PART ONE
CHALLENGES FACING THE TEXTILE WASTE SECTOR
AND THE ROLE OF SOCIAL ENTREPRENEURS

PART TWO
ROBA AMIGA: ONE BRAND, MANY ORGANIZATIONS

PART THREE
EXPORT OF SECOND-HAND CLOTHES:
RISKS AND OPPORTUNITIES FOR SOCIAL ENTREPRENEURS

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A teaching case about Roba Amiga, elaborated
by the authors with materials from this report,
has won the qualification of “Runner-Up” in
the Oikos Case Competition on Social Entrepreneurship, 2015:
http://oikos-international.org/programmes/curricula-change/cases-program
National Public Radio (NPR) in the United States recently tracked down the original owner of a 20 year-old T-shirt found in a second-hand clothes market in Kenya. The shirt had “Jennifer’s Bat Mitzvah” printed on the front and the original owner’s name ironed on the inside tag. The original owner, Rachel, said she had no idea her shirt would end up for sale in a market in Africa after her mother donated it to charity about five years ago1. In fact, most of us are unaware of what happens to our unwanted clothes when we donate them. This is hardly surprising; we pay more attention to the latest fashion trends than to the life of clothes after the donation container. It is estimated that Britons have clothes worth around $30 billion (at ‘new’ purchase price)2 hanging in their wardrobes that have not been worn for over a year. When these clothes are thrown out, instead of being donated, they end up in landfills. In developed countries, this is the case for 75% of post-consumer textile waste3. This serious environmental problem is also a missed opportunity to create a closed-loop system bringing social, economic and environmental benefits.

The textile industry is one of the largest worldwide, both in terms of turnover and employment. At the European level, it accounts for 3% of all manufacturing4. At the global level, it is worth over US $800 billion, employing some 26 million people5. Traditionally, textile and garment companies have been pressured by their stakeholders to follow good employment practices throughout the supply chain, such as health and safety codes, overtime pay, freedom of association, and avoiding child labor. These external pressures have been translated into socially responsible policies and codes of conduct covering labour and environmental practices, which most textile companies demand suppliers sign and implement. Nowadays, suppliers must also pass social and environmental audits to get major contracts.

For decades, people used to wear clothes until they wore out. “Clothing obsolescence” was not even considered an issue. However, the fast fashion trend has led to growing concerns about waste, both pre-consumer and post-consumer waste. Pre-consumer waste only accounts for roughly 35% of total textile waste. Most pre-consumer textile waste is recycled into new raw materials for the automotive, furniture, bedding, coarse yarn, home furnishing, paper and other industries. The remaining 65% consists of post-consumer waste and the volumes are substantial, accounting for 15 million metric tons per year in Europe and North America6. These articles are discarded either because they are worn out, damaged, outgrown, or simply out of style7. They are sometimes given to charities or sold second-hand but usually are thrown out and end up in landfills, creating a host of environmental problems. Of the total post-consumer textile waste, only 25% is collected in Europe and 15% in the USA8,9.

EASY LINK: http://tinyurl.com/AJS201410132206

2 WRAP, 2012. Valuing our Clothes: the true cost of how we design, use and dispose of clothing in the UK: http://www.wrap.org.uk/sites/files/wrap/valuing-our-clothes-final-pdf.pdf (last accessed November 19, 2014) (Note: ‘Billion’ follows the short scale convention throughout where by one billion is ten to the power nine)

EASY LINK: http://tinyurl.com/AJS201410132210

EASY LINK: http://tinyurl.com/AJS201410132220


EASY LINK: http://tinyurl.com/AJS201410132220

7 There are also some alternative models, such as the ‘Slow Fashion Movement’, that advocate a different kind of garment industry, stopping over-consumption, slowing down production and respecting people—among other things. At the time of writing, these alternatives are still peripheral.

EASY LINK: http://tinyurl.com/AJS201410132220

9 Alternative models are still pre-peripheral for example, the Slow Fashion Movement which advocates a different kind of garment industry, stopping over-consumption, slowing down production and respecting people: http://www.notjustalabel.com/editorial/the_slow_fashion_movement (last accessed November 16, 2014) (Easy Link: http://tinyurl.com/AJS201410132223)
**Old Clothes, New Social Enterprises**

**Export Second-hand Clothing: Aid or Business?**

For historical and cultural reasons, donating post-consumer textile waste has acquired a particular ‘moral status’ in the wider country of global waste. The general assumption is that these organisations are legitimate and that once collected, social organisations will (or should) distribute them for free to people in need in the home country or in developing countries abroad.

This ‘narrative of helping the less fortunate’

12 Several cases have been documented in which organizations without any social mission milk the notion of charity to attract donations and then collect and sell for a private purpose (see Brooks, 2012).

in the origin of second-hand clothes donations, in particular in the second half of the 20th century in collecting and distributing second-hand clothes (SHCs). This notion continues to play a significant role as a means to stimulate the donation of clothing, driven by charities that still will (or should) distribute them for free to people in need in the home country or in developing countries abroad.

In reality, only a tiny slice of SHCs are donated to people in need. The majority enters into what can be considered as one of the oldest and most established recycling businesses in the world. This seemingly hidden industry has a myriad of players that involves wholesalers, retailer, consumers, policy-makers, and solid-waste managers, in addition to charities and non-profit agencies. The clothes collected in Western Europe and the US are mainly resold abroad, in Asia, Africa, and Eastern Europe.

There is a fierce debate concerning the unintended consequences of these exports. At first glance, the market for SHGs in these regions appears to benefit everyone: charities unload clothes and receive revenue; consumers obtain cheap, good quality clothing; and the middlemen also take their cut. Nevertheless, according to some studies, there can be long-term negative effects that, in some cases, outweigh the benefits. Many of the countries importing used clothing for resale are unable to establish or protect domestic textile industries with the influx of such cheap clothing. Domestic textile industries, which are relatively easy to develop, are labor intensive, create jobs and boost government revenue through taxes. Importing second-hand clothing means a portion of the value is sent to the developed world rather than keeping the extra value locally.

(For more elements regarding this debate, see the third part of this report.)

**The Role of Social Entrepreneurs in the Textile Waste Industry**

Improving the recycling rate of post-consumer textile waste is one of the main challenges facing the industry. Up to now, waste collection and textile waste management have been carried out through various channels; most of them managed by non-profit organizations (NPOs), informal systems or even by specific ethnic groups.

NPOs have been collecting SHCs for decades. In the 1940s, the Red Cross and Oxfam opened their first charity shops in London and Oxford respectively. Today Oxfam has over 700 stores in the UK, and the Salvation Army over 1200 in the US. An increasing number of NPOs are expanding into commercial fields to help fund their social and environmental activities and reduce their dependence on external funding.

Social enterprises combining a social mission and a for-profit model are also starting to operate in some countries. Both kinds of model give rise to hybrid organizations, which have to cope with conflicting demands and expectations.

The recycling industry is a sector that is attractive for social entrepreneurs as it can yield the three types of benefits:

- **Economic benefits:** In some contexts, recycling programs can cost less than waste disposal programs. Further, water and energy consumption can make it cheaper to recycle fabrics than to produce new textile products.

- **Social benefits:** Recycling can create jobs and employment for marginally employable workers.

- **Environmental benefits:** Recycling contributes to the conservation of natural resources such as water, oil and natural gas. It also helps reduce greenhouse gas emissions and landfills with the environmental problems associated with them.

NPOs engaging in commerce and social entrepreneurs have to fit themselves into existing markets for products and services. They need to take on a new strategy and a new structure, different from those that were appropriate for the setting in which they operated (the non-profit field). Tensions can arise which undermine their legitimacy. This can also lead to bad decision making and performance, which in turn may threaten the organization’s survival.

One of the critiques for an NPO engaging in commerce is that of ‘mission drift’. That is, a reallocation of time, energy, and money away from the original non-profit mission. Stakeholders may feel that the organization is behaving in a way that is not aligned with accepted norms and values. Since NPOs are traditionally seen as not engaging in commercial activities (or not making them their core business), beginning or scaling up such activities can disappoint allies (e.g. donors and members). However, mission drift does not have to be always negative, as it can also permit the NPO to better adapt to contextual factors.

Besides internal tensions and social pressures, NPOs and social entrepreneurs may face other challenges when undertaking SHC recycling. Around 70% of the used textiles collected are resold abroad, mainly in African countries. While companies from the textile sector face pressure on the supply side, people rarely talk about buyers of SHCs sharing social values, signing codes of conduct or going through social audits. Buying and selling abroad can be a tricky business as stated by some international brokers: “The used-textile brokers in Africa are substantially wealthier than many of those who buy used clothing. They must hide their wealth in order to maintain credibility among citizens”.

