



# Leather investment opportunity in Kenya



MINISTRY OF INVESTMENTS,  
TRADE AND INDUSTRY



**INVEST KENYA**  
KENYA INVESTMENT AUTHORITY



# KENYA WORKS.

## ARISE IIP KENYA DELIVERS.

Industrial Confidence at Scale.

At a defining moment in Kenya's industrial journey, ARISE IIP Kenya is delivering a new standard for industrial development — built on coordination, partnership, reliability, and long-term performance.

Kenya's industrial advantage rests on five structural strengths: a renewable-powered energy base, integrated logistics corridors linking ports, rail, and airports, a stable and investor-confident macroeconomic environment, a leading digital and innovation ecosystem, and growth-enabling industrial policy frameworks, including strategic incentives.

The ARISE IIP Kenya platform is anchored by a secured portfolio of industrial zones across Kenya's key economic corridors — including Vipingo Special Economic Zone on the northern coast, the port-adjacent Coast Integrated Industrial Park (CIIP) SEZ in Mombasa, Great Rift Industrial Park (GRIP) SEZ in the geothermal-rich Rift Valley, and the fiber-to-fashion Rivatex SEZ in Eldoret, western Kenya. Each zone plays a distinct role within the national industrial platform, enabling manufacturing, processing, and export activity to be deployed where location, infrastructure, and energy advantages perform best.

By aligning a secured multi-zone industrial portfolio under common standards, sector logic, and investor pathways, ARISE IIP Kenya delivers a single, coordinated industrial platform enabling investors to enter with clarity, operate with certainty, and scale across locations without restarting the investment journey.

**The ARISE IIP Kenya industrial platform is not a collection of zones.**

**It is Kenya's industrial advantage system — designed for delivery.**

**Coordinated. Reliable. Low-Carbon. Globally-Connected.**

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## Acknowledgements



MINISTRY OF AGRICULTURE AND  
LIVESTOCK DEVELOPMENT

REPUBLIC OF KENYA



MINISTRY OF INVESTMENTS,  
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**Kenya Leather Development Council**  
*Quality Leather, Better Earnings*



**EPZA**  
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**KAM**  
KENYA ASSOCIATION  
OF MANUFACTURERS  
Driving Global Competitiveness



**TANNERS ASSOCIATION  
OF KENYA**



**LEATHER APEX**  
SOCIETY OF KENYA



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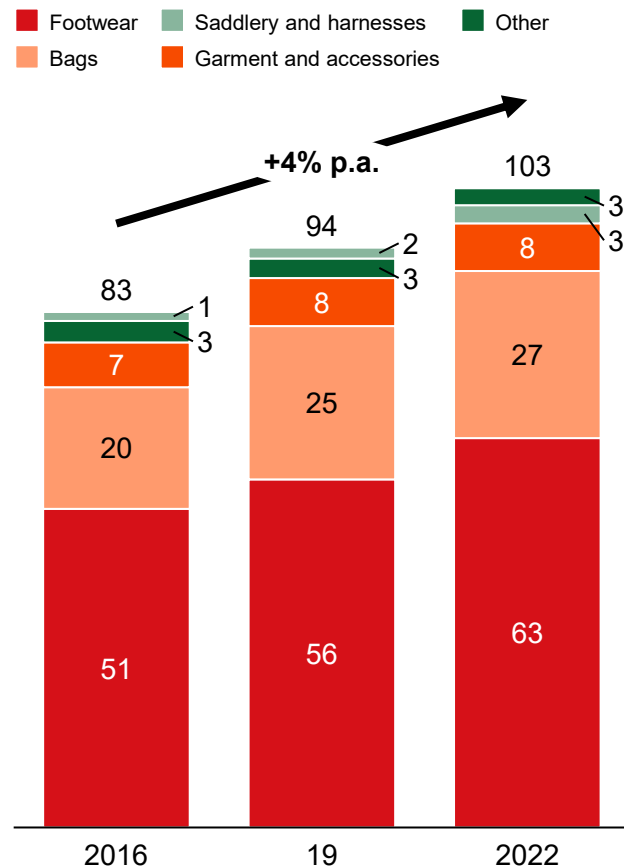
***“Kenya’s leather sector offers immense value addition. From wet blue exports to finished goods, we are unlocking new opportunities”***

His Excellency Dr. William Ruto, C.G.H.,  
President of the Republic of Kenya

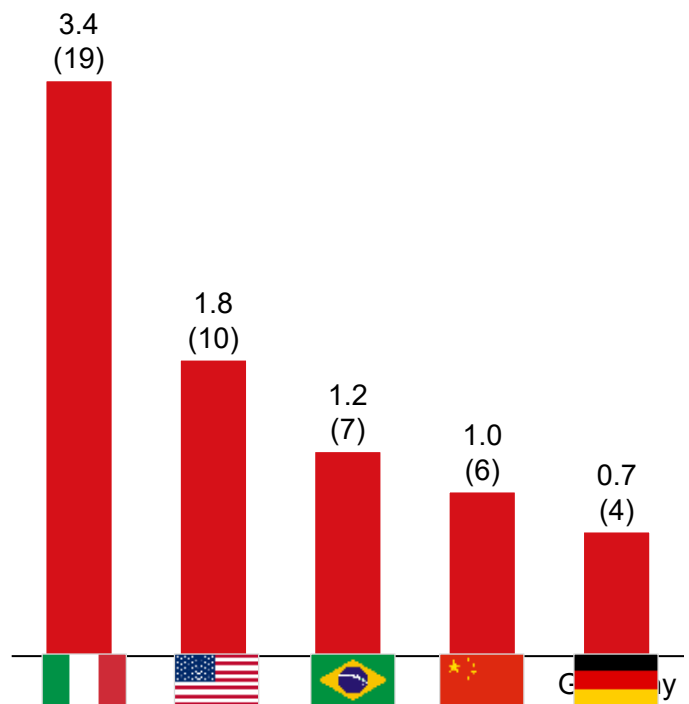
## GLOBAL LEATHER OVERVIEW

The global leather products market is worth >\$100 billion and has grown at ~4% per annum since 2016

### Global exports of leather products \$ billion



### Top 5 exporters of leather<sup>1</sup> 2022, \$ billion (% of total)



## Key trends

The global leather market has seen **steady uplift** (~4% compounded annual growth rate since 2016), primarily driven by growth in leather footwear consumption


There is a growing trend of **supply chain diversification** by global fashion brands, as they look to establish new sourcing destinations to improve resilience to disruptions and optimize costs (i.e., as Asian labor costs increase)

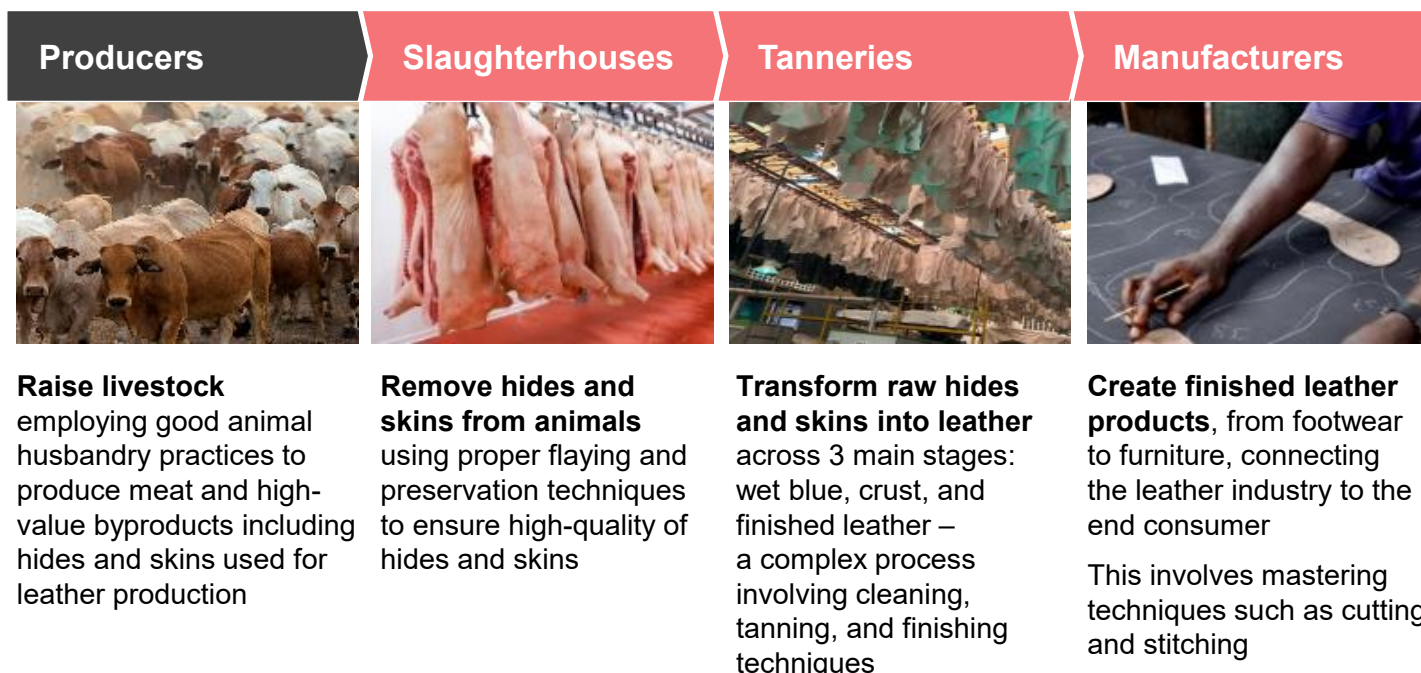
<sup>1</sup> Raw, semi-processed, and finished leather

Source: UNCOMTRADE

## GLOBAL LEATHER OVERVIEW

# From production to manufacturing, the leather industry offers multiple investable opportunities across the value chain

 Select investment opportunities covered in this document



## Broader ecosystem players

### Chemical providers

**Manufacture, supply and testing of chemicals** for the tanning process

### Workforce training providers

**Train workers** to improve capabilities on complex techniques (e.g., flaying at the slaughterhouse to stitching at the footwear factory)

### Input suppliers

**Supply accessories** (e.g., soles, laces) required for leather footwear/leather goods manufacturing

### Financiers

**Provide financing** and other financial services to facilitate investment and trade for businesses

### Logistics providers

**Offer aggregation and transport services** across the value chain

*Throughout the leather value chain, Kenya presents distinct advantages for growth, making it a prime location for investments in the sector*

KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

DETAILED AHEAD:

**Unique competitive advantages set Kenya up to become a global hub in the leather industry**



**Raw materials endowment**

**11th largest herd size** globally with over 80Mn heads of livestock



**Sector expertise**

**Already established leather sector** with 10+ operating tanneries, 20+ manufacturers



**Cost competitiveness**

**Comparable production costs** against global leather export giants



**Wide market access**

**Free Trade Agreements** covering leather and leather products with major importers



**Enabling environment**

**Priority value chain** for the Government of Kenya  
State-of-art leather cluster with the Kenanie Leather Industrial Park



**Favorable investment ecosystem**

**Safe and attractive investment landscape**, backed by global endorsements and strategic advantages

KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

**Kenya is endowed with abundant raw material ...**

**#11**

Herd size globally<sup>1</sup>  
(#5 in Africa)

**#10**

Goats and sheep herd size  
globally (#5 in Africa)

**#15**

Cattle herd size globally  
(#5 in Africa)

Kenya's livestock population (11th largest globally), with **>21Mn cattle** and **>58Mn goats and sheep**, presents a **substantial resource base for the growth of its leather industry**

**... and talent to capture leather's growth opportunity**

**~70%**

Population under 35 years old

**60%**

Efficiency<sup>2</sup> of the labor force  
(vs. ~45% in Ethiopia)

Further boosting Kenya's leather industry potential is the availability of a **young, trainable and productive workforce**

1 Includes cattle, buffalo, goats and sheep

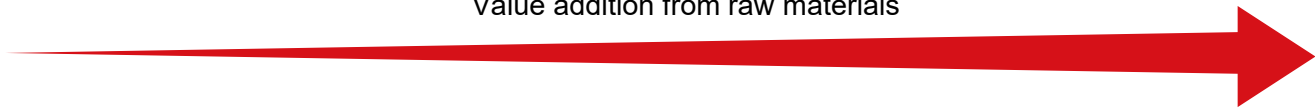
2 Manufacturing production efficiency - benchmarked on the apparel industry

Source: FAOSTAT, 2023; apparel productivity benchmarks, Kenya National Bureau of Statistics

KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

**Kenya's leather industry has a robust existing value chain involving thousands of businesses**

Value addition from raw materials



**Slaughterhouses**



**49**

Large slaughterhouses

**322**

Medium slaughterhouses

**1,735**

Slaughter slabs

**Tanneries**



**13**

Operating tanneries



**3**

Large tanneries processing >10Mn sq. ft of leather yearly

**Manufacturers**



**22**

Mid-to-large scale manufacturers<sup>1</sup>

**~400**

Micro, small and medium enterprises<sup>1</sup>



**~\$80Mn**

**Size of Kenyan leather industry, including leather and products (2022)**



**~17k**

**Direct jobs in the leather industry (2022)**

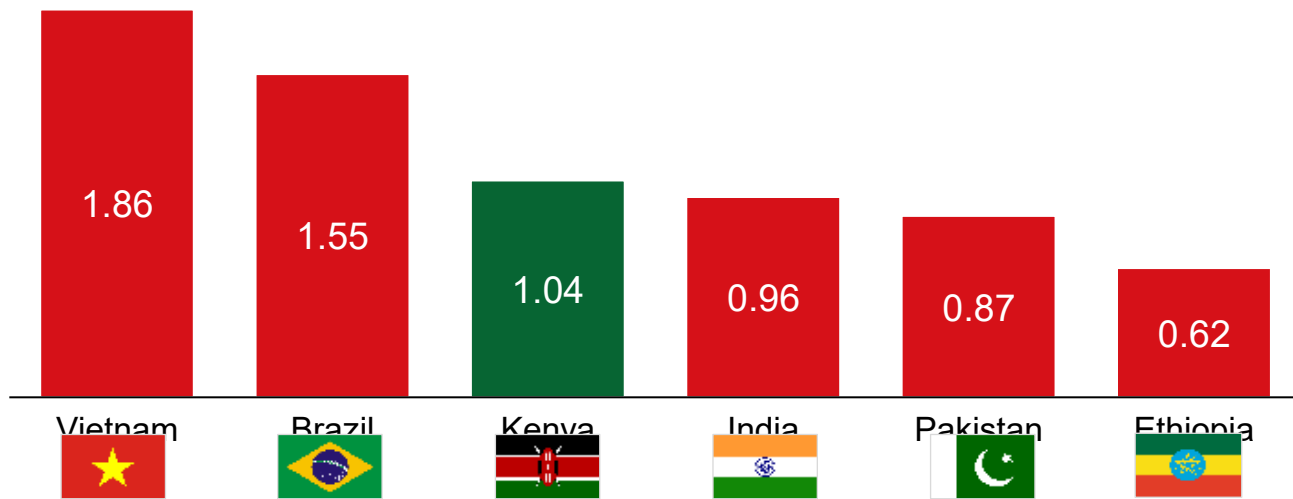
<sup>1</sup> Primarily of footwear (e.g., men's dress shoes, military/security boots) and leather accessories (e.g., belts, sandals)

Source: Status report on the leather and footwear sector in Kenya, 2022. Kenya Markets Trust (2020). The Economics of Modernizing the Meat Industry in Kenya: Untapped potential of meat industry in Kenya. KMT Livestock Research, KAM leather sector profile

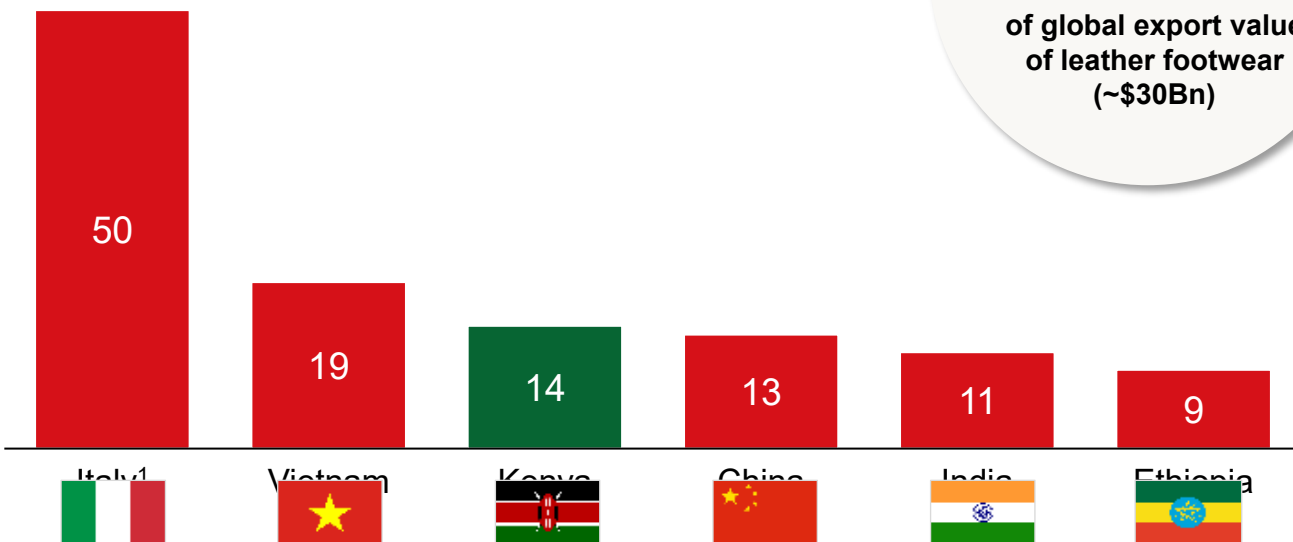
KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

**For finished leather and footwear, Kenya's cost of production is comparable to global export giants**

**Finished leather, production costs, \$USD per sq. ft**



**Men's leather dress shoes, production costs, \$USD per pair**



Italy, Vietnam, China, and India account for **~50%** of global export value of leather footwear (~\$30Bn)

Note: The cost competitive analysis controls for quality, as all countries listed on the charts manufacture at comparable quality (except for Italy)  
 1 Not comparable; manufacturers producing shoes in Italy are luxury brands with higher price buckets driven by brand (i.e., "Made in Italy") and quality  
 Source: GlobalPetrolPrices.com, ILOSTAT, Trading Economics, WITS trade tariffs database, UN Comtrade

## KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

**With the presence of 6 out of global 9 largest importers of leather footwear, Kenya has direct market access for leather**

Existing market access for leather products

Top footwear importers		Value of import footwear, 2023, \$ billions	Market relevance
US		13.9	Kenya has <b>direct access until September 2025 through AGOA</b> (African Growth and Opportunity Act) – subsequent long-term agreement in negotiation
EU	France	5.7	<p><b>All Kenyan exports have duty-free and quota-free access</b> to the EU under the EU-Kenya Economic Partnership Agreement, EPA (July 2024)</p> <p>Favorable logistics from Kenya to the EU (e.g., lower shipping time vs. Asia)</p>
	Germany	4.9	
	Italy	4.7	
	Netherlands	2.2	
China		6.5	<p><b>No trade agreements</b> with Kenya</p> <p>Kenya <b>unlikely to be competitive with large-scale players</b> closer to the region (e.g., Vietnam, Thailand)</p>
Japan		6.4	
South Korea		4.1	
UK		3.3	<b>All Kenyan exports have duty-free and quota-free access</b> to the UK under the UK-Kenya Economic Partnership Agreement, EPA (March 2021)

KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

**The Kenanie Leather Industrial Park (KLIP) is set to offer a state-of-the-art industry cluster to leather investors**



**Location**

**Kenanie Export Processing Zone (EPZ) site, Machakos County**  
*50 km from Nairobi, Kenya's Capital*

**Capacity**

**500 acres** designed to accommodate **36 tanneries, 18 leather product manufacturers**, logistics services and amenities such as recreational park, sanitation block, fire station, banks

*Note: Still under development, with operationalization targeted before the end of 2025*



**Benefits to investors**

**1**

**Zero capex related to effluent treatment plant, and reduced opex**, due to availability of **cutting-edge Common Effluent Treatment Plant in KLIP**, with capacity to treat 10 million liters of water per day

**2**

**“Plug and play” infrastructure:** Ready and stable power, water, road and warehousing infrastructure for operators

**3**

**Government incentives**, including range of tax holidays (e.g., 10-year corporate tax holiday) and import duty exemptions (e.g., for all imported goods)

## KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

### In addition, Kenya offers multiple incentives for investors

■ Fiscal incentives ■ Non-fiscal benefits

	Export Processing Zone (EPZ) incentives <sup>1</sup>	Special Economic Zone (SEZ) incentives	General incentives (non-EPZ or SEZ)
<b>Investment deduction</b>	<b>100% investment deduction allowance</b> on building and machinery	<b>100% investment deduction allowance</b> on building and machinery	<b>100% investment deduction allowance</b> on building and machinery from >KES 200Mn
<b>VAT/duties</b>	Perpetual exemption from <b>payment of stamp duty on legal instruments</b>  Perpetual <b>exemption from value added tax (VAT) and customs import duty</b> on raw materials and machinery	Value added tax (VAT) is <b>zero-rated</b> for local supplies  Imported goods are fully exempt from tax (VAT, excise duty, import duty, IDF <sup>5</sup> )	Exemption of <b>import duty on industrial machines, leather processing chemicals</b> and equipment
<b>Corporate tax</b>	<b>10-year corporate tax holiday<sup>2</sup></b> , 25% for the subsequent 10 years and 30% thereafter	<b>10% corporate taxation rates</b> for first 10 years, 15% for subsequent 10 years	Not applicable
<b>Withholding tax</b>	<b>10-year Withholding Tax Holiday<sup>3</sup></b> on remittances to nonresidents	<b>0% Withholding Income Tax rate</b> on payments made to nonresidents (royalties, interest, management fees)  Dividends paid to nonresidents by the SEZ entity are <b>exempt from tax</b>	Not applicable
<b>Other benefits</b>	<b>20% domestic market access<sup>4</sup></b> <b>100% repatriation</b> of profits  Full operation under a <b>single license</b> with project approval and licensing within 20 days  <b>Foreign currency accounts</b> and offshore borrowing allowed with unrestricted investment by foreigners  <b>On-site customs</b> documentation (including green channel port clearance), investor facilitation and aftercare	<b>No restrictions</b> to percentage of products sold to the local East African Community market  <b>100% repatriation</b> of profits  Discounted <b>electricity tariff</b> at <b>0.08\$/kWh</b> (from 0.11\$/kWh)	<b>100% repatriation</b> of profits

1 KLIP (Kenanie Leather Industrial Park) is to also offer EPZ incentives once operational

2 Normal Corporate Income Tax rate is 30%

3 Withholding Income Tax rate for resident's ranges from 5-25% and 15-25% for nonresidents

4 With approval from the Ministry of Investments, Trade and Industry

5 Import Declaration Fee, payable 2% fee of the customs value

Source: EPZ Act Cap 517, Kenya Revenue Authority, Kenanie Leather Industrial Park Criteria for Occupation of Phase One

KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

**Kenya offers investors a plethora of opportunities**



**Stable economy and leading vibrant democracy**

**6th** largest economy in Africa



**Leading Africa's green transition**

**~93%** renewable energy at competitive rates



**Logistics and innovation hub of the region**

**4** international airports  
**2** seaports



**Young, trainable, and productive workforce**

**>80%** literacy rate



**Robust digital and tech ecosystem aligned with EU regulations**

**50+** active tech hubs countrywide



**Incentives for investment and investor protection**

**100%** repatriation of profits or interests

Note: As of June 2025

RANKING IN AFRICA

**Kenya has received endorsements**

*Kenya is rated...*

## Number 1

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Greatest investment momentum in Africa in 2024<sup>1</sup>



Funding to start-ups in Africa ((~ \$984M in 2025)<sup>2</sup>



Greenfield projects in East Africa in 2023<sup>3</sup>

## Number 3

---



On Ease of Doing Business in sub-Saharan Africa<sup>4</sup>



Women's financial and economic inclusion in Africa<sup>5</sup>

## Number 13

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Fastest-growing economy in Africa in 2023<sup>6</sup>

Note: As of June 2025

According to:

