



# Kenya Leather Development Council

*Leather for wealth - Ngozi ni Mali*

## STRATEGIC PLAN

---

2017/18 - 2021/22

---

*Dynamic Global Agency for  
Promotion of Excellence in  
Development of Leather Value Chain*

## STATEMENT FROM THE CABINET SECRETARY – MINISTRY OF INDUSTRY, TRADE AND COOPERATIVES

### Leather, Kenya's Priority in Industrial Growth



*Ministry of Industry, Trade and Cooperatives, C.S- Hon. Adan Mohamed, EGH*

As global production costs continue to rise in the traditional markets of Asia and Europe, Kenya finds itself at an exciting point in history when manufacturing is expected to move to Africa. As a country, we are gearing up to be at the forefront in capturing this opportunity for growth. We are positioning our industrial sector to attract investments through the advantages of our Well-trained labor force, massive market opportunities, low cost of operations, integrated industrial parks and our improving modes of transport and power infrastructure.

Today, Kenya has extraordinary momentum. The foreign direct investment in our country has more than doubled in the past two years and our domestic investment continues to rise. The country's middle income population comprises 45% of the populace and people continue to be the top talent in Africa. The World Bank estimates a growth rate of 6.7% per year for the region and a higher growth rate than that of Brazil, India or the rest of sub-Saharan Africa.

Industrialization has been the modernizing force in every developed and emerging economy and this will continue to be the case for Kenya. Industry will be the bedrock upon which we grow jobs, individual incomes and the Kenyan economy at large. We are confident we can also transform the wealth, employment and inclusiveness of our country over the next five to ten years through a targeted approach in sectors which we have a competitive advantage as identified in the priority sector mapping undertaken by the Ministry of Industry, Trade and Cooperatives (MoITC).

At the heart of this priority sector mapping; is the leather sector. Kenya's leather sector commands enormous opportunities as a quick-win sector that is naturally endowed with an abundant raw material base and expansive market opportunities for finished leather and leather products. As a Ministry, we are keen on pursuing Kenya's leather sector transition from a hides and skins hub to a fully-fledged manufacturing sector that produces competitive leather and leather products at a global scale. In supporting this transition therefore, we expect to create an additional 35,000 jobs and USD 150 to 250 million in Gross Domestic Product (GDP) and contribute to substituting a portion of USD 86 million in shoe imports yearly. In the implementation of this Strategic Plan, we call upon all key partners to support us in achieving the targets identified as we seek to propel Kenya's leather sector to uncharted heights.

***Hon. Adan A. Mohamed, EGH***

***Cabinet Secretary - Ministry of Industry, Trade and Cooperatives (MoITC)***

## STATEMENT FROM THE PRINCIPAL SECRETARY-STATE DEPARTMENT FOR INDUSTRY AND INVESTMENT



*Eng. Patrick N. Mwangi– CBS Principal Secretary State departments for Industry and Investment*

At the heart of the Ministry of Industry, Trade and Cooperative's (MoITC) priorities for the development of Kenya's industrial economy; is the leather sector. The abundance of raw material base for the progress of a vibrant leather sector as well as an expansive market demand for leather and leather products both in Kenya and the region provide the leather sector with an exciting dynamic for growth.

As a Ministry, we take cognizance of the numerous opportunities that lie in wait for a developed leather sector which entail among other things; creation of thousands of jobs, improved Kenyan economy and reduced import

costs as the country meets its internal demand for leather and leather goods. However, despite this recognition, we remain aware of the numerous challenges obscuring the opportunities for the leather sector which are clearly identified in this Strategic Plan. This recognition therefore calls for strategic interventions, some of which have been initiated by the Government of Kenya through MoITC and Kenya Leather Development Council as well as strategic partners keen on the development of Kenya's leather sector.

This is a strategy that we believe will drive Kenya towards becoming the leather hub of Africa and will enable the country to achieve its goals of creating jobs, improving the national economy and addressing its balance of trade – all towards a better quality of life for Kenyans and the people of the region as a whole.

***Eng. Patrick N. Mwangi, CBS***  
***Principal Secretary – State Department for Industry and Investments***

## STATEMENT FROM THE CHAIRMAN-KLDC



*Mr. Titus K. Ibui – Chairman (KLDC)*

Kenya Leather Development Council (KLDC) has undergone a tumultuous growth in the execution of its mandate in promoting a globally competitive leather industry in Kenya. Under the new dispensation, KLDC was moved from the then Ministry of Livestock Development (MoLD) to the Ministry of Industry, Trade and Cooperatives as a priority agency for the promotion of leather, footwear and leather products agenda in Kenya. This shift is of utmost significance as it demonstrates the immense Focus of

the Government of Kenya towards Promotion of the manufacturing economy as a critical sector in the creation of jobs and improvement of livelihoods in Kenya. The leather sector in itself presents an opportunity for the creation of 35,000 jobs and a subsequent increase in Kenya's Gross Domestic Product (GDP) by USD 150 - 250 million, all of which can only be achieved through increased value addition efforts in the leather value chain.

This Strategic Plan essentially highlights the key interventions spearheaded by the Government of Kenya through Kenya Leather Development Council in promoting a competitive and sustainable leather industry in Kenya. The strategy builds on previous interventions by the Government of Kenya with a strategic focus on promoting value addition, innovativeness, partnerships, sustainability and a cleaner, more conducive environment for operationalization of the leather sector in Kenya.

***Mr. Titus K Ibui***  
***Chairman – Kenya Leather Development Council***



## STATEMENT FROM THE CHIEF EXECUTIVE OFFICER-KLDC



*Dr. Issack M. Noor, PhD – CEO (KLDC)*

The Kenya Leather sector with an anticipated potential of creating 35,000 jobs annually, is a major priority of the Government of Kenya as the Country seeks to attain the Vision 2030. Perhaps this is where we ask why the leather sector? In response to this we would consider two (2) critical aspects that make Kenya's leather sector a huge magnet for investment;

- a) The long value chain of the sector which starts from animal production and husbandry practices all through to the production of finished footwear, leather and leather crafts.
- b) The immense market potential that the sector portends especially in the area of finished leather, footwear and leather goods with industry statistics indicating that the country produces 10 million pairs of shoes per annum thus operating at a deficit in consideration of the fact that Kenya's population currently stands at 44 million people with a shoe per capita of about 0.85. Besides this, due to Kenya's engagement with the wider East and Southern Africa, the country enjoys larger markets of the COMESA region which in itself portends a demand of 100 million shoes.

Historical challenges have largely obscured the achievement of the great potentials of this sector. This has led to the need for proactive and collaborative engagement between the Government of Kenya and leather value chain stakeholders on tailor-made initiatives aimed at transforming Kenya from a hides and skins producer to a global player in production of competitive leather, footwear and leather goods.

As such, the focus for an industrialized leather sector is the drive behind this five year Strategic Plan which outlines the key projects and activities for implementation by Kenya Leather Development Council from 2017/18 – 2021/22. The Plan largely borrows from the Kenya Industrial Transformation Program, 2015, the Council's previous Strategic Plan as well as stakeholders' inputs in the identification of key projects and activities for implementation by the Council.

***Dr. Issack M. Noor, PhD***

***Chief Executive Officer – Kenya Leather Development Council (KLDC)***

## ABBREVIATIONS AND ACRONYMS

ACA	Anti-Counterfeit Agency
AGOA	Africa Growth and Opportunity Act
AGPO	Access to Government Procurement Opportunities
BKB	Brand Kenya Board
BKBK	Buy Kenya Build Kenya
CEO	Chief Executive Officer
CIDA	Canadian International Development Agency
CLRI	Central Leather Research Institute
COMESA	Common Market for Eastern and Southern Africa
COMSec	Common Wealth Secretariat
COTU	Central Organization of Trade Unions
DD	Deputy Director
DI	Direct Interviews
Dir	Director
EAC	East African Community
EATIH	East Africa Trade & Investment Hub
EPC	Export Promotion Council
EPZA	Export Processing Zones Authority
EU	European Union
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
GDP	Gross Domestic Product
HR&A	Human Resource & Administration
HRM	Human Resource Manager
ICT	Information Communication Technology
IFC	International Finance Cooperation
IP	Imitation Products
KeBS	Kenya Bureau of Standards
KECCOPA	Kenya Consumer Protection Advisory Committee
Ken Invest	Kenya Investment Authority
KFMA	Kenya Footwear Manufactures Association
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KLDC	Kenya Leather Development Council
KLP	Kenya Leather Park
KNCPCC	Kenya National Cleaner Production Centre
KPI	Key Performance Indicators
KTA	Kenya Tanners Association
LAEA	Leather Articles Entrepreneurs Association of Kenya
LDC	Leather Development Council
M & E	Monitoring and Evaluation
MoITC	Ministry of Industry, Trade & Cooperatives
MOLD	Ministry of Livestock Development
MSEA	Micro & Small Enterprises Authority
MSME	Micro and Small Enterprise Authority
MTP	Medium Term Plan
NEMA	National Environment Management Authority
PESTEL	Political, Economic, social, Technological, Environmental and Legal
PMET	Planning Monitoring & Evaluation Team
R & D	Research and Development
RDO	Research and Development Officer

SAGP	Switch Africa Green Project
SEZs	Special Economic Zones
SITA	Support for Indian Trade in Africa
SME	Small and Medium-sized Enterprises
SP	Strategic Plan
SWOT	Strengths, Weaknesses, Opportunities and Threats
TDB	Trade Development Bank
TPCSI	Training and Production Centre for Shoe Industry
UNE	United Nations for Environment
UNOPS	United Nations Office for Project Services
USA	United State of America
VC	Value Chain

