

# SWAZILAND LEATHER VALUE CHAIN STRATEGY (2016 – 2025)

**Developed by:**  
**The Ministry of Commerce, Industry and  
Trade and COMESA-Leather and Leather  
Products Institute**



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## **VISION**

To be one of the top ten foreign currency earners in Swaziland

## **MISSION**

To facilitate the value addition process and enhance the performance of enterprises involved in the production of footwear and other leather goods.

**FOREWORD (to be inserted by the Ministry of Commerce, Industry and Trade)**

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## LIST OF ACRONYMS

COMESA/LLPI:	Common Market for Eastern and Southern Africa, Leather and Leather Products Institute
COMESA:	Common Market for Eastern and Southern Africa
E:	Emalangeneni
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
SACU:	Southern Africa Customs Union
SME:	Small Medium Enterprises
SWOT:	Strength, Weaknesses, Opportunities and Threats
USD:	United States Dollar

## EXECUTIVE SUMMARY

The Kingdom of Swaziland has the potential of transforming itself from its current status into a Developed World Status, given its natural resource base, political stability and small population. This is in line with the Kingdom of Swaziland's Programme of Action (2013-2018) The transformation agenda is anchored on eight focus areas namely: economic prosperity; agriculture growth and environmental sustainability; education; health; service delivery; infrastructure; governance and anti-corruption. The Kingdom of Swaziland is committed to deliver on these focus areas, and this is poised to lead to a holistic growth and development process that will transform Swaziland to the First World Status.

The development of the Leather Value chain has come at an opportune time, as it will contribute significantly to the economic prosperity and agriculture and environmental sustainability focus areas among others. The strategy's main focus is to promote value addition and enhance the performance of MSMEs, which are involved in the production of leather footwear and products. This will lead to foreign currency savings and earnings stimulate employment creation along the value chain and consequently contribute to livelihoods improvement. The overall thrust of the strategy is summarized in its vision and mission:

- **Vision:** To be one of the top ten foreign currency earners in Swaziland
- **Mission:** To facilitate the value addition process and enhance the performance of enterprises involved in the production of footwear and other leather goods

In order to attain the vision and mission, specific activities, will be implemented, which are anchored on the following specific objectives:

- To Promote production and export of value added products;
- To enhance competitiveness of MSMEs in domestic, regional and international markets;
- To develop the capacity of institutions in building MSMEs technical and business management skills;
- To promote cleaner and environmentally sustainable production techniques and systems.

The strategy objectives are well aligned with the key major policy documents which are currently being implemented in Swaziland, chief among them is the Programme of Action and the Industrial Development Policy. The level of alignment between this leather value chain strategy and other policy documents in Swaziland is demonstrated in this document.

Swaziland has a small livestock base, however the quality of hides and skins being produced are of very high standard, thus there is a potential for establishing a medium size tannery, which in the short run will focus on the production of partly processed leather (wet blue) for export, and this will potential double, its current foreign currency earnings, create jobs and also generate other multiplier effect in the economy.

The implementation of the strategy will be championed by the Ministry of Commerce, Industry and Trade in collaboration with other line Ministries, institutions and stakeholders.

## CHAPTER I: CONTEXT SETTING

### Introduction

The Development Agenda of Swaziland is to transform the Kingdom into a First World Status Country that is to reach the status of developed countries by 2022. This is in line with her Vision 2022. A first world country is defined as “one where all citizens are able to sustainably pursue their life goals, and enjoy lives of value and dignity in a safe and secure environment; this implies equitable access to sufficient resources, education, health, food security and quality infrastructure and services, as well as governance. The attainment of this goal is anchored on rapid economic growth, fed from huge expansion of foreign and domestic large scale investment, and significant rapid growth in Micro Small, and Medium Scale Enterprises (MSMEs). The current leather Value Chain strategy fits very well in this Vision by supporting value addition of hides and skins and promotion of the growth of MSMEs in the leather value chain. The expected growth and development is based on the following focal points:

- Economic Prosperity – with economic growth target of 5% per annum;
- Agriculture and Environmental Sustainability – increase the area under irrigation by 10,000 hectares;
- Education - by 2022, 98% of Swazi children are expected to be accessing good quality education and well resourced primary education at no charge;
- Health - aim to increase life expectancy from 49 years in 2006 to 60 years by 2022;
- Service Delivery – enhance the effectiveness, efficiency and quality of public services;
- Infrastructure – 100% accessibility to clean water; increase electricity household connectivity from 60% to 75% by 2018; increase the proportion of paved roads from 25% to 65%;
- Governance - use the Mo Ibrahim Index to track performance;
- Corruption - Government to regularly measures citizens perception of corruption, and this will contribute to corruption reduction.

Swaziland is a landlocked, small, open economy in Southern Africa. It has a land area of 17,364 km<sup>2</sup> and a population of 1.2 million. The country is largely mountainous, with 75.8% of the population living in rural areas. It borders Mozambique and South Africa: the nearest ports are Maputo, which is 149 km away, and Durban, about 541 km away. With a Gross Domestic Product (GDP) per capita of about US\$ 3,500, Swaziland is classified as a lower middle income country.

### Structure of the Economy and Sector Performance

Swaziland’s output is mostly accounted for by industrial and services sectors. Between 2000 and 2014, the share of services in GDP increased from 38 to 47.6 percent while the share of secondary sector increased from 34 percent to 45.6 percent .During the same period, the share of agriculture fell from 10 percent to 6.9 percent. The manufacturing activities largely consist of agriculture-based value-adding activities (confectionery and soft drinks). Swaziland hosts the principal Coca-Cola concentrate plant for Southern and Eastern Africa), canned fruit, forestry products, as well as textiles and clothing. The change in the economic structure has been accompanied by the reduced capacity of the economy to absorb unskilled labor. The increasing role of services, especially the growth of the telecommunications and financial services has led to demand for higher skill levels. These structural changes have, therefore reduced the economy’s labor absorptive capacity, especially when combined with the low growth and a mismatch between skills supply and demand. For details of the structure of the economy see Table 1.

**Table 1: Structure of the Swaziland Economy**

Sectors	Weight (%)	Sectorial Real GDP Growth (%)		
		2012	2013	2014
<b>Primary Sector</b>	6.9	-4.0	3.1	-2.1
Agriculture and Forestry		-5.4	1.5	0.0
Mining and Quarry		35.6	32.9	-33.1
<b>Secondary Sector</b>	45.6	1.4	3.0	4.3
Manufacturing		1.1	1.9	2.9
Electricity, Gas & Water		2.4	6.7	-6.8
Construction		3.5	10.4	16.3
<b>Tertiary Sector</b>	47.6	4.8	3.0	2.4
Wholesale & Retail		4.1	4.5	3.2
Real Estates, renting & business activities		4.0	-1.2	1.1
Transport & Communication		8.7	5.6	2.8
Financial and Insurance service		8.5	6.5	4.1
General Government Services		0.3	3.3	2.1
<b>Overall GDP Growth</b>	100	2.6	2.9	2.7

Source: Central Bank of Swaziland Annual Report (April 2014 – March 2015)

## The Leather Value Chain Strategy Relationship with other Policies in Swaziland

The Swaziland Programme of Action 2013-18, sets the tone of development for Swaziland. 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. Swaziland 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 Swaziland.

The four main objectives of the Swaziland Leather Value Chain Strategy are:

1. To promote production and export of value added products;
2. To enhance competitiveness of MSMEs in domestic, regional and international markets;
3. To develop the capacity of institutions in building MSMEs technical and business management skills;
4. To promote cleaner and environmentally sustainable production techniques and systems.