Most NPOs and social entrepreneurs operating in SHC recycling focus on work integration and environmental protection. NPOs and social entrepreneurs contribute to boost current rates of textile recycling and create jobs for sectors of the population excluded from the job market. Environmental awareness and innovative collection systems are some areas offering scope for improvement. However, one of the challenges of NPOs and social entrepreneurs in this field is not only to strike a balance between these concerns but also to face a wider range of social expectations expressed by donors of clothes, development experts, and public agencies.

To explore these issues in more detail, the second part of this report describes the case of Roba Amiga (a network of organizations collecting, selecting and selling second-hand clothes in Catalonia). This network of NPOs is dealing with the pressures and tensions arising in a social enterprise wishing to reconcile profits with its social and environmental aims. In the third part of this report, we explore international SHC markets to grasp the dilemma facing NPOs in their efforts to internationalize their social models. More specifically, the study focuses on Senegal, where two initiatives - Frip Ethique and Le Relais Sénégal - are analyzed.


12 Several cases have been documented in which organizations without any social mission milk the notion of charity to attract donations and then collect and sell for a private purpose (see Brooks, 2012).


14 There were also conducted three interviews with the managers of Roba Amiga and three interviews with managers of other organizations within Roba Amiga Group. Additionally, one of the authors traveled to Senegal where he conducted six interviews with importers and managers of the two initiatives, as well as observing the functioning of SHC trade in the ground.

15 Several cases have been documented in which organizations without any social mission milk the notion of charity to attract donations and then collect and sell for a private purpose (see Brooks, 2012).

The Roba Amiga Program was founded in Barcelona in 2002 with a clear goal: to organise and improve the overall management of textile waste by several non-profit organizations (NPOs) specializing in the collection and sale of second-hand clothes. By boosting the amount of textile waste managed, the NPOs could fulfil their common goals better, namely: (1) to create jobs for people at risk of social exclusion; and (2) to reduce the volume of textile waste that would otherwise end up in landfills. Thanks to this joint effort, the Roba Amiga Program had achieved a leading position in the textile collection sector in Catalonia.

In 2006, five of the NPOs participating in the Roba Amiga Program (Formació i Treball, Recibaix, Solidança, ADAD l’Encant and Troballes) decided to establish the Roba Amiga Co-op to exploit synergies and increase the NPOs efficiency and capacity to manage textile waste. In 2012, the volume of used clothes collected was 7,000 metric tons and the co-operative had a collective turnover of €5.6 m. All these achievements enabled it to create a workforce of 152 staff and to boost the amount of textile waste managed by 86.5% since 2007. The Co-op is quite satisfied with these results. However, it still feels that there is still room for improvement in several areas.

Despite good performance, the Roba Amiga Program is only able to manage 5% of the total textile waste generated in the region. Humana, the main competitor, manages approximately 3%. It is estimated that over 80% of used clothing still ends up in landfills.

Over 18,000 jobs might be created if enough resources could be found to manage all of Spain’s textile waste. Furthermore, Roba Amiga is also concerned that growth is becoming harder to manage as the NPOs in the program are quite diverse and do not always share the same vision.

Some members of the co-operative also wonder about the social impact of its exports. Almost 70% of the clothes collected are exported and sold — mainly to African and Asian countries. Roba Amiga sells these clothes to middlemen, who deal with the transport and sale, and see it as a lucrative business rather than a social endeavor. So far, attempts to create an export model that expanded the company’s social scope have been very timid and have failed, mainly for lack of resources.

In other words, the more Roba Amiga grows, the more it should be able to achieve its two main objectives of creating jobs for those on society’s fringes and helping reduce the environmental problems of textile waste. However, continued growth may expose organizational differences in purpose and vision, while also highlighting a potential conflict with respect to the export model used to make Roba Amiga economically sustainable.

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20 Some earlier reports on Roba Amiga have been helpful in writing this part, in addition to the interviews we conducted and the documentation we analyzed. See:
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Fundació Un Sol Món, 2008. ROBA AMIGA. 7 anys vestint xarxa (Coord. Paula Veciana i Botet; Anc. de dades - redacció de textos: Andrea Balletbó i Roldán), Barcelona: Caixa Catalunya.


Market overview

Textile companies operate in a linear model of consumption, in which most of the products end up in a landfill once consumers throw out their old clothes. In fact, end consumers are responsible for most of the waste generated (64%), far greater than the waste fractions found in the processing (11%), production (23%) and retail (1%) stages.

Textile waste is estimated at a mind-boggling 15 million metric tons per year in Europe and North America. A growing population, greater urbanization and changes in consumption habits are driving relentless growth in textile waste. In Spain, each person consumes between 7 and 10 kg a year in clothes, resulting in approximately a total of 400,000 metric tons a year. Estimates for Catalonia are quite similar: 50,000 metric tons a year (a bit over 7 kg/person a year). This quantity represents 4.4% of the total urban waste generated. Recycling has clear environmental benefits: according to the Spanish Association of Recyclers in the Social and Solidarity Economy (Asociación Española de Recuperadores de Economía Social y Solidaria), each 100 metric tons of clothes recycled saves 50 metric tons of carbon dioxide from being released into the atmosphere.

In Europe, only 25% of this waste is collected, while in the US, this percentage is an even lower 15%. In Spain, around 20% is collected and processed. Raising the proportion of textile waste that is recycled and properly managed is thus a global challenge, even for countries with a good recycling track record. The market for SHCs can be classified under four categories, according to the quality of the product:

1. Domestic market for re-used clothes. The best quality clothes (colloquially called ‘the cream’) can be sold in retail shops in the domestic market and Eastern European countries. The potential market for this segment is estimated at €29 million in Catalonia with potential customers that mainly middle-aged and young people from middle-low and low-income segments.

2. International market for re-used clothes. Medium-quality clothes are exported to low-income countries, which represent by far the biggest SHC market. The global clothing trade in this market is valued at over €750 million a year. The re-used clothes go to different regions, such as Eastern Europe, The Middle East, and South-East Asia. Among the world’s largest importers of used clothing are Sub-Saharan nations, which receive over 25% of global SHC exports. According to an Oxfam report, used garments account for over 50% of the clothing sector by volume in many Sub-Saharan countries. In some countries such as Ghana, 90% of the population buys SHCs, mainly imported from Europe.

3. Recycled textile market. Lower quality clothes are sold in the international markets (e.g., Pakistan, India) for the recycling market. The price is very low as these clothes are mixed (cotton, wool, etc.) and sold in bulk to manufacturers, who turn them into raw materials for the textile industry in those countries. This market has remarkable growth potential. Some technologies are under development to allow sorting the textiles by composition, shredding them (resulting in fibers), and re-using them into a number of valuable end-products home textiles (curtains, upholstery, carpets). Shorter fibers can end-up in non-woven parts for application in personal hygiene, insulation and automotive products. In Spain, players in the textile and fashion industry have shown interest in it as the costs of raw materials are steadily rising but they have not yet decided to invest in a recycling plant that could close the production loop.

A variety of operators manage textile waste in Europe. While the NPO channel has served as a repository of used clothing for decades, the field is becoming more professionalized, as recycling and exporting activities are essential for the operations. Since this activity can generate profits, large businesses have also entered the field.

For instance, the SOEX group from Germany is one of the world’s leading companies in the sector. SOEX is a private company with 2,100 employees that operates in nine countries. SOEX manages 700 metric tons of used textiles daily. In France, one of the most important players in the sector is a social business similar to Roba Amiga: Le Relais, which was created 30 years ago to give jobs for the marginalized. In 2012, Le Relais collected 90,000 metric tons of used textiles. The growth of its activities allowed Le Relais to create over 2,200 jobs. However, private operators are also entering the French market. In 2013, the Next Textile Association (NTA) was founded as a joint venture between SOEX and SITA, a subsidiary of Suez Environment. In the United Kingdom, private operators such as Saltexes or LMB operate in this sector. It is quite common for these private operators (SOEX, NTA, LMB) to buy used clothes from NPOs, which often only deal with the collection side of things.
As in many other places, in Catalonia back in the 70s and 80s, it was quite common for people to bring their used clothes to churches and charities, where they were collected by volunteers and donated to poor people after a rudimentary selection process. All these operations were very informal and small in scale.

This activity grew in the early 90s. At that time, representatives from Cáritas (one of Spain’s biggest Catholic charities) considered that it could be done more efficiently and decided to create the foundation Formació i Treball with the goal to offer training and work integration activities for people who found it hard to get a job. Other NPOs were also using the collection and sales of used clothes as a way to create jobs for people who might otherwise be marginalized and/or to finance the NPO’s social activities.

The Roba Amiga Program was launched in 2002, supported by public (the Catalan Waste Agency) and private institutions (the foundation “Un Sol Món” from the savings bank Catalunya Caixa and Cáritas Catalonia). The foundation from Catalunya Caixa led the initiative in the beginning, since in addition to providing financial support to launch the program it strongly encouraged the co-ordination of activities among the members of the program (for example, procurement and marketing activities). The program united different textile waste NPOs under a common brand and offered them the basic resources to improve their management systems. While these NPOs varied greatly in size, efficiency and history, all of them sought to create more jobs by implementing a better textile waste collection system.

