LOCAL ENTERPRISE AUTHORITY

RESEARCH AND DEVELOPMENT DIVISION

MARKET SURVEY **FOR** **LEATHER AND LEATHER PRODUCTS**
AUTHOR: RESEARCH AND DEVELOPMENT DIVISION
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EXECUTIVE SUMMARY

The Local Enterprises Authority (LEA) conducted a study on the situational analysis of the leather industry in Botswana in 2010 which established that the country misses out on the opportunities from the leather sector industry. This was because value addition bypasses the local economy as hides and skins are exported in the raw state. The study also uncovered some blockages which lead to the establishment of the Leather Industry Park in Lobatse which is meant to unblock some of these limiting factors and kick-start the local leather industry. The main purpose of this study is, therefore, to update the information relating to the previous situational analysis study. This report is limited to the market for finished leather and leather products. The updated information include, among others, size of the market for leather and leather products, specifications of the market and challenges encountered thereof.

Primary Objective

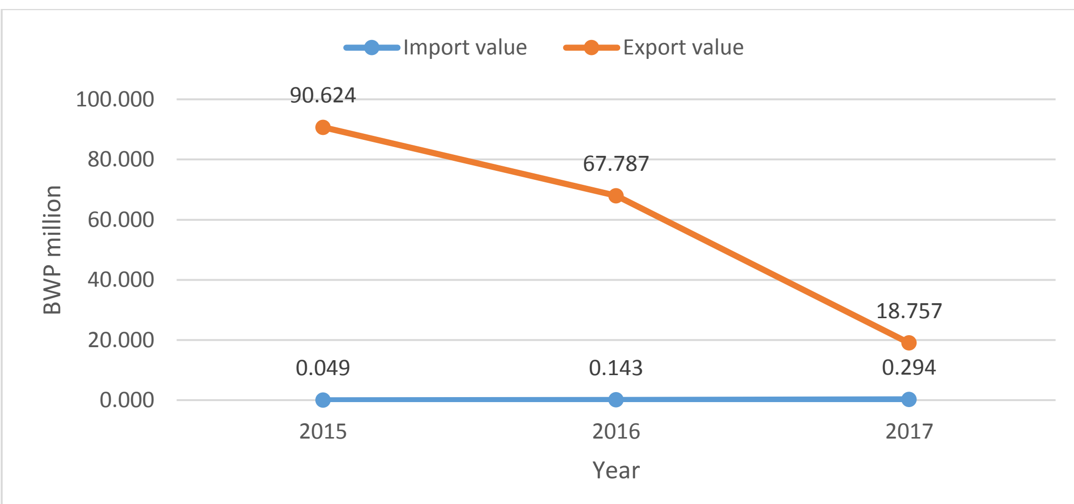
The primary objective of the survey is to provide market information for leather and leather products in the country between 2015 and 2017 period.

Summary of Findings

a. Trade Statistics for Leather and Leather Products in Botswana

Botswana recorded trade surplus for the raw hides and skins during the period from 2015 to 2017 (Figure 1). The export value reduced from BWP90.62 million in 2015 to BWP18.76 million in 2017. On the contrary, the import value remained relatively low between BWP0.049 million and BWP0.294 million during the corresponding years. This shows that the country recorded trade surpluses during this period which supports the observation that value addition is done outside the country. A surplus of BWP18.46 million was recorded in 2017.

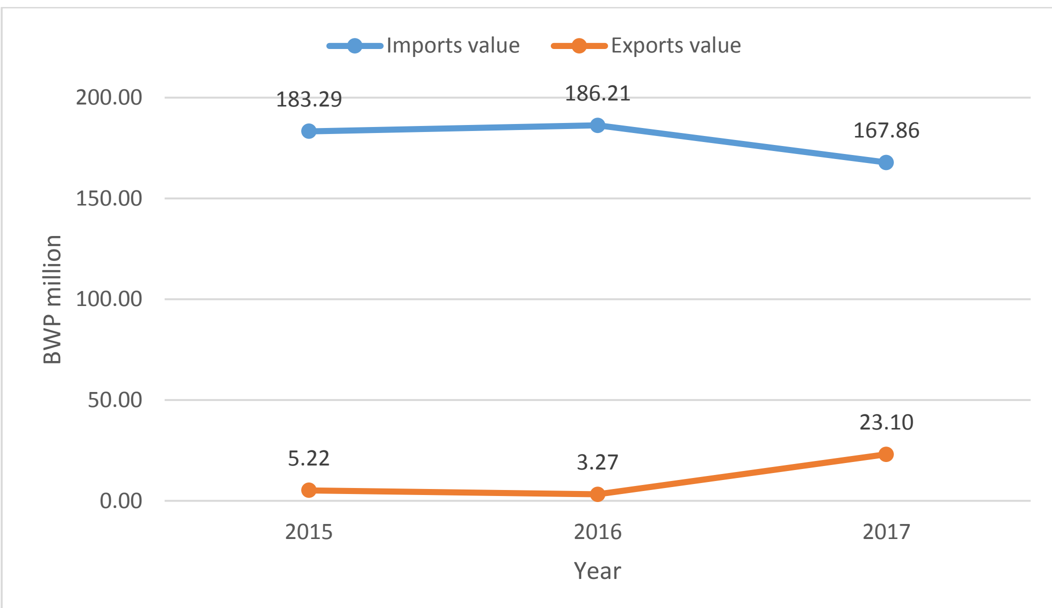
Figure 1: Trade statistics for raw hides and skins



Source: Adapted from Statistics Botswana, 2018.

Trade statistics show that the country relied on imports to meet its demand for leather and leather products as significant amounts of trade deficits was recorded during the 2015 - 2017 period (Figure 2). The import bill ranged between BWP183.29 million and BWP186.21 million in the first 2 years but reduced to BWP167.86 million in 2017. In contrast, the export value of remained below BWP5.22 million during the first 2 years but rose sharply to BWP23.1 million in 2017. The main contributors to both the import and export bills were footwear and apparels. These recorded exports could be attributed to the re-exports due to the lack of operational industrial tanneries and leather product manufacturers in the country.

Figure 2: Trade statistics for leather and leather products



Source: Adapted from Statistics Botswana, 2018.

b. Local production of Leather and Leather Products

There has been no industrial production of leather in Botswana since the closure of Tanneries Industries Botswana (TIB) in 2010 and the BMC tannery in 2006. Production of vegetable leather from the SMMEs is insignificant as it is mainly produced for own use in the manufacture leather products. As a result, locally produced leather does not mainly enter the value chain as leather but as leather products. Production of leather products is also insignificant. The main products produced locally are traditional attire, belts, handbags and jackets.

c. Capacity building

Provision of necessary skills was highlighted as crucial to support the leather park. The government has put in place capacity building initiatives that can benefit the leather industry. These initiatives include the LEA Leather Industry Incubator which has been providing trainings since 2010. The Incubator offers short courses on leather design, cutting, stitching, lasting and finishing on a continuous basis whilst at the same time training leather product producers. The Ministry of Education and Skills Development, in collaboration with LEA, is said to have also committed to the development of the leather skills in Botswana through the proposed convention of Lobatse Brigade into the Leather School of Excellence. The Ministry of Agricultural Development and Food Security also continues to provide trainings on, among others, technical advice and practical skills on value addition in tanning and leatherworks to the SMMEs. In addition, former employees from the now defunct TIB and BMC tanneries ought to be still knowledgeable in leather processing. However, they may need to be refreshed due to time lapses.

d. Size of the Market

Table 1 shows the market size for leather and leather products in Botswana. The size of the local market was determined through trade deficits shown by the differences between import and export bills. This shows that the market fluctuated between BWPP144.76 million and BWP182.94 million over the 3 years showing market availability. Local production was not considered based on it being negligible.

Table 1: Market size for leather and leather products

Year	BWP million
2015	178.06
2016	182.94
2017	144.76

Leather retailing was found to be still at its infancy in the country while retailing of leather products is rather established. However, the value of products retailed was not established since product retailers did not participate in the study based on challenges pertaining to data access as procurement for the local branches is mainly done outside the country through their head offices. As a result, local management were not able to share the required market data as it was beyond their jurisdiction. The head offices were be not visited due to cost implications and time constraints. The value of the local institutional market could not be established since most of the data shared could not be disaggregated into leather and synthetic products.

e. Market Specifications / Requirements

The study noted that quality is mainly measured through certification and compliance to quality standards such as Botswana Bureau of Standards (BOBS), South African Bureau of Standards (SABS) or International Organization of Standardization (ISO). Locally, BOBS plays an important role to guide the industry specifications. The department of Government Supplies also uses these standards to guide sister ministries during formulation of tender documents. However, products from the existing product manufacturers were said to be not certified with BOBS which limited their access to the institutional markets. As a result, potential tanners and product manufacturers are advised to familiarize themselves with these standards before producing products in order to gain access to all markets.

f. Market Access

Several regulations exist which influence access to government and parastatal organizations. Therefore, existing and potential manufacturers and suppliers should familiarize themselves with these regulations. The Public Procurement and Asset Disposal Board (PPADB) is the main access point to government contracts as such suppliers should register with the board. Locally based suppliers also enjoy government support through affirmative regulations such as Economic Diversification Drive (EDD) certification which encourages government and parastatal organizations to procure locally produced goods and services from locally based companies.

