



NATIONAL LEATHER & LEATHER PRODUCTS POLICY

2018

Foreword

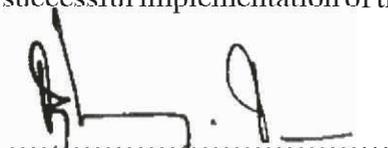
The state of the global economy at the beginning of the 21st century informed the Federal Government decision to diversify its economic approach, aimed at complimenting its dwindling revenue from petroleum and petroleum products. Being a major productive sector, next to the petroleum industry in terms of foreign exchange earnings, leather is considered critical to achieving this objective.

Nigeria has a comparative advantage in livestock production. However, the Leather industry has witnessed a decline in its performance and its seeming recent significant contribution to the national GDP could be credited to the provision of Export Expansion Grant (EEG). The absence of a sector-specific policy contributed to the underdevelopment of the industry, despite its huge potential as a foreign exchange earner and contributor to domestic jobs and wealth.

This policy document gives the strategic direction necessary to drive leather industry development through new initiatives and improvement on current efforts. It encapsulates the challenges of the leather industry. It also examines the industry's dynamics and growth potentials. Based on these, policy recommendations are contained to ensure accelerated growth, regulated business environment and motivated industry actors. Strategies are presented in areas of Research and Development, Governance, Intellectual Property Rights, E-Leather, Environmental Compliance, Social Best Practices, Standards, Marketing and Funding.

The document is a result of a thorough consultative process

among stakeholders. We are confident that the recommended institutional framework would enhance successful implementation of this policy.



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Dr. Ogbonnaya Onu
Honourable Minister,
Federal Ministry of Science and
Technology

Acknowledgment

This National Leather and Leather Products Policy document was produced through collaborative efforts of stakeholders in the leather sector.

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Preamble

Recent statistics indicated that growth in the leather sector is associated with its level of industrialisation. The Nigerian leather sector initially characterised by exporting semi-processed leather now focuses on value addition to enhance the sector's performance. Industry performance challenges including access to and cost of capital, availability of in-country skills, inputs and machineries are addressed through recommended policy strategies in the document.

This policy therefore, analyses the Nigerian leather sector and establishes the framework with the aim of making it globally competitive. Hence, the overall goal of the policy is to compliment other government efforts in order to enhance the industry's contribution to the economy.

The policy took into consideration the existing sector resources and governing structure to ensure that conducive business environment is created for all value chain participants.

It is hoped that the implementation of this policy will make Nigeria leather sector more competitive in the global market.

Acronyms

ALAIN	Association of Leather and Allied Industrialists of Nigeria
APP	Agricultural Promotion Policy
ATA	Agricultural Transformation Agenda
CFC	Common Facility Centre
EEG	Export Expansion Grant
ESRB	Environmentally and Socially Responsible Business
FAMAD	Footwear and Accessories Manufacturing and Distribution Plc
FEC	Federal Executive Council
FLPs	Finished Leather Products
FMARD	Federal Ministry of Agriculture and Rural Development
FMITI	Federal Ministry of Industry Trade and Investment
FMOE	Federal Ministry of Environment
FMST	Federal Ministry of Science and Technology
GDP	Gross Domestic Product
GEMs1	Growth and Employment in States (meat and leather)
GEM	Growth and Employment Project
ICT	International Council of Tanners
ICT	Information Communication Technology
IPR	Intellectual Property Right
JALVCSS	Joint Association of Leather Value Chain Sokoto State
LAPAN	Leather and Allied Products Manufacturers Association of Nigeria
LEPMAAS	Leather Product Manufacturers Association of Abia State Local

	Government Area
LFN	Law of Federation of Nigeria
MDAs	Ministries, Department and Agencies
MSMEs	Micro, Small and Medium Enterprises
NACETEM	National Centre for Technology Management
NASME	National Association of Small and Medium Enterprises
NBS	National Bureau of Statistics
NEPC	Nigerian Export Promotion Council
NESREA	National Environmental Standards and Regulations Enforcement Agency
NILEST	Nigerian Institute of Leather and Science Technology
NIRP	Nigerian Industrial Revolution Plan
NRIC	National Research and Innovation Council
NRIF	National Research and Innovation Fund
NTC	Nigerian Tanners Council
NAQS	Nigerian Agricultural Quarantine Services
NBTI	National Board for Technology Incubation
NOA	National Orientation Agency
OPS	Organised Private Sector
PPP	Public Private Partnership
R&D	Research and Development
RMRDC	Raw Materials Research and Development Council
SLTCN	Society of Leather Technologists and Chemists of Nigeria
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SON	Standards Organisation of Nigeria

SWOT	Strength, Weakness, Opportunity and Threats
UNEP	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organisation
UNDP	United Nations Development Programme

VISION AND MISSION STATEMENT

VISION

To provide a policy framework that guides the Nigerian leather industry to a competitive position in the global economy.

MISSION

To transform the Nigerian leather industry into a dynamic and aggressive sector that embraces the use of cutting-edge technology for value addition and marketing



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CHAPTER ONE

1.0 BACKGROUND

Nigeria is a middle income, mixed economy with expanding manufacturing, financial, communications and technological services. She is amongst the global emerging markets ranked as 23rd largest economy in terms of purchasing power parity and ranked as 27th largest economy in terms of nominal GDP. Nigeria accounts for 47% of West Africa's population, and has one of the largest youth populations in the world. Its re-emergent manufacturing sector became the largest on the continent in 2013, while also producing a large proportion of goods and services for the West African Sub-region.

