



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**SOCIO ECONOMIC ROLE OF CLUSTERING AND GOVERNMENT CONSTRUCTED
WORKING PREMISES/SHED ON 'TRADITIONAL HANDLOOM WEAVERS'.
THE CASE OF GULELE SUB CIY WOREDA ONE AND SIX**

BY

BERHANU TADESSE YIMAM

**DECEMBER, 2015
ADDIS ABABA, ETHIOPIA**

**SOCIO ECONOMIC ROLE OF CLUSTERING AND GOVERNMENT CONSTRUCTED
WORKING PREMISES/SHED ON 'TRADITIONAL HANDLOOM WEAVERS'.**

THE CASE OF GULELLE SUB CIY WOREDA ONE AND SIX

By

BERHANU TADESSE YIMAM

**A THESIS SUBMITTED TO ST.MARY UNVERCITY, SCHOOL OF
GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSUNESS
ADMINSTRATION**

DECEMBER, 2015

ADDIS ABABA, ETHIOPIA

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS

**SOCIO ECONOMIC ROLE OF CLUSTERING AND GOVERNMENT CONSTRUCTED
WORKING PREMISES/SHED ON 'TRADITIONAL HANDLOOM WEAVERS'.
THE CASE OF GULELLE SUB CIY WOREDA ONE AND SIX**

BY
BERHANU TADESSE YIMAM

APPROVED BY BOARD OF EXAMINERS

Temesgen Belayneh (PhD)

Dean, Graduate Studies

Signature

Tesfaye Wolde (PhD)

Advisor

Signature

Teklegiorgis Assefa (Asst.Prof)

External Examiner

Signature

Zemenu Aynadis (Asst.Prof)

Internal Examiner

Signature

DECLARATION

I, the undersigned, declare this thesis is my original work, prepared under the guidance of

Dr. Tesfaye Wolde. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Berhanu Tadesse Yimam

St. Mary's University, Addis Ababa

December, 2015

Table of Contents

Acknowledgements.....	iii
List of tables.....	iv
Abstract.....	vi
Introduction.....	1
1.1 Background of the study	1
1.2 Statement of the Problem	3
1.3 Research Questions	4
1.4 Objectives.....	4
1.4.1 General Objective	4
1.4.2 Specific Objectives	4
1.5 Significance of the Study	5
1.6 Scope of the Study.....	5
2. Literature Review	6
2.1 Definition and Concepts.....	6
2.2 History of Clusters	10
2.3 Cluster Concept.....	10
2.4 Cluster Definitions	11
2.5 UNIDO cluster definition.....	11
2.6 Advantages of industrial clusters and the case for policy intervention.....	12
2.7 Cluster development programs in Ethiopia.....	13
2.7.1 Types of industrial clusters in Ethiopia	14
2.7.2 Cluster development strategy of the Government of Ethiopia	14
2.7.3 Types of government created clusters in Ethiopia.....	14
2.8 Description of Handloom sector	16
2.9 Strategies to help handloom weavers	16
2.10 Socio Economic Role of Handloom Sector in Ethiopia.....	17
2.11 Handloom sector in Gulele Sub City of Addis Ababa	17
2.12 Features of Gulele Handlooms Cluster before UNIDO’s Cluster Development Intervention and working premises arrangement.....	18
3. Research methodology.....	20

3.1 Study area.....	20
3.2 Sources of data	20
3.3 Sampling techniques	21
Source: Computed by the researcher.....	22
3.4 Questionnaire administration	22
3.5 Data analysis	22
4. Results and Discussion	23
4.1 Introduction	23
4.2 Characteristics of sample respondent.....	23
4.3. Type of working premise and reason why they choose	25
4.4 Supports provided to Weavers’ Business.....	28
4.4.1 Sources of support	28
4.4.2 Contribution of MSEs and NGOs in the development of Weavers.....	29
4.4.3 Beneficiaries of support provided by City Administration, MSEs and NGOs.....	31
4.4.4 Satisfaction level of hand loom weavers using different supports	32
4.4.5 Benefit gained from working in working premises and its challenge:	34
4.4.6. Support given to weavers in Government constructed working premises:	34
4.4.7 Problems explained by weavers using the new loom:	35
4.4.8 Supports given to household weavers:	36
4.5 Comparison of Weavers in the working premises and household operators	38
4.5.1 Employment Opportunity	38
4.5.2 Impact on operators’ income	40
4.5.3 Marketing and Networking.....	41
4.5.4 Product Development and Technology	45
4.5 Summary of the chapter	47
5. Conclusion and recommendation.....	49
REFERENCES	52
Annex-1 Pictures.....	55
Annex-2 Questionnaires	57

Acknowledgements

I would like to thank my Supervisor Dr. Tesfaye Wolde for giving me invaluable advice, guidance, and inputs, as well as for his patience. I would like to thank Dr. Tamrat A.Belay and W/ro Tsion Belda for their useful comments and inputs. I am also grateful to my friends and to all employees of Gulele sub city micro- and small- enterprise bureau for their continuous support and advice. Last, but not least, I am grateful to my wife W/ro Fantu Tesfaye and our two children, Rediet Berhanu and Jonathan Berhanu, for their support and encouragement throughout my studies.

List of tables

Table 1 What is cluster	12
Table 2 Sample size.....	22
Table 3 Characteristics of sample respondents.....	24
Table 4 Type of working premises and reasons why chose.....	26
Table 5 Reasons of respondents for engaging in hand loom sector.....	27
Table 6 Source of support.....	28
Table 7 Type of working premises and number of respondents getting support.....	30
Table 8 Support provided to weavers.....	31
Table 9 Level of satisfaction obtained from support.....	33
Table 10 Short term training users.....	37
Table 11 Job created in different weavers categories.....	38
Table 12 Impact on operators income.....	40

List of Acronyms/Abbreviations

AGOWA:	African Growth Opportunity Act
BDS:	Business Development Services
CSA:	Central Statistics Authority
CDS:	Cluster Development Service
FDRE:	Federal Democratic Republic of Ethiopia
FeMSEDA:	Federal Micro and Small Enterprises Development Agency
ILO:	International Labor Organization
LED:	Local Economic Development
MoTI:	Ministry of Trade and Industry
MWUD:	Ministry of work urban Development
MSEs:	Micro and Small Enterprises
ReMSDA:	Regional micro and Small Enterprise Development Agency
UNDP:	United Nations Development Program
UNIDO:	United Nations Industrial Development Organization

Abstract

This research paper explores the extent to which Government constructed working premises impact the development of handloom sector in Ethiopia. The research was conducted in Gulele sub city, Addis Ababa. In order to identify and analyze challenges and prospects of traditional handloom weavers working under government constructed working premises in comparison to those weavers operating in their own homes, the researcher employed different data collection techniques, including semi-structured questionnaires, interview, discussion, as well as secondary sources. The analyses show that those operators that are working in the government constructed working premise have more access for the supports provided by government institutions and NGOs than household operators. Since household operators are scattered and operate individually from their home, they have very little access to supports provided both by government institutions and NGOs. Handloom weavers working under government constructed working premises have shown better performances. Some of the benefits from government constructed working premises were process, product, and market development; and improved vertical and horizontal linkages as well as positive income change. Particularly, cooperatives in common workshop have benefited more from these advantages. There was also improved employment opportunity for people with less capacity to run own enterprise. However, some critical problems, such as lack of financial capacity and input supply accessibly, limited working space, continuous interruption of electric power, and sanitation problems of the working premises, have not been addressed appropriately. Compared to working premise users' household operators have shown less business performance. Therefore, the paper concludes that the Government constructed working premises and supports provided to weavers operating in the category have positively impacted business performance of handloom enterprise. Then end up by pointing the need towards improvement on the way through which some services have been provided and the accessibility of individual handloom weavers operating from their home in order to gain the potential benefit from the support.

Chapter One

Introduction

1.1 Background of the study

The world is rapidly becoming urban. According to United Nations development of economic and social affairs in, 2014, 3.9 billion world populations was living in urban areas; by 2050, the proportion of the urban population will increase to 6.5 billion. The current urbanization rate is particularly high in the developing countries. In sub-Saharan Africa, for instance, the urban population is growing at 6 percent per year, and will double in the next 12 years (World Bank, 2013). This rapid urban population growth has been accelerated by rapidly growing poverty. Moreover, slow economic growth in the formal sector has motivated a large portion of the population to enter informal enterprises (World Bank, 2013).

According to ILO (2015), informal enterprises represent nearly two-thirds of the total non-agricultural employment in all regions of the developing world. It ranges from 58 percent in North Africa/Middle East to 65 percent in Eastern Europe/Central Africa, 67 percent in East Asia/Pacific, 68 percent in Latin America/Caribbean, 78 percent in Africa and 78 percent in South Asia. As a result, governments of both industrialized and developing countries give a great deal of attention to assist micro and small enterprises that are crucial for stimulating economic development. Thus, the industrial policies of developing countries are revised to encourage and promote small-scale enterprises (Abraham, 1997).

In Ethiopia, about 29.67 percent of the population is below the poverty line. A survey conducted by the central statistics authority (2014) indicates that the unemployment rate is 16.8 percent. In addition, Ethiopian urban centers are characterized by a poorly developed economic base, a high level of unemployment and a worrisome incidence of poverty, weak economic growth, lack of access to credits, and inadequate strategic and participatory planning (MWUD, 2006).

Based on the July 2013 FeMSEDA annual report nationwide, there are 61,883 informal sector activity operators and 123,060 small-scale manufacturing industries that absorb 1,223,679 labor

force. The survey also revealed that a micro enterprise on average engages one person, and their average annual operating surplus is about 1,300 birr (FeMSEDA, 2013).

Regarding the diversity of the informal sector activity (Micro enterprise), the report indicated that a large number of informal sector operators are concentrated in a limited area of activities i.e. 10.05 percent in manufacturing, 38.17 percent in trade, hotel and restaurant activities. About 39.44 percent in construction and the rest 12.33 percent are involved in Agriculture, hunting, forestry and fishing, mining and quarrying, construction and transport activities. On the other hand, the survey in small scale manufacturing industries showed that the small manufacturing industries are mainly engaged in the manufacture of food, fabricated metal, furniture, and wearing apparels. These sub-sectors constitute more than 85 percent of the surveyed small scale manufacturing industries (FeMSEDA, 2013).

Handloom weaving is one of the few nonagricultural sectors with a discernible presence in both urban and rural areas. In both such areas of Ethiopia, one sees strong patterns of geographically clustered handloom activities. Clustered handloom activities are apparent in Addis Ababa as well as in parts of the countryside that have been traditionally associated with weaving.

The pathways of the handloom weaving production process, although short relative to those of other industries, are complex. The production process, starts moving from input suppliers at the bottom to the weavers, then to local and regional traders, then to wholesalers and factories, and finally to retailers. Input suppliers include machinery, accessories, and fiber suppliers, as well as yarn dyers and spinners. Weavers source materials locally and sell their products locally as well handloom weaving technologies vary by the types of producers in the industry. Wooden looms are employed mainly by rural weavers and come in two forms: traditional and modern. The traditional wooden looms are made entirely of wood and are typically made using simple tools by a local handcrafter or by producers themselves. Modern wooden looms have been slightly modified to include limited metal materials for added durability and comfort. The second major type of weaving technology is the metal loom, which is usually made by a local blacksmith or skilled artisan. Although the technology is superior in that they are more durable and comfortable to work with, this type costs nearly twice as much as wooden loom. Additionally, metal looms can be difficult to purchase if a blacksmith or artisan is not located within a

reasonable traveling distance from the producer (Gezahegn, Jordan, Charmberlin, Kassu and Xiaobo, 2009).

In urban areas, the handloom weaving industry is fairly similar to urban industrial clusters in any developing country. The majority of producers operates out of workshops, sources their inputs from all over Ethiopia, and may sell from established shops (four walls and a roof). Urban producers make use of improved looms and also tend to work full-time on handloom weaving activities. In contrast, in the rural areas, producers use wooden looms exclusively, and they tend to work on handloom weaving projects only during the agricultural slack season or in other spare time. Additionally, traders travel to one location in the rural areas to collect products, so individual producers need not fund their own marketing efforts, saving marketing costs for both the traveling traders and producers. In electrified towns in addition to the urban areas, producers also share workspace, reducing transaction costs for utilities and other services (Gezahegn et al, 2009).

