LEATHER AND FOOTWEAR SECTOR PROFILE

Publication Funded By:

Confederation of Danish Industry

CONTRIBUTORS

Miriam Bomett
Deputy Head of Policy Research And Advocacy,KAM

Jackson Wambua
Sectors Manager, KAM

Abel Kamau
Sectors Executive & Leather and Footwear Liaison, KAM

Editorial by:

Faith Chebet
Assistant Communication Officer,KAM

The main rationale of the KAM Leather and Footwear sector profile is to highlight key action areas to address challenges hampering the growth of the sector as we aim to transform Kenya into a industrial led economy.

TABLE OF CONTENTS

1.0 MESSAGE FROM KAM LEATHER AND FOOTWEAR SECTOR CHAIR

The leather and footwear sector at KAM comprise of tanneries, footwear manufacturers and leather goods manufacturers. The Kenyan Leather industry has gone through turbulent times in the past. The once thriving sector was severely affected by market liberation that saw the influx of competing imports and second-hand shoes. Consecutive years of this downtime saw the country turn into a net importer of footwear and other associated products. However, the future looks promising with the rejuvenated efforts by the government to address the policy environment. It is expected that the full implementation of the EAC Leather strategy and the Kenya Leather Policy will the resolution of the sector's pan points including the smuggling of raw hides and skins, illicit trade, firm level competitiveness, market entry challenges, skills gaps, quality of raw hides and skins. At KAM, we are looking forward towards creating a competitive leather value chain that will serve the domestic and exports markets. We are optimistic that continued results oriented public- private sector partnership will bring out the silent potential in the Kenya's leather Industry, achieving the $500 Million exports from the current $140 million, 50,000 new jobs and manufacturing 20 million new leather footwear as per the aspirations of the Big 4 agenda

Mr. Niaz Hirani.
KAM Leather and Footwear Sector Chair

2.0 MESSAGE FROM KAM CEO

The Leather and Footwear Sector is one of the sectors prioritized by the government to drive the country's industrialization Agenda. Currently, the country imports leather and footwear goods valued at approximately KSh 9 billion. A huge opportunity lies in growing the sector with the Kenyan, EAC, COMESA, European and American markets in a duty free, quota free arrangement.

To take up the opportunities for the sector, there is a need to address the value chain's bottlenecks. This is in addition to firm level interventions to drive competitiveness and business development for players within the sector. KAM has put specific focus on sectors and value chains development, and this is well cascaded in our Business Development Plan, Sectors Strategy and Board Governance. This profile gives a status of the leather value chain within Kenya. It is an information handbook for stakeholders within the sector, and is expected to support stakeholders and form a basis for its further development.

Phyllis Wakiaga.
KAM Chief Executive

1.1 Introduction

The global leather industry is estimated be worth over $150 billion (World Bank 2015). It has nearly doubled over the last decade and is growing with an increasing population, growing urbanization and increased awareness of the advantages of leather as a natural, ecofriendly and long lasting material for multiple necessary and luxury usages.

Global leather production is estimated at 23 billion square feet a year, 65% of which is used in the manufacture of footwear, 14% in furniture, 10.2% in automobile interiors, 10% in garments and 8 % in miscellaneous leather products (World Bank 2015). The global leather goods market is expected to grow at a rate of 6.2% between 2020-2025 (Mordor Intelligence, 2019).

Europe and North America remain the biggest markets for leather products, followed by the rising Asia with the smallest consumers being South America and Africa (World Bank, 2015). Asia remains be the global manufacturing hub for leather products with China and India being key leaders. There is also an encouraging growth in leather and leather products manufacturing in Africa and South America.

Various African countries have prioritized the leather and footwear sector as a focus sector for development (Grenon 2020). The sector's products are expected to be a key trading item under the African Continental Free Trade Area (AfCFTA). Even though Africa is home to about 26% of the world's livestock population, it barely contributes 4% to the global leather and leather products manufacturing (Mwinyihija, 2016), (World Bank, 2015). However, there remains a big and rising market for leather footwear consumption, an indication of the larger gap that lies between the supply and demand sides. This calls for transformational industrial and trade policies to ensure that Africa participates more in the African market in addition to creation of more value within the continent (Grenon 2020).

The leather industry is among the oldest and most resilient sectors in the Kenyan economy. However, the sector continues to underperform across the value chain and has moved from a net foreign exchange earner in the 1970s and early 1980s where it was among the top five foreign exchanges earners to, presently a net foreign exchange consumer. The sector directly employs about 17000 within the formal value chain (tanneries, leather goods and footwear manufacturing) (KAM Compilation).

1.1 KAM Leather and Footwear Sector

At Kenya Association of manufacturers (KAM), the Leather & Footwear sector has representation from three subsectors namely tanneries, footwear and leather goods manufacturers. There is a high participation of micro, small and medium enterprises (MSMEs) in footwear and leather goods manufacturing with about 1786 MSMES within the Kenyan Leather value Chain (Krishnan, Were and Velde, 2019)The MSMEs are scattered across the country along production centres in major towns. The sector aspires to create a competitive vertically integrated value chain to drive the leather and leather products manufacturing industry

[1] *AfCFTA :- https://au.int/en/cfta , https://www.tralac.org/resources/our-resources/6730-continental-free-trade-area-cfta.html*

2.0 Policy and Regulatory Environment

2.1 Guiding Policy Documents

The leather, footwear and leather goods sector has been prioritised by the Kenyan Government as per the Kenya Industrial Transformation Program (KITP), Vision 2030 and Big 4 Agenda. Vision 2030 is Kenya's long-term development blueprints that aims at transforming the country into a middle-income status by 2030. Vision 2030 has been implemented through Medium Term Expenditure Frameworks (MTEFs); MTEF I 2008-2012, MTEF II 2012-2017 and MTEF III 2018-2022. In the MTEF I, did not include leather development flagship which could have slowed down the development of the leather Industry. In the second MTEF (2013-2017), a number of projects were sought which included establishment of 4-5 disease free zone (DFZ) in Kwale, Mombasa, Kilifi, Tana River, Lamu , Taita Taveta, Uasin Gishu, Lakipia and Isiolo counties. Establishment of DFZ was excepted to supply more than 160,000 high quality hides and skins to the leather sub-sector.
National Export Development and promotion strategy: -Leather and footwear sector also received special recognition under the NEDPS that identifies among others hides, skins as priority to drive Kenya's export and economic growth through 2022
The Kenya Industrial Transformation Program (KITP) and the Big 4 Agenda leather and footwear sector has been prioritized the leather and footwear sector as a driver for the country's industrialisation. Under the two, Government aspires to achieve the following by 2022:

- ***Increase exports from $140 million (2017) to $500 million***
- ***Create an additional 50,000 jobs through value addition and***
- ***Manufacture 20 million new leather footwear***

The above aspirations are in tandem with Vision 2030, Kenya's developmental blueprint and the Big 4 Agenda. The aspirations are well articulated in the Big 4 and KITP documents as illustrated in Figure 1.

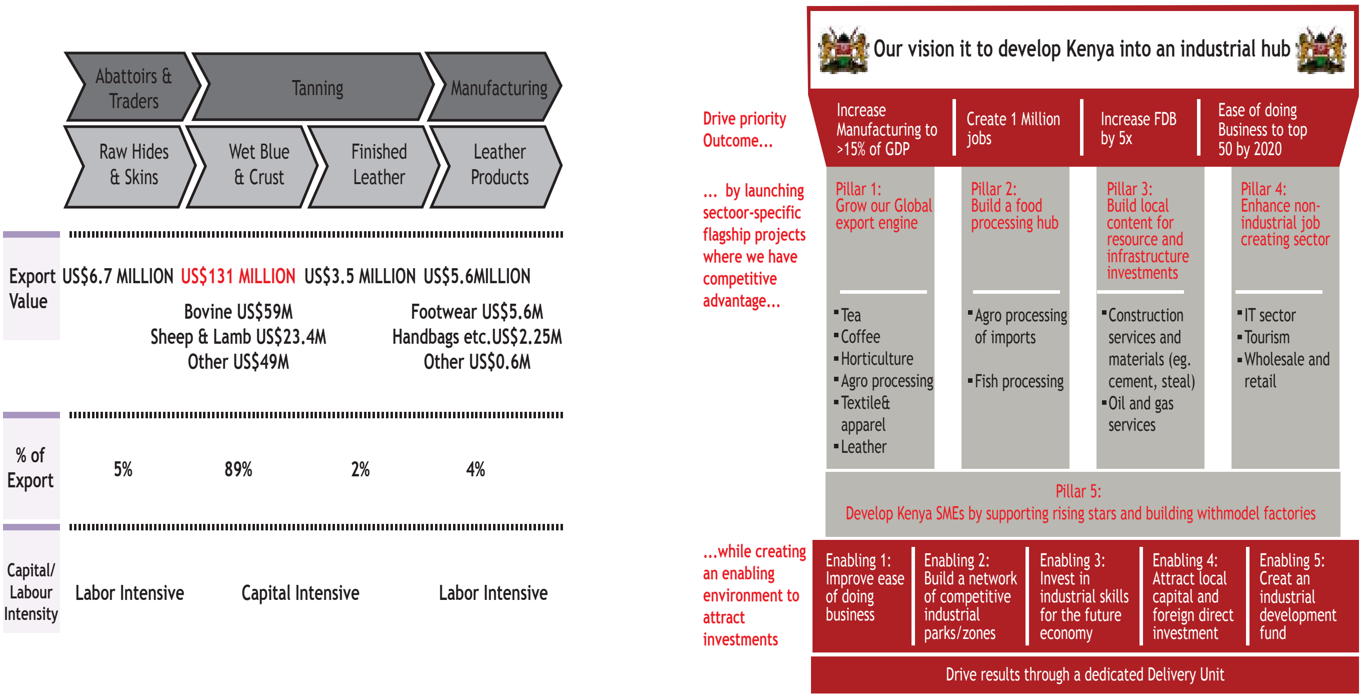


Figure 1: Guiding Policy Documents for the Leather and Footwear Sector as extracted from Big 4 Agenda and KITP

Laws and Regulations

A. Environmental management and coordination Act (EMCA) 1999

Focuses on waste management and interface between the sector and the environment; primarily on the emissions from the tanning subsector . For all public or private investment of Industrial nature, the regulation requires that assessment carried out and shall consider the following:

- ***Use of the natural resources***
- ***The protection and conversation of biodiversity***
- ***Human settlement and cultural issues***
- ***Socio-economic factors***

B. Constitution of Kenya ,2010

Under the Constitution, Agriculture is a devolved function. National Government is responsible for overall policies, whereas county government are responsible for advisory services, breeding, marketing yards and control and management of livestock diseases

C. Hides, skins and leather Act (Cap 359,Law of Kenya)-198

The leather element of the value chain is regulated by the Hides, Skins and Leather Act (Cap 359 of 1988 (KIPPRA 2019). This act has been reviewed over time as illustrated in the table below:

Regulation	Focus
Import Substitution to 1992	• Restricted imports of leather products, export of raw hides and skins • Export compensation schemes giving local leather manufacturers a competitive advantage
Hides, Skins and Leather Act (Cap 359, Laws of Kenya) 1988	• Skins and hides trading be subjected to annual licensing • Regionalization which may promote monopolistic behavior • Establishment of policy advisory organization • Price regulation instead of market driven prices • Licensing of export and import trading • Export tax - raw hides 2%, wet-blue leather 1%, and crust and finished leather 0.5%
Hides and Leather Trade Rules 1990	• Prohibited the sale of green hides or skin unless one is the original owner
Market Liberalization 1993	• Market opening, import of cheap leather imports, abolishment of export compensation schemes
Hides, Skin and Leather Act	• Provided for varying cess to be imposed on hides and skins processed to different extents
Trade (Leather Development Council) Rules, 2010	• Established the Kenya Leather Development Council (KLDC) with a principal function being to oversee and advice the Minister generally on matters relating to the processing and trade in hides, leather and leather products
Hide, Skin and Leather Trade (Cess) Rules, 2014	• Imposed cess on leather trade

Figure 2: Evolvement of the Hides, Skins and Leather act (Cap 359 of 1988 (Source KIPPRA 2019)

Despite elaborate regulation governing the leather sector, there still exists a gap about enforcement, leading to bottlenecks in achieving the desired objectives.
Under the country's aspirations, it is expected that the country will be able to create mass employment opportunities, increase value added exports, increase foreign exchange and create wealth.
The East African Community has also developed a regional leather value chain strategy document that aims to develop value addition within the region. Kenya, through the Ministry of Industry Trade and Enterprise Development and Kenya Leather Development Council (KLDC) is in the process of developing the country's Leather Policy to shape the value chain development efforts.

