THE REPUBLIC OF KENYA

MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND COOPERATIVES

AND

KENYA LEATHER DEVELOPMENT COUNCIL

THE KENYA NATIONAL LEATHER DEVELOPMENT POLICY

DRAFT

AUGUST 2020

FORWARD

The Government has identified the leather sector as one of the flagship projects for realizing its manufacturing sector targets under Kenya Vision 2030, MTP III and the 'Big Four' Agenda. The sector has been prioritized due to its huge potential supported by one of the highest livestock populations in Africa capable of sustaining the demand for supply of raw hides and skins necessary for a robust leather and leather products manufacturing industry.

The leather sector in Kenya has in its over 100 years of operation experienced significant growth and development but with great inconsistencies in its progression.

In post-independence Kenya, several policies and development plans have been instituted to support the industrialization agenda on a broader scale. However, there has never been a leather sector specific policy to guide and drive the growth and development of the industry. This gap has resulted in the sector not achieving its full potential primarily due to a poorly structured coordination of the various players and an unpredictable business environment which has discouraged investment in the industry.

The Ministry of Agriculture, Livestock, Fisheries and Cooperatives in consultation with the Kenya Leather Development Council (KLDC) and the Kenya Institute for Public Policy Research and Analysis (KIPPRA) have developed a draft Kenya National Leather Development Policy. The main objective of this Policy is to guide and drive the growth and development of the leather sector in order to realize its full potential and contribute significantly to national economic growth.

The draft Policy will provide a roadmap for the transformation of the leather sector to a sustainable and competitive sector with increased output of good and high-quality leather and leather products. The policy statements and interventions proposed are expected to spur growth in the sector so as to satisfy the demand in both the local and export market, whilst providing quality assurance and ensuring compliance with sustainable environmental and social principles. The Policy will provide a structured framework for the coordinated execution of the roles and responsibilities of all the participants across the value-chain throughout the Country. This will ensure equitable distribution of resources and opportunities to all players including marginalized clusters, micro, small and medium enterprises and unrepresented practitioners to promote fair trade and competitive practices.

I am confident that this Policy once finalized, will adequately address the myriad of challenges that affect the output, productivity and quality across the value-chain in the leather sector. Consequently, and in fulfilment of the Constitutional requirement for engagement with the citizenry and in compliance with the principles of public participation, I call upon the public to contribute in the finalization of this policy by submitting their views and comments to enrich the draft and to pledge their critical support and commitment in its implementation.

Hon. Peter Gatirau Munya, MGH
Cabinet Secretary
Ministry of Agriculture, Livestock, Fisheries and Cooperatives

PREFACE AND ACKNOWLEDGEMENTS

Kenya has one of the largest livestock population in Africa. This huge population forms a stable resource base that can support a dynamic and sustainable leather industry. This population comprises of cattle, goats, sheep, pigs, camels, donkeys and other emerging livestock that provide sufficient hides and skins (raw materials) for the local leather industry. Hides and skins are by-products of the meat industry and over the years the country produces significant hides and skins driven by the growing demand for meat for the country's increasing population.

Despite producing abundant hides and skins, the sector has not realised its full potential and has stagnated at production and export of raw hides, skins and semi-processed leather.

To ensure that the country reaps maximum benefits from this resource, the State Department for Livestock, through its focal agency, the Kenya Leather Development Council (KLDC), is putting in place measures and interventions that include legal, policy framework and other supportive structures. It is in this regard that the Kenya National Leather Development Policy has been developed. The policy envisages to provide a clear roadmap for the sectors growth and development by defining specific roles for all state and non-state actors involved.

In the development of this draft policy, I wish to acknowledge the contribution of the Cabinet Secretary for the Ministry of Agriculture, Livestock, Fisheries and Co-Operatives and the Cabinet Secretary of the Ministry of Industrialization, Trade and Enterprise Development where the Policy was initially conceptualized. I also acknowledge the participation and support given by the Principal Secretaries of the State Department for Livestock and the State Department of Industrialization in this endeavour. The the Board of Directors of KLDC and the KLDC staff have done commendable work in the drafting of this Policy in collaboration with the Kenya Institute for Public Policy Research and Analysis (KIPPRA). Finally, I acknowledge the central role of the industry and their consistent efforts and contributions to the growth of the industry and the feedback that the industry-players have given throughout the value chain and over the 100 years that the leather sector has evolved in different forums which has been central in structuring this Policy.

Harry K. Kimtai, CBS
Principal Secretary
State Department for Livestock

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ABBREVIATIONS AND ACRONYMS

ACA:	Anti-Counterfeit Authority.
ALLPI:	Africa Leather and Leather Products Institute.
ASALs:	Arid and Semi-Arid Lands.
CIDPs:	County Integrated Development Plans.
CETPs:	Common Effluent Treatment Plants.
DVS:	Directorate of Veterinary Services.
EAC:	East African Community.
EMCA:	Environmental Management and Coordination Act.
EPZA:	Export Processing Zones Authority.
GDP:	Gross Domestic Product.
ICDC:	Industrial and Commercial Development Corporation.
KAGRC:	Kenya Animal Genetic Resources Centre.
KALRO:	Kenya Agriculture and Livestock Research Organization
KEBS:	Kenya Bureau of Standards.
KEPROBA:	Kenya Export Promotion and Branding Agency.
KEVEVAPI:	Kenya Veterinary Vaccines Production Institute.
KICD:	Kenya Institute of Curriculum Development.
KIE:	Kenya Industrial Estates.
KIPI:	Kenya Industrial Property Institute.
KIRDI:	Kenya Industrial Research and Development Institute.
KITI:	Kenya Industrial Training Institute.
KLDC:	Kenya Leather Development Council.
KSh.:	Kenya Shillings.
MALFC:	Ministry of Agriculture, Livestock, Fisheries and Cooperatives.
MOITED:	Ministry of Industrialization, Trade and Enterprise Development.
MSEA:	Micro and Small Enterprises Authority.
MTP:	Medium Term Plan.
MSEs:	Micro and Small Enterprises.

MSMEs: Micro, Small and Medium Enterprises.

NEMA: National Environment Management Authority.

NGOs: Non-Governmental Organizations.

SDGs: ` Sustainable Development Goals.

SEZ: Special Economic Zones.

SEZA: Special Economic Zones Authority.

TPCSI: Training and Production Centre for the Shoe Industry.

TVETI: Technical and Vocational Education and Training Institutions.

TVETA: Technical and Vocational Education and Training Authority.

KEY POLICY DEFINITIONS

Support Institutions: Means public or private organisations that provide varied support services to the leather sector.

Policy Actors: Means state and non-state stakeholders that have a stake in this policy at any stage of the leather sector value chain. State actors include Ministries, Departments, County Governments and Agencies at the national or county level. Non-state actors include private sector, NGOs, and Development Partners.

EXECUTIVE SUMMARY

Significance of the Leather Sector

The Kenya Vision 2030 underscores value addition in agriculture as an important policy agenda in establishing Kenya's competitiveness in the global markets. The leather sector provides opportunities for industrial transformation and economic inclusion due to strong linkages with economic activities in rural economies, Arid and Semi-Arid Lands (ASALs) and complementary industries that provide input to leather value addition. The demand for leather products globally is growing, thus creating an opportunity for Kenya to exploit, given the country's rich base of livestock; youthful and innovative population that provides the required labour and the opportunity to build on existing reputation of producing quality leather products.

Rationale of the Policy

Despites the significance of the leather sector to Kenya's development agenda, there has been a lack of policy dedicated to its development in the past. While there have been broad-based national policies that had implications for development of the sector, lack of a comprehensive policy has contributed to its underperformance. In 2019 the leather sector in Kenya accounted for only 0.9 per cent of manufacturing Gross Domestic Product (GDP) compared to countries such as Ethiopia (8.5 per cent), Italy (3.1 per cent) and India (1 per cent). Majority of the leather manufacturing enterprises are also Micro and Small Enterprises (MSEs) operating informally with limited productivity growth. Past national broad-based policies have also not viewed the leather sector comprehensively thus resulting to policy fragmentation and implementation challenges. Additionally, the leather sector in Kenya has several actors at national and county levels along the value chain, including government ministries, departments, and agencies; private sector and development partners, requiring coordinated interventions that create synergy. Although the sector is currently underdeveloped, there exist significant opportunities to leverage on abundant raw materials and reputation for quality leather products to revitalise the sector to generate employment opportunities for innovative and a youthful population. Further, this policy is necessary to mainstream national, regional, and global developments and best practices that will deliver an internationally competitive leather and leather products. These include the Kenya Vision 2030, East African Community Vision 2050, African Union Agenda 2063, and the Sustainable Development Goals (SDGs).

Vision, Mission, Guiding Principles and Values of the Policy

The Vision is to realise a sustainable and globally competitive leather sector in Kenya with the aim of positioning it as a leading source of quality leather and leather products and exports earnings. The mission of the policy is to create an integrated and efficient leather sector value chain that promotes value addition, employment creation and equitable income generation. Implementation of this policy is premised on ten guiding principles and values; **(i)** Good governance; **(ii)** Environmental conservation; **(iii)** Sustainable production; **(iv)** Patriotism; **(v)** Productivity and competitiveness; **(vi)** Inclusivity; **(vii)** Decent employment; **(viii)** Standards and quality; **(ix)** Collaboration and **(x)** Public Participation. These guiding principles envisions promotion of inclusivity and sustainable development of the leather sector.

Challenges and Objectives of the Policy

The Sector faces multiple challenges across the value chain. At the input level there are issues related to supply of quality hides and skins owing to poor livestock animal husbandry practices, flaying, preservation, and storage practices. Value addition challenges include uncompetitive and low value-added leather and leather products, while market challenges include limited access to domestic and export markets for leather and leather products. There are also value chain cross-cutting challenges related to infrastructural support; supply of industry-relevant skills; compliance with product and environmental standards; innovation, technology acquisition and adaption; legal and regulatory environment; and linkages in different stages of the value chain among the leather sector actors. This Policy therefore seeks to address these challenges and promote an integrated development of the leather sector for inclusive and sustainable development of the economy through employment creation and income generation. Based on the analysis of challenges, the objectives of this Policy are to: **(i)** Promote sustainable supply of quality hides and skins; **(ii)** Promote production of competitive and quality finished leather and leather products; **(iii)** Enhance access to domestic and export markets of finished leather and leather products and the domestic market for raw hides & skins and review of existing fiscal strategies; **(iv)** Enhance infrastructural support at national and county levels throughout the leather value chain; **(v)** Develop and improve skills for the sector across the value chain; **(vi)** Enhance compliance with product and environmental standards along the value chain; **(vii)** Promote innovation, technology acquisition and adaption along the value chain; **(viii)** Promote linkages along the value chain among all state and non-state actors; and **(ix)** Provide a conducive legal and regulatory framework to support the leather sector.

