



**DEMOCRATIC REPUBLIC OF CONGO
NATIONAL LEATHER VALUE CHAIN STRATEGY
(2018-2027)
(VALIDATED)**

MAY 2017

**Designed by COMESA Leather and Leather Products Institute (LLPI)
in Collaboration with
COMESA Secretariat and OPEC
Of
The Democratic Republic of Congo**



To develop an internationally competitive leather industry that contributes to sustainable development through value addition.

MISSION

To transform the DR Congo's Leather Sector into a competitive value chain specializing in the production of quality value added products through the application of modern and cleaner technologies, collaboration, capacity building, policy guidance and resource mobilization.

FOREWORD (to be inserted by the Ministry of SMEs)

CONTENT

LIST OF TABLES.....	5
LIST OF FIGURES	6
LIST OF ACRONYMS.....	7
EXECUTIVE SUMMARY	8
CHAPTER I: CONTEXT SETTING	10
Introduction.....	10
Structure of the Economy and Sector Performance	10
Poverty Profile, Social Context.....	13
The Rationale for Developing the Leather Value Chain Strategy	13
The Leather Value Chain Strategy Relationship with other Strategies.....	14
Importance of the Leather Value Chain	15
Summary of Key Issues	18
CHAPTER II: SITUATIONAL ANALYSIS OF THE VALUE CHAIN	20
Introduction.....	20
Demographics of Business/Enterprises Owners across the Value Chain.....	20
Hides and skins Profile.....	22
Leather sector Profile.....	25
Industry Structure and Value Chain Map.....	27
The Potential of the DR Congo Leather Value Chain.....	28
Situational Analysis of SMEs in the Footwear Industry	29
Emerging Issues.....	32
CHAPTER III: ANALYSIS OF THE VALUE CHAIN	33
Introduction.....	33
Distribution of survey participants.....	33
Issues Identified as affecting the Performance of the Leather Value Chain	33
Stakeholders Analysis	36
Gap Analysis of the DR Congo Leather Value Chain.....	39
Emerging Issues.....	42
CHAPTER IV: STRATEGY	43
Introduction.....	43
Vision and Mission	43
Strategic Objectives and Sub objectives	43

Implementation Methodology	50
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LIST OF TABLES

Table 1: Percentage Distribution of GDP by Economic Activity for the Year 2014	11
Table 2: Export Earnings Percentage Distribution by Economic Activity for the period 2008-2013	12
Table 3: The Global Competitiveness Index of DRC Congo for the year 2016/17.....	12
Table 4: Leather Value Chain Strategy Relationship with other Developmental Policies/Strategies in DRC	15
Table 5: Global Dynamics in the Trade of the Leather Value chain.....	16
Table 6: Livestock, Hides and Skins Production in DRC	18
Table 7: Education levels of enterprise owners across the leather value chain.....	22
Table 8: Average duration of operation life and employee size o enterprises in the different segments of the leather value chain	22
Table 9: DRC livestock numbers for the year 2012-2016	22
Table 10: Hides and Skins subsector profile in DRC	23
Table 11: Animal Turnover of SMEs during the period 2014-2015.....	27
Table 12: Leather buying cost per piece (Sqf) and number of pieces used in one pair per shoe	27
Table 13: Potential revenue Earnings Simulations	29
Table 14: Leather and Leather products imported by DRC	30
Table 15: Characterization of Footwear Supply Chain	30
Table 16: Study participant distribution by segment of the value chain and regions of DRC	33
Table 17: SWOT Analysis of the DRC Leather Value Chain	35
Table 18: Stakeholders Analysis of the DRC Leather Value chain	37
Table 19: Gap Analysis of the DRC Leather Value Chain	39
Table 20: Objective One and the Sub objective.....	43
Table 21: Objective 2- To Strengthen horizontal and vertical collaboration among value chain players and stakeholders	45
Table 22: Objective 3: To Improve Quality and Collection of Raw Hides and Skins.....	46
Table 23: Objective 4: To Promote Value Addition to end products level.....	47
Table 24: Objective 5: To facilitate access to finance	48
Table 25: Objective 6: To Strengthen the Capacity of MSMEs support Institutions in imparting Technical and Business Management Skills.....	48
Table 26: To promote Cleaner and environmental sustainable production techniques and systems	49

LIST OF FIGURES

Figure 1: Trends of Economic Sectors - Contribution to GDP	11
Figure 2: Global Importance of the Leather Value Chain.....	16
Figure 3: Africa's Trade Contributions to the Trade of Leather and Leather Products Globally	17
Figure 4: COMESA Imports of Footwear from COMESA Region, China and the World	18
Figure 5: Age Profile of Enterprise owners in the different segments of the leather value chain	21
Figure 6: Gender Distribution in enterprise along the leather value chain	21
Figure 7: DRC Leather Value Chain Map	28
Figure 8: Major Constraints Identifies by SMEs	31

LIST OF ACRONYMS

AfDB	African Development Bank
CAADP	Comprehensive Africa Agriculture Development Program
COMESA/LLPI:	Common Market for Eastern and Southern Africa, Leather and Leather Products Institute
COMESA:	Common Market for Eastern and Southern Africa
DR Congo	Democratic Republic of the Congo
FAO	Food and Agriculture Organization of the United Nations
EFTA:	European Free Trade Area
EU:	European Union
FANRPAN:	Food, Agriculture. And Natural Resources Policy Analysis
GDP:	Gross Domestic Product
IMF	International Monetary Fund
MSMEs:	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organization
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
UNDP	United Nations Development Program
USD:	United States Dollar

EXECUTIVE SUMMARY

The DR Congo has the potential of transforming itself from its current status into a Developed World Status, given its immense natural resource base, political stability and huge workforce. The country is implementing Growth and Poverty Reduction Strategy and building Central Government's Capacity to Increase Public Revenue and Create an Enabling Framework for Private Investment.

The hides, skins, leather and leather products Sector is known for its great potential to contribute towards economic development. The DR Congo's over 6, million livestock (Cattle, sheep and goats) population constitutes an important renewable locally available resource base [hides and skins] that could be processed to leather and leather products with a potential of generating over 203, Million USD and generating more than 10,000 direct jobs.

The development of the Leather Value Chain Strategy has thus 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 Micro, Small and Medium Enterprises (MSMEs), which are involved in the production of footwear and leather goods 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 develop an internationally competitive leather industry that contributes to sustainable development through value addition.
- **Mission:** To transform the DR Congo's Leather Sector into a competitive value chain specializing in the production of quality value added products through the application of modern and cleaner technologies, collaboration, capacity building, policy guidance and resource mobilization.

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

- **Objective 1:** To facilitate the formation of 20 MSMEs Clusters in Footwear and Leather Goods production, with a minimum of 50 MSMEs membership in each Cluster
- **Objective 2:** To strengthen collaboration among value chain players and Stakeholders, both horizontally and vertically
- **Objective 3:** To improve Quality and Collection of Raw Hides and Skins
- **Objective 4:** To promote Value Addition to End Products level;
- **Objective 5:** To facilitate Access to Finance
- **Objective 6:** To strengthen the Capacity of MSMEs support Institutions in imparting technical and business management skills.
- **Objective 7:** To promote Cleaner and Environmental Sustainable Production techniques and systems

The strategic objectives are well aligned with the key major policy documents which are being implemented in DR Congo. The level of alignment between this leather value chain strategy and other policy documents in DR Congo is demonstrated in this document.

The DR Congo livestock base and current off-take levels warrants the 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, which will have a potential to double the 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 SMEs in collaboration with other line Ministries, institutions and stakeholders.

CHAPTER I: CONTEXT SETTING

Introduction

The DR Congo is the second largest country of the African continent with a land surface area of 2.3 million km²¹. The country shares borders with 9 countries namely Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, Sudan, Tanzania, Uganda, and Zambia. The Country is immensely rich in natural resources that encompass cobalt, copper, gold, tantalum, tin, diamonds, and petroleum. The country's water resources also said to have a potential to generate power that will be enough for all of Africa, in addition to being sufficient for consumption, agriculture, and environmental protection.

The DR Congo is divided into 26 administrative provinces² and its population, was estimated at 81.3 million for the year 2016,³ ranking fourth in Africa. The majority (65%) of the population is under 25 years of age and unemployment for the age's group between 15 to 35 was indicated as 32%⁴.

Two decades back, DR Congo was in a series of wars that have claimed millions of lives and deteriorated almost all social indicators. Since 2006 there is visible improvement in political, institutional and security environment. However, the country is still facing weak governance and high poverty due to the fact that it generally takes time to build capacity for effective service delivery.

Structure of the Economy and Sector Performance

The DRC economy was devastated from decades of war and conflicts indicated above. The country, however, registered steady progress since 2006 with average growth of 5.6 per cent of Gross Domestic Product (GDP) for the period between 2006 and 2010. The economic growth rate continued to improve and attained 8.5% in 2013 and 9.5% in 2014⁵. For the same period, the average GDP recorded in sub-Saharan Africa was only 4.9 percent. The registered economic growth was partly due to improvement in the political and security situation, increase in private investment in the mining and trade sectors as well as an increase in public investment and the increase in world prices for the main export products such as copper and cobalt.

In fact, before the war, DR Congo was considered as a key agricultural producer in Africa; and agricultural productivity, if modern technologies had been used, it could have fed around one-third of the world's population⁶. Although agriculture is the main stay for 70% of the population, from the country's 80 million hectares of arable land only 12% is under cultivation⁶ and 95 per cent of the population is said to live under conditions of moderate to serious – and 25 per cent acute – food insecurity⁷. The government is also disbursing between two and three percent of its total budget to the sector, which is well below its ten percent Comprehensive Africa Agriculture Development Program (CAADP) commitment.

¹The World Bank, Country Assistance Strategy, Report No. 66158-ZR

²2013-2017 country strategy paper, Democratic Republic Of Congo. African Development Bank ; African Development Fund

³CIA world fact book <https://www.cia.gov/library/publications/the-world-factbook/geos/cg.html>

⁴USAID, Country Development Cooperation Strategy, Democratic Republic of the Congo 2015 – 2019

⁵Banque Centrale du Congo; Rapport Annuel 2014

⁶Institutional reforms and agricultural policy process: lessons from Democratic Republic of Congo, Agricultural and Food Economics

⁷Democratic Republic of the Congo Country strategic opportunities programme, IFAD, EB 2011/104/R.11

Table 1 illustrates that the Extractive industry is representing nearly 50% of the GDP for the year 2014, while the sector representing source of livelihood for more than 70% of the population (agricultural sector including fisheries) is accounting only 8.8% of the GDP.

Table 1: Percentage Distribution of GDP by Economic Activity for the Year 2014

No	Economic Activity	Level of contribution to GDP
1	Mining	49.5
2	Manufacturing	11.3
3	Agriculture, forestry, animal husbandry, hunting and fishing	8.8
4	Transport and telecommunications	8.0
5	Trade	7.2
6	Public Administration Services	3.1
7	Taxes	1.7
8	Electricity, natural gas, and water	0.5
9	Building, civil engineering	0.5
10	FISIM	-0.9
11	Other services outside public administration	10.4

Source: *Commission des Etudes Statistiques et des Comptes Nationaux (CESCN)*

Figure 1 below illustrates the trend of the contribution of different economic sectors towards GDP growth for the period 2006 to 2014. The manufacturing (secondary sector) and service (tertiary sector) sectors had high growth rate in 2006 and 2007 followed by a sharp decline for the years up to 2009-2010. In 2014, the manufacturing and service sectors contributed, respectively, 1.2 and 2.6 while that of the primary sector driven by the mining industry was 5.5%. The trend shows very little diversification in the sources of growth of the GDP over the years.

The manufacturing sector, known to be the engine of economic transformation, because of its potential to create direct and indirect jobs and ignite multiplier effects across the whole economy, had very low growth rates over the years.