## Programme of Action (2013-2018)

The main thrust of the programme of action of Swaziland is economic transformation from a Lower Middle Income to a First World Economic status. The Vision is that by 2022, Swaziland's economic, social and political indicators should reflect that of a developing country. Thus, the transformation which Swaziland is gearing towards is both quantitative and qualitative. The key dimensions that are targeted to be improved are listed in column 1 of Table 2.

**Table 2: The relationship of the Programme of Action with the Leather Value Chain Strategy**

Focal Points of the Programme of Action (2013 – 2018)	Leather Value chain Objectives			
	1	2	3	4
Economic Prosperity	x	x	x	x
Agriculture and Environmental Sustainability				x
Education			x	
Health				x
Service Development			x	
Infrastructure		x		
Governance				
Corruption Reduction				

## Industrial Development Policy 2015 -2022

The Vision of the Swaziland Industrial Development Policy is “to achieve structural change in Swaziland’s growth path through value addition and diversification for globally competitive industrial base by 2022”. Its mission is “to create a vibrant, sustainable, resilient and competitive economy through promotion of viable industrial sectors, diversification and long term intensification of Swaziland’s industrialization process in which local natural and human resources are sufficiently captured in line with Swaziland’s dynamic comparative advantages. The specific objectives of the Industrial Development Policy are listed in Table 3.

**Table 3: The Relationship between the Industrial Development Policy and the Leather Value Chain Strategy**

Objectives of the Industrial Development Policy	Leather Value chain Objectives			
	1	2	3	4
Enhance manufacturing and services sectors contribution to GDP to be above 50% and increase manufactured exports by 5%	x	x		
Promote diversification of the country’s industrial activities and increase employment in the manufacturing sector by 5% per year	x	x		x
To increase utilization and beneficiation of local and regional raw materials in the production of goods for domestic and export markets by 50%	x	x	x	
To promote broad based industrialization path by increasing the participation of MSMEs in the manufacturing sector by 10%				x

## Importance of the Leather Value Chain

### Global Level

The leather value chain globally is estimated at over USD 100 billion.<sup>1</sup> 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 1 below. 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. See Figure 1 below.

<sup>1</sup> The USD 100 billion excludes leather blended products, e.g. sports shoes and fashionable bags.

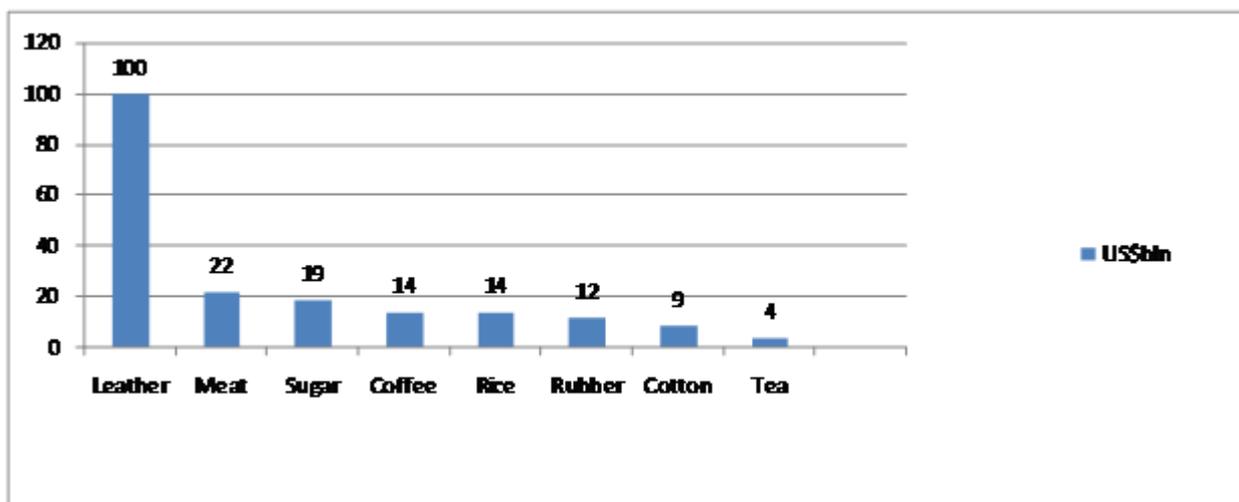


Figure 1: Global Importance of the Leather Value Chain

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 4, 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 4: 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 21% 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 pre<sup>2</sup>-, peri<sup>3</sup>- and post<sup>4</sup>-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.

<sup>2</sup> Pre-slaughter defects – any damage caused by different factors like poor management genetic make-up, disease and nutrition etc, on the live animal.

<sup>3</sup> 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.

<sup>4</sup> 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

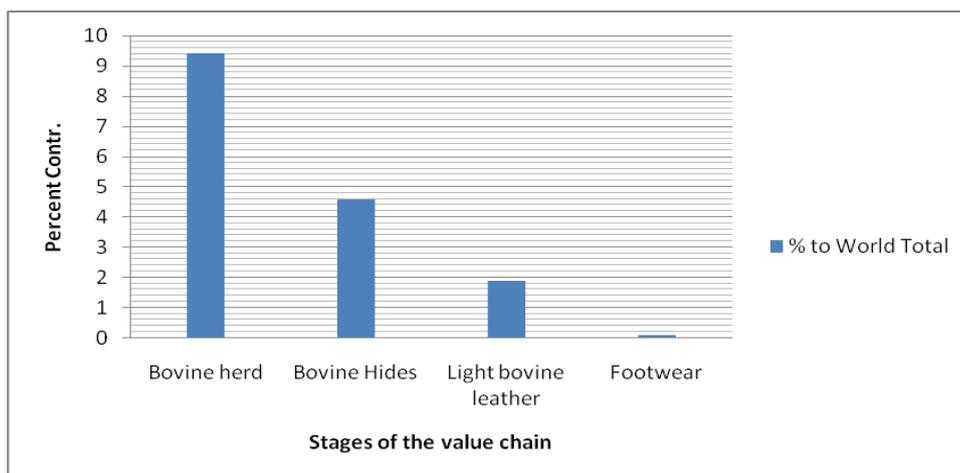


Figure 2 : Africa Trade Contributions to Trade of Leather and Products Globally

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. Swaziland 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 estimated<sup>5</sup> at 80.6 and 92.3 million pairs in 2001 and 2011<sup>6</sup> 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 translates<sup>7</sup> 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.

<sup>5</sup> FAO Compendium of Statistics, year/issue No.?

<sup>6</sup> FAO Compendium of Statistics< year/issue No.?