Nigeria's economy is largely dependent on oil. The economy grew by 2.7% in 2015, significantly below its growth of 6.3% in 2014. Since the fall in oil prices in mid-2014, growth has been on a downward spiral. The economy went into recession late in 2015, it is however, reported to be out of recession in the fourth quarter of 2017. Inflation continued to be in double digits in the last few years topping to 15.98% in October, 2017. The recent lower growth rate of the Nigerian economy has resulted in a renewed drive towards economic diversification, private

sector growth and job creation.

This policy document describes a number of interconnected principles that should underpin all efforts to improve the Nigerian leather industry in order to contribute to the drive for revamping the economy. These principles provide additional strategy to evaluate the impact of the policy. In view of this, the specific aims of this policy include:

- Establishment of suitable conditions for sustainable national development through the provision of technical, human and financial resources required to stimulate the growth and competitiveness of the Nigerian leather industry.
- Regulation of the Nigerian leather industry and creating principles of alignment in livestock rearing, technology application (processing) and marketing.
- Development of a robust and vibrant leather industry that will support high capacity utilisation of resources for the production of sufficient and premium quality hides and skins, finished leather, and Finished Leather Products (FLPs).
- Creation of an enabling environment to foster Public Private Partnership (PPP) investment.

- Development of procedures/standards in the production process to ensure compliance with environmental and social best practices.
- Enhancement of resource optimisation and improved supply chain management along the Nigeria leather value chain.
- Development of technology transfer capabilities, and stimulation of private sector investment in the sector – provision of support for the development of the sector and facilitation of horizontal and vertical integration between and within stakeholders' establishments.
- Promotion of continuous research and development, and encouragement of synergies between research institutes and the leather industry.

The Federal Ministry of Science and Technology (FMST), Federal Ministry of Industry, Trade and Investment (FMITI), Federal Ministry of Agriculture and Rural Development (FMARD), Federal Ministry of Environment (FMoE), Nigerian Institute of Leather and Science Technology (NILEST) and Raw Materials Research and Development Council (RMRDC) will lead

in the implementation of this policy through adoption of the outlined strategies. Other Government Ministries, Departments and Agencies, Private Sector and Development Partners relevant to the leather industry are expected to support the policy.

This policy will be of benefit to a host of Nigerians including but not limited to the:

- Livestock industry
- Abattoir business
- Modern and traditional tanning industries
- Finished Leather Products producers
- Sector support and service organisations
- Research and Development Institutions
- Fashion industry
- Government Ministries, Departments and Agencies having statutory obligation in Leather

Nigeria, with an estimated population of 200 million people, is rich in cultural and natural resources and endowed with beautiful climatic conditions that support a great number of agricultural practices. The vegetation types span six ecological zones, ranging from the swampy coastal rainforest of the South to the semi-arid fertile

grasslands of the North. It has two defined seasons; the rainy season (April-October) and dry season between (November-March). The average rainfall is about 1500mm in the South and 500mm in the North.

Agricultural practice in Nigeria has been largely subsistent in nature. The current tide to commercialise agriculture led to increasing search for use of by-products including hides and skins. Nigeria's hides and skins are naturally of high quality compared to the hides within the region which make them suitable for the production of high quality leather and leather products.

According to the Livestock Census (2011), the national livestock population was estimated to comprise 19.5 million cattle, 72.5 million goats, 41.3 million sheep, 7.1 million pigs and 28,000 camels. The country is also estimated to have 145 million flocks of chickens, 11.6 million ducks, 1.2 million turkeys and 974, 499 donkeys.

Despite these potentials, the Nigerian livestock industry has gone through various challenges which had hampered its development. These include: lack of effective public health ordinance for abattoir operations, skin quality standards/grading, appropriate transportation system and relevant infrastructural facilities. This is further

aggravated by poor access to and cost of capital, and poor local patronage of locally made FLPs among others.

The art of leather work has a long history in Nigeria and the world in general. It can be traced back to the beginning of civilisation. Leather has been in use since the existence of the early man and was the second form of clothing in the history of man's effort towards concealing and decorating various parts of the body, and shelter. During the Trans-Saharan trade period, the Arabs traded in hides and skins from the northern part of Nigeria, transformed them for local use and exported same to Europe. It is common knowledge that the world-famous Morocco grain leather were actually made with the red goatskins from northern Nigeria.

CHAPTER TWO

2.0 OVERVIEW OF THE LEATHER INDUSTRY

2.1 Global Perspective

The leather and leather products industry play a prominent role in the world's economy, with an estimated global trade value of approximately US\$100 billion per year. UNIDO (2011) estimated that world leather export is dominated by developing countries while developed countries dominate export of Finished Leather Products (FLPs). According to the data, developing countries were responsible for the export of 74% of leather while developed countries exported only 26%. The leading producers of leather and leather products include China, Italy, Brazil, India, Pakistan, Hong Kong, France and Germany. Footwear had been the major growth driver for both China and Italy, accounting for about 50% of China's total revenues from sales of leather in 2008 and around 35% of Italy's. Most European tanners, shoes and bag manufacturers closed down toward the end of the 20th century due to the increased competition with cheaper products from China and Vietnam.

Global estimate of leather production is about 23 billion square foot annually. Asia accounts for about 57% of

heavy leather production and 44% of light leather production. Europe accounts for 17% and 24% of global heavy leather and light leather production, respectively while Africa contributes the least accounting for 1% of heavy leather and 4% of light leather production.

