



AID-FOR-TRADE: CASE STORY

THE INTERNATIONAL TRADE CENTRE

The Ethical Fashion Programme - Not charity, just work

THE ETHICAL FASHION PROGRAMME

NOT CHARITY, JUST WORK

2011 AID FOR TRADE GLOBAL REVIEW: CASE STORY

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EXECUTIVE SUMMARY

A BUSINESS APPROACH TO ETHICAL FASHION

Ethical Fashion represents an approach to the design, sourcing and manufacture of clothing and lifestyle products which maximises benefits to people and communities while minimising impact on the environment. The meaning of ethical goes beyond doing no harm, representing an approach which strives to take an active role in poverty reduction, sustainable livelihood creation, and minimising and counteracting environmental concerns. In order to produce fashion and lifestyle products that are ethical it is necessary to concentrate in equal amounts on the triple bottom line: People, Profit, Planet. This revolution in consumerism is changing the market and disclosing opportunities for micro- manufacturers based in developing countries.

The ITC Ethical Fashion Programme uses this market shift in order to insert African disadvantaged communities and their groups of informal manufacturers - mostly women - into an international value chain, thus developing their export capacities and strengthening their position in their respective domestic and regional markets. It is a new approach to Aid for Trade and in general to development cooperation aimed at achieving key MDGs (1, 3 and 7), as it promotes sustainable business rather than aid dependency.

In a nutshell, through its unique system of work, the Ethical Fashion Programme enables European fashion houses and distributors to source fashion and lifestyle products from Africa. It also enables consumers to clearly distinguish these products on the market, thus to make informed choices in their purchasing behaviours.

1. ISSUES ADDRESSED

Recent research work has proved how the poverty intensity of imports of rich countries from the developing world is very low. Work published by the ITC¹ has estimated that *vast swathes of the global poor have been excluded from the benefits that trade holds*. The results of that work also suggest that those in poor countries *are in need of further TRTA and Aid for Trade support programmes to ensure that going forward they do not continue to be excluded from the poverty-reducing potential of trade*.

The issue addressed by this program of the ITC has been since the beginning exactly this: increasing the poverty intensity of exports from LDCs, with particular reference to exports from some of the most marginalised communities in them.

We address this by involving poor micro producers in an international value chain. As poverty is a complex issue which absorbs several dimensions of life, the programme requires actions also in the areas of human development and empowerment. This is why the Ethical Fashion Programme includes trade promotion activities and a social agenda.

2. OBJECTIVE PURSUED

To promote trade of sustainable fashion between international companies and micro producers based in marginalised communities in Kenya and Uganda; thus developing local creativity, encouraging female employment and gender equality, and in doing so, reducing extreme poverty and fostering a new model of global partnership for development in a substantial and measurable way.

¹ Market Access, Transparency and Fairness in Global Trade: Export Impact for Good 2010. ITC Geneva, December 2010.

3. DESIGN AND IMPLEMENTATION

The Ethical Fashion Programme is based on a market driven approach, which is implemented through a business infrastructure that discloses trade opportunities for micro producers from marginalised communities. To effectively include a large number of communities into an established international value chain, it is necessary to take the closed setting of a factory floor, dismantle it, and then spread each of its parts over entire regions.

Understandably, this concept is not a straightforward exercise. It requires a strong business intermediary capable of managing all the necessary logistics in getting parts from one community to another, and to or from the intermediary itself, on time and intact. It must also carry out key business functions: product development; sales management (receiving orders and receiving payments); planning and organising production (procurement of materials in large quantities, define the role of each group in the process, supply capacity building where needed); quality control; packing; shipping; as well as a multitude of other tasks.

To fill this need the ITC has promoted and supported the birth of *Ethical Fashion Africa Ltd*, a not-for-profit social enterprise designed specifically for this role: it facilitates all market linkages, provides technical assistance and capacity building. Simultaneously, through a clear social agenda we enable the communities to be part of the game. This is paramount to the successful implementation of the structure as a whole as previous experiences have shown that social support is needed to enable marginalised communities to partake in schemes of work aimed at self reliance. An impact assessment on communities is regularly carried out through a methodology designed within the project by a consortium of third parties (NGOs and Universities).

Throughout both the business and social infrastructures there are multiple mechanisms in place allowing them to work smoothly and fairly, ensuring that the welfare of the communities involved is always the main priority. However, it is important to underline that auditing of work and employment conditions is also carried out by an external body: the Fair Labour Association (FLA).

