

Ethical Apparel Africa



Impact Management Case Study



Location West Africa

Sector Manufacturing

BOP Stakeholders Factory workers in Africa

Total Reach 700 workers across 4 factories as of Q1 2020



Business Model

Ethical Apparel Africa (EAA) is a sourcing company that provides international apparel brands with ethical, cost competitive and quality manufacturing solutions in West Africa. EAA's vision is to demonstrate that commercially successful and ethical businesses are not mutually exclusive. Based in Ghana and Benin, EAA is working to unlock the tremendous potential of the West Africa apparel industry, supporting African-owned factories to grow exports to the US, UK, and Europe. EAA is working with supply chain partners to ensure they are transparent, responsible, and accountable in the way they conduct their business. In terms of impact on the factory workers, particularly women, living at the base of the economy pyramid (BoP), this means high-quality job creation and improvement in the quality of existing jobs.

EAA provides hands-on, intensive training to workers delivered by technical and compliance teams on the ground, including training in specific skill areas such as sourcing, product development, costing, production management, quality control, as well as international social compliance standards including training on workers' rights. EAA is also enabling access to market for factories through its network of international brands, equipping factory management with the relevant information and skills, and shaping their regulatory policies and environment to reflect sustainable business practices.

EAA applies a sourcing commission on the value of the orders it facilitates and keeps commissions low, around 10% to 20%, to drive high-volume orders. EAA's commission is charged to the brand to service the whole order including raw material financing, quality control and critical path management. EAA also delivers direct technical assistance in the factories, ensuring quality, compliance and continuous improvement. Under this structure incentives are aligned to drive both profit and sustainability by securing high-volume orders and improving the capacity of the workers employed by its partner factories to fulfil these orders.

EAA is playing a leading role in ecosystem-level coalitions, including a 2 million euro public-private partnership with GIZ and private firms, partnering with technology and machinery providers that will build a Technical Centre of Excellence at a local university to develop a pipeline of skilled and qualified managers for the industry as it grows.

Ethical Apparel Africa in Numbers



60%

EAA has facilitated international orders with five African-owned garment factories based in West Africa, reaching more than 800 workers, 60% of whom are women.



1 million

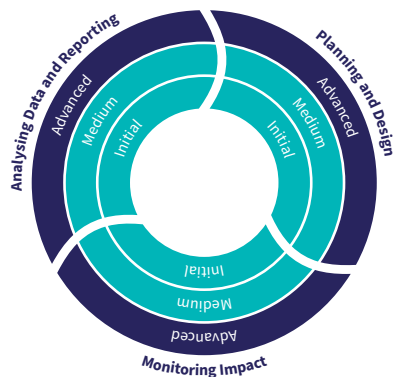
Export volumes have grown from a base of zero at the beginning of EAA partnerships to 250,000 units in 2019 and has grown to over 1 million units in 2019..



Key Stakeholders

When identifying its partners, EAA looks at the factory owners' aspiration and vision, readiness to embrace technical and compliance international standards, ability to grow and scale, and willingness and passion to invest into their workers' wellbeing. A typical partner factory has the following profile:

- Lack of machinery, equipment, expert personnel, trade finance, and know-how to fully capitalize on the potential to scale
- Inability to win large consistent export contracts due to a lack of scale and sub-optimal operational efficiencies
- Lack of awareness and adherence to social and environmental compliance



Companies can have an initial, medium or advanced level of impact management capacity

1. Assessing Readiness and Capacity

Ethical Apparel Africa joined Business Call to Action's **Impact Champions Programme** to understand the impact of its business activities on the global goals and to be able to collect evidence that would inform its strategy and operations.

The company was found to have an **advanced capacity** for undertaking impact measurement and management. This is because the company's senior managers view social impact management as a critical activity and devote resources to develop monitoring systems. The company is already collecting and reporting on non-financial data as part of regular monitoring of Key Performance Indicators (KPIs). Moreover, EAA has a culture of reflecting on key metrics to make business decisions. The company's senior managers are strongly committed to dedicating time and resources to carry out impact management. Lastly, EAA field staff regularly collect and use data for their daily operations and are ready to dedicate their time for impact management.