An estimated 4.5 billion pairs of leather footwear were produced globally in 2014, about 85% of which was produced by Asia. China is the largest producer of leather footwear, with an estimated 1.9 billion pairs of all types of leather shoes which accounts for about 44% of global production. Africa produces about 96 million pairs of footwear, representing 2% of the global output.

In Africa, Kenya is the largest producer of light leather. The country's light leather production was estimated at 184 million square feet in 2014 which accounted for 21% of Africa's light leather output. According to the International Council of Tanners, about 65% of all finished leather is used in the footwear industry. The furniture, automobile and garment industries utilise 14%, 10.2% and 10% finished leather, respectively.

2.2 Nigerian Leather Industry

The value of export from Nigeria (2010 to date) ranges from USD600M - USD800M with over 40 million goat

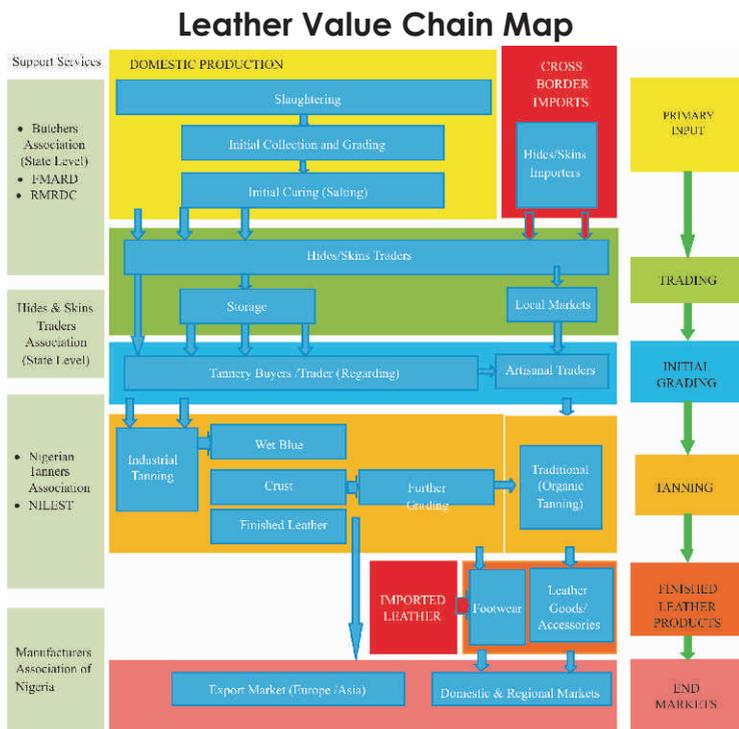
and sheep skins crossing the Nigerian borders annually. Export of finished leather from Nigeria has been on the increase with up to 15% recorded in some years. However, according to COMTRADE (2011), there was a sharp increase in export in 2010 which raised the income to about three folds. Major importing countries from Nigeria include India, China, Italy and other parts of Europe.

In the last fifteen years, leather had alternated first and second position as a non-oil commodity foreign exchange earner. In spite of the huge earning from leather, Nigeria informally imports about USD40 million worth of hides and skins from West, North and East Africa. In terms of footwear business, Nigeria owns only an estimated 10% share of the domestic market while its Chinese competitor boasts of a 90% share. Estimated import of Finished Leather Products to Nigeria is about USD 300 million consisting of over 40 million shoes and other leather goods imported from Asia, Europe and Americas. Therefore, considering the volume of import of skins and Finished Leather Products, the revenue realised from export of leather is almost halved. This reduces the economic impact of leather on the economy.

2.2.1 Leather Value Chain

The leather value chain starts at the slaughter house after the animal is flayed. The value chain includes a number of

nodes of businesses that provide and improve value of the products (skin to leather). The leather value chain includes; primary production of skin, trading, grading, tanning, further processing, and sales to domestic, regional, and international markets. These are supported by a number of other services. The value chain is described in detail in the diagram below.



Source: GEMs1 2011

2.2.2 Business Structure

The leather value chain comprises more of informal businesses (Micro, Small and Medium) and a lower level of highly sophisticated and well-organised formal businesses. The informal businesses consist of flayers, village collectors; urban abattoirs skin buyers, suburban skin dealers, major skin dealers, traditional tanners, service providers and input sellers (salt, transporters, local graders, porters etc.) while the formal businesses consist of tanners and a few major skin dealers.

Nigeria is not a key player in the production of hide-based leather. However, some quantity of hides is produced and processed into leather by local tanneries for supply to FLPs producers. It has been reported by a number of literatures that Nigeria produces skins in excess of 45 million pieces annually. These quantities are supplemented by importation of both skins and hides from all over sub-Saharan Africa. On the other hand, the amount of skins available for tanning is reduced significantly by Nigeria's feeding culture that encourages singeing of skins and hides for food. Based on the National Bureau of Statistics (NBS) data (2010) on the slaughter of sheep and goats in Nigeria, approximately 10 percent of sheep and as much as 30

percent of goats are processed with the skin on.

At the lower level of the leather value chain, there are two main types of tanneries operating in Nigeria: Industrial/mechanised tanneries and Traditional tanneries. Industrial tanneries tend to work with higher grade raw skins and rely on chromium salts and a range of other chemicals in the tanning process. There are currently about 18 functional tanneries (2017), which is a significant decrease from the approximately 40 tanneries that were operational in 2000. The tanneries that are currently in operation have a total installed capacity which allows for processing of over 250,000 skins per day up to wet blue level. According to the data provided by a number of tanneries, the Mamuda Group and Fata Group account for nearly 60% of annual skin purchases. In total, reports by industrial tanneries indicate that over 43 million skins are purchased annually while over 9,300 direct jobs are generated.