1. fDi Intelligence 2024

2. Africa: The Big Deal Report 2023

3. UNCATD

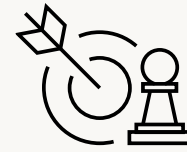
4. World Bank 2020 2023

5. African Center for Economic Transformation

6. World Bank 2023

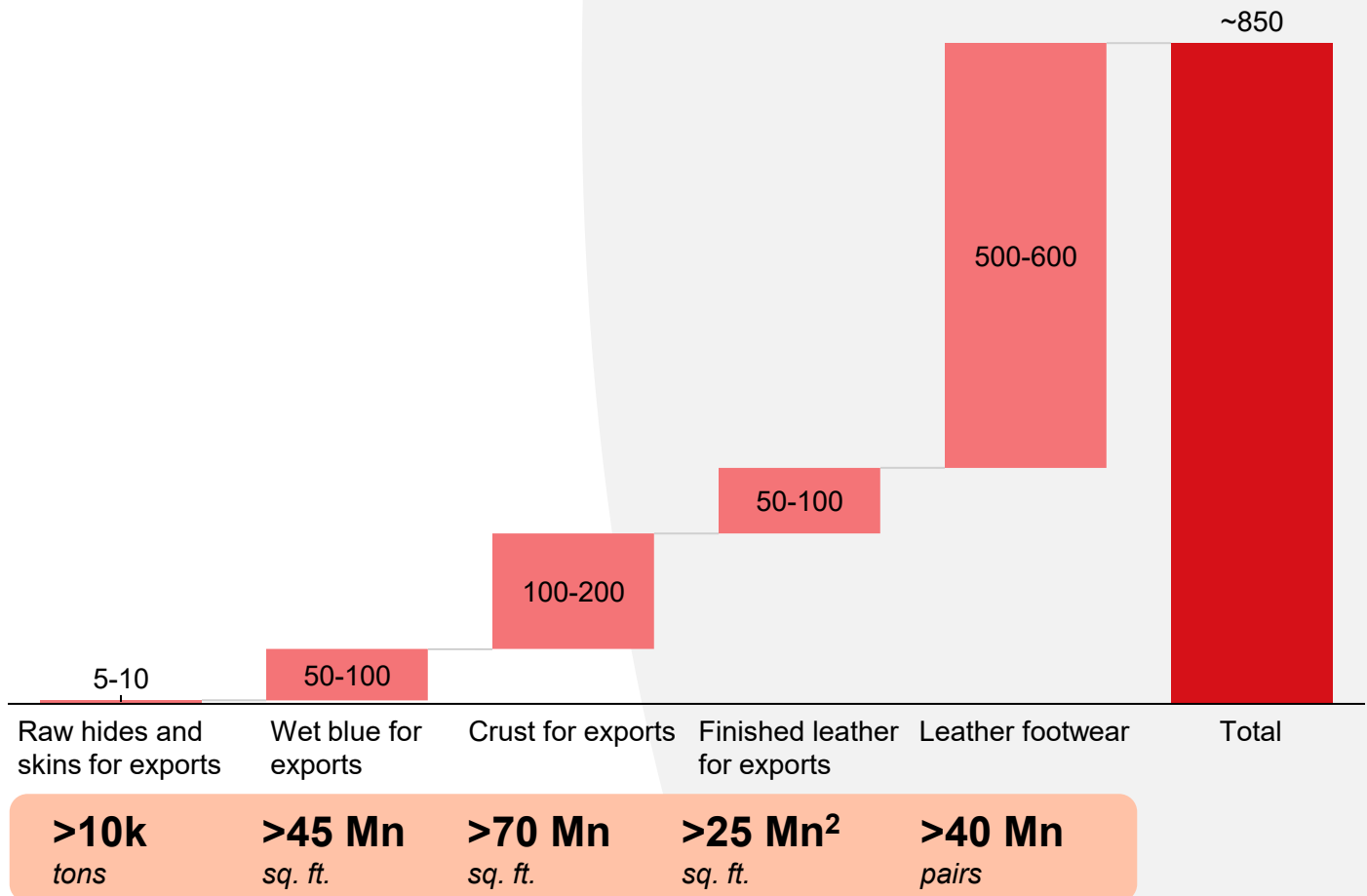
KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

# Kenya's leather sector is set to grow to ~\$850 million by 2040



In the next 15 years, Kenya will be a thriving leather powerhouse – a strategic hub for exporting quality leather and footwear to other markets, and a manufacturer of its own distinctive leather products

Estimated leather market revenue in Kenya<sup>1</sup>, 2040, \$ millions



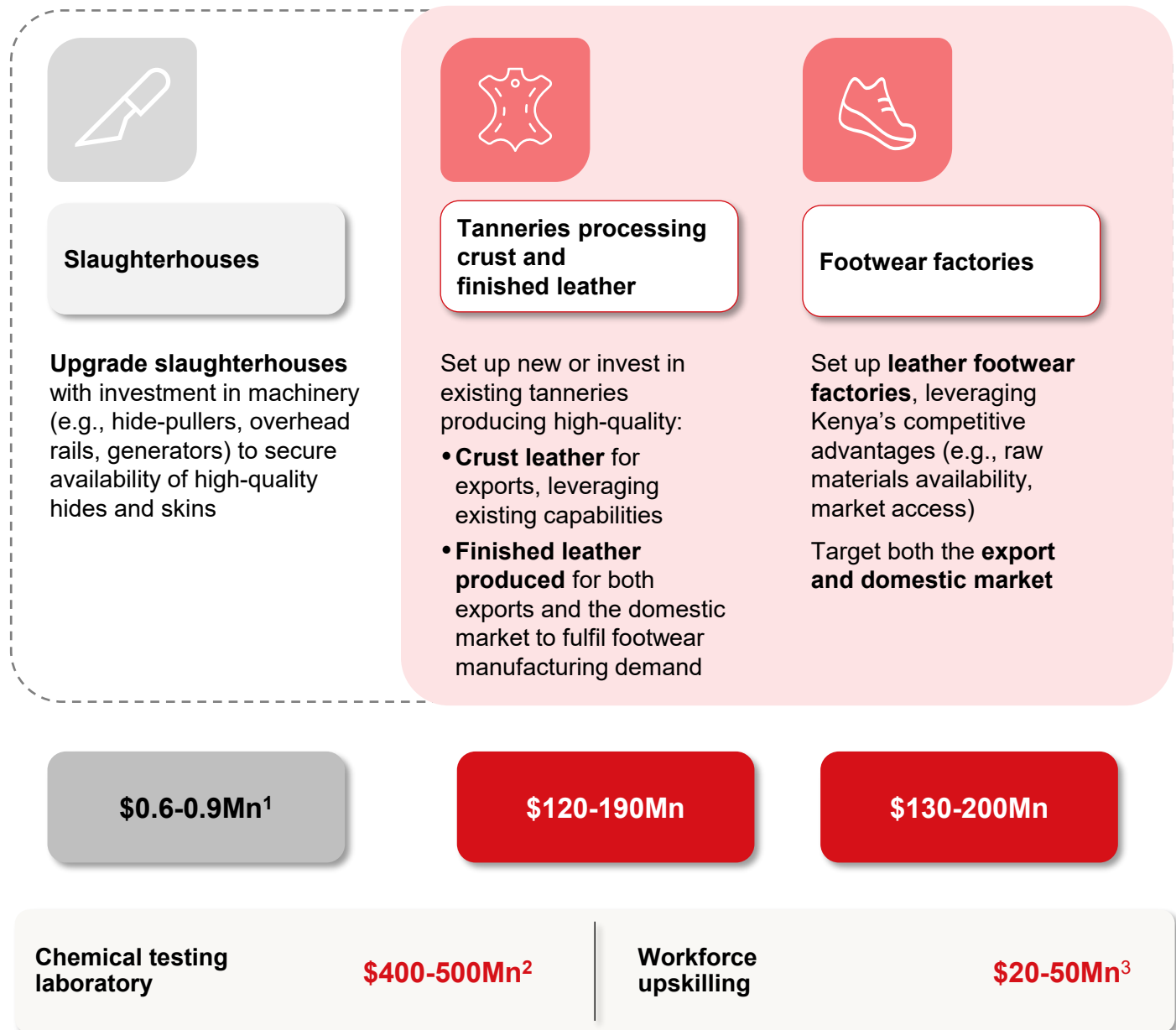
<sup>1</sup> Assuming prices of \$0.3-0.6 per piece of hide, \$1.1-2 per sq. ft of wet blue, \$1.4-2.5 per sq. ft of crust, \$2-3.5 per sq. ft of finished leather, \$4-15 per pair of shoes  
<sup>2</sup> An additional ~90Mn sq. ft of finished leather will be produced for domestic footwear production (assuming 100% of the finished leather is sourced locally by 2040)

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

## Kenya's leather value chain provides high-potential investable opportunities in tanneries and footwear factories

**Potential upstream investments to improve input quality**  
(detailed in annexure)

**High-value leather sector investment opportunities**  
(detailed ahead)



1 ~\$45k investment per slaughterhouse, for upgrading 15-20 slaughterhouses  
 2 For one testing lab in Kenya  
 3 For workforce trainings across the value chain

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

## Outline of the two high-value investment opportunities

1



### Tanneries processing crust and finished leather

*To capture 2040 opportunity of >180Mn square feet<sup>1</sup>*

**Establish 10-15 new, modernized, mid-scale tanneries<sup>2</sup>** (~7-11 Mn sq. ft of leather each annually) focused on:

- **Crust** leather production for exports
- **Finished leather** production to serve export markets and fulfil domestic demand for footwear high-quality supply of raw hides and skins

**Modernize 13 existing tanneries** (e.g., through joint-ventures) to increase capacity and capabilities to process high-quality leather

**Build upstream partnerships with slaughterhouses** through investment in modernization of equipment to ensure consistent and high-quality supply of raw hides and skins



2



### Footwear factories

*To capture 2040 opportunity of >40Mn pairs<sup>3</sup>*

**Establish 10-15 mid-scale footwear factories** (~10k pairs/day each)

**Follow “export-oriented with local footprint”** strategy with:

- **80%** capacity focused on **exports** with manufacturing contracts for major brands (e.g., Adidas, Clarks) in the EU, UK and US
- **20%** capacity focused on a smaller-scale **domestic** brand<sup>4</sup>

**Develop upstream partnerships with tanneries and slaughterhouses** to ensure consistent and high-quality supply of raw material

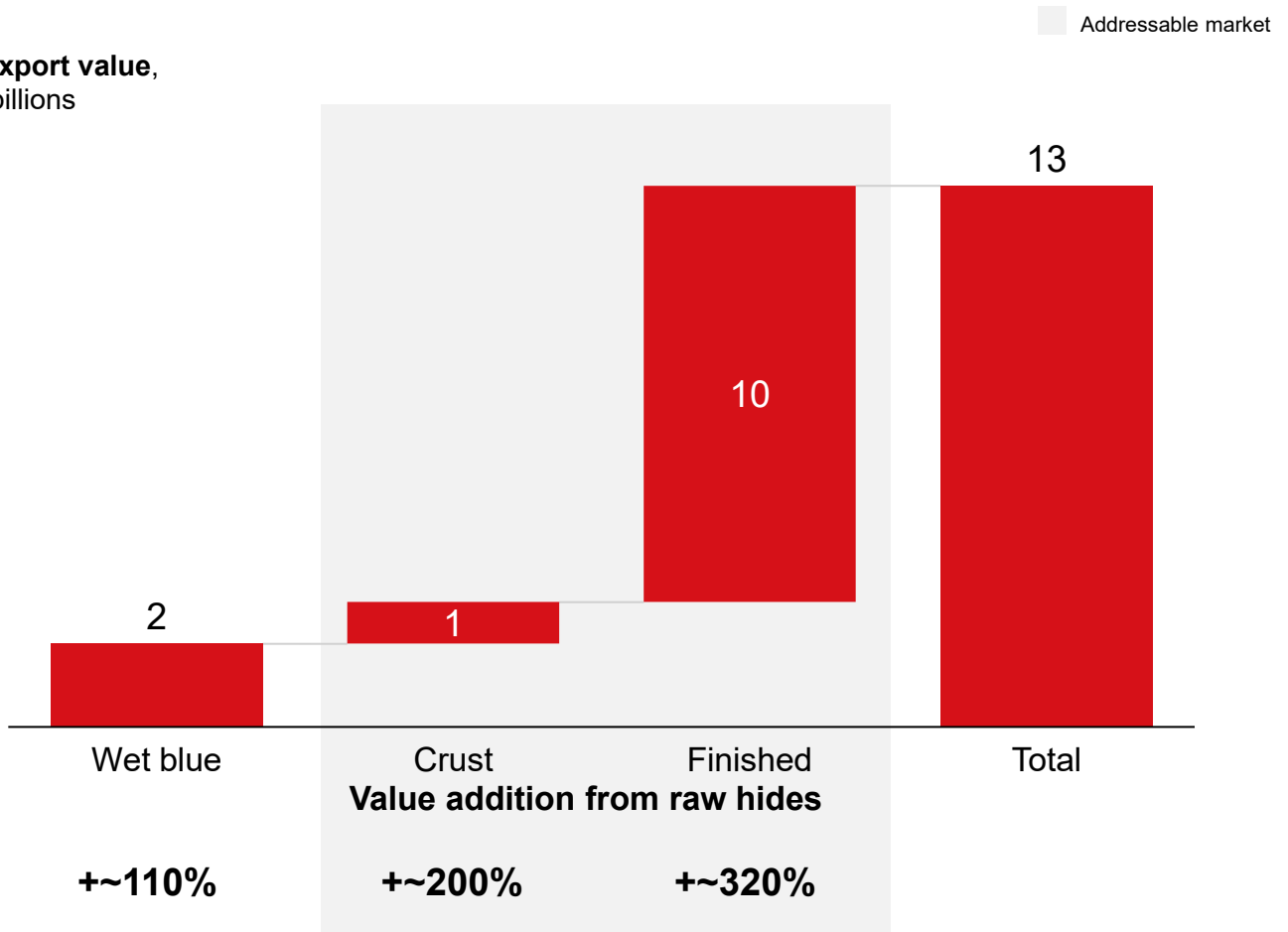
1. Assuming all finished leather for domestic footwear production is sourced locally; including ~75Mn crust for exports, ~30Mn finished leather for exports, ~90Mn finished leather for domestic market; 9x from current production of ~20Mn sq. ft  
 2. For phase I, up to 13 tanneries can be set up in flagship Kenania Leather Industrial Park (KLIP): 5 large tanneries (>10.5Mn sq.ft), 6 medium tanneries (>7Mn sq.ft), 2 small tanneries (>4Mn sq.ft)  
 3. 5x growth from current production of ~8Mn pairs  
 4. EPZ can allow 20% of production for domestic market with approval from the Ministry of Investments, Trade and Industry

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

1. TANNERIES

**Investing in Kenyan tanneries could enable access to a high-value addition market**

Global export value, 2022, \$ billions



**Crust leather (short to medium term)**

- Can be **quickly scaled in Kenya** given existing processing capabilities and availability of skilled labor
- Allows rapid capture of exports value while building capabilities to produce high-quality finished leather

