

POLICY RECOMMENDATIONS FOR SCALING RETAIL TEXTILES AND TRADERS IN SIERRA LEONE



Munmun Biswas

March 2019

Advisor: Prof. Jie Bai

Section Leader: Prof. Michael Walton

Written in fulfilment for the degree requirements of the Masters in Public Administration in International Development program, John F. Kennedy School of Government, Harvard University

Cover Photo Credit: www.gidicentral.com

Acknowledgements

I keep six honest serving-men

(They taught me all I knew);

Their names are What and Why and When

And How and Where and Who.

- Rudyard Kipling

First of all, I would like to thank Carol Finney, Ramie Jacobson and Sarah Olia for giving me this life-changing opportunity. The MPA/ID program has improved my understanding of this world like no prior educational endeavor.

I am incredibly grateful to Prof. Jie Bai, Prof. Maciej Kotowski, Prof. Jeffrey Frankel, Prof. Felipe Campante, Prof. Kevin Rader, Prof. Pavlos Protopapas. Prof. Dani Rodrik, Prof. Lant Pritchett and Prof. Michael Walton. Thank you for being excellent teachers.

I extend my thanks to the MPA/ID family, especially to Neetisha, Ameek, Homa, Zeynab Pie, Gio, Dai and Ken. Thank you for your sagely advise, Kibre, you saved this thesis!

Lastly, I would like to thank Choco Pie and God, my reason for existence and the lens through which I see everything.

Table of Contents

POLICY RECOMMENDATIONS FOR SCALING RETAIL TEXTILES AND TRADERS IN SIERRA LEONE.....	1
ACKNOWLEDGEMENTS	2
EXECUTIVE SUMMARY	4
INTRODUCTION	5
PROBLEM MOTIVATION	7
DATA	7
QUANTITATIVE DATA.....	7
QUALITATIVE RESEARCH	8
STYLIZED FACTS.....	10
GAPS IN LABOR EMPLOYMENT	10
DIMINISHING SALES	12
GERMINATION OF NEW BUSINESSES	12
PURCHASING OF FIXED ASSETS	12
INSTITUTIONAL CONTEXT	12
STAKEHOLDER MAPPING	12
CONCEPTUAL FRAMEWORK.....	14
THE MODEL	14
QUALITATIVE SUPPORT OF THE MODEL	16
DIAGNOSTICS	17
DEMAND SIDE FACTORS.....	17
CONSUMERS LACK INFORMATION ABOUT PRODUCTS	17
TRANSPORTATION COSTS	18
SUPPLY SIDE FACTORS	20
CREDIT CONSTRAINTS.....	20
MANAGERIAL CONSTRAINTS.....	20
LABOR CONSTRAINTS	21
POLICY RECOMMENDATIONS.....	22
EXPERIENCE FROM OTHER COUNTRIES	24
WHY ASOS?	26
ASOS IN AFRICA.....	28
WHY MADAM WOKIE?	29
IMPLEMENTATION	31
BIBLIOGRAPHY.....	34

Executive Summary

Sierra Leone is one of the poorest nations of the world. While the unemployment rate is low, it masks significant variation across groups: fewer than 10% are in wage employment and 70% of the labor is employed in low productivity jobs and self-employment. The country has been stuck in this low equilibrium for over a decade now. Recognizing the potential of SMEs in Africa, the Government of Sierra Leone has taken a renewed interest in this sector, after neglecting it for years. The GoSL has instituted Small and Medium Enterprises Development Agency, SMEDA and Sierra Leone Investment and Export Promotion Agency (SLIEPA) to give much needed direction to the SME Sector.

In this thesis, we focus on the current model of support provided by SMEDA/ SLIEPA to the Retail Textile and Tailors (RT&T) sector and provide evidence that it may not be sufficient. We do this by evaluating the supply-side and demand side constraints for scaling up RT&T. We employ the economic model of Catalyst model of development to understand the way forward in case of the context of Sierra Leone with initial unfavorable conditions that constrain the country to stay in the low equilibrium.

Leveraging the economic model and the diagnostics, we then propose our policy recommendation. With limited resources and the complex scope, we give our one policy recommendation of collaboration between the foreign catalyst, ASOS and the domestic catalyst, Madam Wokie to pursue an outward looking development strategy for efficient industrial development.

Introduction

Sierra Leone is a least developed country with a population of 7.1 million¹. 42.4% aged less than 15 years in 2015, and about 55% aged between 15 and 64 years. 70% of the youth population (15-35) is unemployed or underemployed. Sierra Leone is in a fragile state with the advent of post conflict and post Ebola virus. Unemployment is relatively low, but this masks significant variation across districts and subgroups². Most workers are employed in relatively low productivity jobs in farm and nonfarm self- employment; fewer than 10 percent are in wage employment.³

Given the potential of driving economic development through SMEs in Africa – about 90% of all businesses in sub-Saharan Africa are SME's – the Government of Sierra Leone recently prioritized micro, small and medium enterprises with institution of SLIEPA - Sierra Leone Investment and Export Promotion Agency (SLIEPA)⁴. The Sierra Leone Investment and Export Promotion Agency (SLIEPA) is the Government agency supervised by the Ministry of Trade and Industry responsible for the co-ordination, promotion and generation of foreign and domestic investments, and also the development of traditional and non-traditional exports diversification, value addition and provision of support to Small and Medium Enterprises. Though the organization is new, expert interviews with SLIEPA officials bring out key hurdles in the

¹ Statistics Sierra Leone. "2015 Population and Housing Census." Retrieved from https://www.statistics.sl/images/StatisticsSL/Documents/final-results_-2015_population_and_housing_census.pdf

² Statistics Sierra Leone. "Sierra Leone 2014 Labor Force Survey Report." Retrieved from https://www.statistics.sl/images/StatisticsSL/Documents/Publications/2014/executive_summary_sierra_leone_labour_force_survey_2014-1.pdf

³ Ibid.

⁴ Sierra Leone News: SMEs: KEY TO SIERRA LEONE'S ECONOMIC DEVELOPMENT (2018, September 17). Retrieved from <https://awoko.org/2018/09/27/sierra-leone-news-smes-key-to-sierra-leones-economic-development/>

administration of the policy – lack of entrepreneurial spirit, lack of better markets, lack of capacity to produce export quality products and lack of quality labor. The focus of this paper is the retail textile and tailors (RT&T) sector in Freetown in Sierra Leone. Of the traders sampled for the purpose of this SYPA, only 5% of the traders we spoke were aware of the government initiatives towards the SME sector.

We then ask the question – will the current model of support provided by SLIPEA be sufficient to generate economic returns by the RT&T and if not, what policy recommendations are required to scale up RT&Ts?