<sup>7</sup> Assuming import price of USD10 per pair

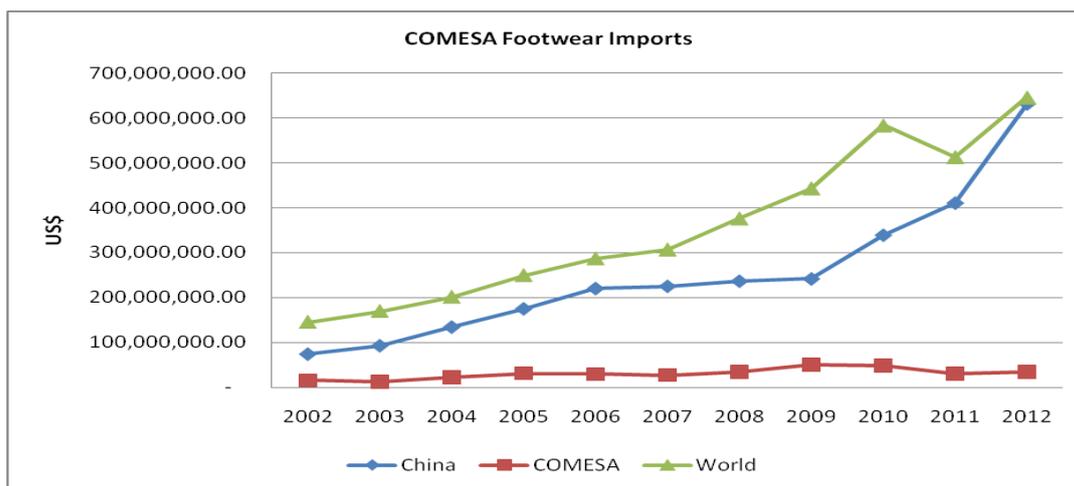


Figure 3: COMESA Imports of Footwear from COMESA Region, China and the World

## Swaziland Situation

The Swaziland livestock subsector accounts for about 14% of agricultural output and 1% of total GDP. Swaziland has a relatively high unexploited potential of improving livestock Production especially on Swazi Nation Land where 83% of the country's livestock is reared. FANRPAN (2011) reports that livestock is a very important livelihood asset for the rural people in Swaziland. People derive their livelihood from livestock in the form of food, income, organic fertilizer, as a form of investment, power for ploughing their fields and for traditional ceremonies such as weddings. The bovine herd is estimated at 0.6 million, with estimated hides and skins production capacity of 220,000, with annual average earnings of E5 million. Approximately hides and skins produced in Swaziland are exported to South Africa as wet salted. Swaziland produces beef of high quality and its markets are summarized in Table 5.

Table 5: Market for Swaziland Beef Industry

Destination Market	Percentage Contribution
Swaziland (Domestic)	67
Mozambique	23
South Africa	2
EU	2
Europe (EFTA)	6

## Emerging Issues

The picture emerging from Chapter One is the overall commitment of the Kingdom of Swaziland to facilitate the transformation of the country into a First World status, by implementation of strategic activities targeting economic prosperity, health, education, infrastructure, governance and corruption reduction, among others. The focal points in the programme of action and the objectives in the Industrial Development Policy exhibit strong strategic linkages with the Leather Value Chain Strategy.

## CHAPTER II: SITUATIONAL ANALYSIS OF THE VALUE CHAIN

### Introduction

The livestock base of Swaziland is small in comparison to other neighboring countries; however, it has been observed that the quality and size of its hides and skins are superior. Approximately 100% of these hides and skins are exported to South Africa in wet salted state; the balance is used domestically in the production of traditional regalia, drums and other leather items. A situational analysis of the Swaziland Leather Value Chain is presented in this Chapter. The following fundamental issues are analyzed using both primary and secondary data: value chain map; potential of the leather value chain; opportunities forgone due to the exporting of raw hides and skins and wet blue; 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 Swaziland 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 Swaziland 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 Swaziland is illustrated in the Figure 4.

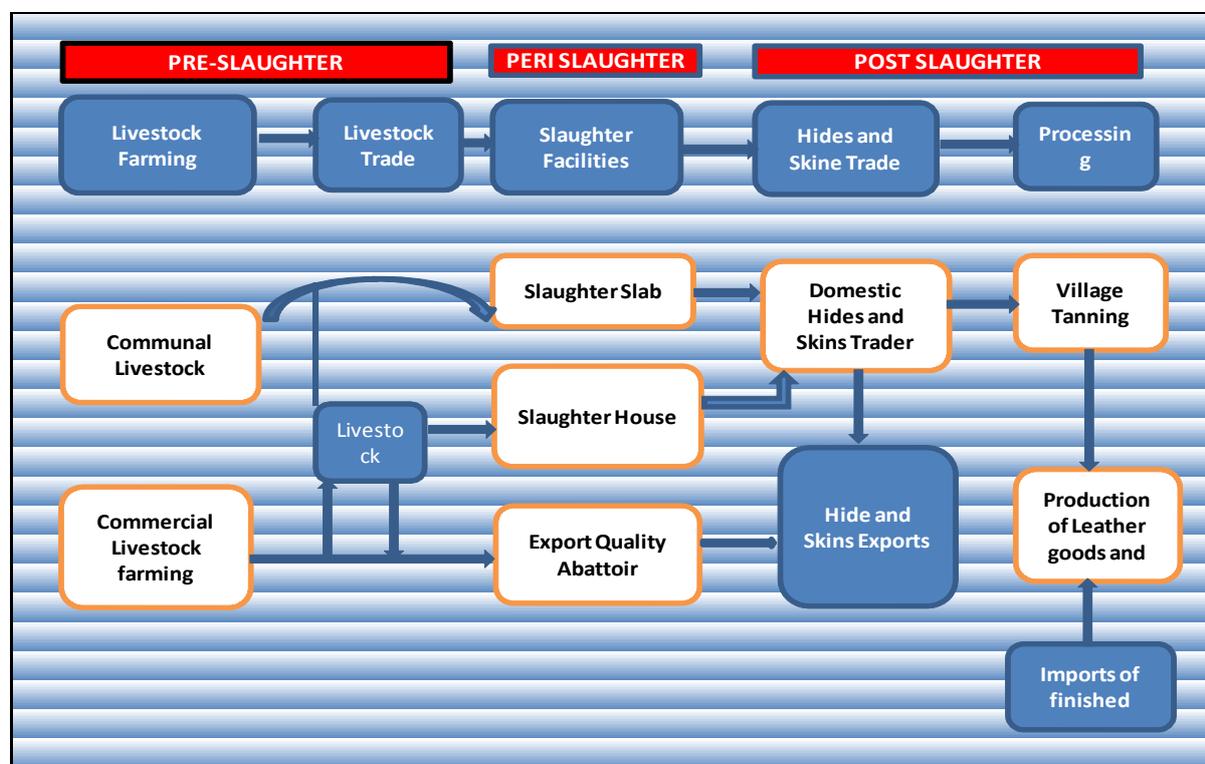


Figure 4: Swaziland Leather Value Chain

## The Potential of the Swaziland Leather Value Chain

Swaziland has the capacity of exporting 220 to 250 thousand hides and skins per annum, which translates to US\$6 million (E78 million), when valued at approximate unit price of US\$1.10 per Kg. However it is imperative to note that the prices of hides and skins fluctuate just like all the prices of commodities. Swaziland is currently exporting almost all of its raw hides and skins, in wet salted form. It is 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 in Swaziland had the large proportion hides and skins been transformed into finished leather or finished products. Swaziland produces high quality hides and skins, which are estimated to be earning an average of US\$ 1.10 per kg.

The losses, which are incurred due to non value addition, are illustrated in Table 6 below. The value addition threshold that is expected per stage is shown in the last column of the Table below. The cumulative loss is estimated at USD 72 million (E938 million). If the loss associated with pre-, peri- and past-slaughter defects, which is illustrated in the Table above is taken into account the total loss is estimated at USD 232 million per annum. 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 Kingdom of Swaziland's Programme of Action. See Table 6 for potential earnings simulations.

**Table 6: Potential Revenue Earnings Simulations**

Stage of Processing	Potential Earnings (US\$)	Current Actual Earnings (US\$)	Estimated Losses (US\$)	Value Addition Threshold (E)
Raw hides and Skins Current Value	6,050,000.00	384,615.00	5,665,385.00	1
Wet Blue	12,100,000.00	384,615.00	11,715,385.00	2
Crust	18,150,000.00	384,615.00	17,765,385.00	3
Finished Leather	24,200,000.00	384,615.00	23,815,385.00	4
Finished Products	72,600,000.00	384,615.00	72,215,385.00	12
<b>Cumulative Loss</b>			<b>72,215,385.00</b>	
Computations based on Emalangeneni				
Raw hides and Skins Current Value	78,650,000.00	4,999,995.00	73,650,005.00	1
Wet Blue	157,300,000.00	4,999,995.00	152,300,005.00	2
Crust	235,950,000.00	4,999,995.00	230,950,005.00	3
Finished Leather	314,600,000.00	4,999,995.00	309,600,005.00	4
Finished Products	943,800,000.00	4,999,995.00	938,800,005.00	12
<b>Cumulative Loss</b>			<b>938,800,005.00</b>	

## Situational Analysis of SMEs in the Footwear Industry

### Overview of the Footwear Supply Chain in Swaziland

The footwear manufacturing industry is yet to develop in Swaziland; however, it holds great potential. Current MSMEs involved in footwear and leather goods production, however, face a plethora of challenges. The summary of the characterization of Swaziland footwear supply chain presented in the Table 7 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 regalia, which depends on domestic artisanal tanning are imported. This scenario has raised production costs of MSMEs involved in this business, as they are forced to travel to South Africa to purchase these inputs. Their orders are usually small, as they purchase as individuals, hence depend on the secondary market.