## TABLE OF CONTENTS

STATEMENT FROM THE CABINET SECRETARY – MINISTRY OF INDUSTRY, TRADE AND COOPERATIVES.....	i
Leather, Kenya’s Priority in Industrial Growth .....	i
STATEMENT FROM THE PRINCIPAL SECRETARY-STATE DEPARTMENT FOR INDUSTRY AND INVESTMENT .....	ii
STATEMENT FROM THE CHAIRMAN-KLDC .....	iii
STATEMENT FROM THE CHIEF EXECUTIVE OFFICER-KLDC .....	iv
ABBREVIATIONS AND ACRONYMS .....	v
TABLE OF CONTENTS .....	vii
List of Tables.....	ix
Executive Summary .....	x
Introduction .....	x
CHAPTER 1: INTRODUCTION .....	1
1.1 Background Information .....	1
1.2 Aligning Strategic Plan to Kenya Vision 2030 and MTP III .....	1
1.3 Justification for the Strategic Plan .....	2
1.4 The Strategic Planning Process .....	2
1.5 Overview of the Council’s Projects .....	2
1.5.1 Kenya Leather Park (KLP).....	2
1.5.2 MSME Cluster Upgrading (Karaoke) .....	3
1.5.3 Upgrading of the Training and Production Centre for Shoe Industry (TPSCI) .....	3
1.5.4 Switch Africa Green Project. (SAGP) .....	3
CHAPTER 2: SITUATIONAL ANALYSIS.....	4
2.0 Introduction .....	4
2.1 Internal Factors .....	4
2.1.1 Strengths.....	5
2.1.2 Weaknesses.....	6
2.2 External Factors .....	6
2.2.1 Opportunities .....	8
2.2.2 Threats .....	9
2.3 Stakeholders Analysis .....	9
2.4 Achievements, Challenges and Lessons Learnt from Previous SP .....	12
2.4.1 Achievements.....	12
2.4.2 Key Challenges .....	13
2.4.3 Lessons Learnt.....	13
CHAPTER 3: STRATEGIC ANALYSIS.....	14
3.0 Introduction .....	14
3.1 Vision .....	14
3.2 Mission .....	14
3.3 Core Values.....	14
3.3.1 Transparency and Accountability .....	14
3.3.2 Professionalism .....	14
3.3.3 Honesty and Integrity. ....	15
3.3.4 Teamwork .....	15
3.3.5 Collaboration and Networking .....	15
3.3.6 Commitment Meritocracy and Welfare of Staff .....	15
3.3.7 Social Responsibility. ....	15
3.4 Current Mandate .....	15
3.5 KLDC Philosophy .....	16
3.6 Strategic Direction .....	16
3.6.1 Facilitate Excellence in Leather Industry .....	16
3.6.2 Enhance Leather Sector Infrastructure.....	18
3.6.3 Promote Leather Processing and Product Manufacturing .....	19
3.6.4 Promote Leather Marketing .....	20



CHAPTER 4 : FINANCIN STRATEGIC PLAN .....	22
4.1 Budgetary Costs.....	22
4.2 Personal costs.....	22
4.3 Imports and Exports .....	23
4.4 Revenue Streams.....	23
4.4.1 Government Funding.....	23
4.4.2 Income Generating Activities.....	23
Chapter 5: INSTITUTIONAL MANAGEMENT & LEGAL FRAMEWORK .....	24
5.1 Institutional Management .....	24
5.1.1 Administrative Functions .....	24
5.1.2 Human Resource Management.....	24
5.1.3 Regulatory, Policy Development and Marketing Functions .....	24
5.2 Legal Framework.....	25
CHAPTER 6: MONITORING AND EVALUATION .....	26
6.0 Introduction.....	26
6.1 Planning, Monitoring and Evaluation Team (PMET).....	26
6.2 Monitoring and Evaluation Reports.....	27
6.2.1 Monitoring.....	27
6.2.2 Evaluation.....	27
6.2.3 Effectiveness of Monitoring and Evaluation.....	28
CHAPTER 7 RISK MANAGEMENT .....	29
7.1 Introduction.....	29
7.2 Risk Objectives.....	29
7.3 Aggregated Strategic Risk Management.....	29
CHAPTER 8: ANNEXURES.....	31
ANNEX I KLDC ORGANOGRAM .....	31
ANNEX II: IMPLEMENTATION FRAMEWORK .....	32
A2.1 Facilitate Excellence in Leather Industry .....	32
A2.2 Enhance Leather Sector Infrastructure.....	33
A2.3 Promote Leather Processing and Product Manufacturing .....	34
A2.4 Promote Leather Marketing .....	34

## List of Tables

Table 2.1	Stakeholders Analysis	9
Table 3.1.1	Policy Development	16
Table 3.1.2	Skills Development and Training	17
Table 3.1.3	Promote enforcement of standards	17
Table 3.1.4	Research and Development	18
Table 3.2.1	Strengthening of KLDC as an Institution	18
Table 3.2.2	Development of Leather Industrial Park	18
Table 3.2.3	Upgrading Leather Clusters	18
Table 3.2.4	Upgrading TPCSI	19
Table 3.3.1	To collaborate in enforcement of Duty	19
Table 3.3.2	Promote exemption of Import Duty on Machinery, Spare parts & Chemicals	19
Table 3.3.3	Skills Development across the Leather Value Chain	19
Table 3.3.4	Promote exemption of Duty on accessories for the leather products	20
Table 3.4.1	Promotion of quality standards	20
Table 3.4.2	Implementation of Buy Kenya Build Kenya Policy	20
Table 3.4.3	Adoption of a free trade common market	21
Table 3.4.4	Reduction of imports of both new and used leather products and footwear	21
Table 3.4.5	Developing Marketing Linkages	21
Table 4.1	Table of description of costs and estimated costs	22
Table 4.2	Estimation of budget (2015)	22
Table 6.1	Schedule for reporting	27
Table 6.2	Final Year Reporting	27
Table 7.1	Aggregated Management Strategic Risk	30
Table A2.1	Facilitate Excellence in Leather Industry	32
Table A2.2	Enhance Leather Sector Infrastructure	33
Table A2.3	Promote Leather Processing and Manufacturing	34
Table A2.3	Promote Leather Marketing	34

## Executive Summary

### Introduction

Kenya Leather Development Council (KLDC) is a State Corporation with a mandate to provide directions, harmony and coordination to the leather sector in the Country. KLDC operates under the Ministry of Industry Trade & Cooperatives.

This Strategic Plan has been aligned in the spirit of Kenya Vision 2030 and Medium Term Plan Three (MTP III). In this the Council focuses on industrialization of the leather sector under vision 2030 Economic Pillar. The MTP III has an aim to manufacture leather and leather products with an objective of propelling Kenya towards becoming a regional leather and leather products hub.

The Strategic Plan (2017 – 2022) builds on the Council's first Strategic Plan (2011 – 2015) as it directs the Council's vision, mission, core values and strategic directions as follows:

#### **(a) Vision**

Dynamic Global Agency for promotion of excellence in development of leather value chain

#### **(b) Mission**

To provide leadership and policy direction in regulation, production, processing and marketing in leather industry so as to promote equitable development and poverty reduction

#### **(c) Core values**

1. Transparency and Accountability
2. Professionalism
3. Honesty and Integrity
4. Teamwork
5. Collaboration and Networking
6. Commitment to meritocracy and welfare of our staff
7. Social responsibility

#### **(d) Strategic Direction**

1. Facilitate Excellence in Leather Industry
2. Enhance Leather Sector Infrastructure
3. Promote Leather Processing and Product Manufacturing
4. Promote Leather Marketing

The strategic factors influencing the nature and scope of the Strategic Plan encompasses what happens within the industry as well as National and International boundaries. KLDC has both domestic and international stakeholders, who together through strategic partnership or collaboration would strengthen relationship towards seamless development of the leather sectors.

## CHAPTER 1: INTRODUCTION

### 1.1 Background Information

The Kenya Leather Development Council (KLDC) was gazetted as a State Corporation in the then Ministry of Livestock and Fisheries Development (MoLFD) vide an Executive Order through a Legal Notice No.114 of the Kenya Gazette Supplement No 113 of 9<sup>th</sup> September 2011, under the State Corporation Act (Cap 446) of the Laws of Kenya. Its mandate is to provide direction, harmony and coordination to the leather sector in the country.

The Council was initially started as Leather Development Council (LDC) under the Hides, Skins & Leather Trade Act (CAP 359). The Council had a Management Board whose representation was drawn from Kenya Livestock Marketing Council, Slaughter Houses Association, Hides and Skins Traders, Kenya Tanners Association, Kenya Footwear Manufacturers Association, the Academia and experts in environment conservation.

With the new dispensation, however, KLDC was moved to the Ministry of Industry, Trade & Cooperatives, where leather sector has been categorized as one of the priority sectors by the government. The Council also works closely with the relevant Government Institutions such as: The Ministries of Agriculture, Livestock and Fisheries Development, East African Commerce and Tourism, The National Treasury and Kenya Revenue Authority (KRA), among other key Government agencies.

### 1.2 Aligning Strategic Plan to Kenya Vision 2030 and MTP III

This Strategic Plan has been aligned in the spirit of Kenya Vision 2030 and MTP III, with keen recognition of the three pillars (economic, social and political), with a focus to promoting leather development in the country.

The Kenya Vision 2030 is the country's long-term development blueprint which aims to create a globally competitive and prosperous country providing a high quality of life for all its citizens. It aspires to transform Kenya into a newly industrialized, middle income country by the year 2030. The mandate of the Council focuses on industrialization of the leather sector under the economic pillar which also aims at improving the prosperity of all Kenyans through an economic transformation program in all regions and achieving an average Gross Domestic Product (GDP) growth rate of 10% per annum for the next 13 years.

Kenya aims to become a provider of choice for basic manufactured goods in the Eastern and Central Africa. This will be done through improved competitiveness in manufacturing in partnership with the government to promote efficiencies. MTP III focuses on manufacture of leather and leather products with an objective of Propelling Kenya towards becoming a regional leather and leather products hub.

The leather subsectors consist of three main value chain components: hides and skins collections, tanning and finished goods processing. The subsector remains a small contributor of Kenya's economy, representing about 0.3 percent of GDP and 0.7 percent of formal employment. This will play a key role in achieving the MTP III goal of generating additional 30 million rise in GDP.

The Special Economic Zones (SEZ) entails both opportunity and industrial funds. The Special Economic Zones will address key factors that reduce Kenya's competitiveness as an investment destination through infrastructure provision, simplification of business regulations, value chain integrations and clustering, expanded markets access for SEZ goods and services and reduced taxation. The main objective is to promote attraction

of domestic and foreign investment to the economy, create opportunities for new industries, service enterprise and transfer of technology. This will contribute towards achieving the MTP III goal of reducing imports in local industries, raising market share in the regional market and attracting strategic investors.

According to Vision 2030 economic pillar which aims at achieving and sustaining an average economic growth rate of 10 percent per annum, MTP III will contribute toward success of the same through the MSMEs Parks/Industrial Parks in the manufacturing sector which form the bedrock of industrialization. It is recognized that MSMEs play an important role in many developing economies. MSMEs Parks are transformative and high impact projects that are expected to create jobs and wealth. In order to promote Industrial dispersion and balanced economic development in the country, the Council in conjunction with County Government and private sectors are expected to play a role in land identification and basic infrastructural facilities for development of parks, the common manufacturing services and other Business Development Services.

### **1.3 Justification for the Strategic Plan**

The second Strategic plan of the Council, (which builds on the earlier Plan) is a very important management tool that will assist the Council to direct its efforts and resources to its mandate, vision, mission, strategic goals, key strategic objectives, core functions and policy priorities. This will help to enhance partnerships with stakeholders, adapt to the changing environment, effectively mobilize resources; monitor and evaluate projects and assignments.

### **1.4 The Strategic Planning Process**

The methodology used in developing this Strategic Plan was participatory and all-inclusive involving both internal and external stakeholders. Data collection was captured in Focus Group Discussions (FGD) and Direct Interviews (DI) with stakeholders.

This Strategic Plan runs from 2017/2018 – 2021/2022. During this period, the plan will be open to revision as need arises. During revisions, attention shall be given to each strategic issue to ensure that the plan remains relevant and applicable. It will be good practice for the Council to note emerging strategic issues for revision and consideration.