Traditional tanners typically work with raw skin and wet blue rejects, which are obtained at favourable prices through various channels: (1) direct purchase from the village slaughter place, (2) network of skin traders and (3) tanneries. These tanners have a long history of employing

traditional methods to produce reasonably good quality finished leather primarily for the local market

The Nigerian FLP sub-sector has not been able to develop an industry geared towards export. Past attempts have not been successful. However, the sub-sector has been exporting products to neighbouring West African countries where it has a level of competitiveness. When it comes to leather footwear and accessories, innovation is very limited in Nigeria, and at best, firms will replicate market and fashion trends that are several years behind.

Producers lack the capacity to identify current international trends and respond to the demands/requirements of fashion brands. Also, the rapid changes in global fashion trends tend to add further complications by making it difficult for such manufacturers to stock up on accessories.

Production costs are some of the inhibiting factors in making the Nigerian leather more competitive. However, the major cost disadvantages arise from the high cost of electricity in Nigeria. This is because the industry has a global outreach which sets it in competition with other global producers regardless of production cost.

2.2.3 Value Addition

Value addition in tanning occurs when cured skins are transformed into wet blue, followed by further processing into crust and finally into finished leather. From farm gate to plant gate, the value of skins increases by approximately 100%. However, depending on the quality of the Finished Leather Products, this value can further increase astronomically.

2.2.4 Supporting Market Actors

Current and potential service providers for the leather value chain in Nigeria include Public/Private Institutions and International Organisations/donors involved in Research and Development, Training, etc. Notable among business associations and public-sector support that play key roles in developing the industry include:

2.2.4.1 Business Associations

- i. Manufacturers Associations of Nigeria (MAN):**
This is the umbrella association for twelve key industrial sectors of the economy including leather and leather products.
- ii. Nigerian Tanners Council (NTC):** The association represents the formal industry segment

and is therefore a key player in government policy development and implementation. It is also instrumental to institutionalising industry support and verifying beneficiaries to compliment governments' efforts.

- iii. **Leather and Allied Products Manufacturers Association of Nigeria (LAPAN):** This is the umbrella association representing all registered associations of leather goods and footwear manufacturers in the Northern part of Nigeria and is in alliance with all the leather-based associations across the country.
- iv. **Leather Product Manufacturers Association of Abia State (LEPMAAS):** This is an Abia State umbrella association and a strong ally of LAPAN. Though operating as a state-based association, it is stronger than every other association in the sector in terms of membership. It regulates the activities of all operators in the leather business within Abia State.
- v. **Society of Leather Technologists and Chemists of Nigeria (SLTCN):** The society is a professional body promoting the interest of Leather Technologists and Chemists, advancement of

leather science and technology, setting/monitoring of standards of leather and productions.

vi. Joint Association of Leather Value Chain Sokoto State (JALVCSS):

This is largely comprised of skin buyers, skin dealers, traditional leather craftsmen and traditional tanners in Sokoto state. It serves as the umbrella of sub-sector associations being concerned with value chain segments within the industry.

vii. Association of Leather and Allied Industrialists of Nigeria (ALAIN):

This is a national body of the finished Leather goods manufacturers that seeks to promote the growth and development of leather and allied Industry in Nigeria by cooperating with Government and other private agencies.

2.2.4.2 Public Institutions

- I. **Federal Ministry of Science and Technology (FMST):** FMST facilitates the development and deployment of science and technology apparatus to enhance the pace of socio-economic development of the country through appropriate technological inputs into productive activities in the nation.

- ii. **Nigeria Institute of Leather and Science Technology (NILEST):** This is the only National Agency charged with the mandate to provide courses of instructions, training and conduct research in the field of leather and leather products technology and conduct research and development on leather technologies and goods production.

- iii. **Raw Materials Research and Development Council (RMRDC):** The parastatal was established to promote optimal utilisation of locally available raw material resources with a view to catalysing sustainable industrial growth across the key sectors of the economy through research coordination, technology development and policy initiatives, amongst others.

- iv. **National Board for Technology Incubation (NBTI):** The Board supports Nigeria's growing small businesses. It provides an integral support programme to assist budding entrepreneurs in the development of new technology-based firms in Nigeria.

- v. **National Centre for Technology Management (NACETEM):** The Agency Serves as a training

centre for the development of high level manpower in Science, Technology and Innovation (STI) management as well as conduct policy research, evaluation and review with a view to making policy recommendations for dynamic technology-based development.

- vi. **Federal Ministry of Industry, Trade and Investment (FMITI):** The Ministry is strongly responsible for developing industries and trade in leather and allied products. Recently, the Ministry has established Nigerian Industrial Revolution Plan (NIRP) to strengthen industry where Nigeria has competitive and comparative advantages.
- vii. **Standards Organisation of Nigeria (SON):** The Agency is charged with the responsibility of developing standards and standard measurements, certifying quality, supporting compliance in production, dissemination of standard information and enforcing approved national and international standards.
- viii. **Small and Medium Enterprises Development Agency of Nigeria (SMEDAN):** This is an agency of the federal government of Nigeria charged with the responsibility of promoting the development of

the Micro, Small and Medium Enterprises (MSME) sector of the Nigeria Economy. The Agency positions itself as a **One Stop Shop** for MSME Development. It facilitates the access of micro, small and medium entrepreneurs and investors to all resources required for their development, inclusive of enterprises/entrepreneurs in the leather industry.

