Microfinance • Extension Officers • Relevant Consultants | |
| 5 | Assess the quality of; leather footwear and other products being manufactured by Artisans/MSMEs | <ul style="list-style-type: none"> • Djibouti Standards Authority | <ul style="list-style-type: none"> • Producers • ALLPI | |
| 6 | Design a capacity building in production and costing based on the findings of the assessment | <ul style="list-style-type: none"> • Small Enterprises Development Enterprise • Mins. Of Commerce | <ul style="list-style-type: none"> • Micro-finance • Djibouti Revenue Authority | |
| 7 | Facilitate joint action in the procurement of raw materials | <ul style="list-style-type: none"> • Cooperatives • Minst. Commerce (Artisans/MEMEs Dep.) | <ul style="list-style-type: none"> • Ministry of Agriculture • Ministry of Commerce • Djibouti Revenue Authority | |
| 8 | Facilitate the provision of common production facilities | <ul style="list-style-type: none"> • Djibouti Investment Promotion Authority • Ministry of Commerce (Industry Dpt.) • City Council | <ul style="list-style-type: none"> • Artisan/MSME Unit (Ministry of Commerce) • NGOs • Constituency leaders | |
| 9 | Facilitate the provision of common use machines | <ul style="list-style-type: none"> • Ministry Commerce • Economic Planning and Development • Ministry of Finance | <ul style="list-style-type: none"> • Private Companies • Retailers • Training Institutions • Micro Projects • Crafters • Financial Institutions • ALLPI | |
| 10 | Assess the quality standards of school shoes and security boots used in Djibouti | <ul style="list-style-type: none"> • Djibouti Standards Auth. | <ul style="list-style-type: none"> • Vocational/Training Institution | |
| 11 | Train Artisans/MSMEs to manufacture school shoes and security boots in line with the findings of the quality assessment study | <ul style="list-style-type: none"> • Training Centers • Cooperatives • Mins. Commerce (Artisans/MSMEs Dep.) | <ul style="list-style-type: none"> • NGO • Schools • ALLPI | |
| 12 | Subject school shoes | <ul style="list-style-type: none"> • Djibouti Standards Auth | <ul style="list-style-type: none"> • ALLPI | |

| Objective 3: To Enhance Competitiveness of Artisans/MSMEs in Domestic, Regional and International Markets | | | | |
|--|--|--|---|----------------------|
| No. | Sub-objective and Activities | Responsible Institution | Collaborating Organizations/Institutions | Budget (US\$) |
| | and security boots for quality testing | | <ul style="list-style-type: none"> Ministry of Labour (Directorate of Industrial and Vocational.) | |
| 13 | Train Artisans/MSMEs on the basis of the results of quality testing of their samples | <ul style="list-style-type: none"> Vocational/Training Institutions Mins. Commerce (Artisans/MSME Dep.) | <ul style="list-style-type: none"> ALLPI NGOs | |
| 14 | Create linkages between Artisans/MSMEs with potential buyers of school shoes and security boots | <ul style="list-style-type: none"> Cooperative Ministry of Commerce Ministry of Finance | <ul style="list-style-type: none"> Djibouti Enterprise Development. Cooperation NGOs Telephone, Internet Service Providers | |
| 15 | Facilitate the participation of Artisans/MSMEs in Government Tenders | <ul style="list-style-type: none"> Ministry of Commerce Cooperative Ministry of Finance Ministry of Agriculture Private Sector | <ul style="list-style-type: none"> Private Companies Leather Crafters NGOs Cooperatives | |
| 16 | Facilitate Artisans/MSMEs' participation in national and regional fairs | <ul style="list-style-type: none"> Ministry of Commerce (Artisans/MSMEs Dep.) | <ul style="list-style-type: none"> NGOs Ministry of Tourism NGOs ALLPI | |
| 17 | Facilitate the linkage between Artisans/MSMEs and financial institutions | <ul style="list-style-type: none"> Microfinance Ministry of Commerce Ministry of Economic Planning & Development Saving and Credit Cooperation | <ul style="list-style-type: none"> Central Bank Savings and Credit Cooperative Regional Development Fund | |
| 18 | Facilitate Artisans/MSMEs' provision of loans | <ul style="list-style-type: none"> Central Bank | <ul style="list-style-type: none"> ALLPI EU Micro projects | |
| 19 | Mobilize funding from national, regional and international finance corporations and also from Government | <ul style="list-style-type: none"> Ministry of Commerce Ministry of Finance | <ul style="list-style-type: none"> ALLPI Embassies Development partners | |
| 20 | Design a system for monitoring and usage of the mobilized resources, to ensure resource optimization | <ul style="list-style-type: none"> Ministry of Commerce | <ul style="list-style-type: none"> Commission for Cooperative Microfinance Unit | |

