

VP/SI IN CENTRAL EASTERN EUROPE

CASE STUDY

YUNUS SOCIAL BUSINESS – CITYTEX

SOCIAL PROBLEM

After an oil refinery closed down in the Cerrik region in Albania the 1990s, the city lost its splendour. As a result, unemployment of women and youth in the region became extremely high. Many left the region and those who stayed were left with farming earnings below or just barely over the poverty line. The lucky ones got one of the few jobs in the public sector.

The low levels of education and skill sets do not prepare the residents for employment in large corporations. For women, commitments at home and distances from other major cities hamper their efforts of finding employments.

The garment industry in Albania is mainly focused on exporting products to Germany and Italy. Many operators choose to move to Albania due to its lower labour costs. This creates a vicious cycle in the textile industry, where low

skill labour is paid poorly, working conditions are difficult, and opportunities to grow are rare.

SOLUTION

Gjergji's social business "CityTex" focuses on hiring women with low skills and education, living in difficult social and economic conditions. The SPO reinvests all profits to benefit the **women** and create **fair jobs**.

It is not just about higher salaries for the women. It is also a commitment towards creating a **healthy working environment**, introducing state of the art machinery and offering **training opportunities** for employees.

This will ultimately allow marginalised women in the region to improve their families' living conditions, and to benefit from training opportunities that provide essential skills to have a career in the textile industry.

Fair jobs for women



Albania

ABOUT THE VPO & THE SPO

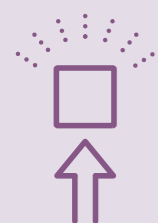
Yunus Social Business (YSB)		CityTex	
VPO		SPO	
<ul style="list-style-type: none"> • VP/SI Fund • Founded in 2011 • Sectors: advocacy/law/politics, development, environment, health 		<ul style="list-style-type: none"> • Social Enterprise • Founded in 2016 • Sector: employment • Beneficiaries: women in Albania 	

SPO AND VPO'S OBJECTIVES FOR THIS PROJECT



1. Increase the employment rate of women in Albania and give them better working conditions.
2. Increase wages to 30% above the industry average.
3. Provide healthcare and childcare for the employed women.
4. Creating a role model business for the textile industry in Albania.

APPROACH TO IMPACT MEASUREMENT



Outputs

- # of employees coming from target group (marginalised women)
- # of employees who quit during the month
- # of employees trained (yearly)
- average monthly wage for employees graduated from initial training

REPORTING



- **Monthly review** of the outputs above.
- Annual employees' **satisfaction survey** (1 to 10). A team member of Yunus Social Business checks on the ground the actual impact achieved by the SPO, by talking to the final beneficiaries.
- Once the SPO is established, a **social impact survey** will be implemented to calculate the social impact on the people involved in the business.

YUNUS SOCIAL BUSINESS' INVESTMENT

FINANCIAL SUPPORT



The financial support started in February 2016 with an initial amount of **€260,000** divided into a loan and equity shares. This investment was mainly for machinery and working capital (incl. training for women etc.).

Shareholder loan: the loan will need to be completely repaid after a period of 84 months (7 years). Additionally, the SPO enjoys a grace period of 18 months before the loan needs to

be repaid, which gives it 1.5 year to stabilise the business. The interest rate is 6%. YSB took a **20% equity share** to make sure that the business stays on track in terms of its social mission.

TOTAL AMOUNT INVESTED: **€407,500**

Yunus Social Business is considering providing additional capital once the SPO scales up.

NON-FINANCIAL SUPPORT (NFS)



Access to networks



Financial management



Legal advice



Management team & CEO support



Strategic support



Marketing & communication



Governance



Access to clients in the EU and US

Defining the SPO's Theory of Change is part of YSB's basic requirements. YSB provided a framework and helped the SPO identify metrics on a monthly and annual basis for the reporting in order to better track the SPO's social impact.

YSB did a **needs' assessment** (sitting down with the social entrepreneur to see what he needed for the few upcoming

months → 100-day plan). YSB's team on the ground helped the SPO with financial sustainability aspects (e.g. getting the financial management up and running, liaising with accountants). Based on the needs' assessment, YSB provided support through consultants to help the SPO increase its productivity.

FINANCIAL AND SOCIAL RETURN TO DATE¹

The SPO has secured two clients (Albania) and YSB put him in touch with another client.

Since its launch, CityTex has employed **84 women**, sales are now €15,000 to €20,000 per month (in one year).

¹ February 2017

THE SPO'S DEVELOPMENT PLAN

In order to **increase the wages**, the business will work towards increasing the **profit margin**. This will be done by focusing on a small number of key clients, including a sustainable fashion company in Germany. CityTex is planning to work with suppliers across the **entire value chain**: from sourcing raw material to producing the products, and exporting to the German market. This will allow to develop the business in Albania in a sustainable way.

In 2017, the VPO will provide more technical assistance to the SPO, potentially via a consultancy or a private-public partnership with a German fashion company. The latter is interested in a strategic partnership to source items from CityTex and thus has an interest in improving quality and stability of the company.

Yunus Social Business wants CityTex to provide value across the entire value chain from raw material sourcing to production, to export and customs handling. The company will need additional technical assistance to achieve these goals.

INVESTMENT OPPORTUNITY

If the business wants to grow, YSB would be interested in

financing for a second round or would help the SPO look for other impact investors who share the same social vision as YSB.

WHAT THEY THINK



YSB has helped make a dream a reality, making this project possible in Cerrik. The YSB team gave us not only valuable contribution through financing, but through continuous support to CityTex's management team in terms of market access, strategy advice, marketing, etc. This investment is contributing to healthy employment and social integration of more than 80 women in Cerrik."

Gjergji Gjika, Entrepreneur, CityTex



CityTex is a role model showcasing how a fashion company can operate, with excellent ethics and working conditions while focusing on the social and economic impact of its employees. We hope other companies in this industry in Albania will follow its example."

Shkelzen Marku, Managing Director, Yunus Social Business Balkans

For more information:

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Disclaimer

The case study presented in this leaflet features organisations that are continuously working on their business model. As a result, all cases are evolving organisations and thus their model is continuously improving.

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