Policy Statements

Promote sustainable supply of quality hides and skins: These interventions focus on promotion of sustainable supply of quality raw hides and skins for the overall competitiveness of the leather sector. The interventions include promoting an integrated approach for sustainable livestock production; improving and implementing national breeding systems for different livestock breeds; promoting good animal husbandry practices that encourage high off-take rates that will give quality hides and skins; establishing disease-free zones for livestock productivity and quality; providing incentives for producers of hides and skins to enhance quality including developing pricing systems based on grade of output; promoting a comprehensive hides and skins grading system; promoting establishment, modernization and categorization of slaughterhouses; promoting use of appropriate technology in production; preservation/curing and storage of hides and skins; promoting aggregation centres across the counties for collection of hides and skins; and promote the participation of special interest groups in production of quality hides and skins.

Promote production of competitive and quality finished leather and leather products: These interventions include promoting modernization of tanneries to expand tanning capacity for production of quality finished leather and leather products; promoting access to high quality finished leather; establishment and modernization of leather goods manufacturing factories; promoting local production of affordable chemicals, parts and accessories; quality speciality leather products leveraging on Kenya's competitive advantage; adoption of sustainable production methods of leather and leather products; and participation of special interest groups in value addition of leather and leather products.

Enhance access to domestic and export markets of finished leather and leather products: Interventions proposed to enhance access to local, regional and international markets include developing a holistic and coordinated marketing approach for the domestic and export markets; developing appropriate marketing platforms to access local, regional and international markets; leveraging on trade treaties, pacts and agreements to enhance market access; creating awareness and promote the use of branding, packaging and the acquisition of Intellectual Property Rights to protect and promote leather products made in Kenya; promoting growth of the local market through Government procurement of footwear and other leather products; promoting linkages between MSEs and other local manufacturers and major outlets; and developing networks for linking local MSEs and local manufacturers with global brands for marketing partnerships.

Enhance infrastructural support at national and county levels throughout the leather value chain: Physical and soft infrastructure across the leather sector value chain as an enabler will be enhanced. The interventions include mainstreaming leather sector development in the policies and development plans at national and county governments; enhancing partnerships between the national and county governments in infrastructure development along the leather sector value chain; promoting priority investment opportunities in the leather sector across the counties; and revamping existing infrastructure across the country with the aim of leveraging on existing resources in government support institutions.

Develop and improve skills for the sector across the value chain: A mix of technical skills along the value chain will be enhanced. Interventions include reviewing and developing a curricular that meets the dynamic needs of the leather sector; promoting investments of skills development in the leather sector; promoting modernization of leather training and research institutions; and establishing mechanisms that promote skills and technology transfer.

Enhance compliance with product and environmental standards along the value chain: These interventions include continuous awareness creation on relevant standards requirements throughout the leather sector value chain; ensuring compliance with local and international standards along the leather value chain; facilitating establishment of modern waste treatment and safe disposal systems; and promoting recycling of wastes and value addition to by-products.

Promote innovation, technology acquisition and adaption along the value chain: To promote continuous innovation and technology acquisition, the interventions include establishing mechanisms for continuous assessments of technology gaps and technology needs of the leather sector; undertaking regular demand driven research relevant across the leather sector value chain; promoting research and development investments; promoting the establishment and modernization of leather research institutions; promoting access to use of efficient production technologies in leather sector; and enhancing uptake of intellectual property rights to protect and promote speciality products.

Promote linkages along the value chain among all state and non-state actors: The interventions to be used for promotion of linkages along the leather value chain include developing a framework for coordination, implementation, and monitoring and evaluation of all leather sector policies, programmes, activities and development plans; promoting the establishment and strengthening of relevant sector associations and cooperative societies; promoting linkages between local leather sector actors with regional and global actors; and enhancing the capacity of the leather sector support institutions.

Provide a conducive legal and regulatory framework to support the leather sector: Improving the legal and regulatory environment to be more supportive and responsive to the productivity, growth, and development of the sector across the value chain is critical. Interventions include developing an appropriate legal framework to support the development of the leather sector; establishing an integrated and structured awareness creation approach on laws and regulations relevant to the leather sector; providing fiscal and other forms of incentives for the growth and development of the leather sector; and reviewing leather sector regulatory framework to align them to the national, regional and global developments.

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1 Introduction

The Kenya Vision 2030 envisages a globally competitive and prosperous country that enhances social welfare in a clean and secure environment. The Vision further seeks to promote value addition in agriculture to position Kenya as an industrial hub with competitiveness in global markets. Kenya's agricultural sector, including livestock contributed 34.2 per cent of the national GDP in 2019, making it the backbone of the economy. Globally however, livestock production has a higher contribution, accounting for approximately 50 per cent of gross value of agricultural production.

The 2019 Kenya Population and Housing Census reveals livestock keeping is practiced by 4.7 million households. The Census further reveals the main livestock in Kenya are cattle (15.8 million), goats and sheep (47.3 million), camels (4.6 million), and donkeys (1.2 million). It also reveals that 3.37 million households were involved in cattle rearing; 1.3 million in sheep rearing; 1.9 million in goat rearing, while donkeys, camels and pigs were reared by 500,682, 167,666 and 110,383 households, respectively. The livestock sector is a major economic activity in Kenya's Arid and Semi-Arid Lands (ASALS). About 60 per cent of livestock population in Kenya is found in ASALs that cover over 75 per cent of the Country's land area, making it a major source of livelihoods for households in these regions. Development of the leather sector therefore has the potential of enhancing economic inclusion for ASAL livestock farmers as well as other livestock producers across the country.

The livestock sector has immense potential in providing raw materials to the leather sector. While Africa owns a fifth of global livestock production, it accounts for only 10 per cent of raw hides and skin production and even less when it comes to global leather production. This presents an opportunity for Kenya to enhance supply of leather and leather products to meet the growing global demand. It is therefore important to shift from exports of raw hides and skins and semi-processed products to competitive value-added products. The leather production in Kenya currently accounts for 1% of the manufacturing Gross Domestic Product (GDP) and employs over 7,000 persons in the formal sector, and a similar number in the informal sector.

The Kenyan government in recognising this potential and opportunity has prioritized the development of Kenya's leather sector as evidenced in the Kenya Vision 2030 and more recently, the third Medium Term Plan (MTP) which calls for the development of a hides and skins, leather and leather products development strategy as well as leather development parks. The Vision 2030 also calls for the development of industrial clusters which would offer infrastructural facilities for the development of leather parks. The policy interventions proposed in the Vision 2030 aim at developing the sector within the value chain, from livestock production, slaughtering, manufacture of leather and leather products and market access. Previous policy interventions have been largely incoherent, leading to uncompetitive leather and leather products and sluggish growth of the sector. Export statistics for instance reveal in 2013, at the start of Second MTP of the Kenya Vision 2030, leather exports were 26,542 tonnes. In the period 2014 to 2019, the leather exports averaged 22,397.77 tonnes with 2019 recording the lowest exports at 15,775 tonnes. The leather sector value added also declined from KSh 7.16 billion in 2013 to an average of KSh 6.5 billion in the same period. The interventions proposed in the Second MTP to promote the development of the sector focused only on infrastructural needs, the establishment of disease-free zones and development of meat and leather industrial clusters. Subsequently, the Third MTP prioritises institutional framework through the review of legislations on hides and skins, development of hides and skins, leather and leather products development strategy and the leather development policy. Development of a policy on the sector however needs to precede the strategy. The Policy would also guide review of the relevant legislations. Development of the leather sector and institutional reforms is best undertaken with establishment of a sector specific comprehensive policy that addresses the challenges the sector faces across the value chain.

The leather production meets approximately 40 per cent of domestic demand. Kenya produces only 8.1 million pairs of shoes annually against a national demand of 40 million pairs in 2017, the demand is projected to grow to 46.8 million pairs by 2022[1]. This has made the country a net importer of footwear and leather goods. Approximately 20,000 tonnes of leather and 2,000 tonnes of hides and skin are exported annually. Kenya's exports of raw hides and skins was KSh. 152.2 million in 2019, representing 0.03 per cent of export earnings while export of leather during the same period was valued at KSh. 2.948 Billion, representing 0.6 per cent of total export earnings. Italy, China and India accounted for 61 per cent of these exports in 2018.

The leather sector touches on four economic activities, demonstrating its potential in promoting employment opportunities and economic growth. The first relates to livestock production of which, the value of marketed livestock, according to 2020 Economic Survey was estimated at KSh 147.8 billion, slaughtering and collecting of hides and skins, which are sourced from cattle, goats, and sheep. This activity is supported largely by the County Government and Directorate of Veterinary Services (DVS). While the second activity is tanning of raw hides and skins production, the third activity is leather production to develop finished leather goods. These are supported by the Ministry of Agriculture, Livestock, Fisheries & Co-operatives (MALFC) with technical and/or infrastructural support from other government Ministries and Agencies. The fourth activity which is a critical stage in the value chain is marketing which involves domestic and export trade supported by agencies such as Fish Marketing Authority and the Kenya Export Promotion and Branding Agency (KEBROBA). The actors involved in the leather value chain are various and include livestock farmers who are largely small-scale holders, livestock traders, hides and skins traders, abattoirs, licensed tanneries, leather goods producers (formal and informal), marketers, traders and exporters. Majority of these operate as Micro and Small Enterprises (MSEs). These various actors however operate in a fragmented manner with limited linkages amongst actors, stakeholders, and the multiple government institutions at the national and county levels. The different stakeholders are therefore not working coherently in developing the leather sector.

Kenya's leather sector potential is further constrained by low quality and quantity hides and skins; low value addition rendering it uncompetitive, limited market access challenges. The sector is further constrained by weak infrastructural support; weak skills; low compliance with relevant standards; low innovation and technology acquisition and adaption; and unconducive legal and regulatory framework.

[1] ITC, 2018

Further Kenya's policy interventions to the sector has been inconsistent which has further eroded the country's competitiveness position and contributed to fragmentation amongst stakeholders. The country, therefore, despite having a leather industry since pre-independence era has made limited gains in terms of production and export earnings.

1.2 Rationale of the Policy

The development of a national leather policy is based on four reasons. Firstly, though the leather sector has received some policy attention over the years as presented in various policy documents, these policies have however not viewed the leather sector comprehensively thus contributed to policy fragmentation and implementation challenges. In the 1960s for instance, Kenya's leather industry was amongst those identified for promotion under the "Africanisation" phase which adopted a combination of import substitution strategy and industry protectionists policies. These initial policies however had the effect of weakening the competitiveness of the products particularly once the market was liberalized in the 1980s. The 1970s which were characterised by underutilization of production capacity, limited incentives to export and shortages of raw materials (skins and hides), was further hit by the effects of trade liberalization policies. This led to a decline in livestock production, increase in importation of inexpensive footwear and later an increase in the export of raw hides and skins due to the limited policy incentives for value addition. By the 1990s there were massive declines in leather and leather products production, under capacity, increased informality. A key weakness of previous policies was an unappreciation of the leather sector's forward and backward linkages throughout the value chain. Thus, presenting the need for a single comprehensive leather development policy that encourages policy synergies and consistency across the value chain.