[2] *Cap 359: http://kenyalaw.org:8181/exist/kenyalex/actview.xql?actid=CAP.%20359*

2.2 Regulatory Audit for the Leather, Footwear and Leather Products Sector

The Leather value chain is regulated as any other manufacturing value chain. However, special emphasis is made on waste management, due to significant emissions from Leather processing. There are international buyer driven and export market inclined standards. International buyers have demanded an increasingly strict adherence to sustainability standards. In absence of compliance, manufacturers will neither be able to compete globally nor benefit from the shift in the global sourcing patterns by attracting international buyers.

National Government Agencies		Item/product/service charged	Fees payable (kshs)	Frequency
1.	NEMA	Environment Audit	25,000	ANNUAL
2	DOSHS	Occupational Health& Safety Audit	35,000	ANNUAL
3.	DOSHS	Occupational Risk Assessment	80,000	ANNUAL
4.	DOSHS	Fire Safety Audit	30,000	ANNUAL
5.	Water Resource Authority (WARMA)	Effluent Discharge Analysis	N/A	N/A
6.	DOSHS	Noise Impact Assessment	50,000	ANNUAL
7.	NEMA/DOSHS	Air Quality Measurement	60,000	ANNUAL
8.	NEMA	Stack Emission	70,000	ANNUAL
9.	DOSHS	Training Office Marshal & First Aiders		ANNUAL
10.	DOSHS	Medical Examination and Audiometric @ KSh 800 Per Staff		ANNUAL
11.	DOSHS	Equipment Inspections and Air Receiver	50,000	ANNUAL
12.	NEMA	Effluent Discharge License	100,000	ANNUAL
13.	WARMA	Underground Water Supply	4,000	PER MONTH
14.	Kenya Revenue Authority (KRA)	PIN and Income Tax PAYE		
15.	NEMA	Energy Impact Assessment	N/A	N/A
16.	National Construction Authority	NCA Contractor	N/A	N/A
17.	Energy & Petroleum Authority	Solar Contractor License Class C1	N/A	N/A
18.	Energy & Petroleum Authority	Solar Importer License Class V1	N/A	N/A
19.	Energy & Petroleum Authority	Solar Vendor License Class V2	N/A	N/A
20.	Communications Authority of Kenya	Telecommunications Contractor	N/A	N/A

Regulatory Agencies

Table 1 :Regulatory Agencies (KAM Compilation)

County Government Regulator e.g.		Item/product/service charged	Fees payable (kshs)	Frequency
1.	Nairobi City County	For company canteen food & Chemicals substances Food hygiene regulation	N/A	N/A
2.	Nairobi City County	For company canteen food & Chemicals substances Food hygiene regulation	N/A	N/A
3.	Nairobi City County	Vehicle branding license	N/A	N/A
4.	County	1. Single business permit (Large industrial plant)	60,000	ANNUAL
		2. Single business permit (Large storage facility)	30,000	ANNUAL

5.	DOSHS	Certificate of Registration of a Workplace (OSHA -2007)	5,000	ANNUAL
6.	NEMA	Effluent discharge license	30,000	ANNUAL
7.	County Government	Solid Waste Management fee	9,600	ANNUAL
8.	County Government	Fire safety inspection	10,000	ANNUAL
9.	County Government	Waste Management disposal		Depends on Volume

County Governments Regulations

Table 2: County Regulatory Obligations (KAM Compilation)

3.0 The Leather Value Chain

The Sector's value addition streams from the graze lands to fashion houses.The skins that provide protection to animals in their lifetime continue providing the same to humans and animals in addition to adding value to the quality of life for many more years.The following value chain diagram illustrates the value addition across the sector. Kenya is lucky enough to have economic activities in each of the elements in the value chain.