**Finished leather (longer term)**

- Makes **>70% of global exports value** of processed and semi-processed leather
- Will also have a significant domestic market** as local leather footwear manufacturers scale and increase demand

Source: UN Comtrade, expert interviews

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

1. TANNERIES

1 tannery would generate  
**~\$11Mn**  
annual revenue



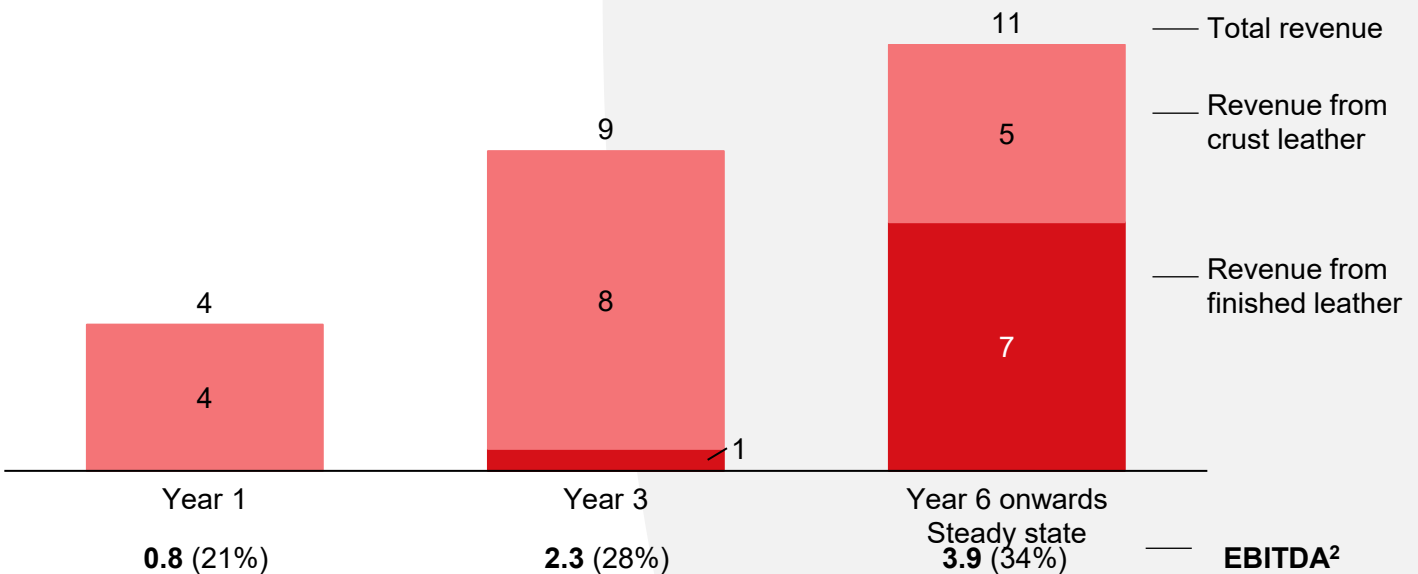
Creating a  
**\$100Mn+**

annual revenue opportunity through investment in 10-15 mid-scale tanneries



Investing in a **single greenfield tannery** would generate ~\$11Mn in annual revenue after 6 years, returning a 10-year IRR of 19%

Estimated revenue and cumulative cash flow of investment for a single facility (9Mn sq. ft installed capacity at 85% capacity utilization, i.e., 7.7Mn sq.ft)<sup>1</sup>, \$ millions



**10-year IRR<sup>3</sup> 19%**      **Payback period 6 years**

1 Installed capacity of 9Mn sq. ft – this is a mid-scale tannery, currently, average tanneries in Kenya produce 2-3Mn sq. ft for crust and finished leather, and global scale tanneries (e.g., in China) produce up to 60Mn sq.ft (e.g., Ecco, PrimeAsia) | Assuming utilization rate from year 1: 35%, 55%, 75%, 85% from year 4 | Share of finished leather from year 1: 0%, 0%, 5%, 10%, 30%, 50%, from year 6  
 2 Earnings Before Interest, Taxes, Depreciation, and Amortization. Further margin breakdown (i.e., EBIT and net profit) would require accounting for CAPEX depreciation and tax considerations  
 3 Internal Rate of Return. Based on nominal cash flows -- does not account for time value of money

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

1. TANNERIES

Each tannery requiring a

**~\$13Mn**  
*investment*



*Represents a*

**\$120-190Mn**

Investment in  
10-15 new  
tanneries



A \$13Mn investment is required for a **single greenfield tannery** producing crust and finished leather

*Estimated capex investment for a single new facility<sup>1</sup>, \$ millions*



<sup>1</sup> Capex for finished leather capabilities can be spread across the years as the production of finished leather increases – to achieve 19% IRR, capex investment would be distributed as follows: Year 0 – \$5Mn for wet blue capabilities, \$3.8Mn for crust capabilities; \$0.2Mn for slaughterhouse upgrades | Subsequent years -- \$3.8Mn for finished capabilities (including roller coating, drying tunnels, specific finishing machinery), gradually ramping up

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

1. TANNERIES

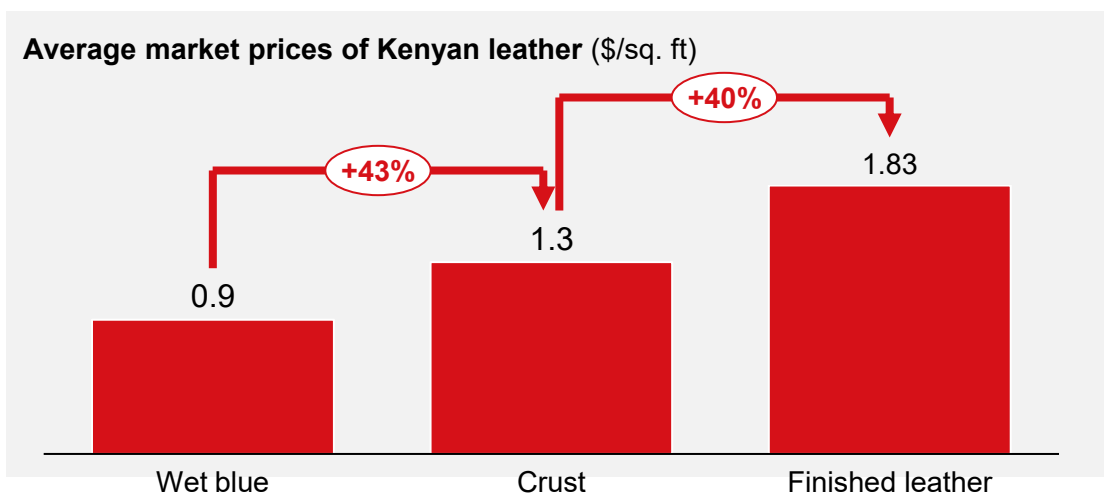
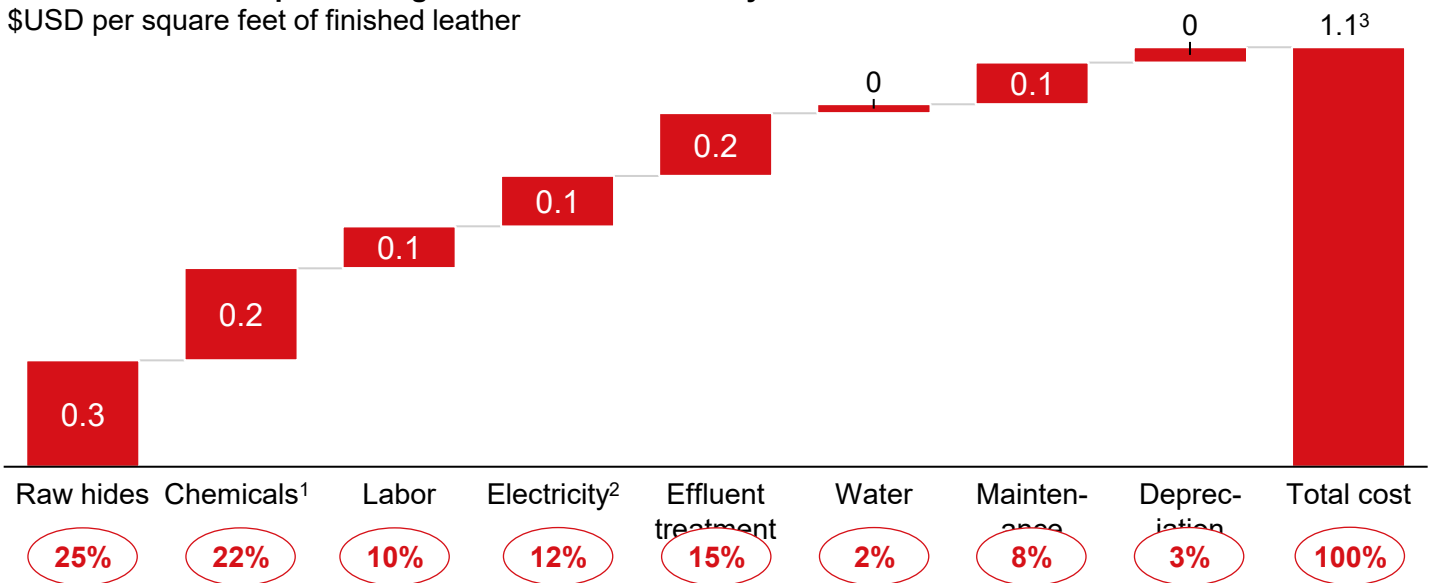
Currently

**1 square foot** of finished leather can be produced at

**\$1.1**  
In Kenya



Cost breakdown of processing finished leather in Kenyan tanneries, \$USD per square feet of finished leather




1 Excluding effluent treatment chemicals  
 2 Excluding effluent treatment electricity consumption  
 3 Difference between 1.1 and 1.8 includes all overhead costs (e.g., logistics, overhead staff) and processor margin

Source: Alternative Treatment Strategy for Tannery Water Reuse and Material Recovery, 2004. - Water Footprint Calculation, Effluent Characteristics and Pollution Impact Assessment of Leather Industry in Bangladesh, 2023. - Integrated Pollution Prevention and Control (IPPC) Reference Document on Best Available Techniques for the Tanning of Hides and Skins, 2005 EU Commission - The framework for sustainable leather manufacture, 2019, UNIDO – Web search

## 2. FOOTWEAR FACTORIES

**There is momentum to move fast and capture the opportunity to serve global and domestic footwear markets with an investment in Kenya**

 Detailed in next pages



### Globally

Kenya only exports less than \$1Mn per annum of leather footwear in a >\$60Bn market

Meanwhile, Western fashion brands are seeking to diversify their supply chains and find alternatives to Asia. At the same time, demand from Chinese and Indian consumers appears to be growing following new trends (e.g., suede boots in China) – *this implies a huge market opportunity yet to be tapped*



### Domestically

Kenya is significantly reliant on imports (~70% of leather footwear consumed are imported) and only ~8 million pairs (per annum) are produced locally – *this implies an opportunity to drive import substitution with a high-quality, appropriately-priced domestic offering*

Source: UNCOMTRADE, expert interviews

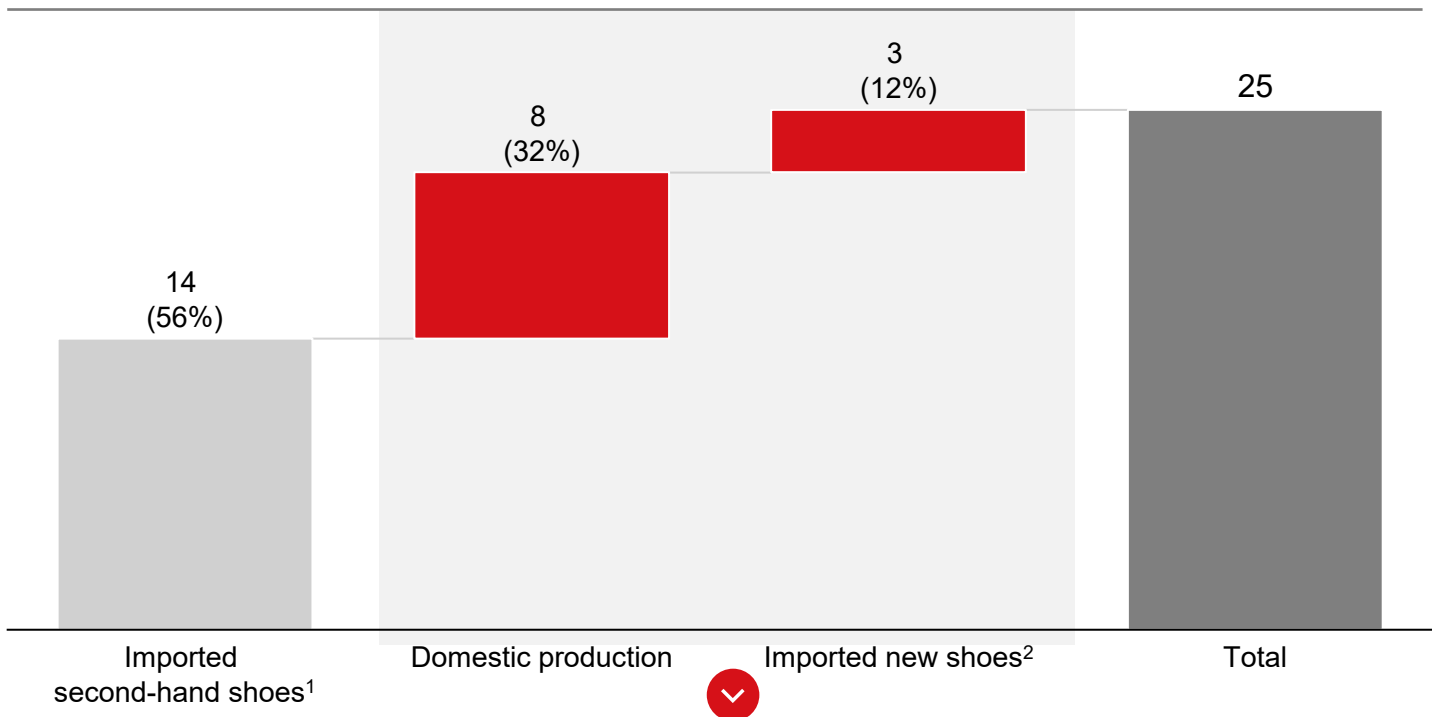
INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

## 2. FOOTWEAR FACTORIES

**School shoes and men’s dress shoes present a local market opportunity of over 10Mn pairs**

~45% of the total domestic market can be addressed...