In the Sierra Leonean context, it is important to keep in mind that there are many other factors that hinder the growth of the RT&T sector - religious context –RT&Ts headed are Muslim HHs are prohibited against accepting any credit, support of immediate and extended family to provide labor – primary research revealed that 98% of the firms employed labor from immediate family for trust issues, it is difficult to monitor control in RT&T sector. This paper will proceed as follows:

First, we document the specifications between manufacturing and services sector (in the absence of data on RT&T) to understand that services sector is indeed lagging with respect to the manufacturing sector.

Then, we outline a model to analyze the problem, following which we diagnose potential barriers faced by the RT&T sector.

Lastly, we propose policy solutions and recommend pathways for implementation.

Problem Motivation

The average price of an African garment in Sierra Leone is USD \$10. The average price of an African garment of a similar quality sold in the e-retail sites in US and EU market is anywhere between USD \$90- USD \$150. This analysis began from the initial question as to why the African entrepreneurs are unable to realize the profits that RT&T sector is capable of garnering in the better markets. Now, that the government is taking active steps to cultivate the SME sector of the country, what does the literature review and qualitative research tells us about the model of support promised to be provided by SLIEPA.

Data

Quantitative Data

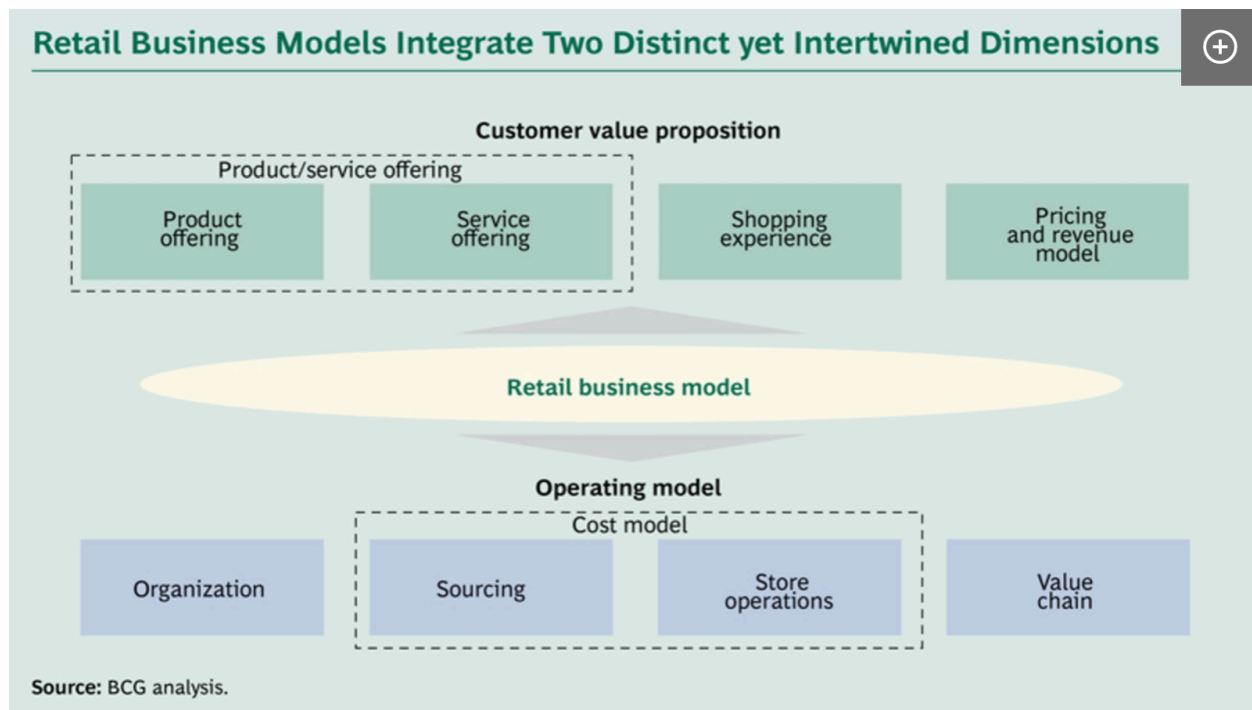
We first analyze the data using World Bank Micro Enterprise Survey Panel data 2009-2017⁵. The Enterprise Survey is answered by business owners and top managers. The manufacturing and services sectors are the primary business sectors of interest. Services firms include construction, retail, wholesale, hotels, restaurants, transport, storage, communications, and IT. In Sierra Leone, which is a small economy, formal companies with a minimum of 5 employees are targeted for interview. This provides information on firm's assets, labor, fiscal performance and constraints to business. This restricts our quantitative data analysis to 150 firms which were surveyed in both 2009 and 2017, 77 firms which were interviewed only in 2017 and 75 firms which were only considered in 2009. We acknowledge the lack of ideal data required to conduct our analysis. Ideally, data on retail sector would have been germane. However, in the absence of data specific to the RT&T sector, we gather our stylized facts from by generalizing from manufacturing and services sector.

⁵ World Bank Group. World Bank Enterprise Survey.

Qualitative Research

To get an understanding of the retail sector, interviews were conducted with the RT&T entrepreneurs at Lapa Lane in Freetown during January 2018. In depth interviews were conducted with roughly 15 of the entrepreneurs. The goal was to understand the key drivers around six major dimensions – procurement of raw materials, processing, distribution of these African garments, sales of these garments, government engagement and major constraints to business.

RTTs in Sierra Leone



Characteristics of RTT in Sierra Leone

- i. Product offering – African print textile such as Kente, wax print, tie and dye
- ii. Service offering - African styled tailored clothing



(Source: Madam Wokie)

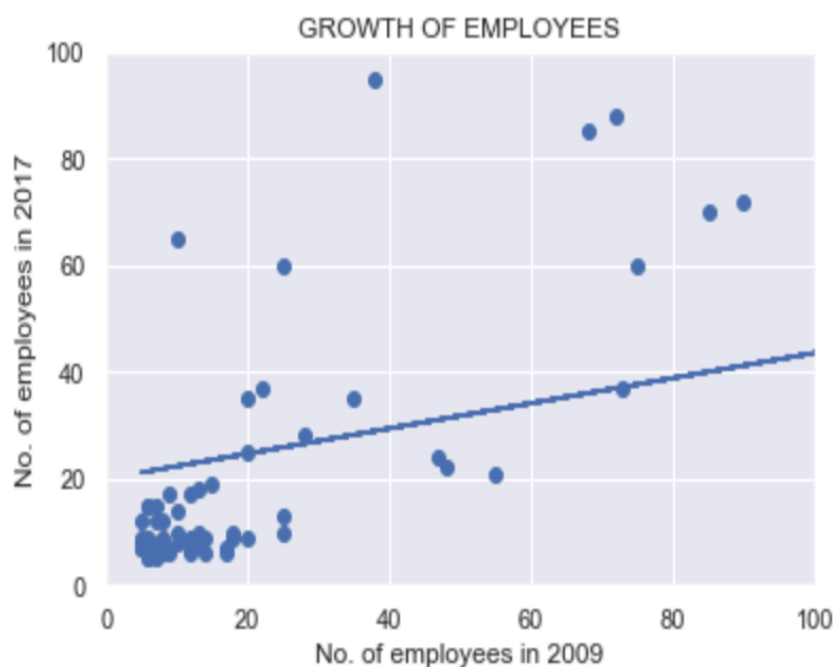
- iii. Shopping experience – Most of the customers shop in brick and mortar stores; some of the vendors have tried to reach to loyal customers through Whatsapp and Facebook market.
- iv. Organization and store operations– These are mostly one man/woman shops who either prefer employing their close family relatives or people from their religious network or resort to hiring labor from the open market in peak season
- v. Sourcing – 95% of the RTTs interviewed source their raw material from neighboring countries of Ghana, Guinea, Dubai or in some cases, as far as China. Most of the RTTs limit their search to the African continent.