1. About the business infrastructure

1.1 A social enterprise that works as an intermediary

The business infrastructure is based on the concept that business partnerships should lead the effort to eradicate poverty and – most of all – should be self sustainable after the withdrawal of the supporting agency (ITC in this case) at the end of the project. Therefore, this infrastructure is based on a commercially viable form of social enterprise, Ethical fashion Africa ltd, i.e. an enterprise whose mission is that of achieving specific social aims.

The business infrastructure set up by EFAL and ITC carries out the business functions that create a linkage between international/domestic buyers and micro producers from disadvantaged and marginalized communities. It facilitates the inclusion of micro producers in value chains that offer opportunities both in the international and the domestic markets. ITC also works with buyers to tell the stories behind the products, which allows consumers to clearly distinguish them on the market and to make informed choices in their purchasing behaviour. The program is noteworthy in that it does not intend to boost the fringe market of ethical fashion but rather assist the conversion of the mainstream fashion market into an ethical one. This is to say the Ethical Fashion Program works only with large household names (rather than small eco/ethical brands) that have either the image necessary to influence the market as a whole, or large sales figures to ensure maximum disbursement of both product and message. Today, with the volatile, saturated markets they are faced with, larger brands have come to realize that customer loyalty is of the utmost importance. Respect for people and planet consistently rank at the top of the list to ensure this loyalty.

All business functions are carried out in full respect of the Fair Labor Agenda. EFAL is a member of the FLA and all operations and labour conditions at the level of community are audited by the FLA and its network of local organizations. As already said, the system is structured for this intermediary to run as a commercial entity with social aims. It qualifies as such as it is a not-for-profit company irrevocably linked to a charitable trust. All profits of are reinvested in the development of this work for

micro producers and in a social agenda for communities defined by the communities themselves. This is the focus of the following paragraph.

1.2 Social agenda and impact assessment

The Ethical Fashion Programme includes a clear social agenda based on the following pillars:

- Education
- Health care
- Conflict resolution
- Community development
- Living conditions

The social agenda is implemented through NGOs that partner with communities and funded through a Trust that receives – as a donation – a share of the profits realised by EFAL.

The Trustees are:

- Relevant and esteemed figures in the industry of fashion that can make sure the programme stays relevant / competitive in the industry, visible and respected both in style and substance, and/or to ensure the sustainability of the project through maintaining strong relationships with relevant partners and by establishing new ones;
- Representatives from the communities involved to ensure the programme never loses sight of its purpose: to alleviate poverty and to improve the lives of the most vulnerable. They will give a voice to the practical implementation of the project and credibility to the Trust, to EFAL and to the ITC Ethical Fashion Programme as a whole.
- Esteemed and impartial representatives of the countries in which we work who are particularly knowledgeable on either Development, Labour Rights, General Human Rights, International Politics, Law, Commerce and other relevant areas.

1.3 EFAL: detail of its functions

1.3.1 A business infrastructure going towards sustainability

The business infrastructure is based on joint work of ITC and of this social enterprise (EFAL) who together carry out all the main business functions required by the value chain of Ethical Fashion. ITC discloses market opportunities by involving buyers into a process of product development aimed at defining lines of products they would buy. Product development is required, as buyers are given the possibility to develop their own products starting from capacities and materials that are available in the communities where EFAL works. Therefore, there is the need to transform their design inputs into products that are feasible according to existing capacities in groups of micro producers from marginalized communities: instead of industrializing their inputs, EFAL translates them into what communities can produce.

This sets in motion a machine aimed at coordinating the work of communities, following a set of functions:

- **Production Planning** in order to involve community groups: planning the involvement of groups, defining costing and pricing and thus the remuneration of labour and levels of overheads of groups, defining and organizing the logistics (availability and supply of raw materials). All of these activities are carried out by EFAL in consultation with communities and following the Fair Labor Association criteria as regards costing and the remuneration of labour.
- **Production**, i.e. managing the network of communities that constitute the value chain. This is carried out according to a predefined deadline by community groups, with continual technical assistance from EFAL and ITC (but always through EFAL);¹
- **Packaging**, as all products made at the level of communities have to be packed and prepared for shipping;
- **Logistics** to organize the flow of raw materials and final products between communities and the main hub created at EFAL;
- **Sales management** and shipping to domestic and international markets - Sales management means definition and management of the terms and conditions of sale;