**Table 7: Characterization of Footwear Supply Chain**

INPUTS	IMPORTANCE	SITUATION IN SWAZILAND
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 Swaziland is limited to artisanal tanning, which feeds into the production of traditional regalia 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 Swaziland, 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 <b>last</b> 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 Swaziland; SMEs depend on secondary imports from South Africa. 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 Swaziland. All these are imported
Accessories	Important, especially for finishing sandals and other types of footwear. (rivets and buckles)	No local production in Swaziland

Source: Stakeholders Consultations by COMESA/LLPI

The absence of production of the materials listed in the Table 7 is the main weakness in the footwear manufacturing business in Swaziland. Leather is the main input in footwear or leather goods manufacturing business, contributing 40-50% to total cost. Swaziland 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 SMEs 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 8. 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 8: Footwear Production Costing**

Materials	USD			
	School Shoes	Boots	Sandal	Average
Leather	2.24	4.7	3.04	3.33
Soles	1.6	6.2	0	2.60
Insole	0.19	0.33	0	0.17
Shanks	0.2	0.2	0	0.13
Glue white	0.4	0.48	0.25	0.38
Glue Neoprene	0.3	0.4	0	0.23
Toe Puff front	0.19	0.2	0	0.13
Back counter	0.29	0.32	0	0.20

Shoelaces	0.25	0.32	0	0.19
Eyelets	0.05	1.28	0	0.44
Machine Thread	0.02	0.03	0	0.02
Sock Lining	0.28	0.3	0	0.19
Polish	0.03	0.04	0.05	0.04
Colour	0	0	0.3	0.10
<b>Total</b>	<b>6.04</b>	<b>14.8</b>	<b>3.64</b>	<b>8.16</b>

### Identified Constraints

During the national stakeholder’s workshop for the formulation of the leather value strategy, which was held in Swaziland, the following were identified as binding constraints: shortage of finance and use of old and rudimentary equipment as major constraints that have hampered the production of quality products and productivity. 100 percent of the participants regarded the poor state and lack of necessary machinery as the main factor that was undermining the manufacturing of quality products.

The absence of a dedicated common working facility impacted negatively on MSMEs visibility as some of them were operating in their backyards and in markets. Most of the enterprises 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 MSMEs in Swaziland are summarized in Figure 5.

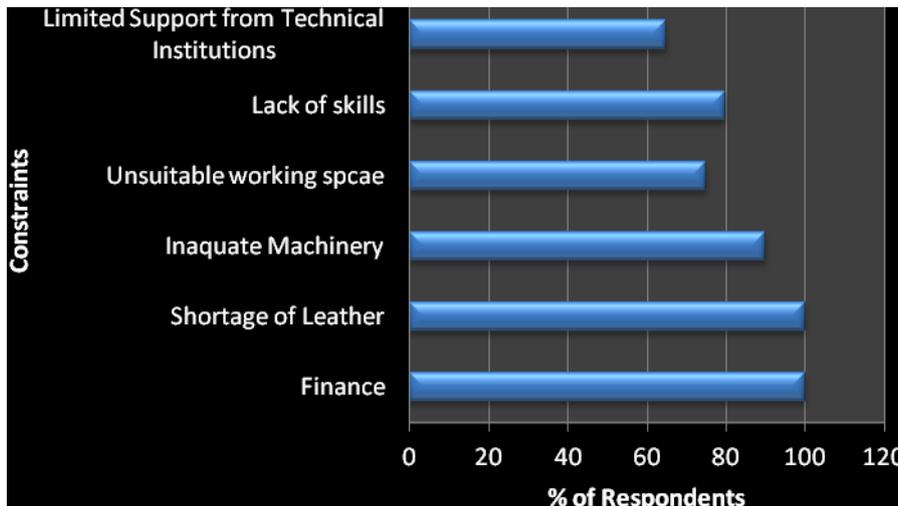


Figure 5: Rating of Constraints

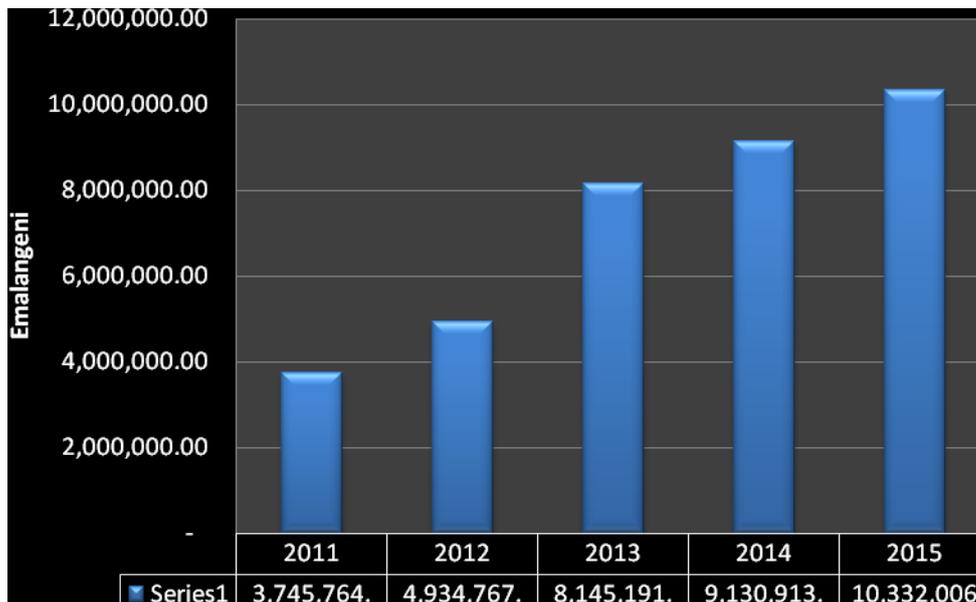
### Trade Analysis

In this section, an analysis of trade of the various products under the leather value chain is presented. This is meant to demonstrate the export and market potential presented by the Swaziland leather value chain.

#### Exports of Articles of Chapter 41

Currently, Swaziland is not adding value to most hides and skins, except a small proportion of hides and skins which are processed at village level and used in the production of cultural regalia. Figure 6, shows that the export of raw hides and skins was on an upward trend from 2011 to 2015. The growth was rapid, for instance by 2015, exports trebled in comparison to

2011. This reflects that that Swaziland has the potential to support the development of the leather value chain, which should be initiated by setting up a medium sized tannery.



Source: Swaziland Revenue Authority

Figure 6: Exports of Raw Hides and Skins

## Imports of Finished Leather and Footwear

Imports relate mainly to two commodities, namely, finished leather and footwear. Other imports include soles, accessories and machinery. In this section, only leather and footwear imports are analyzed.