Collecting the right amount of information is considered as key as it allows learning and improving operational decisions in a timely way. Learning is a critical part of the success of EAA operations, given that they have developed their business in a new frontier with uncertainties, risks and variable dynamics that necessitate continuous improvement. EAA is passionate about understanding what worked, why it worked or did not work, what changed, why it did or did not.

2. Planning For Impact

I. Impact Value Chain

The **Impact Value Chain** is a visual map of how an organization's strategy and operations contribute to its business value and the Sustainable Development Goals (SDGs). The Impact Value Chain allows the organization to understand holistically the effects of its inclusive business activities on different groups of people and the planet.

Ethical Apparel Africa first started its operations in Ghana and Benin in West Africa when rising demand for exports from the region leveraging favourable trade agreements, low costs of living and abundant supply of raw material was hampered by weak capacity in the countries to manufacture at the required scale and connect with international buyers.

EAA identified several opportunities to create a positive impact. Firstly, there was a need to enhance skills of both labour and middle management to increase production. Secondly, there was an overall lack of awareness of environmental, social and governance (ESG) practices. Manufacturers did not have access to international buyers and could not mobilise capital to bridge this gap. Lastly, there was a rich supply of high-quality cotton that was untapped because of lack of vertical integration in the market.

EAA focuses its business operations on recruiting technical experts across the world and bringing them to the factories to upskill workers and management teams through training on product development, quality control, lean manufacturing, patternmaking etc. EAA also invests in training on implementing

global ESG standards. EAA facilitates connections to potential funders, including banks, angel investors and finance institutions, as well as international buyers. Lastly, EAA advocates for favourable policies and incentives for investors by engaging and supporting the Ministry of Trade and Industry in Ghana.

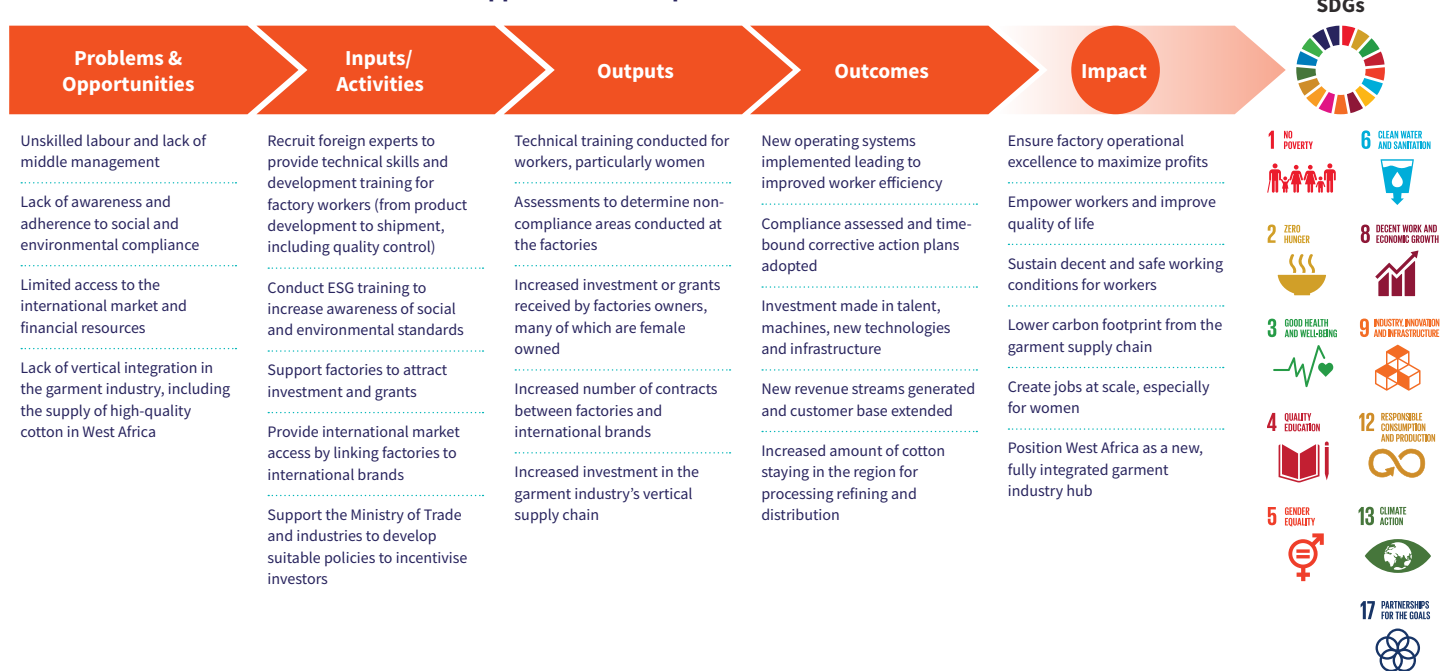
As a result of EAA's activities and inputs, there are more workers, particularly more women, permanently employed at the factories and receiving training. Factories are also conducting ESG assessments to identify areas of non-compliance. There are more contracts between manufacturers and international brands as more investments and grants flow in, and there is more investment in improving vertical integration of the supply chain.