Along with this, expert interviews were conducted with the officials at the Ministry of Trade and Industry, Sierra Leone, officials at SLIEPA, representatives of the RT&T traders at the Union of Commercial and Petty Trade and Madam Wokie, famous Sierra Leonean designer. The purpose was to map the institutional space and gather understanding of the broader policy context of Sierra Leone. We acknowledge here that while all of the quantitative data restricts to firms with more than 5 employees, it is a rarity in Freetown in the retail sector. All of the firms we interviewed had less than 5 employees, which is more common in Freetown.

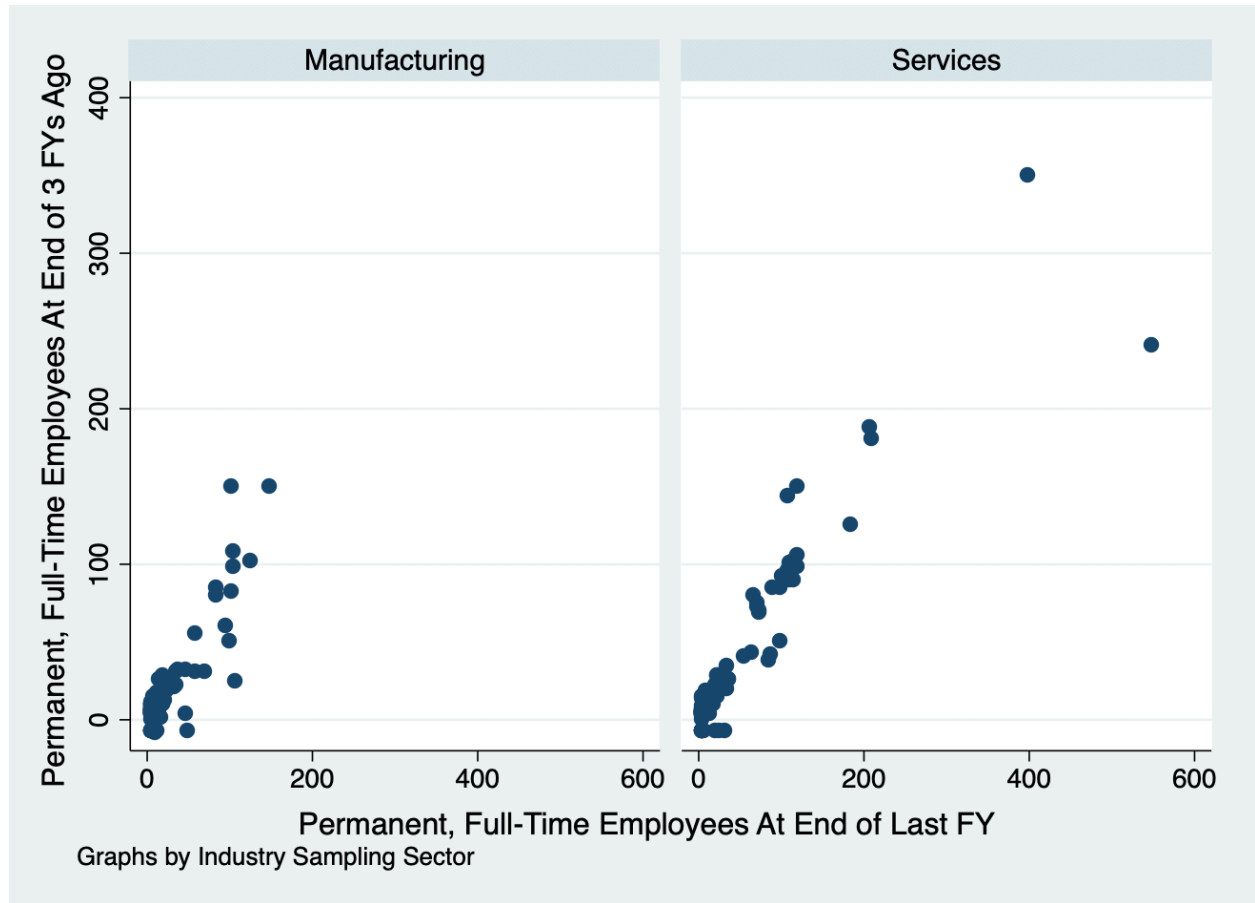
Stylized facts

Gaps in labor employment

From 2009 to 2017, there has been a steep fall in the growth of employees.



Upon further analysis, it is clear that this loss in labor comes primarily from the loss in employment in Services sector. There are a few firms in the services sector where employee cuts disproportionately high.



Source	SS	df	MS	Number of obs	=	302
Model	483054.059	3	161018.02	F(3, 298)	=	48.64
Residual	986492.829	298	3310.37862	Prob > F	=	0.0000
				R-squared	=	0.3287
				Adj R-squared	=	0.3220
Total	1469546.89	301	4882.21557	Root MSE	=	57.536

l1	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
l2	.9554903	.1870998	5.11	0.000	.5872861	1.323694
a4a						
Services	22.20517	7.256731	3.06	0.002	7.924241	36.4861
a4a#c.l2						
Services	-.6718642	.189045	-3.55	0.000	-1.043897	-.2998319
_cons	6.23704	5.440703	1.15	0.253	-4.470027	16.94411

Diminishing Sales

Both manufacturing and services have taken a hit in their overall sales; as is evident from the figure below the loss of sales in services has been significantly high as compared to the manufacturing sector. As with loss in labor, it is difficult to disentangle the effects of macro economy, Ebola crisis or sector and firm performance.

Germination of new businesses

Not surprisingly, new businesses and services show the same trend as above. Nearly 30% businesses in manufacturing have introduced new products over the last 3 fiscal years, as compared to only 22% new businesses in Services.

Purchasing of fixed assets

5% more businesses in Manufacturing have purchased fixed assets in the last fiscal year as compared to the services sector. This is expected from what we have highlighted above.