This study intends to Evaluation of Socio Economic impact of Government constructed working premises on traditional handloom weaving cluster of Addis Ababa, Gulele sub city worked 1 and 6. The producers will be classified and surveyed into producers who operate from their homes and producers who operate in Government constructed working premises.

1.2 Statement of the Problem

In most developing countries, small businesses face a wider range of constraints and problems, and are unable to address the problems they face on their own, even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory environment, access to markets and finance, business information, business premises (at affordable rent), the acquisition of skills and managerial expertise, access to appropriate technology, access to quality business infrastructure, and in some cases discriminately regulatory practices (ILO, 2015).

MSEs have been confronted by various problems which are of policy, structural and institutional in nature. Among many problem, lack of smooth supply of raw materials, and lack of working premises were the major bottlenecks for small scale manufacturing industries to commence their activities, (FeMSEDA, 2013).

Similarly, the MSEs of Addis Ababa City has been facing a number of challenges, including problem of working and selling premises, business skill and training, financial constraint, technology and technical constraints and inadequate infrastructure (IDP, 2006). Taking in to account of the above challenges, problems and existing situations, this study will focus on assessment of Socioeconomic impact of government constructed working sheds' premises on traditional Handloom weaving cluster of Gulele sub city woreda 1 and 6.

1.3 Research Questions

- a. What is the economic and social gain of handloom weaver's clustered, and working under the government constructed shades / working Premises?
- b. What are the factors that affect economic and social ties of handloom weavers by working under the shed/ working premises?
- c. How working shed/premises affect socio-economy of traditional handloom weavers?

1.4 Objectives

1.4.1 General Objective

The study intends to identify and analyze prospects and challenges of traditional handloom weavers working under government constructed working promises in comparison to those weavers operating in their own homes.

1.4.2 Specific Objectives

The specific objectives of the study include the following:

- To examine the existing situation of Handlooms weavers (in credit service, working premises, technology/ technical supports and inadequate infrastructure.
- To explore the role of cluster development and working promises on handloom weavers' social and economic activities , including its potential and challenge,
- To compare the benefits gained form clustering hand loom weavers in government constructed working premises and non-clustered households handloom weavers operating from their homes.

1.5 Significance of the Study

The role of micro and small enterprises in employment and income generation is increasingly recognized and has become a major playing field for policy makers by enhancing growth and alleviating poverty. Specifically, MSEs engage in manufacturing, services and urban agriculture have the greatest contribution in decreasing rate of unemployment. However, MSEs face so many problems on their day-to-day activities. This study identifies the general problems and some of specific challenges that the enterprise faces that would provide a fertile ground for a better insight to those challenges of handloom weavers. The findings of this study would also generate a useful feedback for policy makers who are working in the sector Moreover, the recommendations that would be suggested from this study would serve as an input in order to create an enabling environment for the development and improvement of handloom weavers.

1.6 Scope of the Study

The scope of this study is limited mainly to Traditional Handloom weavers in two woredas' 01 and 06 of Gulele sub city. Main issues were covered in areas of challenges, prospects and assessing programs of Handloom weavers' sustainability.

CHAPTER TWO

Literature Review

2.1 Definition and Concepts

Development agencies and policy makers have long stressed the economic importance of micro enterprises in developing countries in general and Africa in particular because of their large number and their contribution to employment. Reports show that micro and small-scale enterprises constitute the lion's share of the manufacturing activity in Sub-Saharan Africa, accounting for more than 90 percent of all firms outside of the agricultural sector (OECD, 2004). They are also sources of income and employment in labor intensive sectors, engaging the poorest segment of the society, particularly women and unskilled workers. (Nadvi and Barrientos, 2004).

The question of how to promote the growth potential of micro enterprises in developing countries has dominated the center of policy debates since the 1960s. Micro enterprises are recognized to have potentials to reach out small and specialized markets and are flexible in allocating resources to changing opportunities. They also generate income and employment in labor intensive sectors engaging the poorest segment of the society particularly women and unskilled labor (UNIDO, 2004). Yet, micro enterprises encounter various constraints and transaction costs that affect their business environment and undermine their development (Dennis, 1982; Boomgard, 1992). They are often characterized by low productivity, poor information access, limited technical know-how and lack capital and market access, mostly serving local markets. In recent years, however, it has been recognized that industrial clusters can reduce much of the transaction costs faced by micro enterprises and help to overcome their growth obstacles. The concentration of economic activities within a certain sector producing similar and closely related goods may result in cost reducing economies of scale, location economies, to micro enterprises in the cluster. These location economies help to increase the competitiveness of micro enterprises in a wider market by promoting 'collective efficiency' through knowledge diffusion, specialization and social cooperation (Schmitz, 1995; Schmitz and Nadiv, 1999). On the other hand, there could also be increased costs resulting from fierce

competition among micro enterprises and congestion that can offset the potential benefits of clustering (Lall , 2003).

Industrial clustering is one way of overcoming such constraints. A cluster is a sectorial and geographical concentration of enterprises (Porter, 2000; Schmitz, 1995). Adam Smith (1904) was the first to chronicle the economic gains available to firms through the division of labor, a key feature of industrial clustering. Through the division of the production process into many incremental steps in an industrial cluster, many firms can realize such economic gains. In addition to the efficiency gains, industrial clusters enjoy at least three more well-known major benefits: access to markets, labor market pooling, and technological spillovers (Krugman, 1991; Marshall, 1920). These benefits also referred to in the literature as “collective efficiencies,” can enable more entrepreneurs to participate in industrial production that may otherwise be inaccessible to them (Schmitz, 1995; Schmitz and Nadvi, 1999). Ruan and Zhang (2009) highlight a further key collective efficiency of the clustering mechanism: clustering can help lower the capital barriers to entry through division of the production process among firms, thereby enabling more potential entrepreneurs with limited capital to enter the production process and achieve returns to their investment.

Industrial clusters in developing countries are particularly common in traditional and labor intensive micro enterprises in rural and poor urban areas. This has attracted the interest of policy makers and development agencies like World Bank, UNIDO and ILO because of the direct impact such kind of clusters will have on poverty. Owing to the existing policy enthusiasm on promoting clusters, it is therefore important to investigate if clustering actually results in significant economic gains to micro enterprises that could positively impact poverty.

Micro and small enterprises are an important source of job opportunity and income of many people in different countries, particularly in most developing countries. In Ethiopia, huge number of employment is generated from these sectors. Therefore, the study on the impact of clustering handlooms enterprises sectors contributes to understand about policy intervention to MSE and its effect on local economic development.

In Ethiopia, like many other developing countries, informal sectors are the main source of employment and income for vast number of people (Berhanu, E. 2005: 96). As some authors

wrote, the largest segments of Ethiopian private sectors are constituted of micro enterprises, and small and medium scale businesses (Abebe and Belay 1997: 291). These have been forcing governments to incorporate issue of MSE in urban and rural development and poverty reduction policies and strategies. The county's urban development policy document also states the role of MSE in reducing urban poverty, strengthening rural-urban linkage, and source of entrepreneurs for private sector development (MWUD 2006: 17).

In Addis Ababa, given rapid urbanization and large formal sector capacity to absorb adequately the increasing demand for employment and socio-economic services people have been forced to depend on formal or informal small economic activities. As studies shows, about 40 percent of employment in the city comes from informal sectors (Abebe et al. 1997: 158).As the researcher mentioned earlier; handcraft like handloom weaving is a significant source of employment. A survey conducted by Central Statistical Agency (2003b) on cottage/handcraft manufacturing industries has revealed that in the year 2002 there were 211,842handloom/weaving textiles enterprises in different parts of the country.

Studies show Addis Ababa as one of the place where clusters of weavers are found (Ali 2007, MOTI 2005). Particularly, Ali's study has revealed that a huge cluster of about 20,000 weavers and other related input suppliers, traders, tailors and retailers where to be found at Gulele sub city, Addis Ababa. Given long tradition of weaving in the country, Ethiopian Handloom Product Export Market Study (FeMSEDA and MOTI 2004) shows sector's products target for local and international market. The major products of the sector can be divided into two semi-finished fabrics and finished products. In most cases, semi-finished fabrics are channeled to the domestic garment factories for further processing to produce most demanded final products for Ethiopians in the country and abroad. Some of these products are: Gabi, Netela, Kuta, Kemis and Netela-Gabi in their local names. The later –finished hand woven product includes different house furnishing textiles, table cloth, curtains, cushion, bed cover, and Napkin.

Handlooms sector also promotes forward and backward linkage for progressive transformation into modern establishment. This in turn facilitates development of local economic bases of the area and the creation of new supporting and innovative sectors (A.H.J. Helmsing 2003, A. H. J.

Helmsing2005). Therefore, the need of development interventions for the sector at different administration level becomes evident. According to the Ethiopian MSE Development Strategy (MOTI 1997), textile and garment MSE sub sector is one among the six potential and prior MSE sectors which has been selected to LED interventions and government support. Handloom is the sub-sector of this sector. Moreover, handloom sector has been included as a development package in urban development programs of Addis Ababa city due to its role in employment and income generation to large proportion of the community. In addition, situational analysis has been undertaken in the past recent to identify problems of the sector. The situational analysis identifies major constraining factors of the sector (MOTI 2005). These include: inadequate marketing and production space; facilities, backward production technology; lack of innovation; marketing problems; lack of information; poor input quality; absence of intra and inter enterprises networks; and lack of financial capital. Since then, the city's MSE Development Agency has been working to address the situation through preparing and implementing sectors development plan. The plan focuses on creating enabling environment and handloom cluster development. Providing financial and non-financial services (business development services) are among the intervention tools. In addition to establishing development agencies at sub city and assigning extension workers at the lower administrative level, ReMSEDA has been undertaking Handloom Cluster Development Project with United Nation Industrial Development Organization (UNIDO) at Gulele Sub City. Thus, clusters of weavers 'cooperatives and groups have been organized in different Kebeles (lower administrative units) of the sub city in accordance with cooperative establishment's Proclamation No. 147/98 (Council of Ministers of Federal Government 1998). There are 5055 weavers organized under 140 weavers' cooperatives, 13 weavers' enterprises group and one individual weaver enterprise in the sub city.

Industrial clusters are noted as one form of institution that can help ease the financial constraints microenterprises face when both establishing and expanding their business, Collaborative networks within clusters may also reinforce mutually beneficial relationships, such as cooperation, allowing access to cheaper credit or the joint purchase of materials at lower prices (Becattini 1990; Banerjee and Munshi, 2004). Clustering in terms of information spillover, labor pooling, and market linkages

2.2 History of Clusters

Concentration of units in a given geographical location producing same or similar types of products and facing common opportunities and threats is called a cluster. Clustering has been the age-old phenomenon in Ethiopia. Clusters have been in existence in Ethiopia for centuries and are known for their products at the national and international level. Ethiopia has more than 6400 clusters. These have been typified as industrial, handloom, and handicraft clusters. Clusters represent the socio-economic heritage of the country where some of the towns or contiguous group of villages known for a specific product or a range of complementary products that have been in existence for decades and centuries. In a typical cluster, producers often belong to a traditional community, producing the long-established products for generations. Indeed, many artisan clusters are centuries old. Given below are examples of such clusters.

2.3 Cluster Concept

Alfred Marshall, the English economist, is supposed to have propounded the cluster concept in 1910. He examined the industrial districts found in Europe and explained that main reasons of localization of industry are physical conditions such as climate and availability of raw materials. These factors resulted in benefits of externalities for firms within them such as technology availability, access to a skilled labor, access to inputs and marketing advantages. These externalities provided competitive advantage both domestically and internationally. Firms located in industrial districts are highly competitive in the neoclassical sense, and in many cases there is little product differentiation. The major advantages of industrial clusters arise from simple propinquity of firms, which allows easier recruitment of skilled labor and rapid exchanges of commercial and technical information through informal channels. They illustrate competitive capitalism at its most efficient, with transaction costs reduced to a practical minimum but they are feasible only when economies of scale are limited. Economic geographers have tried to explain the existence of clusters on the basis of cost minimization or maximization of profit. The preferred locations for new entrepreneurs are those where demand is large or supply of inputs is more convenient and these are places where other producers of similar goods are already located. Other economists have argued that the competition that exists between firms located in a cluster drives productivity and innovation creating new resource endowments such as skilled staff and technological know-how. Human capital has also been identified by some as the main engine of growth.