Internationally, the leather industry benefits from preferential access to the US market through the AGOA. However, local businesses fail to fully utilize AGOA due to several factors including inadequate awareness of AGOA, high costs of production and transport coupled with the distance to the market, low competitiveness as well as cost of compliance with US regulations and standards. However, progress was cited in the form of dissemination of the AGOA strategy to the business community and the development of sectoral strategies for all identified sectors.

g. Identified Business Opportunities for Consideration

- Establishment of Leather product Manufacturers (footwear and apparels)

- Manufacturing of leather products accessories (shoe soles, shoe liners, buckles, zipping and other materials, etc.)

These opportunities were considered based on that the country still experiences trade deficits in the leather industry meaning the country still import more than what it can produce or export. In addition, the envisaged Leather Industry Park is expected to avail raw material in the form of finished leather. However, these are only flagged as possible opportunities for consideration pending financial and environmental validation.

Conclusion

The country has recorded trade deficits in the leather industry over the reference period from 2015 to 2017. The only trade surplus was recorded for raw hides and skins. The country also noted an indication of the re-exports of finished leather as leather exports were recorded despite the fact that currently there are no tanneries operating in the country. This is further based on that locally tanned vegetable leather by SMMEs mainly does not enter the value chain as leather but as leather products. The main sources of leather and leather products are imports as there is still no industrial production of leather and leather products locally since the closure of Tanneries Industries Botswana and BMC tanneries. As a result, the proposed leather industry park is expected to address this lack of leather and products.

The demand for leather and leather products was estimated at BWP182.9 and BWP144.8 million in 2016 and 2017 respectively based on the trade deficits. This is based on that the country relies mostly on imports due to lack of local industrial production of leather and leather products and insignificant production volumes from the SMMEs. The study also determined that quality standards are the backbone in market requirements and specifications in the leather industry and locally these standards are available through BOBS. The leather industry also benefit from government affirmative polices like EDD while the AGOA trade agreement facilitate access to the US market. The industry continues to encounter challenges related to the lack of local production of leather which will be addressed through the operation of the Leather Industry Park.

Recommendations

i. LEA should validate the proposed business opportunities with a view for their subsequent adoption by the SMMEs after the implementation of the Leather Industry Park.

ii. LEA should publicize the opportunities envisaged to come with the leather park project.

iii. LEA should actively drive for the attainment of industrial leather skills before the opening of the Leather Park.

iv. LEA should encourage and facilitate product certification for current leather products producers to access major markets such as government.

v. LEA should pursue a medium term strategy that seeks to have products from the Leather Park accessing the AGOA market.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1. INTRODUCTION

1.1. Background

The Local Enterprise Authority (LEA) carried out the leather value chain study in Botswana which found out that the country did not have an established leather industry despite it having potential to be a major contributor to the economy (LEA, 2010). This is based on that the country has an abundance of the raw material in terms of raw hides and skins which are currently exported without any value addition. As part implementation of the LEA study recommendations, Government tasked LEA with the implementation of a Leather Industry Park Project at Lobatse to address the gaps and bottlenecks affecting the local leather industry. The Leather Industry Park consists of an effluent treatment plant component which has been a major stumbling block in the past investments due to high cost structures. The project require consistent supply of quality hides and skins from the slaughter facilities in the country.

Botswana currently relies on imports as only negligible quantities of leather and leather products are produced locally (LEA, 2010). However, the advent of the Leather Industry Park producing finished leather and ultimately leather products is expected to boost the local industry. It is, therefore, imperative to evaluate the local market, market size, market requirements and demand levels.

1.2. Literature Review

The leather industry plays a prominent role in the economy of many developing countries. Globalization of the leather trade has led to extensive international supply of leather and leather products. As only a small fraction of the leather and leather products is produced for the local markets, trade and trade patterns are important elements for the development of the leather value chain (UNIDO, 2018). According to the International Trade Centre (2015), leather and leather products are among the most widely traded products worldwide and they are based on a renewable and readily available resource. It is estimated that international trade exceeds US$80 billion annually and it is expected to continue growing alongside the increase in population and urbanization of developing and emerging countries. The APLF (2016) stated that at full capacity Botswana's leather industry has potential to create 10,000 jobs, fulfill local demand for leather and earn the country up to US$150 million in export earnings.

The ITC (2015) also noted that production and supply have gradually moved from industrialized to developing countries and emerging economies which are now becoming major players in the trade. In fact, developing and emerging economies can now manage the whole supply chain on their own and are fast becoming the most important suppliers of value-added finished products. Other developing countries and especially many least developed countries (LDCs) because of their large livestock, have a remarkable growth potential, but this remains largely untapped. This is mostly due to weaknesses in the technical know-how, access to information, visibility, quality management, marketing, investments and international industrial alliances (ITC, 2015). Botswana experiences these same challenges and once attended to will have an opportunity to export leather and leather products to markets like the US based on the African Growth and Opportunity Act (AGOA) trade agreement.

1.3. Rationale

The LEA Leather Value Chain study established that the country misses out on opportunities in the leather sector industry since value addition bypasses the local economy (LEA, 2015). The study uncovered many blockages which lead to the establishment of the Leather Industry Park which is meant to unblock these limiting factors and revive the leather industry. The reliance on imported finished leather has made it difficult to develop the SMMEs. The Leather Industry Park was, therefore, adopted as a development model to address the lack of finished leather locally and create enabling environment for SMMEs. It is envisaged that the project, once fully operational, will create more than 5,000 jobs. The implementation of the project is currently ongoing and will house some of the key players including the tanners and leather product manufacturers. The main purpose of this study is, therefore, to update the information relating to the value chain study and will be limited to the marketing of finished leather and leather products. The updated information will include, among others, the determination of the market size for leather and leather products and challenges encountered by the leather industry in the country.

2. RESEARCH PURPOSE AND METHODS

2.1. Research Objectives

2.1.1 Primary objective

The primary objective of the survey is to provide market information for leather and leather products in the country between 2015 and 2017.

2.1.2 Specific objectives

2.1.2.1 Document trade data for leather and leather products for Botswana

2.1.2.2 Determine the size of the market for leather and leather products

2.1.2.3 Document market requirements for leather and leather products

2.1.2.4 Establish challenges encountered in the marketing of leather and leather products

2.2. Methodology

2.2.1 Scope and units of research

This study collected market information on leather and leather products nationally from selected institutions and enterprises. The study targeted, on the supply side, leather suppliers and leather products manufacturers. On the demand side, the targeted entities were bulk institutional consumers (government, parastatals and private institutions) and leather products retailers. Other sources of information included Statistics Botswana, Botswana Investment Trade Centre (BITC), Business Botswana, Citizen Entrepreneurial

Development Agency (CEDA), Economic Development Drive (EDD) and Department of Industrial Affairs.

2.2.2 Sampling and the sample frame

The study enumerated all identified leather retailers and leather product manufacturers. However, retailers of leather products were conveniently selected due to resource and time constraints because there were many. The government demand was estimated through the following ministries; Ministry of Defence, Justice and Security, Ministry of Local government and Rural Development, Ministry of Health and Wellness, Ministry of Basic Education, Ministry of Tertiary Education, Research, Science and Technology. The utility companies; Botswana Power Corporation (BPC) and Water Utilities Corporation (WUC) represented the parastatals. On the private sector side, selected large security companies were enumerated.

2.2.3 Data collection

Data was collected by the research team through face-to-face administration of structured questionnaires. The study used 4 questionnaires targeting institutions (government, parastatal and private organizations), leather retailers, leather product manufacturers and leather retailers. Desktop research was also used to determine market specifications. The findings from the previous study on the situational analysis of the leather industry in Botswana was also used.

2.2.4 Data Management and Analysis

The data was processed and analyzed using Microsoft Excel through the calculations of frequencies and sums. Tables and graphs were designed in Microsoft Excel and Word.

