

WOMEN AT WORK

RIGHTS, WORK AND SOCIAL PROTECTION
IN THE INFORMAL ECONOMY

A RESEARCH IN ADDIS ABABA, JIMMA AND HAWASSA ETHIOPIA



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Cecilia Navarra
Gabriella Rossetti

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Research report for the project “Development and strengthening of associations for urban and rural poorest communities of Ethiopia with a gender approach” to be implemented by NEXUS EMILIA ROMAGNA, Italy, and the Confederation of Ethiopian Trade Union (CETU), Ethiopia

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TABLE OF CONTENTS

TABLE OF CONTENTS.....	1
ACKNOWLEDGMENTS.....	3
ABSTRACT.....	4
INTRODUCTION.....	5
Why women in informal economy.....	5
The context.....	6
Objectives.....	8
Research questions.....	8
Methodology.....	8
WOMEN IN MICRO AND SMALL BUSINESSES IN ADDIS ABABA, JIMMA AND HAWASSA: SOCIOECONOMIC CHARACTERISTICS & THEIR SITUATION IN BUSINESS OPERATION - TILAHUN GIRMA ARGAW	9
EXECUTIVE SUMMARY.....	9
LIST OF ACRONYMS.....	11
1. Introduction.....	12
1.1 Background.....	12
1.2 Objectives of the survey.....	13
1.3 Methodology.....	13
1.3.1 Sample Size Estimation.....	14
1.3.2 Sampling Procedure.....	14
1.3.3 Fieldwork Management.....	15
1.3.4 Data Processing and Analysis.....	15
2. Findings.....	16
2.1 Socio-Demographic Characteristics.....	16
Table 1: Background characteristics of the respondents by study sites and business type.....	17
2.2 Household Economy.....	18
3. Conclusion and Recommendations.....	34
References.....	34
ASSESSMENT ON THE INFORMAL ECONOMY WITH GENDER APPROACH IN ADDIS ABABA, HAWASSA AND JIMMA INDIVIDUAL QUESTIONNAIRE.....	35
THE ROLE OF MICRO AND SMALL ENTERPRISES (MSEs) IN STRENGTHENING GRASSROOTS ASSOCIATION IN POOR COMMUNITIES OF ETHIOPIA WITH A GENDER APPROACH - DAVIDE CHINIGÒ	41
Research outline and methodology.....	41
Rational behind MSEs.....	42
Box 1. Case study.....	44
Structure of MSEs.....	47
Selection of beneficiaries.....	48
Leaders, one to five networks and development groups.....	49
MSEs and microfinance.....	51
Box 2. What happens if you do not pay back your loan?.....	54
Data on MSEs.....	55
Conclusions.....	56
References.....	57
ENTREPRENEURSHIP, CREDIT AND EMPOWERMENT: THE CASE OF WOMEN'S COOPERATIVES IN ETHIOPIA - CECILIA NAVARRA	58
Introduction: research questions, methodology and policy background.....	58
Cooperatives: an overview.....	59
Tab 1. Number of cooperatives at national level and in the regions concerned by the research.....	60
Fig. 1 Organization down to the district level.....	62
What distinguishes cooperatives from MSEs and what common problems do they have?.....	63
Challenges for cooperatives: scaling up and value chains.....	65
Case study: injera production and value chain organization.....	66
Entrepreneurship and income support: same tool, different aims.....	68
Need of social protection: focus on credit cooperatives.....	70
Concluding remarks: the “informalization” of work.....	72
Case study. Brick production cooperative in K'linto (outskirts of Addis Ababa).....	73
References.....	74
WOMEN'S EMPOWERMENT: NOT ONLY A MATTER OF INCOME - GABRIELLA ROSSETTI	75
Theoretical framework: meanings of empowerment.....	75
The ability to make choice.....	77
Making choices with no resources: too poor to save.....	77
No choice, bad choice.....	78
Resources: negotiating the household budget.....	80
Saving and credit fir the household: claiming social protection: A Case Study.....	82
Women alone.....	83
Agency. The capacity to plan ahead.....	84
Agency for children's education.....	84
Agency for Housing.....	85
Agency: Together in a group.....	85
Agency: Group Leaders and active participation.....	87
Achievements.....	88
References.....	90
CONCLUDING REMARKS.....	91
Informal Economy and Small Scale Enterprises.....	91
Lack of Capital.....	91
Constraints of MSEs.....	91
Groups.....	92
Trade Unions.....	92
Empowerment.....	93
RECCOMENDATIONS.....	94
PROPOSAL OF AN IMPLEMENTATION STRATEGY.....	95
ANNEX.....	95
QUESTIONS COVERED IN THE INTERVIEWS.....	95