2.4 Cluster Definitions

Clusters are a geographically proximate group of interconnected companies and associated institutions in a particular field linked by commonalities and complementarities. Clusters encompass an array of linked industries and other entities important to competition ...including governmental and other institutions – such as universities, standard setting agencies, think tanks, vocational training providers and trade associations” Porter (1998)

· ...geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue that share specialized infrastructure, labor markets and services, and that are faced with common opportunities and threats.” Rosenfeld (1997)

Regional clustering has been used to describe industrial districts of small crafts firms, high technology centers, agglomerations of financial and business service firms in cities, company towns, and large branch plants and their supply chains.” “...clusters at least must be characterized along relevant dimensions if appropriate policies are to be devised ... (these include) ...density...breadth depth...activity base...growth potential...innovative capacity.”

Enright (1998) (Source: OECD 2007, Cluster Policies White book 2004 & Enright (1998)

2.5 UNIDO cluster definition

Cluster can be defined as concentration of micro, small and medium enterprises in a given geographical location producing same or a similar type of products or services and these enterprises face similar type of opportunities and threats. The cluster is known by the name of the product being produced by principal firms and the place they are located in. While defining a cluster, it is to be seen that too wide a product range will make product group meaningless because the common opportunities and threats cannot be said to exist for wide range; and also too large a geographical area will not allow the firms in the cluster to take benefit of development through proactive joint action. Also, defining product too narrowly will make the cluster mapping process meaningless. It is pertinent to mention that conglomeration of firms does not necessarily imply a ‘cluster’. The table below gives what is not a cluster and why:

Table 1 What is cluster and why not:

Not a Cluster	Why not a cluster
A 'Sector' that is present in various places all over a state or a country	Too large a geographical area deprive the units across the area to exploit advantages of proactive joint action
An individual estate or an individual park having multiple products	Too wide a product range means no common opportunities and threats. Hence, little scope of joint action.
A network (small group) of enterprises producing similar products	Too small a number for enabling significant and variety of joint actions. These are often part of a cluster
A cooperative, with promotes cooperation among a number of enterprises under some norm, rule or a public scheme of assistance	A central feature of dynamic clusters is 'competitive cooperation'. In case of cooperative, competition does not exist.it is often a part of a cluster
A group of villages, town or city consisting of enterprise producing a diverse range of products or services	These are clusters in different sense and are not enterprises based cluster

Source: UNIDO cluster definition

2.6 Advantages of industrial clusters and the case for policy intervention

Industrial clusters, which are defined as the geographic concentration of economic activities producing similar and closely related goods, give scale advantages for MSEs providing relatively easier and cheaper access to resources such as credits and inputs. Industrial clusters include not only the concentration of output producing enterprises, but also input suppliers, output buyers, various service providers and in some cases government and non-governmental institutions. Often clusters arise in the economic land scape of several countries in the world as a result of spontaneous agglomeration forces which lead to the co-location of producers of similar products. The reason why industrial clusters have received considerable attention by policy makers in every corner of the world is due to the established fact that these agglomerations provide a wide range of advantages to the enterprises that belong to them (Schmitz and Nadvi, 1999):

- availability of inputs, specialized labor and availability of inputs, specialized labor and various services in nearby locations help reduce **costs of doing business** within clusters;
- The presence of various actors close to each other facilitates easy **flow of knowledge and information exchange**;
- the trust that naturally develops within clusters helps provide the basis for joint actions (**cooperation**) to invest in common facilities and facilitate smoother commercial transaction, reducing risk and uncertainty;
- Industrial clusters typically lead to **large markets** that enable enterprises operate at a larger scale arising from the division of labor within a cluster. The available large markets within clusters also provide consumers greater choice and convenience by reducing search cost.

The overall effects of clustering might result in a significant increase in the competitiveness and profitability of enterprises, in particular MSEs which, at least partly, overcome in this way the dis-advantages of their small size. The rationale for cluster initiatives lies on the existence of several constraints and ‘market.

2.7 Cluster development programs in Ethiopia

Cluster development program has become an increasingly widespread tool in fostering innovation and growth of competitive MSEs both by the government of Ethiopia and various international organizations such as UNIDO and the World Bank. These programs are run on natural and government created clusters.

The Ethiopian Government takes the cluster development as one of the priority areas of intervention. Although local governments, by allocating resources, are supporting development of clusters, their support is mostly provided for the construction of sheds and provision of premises. There are no systematic cluster development guidelines in place for implementation. Most MSEs are standalone and scattered. Access to quality raw materials, and marketing the products and services are issues, confronted by most of the MSEs in Ethiopia. As there are no networking and linkages, established amongst the stakeholders, many micro and small enterprises are at the risk of survival. UNIDO has been supporting several localities in setting up and strengthening the sectorial business clusters, which are working well and giving the results. The local governments have great interest to learn from the best practice of Cluster Development

and replicate in their respective localities. In this regard, local governments have requested UNDP to provide support to the localities in developing their capacities for cluster development.

2.7.1 Types of industrial clusters in Ethiopia

The common types of clusters in Ethiopia are natural clusters. Natural clusters spontaneously grow out of the concentration of economic activities based on market forces over a long period of time. Although the exact number of natural clusters in Ethiopia is not known, they are commonly found among labor-intensive manufacturing sectors and are mostly located in urban centers, rural towns and touristic areas. Some examples of such clusters are the footwear cluster in Addis Ababa; the metal and wood work cluster in Mekele; the bamboo work cluster in Hawassa; and the handloom cluster in Addis Ababa. The other type of clusters are government created clusters that are induced through deliberate policy actions such as the establishment of industrial parks and export processing zones to attract certain industries to specific locations. Government created clusters for MSEs are recent phenomenon in Ethiopia that have begun to be established starting from 2003.

2.7.2 Cluster development strategy of the Government of Ethiopia

In line with the current MSE Development Strategy of Ethiopia, the government formulated a Cluster Development Strategy (CDS) in January 2011. The main objective of the CDS is to alleviate problems of working and selling premises often faced by MSEs through the construction of standard working and selling premises where a number of enterprises that work on similar and closely related goods can enter and operate. The provision of premises to similar and related enterprises is believed not only to resolve their space limitations but also help create markets, facilitate technology transfer and induce network and collaboration among enterprises. According to the CDS, various support packages will be given to MSEs operating in government built premises such as training and information about saving and access to credit, business development services, industry extension services, training and linking enterprises with big companies.

2.7.3 Types of government created clusters in Ethiopia

Established clusters:

These are clusters that are constructed from scratch for a certain sector in a certain location. Producers that enter into established clusters usually come from different parts of the city and

most of them do not have personal knowledge of each other before moving to the cluster. Enterprises entering these clusters include both new startups and those that have already been operating in the business in another location. Input suppliers and service providers are absent in these clusters. Personal networks and business relationships among producers in also very limited but external networks and contractual relationships with big companies and factories outside of the cluster and even the export market may exist. One example of established clusters in Ethiopia is Kirkos textile and leather clusters (Ali, 2012).

Expansionary clusters: These are sheds and buildings that are constructed in the vicinity of the existing natural clusters. The aim of expansionary clusters is to provide spacious and clean working premises mostly to cottage based enterprises that used to operate in natural clusters. Most of the enterprises that enter into expansionary clusters may have personal relationships with each other even before moving into the cluster. Because expansionary clusters are located in the vicinity of natural clusters, most producers would be able to maintain their existing market with input suppliers and output buyers. The Gundish Meda Textile and Garment Cluster is one example of an expansionary cluster (Ali, 2012).

Relocated clusters: This is the case where natural clusters are already congested and there is not enough space to build working premises in the vicinity of the existing clusters. As a result, enterprises that used to operate in the natural clusters are given working premises in another location outside the vicinity of the natural cluster. The enterprises that enter into the relocated clusters may have similar characteristics with that of the enterprises in the expansionary clusters in terms of personal relationships and having been stayed in the businesses for a long period of time. The only difference is that relocated clusters may be far away from their existing market of input supplies and output buyers. The Ethio-International Footwear Cluster is an example of are located cluster from the Mercato natural footwear cluster (Ali, 2012).

The overall objective of this strategy is to enable the micro and small scale enterprises play significant role in the national development activities, particularly, in the creation of employment opportunities and poverty reduction. This will be achieved by providing comprehensive and

accessible development support for the enterprises. The following targets are set in the sub sector during the GTP period.

- Organize the MSEs and build attitude of youths especially literates in creating jobs for themselves, through process getting industrialists. Training institutions and different types of organizations play their part in influencing people to be on their behalf by doing broad based and continuous awareness and advocacy works.
- Develop the attitude and skill of entrepreneurship in realizing the sector not only meant for job creation but also a place of expanding modern management system.
- Enable the sector to develop strong linkage with agricultural, medium and large scale sector.

2.8 Description of Handloom sector

The handloom sector engages more than 221,000 workers, 55 percent of whom operate in rural areas and 48.5 percent of whom are women (CSAE 2003). Producers in the sector often use simple tools, mainly specializing in hand-woven textiles and not using power-driven machines. Microenterprises in the handloom sector mostly consist of owner-operators with an average employment size of 1.4 persons. The sector comprises, on average, six different activities ranging from the spinning of cotton into yarn to the tailoring and embroidery of weaved products. These activities are either performed by different specialized producers or integrated in one enterprise. In the specialized system of production, often women engage in the pre- and post-weaving activities, whereas the weaving is predominantly done by males.

2.9 Strategies to help handloom weavers

The aim of the organization is to improve livelihoods and increase the income of handloom textile producers through facilitating access to growing markets, enhancing production techniques, introducing appropriate technologies, improving input supplies and providing access to finance. The strategy, at input level, is to facilitate links between input suppliers and the weavers to ensure quality raw materials at a reasonable price. The cooperatives arranged finance to purchase inputs or made business agreements to provide raw materials. At production level, weavers are grouped into clusters from 10 to 20 and given capacity building trainings on design, color selection, quality details, market led production, basic business skills, costing and pricing

and time management. At marketing level, strategies include linking weavers to high value markets through intermediaries and improving weavers' technical capacity building through trainings. The aim is to ensure the products meet the quality design and other product specifications for the high end of the market.

2.10 Socio Economic Role of Handloom Sector in Ethiopia

As explained in the first chapter, next to agricultural sector, handicraft sector accounts the large proportion of employment in Ethiopia. This sector is also important because it uses local resources, enhance linkage between sectors, and preserve local knowledge and cultures. One of its heritages is handloom sector that serves as an important source of livelihoods and income for large number of people in the country. In most case, it is found in geographically concentrated way (Ali 2007).

According to CSA (2003b) cottage/handicraft Manufacturing Industries Survey, there were 221,848 hand-weaving enterprises in the country, of which, about 55 per cent were located in rural areas. Male accounts about 60 percent of employment in the sector. Some authors have referred the sector as a potential means of improving backward and forward linkages in the country. It's also serving as means of tourist attraction, preserving local knowledge and cultural values.

Given the above advantages of the sector, currently there are handloom product exporters and their associations which are trying to capture the emerging export market. They are working to reduce international market barriers by involving in product development activities such as helping producers to produce product that can meet export standard in terms of quality, design and volume as well as by providing input supplies during subcontracting. Generally, the sector is playing important socio economic roles and showing positive performance changes.