Secondly, the fact that the sector has several actors is further motivation that policy interventions should be undertaken with precision to ensure an effective balance in support granted to stakeholders. This policy will further be critical in informing the functions and role of counties as relates to livestock production and sale, county abattoirs, leather processing and county level investment that promote industrial production and sale of leather and leather products.

Thirdly, Kenya has an abundance of a wide range of raw hides and skins for value addition. The leather sector can therefore contribute to socio-economic transformation through employment opportunities and incomes for actors along the value chain. Hence the need for a dedicated policy for the sector to reap these benefits.

Fourthly it is imperative to align leather activities in Kenya with relevant regional and global development agenda best practices. This include the EAC Vision 2050, AU Agenda 2063, and Sustainable Development Goals. The EAC Vision 2050's industrial transformation priorities are aimed at promoting economic growth through sectors with strong forward and backward linkages with important sectors such as agriculture and services thus promoting employment and investment prospects. Sustainable inclusive growth which is people driven are aspirations 1 and 6 of AU 2063. Further the Sustainable Development Goal 8 seeks to promote decent work and economic growth.

1.3 Policy Goal

This policy seeks to promote an integrated development of the leather sector in Kenya for inclusive and sustainable development of the economy through employment creation and income generation.

1.4 Policy Objectives

To realise the overall goal, the objectives of this policy are to;

- **i.** Promote sustainable supply of quality hides and skins.
- **ii.** Promote production of competitive and quality finished leather and leather products.
- **iii.** Enhance access to domestic and export markets of finished leather and leather products.
- **iv.** Enhance infrastructural support at national and county levels throughout the leather value chain.
- **v.** Develop and improve skills for the sector across the value chain.
- **vi.** Enhance compliance with product and environmental standards along the value chain.
- **vii.** Promote innovation, technology acquisition and adoption along the value chain.
- **viii.** Promote linkages along the value chain among all state and non-state actors.
- **ix.** Provide a conducive institutional, legal and regulatory framework to support the leather sector.

1.5 Vision

A sustainable and globally competitive leather sector in Kenya and a leading source of quality leather and leather products and exports earnings.

1.6 Mission

To create an integrated and efficient leather sector value chain that promotes value addition, employment creation and equitable income generation.

1.7 Guiding Principles and Values

The guiding principles and values of this policy are anchored on the Constitution of Kenya (2010) and general principles of sustainable development that inform the achievement of the policy vision and mission.

- **i.** *Good governance:* Transparency and accountability are critical to the development of the leather sector.
- **ii.** *Environmental conservation*: Protection of the environment and ecosystem through efficient waste management and compliance with relevant environmental conservation rules and regulations are imperative for sustainable development.
- **iii.** *Sustainable production*: This policy encourages efficiency in the production and supply throughout the leather value chain leveraging on best practises
- **iv.** *Patriotism:* This policy promotes the consumption of locally manufactured leather products
- **v.** *Productivity and competitiveness*: This policy aims to increase productivity and competitiveness in the leather sector.

vi. *Inclusivity*: This policy promotes inclusion of all members of the society in the entire leather value chain to promote equitable incomes
vii. *Decent employment:* This policy envisions viable, decent, and productive employment opportunities across the leather value chain
viii. *Standards and quality*: This policy promotes standards and quality at all levels of the leather value chain.
ix. *Collaboration*: The government is cognisant of the role of all stakeholders, state and non-state actors working together to ensure effective implementation of this policy
x. *Public participation*: This policy builds on engagements with all stakeholders to facilitate exchange of views and decision-making process

1.8 Scope of the Policy

This policy applies to the National and County Governments, the private sector, especially the players within the leather value chain, development partners and other non-state actors.

2. CHAPTER TWO: SITUATIONAL ANALYSIS

This Section analyses the relevant actors, policy evolution, challenges, and SWOT analysis of the leather sector.

2.1 Policy Actors in the Leather Sector

There are multiple state and non-state policy actors vital to development of the leather sector. These actors can broadly be clustered into three thematic groups along the value chain: Input level actors; value addition level actors and the market level actors. The role of the state actors is policy formulation, implementation, and facilitation. Non state actors include the private sector actors who are directly involved in the economic activities in the leather sector. Other non-state actors are development partners and NGOs that support the development of the sector in various ways.

At the input level, the actors are involved in animal production, harvesting, preservation and trading of raw hides and skins. At the value addition level, the actors are involved in processing raw hides and skins into leather and leather products using chemicals, utilities, machinery, technology processes and application of appropriate know-how (human skills). The actors in market level are involved in the trading of semi-processed leather, finished leather and leather products in the local, regional, and international markets.

2.1.1 Input Level Actors

The state actors include the Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MALFC) which formulates and implements policies on agriculture and livestock. The State Department for Livestock is particularly critical for development of the leather sector. Key functions of this State Department include livestock policy management, veterinary services and disease control, range development and management, livestock marketing, livestock insurance policy, livestock branding and promotion of the tannery industry. It is imperative to note that agriculture is a devolved function under the Fourth Schedule of the Constitution of Kenya (2010). The county governments have the mandate of developing agriculture through animal husbandry, livestock sale yards, county abattoirs, livestock disease control and fisheries. Some counties also have designated leather officers whose key responsibilities are to champion leather development activities. The two levels of government therefore work closely together with State Department for Livestock, the Directorate of Veterinary Services (DVS) and other state agencies such as the Kenya Leather Development Council (KLDC), the Kenya Animal Genetic Resources Centre (KAGRC), Kenya Agriculture and Livestock Research Organization (KALRO), Kenya Tsetse and Trypanosomiasis Eradication Council, Kenya Veterinary Board, Animal Technicians Council and Kenya Veterinary Vaccines Production Institute (KEVEVAPI), Kenya Meat Commission, Agricultural Development Corporation, Agricultural Finance Corporation and Kenya Marine and Fisheries Research Institute.

KLDC is the principal state agency under the MALFC mandated to drive transformation throughout the leather value chain from raw materials to the finished manufactured products. It is established under the State Corporations Act (Cap) 446 of the Laws of Kenya, (Legal Notice No. 114 of 9th September 2011) by the Kenya Leather Development Council Order. At the input level, it's mandate includes advisory services on matters relating to production of hides and skins; promotion and coordination of input level activities; oversee licensing of hides and skins activities; undertake research and development activities on hides and skins for leather sector including collection, storage, analysis and dissemination of relevant data.

KAGRC operates under Legal Notice No. 110 of September 2011 with a mandate to produce, preserve and conserve livestock genetic materials. KALRO established under the Kenya Agricultural and Livestock Research Act No. 17 of 2013 promotes, coordinates and regulates agricultural research, including animal diseases, application of research findings and technology in agriculture and advisory services.

The Kenya Tsetse and Trypanosomiasis Eradication Council established through Legal Notice No 77 of July 2012 has a mandate to coordinate eradication of tsetse in the country, set standards and mitigate the social economic constraints resulting from tsetse infestation. The intervention provided by this council promotes the health of the livestock which is important in the output of quality hides and skins.

Kenya Veterinary Board operates under the Veterinary Surgeons' and Veterinary Paraprofessionals Act No. 29 of 2011, with the mandate of providing advisory services, relevant training approvals, registration, licensing and controls of veterinary practise and veterinary laboratories. The Board represents the personnel whose skills and expertise are important in the elevation of the leather industry and who undertake and support research and development that will enhance the sector. The Animal Technicians Council operating under Animal Technicians Act No. 11 of 2010, undertakes the registration, licensing, regulation, and training of animal technicians which also contributes to the skills-base.

KEVEVAPI is established under legal Notice No. 223 of June 1990 with the mandate to coordinate veterinary vaccine research, production, and distribution which is an important determinant in the health of the livestock and consequently the raw material in the leather industry.

The Kenya Meat Commission established under the Kenya Meat Commission Act Cap 363 has a role in the supply of hides and skins as by-products and by extension is critical in establishing a backward linkage as a source of raw materials. The Agricultural Development Corporation established pursuant to Cap 444 of the Laws of Kenya, which support production of pedigree livestock which promote quality hides and skins.

The Agricultural Finance Corporation operating under Cap 323 supports livestock production through credit provision the funding of the leather sector is an important aspect for its growth.

The Kenya Marine and Fisheries Research Institute established under the Science Technology and Innovation Act No 28 of 2013 has a role in undertaking research, which may provide emerging and alternative sources of raw materials from fish and other aquatic species.

At the input level the non-state actors include the private sector, development partners and NGOs. The private sector comprises of livestock keepers; livestock traders; abattoirs and slaughterhouse operators; hides and skins traders and aggregators. These actors supply input and their practices determine the quality of the raw hides and skins. They face various constraints related to production and supply of raw hides and skins due to weak institutional support and inadequately organized structures to effectively lobby for their interests. Development partners undertake different activities including provision of financing and building institutional capacity for support institutions and private sector actors. NGOs support the private sector actors in financing of projects, capacity building, networking, and access to market opportunities. The multiplicity of stakeholders at national and county levels coupled with a weak coordination framework pose challenges for development partners and NGOs in effectively providing this support.

2.1.2 Value Addition Level Actors

These are actors involved in processing raw hides and skins into leather and leather products and management of effluent and by-products generated through these activities. Value addition activities include processing of raw hides and skins into leather and leather products through use of chemicals, utilities, machinery, technology processes and application of appropriate know-how (human skills).

The MALFC in collaboration with MOITED play the focal role in development of the sector at this level. For purposes of leather sector development, key among these policy mandates as elaborated in the Executive Order No. 1 of 2020, revised on the Organisation of Government include Micro, Small and Medium Enterprises (MSMEs) policies, development of cottage industry, industrial training and capacity development, innovation and intellectual property rights, standardisation in industry and quality control, promotion of domestic and foreign investments.

The mandate of KLDC include advisory services on processing of hides and skins and trading in leather and leather goods; promotion and coordination of activities in leather processing, to oversee licensing in value addition activities and to undertake research and development activities on leather value addition including collection, storage, analysis and dissemination of relevant data.

Other government agencies relevant in this level include the Kenya Investment Authority (KenInvest) established in 2004 through the Investment Promotion Act No. 6 of 2004; The Export Processing Zones Authority (EPZA), established through the Export Processing Zones Act Cap 217 in 1990 ; The Special Economic Zones (SEZ) Authority established under the SEZ Act No 16 of 2015. Within livestock SEZ, various activities that can improve quality of hides and skins include livestock feeding and fattening, abattoir and refrigeration, value addition and manufacture of veterinary products. The Kenya Industrial Research and Development Institute (KIRDI) established in 1979; The Micro and Small Enterprises Authority (MSEA) established under the Micro and Small Enterprises Act No. 55 of 2012; and the Kenya Industrial Estate (KIE), which was established in 1967.