- **Management of payments:** EFAL plays the role of bank of communities, although it is now structuring relationships with communities as if they were normal suppliers (purchase orders with which communities access the micro-lending schemes provided by Equity Bank)

The business infrastructure is monitored by ITC to enable the creation of a conducive environment for micro-producers, through:

- Adoption of fair labour agenda, under the guidance of the Fair Labor Association: structured around a Code of Conduct that ensures internationally recognised fair labour practices are in place;
- Social Responsibility schemes (also reflected in ISO 26000) aimed at supporting communities and involving consumers;
- Costing and pricing that reflects the above;
- Quality control that enables communities to understand mistakes and develop new capacities out of them
- Stories for consumers to be involved in the value chain of the product from the market end

1.3.2 *Enhancing Social Responsibility*

All this implies the adoption of:

- 1) Criteria to guarantee fair labour and investment conditions in order to empower women and reduce poverty in a measurable way. This is adopted to guarantee a fair remuneration of labour and implemented through a clear fair labour agenda to which all groups involved in the program actively participate (see section on capacity building). The implementation of this is also externally audited by the FLA. Typically wages are at least twice that of the national minimum wage.
- 2) Adoption of environmentally friendly processes: most of our production is eco-friendly as we promote the use of recycled or organic locally sourced materials. Furthermore, as this is an exercise in poverty reduction, most of the work manual by women using traditional skills with very low carbon footprints (they do not have the luxury of washing machines, etc). Very few machines (especially machines which require electricity) are used in production, making the carbon emissions incomparable to that of industrialized production. Our carbon footprint is assessed by the specialist organization Carbon Neutral.

1.3.3 *Capacity building and technical assistance*

Capacity building and technical assistance are required to implement the systems and criteria mentioned above.

Capacity building designed by the ITC and applied via EFAL:

- Productive capacities such as cutting and stitching, embroidery, beadwork, screen printing, general awareness etc;
- Management skills such as production, general management of groups, access to credit etc;
- Fair labour, the Code of Conduct and how to implement this scheme with all the members of a group;
- Logistics
- Life skills such as basic mathematics, how and why to save money, nutrition, how to cope with stress etc.

Technical assistance is delivered to all groups during production (via EFAL) to:

- Support productive processes with a coordinator from the Hub;
- Facilitate logistics;
- Provide raw materials and working capital (this role will be given back to groups once their capacities in this area are sufficient)

Capacity building is also offered to TSIs

4. PROBLEMS ENCOUNTERED

The main difficulties to overcome in the course of running the programme have been:

- I. **Extreme poverty**, which is a multifaceted dimension of life that implies not only economic but social and persona factors. Poverty hinders the formation of social capital, i.e. the capacity to work together for the achievement of common goals. The business infrastructure we developed is tied to another organisational scheme that has a mandate to develop a social agenda for all the communities involved. The main areas of this social agenda are community development, conflict resolution, health care, education and living conditions;
- II. Challenges of the **level of infrastructures**, which are very different from other sites of production and something we needed to adapt to. This includes poor roads and transport systems, but also the challenges linked to the banking systems (a 17% charge in Kenya);
- III. Level of **assumptions** – variations in perceptions of time, quality etc. For example, we have had an experience of expecting 11,495 t-shirts to be shipped to us by a specific date, in order to get communities to work to enrich them, yet the company only provided 11,000, as to them 11,495 was the “plan” and 11,000 was the figure aimed.

5. FACTORS FOR SUCCESS

To tackle the issues arising from this specific context, we have put in place:

- I. A strong network of artisans and communities with different skills and capacities coordinated by an effective hub, that enables them to work in a coordinated way and highlights the critical path for every order;
- II. A business model that makes provisions for appropriate (consistent with the expectations of the industry) lead time in production and shipment, ensuring products are delivered according to industry standards;
- III. The main team in Africa composed only of Africans, as this ensures capacity transfer, co-management, as well as the cultural and social context is taken in account throughout the system;
- IV. An engagement from our customers to pre-finance the production process, in the first steps of the work and then an agreement with banks (e.g. Equity Bank in Kenya) that supply credit in against Purchase Orders from international buyers;
- V. The direct involvement of communities when resolving issues, which ensures the engagement of workers and the input of their cultural context;
- VI. Endorsing the mantra ‘*hakuna kazi, hakuna mpesa*’ (no work, no money), which serves as a drive to involve partners in a business and durable perspective;

6. RESULTS ACHIEVED

- I. Over **7,000 jobs** for women from some of the most marginalised communities in East Africa who now have access to dignified labour that is fairly rewarded;
- II. Through work, entire communities have been able to substantially improve their livelihoods. We carry out regular **Social Impact Assessments**, using an assessment tool created by a panel of local experts (doctors, professors, anthropologists) and international organisations (the Fair Labor Association).