Domestic consumption, Mn pairs



...by primarily producing high-quality, mid-priced school shoes and men’s dress shoes

<b>School shoes</b>	<p><b>Largest segment</b>, &gt;60% of total addressable market (6-7Mn pairs)</p> <p>Typically comprise of <b>non-differentiated designs</b> – can be addressed with long lasting, low-to-medium priced products (\$10-20)</p>	<p>Locally-produced school shoes from Bata</p>
<b>Men’s dress shoes</b>	<p><b>2nd largest segment</b>, ~20% of total addressable market (1.5-2Mn pairs)</p> <p><b>Large variety of medium-to-high quality products</b> – can be addressed with limited range of iconic designs of high-quality at medium price (\$20-30)</p>	<p>Locally-produced men’s dress shoe from Umoja</p> <p>Imported men’s dress shoes sold at Bata (India)</p>

1. Mitumba – mixed variety of various designs, hard to compete due to high quality and low costs | 2. Mainly men’s dress shoes of various designs

Source: UNCOMTRADE, expert interviews

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

## 2. FOOTWEAR FACTORIES

Each factory would generate

**\$50Mn+**  
annual revenue



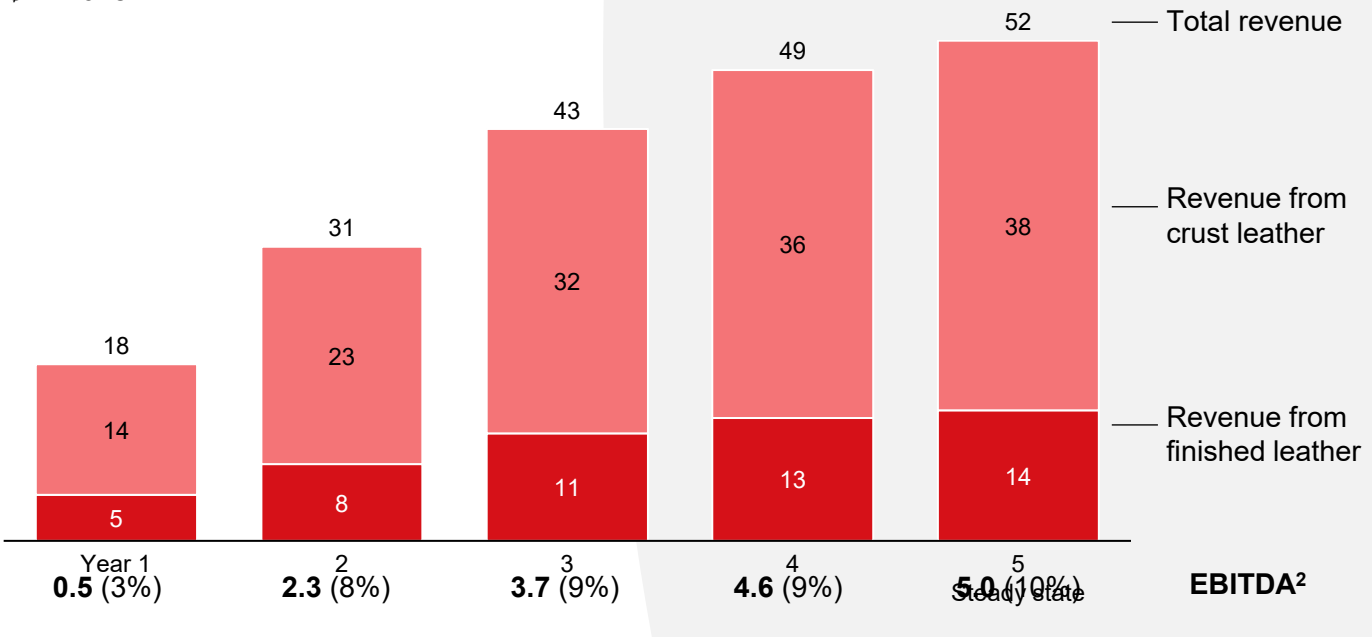
*Creating a*  
**\$500Mn+**

annual revenue opportunity for the sector through investment in 10-15 facilities



For a single facility, a ~\$13Mn investment would generate \$50Mn+ in annual revenue at steady state, with a 10-year IRR of 25%

*Estimated revenue and cumulative cash flow of investment for a single facility<sup>1</sup>, \$ millions*



<b>10-year IRR<sup>3</sup></b>	<b>25%</b>	<b>Payback period</b>	<b>5 years</b>
--------------------------------	------------	-----------------------	----------------

1 Assuming utilization rates: Year 1 – 30%, Yr 2 – 50%, Yr 3 – 70%, Yr 4 – 80%, Yr 5 (steady state) – 85%  
 2 Earnings Before Interest, Taxes, Depreciation and Amortization. Further margin details (i.e., EBIT and net profit) would require accounting for CAPEX depreciation and tax considerations (0% for the first 10 years if the facility is located in EPZ)  
 3 Internal Rate of Return. Based on nominal cash flows -- does not account for time value of money

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

**2. FOOTWEAR FACTORIES**

With each facility requiring a  
**~\$13Mn**  
*investment,*



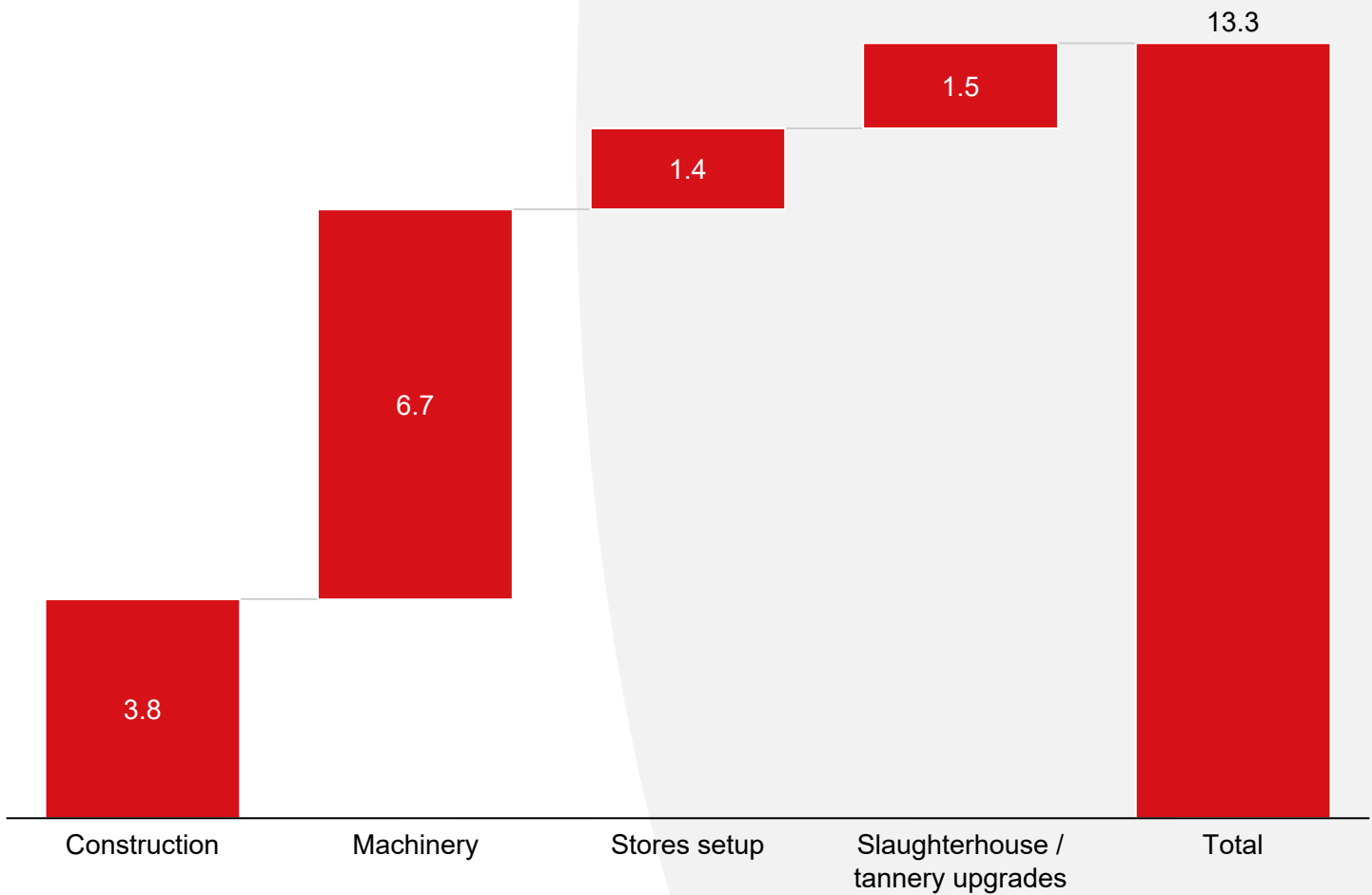
*This represents a*  
**\$130-200Mn**

investment  
 opportunity for  
 10-15 factories



Setting up a **single footwear factory**, would require a ~\$13Mn investment

*Estimated capex investment for a single new facility<sup>1</sup>, \$ millions*



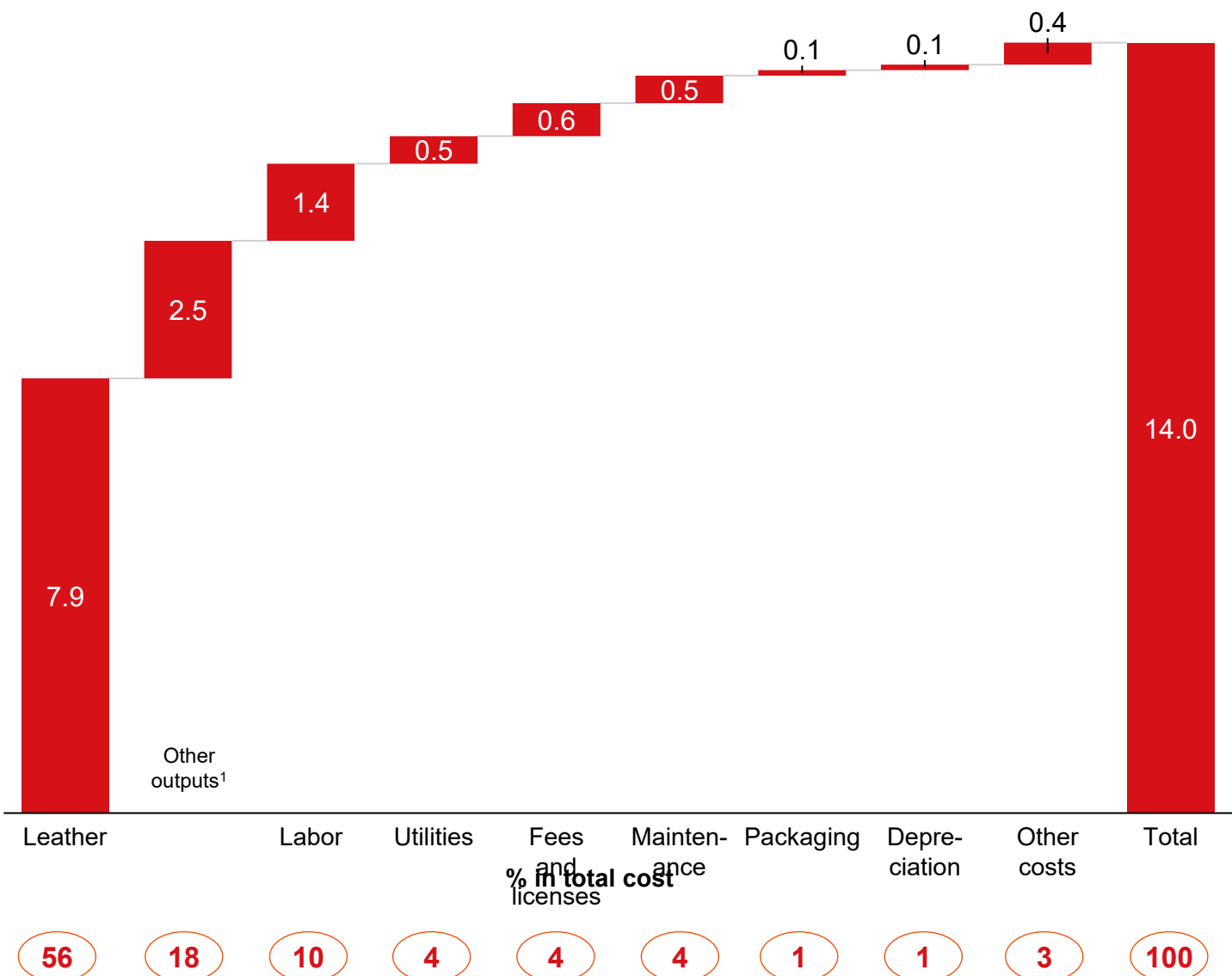
<sup>1</sup> Machinery and store setup investments can be spread across the years. For 25% IRR investment, CAPEX can be distributed as follows: Year 0 – \$3.8Mn for building and power, \$3.7Mn machinery, \$0.05Mn stores, \$1.5Mn slaughterhouses & tannery upgrades | Yr 1 – \$1.7Mn machinery, \$0.2Mn stores | Yr 2 – \$1.3Mn machinery, \$0.4Mn stores | Year 3&4 – store expansion only

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

## 2. FOOTWEAR FACTORIES

**Currently, producing a single pair of leather men’s dress shoes in Kenya could cost ~\$14**

**Cost breakdown for producing a single pair of men’s dress shoes, \$**



<sup>1</sup> Include sole, insole, toe puffs, lasts, polishers, stiffeners, etc.