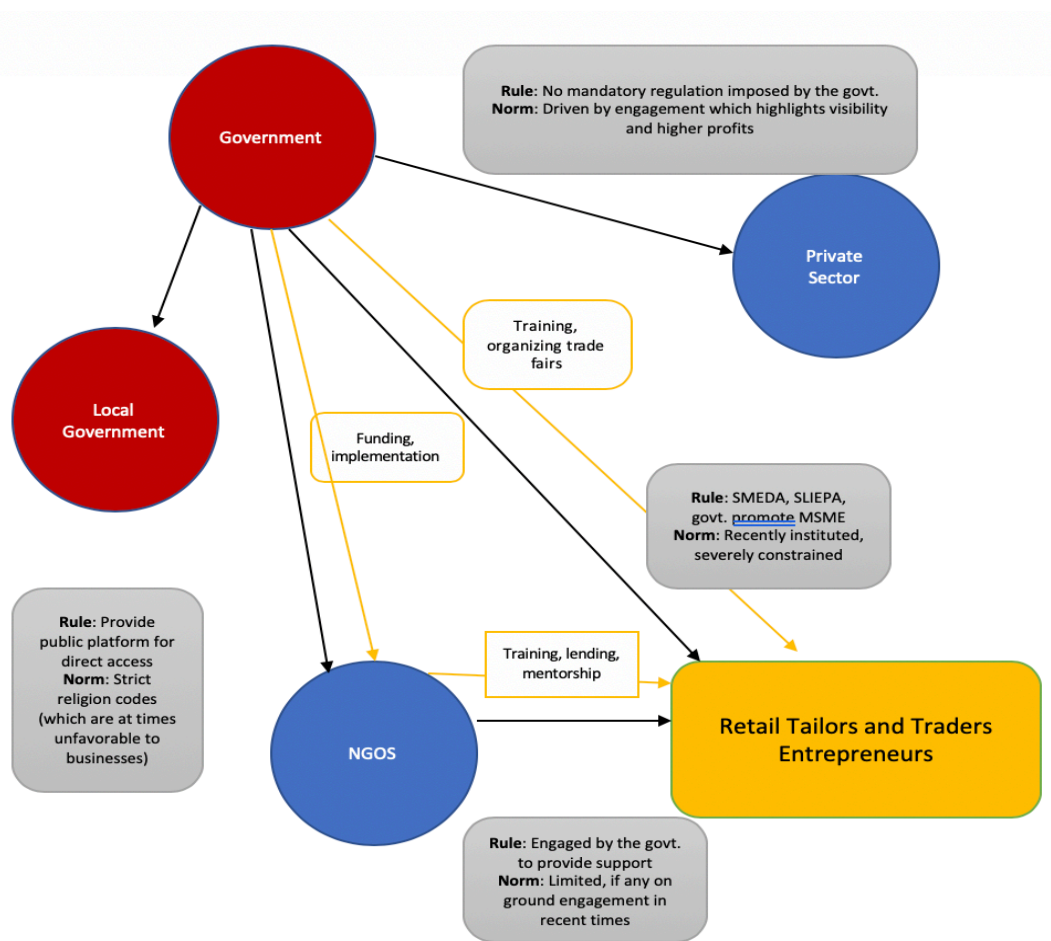
Thus, we conclude that businesses in services sector and by extension in the Retail Textile and Tailors sector in Sierra Leone face constraints to scaling up of the business.

Institutional Context

Stakeholder Mapping ⁶

To understand the broader policy environment in Sierra Leone, we map the key actors and their interactions.

⁶ Ostrom, Elinor Ostrom. Understanding Institutional Diversity. Princeton Paperbacks. Princeton: Princeton University Press, 2005, Chapter 2. This stakeholder mapping relies on the data revealed from field surveys



The key actors are

- i. Public actors
 - a. Government – Ministry of Trade and Industry, SLIEPA, SMEDA
 - b. Local Government – Religious institutions
- ii. Private actors
 - a. Private sector – Private sector has very few direct and almost no indirect interaction with the RT&T sector. We could identify only one such engagement where Orange, the mobile giant teamed up with a Sierra Leonean fashion house to

showcase African fashion on the global map. We did not come across any other private engagement.

iii. NGOs

Government contracts NGOs like KFW and Cordaid to provide trainings to the RT&T entrepreneurs for better product packaging and business management skills.

The NGO engagement is limited with less than 5 NGOs currently collaborating with the government.

Overall, the institution map is a sparse field. There are initiatives, but these are limited and not enough. Hence, government was reduced to a dormant player for a long time. This is also corroborated with the field research where the firms reported that the interactions with government is minimal, restricted to revenue collection and registration of businesses. The government has recently realized the potential of MSME and has formulated plans and bodies like SLIEPA to expand its engagement with the sector.

Conceptual framework

The Model

We understand the challenges of the support provided by SLIEPA to the RT&T sector by employing Yung Whee Rhee's catalyst model of development⁷. The catalyst model of development explores the mechanism how a country may pursue an 'outward looking development strategy for efficient industrial development'. A country which is just starting off in the international market faces the lack of technical, marketing, managerial, production and

⁷ Rhee, Yung Whee. "The catalyst model of development: Lessons from Bangladesh's success with garment exports." *Volume 18, Issue 2*, February 1990, Pages 333-346. [https://doi.org/10.1016/0305-750X\(90\)90057-5](https://doi.org/10.1016/0305-750X(90)90057-5)

packaging know-how to begin the process of development in an outward-looking direction. The next challenge is how to diffuse the process to other firms in the industry and other industries. It is also vital that the technically correct instrument is followed by specific sequence of administratively feasible and politically supportable arrangements so that impact can be realized on ground.

For a country like Sierra Leone which faces the three most unfavorable initial conditions which are⁸:

- i. Absence of the critical factors needed to enter the international markets
- ii. The non-availability of a local capacity to package those factors
- iii. Extremely distortionary policies and underdeveloped local institutions, including market and administrative mechanisms

For a country stuck in a low equilibrium as above, the catalyst model of development advocates a triangular trade model in which

- i. The foreign catalyst with necessary technical, marketing and managerial know-how needed to produce and experience in selling manufactured export goods in better markets collaborates with a local catalyst which can mobilize the necessary local resources
- ii. The foreign catalyst then uses its reputation and already established marketing and production network to initiate entry for the local goods in to the international market
- iii. This process then results in self generating mechanisms where the initial success is transferred to other firms in the sector and then across to other sectors

⁸ Ibid.

A point to note is, this model necessitates collaboration with a foreign established firm as capacity building happens through ‘on the job training in whole system of operations related to exporting’ and this cannot be broken down into individual trainable components.