The program had 17 members, which in 2012 collected around 9,000-10,000 metric tons of used clothes. Although the NPOs shared a common brand and the same design for the containers (see image 1), each had its own collection and management system. Each member also had its warehouse and processing area.

Yet, not all the NPOs had the same entrepreneurial vision. Some were run as charities while a few were based mainly on volunteer activities. Such NPOs saw no advantage in strengthening the collaboration even further or becoming more professionalized, since that would require an initial investment, managerial commitment and a market-based approach instead of the traditional clothing donation model. For some other NPOs, textile waste management was neither a priority nor even their main activity. Such NPOs saw no advantage in strengthening the activity could be maintained. After some debate, a separate corporate entity was set up in the form of a shared services co-op. However, only five organizations were interested in taking this next step and joining the Roba Amiga Co-op. These five organizations were already managing around 65-70% of the clothes collected by the program. For the remaining 14 organizations, the investment and commitment were not worthwhile and thus they decided to stay outside the Co-op’s project.

After some negotiating, the Co-op agreed that NPOs that had opted out of the Co-op project could continue using the Roba Amiga brand if they met certain criteria, such as proper upkeep of containers, job creation as a mission driver and maintenance of a competitive position in the territory by offering municipalities a good service. Good service meant frequent collections from clothes containers, keeping the containers clean and in working order and promoting and participating in environmental campaigns. All this is still considered critical for growing and not losing market share against the main competitor: Humana.

The five organizations that became members of the new Co-op continue to operate as independent entities, each with its own textile-processing center and its own strategies and channels to export clothes. Attempts to unite these have been unsuccessful. For “cream” clothes, each member also has its own shops in Barcelona or other cities, which are also aimed at boosting jobs for those at risk of social exclusion (see image 2). The Co-op’s main source of income comes from the fee paid by each member. The fee has a fixed component and a variable one. The latter is calculated on the number of containers deployed by each member. Table 1 shows the main indicators for each of the organizations taking part in the Roba Amiga Co-op in year 2013.

The governance of the Co-op reflects the fact that the five member organizations all have the same number of shares. They all take part in the management through the General Assembly, the Steering Committee and the different committee meetings. The management of functional areas is shared between those organizations with a higher volume of activity. But the views of all five organizations are considered in reaching an agreement and, for important decisions, unanimity is required.

The Roba Amiga was also concerned about the design of their containers, which required mirroring as well as preventing thefts. However, these had been some incidents with acrobatic thieves who were trapped inside and in one case a man was found dead inside one container. After these incidents, Roba Amiga decided to stick labels onto the containers warning thieves they would death if they wiggled inside. It had also started redesigning its containers so that they were less likely to fall thieves.

The program used very simple data consolidation systems. It was thus impossible to know exactly how many tons had been collected, the total number of containers under the program, and the total number of jobs created through its activities. In any case, the program allowed the organizations to increase the collection of clothes (even if no exact figures were available), increase awareness of textile waste among the general population and build a recognizable brand.

In 2006, Catalunya Caixa decided that the moment had come to step back and transfer the legacy of the program to its own members. A discussion was opened for all members to decide how the brand and the activity could be maintained. After some debate, a separate corporate entity was set up in the form of a shared services co-op. However, only five organizations were interested in taking this next step and joining the Roba Amiga Co-op. These five organizations were already managing around 65-70% of the clothes collected by the program. For the remaining 14 organizations, the investment and commitment were not worthwhile and thus they decided to stay outside the Co-op’s project.

The Roba Amiga Co-op: an entrepreneurial vision
THE ROBA AMIGA WORK INTEGRATION SOCIAL ENTERPRISE (WISE): SCALING UP THE MODEL

As the Co-op’s activity grew, new challenges appeared. Formació i Treball, the member collecting and managing the biggest volume of textile waste, was concerned that its facilities had become too small to manage an ever-growing volume of waste. A new integrated sorting and management plant was needed.

In 2011, Fundació i Treball was given a €450,000 donation by the Spanish multinational clothing company Inditex and a loan for a similar amount from the Momentum Project (a program led by the Bank BBVA and ESADE Business School, which provided training and finance to scale-up established social enterprises) to fund a new plant at Sant Esteve Sesrovires, a town 40 kilometers outside of Barcelona. The size of the new plant and the incorporation of new technology greatly boosted the capacity to manage textile waste.

The new plant slashed the rejection fraction of collected textiles (which end up in landfills) from almost 50% in 2009 to just 7% in 2013. The new processes were more cost-efficient, cutting the cost from €5/kg to €0.47/kg. According to Chema Elvira, the president of Roba Amiga WISE: “This level of efficiency is fairly similar to that obtained by private operators in Europe. We still have some room for improvement, as we can reduce our costs to €0.25/kg. But for that we need to make some improvements and boost volume.”

Two of the co-operative members, ADAD l’Encant and Trebailes, did not join this venture as they preferred continuing their selection in the areas they operated in: Olot (112 km from Barcelona) and Lleida (163 km from Barcelona), respectively. Moving their activities to a new plant — though sound from economic and efficiency standpoints — implied cutting the number of jobs in their territory. Another member of the Co-op, Solidança, had initially shown interest in joining the project but in the end decided not to, in order to preserve its autonomy. Identity and local impact were important components for these organizations.

As a result, only Formació i Treball and Recibaix (both of them located in the Barcelona Metropolitan Area) set up a new work integration social enterprise (a legal form recognized in Spanish regulation)29 — Roba Amiga Work Integration Social Enterprise (Roba Amiga WISE from now on) — to jointly operate the new plant. The two founding organizations continued to exist as independent work integration companies with different activities (and owned by non-profit organizations) and divided the ownership of the new enterprise in 83% of the shares for Formació i Treball and 10% for Recibaix. The Roba Amiga Co-op also continued as a separate legal entity and held the remaining 7% of the shares as symbolic acknowledgement of its earlier work, which had led to the new company. Nonetheless, it was established that a 90% vote was needed to carry strategic decisions. By the end of 2013, the company had been able to create 37 new jobs and it expected to create a further 150 jobs over the following five years. Figure 1 shows the various entities making up Roba Amiga at its different levels.

Figure 1. Relational diagram between the Program, the Co-op and the WISE

ROBA AMIGA’S MISSION AND LEGAL FORM

The recent creation of Roba AmigaWISE by the Foundation Formació i Treball and Recibaix did not imply any change in the original mission of the Roba Amiga Co-op and earlier the Roba Amiga Program, which remains as:

Separate collection of used clothing, linen, shoes and other textile waste for its recovery and recycling through an efficient business model that promotes the integration of people.

As noted by Chema Elvira, “This mission has been our raison d’être since our beginning and there is no reason to change this. Everyone in the organization is delighted to work towards these goals.”

Work integration social enterprises are commercial enterprises that have to meet certain conditions established by Catalonia’s Labour Act. They need to hire a proportion between 30 and 70% of employees from socially vulnerable groups, who are usually assigned by the municipalities’ Social Services Department. In Roba Amiga-WISE thirty employees come from such groups (44% of the total workforce). In addition, this type of staff may not be hired for longer than three years. The idea is to give these workers enough skills and experience to improve their chances of getting a formal job in the market. This is a complex process that requires staff to monitor each individual’s progress and to forge links with the private sector to identify job vacancies. This setup requires considerable overhead costs for the WISE which is one of the reasons the regional administration partially subsidizes the wages of these workers.

29 A Work Integration Social Enterprise (WISE) is a private legal entity, in which its owners are required to receive 80% of the profits into the activity, and thus limiting the distribution of benefits to 20%. In addition, a critical number of its employees have to come from socially excluded groups. According to the Catalan Labour Act, that employee pool has to be between 30% and 75% and they are usually assigned by the municipalities’ Social Services Department.
Old Clothes, New Social Enterprises

The value chain

Roba Amiga-WISE is involved in a value chain comprising various labor-intensive activities. In the end, this is consistent with the organization’s mission. Roba Amiga-WISE’s activities are classified in the value chain as clothes donation, collection and transport, sorting, distribution, and marketing/recycling (see Figure 2).

Figure 2. Roba Amiga value chain

The first step consists of placing containers at points where people can deposit their used clothes. The containers are located in public areas (with prior permission from the local governments) and private sites (such as hospitals, universities, shopping centres, gas stations). In the latter case, Roba Amiga deals directly with those private organizations and enterprises.

In 2013, the members from the Roba Amiga Program were present in over 350 municipalities in Catalonia. Additionally, fashion companies such as Inditex and Mango donate out-of-season or ‘seconds’, which the organizations sell in their retail shops, after removing the labels.

