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**COMMON MARKET
FOR EASTERN AND SOUTHERN AFRICA**

DRAFT REPORT ON

THE INDIAN BUSINESS TOUR 18-23 JULY 2011

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INTRODUCTION

The Programme for Building African Capacity for Trade (PACT II) is funded by the Canadian International Development Agency (CIDA) and is being implemented by the COMESA Secretariat in partnership with the International Trade Centre (ITC). The Indian Tour was organised under Output 4.1 of the PACT II Work Plan for COMESA for 2011, which reads: *Leather Specific product and market development services preparing SMEs for regional and International markets, in adherence with regional strategy framework*. The objective of the mission was to create business linkages between COMESA and Indian enterprises in the leather sector. Fifteen enterprises were selected to participate in this tour and were drawn from Ethiopia, Kenya, Sudan, Uganda, Zambia and Zimbabwe. The scope of the business linkages framework included among others: buying and selling of leather and leather products; technology transfer; elimination of the middleman in the export of wet blue and finished leather from COMESA countries, as a mechanism of boosting returns to the COMESA enterprises.

Broadly the tour was a success because collectively the enterprises clinched immediate export business orders worth around US\$10 million dollars. There is also a potential for more export business, technology transfer and capacity building. The latter requires that COMESA and COMESA/LLPI to work out modalities for developing partnerships with relevant institutions in India. This can be achieved by signing a MOU with the relevant organisations.

Our hosts the All India Skins and Hides Tanners and Merchants Association (AISHTMA) should be commended for the ground work they did to ensure a successful tour. All the planned activities were executed in a systematic and efficient manner despite the fact that the tour involved a round robin trip over India within six days. The mission could have achieved more if the number of days had not been reduced from the original 10 days.

TOUR PARTICIPANTS

The participants were drawn from the 6 participating countries and included enterprises, Core Team Members, ITC and COMESA. Fifteen enterprises were invited to participate in this tour, however in the end only twelve were able to travel, with one and two enterprises from Zimbabwe and Uganda respectively having pulled out for different reasons. Wet blue from Zimbabwe failed to raise the required air fare, whereas the Ugandan firms could not travel because, one participant fell sick and the other one was denied an entry visa by the Indian Embassy in Kampala.

PROGRAMME OUTLINE

The programme had three main components, which are as follows; plenary meetings; One to One Business Meetings and Field Visits. The plenary meetings involved presentations by Country Representatives, COMESA, COMESA/LLPI, ITC and Indians. B2B meetings were held between individual enterprises from COMESA and their Indian counterparts. Finally the field trips involved visiting Technology Institutions, Common Effluent Treatment Plants, Tanneries and Footwear factories.

PLENARY MEETINGS

The country presentations mainly focused on the structure and performance of the leather industry in the six COMESA countries which were represented. In addition to this they also covered the investment policies and incentives which are currently obtaining in these countries. Emphasis should be put on the business investment environment¹. The presentation about COMESA gave an over view of the trading conditions and the investment opportunities which have been widened as a result of the creation of a Free Trade Area. COMESA/LLPI also gave a presentation which emphasized the fact that the leather sector was important and that there is an institutional arrangement to support the growth of the sector. On the other hand the ITC presentation gave an overview of the PACT II programme and the kind of technical assistance which they are offering to the project and also their wider mandate. We propose that in the next business tours these presentations should be short and sharp in order to receive maximum attention from the audience.

The general theme which emerged from the Indian presentations was that they were prepared to work with companies within COMESA regions from the following perspectives:

- They have the technology to produce quality finished leather using poor quality hides and skins from Africa;
- Ready to import partly processed and finished leather from Africa;
- Promote capacity building and technology transfer;
- Enter into joint ventures; and
- Have the technology to support upgrading of effluent treatment plants.

The Indian private sector companies take pride in producing quality products and in ensuring the zero per cent discharge of hazardous waste to the environment. This initiative has a strong Government support in areas of infrastructure and high performance machinery financing. To ensure this, most of the enterprises have attained various levels of ISO certification on quality and environment management. SMEs in India have realised huge benefits through specialisation and exporting finished leather goods to the first world markets such as the USA and Europe. For example there was a case of a small factory in Chennai which specialises in the production of man's leather wallets, producing an average of 2000 wallets per day with an average export price of USD5 per unit. This is something that COMESA enterprises should draw lessons from.

FIELD VISITS

The team visited Chennai, Kolkatta and Kanpur and the following facilities were visited: Technical Institutes, Tanneries, Leather good enterprises and Centralised Effluent Treatment Plants.

Technical Institute – The Team visited the Central Leather research Institute (CLRI) in Chennai. CLRI is a central hub in Indian leather sector with direct roles in education, research,

¹ This information can easily be obtained from Investment Promotion Agencies or Ministries of Finance or Industry.

training, testing, designing, forecasting, planning, social empowerment and leading in science and technology relating to leather sector. Among other important research, project design and implementation activities the Institute offers various trainings, which among others include the following:

- National Academic programmes: They offer degrees in leather technologies up to PhD levels;
- Diploma Vocational programmes: Diploma programmes on leather processing and leather goods manufacture;
- Specialised Short term Programmes: These are short courses where state of the art facilities are used to provide necessary technical expertise in pattern designing of leather goods (manual as well as Computer Aided Design) to meet the requirements of fashion and quality conscious International market.