Qualitative support of the Model

Case Study of the Mineral Industry

Commodity		Major operating companies and major equity owners
Bauxite		Sierra Mineral Holdings I Ltd. (Vimetco N.V., 100%)
Cement		Sierra Leone Cement Corp. Ltd. (HeidelbergCement AG, 100%)
Diamond	thousand carats	OCTÉA Diamond Group (BSG Resources Ltd., 100%)
Gold	kilograms	Artisanal miners
Iron ore		Tonkolili Iron Ore (SL) Ltd. (African Minerals Ltd., 75% and Shandong Iron and Steel Group Co. Ltd., 25%)
Do.		London Mining plc
Titanium, ilmenite concentrate		Sierra Rutile Ltd.
Titanium, rutile concentrate		do.
Zirconium, zircon concentrate		do.
Do., do. Ditto. NA Not available.		
¹ Under care-and-maintenance status.		

Source: Sierra Leone - Structure of the Mineral Industry⁹

As a preliminary step, qualitative support of the model in the Sierra Leone context can be demonstrated by noting that all the leading players in the mineral industry in Sierra Leone are

⁹ Bermúdez-Lugo, Omayra. “The Mineral Industry of Sierra Leone.” (2017, December)

either foreign owned or subsidiary of a foreign company. There is a strong correlation between the mining sector which contributes to nearly 50% of the exports in and the presence of foreign firms in the sector which facilitate the exports. One can argue that in order to scale the RTTs to reach better markets through the channel of exports, especially when the country is stuck in a low equilibrium – GDP, devaluation - similar intervention of foreign firms is required. This generates support for the catalyst model of development.

Diagnostics

Demand side factors

Consumers lack information about products

Literature review – Couture et al.¹⁰ rationalize that the consumers in China in less connected villages benefit from being connected to e-commerce villages as a result of reduction in information and trade costs. They found that when villages were connected to an e-commerce portal which smoothed the playing field by lowering the information asymmetry by offering ‘lower prices, higher convenience and increased product variety’ there were significant gains for both consumers and suppliers. In Sierra Leone, efforts to mitigate information asymmetry have been made by organizing trade affairs and advertising entrepreneurs’ goods in government offices in Freetown. However, only 5% of the RT&T entrepreneurs surveyed in Freetown were aware of the trade fairs. There were some allegations that the trade fairs were rigged with opportunities exclusively available to traders with political connections. These trade fairs are also an annual one-off event and it can be argued from the survey that the people and the domestic audience are not well aware of the fair.

¹⁰ Victor Couture, Benjamin Faber, Yizhen Gu, Lizhi Liu. “E-Commerce Integration and Economic Development Evidence from China,” January 2018.

Qualitative evidence – While there has been acceptance of Sierra Leonean RT&T in the US and EU market, the global market for African clothing is niche. It is still dominated by knockoffs and small mom-and-pop boutique shops. These ‘cheap’ quality clothing are of a material different than the material used in authentic Sierra Leonean clothing and are the only ones available on online ecommerce sites such as ASOS, Amazon, Etsy etc.

This impacts the public’s belief system in two ways –

- i. People believe that African clothes are unavailable locally and/or
- ii. People form incorrect beliefs about the quality, feel, color and texture of the garment from the knockoffs available online

A way to understand where information asymmetry is a binding constraint is to explore how the market behaves in the event of an exogenous shock of information availability. An entrepreneur in Lapa Lane, Freetown says:

“I have started using the portals of Whatsapp and Facebook for doing transactions. As soon as I get new material, I post it on these portals and if the consumer likes it, they reserve the order immediately. I have made loyal customers and increased sales using my phone.”

Transportation costs

Literature review – Aschenaki¹¹ showed that even though Ethiopia’s wage rate at \$ 0.42 is one of the lowest on the continent, Ethiopia faces high costs in accessing regional and international markets as a result of its landlocked-ness. The paper argues that specifically for a labor-intensive trade such as garment processing, Ethiopia’s transport costs stand at 28% of the total value added

¹¹ Aschenaki, Bemnet. “Transport Costs in Ethiopia: An Impediment to Exports?” (2004, March 18)

as against 6.1 % of world average¹². RT&T sector in Sierra Leone faces high costs in accessing imports as a result of increasing customs, and continuous currency devaluation which increases the value of imports, shop rent and airfare, all of which is paid in international currency.

Qualitative evidence –

“The same lapa that I used to sell for Le 10,000 two years back, I sell for Le 15,000 now with no gain to me at all because in the past two years, the customs has doubled and the currency has devalued so much”.

Almost all the entrepreneurs spoken to, cite increasing customs and increasing costs of imports along with other logistical costs as a primary reason for their increasing product costs. The seriousness of this issue can be measured by the fact that increasing logistical costs (shop rent paid in dollars) is on the agenda of the Union of Petty and Commercial Traders because it has become a universal concern. While the office rent increases by a nominal amount year on year, the currency devaluation has hurt the prospects of the traders immensely. Also, since most RT&T firms deal in less than container load because they cannot exploit economies to scale, the tax per unit is high, further reducing the product value.

¹² Ibid.

Supply side factors

Credit constraints

Literature review – Banerjee et al¹³ propose that the efficiency of microcredit may be limited to the most profitable businesses. Furthermore, in the same study they also found that in spite of access to MFI loans, 70% of eligible households prefer to borrow from other sources.

Qualitative evidence – Only 5% of the entrepreneurs surveyed cited using bank loans for production purposes. Some of the entrepreneurs cited the unavailability of access to finance due to extremely high interest rates at the rate of 24% per annum; most of the entrepreneurs cited the use of savings to expand their business. The use of savings for production is entangled amongst other reasons with religious reasons – Muslim entrepreneurs do not favor incurring loans from banks as some entrepreneurs interpret it to be against their faith – and social reasons – the entrepreneurs said they have to fill a number of forms to access their own money which was embarrassing – and labor costs - with only 1-2 employees, leaving the shop unmanned to access the bank directly led to loss in potential sales. This problem is further exacerbated by the sparse density of banks in Freetown which serve a much larger population.

Managerial constraints

Literature review – Bloom et al¹⁴ show that the productivity of textile firms in India grow by 17% when these firms are consulted on managerial practices. On exploring the chances of mechanism, they suggest that informational barrier was the primary factor explaining the lack of adoption. Research has shown that training is positively correlated with productivity, the sample

¹³ Banerjee, A., Duflo, E., Glennerster, R., Kinnan, C. “The miracle of microfinance? Evidence from a randomized evaluation.” (2014, March)

¹⁴ Bloom et al. “Does Management Matter? Evidence from India.” The Quarterly Journal of Economics (2013), 1-51. doi:10.1093/qje/qjs044.

in the study was limited to extremely large firms. It is unclear how productive training will be for smaller entrepreneurial sized firms.

Qualitative evidence – Only 1 entrepreneur reported to attending some form of training. Most of the entrepreneurs were not aware of any government funded training. Trainings are provided by foreign NGOs and are largely limited to business accounting, diversification of products and marketing techniques focusing on the domestic market. In the context of RT&T sector, the entrepreneurs reported that it is extremely difficult to do proper accounting as during rush hours, peak seasons and festivals, there is a lot of overhead cost incurred in noting down the details of every transaction. Stock taking is done whenever stock is replenished. This reveals a mismatch between training provided and training required. The general consensus about the trainings amongst the entrepreneurs surveyed is that they don't see any profit in attending these trainings.