Because collection of the largest volume of clothes is a critical factor, Roba Amiga signed an agreement with Barcelona City Council to start door-to-door collection. Citizens can call the number 010 (the municipality’s information service line) to ask for collection of their clothes. Once the request is logged, the municipality services send the information to Roba Amiga, which then picks up the clothes from the donor’s home. This program started in October 2012 and the results have been fairly good. A total of 8,103 requests have been received to date and 267 metric tons of used clothes were picked up during the first year of this service (this amounted to 13.7% of the used clothes collected in the city of Barcelona). Although the door-to-door collection costs are higher, the quality of the clothes donated is also better than those thrown into containers. Formació i Treball, which is based in Barcelona, performed this service.

Each member of Roba Amiga Co-op has its own truck and van fleet to transport clothes collected from the containers to the four plants where the textile waste is managed. Once the clothes arrive at the processing center, foreign materials (plastic, papers, etc.) are discarded and clothes are manually sorted according to their condition, type of fiber, color, type of garment (female, male, child, winter, summer, etc.), and placed into various containers. The new plant by Roba Amiga-WISE was not only much bigger but it also incorporated a conveyor belt, a bailing machine, and other technical improvements which and facilitated the sorting and storing of the clothes and thus offered possibilities for growth (see Image 3).

Image 3: Roba Amiga WISE’s new plant

The last step in the value chain is distribution and marketing of the various types of clothes at the end of the sorting process. There are three channels:

1. Distribution to shops. The best quality clothes are distributed to Roba Amiga’s shops, where the shop manager fixes the prices. The Co-op has not adopted a general pricing policy, as it considers that shop managers are the ones who know potential customers best and how much they are willing to pay. Nearly 3% of the clothes sorted are sold through the retail channel but this represents 35% of the value of sales (see Table 3 for further details on sales in each channel).

2. Distribution to international markets of second-hand clothes. More than 80% of the clothes collected are in good enough condition to be exported as second-hand garments for markets such as Africa or Eastern Europe. Roba Amiga exports to some African countries (Cameroon, Guinea, Mali and Senegal), Eastern Europe (Romania) and the Middle East. Up to now, in the exporting process, Roba Amiga deals with wholesalers, who pay in advance for the value of clothes and transport. Prices vary depending on the demands made by wholesalers and sales export representatives (quantities, quality, categories, etc.) but are normally fixed between €0.3/kg and €1.6/kg.

3. Distribution to international markets of recycled textile. Roba Amiga exports clothes that can be recycled into raw materials to countries such as India and Pakistan. This textile waste can be used in the recycling industry for the manufacturing of thread, stuffing and other products. Prices for this category are lower and range from €0.05 to €0.15/kg.

The operating costs came down to €0.22/kg for collection and transportation and €0.45/kg for sorting. Once the new plant is working at full capacity, the operating costs are expected to drop to €0.25/kg in total, which will require a large increase in the volume of textile waste managed. As Chema Elvira noted, these efficiency gains could also open up new possibilities for the company: “We could start buying original clothes from other organizations, something that we cannot do right now because we would lose money. So cutting operating costs would lead to more job creation, which is our goal”.

The price for original clothes (i.e. clothes prior to sorting) almost doubled over the last four years due to greater scarcity of second-hand clothes and steadily growing demand –mainly as a result of the economic crisis. Detailed costs and prices are set out in Table 2.

Table 2. Operating cost and price markets for second-hand clothes

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<tbody>
<tr>
<td>COLLECTION AND TRANSPORT COSTS</td>
<td>0.20 – 0.24 /KG</td>
</tr>
<tr>
<td>ROBA AMIGA CURRENT SORTING COSTS</td>
<td>0.45 /KG</td>
</tr>
<tr>
<td>ROBA AMIGA EXPECTED SORTING COSTS</td>
<td>0.55 /KG</td>
</tr>
<tr>
<td>ORIGINAL CLOTHES (SALE PRICE)</td>
<td>2.00 -25.00/ KG</td>
</tr>
<tr>
<td>CLOTHES RESOLD IN STORES</td>
<td>0.20 /KG</td>
</tr>
<tr>
<td>EXPORTED CLOTHES FOR REUSING</td>
<td>0.30 – 1.90 /KG</td>
</tr>
<tr>
<td>EXPORTED CLOTHES FOR RECYCLING</td>
<td>0.05 – 0.15 /KG</td>
</tr>
</tbody>
</table>

Table 3. Roba Amiga-WISE’s sales in volume and value by sales channel

<table>
<thead>
<tr>
<th>SALES CHANNEL</th>
<th>VALUE</th>
<th>VOLUME</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETAIL SHOP</td>
<td>€255,000</td>
<td>35%</td>
</tr>
<tr>
<td>EXPORT-BUILDING</td>
<td>1,100,000</td>
<td>54%</td>
</tr>
<tr>
<td>EXPORT-RECYCLING</td>
<td>9,000</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Compilation based on information supplied by Roba Amiga

Recently, Roba Amiga established a partnership with Intermon-Oxfam to supply them with second-hand clothes to be sold at Intermon-Oxfam stores.

33
After the collection and sorting process, 7% of the textiles are still left over. These cannot be sold for reuse or recycle, and end up in landfills. That improvement also has a significant impact on the bottom line, as Roba Amiga has to pay €57 for each metric ton that ends up in a landfill.

Regarding the export model, Chema Elvira admits that it does not include a social mission since their objective is primarily to create jobs for socially excluded people in the areas where the organizations originally started. Nonetheless, the Co-op has tried to work on this aspect on several occasions but to no avail: “Since we began our activity there has been an interest in implementing an export model that integrates social criteria as well. For us this is a weakness and it worries us.”

Attempts were made in the past to improve the export model by (1) identifying NPOs in developing countries that could ensure a positive social impact; and (2) hiring a local person in Morocco to do market research on creating a social market channel for second-hand clothes in North Africa. These initiatives failed and so far there has not been enough funding to take matters further. Chema Elvira noted:

“NPOs in Africa with whom we share our social values normally have different goals and implementing a commercial model is something beyond their capabilities. They must professionally compete in the market and they are not ready for that. We strongly depend on commercial middlemen that can guarantee on-going purchasing.”

The main operators in the textile waste management industry in Catalonia are Roba Amiga and Humana-Fundación Pueblo para Pueblo (Humana), which in 2013 collected 9,000 metric tons (taking into account all the NPOs from the Roba Amiga Program) and 7,000 metric tons of SHCs, respectively. The competition between the two organizations is tough since they fight for similar support in the collection process such as municipalities, hospitals, and others who give them permission to install their containers onsite. Some other organizations, mainly charities or informal groups, are not even considered competitors, as their volume is small compared to these two organizations.

While Roba Amiga’s activities are limited to Catalonia, Humana operates throughout Spain, where it collects 18,000 metric tons of used clothes annually. In fact, Humana is a multinational federation with activities in Europe, Africa, Latin America and Asia. Humana’s Federation is registered in Switzerland and the international headquarters are located in Zimbabwe.

The social models of these two organizations differ greatly. The main drivers of Roba Amiga are social (creating job opportunities for people at risk of social exclusion in Catalonia) and environmental (reducing the volume of textile waste by reusing and recycling). On the other hand, Humana—registered in Spain as a NPOD (Non-Profit Organization for Development)—uses the profits from its activities for funding co-operation projects in various countries in Sub-Saharan Africa, South America and Asia. The main goals are to foster education, capacity building and progress in the beneficiary communities. The president of Roba Amiga, Chema Elvira, was critical of the Humana model:

“Humana has made everybody think they are engaged in international co-operation. However, they earmark a tiny percentage of their profits to that goal. It is easy to use co-operation as a marketing tool but it is quite difficult to track the results of its international activity.”

According to a report by the Barcelona Metropolitan Area, Humana’s turnover was €6 million in 2003 and it set aside €80,000 for social projects (1% of the turnover). However, in 2012, according to data provided by Humana, the turnover was almost €17 million and it earmarked almost €2 million to fund social projects (11.7% of the turnover)36.

While the operational activities of Roba Amiga and Humana are quite similar (both have comparable collection processes and both have retail shops to sell their best quality clothes), Chema Elvira points out significant differences regarding the environmental model:

“Our integral waste management system addresses our environmental concern to slash the fraction of clothes ending up in the rubbish. By contrast, Humana does not have the same environmental policy, because they have not implemented a similar integral waste management system here (in Catalonia). They only perform the first selection here and the remaining selection process is done in Africa (Humana had a waste management plant in Mozambique). That means that they send the rejection fraction to Africa, so they send waste from here to poor countries.”

34 According to their website, it is officially called “The Federation for Associations connected to the International Humana People to People Movement”.
36 Humana’s website: http://www.humana-españa.org/sostenibilidad/cuentas-claras/ (last accessed November 20, 2014)
Roba Amiga-WISE is at a crossroads. The investment made in the new garment recycling plant offers Roba Amiga-WISE good opportunities for growth. There is both strong motivation and willingness to boost the volume of recycled textiles. Growth would bring two benefits. The first is that greater volume could cut operating costs and raise cost-efficiency. Second, by increasing the volume of used textiles recycled, Roba Amiga-WISE could create new jobs and thus fulfill its social mission better.