The state actors that undertake skills and technology development especially to Micro, Small and Medium Enterprises (MSMEs) include Animal Health and Industry Training Institute (AHITI), Universities and Technical and Vocational Education and Training (TVET) institutions. AHITI which was established in 1965 provides training in livestock production and leather technology. Universities supply highly specialised skills and research critical for development of the private sector, while TVET institutions support supply of middle level technical skills. The Technical and Vocational Education and Training Authority (TVETA) established under the TVET Act No. 29 of 2013 regulates and coordinates TVET trainings. The government recognises the role of TVET institutions in improving the quality and supply of middle level workforce in meeting industry needs and entrepreneurship. The Kenya Institute of Curriculum Development (KICD) established by the KICD Act No. 4 of 2013, develops, reviews, and approves learning programmes, curricula, and curriculum support materials for basic up to tertiary education including TVET training.

DVS inspect and certify tannery premises for compliance with standards. The Kenya Bureau of Standards (KEBS), established in 1974 operates under the Standards Act Cap. 496 to promote standardisation. The National Environment Management Authority (NEMA) established in 2002 under the Environmental Management and Coordination Act (EMCA) 1999 has a mandate of sustainable management of the environment. Leather value addition generates significant effluent that requires adherence to national and international environmental standards. The county governments also undertake devolved functions related to environment and health as outlined in the Fourth Schedule of the Constitution of Kenya (2010). These include veterinary services; refuse and solid waste disposal; control of pollution; water and sanitation services. The Kenya National Cleaner Production Centre, established in 2000, plays a key role in promoting resource efficient and clean production practises in enterprises to improve competitiveness and environmental management through material, water and energy efficiency and effective waste management.

The non-state actors include the private sector, development partners and NGOs. The main private sector actors at this level include tanneries, manufacturers of leather and manufacturing of leather products. There are about 15 tanneries in the country, largely located around Nairobi. Most of these tanneries focus on wet blue processing, with a few undertaking crusts and finished leather. Also, some tanneries are engaged in subcontract tanning in which small scale tanneries supply wet blue to large scale tanneries. Some tanneries are however experiencing financial difficulties or reducing their output, attributable to low supply of hides and skins. There are about 25 formal footwear and leather goods manufacturers. However, there are also informal footwear manufacturers mainly MSEs which account for about 50% of the local footwear production. They also produce belts and leather handcrafts. Other private sector actors include wholesale leather suppliers who buy in bulk and sell to leather manufactures and component suppliers who provide accessories including buckles, soles, thread, and glue. The manufacturers face high cost of doing business coupled with infrastructure, skills, technology, and finance constraints. The development partners and NGOs provide support in alleviating these constraints.

2.1.3 Market Level Actors

MALFC is mandated to promote marketing within the leather value chain development and in collaboration with other ministries and agencies facilitate access to domestic and international markets. Further, marketing activities are supported by intellectual property rights, product standardisation and quality control, trade development and exports promotion. These activities are undertaken by state agencies which include: DVS which issues export permits after inspection of each consignment of leather and leather products for export, the Fish Marketing Authority operating under the Fisheries Management and Development Act 2016 whose overall mandate is to market fish products from Kenya, and the Kenya Export Promotion and Branding Agency (KEPROBA) which promotes branding and exports of locally produced products. KEBS is responsible for enforcing standardisation and quality control to promote product compliance with domestic and international markets while the Anticounterfeit Authority (ACA), established by the Anti-Counterfeit Act No. 13 of 2008 is responsible for combating trade in counterfeit goods to protect local products from unfair competition. The Kenya Industrial Property Institute (KIPI) established by the Industrial

Property Act, 2001 promotes the protection of intellectual property rights, thus strengthening market access for local brands.

The private sector is a key non-state actor at the marketing level. The actors include traders of semi-processed leather; finished leather and leather products, and in some instances the manufacturers also have some level of participation as they are involved in delivery of finished products to local, regional, and international markets. The sale and marketing of finished leather products locally, is largely undertaken by MSEs who operate informally and serve small localized markets. The formal traders and manufacturers participate in the regional and international markets. At the regional level, EAC accounts for a large share of the exports. The export of manufactured leather products is limited because most of the exports are wet blue leather. The development partners and NGOs are also key non-state actors mainly supporting MSEs in expanding market opportunities.

2.2 Socio-Economic Contributions to the Economy

The socio-economic contributions of the leather sector can be assessed in terms of employment, exports, and GDP contributions.

2.2.1 GDP Contributions

The contribution of the manufacturing sector to GDP in Kenya declined from about 12 per cent in 2005 to 7.5 per cent in 2019. Over this period the contribution of leather and leather products to the overall manufacturing GDP declined from 1.6 per cent to a paltry 0.9 per cent. This translates to KSh 6.6 billion of the KSh 735 billion manufacturing GDP in 2019. Over the same period the share of leather manufacturing in overall manufacturing GDP for Ethiopia increased from 3.9 per cent to 8.5 per cent; for Italy it increased from 2.6 per cent to 3.1 per cent while for India it increased from 0.6 per cent to one per cent.

2.2.2 Employment Contributions

The 2016 MSMEs Survey reveals that about one per cent (1,786 enterprises) of manufacturing MSMEs are engaged in leather and leather products activities in the formal and informal sectors. Further, this survey reveals that 89 per cent of the leather manufacturing enterprises are MSEs that employ less than 50 persons each, with medium and large enterprises accounting for the remaining 11 per cent. Majority of the MSEs operate in the informal sector across urban and rural areas, focusing on the production of shoes and other finished leather products and accessories.

The sector is important in provision of formal and informal employment. Within the formal sector, the Census of Industrial Production and Construction Report 2018 shows that the leather sector employs 7,016 persons: an increase from 4,000 persons in 2013. Among those formally employed, the proportion of permanent and contract employees accounted for 47.4 per cent, while casual employees constituted 52.1 per cent. Apprentice, interns, and family workers account for the remaining 0.5 per cent. It further reveals that the employment in the manufacture of leather and leather products is dominated by males at 76.5 per cent, compared to females at 23.5 per cent. However, the leather sector value chain operates largely informally and therefore these statistics within the formal sector are only a partial representation. For instance, the 2015 Kenya Leather Industry Study undertaken by the World Bank estimates informal employment within sector as 10,000 persons. With exploitation of opportunities and development of the leather sector, there is potential to generate more employment opportunities.

2.2.3 Exports Contributions

Kenya exports unprocessed/semi-processed leather and finished leather products. The unprocessed and semi-processed products include raw hides and skins and unfinished leather. The value of exports in this category has been declining over time. For instance, the value exported in 2015 was KSh 6.8 billion compared to KSh 3.2 billion in 2019. Growth in exported value for raw hides skins and unfinished leather declined by 15% between 2015 and 2019. Four countries, China, Italy, India, and Pakistan have been the major export destinations. In 2015 their share of export value accounted for 55% which increased to 72% in 2019. In East Africa, Uganda continues to be the major export destination of unprocessed and semi-processed leather products. These statistics reveal that exports of unprocessed and semi-processed leather have been declining in recent years and further concentrated in few export destinations.

The finished leather products exported from Kenya include saddlery and harness; travel goods (suitcases, briefcases, rucksacks, wallets) and handbags. There has been no major increase in the exports of finished leather products. For example, the growth in exported value increased by 3% from KSh 206 million in 2015 to KSh 232 million in 2019. Italy, United States of America, and Australia form the major export market for these products, accounting for 49% of total export of finished leather products in 2019. In East Africa, Tanzania is the major importer in the same period. There is therefore the opportunity to expand the export market for finished leather products which has stagnated over the years.

2.3 Policy Review/Evolution

This is the first policy specifically dedicated to development of the leather sector. However, in the past there have been broad-based national policies that had implications for development of the sector. These broad-based national policies can be looked at from the perspectives of agricultural, industrialisation and trade policies that span across the leather value chain.

Immediately after independence Kenya adopted import substitution policy for industrial products from 1963 towards the end of 1970s. The main policy documents during this period were the Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya, and the five-year Development Plans. This period was characterised by direct support and protection of selected manufacturing subsectors through trade policies (subsidies, import tariffs and quotas), financing arrangements and skills development. These policy interventions were aimed at lessening import pressure and promote growth of local indigenous enterprises for employment creation. These policies were consequently also referred to as Africanization; Indigenisation or *Kenyanization* policies aimed at entrenching African participation in industrial development. Leather was among the subsectors targeted to benefit; others being textile and garments, food processing and manufacture of paper products. These sub-sectors were generally characterised by abundance of raw materials locally and high labour intensity, that were considered a boost for employment creation. For leather, the Development Plan of 1964-1970 sought to promote rural tanning, which was gaining prominence as a cottage industry. This was aimed at creating employment and incomes to areas where larger industrial projects could not be planned. Further, it was recognized as a means of utilizing low quality hides and skins which could not be exported profitably.

Several institutions were established during this period to promote local entrepreneurship and indigenous ownership of enterprises. Key among these institutions include the Cooperative Societies, Agricultural Finance Corporation (AFC), Industrial and Commercial Development Corporation (ICDC), Development Finance Company of Kenya, and KIE to promote entrepreneurship and financing of indigenous enterprises.

Further, promotion of leather manufacturing benefited from training offered at AHITI in Kabete which was established in 1965. AHITI which is equipped with a tannery department and a leather products workshop is the primary provider of training and skill development.

This policy era however ended up being counterproductive in the long-term as the protectionist policies nurtured local industries that were competitively weak due to constraints imposed on competition from foreign firms. Furthermore, domestic demand was limited and this constrained capacity utilisation of the local enterprises. A further weakness of the import substitution strategy, as presented in the 1972 International Labour Organization (ILO) report themed "*Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya*", included unequal income distribution, underutilization of production capacity and limited incentives to export value added products. Exports of value-added products as reported below became a policy priority in the 1990s.

The policy focus during the 1960s and 1970s had three shortcomings. Firstly, the 1964-1970 Development Plan focus was on export of high-quality hides and skins Thus, emphasis was laid on the standards of preparation of the primary products, the skill of flaying the slaughtered animal and the speed with which the processes were carried out. This left the local industries to process low-quality hides and skins which could not be profitably exported. Further the policy interventions focused only on the input level of the value chain overlooking the value addition. This contributed to weak development of the sector due to uncompetitive products. The weak competitive nature of the local industries further exposed them in later years when the economy was liberalised. The result was low survival of the local industries. Secondly, policy interventions allocated resources to high potential areas with regards to rainfall abundance and soil fertility overlooking the Arid and Semi-Arid Lands (ASALs) that serve as the hub for livestock. Production of hides and skins therefore received limited policy attention and resource allocations. Private sector investments like abattoirs and tanneries also remained depressed in the livestock rich ASALs. Thirdly, this phase of the development policy was characterised by growth of informal sector, partly due to restrictions in the formal sector and selective support for the prioritised industrial subsectors. Weak linkages across sectors and between formal and informal sectors was a further limitation.