2.3. Limitations of the Study

All research methods have limitations and it is important that such are acknowledged so that results are understood in the context of those limitations. Below is the main limitation associated with the research method used.

- Face-to-face interviews may introduce interviewer bias where the interviewer may direct the respondent in a certain direction or line of answering the posed questions. However, the impact of this was reduced through training of enumerators.

2.4. Challenges encountered

- There was none participation buy some targeted respondents.
- The data was incomplete as some respondents did not share demand volumes which they deemed as confidential.
- Some data was not shared as it was considered to compromise the security of the country.

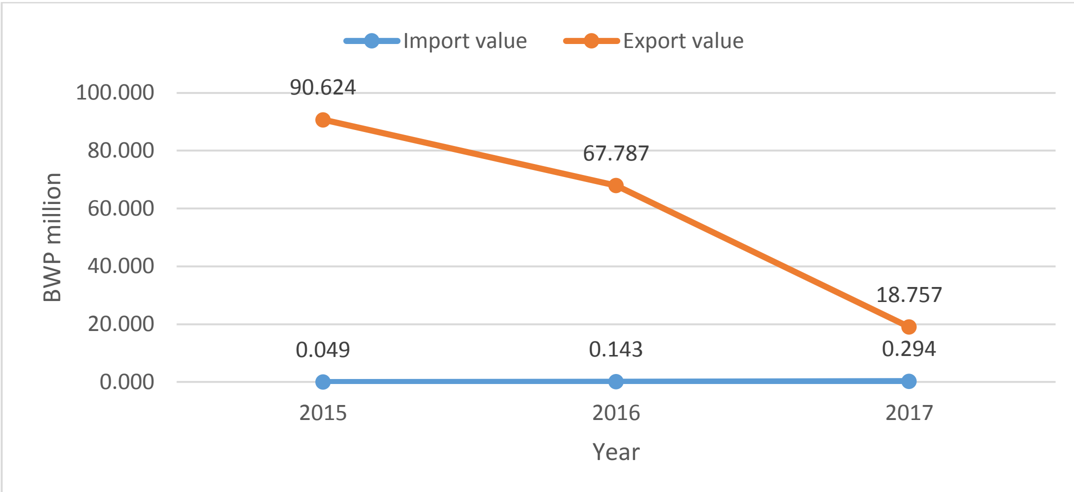
3. FINDINGS

3.1 Trade Statistics

3.1.1 Raw hides and skins

Figure 1 shows the value of imports and exports of raw hides and skins during the study reference period from 2015 to 2017. The imports of raw hides and skins remained relatively low between BWP0.0492 million and BWP0.294 million during the period. On the other hand, the export value was high but reduced from BWP90.62 million in 2015 to BWP18.76 million in 2017. This is in line with the situational analysis study of the leather industry in Botswana which established that most of the recovered hides and skins were exported (LEA, 2010). This entails that there was a trade surplus recorded during this period which earned the country foreign exchange and contributed to the balance of payments. However, the country would benefit more by adding value and exporting leather products like footwear and apparels.

Figure 1: Trade statistics for raw hides and skins

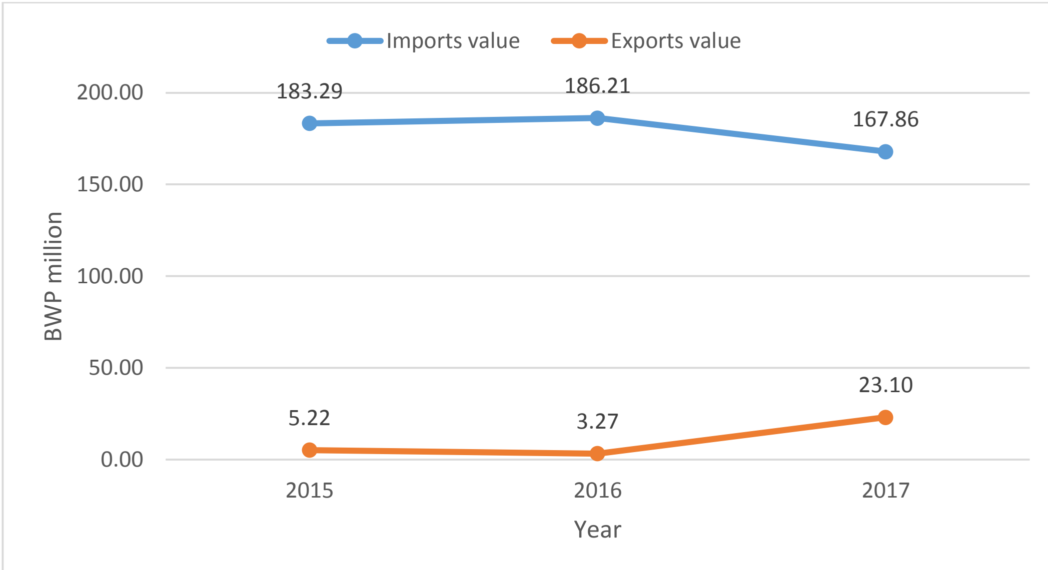


Source: Adapted from Statistics Botswana, 2018.

3.1.2 Leather and Leather Products

According to Statistics Botswana (2018), on the overall, Botswana recorded significant trade deficits for leather and leather products during the 2015 - 2017 period (Figure 2). The data shows that the country relied mainly on imports to satisfy its demand for leather and leather products. The import value was highest in 2016 at BWP186.21 million and at its lowest in 2017 at BWP167.86 million. The main contributors to the import bill were finished products (leather goods and footwear). In contrast, the export value of leather and leather products remained below BWP5.22 million in 2015 and 2016 but rose to BWP23.1 million in 2017. These recorded exports could be attributed to the re-exports due to lack of tanneries and product manufacturers at industry level in the country.

Figure 2: Trade statistics for leather and leather products



Source: Adapted from Statistics Botswana, 2018.

The breakdown of the trade statistics in the local leather industry is shown in Annex 1. The data shows that, by and large, the country imported more than it could export for all products other than for raw hides and skins during the period from 2015 to 2017. The annual import value of finished leather ranged below BWP1.0 million while exports were minimal. The importation of footwear ranged between BWP83.43 million and BWP89.81 million during the period while exports recorded an annual maximum of BWP2.69 million in 2015. On the other hand, the import value for leather apparels reached a peak of BWP100.91 million in 2016 but reduced to BWP82.10 million in 2017 while the apparels export values ranged between BWP1.09 million and BWP2.52 million during the period. According to the ITC (2018) footwear imports mainly came from the RSA, China and the Netherlands while the apparels were largely sourced from the RSA, China and Thailand (ibid).

3.2 Local Production

There has been no industrial production of leather in the country since the closure of Tanneries Industries Botswana (TIB) in 2010 whereas the BMC tannery terminated tanning operations in 2006. The BMC tannery presently simply preserve hides and skins while awaiting sale. Accordingly, vegetable leather is produced at small scale levels by a myriad of SMMEs countrywide. However, these SMMEs produce leather for own use to produce negligible amounts of leather products (LEA, 2010). As such, locally produced leather does not enter the value chain as leather but as leather products. This, therefore, when combined with lack of industrial production makes the introduction of the envisaged Leather Industry Park a good investment to kick-start the leather industry since it includes tanneries and product manufacturers.

The manufacture of leather products is also dominated by SMMEs. Table 1 shows products produced from selected local manufacturers and their values. The respondents produced mainly traditional attire, belts, handbags, trousers and jackets valued between BWP238.5 thousand and BWP265 thousand. However, these values came from selected manufacturers and are insignificant and therefore not representative of the local production during the 2015 - 2017 period.

Table 1: Leather products produced by selected Manufacturers between 2015 and 2017

Name of Product	VALUE (BWP)		
	2015	2016	2017
Belts	90,000.00	90,000.00	117,000.00
Hand bags	23,000.00	26,000.00	26,000.00
Trousers	17,000.00	0.00	0.00
Jackets	16,500.00	0.00	0.00
Traditional attire	120,000.00	120,000.00	120,000.00
Total	268,515.00	238,016.00	265,017.00

3.3 Capacity building in the Leather Industry

Provision of necessary skills is paramount for the development of any industry. This was highlighted as crucial to support the leather park and enable the public to take up opportunities presented by the park. The government has put in place capacity building initiatives that can benefit the leather industry. These initiatives include the LEA Leather Industry Incubator which has been providing trainings since 2010. The Incubator offers short courses on leather design, cutting, stitching, lasting and finishing on a continuous basis whilst at the same time training leather product producers. The Ministry of Education and Skills Development, in collaboration with LEA, is said to have also committed to the development of the leather skills in Botswana through the proposed convention of Lobatse Brigade into the Leather School of Excellence (MITI, 2015). The Ministry of Agricultural Development and Food Security also continues to provide trainings on, among others, technical advice and practical skills on value addition in tanning and leatherworks to the SMMEs. In addition, former employees from the now defunct TIB and BMC tanneries ought to be still knowledgeable in leather processing. However, they may need to be refreshed due to time lapses.