Reaching the goal to bring down operating costs to around €0.25 for each kilogram of recycled garments might open up new opportunities such as buying original clothes which would further boost business volume. To reach this objective, the garment recycling plant would have to manage 6,000 metric tons a year — almost 4,000 metric tons more than now. Roba Amiga-WISE has to make some strategic decisions to successfully face this new stage for the company. There are different options to drive this growth.

First, Roba Amiga-WISE could establish stronger partnerships with the 17 members from the Roba Amiga Program to bring them into the project and offer them a clothes-sorting service. Right now, most of these NPOs have waste management systems that are markedly less cost-efficient than those found in the new garment recycling plant. These NPOs would benefit since they could gain an additional margin to be used for their social mission. In this sense, Roba Amiga-WISE could act as a provider of services to the remaining NPOs, creating a win-win partnership. However, the recent creation of the Roba Amiga-WISE by Fundació Formació i Treball and Reciba has led to some of the other organizations in the Program to become a bit more distant. While some of them share an entrepreneurial spirit and believe that a growth strategy could boost the number of jobs created, others prefer to preserve their identity and ensure their local impact, since creating jobs in the new plant is far from their area of origin. The different level of professionalization has also created a gap that sometimes hinders strategic partnerships.

Second, Roba Amiga (i.e. the 17 organizations) could also be more aggressive in trying to win market share from its main competitor: Humana. This means making or renewing agreements with municipalities and private partners to place the collection containers, and making sure collection is done frequently and containers kept in good conditions. While some members of Roba Amiga (i.e. Fundació Formació i Treball) are willing to take a more competitive stance, other members are either unprepared for such a competitive stance, or note that the organization believes that there is little scope for expanding the number of SHC being swapped, sold and donated. Platforms such as Vinted (present in eight countries), Twice (present in four countries) and Yerdle (US only, and not limited to clothes) already make it easier for people to get rid of clothes and other things they do not need or use, thus reducing overconsumption and landfill use. In Spain, this is a competitive market since there are also the websites for second-hand clothes and other items such as Segundul.es as well as Segundamano.es. These enterprises are economically sustainable, usually by getting a percentage of the value of what is exchanged, but also represent a cultural shift by which people attach less value to the accumulation of stuff and are more willing to share (or exchange) their cars, parking lots, houses, tasks and knowledge. These models and technologies could be imitated and adapted by Roba Amiga, and see how they could complement its retail shops and its current collecting, sorting and exporting activities.

Third, the tax on textile waste — there is also the risk that higher profits would spur other operators to enter the market or that it would endanger the social goal of the organization and it is felt that the social and environmental benefits currently performed in other stages of the value chain should remain the main focus. In fact, the new garment recycling plant facilitates better selection of clothes and supports that meet customers’ demands (wholesalers). Roba Amiga-WISE could develop a network of sales export representatives to improve its export model, make it less dependent on wholesalers, and introduce social considerations. But there are concerns whether this amounts to expanding the social mission into unfamiliar areas beyond the competencies and responsibilities of the organization.

Fourth, another option could be to expand the activities of Roba Amiga-WISE to new areas beyond Catalonia. Here, one should note that the organization believes that there is little scope for growth in their current areas given that the territory has already been divided between the various entities in the Roba Amiga Program (unless taken from Humana or from the least proactive organizations in the program). The new garment recycling plant has opened up new opportunities for forging partnerships with other organizations in the rest of Spain and Southern France (where there are currently no similar plants). Thanks to its greater cost-efficiency, Roba Amiga-WISE could perform the integral sorting process for organizations operating in these regions.

Fifth, there are concerns over the export model. There is some interest in improving and aligning it with Roba Amiga’s social mission. At this moment, export sales are not currently part of the export model. However, there are concerns about the growth opportunities for the company. There are different options to drive this growth.

Indeed, part of the model followed by Roba Amiga-WISE has been to seek the direct support of leading textile companies so that these companies can make their businesses sustainable while avoiding the need for new taxes. Fashion companies donate garments in unsold stock or out-of-season items to Roba Amiga (these donations make up roughly 5% of the total garments collected). For the companies, share of SHCs is tax-deductible and the companies save the costs of waste management. On the environmental side, they can report significant waste reduction since SHCs would no longer be considered waste. For Roba Amiga-WISE, these garments are products that can be sold directly in their retail shops. Although this collaboration creates benefits for both parties, the question remains as to whether the management of textile waste will follow that of other materials such as glass or cans and thus take into account the environmental costs caused by the sector.

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The example from NPR given in the Introduction of this report reminds us that few donors are aware that the bulk of second-hand clothes (SHCs) donated and collected in northern countries is sold to developing nations in Sub-Saharan Africa. Non-profit organizations (NPOs) and Work Integration Social Enterprises (WISE; such as Roba Amiga seen in Part Two) play a major role in collecting and sorting SHCs in developed countries and thus become the main source of SHCs traded internationally. But this trade involves complex international flows with more private players entering the value chain. The import of SHCs in developing countries is largely managed by for-profit organizations, middle class entrepreneurs and immigrant networks. Once sold for export to countries such as Senegal, Mozambique, Nigeria, Benin and Ghana, SHCs lose the aura of “donations” and become a “commodity”. Their impact on local markets is still debated.

While SHCs may provide bargains for low-income consumers in Africa and offer informal jobs for low-income households, one should also consider the drawbacks. Of the latter, observers generally focus on the impact on local textile productions. Other relevant aspects include the labor rights and protection systems for players in the value chain; the environmental effects of textile waste in destination countries; and the cultural impact of “low-cost westernization”.

The mixed blessings of the SHC trade raises questions as to the role played by NPOs in this market. At the moment, observers, donors, and other stakeholders do not exercise much pressure on NPOs to change their exporting model and thus NPOs devoted to SHC collection show little interest in the impact they have on developing markets. As seen in the Roba Amiga example, their social mission is to create decent jobs at home and hence they tend to overlook labor and social effects abroad. In addition, NPOs risk exporting environmental problems to countries lacking proper textile recycling centers or methods.

Nonetheless, in recent years, internal rather than external pressures have led some NPOs to draw up some models for clothing selection with a social dimension extending further down the value chain. Their aim here is to mitigate negative effects and to export their social model to end-user countries. These organizations sometimes have to modify their original social mission and cope with the complexity of an international market.

In the following sections, we briefly describe the current debate on the SHC trade’s economic impact on destination countries. After, we present the dilemmas facing NPOs in their efforts to internationalize their business and their social models. We then look at the functioning of a specific market, Senegal, and present two cases (Frip Ethique and Le Relais Sénégal) where NPOs decided to enter this market, drawing up social models further down the value chain of SHCs. In the conclusion, some of the opportunities and difficulties are discussed regarding the design of a suitable social export model.
About 70% of the SHCs collected and selected in Europe and in North America by NPOs are sold through the international market and over 25% of this global volume goes to Sub-Saharan Africa. Second-hand clothing accounts for over 50% by volume of the retail clothing market in many African countries and although these exports represent 0.6% of the global clothing trade, exports from OECD countries were still valued at $2 billion in 2009. These data and statistics are just an estimate as the sheer complexity of distribution flows and the informality of channels makes calculations a little more than educated guesses.

At any rate, walking through African capitals such as Dakar, Abidjan, Accra, Maputo, and Lagos, reveals that SHCs are the favorite consumer choice for the continent's low and middle classes. These products are often of better quality than new clothes from Asia and are more affordable than both domestic products and new garments from Europe. Trading SHCs has become more important to the continent's low and middle-income groups, as it has been revealed that the clothing trade is the largest opportunity for income generation, especially in distribution, retail and associated activities. Moreover, a clear 'cultural' dilemma between traditional clothing and 'modern clothes' are limited and incomplete and do not consider all informal and informal (and sometimes illegal) channels for second-hand clothes or the complex transnational flows of this global market. Other factors play a major role in the weakness of African domestic productions: lack of investment, poor management, lack of skilled labor, obsolescent and inappropriate technology, and the lack of industrial strategies to compete in a global economy. Oumou Ambibola's analysis of the situation in Nigeria is a case in point: "Many of the companies could not afford to take loans at the very high lending rates (sometimes over 45%) in the country. It was also difficult to get foreign exchange and deal with inflation problems, in a situation where a lot of the cotton and other raw materials used were imported. There was also the poor state of transportation, power and other infrastructure that were needed by the industry. All these factors contributed to the death of the industry." An influential study by Canadian Professor Garth Frazer stresses the SHC trade's impact on local clothing industries might be likened to the impact of "dumping" food aid on domestic agriculture. He put it thus: "As the reduced food prices from food aid can hurt the agricultural sector of these countries, the reduced clothing price from used-clothing imports have the potential to hurt the apparel sectors of poor countries. According to his econometric models, imports of second-hand clothes would explain 40% of the decline in domestic production in Africa and 50% of the fall in employment in the sector between 1985 and 2000. However, other researches have criticized Frazer's study, considering that it is too complicated to establish such a direct link. A recent study by Brooks and Simon, for example, criticizes Frazer's methodological approach: The UN COMTRADE and UNIDO Industrial Statistics - on which data Frazer's research is based - are limited and incomplete and do not consider all informal (and sometimes illegal) channels for second-hand clothes or the complex transnational flows of this global market.