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ABSTRACT

Four main areas of investigation are identified and addressed in this research. First of all, the collection and interpretation of data on the socio economic and demographic characteristics of a large sample of women involved both in informal business and in micro and small scale enterprises (Tilahun Girma Argaw). A second field of enquiry is the role played by the formalization of informal business: micro and small enterprises were created to strengthen poor women's capacity to act collectively (in groups) and to upgrade their enterprises through saving and credit. The roadmap, designed and implemented at the local government level is still open to risks and requires in depth analysis of diverse experiences and demands coming from different women. (Davide Chinigò). Thirdly, exploring different ways out of the constraints faced by the women engaged in self employment, the cooperative system and the creation of value chains are analysed as a way to strengthen MSE's capacity to access markets, overcome risks and guarantee access to better quality of work and to social protection (Cecilia Navarra). Finally a discussion of what is meant by "women's



empowerment" is introduced both at the theoretical level (resources, agency and achievements) and through a discussion of some in depth interviews in order to broaden the scope of "economic empowerment" showing the impact of gender relations at household level on women's capacity to exercise choices and to achieve self determination (Gabriella Rossetti). Conclusions and recommendations for future activities and further research are given based on the research's results and shared by the authors.

INTRODUCTION

Why women in informal economy

This research on Women in Informal Economy in Ethiopia, was sponsored by CETU (the Confederation of Ethiopian Trade Unions) in partnership with NEXUS ER and CGIL (Confederation of Italian Trade Unions). At the international level the interest of Trade Unions in Informal Economy goes back to the 70's and has been particularly focused on those areas of the world where the informal economy constitutes a great share of the labour market, with women always over represented. In these regions, workers in informal economy are mostly identified with the poorest, most vulnerable sectors of societies. The challenge and the paradox for the Unions, is that these workers are considered "marginal" or "marginalized" even when they represent a majority in the whole labour market, in urban areas and also in the rural world. According to ILO, informal economy *"comprises half to three-quarters of all non-agricultural employment in developing countries (...) it most often means poor employment conditions and is associated with increasing poverty. Some of the characteristic features of informal employment are lack of protection, unsafe working conditions and the absence of social benefits such as pensions, sick pay and health insurance."*

Women, migrants and other vulnerable groups of workers who are excluded from other opportunities have little choice but to take informal low-quality jobs". As stated in many studies, informal economy is where the majority of women and the poor are to be found, but it is also here where official efforts for social protection are limited. Women involved in informal economy activities are pursuing livelihoods and, at the same time, facing risks and insecurities due to their position in society and culture. The link between the informal sector and the formal one is indeed strong: the size and nature of informal economy, difficult to measure, are linked to the rates of unemployment and to the labour Force Participation Rate (LFPR):¹ gaining knowledge on risks and constraints as well as on conditions of success met by women (and men) active in this area can provide useful tools to meet their needs and demands; to grant basic rights to these groups and promote an inclusive development model is indeed one of Trade Unions' primary goals.

¹

The Federal Democratic Republic of Ethiopia (2013), *Labour Market Dynamics in Ethiopia Analysis of Seven Key Indicators of the Labour Market*, KILM, Ministry of Labour and Social Affairs.