3.4 Market and Market Access

3.4.1 Distribution channels

Local leather retailers avail leather locally through imports. Similarly, the leather product manufacturers also directly import leather but also source from local retailers for the manufacture of products. The main market for these locally produced products are individuals. Instead, retail shops primarily sell imported products to government, parastatals and private institutions. These institutions also source leather products directly through imports or local agents.

3.4.2 Size of the Market

The study determined the value of the local market for leather and leather products through trade deficits as shown by differences between import and export bills. Local production was not considered based on the earlier mentioned point of lack of local industrial production of leather and leather products. On the other hand, local production from the SMMEs is still insignificant for both leather and products. Therefore, Table 2 shows an estimated value of leather and leather products market in Botswana between 2015 and 2017. The demand was highest in 2016 at BWP182.84 million.

Table 2: Estimated Value of leather and leather products in Botswana

Year	Import Value (BWP million)	Export Value (BWP million)	Trade deficit (BWP million)
2015	183.2863	5.2247	178.0616
2016	186.2121	3.2672	182.9449
2017	167.8584	23.0974	144.761

3.4.3 Retailing

Leather retailing was found not to be prominent in the country. The study identified three leather retailers that sold both chrome and vegetable tanned leather. The study failed to establish the value of leather retailed between 2015 and 2017 due to reluctance to share data.

Product retailers did not participate in the study due to data access challenges which constrained the determination of this market size. Procurement for the local branches is done outside the country through their head offices. Subsequently, local management were not able to share the required market data as it was beyond their jurisdiction. However, this was not verified through the head offices as they were not visited due to cost implications and time constraints.

3.4.4 Leather Products Distributors

Table 3 shows value of safety and uniform shoes sold by a distributor between 2015 and 2017. The distributor sold footwear at values ranging from BWP28.8 million to BWP34.8 million. These figures emphasizes the availability of the market locally.

Table 3: Value of Products sold by Leather Product Distributors between 2015 and 2017

Name of Product	VALUE (BWP)		
	2015	2016	2017
Safety Shoes	17,500,000.00	19,250,000.00	21,175,000.00
Men Uniform Shoes	7,500,000.00	8,250,000.00	9,075,000.00
Ladies Uniform Shoes	3,750,000.00	4,125,000.00	4,537,500.00
Total	28,750,000.00	31,625,000.00	34,787,500.00

3.4.5 Institutional Markets

Institutional markets including government departments and parastatals and private entities could not separate the genuine leather products from synthetic products e.g. leather footwear or synthetic footwear. This made it difficult to estimate the value of this market. Therefore, the expenditures represented in Annex 2 covers both leather and synthetic footwear.

3.4.6 Requirements and Specifications of the Market

The market requires competitively priced products and suppliers having capacity to supply required quantities. The study also noted that quality is mainly measured through certification and compliance to quality standards like Botswana Bureau of Standards (BOBS), South African Bureau of Standards (SABS) or International Organization of Standardization (ISO).

The BOBS standard, therefore, proved to play an important role in guiding the specifications for the local leather industry. Table 4 shows an abridged version of the BOBS standard for footwear as an example while a comprehensive list of the standards showing their current status is documented in Annex 3. Annex 4, instead, depicts the pictures of the footwear samples per standard. The specific documents are available at a fee from BOBS offices for access by all in the leather industry including suppliers and customers. It should be noted that only BOS 128:2005 standard has been published while the rest are still at approval stage. The department of government supplies in the Ministry of Finance and Economic Planning refer to these standards when providing guidance to sister ministries during tender documents formulations. As a result, tanners and product manufacturers are advised to familiarize themselves with these standards before production or procurement of products. However, the products from the existing local enterprises interviewed were not certified. This can prove to be a challenge when trying to access institutional markets. As a result, their markets has been mostly the individual buyers.

Table 4: Selected Footwear Specifications Used By the Government Entities

Shoe type	BOBS standard	Standard Title	Users	Colour
Navy Blue Leather Ladies	BOS 461 1002364 – 1002368, 1002370 – 1002373 1003599 -	**Hospital nurses 'shoes (Goodyear welted construction)** This standard is applicable to six types of hospital nurses' shoes made in accordance with the Goodyear welted principle.	Nurses	Navy blue
Black Leather Ladies	BOS 461 1002252 – 1002259		Immigration	Black
Black Leather Ladies	BOS 618 1002262 to 1002272	**Ladies' shoes, flat lasted, with stuck-on outer soles** This draft standard specifies the requirements for materials and construction for ladies' shoes made in accordance with the flat-lasted stuck-on principle.	Central Police	Black
Black Leather Ladies	BOS 618 1002291 – 1002291		Industrial class	Black
Cognac Leather Ladies	BOS 618 1002347 – 1002357		Prisons	Cognac red
Plum leather Gents	BOS 619 1002304 - 1002314	**Men's flat lasted shoes, with stuck-on outer soles** This standard specifies the requirements for materials and construction for men's shoes with stuck-on outer soles, made in accordance with the flat lasted principle.	Drivers, Nurses, Agric Demonstrators	Plum
Black Leather Gents	BOS 619 1002276 to 1002287		Central Police	Black
Boots Black Steel Toe Cap	BOS ISO 20345 1001037 to 1001044		Industrial class, Vocational Training Centre, Central Transport Organization	Black
Boots Black Leather	BOS ISO 20345 1001030 to 1001036		Central Police	Black

3.4.7 Market Access

The government, parastatals and private markets are accessed through the tendering system, request for quotations or sourcing directly from suppliers. However, there are several policies or regulations which affect access to these markets which manufacturers and suppliers need to be aware of. The main entity is the Public Procurement and Asset Disposal Board (PPADB) which registers suppliers which does business with government and parastatals.

Citizen suppliers also enjoy government support through affirmative regulations such as Economic Diversification Drive (EDD) certification which encourages government and parastatals to purchase locally produced goods and services from locally based companies. The government and parastatals are required to report on their EDD purchases to the Ministry of International Trade and Industry (MITI) as proof that they support the local manufacturers and service providers. The government policy of encouraging buyers to buy locally before importing also benefit local suppliers. However, there is the case of some private institutions which indicated that some procurement is done both locally and outside the country through their regional offices. This can pose access issues for local suppliers.

Internationally, the leather industry benefits from preferential access to the US market through the AGOA. However, the Botswana Investment and Trade Centre (BITC) has noted that local businesses fail to fully utilize

AGOA (Agoa.info, 2018). Some of the identified reasons businesses fail to utilize AGOA were cited as inadequate awareness of AGOA, insufficient investment from the US, high costs of production and transport coupled with the distance to the market, low competitiveness as well as cost of compliance with US regulations and standards. However, progress has been noted including dissemination of the AGOA strategy to the business community and the development of sectoral strategies for all identified sectors (ibid).

3.5 Challenges Encountered by Leather Industry

Some of the main challenges affecting the leather industry locally (Annex 5) include:

- delayed deliveries, cash flow problems due to delayed delivery of goods,
- unavailability of finished leather locally,
- Failure to meet specifications as samples brought for tender evaluations differ with actual products supplied and failure to access government market due to giving importers or agents same privileges as local manufacturers.

3.6 Awareness of the Leather Park

All retailers, manufacturers, institutions indicated being aware of the proposed leather park. Their expectations from the park was to get good quality leather at competitive prices as this will offset challenges encountered in sourcing from the international suppliers. The other expectation is for the tannery to have continuous stock at all times.

3.7 SWOT Analysis

Strengths	Weaknesses
• Existence of quality standards (BOBS) • High number of hides and skins available for tanning	• Lack of industrial production of leather and leather products in the country • Non certification of locally produced leather goods • Small market
Opportunities	**Threats**
• Availability of raw material in terms of hides and skins • Trade deficits for leather and leather products showing availability of market • Access to external markets through bilateral trade agreements such as AGOA • Government support through procurement of locally produced products • Availability of leather through the envisaged Leather Industry Park • Availability of trainees through the LEA leather incubator, Ministry of Agriculture and others • Availability of trained personnel from closed tanneries albeit limited due to time lapses • Availability of artisan tanners and products manufacturers	• Competition from imports and substitute products (synthetic leather) • Outbreak of livestock diseases like Foot and Mouth and Lumpy skin • High manufacturing costs leading to uncompetitive pricing of locally produced products

3.8 Identified Business Opportunities Considerations

- Establishment of Leather product Manufacturers (footwear and apparels)

- Manufacturing of leather products accessories (shoe soles, shoe liners, buckles, zipping and other materials, etc.)