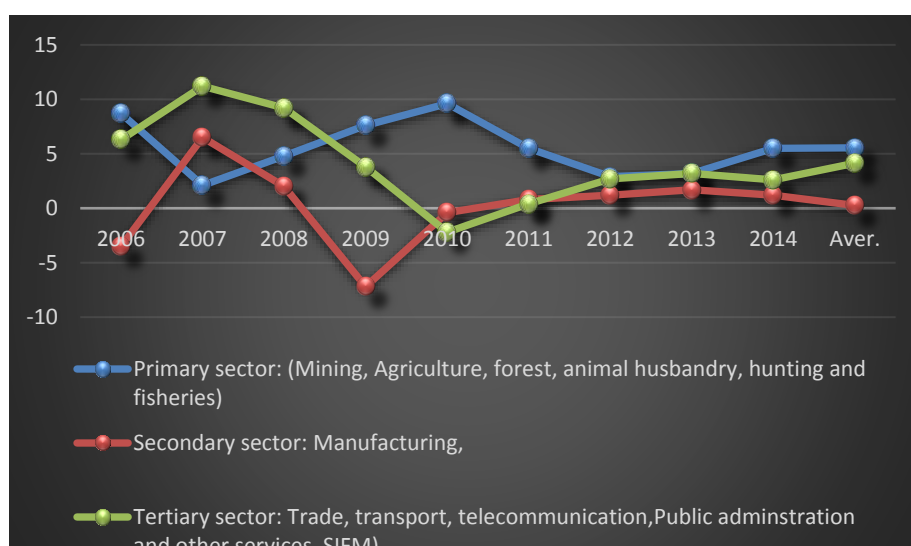


Figure 1: Trends of Economic Sectors - Contribution to GDP

Sources: COMESA/LLPI based on DR Congo Central Bank Statistics

Table 2 shows the level of contribution of the different economic sectors for the country's export earnings for the years 2009 to 2013. All along the years, more than three fourth of export income is generated from mineral resources. This can be explained by the unparalleled natural resource wealth that the country has. In fact, DR Congo has cobalt, copper, gold, tantalum, tin, diamonds, and petroleum. Cobalt export represented fifty percent of the world's total. However, the sector being exploited by few companies and employing limited number of human resource it can be said that there is little beneficiation to the wider population.

Agricultural production growth was very slow but this growth had a significant impact on DRC's economy because the majority of Congolese depend on it. The country's investment policy, requiring all enterprises to be at least 51 percent Congolese-owned is said to have created unfavorable environment for foreign direct investment in the sector.

Table 2: Export Earnings Percentage Distribution by Economic Activity for the period 2008-2013

Sectors/	2009	2010	2011	2012	2013	Average
Agro-alimentary	2.41	1.48	1.12	0,93	1.00	1.50
Energy	16.92	12.70	17.55	13.49	19.68	16.07
chemicals	1.08	3.88	3.15	0.64	0.69	1.89
Timber, lieges papiers	4.05	2.47	2.36	2.63	2.64	2.83
Hides and skins and textile	0.07	0.05	0.02	0.03	0.03	0.04
Garments and footwear	0.03	0.01	0.01	0.01	0.01	0.01
Minerals and metals	73.28	77.18	73.75	80.40	70.55	75.03
Machines	0.41	0.47	0.16	0.27	0.26	0.31
Transport materials	0.18	0.25	0.33	0.40	3.72	0.98
Various finished products	1.56	1.50	1.55	1.20	1.44	1.45
Total	100	100	100	100	100	100

Source: Document de Strategie Commerciale de la Republique du Congo, Ministere du Commerce, Mars 2015

The World Economic Forum ranked DR Congo, in the Global Competitiveness Index, at 129 position out of 138 countries with a score of 3.29 on a Scale which ranges from 1 to 7, for the year 2016/2017⁸. The World Economic Forum defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity of an economy, which in turn sets the level of prosperity that the country can achieve. Basic requirement category shown in Table 3, is Indicated, by the World Economic forum. as key for factor driven economies that have GDP per capita (US\$) thresholds of less than US\$2,000.

Table 3: The Global Competitiveness Index of DRC Congo for the year 2016/17

Variable	Score	Rank / 138
BASIC REQUIREMENTS	3.32	128
• 1. Institutions	3.29	117
• 2. Infrastructure	1.72	138
• 3. Macroeconomic environment	4.8	64
• 4. Health and primary education	3.48	135
EFFICIENCY ENHANCERS	3.27	127
• 5. Higher education and training	2.77	128
• 6. Goods market efficiency	3.72	127

⁸ World Economic Forum, The Global Competitiveness Report 2016/2017

• 7. Labor market efficiency	4.41	53
• 8. Financial market development	3.24	117
• 9. Technological readiness	2,30	134
• 10. Market size	3.17	95
INNOVATION AND SOPHISTICATION FACTORS	3.01	125
• 11. Business sophistication	3.17	132
• 12. Innovation	2.85	115

Source: World Economic forum, The Global Competitiveness Report 2016/2017, contact@weforum.org

Poverty Profile, Social Context

In DR Congo, the GDP per capita grew in the last ten years, from \$120r to \$165⁹, but, as per the International Monetary Fund (IMF) and World Bank (WB) figures, it is still among the lowest in the global context. The poverty rate in DR Congo is 70 per cent of the population; two thirds of the labour forces, mainly youth, are unemployed. As per the United Nations Human Development Report, DR Congo, with a development index score of 0.304, ranked lowest in 2013¹⁰. The literacy rate, however, for the 15-24 age group was 72 per cent (86 per cent for men and 59 per cent for women)¹¹ and progress has been made on the economic front and growth has been positive since 2002. But this growth is not much reflected, in a significant manner, in the population's living conditions. More over the DRC Family Code said to discriminate against women limits women's economic and social opportunities as reflected in the country's gender inequality index score of 0.681 that ranks it 144th out of 148 countries according to the UNDP 2013 Human Development Report¹².

The MSMEs and Artisans, involved in shoe making, are facing many challenges as they are dominantly operating in the informal sector. The challenges include isolation, lack of training, tough market competition, scarcity of raw materials, lack of financing to grow their businesses, etc. Just to mention some. Some of the MSMEs/artisans, as a means for promoting and defending their interests, are organized into associations such as "l'association des chausseurs et cordonniers du Congo (ACCC), Fédération Nationale des Artisans, Petites et Moyennes Entreprises Congolaises (FENAPEC), Confédération des Petites et Moyennes Entreprises Congolaises (COPEMECO). The associations however need to be further strengthened and integrated horizontally and vertically along the value chain in order to be able to deliver their expected services and move the SMEs/Artisans operating in the informal sector to the formal sector.

The Rationale for Developing the Leather Value Chain Strategy

Strategy, as a road map, is essential in defining the overall goal and also setting specific interventions, which defines the how of achieving the set goals. The rationale for developing this Leather Value Chain strategy is based on the following fundamental issues:

⁹2013-2017 country strategy paper, Democratic Republic Of Congo. African Development Bank ; African Development Fund

¹⁰Democratic Republic of Congo, 2013-2017 Country Strategy Paper, African Development Bank, African Development Fund

¹¹Country Programme, Document for the Democratic Republic of the Congo (2013-2017)

¹²Democratic Republic of Congo, 2013-2017 Country Strategy Paper, African Development Bank, African Development Fund

- Most segments of the leather value chain such as manufacturing of footwear, leather goods and garments are labour intensive, hence the sector has a high job creation propensity;
- Historically many developed countries have transformed their economies at the back of the leather sector and textiles, these are quick win sectors;
- There is a growing demand of footwear, leather products globally; and in DR Congo
- The sector has strong linkages with other sectors such as the meat, energy, water, chemicals and textiles, thus its growth may stimulate economic activities across the economy.

The Leather Value Chain Strategy Relationship with other Strategies

Development policies and strategies are normally expected to play a mutually reinforcing process and also to complement each other, hence new policies or strategies should always be drafted taking cognizance of the existing policies. Additionally, policy consistency and coherence is fundamental in ensuring systematic and coordinated implementation.

DR Congo has a number of policies whose main objective is to contribute to sustainable growth and development of the economy. It is, therefore, important to assess the relationship between this draft leather value chain strategy with some of the developmental policies/strategies currently in place.

The seven main objectives of the DR Congo Leather Value Chain Strategy are:

Objective 1: To facilitate the formation of 20 MSMEs Clusters in Footwear and Leather Goods production, with a minimum of 50 MSMEs membership in each Cluster

Objective 2: To strengthen collaboration among value chain players and Stakeholders, both horizontally and vertically

Objective 3: To improve Quality and Collection of Raw Hides and Skins

Objective 4: To promote Value Addition to End Products level;

Objective 5: To facilitate Access to Finance

Objective 6: To strengthen the Capacity of MSMEs support Institutions in imparting Technical and Business Management Skills

Objective 7: To promote Cleaner and Environmental Sustainable Production Techniques and Systems

Sample developmental policies/strategies against which the draft leather value chain strategy's main objectives are assessed include the Country Programme Document for the DR Congo (2013-2017); DR CONGO 2013-2017 Country Strategy Paper; Country strategic opportunities programme (COSOP) for the period 2012-2016; and Growth and Poverty Reduction Strategy Paper 2012-2016 as shown in Table 4.

Table 4: Leather Value Chain Strategy Relationship with other Developmental Policies/Strategies in DRC

Developmental policies/strategies currently in place	Leather Value Chain Strategy Objectives						
	1	2	3	4	5	6	7
Country Programme Document for the DR Congo (2013-2017)							
• Peace-building and strengthening democracy							
• Planning for development and inclusive growth	X	X	X	X	X	X	
• Climate change and natural resources							X
DR CONGO 2013-2017 Country Strategy Paper							
• Development of Private Investment and Regional Integration Support Infrastructure	X	X		X	X	X	
• Building Central Government's Capacity to Increase Public Revenue and Create an Enabling Framework for Private Investment.	X	X		X	X	X	
Country strategic opportunities programme (COSOP) for the period 2012-2016							
• Improve smallholder access to effective production services, appropriate technologies and local markets.	X			X	X	X	
• Professionalization of peasant organizations so that they become economic partners and key interlocutors in rural areas		X					
Growth and Poverty Reduction Strategy Paper 2012-2016							
• Strengthening State authority							
• Pursuing the public finance reform							
• Improving the business climate and promoting the private sector	X	X				X	
• Building institutional and human capacities and modernizing the public administration	X					X	
• Supporting the planning set up and the national statistics system							
• Restructuring the Central Bank of Congo							

Importance of the Leather Value Chain

Global Level

The leather value chain globally is estimated at over USD 100 billion.¹³ 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 2 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 2.

¹³ The USD 100 billion excludes leather blended products, e.g. sports shoes and fashionable bags.

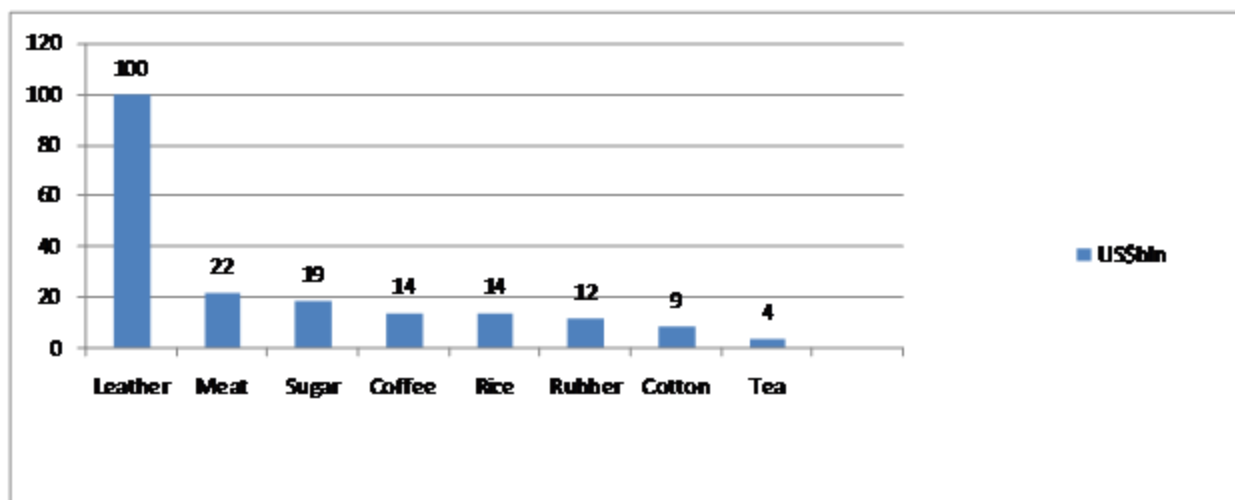


Figure 2: Global Importance of the Leather Value Chain

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 5, below. There is a clear indication that growth in trade rose with the level of value addition, hence DR Congo must direct its attention towards the production and trade of value added products.