Source: World Bank 2015. Kenya Leather Industry, Diagnosis, Strategy and Action Plan. Expert interviews

## INVESTMENT ENABLERS

# Access to European markets in particular requires compliance to sustainability regulations and standards

## Compliance requirement

### EUDR<sup>1</sup>



Exporters to EU need to demonstrate that their supply chains are deforestation-free. This requires:

- **End-to-end traceability** of material including mapping of farms and slaughterhouses
- **Due diligence** through robust documentation and geolocation tracking

### LWG<sup>2</sup>



Audits and certifies leather manufacturers based on various criteria across:

- **Environment management** incl. water usage, waste and effluent treatment, energy consumption
- **Chemical and restricted substance management**
- **Incoming material traceability level** (i.e., at slaughterhouse or point of collection level)
- **Social responsibility** incl. health and emergency preparedness, operations management

## Advancements in Kenya



### Compliance

There is **demonstrated compliance to EUDR and LWG standard in Kenya** – i.e., Alpharama Ltd, indicating that with sufficient investment in traceable sourcing systems and operational practices (e.g., efficient effluent treatment), investors can access export markets requiring adherence to these regulations and standards

### Traceability

To meet EUDR and LWG traceability requirements, Alpharama has **collaborated with mid-scale farmers and large-scale producers** (e.g., ranches) to ensure traceability to animal origin and mapping of associated slaughterhouses

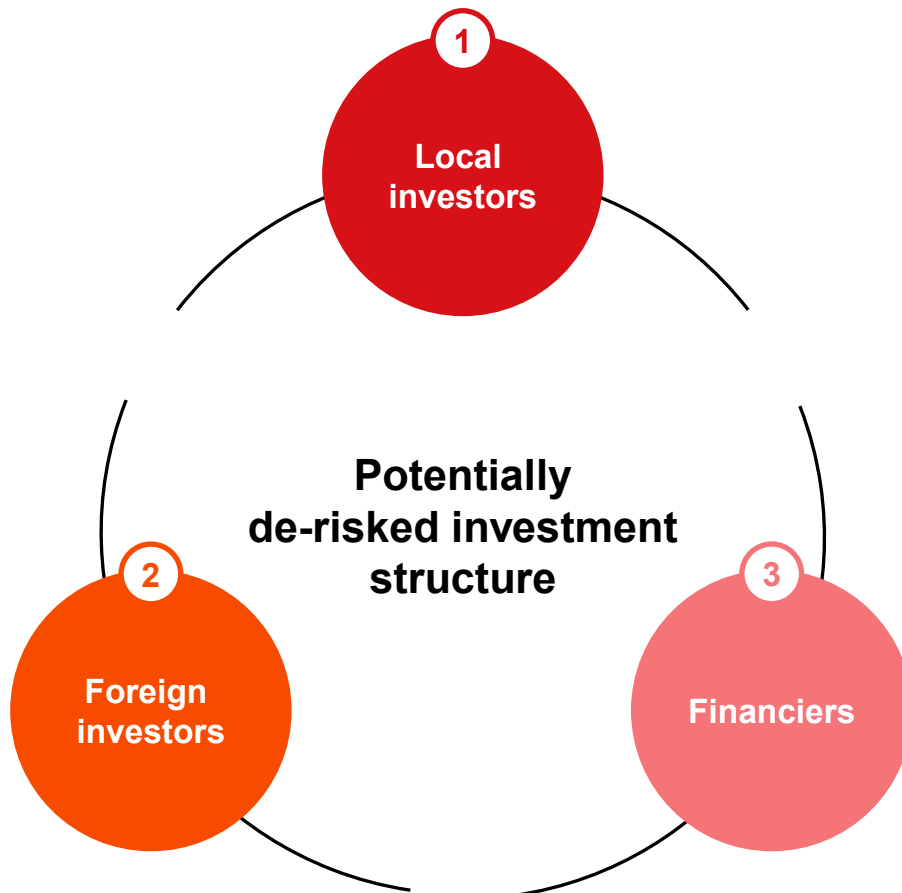
The Government of Kenya is already **implementing a digital animal traceability system** (ANITRAC), to enhance traceability across all production systems – this will provide a **platform for leather producers to achieve EUDR compliance**

<sup>1</sup> European Union Deforestation Regulation

<sup>2</sup> Leather Working Group Audit Standard

INVESTMENT ENABLERS

**Each investment could have a mix of investors capturing synergies from collaboration and shared expertise**



**1 Local investors**  
 Local industry players (e.g., tanneries, footwear manufacturers, retailers) with significant understanding of market dynamics  
 Have significant local knowledge of market dynamics and valuable upstream connections

**2 Foreign investors**  
 Strategic investors looking to expand/diversify operations  
 Have existing connections within exports markets, expertise from other countries

**3 Financiers**  
 Including DFIs, development partners, commercial banks, institutional investors  
 Bring in funding pool, derisking instruments and expertise in large projects

INVESTMENT ENABLERS

**In parallel, the Kenyan government is championing a favorable enabling environment to support large-scale investments in the leather sector**



**Increase supply of quality hides and skins**, including conducting trainings for slaughterhouses and addressing the challenge of raw hide diversion to West African food markets



**Strengthen capability to produce crust leather**, including through infrastructure development (e.g., Kenanie Leather Industrial Park, completion targeted in 2025) and investment promotion support for tanneries



**Accelerate leather products manufacture**, including negotiating of global trade agreements and supporting skills training programs



INVESTMENT ENABLERS

## There are numerous success stories in the leather sector in Kenya (1/2)

### Alpharama

Largest tannery in East Africa, processing wet blue, crust and finished leather and exporting to major manufacturers in Europe, China and beyond

#### Key products

Wet-blue leather, crust leather and finished leather



#### Production capacity, Mn sq ft per day

**40** wet blue      **18** crust leather      **10** finished leather

**~500** Employees

#### Main export markets



Europe



China



Uganda

#### Example clients



### Reddamac Ltd

Manufactures, markets, and wholesales quality leather footwear and accessories

#### Key products

High-quality shoes, bags and belts, among others



#### Production capacity, Mn sq ft per day

**1** wet blue      **0.5** finished leather

**~150** Employees

#### Main export markets



India



China



Indonesia

#### Example clients and partners



Source: Company websites, Press search, Company testimonials

INVESTMENT ENABLERS

## There are numerous success stories in the leather sector in Kenya (2/2)

### Sandstorm



Founded 23 years ago, Sandstorm is a premium manufacturer of handcrafted leather products, rooted in Nairobi

#### Key products

Specialized in high-quality bags and accessories



**123** skilled artisans and professionals

#### Main export markets



#### Example clients and partners



### Adelphi ADELPHI NAIROBI

Nairobi based luxury accessories brand founded in 1988, Adelphi is the first locally made leather goods brand in Kenya

#### Key products

Leather and Canvas Accessories



**60** Employees, including local artisans working with Adelphi since its inception

#### Main export markets



#### Example clients and partners



Source: Company websites, Press search, Company testimonials

# **Annex**

# Kenya's value proposition for investors

## Kenya is a gateway to Africa and beyond

### Country snapshot

**~55M**  
population

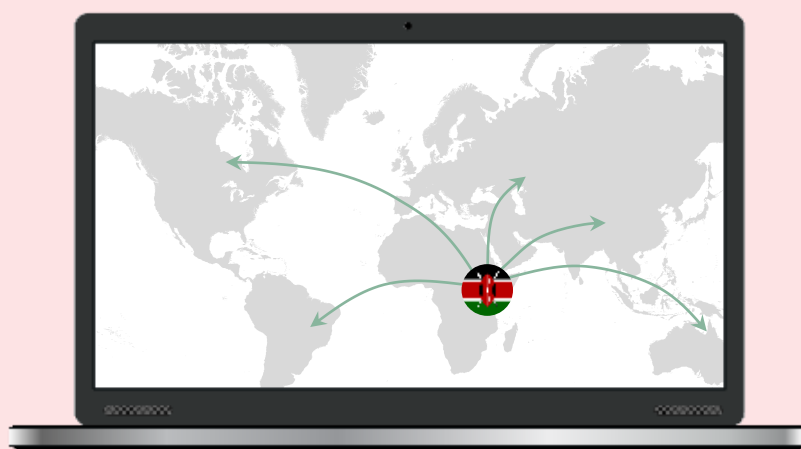
**~\$132B**  
GDP<sup>1</sup>





Official languages:  
English  
and Swahili

Vast access to regional and  
global markets

**>45**  
BTA<sup>2</sup>

**14**  
DTA<sup>3</sup> in force



		Market GDP	Population
<b>Pan-African market access</b>	EAC	~\$0.3T	331M
	COMESA	~\$1T	640M
	TFTA	~\$1.8T	800M
	AfCFTA	~\$3.4T	1,300M
<b>Inter-continental trade agreements</b>	AGOA 	~\$27T	340M
	EPA 	~\$19T	448M
	FTA 	~\$3.3T	68M
	CEPA 	~\$0.5T	10.5M

1 Nominal GDP outlook for 2025

2 Bilateral trade agreements

3 Double tax agreements

Source: World Bank, IMF, International Trade Administration, COMESA, EAC, AGOA, Europa, press search

## Kenya operates 140+ economic zones offering incentives

**45**

Gazetted SEZs

**9,042**

Acres of land available to lease in SEZs



**105**

Gazetted EPZs

**6,177**

Acres of land available in EPZs

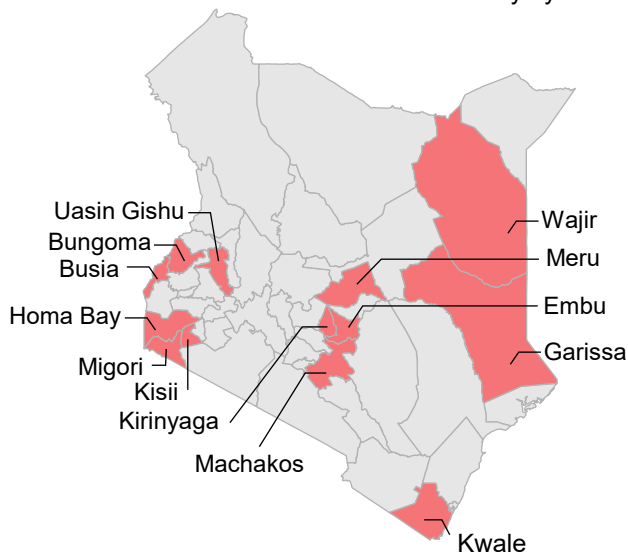
### SEZ and EPZ incentives

- **Exemption from excise duty, import duty, and import declaration fees<sup>1</sup>**
- **Under SEZs: 10% corporate tax in the first 10 years; 15% in the next 10 years; 30% in subsequent years**
- **Under EPZs: 10-year corporate tax holiday, 25% for the subsequent 10 years and 30% thereafter**
- **Exemption from advertisement and business service permit fees**
- **100% allowance on capital expenditure on building and machinery**
- **Withholding tax exemption on dividends and gains on transfer of property<sup>2</sup>**
- **Stamp duty exemption on legal instruments**

## Kenya also offers investor incentives within its County Aggregation and Industrial Parks (CAIPs)

**13** County Aggregation and Industrial Parks (CAIPs)<sup>3</sup>

Counties with a CAIP ready by Dec 2025



### Incentives within CAIPs match offerings from landbanks



**SEZs**



**EPZs**



**Industrial parks**

<sup>1</sup> For EPZs, this applies to exemption from import duty and VAT applies to raw materials and machinery