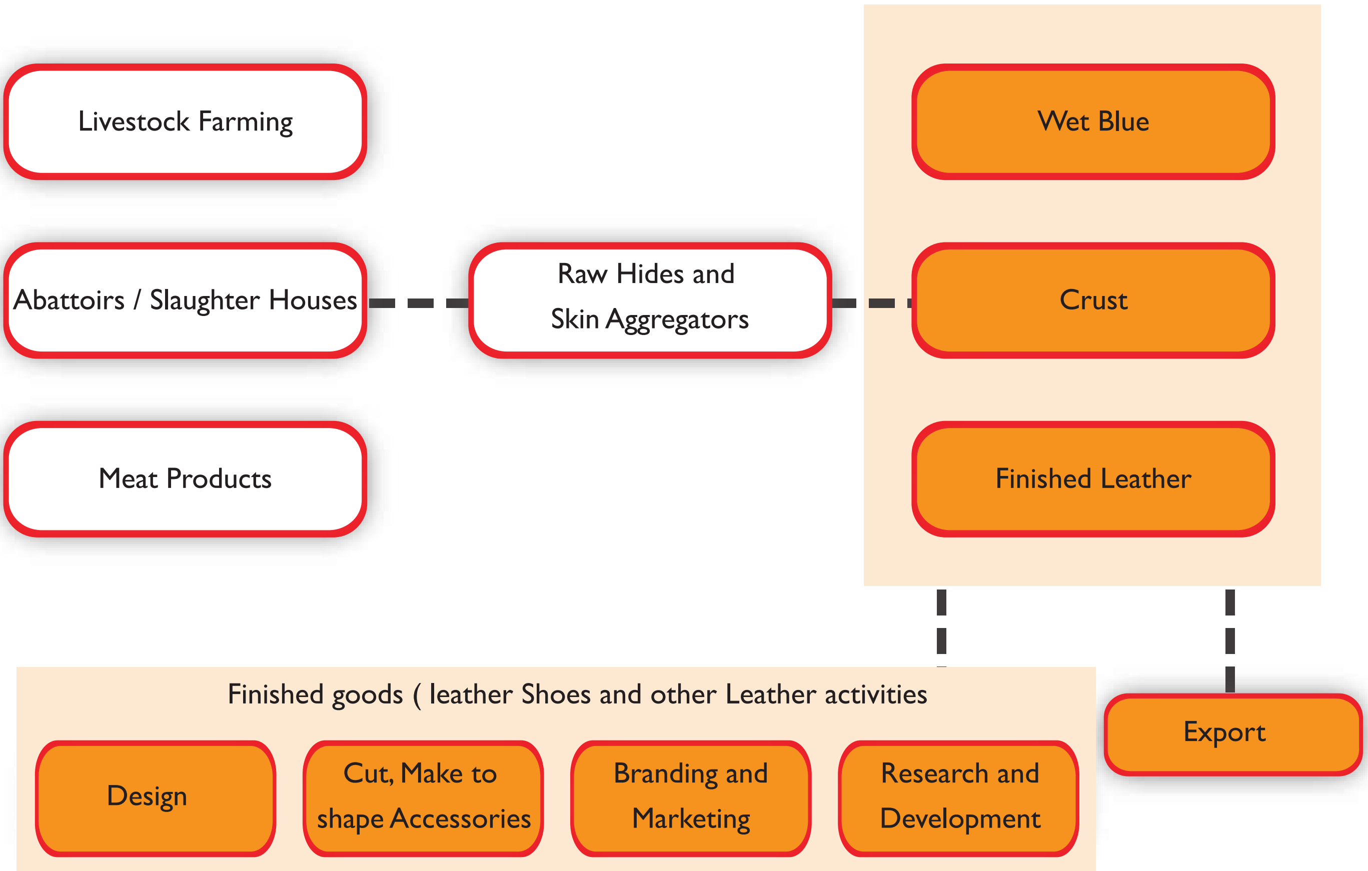


Figure 3: Flowchart of Value addition in the leather value chain (Source KAM Compilation)

Varying usages

There are varying uses of leather ranging from manufacture of footwear, leather articles and goods such as bags, wallets, belts and artefacts, upholstery work and garments manufacture. By-products from the skins are used in medical gelatine (Rahmawati, Setyadewi, and Sugihartono 2019). Leather from the sector is also used in the automobile industry interiors, furniture and in the home décor industries.

Linkages with other sectors

The sector strongly links with the agriculture sector from where it draws its raw materials. The importance of good animal husbandry, agriculture extension and animal health services cannot be over emphasised under the critical role players by the Ministry of Agriculture. The salt sector supplies tanneries and raw hides and skins aggregators with salt for preservation. The chemical sector provides tanning chemicals in addition to leather goods finishing chemicals and polishes. The plastics, electronics, metal and wood sectors provide the sector with accessories that provide aesthetic and functional value to the leather products manufactured by the sector.

3.1 Industry Capacities

According to World Bank 2014, Kenya has the 3rd highest livestock population in Africa. This translates to an abundance of raw materials for use in the leather industry. Livestock contributes to about 12% of Kenya's GDP, 40% of Agriculture sector's GDP and 50% of employment within the agriculture sector (Kenya Market Trust, 2019). Even though the country has a large animal population, this key strength is not transformed to a strong leather industry due to quality and smuggling issues as it will be illustrated later on in this report. The sector is broadly classified into 3 sub-sectors: Agriculture, Tanning and Leather products sectors.

3.1.1 Animal Population

In Kenya, animals are reared as a major economic activity, especially in arid and semi-arid areas where majority of the country's animal population is located. The animals are slaughtered in both formal and informal abattoirs to ultimately provide the Tanning sector with raw skins and hides for subsequent value addition. The figure below shows the country's animal populations.

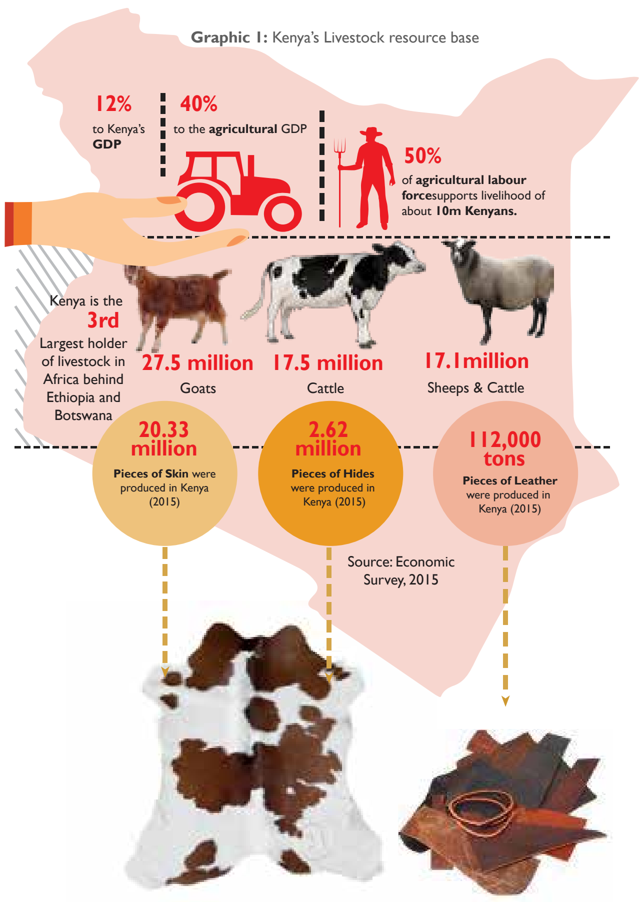


Figure 4: Cattle, camel, goat and sheep population in Kenya (Source: Kenya Market Trust 2019)

3.1.2 Tanning Sub-sector

Tanning is the conversation of raw hides and skins into valuable leather products that can be used for industrial needs. Value addition within the tannery is about 2,000%. Kenya has a well-developed tanning industry with 14 operational tanneries across the country. The tanning industry has over the years invested approximately $5 million that has steadily increased the country's ability to manufacture crust and finished leather. This is part of the sector's commitment to gradually increase value addition and develop the country's vision under the sector's transformation agenda. This has positioned Kenya as a regional leader in the leather sector.