### **1.5 Overview of the Council's Projects**

The current KLDC's projects include: The Kenya Leather Park (KLP), MSME cluster upgrading (establishment of a Common Manufacturing Facility at Karaoke), Upgrading of Training and Production Centre for Shoe Industry (TPCSI) and the Switch Africa Green Project implemented in partnership with COMESA Leather and Leather Products Institute (COMESA-LLPI).

#### **1.5.1 Kenya Leather Park (KLP)**

The Ministry of Industry, Trade and Cooperatives, through the Kenya Leather Development Council (KLDC) in partnership with the Export Processing Zones Authority (EPZA), is developing Kenya's first Leather Park (KLP) at Kiwanee, Machaon County to boost local production. The KLP is set-up on a 500 acre plot consisting of various industries and services to promote the growth of the leather sector in the country. These will include:

- i. Leather footwear manufacturers
- ii. Leather tanneries
- iii. Leather chemical manufactures/suppliers



- iv. Leather accessory manufactures/suppliers
- v. A Micro Small and Medium Enterprise (MSME) park
- vi. Training Center for increased value addition
- vii. EPZ benefits on taxation and trade
- viii. Packaging and logistics company
- ix. Integrated amenities – residential complex, schools, health facilities, recreation centers etc.

### **1.5.2 MSME Cluster Upgrading (Karaoke)**

The Karaoke Market, which houses over 200 stalls and thousands of MSMEs, has been in existence for decades as a hub of manufacturing activities with MSMEs specializing in production of a wide array of leather footwear and other items made from a range of materials including leather, fabrics, and canvas among others. Items produced from Karaoke are consumed locally and regionally.

The Market Upgrade currently being carried out by KLDC is aimed at transforming the market into a competitive leather product manufacturing hub through the establishment of a Common Manufacturing Facility. The upgrade will result in improved production in terms of quality and quantity.

### **1.5.3 Upgrading of the Training and Production Centre for Shoe Industry (TPSCI)**

TPCSI is a training institute designed to support the growth of the leather sector through skills development. To achieve its objectives, it required to be well equipped in terms of human resource, equipment and machinery. The Council is currently procuring and installing modern leather products manufacturing equipment and machinery to enhance capacity building and offer common manufacturing facilities to MSMEs. The expected outcome of these efforts is to create employment and improve micro-economic stability for the citizenry.

### **1.5.4 Switch Africa Green Project. (SAGP)**

This is a two year (2015-2017) project funded by the European Union (EU) through the United Nations Environment (UNE) and United Nations Office for Projects Services (UNOPS). The aim of the project is to support six (6) countries in Africa to achieve sustainable development by engaging in transition towards an inclusive green economy based on sustainable consumption and production patterns while generating growth, creating decent jobs and reducing poverty. The project is implemented by KLDC in collaboration with COMESA/LLPI. Priority areas for the leather sector include:

- i. Optimal utilization of available equipment and resources through MSME clustering.
- ii. Energy efficiency and compliance with Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) directive as released by the European Union.
- iii. Enhance raw material usage through reuse and recycling.

In achieving these objectives, focus will be on Stakeholder Networking among MSMEs, as well as collaboration with other Institutions i.e. Kenya National Cleaner Production Centre (KNCPC), Kenya Bureau of Standards (Krebs), Kenya Industrial Estates (KIE) among others.

## 2.0 Introduction

The strategic factors influencing the nature and scope of KLDC Strategic Plan encompasses what happens within the Industry as well as national and international boundaries. The factors that would pose the greatest challenges in the planning process can be generally categorized using the PESTEL approach and SWOT analysis. In this case both internal and external factors are found to influence the operations of KLDC and were discussed as follows:

## 2.1 Internal Factors

These are the activities that affect KLDC operations from within. They define internal operation environment of the Council. They are generally interconnected and must be addressed to aid strategic decision making as they affect how well the organization meets its objectives. Internal factors may be seen as strengths if they have favorable impact or weaknesses if they have deleterious effect. Key drivers of internal factors of such similar organization as KLDC have been studied by several researchers. In these studies the company in question is considered a 'learning industry'. The advisory and regulatory role of the Council in the leather sector is a model geared towards making the industry cope with the industrial changes as depicted in the Strategic Plan. The drivers of KLDC's internal factors are identified as follows: The Council's strategies; physical facilities and equipment; financing; staffing; management styles and practices as adopted by senior management and the organization's culture as spelled out in its Core Values.

### a. Strategy /Action Plan

The Council has been operating within its mandated functions. All functional units at the Council borrow from the mandate. This depicts eagerness not only to developing the leather industry but also to attaining excellence in its service delivery. Currently, in the process of developing a Strategic Plan, a wider stakeholder consultation will be done leading to adoption of the plan for implementation and use as a learning map for improvement of future Strategic Plans on the road to being a *Dynamic Global Agency for promotion of excellence in development of leather value chain*.

### b. Kenya Leather Development Council Structure

Kenya Leather Development Council's reporting structure is hierarchical to enable division of responsibility. This is guided by core values of the Council, which basically connotes enhancement of development in the entire leather value chain and among various stakeholders. The Council's Organizational Structure is discussed elsewhere within this Strategic Plan.

### c. Staff Characteristics and Skills

The Kenya Leather Development Council staff population is expected to grow beyond the current base. Expected staff growth is seen in the increasing number of activities to be handled by KLDC ranging from formulation of policies to regulation in the industry. The Council draws its staff from highly qualified and skilled human resource base.

Kenya Leather Development Council will have to work on retaining current staff and attracting more staff in the phase of the leather sector industry expansion that would include both public and private sectors. Sooner or later, the need for synergy of industry knowledge and experience will have become eminent. Staff remuneration will need to be kept within competitive market rates if not above in addition to continually updating skills base of its staff as part of generative learning.

The Council will also not overlook the need for gender balance and affirmative action as necessary requirements by the Government in enhancing its staff.

#### **d. Measurement Systems**

The road towards formulation of Strategic Plan is a clear intention of the Kenya Leather Development Council to have all its system measured. Properly executed systems result in cost cutting since bottlenecks to operations are easily identified. These systems include both financial and non-financial measures. Implementation of this Strategic Plan is measured through the Key Performance Indicators (KPI) during Monitoring and Evaluation (M & E).

The Strategic Plan has helped identify sources of funding and is likely to attract other stakeholders. Any existing or potential challenges in Financial Management need to be addressed through use of proven Financial Management Systems and embracing ICT System Support in KLDC's operations. Technology, Market Development and Resources among others should ease the strain on Kenya Leather Development Council Management's, facility, infrastructure and financial systems and enhance links with the global world in terms of resource exchange and widening market base for leather and leather products from Kenya.

#### **e. Management Style.**

The Kenya Leather Development Council ascribes to use of various committees to handle upcoming issues as opposed to a 'one man knows it all approach.' The top management provides an enabling environment for these committees to excel in their work by facilitating their activities. Leadership of various functional units will be rotational through merit appointments. Generally, the top management's responsibility is to provide facilitation and play leading positions to allow other staff to acquire enhanced management skills.

#### **f. Shared Values.**

These are behaviors that Kenya Leather Development Council has to adopt as part of its culture to support implementation of its strategies towards meeting its Mission and attaining its Vision. This Strategic Plan spells out seven (7) agreed core values for KLDC. These are:

1. Transparency and Accountability
2. Professionalism
3. Honesty and Integrity
4. Teamwork
5. Collaboration and Networking
6. Commitment to meritocracy and welfare of our staff
7. Social responsibility

The SWOT Analysis has a dual purpose of critically assessing both internal and external environments as earlier discussed. This will enable KLDC to achieve its Mission and Strategic Objectives.

### **2.1.1 Strengths**

Strengths describe what the organization excels at and separate it from competition. These are:

- i The Council is established with a clear mandate
- ii Goodwill from government
- iii Goodwill from other players in the leather sector
- iv KLDC's clearly laid down management structure
- v Qualified staff and specialized skills

- vi Accessible offices
- vii A collaborative network with stakeholders and other industry players.

## 2.1.2 Weaknesses

Weaknesses are those internal factors that negatively affect operations in an institution. These are:

- i. Few technical staff in place
- ii. Below optimal outputs as a result of low staffing levels and low staff morale due to lack of proper training programs in place
- iii. Inadequate legal and policy framework since the KLDA Bill has not been enacted
- iv. Inadequate funding including the fact that KLDC has no revenue base
- v. Inadequate Technology
- vi. Inadequate skill in technology

## External Factors

External factors consist of a variety of factors outside KLDC that it typically does not have much control over and as such may be classified as either opportunities or threats. They are generally outside the control of KLDC but may largely affect its operations in one way or another. Externally the Council interacts with factors that can be discussed under PESTEL model. These are:

### a. Political

Political issues are potential day to day issues that affect the operations in an institution. There have been several political issues that surround the overall performance of KLDC such as conflict of interest between the Council and political nature of government or misunderstanding of KLDC mandate.

Other issues that surround the overall performance of the Council include:

- i. Political bureaucracy that results in long periods of time before policies are implemented
- ii. Volatile political environment which affects investments
- iii. Diverse political interests
- iv. National government policies through parliament legislature
- v. Weak linkage between politics and industrialization
- vi. Favorable global political agenda and goodwill from global partners
- vii. Devolution creating two levels of government and therefore increasing bureaucracy
- viii. The existing East African Community block also creates a good working environment
- ix. Insecurity due to political instability in the neighboring countries
- x. Frequent restructuring in the public institutions

### b. Economic

Economic factors have a significant impact on how an organization does business and also how profitable they are. Factors include – economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses among others:

- i. Stable macroeconomic environment which results to a better performing currency which enhances consumption of products
- ii. An unstable macroeconomic environment creates price instability therefore creating market uncertainty.

- iii. Poor quality of hides and skins leads to low quality leather products, thus a hindrance in the economic growth of the leather sector.
- iv. Poor infrastructure leading to high production costs hence increase in prices of leather and leather products.
- v. Adoption of modern production technology increases efficiency and therefore productivity making products competitive.
- vi. Improved economic climate promotes investment in the leather sector broadening product base resulting in improved sales both locally and internationally.
- vii. Enhanced power production and distribution will open avenues for the leather sector to expand in the rural areas create employment.
- viii. Devolution will also ensure the facilitation of leather industry in terms of diverse products and creating new markets.
- ix. Market liberalization by the government which leads to increased importation of low cost leather products which are sometimes subsidized therefore, creating an unfair competition to locally produced products.
- x. Change of consumer preferences and fashion drives product development improving industry earning.
- xi. Limited availability of accessories affects production.
- xii. High cost of credit limits the investments in the leather sector.

### **c. Socio-cultural**

Socio-cultural factors are the areas that involve the shared belief and attitudes of the population. These factors are of particular interest as they have a direct effect on how marketers understand customers and what drives them:

- i. Increased level of HIV&AIDS infections among the productive population reduces labor productivity.
- ii. Rapid population growth can lead to increased markets for the leather products.
- iii. Leather and leather products are perceived as expensive thus people tend to prefer Mitumba, synthetic or non-leather products.
- iv. Low level of awareness on projects implemented by KLDC can reduce participation of the host community.
- v. Long held cultural activities like branding, hoarding of livestock and cattle rustling affects the production of good quality hides and skin thereby affecting quality of finished leather and leather products.
- vi. Perceptions that imported goods are superior to local products negatively impact the industry.