The 1980 National Livestock Development Policy of Kenya was formulated to minimise households' poverty, promote sustainable use of environment, and enhance supply of raw materials to the manufacturing industry. Livestock development was also a key agenda in the *Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth* which was developed to address some of the adverse consequences of policy interventions of the 1960s-1970s. The policy interventions prioritised support services activities, including agricultural and livestock extension services and trade development services. Part of the extension services included livestock breeding policy aimed at improving incomes for livestock keepers. Livestock sector policy interventions included control of diseases and pests and provision of cattle dipping and immunisation services under the Department of Veterinary Services. Further, the policy sought to improve livestock marketing through the Livestock Marketing Division (LMD) under the Department of Livestock Production then and the Kenya Meat Commission (KMC).

Further, this Sessional Paper also placed emphasis on rural development, particularly through agriculture and small-scale industries. With regards to the small-scale industries, the policy priorities were anchored on employment-intensive and export-oriented manufacturing; a criterion which the leather sector meets. This policy thus consequently established several policy interventions aimed at increasing productivity, access to financial capital, expanded market opportunities, training opportunities and lessening restrictions on informal sector activities. The lessening of restrictions on the informal sector, however, increased informality in the leather sector and further weakened linkages with formal sector. The policy further viewed livestock production largely from meat and live livestock trade perspective ignoring the issue of hides and skins development in a holistic manner. Development of small-scale industries prioritised in the 1986 Sessional Paper was further anchored in the Small Industries Development Programme initiated in the 1984-1988 Development Plan. The Programme identified certain areas of industrial production for reservation for the development of the small industries sector including leather products such as suitcases, bags, belts, straps, garments, and sports goods. Despite this policy preference, the investment incentives supporting development of these leather products remained deficient.

The Hide, Skin and Leather Trade Act (CAP 359) was introduced in 1987 to support the policy the objective of the 1980 National Livestock Development Policy of Kenya. The law further consolidates legislative interventions relevant to trade in hides, skins, and leather; provide for the control of the trade of hides and skins and promote the development of the leather sector. The enactment of this legislation contributed to the increase in production and export of leather products. Despite being amended severally, this law is silent on environmental management against the stringent requirements of export designation countries thus limiting market access.

Despite the policy interventions of 1980s, some challenges that emerged in the 1960s and 1970s persisted including depressed investment in ASALs, informality and weak value addition to hides and skins.

The Kenyan economy was liberalised in early 1990s, opening it to the international competition. As part of the market liberalization, the abolishment of the export compensation scheme contributed to the closure of some manufacturing industries. Indeed, commencing in 1993 Kenya's leather and footwear industry recorded significant declines in production. The market liberalisation also marked a phase for more gradual shift towards push for manufacturing for exports and accelerated role of the private sector.

The 1994-1996 Development Plan, recognized the need to encourage the industry to produce for exports by increasing level of processing the hides and skins through offering differential incentives to exporters of wet blue leather, crust leather, finished leather and leather goods. Due to favourable world market prices, exports of raw hides and skins had increased, causing shortage of hides and skins for the local tanneries some of which were operating below capacity. Consequently, deteriorating performance of the leather sector in mid 1990s led to the ban of export of raw hides and skins. By the end of the 1990s, with market liberalization, livestock marketing was undertaken by the private sector following the collapse of KMC and closure of LMD. During this period livestock production declined as liberalization meant some government services were unavailable or provided by private sector at costs that was not affordable to most farmers. Further, closure of major manufacturing enterprises led to emergence of many informal MSEs operating across urban and rural areas.

As part of the industrialization strategy, the government in 1997-2001 Development Plan encouraged private sector investors to invest in processing plants. Part of the policy initiatives to encourage private sector investment was anchored on export initiatives. For example, the Export Promotion Council (EPC) was established in 1992 to promote and coordinate export promotion activities which included the Kenya Export Development Support Programme (KEDS) and Kenya Export Assistance Scheme. The Export Processing Zones Act No. 12 of 1990 provided for establishment of the Export Processing Zones (EPZs) and a regulatory authority, the Export Processing Zones Authority (EPZA).

Unlike the previous regimes, the policy interventions in 1990s sought to promote private sector investments and exports through incentives. The gains from these interventions were however dampened by increased competition caused by imports owing to market liberalisation. Market liberalisation resulted to cutting of import tariffs on leather products which led to an increase in the importation of footwear including second-hand shoes which depressed demand and consequently production of locally manufactured footwear. Thus, the 1990s experienced further growth of informality in the leather sector partly contributed to by the decreased production in the formal sector.

Post 2000, the policy focus has largely been on enhanced value addition, improved business environment and continued exports push. The initiatives to promote value addition and market access through exports have been advanced through two key policy documents developed during this period: The Economic Recovery Strategy for Wealth and Employment Creation 2003-2007; and the Kenya Vision 2030.

The central focus of the Economic Recovery Strategy for Wealth and Employment Creation 2003-2007 was on job creation through an enabling environment for private sector, improved governance, and public service delivery. All these factors were largely aimed at reduced costs of doing business. With regards to the leather sector development, this policy recognised the problem created by past policies in providing little development attention to ASALs. It thus sought to integrate ASALs in the overall development strategy of the country through support for animal production and marketing, range management, increased water provision through bore holes, research on livestock breeds and animal health services. It underscored the importance of establishing livestock-based industries in pastoralist areas and provide investment incentives for private sector targeting these areas. Priorities identified were livestock feed processing plants, leather tanning industries and small to medium-scale abattoirs. While there have been improvements in infrastructure particularly roads and rural electrification, development of manufacturing in ASAL regions however largely remained unimplemented. To promote value addition the government increased export duty on local hides and skins to 20 per cent, followed by a further increased in 2007 to 40 per cent and 80 per cent by the Finance Act, 2012. By 2010, the leather and footwear registered significant increase in terms of production. This policy intervention was in line with the Kenya Vision 2030 priority to develop the leather sector through value addition.

The Kenya Vision 2030 is largely anchored on the industrialisation agenda and inclusive development across the country including ASALs. The prioritisation of livestock under the economic pillar has significant implications and promise for development of the livestock sector through development of the value chain. The Vision underscores commitments to develop the livestock sector through value addition of livestock products, establishment of disease-free zones and establishment of abattoirs, storage facilities and tanneries within the disease-free zones. In the First MTP for instance, the government acknowledged institutional challenges within value chains in sectors such as leather processing attributable to institutional weaknesses and functional overlaps under respective Ministries. KLDC was established through Legal Notice No. 114 of 9th September 2011 to coordinate, license, promote, market the leather sector, and provide advisory services and research and development activities. The Second MTP for implementing the Kenya Vision 2030 sought to advance the Vision 2030 flagship priorities for establishment of disease-free zones and leather SME parks. The introduction of the Special Economic Zones Act No. 16 of 2015 provides opportunities for leather sector development through establishment of livestock special economic zones.

The Constitution of Kenya (2010) has significant implications for development of the leather sector. First, through equitable sharing of national and local resources by virtue of the principle of devolution which promotes opportunities for balanced development across the country, including ASALs that are hubs for livestock. Second, decentralisation of power and resources facilitates provision of proximate, easily accessible services including investments in priority infrastructure such as abattoirs where they are needed. Third, functions such as animal husbandry, livestock sale yards, county abattoirs, animal disease control, fisheries, veterinary services, markets development and county transport are devolved. Livestock-rich counties can therefore allocate resources based on local needs to develop the sector.

The Big Four Agenda that has been mainstreamed into the Third MTP for 2018-2022 has further prioritised development of the leather sector as a driver for job creation. This include establishment of the Kenya Leather Industrial Park in Kenanie, Machakos County and the development of the Institute of Leather Science. The Third MTP has also prioritised review of legislations on hides and skins as well as development of hides and skins, leather, and leather products development strategy. However, development of a policy on the sector needs to precede the strategy. The Policy would also guide review of the relevant legislations such as the Kenya Leather Development Authority Bill; the Hides, Skins and Leather Trade Act Cap. 359. Indeed, the development of the Kenya Leather Development Policy has been prioritised under the Manufacturing Sector of Third MTP.

The three focus areas of post 2000 policy interventions focussing business environment, value addition and export promotion, have only been partly achieved and therefore remain government priorities. First, the multiplicity of institutions that support the development of leather sector coupled with weak coordination have slowed realization of the intended outcomes. Though there have been some institutional interventions to address these coordination challenges, including the establishment of KLDC, they have been inadequate. Second, leather sector players along the value chain face high cost of doing business due to uncoordinated and weak infrastructure. Weak coordination along the leather value chain and inadequate infrastructural development have contributed to limited investments for value addition and high costs of doing business to competitively operate in a liberalized market.

Currently there are other sector specific policies, as discussed below, that have implications for development of the leather sector, and there is need to create synergy in the development of a comprehensive leather specific policy.

The ***Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction*** seeks to support development of Micro and Small Enterprises (MSEs). The MSEs account for majority of enterprises across all sectors of the economy, including the leather sector. This policy seeks to promote access to resources and integration into global value chains for MSEs.

The ***Sessional Paper No. 2 of 2008 on National Livestock Policy*** recognises potential of ASALs in livestock production and outlines interventions to exploit potential of these areas. Key intervention areas in the leather value chain include livestock breeding, disease control, nutrition and feeding, research and extension services, value addition and marketing. The policy seeks to strengthen producer marketing groups, enhance linkages on local and international market information, develop incentives for cottage and large-scale industries and market infrastructure.

Sessional Paper No. 9 of 2012 on the National Industrialisation Policy Framework 2012-2030 has made the following priorities for development of the leather sector: - Strengthen the Leather Development Council; revive and mainstream the Training and Production Centre for the Shoe Industry (TPCSI) in order to promote technical capacity in processing of leather products; strengthen the leather training and incubation programmes in KIRDI and KITI; and ban importation of used leather products and exportation of raw hides and skins.

The ***Kenya Veterinary Policy 2015*** provides a framework for the efficient exploitation of animal resources and the mainstreaming of agribusiness in different animal production systems. It proposes provision of effective sanitary, phytosanitary and traceability measures in the entire value chains of respective animal products. Also proposed is the provision of an efficient marketing infrastructure for different animal species and products, and supporting organization of producers, processors and markets in viable groups that can access credit, improve on their negotiation powers and entrepreneurship, maximize on the economies of scale and reach agreements and contract on the supply of animals and products to markets.

The ***National Trade Policy, 2017*** seeks to achieve three objectives: competitive and export-oriented trade policies; creation of an enabling environment for trade and investment; and promotion of counties as centres of trade and investment. This policy recognises the resource endowment and competencies of different counties that those in livestock-rich areas can exploit.

