THE ETHICAL FASHION PROGRAMME

NOT CHARITY, JUST WORK

2011 AID FOR TRADE GLOBAL REVIEW: CASE STORY
EXECUTIVE SUMMARY

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 disadvantaged African 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 Millennium Development Goals, as it promotes sustainable business rather than aid dependency.

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.

The program is unique 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 Programme 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.

ISSUES ADDRESSED

Rich countries have a very low rate of importing goods from the poorest communities in the least developed countries (LDCs). Recent information produced by ITC estimates that vast swathes of the global poor have been excluded from the benefits that trade holds. It also suggests that those in poor countries are in need of further trade related technical assistance (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 Ethical Fashion Programme specifically addresses this issue: increasing the poverty intensity of exports from LDCs, with particular attention given to exports from some of the most marginalised communities.

ITC is addressing this by involving poor micro producers in an international value chain. As poverty is a several dimensions of life, the programme requires actions also in the areas of human development and empowerment. This is why the programme includes trade promotion activities and a social agenda.

**OBJECTIVE PURSUED**

The objective of the Ethical Fashion Programme is to promote trade of sustainable fashion products 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.

**DESIGN AND IMPLEMENTATION**

The Ethical Fashion Programme is based on a market driven approach that provides access to trade opportunities. It is implemented through a business infrastructure that involves micro producers from marginalised communities in international trade opportunities.

To effectively include a large number of communities into an established international value chain, it is necessary to essentially spread out the different parts of a factory over entire regions.

Understandably, this concept is not a straightforward exercise. It requires a strong business infrastructure 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; and a multitude of other tasks.

Simultaneously, there is the need of a clear social agenda in order to enable the communities to participate, which is paramount to the successful implementation of the program, as previous experiences have shown that social support is needed to empower marginalised communities to actively partake in work projects aimed at self reliance. This is why an assessment on the impact on communities is regularly carried out through a methodology designed within the project by a consortium of third parties (NGOs and Universities).

Finally, 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).

**THE BUSINESS INFRASTRUCTURE**

**INTRODUCING EFAL: ASOCIAL 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 the joint work of the ITC and of a commercially viable form of social enterprise, Ethical Fashion Africa Ltd. (EFAL).
ITC creates a link between international/domestic buyers and micro producers from disadvantaged and marginalized communities. Thus doing, it facilitates the inclusion of micro producers in value chains that offer opportunities both in the international and the domestic markets.

EFAL runs the business-end of the programme: it is responsible for the organisation of production in community groups, administration, shipping, packing quality control, and other business issues.

The system is structured for EFAL to run as a commercial entity with social aims. 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. 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 social agenda: empowering people

The social agenda is based on five pillars:

- **Education**
- **Health Care**
- **Conflict Resolution**
- **Community Development**
- **Living Conditions**

It 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.

**ITC AND EFAL: WHO DOES WHAT.**

As already said, ITC sheds light on market opportunities by involving buyers in identifying lines of products they would buy. Buyers are given the possibility to develop their own products starting from capacities and materials that are available in the relevant communities. It is therefore necessary to transform buyers’ design inputs into products that are can be produced according to existing capacities in the groups of micro producers from: instead of industrializing the design inputs, ITC initially and EFAL at a second stage translate them into what communities can produce.

This sets in motion a machine – coordinated by EFAL that receives technical assistance from the ITC - aimed at coordinating the work of communities:

- Production planning to involve community groups. This includes defining costing and pricing and thus the remuneration of labour and levels of overheads of groups, as well as defining and organizing the logistics (availability and supply of raw materials). All of these activities are carried out 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;
- 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 of EFAL;
- Sales management and shipping to domestic and international markets;
- Managing payments. Here EFAL initially played the role of bank of communities, although it is now structuring relationships with communities as if they were normal suppliers (EFAL issues purchase orders with which communities access the micro-lending schemes provided by a local bank)

The business infrastructure is monitored by ITC.
ENHANCING SOCIAL RESPONSIBILITY

The structure has been developed to enhance social responsibility. It implies the adoption of:

- The Fair Labour agenda, i.e. 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 – typically wages are at least twice that of the national minimum wage – and implemented through a clear agenda to which all groups involved in the program actively participate. The implementation of this is audited by the Fair Labour Association.

- Environmentally friendly processes: most of the production is eco-friendly, as the programme promotes the use of recycled or organic locally sourced materials. Furthermore, as this is an exercise in poverty reduction, most of the work is done by women using basic technologies that are consistent with traditional skills and imply very low carbon footprint. (our carbon footprint is assessed by the specialist organization Carbon Neutral).

CAPACITY BUILDING AND TECHNICAL ASSISTANCE

Providing the know-how for specialized skills is often required to implement the systems and criteria mentioned above. Those skill-building sessions are designed by ITC and applied via EFAL include:

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

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 is given back to groups once they develop the capacity of managing relationships with banks.)

Capacity building is also offered to TSIs.
PROBLEMS ENCOUNTERED

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

- Extreme poverty, which is a multifaceted dimension of life that implies not only economic but also social and personal factors. Poverty hinders the formation of social capital, i.e. the capacity to work together for the achievement of common goals. This is why the business infrastructure is tied to a mandate to develop a social agenda for all the communities involved.

- Challenges of the levels of infrastructure, which are very different from other sites of production and something that ITC needed to adapt to. This includes poor communication and transport systems, erratic power supply and the challenges linked to the banking systems (pre-shipping finance is at about 17% in Kenya);

- 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. To them, 11,495 was the “plan” and 11,000 was the figure aimed. This means that it is impossible to manage this kind of activity from outside: local knowledge is of key importance.

FACTORS FOR SUCCESS

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

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;

A WHOLLY MARKET oriented 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;

A 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;

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;

THE DIRECT INVOLVEMENT of communities in problem solving, which ensures the engagement of workers and the input of their cultural context;

ENDORsing THE MANTRA “HAKUNA KAZI, HAKUNA MPESA” (NO WORK, NO MONEY), which serves as a drive to involve all partners in a business and durable perspective;
RESULTS ACHIEVED

The programme has generated more than **7,000 jobs for women from some of the most marginalised communities** in East Africa. These women now have access to dignified labour that is fairly rewarded;

**Through work**, entire communities have been able to **substantially improve their livelihoods**. We carry out regular Social Impact Assessments using a 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.
- **54%** revealed they have **enough to eat on regular basis** as a result of the work done within the program with
- **68%** that **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.
- **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

72% feel that they are receiving more respect from the whole family.

LESSONS LEARNED

The Ethical Fashion Programme has built its success on a number of elements that have been fundamental to allow sustainability of the system since its inception in late 2008:

- 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. In order for programmes such as this to be successful, the skills-training and subsequent work must be conducted in response to market demand;

- The system 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 on charity;

- Beneficiaries must acquire a sense of ownership of their work and the activities linked to it, such as a social agenda, in a way that compels them to invest themselves with long term perspectives in this venture;

- International facilitators – including program staff of international agencies - should come from the private sector. It is important for them to work in the field in order to truly grasp the realities of the place with which they are working. This is the reason why it is absolutely advisable that they experience the daily living conditions of the beneficiaries;

- The necessity of on-going social impact assessment in order to measure the project’s effects on individual workers’ livelihoods and well-being (including the psychological dimension).