These opportunities were considered based on that the country still experiences trade deficits in the leather industry meaning the country still import more than what it can produce or export. In addition, the envisaged Leather Industry Park is expected to avail raw material in the form of finished leather. However, these are only flagged as possible opportunities for consideration pending financial and environmental validation.

4. CONCLUSION AND RECOMMENDATIONS

4.1. Conclusion

The country has recorded trade deficits in the leather industry over the reference period from 2015 to 2017. The only trade surplus was recorded for raw hides and skins. The country also noted an indication of the re-exports of finished leather as leather exports were recorded despite the fact that currently there are no tanneries operating in the country. This is further based on that locally tanned vegetable leather by SMMEs mainly does not enter the value chain as leather but as leather products. The main sources of leather and leather products are imports as there is still no industrial production of leather and leather products locally since the closure of Tanneries Industries Botswana and BMC tanneries. As a result, the proposed leather industry park is expected to address this lack of leather and products.

The demand for leather and leather products was estimated at BWP182.9 and BWP144.8 million in 2016 and 2017 respectively based on the trade deficits. This is based on that the country relies mostly on imports due to lack of local industrial production of leather and leather products and insignificant production volumes from the SMMEs. The study also determined that quality standards are the backbone in market requirements and specifications in the leather industry and locally these standards are available through BOBS. The leather industry also benefit from government affirmative polices like EDD while the AGOA trade agreement facilitate access to the US market. The industry continues to encounter challenges related to the lack of local production of leather which will be addressed through the operation of the Leather Industry Park.

4.2. Reccommendations

4.2.1 LEA should validate the proposed business opportunities with a view for their subsequent adoption by the SMMEs after the implementation of the Leather Industry Park.

4.2.2 LEA should publicize the opportunities envisaged to come with the leather park project.

4.2.3 LEA should actively drive for the attainment of industrial leather skills before the opening of the Leather Park.

4.2.4 LEA should encourage and facilitate product certification for current leather products producers to access major markets such as government.

4.2.5 LEA should pursue a medium term strategy that seeks to have products from the Leather Park accessing the AGOA market.

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APPENDICES

Annex 1: Trade statistics for the leather industry[1]

Product	Import Value (BWP million)			Export Value (BWP million)		
	2015	2016	2017	2015	2016	2017
Raw Hides and Skins	0.049	0.143	0.294	90.624	67.787	18.757
Raw furskins	0.037	0.027	0.001	0.009	0.000	0.001
Unfinished leather	0.040	0.111	0.036	0.011	0.017	18.044
Finished leather	0.956	1.121	0.314	0.006	0.452	0.572
Articles of Leather; Saddlery & Harness; Travel goods; Handbags & similar containers; etc.	92.228	100.907	82.101	2.516	1.085	2.372
Tanned furskins & Articles of Apparel, etc.	0.251	0.117	1.981	-	0.040	0.010
Footwear	89.811	83.955	83.426	2.692	1.673	2.100
Total	183.373	186.382	168.153	95.858	71.054	41.855

Source: Adapted from Statistics Botswana, 2018.

[1] ‘0’ means figure below a million while ‘–‘shows there was no figure.

Annex 2: Government & Parastatals expenditure on footwear between 2015 and 2017[2]

Name of Product	VALUE (BWP)		
	2015	2016	2017
Bags	57,724.94	-	-
Belts	210.00	-	
Footwear	4,815,560.92	3,839,817.69	2,986,321.10
Traditional attire	-	7,375.00	-
Gloves	100,000.00	77,616.00	49,200.00
Total	4,973,495.86	3,924,808.69	3,035,521.10

The surveyed private entities provided expenditure amounting to P1, 716,773.55 for footwear only in the year 2017.

[2] The expenditures were not disaggregated into leather and none leather products.

Annex 3: BOBS standards for Leather and Leather Products

TCD2: Leather and Leather Products

Standards Finalized and Approved

S/N	BOS No.	Base stds	Title	Status
1	BOS 128:2005	SANS 1540:1992	**Leather belts** This standard covers the requirements for the materials, basic design, size and construction of lined, unlined and reversible leather belts	Published
2	BOS ISO 2589		**Leather – Physical and mechanical tests – Determination of thickness** This standard specifies a method for determining the thickness of leather. The method is applicable to all types of leather of any tannage. The measurement is valid for both the whole leather and a test sample.	Approved
3	BOS ISO 3376		**Leather – Physical and mechanical tests – Determination of tensile strength and percentage extension** This standard specifies a method for determining the tensile strength, elongation at a specified load and elongation at break of leather. It is applicable to all types of leather.	Approved
4	BOS ISO 3377-1		**Leather – Physical and mechanical tests – Determination of tear load – Part 1: Single edge tear** This standard specifies a method for determining the tear strength of leather using a single edged tear. The method is sometimes described as a trouser tear. It is applicable to all types of leather	Approved
5	BOS ISO 3377-2		**Leather – Physical and mechanical tests – Determination of tear load – Part 2: Double edge tear** This standard specifies a method for determining the tear strength of leather using a double edged tear. The method is	Approved

			sometimes described as a Baumann tear. It is applicable to all types of leather	
6	BOS ISO 3380		**Leather – Physical and mechanical tests – Determination of shrinkage temperature up to 100 °C** This standard specifies a method for determination of the shrinkage temperature of leather up to 100 °C. It is applicable to all types of leather	Approved
7	BOS ISO 4045		**Leather – Determination of pH** This standard specifies a method for determining the pH and the difference figure of an aqueous leather extract.	Approved
8	BOS ISO 2418		**Leather – Chemical, physical and mechanical and fastness tests – Sampling location** this standard specifies the location of a laboratory sample within a piece of leather and the method of labeling and marking the laboratory samples for future identification	Approved
9	BOS ISO 2419		**Leather – Physical and mechanical tests – Sample preparation and conditioning** This standard specifies the preparation of leather test pieces for physical and mechanical testing together with two standard atmospheres for conditioning and testing. It is applicable to all types of leather.	Approved
10	BOS ISO 4044		**Leather – Chemical tests – Preparation of chemical test samples** This standard specifies a method for the preparation of a test sample of leather for chemical analysis. This method is applicable to all types of leather.	Approved
11	BOS ISO 9407		**Shoes sizes – Mondopoint system of sizing and marking** This standard describes the fundamental characteristics of a system of sizing shoes that is to be known as Mondopoint. It specifies the method of size marking for shoes and	Approved

			applies to all types of shoes, without restriction.	
12	BOS ISO 11644		**Leather – test for adhesion of finish** This standard specifies a method of measuring the adhesion of the finish to leather or the adhesion between two adjacent layers of the finish.	Approved
13	BOS ISO 2822-1		**Raw cattle hides and calf skins Part 1: Description of defects** This standard describes the defects which may occur on raw hides and calf skins intended for tanning	Approved
14	BOS ISO 4683-1		**Raw sheep skins – Part 1: Description of defects** This standard describes the defects which may occur on raw sheep skins. It is applicable to fresh and cured (air dried, wet salted or dry salted) sheep skins.	Approved
15	BOS ISO 4683-2		**Raw sheep skins Part 2: Designation and presentation** This standard specifies a system for the designation and presentation of fine -and coarse-woolen sheep skins still bearing their wool which are intended for the leather or fur industry	Approved
16	BOS ISO 7482-1		**Raw goat skins – Part 1: Description of defects** This standard describes the defects which may occur on raw goat skins. It is applicable to fresh and cured (air dried, wet salted or dry salted) goat skins	Approved
17	BOS ISO 7482-2		**Raw goat skins Part 2: Guidelines for grading on the basis of mass and size** This standard prescribes guidelines for grading raw goat skins in the fresh and the cured (including sun-dried) condition on the basis of their mass and size.	Approved