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

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

Source: FAO (2012)

COMESA Situation

The COMESA Region is made up of 19 African countries, which own approximately 11% and 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 pre¹⁴-, peri¹⁵- and post¹⁶-slaughter challenges and limited or no value addition to hides and skins produced in the region. Figure 3 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.

¹⁴Pre-slaughter defects – any damage caused by different factors like poor management genetic make-up, disease and nutrition etc., on the live animal.

¹⁵Peri-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 among other things.

¹⁶Post-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

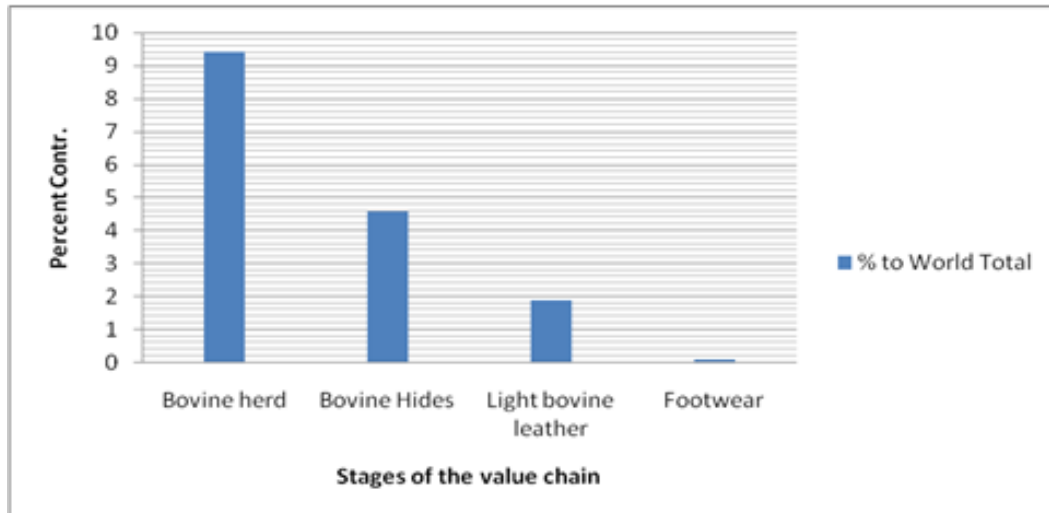


Figure 3: Africa's Trade Contributions to the Trade of Leather and Leather Products Globally

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. DR Congo 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 at 80.6 and 92.3 million pairs in 2001 and 2011¹⁷ 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 translates¹⁸ 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). An estimated shortfall of 209 million pairs per annum is not satisfied. This is, therefore, a market opportunity for SMEs to capitalize without any or limited competition from locally established firms and imports. Figure 4 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.

¹⁷FAO World Statistical Compendium for raw hides and skins, leather and leather footwear 1993-2012

¹⁸Assuming import price of USD10 per pair

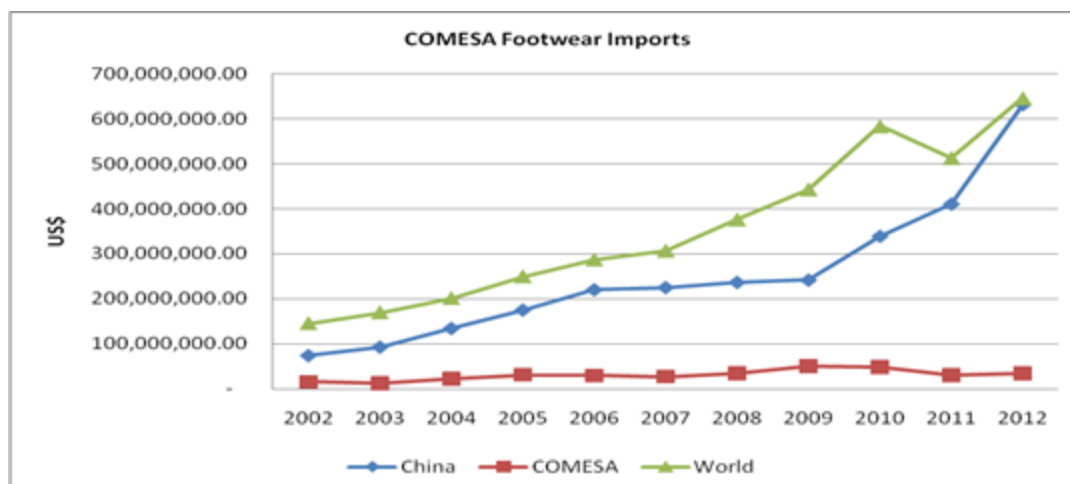


Figure 4: COMESA Imports of Footwear from COMESA Region, China and the World

DR Congo Situation

DR Congo has appreciable size of livestock population, which is a foundation of developing the Leather Sector, once the necessary technical, economic, human and infrastructure resources are put in place. DR Congo's livestock population was estimated at 0.95 million cattle, 0.91 million sheep and 4.1 million goats¹⁹. The hides and skins potential is estimated as summarized in Table 7. Thus, it was estimated that the country was collecting 95,000 of cattle hides, 273,000 of sheep skin and 1.23 million goat skin in 2014.

Table 6: Livestock, Hides and Skins Production in DRC

Item(s)	Population (million) (2014)	Raw Leather Production (thousand pieces)	Off-take Rate (%) ²⁰
Cattle	0.95	95	10
Sheep	0.91	273	30
Goat	4.1	1230	30

Source: SNSA, 2014

As per the 2016/17 survey conducted as part of formulation of the present strategy, the leather industry was found to have several artisanal tanners and hundreds of MSMEs operating in markets and backyards manufacturing an assortment of footwear, leather goods and garments.

Summary of Key Issues

The picture emerging from Chapter One is that the economy remained little diversified and the structural distribution of GDP has remained unchanged over the last decided Congo, in order to resolve the prevailing high level of unemployment, and protect the country's most vulnerable needs to address many challenges by implementing strategic activities targeting economic prosperity, health, education and infrastructure, among others.

- The DR Congo economy has registered positive growth in the period 2006-2015;
- Marginal structural change was recorded with agriculture and manufacturing sector shrinking and expanding slightly respectively;

¹⁹SNSA, 2014

²⁰ Estimates based on stakeholders' consultations.

- There is strong strategic linkage between different policies and the specific objectives with the leather value chain strategy;
- The leather and leather products industry performance in DR Congo is still at commodity stage;
- Globally, the leather sector is growing, especially in the footwear production segment.

Considering the structure of the county's economy, the relationship of some of the policies, with objectives of the leather value chain strategy, global, regional and national situation of the leather value chain, there is opportunity to unlock the sector potential through value addition. The next Chapter adopts the value chain approach to identify and analyze the dynamics and constraints in the value chain.

CHAPTER II: SITUATIONAL ANALYSIS OF THE VALUE CHAIN

Introduction

The Situation Analysis is designed to undertake a range of analytical activities that provide a sound basis for understanding the current operating environment of the leather sector as well as its future perspectives. The existing situation analysis of the leather sector provides the baseline data for the formulation of the sector's strategy, and for comparison and evaluation of outcome in terms of quality, competitiveness and output at the end of the strategy period.

In this light, current and future demographics, trends, market situation along the value chain and financial and other assessments were done. The value chain map; potential of the leather value chain; opportunities forgone due to the exporting of raw hides and skins; trade performance; and the situation of SMEs in the footwear manufacturing subsector is examined. The analysis was based on primary and secondary data formed a foundation for identifying strategic interventions that are important in enhancing the performance of the DR Congo leather value chain.

Demographics of Business/Enterprises Owners across the Value Chain

The demographic composition and development profile of owners of heads of businesses/enterprises across the value chain are intrinsically linked to the assessment of the development opportunities of the leather sector. Demographic characteristics and trends in the age profile, education, gender and experience of the owners can be key indicators of the sector's current and future needs and preferences for value addition.

Age Profile

Businesses/Enterprises across the leather value chain are experiencing an aging demographic trend as youth joining the sector as owners are very few in numbers. The percentage of enterprise owners within the age range of 20-29 is 5.82 in SMEs, 0 for hides and skins traders, 8% for artisan tanners, and 12% in slaughter slabs. It can be seen that in the value chain segments that do not demand much initial capital, like open air slaughtering there are quite good number of youth joining the business while in hides and skin trade and footwear manufacturing the incomers from youth age group are very few. Resource limitation could be the main reason. If so, it could be anticipated that youth populations opening own business in the leather sector will remain relatively very low, with no significant increase if no intervention is made to address their resource limitation challenge. Figure 5 shows the age patterns of enterprises owner ship along the different segments of the leather value chain.

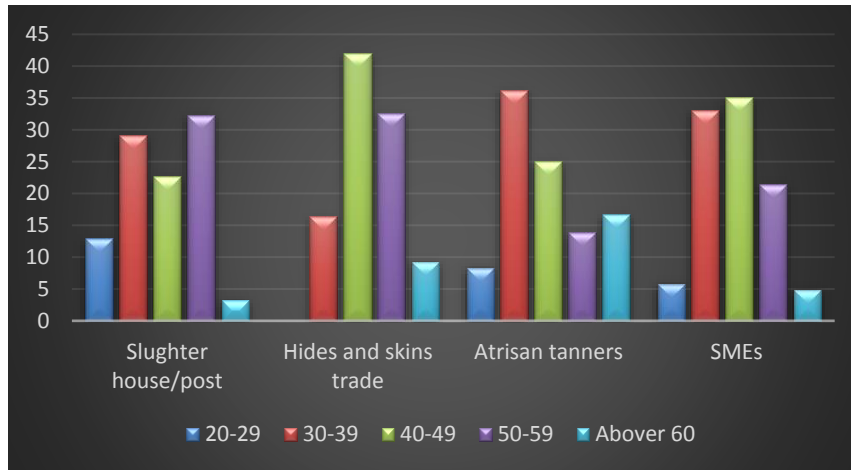


Figure 5: Age Profile of Enterprise owners in the different segments of the leather value chain

Gender

The proprietorship of enterprises along the value chain is highly dominated by male. The graph in Figure 6 illustrates the very small proportion of female owned enterprises as a percent of total enterprises in the sector. This very small proportion of women in SME ownership, despite their being more than half of the working force, seems due to resource limitation that requires serious attention from policy makers' side for the sector development.

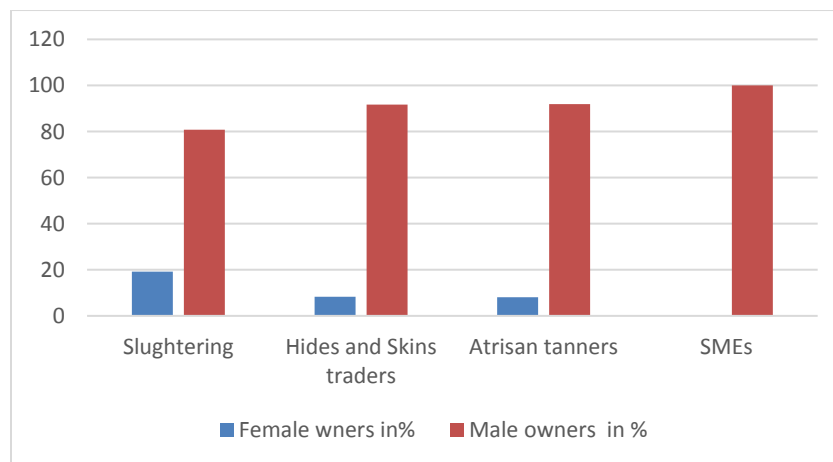


Figure 6: Gender Distribution in enterprise along the leather value chain

Education

Table 8 shows level of education of owners of enterprises in the different segments of the value chain. Almost all enterprise owners had primary or above education level. More than half of the DR Congo leather sector enterprises owners were Diploma holders. Moreover, the lower level of specialized vocational courses amongst the SMEs demonstrate the need for capacity building in the sector as illustrated in Table 7. Although the proportion of vocational trained hides and skins traders, Artisan tanners and slaughter house/slab owners is high, in most cases the field of trainings mentioned were outside the leather sector.