- ix. **Federal Ministry of Agriculture and Rural Development (FMARD):** The Ministry's main mandate in the leather sector is to increase production of quality leather from primary production and improve the quality of Nigerian tanned leather to reposition the industry in the global market. To grow the Nigerian FLP industry and raise its capacity to compete with imported goods and enhance the sector for wealth creation and increase job opportunities.
- x. **Nigerian Agricultural Quarantine Services (NAQS):** This is a regulatory Agency under the ministry of agriculture created for the harmonisation of plants, veterinary and narcotic resources in Nigeria. It is aimed at promoting and regulating sanitary and phytosanitary services

measures in connection with the import and export of agricultural products.

- xi. **Federal Ministry of Environment (FMoE):**
The Ministry ensures environmental protection and natural resources conservation for harmonious and sustainable development of Nigeria.
- xii. **National Environmental Standards and Regulations Enforcement Agency (NESREA):**
The Agency has the responsibility for coordinating efforts to develop environmental standards, enforce environmental laws, conserve biodiversity resources of Nigeria and mitigate environmental problems across the country.
- xiii. **National Orientation Agency (NOA):** The Agency is responsible for communicating government policies, staying abreast of public opinions and promoting patriotism, national unity, and development of Nigerian society.

2.2.5 Trading

The trading stages involve an elaborate network of hides and skins traders and sub-traders who serve as

intermediaries linking tanneries to the primary producers of raw skins. Although the informal and highly dispersed nature of goat and sheep slaughtering in Nigeria makes skin collection particularly complicated, this network gathers skins mostly from across Northern Nigeria, as well as other parts of Africa.

The trading system is top-bottom advance payment which eliminates credit constraints. The industrial tanneries advance payment to appointed dealers or branches, which in turn finance small collectors and traders through internal arrangements. However, this gives advantage to the large-scale tanners (financiers) to select and dictate prices of hides and skins resulting in monopolistic market.

Another problem of the system is that skin buyers and skin dealers find themselves locked in a cycle of continuous indebtedness to the tanneries that provided them advance payments. Payment is done based on specific quantity and quality demanded and the prevailing market prices for raw skins.

To ensure that advances and payment are not lopsided, the April 7th, 2008 Resolution of the Dialogue with Nigerian Tanners Council, National Association of Hides and Skins

Dealers, and the Ministry of Industry, Trade and Investment provides guidelines on the measurement and pricing of skins.

- i. Leather:** The large industries sell all their leather abroad because of certain advantages which includes ready markets, foreign exchange and at certain times the Export Expansion Grants (EEG). Other factors include the inability of the local Finished Leather Products (FLPs) manufacturers to buy economically-viable order quantities and the lack of incentive for selling leather locally (such as higher prices, government support, etc.). Leather needs of Nigeria's FLPs is provided by smaller, local tanneries, at the same time high quality leather needs is augmented through import of European companies' end-runs.
- ii. Finished Leather Products (FLPs):** there has been no reasonable emergence of indigenous shoes factories since the exit of Bata and Lernard's Shoes. FAMAD that replaced Bata is not doing well due to many business-related factors. Therefore, footwear and other FLPs manufacturing is artisanal and small scale across the country. Marketing of Nigerian FLPs is characterised by inability to

compete with imported products basically from Asia and Europe. This is further compounded by the availability of second hand FLPs that are of better fashion designs and quality.

2.3 Key Sector Challenges

The leather sector is faced with many challenges caused principally by lack of a sector policy and other business-related issues. These include among others, the following:

2.3.1 Quantity and Quality of Hides and Skins Produced

Poor animal husbandry practices and slaughtering techniques, poor and inadequate animal health care services, non-compliance with certification requirement for animal products (hides & skins), improper flaying and preservation of skins continue to pose challenges to the optimal supply of skins that are suitable for the modern leather industry. Primary producers have limited incentives to deliver good quantity and quality skins that are free of defects since a good quality skin is worth less than 3% of the overall slaughtered animal value. Also, there is currently no standard mechanism for grading skins at the slaughter places. Additionally, most slaughter of sheep and goats is done informally by local butchers at

both village and household levels and otherwise, at formal slaughterhouses and abattoirs across various cities and states in the country. These present problems of collection, preservation, marketing and transportation.

2.3.2 Poor Storage Facilities and Practices

The domestic supply of raw skin is seasonal with supply at its lowest during the rainy season especially in July and August. During these months, the quantities of both sheep and goat skins are substantially lower because the increased humidity results in deficiencies such as hair-slip and red heat. Traders and tanneries estimate that during the rainy season, inadequate preservation and storage coupled with bacterial build-up caused by the damp weather can lead to losses of up to 70% of sheepskins and up to 30-40% of goatskins. In other months, the rate of rejected skins falls to 15% for sheepskins and 5% for goatskins. This leads to development of excess capacity by the tanneries to accommodate the festival rush for skins.

2.3.3 Absence of Quality Specifications and Standards

There is no uniform standard for Hides and Skins grading in the industry. Despite concerted efforts by the Federal Government, all developed standards are disregarded in

favour of individual tannery standards. On the other hand, Standards for leather export depend on the end use of the product.

2.3.4 High Consumption of Hides and Skins for Food

Nigeria slaughters nearly 7 million cattle annually. Despite this large number the hides are not available for tanning because it is considered a delicacy popularly known as '*Ponmo*' despite its non-nutritive value. Consequently, consumption of ponmo compete with the demand for hides and skins for tanning. Given the higher price that hides attracts in the food market (which can be as much as five times the price paid by tanneries) there is little incentive for producers to sell their hides to the leather industry. Also, employment generated in modern tanneries is less than that in '*Ponmo*' production and retailing. In the southern part of the country, including the North Central, smaller ruminants are singed and consumed '*skin-on*'. This reduces the number of skins available for tanning. Salted hides/skins are imported from neighbouring countries as well as from East and North Africa. Although these imports have helped narrow the supply gap, their low quality has negatively impacted the overall quality of raw skins being used in the leather industry.