Anthropological studies offer different perspectives to understand SHCs economies and networks. Karen Hansen, who focused her research on Zambia, stresses that "There is much more involved here than cheap clothing. Such an account fails to do justice to the opportunities this vast import trade offers for income generation in distribution, retail and associated activities, as well as for consumers to construct identity through dress." SHCs acquire new value in African markets meeting special local demands: they are circled back into productive activities (tailoring, washing) and adapted to African cultures and tastes. Moreover, a clear 'cultural' dilemma between traditional products and SHCs rarely exists, since domestic traditional products have specific symbolic values and consumers continue to use them for special occasions, preferring them to SHCs and other 'western' products. From another point of view, SHCs can help create new jobs in local economies. According to one study, in countries such as Senegal, over 24,000 persons worked in 2004 in selecting, distributing, transporting or selling SHCs. States that have tried to limit the import of SHCs or stated their intention of doing so have faced mass protests by those whose livelihoods are threatened by such measures. Clamping down on the SHC trade would in all likelihood only boost the grey market and bribes. This is the case in countries such as Nigeria, Morocco and South Africa, where clothes smuggling is widespread.
A study by Oxfam (2005) acknowledged that NPOs are (1) unlikely to significantly influence world price or supply whether or not they export SHCs; and (2) can make their trading practices more ethical by extending their role through the value chain. Currently, all NPOs collecting or selecting clothes in developed countries have some direct or indirect relationship with recipient nations, through intermediaries and importers. In the great majority of cases, these players do not share the social mission of the NPO. They rarely have specific agreements with the supplier (the NPO) on the final destination of goods or on the forms of sale. In some cases, they do not guarantee that clothes will go to countries where SHC trade is legal or have little negative local impact.

A more active approach for NPOs in this market could:

- Ensure that clothes arrive in countries where the SHC trade is legal and where it does less socio-economic damage to local garment manufacturing;
- Contribute to the formalization of the market and uphold the rights of all players in the value chain;
- Produce more equitable benefits throughout the value chain, in particular for retailers and more vulnerable players;
- Export the NPO’s social model to boost the benefits for destination countries.

According to the study by Baden and Barber, NPOs could reach one or more of these goals by establishing strict agreements with organizations in destination countries (such as NGOs or other social enterprises); or by directly controlling another part of the value chain. There are several reasons why most of them do neither.

Technical and economic aspects:

The main reason is that NPOs’ business model depends on importers and intermediaries. On average, over 60% of the products collected in Northern countries are sold for export through these actors. Reducing this quantity would greatly decrease benefits. The importance of exports in the economic model makes it hard (if not impossible) to develop up export policies that are more in line with the social nature of the organization.

A second aspect is the financial risk. To make a direct investment to organize a business activity in destination countries is beyond the capacity of these organizations and would also require knowledge of those market and technical resources. Forging partnerships and agreements with NGOs operating locally would also need research and human investment. Local NGOs usually do not have the financial and technical means to undertake business activities. Furthermore, it would be hard to find partners with as much buying power as the private intermediaries currently used.

Cultural aspects:

NPOs active in the SHC trade usually act like businesses but think like charities with a specific social mission. SHCs are considered as a means to an end. NPOs tend to take the mission’s justification for granted and seldom ask themselves where the clothes end up or think about the socio-economic pros and cons of direct exports.

Direct and indirect stakeholders often play a role in shaping the behavior of private and public organizations working in this sector. Clothing donors, public authorities, municipalities, and private contributors know very little of how SHCs work abroad thus NPOs are under little pressure by stakeholders regarding SHC practices. There is little or no incentive to finding innovative solutions for their export activity.

Despite these limitations, some NPOs have tried to define a social model for their international activity with a view to enhancing the value chain and their social impact in developing countries. In some cases, these attempts were in line with the NPO’s social mission. In other cases, the organization had to adapt or to extend its original social mission in order to embrace its international social activity. The remaining sections describe some of these attempts, concentrating on a specific national context and the activities of two NPOs in Senegal.

With a population of about 12 million, Senegal is one of Africa’s more stable economies. In 2011, Senegal’s GDP was US$14.29 billion with an estimated growth rate for 2014 of 4.6%65. Yet, eighty per cent of Senegal’s economy is informal, which is especially acute in commerce. Workers in the informal market are not covered by social security benefits, insurance and labor laws. Despite being an impediment to growth and social protection policies, the informal sector is the only way millions of people can make a living. The SHC trade is a significant part of the informal economy, offering opportunities for wholesalers and retailers alike.

In 2005, 24,180 people were calculated to be actively involved in SHC trade (which the locals call friperie)66, but that number is likely to be much larger today. All these people are involved in one of the stages: transport, selection, washing, retailing and sale of clothes. Every year over 18,000 metric tons of SHCs are imported in Senegal. The USA, Canada, UK, France and Italy are the biggest exporters but new players are entering the market. Import tariffs are a significant source of government revenue totalling €7 million in 2012 according to some estimates. Moreover, the friperie market is recognized as playing a social role, indirectly supporting the nation’s complex traditional, religious and cultural networks.

As in other African countries, SHCs are one of the favorite consumer choices because of the quality and the affordable prices compared to new products. In Senegal, traditional clothes are still preferred for important events—rites, family and religious gatherings—while European and American garments are worn for daily life. The real competitor of SHCs in Senegal is cheap Asian garments. However, Senegalese clients soon realized that SHCs are of better quality, are harder-wearing and better-suited to the style of Senegal consumers.

56 Baden & Barber, op. cit.
58 In Senegal, the large number of informal market traders in the “friperie” market vastly come from the Basse region, the capital of which is in the coastal city of Dakar, and a few members of the Mourid Brotherhood (Brotherhood of Touba). These people believe that they have to fund their Brotherhood and its head, the Chief of Touba. The Chief plays an important role as a social regulator in Senegal’s culture and is highly respected. Whenever there are protests or political chaos, he makes sure that the police and military order if Fripers traders can keep the Mourid Brotherhood, they are indirectly helping to keep Senegal’s society on an even keel.” Interview with Mamadou Kourou, Frip Ekique Director, Dakar, May 2014.
59 Interview with Pakistani importer, Dakar, May 2014.
THE STRUCTURE OF SHCs MARKET IN SENEGAL

SHCs arrive in the port of Dakar in 45 kg bales already separated according to season, material (cotton, polyester, etc.), quality, garment type (T-shirts, trousers, etc.), and origin. Importers and providers negotiate this selection in the light of their respective business strategies. Not all SHCs can be easily sold in the market, which can be quite competitive. Senegalese consumers are becoming more demanding and the number of importers supplying the market is rising. Even so, the SHCs market seems to be an open one, offering opportunities for newcomers. “The important thing in Senegal is the quality of clothes and knowledge of our market. If you enter this market you have to follow some rules and respect others but there is room for everyone”.

The negotiation of SHCs in the friperie market follows a complex balance expressed by the word “gagalé” (from the Wolof language; loosely translated as “obligation of choice”): “It is like a tacit agreement among all participants of this market. In the SHCs market, there is always something that everybody needs and something that nobody wants. If you want ten bales of ‘summer children’ (garment type), I agree but then you also have to buy four bales of polyester that are more difficult to sell”. Since in the friperie market, unlike other types of markets in Africa, there is little scope for price bargaining, “gagalé is the only way to negotiate in the SHC market in Senegal and everybody respects this unwritten norm”.

Depending on the type of product, prices usually vary from €50 to €180 a bale (see Table 1). Once opened, the garments in each bale are split again into three categories: (1) the “cream”: products that are split again into three categories: (1) the “cream”: products that can be sold at a higher price; (2) the intermediate quality material; (3) poor quality that is often sold dirt cheap, including rags used for cleaning. Prices for garments can range from 50 Euro cents to €6, depending on the kind of garment and quality.