	Product	Capacity in Kenya (Units of Measures)	Business Case	Value addition/Forward Integration is largely influenced by the availability of market for finished leather and crust
1.	Wet Blue	120 million square feet per year on wet blue hides (from cows) 8,400,000 million skins (pieces) (from goats and sheep)	The manufacturer aims at adding value to raw hides and skins to a stable state for subsequent value addition.	
2.	Crust	33.5 million square feet per year	The manufacturer/ tannery has an idea of what the finished leather would be used for based on the market needs and thus processes with **some sight of the leather goods/footwear manufacturing market.**	
3.	Finished leather	45 million square feet per year Local annual demand is only 5 million square feet	The manufacturer/ tannery has **full sight** of the **finished goods and footwear market.**	

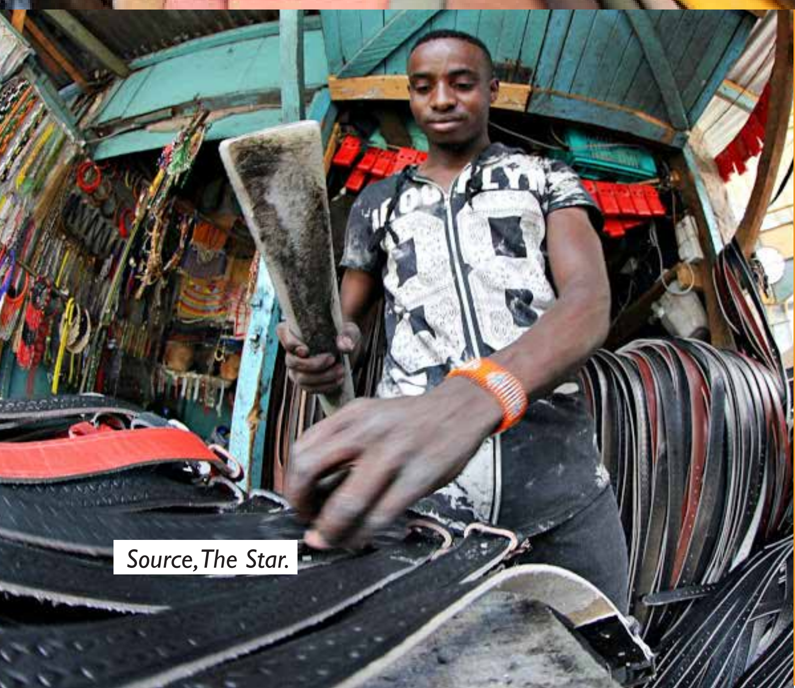
Figure 5: Kenyan capacities in the tanning subsector (Data source KAM conceptualization)

3.1.3 Footwear and Leather Goods Sub sector

Kenya's footwear manufacturing has been rising over the past 10 years. This is a reprieve following the sector's decline since the early 1990's where there were mixed policies that exposed the local sector to an unfair playing field as compared to imports. As such, Kenya as of today is a net importer of footwear, a situation that the strategies under the government's Big 4 Agenda, Kenya Industrial Transformation Program (KITP) and vision 2030 aim at addressing. Currently, Kenya has a total demand of about 5 million square feet of finished leather annually (KAM Compilation). This is translated to various leather products including footwear. Kenya also has a significant non-leather footwear industry that has continuous grown to provide various non-leather footwear products to the marker and region as illustrated on figure 4: The leather goods and articles sector is largely driven by the huge informal sector that continues to thrive in Kariakor, Thika, Kisumu and other creative hubs within the country.

	Product	Installed Capacity (Units of Measures)
1.	Footwear (with Leather Uppers)	6,000,000 pairs per year
2.	Footwear (with non-leather uppers including gumboots, canvas shoes,	45,000,000 pairs per year
3.	Military/security Boots	600,000 pairs/year – **Can fully meet local demand**
4.	Leather articles, belts, sandals, etc.	2,000,000 pieces

Figure 6: Leather Goods Manufacturing Capacities (KAM Compilation)



Source, The Star.

4.0 Key Industrial Data and Trade Flows

Kenya is a net importer of footwear. The sector aims to reverse this trend with the renewed focus from the government. Various import and export regulations have been set up to encourage value addition across the leather value chain (Table 7).

Kenya's top exports are value added hides and skins in form of wet blue and crust, sandals and non-leather uppers footwear (Table 3). The total exports value of the country has been dropping for the past 5 years, mainly due to reduced exports of crust and wet blue due to underutilised capacities.

Kenya's top imports are both leather and non-leather footwear, trunks and suitcases and raw hides and skins (Table 4). From the data, Kenya is importing footwear worth about KSh 6 billion annually, a huge market that can be bridged by developing local supply chains. The KSh 260 million imports of raw hides and skins is indicative of the value addition capacity that is serviced by the regional supply chain. However, the aggregate imports of finished footwear and leather articles has been on a steady rise of about 8% per year, illustrating the widening gap between local demand and supply. Even though we have a separate HS code for used shoes and used clothes, it seems that these segregation of data at import stage is not yet streamlined, thus we are not able to single out the exact volumes and value of imported used footwear(Table 5). There is also an influx of imports from non-traditional mitumba sources (Table 6).