2.3.5 Reliance on Importation of Tanning Inputs

Heavy reliance on imported tannery inputs such as chrome, dye stuff, etc. reduces the efficiency of the industry as order-lead-times are often delayed due to import procedures thus, tying down capital owing to order of large quantity of input to last between supplies. Although there are locally available raw materials such as *Acacia nilotica* (Bagaruwa) that are used for vegetable tanning, these are not being utilised by the formal industry due to ease of using chemicals. The traditional tanneries are phasing out, thereby making the use of Bagaruwa very minimal.

Input: Major chemical inputs for tanning (except for a negligible amount used by traditional tanners), shoe making and branding, are generally imported (largely from China and other Asian nations). These inputs are sold in designated markets in Onitsha, Lagos, Aba and Kano.

FLPs: Only a few shoe factories continue to operate and are barely surviving through government contracts to supply leather shoes to the Army, Police Force, and the Ministry of Defence. Currently, there is an outcry from these factories that even the Government prefers to order

its products from abroad.

2.3.6 Export of Semi-finished and Finished Leather

Most tanneries, especially the industrial tanneries, produce semi-finished and finished leather almost exclusively for exports. Consequently, there is inadequate supply of locally produced leather for the production of Finished Leather Products. As such, manufacturers are reliant on the importation of cheap finished leather (factory end runs) and synthetic materials from foreign countries.

2.3.7 Importation of Cheap Finished Leather Products

Although the country possesses the potentials to grow its manufacturing capacity, the influx of and reliance on foreign made leather goods constitutes a hindrance to the growth of the sub-sector. It is estimated that Nigeria informally imports about \$40 million worth of Finished Leather Products. Chinese imports account for 90%, leaving Nigerian producers with just a 10% market share.

2.3.8 Inadequate Infrastructure

The poor quality of infrastructure, particularly transport and power present challenges to the finished Leather and Finished Leather Products sector. Poor road networks and

the absence of a rail system make the movement of goods and services slow, cumbersome and expensive. Inadequate power supply affects the performance of the industry across the value chain, particularly evident within the tanning sector.

2.3.9 Limited Access to Finance

Affordable finance is a major constraint to the performance of the leather value chain. High cost of borrowing (between 22%-25%) serves as a deterrent to investment within the sector. Furthermore, the rigorous process, demand for collateral and delay in securing the fund, make the process unbearable. At the informal level, personal resources, advances from the tanneries and borrowing from family and friends keep the business going, while at the formal level, foreign loans and retained earnings from transactions are the major sources of investment.

2.3.10 Local patronage

Leather products manufactured in Nigeria are not adequately patronised locally due to inferior quality (perception and reality), and inability to catch up with global fashion trend. Thus, Nigerians generally have the propensity to purchase foreign made leather products that

are more fashionable and perceived to be of higher quality.

2.3.11 Market Linkage

Nigeria's leather value chain is characterised by sub-optimal interactions among value chain actors and an absence of effective dialogue among traders, tanners and leather goods producers. This is due to poor customer connection and market information. The few associations that seem to provide for interaction tend to serve only the value points within which they operate. In addition, there is continuous suspicion of exploitation and wrong doings among the players.

CHAPTER THREE

3.0 THE NEED FOR A NATIONAL LEATHER POLICY

3.1 Existing 'organisational' leather and leather related policies

The Acts regulating the leather sector are obsolete. The 1962 Northern Nigeria Hides and Skins (Export duty) Act is the one still in use for hides and skins related legal and policy issues. Other Acts and/or Bylaws have largely been along the ambit of individual MDAs concerned. However, there exist chapters in the livestock regulatory/development policy and the Nigerian trade policies to support production, value addition and provide inclusion into economic indices. Government interventions in livestock had been developmental until year 2012 when policy frameworks for transforming Agriculture and Food Security along value chain lines commenced. Agricultural Transformation Agenda (ATA) and other related policies of the Federal Ministry of Agriculture and Rural Development (FMARD), recognised meat, milk and leather derivable from cattle, sheep and goats as the drivers of the value chain.

The following however, is a summary of leather industry

policy documents:

- i. Northern Nigeria Hides and Skins (Export duty) Act–1962
- ii. The Hide and Skin Act Law of Federation of Nigeria (LFN) -2004
- iii. Agricultural Transformation Agenda(ATA) -2012
- iv. Nigerian Industrial Revolution Plan (NIRP)- 2012
- v. Policy Brief on Leather Production in Nigeria(RMRDC)–2013
- vi. Agricultural Promotion Policy(APP) (The Green Alternative) - 2015

3.2 Institutional Realignment

Over the years, the leather value chain has evolved to imbibe cultures of modern technology: communication, designs, distribution, differentiation, markets and value. This makes it difficult for the existing laws to respond to the ever-changing needs of the value chain. Another issue is the conflicting roles between the Arms of government over regulation and control of activities in the sector. Leather sector programmes driven by the Federal Government do not often get the requisite support of the lower level governments and stakeholders due to non-involvement in policy processes and programme execution. Stakeholders other than government see efforts

to develop the sector as counterproductive to market and business development.