“My mother used to sell textiles and garments and now I do. This is true for most shops here. Anyone can sell textiles. I don't attend government trainings because I don't need to. If I see any profit, I will.”

Labor constraints

Qualitative evidence – In the Sierra Leonean context the decision to hire labor is incumbent on the immediate and extended family of the entrepreneur. None of the firms surveyed had any permanent staff which was 'out of family'. At times, when more employees are required, these shops hire temporary employees on a daily wage basis from the open market which are then let go when the task is completed. As thievery is extremely common in the RT&T sector, trust is a primary concern in hiring decisions. The first level of employees is almost always chosen from family, and at the second level, the temporary workers are chosen from candidates visiting the

same church/mosque or through word of mouth. Thus, the issue of labor constraints is intimately linked to the social norms.

Policy Recommendations

African fashion has become increasingly relevant and accepted in the world in the past decade.

We acknowledge that it is difficult to get an estimate of the sales of native African fashion primarily, because the sector is not well-defined, and it is complicated to get an estimate of the global demand due to multiple formal and informal platforms. A qualitative estimate can be gathered by the indicators listed below:

Choice of wear by major celebrities – From former first lady of America, Michelle Obama to fashion-defining artists such as Rihanna, to being worn in the Oscar’s red carpet¹⁵, Africa inspired clothing has gained currency all over the world. In UK, amongst other big names, Theresa May has been partial to African prints. In the Sierra Leonean context, Madam Wokie is a well-known brand which has been worn in attendance of the HRH Queen Elizabeth II and has stockists in US and UK.

Increase in the number of global fashion runways showcasing African fashion – In Africa alone, there are over 10 countries at present which have their own runaway shows¹⁶. In US, African fashion week in New York was introduced in 2009 and the largest annual African fashion event in Europe, Africa Fashion Week London is now gearing up for its 9th Season.

¹⁵ Chutel, L., Lijadu, K. “What happens to African designers when Beyonce and other stars wear your clothes” (2018, September 8). Retrieved from <https://qz.com/africa/1382554/beyonce-theresa-may-michelle-obama-get-into-african-fashion/>

¹⁶ List of fashion events. Retrieved from https://en.wikipedia.org/wiki/List_of_fashion_events

Mushrooming of e-retailers – Dedicated e-retail sites catering specifically to African fashion and African inspired fashion has sprung up in US and UK. Other than Amazon which hosts ‘African looking patterns’ D’iyanu, grass-fields, kisua cater to this niche market. D’iyanu was launched in 2014 and Kisua was launched in 2013; all of these e-commerce sites launched recently in response to the growing demand of African fashion in the global market.

This proves that there is a latent demand for native African clothing in the global market.

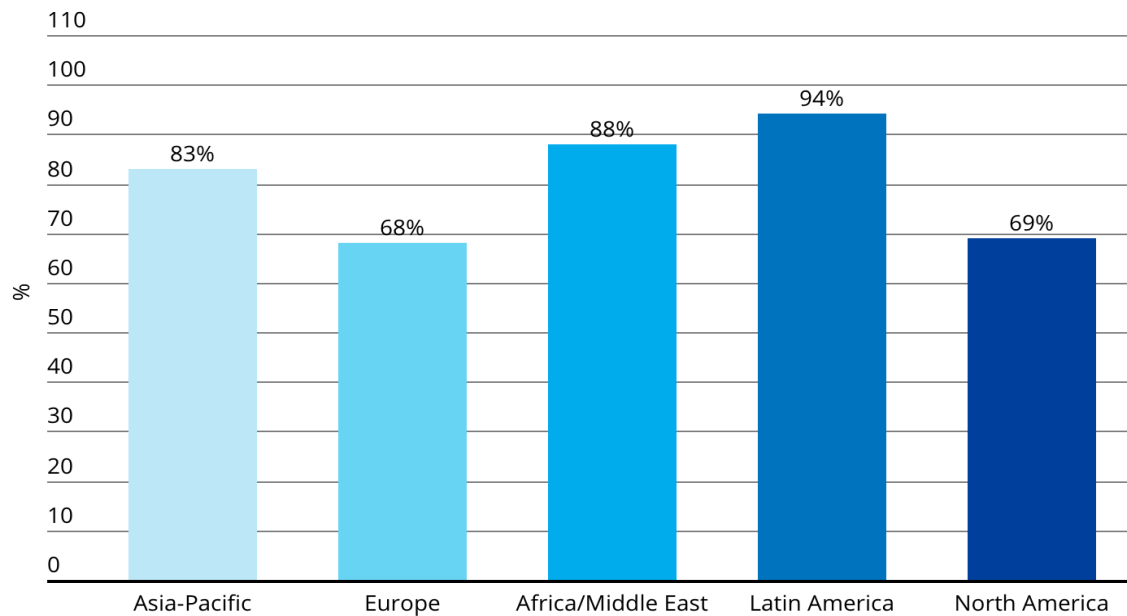
Rise of the conscious consumer – Research says that consumers in all markets are becoming environmentally conscious and this reflects in their purchasing decisions. The Conference Board Global Consumer Confidence Survey¹⁷ reports that nearly 81% of global respondents feel strongly that companies should help improve the environment. According to Nielsen’s 2015 Global Corporate Sustainability Report, 66% of consumers would spend more on a product if it came from a sustainable brand¹⁸. As part of a study carried out by GlobalWebIndex among 2,324 internet users in the UK and U.S.A., about half of the digital consumers interviewed said they consider the environment when making the purchase¹⁹.

¹⁷ McCaskill, A. “[Consumer-goods' brands that demonstrate commitment to sustainability outperform those that don't](https://www.nielsen.com/us/en/press-room/2015/consumer-goods-brands-that-demonstrate-commitment-to-sustainability-outperform-those-that-don't)” (2015, December 10). Retrieved from <https://www.nielsen.com/us/en/press-room/2015/consumer-goods-brands-that-demonstrate-commitment-to-sustainability-outperform.html>

¹⁸ Ibid.

¹⁹ Young, Katie. “What drives eco-conscious consumer behavior.” (2018, July 23). Retrieved from <https://blog.globalwebindex.com/chart-of-the-day/eco-conscious-consumer/>

Percentage of respondents who say it is extremely or very important that companies implement programs to improve the environment



Source - Global Corporate Sustainability Report

With campaigns like #saynotoplastic and rising awareness of the health hazards of unsustainable clothing, it can be argued that this trend is going to continue. Thus, it can be concluded that sustainable fashion at the heart of retail business makes business sense.