Over time, EAA will contribute to higher technical skills of employees working at the factories with an enhanced capacity to process orders. Factories will have an increased ability to invest in talent, machinery and infrastructure. There will be new and more revenue streams as consumer demand leads to an overall growth in the cotton industry in West Africa.

In the long run, EAA's impact goals are to ensure operational excellence and maximize profits for cotton manufacturers, sustain decent and safe working conditions in their factories, empower workers and improve their quality of life, create jobs for women at scale, reduce carbon footprint of the garment supply chain through implementation of better ESG standards, and position West Africa as a new, fully integrated garment industry hub.

Ethical Apparel Africa tracks the performance of its inputs, outputs, outcomes and impact goals using the following framework:

Ethical Apparel Africa's Impact Value Chain



II. Understanding and Describing Impact

The Impact Management Project (IMP) is a forum for building global consensus on how to measure and manage impact. Through a series of consultations and convenings across the world with thousands of practitioners including investors and multilateral institutions, IMP has developed shared fundamentals on how to describe and understand through the lens of the five dimensions of impact. These five dimensions are: WHAT, WHO, HOW MUCH, CONTRIBUTION and RISK.

	tells us what outcomes the enterprise is contributing to and how important the outcomes are to stakeholders.
What	
	tells us which stakeholders are experiencing the outcome and how underserved they were prior to the enterprise's effect.
Who	
	tells us how many stakeholders experienced the outcome, what degree of change they experienced, and for how long they experienced the outcome.
How Much	
	tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.
Contribution	
	tells us the likelihood that impact will be different than expected.
Risk	

The Business Call to Action integrates IMP's shared logic in the Impact Lab to help companies plan for impact measurement and management starting with assessing their outcomes considering the five dimensions described above.

Ethical Apparel is contributing to six distinct outcomes:

- 1) **Ensure factory operational excellence and maximize profits,**
- 2) **Sustain decent and safe working conditions for the workers,**
- 3) **Empower workers and improve their quality of life,**
- 4) **Create jobs at scale, especially for women,**
- 5) **Position West Africa as a new, fully integrated garment industry hub, and**
- 6) **Lower carbon footprint from the garment supply chain.**

EAA mapped each of these effects on the five dimensions of impact to understand better its significance and to be able to better manage and communicate its impact.

Goal 1: Ensure factory operational excellence to maximize profits

What

What is the importance of your goal to your stakeholders?



Who

How underserved are your stakeholders in relation to the SDGs?



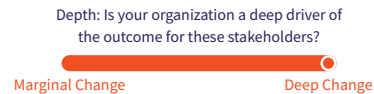
Contribution

How does the impact compare to what is likely to occur anyway?



How Much

How significant is the impact that occurs in the time period?



Risk

What is the risk that the impact is not achieved due to external or internal factors?