3.3 Situation Analysis of the Industry

The Leather industry is heavily reliant on inherited advantages (Skins and low- cost labour) rather than more sophisticated factors of production such as cutting-edge machinery or skilled workers. Relative to other leather producing countries, Nigeria is endowed with a high density of livestock. However, the skin sector is characterised by a high degree of fragmentation, poor branding, packaging and distribution of FLPs. In spite of huge resource investments, there is low level of innovation. Linkages with Universities and training providers are underdeveloped, and there is only limited integration in the value chain. A simple SWOT analysis reveals both competitive and comparative advantages/disadvantages for the sector within the local and global spheres.

Strengths:

- Large animal population in the country and in neighbouring countries
- Exclusive access to and availability of superior raw

skin

- Extensive domestic retail and favourable access to distribution networks
- Established and well-developed leather industry already localised as clusters
- Commitment, leadership and experience by financially sound tanneries
- Availability of latest technology and professional expertise for leather processing- increasing reputation for quality amongst consumers globally
- Dynamic multi-national business culture within the industry.
- Adequate knowledge of the local and international markets
- Good price, value, quality and relationship.

Weaknesses:

- Desertification, urbanisation and undeveloped ranching system resulting in inadequate livestock feed (farmers/herdsmen clash).
- Poor animal husbandry and healthcare resulting in reduced hides and skins value
- Availability of skins is mainly seasonal, depending on Islamic festivities and dry season
- Prices of raw skin dependent on demand and especially on local policies (EEG) but selling prices fixed by international supply and demand laws
- Totally informal skin-dealer and FLP network
- Poor skin conservation as well as fleshing

- techniques and lack of central purchasing centre.
- Poor environmental and social compliance
- Absence of domestic auxiliary industry (imported chemicals for tanneries and accessories for leather goods etc.)
- Poor response to global fashion trend -Weak Industry/Academia linkages
- Lack of internationally certified/accredited testing facilities
- Unreliable and expensive energy supply
- Seasonal, unreliable and expensive water supply
- Unskilled and unreliable workforce
- Low investment in technology, research and international exposure by small sized tanneries
- Poor horizontal and vertical integration within the value chain.
- Limited access to finance and high financial costs
- Lack of patent protection
- Poor branding and packaging
- High Cost Structure

•Opportunities:

- Growing political will
- Affordable Labour
- Absence of international trade barriers, global trade agreements (0% import duty into EU markets)
- A growing international market
- Reduction in tanning capacity by Europe and other international markets (due to high costs of

- production, strict environmental laws)
- Increased value addition, development of finished products
- Untapped market for FLPs
- Investment opportunities for leather accessories
- Competitors vulnerabilities and niche target market
- Location of tanneries ideal for access to raw skin and within reach of local and international markets

Threats:

- Difficulties in producing in Nigeria (poor infrastructures and administrative framework)
- Absence of proactive long term and inconsistent government policy
- Lack of technology development and innovation
- International economic crisis (market demand weakened in the past years)
- Emergence of synthetic materials products
- Political will of competing countries to promote investors in the sector and Lobby groups in Europe pressuring for imposition of import duties to Nigerian Leather
- Negative image of Nigeria
- Inadequate security within the business environment
- Smuggling of FLPs and
- Changing consumer taste

CHAPTER FOUR

4.0 POLICY STRATEGIES

part of the document contains strategies required to drive the leather value chain. It includes Research and Development, Governance, Intellectual Property Rights, E-Leather, Compliance (Environmental and Social Best Practices), Standards, Marketing and Patronage, Funding and Fiscal Measures.

4.1 Research and Development

Rationale

Support and carry out continuous Research and Development (R&D) across the leather value chain through relevant institutions, giving attention to development of critical mass of personnel and appropriate infrastructure.

Objectives

The policy is designed to:

- i. facilitate research and development institutions, and industries to conduct innovative research to meet the needs of the industry and attract domestic and international investors;

- ii. encourage the development, assemblage, maintenance and promotion of cutting-edge technology in the industry; and
- iii. promote the training of professionals, craftsmen and artisans to meet the needs of the industry.

Strategies

- a) Developing and promoting innovative research on leather and leather products to compete within the local and international market.
- b) Facilitating academic-industry knowledge/skill development and exchange programme for formal and informal sector practitioners.
- c) Promoting focused research personnel capacity development.
- d) Providing adequate training infrastructure to meet the growing demand for qualified practitioners.
- e) Attracting competent personnel and encouraging creativity and innovation to promote professionalism.
- f) Promoting personnel ethics and establishing business standards for the industry.
- g) Strengthening technical support and extension services.
- h) Promote inter and intra sectoral linkages.

- i) Linkages with international organisation to facilitate technology transfer

4.2 Governance

Rationale

Establish and strengthen institutional structures for effective coordination and management of leather and leather products activities in Nigeria.

Objectives

The policy is designed to:

- i. Ensure suitable and conducive business and administrative environment for the coordination, management and promotion of leather and leather products activities
- ii. Improve sector service delivery.

Strategies

- a) Strengthening existing relevant government institutions to discharge their mandates efficiently.
- b) Establishment of a Leather Council that will oversee and coordinate the implementation of the policies and activities of the sector (public and private).
- c) Developing short, medium and long-term leather industry development plans that will provide a

clear vision that will properly place Nigeria in the global leather and leather products business.

- d) Strengthening existing agencies to deliver on their mandates.
- e) Maintenance of linkages between Federal, States and local programmes/activities

4.3 Intellectual Property Rights

Rationale

Protect Intellectual Property Rights (IPR) by strengthening relevant authorities to stimulate the development of inventions.

Objective

The policy is designed to ensure the protection of Intellectual Property Rights to encourage creativity and innovation.