Experience from other countries

Bangladesh, which was once amongst the countries with the lowest income per capita has now progressed to a middle-income country. The degree of Bangladesh's success can be understood in terms of three parameters -

Export performance: Bangladesh's garment exports grew from nearly negligible exports in 1980-81 to US \$300 million exports in 1986-87. To put this in context, the share of garment exports in Bangladesh's total exports rose from 0.5% in 1980-81 to 28.3% in 1986-87, an average annual

growth of nearly 106%²⁰. This also contributed to their foreign exchange earnings, which was an important resource to carry out their developmental programs.

Employment and social welfare: Around 90% of the labor employed in the garment industry is female. Historically, females had restrictions on their mobility and freedom to work.

Employment in the RT&T sector has been responsible for both social and economic mobility, catalyzing the process of gender empowerment and breaking down the strict social norms which had been in place prior to this movement.

Self-generating mechanisms: In spite of the initial unfavorable conditions, Bangladesh has been able to prove itself in the international arena as a country which was once thought incapable of breaking into the manufacturing world and is now, one of the top-most suppliers of garments in the global market. This has given Bangladesh the required confidence to start dabbling in intermediate industries and generate revenue and employment for the country at large.

Research identifies that Bangladesh's success with garment exports has been the result of a collaboration between the local catalyst – Desh Garment company of Bangladesh and the foreign catalyst – Daewoo of Korea²¹. Even though Bangladesh had very unfavorable initial conditions, this collaboration was successful in facilitating an outward-looking development strategy. To be noted is also the fact that all the successful East Asian economies have started with garment and textile exports²².

²⁰ Rhee, Yung Whee. "The catalyst model of development: Lessons from Bangladesh's success with garment exports." Volume 18, Issue 2, February 1990, Pages 333-346. [https://doi.org/10.1016/0305-750X\(90\)90057-5](https://doi.org/10.1016/0305-750X(90)90057-5)

²¹ Ibid.

²² Ibid.

As already discussed in the conceptual framework, Sierra Leone is currently stuck in the low equilibrium struggling against initial unfavorable conditions. **In light of the above discussion, our proposed policy recommendation is to set up a catalyst model of development for Sierra Leone with Madam Wokie as the local catalyst and ASOS as the foreign catalyst.**

Recommended Policy Option			
Policy Option	Technical Correctness	Political Supportability	Administrative Feasibility
Collaboration between ASOS and Madam Wokie	Outward looking development strategy as a basis for efficient industrial development	Takes advantage of the foreign collaboration in the new focus of Government to improve the SMEs in Sierra Leone	Multi-stakeholder coordination issues

Since this collaboration is more of a negotiation between ASOS and Madam Wokie, we present below the reasons why both ASOS and Madam Wokie be invited to the table to negotiate and why it makes business sense for both of these companies to enter into a joint venture. We then layout the ways in which the government has to support for this partnership to be a success.

Why ASOS?

AsSeenOnScreen or ASOS was founded in 2000 and has become a top fashion destination for the young population around the world, catering to around 18.4 million active customers. ASOS sells exclusively through its website and mobile application; and owns its global logistics and distribution network. It has more than 87,000 ASOS and branded products on its website and adds nearly 5000 new items each week.

In recent times, ASOS has responded in a couple of ways to appeal to the customer demand for ethical products: starting with ASOS's corporate responsibility program, Fashion With Integrity (FWI) to drive their 'transparent, responsible and inclusive approach to business'. ASOS is also a signatory to the Global Fashion Agenda's call to accelerate the transition to a circular fashion economy. As a signatory, ASOS committed to the following:

- By 2020, ASOS will train all of their design teams on circular design techniques and best-practice.
- By 2020, ASOS will train all of their relevant product teams on circular principles and best-practice for packaging.
- By 2020, ASOS will launch a garment collection scheme and recycling program for apparel for customers located in the UK and Germany, their two biggest markets. IT will support this program by engaging customers, through social media, on garment care, repair and recycle.
- Each year from 2018 – 2020, ASOS will publish external targets for increasing post-consumer recycled textile materials in their products whilst eradicating those that cannot be cycled. It will report on their progress and continue this initiative past 2020.

Good on you which rates fashion brands on the impact fashion has on various categories rates ASOS's environmental impact as mixed for being certified carbon neutral, but for using hazardous chemicals in the production of materials for their own brand. It also rates ASOS's labor conditions and animal welfare as mixed for not publishing a comprehensive list of company audits and using wool and leather without specifying their sources respectively. ASOS

also gathered controversy around its treatment of workers in its factories recently²³. Thus, there is a pressure on ASOS to embrace more sustainable, ethical fashion.

ASOS in Africa

We have already provided qualitative evidence of the global demand for African fashion. It can be argued that the reason ASOS has a factory in Kenya is to cater to the demand for African RT&T along with fulfilling the mission for ethical fashion.



ASOS's Supply chain²⁴

²³ Robertson, L. "How ethical is ASOS?" (2017, February 14). Retrieved from <https://goodonyou.eco/how-ethical-is-asos/>

²⁴ Retrieved from <https://www.asosplc.com/corporate-responsibility/our-products/our-supply-chain>

On further analysis, we found that ASOS Made in Kenya was only used for ‘cut and make’. These products were designed in London and manufactured in Kenya. None of the materials used are the ones that African fashion is known for – biodegradable. We researched through all of the clothing in ASOS Made in Kenya and analyzed that all the products have synthetic fibers ranging from 2% to 98%. Thus, **ASOS Made in Kenya is not leveraging the local material, tailoring skills or inter-generational fashion knowledge to either create or cater to the demand for African RT&T.**

Why Madam Wokie?

Madam Wokie is a Sierra Leone based fashion brand and social enterprise founded by Maryann Kaikai in 2009 to design exclusive, durable and affordable African-inspired garments and accessories. Madam Wokie has showcased its collections on various platforms including the African Fashion International Week in South Africa, Fashion for Development, First Ladies Luncheon and Fashion Show at the United Nations General Assembly in New York organized by Vogue Italia; Fashion for Relief on the margins of New York Fashion Week organized by Naomi Campbell. Madam Wokie has been featured in several media publications such as the BBC World Service, Business Daily; CNN Inside Africa; CNN African voices; Australia ABC Arts and The Guardian.

There is a synergy between the value proposition of ASOS and the ethos of Madam Wokie which can be demonstrated as follows:

Purpose²⁵: ASOS explains ‘Living our Purpose’ as ‘setting standards for inclusivity, diversity and ethical and sustainable fashion’ amongst other things. Madam Wokie promotes 100% safe

²⁵ Fashion with integrity. Retrieved from <https://www.asosplc.com/corporate-responsibility/fashion-with-integrity>

fashion and employs tailors from the local community for community craftsmanship. For every collection, she trains these tailors for a period of 4-6 months who then can profit from these employable skills later.

Product²⁶: ASOS defines this dimension as ‘creating and curating the most relevant fashion..’.

Madam Wokie designs her indigenous, African product herself using her local knowledge passed down through the generations.