The ***Kenya Investment Policy 2019*** seeks to promote conducive environment and incentives for private sector investments. The policy outlines the criteria for awarding investment incentives to private sector investors to enhance domestic value addition. The criteria include consistency with the government's sustainable development priorities and the priority sectors, potential for benefiting the citizens through job creation, skills development, technology transfer and productivity improvements. The leather sector being labour intensive in nature can therefore meet these criteria and attract investments, including Foreign Direct Investment (FDI).

The ***Agricultural Policy 2019*** recognises the need to promote agribusiness and value addition in the livestock and fisheries sector through; supporting development of industries, developing capacity of producers, developing capacity of technical officers, promoting research in development and local assembly of machinery and equipment and promoting Public-Private partnerships. Other measures include promoting bilateral, regional, and international trade, and establishing a regulatory framework for contract farming.

The ***Agricultural Sector Transformation and Growth Strategy 2019-2029*** prioritise three anchors to drive the 10-year transformation: Increase small-scale farmer, pastoralist and fisherfolk incomes; enhanced agro-processing activities; and increased household food resilience. The realisation of these transformations is anchored on modernisation of on-farm production and input markets, and value chain development.

The ***Sessional Paper No. 1 of 2019 on a Policy Framework for Reforming Education and Training for Sustainable Development in Kenya*** has a relevance in terms of developing skills for national development. These include promotion of technological and industrial skills for the country's development. These skills are essential for entrepreneurial development to support growth of industries. This Policy seeks to strengthen the Technical and Vocational Education and Training (TVET) that is intended to meet the needs of industry as well as self-employment. It also seeks to strengthen the partnerships and linkages between the private sector and national and county governments. The development and relevance of technical skills is key to national development agenda. Besides TVET, university education is key to deepening of research and dissemination of knowledge for value chain development of priority sectors.

2.4 Challenges Facing the Sector[2]

The leather sector faces myriad of challenges across the value chain. Under the input level the challenges include low supply of quality hides and skins. At the value addition level, the challenges include uncompetitive and low value-added leather and leather products, while at the market level the challenges include limited access to domestic and export markets for leather and leather products. There are also several cross-cutting challenges across the value chain. These include weak infrastructural support; weak skills; low compliance with product standards and environmental standards; low innovation, technology acquisition and adaption; unconducive legal and regulatory environment; and weak linkages in different stages of the value chain among the leather sector actors.

A. INPUT LEVEL CHALLENGES

2.4.1 Low Supply of Quality Hides and Skins

The challenges here relate to livestock production and husbandry practices and poor slaughtering, preservation, and storage techniques. Poor livestock production and husbandry practices result from low public investments in livestock production, including extension services and livestock breeding practices. This has resulted in declining productivity of hides and skins. The average size of skins has fallen from 28 square feet in 1985 to 16 square feet

[2] Onyango, C., Musyoka, P., Shibia, A. and Laibuni, N. (2019), "Towards Revitalising Kenya's Skins, Hides and Leather products Industry", KIPPRA Discussion Paper DP/221/2019; and World Bank (2015), "Kenya Leather Industry: Diagnosis, Strategy and Action Plan", World Bank, Washington D.C

in 2018. Under the Fourth Schedule of the Constitution of Kenya (2010), agriculture (including animal husbandry, animal disease control, livestock sale yards, county abattoirs and fisheries) is a devolved function and there are variations in terms of public investments across the counties. The extension services have further weakened due to inadequate capacity in the counties. There is also increasing incidences of emerging diseases, pests, and shocks such as climate change induced hazards that affect the quality of hides and skins. Other challenges relate to practices such as animal branding that leave permanent marks on hides and skins. Such marks discount the value of hides and skins as they have to be cut out during tanning and manufacturing processes. Illegal exports of raw hides and skins also limit the supply to local tanneries.

With regards to slaughtering of livestock, aggregation and preservation of hides and skins the primary challenge is that most livestock keepers, especially among pastoral communities have low awareness on the value and access to markets for hides and skins compared to other products such as milk and meat. This is largely due to poor structures to access markets and exploitation by middlemen, thus contributing to low returns for households. These challenges also mean that some hides and skins are disposed of or diverted for traditional uses such as decoration and beddings with little value additions for wealth creation. There are also challenges related to flaying practices, which results from low awareness on grading of hides and skins, as well as lack of special flaying knives. This challenge particularly applies to rural slaughterhouses and home slaughters where significant proportion of hides and skins are generated. The flaying cuts, gorges on hides and skins reduce quality. About 30-50 per cent of skins and hides defects occur within slaughterhouses and abattoirs. Other challenges relate to poor storage and preservation facilities. The small-scale aggregators largely operate from informal structures and use traditional methods such as sun-drying and curing with salt before hides and skins are delivered to the tanneries. These practices expose hides and skins to damages, thus affecting quality. These challenges culminate to low supply of quality hides and skins.

B. VALUE ADDITION LEVEL

2.4.2 Uncompetitive and Low Value-Added Leather and Leather Products

The value addition activities include tanning of raw hides and skins and manufacture of leather and leather products. Tanning is the chemical process of treating raw hides and skins to avoid decomposition and putrefaction.

One of the challenges at this level is high fixed and variable costs. Low and volatile supply of hides and skins lowers economies of scale that would spread fixed costs over many units of production. On average tanneries in the country operate at 75 per cent capacity. This is due to low and variable livestock off-take patterns in the country. Investment in tanneries is also prohibitive due to requirements for tanning processes and environmental concerns with regards to treatment of effluents. Technology and land accounts for about 74 per cent of fixed costs of tanneries. Variable cost is largely driven by chemicals, which are mostly imported, accounting for 30-50 per cent of all variable costs. Further, the tanning process requires adequate supply of water and electricity and good waste management and environmental practices.

Use of obsolete technology further exacerbates tanning costs. Technology for processing leather to finished stage is expensive as it requires skilled labour. As a result, most tanneries process hides and skins only up to wet blue stage (i.e. semi-processed) which is exported for further value addition. Leather exports in the country consists of wet blue (89 per cent), raw hides and skins (5 per cent), finished leather at 2 per cent and manufactured leather products at 4 per cent.

Other challenges in the manufacturing of leather products include limited local supply of accessories and other inputs such as buckles, soles, shanks, thread, and glue. Further, there is limited diversification of the leather product range. Currently, the manufactured leather products are concentrated in low value-added footwear and accessories such as wallets and belts with limited diversification into speciality products designed for unique consumer needs such as in sports, health, upholstery, and automotive industry.

C. MARKET LEVEL CHALLENGES

2.4.3 Limited Access to Domestic and Export Markets for Leather and Leather Products

Intense competition resulting from cheap imports including second-hand and new leather products and non-leather products stifle demand in the local market, thus creating disincentives for manufacturers. The export markets are also constrained by cost disadvantages owing to high costs of production resulting from energy, imported chemicals, financing costs, low economies of scale and use of obsolete technology. To avert these disadvantages most leather and leather products are exported in wet blue form.

Other market level related challenges include weak market linkages and information access channels for MSEs, low public confidence in local products, poor product packaging and branding, and low conformity to product standards. Relationships with finished goods producers are also weak, thus, especially with market information access challenges, finding a market is challenging as high end finished goods are tailored to users' specifications.

D. VALUE CHAIN CROSS CUTTING CHALLENGES

2.4.4 Weak Infrastructural Support

The infrastructure challenges at the input level relate to availability and access to demonstration farms for livestock keepers, disease management and surveillance facilities; road networks to access interior markets; inadequate specialised tools and machines (e.g. flaying knives) at slaughterhouses to reduce high prevalence of slaughter-based defects. The defects include flaying gorges, scores, cuts, poor pattern, and abrasion. Other challenges include inadequate preservation and storage facilities for raw hides and skins. Hides and skins, if not properly cured/preserved and stored, are easily perishable and will have little economic value. Delayed curing of hides and skins makes them susceptible to deterioration, due to putrefaction and therefore timely preservation is critical immediately after slaughtering. Defects associated with preservation and storage include putrefaction, hair slip, red heat, horny, casehardening and damage by rodents and vermin. Further, lack of easily accessible aggregation centers for raw hides and skins in rural areas contribute to non-collections and delays in timely curing, thus resulting to losses.

At the value addition level, the country has 20 commercial tanneries with an installed capacity of tanning 3.3 million hides and 10.3 million skins annually. Capacity utilization varies from 30 to 90 per cent depending on the availability of raw materials and market dynamics. The tanning process is affected by use of old/obsolete production equipment, high cost of spare parts and outdated and costly waste management techniques. Hence, over the years, leather processing has been limited to semi processing accounting for over 70 per cent of the production due to limited investment in the leather finishing processes. The semi-processed leather is mainly for the export markets. Tanning is chemical intensive and therefore requires adequate warehousing facilities for storage and effluent treatment and disposal infrastructure.

Other constraints faced by leather manufacturers include poor equipment and inefficiencies in access to water, electricity, and worksites. This increase costs of doing business for private sector enterprises due to high costs of utilities and waste management and disposal. Tanning and product manufacturing require specialized machinery, most of which are currently imported at high costs. While machinery imports do not attract import duty, some critical parts and flaying, splitting, shaving, and fleshing knives attract duty, which increase production costs that make the sector less competitive.

At the market level there are challenges of information asymmetry on product standards and market opportunities. This includes limited marketing channels and information accessibility platforms for accessing local and international markets.

2.4.5 Skills Constraints

The country has several universities and TVET training institutions that offer various levels of training from craft to graduate level. There are however weaknesses in supply of industry relevant skills. The industry is dynamic and requires highly specialized skills to keep pace with modern trends and changing customer preferences. The existing training institutions also concentrate more on long term training for different levels of certification and there exists gaps in provision of short term (modular) shop-floor skills requirements that address the prevailing sector’s needs. Most of the training institutions lack adequate funding, modern facilities, and human capacity to offer practical training in leather production and product design. Moreover, there are inadequate technical training facilities dedicated to the leather industry. Consequently, the industry is starved of the required skills at different levels of the leather sector value chain.

At the input level there is insufficient training and capacity building related to livestock production, disease control and branding that contribute to increased farm-based defects on hides and skins. These include skin diseases, branding marks, tick bites, transportation bruises and scratches. Further, there are skills gap related to flaying, storage and preservation of raw hides and skins. At the value addition level there are inadequacies in technical skills, production, and management skills. This for example culminates to inadequate supply of competent footwear and leather goods designers and limited number of qualified machine technicians.

2.4.6 Low Compliance with Product and Environmental Standards

Low compliance with standards mainly occurs due to limited capacity in the application of relevant standards, poor product packaging and branding. At the input level hides and skins trading is carried out without proper adherence to grading and selection standards resulting from low awareness, limited capacity, and other required resources. At the value addition level, majority of the leather manufacturing enterprises are MSEs that operate informally.