<sup>2</sup> For EPZs, this is a 10-year withholding tax holiday

<sup>3</sup> 13 CAIPs to be completed by December 2025, others to follow

Source: SEZA, EPZA

## Kenya offers multiple public SEZs, EPZs and industrial parks

### Example parks<sup>1</sup>



1

**Konza Technopolis**  
Machakos  
**5,000 acres**

Borders 3 counties (Makueni, Machakos and Kajiado)  
60 KM from Nairobi



2

**Dongo Kundu SEZ**  
Mombasa  
**3,000 acres**

Adjacent to the Mombasa Port in Likoni



3

**Naivasha SEZ**  
Naivasha  
**1,000 acres**

Located in Maai Mahiu along the Nairobi-Naivasha SGR line  
Competitive power tariffs  
Planned 5,000 acre expansion



4

**Olkaria SEZ**  
Nakuru  
**8,292 acres**

Leverages geothermal power and hosts KenGen's Green Energy Park



5

**Riwa SEZ**  
Homa Bay  
**530 acres**

13 KM from the CBD  
8 industrial, sector-based zones planned

**18,000 acres of public SEZ and industrial park land**  
**47 CAIPs in development**

1. At different stages of development (e.g., Konza Technopolis is operational, Dongo and Naivasha are under construction)  
Source: SEZA, EPZA

## Private SEZs and industrial parks are also available in Kenya

### Example parks<sup>1</sup>



1

#### Vipingo SEZ

Kilifi  
2,000 acres



Plug-and-play industrial park in Kilifi County focused on green energy solutions



2

#### Two Rivers Financial Center

Nairobi  
64 acres



Access to international markets for global, regional, and Kenyan service-oriented business enterprises



3

#### Tatu City

Kiambu  
5,000 acres



Mixed-use special economic zone



4

#### Northlands SEZ

Kiambu  
528 acres



Private SEZ located in Ruiru, Kiambu County



5

#### Infinity IP

Nairobi  
200 acres



Private IP for SMEs located 10 km from Jomo Kenyatta International Airport and 20 km from Nairobi's City Center



6

#### Mount Kipipiri Golf and Resort

Nyandarua  
1.478 acres







Megaproject in Kipipiri, Nyandarua

Source: SEZA, EPZA

KENYA'S COMPETITIVE ADVANTAGE IN THE LEATHER SECTOR

**The Kenya Leather Industrial Park (KLIP) has an attractive offering for investors compared to others**

				
Offering	Kenya (KLIP)	Ethiopia	India	Vietnam
Lease for serviced parcels of lands, per sq. ft. per annum	<b>~\$0.06</b> (\$2,500 per acre) + 15% service charge	\$0.09-0.6	\$0.2-4	\$1.5-5
Lease for industrial warehouses (for tanneries and manufacturers), per sq. ft. per annum	<b>\$2.5</b> + 15% service charge	\$3-7	\$1.5-6	\$2-6
Common Effluent Treatment Plant fees, per m <sup>3</sup>	<b>\$2.8</b>	~\$1.9	~\$2.2	~\$2.4

*~30 investors have already expressed interest in establishing facilities in KLIP*

**Note:** Data on KLIP offering is highly preliminary and subject to modification

Source: KLIP criteria 2022, expert interviews, web search

## Over 20Mn livestock slaughtered annually, with raw skins/hides taking between <24h to 7 days to reach tanneries

Preliminary<sup>1</sup> – data being validated by DVS

### Availability of raw material varies by livestock type



#### Raw hides from cattle

**3Mn/year** hides

**~40%**

available for local leather processors/  
tanneries



#### Raw skins from goats and sheep

**18Mn/year** skins

**~65%**

available for local leather processors/  
tanneries

**While ~21Mn cattle and smaller ruminants are slaughtered annually, 40-65% of raw hides and skins are effectively available for local tanneries – 10-55% of raw material is exported, while 5-20% wasted**

**GoK is currently leading efforts to increase the supply of quality hides and skills – including conducting trainings for slaughterhouses and addressing the challenge of raw hide diversion to West African food markets**

### Timing between slaughterhouses and tanneries depends on the distance as well as tannery model



#### Slaughterhouses In Nairobi

**<24 hours**

between slaughterhouse and tannery – as most tanneries are based around Nairobi, large volumes of hides and skins are quickly available



#### Slaughterhouses Outside of Nairobi

**2-4 days**

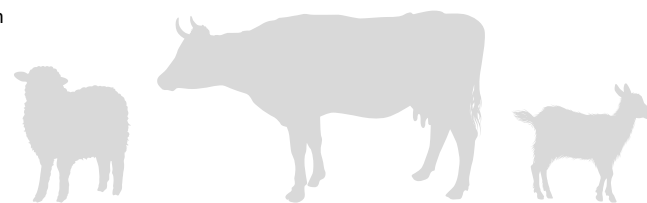
for tanneries with **agents and fleet** of their own / hired

**~7 days**

for tanneries that work with **traders** (i.e., aggregators)

1. Data based on interviews held in 2024

Source: UNCOMTRADE, KNBS, ITC, Tanneries assessment report, KNBS Economic Survey, press search



# Additional investment opportunities across the leather value chain

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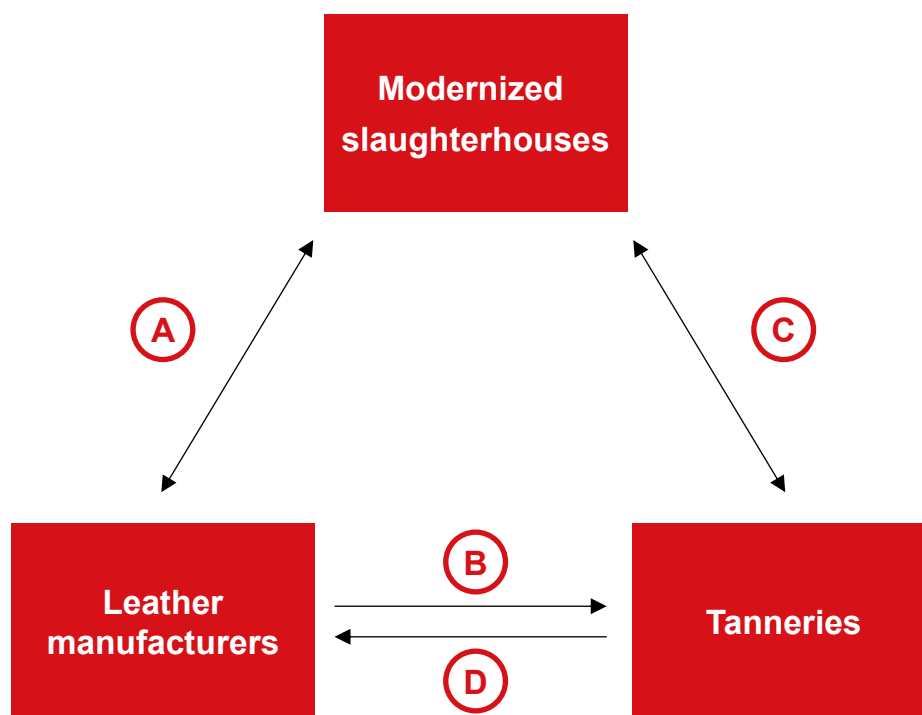
Slaughterhouses	38
Chemical testing	42
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INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

## 1. SLAUGHTERHOUSES

**A partnership between slaughterhouses, tanneries and leather manufacturers could avail high-quality raw material**

Example of integrated leather value chain illustration with modernized slaughterhouses



- A** Leather manufacturer **partners with slaughterhouses** (e.g., supplier development), funding mechanization investment including hide pullers, overhead rails, generators, staff upskilling, required to produce high-quality hides
- B** Leather manufacturer **partners with tanneries** to upgrade processes (e.g., modern processing equipment) required to produce higher quality leather
- C** Tannery **offtakes high-quality hides from slaughterhouses** with application of transparent grade-based pricing
- D** Tannery provides **consistent high quality finished leather** to leather manufacturer

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

# 1. SLAUGHTERHOUSES






## Upgrading a slaughterhouse would require investments for modernization across 5 key processes

NON-EXHAUSTIVE

Kenyan slaughterhouses **rely primarily on manual processes**, including for flaying and handling of the raw materials, offering strong modernization opportunities

**Tanneries are willing to pay a premium** for high-quality hides and skins produced in a modernized slaughterhouse



Target	1 Hoisting	2 Flaying	3 Stunning	4 Rail system	5 Electricity
Possible option	 Replace manual hoisting machines with <b>electrical hoists</b>	 Invest in <b>hide pulling machines</b> that can pull ~30 hides per hour	 Invest in <b>stunning boxes</b>	 Install a modern <b>automatic railing system</b>	 Invest in a <b>generator</b>
Operational implications	<b>Minimizes damage from contamination and improper handling</b> through lifting of the carcass onto the rail system	<b>Increases efficiency and yield rates</b> (used in high throughput slaughterhouses in leading exporters such as Brazil, Canada, and Rwanda)  <b>Improves quality of hides and skins</b> by removing them in one piece and eliminating the possibility of deep flay cuts and removal of extra parts  <b>Drives labor cost savings</b> through reduced need for flayers	<b>Reduces risk of flay damage</b> across the neck area of the animal, enhancing quality of the hides and skins	<b>Eliminates damage caused by improper handling</b> such as dragging carcasses along the floor	<b>Ensures high up-time of machines</b> (i.e., powers the hide puller, electrical hoists, and railing system during electricity outages)

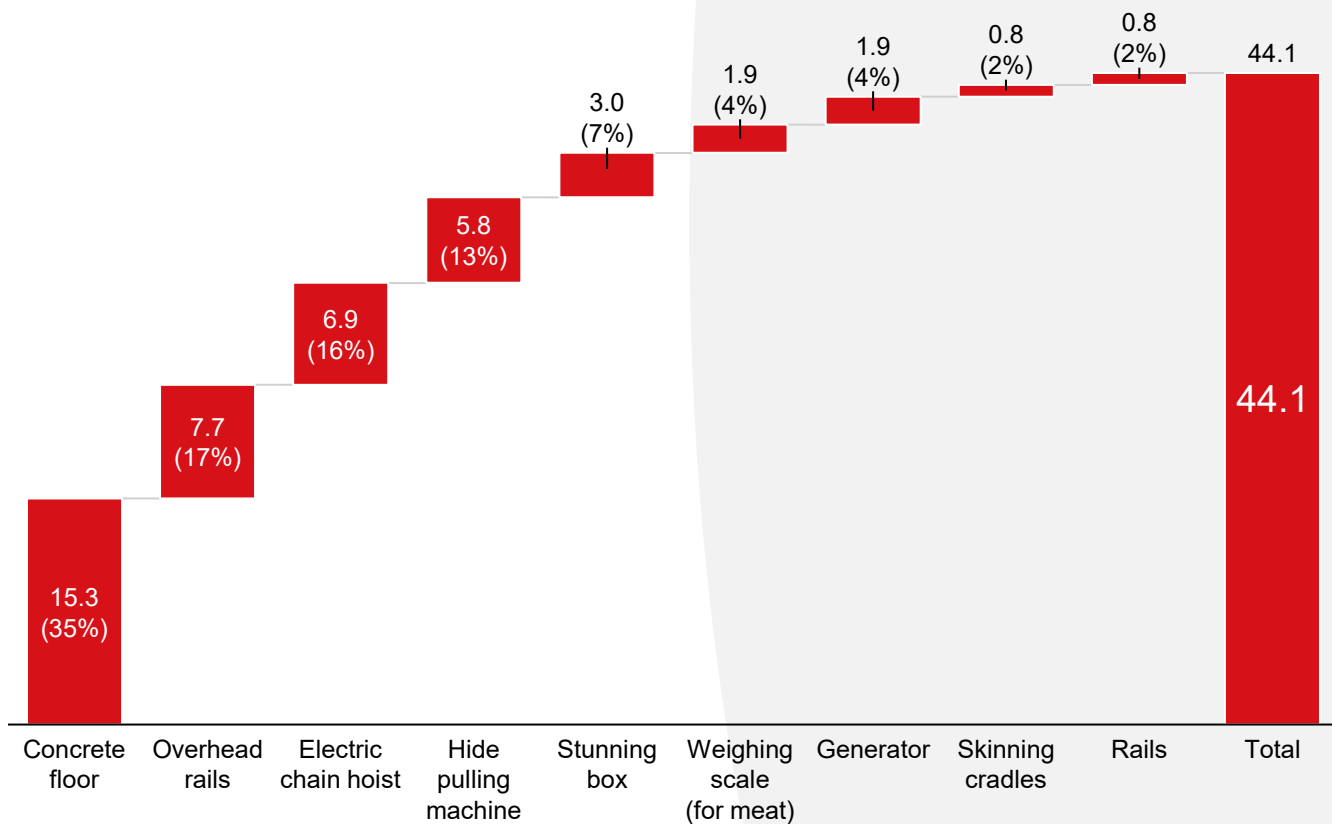
When trying to mechanize with hide pullers, slaughterhouses have reported facing challenges with regards to **electricity downtimes, challenging maintenance, lack of trainings, and lack of implementation support** – these must be accounted for when modernizing a slaughterhouse