Goal 2: Sustain decent and safe working conditions for workers

□ What

What is the importance of your goal to your stakeholders?



○ Who

How underserved are your stakeholders in relation to the SDGs?



+ Contribution

How does the impact compare to what is likely to occur anyway?



≡ How Much

How significant is the impact that occurs in the time period?



Duration: Do the outcomes last for a long time?



Depth: Is your organization a deep driver of the outcome for these stakeholders?



△ Risk

What is the risk that the impact is not achieved due to external or internal factors?



Goal 3: Empower workers and improve quality of life

□ What

What is the importance of your goal to your stakeholders?



○ Who

How underserved are your stakeholders in relation to the SDGs?



+ Contribution

How does the impact compare to what is likely to occur anyway?



≡ How Much

How significant is the impact that occurs in the time period?



Duration: Do the outcomes last for a long time?

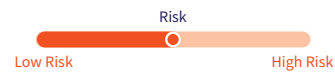


Depth: Is your organization a deep driver of the outcome for these stakeholders?



△ Risk

What is the risk that the impact is not achieved due to external or internal factors?



Goal 4: Create jobs for women

□ What

What is the importance of your goal to your stakeholders?



○ Who

How underserved are your stakeholders in relation to the SDGs?



+ Contribution

How does the impact compare to what is likely to occur anyway?



≡ How Much

How significant is the impact that occurs in the time period?



Duration: Do the outcomes last for a long time?

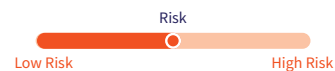


Depth: Is your organization a deep driver of the outcome for these stakeholders?



△ Risk

What is the risk that the impact is not achieved due to external or internal factors?



Goal 5: Position West Africa as a new, fully integrated garment industry hub

□ What

What is the importance of your goal to your stakeholders?



○ Who

How underserved are your stakeholders in relation to the SDGs?



+ Contribution

How does the impact compare to what is likely to occur anyway?



≡ How Much

How significant is the impact that occurs in the time period?



Duration: Do the outcomes last for a long time?



Depth: Is your organization a deep driver of the outcome for these stakeholders?



△ Risk

What is the risk that the impact is not achieved due to external or internal factors?



Goal 6: Lower carbon footprints from the garment supply chain

□ What

What is the importance of your goal to your stakeholders?



○ Who

How underserved are your stakeholders in relation to the SDGs?



+ Contribution

How does the impact compare to what is likely to occur anyway?



≡ How Much

How significant is the impact that occurs in the time period?



Duration: Do the outcomes last for a long time?



Depth: Is your organization a deep driver of the outcome for these stakeholders?



△ Risk

What is the risk that the impact is not achieved due to external or internal factors?



3. Monitoring Performance

EAA conducts initial baseline surveys among workers at each factory, comprising individual interviews, focus groups and, mobile surveys using SMS and Interactive Voice Response (IVR) in the local language. In addition to soliciting direct feedback from workers, EAA collected data gathered from the partner factories' human resource records for job data, average pay levels, workforce gender analysis, attendance and turnover data, and from their performance records for efficiency and quality outcomes. Baseline studies conducted by EAA at its partner factories in July 2019 aimed to assess the profile of the workers and to support the design of relevant programs to tackle the challenges they face.

Baseline data collected from factories shows, as with most Ghanaian garment factories, most workers come from low-income backgrounds. Approximately 70% of employees are women, and most are young, with 70% aged between 18 and 34 years old. Half of the workforce has children, and on average each worker supports 2.2 dependents. Some 68% of workers experienced at least one major economic difficulty over the last 12 months, commonly due to medical bills. Less than 20% of workers have been to the hospital for treatment ever in life, with long lines and a preference for herbal medication mentioned as the primary reasons. Prior to the factory launching a meal program for its workers in November 2019, only 33% of the workers reported eating three square meals a day.