### **d. Technological**

Technological trends have great potential in the growth of the leather industry in Kenya, such as in Dynamic Global ICT trends and enhanced communication/reporting using new and improved media and ICT infrastructure. The key areas would include:

- i. Adoption and embracing new technology in marketing of leather products improves accessibility both locally and internationally through websites and social media.
- ii. The introduction of new/improved production technologies in the leather industry increases sector productivity, enhances waste management making products more competitive both locally and internationally. However, introduction of new technologies may require further training.
- ii. Adoption of communication technology can help in improving overall management.



- iii. Automation of data collection and analysis as well as processes and procedures improves the organization's performance and planning.
- v. Technology can be used to improve product Research and Development (R&D).

#### **e Environmental**

These factors only really came to the forefront in the last fifteen years or so. They have become important due to the increasing scarcity of raw materials, pollution targets levels, doing business as an ethical and sustainable company, carbon footprint targets set by governments. More and more consumers are demanding that the products they buy are sourced ethically and if possible from a sustainable source.

##### **Climate change**

Climate change can affect livestock production systems negatively resulting in reduced supply of quality raw materials.

##### **Conservation of environment**

The leather sector is considered an environmental pollutant. Moreover, the cost of managing waste causes an increase in the cost of leather and leather products. This calls for improved investment in waste management systems.

#### **f. Legal**

Compliance to national laws create a conducive environment for business and other operations this will promote investment in leather sector on a local and national level.

An appropriate legal and policy framework supports organization's operations.

A competitive leather industry should adhere to;

- i. Local and international standards in the industry
- ii. Procurement Act on goods and services
- iii. Comply with the government policy of Buy Kenya Build Kenya (BKBK)
- iv. Labour laws with regard to workforce in leather industry
- v. Respect of contractual agreements and MoU's
- vi. Government policies and regulations

### **2.2.1 Opportunities**

Opportunities refer to favorable external factors that the organization can use to give it a competitive advantage. The opportunities emanating from KLDC's external environment would therefore be:

- i. Ability to extend services as devolution provides a chance to branch out
- ii. Revenue generation for the Council
- iii. Linking to external markets
- iv. Collaboration with other agencies
- v. Integration of the East African Community and other regional trading blocks
- vi. Developing skills
- vii. Broadening of product base
- viii. Adoption and implementation of Industrial Transformation Master Plan

## 2.2.2 Threats

Threats refer to factors that have the potential to harm an organization and moreover place it at a disadvantage relative to others.

- i. Non conformity of both national and international standards can result in shrinking of locally produced leather products. Whereas, the same on imports inhibits local manufacturing..
- ii. International trade variations - Leather and leather products from Kenya not competitive resulting to low turnover making it a challenge to convince would be stakeholders to join the industry.
- iii. Poor quality of raw materials will result in poor quality products
- iv. Poor skills of development partners
- v. Non-controlled imports especially of non-leather products

## Stakeholders Analysis

The Table 2.1 shows several domestic stakeholders who KLDC would work with to ensure seamless development in the leather sector. The strength of relationships range from excellent existing relationships, through moderate, weak relationships where partnerships/collaborations have yielded less than those of non-existent collaborations with significant potential partners.

**Table 2.1:** Stakeholder Analysis

Stakeholder	Stakeholder Goals	Strengths of Relationship	Area of Partnership	Level of Priority
Ministry of Industry, Trade & Cooperatives	Focus on industrialized economies in Kenya.	Excellent	Policy development to create a conducive environment to support a competitive leather sector.	High
Kenya Revenue Authority	Revenue collection for imports/exports of hides, skins, leather and leather products	Excellent	Verification of imports/exports of hides, skins, leather and leather products	High
State Department of Livestock	Ensure quality assurance of hides and skins	Good	Promotion of production of good quality hides and skins to support a competitive leather products manufacturing.	High
County Governments	Quality assurance of hides and skins	Good	Promotion of production of good quality hides and skins to support a competitive leather products manufacturing.	High
Kenya Tanners Association (KTA)	Promoting the Tanning industry in Kenya	Excellent	Pursue strategies to facilitate transition from primary raw hides/skins production to production of quality finished leather. Partner in promotion of eco-production of finished leather.	High
Kenya Footwear Manufacturers Association (KFMA)	Promotion of local footwear manufacturing	Excellent	Partner in promotion and development of skills in improvement of quality competitive footwear manufacture. Partnership in market development.	High

<b>Stakeholder</b>	<b>Stakeholder Goals</b>	<b>Strengths of Relationship</b>	<b>Area of Partnership</b>	<b>Level of Priority</b>
Leather Articles Entrepreneurs Association of Kenya (LAEA)	Promoting the local manufacturing of leather goods and allied crafts in Kenya	Excellent	Partner in promotion and development of skills in improvement of quality competitive leather products manufacture. Partnership in market development.	High
Training Institutions (AHITI – Kabete, Dedan Kimathi University, Nairobi University and other Universities/Technical Training Institutes)	Training and skills development for the leather industry in quality production of leather, footwear and leather products.	Excellent	Partner in identifying skills gap and promotion of training and skills development for the industry	High
Export Promotions Council (EPC)	Export market development; Developing of Exporting skills; Trade information & delivery services; Trade policy facilitation; Product development and adaptation.	Good	Collaborate in ensuring production of high quality leather products for export	High
Brand Kenya Board (BKB)	To build a strong country brand that fosters national pride patriotism and earns global recognition and preferences.	Good	Build on partnership anchored on promotion of Kenyan leather brands in the regional and international markets.	High
Kenya National Chamber of Commerce and Industry (KNCCI)	To promote commerce and industry in Kenya.	Excellent	Strengthen relationship to facilitate promotion of local leather, footwear and leather products for consumption in the local, regional and international markets.	High
East Africa Trade and Investment Hub (EATIH)	Capacity building on product development in the leather sector	Good	Profiling of MSMEs and capacity building	High
Anti- Counterfeit Agency (ACA)	Prohibit Counterfeiting through Promotion and Enforcement of Intellectual Property Rights.	Good	Collaborate in ensuring the control of production and import of counterfeit leather products	High
Kenya Bureau of Standards (KeBS)	Mandated to provide standardization and conformity assessment services	Excellent	Collaborate in leather standards development, awareness creation and compliance.	High
National Environment Management Authority (NEMA)	Compliance with effluent discharge standards	Good	Creating awareness on the need to promote environmental friendly industrial growth.	High
Kenya Industrial Estate (KIE)	To provide quality and competitive industrial infrastructure, financial products and business development services in a sustainable manner for accelerated growth of MSMEs in Kenya. To promote Industrialization in Kenya through the development of Micro, Small and Medium Enterprises.	Excellent	Implement Memorandum of Understanding (MoU) to facilitate access to credit and incubation space by MSMEs in the leather sector.	High

<b>Stakeholder</b>	<b>Stakeholder Goals</b>	<b>Strengths of Relationship</b>	<b>Area of Partnership</b>	<b>Level of Priority</b>
Kenya Industrial Property Institute (KIPI)	To administer Industrial Property Rights; Provision of Technological Information to the public; Promoting Inventiveness in Kenya and Provision of Training on Industrial Property.	Good	Collaborate in areas of skills development	Medium
Kenya Industrial Research and Development Institute (KIRDI)	To undertake Industrial Research, Technology and Innovation and disseminate findings that will have positive impact on National Development	Excellent	Collaborate in identifying leather research gaps and adoption of research outcomes by the leather industry.	High
Kenya Investment Authority (Ken Invest)	To promote and facilitate domestic and foreign investment in Kenya by advocating for a conducive investment climate, providing accurate information and offering quality services for a prosperous Nation.	Good	Collaborate in identifying and promoting investment opportunities in the leather industry.	High
Micro and Small Enterprises Authority (MSEA)	To promote the development of competitive and sustainable Micro and Small Enterprises	Medium	Collaborate in support of manufacturing MSMEs in the leather sector.	Medium
Kenya Consumers Protection Advisory Committee (KECCOPA)		Weak	Initiate a relationship to establish the areas of possible collaboration in the promotion of 'Buy Kenya, Build Kenya.'	Medium
Kenya National Cleaner Production Center (KNPCPC)	Mandated to promote the adoption of contemporary tools of environmental management in Kenyan industrial establishments and the related service sector.	Moderate	Collaborate and promote adoption in Cleaner Production of leather footwear and leather goods.	High

In addition to the domestic stakeholders there are many development partners, which KLDC has and continues to work with in the development of the leather sector including but not limited to; County Governments, COMESA/LLPI, East Africa Community (EAC), European Union (EU), United Nations Environment (UNE), United Nations Development Programme (UNDP), United Nations Office for Project Services (UNOPS), World Bank, International Finance Cooperation (IFC), Trade Development Bank (TDB), Central Leather Research Institute (CLRI), Support for Indian Trade in Africa (SITA), the Department for International Development (DFID), Canadian International Development Agency (CIDA), German Development Agency (GIZ), United Nations Industrial Development Organization (UNIDO). This list of stakeholders is not in any way restrictive as the Council continues to forge new partnerships and collaborations in the quest for a competitive Kenyan leather industry.

## Achievements, Challenges and Lessons Learnt from Previous SP

Key areas of achievements of KLDC based on the implementation of strategies on the previous Strategic Plan also indicate the associated challenges and lessons learnt that formed part of the basis for the current Strategic Plan.

### 2.4.1 Achievements

In the implementation of the Strategic Plan (2011 – 2015), KLDC successfully collaborated with Council of Governors to train stakeholders and respective county officials on pre, peri and post slaughter techniques, where a total of 300 persons have already been trained. The Council also held a workshop on cleaner tanning options in collaboration with Kenya National Cleaner Production Centre (KNCPC) to train participants. In the spirit of collaboration and partnership, the Council has held meetings with various stakeholders including Kenya Bureau of Standards (KeBS) in an effort to facilitate quality standards development.

Further, the Council has made quantifiable efforts to be visible by developing an operational website where market information can be obtained by the public. The Council participates in trade fairs both nationally and internationally. Engagement with participants in the leather industry has been geared towards accessing the global market. Other activities that have been undertaken to access the global markets include: benchmarking exercise with leading participants in the leather industry, inculcating bilateral and multilateral cooperation with major leather producing and consuming nations, facilitating adoption of agreed international standards and trading norms, facilitating investment technology transfer and technical cooperation with major leather produces as well as liaising with commercial attachés.

In order to improve business environment, the government has had reduction of business licenses. KLDC has had 30% procurement to AGPO, linked MSES with KIE and strengthening of sectorial associations in the leather sector has also contributed to improved business environments

At the policy level, the Council has initiated the development of National Leather policy and a Kenya Leather Development Authority Bill which will guide long term development of leather sector.