### Finished Leather

MSMEs which are involved in the production of footwear and other leather goods such as wallets, bags, purses and key holders import leather from South Africa. These imports are normally made in small packages, consequently they may not be documented, hence, they may not be included in the national imports statistics. Given the scenario, imports values are presented in Figure 7. The highest import were recorded in 2012, with an import value of US\$ 61,000. The imports dropped in 2013; however, they have recovered in 2014 and 2015. Informal imports impact business operations, as they come in small consignments, which, therefore, require the MSMEs to travel to South Africa regularly, consequently reducing their number of working days. There is a need to organize the MSMEs, so that they can purchase together in bulk; this would reduce the number of trips, the travel costs and consequently increase their competitiveness and productivity.

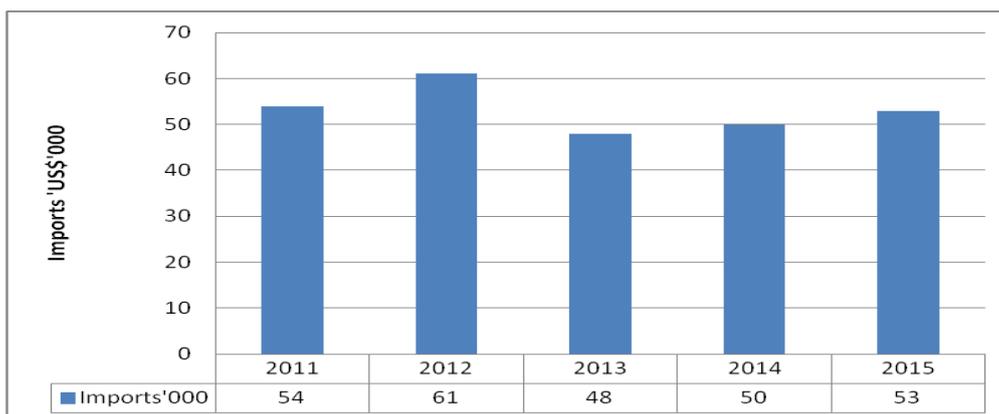


Figure 7: Imports of Finished Leather

## Footwear

Imports of footwear under Chapter 64 of the Harmonized System occupies position 27 out of the 99 Chapters. The imports values per annum are in the range of 15 to 20 million US\$. It is imperative to note that the recorded imports values, is an understatement of the overall imports of footwear, as most households import footwear informally during their monthly shopping trips to South Africa. These informal imports are not recorded in the national statistics. The imports value reflects that there is a viable footwear market in Swaziland, which can be capitalized by developing MSMEs to manufacture school shoes, security and military boots.

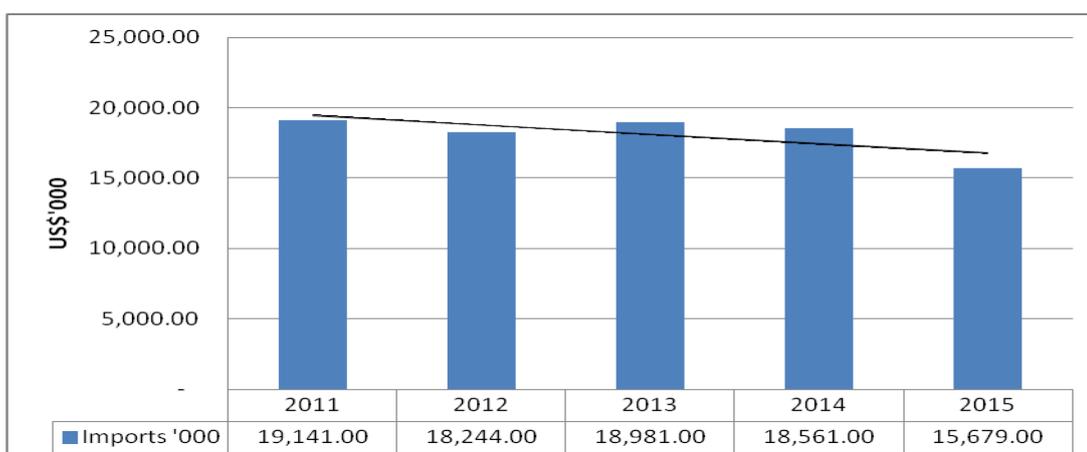


Figure 8: Footwear Imports

## 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 formal statistics of imported footwear;
- There is a good base to develop the MSMEs sector, as there are already MSMEs, which are involved in the production of footwear, leather goods and other items;
- MSMEs are facing a number of challenges, namely: limited access to finance; inadequate machinery and inputs, poor working facilities, and they are isolated.
- Imports of finished leather is mainly done informally, hence, there is a need to facilitate the importation of bulk leather;

## CHAPTER III: PARTICIPATORY ANALYSIS OF THE VALUE CHAIN

### 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 participatory inputs from the stakeholders. The primary sources included one to one meetings with stakeholders; this was followed with meetings and site visits to slaughter houses and hides and skins traders.

The Participatory Workshop was organized in Ezuweleni and drew participants from the various segments of the value chain, from city and peri-urban areas of Ezuweleni and other districts of Swaziland. The Workshop assisted in generating, moderating, collating and prioritizing of important issues.

### Distribution of Workshop Participants

The Workshop participants were drawn from the various segments of the leather value chain, relevant Government Ministries, Departments and Agencies from Swaziland. The main objective of drawing from across the value chain and the country was aimed at generating a national and balanced view of the issues currently impacting the performance of the leather value chain.

Strategic formulation processes, which are participatory, usually address the key issues that need to be addressed for the sector to develop. In addition, it assists in enhancing the buy-in and commitment by stakeholders in their implementation.

### Issues Impacting on the Performance of the Leather Value Chain

The issues which were generated during the stakeholders meetings, and also through one to one meetings with enterprises, are summarized in form of a SWOT analysis. In addition, some of the issues were drawn from the various policy and strategy documents from Swaziland. 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 9.

**Table 9: SWOT Analysis of the Swaziland Leather Value Chain**

<b>STAGES</b>	<b>STRENGTH</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
<b>CROSS CUTTING</b>	<ul style="list-style-type: none"> <li>• Government commitment</li> <li>• Available raw hides and skins</li> <li>• Political stability</li> </ul>	<ul style="list-style-type: none"> <li>• Limited access to suitable finance;</li> <li>• High cost of finance in comparison to rate of return in the industry</li> <li>• Undeveloped leather value chain</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Large scope for value addition</li> <li>• Growing domestic, regional and international market for value added products</li> <li>• Large pool of trainable work force</li> </ul>	<ul style="list-style-type: none"> <li>• Global Economic Slowdown</li> <li>• Synthetic materials</li> <li>• Influx of second hand leather products</li> </ul>
<b>HIDES AND SKINS PRODUCTION</b>	<ul style="list-style-type: none"> <li>• High quality bovine hides and skins</li> <li>• Growing demand for meat, increasing the slaughter rates</li> </ul>	<ul style="list-style-type: none"> <li>• No local value addition to hides and skins</li> </ul>	<ul style="list-style-type: none"> <li>• Interest by Government to support livestock production n</li> </ul>	<ul style="list-style-type: none"> <li>• High frequency of drought due to climate change</li> <li>• High incidence of drought</li> </ul>
<b>TANNERIES</b>	<ul style="list-style-type: none"> <li>• n/a no tannery operating in the country</li> <li>• Availability of high quality hides and skins</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• High interest by Government to support value addition</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>MANUFACTURING</b>	<ul style="list-style-type: none"> <li>• Large pool of trainable human resources;</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate machinery and equipment among MSMEs involved in footwear and leather goods production</li> <li>• Limited availability of quality finished leather and accessories;</li> <li>• High cost of finance</li> <li>• Inadequate technical training facilities;</li> <li>• Limited collaboration with upstream and downstream chain players</li> <li>• Absence or lack of qualified footwear and leather goods designers;</li> </ul>	<ul style="list-style-type: none"> <li>• Growing domestic and regional demand for finished leather</li> <li>• The industry is still in infancy hence there is great potential for expansion;</li> <li>• Renewed interest to support the development of leather cluster regionally and internationally;</li> <li>• Government interest to develop a sector specific policy;</li> <li>• Potential Government procurement for military, police and other Government institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Intense competition from cheaper imports from Far East;</li> </ul>
<b>SUPPORT INSTITUTIONS</b>		<ul style="list-style-type: none"> <li>• Under equipped Technical Training Centres</li> <li>• Limited support and interaction with Academia;</li> <li>• No advanced specialized courses to support the leather value chain</li> </ul>	<ul style="list-style-type: none"> <li>• Renewed interest by Academic institutions to work with the sector</li> </ul>	