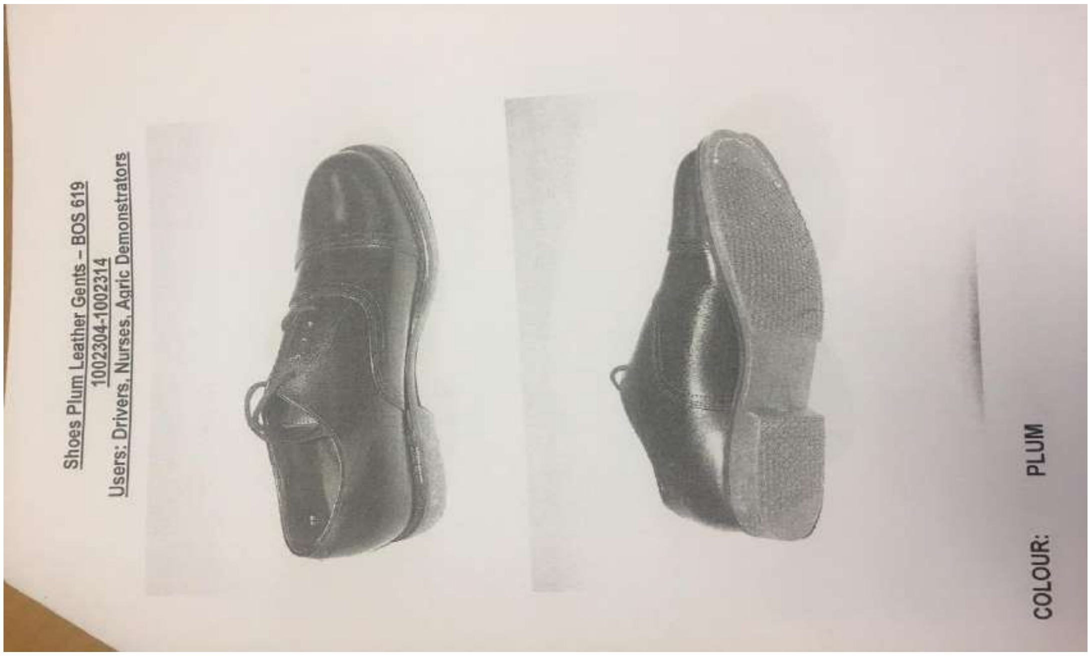
18	BOS ISO 7483-3		**Raw goat skins – Part 3: Guidelines for grading on the basis of defects** This standard prescribes guidelines for classification of raw or cured, trimmed goat skins on the basis of visually apparent defects.	Approved
19	BOS 424		**Ladies fashion handbags** This standard covers the materials, basic design, and construction of three types of handbags with a leather or coated fabric outer	Approved
20	BOS 425		**Industrial boots (including safety boots) with direct-vulcanized soles and heels** this standard specifies the requirements for the materials and construction of industrial boots, including safety boots, made in accordance with the direct-vulcanized principle	Approved
21	BOS 426		**Industrial boots (including safety boots) with stuck-on pre-moulded or direct-injection-moulded soles and heels** This standard specifies the requirements for the materials and construction of industrial boots, including safety boots, made in accordance with the stuck-on pre-moulded or the direct-injection-moulded principle.	Approved
22	BOS 461		**Hospital nurses 'shoes (Goodyear welted construction)** This standard is applicable to six types of hospital nurses' shoes made in accordance with the Goodyear welted principle.	Approved
23	BOS 462		**Children's, youths' and maids' school shoes with direct injection-moulded soles and heels** This specification covers three types of children's, youths', and maids' school shoes made in accordance with the stuck-on pre-moulded principle	Approved
24	BOS 474		**Leather gloves** This standard covers requirements for the materials, construction and sizes for five types	Approved

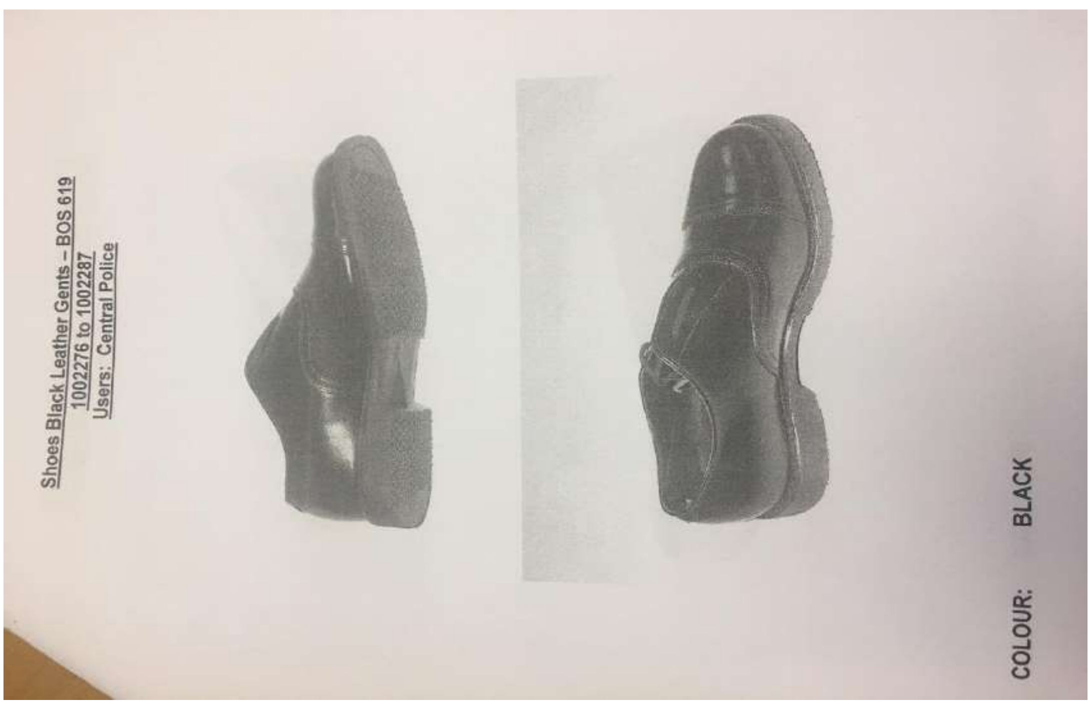
			of men's and ladies' lined or unlined gloves made from leather	
25	BOS ISO 5431		**Leather – Wet blue goat skins – Specification** This standard specifies requirements, methods of sampling and test for wet blue leather produced from goat skins tanned without hair and with the use of basic chromium sulfate as the primary tanning agent.	Approved
26	BOS ISO 5432		**Leather – Wet blue sheep skins – Specification** This standard specifies requirements, methods of sampling and test for wet blue leather produced from sheep skins tanned without wool and with the use of basic chromium sulfate as the primary tanning agent.	Approved
27	BOS ISO 5433		**Leather – Bovine wet blue – Specification** This standard specifies requirements, methods of sampling and methods of test for wet blue leather produced from bovine hides and parts of bovine hides tanned without hair and with the use of basic chromium sulfate as the primary tanning agent.	Approved
28	BOS 507		**Leather school bags and school brief cases** This specification covers three types of cases suitable for use by school children.	Approved
29	BOS 508		**Chrome-tanned bend outer sole leather** This standard specifies requirements chrome-tanned, wax impregnated, bend outer sole leather	Approved
30	BOS 509		**Vegetable-tanned bend outer sole leather** This standard specifies requirements for vegetable-tanned bend outer sole leather.	Approved