To promote skills development for the leather industry, the Council acquired Training and Production Centre for the Shoe Industry (TPCSI) and revised training manuals to suit current industry needs. This has seen 27 footwear Artisans and 35 entrepreneurs trained on footwear production. In addition, the Council has partnered with KeBS in physical analysis and testing of leather products to ensure quality conformity.

In areas of leather research, the Council works closely with local universities and research Institutions such as Dedan Kimathi University, Kenya Industrial Research and Development Institute (KIRDI), and Central Leather Research Institute (CLRI).

In areas of technology transfer and improvement of information communications, the Council has carried out a resource mapping and established a national leather sector data bank and achieved 40% enhancement in its ICT capacity.



KLDC has since relocated to new office location and procured two vehicles to facilitate smooth operation. The offices are appropriately furnished and well equipped.

In order to attract and retain qualified personnel, the Council has put in place a competitive salary structure, a Human Resource Manual and a clear Career Progression Structure.

#### **2.4.2 Key Challenges**

Implementation of the previous Strategic Plan had its share of challenges and lessons that could be learnt. Key challenges were associated with technical hitches and inadequate funding to support some activities. In some instances, inadequate funding and lack of optimum staffing levels derailed achievements of strategic targets as in the case “Creation of Awareness Through Appropriate Media Channels” that achieved 30% out of the possible 100%, “Participate and Exhibit Leather and Leather Products in all Major Trade Fairs” achieved implementation score of 60% and “Undertake Benchmarking Exercise with other Leading Participants in the Leather Industry” achieved 45%.

Some of the strategic activities in the previous plan were not fully achieved because they were not supported by adequate resources.

#### **2.4.3 Lessons Learnt**

The lessons learnt with respect to implementation of previous Strategic Plan (2011 – 2015) by KLDC are as listed below:

- i. The Council requires an enhanced legal framework (an Act of Parliament) to be able to properly execute its mandate.
- ii. Broaden our engagement with public, private sector and development partners in support of the leather sector.
- iii. Need to enhance adequate technical and financial planning for purposes of implementing Strategic Plan activities.
- iv. There is need for continuous updates of leather sector data within the organization for ease of planning.
- v. There's need to enhance continuous staff improvement in terms of quantity and quality through recruitment of qualified staff and appropriate trainings
- vi. There's need to augment the risk management framework so as to achieve KLDC's strategic objectives.

## CHAPTER 3: STRATEGIC ANALYSIS

### 3.0 Introduction

This chapter provides Kenya Leather Development Council's Vision, Mission, Core Values and the Identified strategic directions that will guide implementation of the Strategic Plan.

### 3.1 Vision

KLDC's Vision allows focus on short-term goals while keeping sight of its long-term goals in the areas of leather production, processing, marketing and regulation. The Vision of KLDC is for that reason to be a: Dynamic Global Agency for promotion of excellence in development of leather value chain.

### 3.2 Mission

Mission statement to support the achievement of the Vision is:

To provide leadership and policy direction in regulation, production, processing and marketing in the leather industry so as to promote equitable development and poverty reduction.

### 3.3 Core Values

Values are shared cultures or ways of doing things considered to be virtuous or moral. These values are aligned not only to those of the surrounding community but also the wider Kenya and global community to enable KLDC realize its Vision and Mission. To undertake its Mission and realize its Vision, KLDC upholds the following Core Values:

- i. Transparency and Accountability
- ii. Professionalism
- iii. Honesty and Integrity
- iv. Teamwork
- v. Collaboration and Networking
- vi. Commitment to meritocracy and welfare of our staff
- vii. Social responsibility

#### 3.3.1 Transparency and Accountability

The obligation of an individual or organization is to account for its activities, accept responsibility, and to disclose the results in a transparent manner. It also includes the responsibility for monetary or other entrusted property, it is the quality or state of being accountable; especially as an obligation or willingness to accept responsibility, the KLDC staff shall explain the rationale of activities done and at the same time avoid any actions that might border on any malpractices like corruption.

#### 3.3.2 Professionalism

This entails the competence or skill expected of a professional. KLDC and its staff will operate in the conduct, aims and qualities that characterize and mark a professional organization. The practice of professionalism is essential for gains and livelihood.

### **3.3.3 Honesty and Integrity**

It involves embracing the culture of honesty and truthfulness so as to be consistently reliable in all undertakings related to clients and stakeholders. The KDLC staff shall embrace honesty and integrity as reflected in their personal appearances, interactions and conduct.

### **3.3.4 Teamwork**

The combined action of the Council is essential for effective and efficient performance. Departments and staff in KLDC will work collaboratively in order to achieve the set vision and mission. Teamwork will mean that people will cooperate, using their individual skills and providing constructive feedback, despite any interpersonal conflicts.

### **3.3.5 Collaboration and Networking**

This entails coming together of organizations and people from different environments, cultures, social background and goals in collaborations to better achieve common goals. These interactions are supported by ICT and mobile telephony networks. Collaboration within KLDC will lead to success in all the sectors of the leather industry.

### **3.3.6 Commitment Meritocracy and Welfare of Staff**

Staff welfare is the provision of essential basic needs to employees at work place. The basic needs include toilets, wash stations, clean drinking water and ergonomical factors for employees. Staff welfare commitment in KLDC will improve industrial relation and ensure high degree of morale.

### **3.3.7 Social Responsibility**

It is basically giving back to the community. KLDC shall promote awareness and provide leadership in responding to issues and problems affecting the society such as participating in re-afforestation.

## **Current Mandate**

The principal mandate of KLDC is to drive the transformation at Leather value chain in the country. KLDC does these through the following:

- i. Promote, direct, coordinate and harmonize all activities in Kenya's leather industry
- ii. Oversee the licensing of the leather industry
- iii. Advise the Minister and Government of Kenya on national strategies and policy with respect to the leather industry
- iv. Undertake research and development activities in the leather industry
- v. Organize and supervise capacity building in the leather industry
- vi. Enforcing compliance with set standards in collaboration with other relevant institutions
- vii. Collect, store, analyze and disseminate data on leather industry
- viii. Mobilize technical and financial support for the leather industry
- ix. Conduct internal and external marketing strategies
- x. Perform any other function as the Minister may consider necessary.

## KLDC Philosophy

KLDC embodies the view that Regulation, Processing, Production, and Marketing of leather products are critical for sustainability in leather value chain and posterity of the nation. KLDC staff will demonstrate commitment to core values, dedicate themselves to a participatory approach in engaging stakeholders and remain loyal to KLDC as an institution and make it a better place to work at all times.

## Strategic Direction

Kenya Leather Development Council will improve its performance and keep its mandate alive through realization of its Vision and Mission. The roadmap to this success is embedded on four (4) Strategic Directions which specifically address the key challenges facing it. It is envisaged that inadequate attention to these strategic directions will adversely affect the performance of KLDC. The Strategic Directions were aligned to the Council's mandate and thus forms focal points of the strategic planning process. The four Strategic Directions were identified through both comprehensive strategic analysis as well as interviews to various stakeholders. They include:

- i. Facilitate Excellence in Leather Industry
- ii. Enhance Leather Sector Infrastructure
- iii. Promote Leather Processing and Product Manufacturing
- iv. Promote Leather Marketing

### 3.6.1 Facilitate Excellence in Leather Industry

In pursuit of constant and sustainable progress in outstanding delivery of its mandated functions, KLDC will promote and facilitate excellence in production, processing and marketing. Leather sector shall be in a position to compete favorably and engage in fundamental supply of leather and leather products to the wider markets. According to the Kenya Industrial Development Master Plan, 2008, although labour productivity is more than twice the average, input productivity is slightly lower than average. The Master Plan for Kenya Industrial Development also cited that 'Moreover, the leather and footwear sub-sector experienced 2% growth for the last 4 years (2004-2008).' Quality and continual supply of leather and leather products will spearhead the revitalization of leather industry since the industry will stand out above the cheap imports and second hand footwear leather and leather products.

Currently, leather sector has the capacity to expand to county levels increasing the number and/or capacity of tanneries and abattoirs following the restructuring of the Government. The move will open up large markets and ensure accessibility to ready markets. The individual strategies and expected outcome are depicted in Tables 3.1.1 to 3.1.4

**Table 3.1.1 Policy Development**

<b>Objective 3.1.1: Policy Development</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.1.1.1	Enacting KLDA Bill	Appropriate regulatory and legal framework
3.1.1.2	Developing a National Leather Policy	Policy to guide and promote the leather sector on both short and long term
3.1.1.3	Formulating a National Leather Master Plan	All future SPs should be anchored to the National Leather Master Plan





**Fig 3.1a:** Principal Secretary Mr. Patrick N. Mwangi, CBS with CEO Dr. Issack M. Noor, PhD



**Fig 3.1b:** KLDC Board Chairperson, Mr. Titus Ibui addressing Staff and Board Members



**Fig 3.2a:** CS MoITC with some KFMA members



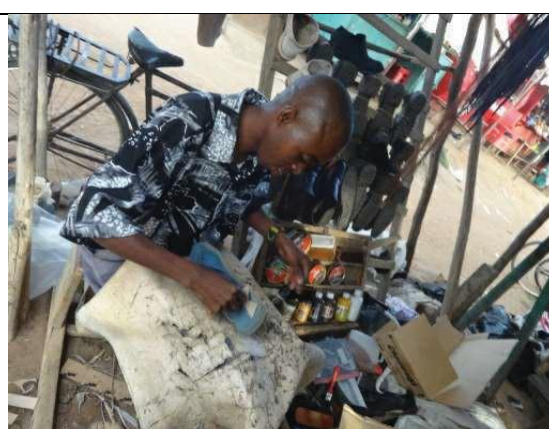
**Fig 3.2b:** Locally manufactured leather products

**Table 3.1.2 Skills Development and Training**  
**Objective 3.1.2: Skills Development and Training**

Strategies		Expected Outcomes
3.1.2.1	Review and revise training modules	Appropriate modules and curriculum
3.1.2.2	Develop training programs	Appropriate training program



**Fig 3.3:** MSME Training in Footwear Manufacture



**Fig 3.4:** Manual Stitching

**Table 3.1.3 Promote enforcement of standards**  
**Objective 3.1.3: Promote enforcement of standards**

Strategies		Expected Outcomes
3.1.3.1	Product inspection and verification	Certified products
3.1.3.2	Collaborate with KeBS on standards development	Appropriate standards
3.1.3.3	Collaborate with KeBS on standards enforcement	Adherence to standards



**Table 3.1.4 Research and development**

<b>Objective 3.1.4: Research and development</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.1.4.1	Collaboration with research institutions	Collaboration MoUs/ Research outcomes
3.1.4.2	Linking SMEs with partners	Linkage MoUs and SMEs linked
3.1.4.3	Development of a National Leather Data Bank	Improved sector data management

#### 4.3.1 Enhance Leather Sector Infrastructure

Kenya Leather Development Council will establish and embark on a campaign to encourage investors to undertake investment projects within the leather sector. The Council shall liaise with and pursue offers to potential investors by possibly withholding tax holidays, investments deduction on investments over period of time. KLDC physical facilities and infrastructures require expansion and thereafter improvement and maintenance.