4.1 Raw Material Structure and respective Duty Structure

Figure 7: Raw Materials and Duty Structure

		Import Duty	Export Levy	Remarks
1.	Raw Hides and Skins - Produced after slaughtering of livestock. They are sourced from Kenya and around the EAC	**10%**	**80%**	The export levy is to discourage flight of raw materials outside the country
2.	Wet Blue – First product in the tanning process. It is sourced from Kenya and around the EAC	**0%**	**0%**	This is a key export by the country. It is also consumed by leather footwear manufacturers who have an in-house tannery
3.	Crust – Second product in the tanning process	**0%**	**0%**	
4.	Finished Leather – Last product in tanning process	**25%**	**0%**	This is a growing export by the country
5.	Accessories (Soles, buckles, lasts, eyelets	10% - 25% However, Kenya has a duty remission on accessories		The duty remission is to enhance competitiveness of leather products manufacturing.

4.2 Exports by the Sector

Table 3:Top Leather, Footwear and Leather Products exports by Kenya

List of Leather, Footwear and Leather products exported by Kenya						
Unit: US Dollar (thousand)						
Code	**Product label**	**Exported value in 2015**	**Exported value in 2016**	**Exported value in 2017**	**Exported value in 2018**	**Exported value in 2019**
Ch 41, 42, 43 &64	Leather and Footwear	105158	83694	83401	80732	70765
'6402	Footwear with outer soles and uppers of rubber or plastics (excluding waterproof footwear of ...	23285	21880	19399	21872	25171
'4105	Tanned or crust skins of sheep or lambs, without wool on, whether or not split (excluding further ...	9727	6502	9652	13723	11080
'6402	Footwear with outer soles and uppers of rubber or plastics (excluding waterproof footwear of ...	23285	21880	19399	21872	25171
'4105	Tanned or crust skins of sheep or lambs, without wool on, whether or not split (excluding further ...	9727	6502	9652	13723	11080
'6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which ...	9497	8359	9127	9651	9822
'4104	Tanned or crust hides and skins of bovine "incl. buffalo" or equine animals, without hair on, ...	36802	23428	22964	16664	8745
'4106	Tanned or crust hides and skins of goats or kids, pigs, reptiles and other animals, without ...	16645	14997	16168	12571	8732
'6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	2104	1929	1584	1463	1836
'4202	Trunks, suitcases, vanity cases, executive cases, briefcases, school satchels, spectacle cases, ...	1554	1403	1378	1392	1678
'4103	Other raw hides and skins, fresh, or salted, dried, limed, pickled or otherwise preserved, ...	23	24	27	49	949
'6405	Footwear with outer soles of rubber or plastics, with uppers other than rubber, plastics, leather ...	2489	1912	1256	819	874
'4107	Leather further prepared after tanning or crusting "including parchment-dressed leather", of bovine ...	338	133	177	142	253
'6406	Parts of footwear, incl. uppers whether or not attac-hed to soles other than outer soles; removable ...	246	255	173	635	243
'4203	Articles of apparel and clothing accessories, of leather or composition leather (excluding ...	180	203	274	225	217
'6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	778	323	245	604	208
'4205	Articles of leather or composition leather (excluding saddlery and harness bags; cases and ...	61	80	83	80	159
'4201	Saddlery and harness for any animal, including traces, leads, knee pads, muzzles, saddle cloths, ...	165	169	171	178	155
'4113	Leather further prepared after tanning or crusting "including parchment-dressed leather", of goats ...	6	320	242	142	72
'4112	Leather further prepared after tanning or crusting "including parchment-dressed leather", of sheep ...	0	8	0	383	18
'4115	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether ...	7	3	17	8	10

4.3 Leather, Footwear and Leather Products Imports by Sector

Table 4: Leather, Footwear and Leather Products Imports by Sector

List of Leather, Footwear and Leather products imported by Kenya						
Unit: US Dollar (thousand)						
Code	**Product label**	**Imported value in 2015**	**Imported value in 2016**	**Imported value in 2017**	**Imported value in 2018**	**Imported value in 2019**
	Leather and Footwear Chapters 41,42, 43 &64	66976	72700	69146	82064	89926
'4202	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels, spectacle cases, ...	13387	17176	18294	24295	24883
'6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	8588	9033	8695	11799	22948
'6402	Footwear with outer soles and uppers of rubber or plastics (excluding waterproof footwear of ...	16984	20957	19026	28977	20687
'6405	Footwear with outer soles of rubber or plastics, with uppers other than rubber, plastics, leather ...	4979	5410	8022	3028	6935
'6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	1930	3322	2240	3418	5690
'6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which ...	6048	4958	5103	3347	3265
'4203	Articles of apparel and clothing accessories, of leather or composition leather (excluding ...	849	968	1163	1199	1551
'4103	Other raw hides and skins, fresh, or salted, dried, limed, pickled or otherwise preserved, ...	2905	2476	2726	2522	1245
'6406	Parts of footwear, including uppers whether or not attached to soles other than outer soles; removable ...	6568	4585	590	936	1060
'4101	Raw hides and skins of bovine "including buffalo" or equine animals, fresh, or salted, dried, limed, ...	2705	2531	1962	1077	673
'4205	Articles of leather or composition leather (excluding saddlery and harness bags; cases and ...	203	144	71	149	313
'4102	Raw skins of sheep or lambs, fresh, or salted, dried, limed, pickled or otherwise preserved, ...	184	289	478	557	257
'4104	Tanned or crust hides and skins of bovine "including buffalo" or equine animals, without hair on, ...	1150	671	494	482	252
'4201	Saddlery and harness for any animal, including traces, leads, knee pads, muzzles, saddle cloths, ...	63	37	156	102	81
'4105	Tanned or crust skins of sheep or lambs, without wool on, whether or not split (excluding further ...	0	2	90	66	40

Value of mitumba imports by kenya between 2010 – 2019 (values in *1000 usd)