Table 7: Education levels of enterprise owners across the leather value chain

Category	SMEs (n=95)	Hides and skin Traders (n=48)	Artisan Tanneries (n=37)	Slaughter Houses (n=31)
Primary (in %)	18.95	4.45	2.7	9.8
Secondary (in %)	65.26	15.91	10.81	16.13
Vocational (in %)*	6.32	50	72.97	48.39
Graduate (in %)	8.42	13.36	8.11	6.45
Total	100			

Experience and number of employees

The average duration that the enterprises/units have been operational shows some variability between the different segments of the leather value chain. In general, the higher the average duration is an indicative of fewer newcomers to the business that needs further examination to identify possible barriers to join the business. Relatively high number of employees in slaughter houses is difficult to explain when seeing the limited number of slaughter activities taken place in those facilities. See Table 9.

Table 8: Average duration of operation life and employee size o enterprises in the different segments of the leather value chain

Variable	SMEs (n=103)	Hides and skin Traders (n=48)	Artisan Tanneries (n= 37)	Slaughter Houses (n= 31)
Experience (in years)	17.4 ± 12.1	15.8 ± 11	16.8 + 9.32	34.7 ± 24.1
Employees size (in number)	2.7 ± 3	6.7 ± 4.9	5.9 ± 5.63	17.4 + 19.2

Hides and skins Profile

The raw materials for leather; hides and skins, are by/co-products of the meat industry and are derived primarily from livestock (cattle, sheep and goats). DR Congo has tremendous potential for livestock production. The resource base available in Katanga, Kivu, Province Orientale and Bass – Congo region has the potential to carry up to 30 million heads of cattle²¹. Table 9 shows livestock number estimates of different years by different institutions. Data collected for the year 2016, from only three regional agricultural offices namely, Kwilu, Kivu and upper Katanga-Tanganyika had a total livestock population (cattle, sheep and goats) size of 6,803,322 heads, which is greater than what was indicated for the whole country for the years 2012 and 2014. DR Congo is divided in to 26 administrative provinces. It is also important to note that the 1998-2003 war disseminated considerable livestock population.

Table 9: DRC livestock numbers for the year 2012-2016

Total for the Whole Country, as per Published statistics			
Livestock	FAO Data ²²	Ministry of Agriculture, Fisheries & Livestock ²³	*Data from only 3 Regions ²⁴

²¹

²² FAO World Statistical Compendium for raw hides and skins, leather and leather footwear 1993-2012

²³ SNSA, 2014

²⁴ Data from Haut-Katanga et du Tanganyika; North and South Kivu; Kwilu regions Agricultural offices

Cattle	746,000	949,425	1,166,423
Sheep	865,000	909,514	2,231,616
Goats	4,036,000	4,082,627	3,405,283
Total	5,647,000	5,941,566	6,803,322

* Upper Katanga -Tanganyika; North and South Kivu; Kwilu

Small-scale livestock production is an essential source of income for the family economy in DR Congo. However, this sector gets very little technical support and hides and skins are subjected to a number of pre-slaughter defects. Poor animal husbandry practices such as poor animal feeding, hot iron branding for identification purposes, scratches, horn rakes, tick bites, and transportation methods affect hides and skins quality. Hides and skins from improved dairy or meat type animals have relatively bigger and good quality hides and skins because of their breed size, improved animal husbandry and feeding methods. However, there are very few such improved dairy or meat type animals.

The Slaughter records taken from three regions namely Haut-Katanga et du Tanganyika; North and South Kivu; and Kwilu, indicate off-take level for cattle goats and sheep, respectively, 10.9, 30 and 35 per cents. The slaughter records from 11 slaughterhouses situated in 9 towns of the North and south Kivu region shows that a total number of 64 431 bovines, 50 684 goats and 27938 sheep were slaughtered in 2016²⁵. The sources of the animals were from the North and south Kivu region as well as from neighboring countries (Rwanda and Uganda). There is also a proliferation of slaughtering areas or informal killings, not controlled by the competent authority and not reflected in the official records.

Based on these off-take levels, computed for the above indicated three regions, the apparent availability of hides and skins for the year 2016 is estimated at 127,140 pieces of hides and 1,861,333 pieces of sheep and goat skins per year. However, data collected from hides and skins collectors for the year 2016 in the three regions shows that only less than 50% of hides 10% skins reach markets be it for human consumption, artisanal tanning or export.

Hides and skins prices show considerable variation between regions. Bovine hide price varies between 4 – 7 USD/kg in areas particularly where hides and skins are used as human food. For sheep and goat skins, the indicative prices were 5 to 5.5 USD per piece. The figures indicated in Table 11 are over all averages of the different regions.

Table 10: Hides and |Skins subsector profile in DRC

Parameter	Quantity/Value
Quantity of Hides (in pieces)	127,140
Quantity of Sheep skins	669,000
Quantity of Goat skins	1,161,849
Annual collection level hides	50%
Annual collection level sheep skins	Less than 10%
Annual collection level of goat skins	Less than 10%
Flaying method	Hand flaying
Preservation method of Hides	Wet slating 28%,
Grading system	No grading
Market for hides	Local market 34% Export:28% Major Markets: China, Rwanda, Uganda

²⁵Rapport annuel de l'IPAPPEL, 2016

Annual export value for 2015	83,000
Average market bovine hide price	\$ 45.95 ± 14.7 per piece green
Average market sheep skin price	\$ 3.1 + 0.52 green
Average market goat skin price	\$ 2.87 + 0.67 green
Artisan Tanners Processing capacity per year	Hides-26,846
Quantity of Hides used as human food in 2016	38,500 pieces

Source: Various Compiled from data collected from Kinshasa, Kwilu, Kivu, Katanga and Tanganyika Regional agricultural offices in DRC and, ITC,

Quality of Hides and skins

Hides and skins grading is required to determine quality, thereby facilitating monitoring and auditing hides and skins improvement in the sub sector. Currently grading is seldom practiced by hides and skins traders. Consequently, hides and skins are bought and sold as if they are of the same grade. Due to this fact, it is difficult to get reliable grading data. There is also no price motivation for primary producers to produce good quality hides and skins.

No specific national hides and Skins, Leather and Leather products policy was identified and legislations governing production, preservation and trade in hides, skins and leather are nonexistent. However, based on secondary data and field survey it was noted that hides and skins quality in DR Congo also affected by a number of factors that could be identified as pre²⁶-, peri²⁷- and post²⁸-slaughter challenges.

Pre-slaughter Challenges

Pre-slaughter challenges concern hides and skins problems in live animals due to poor husbandry practices and disease problems. Branding of cattle with hot irons mostly for identification purpose is a practice that causes high damage to hides and the leather industry. During the Kinshasa abattoir visit, the Expert Team witnessed the existence of the problem. The practice of branding by application of hot irons causes defects that persist throughout the course of tanning and, therefore, affect the quality of leather and leather products.

Infestation of ticks on livestock causes damage to hides and skins in areas where they attach themselves. These areas become inflamed and sometimes permit entry of other parasites and various microbes. The healing areas of attachment normally leave behind pin-point scars and the raw material cannot be used for the production of full grain leather. Raw materials affected by tick-infection are, therefore, down-graded and are of reduced value. Unfortunately, in DR Congo as it is, is the case in many African countries, animal husbandry measures for controlling ticks are relatively expensive and inadequately practiced.

Peri-slaughter challenges

Other than the poor husbandry practices, the quality of hides and skins is also affected by improper flaying, poor preservation, storage, and processing techniques and has strong influence on both domestic and export markets. The Kinshasa abattoir/slaughterhouse is

²⁶Pre-slaughter defects – any damage caused by different factors like poor management genetic make-up, disease and nutrition etc, on the live animal.

²⁷Peri-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.

²⁸Post-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

relatively better equipped with facilities and tools. In other urban and rural areas, the slaughter facilities consist broadly of slaughter slabs and non-specific places by farms and households. Although the general situation varies from place to place, most of the slaughter facilities usually lack basic equipment such as hoisting facilities, lighting system and regular water supply. The tools are usually rudimentary and cause damage to the hides and skins. It goes without saying that the type of facility used largely determines the quality of the hides and skins produced.

Moreover, slaughter houses are mainly suppliers of cattle slaughter services. Usually butchers buy livestock from pastoralists at rural livestock marketing sites. The animals are transported to the slaughterhouse by road at the butcher's expense. The butchers collect the hides and skins of slaughtered animals and sell them directly to consumers of raw hides, hides and skins traders and, or to artisanal tanners and manufacturers of traditional musical instruments.

Hides and skins damages that occur during slaughtering are not only due to poor slaughtering facilities, equipment and tools but also due to poor slaughter practices and skills. In slaughter slabs and homestead slaughtering, it is common to see, hides and skins used as mats during slicing of carcasses into meat cuts which inflict holes and gorges to the hides and skins making them unfit for the subsequent use up the value chain. Thus, slaughter defects result more often from inadequate flaying skills and lack of motivation.

Data generated through field survey shows that more animals are slaughtered in the smaller tanners located in livestock rich regions like North and south Kivu compared with the bigger tanners of the capital city, Kinshasa. The slaughter level in Kinshasa abattoir is on average 10 Bovine animals per day while in Kivu slaughter house the average goes to 20 to 30 animals per day. The use of hide for human consumption, in some parts of the country, also contributed for not giving much attention to cut related defects. It should be pointed out that in Kinshasa, due to lack of tanneries, hides are destined in large part for direct human consumption.

Post slaughter challenges

After slaughter, improper curing and storage of hides and skins cause considerable loss. In DR Congo, traders of hides and skins have no particular methods of conservation. The majority sell fresh hides and skin either direct to consumers or to artisanal tanners; few resort to salting or drying under the sun and under the shade particularly for the ones destined to export market.

Leather sector Profile

In a broader scope, the leather sector industries consist of three key sub-sectors namely: the tanning industry, footwear and leather goods. It involves processing of hides and skins into semi- and finished leather, footwear and leather goods respectively.

Tanning Industry

There was one operational commercial tannery in Katanga region Moba-Kirungu, called Diocesan Tannery, in early nineties, owned by missionaries called the white African Brothers. The tannery was producing finished leather by using both vegetable and chrome tanning methods and also was serving as a center of training for youngsters coming from different parts of the country and from neighboring countries (Burundi and Rwanda). The diocésaine tannery of Moba-Kirungu had a tanning capacity of 1500 hides and 6000 sheep and goat skins with capacity utilization level of 67% in 1998.

The tannery had also its own farm of 6000 heads of animals. The Diocesan Tannery unfortunately stopped functioning since 1999 following the 1998-2003 DR Congo war. To date, the cost of the project to revive the activities of the Tannery is estimated at US\$ 87,065.00

Currently, DR Congo has no modern/commercial functional tannery. Tanning is, however, practiced at artisanal level at a very small scale but serving as the only domestic source of leather to SMEs manufacturing leather products. Export of raw hides and skins, as well as use of hides for human consumption that raised the price of raw material higher than the regional average of 0.5 to 1 USD per Kg and limit its availability for the tanning industry might discourage investment for the establishment of modern tannery as the latter is capital intensive.

The Artisan tanners produce essentially vegetable tanned hard leather that is used mainly for the manufacturing of shoe soles, sandals and belts. The methods as well as the production equipment of the artisanal tanneries are very rudimentary.