KLDC will facilitate infrastructure development in order to ensure excellence in production, processing and marketing in Leather Industry. Some of the areas that need attention in terms of expansion, maintenance and improvement include: office space, tanneries, abattoirs and processing units to ensure that there is favorable fulfilment of the industry operations. The individual strategies and expected outcome are depicted in tables 3.2.1 to 3.2.4.

**Table 3.2.1 Strengthening of KLDC as an institution**

<b>Objective 3.2.1: Strengthening of KLDC as an institution</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.2.1.1	Automation of KLDC processes	Elimination of manual work
3.2.1.2	Recruitment of technical staff	Operationalization of all KLDC functions
3.2.1.3	Acquiring of adequate office space	Spacious and comfortable office
3.2.1.4	Attaining ISO QMS 9001:2015 Certification	ISO certified
3.2.1.5	Modernizing and upgrading ICT infrastructure	Upgraded infrastructure
3.2.1.6	Training of KLDC staff	Skilled staff

**Table 3.2.2 Development of Leather Industrial Park**

<b>Objective 3.2.2: Development of Leather Industrial Park</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.2.2.1	Feasibility and design of the Leather Industrial Park	Feasibility report and design
3.2.2.2	Development of Park infrastructure	Park infrastructure in place
3.2.2.3	Pitch for investments	Park occupation by investors

**Table 3.2.3 Upgrading of Leather Clusters**

<b>Objective 3.2.3: Upgrading of Leather Clusters</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.2.3.1	Development of common manufacturing facilities	Improved cluster productivity
3.2.3.2	MSME Capacity building	Improved quality production

**Fig 3.5: Tanning Drum in a Tannery****Fig 3.6: Modern Tannery Machine for quality leather**



**Fig 3.7: Production of Wet-Blue leather**



**Fig 3.8: Shoe Lasting Machine**

**Table 3.2.4 Upgrading TPCSI**

<b>Objective 3.2.4: Upgrading TPCSI</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.2.4.1	Upgrading TPCSI equipment	Well-equipped institution
3.2.4.2	Attract and retain qualified trainers	Improved training
3.2.4.3	Broaden training programs	Improved variety of programs
3.2.4.4	Publicize TPCSI as an institution	Improved enrolment
3.2.4.5	Development of Business Plan	Appropriate Business plan in place
3.2.4.6	Implementation of Business plan	Improved business management

### 4.3.2 Promote Leather Processing and Product Manufacturing

On Processing and Product Manufacturing, the Council shall enhance processing and product manufacturing policies to consider the following issues: relevant human resource skills, continual supply chain of raw materials (hides and skins), infrastructural facilities (number and or capacity of abattoirs and tanneries), advising on facilitation of financial resources and manufacturing strategies. The Organization shall intensify its efforts in ensuring that it promotes continual supply of hides and skins, adequate infrastructural facilities to process and manufacture leather products. The KLDC shall participate in delivering services to the public including facilitating training programs. The individual strategies and expected outcome are depicted in tables 3.3.1 to 3.3.4.

**Table 3.3.1 To collaborate in enforcement of Duty**

<b>Objective 3.3.1: To collaborate in enforcement of Duty</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.3.1.1	Carrying out inspection and verification of imports and exports	Ensure quality and quantity of imports and exports
3.3.1.2	Collaboration with KRA to ensure proper declaration	Collaboration MoUs agreements and minutes
3.3.1.3	Promote imposition of Export Duty on Wet blue and wet white	Export Duty on wet blue and wet white in place

**Table 3.3.2 Promote exemption of Import Duty of machinery, spare parts and chemicals**

<b>Objective 3.3.2: Promote exemption of Import Duty of machinery, spare parts and chemicals</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.3.2.1	Advice Government on type of spares and chemicals	Availability of spares and chemicals
3.3.2.2	Ensure what comes in is used in leather sector	Inspection documents

**Table 3.3.3 Skills development across leather value chain**

<b>Objective 3.3.3: Skills development across leather value chain</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.3.3.1	Capacity building to stakeholders	Improved production
3.3.3.2	Collaborate with training institutions and other partners	Collaborations in place



**Table 3.3.4 Promote exemption of duty on accessories for leather products**

<b>Objective 3.3.4: Promote exemption of duty on accessories for leather products</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.3.4.1	Advice Government on what is required on accessories for leather products	Availability of accessories for leather products
3.3.4.2	Ensure what comes in is used in leather sector	Inspection documents

### 4.3.3 Promote Leather Marketing

The approaches that KLDC shall use include among others: Regional and National trade fairs, Visits (Local and Foreign travels), awareness creation through Cultural days, Print and Electronic media and training programs especially in Institutions.

**Table 3.4.1 Promotion of quality standards**

<b>Objective 3.4.1: Promotion of quality standards</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.4.1.1	Collaboration with KEBS on training on compliance on quality production	Manufacturers trained
3.4.1.2	Creation of awareness on standards	Improve quality of products

**Table 3.4.2 Implementation of Buy Kenya Build Kenya policy (BKBK)**

<b>Objective 3.4.2: Implementation of Buy Kenya Build Kenya policy</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.4.2.1	Identification and documentation of manufacturers of leather products	Manufacturers list
3.4.2.2	Link up consumer Government agencies with manufactures	Linkages in place
3.4.2.3	Create awareness among manufacturers on the BKBK	Awareness created



**Fig 3.9: SME's footwear products**



**Fig 3.10: Locally Made Leather Products**



**Fig 3.11: SME's products on display**



**Fig3.12: Locally Made Footwear Products**



**Fig3.12b:** Locally Made Footwear Products

**Table 3.4.3 Adoption of free trade common market**

<b>Objective 3.4.3: Adoption of free trade common market</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.4.3.1	Participate in EAC policy development	Develop policy recommendations
3.4.3.2	Monitor on compliance and advice Government accordingly	Conducive interregional trade environment

**Table 3.4.4 Reduction of imports of both new and used leather products and footwear**

<b>Objective 3.4.4: Reduction of imports of both new and used leather products and footwear</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.4.4.1	Propose taxation on imports	Proposals developed
3.4.4.2	Collaborate with other Government agencies to stop smuggling	Reduced smuggling

**Table 3.4.5 Develop marketing linkages**

<b>Objective 3.4.5: Develop marketing linkages</b>		
<b>Strategies</b>		<b>Expected Outcomes</b>
3.4.5.1	Promotion of products through websites and social media	Awareness of locally manufactured products
3.4.5.2	Promotion of products through Participating in public trade fairs/exhibitions	Awareness of locally manufactured products
3.4.5.3	Linking the clusters to formal market outlets	Linkages developed
3.4.5.4	Encourage clusters to open formal outlets	Direct competition in the market/improved market outreach



**Fig3.21:** KLDC Stand at the 2016 Nairobi International Trade



**Fig 3.22:** KLDC staff displaying leather products at KLDC Stand at the 2016 Nairobi International Trade Fair

## CHAPTER 4 : FINANCIN STRATEGIC PLAN

### 4.1 Budgetary Costs

During the shelf life of the Strategic Plan (2017/18 to 2021/22), the approximate cost of implementing the Strategic Plan is estimated at a projected cash of Kshs5 billion. Table 4.1 shows estimated costs preceding this Strategic Plan.

**Table 4.1 Table of Description of Costs and Estimated Costs**

No.	Description of costs	Estimated Costs	
		Current (ksh)	Projected (ksh)
1	Recurrent		
	i. Personnel Emoluments	15,600,000	17,000,000
	ii. Training (Capacity Building-staff)	3,000,000	6,000,000
	iii. Training (stake Holders & specialized staff)	7,000,000	6,500,000
2	Research	10,000,000	12,000,000
3	Capital Development		
	i. Construction of Leather Industrial Park-at Kinanie (Athi River)	750,000,000	1,000,000,000
	ii. ii Upgrading of Kariokor leather Cluster	200,000,000	150,000,000
	iii. Project Administrative Costs	50,000,000	55,000,000
	<b>TOTAL</b>	<b>1,035,600,000</b>	<b>1,246,000,000</b>

### 4.2 Personal costs

These costs refer to Salaries, House Allowances, Regulatory and Enforcement, Marketing, Research, Advisory Services, Administration and other related costs payable to KLDC technical and support staff. Areas of costs implication shall include: Training Related Costs, Research Costs and Capital Development Costs. During the 2014/2015 financial year, the staff establishment was 22 at a cost of Ksh 17,000,000. During the plan period the number of staff is expected to rise to around 35.

The Leather industry in Kenya has exhibited potential for growth, employment and wealth creation. The sector's overall goal is to increase its contribution to the Gross Domestic Production (GDP) by at least 10% per annum (Kenya Vision 2030). The Kenyan tanning sector is earning an average of 56% gross margin, reflecting a very high profitability potential. The cost of production of hides and skins is estimated at US\$ 28,000. The Table below provides a summary of the objectives/activities and the annual estimated budget.

**Table 4.2 Estimation of Budget (2015)**

No.	Objective/Activities	Budget (Estm)
1	Promote value addition through development of industrial park	1.5034 b
2	Improve quality of raw materials (hides and skins) base	37.9m
3	Create a databank for leather sector	27m
4	Expand processing capacity and competitiveness of the Kenya Leather Sector	76.1m
5	Support leather MSMEs to enhance productivity and competitiveness	13.4m
6	Strengthen institutional capacity of KLDC and other selected support institutions	2.5m
7	Support the development of clusters and common manufacturing facilities	149.24m
8	Enhance product development and marketing	69.8m
<b>TOTAL</b>		<b>1.878b</b>

**Source:** Kenya Leather Value Chain Strategy September, 2015



### **4.3 Imports and Exports**

The limited production of variety and volume of footwear in Kenya has seen a rapid growth in import of footwear and leather products from below US\$ 5million in 2002 to approximately US\$ 160million in 2012 and US\$ 200million in 2014.

### **4.4 Revenue Streams**

These costs of the Strategic Plan will be funded by various sources as will be identified from time to time. Some of the already identified sources of funding, though not exhaustive, include: Government funding, Development partners and getting involved in several income generating activities including import/export, licensing and verification and training at TPCSI. Distribution of revenues will be guided by strategies in the Strategic Plan.

#### **4.4.1 Government Funding**

The major financier of KLDC at the moment is the Government of Kenya, having been established as a Parastatal with the main mandate to support the transformation at Leather value chain in the country. KLDC falls under Ministry of Industry, Trade and Cooperatives.

#### **4.4.2 Income Generating Activities**

Kenya Leather Development Council is a non-income generating organization. However the Council has an opportunity to generate income through issuing levying on services such as: certification and verification of imports and exports of hides, skins, leather and leather goods, skills development, registration of sector players and Consultancy services amongst others.

In order for the Council to fully implement this Strategic plan, it will need support of development partners in addition to government support. Partners are encouraged to identify relevant strategic activities that they can support in collaboration with the organization.