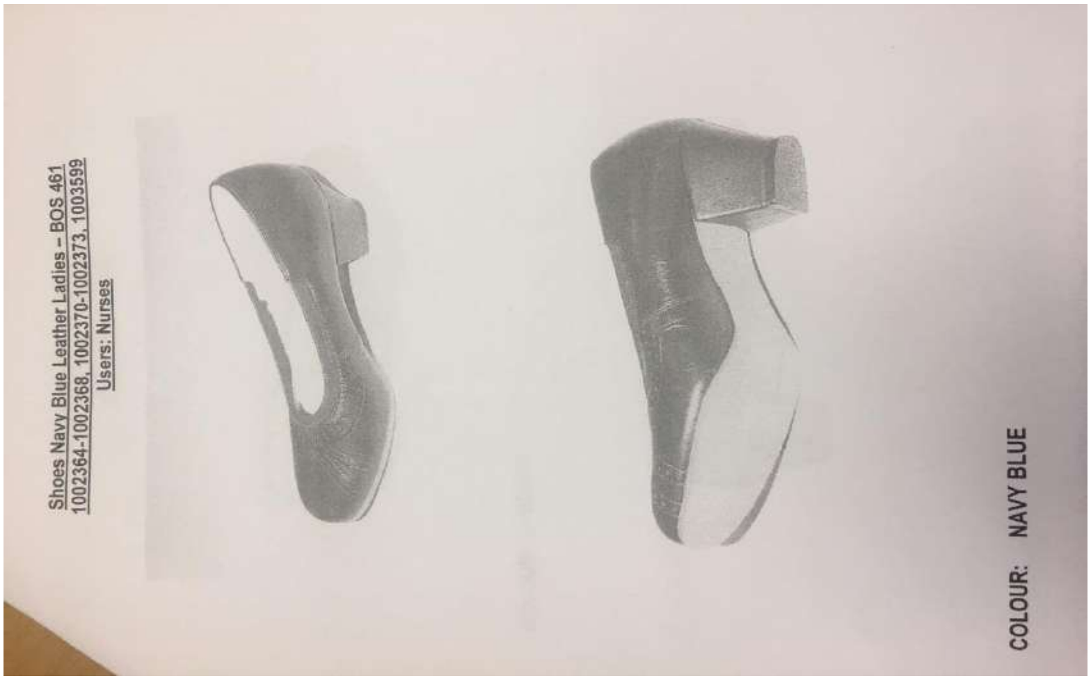
31	BOS 511		**Footwear laces** This standard covers four types of braided tubular lace and one type of woven lace made in all cases from nylon or polyester yarns.	Approved
32	BOS 510		**Fabric linings for footwear** This draft standard covers requirements for 13 types of woven cotton fabric suitable for use as linings for footwear. Three of the types are fabrics combined by adhesive bonding.	Approved
33	BOS 618		**Ladies' shoes, flat lasted, with stuck-on outer soles** This draft standard specifies the requirements for materials and construction for ladies' shoes made in accordance with the flat-lasted stuck-on principle.	Approved
34	BOS 619		**Men's flat lasted shoes, with stuck-on outer soles** This standard specifies the requirements for materials and construction for men's shoes with stuck-on outer soles, made in accordance with the flat lasted principle.	Approved
35	BOS 620		**Men's California type shoes with stuck-on outer** This standard specifies the requirements for materials and construction for men's shoes with stuck-on outer soles, made in accordance with the moccasin type principle	Approved
36	BOS 621		**Men's moccasin type shoes with stuck-on outer soles** This draft standard specifies the requirements for materials and construction for men's' shoes with stuck-on outer soles made in accordance with the California type principle.	Approved

Source: BOBS

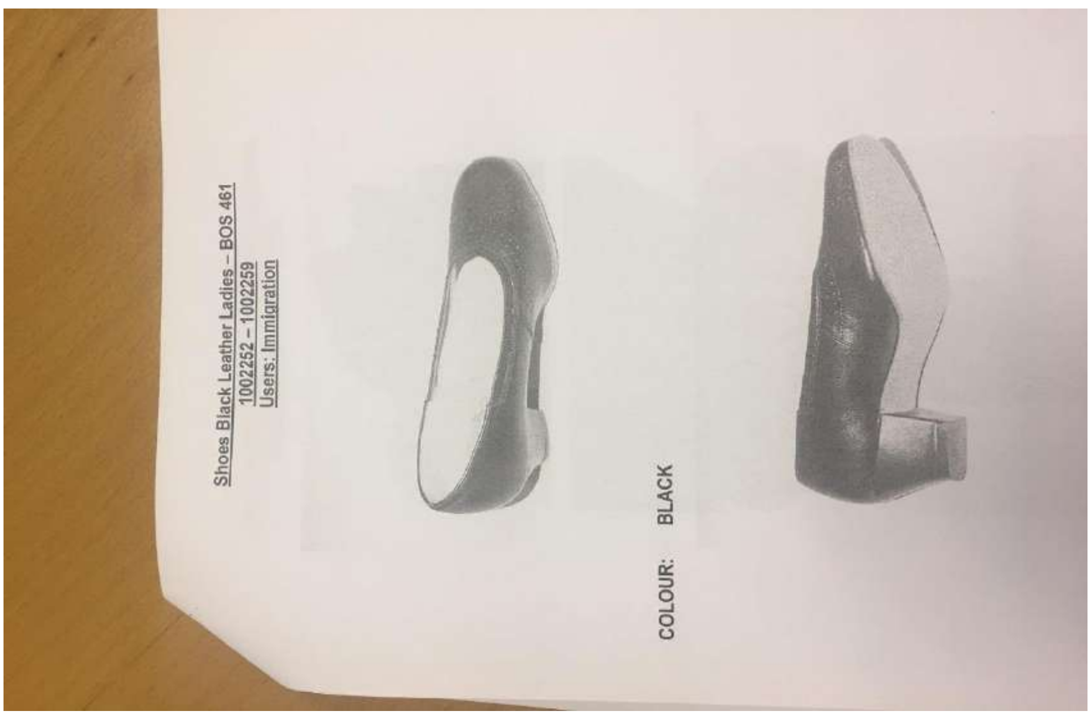
Annex 4: Types of footwear described by the Standards





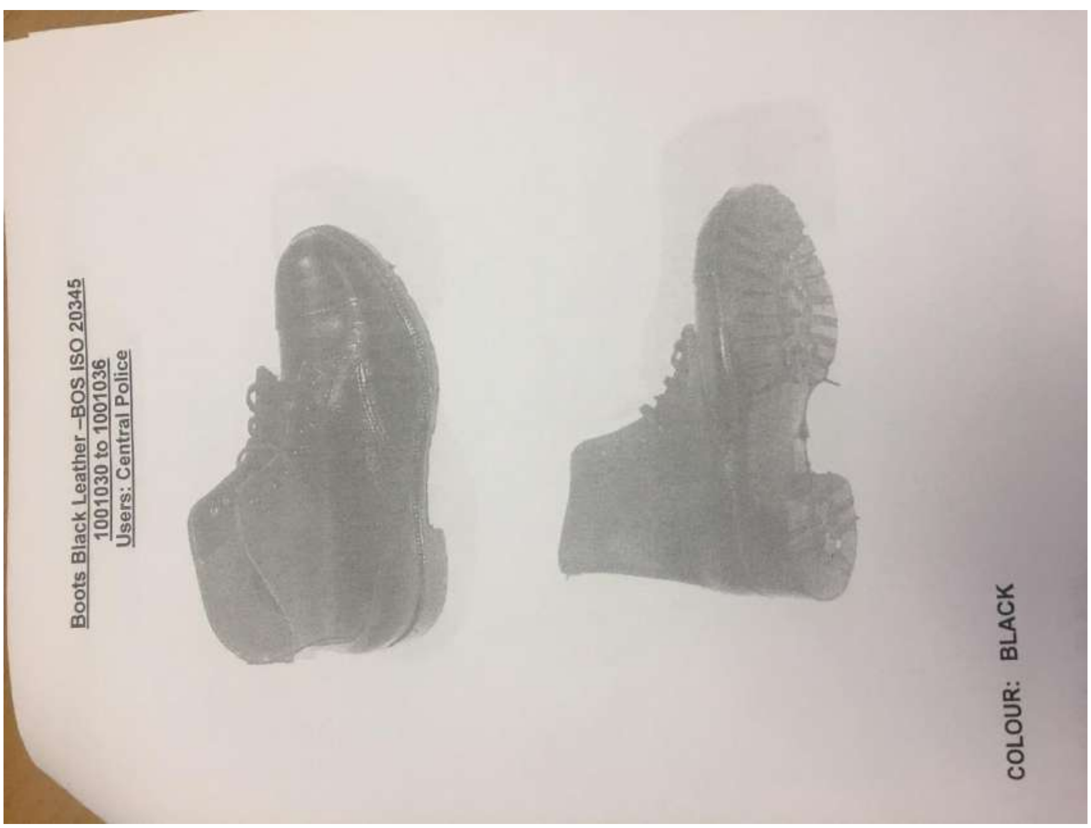


Shoes Navy Blue Leather Ladies – BOS 461
1002364-1002368, 1002370-1002373, 1003599
Users: Nurses
COLOUR: NAVY BLUE