Leather footwear and leather goods subsector

Artisans and Small and Medium Enterprises engaged in footwear and leather goods manufacturing activities are counted in many hundreds if not in thousands and most of them are operating in informal sector. Despite the fact that the SMEs are using rudimentary, obsolete equipment, they are producing good quality shoes and leather products. Their productivity, however, is very low (one to two pairs of shoe per SME per day). The supply of intermediate inputs (finished leather, soles and other accessories) is a very big challenge. All the SMEs use very expensive imported leather to produce the shoe upper.

In DR Congo, finished leather price ranges from 4 to 15 USD per Sqft while in a number of countries (Ethiopia, Kenya, Rwanda, Zimbabwe...) prices are generally between 1 and 2 USD per sqft²⁹

Some of the SMEs are organized in association called National Federation of Congolese Small Enterprises but were expressing their disappointment for lack of support from the government side.

Based on the preliminary survey conducted on 103 SMEs, by Ministry of SMEs and COMESA/LLPI Experts and considering the large potential of the leather sector for employment, SMEs involved in the production and sale of finished leather products are many in number. Most of the SMEs, however, were/are operating informally in traditional way, with low productivity, poor quality products and serving small localized markets. The annual Turnover for the years 2014 to 2015 also shows a year to year declining trend for most of the SMEs operating in the different parts of the country. This trend if not reversed through appropriate strategic interventions that bring needed technical and other supports to the SMEs, will endanger the very survival of the enterprises and further aggravate the current high unemployment level.

²⁹Baseline Survey on the Development of the Footwear Clusters Through the Reorganisation of Existing Service Centres and the Creation of Incubation Facilities In Five COMESA Countries, COMESA/LLPI,, 2014

Table 11: Animal Turnover of SMEs during the period 2014-2015

Region	No of respondent SMEs	2014	2015	2016
Kinshasa	16	9,584.4 ± 5813.9	11,262± 11960.8	7,522.3 ± 8635.6
Kwilu	21	5,862.5± 2682	5,542.4 ± 2520.3	4,844 ± 2516.1
North and South Kivu	14	2,965.9 ± 3687.4	2,885.5 ± 3257.8	2,875± 3077.8
Kanaga-Tanganica	19	44,214 ± 95265	20,638± 57,195	18,860.9± 48337.8
Overall Average		15,656.7 ± 26,862.1	10,082± 18733.5	8,525.55± 15,641.8

DR Congo SMEs travel to towns in neighboring countries to acquire raw materials for their footwear production. Leather, that represents the major cost item in footwear making, costs up to ten-fold higher in DR Congo compared to price in Ethiopia or Kenya; One square foot of leather for footwear upper costs less than 1 USD in Ethiopia while, as per the present study it costs up to 17 USD in DR Congo. One crucial factor contributing to the apparent differences in cost of production of footwear could be the non-availability of raw materials and accessories for footwear making in the local markets. Imported leather related challenges mentioned by the SMEs were very high price, poor quality, distance to be traveled to get the products and shortage or unavailability. See Table 13.

Table 12: Leather buying cost per piece (Sqf) and number of pieces used in one pair per shoe

Region	No SMEs responded	Men shoe	
		Cost per piece (sqf)*	No of pieces (sqf) for one pair
Kinshasa	21	14.69±6.4	2.5±0.92
Kwilu	6	12.2 ±7.4	1.8 ±1.3
North and South Kivu	10	10.7 ±7.8	1.33±0.5
Kanaga-Tanganica	43	12.5 ±3.8	1.7 ± 0.62
Over all Average		12.5 ±6.35	1.8±0.84

- The unit mentioned as piece may differ from sqf

Industry Structure and Value Chain Map

Promoting value chain development is increasingly being recognized as a promising approach to address economic development, job creation, inclusive growth and a wider range of social and environmental issues. The DR Congo government believes that agriculture will serve as the catalyst for future economic growth to bring about food security, poverty reduction and increased employment. Hides and skins are products of the agricultural sector with huge potential for the planned economic development.

Figure 7 below shows the linear mapping of activities in the DR Congo leather value chain, from the initial input suppliers at the very beginning of the production process to the final consumption of leather products.

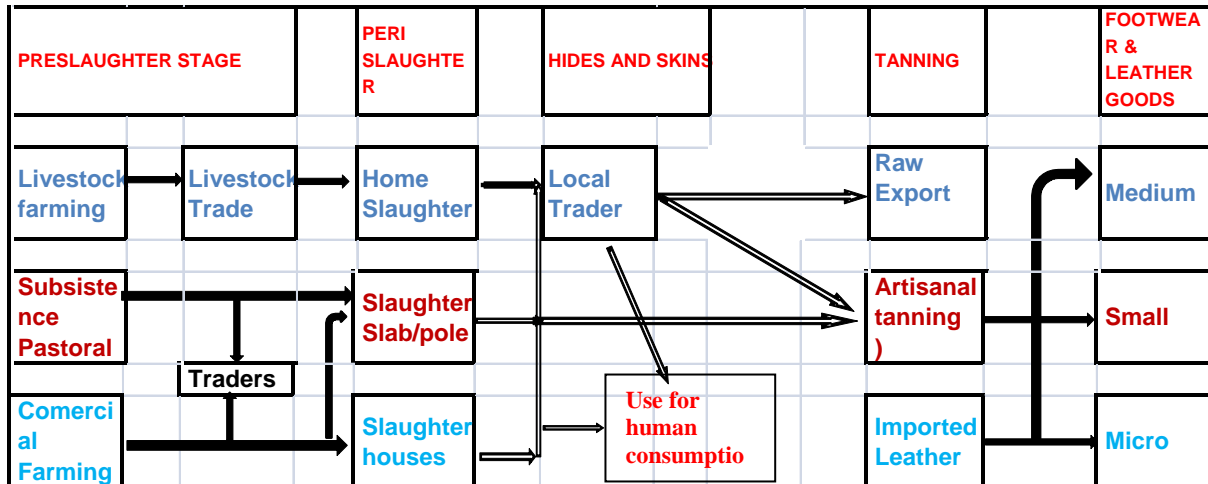


Figure 7: DRC Leather Value Chain Map

The following is a value chain map linking leather value chain actors from very beginning to consumption in DR Congo. The abattoirs do not stock animals of their own, but deliver only services to butchers and private users. Hence, the abattoirs are horizontally connected to the value chain than relating vertically. Notwithstanding, there is a significant number of animals killed in backyards and distributed to retailers due to limited control.

Value addition

The leather industry has never earned what it should, because there is limited value addition on the raw products before export. DR Congo SMEs and artisans have appreciable skill in design and construction of footwear and leather products. If value addition up to footwear and leather goods are encouraged and further enhanced, it will provide backward and forward linkages in the value chain thereby benefiting primary producers, manufacturers and consumers of leather and leather products. This signifies that, exporting raw hides or using it for human consumption which is the present practice, does not have a multiplier effect to stakeholders but rather it amounts to losing jobs and forgoing huge benefits.

The Potential of the DR Congo Leather Value Chain

The DR Congo's Hides and skins production level in three regions is estimated at 127,140 pieces of hides and 1,861,333 pieces of sheep and goat skins per annum, respectively, which translates to US\$ 6.3 million when valued at regional current minimum unit price of US\$ 1 per kg for hide and US\$ 2 per piece for skin. The sector could also generate more than 10,000 direct jobs if hides and skins could be processed to finished products. DR Congo is currently exporting its hides and skins, in raw state. 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 DR Congo had the large proportion hides and skins been transformed into finished leather or finished products. DR Congo currently exports its raw hides and skins to China, Uganda and Rwanda.

The losses, which are incurred due to non-value addition, are illustrated in Table 14 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 75,102,592.00. 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 DR Congo Programme of Action. See Table 14 for potential earnings simulations.

Table 13: 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	6,265,466.00	83,000.00	6,182,466	1
Wet Blue	12,530,932.00	83,000.00	12,447,932	2
Crust	18,796,398.00	83,000.00	18,713,398.00	3
Finished Leather	25,061,864.00	83,000.00	24,978,864	4
Finished Products	75,185,592.00	316,000.00	75,102,592.00	12
Cumulative Loss			75,102,592.00	
Computations based on Congolese Franc (CDF)				
Raw hides and Skins Current Value	9,310,482,476.00	123,338,000.00	9,187,144,476	1
Wet Blue	18,620,964,952.00	123,338,000.00	18497626952	2
Crust	27,931,447,428.00	123,338,000.00	27808109428	3
Finished Leather	37,241,929,904.00	123,338,000.00	37118591904	4
Finished Products	111,725,789,712.00	469,576,000.00	1.11602E+11	12
Cumulative Loss			1.11602E+11	

Situational Analysis of SMEs in the Footwear Industry

Overview of the Footwear Supply Chain in DR Congo

The average per capita for footwear in Africa is 0.85 pairs per year. With a population of 81.3 million, DR Congo's footwear market is thus estimated at 69.1 million pairs per annum. Assuming an average current price of USD 30 per pair, the DR Congo footwear market is approximately valued at USD 2.07 billion dollars. However, this appears to be an overstatement as the majority of Congolese are buying cheaper synthetic made shoes from the Far East whose prices ranges between USD 10 to USD 15. This, however, excludes duty shoes such as combat, security and safety boots. If this is taken into account this market share increase upwards. There are around a host of small and micro enterprises manufacturing footwear in DR Congo and their combined output is almost insignificant compared to the demand. The combined annual output of these enterprises is below 2 million pairs (1.1 million according to FAO estimation for the year 2012)³⁰. This implies that the market consumes foreign made shoes mainly from the Far East. ITC /Trade Statistics shows that the country spent more than 95 million USD for importing footwear in 2015 with an annual growth in value of 29% between 2011-2015³¹. See Table 15.

³⁰ FAO World Statistical Compendium for raw hides and skins, leather and leather footwear 1993-2012

³¹Trade statistics for international business development, http://www.trademap.org/tradestat/Product_SelCountry_TS.aspx

Table 14: Leather and Leather products imported by DRC

Unit: US Dollar thousand

	Variable	2012	2013	2014	2015	Annual growth in value between 2011-2015 (% p.a.)
64	Footwear, gaiters and the like; parts of such articles	60,608	72,560	86,134	95,938	29
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles . . .	14,130	15,164	17,729	25,827	22
41	Raw hides and skins (other than furskins) and leather	46	239	24	18	

Source: http://www.trademap.org/tradestat/Product_SelCountry_TS.aspx

The large majority of micro enterprises are operating in markets using rudimentary tools and do not get any institutional support with regard to skills development, capitalization and marketing of their products.

Table 15: Characterization of Footwear Supply Chain

Inputs	Importance	Situation In DR Congo
Finished leather	It contributes more than 50% in terms of value to footwear with leather uppers, thus this is the main input.	The production of leather in DR Congo is limited to artisanal tanning, which feeds into the production of sole and belts, however, there is no production of leather which is suitable for the manufacturing of shoe uppers.
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 DR Congo, however, at the moment almost of SMEs which are operating, do not have cutting machines, and use cutting knives. There is no immediate need to manufacture or import cutting dies.
Lasts	A last is a mechanical form/mould that has a shape similar to that of a human foot. Without a last footwear manufacturing is next to impossible	No local production in DR Congo; SMEs depend on secondary imports from outside DR Congo. 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.	The demand for leather sole is met through domestic Artisans produced vegetable tanned leather. For all other types of sole, there is no local production
Accessories	Important, especially for finishing sandals and other types of footwear. (rivets and buckles)	No local production in DR Congo

Source: Stakeholders Consultations by COMESA/LLPI

The absence of production of the materials listed in Table 15 is the main weakness in the footwear manufacturing business in DR Congo. Leather is the main input in footwear or leather goods manufacturing business, contributing 50-60% to total cost. DR Congo 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.