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

1. SLAUGHTERHOUSES

**These upgrades could require an initial investment of ~\$44K per slaughterhouse**

Estimated capex investments for a slaughterhouse upgrade, \$ '000 (K)

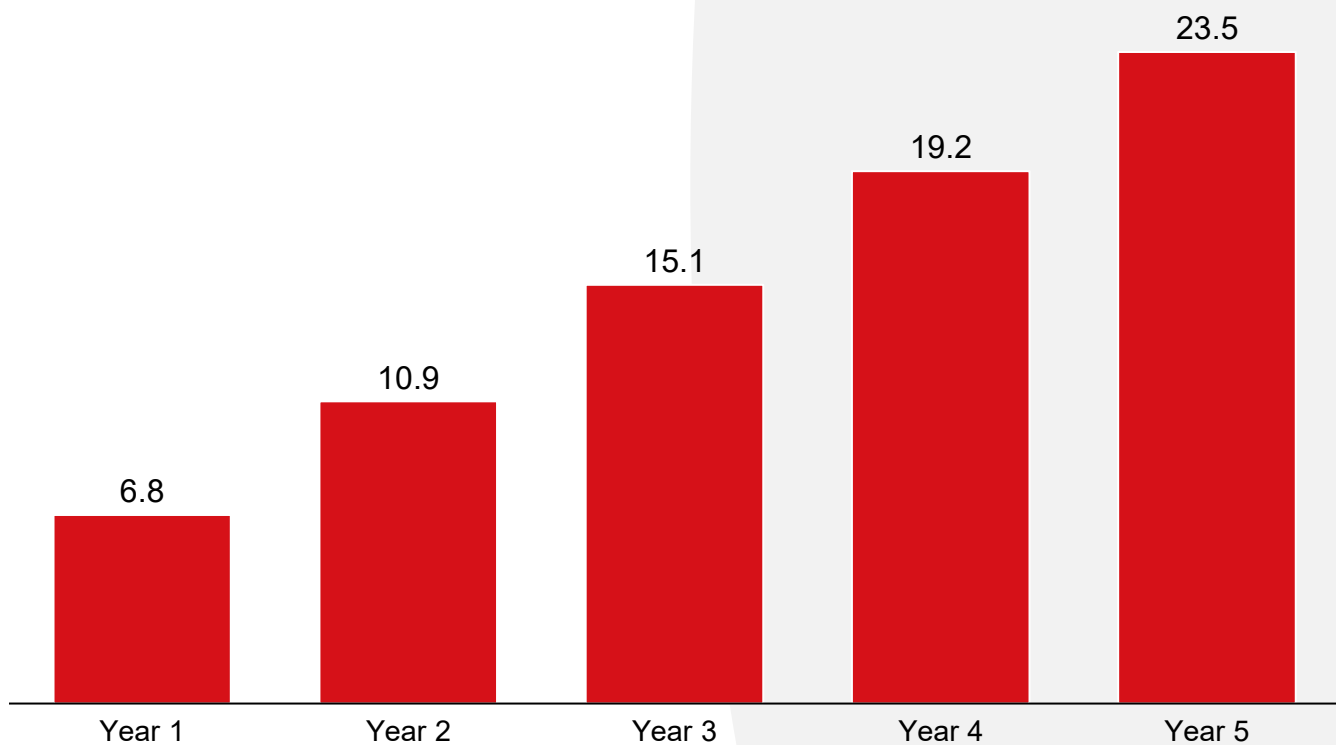


Source: Gatsby Africa, expert interviews

## 1. SLAUGHTERHOUSES

# Upgrading a slaughterhouse could drive additional cash flows of ~\$24K after 5 years

Estimated additional cash flows from upgrading a slaughterhouse with a capacity of ~250 cattle/day, \$ '000 (K)



Source: Gatsby Africa, expert interviews

## 2. CHEMICAL TESTING LABORATORY

### There is an opportunity for Kenya to establish a chemical and leather testing laboratory to strengthen the leather industry

**Several businesses in Sub-Saharan Africa (including Kenya) require chemical/leather testing...**

Under REACH regulations, manufacturers of chemicals are required to **register their products** before placing them on the market

The IUC (Chemical Test Methods), IUF (Fastness test methods) and IUP (Physical test methods) commissions of the IULTCS<sup>1</sup> prepare **leather test methods for ISO Standards**

Buyers of leather require compliance with these standards that are constantly evolving



**... but the nearest testing facilities are in India/Turkey, driving longer lead times**

Regional exporters of finished leather have to send products to India/Turkey for chemical testing required by end buyers causing **increased lead time (~4 weeks)**

International shipping of samples is also **costly** and poses a **high risk of sample damage and contamination** during transit that could affect the accuracy of the results



**Setting up a chemical/leather testing lab in Kenya could capture demand from the region**

Setting up a testing lab in Kenya (e.g., within KLIP<sup>2</sup>) will result in:

- Reduced lead time for regional leather producers (by ~4 weeks)
- Cost savings in shipping and handling
- Enhanced quality control due to timely feedback and continuous monitoring
- Compliance with evolving standards
- Local expertise development in leather testing

**Estimated investment opportunity<sup>3</sup>**

**>\$400-500k**

1. International Union of Leather Technologists and Chemists Societies  
 2. Kenania Leather Industrial Park  
 3. To set up a testing lab in Kenya

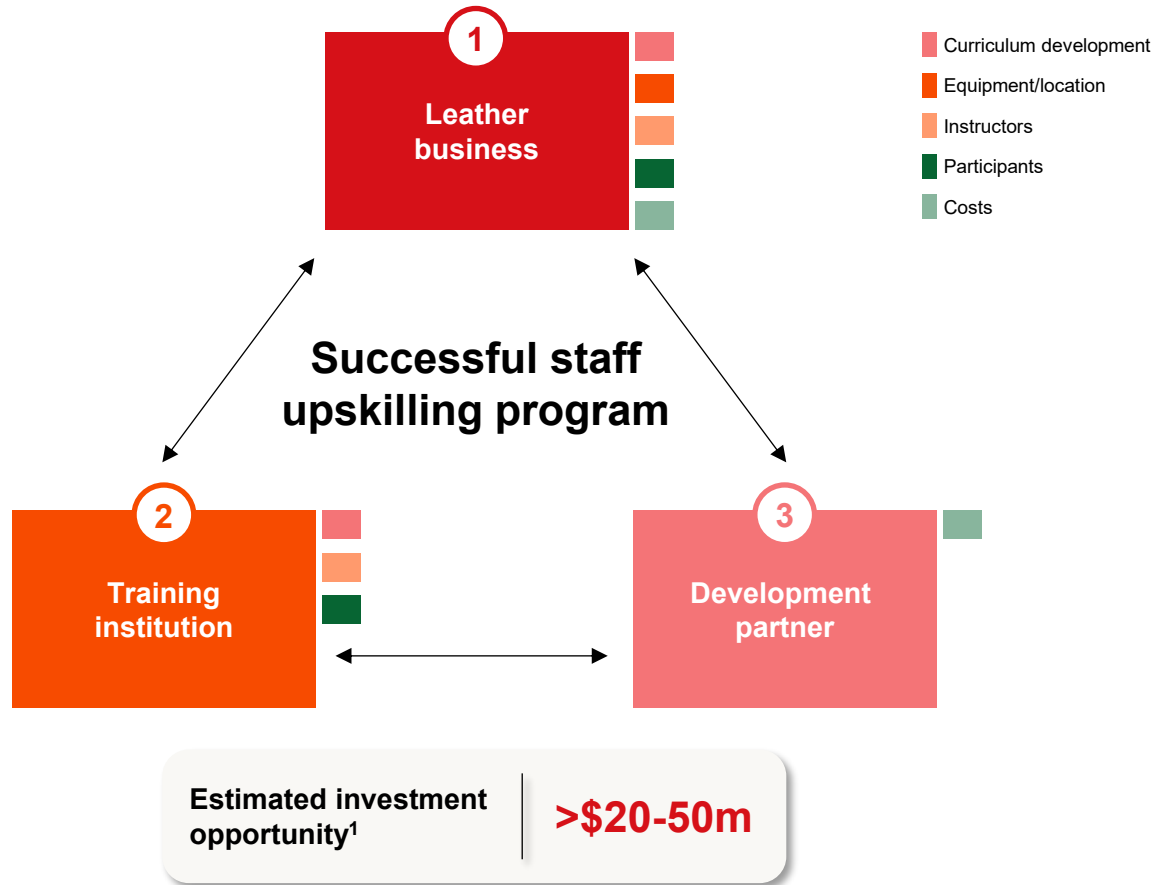
Source: <https://www.clri.org/DepartmentDetails.aspx?DP=264>,  
<https://www.thehindu.com/news/national/tamil-nadu/leather-testing-lab-inaugurated-at-ranipet/article7014241.ece>

INVESTMENT OPPORTUNITIES WITHIN THE VALUE CHAIN

### 3. WORKFORCE UPSKILLING

**Upskilling programs could require collaboration between the leather business, training institutions and development partners**

**Elements required for staff upskilling**



<p><b>1 Leather business (e.g., footwear factory, tannery)</b></p> <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #e91e63; margin-right: 5px;"></span> Co-create curriculum with the training institution</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #ff9800; margin-right: 5px;"></span> Facilitate training venues and resources (e.g., machines and leather supply)</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #ffcc99; margin-right: 5px;"></span> Leverage experts in-house to co-facilitate training sessions</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #2e7d32; margin-right: 5px;"></span> Lead efforts to recruit participants from the local community</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #c8e6c9; margin-right: 5px;"></span> Partially support training costs</li> </ul>	<p><b>2 Training institution</b></p> <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #e91e63; margin-right: 5px;"></span> Drive curriculum development, including identification of skills to address and customized curriculum creation</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #ffcc99; margin-right: 5px;"></span> Deliver high-quality training programs including practical learning</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #2e7d32; margin-right: 5px;"></span> Facilitate identification and selections of participants with the factory; provide placement support by liaising with employers (with priority for the footwear factory)</li> </ul>	<p><b>3 DFIs/development partners</b></p> <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #2e7d32; margin-right: 5px;"></span> Partially support training costs<sup>1</sup></li> </ul>
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<sup>1</sup> Training for between 40k to 125k employees (~\$400-500 per learner, assuming available trainings facilities)

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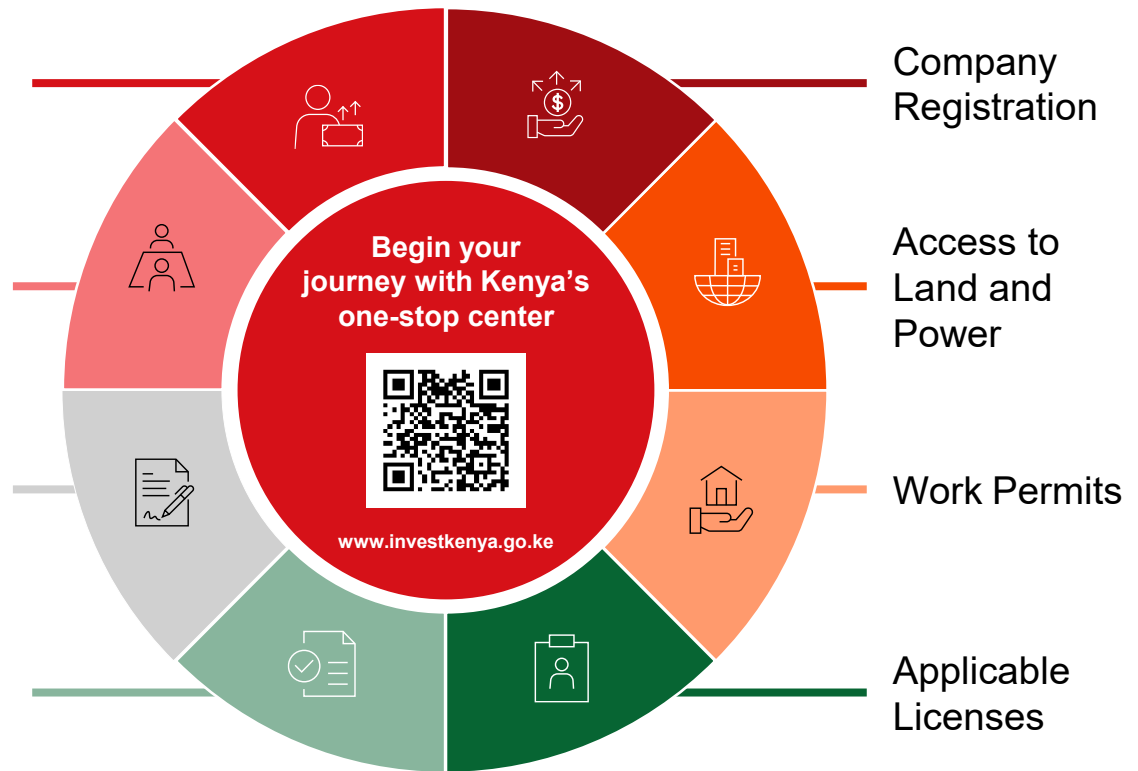
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#1 Source of Investment Data

Business Climate support

Investment Deal-room

EPZ and SEZ set up



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