Table 1: Price of products in the friperie market in Senegal

<table>
<thead>
<tr>
<th>PRODUCTS</th>
<th>PRICE (BY BALE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TROUSERS</td>
<td>€ 80 – 110</td>
</tr>
<tr>
<td>T-SHIRTS</td>
<td>€ 80 – 110</td>
</tr>
<tr>
<td>SKIRTS</td>
<td>€ 90 – 110</td>
</tr>
<tr>
<td>CHILDREN SUMMER</td>
<td>€ 130 – 160</td>
</tr>
<tr>
<td>MEN’S JEANS</td>
<td>€ 100 – 130</td>
</tr>
<tr>
<td>WOMEN’S JEANS</td>
<td>€ 70 – 110</td>
</tr>
<tr>
<td>CHILDREN WINTER</td>
<td>€ 90 – 130</td>
</tr>
<tr>
<td>CHIFFON</td>
<td>€ 30 – 45</td>
</tr>
</tbody>
</table>

The market hub of friperie in Senegal is in the Colobane district of central Dakar. Here, clothes are sold in bales and then transported to local markets around Senegal and neighboring countries. Over the last decade, growth in the SHC trade has created a complex, structured market in which various actors play a vital role and make profits throughout the value chain. Despite the complexity and the dynamism, one can identify three key players:

Importers:

In 2005, some estimated around 50 importers but this number could vary considerably if we include occasional importers. For the most part, importers are private companies or Senegalese business-oriented individuals. However, players from other countries – in particular Italy, France, Nigeria, Lebanon, Pakistan, India – are also active in the market. Their role is to negotiate the material and the prices with the supplier in the country of origin (which could be NPOs or WISE, such as Roba Amiga), buy the goods and pay for the shipping and import taxes. The total cost for a 24-ton container (roughly 570 bales) varies between €35,000 and €45,000, where the clothes represent between 40% and 60%, transport between 5% and 10%, and customs duties around 30-40%. A 24-ton container of selected products can be sold for between €55,000 and €60,000. Importers must ensure that they have a fairly large, reliable network of buyers, guaranteeing immediate purchase and effective market distribution.

Wholesalers:

In Dakar, there are about 150-200 wholesalers who operate as middlemen between importers and retailers. Wholesalers play two functions that importers usually cannot perform. First, they set a price for the whole batch so that profits on the higher quality garments will outweigh the loss on the lower quality ones.

The second and perhaps the most important function of wholesalers is access to capital. Wholesalers with smaller networks of clients are much more willing to offer credit to small retailers with little capital.

Retailers:

Retailers make up the last link in the SHC chain. In the past, retailers were itinerant vendors. Today they sell in the weekly markets in Senegal’s biggest cities. In Dakar, the most important friperie market is the weekly Marché du Samedi (Saturday Market, in English) where over 3000 sellers bring their bales and open them in front of their clients. Retailers’ profits vary widely but in most cases it is between €50 to €150 a month.
The main source of SHCs are ‘traditional’ importers supplying clothes that have already been sorted in Europe and the United States. However, new intermediaries are beginning to change things by providing the market with a new service. These intermediaries bring big quantities of unsorted clothes from Europe and perform the selection process in recycling plants in Senegal.

Currently, the only similar Senegal-based players are Frip Ethique and Le Relais Senegal. These companies have become two important players in the Senegalese market. Both organizations have a social mission at their origin and are linked to European entities. Frip Ethique is a model developed by Oxfam Great Britain, while Le Relais Senegal is a franchise from the French company Le Relais France.

Old Clothes, New Social Enterprises

Frip Ethique

Oxfam Great Britain has a long tradition in the collection of SHCs, going back to the sixties. In 1974 it built its selection centre in Dakar, where 40 workers sort the material in over 90 categories. Currently, the only similar Senegal-based players are Frip Ethique and Le Relais Senegal. Both organizations have a social mission at their origin and are linked to European entities. Frip Ethique is a model developed by Oxfam Great Britain, while Le Relais Senegal is a franchise from the French company Le Relais France.

Le Relais Senegal

Le Relais is a network of French companies founded in 1984. The companies are members of the Emmaus Foundation, a charity founded by the influential Abbé Pierre in the 50s. Today Le Relais is the leader in the collection, selection and recycling of SHGs in France, with 28 local networks that collect 55% of the textile waste in the country — almost 90,000 metric tons of used clothes each year. Le Relais sells 90% of what it collects. The organization’s social mission is to create sustainable and long-term jobs for marginalized populations. Over the past 30 years, Le Relais has created approximately 1,800 jobs in France.

This approach allows better adaptation to market demand and gives Frip Ethique an advantage over other competitors who often receive the material that is already packaged according to categories in Europe. However, according to the executive manager Mamadou Konte, things were not so easy at the outset: “There was a sort of lack of confidence because people didn’t think that Senegalese people could do the job with the same professionalism of Europeans workers. We have shown that it is not true”.

The cost of the bales depends on the type of products and on the quality. According to the interviews conducted in the market, the prices of Frip Ethique are the highest. As observed by the project manager, the reason probably stems from the fact that “We respect all the norms of the Senegale State, we have to face irregular competition from our competitors that usually won’t pay taxes, that won’t declare their income, or won’t declare the full truth as to the real value of the material they import.”

Frip Ethique needs to send out its warehouse inventory as soon as possible in order to receive the daily shipment of bales coming from their plant. Therefore, the sales mechanism is relatively standardized to speed things up. Customers pay through bank accounts for the product and they can pick up the material only when they can show proof of payment. Every day, sales reach up to around €15,000. As a result of this strict commercial policy, Frip Ethique does not offer credit to its customers in order to avoid delays and to reduce fraud. This policy had the indirect effect of giving bigger buyers who have no need for credit an advantage: “We are confronted with a sort of cartel of 20 people that dictate the prices in the market, and that offer worthwhile services for final retailers. Today we sit somewhere between an importer and a wholesaler; personally I think that what we need for the future is to become more similar to wholesalers.”

Over the last few years and in line with this concern, the organization decided to gradually modify the sales policy to encourage the entry of new customers in the model and to bring more benefits to small buyers.

“Previously, we did what we were told we had to do. In the market you can only buy from the importer (...) sometimes you don’t even need a shop to sell, you just make an appointment with the 20 buyers that you already know and the job is done. About 18 months ago we decided to open our shop from 9 a.m. to 5 p.m. five days a week. Now, if you come to our shop you can buy from us. Through this policy, we help small retailers to directly buy from us at a lower price. If you look at our accounts for 2012, 87% of our sales were to our top ten customers – just ten people. If you look at the accounts for last year, those same ten people only make up 26% of our sales and the total number of customers has risen from under 50 to over 400.”

The idea of developing more channels is in line with Oxfam GB’s philosophy of sharing the benefits of SHCs more equitably among buyers. However, Ian Falkingham noted “The fact that we don’t find credit limits our role. We need to look at those barriers and see if we can do something.”

Interview with Mamadou Konte, Frip Ethique Project Manager, May 2014.

Interview with Ian Falkingham, Frip Ethique Project Manager, March 2014.

64 Interview with Ian Falkingham, Frip Ethique Project Manager, May 2014.

66 Interview with Mamadou Konte, Frip Ethique Director, May 2014.

"Our programs in Africa help us to stay competitive in the global market. That is because sorting costs in France are always higher than in Africa and that pushes up the prices of our products faster than the local population’s purchasing power. We continue to do what is viable in France — that is to say, the collection and preparation of a given product which involves removing all waste and winter products. The rest of the selection is made in Africa, more cheaply, which allows us to offer competitive prices in local markets"[46].

According to Le Relais, this activity it not at odds with its social mission in France. On the contrary, by splitting costs between France and Africa, it ensures competitiveness and safeguards jobs that would otherwise be lost due to international competition and offshoring by private players.

The first experiment with what Le Relais calls ‘positive offshoring’ began in Burkina Faso in 2002 with a local partner and the creation of a new company through loans guaranteed by Le Relais France. Le Relais subsequently developed similar distribution channels in Senegal and Madagascar. Overall it has created over 700 direct jobs and 3,500 indirect ones. In the clothing sector alone, Le Relais Senegal has created 60 jobs positions in the rural area of Sebikotane, about 30 kilometers from Dakar.

Based on the experience of Burkina Faso, Le Relais Senegal was first set up with the collaboration of a local partner. However, this caused several problems that led to the creation of a new independent organization without local partners.

"Senegal is not Burkina Faso - stressed the Director of Le Relais Senegal, Ahmad Hosseini – Here we felt that people seek individual benefit at the expense of the collective. This was one of the major problems we had to face in Senegal. Among the difficulties we had and still have is the general corruption, the lack of interest by local authorities and the oppressive role of the extended family in Senegalese culture".

While in Burkina Faso Le Relais was seen as a major social player and received tax breaks, in Senegal the authorities failed to recognize its role in creating long-term employment and bettering the individual benefit at the expense of the collective. This was one of the major problems we had to face in Senegal. Among the difficulties we had and still have is the general corruption, the lack of interest by local authorities and the oppressive role of the extended family in Senegalese culture.”