### 5.1 Institutional Management

The organizational structure of KLDC is guided by the Legal Notice No.114 (Kenya Gazette Supplement.No.113) dated 9<sup>th</sup> September, 2011 under the State Corporations Act (Cap 446). The Council is run by a Board as the supreme decision making organ. The day-day activities are run by the Kenya Leather Development Council's Management team headed by the Secretary/Chief Executive Officer. The Councils Board assists the Chief Executive Officer in making decisions on operations in the Council. The Strategic Plan will be guided by operations of various functional units within the Council at all levels so that all implementers can have unity of purpose. In light of the envisaged projections in terms of institutional arrangement, the Strategic Plan will provide the context and lay a basis for enhanced development and transformation of the Council into a center for value chain excellence.

#### 5.1.1 Administrative Functions

The Board is the supreme decision making organ. The day-day running of the Council's functions is run by the KLDC Management. The Chief Executive Officer, Directors, Deputy Directors, Senior Assistant Directors (AD), Principal and Chief Officers constitute the Management of the Council.

The KLDC Management is charged with the responsibility of appointments, financial administration, human resource and supply chain management. Planning/ Monitoring and Evaluation, Administration and Finance Division of the Council ensure efficient provision of clean water, safe working environment, working tools and equipment, staff welfare, security and marketing services. The administrative performance of the Council shall be evaluated regularly.

#### 5.1.2 Human Resource Management

The Council shall recruit, develop and retain competent staff to provide services to all its customers. The Council however expects challenges such as:

- i. Ensuring contented and motivated staff at all levels to implement the vision and mission of the Council.
- ii. Managing staff turnover levels occasioned by increasing number of leather industries.
- iii. Mobilizing resources to facilitate competitive remuneration packages to attract and retain quality manpower.
- iv. Handling unforeseen circumstances such as industrial action by employees
- v. Continuous training for skills, efficiency and productivity improvement

#### 5.1.3 Regulatory, Policy Development and Marketing Functions

The KLDC Management shall be in charge of regulatory, policy development and marketing functions and ensure they nurture quality as stated in the Legal Notice that established the Council. The Members of the Board include; Secretary who is also the CEO and other stakeholders.

The Council ensures that there is a touch of quality in the leather and leather products at all stages.

- i. The regulation and policy development at the production stage ensures that the hides, skins and all the raw materials are of high quality as this will relate to quality products.
- ii. The regulation and policy development at the processing stage generally constitutes ensuring that the leather and other leather products such as shoes, handbags etc. are up to required standards.

- iii. The marketing stage involves the use of the most effective and efficient channel that ensures stakeholders and customers are informed about the leather and leather products which may incorporate use of the media and modern technology in widening the scope of customers such that it is locally and globally based.

## 5.2 Legal Framework

A wide range of existing legislations and relevant to Council operations will form legal framework for implementation of KLDC Strategic Plan. If such legislations change, the Council may have to adjust to the new legal environment or possibly take advantage of such changes.

According to the Legal Notice No. 114 of the Kenya Gazette Supplement No.113 under the State Corporations Act (Cap 446) from 9<sup>th</sup> September 2011, that established the Council, it gave Kenya Leather Development Council powers to provide directly or in collaboration with other institutions in the Leather Sector, facilities for it to be in charge of Leather and Leather products including innovative, technological, professional training and licensing as outlined in its mandate.

## CHAPTER 6: MONITORING AND EVALUATION

### 6.0 Introduction

During the implementation of the Strategic Plan, Monitoring and Evaluation will have to be done so as to ascertain that the expected results are being met by all implementers. This makes monitoring and evaluation a key part of this Strategic Plan since it will aid in decision making. A Planning, Monitoring and Evaluation Team (PMET) will be formed to oversee the Monitoring and Evaluation (M & E) process and ensure effective and efficient implementation.

### 6.1 Planning, Monitoring and Evaluation Team (PMET)

The Strategic Planning Committee shall be charged with the responsibility of monitoring and evaluating of the Strategic Plan. PMET will be under the chairmanship of the CEO who will provide technical and administrative support. The team will include the internal moderators of the SP process and will work together with the planning coordinators of the departments and other functional units of the Kenya Leather Development Council.

The terms of reference for PMET shall be contained in Performance Monitoring and Evaluation Guidelines. Thus:

- i. Ensure that departments and other functional units develop and review the Rolling Strategic Plans (RSP) to be inclined with the strategic objectives, strategies and activities in the KLDC Strategic Plan. These various Kenya Leather Development Council units will be expected in turn to prepare annual operational work plans that closely reflect the expected level of funding for the immediate year.
- ii. Prepare and issue monitoring and reporting guidelines to all staff and units who will be involved in the implementation of the SP. The guidelines include:
  - The formats for data collection instruments.
  - The formats for the quarterly reports to be prepared by the various units.
- iii. Define monitoring and evaluation roles and responsibilities by the units planning committee and coordinators.
- iv. Determine the type, format and schedule of information flow from the various units for the central compilation and analysis.
- v. Determine relevant information received and collected from persons and bodies outside the Council, such as from monitoring of the external impacts and context or external environment. The PMET will collect, organize and disseminate this information.
- vi. Determine the type, format and schedule of information flow to and from various offices and units of the Council
- vii. Ensure that departments and other functional units through their planning committees allocate/budget for resources to finance planned activities.
- viii. Organize an annual Council meeting to discuss the progress in the implementation stage.
- ix. Prepare a detailed annual operational plan.
- x. Conduct physical observation, interviews and discussions with various stakeholders.
- xi. Coordinate the preparation of well integrated monitoring reports.

The above functions will be individually conducted by the heads of all functional units.

## 6.2 Monitoring and Evaluation Reports

### 6.2.1 Monitoring

Monitoring reports at all levels shall be done in prescribed formats. The reports shall comprise of:-

- i) A narrative Strategic Plan plus a summary table (see appendix) with the following contents:
  - a. An extract of the respective Rolling Strategic Plan summarizing the approved strategic objectives, key indicator and strategies.
  - b. An approved operational plan for the year under reporting.
- ii) Both qualitative and quantitative achievements in terms of actual outputs versus the planned activities and outputs in the operational plan.
- iii) Constraints in the implementation of the Strategic Plan and any internal and external factors which affected implementation.
- iv) Way forward for solving the problems faced.
- v) There will be quarterly reports (July-September, October-December, January-March and April-June) and one annual report (at the end of June). The schedule for reporting will be as follows:-

**Table 6.1 Schedule for Reporting**

Period of activity	Date for Report Preparation
July-September	Mid-August
October-December	Mid-November
January-March	Mid-February
April-June	Mid-May

The final year reporting will be as follows:

**Table 6.2 Final Year Reporting**

Unit	Time	Content/Activities
Department	Mid-June	Prepare end of year performance report and provide summaries of Strategic Plan activities for next year.
Other Functional Units	End June	Prepare performance reports and provide summaries of Strategic Plan activities for next year.
PMET	End June	Finalize the preparation of the Council level end of year progress report. Produce fully rolled Strategic Plan of the next five years and operational plan for the next year.
Council wide	Mid July	Meeting to discuss progress on the Strategic Plan-End year report, subsequent year plan and the next 5-year Rolling Strategic Plan.

### 6.2.2 Evaluation

There shall be two types of evaluation of the strategic planning implementation process:-

i. One every  $2\frac{1}{2}$  years using internal evaluators

ii. One every 5 years using an external evaluation team working with the internal evaluators.

Terms of reference for the evaluating team shall focus on:

- a. Assessment of the reasons for success or failure of the specific aspects of the SP.
- ii. Assessment of whether the SP is achieving its objectives.

- iii. Finding out whether the effects of the SP are contributing to the realization of the Mission and Vision of KLDC.
- iv. Assessment of the adequacy of resources being allocated/budgeted for to implementing the SP.
- v. Determining whether available resources are being utilized efficiently to achieve the strategic objective of the plan.
- vi. Determining whether the process of strategic planning and implementation is facing any challenges.
- vii. Writing a comprehensive evaluation report.
- viii. Holding a debriefing meeting with the PMET.

### **6.2.3 Effectiveness of Monitoring and Evaluation**

The effectiveness and efficiency of monitoring and evaluation will be based on the following assumptions:-

- i. Appropriate evaluators will be selected by PMET on the basis of their relevant technical skills, evaluation skills and experience in similar organizations or assessments.
- ii. Both the internal and external evaluation teams shall be approved by the KLDC management and ratified by the Board.
- iii. Recommendations adopted will be implemented and included in the revised strategic plan.

**7.1 Introduction**

The leather goods and footwear subsectors have exhibited a lot of potential for growth. This continued growth and success depends on the ability to understand and respond to the challenges of an uncertain and changing environment. This uncertainty generates risk, with the potential to be a source of both opportunities and threats. By understanding and managing risk, KLDC can provide greater certainty and confidence for all stakeholders.

The risk inherent in the operating environment creates the need to contemplate, take and manage risk in an informed way. Effective risk management is a source of insight and competitive advantage. As such, forward-looking risk management must be a cornerstone of the Kenya Leather Development Council's decision-making process.

Every officer at KLDC has a role in managing risk by enhancing opportunities and minimizing threats. This involvement ensures that common goals are achieved and that the businesses grow sustainably, enhancing value for customers and stakeholders and contributing to the communities and locations where KLDC operates.

**7.2 Risk Objectives**

The overriding purpose of risk management is the responsible achievement of the objectives and Strategic Plans. The objectives of risk management are to:

- (a) Maintain the highest possible integrity for services provided by the Council,
- (b) Safeguard the Council's assets, including, property, human and financial resources,
- (c) Create an environment where all Council employees assume responsibility for managing risk,
- (d) Improve the Council's ability to deliver outcomes in a timely, efficient and effective manner,
- (e) Ensure that the Council can appropriately deal with risk, and
- (f) Demonstrate transparent and responsible risk management processes aligned with accepted best practice standards and methods