More importantly, it can be argued that Madam Wokie will be actively interested in seeking collaboration with ASOS because ASOS gives her a chance to reach to broader audience, which has higher probability of translating into more sales and increased profits. Having navigated the bureaucratic environment of Sierra Leone, she has a keen understanding of how to mobilize local resources to get things done. While ASOS brings its technical, marketing and managerial know-how required to buy and sell manufactured goods, Madam Wokie packages these factors in the local resources and gains an entry in to the international markets using ASOS’s established marketing and distribution network.

ASOS gains from the cheap production of clothes in Sierra Leone in the following manner:

No quota for EU/US market: Sierra Leone has access to the US and EU market quota and duty - free under African Growth Opportunity Act (AGOA) and Everything but Arms (EBA) respectively.

Zero rated export tax: RT&T falls under supplies which are goods that are taxable but for economic reasons are taxed at 0%.

²⁶ Ibid.

Fixed cost of warehousing and distribution: ASOS uses its own warehousing and distribution network, so once the products are shipped from Freetown to UK, there is no further cost other than the overhead from using the distribution network which is already set up.

Low Shipping costs: We requested a verbal quote from Mediterranean Shipping Company (MSC), the world's second largest shipping line in terms of container vessel capacity. The average cost per product from Freetown port to Liverpool Port, UK, the closest to Barnsley which is the warehousing centre of ASOS comes to be **GBP 6.6 for a full container load (FCL)**. We acknowledge that FCL will not be realized immediately. However, in the longer run, we anticipate a FCL when we are able to cater to the active and potential demand of African RT&T.

IMPLEMENTATION

Below we provide a broad overview of how the collaboration between ASOS and Madam Wokie can be implemented²⁷.

Training– Both the companies have to leverage their comparative advantage. At ASOS, the emphasis has to be on the providing actual experience in running a factory, that produces world class, exportable goods²⁸. Firstly, a detailed curriculum breaking down different subjects and training methods such as introduction to machine operations, practice of machine operations, garment manufacturing, in-depth, on-the job training and actual production has to be made. It is important here that the maximum amount of time be blocked for on the job training whereby

²⁷ The ideas for this are inspired from Rhee, Yung Whee. "The catalyst model of development: Lessons from Bangladesh's success with garment exports." [Volume 18, Issue 2](#), February 1990, Pages 333-346. [https://doi.org/10.1016/0305-750X\(90\)90057-5](https://doi.org/10.1016/0305-750X(90)90057-5)

²⁸ Ibid.

they can leverage this training in production of African garments. Along with this training at the parent office, this exercise would allow the entrepreneurs to experience an international, corporate culture which is known for its efficiency globally. This would also open up the African community to a superior management system which in turn would feedback into increased production of African garments. At Madam Wokie, these trained tailors can now receive specialized training to learn to tweak the basic garment manufacturing to incorporate the different stylings of the native African clothing.

Screening of cadres - It is important that the selection of cadres be made keeping in mind the duration of the training schedule and the language requirement. As Krio, the native language of Sierra Leone is Pidgin English, we don't think enforcing these requirements would decrease the sample size significantly.

Leveraging Madam Wokie - As Madam Wokie has been catering to the domestic market for a decade now, she is well versed with regards to procurement of local fabric. The collaboration agreement can include provisions for Madam Wokie to procure intermediate goods. Since Sierra Leone already has a 100% export-oriented garment agreement in US and UK, it should work to their advantage. Madam Wokie can procure the goods and manufacture the garments, more effectively now as a result of ASOS's superior training and the clothes will be shipped from Freetown port to the Barnsley warehouse of ASOS in UK. On the Freetown side, a bonded warehouse system may be required. More research has to be undertaken to finetune how the financial costs – costs of fabric, warehousing costs (if needed)- will be managed in the beginning.

Marketing of Madam Wokie - We acknowledge that the premise of this whole study is based on the presence of an active demand of African garments and African inspired clothing. It is vital

that superior marketing efforts be taken to inspire demand of such clothing. ASOS can leverage its position of an established marketing network, credibility as one of the leading garment manufacturers and capacity to accept risks to encourage people to embrace African fashion resulting in win-win for both ASOS and Madam Wokie²⁹.

²⁹ Ibid.

Bibliography

Aschenaki, Bemnet. “Transport Costs in Ethiopia: An Impediment to Exports?” (2004, March 18)

Banerjee, A., Duflo, E., Glennerster, R., Kinnan, C. “The miracle of microfinance? Evidence from a randomized evaluation.” (2014, March)

Bermúdez-Lugo, Omayra. “The Mineral Industry of Sierra Leone.” (2017, December)

Bloom et al. “Does Management Matter? Evidence from India.” *The Quarterly Journal of Economics* (2013), 1–51. doi:10.1093/qje/qjs044.

Chutel, L., Lijadu, K. “What happens to African designers when Beyonce and other stars wear your clothes” (2018, September 8). Retrieved from <https://qz.com/africa/1382554/beyonce-theresa-may-michelle-obama-get-into-african-fashion/>

McCaskill, A. “Consumer-goods' brands that demonstrate commitment to sustainability outperform those that don't” (2015, December 10). Retrieved from <https://www.nielsen.com/us/en/press-room/2015/consumer-goods-brands-that-demonstrate-commitment-to-sustainability-outperform.html>

Ostrom, Elinor Ostrom. *Understanding Institutional Diversity*. Princeton Paperbacks. Princeton: Princeton University Press, 2005, Chapter 2.

Rhee, Yung Whee. "The catalyst model of development: Lessons from Bangladesh's success with garment exports." Volume 18, Issue 2, February 1990, Pages 333-346.

[https://doi.org/10.1016/0305-750X\(90\)90057-5](https://doi.org/10.1016/0305-750X(90)90057-5)

Robertson, L. "How ethical is ASOS?" (2017, February 14). Retrieved from

<https://goodonyou.eco/how-ethical-is-asos/>

Sierra Leone News: SMEs: KEY TO SIERRA LEONE'S ECONOMIC DEVELOPMENT

(2018, September 17). Retrieved from <https://awoko.org/2018/09/27/sierra-leone-news-smes-key-to-sierra-leones-economic-development/>

Statistics Sierra Leone. "2015 Population and Housing Census." Retrieved from

https://www.statistics.sl/images/StatisticsSL/Documents/final-results_-2015_population_and_housing_census.pdf

Statistics Sierra Leone. "Sierra Leone 2014 Labor Force Survey Report." Retrieved from

https://www.statistics.sl/images/StatisticsSL/Documents/Publications/2014/executive_summary_sierra_leone_labour_force_survey_2014-1.pdf

Victor Couture, Benjamin Faber, Yizhen Gu, Lizhi Liu. "E-Commerce Integration and Economic Development: Evidence from China," January 2018.

Young, Katie. "What drives eco-conscious consumer behavior." (2018, July 23). Retrieved from

<https://blog.globalwebindex.com/chart-of-the-day/eco-conscious-consumer/>