4.4 Mitumba Trade

Table 5: Mitumba Imports by Kenya

Mitumba imports by Kenya						
Unit: US Dollar (thousand)						
Code	Product label	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019
'63090010	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	0	43985	99601	136436	140146
'63090020	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	0	10849	20323	25885	29731
'63090090	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	0	8711	6323	4831	4071
'63090000	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	102637	63116	41	3	0
Totals Under 6309: Mitumba		102637	126661	126288	167155	173948

Table 6:Top Suppliers of Mitumba to Kenya

Exporters	Imported value in 2010	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019
Total Imports from the world	82,096	77,044	99,138	96,718	100,055	103,225	126,654	126,284	167,119	173,986
China	147	463	739	3,164	6,481	12,955	29,263	38,135	68,239	69,705
Pakistan	4,857	3,798	4,344	6,707	8,444	8,335	11,600	13,251	17,433	20,649
Canada	14,790	13,890	15,855	13,032	13,987	12,452	13,183	13,590	15,575	20,649
United Kingdom	14,644	14,180	21,623	19,767	21,176	17,803	15,549	12,990	11,854	11,528
United States of America	18,164	13,777	16,480	14,104	10,577	10,597	10,655	7,785	8,790	10,099
Germany	9,736	8,280	9,204	9,714	7,705	7,372	7,239	5,686	6,049	9,146
Poland	1,741	3,502	6,250	5,693	4,610	4,963	7,040	6,964	7,740	8,322
India	3,237	2,696	2,968	2,599	2,740	4,077	4,972	4,995	5,619	5,199
United Arab Emirates	1,860	1,646	2,252	3,712	5,183	6,056	6,822	5,347	6,310	4,638
Republic of Korea	2,214	2,765	3,563	3,915	5,164	2,528	3,998	4,119	4,438	3,965
Oman	3	6	341	286	300	855	1,253	1,805	2,768	2,049
Netherlands	2,451	1,798	2,872	2,202	2,612	2,846	2,701	1,651	1,726	1,942
Australia	1,350	2,304	3,108	2,644	2,540	3,117	2,304	1,368	2,023	1,781
Turkey	5	216	322	433	325	366	290	182	431	1,282
Lithuania	0	0	0	0	4	0	335	324	740	1,256
Italy	219	299	273	282	292	419	323	276	865	925
Malaysia	382	188	820	1,304	1,183	1,368	923	634	964	823
Belgium	1,599	1,775	1,650	1,476	1,387	1,292	1,178	779	576	686
Hungary	116	61	323	271	518	943	1,247	889	1,244	565
Spain	100	14	35	16	112	613	234	91	244	512
Ireland	515	953	848	760	497	535	927	822	595	487
Hong Kong, China	3	15	29	1	2	337	1,633	897	470	349
Taipei, Chinese	103	234	559	778	593	221	257	744	171	238

4.5 Key opportunities to consider in the future of the Leather, Footwear and Leather Products Industry

Local Market Development, Buy Kenya Build Kenya, Buy East Africa Build East Africa

The local market presents the sector with a low hanging opportunity. As seen in table 3, there is massive importation of footwear and leather articles. There is an opportunity to supply to the local and regional markets for both uniformed and retail fashion markets. The current initiative by the government to purchase footwear and leather products for disciplined forces from local manufacturers has provided the sector with the much needed relief to develop local capacities.

Clean production

The leather value chain is a high effluent emission process, specifically at the tanning process. Globally, there is a shift towards cleaner production systems, driven primarily by the growth in sustainable and ethical consumption. International buyers have increasingly put more weight on sustainability; hence the need for companies to embrace it as they look forward to getting into supply chains of international brands.

Clean production includes the use of organic extracts for the tanning process, proper effluent and discharge treatment and disposal, proper handling of chemicals and efficient use of natural resources including water. Companies aiming to position themselves for the future of the industry should have in place proper strategies towards integrating sustainability in their manufacturing processes and supply chains such as seeking Leather Working Group (LWG)certifications.

Industry 4.0

Industry 4.0 is slowly catching up with the Leather, Footwear and Leather Products Industry. There is a shift towards more automation of processes and move towards mass customisation to meet the diverse consumer needs. The integration of data analytics in design, marketing and product development has emerged as a key competitiveness driver. It is important that players within the value chain adopt a learning organisation orientation and embrace industry 4.0.

Exports Development

Kenya has negligible exports despite having duty free quota free market access to EAC, COMESA, European Union, USA and now the AfCFTA that is opening up soon. Kenya can benefit from the higher purchasing power of the economies in the potential exports destination and develop its industry as it is the case in India, China and neighbouring Ethiopia. Kenya already has quota free and duty-free access to the US Market via AGOA and the European Market via European Partnership Agreements (EPAs). Kenya is currently negotiating with the US for FTA, that will provide a long-term market access to the US market. The re organisation of global supply chains as global brands and manufacturers reshore to Africa presents Kenya with a huge opportunity to attract this investments and manufacture for the world.

Synergies between Leather and Non-leather Value Chains

There is a growing trend in blending leather and non-leather materials on various products and articles. The markets for leather and non-leather products are also well defined, sometimes complimenting each other as such, there is a need for layers within the Leather and Non leather Value Chains to strike synergies towards enhancing their business growth.