2.11 Handloom sector in Gulele Sub City of Addis Ababa

According to Ali (2007), in Addis Ababa the number of weavers is estimated to be 60,000, and 20,000 of them found in the form of clusters at Gulele Sub City which is located in the northern part of Addis Ababa. There are also other neighborhood handloom clusters which are located at Ayertena, Yeka, and Akaki areas of the city. In these clusters, male accounts for 61 percent of

weavers. But, the information obtained from Gulele sub city's MSE development agency, the percentage of male increase to 80 percent. There are two organizational structures of weavers in the cluster. These are weavers under cooperatives structure and individual weavers who work outside cooperative structure. The latter group mostly performs their activities at individual workshops. According to the current cooperative proclamation No.147/1998, cooperative society refers to a society established by individuals on voluntary basis to collectively solve their economic and social problems and to democratically manage same. It also states that each primary cooperative society must have at least ten members. But, as it is observed by different scholars from field survey there are differences in terms of functional structure of cooperatives. Some work jointly at common place and have relatively some level of common business administration while some perform and administer their activities separately at different places. For weavers who are working at individual workshop, membership in cooperatives is to get some government supports like finance and input supply services. Therefore, based on the paper's working definition for MSE, cooperatives that have common working place are belong to small enterprises while members of cooperatives which lack common working place and non-cooperative member stands by themselves as separate micro enterprises since number of employees they had is not more than ten(Farman and Lessik 1989).The 2008/9 annual report of the agency shows that during the reporting period there were 5055 registered weavers at MSE level, of which, male has accounted 89 percent (2009). The total number further divided in to 140 weavers' cooperatives with 4969 member and 14 enterprises established by 85weavers' group and one individual weaver enterprises. Moreover, out of the total only 33 coops have common working premises for their 1514 members, while the rest coop members in 103 coop work at individual workshop.

2.12 Features of Gulele Handlooms Cluster before UNIDO's Cluster Development

Intervention and working premises arrangement.

The handloom weaving cluster has economic and development importance in terms of very high employment potential and linkages with agriculture (cotton) economy. Availability of raw materials locally, traditional skills, increasing global market for niche hand woven home furnishings and the advantages of export market access

Among the estimated number of weavers, more than 60% are found in the Gulele sub-city of the Addis Ababa Administration.

However handllom has been faced with several constraints. As result, continued to stagnate in under-development and poverty. The major constraints inhibiting the handloom from realizing its potential include primitive loom technology which had very low productivity and limited

diversity in production. Lack of product diversification to meet the changing consumer needs, lack of finance, poor quality of yarn supplied by the textile mills, non-availability of working capital, poor working environment, lack of production and marketing place, inadequate skills to work on modern products, and absence of BDS services with respect to technical and design matters are also considered as the major constraints to hinder growth and change.

Another challenge that has been identified to be addressed under this project is, the inadequate capacity of the MSEs support institutions to design and implement programs of this nature on their own. According to UNIDO's baseline assessment, although some national and regional MSEs support agencies take cluster development program up on their own, they need technical assistance in terms of training of the CDAs, exposure to international best practices and need-based support during implementation of the program . Such technical assistance would have been expected to enhance the implementation capacity of these agencies and thereby contributing to success and sustainability of the initiatives.

Overall, the problems to be addressed under the project had been very wide and complex. UNIDO believed that the cluster development program, in combination with the activities to improve the institutional capacities in general and with the continuation of established training program provision of different supports like production and marketing premises, provides appropriate conceptual framework and tools to address these issues on a cost-effective and sustainable basis.

CHAPTER THREE

Research methodology

3.1 Study area

The study was conducted in two Woredas (i.e. Woreda-1 and Woreda-6) of Gulele sub-city administration, north-wester part of Addis Ababa administration (Fig 1). In the Gulele sub-city, there are 1125 micro and small enterprise operators. Out of these operators, 259 are engaged in manufacturing industry, 810 in services and the remaining 56 enterprises in urban agriculture. A total of 256 handloom weavers are working in clusters under shelters constructed in the two woredas.

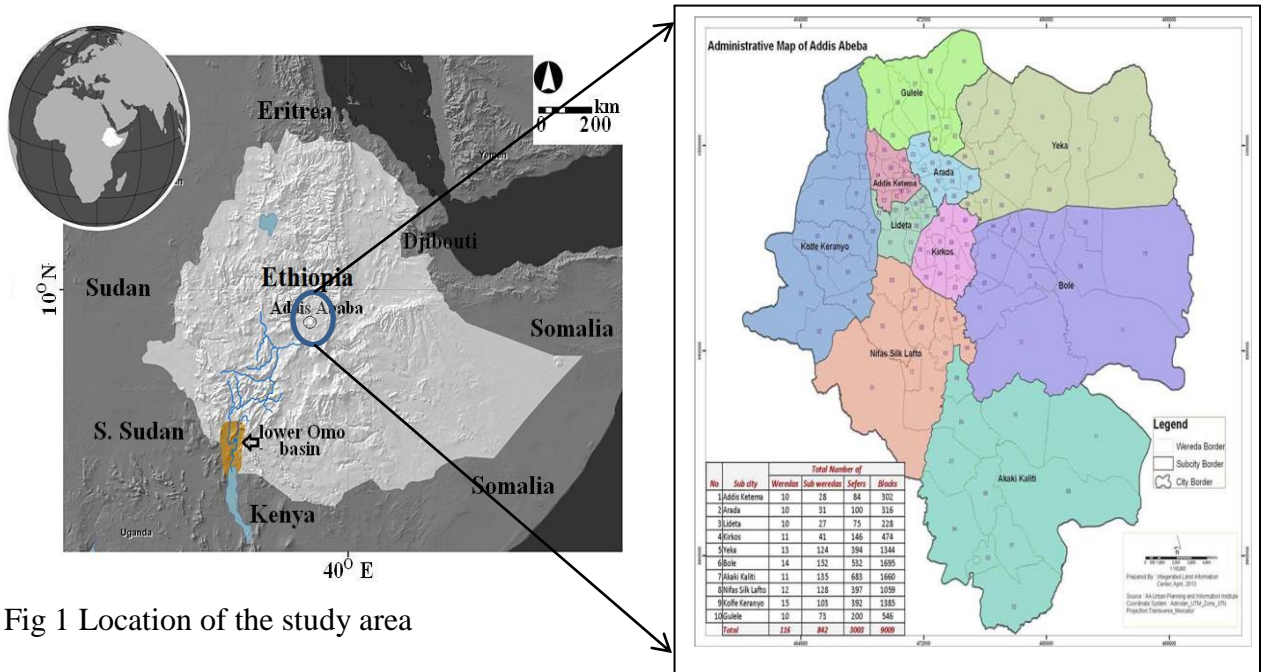


Fig 1 Location of the study area

3.2 Sources of data

To get more representative information concerning the challenges and prospects for handloom weavers, the study used both primary and secondary data sources. The primary data was collected through questionnaires, personal observation and interviews with handloom weaving operators, MSEs. The secondary data was collected from published and unpublished documents, including official reports from various government institutions, such as Micro Small Enterprises agency and Central Statistics Authority.

3.3 Sampling techniques

Both primary and secondary sources were used to fetch relevant information for the study. Sources of secondary data includes: research papers; books; journals; and empirical/statistical figures from government and NGO sectors. Primary data was collected through questionnaires' and semi-structured interview with operators and discussions with government sectors as support providers to handloom cluster development. The semi-structured interview was meant to allow respondents give detailed information and to incorporate unforeseen relevant information.

To determine which organizations shall be approached for interview, guidance was sought from Cooper and Schindler (2006) who assert that in qualitative studies sampling sizes are generally small. They also point out that qualitative research involves non-probability sampling where little attempt is made to generate a representative sample. Taking this into account, the study incorporates population of interest from clustered handloom weavers operating in government constructed working premises and non-clustered household weavers operating from their home, private and nongovernmental sector involved in the handloom development directly or indirectly. A form of purposive sampling technique known as judgmental technique was thus employed to identify respondent from woreda one and six of Gulele sub city hand loom sector. This technique is chosen because it would allow the researcher to select respondents thereby to achieve the research objectives with necessary information. Coupled with this, reasoning matters as judgmental sampling never allows randomization, respondents could be stratified (Page and Meyer, 2005) to derive a diverse set of opinions and ideas about the data the study sought to collect.

Accordingly, in a sampling frame, the researcher deliberately chose participants from the two woredas as summarized in table 2 below:

The reasons for selecting the specific Gulele sub-city woreda one and six as a case study stemmed from the fact that the sub city accommodates more than 60 percent of handloom weavers in Addis Ababa (CSA, 2003a). Also, Gulele Handloom Cluster provided ample scope for learning more about clusters and economic development since it is one of the few sectors where cluster development and working premises has taken place. The researcher, therefore,

hopes that the study will serve to assess the impacts of the cluster and working premises development efforts so far in Gulelele sub city and to identify any gaps thereof.

Table2 Sample size for handloom weavers clustered and operating in the government working premises and non-clustered household handloom operators in Gulele sub-city, Addis Ababa.

Category operators	Sample size of site one (Woreda-1)	Sample size of site two (Woreda-6)
Clustered handloom weavers working under sheds/premises	30	30
Non Clustered household operators working at their private house	30	30
Total	60	60

Source: Computed by the researcher

3.4 Questionnaire administration

The necessary data was collected through interviews and semi-structured questionnaires. In order to include facts and opinion towards the challenges and prospects of handloom weavers from operators and officials perspective, both close-ended and open-ended question was included in the questionnaires. Moreover, to avoid communication barriers, the questionnaires translated to the local language, i.e. Amharic.

3.5 Data analysis

Based on the information and data obtained from both primary and secondary sources, both qualitative and quantitative data analysis methods are applied. However, most of the analysis is through explanatory qualitative method and using simple quantitative measures such as percentage and average of quantitative figures.

CHAPTER FOUR

Results and Discussion

4.1 Introduction

The chapter analyses the case using data gathered from 120 sample respondents. As described in the methodology part, the sample was taken from hand loom weavers working in the government constructed working premises and household operators working from their home. The analysis is presented in different section of the chapter. The aim of the chapter is to answer the first, second and third research questions which examine positive contribution of government working premise on economic, social, technological and infrastructural benefits and the benefits and challenges of existing government cluster development policy on handloom weavers working from government working premises and non-clustered weavers operating from their home. It also helps to answer the question which focuses on the lessons learnt.

4.2 Characteristics of sample respondent

The survey shows that educational backgrounds of most of the respondents are concentrated around second cycle primary school level (5-10th grade). But, those respondents who are working in the government working premises and cooperatives are relatively well educated. This might give them an advantage for their competency and productivity. Moreover, it shows that more than 80 percent of weavers working in the government working premises engaged in the sector for more than five years (Table 3). As far as weaving activities are performed manually rather than complex technology and technical skills, the duration of engagement in the business may have significant importance in terms of capturing some relevant knowledge and skill. Therefore, majority of weavers in working premises have these potential advantages. Moreover, it might have relevancy for successful development interventions.

Table 3 Characteristics of sample Respondents

	Gov. premises	Percent	Rented house	Percent	private house	Percent
Sex						
Male	47	78.33	30	50.00	21	35.00
Female	13	21.67	3	5.00	6	10.00
Age						
Above 46	5	8.33	10	16.67	9	15.00
31-45	38	63.33	18	30.00	12	20.00
18 -30	2	3.33	5	8.33	5	8.33
18 - 30	15	25.00	0		1	1.67
marital Status						
married	46	76.66	29	48.33	22	36.66
single	14	23.34	3	5.00	6	10.00
Family size						
6 to 11	6	10.00	12	20.00	7	11.67
4 to 5	48	80.00	14	23.33	13	21.67
0 to 3	6	10.00	7	11.67	7	11.67
Educational Level						
5 to 10	46	76.67	11	18.33	6	10.00
10 to 12	1	1.67	4	6.67	6	10.00
1 to 4	9	15.00	13	21.67	9	15.00
read and write	4	6.67	4	6.66	6	10.00
illiterate	0		1	1.66	0	
Enterprise establishment						
Above 5 years	21	35.00	28	46.67	24	40.00
2 to 5 years	30	50.00	2	3.33	3	5.00
1 to 2 years	9	15.00	2	3.33	1	1.67

Source: Computed from filed survey, 2015

4.3. Type of working premise and reason why they choose

The handloom weaving cluster has economic and development importance in terms of providing employment potential and creating linkages with agriculture (cotton) economy. Availability of local raw materials, traditional skills, increasing access for global markets is some of the major opportunities for traditional hand loom weavers sector. On the other hand, unavailability of the working premise is the major problem for most of the micro enterprises operators in Ethiopia, in general.

According to Ali (2007), in Addis Ababa the number of weavers is estimated to be 60,000, and 20,000 of them found in the form of clusters at Gulele Sub City which is located in the northern part of Addis Ababa. There are also other neighborhood handloom clusters which are located at Ayertena, Yeka, and Akaki areas of the city. In these clusters, male accounts for 61 percent of weavers. But, the information obtained from Gulele sub city's MSE development agency, the percentage of male increase to 80 percent.