They therefore have limited production capacities, inadequate access to quality control facilities leading to low conformity to standards of product quality and lack of consistency with product standards. At the market level poor quality of leather and leather products impair local consumers preferences. Further, access to international markets including linkages with global supply chains is undermined by low compliance with standards.

On environment, there is low compliance with environmental requirements, inconsistent enforcement of the regulations on waste management, low capacity to reuse/recycle, low capacity to add value to by-products and decentralized location of tanneries make it difficult to provide for private Common Effluent Treatment Plants (CETPs). Generally, leather value chain activities produce various solids, liquids and gaseous wastes that are costly to adequately treat and manage. These waste if not well managed pose threats to health, safety, and environment. The treatment of the effluent is guided by mandatory requirements to comply with relevant county, national and international environmental laws, and regulations. At the input level for example, wet salting which is the most preferred curing method for hides and skins has negative environmental effects. Further, tanneries produce significant wastes and currently most of them have individual effluent treatment plants that are inadequately equipped and managed in accordance with the best practices due to high costs. Generally effluent treatment is expensive, and its cost is factored in the final price of the products, thus making local products uncompetitive. The current industry situation does not favor the establishment and use of the private CETPs as tanneries are located at different sites. This makes it a challenge to co-share the effluent treatment costs and lower the cost of production to improve the competitiveness of the industry.

2.4.7 Low Innovation, Technology Acquisition and Adaption

Competitive leather sector depends on the availability of appropriate production technologies. The sector is capital intensive and dynamic in terms of international competition and changing consumer preferences, thus requiring continuous improvements in production technologies along the value chain. The productivity and competitiveness of the sector is however constrained by use of inappropriate production technologies that lower quality of leather and leather products. Technology challenges result from inadequate capacities to undertake R&D, high costs of technology acquisition and limited industry-academia linkages. The tanning and manufacture of leather also requires innovation and appropriate technologies to lower costs of waste management and embrace environmentally friendly business practices. Waste management practices are capital intensive and currently not easily accessible to majority of the enterprises.

2.4.8 Weak Linkages in Different Stages of the Value Chain Among the Actors

Most of the leather goods manufacturers are MSEs in the informal sector. However, these informal MSEs have weak and unbalanced linkages with the formal enterprises. There is also limited interactions among the value chain actors. Further, private sector-led associations that can facilitate networking and interactions among various actors are limited. These factors contribute to underdevelopment of the sector and challenges in accessing markets.

2.4.9 Unconducive Legal and Regulatory Framework

The leather sector activities are implemented by multiple institutions with weak coordination. These institutions are spread across various government ministries, departments and agencies, each operating within different mandates, policies, legal and institutional frameworks that contribute to low performance of the leather sector due to limited collaborations in program implementation and sharing of data. Under the devolved system of governance provided in the Constitution of Kenya (2010), the sector structure was reorganized with the industrial infrastructure and policy development assigned to the National Government, while the functions that supports production of hides and skins was devolved to the County Governments. This has increased institutions supporting development of the leather sector thus increasing licensing requirements especially with the respect to the trade of raw materials and finished leather products across the counties. The Hides, Skins and Leather Trade Act (Cap) 359, for example, provide for the consolidation of the laws relating to the trade in hides, skins, and leather, as well as the components of disease control. However, this law lacks coverage of value addition activities. Also, the KLDC established through the Legal Notice No. 114 of 9th September 2011 as the leather sector regulator has no residual powers of enforcement to holistically serve the intended roles in development of the sector.

2.5 SWOT Analysis

The SWOT analysis of the leather sector was undertaken to guide the policy with regards to leveraging on the strengths, intervention areas to address the weaknesses, exploitation of opportunities and management of risks posed by external threats. Strengths and weaknesses are internal factors to the leather sector, while opportunities and threats are external to the sector. The SWOT analysis provided in Table 2.2. is undertaken using the value chain approach. However, there are cross cutting issues across the value chain that are clustered together.

Table 2.2: SWOT Analysis of the Leather Sector

STRENGTHS	WEAKNESSES
Input Level	
• Large and diversified livestock base with potential for supply of hides and skins. • Growing demand for meat, increasing the slaughter rates. • Existence of slaughterhouses across the counties. • Network of traders of hides and skins across the counties. • Availability of support institutions (KAGRC, KALRO amongst others)	• Low quality hides and skins due to poor animal husbandry/breeding practices, poor flaying techniques, poor preservation and storage and low awareness on grading of hides and skins. • Weak infrastructure in counties including abattoirs, curing and storage facilities for hides and skins. • Insufficient training and capacity building related to livestock production, disease control and branding that contribute to increased farm-based defects on hides and skins. • Weak and inadequate extension services for livestock farmers across counties. • Non-collections and delays of hides and skins.
Value addition Level	
• Availability of support institutions (AHITI, TPCSI, Universities, KEBS, KIRDI, KITI, KIE, MSEA). • Ancient tradition of making handicrafts from leather products. • Availability of production capacity. • Growing and dynamic private sector participation particularly small & medium manufacturing enterprises and clusters. • Good networking among footwear and leather goods manufacturers. • Existence of environmental code of practice. • Government commitment in establishment of infrastructure (Parks, CETPs) and other incentives. • Existence of standards for the sector.	• High cost of production (Electricity, credit, land). • Low innovation • Low adoption of new technologies • High cost of machinery, parts and accessories which are in most cases imported • High costs of imported chemicals • Limited product base. • Limited research and development. • Inadequate technical and production skills. • Inadequate specialized training facilities. • Limited awareness on existing standards and low compliance. • Inadequate facilities for leather quality control. • High cost of waste management. • Low compliance with environmental requirements. • Inconsistent enforcement of the regulations on waste management. • Low capacity to reuse/recycle. • Low capacity to add value to by-products.

	• Decentralized location of tanneries making it difficult to provide for CETPs.
Market Level	
• Adoption of digital platforms in market development. • Well-developed and dynamic retail chain for leather products.	• Large number of informal enterprises, limiting opportunities for accessing markets. • Poor product packaging and branding. • Low conformity to product standards. • Weak subcontracting linkages of MSEs with medium and large enterprises for market access. • Limited marketing channels and information accessibility in both local and international markets. • Limited linkages amongst finished goods producers, thus finding a market is challenging as high end finished goods are tailored to users' specifications.
Crosscutting Across the Value Chain	
• KLDC to champion development of the sector. • Existence of private sector associations for lobbying policies and accessing markets. • Existing legal and institutional frameworks supporting development of the sector. • Availability of basic leather data. • Existence of MSEs leather clusters. • Existing research in various leather fields.	• Weak linkages among actors along the value chain • Limited collaboration with upstream and downstream value chain players. • Existence of many informal players. • Weak private sector associations. • Uncoordinated data sources not regularly updated. • Inadequate manpower in leather training institutions. • Overconcentration on long term courses with little attention to shop-floor short term courses. • .Inconsistency in policy formulation and implementation. • New dynamics in the leather industry not captured in existing laws.
OPPORTUNITIES	**THREATS**
Input Level	
• New investment in slaughter facilities. • Untapped gaps in hides and skins trading. Opportunities from other sources of input (ostrich, crocodile, and fish).	• Illegal exports of raw hides and skins • Animal diseases.
Value Addition Level	
• Growing number of leather technologists. • Government support through fiscal incentives (tax exemptions) for machinery and chemicals. • Diversification of the product range (finished leather products). • Opportunities for finished leather production. • Contract manufacturing. • Local manufacturing of chemicals, machinery, spare parts, and accessories. • Adoption of cleaner production technologies to promote recovery, recycle and reuse of wastes. • Development of Leather Industrial Parks across the counties.	• Poor quality imports of accessories and chemicals. • Rapidly changing technology for quality products.

Market Level	
• Growing middle class in the country that would increase demand for manufactured products. • Regional trading blocs providing untapped market opportunities (EAC, COMESA, AFCFTA and AGOA). • Government support in procurement of locally manufactured leather products. • Government support in promotion of exports of leather and leather products. • Well established manufacturers for developing superior local brands. • Growing demand for natural leather products.	• Low public confidence in local products. • Competition from low-cost producers such as China, India, and Ethiopia. • Competition from second-hand leather and synthetic products. • Competition from counterfeits and cheap substandard products. • Rapidly changing consumer preferences to keep abreast with competition in a globalised market. • Restrictions arising from implementation of international treaties, protocols, MOUs, and agreements e.g. AGOA & EPA.
Crosscutting Across the Value Chain	
• Government commitment to support the sector. • Political goodwill for the sector. • Available investment opportunities across the value chain. • Government support in basic infrastructure development. • Government commitment to strengthening institutions and review of legal frameworks. • Existence of a vibrant private sector. • Private sector engagement Framework with the Government (Presidential Round Table). • Existing national and sectoral policies for synergy in development of the sector. • Revitalisation of TVET institutions and robust universities for R&D, innovation, skills, and technology transfer. • Devolved governance structure with counties providing opportunities for proximate services and mainstreaming development of leather through CIDPs. • Productive, trainable, and innovative youthful population. • Stable political and macroeconomic environment for investments. • Existing quality control facilities (e.g. KEBS). • Robust local professional associations and regional bodies for collaborations. • Existing structures to support formalization of MSEs. • Technology advancements for data collection, management, and information sharing.	• Multiplicity of licenses and licensing agencies that increase costs of doing business. • Unpopularity of leather training programmes. • Emerging risks attributed to disruption of supply chains and demand (e.g. shocks resulting from diseases, geopolitical global trade wars and climate change hazards).

3. CHAPTER THREE: POLICY STATEMENTS

These policy interventions are envisaged to address the challenges that cut across the leather sector value chain with an aim of achieving an integrated developed sector for inclusive and sustainable development of the economy through employment creation and income generation. The policy interventions are anchored on the nine (9) policy objectives stated in section 1.4.

3.1 Promote Sustainable Supply of Quality Hides and Skins

Sustainable supply of quality raw hides and skins is essential for the overall competitiveness of the leather sector. The following interventions will be employed to promote sustainable supply of quality hides and skins;

a) Promote an integrated approach for sustainable livestock production.
b) Improve and implement national breeding systems for different livestock breeds.
c) Promote good animal husbandry practices that encourage high off-take rates that will give quality hides and skins.
d) Establish disease-free zones for livestock productivity and quality.
e) Provide incentives for producers of hides and skins to enhance quality.
f) Promote a comprehensive hides and skins grading system.
g) Promote establishment, modernization, and categorization of slaughterhouses.
h) Promote use of appropriate technology in production, preservation/curing and storage of hides and skins.
i) Promote aggregation centres across the counties for collection of hides and skins.
j) Promote the participation of special interest groups in production of quality hides and skins.