The 2010 impact assessment noted the following results:

- 90% of those who are involved in the program claim that the proceeds made from it enabled them to make **improvements in their homes**.

- **94% of the people interviewed affirmed being more confident with themselves since joining** the program. Most women think that they have been assigned the responsibility of the success of their families and 94% of the respondents confirmed the project increased their levels of confidence
- **88%** mentioned their **ability to make independent financial decisions** as the most important change in life and about **54%** cited the **ability to invest** as expressly indicating their changes.
- **92% were proud of their jobs.**
- **80% indicated that orders received through the program improved their ability to provide for their families**
- The entire sample surveyed from the Maasai community affirmed they had **earned respect from their male counterparts**, especially from their husbands thanks to their ability to earn a living and to take care of the family needs as well as restocking their animals.
- All of the respondents interviewed felt that **their opinions were more valued** within their communities and all were happy with their workmates.
- 54% revealed they have enough to eat on regular basis as a result of the work done within the program with **68% eats three times a day**. 84% claim to have access to fresh foods while 86% claim that their diets changed for the better meals with the work provided.
- The research suggests that the more the women become economically empowered, the more decisive they become. About 36% of the households had **women (mothers) in charge of decision making** on matters pertaining to household needs.
- The biggest order from the program, Africa Community Bags 2009, came when Kenya was experiencing one of the worst drought and famine to hit the country. Most of the communities who took part in the order were suffering from this and were **able to put food on the table on account of that order**. The Maasai are still experiencing food insecurity, as they mainly depend on animal products for food and they have not been able to restock their animals.
- **54% of the respondents did not feel exposed to health hazards** and **78% have never been injured** in their workplace.
- 62% are **aware of safety precautions** at work and at home thanks to the association of the program with the Fair Labour Association safety workshops. In case of injury **66% claim to know the first aid measure** to be taken. The measures in question differ from one place to another, for example in rural areas workers favour herbal healing methods.
- About **94%** of the total respondents claim that they have been able to **learn new skills** and **78% of them said that they have been able to utilize the skills learnt for their own jobs**, supplementing whatever they receive from the program.
- Majority of the rural communities' profit mostly from the adoption of "soft technologies": **manual or simple techniques for production**. Similar patterns are valid for their urban counterparts (in slums), as their technological exposure is limited to light duty machines. Only 32% of the total population has no specialized technological exposure
- 14% think that they received respect from their men while **72% feel that they are receiving more respect from the whole family**.

7. LESSONS LEARNED

The Ethical Fashion Programme, an active project since 2008, has built its success on a number of elements that have been fundamental to allow sustainability of the system:

- I. The programme must be **market-driven**: linkages between the international market and disadvantaged communities need to be built on trade relationships in view of creating a win-win situation for both parties. A concrete translation of 'aid-for-trade', the model needs to be coerced by the demand *from the market* to ensure transparency, commitment and sustainability;
- II. The programme should ensure **labour** as the basis of engagement with beneficiaries. The system we created mobilises a network of marginalised communities and improves their livelihoods in a visible way because it has created job opportunities based on real trade relations and not charity (see I.);
- III. Beneficiaries must acquire a **sense of ownership** of their work and the activities linked to it (social agenda etc.), in a way that they are compelled to invest themselves in this venture with long term perspectives;
- IV. International facilitators – including program staff of international agencies - should come from the **private sector** (1) and while working in the field it is important that they truly **grasp the**

realities of the place they are dealing with (2), **this by working, living and most of all experiencing the daily lives of beneficiaries.**

- V. The necessity to plan for on-going **Social Impact Assessments**, in order to measure the project's effects on individual workers livelihoods and well-being (including the psychological dimension)

ⁱ The following step in the programme agenda is to enable groups to gain access to credit and thus be able to finance the working capital they need to purchase raw materials and to produce the items. EFAL is at present funding the orders through advances from buyers and has stricken a deal with Equity Bank to provide a fund for micro-lending to community groups. This will be implemented in 2011, and logistics and shipping to be organized and managed by EFAL



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