The research finding shows that the ReMSEDA is working strongly to alleviate working premises related problems permanently. To this effect, they constructed a building (G+4) for working and marketing premises in most sub cities of the Addis Ababa Administration, including Gulele. On the other hand, even though the weavers entered into commitment with the Addis ReMSEDA to pay a rent for the availed temporary working premise, currently some weaver's cooperatives and individual weavers working in the premises start paying the committed monthly rent, which is Birr 2 per meter square. 4 Sq. Meter is allocated for each weaver.

Table 4 Type of working premises and reason why they choose

Reasons	Government working premises	Percentage	Private House	Percentage
Conducive working environments	24	40.00	-	
Less rental cost	19	31.6	-	
Flexible working hour without restriction working including over night	-		11	18.33
Family Management	-		17	28.33
Proximity and family management	-		9	15.00
No Rental cost	-		3	5.00
Less rental cost and family management	-		3	5.00
Lack of other opportunity	17	28.33	16	26.66

Source: Computed from field work, 2015

Generally, about 71.6 percent of respondents from government constructed working premise stayed in the business to take advantage of opportunities, while the rest 28.33 percent of respondents stayed due to lack of other opportunities. With regard to respondents who operating form their household, about 26.66 percent stayed in their house due to lack of other opportunities and showed their interest to work in the Government working premises to take advantages of less rental cost, conducive working environment and supports provided by MSEs and other stake holders in the field, while from the same respondents, about 18.33 percent stayed to manage their families as well as their business at the same time (Table 4).

Table 5 Reasons of Respondents for engaging in handloom sector

Reasons	Working Government working premises		Household operators	
	Number of respondent's	Percent	Number of respondent's	Percent
Family Business	18	30.0	24	40.0
Lack of other Opportunity	3	5.0	5	8.3
Lack of opportunity & family Business	7	11.7	6	10
Lack of other alternatives	11	18.3	14	23.3

Source: Computed from field work, 2015

As some studies show, about 80 percent of operators engaged in handcraft sector have some level of skill and knowledge required in the sector either by inheriting from family or self-experience as employee. As shown in details in Table 5 of the total respondents, about 70 percent of the total respondents were initially engaged in the business due to their inherited experience from their families; while 23.3 percent enter due to lack of alternative and the rest entered by seeking opportunities. Generally, from Government working premises and non-Government working premises members, about 11 percent of the respondents indicated that lack of opportunity was the reasons for them to stay in the sector. This shows that compared to respondents from government working premises, majority of operators in these groups have high inclination to leave the business if they get other alternatives with better benefits.

4.4 Supports provided to Weavers' Business

4.4.1 Sources of support

Table 6 Source of support

Source of support	Working premises operators		Household operators	
	Number of respondent's	Percent	Number of respondent's	Percent
Government institutions (MSEs, city administration and TVT)	27	45.0	7	11.66
NGO	19	31.6	39	65.0
Government and NGO	33	55.0	11	18.33
Others (Friends, Relatives, stakeholders, Informally from Gov't workers)	8	13.3	3	5.0

Source: Computed from field work, 2015

As Table 6 indicates, governments and NGOs are the two main formal sources of support providers for weavers in working premise cooperative and individual operators. About 55 percent supports to cooperatives working in the working premises was jointly provided by government and NGOs the rest 45 percent covered by government MS institutions. Similarly as indicated in the above table regarding different supports provided by the government agencies and NGOs all weavers operating in the government working premise are benefited from the support provided by the agencies. By less than 20 percent of respondents from household weavers got support from both institutions. This indicates weavers in government working premises have better access for the formal sources of support provided. More interestingly, operators in the government constructed working premises are more benefited from the support provided by the above institutions other than household operators. The reasons were lack of access due to strict criteria set by providers like the need for being organized into cooperatives or group, and group collateral, lack of trust on relevance of the available services that arise from absence of significant change by users, credit ceiling that does not satisfy their demand, and lack of awareness about some services.

Weavers working in the government constructed working premises also have been getting other supports from private business partners; and friend and/or relatives. There were due to business and/or horizontal relationships. Exporter or local traders were providing embedded services in order to obtain products with required quality, design, and specifications. Similarly, relatives and/or friends have role in sharing knowledge, giving advice and other supports through their horizontal linkage with operators. Such relationships were relatively strong in case of weavers in government constructed working premise than household weavers.

4.4.2 Contribution of MSEs and NGOs in the development of Weavers

Based on the data's collected from respondents operating in the government constructed working premises and discussion made with stakeholders in Gulele sub city woreda 1 and 6, weavers operating in working premise are more benefited from the following packages of support provided by Government Agencies like MESs and NGOs.

- a) Human Resource Development /HRD/
 - Developing attitudinal change
 - Providing entrepreneurial and technical skill development trainings
- b) Technology Development
 - Technological support including; selecting, developing and expanding appropriate technologies, and producing project profiles
 - Provide appropriate machine, which are not affordable to buy, on fair free or rent basis
- c) Industry extension service
 - Provide organized information and facilitate trainings on entrepreneurship and business management
 - Developing the appropriate technological and transferring best experience
 - Marketing and productivity quality improvement
- d) Market Development and Marketing Support System
 - Sub-contracting, outsourcing, franchising and out grower
 - Constricting and organizing market centers
 - Organizing exhibition and bazaars

- Organizing enterprises' information on website and directory
- e) Finance and Credit Service Support System
- Facilitate trainings for MSEs actors on finance development and saving
 - Facilitate and formulate system that helps actors to carry out credit service based on their growth level
 - Lease machine support
- f) Production Center and Market Area development
- The center facilitate common production materials
 - Provide training on marketing and other related fields
 - Organize consultation services that enable enterprise build their capacity for transition and growth
- g) One Stop Service center
- Register and organizing operators' according to commercial law of Ethiopia /Sole-proprietorship, PLC and etc...
 - Certify the MSE's
 - Registering and providing trade licenses
 - Facilitate book keeping and auditing service
 - Facilitate, utilization and administrate cluster centers
 - Facilitate credit and saving services
 - Facilitate marketing linkage between the enterprises
 - Facilitate events for enterprises to share experience and to create market linkage among each other.

Table 7 Type of working primes and number of respondent's gating support

Type of working premises	Number of respondent's	Percentage of respondent's
Government working promises	60	50
Private House	33	27.5
Rented House	27	22.5

Source: Computed from field work, 2015

4.4.3 Beneficiaries of support provided by City Administration, MSEs and NGOs

As it is depicted by Table 7, percentage of users of the above mentioned supports were identified for both cooperative members work at common working premises and individual household operators.

Table 8 Support provided by MESs and Percentage of Support users

Type of support	Weavers at				Total
	Working Government working premises		Household		
	No.	Percentage	No.	Percentage	
Short term training	34	56.66	16	26.66	50
Credit facilitation	60	100.0	42	70	102
Product design	29	48.33	24	40.0	53
Technology development	45	75.0	-	-	45
Marketing	34	56.66	-	-	34
Counseling	49	81.66	30	50.0	79
Working premises	60	100.0		-	60
Marketing premises	33	55.0		-	33
Raw materials	26	43.33		-	26
Net working	60	100.0	53	88.33	113

Source: Computed from field work, 2015

Table 8 shows that while all weavers were getting credit facilitation and networking services, the opposite is true for raw material supply services even though it was placed at first priority level by weavers. In addition, all respondents have explained the price escalation of inputs. Their reasons were limited number of suppliers in the market and weak attempts by government toward solving their input problems. However, some of the respondents from Government working premises operators who are organized as cooperatives have shown the presence of input supply attempts recently through their cooperatives on other hands, Since most hand loom operators operating form their home are often found scattered and structurally disorganized. The raw material sourcing by the sector does not have a permanently stable source. However, the

major source of cotton yarn for weavers is the domestic textile mills. The very limited processing units that are engaged in the production and marketing of yarn together with their under-capacity performance has therefore created a major concern in the overall production of the handloom sector. This is further aggravated by shortage of good quality dyed cotton yarn material in the domestic market unable to meet the demands of the handlooms with the supply for demanded color. However, the clustering approach, by way of networking, created better linkage between weaver's cooperatives, and raw material produces a better source of raw materials than handloom operators operating from their home

Regarding different supports provided to the handloom weavers the two groups of respondents have been accessing the support at different levels. Particularly, while 45(75 percent), 34 (56.66 percent), 60(100 percent), and 33 (55 percent) of respondents from cooperative and government working premises were users of technology development, marketing, production premises, and marketing premises, respectively. No one has replied as user for these services from members at individual household operators. Here the marketing premises service refers to common display center around working premises. The display centers around government constructed working premises were established by the initiation and financial support of UNIDO. The centers serve as sales and promotion centers. Currently cooperatives are managing and fully financing cost associated with marketing premises.

4.4.4 Satisfaction level of handloom weavers using different supports

Table 4.4.4 shows satisfaction level of support users by support provided in the past five years. Distinctions were made in terms of service accessed for both group.

Table 9 Level of satisfaction obtained from support

Working premises	Type of support	Respondents' No.	Stratification level	
			Below minimum	Above Minimum
Working premises	Technology development	35	15 (43)	20 (57)
	Marketing	27	21(78)	6(22)
	Marketing premises	19	11(58)	8(42)
	Production premises	24	9(38)	15(62)
Household				
Both	Short term training	43	29(67)	14(33)
	Credit facilitation	53	53(100)	-
	Production design	37	16(43)	21(56.75)
	Counseling and information	31	22(71)	9(29)
	Net working	34	18(53)	16(47)

Source: Computed from field work, 2015

Note: those figures in bracket shows percentage.

As Table 9 shows, for more than 50 percent of respondents from working premises their satisfaction level was above their minimum expectation for technology development and production premises services, while it was below their minimum expectation for marketing and marketing premises services. Except for product design, for more than 50 percent of both group of respondent satisfaction generated from short term training, credit facilitation, counseling, and information services was below their minimum expectation. Reasons of respondents are discussed in the following section.

4.4.5 Benefit gained from working in working premises and its challenge:

As stated above, users of technology development, marketing, marketing premises, and production premises were weavers only from government constructed working premises. Thus, impact of working premises and these supports corresponds to the users. Therefore, we present first about these supports provided to weavers operating in the government working premises and then about supports that are provided for household weavers.

4.4.6. Support given to weavers in Government constructed working premises:

For 58 percent of users of technology service, the service has generated satisfaction above minimum expectation. According to them this was because the service has positive impact on their product flexibility; production speed; product quality; weaving comfort; and in decrease cost of loom damages. This can be seen in terms of impact of the new loom and traditional loom on weavers performance.

Users of the new technology (loom) argue contribution of the technology for their product width and length flexibility. Weavers explain as their capacity has changed from producing product with 90cm or less width to 1.60cm due to the new loom. For example, one respondent said that “previously my product width had been limited only between 80cm-90cm but now after I got the new loom I produce product which can have 1.2cm to 1.60cm as well as the length of product has increased by four folds so that I can make flexible product based on market demand”. This implies contributions of technology improvement on weaver’s product development.

With regard to weaving speed, the new loom (called MY-loom) users have mentioned as weaving process is getting more easy and the decline of per unit production time. Instead of intensive hand movement for shuttling as traditional loom, the new loom synchronized shaft allow weavers to do beating and shuttling automatically. Moreover, its four shafts allow them to make plain (not complex) pattern easily as compared to the traditional loom. For example, respondents have explained that by shifting from using traditional loom to MY-loom (new) their capacity of producing product with plain pattern has increased from 8 to 16 meters per day. In addition, weavers argue that MY-loom gives comfort during weaving and has eliminated health problems which are associated with pattern making using traditional sticks that needs intensive eye concentration.