Objective 4: To Develop the Capacity of Institutions in Building Artisans/MSMEs Technical and Business Management Skills

Inadequate capacity among technical institutions and Artisans/MSMEs is one of the binding constraints undermining the growth of the leather value chain. Thus, technical and vocational training institutions' capacity to offer relevant training programmes for the leather sector should be facilitated. Many Artisans/MSMEs who are currently involved in the production of

leather products lack minimum skills in production and business management. The sub-objectives, which could contribute to the attainment, are articulated in the Table 18.

Table 18: Objective Four

| Objective 4: To Develop the Capacity of Institutions in Building MSMEs Technical and Business Management Skills | | | | |
|--|---|--|---|----------------------|
| No. | Sub-objectives | Responsible Institution | Collaborating Organizations/Institutions | Budget (US\$) |
| 1 | Facilitate the development of curriculum on leather production | <ul style="list-style-type: none"> • M. du commerce (Artisans/MSME Dep.) • Vocational and Higher learning Institutions • Mins. Of Education | <ul style="list-style-type: none"> • Ministry of Education • Djibouti Leather Crafters • National Curriculum Center • ALLPI | |
| 2 | Assess and estimate the resources required | National Curriculum Center | <ul style="list-style-type: none"> • ALLPI • NGOs | |
| 3 | Train 40 Artisans/MSMEs per year on footwear/leather goods production | Mins. of Commerce (Artisans/MSMEs dip.) | <ul style="list-style-type: none"> • ALLPI • NGOs • Vocational Institutions | |
| 4 | Train 40 Artisan/MSMEs per year on enterprise development | Mins. of Commerce (Artisans/MSMEs dip.) | <ul style="list-style-type: none"> • ALLPI • NGOs • Vocational Institutions | |

Objective 5: To Promote Cleaner and Environmental Sustainable Production Techniques and Systems

The leather value chain has gained negative publicity across the globe because of the utilization of technologies which are associated with environmental pollution and damage. This is mainly because of the use of salt and chemicals in the preservation and leather production respectively. However, it is imperative to note that technological advancement has led to the generation of the development of cleaner technologies and also a significant improvement in waste management. Despite progress in this vein, it should be noted that most production systems in developing countries, including Djibouti, have not fully internalized these technologies. The usage of cleaner and environmentally friendly technologies, besides protecting the environment, are also an important marketing tool e.g. eco-labelling etc. This objective, thus, focuses on ensuring that all enterprises involved in the leather value chain embraces cleaner and environmentally friendly production technologies. The specific sub-objectives, which would contribute to the attainment of the above objective, are summarized in the Table 19:

Table 19: Objective Five

| Objective 5: To Promote Cleaner and Environmental Sustainable Production Techniques and Systems | | | | |
|--|--|---|---|----------------------|
| No. | Sub-objectives | Responsible Institution | Collaborating Organizations/Institutions | Budget (US\$) |
| 1 | Undertake an audit or gap analysis on how enterprises in the leather value chain are managing their waste | <ul style="list-style-type: none"> • Djibouti Environment Authority • Ministry of Tourism and Environment Affairs | Municipalities NGOs | |
| 2 | Train the Artisans/MSMEs on greening their production process | <ul style="list-style-type: none"> • Djibouti Environment Authority • Mins. of commerce (Artisans/MSME Dip.) | UNIDO NGOs ALLPI | |
| 3 | Mobilize resources to facilitate the deployment of cleaner and environmentally friendly production techniques; | <ul style="list-style-type: none"> • Djibouti Environment Authority • Ministry of Commerce • Cooperative | City Council Microfinance NGOs | |

| Objective 5: To Promote Cleaner and Environmental Sustainable Production Techniques and Systems | | | | |
|--|--|---|---|----------------------|
| No. | Sub-objectives | Responsible Institution | Collaborating Organizations/Institutions | Budget (US\$) |
| 4 | Design a monitoring system for the implementation of the cleaner production programme | <ul style="list-style-type: none"> Djibouti Environment Authority | City Council Mins. Health University | |
| 5 | Develop, review and enforce the relevant laws, regulations, guidelines, standards and codes of practice pertaining to leather and leather products quality | <ul style="list-style-type: none"> Djibouti Environment Authority Parliament portfolio Commerce Attorney General | NGOs Regulatory Authority | |

Implementation Methodology

The Strategy implementation will be coordinated by the “Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la Formalisation”. Stakeholders Core Team should be setup and will play a leading role in designing annual work plans and review the implementation process. It should be composed of Public, Private sectors and the Academia. Details would be guided by the strategy unpacking process, which will be facilitated by ALLPI after the Launch of the Strategy.

Implementation Plans

The global, regional and domestic dynamics of modern economies are very fast, external and internal conditions of enterprises or value chains have to keep pace with such changes. Given the scenario, strategies should be flexible to give room for necessary adjustments that are necessary to ensure that the set targets are met. To enhance the capacity of this strategy to keep pace with the dynamics of the global, regional and domestic dynamics, this strategy gives an outline of broad interventions, as sub-objectives, which should be transformed into specific activities in the annual work plan. The annual work plan of every year should be informed by a thorough review of the implementation process, the performance of the value chain and also the dynamics in the external environment. The Core Team should be tasked to review the implementation process of the Strategy quarterly, which will contribute to the annual report. The annual report will form a solid base for crafting a work plan for the following year.

Monitoring and Impact Indicators

The performance of the Strategy will be judged by the value that will accrue to value chain actors in form of outputs, exports and employments and other economic benefits. In the short term, the output and outcome indicators will be used to monitor and gauge the implementation of the Strategy. The monitoring template is an outcome of the annual work plan. Quarterly review will focus on the assessing whether the agreed activities are being implemented. Impacts are the ultimate criteria for gauging a strategy’s performance. The M & E Matrix will be developed once an annual work plan is in place.

Responsibility Matrix

The development of the leather value chain in Djibouti is led by the “Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la Formalisation”; in short, the Ministry is accountable to the Government, with regard to the performance of the leather value chain, with regard to targets, which are set at national level. Thus, the Ministry is responsible in leading the implementation of the Leather Value Chain Strategy. Despite this, a Value Chain Strategy is a holistic document, thus, its successful implementation is dependent on the ability of the “Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la

Formalisation”; to collaborate and work with other Ministries and Stakeholders, who have a statutory responsibility or interest with regard to some of the segments of the leather value chain. To enhance the efficacy and effectiveness in collaboration in the implementation of the Strategy, it is imperative that responsibility and accountability be incorporated in the final strategy documents. The process of allocating responsibility and accountability is undertaken once the Strategy has been validated. Through a participatory process, responsibilities for championing specific objectives or sub objectives are allocated and signed off through the leadership of the “Ministère Délégué Chargé du Commerce, des PME, du Tourisme et de la Formalisation”. The document, which summarizes this allocation is called a Responsibility Matrix and is an annex to this Strategy. This Matrix is subject to review annually based on performance.