CASE STUDY

Reviving Zimbabwe's leather sector

Until 2000, Zimbabwe produced 17 million pairs of leather shoes annually and had a vibrant leather industry comprised of highly skilled SMEs, including livestock farmers, hides collectors, tanners and manufacturers. In 2011, shoe production plummeted to 1 million due to ongoing crises, competition from lower quality imports and exports of hides and skins.

This trend is being reversed as a result of a project under ITC's PACT II, which put in place a public-private partnership structure to help develop the sector and bring about policy change.

SMEs in the leather sector in the COMESA region generated US$ 5 million in new export orders with another US$ 4.3 million under negotiation. In addition, tanners were able to deal directly with importers to eliminate intermediaries, leading to an increase in their profit margins from 3% to around 15%.

TRANSFORMING THE INDUSTRY

The Zimbabwe leather industry strategy is built upon a PPP supported by ITC, the COMESA Leather and Leather Product Institute and the Government of Zimbabwe.

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The strategy will help to create jobs and generate income by supporting micro-enterprises and SMEs. Industry and Commerce Minister Welshman Ncube said the strategy supports the government's vision to transform Zimbabwe from 'a producer of primary goods into a producer of processed, value-added goods for domestic and export markets.' This is expected to result in a fivefold increase in the leather sector's total sales to US$ 116 million.

A MARKET-LED APPROACH

The sector assessment involved more than 130 industry stakeholders. Entrepreneurs participated in regional workshops, trade fairs, business tours and buyer-seller meetings. Participants examined common problems and agreed on objectives to strengthen competitiveness that respond to development and market priorities.

'ITC's role has been to ensure that the right market information and the right expertise were provided to the private sector, so that it could better decide what its priorities were to move the sector forward,' explained Hernan Manson, Associate Adviser for Value Chain Development at ITC.

The Zimbabwe leather sector strategy is being facilitated by ITC and COMESA with the support of the Zimbabwean government and the private sector

Bata Shoe Company is one of the country's largest manufacturers and is a coordinating member of the project's Strategy Coordinating Committee, a platform that brings together the private sector, TSIs and the government. Bata is outsourcing some production, which gives the company more flexibility in tough economic times. While the national leather sector strategy was being developed, Bata's operations proved how industry players can work together.

Luis Pinto, Bata's Managing Director, decided to support former employees by leasing them machinery to produce leather uppers for shoes. Several have started their own SMEs, employing up to 40 workers. Now, the SMEs have reliable equipment and a steady buyer.

Pinto noted, 'Today, they work with us, but tomorrow they will work with the whole industry in this country.'

Rodrick Rutsvara, Managing Director of Rutsvara Shoe Company in Gweru, said progress is being made. 'Our relationship with Bata is growing bigger and bigger because we have a plan. Some of the shoes we supply to Bata; some to individuals.'

ADDRESSING POLICY ISSUES

Although the reasons for the downturn of Zimbabwe's leather sector are complex, the lack of both raw materials and access to finance was especially hindering competitiveness.

Hide collectors exported an estimated 63% of 388,000 hides, with no value added. This led to a serious shortage of raw material and forced half of the country's tanneries to shut down or incur debt to pay premium prices for hides. Out of nine tanneries, only four were reported to be operating in 2013.

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Livestock farmers said there was no incentive to properly handle or sell the hides because they received as little as US$ 0.20 or US$ 1 per hide. The hides used to produce leather goods went to waste.

The export of raw hides seriously undermined the industry. Ncube noted, 'The average value of leather and leather products exported globally in 2010 was US$ 184 billion of which hides, skins and leather made up US$ 27 billion; 40% of the value was exotic leather. In 2011, 2.2 million pairs of shoes were produced while 4 million pairs of cheap synthetic shoes were imported, making us net importers of footwear.'

'ITC's programme delivered to our expectations – it was a good example of how government and the private sector can work together,' said Abigail Shoniwa, Permanent Secretary at the Ministry of Industry and Commerce.