3.2 Promote Production of Competitive and Quality Finished Leather and Leather Products

The efficiency of local value addition in the leather sector is essential for wealth and employment creation. The following interventions will be employed to promote competitive sustainable quality finished leather and leather products;

a) Facilitate modernization of tanneries to expand tanning capacity for production of quality finished leather.
b) Promote access to high quality finished leather.
c) Promote establishment and modernization of leather products manufacturing factories.
d) Promote local production of affordable chemicals, parts, and accessories.
e) Promote quality speciality leather products leveraging on Kenya's competitive advantage.
f) Promote the adoption of sustainable production methods of leather and leather products.
g) Promote the participation of special interest groups in value addition of leather and leather products.

3.3 Enhance Access to Domestic and Export Markets for Finished Leather and Leather Products

Access to local, regional, and international markets is critical for the growth of the leather sector. The following interventions will be employed to enhance access to domestic and export markets of finished leather and leather products;

a) Develop a holistic and coordinated marketing approach for the domestic and export markets.
b) Develop appropriate marketing platforms to access local, regional, and international markets.
c) Leverage on trade treaties, pacts, and agreements to enhance market access.
d) Create awareness and promote the use of branding, packaging, and the acquisition of Intellectual Property Rights to protect and promote leather and leather products made in Kenya.
e) Promote growth of the local market through Government procurement of footwear and other leather products.
f) Promote linkages between MSEs and other local manufacturers and major outlets.
g) Develop networks for linking local MSEs and local manufacturers with global brands for marketing partnerships.

3.4 Enhance Infrastructural Support at National and County Levels throughout the Leather Value Chain

Physical and soft infrastructure is necessary across the leather sector value chain as an enabler. The following interventions will be used to enhance infrastructure support at the national and county levels;

a) Mainstream leather sector development in the polices and development plans at national and county governments.
b) Enhance partnerships between the national and county governments in infrastructure development along the leather sector value chain.
c) Promote priority investment opportunities in the leather sector across the counties.
d) Revamp existing infrastructure across the country with the aim of leveraging on existing resources in government support institutions.

3.5 Develop and Improve Skills Across the Value Chain

A competitive leather sector requires a mix of technical skills along the value chain. The following interventions will be employed to develop and/or improve skills for the sector;

a) Review and develop a curricular that meets the dynamic needs of the leather sector.
b) Promote technical assistance for capacity building in the leather sector.
c) Promote investments of skills development in the leather sector.
d) Promote modernization of leather training and research institutions.
e) Establish mechanisms that promote skills and technology transfer.

3.6 Enhance Compliance with Product and Environmental Standards Along the Value Chain

A sustainable leather sector is premised on compliance with relevant product and environmental standards. The following interventions will be employed to enhance compliance with products and environmental standards along the value chain.

a) Consistently create awareness on relevant standards requirements throughout the leather sector value chain.
b) Ensure compliance with local and international standards along the leather value chain.
c) Facilitate establishment of modern waste treatment and safe disposal systems.
d) Promote recycling of wastes and value addition to by-products.

3.7 Promote Innovation, Technology Acquisition and Adaption Along the Value Chain

Continuous innovation and technology acquisition are critical given the dynamism in consumer preferences and the need to remain competitive. The following interventions will be employed to promote innovation, technology acquisition and adaption for productivity within the leather sector for competitiveness of the leather and leather products;

a) Establish mechanisms for continuous assessments of technology gaps and technology needs of the leather sector.
b) Undertake regular demand driven research relevant across the leather sector value chain.
c) Promote research and development investments.
d) Promote the establishment and modernization of leather research institutions.
e) Promote access to use of efficient production technologies in leather sector.
f) Enhance uptake of intellectual property rights to protect and promote speciality products.

3.8 Promote Linkages Along the Value Chain Among All State and Non-state Actors

A robust linkage across all actors across the leather value chain is essential for synergies, collaboration, and seamless development of the leather sector. The following interventions will be employed to linkages along the leather value chain.

a) Develop a framework for coordination, implementation, and monitoring and evaluation of all leather sector policies, programmes, activities, and development plans.
b) Promote the establishment and strengthening of relevant sector associations and cooperative societies.
c) Promote linkages between local leather sector actors with regional and global actors.
d) Enhance the capacity of the leather sector support institutions.

3.9 Provide a conducive Legal and Regulatory Framework to Support the Leather Sector

The legal and regulatory environment has significant implications for costs of doing business for the leather sector. The legal and regulatory environment also provides mechanisms through which non-government actors can be incentivized to participate in promotion and development of the sector. These interventions are therefore aimed at improving the legal and regulatory environment to be more supportive and responsive to the productivity, growth, and development of the sector across the value chain. The following interventions will be used to provide a conducive regulatory environment for the leather sector.

a) Develop an appropriate legal framework to support the development of the leather sector by the promulgation of the Kenya Leather Development Authority Act.
b) Establish an integrated and structured awareness creation approach on laws and regulations relevant to the leather sector.
c) Provide fiscal and other forms of incentives for the growth and development of the leather sector.
d) Review leather sector regulatory framework to align them to the national, regional, and global developments.

4. CHAPTER FOUR: POLICY COORDINATION AND IMPLEMENTATION

4.1 Policy Coordination and Implementation Process

The leather sector has several players and several stakeholders at the national and county levels who are state and non-state actors. The coordination and harmonisation of all activities in the leather sector is a key mandate of the Kenya Leather Development Council as established in Legal Notice 114, State Corporations Act, Dated 9th September 2011. However, KLDC needs to be transformed into a substantive Authority. This is informed by the Policy Objective to provide a conducive legal and regulatory framework to support the sector.

The Council/Authority in meeting this mandate, will, together with the Ministry responsible for leather sector development undertake the following coordination and implementation activities:

1. Enact a specific leather sector legislation that is aligned to this policy with the aim of enhancing coordination and implementation of other related leather sector policies and programmes.
2. Ensure efficiency and effectiveness in the implementation and coordination of the policies and programmes of the value chain using an established framework.
3. Adopt a collaborative stakeholder approach for policy planning, budgeting and implementation through sector and thematic working groups.
4. Establish an effective institutional framework for identifying and mapping all actors that are involved within the leather value chain to be maintained in a leather sector databank.
5. Undertake frequent research to inform policy decisions.
6. Undertake leather sector surveys every five years aimed to inform policy decisions.
7. Adopt effective M&E mechanism as presented in Chapter 5 of this policy to review, analyse, and assess implementation of the leather sector policies and programmes continuously and systematically.

4.2 Role of Stakeholders

4.2.1 State Actors

The state actors that will play a central role include: -

The Ministry responsible for leather sector development - to formulate relevant policies that spearhead the leather sector development and promotion of the leather value chain.

Kenya Leather Development Council - to provide advisory services to the Minister on matters relating to processing of and trade in hides, skins, leather and leather products for effective planning; promote, direct, coordinate, harmonize and implementation of all policies and activities in the leather sector; undertake research and development activities; oversee licensing in the leather subsector; collect, maintains, analyse and disseminate data on leather sector; and facilitate internal and external market access.

County Governments – to undertake functions and powers prescribed in the constitution which include animal husbandry; livestock sale yards; county abattoirs; plant and animal disease control; and fisheries. Other county roles include trade development and regulation, including markets, trade licences and cooperative societies. County government also undertake county planning and development.

Other Ministries, Departments and Agencies (MDAs) will also play important roles in the leather sector development through provision of intervention support across the value chain. The value chain has various segments falling within the mandates of MDAs.

4.2.2 Non-State Actors

The non-state actors play different roles which include;

Leather sector associations -will be strengthened and integrated in the public policy process as they play important roles in disseminating information and channelling various support services to actors, as well as monitoring implementation of the policy and in lobbying the government.

The private sector- play a critical role in economic development. The sector players provide the investment, goods, and services necessary across the value chain including infrastructure, training, research and development, finance, innovation, and technology. The private sector also plays a role in monitoring the implementation of the policy.

***Development partners* -** provide support to inform implementation of the policy in various ways across the leather sector value chain which include but not limited to financial, technical, and infrastructural support.

5. CHAPTER FIVE: MONITORING AND EVALUATION

Monitoring and Evaluation (M&E) will be adopted to measure efficiency and effectiveness of this policy. The National Monitoring and Evaluation Policy 2012 informs the establishment of this M&E framework.

5.1 M&E Framework

The M&E framework will be embedded with reliable mechanisms to collect, analyse and to assess interventions and programmes across the leather sector value chain. This will ensure the intended objectives, outcomes and impacts are relevant, efficient, effective, impactful, and sustainable. The M&E framework will provide timely and accurate information at regular intervals aimed at informing policy implementation for evidenced-based decision making.

The proposed Kenya Leather Development Authority, to be established under an act of parliament, will be mandated to monitor and evaluate the implementation of existing policies and programmes related to or affecting the leather sector value chain and advise the Government appropriately.

5.2 M&E Activities and Plan

The Council/Authority in meeting this mandate, will, together with the Ministry responsible for leather sector development undertake the following M&E activities:

1. Build human and institutional capacity within the Council/Authority, County Governments, and relevant MDAs to undertake M&E effectively and efficiently.
2. Establish an integrated M&E framework along the value chain which outlines the objectives, inputs and outcomes of policies and programs.
3. Establish the M&E Plan to outline the resources necessary for the M&E function including baseline data, actors responsible and data collection instruments. The M&E plan will provide the necessary requirements and accompanying budget for all relevant activities. This includes staff, trainings, workshops, and other resources required for data collection, data analysis, data verification, evaluations, and impact assessments.
4. Undertake monitoring through continuous data and information collection during the policy implementation period. To achieve this, the following activities will be undertaken:
    - **i.** Strengthen and streamline institutional capacity among implementing agencies at national and county government levels to undertake M&E.
    - **ii.** Strengthen reporting of performance in implementation of programmes, policies and project undertaken at national and county government levels.
    - **iii.** Establish a participatory monitoring mechanism involving relevant stakeholders.
    - **iv.** Establish reporting mechanisms from all stakeholders from sub-county level building on County Integrated Monitoring and Evaluation System (CIMES) and National Integrated Monitoring and Evaluation System (NIMES).
    - **v.** Establish M&E reporting tools with clear SMART indicators, targets, outputs (results) and, outcomes.

5.3 M&E Reporting

As guided by the National Monitoring and Evaluation Policy 2012, data and information will inform M&E quarterly and annual reports which will be amalgamated at the Ministerial level and presented to the Principal Secretary responsible for Planning to inform policy decisions. Data and information will be presented in annual reports and other relevant reports which will be made accessible all actors.

5.4 Evaluations and Assessments

The assessment of the policy will be undertaken annually to gauge the implementation progress. The impact evaluation of the policy will be undertaken every five years to analyse the extent to which the objectives have been achieved.

IMPLEMENTATION MATRIX

(To be provided once stakeholder inputs are analysed)