## External Analysis (PESTEL)

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

**Table 10: PESTEL Analysis**

PESTEL Dimensions	Impact on the Sector
<b>Political</b>	
<ul style="list-style-type: none"> <li>• Government commitment</li> <li>• Enabling business environment</li> <li>• Political stability</li> </ul>	<ul style="list-style-type: none"> <li>• Improve domestic and foreign investment in the sector</li> </ul>
<b>Economic</b>	
High GDP per capita by Sub Saharan Standards	<ul style="list-style-type: none"> <li>• Increased demand of leather products</li> </ul>
<ul style="list-style-type: none"> <li>• South Africa Economic slow down</li> </ul>	<ul style="list-style-type: none"> <li>• Impact negatively on Government revenue and consequently on the purchasing power</li> <li>• 80% of Swaziland exports are destined to South Africa, thus South African economic slowdown has far reaching negative implications.</li> </ul>
<ul style="list-style-type: none"> <li>• Closing Global economic preferential trade arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in economic earnings, consequently purchasing power</li> </ul>
<ul style="list-style-type: none"> <li>• Weakening SACU revenue pool</li> </ul>	<ul style="list-style-type: none"> <li>• Undermining Government spending consequently consumer purchasing power.</li> </ul>
<ul style="list-style-type: none"> <li>• Frequent droughts</li> </ul>	<ul style="list-style-type: none"> <li>• Impacts negatively on livestock productivity, consequently hides and skins production and rural income</li> </ul>
<b>Social</b>	
<ul style="list-style-type: none"> <li>• Population growth;</li> <li>• Improved living standards</li> </ul>	<ul style="list-style-type: none"> <li>• Increased demand of footwear and other leather goods;</li> <li>• Improved pool of labour force;</li> </ul>
<ul style="list-style-type: none"> <li>• Improved literacy rate;</li> <li>• Increased number of higher education graduates;</li> </ul>	<ul style="list-style-type: none"> <li>• Improved supply of trainable labour force</li> </ul>
<b>Technological</b>	
<ul style="list-style-type: none"> <li>• Rapid expansion in productivity in China and other countries;</li> <li>• Rapid growth in environmental friendly technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Decline in the consumption of locally and produced footwear and leather goods;</li> <li>• Decline in demand of locally produced leather products globally, if the region fails to upgrade new technologies.</li> <li>• Adaption of absolute technology</li> </ul>
<b>Environmental</b>	
<ul style="list-style-type: none"> <li>• Increasing environmental demands such as REACH</li> <li>• Climate Change</li> <li>• Waste disposal laws;</li> <li>• Environmental Protection laws</li> </ul>	<ul style="list-style-type: none"> <li>• Leather products, which fail to meet the REACH directive maybe barred from entering Europe;</li> <li>• Increased investment cost for effluent management</li> </ul>
<ul style="list-style-type: none"> <li>• Establishment of Common Effluent Treatment Plants</li> </ul>	<ul style="list-style-type: none"> <li>• Improved environment management, which will boost the image of the Swaziland leather industry;</li> <li>• Cost reduction in effluent management;</li> <li>• Incur the cost of relocation of the industry</li> </ul>

PESTEL Dimensions	Impact on the Sector
<b>Legal</b>	
Health and safety regulations	<ul style="list-style-type: none"> <li>• Failure to meet these may impact negatively on the Industry globally</li> </ul>

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

- The National Government is committed to improve the growth of the industry, in order to meet its development target;
- The country is politically stable, which is favorable for business development;
- The leather value chain in Swaziland is underdeveloped;
- There is potential to set up a medium sized tannery, because Swaziland produces high quality hides and skins which are being exported in raw state;
- The footwear market is growing, as reflected by the increasing imports of footwear;
- 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 Swaziland.

## Stakeholders Analysis

On the basis of the above framework, leather value chains Stakeholders were identified and their strengths/importance assessed as presented in Table 11. The following key was used: L= low influence (score = 1); M = medium influence (score = 2); H = high influence (score = 3).

**Table 11: 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	Ministry of Commerce, Industry and Trade	<ul style="list-style-type: none"> <li>Policy support;</li> <li>Facilitate the development and growth of MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>Increased productivity and output;</li> <li>Manufacture of quality products;</li> <li>Create jobs</li> </ul>	<ul style="list-style-type: none"> <li>Impact negatively on their capacity to lobby for resources from Government;</li> <li>Switch to other sectors showing promising results</li> </ul>	Underperformance with no policy and financial resources support			H				H	Very High
	Federation of the Swaziland Business Community	<ul style="list-style-type: none"> <li>Lobby Government to promulgate favorable policies</li> </ul>	<ul style="list-style-type: none"> <li>Increased productivity and competitiveness;</li> <li>Improved participation in the activities of the business community</li> </ul>	<ul style="list-style-type: none"> <li>Switch their efforts to other sectors</li> </ul>	<ul style="list-style-type: none"> <li>Underperformance of the sector;</li> <li>Reduced participation in the activities of the business chamber</li> </ul>		M				M		Moderate
2	Small Enterprises Development Company	Facilitate the development of MSMEs	Improve the performance of their enterprises: expansion, increased and employment creation	Switch to support another sector	The sector remains underdeveloped		x					x	High
3	Swaziland 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	Swaziland Water Services Corporation	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	Swaziland Standards	Facilitate the development of	Ensure that they participate in standards development,	No development of standards related to	No benchmarks to follow with regard to production of		x				x		Moderate

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	L	M		H	L	M	H
	Authority	standards and also products certification	manufacture products which meets minimum safety standards.	leather and its products if there is no demand of such services	products which meet quality standards											
	Swaziland Revenue Authority	Facilitate the importation of leather and other accessories	Import through formal routes and also ensure that MSMEs are registered	Duty payment avoidance	No recognition from government if the enterprises are not registered, consequently limited Government support			x						x		Very High
	Swaziland Meat Industries	Produce quality raw hides and skins	Purchase all hides and skins produced in Swaziland and process them	Export in raw states	No development of the leather value chain.			x						x		Very 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 Swaziland. The following are the main issues which were identified during the Stakeholders Workshop and through the quantitative analysis of data:

- There is strong 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 small manufacturing of footwear or leather goods;
- Hides and skins produced are of good quality, especially those emanating from large slaughter houses;
- High frequency of drought is potential risk for the development of the leather value chain;
- MSMEs involved in the production of leather products are facing numerous challenges;
- There is a large pool of stakeholders, which may contribute to the development of the MSMEs Clusters and also the tanning industry in Swaziland;
- The footwear and other leather goods market is 95% dependent on imports, which is thus 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 little known leather value chain in Swaziland into a formidable sector, which will assist the Kingdom of Swaziland to attain its Programme of Action and some of its policies, namely the Industrial Development Policy and the National Export Strategy, among others.

### Vision and Mission

#### Vision

To be one of the top ten foreign currency earners in Swaziland

#### Mission

To facilitate the value addition process and enhance the performance of enterprises involved in the production of footwear and other leather goods.