With regard to traditional loom, mainly two impacts were identified by the respondents – that were decline cost of loom damage and improvement of weavers’ comfort. Here, the change over the previous traditional loom is that shift in loom making from wood to metal materials and some adjustment on loom to produce product with additional width (from 80-90cm to 1m). According to the users, repeated loom damage and associated cost have been removed. Moreover, the improved loom has contributed to their comfort and enhancement in the production process. Using unimproved traditional loom requires pegging the loom into the ground in order to fix loom balance and position. That in turn needs preparing weaving place by digging a hole. According to them, weaving in such condition not only decreases weavers comfort but also reduces product quality. All these processes have been removed after using the improved one due to its easiness and flexibility to manage. Generally, the above explanations show positive contributions of technology development services through improving product and process development as well as cost reduction in weaving activities. However, there were some problems explained by user of the service.

4.4.7 Problems explained by weavers using the new loom:

The first is that difficulty to produce product with complex designs (pattern) by using MY-Loom. This has forced the users to use their traditional loom alongside the new one to use in the case of demand for complex design. It shows that its limited capacity to meet users demand. The second problem is absence of complementary services providers. Apart from the traditional one, operators lack technical skill to maintain the new loom when broken and lack easy access for spare parts. These problems have led broken loom to remain idle for long time and weavers to produce under capacity. The third problem was that unaffordable unit price of loom by individual weavers- from 10,000 to 12,000 Ethiopian Birr. According to the respondent and extension workers explanations, the price was above the capacity of most weavers and forces weavers to stick with the traditional loom.

With regard to working premises, comparing their past situation, about 64 per cent of users have described the service as satisfactory, while the rest 36 percent said less satisfied. All argued that the working premises have helped to improve quality of their product, to get relatively more customers and support of other service providers. Moreover, the working premise has improved

weaver's relationship in sharing knowledge and skill. This goes with the argument of Staber (2009: 554) and Schmith (2000: 324) about positive contribution of physical proximity in collective learning and rapid diffusion of new ideas and practices. In addition, some argue that it saved them from increasing workshop rent. However, particularly 36 percent of respondents said they were less satisfied due to lack or absence of different utilities such as light, water, bath room and other sanitation services.

According to users of marketing services, services through display centers around workshop and at FeMSEDA; bazaar and exhibition; and networking with large firms have positive contribution in promoting their product and increasing number of customers. However, most of the operators believed as they still have significant marketing problems due to high saturation of local market, sessional demand of products, lack of capacity needed for direct export; and inconsistency contractors order. As a result their unfair relationship with middle men is continued.

4.4.8 Supports given to household weavers:

So far, we have seen successes obtained from and challenges faced by weavers working in the government constructed working premises. The following discussions are about successes obtained and challenge faced by household weavers.

As Table 9 shows except product design support, the rest supports have generated satisfaction below the users' minimum expectation. Out of the total (33) Users of product design support, 56 percent of respondents replied that the support had increased their capacity to make various design based on demand situation. Some of the stated attributing factors for such improvements include: improved interaction among weavers working in common working premises; linkage with cooperatives; and final consumers.

Respondents were explaining networking in terms of improved relationship and interaction created among themselves; between them and exporters and local traders, government sectors, and NGOs; and the associated benefit from the linkages. But, most argue that even though networking has positive contributions for their business, their satisfaction due to the service was below their expectation. This was because it is less capable in solving resource and capacity

problem of weavers through bringing individual capability, skill and resources in to more organized joint resources and collective action, since most household operators operating from their home are often found scattered and structurally disorganized.

For 69 percent of credit facilitation service users, satisfaction from the service was below their minimum expectation while 31 percent even said it has adverse effect. Some of the reasons include; absence of consultation during facilitation; and less capability to address working capital problem. According to the users, credit facilitation activities were not after recognizing weavers' demand and priority by consulting direct users. The second reason was that the mismatch between amounts of credit allowed for borrowing and weavers' capital demand. As they said, the credit was not enough to solve their immediate capital problems or for expanding their business. Instead some argue that this has influenced their willingness to pay for existing loan and it in turn creates lack of other credit opportunity.

Table 10 Short term training users

Types of short term training	No. of respondents	Entrepreneurship	Leadership	Accounting	Bookkeeping	Management
Working premises	56	43	21	32	27	34
Household operators	49	31	24	22	13	33
Total	105	74	45	55	40	67

Source: Computed from field work, 2015

As it is depicted in Table 10, the most commonly provided types of short term training were included: entrepreneurship; leadership; accounting; bookkeeping; and business management, respectively. Majority of sample respondents were taking entrepreneurship and bookkeeping. However, for almost all respondents the training was not problem solving. The reasons were that lack of preparation and good awareness about weaving sector by trainers and facilitators, and providing less relevance training to solve recurrent problems. Moreover, users' response shows the service has not been in accordance with the business development service provision guideline rather based on government and NGOs working plans. As a result, it's relevancy in addressing problems was very lower.

4.5 Comparison of Weavers in the working premises and household operators

4.5.1 Employment Opportunity

According to respondent from 39 weaver's cooperatives in government constructed total employment created by these cooperative were 672. Out of which, 453 are temporary employees and 219 (32.6 percent) of permanent employees had been temporary workers in others business. The aim of cooperatives that hired temporary employees was facilitating their order delivery by supporting the existing permanent members in the case of bulk order. In other time, the temporary employees perform their individual activities within the common workshop regardless of their membership. On average each cooperative has 28 employees. These may indicate potential of networking to create employment and ownership for weavers, and to promote graduation of enterprises. As of working definition we used for MSEs in this paper, all respondents from common workshop belong to small enterprise cooperatives since the number of employees in each coop is above 10. Compared to the other categories of respondent, in this category there were no family members involved in weaving activities of cooperative members. It supports the argument of some authors that indicates less important role of family members in small enterprises.

Table 11 Job created in different weavers' categories

Respondents' form different categories	Respondents' No.	Total Employees	Permanent	Temporary	Family members
Cooperatives'	39	672	219	453	-
Non cooperative working premise operators	21	63	13	42	8
Household operators	48	71	17	22	32

Source: Computed from field work, 2015

The percentage of respondent replied change in number of working promises member in the past three years in terms of: no change, declining, fluctuation/seasonal and constant increase were 43.75, 25, 18.75, and 12.5 percent's, respectively. Even though number of employment was less, the figure in general has shown that cooperatives in government constructed working premise may remain source of employment for the existing members and potential employees.

Given most respondents have knowledge and skill in the sector, most argued that coming into working premises has helped them to have additional source of knowledge and skill due to their improved network with different parties and within themselves. Their argument is in line with Staber's (2009: 555) argument about promotion of learning through horizontal interaction among enterprises and vertical interaction among actors along the value chain. This indicates contribution of network in increasing the probability of remaining in weaving business.

The second category of non-cooperative member work at working premises - has different features. Some of the features include: locate at scattered place; independent in employment decision; each respondent (non-cooperative member) can be seen as individual enterprise and can has his or her employees; and categorized under micro enterprises since the number of employees in each is not more than ten. Having these features in to account, the following is about employment situation in the category as compared to the above one.

Out of the total 17 respondents, 5 (50 percent) operators have one employee, while the rest have between two to four employees. The total 63 employments created were that for: 14(24Percent) temporary employees, 17 (28.5 percent) family members, and 28 (47.5 percent) active business owners. Change in number of employees was practiced only by those who have temporary employees depending on market fluctuation. Compared to cooperative members, the number of employment created in this category is very low. Moreover, the potential of the business in creating means of employment for outside job seeker was very small since large proportions were occupied by family member and active owners. This further indicate that networking service provided for this group have not been able to be effective in bringing collective action of non-cooperative members to create more capacity and resource, and to graduate.

Household operators have similar features with the latter category. So that each respondent has handloom micro enterprises and employment composition includes family member, active owner and temporary employees. Out of ten respondents, 7 were actively running their own businesses. Number of temporary employees and family member each account eight employees from the total 23 employment. This implies that, like non cooperative members in working premises, large proportion (65 percent) of employment have accounted by family members and active owners. In addition, number of temporary employees change with market condition. Generally, the tendency

toward creating permanent as well as temporary job for non-family member is very lower in the category.

4.5.2 Impact on operators' income

Table 12 Source of operator's income at different working premises

Respondents' from the two categories	Weaving as source of respondents' income		
	Sole	Main	Additional
Cooperative weavers in the working premises	23(55Percent)	14(33Percent)	5(12Percent)
Individual operators in working premise	7(35Percent)	13(65Percent)	-
House hold operators	18(30Percent)	30(50Percent)	12(20Percent)

Source: Computed from field work, 2015

As Table 12 shows, 88 percent of weavers in working premises generates their income solely or mainly from weaving. For 55 percent of respondent weaving is their sole income source. This may indicate that in relative term income generated from weaving at least can fulfill operators and their family demand. Of these respondent, 40 (66.7 percent) initially entered in the business by seeking opportunities and also currently have inclination to expand their business. This generally implies that largest proportions of respondents in the category are opportunity oriented and have an inclination to expand and develop their business.

Similarly, out of five respondent who replied weaving as main income, 36(60 percent) were initially engaged in the sector due to lack of alternative while the rest 24 (40 percent) were to take advantage of the sector. But, their response shows as they have inclination to expand their business. Generally, the respondents' tendency toward expanding their business and the proportion of weaving in their income may indicate that the positive advantage existed in the sector and its development potential. In similar line, the largest proportions (62.5 percent) of the respondents have indicated slight improvement in their monthly income as well as increased demand for their product by local consumers and contractors. But, few (19 percent) reported significant change in their revenue due to the same reason, while the rest indicated the existence of decline and fluctuation in income. All argued that the main constraining is from increasing input price.

Compared to the above working premises users' category, there were high income diversification attempts among cooperative members and individual working premise operators. For example, in this group weaving is sole income source only for 35 percent of respondent, while for the rest it is main income source. Further it indicates for large proportion of weavers' income generated from the sector is less capable to fulfill demand of operators and their family. In addition, 60 percent of the respondents have indicated slight increase in their income, while the rest 40 shown declines in income due to input price increase and lack of market. Therefore, the comparison shows that the performances as well as the advantages of individually engaged working premise member weavers are lower than that of those collectively working in the working premise. But, the inclination of 70 percent of respondents to expand their business may indicate the existence of positive advantage in the sector.

With regard to household operators, percentages of respondents said weaving as sole, main and additional income source were 30, 50 and 12 percent, respectively. Given high income diversification, like the above two categories, weaving still accounts for larger proportion of income of respondent. In addition, 67 percent of those who have mentioned weaving as sole income and 60 percent of those who have mentioned weaving as main income were initially entered into handloom business having opportunity orientation. The survey shows that 50 percent of the respondents in the category have an inclination to expand their handloom business. Generally, these results may show significant and potential role of the sector in weavers' income. These respondents have also indicated change observed in their income in the past three years. Accordingly, 30 and 20 percent of the total replied for no change and decline in income, while 40 and 10 percent indicated slight and significant improvements in income generated from the sector. Like constraints of increasing input price and lack of supplies was the major factors affected income from weaving. In addition, 60 percent of these respondents from rented house operators have mentioned increasing workshop rent as problem which affects their profitability.

4.5.3 Marketing and Networking

It is believed that construction of working premises can play a role in improving access for local and external market, and hence market outreach, change in customers demand, and competitiveness. Information gathered from the respondent has some implications in these regard and shows advantage of weavers in common workshops over household operators in terms of

accessing and capability to use marketing and networking. Impact of networking on working premises operators business is depicted in the following paragraphs.

Respondents were asked whether demand for their product is increasing or not. Responses of weavers in working premises were: 30(50 percent) slight increase, 11 (18.75 percent) seasonal increase, 8(12.5percent) constant increase and 11(18.75 percent) no change in demand for their product. Even though there were seasonal increase and no change by some respondent, the majority response shows positive change in product demand. Their most reasons were: presence of common display center and production premises; and improved linkage with traders and contractors.

According to 27(44 percent) respondents, common display centers have significant contribution for their product market demand increase by: creating easily accessibility to new customers; increasing potential to generate reasonable product price for individual weavers; and improving financial capacity of cooperatives through generating revenue from commission collected for per unit product sold in the centers. Here all the revenue after deducting the commission will be paid for the member who displayed his/her product in the center. Thus, revenue which added to cooperatives' common asset is only that obtained from each member as commission. However, these respondents argued that the display centers have not been working at their potential. This was due to failures to meet consumers demand in terms of quality, quantity and product combination that arise from limited financial capacity. In addition, absences of related services (garment making) alongside the displayed product have been mentioned as problems which divert consumers to other alternative market.