EAA has designed a tool called Social Compliance Improvement Tracker (SCIT) following extensive research to integrate criteria from a broad range of standards in the industry, including the ILO, ETI, SMETA, WRAP, SA8000, and Higg Index. EAA has also used their experience of in-house audits from M&S, Walmart, Hugo Boss and Gap to better understand the baseline situation in the factories, as well as the gaps in terms of compliance. The tool has four measurable standards for each compliance criteria. All factories are scored from 1 to 4 on more than 100 criteria.

The sections are split into non-negotiable areas such as child labour and areas that differentiate factories as progressive, such as profit sharing. EAA SCIT evaluation is updated every quarter (each column contains comments from EAA and external auditors on compliance findings including verification methods used). Factories must achieve a standard of 2 or more in all non-negotiable areas before EAA start capacity building. EAA works with factories to progress to standard 3 and 4 and place international orders once they have reached standard 3 in all non-negotiable areas.

EAA's continued support of factory partners is contingent on their steady progress on compliance and impact, as measured by the four-phase tool and a customized, realistic and time-bound corrective action plan that is reviewed on a monthly basis with each factory. The SCIT tool is a process of continuous and sustainable improvement rather than a one-off audit. The data collected allows EAA to monitor its performance as described in its Impact Value Chain. To ensure objectivity, third-party audit results for quality and compliance have been and will continue to be leveraged.

EAA works with partner factories daily to monitor, improve and go beyond compliance. EAA has developed three impact monitoring plans around: Vertical Integration of Supply Chain, Decent Work, and Environmental Impact.

EAA's Monitoring & Evaluation team established a baseline for each planned output and outcome to support EAA and its partner factories' performance measurement. During the Impact Champions Programme, EAA identified decision-making questions structured inside three impact monitoring plans and focused its measurement efforts on gathering data that will allow EAA to improve impact by making evidence-based decisions to drive business value and performance.

a. Vertical Integration of the Supply Chain

Decision-Making Questions	How much raw cotton is being exported?	How many investors are supporting the industry's development? How many policies have been developed by the Ministry of Trade to vertically integrate the garment industry?	How many funds have been directed at the project of vertically integrating the supply chain? How many cotton mills have been revamped or established?	How much cotton is produced, processed and refined in the region?	What is the total output of manufactured clothing and textile-based products in West Africa? What percentage of cotton produced in the region stays in West Africa through final goods production?
Indicators	Tonnes of raw cotton being exported	Number of country related policies drafted by the Ministry of Trade and Industries Number of investors in the vertical integration of West Africa's garment industry	Number of operational mills in West Africa Amount of funding in US dollars directed towards the project	Tonnes of refined cotton produced in West Africa	Number of garments produced in West Africa Percentage of garments produced in West Africa that are not exported

b. Decent Work

Decision-Making Questions	<p>What is the social compliance score at the factories?</p> <p>How many international brands have contracts with factories?</p> <p>How many factories have sufficient access to investments and grants?</p>	<p>How many contracts with brands have been placed at the factories?</p> <p>How many international brands have been identified to work with factories?</p> <p>How many financial bodies have been identified for potential investment or grants?</p>	<p>How many contracts with brands have been placed at the factories?</p> <p>How many ESG assessments have been conducted in factories?</p> <p>What was the total amount of investment and grants received by factories?</p>	<p>How many corrective action plans have been discussed and implemented following compliance assessment?</p> <p>How many hours of ESG follow-up trainings have been implemented?</p> <p>How much has been spent in worker well-being and empowerment programs?</p> <p>How much has been spent on improving H&S at the factories?</p> <p>How much has been spent on additional recruitment, machines, new technologies and infrastructure?</p>	<p>What has been the overall improvement in compliance scores?</p> <p>What has been the improvement in workers health?</p> <p>What has been the improvement in worker satisfaction?</p> <p>How many sustained jobs have been created?</p>
Indicators	<p>Social Compliance Scores at factories</p> <p>Number of orders already completed for the international market</p> <p>Number of factories accessing investment and grants as needed</p>	<p>Number of international brands identified to place orders</p> <p>Number of investment or grant sources identified</p> <p>Number of hours of ESG training conducted</p>	<p>Number of ESG assessments conducted at factories</p> <p>Total value of investments or grants received by factories</p> <p>Number of non compliance areas identified</p> <p>Number of repeated contract orders placed</p>	<p>Number of corrective action plans implemented and followed</p> <p>Amount spent on improving machines, new technologies and infrastructure</p> <p>Number of new experts recruited</p> <p>Amount of profit made at factories</p> <p>Hours of follow-up ESG training implemented</p>	<p>Number of reported accident and incidents</p> <p>Number of beyond compliance programs in place</p> <p>Number of workers reporting satisfaction at work</p> <p>Monthly absenteeism rate</p>