### Strategic Market and Growth Goals

The Vision and Mission of this Strategy creates a new interest for the Kingdom of Swaziland to focus on developing the leather sector. The trust to develop the leather value chain will compliment the planned interventions to strengthen the livestock sector (action program reference). The hides and skins, which is a byproduct 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 wet blue, and crust and then finished leather. In addition to this, the line Ministries and Institutions in the short run, should start to support the 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 12.

Table 12 : Target Market

Market	Raw hides and skins	Wet blue	Crust leather	Finished leather	Footwear and leather goods
Domestic				After 9 years	<ul style="list-style-type: none"><li>School shoes &amp; security boots after 2 years</li></ul>
Export	ongoing	After 3 years	After 6 years		<ul style="list-style-type: none"><li>After 5 years</li></ul>

### Strategy Objectives

The specific objectives and interventions listed in Table 13 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 13.

**Table 13: Rationale for the Selected Objectives**

Objectives	Rationale based on Emerging Issues Summarized in Chapter III
1. To Promote production and export of value added products;	Swaziland has a small livestock base, however with a high off take rates which generate, on average approximately raw hides and skins amounting to 220,000 per annum. This is a solid base for establishing a medium sized tannery with a soaking capacity of 300 hides per day. This development will create jobs and also double the export revenue earnings.
2. To enhance competitiveness of 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.
3. To develop the capacity of institutions in building MSMEs technical and business management skills	Inadequate capacity among technical institutions and 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 MSMEs which are currently involved in the production of leather products lack minimum skills in production and business management.
4. 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 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 Ministry of Commerce, Industry and Trade.

#### Objective 1: 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. However, issues pertaining to hides and skins improvement are also addressed; this is mainly because quality raw materials are essential for the production of quality value added products. The specific sub-objectives and expected outcomes, which would contribute to the attainment of the above objective, are listed in Table 14.

**Table 14: Objective One**

<b>Objective 1: To Promote Production and Export of Value Added Products;</b>				
<b>No.</b>	<b>Sub-objectives</b>	<b>Responsible Institution</b>	<b>Collaborating Organizations/Institutions</b>	<b>Budget (US\$)</b>
1	Facilitate the development of an efficient Hides and Skins production, preservation and marketing system	<ul style="list-style-type: none"> <li>Ministry of Agriculture. (Meat Hygiene Section)</li> </ul>	<ul style="list-style-type: none"> <li>Abattoires</li> <li>Meat Industries</li> <li>Private Farmers</li> <li>Extension Service</li> <li>Training Institutions</li> </ul>	100,000.00
2	Undertake a feasibility study on the possibility of setting up a tannery	<ul style="list-style-type: none"> <li>Ministry of Commerce</li> <li>Ministry of Agri.</li> <li>SIPA</li> <li>Swazi. Environment. Author. S. Standards Authority</li> </ul>	<ul style="list-style-type: none"> <li>Cooperative of Leather Processing.</li> <li>NGOs</li> <li>Associations</li> <li>Game parks</li> </ul>	50,000.00
2	Facilitate the production of semi and finished leather, which meet international quality and environmental standards	<ul style="list-style-type: none"> <li>Ministry of Commerce</li> <li>Ministry of Agriculture</li> <li>SIPA</li> <li>Swazi. Environment Authority</li> <li>Swaziland Standards Authority</li> </ul>	<ul style="list-style-type: none"> <li>Cooperative of Leather Process.</li> <li>NGOs</li> <li>Associations</li> <li>Game parks</li> </ul>	150,000.00

**Objective 2: To Enhance Competitiveness of MSMEs in Domestic, Regional and International Markets**

MSMEs operating in Swaziland face a myriad of constraints ranging from finance, lack of technical and business management skills, inadequate equipment and poor working space, among others. Swaziland 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 Programme of Action (2013-2018). 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 15 summarizes interventions/Sub-objectives and activities that will contribute to the development and growth of MSMEs in the leather value chain.

**Table 15: Objective Two**

<b>Objective 2: To Enhance Competitiveness of MSMEs in Domestic, Regional and International Markets</b>				
<b>No.</b>	<b>Sub-objective and Activities</b>	<b>Responsible Institution</b>	<b>Collaborating Organizations/Institutions</b>	<b>Budget (US\$)</b>
1	Profile the MSMEs operating across Swaziland	<ul style="list-style-type: none"> <li>Ministry Commerce</li> <li>Central Statistical Office</li> <li>Ministry of Agriculture</li> </ul>	<ul style="list-style-type: none"> <li>Research Inst.</li> <li>Crafters Coop.</li> <li>Ministry Planning &amp; economics</li> <li>Correctional Service</li> </ul>	50,000.00
2	Design a framework of MSMEs clustering	<ul style="list-style-type: none"> <li>Mist. Commerce (Coop. Dpt.)</li> <li>Colleges</li> </ul>	<ul style="list-style-type: none"> <li>NGO</li> <li>Municipalities</li> <li>Mist. Of Agri. Staff across the country</li> <li>Federation of Swazi. Business Community</li> <li>Training Centers</li> <li>Federation of Swazi Employers</li> <li>Chamber of Commerce</li> <li>Swazi Commercial Abattoires</li> </ul>	20,000.00

<b>Objective 2: To Enhance Competitiveness of MSMEs in Domestic, Regional and International Markets</b>				
<b>No.</b>	<b>Sub-objective and Activities</b>	<b>Responsible Institution</b>	<b>Collaborating Organizations/Institutions</b>	<b>Budget (US\$)</b>
3	Facilitate the establishment of 5 Clusters, each with a minimum membership of 20 MSMEs	<ul style="list-style-type: none"> <li>Swazi Enterprise Development.</li> <li>Ministry of Commerce</li> <li>Crafters Coop.</li> </ul>	<ul style="list-style-type: none"> <li>NGOs</li> <li>Colleges</li> <li>Leather crafters cooperatives.</li> <li>Leather crafters</li> </ul>	500,000.00
4	Train 100 MSMEs in Clustering	<ul style="list-style-type: none"> <li>Colleges</li> <li>Ministry of Commerce (MSME Dpt.)</li> <li>Ministry of Education</li> </ul>	<ul style="list-style-type: none"> <li>NGOs</li> <li>Microfinance</li> <li>Extension Officers</li> <li>Relevant Consultants</li> </ul>	500,000.00
5	Asses the quality of; leather footwear and other products being manufactured by MSMEs	<ul style="list-style-type: none"> <li>Swazi Standards Authority</li> </ul>	<ul style="list-style-type: none"> <li>Swazi Faire Trade (SWFT)</li> <li>Producers</li> <li>LLPI</li> </ul>	20,000.00
6	Design a capacity building in production and costing based on the findings of the assessment	<ul style="list-style-type: none"> <li>Small Enterprises Development Enterprise</li> <li>SWFT</li> <li>Techno Safe</li> </ul>	<ul style="list-style-type: none"> <li>Micro-finance</li> <li>Swaziland Revenue Authority</li> </ul>	10,000.00
7	Facilitate joint action in the procurement of raw materials	<ul style="list-style-type: none"> <li>Cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Agriculture</li> <li>Ministry of Commerce</li> <li>Swaziland Revenue Authority</li> </ul>	10,000.00
8	Facilitate the provision of common production facilities	<ul style="list-style-type: none"> <li>Swaziland Investment Promotion Authority</li> <li>Ministry of Commerce (Industry Dpt.)</li> <li>City Council</li> </ul>	<ul style="list-style-type: none"> <li>SME Unit (Ministry of Commerce)</li> <li>NGOs</li> <li>Constituency leaders</li> </ul>	500,000.00
9	Facilitate the provision of common use machines	<ul style="list-style-type: none"> <li>Ministry Commerce</li> <li>Economic Planning and Development</li> <li>Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>Private Companies</li> <li>Retailers</li> <li>Training Institutions</li> <li>Micro Projects</li> <li>Crafters</li> <li>SIDC</li> <li>Financial Institutions</li> <li>LLPI</li> <li>Correctional Services</li> </ul>	1,000,000.00
10	Asses the quality standards of school shoes and security boots used in Swaziland	<ul style="list-style-type: none"> <li>Swazi Standards Auth.</li> </ul>	<ul style="list-style-type: none"> <li>Techno Safe</li> <li>SWIFT</li> <li>LLPI</li> </ul>	20,000.00
11	Train MSMEs to manufacture school shoes and security boots in line with the findings of the quality assessment study	<ul style="list-style-type: none"> <li>Correctional Service</li> <li>Training Centers</li> <li>Cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>NGO</li> <li>Schools</li> <li>LLPI</li> </ul>	50,000.00
12	Subject school shoes and security boots for quality testing	<ul style="list-style-type: none"> <li>Swazi Standards Auth</li> </ul>	<ul style="list-style-type: none"> <li>LLPI</li> <li>Ministry of Labour (Directorate of Industrial and Vocational.)</li> </ul>	10,000.00