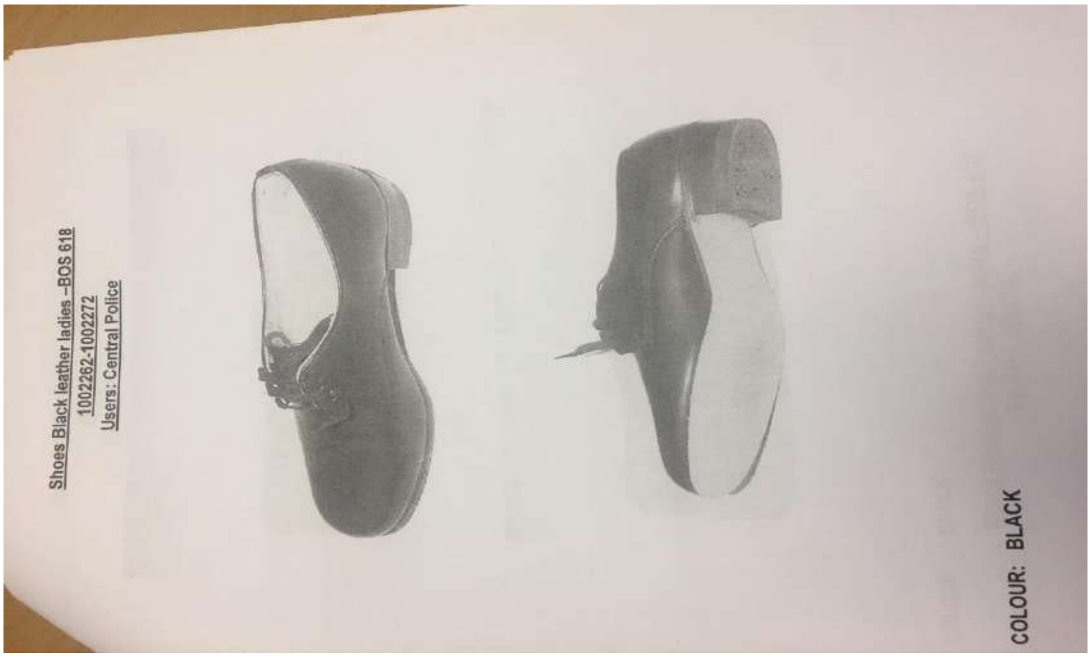


Shoes Black Leather Ladies – BOS 461
1002252 – 1002259
Users: Immigration
COLOUR: BLACK

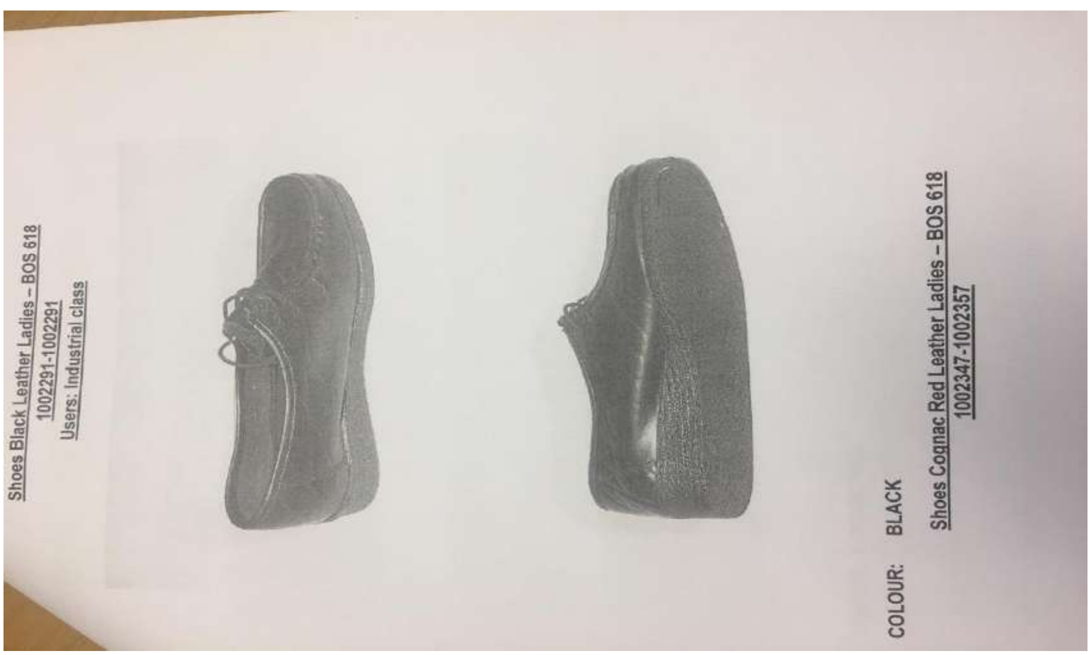
1001037 to 1001044
Users: Industrial Class, Vocational Training Centre,
Central Transport Organization
COLOUR: BLACK



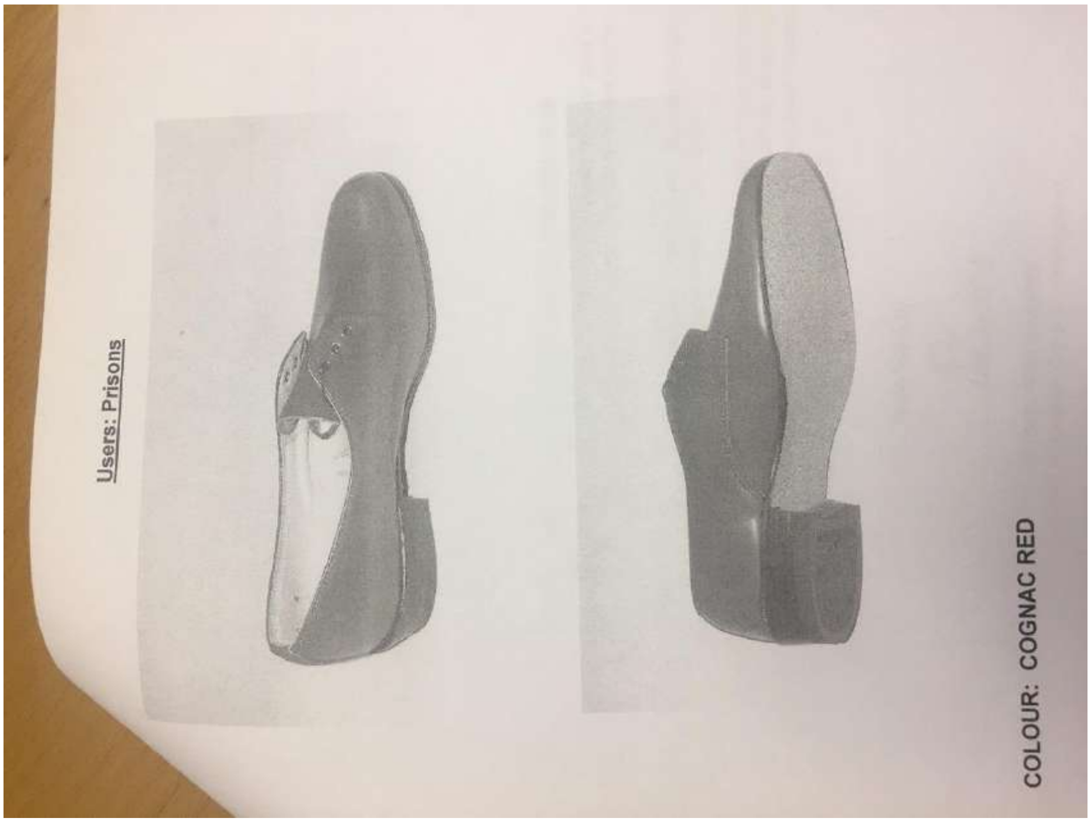
Boots Black Leather –BOS ISO 20345
1001030 to 1001036
Users: Central Police
COLOUR: BLACK



Shoes Black leather ladies –BOS 618
1002262-1002272
Users: Central Police
COLOUR: BLACK



Shoes Black Leather Ladies – BOS 618
1002291-1002291
Users: Industrial class
COLOUR: BLACK
Shoes Cognac Red Leather Ladies – BOS 618
1002347-1002357



Users: Prisons
COLOUR: COGNAC RED

Annex 5: Challenges Encountered by Leather Industry

INDUSTRY SUB-SECTOR	CHALLENGE
Product Manufacturer	• Unavailability of finished leather locally hence the importation, • Occasional low supply from the international market and long delivery times; occasional unavailability of leather locally and it is expensive, when available. • Failure to access the government market (schools and councils) due to inconsistent policies, • Importers/agents given same privileges as local manufacturers. Manufacturers questioned the benefit of EDD when they still compete with agents and big companies. • Some manufacturers questioned exclusion from government tenders based on place of operation.
Leather Product Retailers/Suppliers	• Delayed delivery of imported goods as some were reported to take up to 3 or 4 months for deliveries to be made and sometimes come in wrong specifications, • Delayed supply of orders and some are of poor quality, cash flow problems are encountered as a sizable percentages are demanded upfront before delivery of goods.
Institutions (Government, Parastatals, Private Sector)	• Failure to meet specifications as samples brought for tender evaluations differ with the actual products supplied, • Failure to deliver or late delivery of products by local enterprises. • Less local suppliers