Improved networking was the second reason which mentioned as contributing factor for improved demand. In this regard, including those respondent from government constructed working premises and cooperative which have common display center, 11 respondents were said that they have been working with exporters and large firms through accepting order and subcontracting works. Most of them believed that the improved relationship and trust with contractors has encouraging working together for mutual benefits. This goes with what Schimize (2000: 324) wrote that producer cluster helps to attract specialized suppliers of inputs and buyers

of their outputs. Visser (1999: 1553) has mentioned this as advantage of being in clusters in order to benefit from purposeful cross firm cooperation in vertical or horizontal linkage with the goal to improve products and processes. Similar to the display center, the increasing order have considered as advantage for individual weaver in cooperatives and for the cooperatives themselves.

During the case of bulk order either in the form of subcontracting or other arrangement with traders, it is the responsibility of cooperative marketing committee and board member to divide works among the member after taking in to consideration about individual members skill, and knowledge as well as speed in weaving in order to deliver order on time and maintain the required product quality, design and specification. Then, the member will be paid based on the per unit profit after deducting commission from each. Moreover, there is also linkage between cooperatives, particularly, in terms of sharing works in the case of large order beyond capacity of a given cooperative. In this case, the subcontracted cooperative will be paid commission for each unit of product it shared.

However, there are two problems faced by cooperative members working in the government constructed working premises. These are inconsistent of orders by contractors and internal management problems. In most of the case orders obtained by subcontracting from large firms is very seasonal. As a result, given limited capacity of weavers to determine their product price; lower capacity of cooperatives to collect weavers' product and sale at reasonable price; and the existing market saturation, the inconsistency of order has limited the capacity of individual weavers to escape from unfair relationship with middle mans. In addition, it reduce the potential environment created for taking advantage of collective action since in the absence of order each weavers have been forced to work for individual benefit and search their market for own product. These in turn reduce positive perception and trust of individual members for collective action.

The second factor that respondents mentioned as problem link to internal relationship and administrative procedure that were used to distribute works among members. According to them, the work division in the case of order was by using subjective measures. The subjectivity of criterion used has been contributing for lack of trust to happen between members and board members. Moreover, some respondents were claiming problem due to corrupted leadership

attempt of some leaders. In this regard, for example, one respondent had said that “I have no full trust on our board members because there was a case that the previous leaders had been secretly diverting orders which had come in the name of cooperative to their own individual business.” It shows that some cooperatives have leadership problem that prohibits access of other members to potential customers and hence limits the benefit of coop and its members from potential market. It may also show limited positive effect created by the provided leadership short-term trainings.

Household weavers those who are operating at individual rented or private house were not have common display center. While 50 percent of them use middle man and open market for selling their product, 30 percent use both open market and door to door selling, and the rest 20 percent use middle man only. According to the respondents who use middle men, their dependency on middle man is due to their capacity problem which limited them from selling their product directly to retailer or wholesaler on credit bases. They also explained the mismatches between need of most traders to buy weavers product on credit bases and limited capacity of weavers to wait for payment. As a result, instead of buying product directly from producers, retailer/whole sellers prefer getting through middle men who have capacity to provide product on credit. This in turn has been forcing weavers to get lower value and profit for their product by exposing to unfair relation with middle men.

Moreover, while 50 percent of the respondents argue as demand for their product is very seasonal, 40 percent argue as there is slight improvement and 10 percent decline in market demand. Therefore, Government and other support providers like MSE Development agencies have not been contributing for them to take more advantage from increasing market demand.

Regarding to product destination and outreach, UN Institutions like UNIDO, for instance, initiated a clustering of weavers often operating in the working premises through these efforts, many weavers’ cooperatives were linked to handloom products exporting companies. This situation has created market access for producers reducing transaction costs and the critical financial constraints. It also created access to some innovation and critical inputs, which one can hardly find in the open markets. This clusters expanded beyond the domestic market to capture the emerging export market. There are to date emerging companies of this nature with their product destined for export market potentials and many companies involved in the handloom sub

sectors, with a brand name “Yeti Tibeb Lealem Traditional designing ,Sara Garment Designing and manufacturers, Tibeb Abyssinia, Ethiopian Traditional cloth Exporters”. These companies specialize in a special brand of handloom product export. The companies have developed and establish Government working premises business linkages through trade missions and trade fairs, whereby they promote innovative markets and facilitate access to inputs. They sub-contract local hove hold and cooperative producers specializing for export market with the specific brand design. The market destination is Europe at large and some parts of African countries.

The Ethiopian Diaspora living abroad also acts as a market catalyst for creating market linkages.

Regarding to the product export responses collected from both cooperative and household weavers were shown that their product market is limited to local market and there was no improvement in market outreach within the country. So that, most of positive improvements in market demands have linked with local market. However, they said as other traders (large and small exporters) have been exporting their product to abroad by collecting as contractor or buying directly from individual weavers.

Generally, even though there are unsolved challenges, the positive advantage obtained from Support providers toward market development has significant role for the improvement of market compared to the past. All the above improvements were positive advantages experienced by cooperative members who are working at government constructed working premises. Given absence of the above marketing services and networking services for household weavers, positive improvements observed from these categories were very weak.

4.5.4 Product Development and Technology

With regard to product development, the response of sample respondent has shown that weaver’s cooperatives in Government constructed working premises were benefiting from supports provided by government agencies and NGOs in two ways. The first is from linkage created among weavers by organizing into cooperatives and preparing common work place. The second is from improved network of weavers with large firms which facilitated by government sectors and NGOs, particularly UNIDO.

With regard to the first factor, majority of weavers from government constructed working premise argued that they have benefited from working together in common place through improved interaction and trust among weavers, and more conducive environment to share knowledge and skill. According to their explanation, these factors have contributed to improve their product quality, design, input combination, and capacity to produce standardized product with large volume. The respondents stated that, in the past, there were customs of keeping own design (pattern) making talent as secret to prohibit competitions of others. Thus, it was difficult to get product with same standard. This shows the existence of impediments on competitiveness and capacity to produce large volume of standard product. Even though the problem is still appearing, degree of disparity is getting lower due to the above reasons.

The other factor was improved vertical linkage between weavers and large firm and designers. Weavers from cooperatives which have relatively strong vertical linkage argued as they have benefited from the linkage. As they explained, the linkage has enabled them to make standardized design with high demands; improve quality control and management technique, improve input combination and coloring (dyeing); and know how to produce coloring supplies from local materials. Some exporters and fashion designers as well as retailers in domestic market have been playing a role of sharing knowledge and skill, and giving advice to weavers that enable them improve their performance with the changing environment by improving their product quality, design and input combination.

As mentioned above, those weavers not belong to cooperatives with common workshop have not been getting such advantage. Their horizontal and vertical linkages were very weak. Moreover, their tendency towards improving product design, pre and post production quality, and input combination were relatively very lower. But, the competitions created and changes brought by other groups have some spillover effects on them. With regard to technology development no one has reported change or improved his or her traditional loom. Generally, these show that weavers in cooperative common workshop benefiting more from positive change in product development and technology, while the individual operators category lagged behind the benefit received by weavers operating in the government working premises.

4.5 Summary of the chapter

Initial aim of the chapter was to answer the first, second and third research question which asks about success and challenge in the usage of government constructed working premises. Then, it was to add lesson learnt. Accordingly, the following paragraphs state summary of answers obtained from the analyses.

The analyses shows that even though there are some disparities between individual, the general figures revealed as most of the operators in the handloom sectors have similarity in their background and have a tendency of expanding their business. Given that, there is disparity in accessing different supports by different stakeholders among different categories of weavers based on where they belong to. In terms of classification of enterprises by taking employment size, cooperative which are working in the government working premises can be categorized as small enterprises since they have more than ten employees (28 on average), while members of non-cooperative who work at Government constructed working premises and household operators stand by themselves as individual micro enterprise since number of employees of each operators was not more than five. The analysis shows that those weavers organized into cooperatives have more access than non-organized weavers. However, there are variations among different categories of cooperative member, members in cooperatives which have organized in the working premise have more access for various supports from Government institutions like FeMSEDA, NGOs and other stake holders; while those belongs to non-cooperative members access limited type of supports from government institutions and other stakeholders as the sole formal source and relatively less from business partners.

The analyses shows users of government working premises have some advantage over the non-users even though the level of impact of each supports varies between different categories. Particularly, cooperatives which have operating in the working premise have benefited from different supports by contributing for change in product development and process, relatively improved consumers demand, and improved vertical and horizontal linkage that may contribute for their competitiveness and productivity. These in turn have impact on employment and operators' income for future expansion. The opportunity orientation nature of most respondent has shown the same. The support impact on individual operators on household operators is very

insignificant. These differences in impact may show those supports which are provided for operators in government working premises have significant importance for bringing considerable positive change in competitiveness and productivity. Moreover, more networked and organized conditions have impact in promoting effectiveness and positive contribution of different supports. However, the provided support has not enabled them to solve their capacity problem in order to take advantage of collective efficiency; to increase their market share beyond the local; to overcome totally unfair relationship with middle men; and to improve business administration.

CHAPTER FIVE

Conclusion and recommendation

This paper has presented the performance of government constructed working premises on handloom sector development. The analysis has shown that working premises has positive contribution in the sectors performance improvement and social cultural and economic dynamism. This is clear from change obtained in product and process development, market development, and establishment of horizontal and vertical networks that can improve further productivity, income and competitiveness of the sector. Moreover, we have seen in the paper that the general positive contribution of working premises and its capacity in addressing operators' problem can be influenced by the combination, quality and adequacy of different supports and way of provision. The paper presents this through showing how lack of supports which can solve input supply and financial capacity problems; and less participatory approach used in some support provision affected positive performance obtained from other services. Generally, from the analysis we can conclude that the development of cluster and provision of working premises and different business development supports have contributed to positive performance and development of handlooms sector. Thus, addressing the problems of hand looms operating in the working premises and individual household operators in the provision process and expanding the combination and outreach of the service can lead to positive change in productivity economic social and cultural growth and competitiveness of the sector and its role in economic dynamism.

The analysis of the study has revealed that handloom sector has significant role in employment creation and income generation for the people and potential means of expanding local economic bases. The existing attempts toward increasing share in international market through local trader involved in export market have depicted the same. Based on enterprise classification criteria of Berner et al (2008), in the case area, there are both survivalist and growth oriented enterprises. But as the study has revealed majority of the operators can be classified into the latter category.

In addition, these handloom operators have different organizational structures. regardless of being weavers cooperative and individual weavers, majority of weavers act as micro enterprises with employees number mostly range from one to five and administer of their own business

individually; while small number of weavers work jointly in cooperative in the government working premises as small enterprises with average 28 employees (members) under common administration. However, the surprising thing observed from the later type of enterprise was that the joint action of member was only limited to when there is bulk order accepted from contractors due to lack of capacity by the existing cooperatives to run their business through using collective effort and resources of their members for common asset and productivity. Therefore, in the absence of order, each member runs his/her own business for individual benefit. This shows the presence of flexibility and some challenges to take advantage of collective efficiency. In the following section we directly conclude on the specific research questions and pass to final conclusion.

There are different challenges faced by both government working premise and household operators'. Like lack of raw material, inadequate capitals for business expansion as well as working capital through credit facilities, inconsistent demand for their product by contractors are some of continued problems which have been forcing weavers suffer from high input cost and to generate low value for their product by selling at lower price through unfair relationship with middle men and at saturated local open market. Poor sanitation of the working premises particularly for operators working in the working premises, shortage of water, regular interruption of electric power, poor infrastructure and limited working space are also unsolved and existing problems of the working premises. In addition, the provided short term training had not been fruit full in addressing entrepreneurship and business administration problems of weavers due to lack of preparation, technical knowledge required in existing situation of weavers, and providing less relevant supports by the trainers or facilitators. All these problems may related with not giving priority for weavers demand for a given service and less attempts to address their critical problems that are forced weavers to perform under capacity and to be exposed to unfair business relations and costs that in turn led to less profitability and competitiveness.