Strategies

- a) Building and developing local capacity of experts in intellectual property management.
- b) Repositioning of the patent registry establishment for effective service delivery.
- c) Promoting information on delivering of Intellectual Property Rights

4.4 E-Leather

Rationale

Enhance the production of high quality leather and leather products using cutting- edge technology and global information platforms.

Objectives

The policy is designed to develop and/or improve production design and promote information sharing through use of ICT to enhance quality and efficiency.

Strategies

- a) Encouraging the use of software in leather production and quality control.
- b) Encourage collaboration with other relevant sectors to ensure functional, dynamic and interactive websites for information about leather and leather products activities.

4.5 Compliance (Environmental and Social Best Practices)

Rationale

Ensure compliance with environmentally and Socially Responsible Business (ESRB) practices.

Objectives

The policy is designed to:

- i. Build and/or strengthen infrastructure that will ensure environmental compliance.
- ii. Adopt cutting-edge technology for waste management.
- iii. Establish measures that will compel industry players to respect the international standard on social responsibility.

Strategies

- a) Promoting integration of environmental concerns among industry operators.
- b) Ensuring efficiency in waste management by enforcing environmental standard compliance.
- c) Ensuring the provision of commensurate compensation for environmental damages and public safety breach.
- d) Developing industrial safety standards for the leather sector.
- e) Introducing/Encouraging eco-labelling of leather and leather products.
- f) Establishing central Effluent Treatment Plants (ETPs) to encourage industrial clusters which will provide benefits for economies of scale in waste management.

4.6 Standards, Marketing and Patronage

Rationale

Ensure adherence to standards and marketing of quality hides and skins, leather/leather products, chemicals and auxiliaries by registered entities.

Objectives

The policy is designed to:

- i. Encourage informal industry players to register their businesses in order to improve their services through access to production input and finance.
- ii. Ensure all leather and leather products businesses comply with best practices in product marketing.
- iii. Stimulate patronage through advocacy.
- iv. Support animal husbandry and abattoir global best practices.

Strategies

- a) Developing and enforcing standards for quality raw materials especially hides and skins, and leather works accessories.
- b) Regulating import/export market activities in line with the national economic development objectives.
- c) Encouraging formalisation of micro, small and medium businesses within the industry for

- improved performance.
- d) Launching 'Buy Made in Nigeria' promotional programmes towards import substitution.
 - e) Discouraging import of Finished Leather Products (FLPs) through articulated measures that will give advantage to locally manufactured products.
 - f) Enforcing compliance with existing regulations to strengthen local marketing of raw hides and skins and prevent exportation of unfinished leather products.
 - g) Discouraging importation of used leather products.
 - h) Discouraging the consumption of raw hides and skins (Ponmo) by designing incentives for producers and processors.

4.7 Funding

Rationale

Establish a sustainable funding structure through the government, Organised Private Sector and development financing.

Objective(s)

The policy is designed to ensure steady and adequate supply of funds for activities within the various segments of the value chain.

Strategies

- a) Dedicating certain percentage of the National Research and Innovation Fund (NRIF), tariffs from the sector businesses and public sector budgetary allocation to training, research and development by the Organised Private Sector.
- b) Increasing budgetary allocation to existing leather research and development institutions for enhanced performance.
- c) Ensuring that private financing institutions (micro finance, commercial and development banks, private equity and others) develop and maintain products for access by the leather industry players.
- d) Providing adequate fund for the proposed Council and Agency.

4.8 Fiscal Measures

Rationale

Stimulate domestic growth through fiscal reprieve and regulatory support to investors.

Objective(s)

The policy is designed to promote domestic growth through encouraging investments.

Strategies

- a) Provision of 3-5 years tax holiday for large scale investors in FLPs manufacturing.
- b) Encourage investors to establish required chemical plants and other critical raw materials for leather manufacture in Nigeria.
- c) Inclusion of FLP Small and Medium scale investors in Federal Government subsidy programmes.
- d) Removal of import duties on tools, chemicals and machinery for the sector production processes for a period of 3–5 years.
- e) Encourage the design, fabrication and mass production of tools, machinery and chemicals using local inputs.
- f) Establishment of more Common Facility Centres (CFC) close to FLP clusters across the country, to guarantee access to improved manufacturing technology.
- g) Discouraging the importation of Finished Leather Products (FLPs).
- h) Provision of a 3-5 years tax exemption on leather sold to local FLPs industries.
- i) Total ban on export of semi-finished leather (wet blue and crust) and also provide incentives for

further value addition

- j) Provision of infrastructure and incentives to support the production of footwear and leather goods accessories.
- k) Encouraging the local production and use of synthetic materials.

CHAPTER FIVE

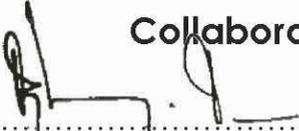
5.0 CONCLUSION

This policy document is drawn out of the need to support the national economic recovery efforts, create jobs for the teeming Nigerians, maximise wealth for both small and large-scale investors in the leather industry, and substitute import by enhancing the performance of Nigerian made FLPs. The policy is also designed to fill the vacuum of decades without effective guidelines that respond to the changing trends of the industry and the dynamism of the Nigerian economy.

Implementing the action points therein will hasten the growth of the industry and improve Nigeria's global competitiveness. This is in line, with the cravings of the Federal Government to create employment, increase foreign exchange earnings, enhance internal revenue, reduce poverty across the country and enhance the use of technology to increase productivity of the sector.

This document is meant to take effect from the beginning of the next national action plan (2018) and be included in the same fiscal year planning.

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