

In this second part of the Regional Survey of Sub-Saharan Africa, (Part 1 WF Sept/Oct 05) we take a look at just how different two African countries can be.

Sub-Saharan Africa

(Part 2)

Ethiopia

The country in brief

Ethiopia is twice the size of Kenya at 1.13 million km² and has double the population at 66 million. It is again located in eastern Africa but surrounded as it is by Djibouti, Eritrea, Kenya, Somalia and the Sudan, it is totally land-locked.

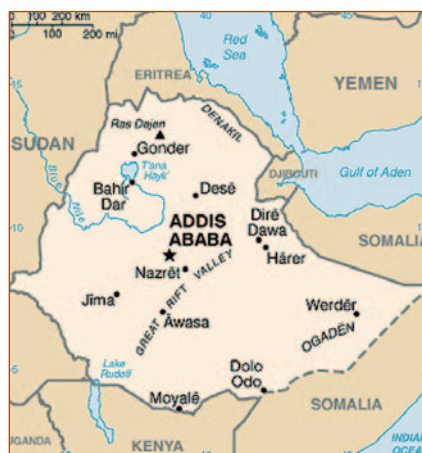
The climate is tropical monsoon with wide topographically-induced variations.

The country consists of a high plateau with a central mountain range, divided by the northern end of the Great Rift Valley and temperatures range from 35°C in the lowlands to 5°C in the Simien Highlands. Rainfall is again bimodal, with the long rains occurring from June to September and the short rains during February and March. The main dry season occurs from October to January with a second one from April to June.

There is a substantial national cattle herd amounting to some 34.5 million head. Ethiopian livestock is on the whole indigenous and the product of inbreeding rather than cross breeding. Ethiopian cattle have three origins. The Bos Primigenius domestic, which is long horned and non-humped, the short horned Brachyceros and the humped Zebu. There are now quite a variety of individual types and breeds with varying characteristics. The Sanga has long horns and a small and cervically positioned hump and is divided into two main breeds, the Danakil and the Abigar. The Fulani or Bororo is long-horned and very aggressive. The Sanga-Zebu type has short horns and a large thoracically positioned hump.

Sheep are also important at 20 million. Most again belong to the hair type and include hairy, woollen, thin tailed, fat

tailed and fat rumped varieties. The 16 million goats also consist of a variety of types and usually bear the names of their locations such as Highland, Adal, Somali, Nubian, etc. About 75% of the population are to be found in the hot and lowland regions. Horses, pigs and camels are also kept in smaller numbers.



The leather and footwear industry

Things have started to happen in the Ethiopian leather industry after many years of stagnation. The two big events of the last few years relate more to the hair sheep and the glove industry but success in that sphere brings interest and excitement to all sectors of the leather industry.

After the end of the communist Mengistu regime moves were made to privatise the industry. Few takers were found other than Sheikh Mohammed H. Al-Amoudi whose internationally powerful Midroc organisation has invested billions of dollars in Ethiopia over the last decade. Midroc's leather investment has created ELICO, which has quietly moved the leather industry toward high volumes of finished leather

rather than semi-processed pickle.

Within the last six months, English tanning group Pittards has become involved with the country's largest government-owned tannery—the Ethiopian Tannery. This is a large old plant built with East European money and imagination. It poses a formidable task but Pittards' unique configuration and long experience in Ethiopia makes it one of the few companies that can help make it a success.

Ethiopian Tannery has a small skin division and a bovine division, and it is the latter the local shoe industry is hoping will be developed. If Pittards can improve the quality of local hide production and then add in some higher quality hides on top, the industry can look forward to a regular supply of quality leather. Further foreign investment in footwear should then become much easier to attract.

Governmental attitudes

Curiously, there is some evidence that the government is not so keen on the leather industry but would rather see it grow as a consequence of the successful development of the industries upstream and downstream. It certainly does want to support the footwear industry, however, as it has low capital requirements, few pollution issues and, most of all, is very labour intensive.

Having watched the success that Korean and other Asian economies have achieved through a shoe industry geared for export, the government sees this as a better route than forcing added value on to domestic raw material and working on import substitution. There is a view that the import substitution route and the protection involved has actually led the shoe industry into a cosseted environment which has reduced productivity and innovation.

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The government is equally determined to run the livestock industry without limiting its growth to the needs of tanning. Live animal and meat exports are both encouraged and a number of meat exporting abattoirs already exist, the Middle East being a major market.

The strength is local supply

The reality, of course, is that a high level of interdependence will always exist. While some foreign-owned factories are already importing leather from places such as Italy, all shoemakers would prefer a bigger and better choice in the local supply. Ethiopia does, after all, have the largest raw material supplies for leather in the whole of Africa.

It is accepted that hairsheep, whose value lies in gloving, is the prime article but that goat makes outstanding shoe suede. Bovine is a good general-purpose article if tanned to enhance its character rather than hide it with sandpaper and paint.

It is, in fact, this large raw material supply which must underpin the potential of footwear production in Ethiopia as it gears up to compete with the likes of China, India and Brazil. Indeed, without the security of a good raw material supply and the investment of producers like ELICO and Pittards to guarantee some quality, the future would be quite uncertain.