Identified Constraints

One hundred three SMEs participated in the survey study in three regions (Kwilu, North and South Kivu, Upper Katanga and Tanganyika) and Kinshasa as part of the formulation of the present leather value strategy, the following were identified as binding constraints: working capital problem, use of old and rudimentary equipment, access to finance, working space problem, un fair competition, luck of technical support, input problem and power interruption. These were indicated as major constraints that have hampered the production of quality products and productivity. Nearly 100 percent of the participants regarded the input particularly leather supply problem as major obstacle that encompassed shortage, expensiveness and distance to be traveled to get it. Lack of necessary machinery and inadequate working capital were also indicated as the main factors that were undermining the manufacturing of quality products. See Figure 8

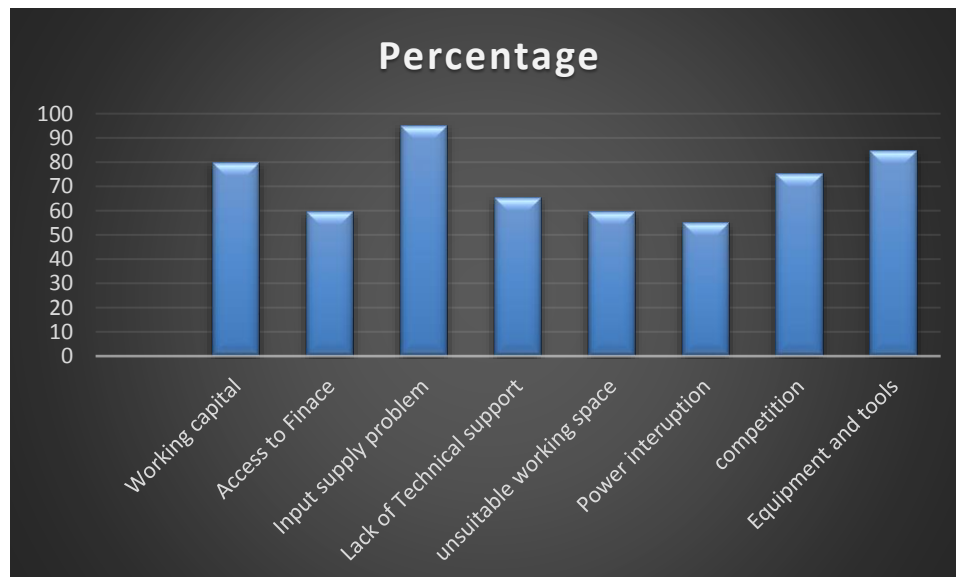


Figure 8: Major Constraints Identifies by SMEs

The Experience from other COMESA countries shows that absence of a dedicated common working facility negatively impact MSMEs visibility. As most of the SMEs are operating in their backyards and in markets they 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 DR Congo are summarized in Figure 8.

Emerging Issues

The DR Congo leather sector import statistics (Table 9) showed a growing market for hides, skins, leather and leather products. SMEs and other leather sector players are sensing opportunities to grow, but not being able to attain them due to plethora of problems. The key emerging issues that need to be addressed through a coherent strategy in order to realize the sector's potential and its contribution to the national economy are as follows:

- 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, who are involved in the production of footwear, leather goods and other items;
- SMEs are facing a number of challenges, namely: Shortage of inputs, limited access to finance; inadequate machinery, lack of technical support and they are isolated.

CHAPTER III: ANALYSIS OF THE VALUE CHAIN

Introduction

The strategy formulation process used qualitative and quantitative data generated through participatory analysis based on meetings and discussions with stakeholders, questionnaire survey and visits to production units conducted by the COMESA/LLPI Experts Team and 3 national Experts during 2016/2017. Visits to the production units of artisanal tanneries, slaughter houses, hides and skins collectors/traders and leather footwear and leather goods producers were conducted in Kinshasa and three selected representative regions, namely, Kwilu; North and South Kivu; and Upper Katanga and Tanganyika during the first quarter of 2017. Relevant records and reports were also consulted during the survey. The primary data sources included SMEs, Tanners, Hides and skins collectors/traders and slaughter houses. Other stakeholders from the various segments of the value chain, from Kinshasa and three above indicated regions also contributed their valuable thoughts and views. This survey assisted in generating, collating and prioritizing of important issues.

Distribution of survey participants

The survey participants were drawn from the various segments of the leather value chain, relevant government ministries and departments from Kinshasa and other parts of DR Congo. 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. Table 11 below gives details of the distribution of respondents by site and segment of the value chain. A total of 219 SMEs, slaughter house, hides and skins traders and artisanal tanners from Kinshasa and 3 provinces were included in the study. See the distribution of participants by value chain segment in Table 17 below:

Table 16: Study participant distribution by segment of the value chain and regions of DRC

Region	Segment of the value chain				Total
	SMEs in footwear and leather goods manufacturing	Slaughter houses/Abattoirs	Hides and skins traders/collectors	Artisan tanners	
Kinshasa	21	2	4	=	27
Kwilu	20	13	20	20	73
North and South Kivu	11	12	20	16	59
Upper Katanga and Tanganyika	51	4	4	1	60
Total	103	31	48	37	219

Issues Identified as affecting the Performance of the Leather Value Chain

One to one meetings, discussions and visits to different production units along the leather value chain helped to identify issues affecting the leather sector performance at different stages of the value chain.

SWOT Analysis

The SWOT analysis provides business strategists with a means to articulate the strategic fit for an organization between its resources/capabilities and the particular demands of its competitive marketplace. The specific objective of SWOT analysis is to determine the best way for a firm to use its strengths to exploit opportunities, while also identifying both the firm's weaknesses and strengths against perceived threats. The study participants pointed out these issues, and agreed that strategic interventions which directly respond to these issues should be crafted. Thus, the strategic intervention should seek to further 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 18.

Table 17: SWOT Analysis of the DRC Leather Value Chain

Stages	Strength	Weaknesses	Opportunities	Threats
Cross Cutting	<ul style="list-style-type: none"> • Government commitment • Political stability 	<ul style="list-style-type: none"> • Limited access to suitable finance; • High cost of finance in comparison to rate of return in the industry (Interest Rate in Congo averaged 19.30 percent from 2008 until 2017, reaching an all-time high of 70 percent in January of 2010)³² • Limited or lack of collaboration of chain players • Limited support or collaboration with Academia, Private and Government • Land locked; • Weak information systems • High inland transport cost 	<ul style="list-style-type: none"> • Large scope for value Addition • Growing domestic, regional and international market for value added products • Renewed interest by Government to support the sector • Large pool of trainable work force 	<ul style="list-style-type: none"> • Global Economic Slow down • Synthetic materials • Influx of second hand and poor quality cheap leather products
Hides And Skins Production	<ul style="list-style-type: none"> • Growing livestock base • Growing demand for meat, increasing the slaughter rates • Huge capacity in terms of land and favorable agro-climatic condition to increase the exiting livestock population by many folds 	<ul style="list-style-type: none"> • Weak or inadequate extension support • Poor handling of live animals; • Weak animal husbandry system • Poor slaughter facilities • Poor flaying and conservation techniques; • Poor quality of hides and skins • No or inadequate collaboration • Absence of a structured system to support the production of quality hides and skins; • Uniform price on hides and skins irrespective of grade • Hides and skins use for human consumption 	<ul style="list-style-type: none"> • New investment in slaughter facilities; • Renewed interest by Government to support the sector • Renewable resource • Readily available markets 	<ul style="list-style-type: none"> • Contagious diseases & parasites • Hides and skins being exported to neighboring countries and china • Quality of hides and skins continues to deteriorate
Tanneries	<ul style="list-style-type: none"> • Available trainable work force • Availability of raw materials; • Experience in Artisanal tanning practice 	<ul style="list-style-type: none"> • Absence of a modern functional tannery • Inadequate technology, technical and production management skills; • Poor environmental control; • Narrow product distribution channels • Absence of Government policy support to promote production of finished leather; • Relatively small market size for finished leather in DR Congo; • Competition between human consumption and leather processing 	<ul style="list-style-type: none"> • Growing domestic and regional demand for finished leather • Room for improvement; • Growing international demand of leather products; • Renewed national and regional interest to support the industry • Government interest to develop a sector specific policy 	<ul style="list-style-type: none"> • Increased competition from synthetic and imported cheap poor quality products; • International markets view DR Congo as a raw material supplier rather than finished leather;

³²<http://www.tradingeconomics.com/congo/interest-rate>

Stages	Strength	Weaknesses	Opportunities	Threats
Manufacturing	<ul style="list-style-type: none"> • Large pool of trainable human resources; • Good collaboration among footwear and leather goods manufactures • Government interest to develop a sector specific policy; 	<ul style="list-style-type: none"> • Inadequate machinery and equipment • Limited availability of quality finished leather and accessories; • High cost of finance • Inadequate technical training facilities; • Limited collaboration with upstream and downstream chain players • Absence of a specific policy support • Inadequate number of trained and qualified footwear and leather goods designers; • Inadequate institutional support 	<ul style="list-style-type: none"> • Growing domestic and regional demand for finished leather • A big and growing market deficit for footwear; • The industry is still in infancy hence there is great potential for expansion; • Renewed interest to support the development of leather cluster regionally and internationally; • Potential Government procurement for military, policies and other Government institutions 	<ul style="list-style-type: none"> • Intense competition from cheaper imports from Far East;
Support Institutions		<ul style="list-style-type: none"> • Inadequate or lack of Technical Training Centres • Limited interaction with National Standards Bureau; • Limited support and interaction with Academia; • No advanced specialized courses to support the leather value chain 	<ul style="list-style-type: none"> • Renewed interest by Academic institutions to work with the sector 	

Stakeholders Analysis

On the basis of the above framework, leather value chains Stakeholders were identified and their strengths/importance assessed as presented in Table 19. The following key was used: L= low influence (score = 1); M = medium influence (score = 2); H = high influence (score = 3).

Table 18: Stakeholders Analysis of the DRC Leather Value chain

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 national economy and trade	<ul style="list-style-type: none"> Policy support; Facilitate the development and growth of MSMEs 	<ul style="list-style-type: none"> Increased productivity and output; Manufacture of quality products; Create jobs 	<ul style="list-style-type: none"> Impact negatively on their capacity to lobby for resources from Government; Switch to other sectors showing promising results 	Underperformance with no policy and financial resources support			X			X	Very High
2	Ministry of industry and SMEs	<ul style="list-style-type: none"> Policy support; Facilitate the development and growth of MSMEs 	<ul style="list-style-type: none"> Increased productivity and output; Manufacture of quality products; Create jobs 	<ul style="list-style-type: none"> Impact negatively on their capacity to lobby for resources from Government; Switch to other sectors showing promising results 	Underperformance with no policy and financial resources support			X			X	Very High
3	Ministry of environment conservation and tourism	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	Ministry of Agriculture	<ul style="list-style-type: none"> Policy support; Facilitate the development and growth of livestock sector 	<ul style="list-style-type: none"> Increased productivity and output; Manufacture of quality products; Create jobs 	<ul style="list-style-type: none"> Impact negatively on their capacity to lobby for resources from Government; 	Underperformance with no policy and shortage of quality raw materials			X			X	Very High
5	Ministry of SMEs	<ul style="list-style-type: none"> Policy support; Facilitate the development and growth 	<ul style="list-style-type: none"> Manufacture of quality products; Create jobs 	<ul style="list-style-type: none"> Impact negatively on their capacity to lobby for resources from Government; Switch to other 	Underperformance with no policy and financial resources, and market access support			X			X	Very High

No.	Stakeholder	What are the services the Stakeholders are expected to deliver	What do Stakeholders Expect from the Leather Industry in return	Likely reaction and /or impact if expectations are not met		Degree of Stakeholder Influence on the Leather Value						Overall Degree of Importance
				Stakeholders	Leather Industry	Power			Support			
						L	M	H	L	M	H	
		of MSMEs		sectors showing promising results								
6	OPEC	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
7	National Federation of Congolese Small Enterprises	Lobby Government to promulgate favorable polices	<ul style="list-style-type: none"> Increased productivity and competitiveness; Improved participation in the activities of the business community 	<ul style="list-style-type: none"> Switch their efforts to other sectors 	<ul style="list-style-type: none"> Underperformance of the sector; Reduced participation in the activities of the business chamber 		M			M		Moderate
8	DR Congo Standards Authority	Facilitate the development of standards and also products certification	Ensure that they participate in standards development, manufacture products which meets minimum safety standards.	No development of standards related to leather and its products if there is no demand of such services	No benchmarks to follow with regard to production of products which meet quality standards		x			x		Moderate
9	DR Congo 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
10	DR Congo Meat Industries	Produce quality raw hides and skins	Purchase all hides and skins produced in DR Congo 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 moderate, LL = Insignificant

Gap Analysis of the DR Congo Leather Value Chain

The Gap analysis was taken to analyze the DR Congo's leather value chain vs. Ethiopian leather value chain. The use of this tool is important in the sense that it assists in building awareness among the DR Congo leather value chain stakeholders about the fundamental factors for building competitiveness. Limited knowledge about factors that are driving success of other similar enterprise within or outside the country undermines innovativeness. The main aspects of a benchmarking analysis are: focuses on best practices; strives for continuous improvement; partnering to share information; needed to maintain a competitive edge; adapting based on customer needs after examination of the best. The Gap analysis findings are presented in Table 20.