5.0 Challenges and Recommendations

Challenges	Root Cause	Policy Proposal
Poor quality of raw hides and skins – This leads to poor quality of raw materials that affects the quality of the tanning process	• Poor animal husbandry • Improper animal branding practices • Lack of extension services • Poor fraying techniques • Informal abattoir operations	• Hides and skins upgrade program cham pioned by the Ministry of Agriculture, Livestock and Fisheries and the county governments • Regulation of abattoirs to avoid deliber ate hides and skins damage • Training of frayers to ensure that they use the right fraying methods
Smuggling of raw hides and skins –this deprives the sector off critical raw materials leading to low capacity utilisation. It also deprives government off revenue	• Lack of enforcement at border controls • Easy way to get quick money	• Enforcement of the Hides and Skins Act (Cap 359 (12)) including ensuring that no ground air drying of raw hides and skins takes place and enforcement of the 80% exports levy
Illicit Trade which creates unfair competition to locally manufactured products	• Flooding of the market with under - invoiced products • Flooding of the market with substandard products • Misdeclaration of new footwear as mitumba	• Enforcement of customs duties - There is currently a specific duty in place to help correct under invoicing. • Enforcements of standards • Full verification of mitumba imports • Profiling of mitumba coming from non-traditional sources
Effluent Treatment	• Leather value addition is by default a high polluting process. • There is lack of centralised effluent management systems • Companies have to invest in their own effluent treatment plants	• Complete the Kenya Leather Park that aims to provide shared effluent treatment facilities in addition to other industry support interventions • Support tanneries on site with effluent management • Compliance with international environmental standards is also linked to global competitiveness of the sector • Implement framework to support manufacturers in complying with international sustainability standards (e.g. access to accredited laboratories etc.)
Skills upgrading	• There is a skill gaps within the sector that leads to productivity losses • This is due to a disconnect between industry and training institutions	• Enhance industry centric training to upgrade the skills within the sector for the sector
Buy Kenya Build Kenya	• The government is one of the single largest buyers through its uniformed units • There has been some good progress on public procurement in 2019 • The local retail market is still dominated by imported products	• Sustain local content and Buy Kenya Build Kenya Initiatives • Develop Buy Kenya Build Kenya sensitisation campaigns to increase local market footprint.
Providing low cost and long-term financing	• There is minimal government backed financing available for industrial development. • Manufacturers are exposed to commercial lenders who do not provide financing customised to the unique requirements of the sector	• Provide Government backed low-cost long-term financing for the sector

MSME development and innovation support	• There is a lack of practical MSME development and support scheme to develop the future industries	• Have in place an SME development program that is adopted by every Government business support and regulatory Ministry, Department and Agency that lowers the cost of starting up and provided SME support services.
Provision of a favourable tax environment for players within the value chain	• Provision of tax concessions, rebates and other incentives to encourage businesses to invest in the local leather and footwear sector will enhance the value chain thus reducing imports and building base for exports development	• Provide sector specific tax benefits to players within this sector

6.0 Manufacturers within the Leather, Footwear and Leather Products

	Name of Company	Wet Blue	Crust	Finished leather	Footwear	Leather goods/ articles
1.	Addison Industries Ltd				Yes	
2.	Adix Shoes Ltd				Yes	
3.	Alpharama Ltd	Yes	Yes	Yes	Yes	Yes
4.	Athi River Tanneries Ltd	Yes			Yes	Yes
5.	Azu's Leather Limited				Yes	Yes
6.	Bata Shoe Co (K) Ltd	Yes	Yes	Yes	Yes	Yes
7.	Blue Waves Enterprises Limited				Yes	Yes
8.	Budget Shoes Ltd				Yes	
9.	C & P Shoes Industries Ltd				Yes	
10.	Dog Bones	Yes	Yes	Yes		
11.	Denrit LTD					Yes
12.	East African Tanners	Yes	Yes	Yes	Yes	Yes
13.	Jeilo Collections					Yes
14.	Kenya Suitcase Manufacturers Limited					Yes
15.	Leather Industries of Kenya Limited	Yes	Yes	Yes	Yes	Yes
16.	Macquin Shoes Ltd				Yes	Yes
17.	Maridadi Seasons Handcraft				Yes	Yes
18.	Nakuru Tanners Limited	Yes	Yes	Yes	Yes	Yes
19.	Redmacc Leather / Zingo Leather				Yes	Yes
20.	Reflex Footwear Limited				Yes	
21.	Sandstorm Africa Limited					Yes
22.	Sagana Tanneries	Yes	Yes	Yes		
23.	Service Shoes Africa Ltd				Yes	
24	Umoja Rubber				Yes	
25	Wazawazi company limited				Yes	Yes
26	Yetu Leather Limited	Yes			Yes	Yes

References

1. D Rahmawati, N M Setyadewi, and Sugihartono (2019). Extraction And Characterization Of Gelatin From Skin Trimming Pickled Waste Of Tannery. IOP Publishing Ltd
2. Grenon, D 2020. African Leather and Leather Products Institute and African Electronic Trade Group sign Memorandum of Understanding (MoU) to boost trade and competitiveness of "Made in Africa Leather. Retrieved from https://au.int/en/-press releases/20200210/african-leather-and-leather-products-institute-and-african-electronic-trade
3. KAM (2020). Sector Deep Dive Report.
4. KIPPRA (2019). Towards Revitalizing Kenya's Skins, Hides and Leather Products Industry
5. Kenya Market Trusts (2019). Livestock Economy
6. Krishnan, Were and Velde, (2019). Integrating Kenya's Small Firms into Leather, Textiles and Garments Value Chains, Creating Jobs Under Kenya's Big Four Agenda. Retrieved from https://africacheck.org/wp-content/uploads/2020/02/MS-MEs-Big-4-Kenya-Background-Document-May-2019.pdf
7. Ministry of Industry, Trade and Cooperatives (2015). Kenya Industrial Transformation Program. Retrieved from http://ww-w.industrialization.go.ke/images/downloads/kenya-s-industrial-transformation-programme.pdf
8. Mordor Intelligence (2019). Leather Goods Market - Growth, Trends, And Forecasts (2020 - 2025). Retrieved from https://www.mordorintelligence.com/industry-reports/leather-goods-market
9. Mwinyihija, (2016). The Transformational Initiative of Africa's Leather Sector. Dependence from Commodity to Value Created Agro-based Products, Presented on UNCTAD 14 2016.
10. Office of the President (2017). Big 4 Agenda
11. World Bank, (2015). The Kenya Leather Industry, Diagnosis, Strategy and Action Plan, Ministry of Industrialization, Trade and Cooperatives

P. O. Box 30225 - 00100 Nairobi, Kenya
Location: 15 Mwanzi Road Opp. Westgate Shopping Mall,
Westlands, Nairobi, Kenya
info@kam.co.ke | www.kam.co.ke
+254 (0) 722201368, 734646004/5 | +254 (020) 232481
KAM_Kenya | Kenya Association of Manufacturers
Kenya Association of Manufacturers