Current manufacturing

Industrial level shoemaking in Ethiopia dates back to 1938. Currently there are about 20 factories, mostly quite small, producing some two million pairs of leather shoes a year. The need to export has been emphasised by a dramatic increase in imports of low price and low quality footwear from China which has had a big impact on the market. The consumer has begun to identify this low quality with separating soles and other such issues but, nevertheless, it has been a painful period for local shoemakers.

Some of the factories are still owned by the state which is trying to privatise them. Others are in private hands, including Anbessa which makes some 2,500 pairs a day with 680 employees. It also has retail outlets in Ethiopia and, despite strong efforts to export, it remains over 90% dependent on the domestic market. It makes a wide range of men's and women's footwear, as well as some soccer shoes.

Newer plants like Dire Industries and Kangaroo Shoes are directly linked to tanneries. Others like Ras Dashen are totally separate. It has recently upgraded its equipment and has some excellent new designs destined for the European market. It must be particularly hopeful that the tanning industry changes will work in its favour as it feels that leather issues have been a restricting factor.

The government has established the Addis Industrial Village to attract foreign investors and it is here that Ethio-Italian investors have built a plant and where the Dire Industries shoe factory is also located. Dire has now expanded its retail side to eleven stores.

Foreign involvement

One important aspect has been the 'Ethio-Italian Programme Aid' of €8 million for the leather sector launched in October 2001, which has already provided the Ethiopian Leather and Leather Products Institute (LLPTI) with outstanding equipment and industrial training facilities.

LLPTI was established by the Ministry of Trade and Industry in order to train technicians and workers for tanneries, leather goods and shoe factories, and to also help create better conditions for the development of local manufacturing enterprises. It is unusual in that rather than just being a training school it incorporates three smallish factories for shoemaking, tanning and garment manufacture. For the industry to grow as planned, many more trained technicians and operatives will be required, so this is an important facility. Earlier this year it was announced that the British School of Leather Technology and the LLPTI were exploring the possibility of close co-operation to assist teaching.

Botswana

The country in brief

Botswana is another landlocked country, bordered by Zimbabwe, Zambia, Namibia and South Africa. The population is only 1.6 million, with 190,000 people living in the capital Gaborone. It is sparsely populated as the Kalahari Desert occupies a large proportion of the 585,000 km² total land area. By association, it also has very low rainfall. Most people still live in rural areas but there has been a growth in urbanisation since independence in 1966. The country has a stable political history supported by a well-managed economy. It is a multi-party parliamentary democracy with universal adult suffrage.

The country has largely a primary



sector-dependent economy and is the third largest producer of mineral products in Africa behind South Africa and the Democratic Republic of the Congo. To reduce this dependency an intensive industrialisation programme was instigated in 1997 with particular

emphasis on diamond mining. This sector now accounts for over 33% of GDP, earns around 80% of foreign exchange, 50% of government tax revenue and is the predominant economic activity.

Agriculture no longer plays a significant role and now accounts for less than 5% of GDP. However, approximately 62% of the country's total labour force is still employed in this sector. Livestock production is the most prevalent activity as the arid weather conditions are better suited to grazing than to food production. This led to the growth of value-added industries such as meat processing, grain storage facilities, hide processing and the manufacturing of cattle and chicken feed.

Manufacturing currently accounts for about 6% of the total economy, with growth rates averaging 5%, though the small population size is a limiting ➤

WORLD FOOTWEAR

GDP:	
Purchasing power parity	\$ 15.05 billion
Real growth rate	3.5%
Per capita	\$9,200
Inflation	7.0%

Investment:	
Gross fixed	25.5%

Budget:	
Revenues	\$7.735 billion
Expenditures	\$3.743 billion

Industry:	
Exports	\$ 2.94 billion
Imports	\$ 2.26 billion

2004 estimates

factor in the domestic market. Tourism is an important source of foreign exchange revenue and a principal revenue earner for Botswana, helped by the strengthening of the infrastructure and the general political stability in the country. The Okavango Delta, Kalahari Game Reserve, Makgadikgadi Pans and Chobe National Park are the major attractions.

The leather and footwear industry in Botswana

The Republic of Botswana is both self-sufficient and an exporter of beef. Hides are exported either as raw material or in wet blue, a sizeable amount of which goes to Italy. There is no tannery capable of producing finished leather and, as a result, no footwear industry as yet.

The Botswana Export Development and Investment Authorities (BEDIA) have therefore carried out a survey on the possibility of establishing such a facility in order to improve the added value to the country's abundant raw material and to provide much needed further employment.

Background

Roughly 45% of raw hide production is controlled by the Botswana Meat Corporation (BMC). The remaining 55% is in the hands of hide traders among which SN Lurie has 80-90%. The national herd is around 2.6 million head. While this might indicate a large source of hides, it is essentially tied to meat production and so totally controlled by that market. In 1998, for example, 317,536 hides representing only 12% of the herd were marketed. Non-collected hides amounted for only around 2.5%, so the actual hide processing system itself is quite efficient.