Table 19: Gap Analysis of the DRC Leather Value Chain

Critical Success Factors	Importance	DR Congo	Matured Footwear Supply chain	GAP	Comment
Livestock base	Has a bearing on the potential of hides and skins availability	1	5	-4	DR Congo's livestock size is far lower than that of Ethiopia; however, it is imperative to note that Thailand is among the top ten global producers of footwear, despite the fact that it has a very negligible livestock base. It therefore implies that the livestock base may be a necessary but not sufficient condition for growing the leather value chain.
Off-take rate	The most important determinant of hides and skins production	5	5	0	DR Congo has a higher off take rate than Ethiopia; however, it is from lower livestock base. Imported animals slaughter might also inflated the percentage of in DRC.
Animal Husbandry and extension Service	The state of animal husbandry and extension services has a bearing on the frequency of pre-slaughter defects.	4	5	0	The animal husbandry management issues in the two countries are not much different however the war and livestock theft affected the husbandry and extension service in DR Congo.
Peri-Slaughter	The skills and slaughtering practices contribute to the absence or presence of cuts, gorges etc. on the hides and skins produced.	5	5	0	Ethiopia and DR Congo share the same challenges, as a significant number of livestock is slaughtered in poorly organized slaughter facilities.
Post-Slaughter	The level of preservation techniques, handling and transportation are important in ensuring that hides and skins are delivered to the tannery in the desired state.	2.5	5	-2.5	The improved awareness on the economic importance of hides and skins in Ethiopia has impacted positively on the preservation techniques.
Number of Tanneries, which produce finished leather	This reflects the absorption capacity of the material produced	0.5	5	5	Ethiopia has approximately 28 tanneries which are fully functional against only artisanal tanning in DR Congo.
Finished leather	It contributes 50% in terms of value to footwear with leather uppers, thus this is the main input.	0.5	5	-4.5	Only a small amount of vegetable tanned leather is produced in DR Congo.

Critical Success Factors	Importance	DR Congo	Matured Footwear Supply chain	GAP	Comment
Cutting dies	It's a tool, which is used for cutting; it is very important in ensuring speed in cutting and also ensures consistency.	0	5	-5	No local production of cutting dices, all of the cutting is done manually.
Lasts	A last is a mechanical form/mould that has a shape similar to that of a human foot. Without a last, footwear manufacturing is next to impossible	0	5	-5	No local production of lasts, and they are in short supply.
Heels/soles	Second important component of a shoe after leather.	1	5	-4	Limited local production of leather sole only in DR Congo, as compared to Ethiopia
Accessories (e.g. rivets and buckles)	Important especially for finishing sandals and other types of footwear.	1	5	-4	No production of accessories in DR Congo and to make it worse, the accessories are not readily available in local markets. Most of the accessories are also imported into Ethiopia, however they are readily available.
Collaboration	Collaboration and networking amongst value chain is very important in building synergies and promotes joint action, which normally leads to improved competitiveness.	2	5	-3	Whereas there are registered associations, collaborations in areas of joint procurement, production and marketing, which are critical in boosting economies of scale have not yet been implemented.
Relationship with Academia	Research, development and incubation are the bedrock of innovation in production development and entrepreneurship.	0	5	-5	Nonexistent in DR Congo, where Ethiopia has a fully-fledged Leather Industries Development Institute (LIDI), which is funded by Government.
Relationship with Government	Government support with regard to policy, supply and demand aspects is fundamental for industrialization. Most countries have grown at the back of Government policy, financial and procurement support.	1	5	-4	Limited relationship with Government and Academia. In Ethiopia LIDI is working with Universities, which are offering degrees and diplomas in leather technology.
Access to finance	Availability of finance with terms, which boosts industrial viability is of paramount importance	0	5	-5	This is one of the major constraints in the industry as finance is available at minimum lending rates of 22% plus collateral. The Ethiopian Government is actively involved in supporting the leather sector financially.
Equipment and machinery	Improved productivity and quality of products is greatly influenced by the availability of adequate and suitable machinery and equipment	2	5	-3	Most SMEs are using basic, old and rudimentary machinery in DR Congo. In Ethiopia, most SMEs display more or less the same characteristics with those in DR Congo. However, reorganization with regard to Clustering in rapidly changing the operations of SMEs in Ethiopia.
Labour productivity	High labour productivity is very important given the intensity in the use of labour in the footwear supply chain.	2	5	-3	DR Congo significantly differs with Ethiopia on labour productivity

Critical Success Factors	Importance	DR Congo	Matured Footwear Supply chain	GAP	Comment
Skilled manpower	Footwear production is labour intensive, hence there is a need of highly skilled labour force to ensure the production of quality footwear	2	5	-3	Limited training; In DR Congo most SMEs are self-trained and very few have received short training courses from NGOs and UNIDO. In Ethiopia, there is a large pool of trained personnel.
Industrial Collaboration	Industrial association is important in building industrial synergies and also engaging with policy makers. Robust organization improves the enactment of supportive policies and also financial and infrastructural support from Government	1	5	-4	The industry in DR Congo is disjointed and most of the associations have no viable Secretariats, whereas in Ethiopia the leather association is well organized and work hand in hand with Government on policy formulation and implementation.
Hides and Skins export policy	Ensuring the availability of hides and skins	0	5	0	DR Congo has no hides and skins export policy while Ethiopia has a punitive export restriction policies for raw hides and skins and semi-processed leather.
Implementation of Hides and Skins export restriction policy	Rigorous implementation of the Hides and Skins export policy is essential to ensure the availability of raw materials for domestic industries	0	5	-5	DR Congo has no any policy in the leather sector to be implemented. Ethiopia is very effective in the implementation of export restriction policy.
	Total	18.5	90	-71.5	

Emerging Issues

Based on the above analysis and preceding Chapters summary of issues, seven inclusive strategic objectives are proposed and they read as follows:

- Develop 20 Footwear and Leather Goods SMEs Clusters, each with a minimum membership of 50 SMEs;
- Improve the production and collection of quality hides and skins;
- To facilitate Resource Mobilization and Policy support for the Growth of the Value Chain;
- Improve collaboration and Policy implementation across the value chain;
- Facilitate the production of high quality finished leather in an environmentally sustainable manner;
- Facilitate intra and international trade growth of the value chain;
- Facilitate Government Procurement of domestically produced footwear and leather goods.

The attainment of the given strategic objectives would generate outputs and outcomes that would transform the DR Congo leather value chain to be globally competitive, as measured by growth in the production and exports of value added products, such as footwear, leather garments and other leather products. Consequently; this would improve the leather value chain's contribution to GDP, employment creation, foreign currency earnings, and would have a multiplier effect, generated by its linkages with other subsectors such as transport and logistics, chemical, textile and other service providers.

CHAPTER IV: STRATEGY

Introduction

The growth of the DR Congo leather sector would depend on the implementation of strategic interventions, which have the potential for unlocking at the various stages of the leather value chain. The proposed interventions are in line with the overall Vision and Aspirations of DR Congo as a country as articulated in Vision 2010-2030, and supported by the various policies and development plans.

This Chapter presents the Strategy's response issues, which were identified in the previous Chapters. The overall objective of the Strategy is to transform DR Congo's leather value chain from the production and export of raw materials to the production and export of value added products such as finished leather, footwear and leather goods.

Vision and Mission

VISION

To develop internationally competitive leather industry that contributes to sustainable development through value addition.

MISSION

To transform the DR Congo's Leather Sector into a competitive value chain specializing in the production of quality value added products through the application of modern and cleaner technologies, collaboration, capacity building, policy guidance and resource mobilization.

Strategic Objectives and Sub objectives

Objective 1: To facilitate the formation of 20 MSMEs Clusters in Footwear and Leather Goods production, with a minimum of 50 MSMEs membership in each Cluster

The Cluster theory recognizes that the cause of underperformance among enterprises may be attributed to the isolation phenomenon, which is common in most developing countries. Objective 1 puts the concept of demand pull and clustering on the centre stage, and assumes that the growth of SMEs Clusters would transform the performance of the leather value chain. This is mainly because this is a low investment and high impact area, which has the potential of quickly transforming the micro enterprises into medium enterprises, which can manufacture and market high quality basic footwear. The specific sub-objectives and expected outcomes, which would contribute to the attainment of the above objective, are listed in Table 21 below.

Table 20: Objective One and the Sub objective

Objective 1: To facilitate the formation of 20 MSMEs Clusters in Footwear and Leather Goods production, with a minimum of 50 MSMEs membership in each Cluster		
Sub-objectives	Expected Output/Outcome	Stakeholders
Build the capacity of 40 experts in Cluster Management Development	<ul style="list-style-type: none">• 40 expert trained by the mid of year 1	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,

Profiling of SMEs operating in all the Major Urban Centre of DR Congo	<ul style="list-style-type: none"> • 500 SMEs profiled by end of year one 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Facilitate the registration of all the qualifying SMEs, as sole traders	<ul style="list-style-type: none"> • 500 SMEs registered by end of the first quarter of the second year 	Ministry of SMEs and OPEC; Ministry of National Economy and Trade, Ministry of Industry and SMEs, DR Congo Leather Association, /federation Technical Institutions,
Facilitate the training of the SMEs in Clustering Concepts	<ul style="list-style-type: none"> • 200 SMEs trained by the mid of year 2 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Facilitate the Clustering of the Registered SMEs and the registration of Cluster holding Company	<ul style="list-style-type: none"> • 10 Cluster registered by end of year 2 and another 10 by the end of year 3 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Develop and facilitate the implementation of procedures for implementing Cluster Activities	<ul style="list-style-type: none"> • Procedures developed and implemented by end of year 3 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Facilitate the acquisition of equipment and central factory space for SMEs	<ul style="list-style-type: none"> • Within 2 years all the clusters should be operating from centralized facilities; • Within 3 years all the clusters should be fully equipped 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Build the capacity of SMEs to produce footwear and leather goods meeting the quality and technical standards of formal retailers and Government	<ul style="list-style-type: none"> • 200 SMEs trained by end of year 2 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Facilitate joint procurement of inputs for the Clusters	<ul style="list-style-type: none"> • By end of year 3 all Clusters should be jointly procuring their inputs 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Facilitate the development of joint production and marketing order books	<ul style="list-style-type: none"> • 20% of SMEs Cluster production jointly made and marketed by end of year 3 • 35% of SMEs Cluster production jointly made and marketed by end of year 5 • 60% of SMEs Cluster production jointly made and marketed by end of year 6 • 70% of SMEs Cluster production jointly made and marketed by end of year 10 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Undertake the review of performance of the Cluster Program Annually	<ul style="list-style-type: none"> • Review report and change recommendations; 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
Implement the change recommendations annually	<ul style="list-style-type: none"> • Improved performance of the SMEs 	Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,

Objective 2: To strengthen collaboration among value chain players and Stakeholders, both horizontally and vertically

The cluster and value chain theories recognize that the cause of underperformance among enterprises maybe attributed to the isolation phenomenon, which is common in most developing countries, including DR Congo. Thus, horizontal and vertical collaboration is essential in addressing common problems optimally, by sharing the costs associated with it. Collaboration can be used to deal with both supply and demand constraints, which are usually difficult to deal with in isolation. Engagement with stakeholders such as Academia, Development Partners, Financial Institutions, Technical and Service Providers in a systematic manner is critical. This enables the sector to reap from economies of scale of collective action. The Sub-objectives, which would contribute to such an attainment, are articulated in Table 22.