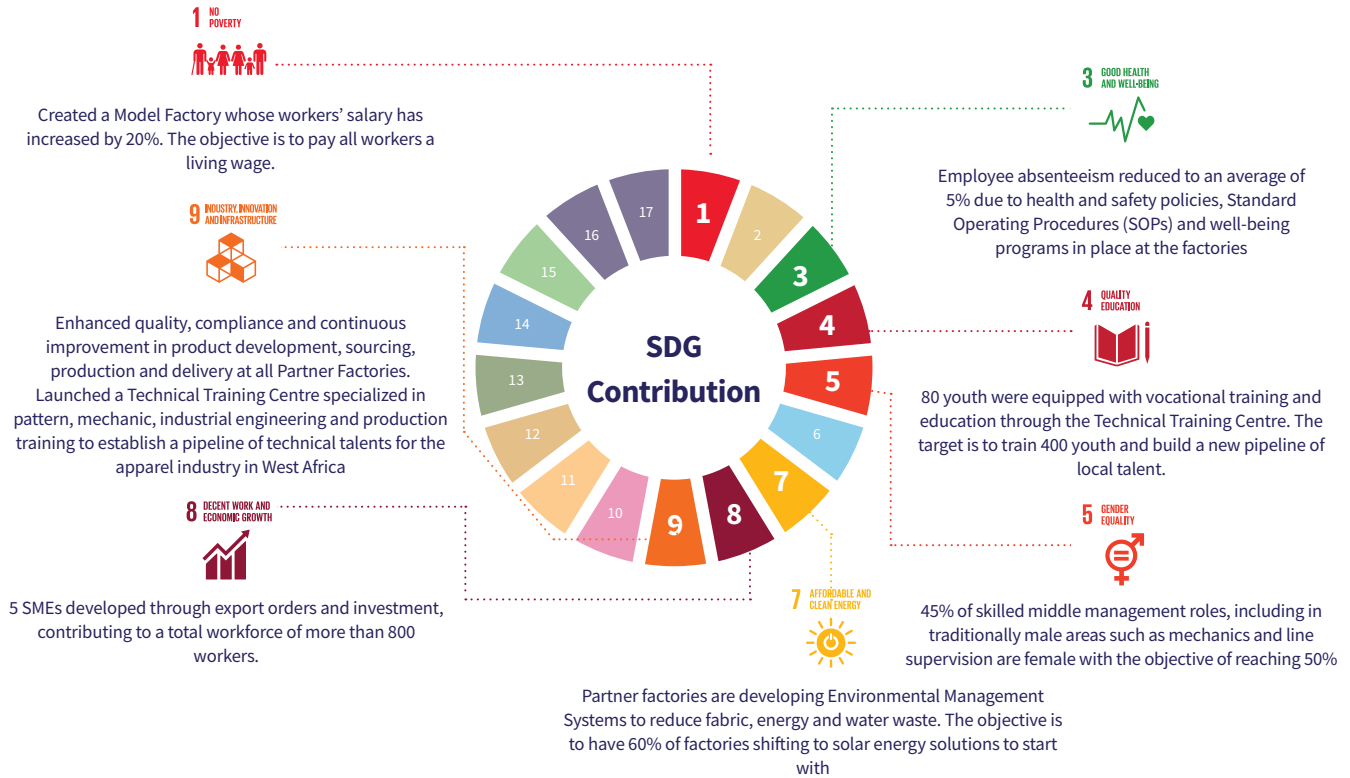
c. Environmental Impact

Decision-Making Questions	<p>What areas in environmental compliance are factory owners/ management unaware of (waste management, energy use, CO₂ emissions, etc.)?</p> <p>What areas in environmental compliance are factories violating?</p>	<p>How many hours of ESG trainings have been conducted?</p> <p>How many people have partaken in ESG training?</p>	<p>How many ESG assessments have been conducted?</p>	<p>How many refresher trainings have been conducted?</p> <p>Has a waste management system been implemented?</p> <p>Have energy sources been explored or implemented?</p> <p>How many corrective action plans have been developed?</p>	<p>What percentage of garment factories use alternative energy?</p> <p>What percentage of garment factories report on ESG?</p> <p>What percentage of garments factories have waste management systems in place?</p> <p>What has been the reduction in carbon footprint of the garment factories?</p>
Indicators	<p>Percent of factory owners/ managers aware of the benefits of waste management, energy use, CO₂ emissions, etc.</p> <p>ESG compliance score (in each category)</p>	<p>Hours of ESG training conducted</p> <p>Number of people who have received ESG training</p>	<p>Number of ESG assessments conducted</p>	<p>Number of refresher trainings</p> <p>Number of corrective action plans</p> <p>Number of waste management systems</p> <p>Percent of energy use coming from alternative sources</p>	<p>Percentage change in the carbon footprint of West Africa's garment industry</p> <p>Factories outside of EAA's network implementing ESG assessments and reporting</p> <p>Number of factories outside of EAA's network using alternative energy</p> <p>Tonnes of CO₂ produced in the garment industry</p>

In 2019, through its foundation, EAA has supported factories by raising the equivalent of US \$125,500 in grant funding for implementation of the following programs:

- Subsidized nutritional meals: 100,000+ meals served in 2019 and 2020
- Provision of subsidized transport for workers: 400 workers reached during COVID-19

- Ongoing Sexual and Reproductive Health (SRH) training: 500 workers trained to become SRH ambassadors
- Provision of mosquito nets and associated health education: Vaccination against Hepatitis B
- Eye-screening and care including provision of glasses, with the support of Eyes on Africa