Abattoirs

You cannot have hides without slaughtering and hide quality depends very much on the standard of abattoirs involved. Botswana has four basic types:

- BMC abattoirs
- Slaughter slabs
- Slaughterhouses
- Municipal and district abattoirs

The two BMC abattoirs control 45% of throughput, 55% in Lobatse and 45% in Francistown. Carcasses are flayed with dehiders and automatic hide-pullers to a good standard of quality.

In the other three categories, flaying is by hand with knives and naturally generates cuts on the flesh side. A lack of adequate supervision and training is evident at most slabs, improving through private slaughterhouses up to the municipal and district abattoirs. Unlike BMC, none of these enterprises buy stock to slaughter for resale but provide a slaughtering service on a fee basis.

After flaying, hides are generally put to one side for transfer to a hide merchant's premises where washing and salting is carried out. Fleshing of hides is not carried out other than in the BMC abattoirs.

The slabs are the most basic type of facility and around 200 of them slaughter 4-5 animals per week each, accounting for some 60% of the country's hides marketed. Most are primitive and employ casual labour, often resulting in flayed hides being left out in the sun while awaiting collection. A degree of putrefaction therefore becomes inevitable.

There are seven proper slaughterhouses, three privately owned and four belonging to rural councils. All are 'approved' and their output is exportable to South Africa. While some of these establishments can slaughter up to 15 head per day, conditions are often little better than in the slabs. The six municipal operations are both better and much larger, processing between them some 60,000 animals per year. Unfortunately, hide collection is also haphazard and so quality again suffers.

Hide traders

There are five hide traders and exporters. All but SM Lurie are relatively small. SM Lurie collects hides from all over the country and exports them to South Africa for processing by local tanneries, many of which have a financial interest in the company. It operates through a network of collection depots and pays spot cash with the result that it collects 97.5% of all available hides. During the second half of 2000, it began to send hides to BMC for contract tanning. Although the resulting wet blue is then exported by SM Lurie, this arrangement avoids the mandatory 30-days quarantine otherwise demanded by the South African government.

Tanners

There is one tannery operating in Botswana, owned by BMC and located in Lobatse. It processes all the hides from the BMC abattoirs, either fresh from the Lobatse facility, immediately after flaying and fleshing, or via refrigerated truck from Francistown. Capacity is around 25 tons per day although it normally runs at

Typical cattle scene in Botswana



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only 15 tons, except when SM Lurie hides are being processed under contract.

The building of another tannery has just been announced, again to be built in Lobatse. The facility will be built by Tannery Industries Botswana (TIB), a publicly-owned company which has received funding from the Citizen Entrepreneurial Development Agency Venture Capital Fund (CVCF) for the project. It is envisaged that the tannery will employ up to 100 people and is set to be operational by March 2006.

Finished leather

But, as we said at the outset, there is no capacity to produce finished leather in Botswana and it is a major problem. Despite the potential offered by having a good national herd, there is almost no footwear or leather goods production and the local finished leather requirement has in the past not justified the establishment of a leather finishing unit. The government wants this to change and is actively seeking outside participation in a project to establish such an operation and so create the foundation for a leather and footwear industry in Botswana.

Dinkie Ltd

Although there is no shoemaking in Botswana, there is a very successful component manufacturer, Dinkie Ltd,

with headquarters in Bristol, UK. In 1992 Dinkie started to make a small volume of steel toecaps in Bulawayo, Zimbabwe, for the South African market under license. In 2001 it moved part of its UK production to Francistown, transferring manufacturing equipment and know-how to the new enterprise. In late 2002, with European safety footwear production in rapid decline, the UK factory was closed and the world-wide market supplied from Botswana.

The purpose-built factory covers some 20,000 square feet and has a capacity in excess of 10 million pairs per year. It probably also holds the largest range of tooling for steel caps anywhere in the world and is also able to handle both large and small production runs. Since there is no demand in Botswana, all production is exported to over 30 countries. The workforce is largely female and, once trained, has proven to be as efficient in terms of production as that in the UK. Skilled engineering staff is also employed from other parts of Africa, including South Africa, Zimbabwe and Malawi.

Francistown is the second city in Botswana and has a rapidly growing commercial sector. Although the lack

of an industrial infrastructure caused some problems in the early days, the heavily industrialised areas of Bulawayo and Johannesburg are relatively close. The stability of the government, economy and currency relative to other southern African states also played a major part in choosing Botswana as a new location. In addition, government assistance on labour costs was made available over an agreed period of time, although local rates remain extremely competitive even compared to China.



An operator in the Dinkie plant.

The recent devaluation of the Botswana currency has, in fact, made the factory even more competitive in world markets and is assisting in driving sales growth even further. In recent months, this has been combined with Dinkie's move into China, with steel toe cap production now established in the south and composite cap production in central China. The huge shape range of the Francistown factory and its ability to produce limited runs complements the more focused volume production in China. The continuation of production in Botswana remains a major part of Dinkie's long term strategy. 

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