Finally, the researcher recommend two important points that need to be given attention of different actors involved in the sectors development process in order to promote the potential advantage obtained from construction of working premises for different cluster group. First we recommend that the need of addressing critical problems of the sector that identified through

principal participation of operators themselves. The researcher second recommendation is that, in addition to the current focus on small enterprise development in the sector, it is important to determine appropriate means that can improve access of large segments of micro enterprises for the support so as to enhance their development and contribution in local economic dynamism.

REFERENCES

- Abebe, G. and G. Belay (1997) 'Micro Business Development in Ethiopia', in W. Amha et al. (eds), *Small -Scale Enterprise Development in Ethiopia: Proceedings of the Six Annual Conference on the Ethiopian Economy* (pp. 151-172). Addis Ababa: Ethiopian Economic Association and Department of Economics, Addis Ababa University.
- Ali, M. (2012). *Government's role in cluster development for MSEs: Lessons from Ethiopia*, CMI Report: R 2012:2.
- Ali, M.A. (2007) *the Competitiveness and Viability of Cluster Based Cottage Industries: The Case of Handloom Sector in Ethiopia*. Paper presented at the conference 'SMME DEVELOPMENT: "An African Perspective" RBI First International Business Conference'. From <http://www.rbi-ssa.org/resources/data/SMME-Devp4MAbdellaAli.pdf>.
- Berhanu, E. (2005) 'Role of Micro and Small Enterprises in Local Economic Development: The case of Awasaa', in T.G. Egziabher et al. (eds), *Local Economic Development in Africa: Enterprises, Communities and Local Government* (pp. 96-121). Maastricht: Shaker Publishing.
- Christine Kessides (2005). *The Urban Transition in Sub-Saharan Africa. Implication for Economic Growth and Poverty Reduction*.
- Central Statistical Authority, 2003. *Report on MSE and Urban Informal Sector Sample Survey*, Central Statistical Authority, Addis Ababa.
- Central Statistical Authority. 2008. *Population Census*, Central Statistical Authority, Central Statistical Authority, Addis Ababa.
- Cooper D Schneider P 2006. *Business Research methods* 9th ED, New York NY Mcgraw hill Irwin.
- Federal micro and small Enterprise Development strategy (1997) *proceeding of the international work shop on the role of MSEs of Ethiopia*, Addis Ababa.
- FeMSEDA (2009a) 'Export Market Performance Annual Report of year 2008/09'. Addis Ababa: Federal Micro and Small Enterprise Development Agency.
- FeMSEDA (2009b) 'Handicraft and Technology Training Performance Report between year 2003/4 to 2008/9 '. Addis Ababa: Federal Micro and Small Enterprise Development Agency.

- Gezahegn, A, L.Moorman, K.Wamisho, X.Zhang. “Infrastructure & Cluster Development: A Case Study of Handloom Weavers in Ethiopia”, IFRI Discussion Paper, May 2010.
- Krugman, Paul. 1991. *Geography and Trade*. Cambridge, MA: MIT Press.
2015. ILO report: Small and medium –sized enterprise and decent and productive employment report 2015.
- ILO (1996 – 2008). Job Creation and entrepreneur development. Industry and Urban Development package, FDRE, MWUD April 2006, and Addis Ababa, Ethiopia.
- Ministry of Finance and Economic Development. 2009. A Plan for Accelerated and Sustained Development to End Poverty (PASDEP): Annual Progress Report 2008/09. Ministry of Finance and Economic Development, Addis Ababa.
- Ministry of Trade and Industry, 1997. Micro and Small Enterprises Development Strategy. The Federal Democratic Republic of Ethiopia, Ministry of Trade and Industry.
- MOTI and FeMSEDA. 2004. Ethiopian Handloom Product Export Market Study. I and II. Ministry of Trade and Industry, Addis Ababa.
- MWUD (2006) the Federal Democratic Republic of Ethiopian Urban Development Policy Document (pp. 1-41). Addis Ababa, Report on Cottage/Handicraft Manufacturing Industries Survey, CSA, Addis Ababa, 2003.
- Nadvi, K. and Barrientos, S. 2004. “Industrial Clusters and Poverty Reduction: Towards a Methodology for Poverty and Social Impact Assessment of Cluster development Initiatives”. United Nations Industrial Development Organization, Vienna.
- OECD. 2006. Promoting Entrepreneurship and Innovative SMEs in a Global Economy: Towards a more Responsible and Inclusive Globalization. OECD.
- Porter, M.E. 1990. *Competitive Advantage of Nations*. New York: Free Press.
- Porter, M.E. 1998. Clusters and New Economics of Competition. *Harvard Business Review*, November-December: 77-90.
- Schmiz, H. (2000) 'Does Local Co-operation Matter? Evidence from Industrial Clusters in South Asia and Latin America', *Oxford Development Studies* 28(3): 323-336.
- Schmitz, H., and Nadvi, K. 1999. Clustering and Industrialization, *World Development*, 27 (9), 1503-14.
- Staber, U. (2009) 'Collective learning in Clusters: Mechanisms and Biases', *Entrepreneurship & Regional Development* 21(5): 553-573.

The Federal Democratic Republic of Ethiopia And The United Nations Development Program (2nd Generation Program, 2012-2015) support to Local Economic Development (LED), Addis Ababa April,2012.

UNCTAD. 2005. Growing Micro and Small Enterprises In LDCs.

UNCTAD United Nations Industrial Development Organization (UNIDO). 2004. Supporting Underperforming SME Clusters in Developing Countries: Lessons from The UNIDO, Cluster Program in India. United Nations Industrial Development Organization.

UNIDO, (2010). Cluster Development in Ethiopia: achievements and lessons learned.

UNIDO, (2013). Combining Agro-Value Chain and Cluster Development: a case study from Ethiopia.

UNIDO. 2005. Promoting Enterprise through Networked Regional Development. UNIDO Publications, Vienna.

UNIDO & FeMSEDA. 2005a. Unleashing the Potential of MSEs in Ethiopia. UNIDO & FeMSEDA, Addis Ababa.

UNIDO & FeMSEDA. 2005b. Strategic Action Plan: Gullele Handloom Cluster. UNIDO & FeMSEDA, Addis Ababa.

UN Department of Economic and social affries 2014, Percentage of urban population residing in urban areas 2014.

World Bank. 2013. World Bank Report Urban population in sub Saharan Africa 2013.

ANNEX-1 Pictures



Household weaver in Shero Meda



Weaver using improved weaving machine in Government constructed working premise



Household weaver using traditional old model handloom.



Individual weaver using improved traditional hand weaving in the working premises

ANNEX-2 Questionnaires

Questionnaires for Handloom Weavers Working in Government Constructed premises/sheds

Questionnaire for Data Collection

Socio economic Background

Part-One

1. Sex of the operator a) Male b. Female
2. Age of the operator a) <18 b) 18-30 c) 13-45 d) over 46
3. Marital Status a) Single b) Married c) Widow d) divorced
4. Family size a) 0-3 b) 4-5 c) 6-11 d) above 11
5. Education level a) Illiterate b) can read & write
c) 1-4 elementary d) 5-10 secondary
e) Diploma 10-12 f) Above 12 Degree

Part- Two

1. Type working premises
 - a) Government constructed sheds
 - b) Rented House
 - c) Private House
 - f) Other _____
2. When has the enterprise established?
 - a) Less than one year ago
 - b) 1-2 years
 - c) 2-5 years
 - d) greater than 5 year
3. Why do you choose your particular working Premises?
 - a) Proximity
 - b) Less rental cost
 - c) Family management
 - d)
 - e) Other _____

4. Enterprises establishment

- a) Sole proprietorship b) Partners
c) Cooperative d) family based

5. In your opinion which types of working premises more advantageous? _____

6. What is the reason about your choice? _____

7. If you are working in sheds, what problems you faced? _____

8. What employment status you employed in your business?

- a) Educated labor b) Illiterate labor
c) Family member d) un - employed labor (Youth) TVET

9. What is the contribution of your business in city development?

- a) Create job opportunity b) Transfer knowledge
c) Facilitate economic growth (by paying tax) d) other _____

Part three: Challenges of the enterprises

A. Finance Related

1. How much was your startup capital?

- a) Less than Birr 500 b) 501-1500 Birr
c) 1501 to 5000 d) 5001-20,000 Birr
e) Above Birr 20,000

2. How did you get initial capital?

- a) Borrowing from relative & friends b) Borrowing from Micro finance
c) From NGOs d) personal saving

3. What kind of problems do you face when getting credit?

- a) Lack of collateral b) Problems among cooperatives
c) Problems of credit service d) lack of information (get finance)

4. If getting from microfinance, is the amount of loans adequate?

- a) Yes b) No

5. If No, how much do you suggest? _____

6. Do you have saving? a) Yes b) No

7. If yes, where do you saving?

- a) Microfinance b) Bank c) In the house d) Other _____

8. What is the source of capital for your saving?

- a) From business profit b) From micro finance
c) Other _____

9. How much do you have in your account? (If you have saving) _____

B. Access to working place & physical infrastructure

1. Is it appropriate your work place for infrastructure?

- a) Yes b) No

2. If yes, what type of infrastructure?

- a) Electricity b) Water c) Telephone
d) Road f) Other

3. If No, what impact brings on your business? _____

4. Does your enterprise have enough places for running the business?

- a) Yes b) No

5. If yes, how did you get the working place?

- a) By Renting b) By city administration (gov't)
c) Family's resident d) other

6. If you got from city administration. How was the procedure of transferring the work place?

- a) Bureaucratic b) good c) very good

7. From where are your finding input for your enterprises?

- a) Local market b) from cooperatives
c) From other city
d) From producer e) other place

8. Is any problem to get inputs?

- a) Not accessible (available) b) High cost
c) Shortage of finance d) other (transport, quality, inflation etc.)

9. How is your business performance?

- a) Increase b) constant c) fluctuate d) decreases

10. If your answer in Q. #9 decreases, what is the reason?

- a) Constraint of market problem b) High competition in the market
c) Poor production quality d) other reason

c) Managerial skill and training

1. Do you have enough skill to carry out your business?

- a) Yes b) No

2. If yes, what type of skills does you has.

- a) Marketing b) Managerial
c) Technical d) Book keeping (accounting)

3. Which institution gave you training?

- a) City administration (TVET) MSEs b) NGOs
c) Private sector d) other

4. What benefit do you get from the training?

- a) Improve the quality of the production b) Increase profit
c) Effectively efficient manage the business
d) Facilitate my interaction with customer and supplies

5. If don't take the training, why?

- a) Not necessary
b) No opportunity to get training
c) Not got training related with my business

6. Identify the major problems of your enterprise and rank them

1. _____
2. _____
3. _____
4. _____

7. What are the possible solutions for the problems?

1. _____
2. _____

Part four: Government Assistance programs

A. For operators

1. Did you get support? A) Yes B) No

2. If yes, which institution supports you?

- a) City administration b) NGOs
c) Community (Edir) d) other

3. What type of support did you got?

- a) Training b) credit
c) Counseling d) Working Premises /Sheds
e) Market place
f) Other or two or above from the list _____

B. for Government officials

Questions to interview key information from officials in the study area

1. What kind of MSEs activities provided by the Agency?

2. How many operators benefited from Clustering/working promises? _____

3. How do you found the performance of the enterprise?

- a) Strongly increasing b) Increasing
c) At constant (no change) d) Decreasing
e) Strongly decreasing

4. Currently, what are the challenges of the Clustering?

- a) Lack of understanding the benefits of clustering b) Lack of clear rules & regulation
c) High rental cost
d) Lack of coordination among relevant stakeholder e) other or

5. What remedy action do you take to reduce the challenge that hinder the use of working sheds by traditional handlooms?

- a) Awareness creation
b) Closely working with handlooms operating form their home to influence the advantage of clustering
c) Establish coordination network system among stakeholders
d) Try to improve rules & regulation to hinder the works is
e) Other solution

Focus Group Discussion Themes

The purpose of the focus group discussion is to increase understanding of the Gulele Handloom Cluster Development. This is done by way of bringing together the various stakeholders in the cluster. The main themes of this focus group discussion are:

- 1) Introductory Questions (What is the current situation of the Gulele Handloom Cluster?)
- 2) Understanding of major challenges and barriers in the cluster
 - a. What are the major barriers and challenges in the Gulele Handloom Cluster Development?
- 3) How can these challenges and barriers are addressed