- Soft skills and leadership training for middle managers, particularly for women



Lessons Learned

EAA has adopted a multi-criteria and tailor-made approach combining quantitative and qualitative indicators based on field surveys that give voice to the stakeholders affected by its operations. This exercise has been essential to understanding the current processes in place and how to integrate them into a growing industry. For instance, EAA has learned that in addition to their open-door policy to solve workers' issues, factories also have active workers' committees that contribute to helping workers raise their voices and be actively listened to. IVR anonymous surveys were also conducted at one of EAA partner factories to assess the impact of the COVID-19 on

workers' and supervisors health and safety, wellbeing and pay. This gave another opportunity to collect employees' direct feedback, enhance collaboration and transparency to ensure safe and fair working conditions at all time. The criteria in the SCIT tool based on which EAA evaluates its partner factories has been defined through a consultative process, involving all partner factories and starting with the social mission of the company. EAA uses monitoring, evaluation and learning tools to make strategic evidence based decisions optimizing cost and outcome.

Way Forward / Next Steps

EAA views compliance as only the starting point; the company is developing partner factories to sustainably implement living wages, benefits and empowerment programs. EAA believes this is not only good for business but also leads to lower staff turnover, reduced absenteeism and better productivity. More specifically, by 2023, EAA commits to:

- Creating 2,500 high-quality jobs in the apparel sector in West Africa, enabling workers to support their families and uplift their communities with sustainable workforce empowerment programs designed to meet local needs

- Develop six African-owned apparel factories that achieve operational excellence, collectively export more than US \$10 million to the international market, and continuously improve working environment, benefits, training programs and take-home pay for their 1,500 plus workers

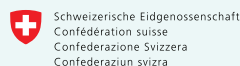
Impact management will continue to be integrated into EAA's strategy in order to learn and improve from impact data going forward.



Contact the Business Call to Action

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