**7.3 Aggregated Strategic Risk Management**

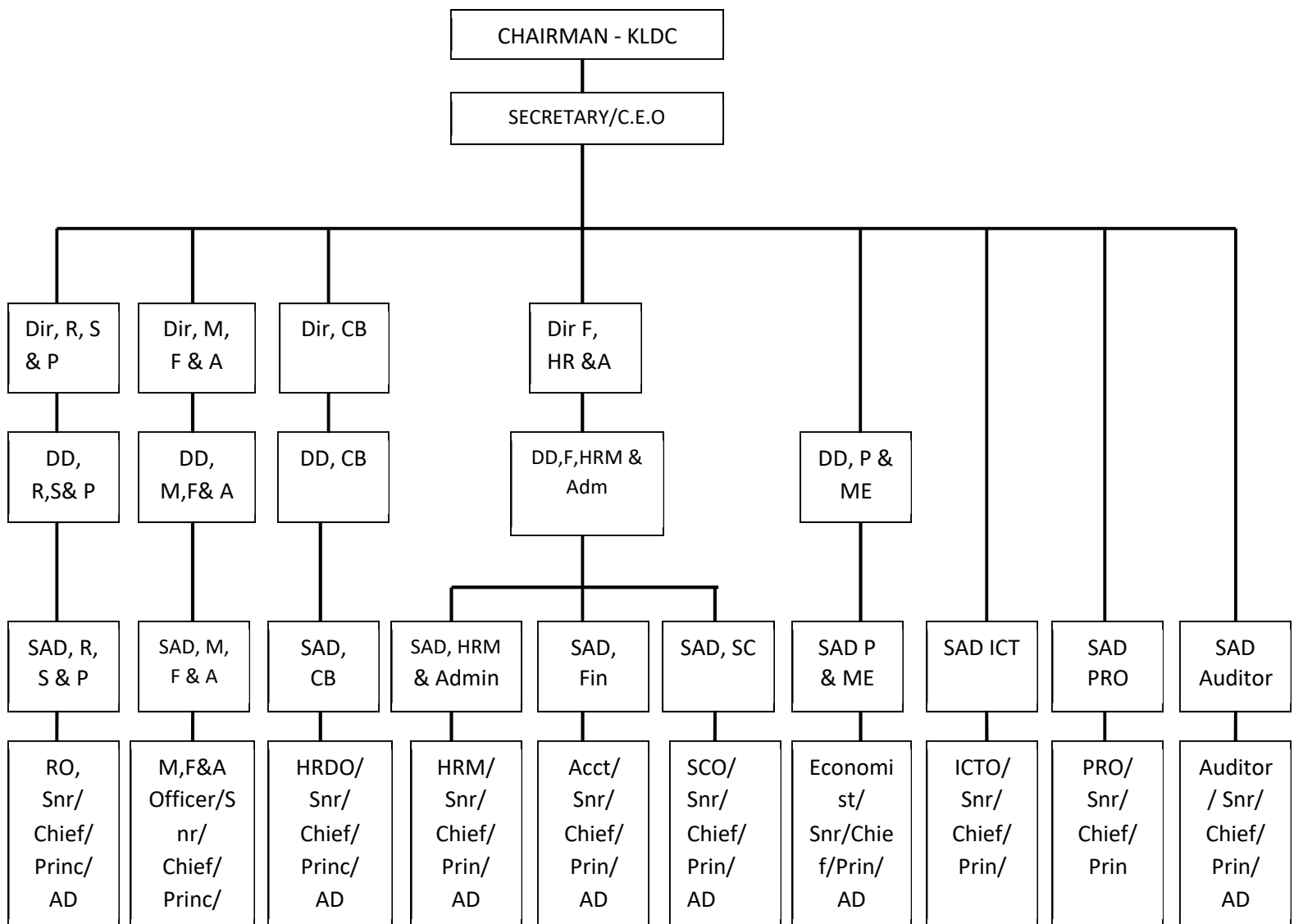
Value addition is a function of risk and return. Every decision either increases, preserves, or erodes value. Given that risk is integral to the pursuit of value, a strategic-minded organization does not strive to eliminate risk or even to minimize it, a perspective that represents a critical change from the traditional view of risk as something to avoid. Rather, the Council will seek to manage risk exposures across all parts of their organizations so that, at any given time, they incur just enough of the right kinds of risk—no more, no less—to effectively pursue strategic goals.



**Table 7.1: Aggregated Strategic Risk Management Areas**

Rank	Risk Area	Indication
1	Human Capital	This is occasioned by few technical staff in place leading to below optimal performance and low morale.
2	Policy framework	Since KLDA bill has not been enacted, there is lack of overall policy framework to provide general guidance.
3	Infrastructure & Technological Capacity	Poor infrastructure, inadequate technology and expensive machinery used in tanneries lead to high operational costs and consequently high cost of leather products
4	Conflict with stakeholders in execution of mandate	When enforcing standards, introducing levies and when promoting exemption and reduction of levies
5	International trade variation	An unstable macro-economic environment that makes the shilling to perform poorly and this increases the cost of production of leather and leather products
6	Quality of raw materials	Poor quality of hides and skins leading to low quality of leather products which is a hindrance to the growth of the leather sector
7	Non-desirable skills of development partners	Inadequate skill in technology; introduction of new technologies may need further training which may be costly. Reluctance to embrace the change in technology may also occur amongst the staff
8	Non controlled imports	Importation of low cost of leather and non-leather products or alignment to <i>mitumba</i> (second hand leather product) that hinders the sale of locally made quality leather products
9	Non-availability of raw materials	Long distance movement in search of raw materials increasing transportation cost that is transferred to the finished product.

## ANNEX I KLDC ORGANOGRAM



## ANNEX II: IMPLEMENTATION FRAMEWORK

### A2.1 Facilitate Excellence in Leather Industry

				Time Frame					Responsibility
KPI		Base	Target	1	2	3	4	5	
<b>Objective 3.1.1: Policy Development</b>									Research Standards and Policy Development
3.1.1.1	Bill in place	Draft	Act of Bill						
3.1.1.2	Policy in place	Draft 1	Policy document						
3.1.1.3	Master Plan	Zero	National Master Plan						
<b>Objective 3.1.2: Skills Development and Training</b>									Capacity Building
3.1.2.1	Revised curriculum in place	Current	Revised curriculum						
3.1.2.2	Revised training program	Current	Improved training program						
<b>Objective 3.1.3: Promote enforcement of standards</b>									Standards and Policy Development
3.1.3.1	Quality products	Current	All						
3.1.3.2	Number of standards developed	Zero	All						
3.1.3.3	Number of standards enforced	Zero	All						
<b>Objective 3.1.4: Research and development</b>									Research Standards and Policy Development
3.1.4.1	Frequency of collaborations	Two	All						
3.1.4.2	Number of SMEs linked	Current	All						
3.1.4.3	National Leather Data Bank	Draft	Data Bank						

## A2.2 Enhance Leather Sector Infrastructure

<b>Objective 3.2.1: Strengthening of KLDC as an institution</b>				<b>Time Frame</b>					<b>Responsibility</b>
	<b>KPI</b>	<b>Base</b>	<b>Target</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
3.2.1.1	Number of automated processes	36.5%	70%						CEO/ICT/HR/ISO Team
3.2.1.2	All functions operating	Current	All						
3.2.1.3	Space occupied	Current	Modern						
3.2.1.4	QMS certificate	40%	100%						
3.2.1.5	Number of systems modernized	Current	Up to date systems						
3.2.1.6	Number of staff trained	Current	All						
<b>Objective 3.2.2: Development of Leather Industrial Park</b>									
3.2.2.1	Approved designs	Draft reports and designs	Final report and approved designs						CEO
3.2.2.2	Number of infrastructure completed	Current	All infrastructure in place						
3.2.2.3	Number of investors in the park	Investor applications	Investor occupation						
<b>Objective 3.2.3: Upgrading of Leather Clusters</b>									
3.2.3.1	Number of common manufacturing facilities developed	Procurement of equipment	Fully operational facilities						Standards and Policy Development/ Capacity Building
3.2.3.2	Increased number of MSMEs trained	Current	Increment						
<b>Objective 3.2.4: Upgrading TPCSI</b>									
3.2.4.1	Number of machinery equipment provided	Current	Fully equipped						CEO/Capacity Building
3.2.4.2	Number of trainers	Two	Four						
3.2.4.3	Number of programs	Three	Five						
3.2.4.4	Number of students enrolled	Current	Full capacity						
3.2.4.5	Business Plan document	Draft	Business Plan						
3.2.4.6	Number of task deliverables	Current	Operational Business Plan						

## A2.3 Promote Leather Processing and Product Manufacturing

<b>Objective 3.3.1: To collaborate in enforcement of Duty</b>				<b>Time Frame</b>					<b>Responsibility</b>
	<b>KPI</b>	<b>Base</b>	<b>Target</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
3.3.1.1	Reduced export of raw hides and skins	Zero	All						Standards and Policy Development
3.3.1.2	Number of MoUs, agreements and minutes	Starting off	All						
3.3.1.3	Percentage of duty imposed	Zero	30%						
<b>Objective 3.3.2: Promote exemption of Import Duty of machinery, spare parts and chemicals</b>									
3.3.2.1	Type or number of spares/chemicals imported	Zero	All						
3.3.2.2	Inspection certificate issued	Zero	All						
<b>Objective 3.3.3: Skills development across leather value chain</b>									
3.3.3.1	Number trained	Current	All						
3.3.3.2	Number of collaborations	Current	All						
<b>Objective 3.3.4: Promote exemption of duty on accessories for leather products</b>									
3.3.4.1	Type or number of accessories imported	Zero	All						
3.3.4.2	Inspection certificate issued	Zero	All						

## A2.4 Promote Leather Marketing

				<b>Time Frame</b>					<b>Responsibility</b>
	<b>KPI</b>	<b>Base</b>	<b>Target</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Objective 3.4.1: Promotion of quality standards</b>									
3.4.1.1	Number of standards	Current	All						Standards and Policy Development
3.4.1.2	Number of awareness forums	Current	All						
<b>Objective 3.4.2: Implementation of Buy Kenya Build Kenya policy</b>									
3.4.2.1	Number of manufacturers	Current	Updated list						Marketing and Resource Mobilization
3.4.2.2	Number of linkages	Current	All						
3.4.2.3	Number of awareness forums	Current	All						
<b>Objective 3.4.3: Adoption of free trade common market</b>									
3.4.3.1	Number of recommendations	Current	All						Standards and Policy Development/Marketing and Resource Mobilization
3.4.3.2	Number of compliance reports	Current	All						
<b>Objective 3.4.4: Reduction of imports of both new and used leather products and footwear</b>									
3.4.4.1	Number of proposals	Current	All						Standards and Policy Development
3.4.4.2	Number of collaborations	Zero	All						
<b>Objective 3.4.5: Develop marketing linkages</b>									
3.4.5.1	Number of products promoted and number of inquiries thereof	Current	All						Marketing and Resource Mobilization
3.4.5.2	Number of products promoted and number of inquiries thereof	Current	All						
3.4.5.3	Number of linkages	Zero	All						
3.4.5.4	Number of formal outlets	Zero	All						

## T H E C O N S U L T A N T



**Envag Associates (K) Ltd**

Karen Plains Arcade, Off Karen

Road,

3rd Floor, Wing C #6

P. O. Box 56656 - 00200

Nairobi, Kenya

Tel: +254 - 20-2392316

Cell: 0708743165/0724564610

Email: [eakl@envagassociates.com](mailto:eakl@envagassociates.com)

[envagassociateskenya@gmail.com](mailto:envagassociateskenya@gmail.com)

website:

[www.envagassociates.com](http://www.envagassociates.com)



**CPA Centre, 5th Floor**

**Thika Road**

**P.O. Box 14480-00800**

**Nairobi, Kenya**

**Cell-phone: +254 704 617 705**

**+254 709 386 000**

**Email: [info@leathercouncil.go.ke](mailto:info@leathercouncil.go.ke)**

**Web: [www.leathercouncil.go.ke](http://www.leathercouncil.go.ke)**