"The market for second-hand clothing is built on the assumption of an informal economy, meaning that taxes are concentrated at the entry in Dakar. The authorities know inside the country very few people will pay taxes on what they earn. Paradoxically, the players that meet all legal standards are at a disadvantage and have to pay double what corner-cutting traders do"[47].

Despite these difficulties, Le Relais Senegal now receives around 56 containers a month, which come from each of the different members of Le Relais France’s network. “In the beginning they sent us the material and we reimbursed them after the clothing had been sold. That was because we had no money in hand. Now we have enough to pay in advance”, Le Relais’ prices are extremely competitive in the market. Due to tensions that arose with selling directly to retailers, Le Relais has limited sales to five large wholesalers: every one of them comes on a given day of the week to pick up the material and take it to their stores in Dakar (see image 5 for selecting area of Le Relais Senegal).

Image 5: selecting of SHC at Le Relais Senegal

Oxfam GB and Le Relais are actors with different strategies and missions. What they have in common is the fact that they see SHCs as an opportunity to promote social business. Both decided to have more control over their value chain, including the export model to countries such as Senegal. Since they also share the same destination markets for some of their products, they could also be considered competitors. Being a hybrid between a social organization and an enterprise, they had to adapt their mission and philosophy to the particular legal and social conditions they have found in destination countries.

In the first example, Frip Ethique acts as a formal private actor, a legally-constituted Senegalese enterprise whose equity is held by OXFAM GB. According to Ian Falkingham, manager of Frip Ethique, what characterises Frip Ethique as a social enterprise is the fact that “100% of the profits are used by the company to support the social programs that Oxfam carries out in the country”[48].

But another social aspect that managers of Frip Ethique stress is that Frip Ethique ensures full compliance with all the regulations, the payment of all fees required by the State of Senegal, and above all, creates decent jobs, with above-average wages, social security contributions and medical insurance. Frip Ethique staff are recruited through formal channels and do not come from any given social group. However, Falkingham point out that Senegal is a country where many live in poverty and rules are frequently not enforced. He put it thus: “I am almost sure that Frip Ethique’s workers are the only ones in their extended families to have a formal job with all safeguards and rights guaranteed”[49].

In the second case, Le Relais France is a French “co-operative and participative organization” where all employees are shareholders of the company. However, Le Relais aims to create a new juridical form called *enterprise with socio-economic mission*[50]. The idea is of a company without shareholders, with a clear social goal and where its money-making activities are strictly regulated. Our ambition is to show that it is possible to operate in the market through values that are not the economic profit[51]. According to this model, economic success is a tool to ensure sustainable models to create jobs for the poor. In addition wage differentials are adjusted so that executive wages do not exceed three times Senegal’s legal minimum wage.

The models developed in other parts of Africa by Le Relais follow the same philosophy but they must adapt to an even less structured legal and social context. Also one of Le Relais Senegal’s features as a social enterprise is that all its profits are reinvested in new revenue-generating activities[52]. Moreover, Le Relais Senegal provides its staff with excellent access to health insurance, children’s schooling, and pension plans, among others.

With these two cases in mind, the question emerges: can one define where NPO activity and fair labor practices end and social entrepreneurship begins?

75 Although Frip Ethique is owned by Oxfam Great Britain, the benefits are transferred to Oxfam America, which is the Oxfam network player that manages social programs in Senegal.

76 Interview with Ian Falkingham, Frip Ethique, May 2014.

72 In recent years, Le Relais has been leading a campaign of advocacy to see recognized by the French State this juridical form. In 2009 Pierre Dupontier was elected social entrepreneur of the year and the model of Le Relais has been recognized by the Schwab Foundation and the Boston Consulting Group for its innovation activity.

74 The model to countries such as Senegal. Since they also share the same destination markets for some of their products, they could also be considered competitors. Being a hybrid between a social organization and an enterprise, they had to adapt their mission and philosophy to the particular legal and social conditions they have found in destination countries.

73 Interview with Ahmad Hosseini, Director Le Relais Senegal, April 2014.

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71 Although Frip Ethique is owned by Oxfam Great Britain, the benefits are transferred to Oxfam America, which is the Oxfam network player that manages social programs in Senegal.
Despite the difficulties, the ambiguities, and the strong competition of private players active in the textile recycling sector, Frip Ethique and Le Relais Senegal have been able to: (1) pursue the collection and selection of SHCs in a profitable way; (2) create dignified employment; (3) generate social and environmental benefits for the communities in which they work. The SHC trade has enabled these organizations to establish successful initiatives: efficient models fostering social inclusion.

Private players without a social mission have traditionally managed SHC imports in developing countries. It is only in the last ten years that some entities have come to see this part of the value chain as a further opportunity for fostering social inclusion in developing nations. Le Relais points out that the business case is compelling, with an ever more competitive market in which private players increasingly outsource the selection of clothes to developing nations with poorly-regulated labor markets and very low wages. Le Relais’ idea is to create sustainable, more active export policies to stay competitive in world markets and to internationalize its social mission and models.

NPOs such as the ones studied here go beyond their initial scope and use innovative approaches to find the right combination of business and charity, adapting to a complex economic panorama in which the informal economy is the norm and local competitors often play by their own rules. From a legal point of view, the absence of clear regulation regarding social entrepreneurship in developing countries, may indeed pave the way for new hybrid ways of fostering social change. These types of social entrepreneurship may also contribute to fight poverty, an international priority for which innovative solutions are needed. The informal nature of the market makes it hard to: (1) discern the local populations’ real social needs; (2) establish social priorities. Both Frip Ethique and Le Relais did not include any specific social criteria when recruiting their workers. However, both entities were able to create decent jobs, with good salaries, worker rights and welfare provision, while staying competitive.

A possible evolution of these models would be to adopt internal regulations to include extremely vulnerable populations in these activities. Identifying these groups could be done through direct engagement with NGOs working with specific sectors, their own field analyses, or the direct involvement of local and national authorities. Further developments might be to: (1) include retailers in their business models (since they are the weakest link in the value chain); (2) create new ‘social’ distribution channels to include the poorer populations in SHC trade; (3) support small-scale sellers through training and other social activities; (5) evaluate the social impact of their activity.

These activities, supported by the right advocacy strategies for shaping regulations in developing countries, may indeed pave the way for new hybrid ways of fostering social change. These types of social entrepreneurship may also contribute to fight poverty, an international priority for which innovative solutions are needed.

CONCLUSIONS: PIONEERING SOCIAL ENTREPRENEURSHIP

ISI INSTITUTE FOR SOCIAL INNOVATION

The Institute for Social Innovation’s mission is to develop the skills of individuals and organizations in the business and non-profit sectors to strengthen, through their activities, their contribution to a more just and sustainable world. To this end, the Institute generates and disseminates knowledge and provides training in the areas of corporate social responsibility, NGO leadership and management, social entrepreneurship, social innovations models and sustainability.

AUTHORS

DANIEL ARENAS
Is Associate Professor at ESADE-Ramon Llull University, where he is currently the Chair of the Social Sciences Department as well as Research Coordinator of the Institute for Social Innovation. He holds a PhD and a MA from the Committee on Social Thought at the University of Chicago, a Degree in Philosophy from the University of Barcelona and a Diploma from the Program of Executive Development at ESADE. He teaches courses on Sociology, Business Ethics and Corporate Social Responsibility. His research interests include relations between activists and firms, stakeholder theory, the political roles of firms, and duties towards future generations.

SOLANGE HAI
Is a PhD candidate in Management Sciences at ESADE Business School. Her research interests include non-profit management, inclusive business, risk management, agricultural insurance, and sustainable agriculture. The research for her dissertation focuses on how non-profit organizations transition into social enterprises with earned income revenue. Before joining ESADE, Solange worked in Ecuador as a researcher and agricultural economist in projects ranging from small farmer capacity building to policy development. Solange holds a Master of Research in Management Sciences from ESADE and Bachelor of Arts in Economics from Boston University.

PABLO SANCHEZ
Has a PhD in Business Administration, a Degree in Economics and a post-graduate degree in Business for Tourism Activities. Co-founder of Roots for Sustainability, a B Corp company specialized in evaluating and implementing inclusive business. Previously, he was co-founder of the Spanish BOP Laboratory (ESG, Pompeu Fabra University). He has more than 14 years of experience on the field of inclusive business development at the base of the pyramid (BOP), impact metrics, cross-sector partnerships and corporate social responsibility. He has collaborated with ESADE’s Institute for Social Innovation and IESE and has authored several cases, papers and chapter books in the areas of BOP and CSR strategies.

ALESSANDRO Siclari
Has a degree in International Relations (2005) and Master’s degree in Cultural Anthropology and Ethnography (2009). He worked as a consultant for international organizations, Foundations, NGOs, the European Union and for the Italian Ministry of Foreign Affairs. With more than five years of field experience in West Africa, his main areas of interest and research are empowerment of vulnerable groups, international cooperation, social protection and impact evaluation. He is currently working for the medical organization Doctors without Borders.