Table 21: Objective 2- To Strengthen horizontal and vertical collaboration among value chain players and stakeholders

Objective 2: To strengthen collaboration among value chain players and Stakeholders, both horizontally and vertically			
No	Sub-objective and Activities	Expected Output	Stakeholders
1.	Identify and develop an inventory of agents at every segment of the leather value chain;	<ul style="list-style-type: none"> The inventory is disseminated by mid-2018; Inventory continuously updated with time 	<ul style="list-style-type: none"> Government Agencies Sector stake holders Partners (COMESA LLPI, UNIDO, other development partners Line Ministries, Standards Board, high learning Institutions (Academia),
2.	Facilitate the formation of associations at every stage of the value chain;	Associations established and legally registered by end of 2018	
3.	Facilitate & coordinate vertical collaboration by establishing and strengthening DR Cong Leather Industry Association	The Capacity of DR Cong Leather Industry Association is enhanced	
4.	Facilitate collaboration between producers of footwear and leather goods and suppliers of leather and other inputs	<ul style="list-style-type: none"> Finished leather of good quality standards be made available at reasonable price; Finished leather quality standards approved by DR Congo Bureau of Standard by 2018; 40 artisan tanners be trained in the implementation of the quality standards by mid-2018 	
5.	Identify external stakeholders and formulate mechanism of working with them.	<ul style="list-style-type: none"> Stakeholders inventory designed and methodologies for working with them developed and implemented by 2018 Inventory continuously updated with time 	

Objective 3: To improve Quality and Collection of Raw Hides and Skins

The constraints of the leather industry spreads throughout the value chain that starts with the pre, peri, and post slaughter defects. Quality of raw materials is essential for the production of quality value added products.

It is estimated that approximately 70% of hides skins are below grade three because of poor husbandry and health problems in live animals, flaying defects, cuts, gorges etc. The following factors have contributed to the production of low grade hides: poor flaying skills; lack of proper supervision and mechanization of slaughter facilities; absence of hides and skins extension and inspection; limited collaboration between butcheries and slaughter houses to ensure the production of quality hides; uniform price for all grades; and disorganized market. This situation has been further worsened by the practice of using hides and skins for human consumption in some areas. This means hide with any level of slaughter defects or badly preserved have a market, thus the incentive of producing quality hides and skins is seriously compromised.

Table 22: Objective 3: To Improve Quality and Collection of Raw Hides and Skins

Objective 3: To improve Quality and Collection of Raw Hides and Skins			
No	Sub-objective and Activities	Expected Output/Outcome	Stakeholders
1.	Facilitate the development of an efficient husbandry and transport system for live animals	<ul style="list-style-type: none"> • Pre, slaughter defects incidence reduced by 25-50%; • Live animals with minimum or no skin problems marketed at higher price than those with skin problems 	<ul style="list-style-type: none"> • Ministry of Agriculture • Government Agencies • Sector stake holders • Partners (COMESA LLPI, UNIDO, other development partners)
2.	Promote the use of appropriate means and methods for the Production, collection and preservation of hides and skins	<ul style="list-style-type: none"> • Peri and Post slaughter defects incidence reduced by 50%; • 60% of hides and skins produced classified as grades (1 and 3) 	<ul style="list-style-type: none"> • Ministry of Agriculture • Government Agencies • Sector stake holders • Partners (COMESA LLPI, UNIDO, other development partners)
3.	Create awareness on the importance of leather industry and discourage the use of hides and skins for human consumption	<ul style="list-style-type: none"> • The practice of selling raw hides and skins for human consumption decreased by 50% 	<ul style="list-style-type: none"> • Ministry of Agriculture • Ministry of National Economy and Trade • Government Agencies • Sector stake holders • Partners (COMESA LLPI, UNIDO, other development partners)
4.	Improve the marketing system of hides and skins	<ul style="list-style-type: none"> • 100% of hides and skins produced priced according to grade; • 75% of hides and skins produced enters the leather value chain 	Line Ministries, COMESA/LLPI, UNIDO, FAO, Leather federation/association, Standards Board, high learning Institutions (Academia)

Objective 4: To promote Value Addition to End Products level;

This objective focuses on enhancing capacity at all the levels of the leather value chain in order to improve quality, value and volume of value added products. The specific sub-objectives and expected outcomes, which would contribute to the attainment of the above objective, are listed in Table 24.

Table 23: Objective 4: To Promote Value Addition to end products level

Objective 4: To promote Value Addition to End Products level			
No.	Sub-objectives	Expected Output/Outcome	Stakeholders
1	Undertake a feasibility study on the possibility of setting up a tannery	The importance and benefits of setting up of a tannery is clearly defined by mid-2018	<ul style="list-style-type: none"> Ministry of Industry and SME Ministry of Agri. Mins. of Environment, Conservation and Tourism. DRC Standards Authority Asso. of Artisans of Leather Processing. NGOs
2	Based on the result of sub-objective 1 promote the setting up of an efficient Hides and Skins tanning system	<ul style="list-style-type: none"> 50% of hides and skins produced in DR Congo are converted into wet blue by 2020; 100% of the total hides and skins exported as wet blue or above by 2022 50% of total converted into finished leather for domestic and export markets by 2024 	<ul style="list-style-type: none"> Abattoires Meat Industries Private Farmers Extension Service Training Institutions
	Introduce/improved vegetable tanning systems in areas where setting up of a modern tannery is not feasible		Ministry of SMEs and OPEC, DR Congo Leather Association, /federation Technical Institutions,
3	Facilitate the production of semi and finished leather, which meet international quality and environmental standards	<ul style="list-style-type: none"> 40 technicians trained in tanning technology by 2019; 	<ul style="list-style-type: none"> Ministry of Industry and SME Ministry of SMEs OPEC NGOs
4	Facilitate the production of quality footwear and leather goods	<ul style="list-style-type: none"> 200 artisans trained in footwear & leather goods production technology Strategic linkages between Clusters and Support Institutions established; 50% of the Cluster are ISO certified for meeting international quality and environmental standards by 2022 50% of back -to -school shoes are produced in DR Congo by 2022; 20% of Police and Military footwear requirements are produced in DR Congo; Export of footwear increased by 25% into the regional and international markets by 2022 	<ul style="list-style-type: none"> Line Ministries, OPEC, COMESA/LLPI, UNIDO, FAO, Association/federation Standards Board, high learning Institutions (Academia),

Objective 5: To facilitate Access to Finance

In terms of finance, the main problem is lack of access to finance due to collateral requirement, high transaction cost and low credit ceilings. There is a need to make financial needs assessment of the sector to understand the sector's priorities and how to address them. Based on the needs assessment different options of financing could be introduced for example SMEs with lower technical capacities could link up with SMEs and leather sector enterprises of higher

capacity in an integrated system. This will have two benefits. First, it helps them overcome the supply shortage and quality deficiency of raw materials as the latter would have a vested interest in ensuring that the former improves its lead time and product quality. Second, over time, the semi-processed leather producers would acquire the necessary skills to add more value to their products, which will eventually allow them to enter the processing industry to capture more of the value created.

Table 24: Objective 5: To facilitate access to finance

Objective 5: To facilitate Access to Finance			
No.	Sub-objectives and Activities	Expected Output/Outcome	Stakeholders
1.	Conduct sector financial needs assessment for the leather sector, support industries and regulatory institutions	Report completed and disseminated by mid-2018	
2.	Design suitable financial instruments in consultation with national, regional and international development banks	Instruments designed and implemented by 2018	Ministry of Budget, Ministry of SMEs, Other Line Ministries, FAO, UNIDO, COMESA/LLLPI, and others Stakeholders and Financial Institutions
3.	Mobilize funding from national, regional and international finance corporations and also from Government	Amount raised	
4.	Build the capacity of value chain actors including support industries and regulatory authorities on modalities of accessing finance	200 enterprises trained by end of 2021	
5.	Design a system for monitoring and usage of the mobilized resources, to ensure resource optimization	System developed and implemented by 2019	
6.	Develop policies aimed at promoting value addition in the leather value chain	Policies developed and implemented by 2018	
7.	Facilitate access to microfinance to enterprises including raw hides and skins traders	Hides skins will be collected from widely dispersed areas even in smaller quantities	

Objective 6: To strengthen the Capacity of MSMEs support Institutions in imparting 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 26.

Table 25: Objective 6: To Strengthen the Capacity of MSMEs support Institutions in imparting Technical and Business Management Skills

Objective 6: To strengthen the Capacity of MSMEs support Institutions in imparting Technical and Business Management Skills			
No.	Sub-objectives and Activities	Expected Output	Stakeholders
1.	Facilitate the development of curriculum on leather Technology	Technical colleges equipped with curriculum to implement courses on leather related programs by end of 2018	Ministry of Education and other Line Ministries responsible for vocational training, OPEC. Standards Authority and other

2.	Asses and estimate the resources required	Paper on resources requirements submitted to Government	stakeholders,
3.	Asses the quality of footwear and leather products being made by SMEs	Assessment report completed by end of 2018	
4.	On the basis of the assessment design courses	Course designed by end of first quarter of 2019	
5.	Improve the capacity of the vocation colleges	<ul style="list-style-type: none"> Curriculum developed to national diploma in leather technology; The vocational college train at certificate level I, II and III, and be equipped with modern equipment; Qualified manpower hired to improve the faculty 	Line Ministries, COMESA/LLPI, UNIDO, FAO, National Leather Association/federation Standards Board, high learning Institutions (Academia), Secondary and vocational Schools, Ministry of Education,

Objective 7: 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 DR Congo, 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 production technologies. The specific sub-objectives, which would contribute to the attainment of the above objective, are summarized in the Table 27:

Table 26: To promote Cleaner and environmental sustainable production techniques and systems

Objective 7: To promote Cleaner and Environmental Sustainable Production Techniques and Systems			
No.	Sub-objectives and Activities	Expected Output/Outcome	Stakeholders
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"> Current practices in waste management Mind impact on the environment determined 	<ul style="list-style-type: none"> DR Congo Environment Authority Ministry of Tourism and Environment Affairs Municipalities NGOs
2	Train the MSMEs on greening their production process	<ul style="list-style-type: none"> MSMEs become aware of working methods and technologies that minimize waste release to the environment 	<ul style="list-style-type: none"> DR Congo Environment Authority UNIDO Universities NGOs
3	Mobilize resources to facilitate the deployment of cleaner and environmentally friendly production	<ul style="list-style-type: none"> MSMEs practice cleaner and environmentally friendly production 	<ul style="list-style-type: none"> DR Congo Environment Authority Ministry of SMEs

	techniques;	techniques;	<ul style="list-style-type: none"> • City Council • Micro finance • Universities
4	Design a monitoring system for the implementation of the cleaner production programme	<ul style="list-style-type: none"> • MSMEs keep records on volume and method of disposal of their wastes • Monitoring by responsible government institution 	<ul style="list-style-type: none"> • DR Congo Environment Authority • City Council • Mins. Health • University
5	Develop, review and enforce the relevant laws, regulations, guidelines, standards and codes of practice pertaining to leather and leather products quality	<ul style="list-style-type: none"> • Relevant laws, regulations, guidelines, standards and codes of practice pertaining to leather and leather products quality developed, reviewed and enforced 	<ul style="list-style-type: none"> • Ministry of Industry and SMEs, Ministry of Agriculture, • Dr Congo Environment. Authority • Parliament portfolio Commerce • Attorney General, NGOs • Regulatory Authority

Implementation Methodology

The Strategy implementation will be coordinated by the Ministry of SMEs/OPEC. 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 DR Congo is led by the Ministry of SMEs/OPEC; 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 SMEs 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 SMEs. The document, which summarizes this allocation is called a Responsibility Matrix and is an annex to this Strategy. This Matrix is filled during the participatory unpacking process and subject to review annually based on performance.