<b>Objective 2: To Enhance Competitiveness of MSMEs in Domestic, Regional and International Markets</b>				
<b>No.</b>	<b>Sub-objective and Activities</b>	<b>Responsible Institution</b>	<b>Collaborating Organizations/Institutions</b>	<b>Budget (US\$)</b>
13	Train MSMEs on the basis of the results of quality testing of their samples	<ul style="list-style-type: none"> <li>• Correctional Services</li> <li>• Training Institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Biotechnology park</li> <li>• LLPI</li> <li>• SWASA</li> <li>• Technosafe</li> </ul>	30,000.00
14	Create linkages between MSMEs with potential buyers of school shoes and security boots	<ul style="list-style-type: none"> <li>• Cooperative</li> <li>• Ministry of Commerce</li> <li>• SIPA</li> <li>• Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Swazi Enterprise Development. Cooperation</li> <li>• NGOs</li> <li>• Telephone, Internet Service Providers</li> <li>•</li> </ul>	15,000.00
15	Facilitate the participation of MSMEs in Government Tenders	<ul style="list-style-type: none"> <li>• Ministry of Commerce</li> <li>• Cooperative</li> <li>• Ministry of Finance</li> <li>• Ministry of Agriculture</li> <li>• Private Sector</li> </ul>	<ul style="list-style-type: none"> <li>• Private Companies</li> <li>• Leather Crafters</li> <li>• NGOs</li> <li>• Cooperatives</li> </ul>	10,000.00
16	Facilitate MSMEs' participation in national and regional fairs	<ul style="list-style-type: none"> <li>• Ministry of Commerce (SIPA)</li> </ul>	<ul style="list-style-type: none"> <li>• NGOs</li> <li>• SEDC</li> <li>• Ministry of Tourism</li> <li>• TINKHUNDLA</li> </ul>	200,000.00
17	Facilitate the linkage between MSMEs and financial institutions	<ul style="list-style-type: none"> <li>• Microfinance</li> <li>• Ministry of Commerce</li> <li>• Ministry of Economic Planning &amp; Development</li> <li>• Saving and Credit Cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Central Bank</li> <li>• Savings and Credit Cooperative</li> <li>• Regional Development Fund</li> </ul>	10,000.00
18	Facilitate MSMEs' provision of loans	<ul style="list-style-type: none"> <li>• Central Bank</li> <li>• FINCOME</li> </ul>	<ul style="list-style-type: none"> <li>• LLPI</li> <li>• EU</li> <li>• Micro projects</li> </ul>	5,000.00
19	Mobilize funding from national, regional and international finance corporations and also from Government	<ul style="list-style-type: none"> <li>• Ministry of Commerce</li> <li>• Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>• LLPI</li> <li>• Embassies</li> <li>• Development partners</li> </ul>	5,000.00
20	Design a system for monitoring and usage of the mobilized resources, to ensure resource optimization	<ul style="list-style-type: none"> <li>• Ministry of Commerce</li> <li>• SEDC (Swazi Enterprise Dvt. Company)</li> </ul>	<ul style="list-style-type: none"> <li>• Commission for Cooperative</li> <li>• Technosafe</li> <li>• REDI</li> <li>• Microfinance Unit</li> </ul>	20,000.00

### **Objective 3: To Develop the Capacity of Institutions in Building MSMEs Technical and Business Management Skills**

Inadequate capacity among technical institutions and 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 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 16.

**Table 16: Objective Three**

<b>Objective 3: To Develop the Capacity of Institutions in Building MSMEs Technical and Business Management Skills</b>				
<b>No.</b>	<b>Sub-objectives</b>	<b>Responsible Institution</b>	<b>Collaborating Organizations/Institutions</b>	<b>Budget (US\$)</b>
1	Facilitate the development of curriculum on leather production	<ul style="list-style-type: none"> <li>• Directorate for Industrial Vocational Training</li> <li>• Correctional Services</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Education</li> <li>• Swazi Leather Crafters</li> <li>• National Curriculum Center</li> <li>• LLPI</li> </ul>	20,000.00
2	Asses and estimate the resources required	National Curriculum Center DIVT	<ul style="list-style-type: none"> <li>• LLPI</li> <li>• Technosafe</li> </ul>	10,000.00
3	Train 40 SMEs per year on footwear production	National Curriculum Center DIVT	<ul style="list-style-type: none"> <li>• LLPI</li> <li>• Technosafe</li> </ul>	100,000.00
4	Train 40 SMEs per year on enterprise development	National Curriculum Center DIVT	<ul style="list-style-type: none"> <li>• LLPI</li> <li>• Technosafe</li> </ul>	50,000.00

**Objective 4: 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 Swaziland, 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 18:

**Table 17: Objective Four**

<b>Objective 4: To Promote Cleaner and Environmental Sustainable Production Techniques and Systems</b>				
<b>No.</b>	<b>Sub-objectives</b>	<b>Responsible Institution</b>	<b>Collaborating Organizations/Institutions</b>	<b>Budget (US\$)</b>
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"> <li>• Swazi Environment Authority</li> <li>• Ministry of Tourism and Environment Affairs</li> <li>• SWASA</li> </ul>	Municipalities NGOs	20,000.00
2	Train the MSMEs on greening their production process	<ul style="list-style-type: none"> <li>• Swazi Environment Authority</li> <li>• SWIT</li> </ul>	UNIDO Universities NGOs	30,000.00
3	Mobilize resources to facilitate the deployment of cleaner and environmentally friendly production techniques;	<ul style="list-style-type: none"> <li>• Swazi Environment Authority</li> <li>• Ministry of Commerce</li> <li>• Cooperative</li> </ul>	City Council Microfinance Universities	20,000.00
4	Design a monitoring system for the implementation of the cleaner production programme	<ul style="list-style-type: none"> <li>• Swazi Environment Authority</li> </ul>	City Council Mins. Health University	40,000.00

<b>Objective 4: To Promote Cleaner and Environmental Sustainable Production Techniques and Systems</b>				
<b>No.</b>	<b>Sub-objectives</b>	<b>Responsible Institution</b>	<b>Collaborating Organizations/Institutions</b>	<b>Budget (US\$)</b>
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"> <li>Swazi Environment. Authority</li> <li>Parliament portfolio Commerce</li> <li>Attorney General</li> </ul>	NGOs Regulatory Authority	30,000.00

## Implementation Methodology

The Strategy implementation will be coordinated by the Ministry of Commerce, Industry and Trade. 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 COMESA/LLPI 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 Swaziland is led by the Ministry of Commerce, Industry and Trade; 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 Ministry of Commerce, Industry and Trade 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 Ministry of Commerce, Trade and Industry. 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.