The Institute is ready to work with COMESA countries on capacity building and this can be accomplished by signing an MOU with them which would enable them to train COMESA technicians in India or host a regional training course in any of the COMESA countries.

Tanneries and Footwear Companies: The team visited seven tanneries which specialize in bovine, buffalo, sheep and goat skins. The message which came out clearly is the emphasis placed on the production of quality products and environmental management through cleaner technologies by Indian enterprises. Additionally the skills levels are very high and some of the tanneries are working with old machinery similar to those being used in some factories in COMESA, however they are still able to produce world class quality leather. This was a clear lesson to the tanners who took part in the tour that quality leather could be produced with old equipment if properly maintained. However this approach has to be complimented with skilled workers. All the tannery owners pointed out that they were ready to work with COMESA tanneries in improving their quality through technology transfer by engaging in technicians' facilitated exchange programmes. The footwear enterprise which was visited is producing leading international brands, which are sold in upmarket shops in the USA, Europe and Asia. Women provide approximately 30 percent of the total labour force in both tanneries, footwear and leather goods factories. This implies that the leather sector also a suitable vehicle for addressing gender income inequalities in the COMESA region as well.

Centralized Effluent Treatment Plants - The team visited also a number of effluent treatment plants. These plants are connected to a number of tanneries, which enables these tanneries to discharge their waste to this common plant. All tanneries pay for the service and this is based on the quantity of effluent they send to the central processing plant. The plants are equipped with technologies based on physical, chemical and biological treatment processes. The efficiency of these centers have been enhanced by the use of ultra-filtration and reverse osmosis membranes systems that enables these central effluent plants to attain a 'Zero Liquid Discharge' to the environment. The recycled water is send back to the tanneries for reuse in the tanning process. The advantages associated with these plants include co-ownership by the tanneries, cost reduction on effluent treatment and recycled water.

BUSINESS TO BUSINESS MEETINGS

The business to business meetings were arranged at all the centers which we visited and their main objective was to create business linkages between COMESA and Indian Companies.

Table 1 below summarizes the number of business to business meetings, the total value of business deals that were sealed and also potential value of business which is still under negotiation. The information is given by location.

Table 1: Summary of Business to Business Meetings.

Venue	Number of Meetings	Confirmed Sales (USD)	Business under Negotiation (USD)	Confirmed Business Confirmed After the Trip (USD)
Ambur	374	5,491,000.00	3,110,000.00	
Kolkata	117	50,000.00	375,000.00	
Kanpur	110	40,000.00	1,000,000.00	5,000,000 ²
Total	601	5,581,000.00	4,485,000.00	5,000.000
Confirmed business if the order which was confirmed after the meetings is taken into account		10,581,000.00		

RESULTS OF THE BUSINESS TOUR

The results of the business tour could be grouped into three categories namely: **First Round (Immediate) results; Second Round (medium term) Results and Third round (long term) results.** Note the first round results are the immediate responses which came as a result of the business tour and the second and third round results are what is anticipated to come in the medium to long term as a result of this initiative. A Monitoring System would therefore be put in place to ensure the capturing of these anticipated impacts.

First Round (Immediate) Results: these include the following:

- Business valued at US\$10,581,000 million was clinched by COMESA based tanneries;
- Potential business worth US\$4,485,00 is under negotiation
- Elimination of the middlemen (agents) which will see the profit margins of COMESA tanneries rising by 10 to 15 percent.

Second Round (medium term) Results- these include the following:

- Technology transfer, with Indian tanneries sending their technicians to their COMESA counter parts, whose main objective would be to improve the quality of wet blue and finished leather from COMESA based tanneries.
- Regional capacity building courses championed by COMESA/LLPI in partnership with India's Central Leather Research Institute.

² This was reported by Hora tannery from Ethiopia

Third round (long term) Results - these include the following:

- Joint Venture and FDIs

RECOMMENDED ACTION STEPS

Action Step	Responsible Institution
Put in place a Monitoring System	<ul style="list-style-type: none"> • The regional consultant will design the instrument with consultation with the Core team. • COMESA/LLPI focal points will be responsible for collecting the data quarterly • Regional Consultant would analyze and share the results
Diagnostic Analysis on skills gaps in the leather value chain	<ul style="list-style-type: none"> • Regional consultant in partnership with COMESA/LLPI (This will then inform the scope of the MOUs to be signed with Indians) in liaison with the focal points.
Sign an MOUs for Capacity Building and technology transfer	<ul style="list-style-type: none"> • COMESA/LLPI crafts the MOU in close consultation with the Core team to be signed by COMESA Secretariat with India's Central Leather Research Institute (CLRI).