The context

In Ethiopia, statistics on the informal economy (in urban areas) were collected for the last time in 2003 by the Central Statistical Authority of the GoE.² On that occasion, the Informal Sector was defined as referring to “(...) home based or individual established/activity operated by the owner with few or no employees. They are for the most part unregistered and operating on a very small scale and with a low level of organization. Most of them have very low level of productivity and income. They tend to have little or no access to organized markets, to credit institutions, to modern technology, to formal training and to many public services and amenities. A large number of them are carried out without fixed location or in places such as small shops, outlets or home-based activities. They are not recognized, supported or regulated by the government. They are beyond social protection, labor legislation and protective measures at the workplace (...). That survey was meant to support “the design, monitoring and evaluation of support policies and assistance programs for the informal sector with a view to increasing its productive potential (and, hence, its employment- and income-generating capacity), in improving the working conditions and social and legal protection of informal sector worker”. Since then, programmes were developed by the government to promote formalization mainly by offering incentives such as access to credit and training. The detailed programme proposed by the Government was



originally designed at the end of the 1990s and led to the formulation of the 2002 Sustainable Development and Poverty Reduction Programme (SDPRP), the 2005 Plan for Accelerated and Sustainable Development to End Poverty (PASDEP), and lastly the Growth and Transformation Plan (GTP). The topic of women workers in the Informal Sector has recently been addressed by a joint policy of the Ministries of Labour and Social Affairs and the Ministry of Women's Affairs which estimates a 60% of women's presence in the whole informal sector, urban and rural and has established branches in all local government offices (sub-city, *wereda*). A research was conducted in 2007 on “Perceptions, Attitudes and Challenges of Women Workers of the Informal Sector” in partnership with CETU which opened to the broad worldwide landscape of women organized in the informal sector as in South Africa and India.³

² Central Statistical Agency (2003), *Urban National Informal Sector Survey*, Ministry of Finance and Economic Development. In a Study Documentation of the survey published in 2011 we read: “The informal sector was considered a transient phenomenon that would dwindle away in the near future as more jobs were created during development. Economic recession, adjustment policies and continued high rates of urbanization and population growth have led to an unexpected and unprecedented expansion of the informal sector in many

developing countries, as modern sector enterprises, and especially the public sector, have been obliged to dismiss workers or reduce wages drastically. In some countries it is in fact only the informal sector, which absorbs the labor force and keeps the economy going, while large modern enterprises downsize. This is evidenced by the facts that in Ethiopia 50.6 percent of urban employed are in the informal sector. Consequently, in recognition of the importance of the sector to the national economy and to bridge the data gap on this sector a nation

Women's economic empowerment is also the objective of most of the programmes implemented in Ethiopia by external agents, from the World Bank, to Unicef, to international NGOs and individual countries (Sweden, Canada among others). Most of these programmes address individual women who are supported with saving and credit schemes. A comparative analysis of all programmes offering this kind of support (necessary in order to grant coordination and avoid duplication) requires clear and in depth knowledge of the state of the art of the government strategies and of the ground on which they are implemented which is that of informal economy. Measuring and gaining information on the informal sector in Ethiopia, may shed light on the contradiction between the exceptional growth of GDP (around 11% in the last 10 years), the fast improvement also of the HDI (Human Development Index) on one hand and, on the other hand, the country's positioning at 173rd place on 187 in the poverty and human poverty worldwide list. This can be explained with the low starting point, but also with the dimension of the informal sector which has been, and still is, "invisible" to statistics. Making the informal sector "visible" implies more than just registering and including it into statistic, but being

accountable for the demands coming from the people involved in it. When facing this challenge, as it was done in this pilot research, one must keep in mind the following information:

- The Social Protection System of the Country is the widest in Africa. But although in the years 2011-2012 the Ethiopian Government invested 70% of its budget in programs for poverty reduction, no visible results were recorded.
- Universal extension of Social Protection, as planned in the SPP (Social Protection Plan, 2012) cannot be implemented in the short term. Other non-governmental tools and means must be found.
- The links between formal and informal economy are shown in the transformations of the economy and markets which produce both processes of "informalisation" of work (privatization of factories, layoffs etc.) and new entries into the informal sector by impoverished groups unable to cope with more expensive subsistence costs.
- The policies and strategies implemented are aimed at women's economic empowerment. Trade Unions as institutions, which can intervene in the contradictions and tensions of the labor market, could play a leading role in facing the links between formal and informal economy. How can they cope with the problem of "organizing" and "representing" workers (women workers) in I.E. is the challenge to be met.

wide survey was conducted for the second time in this country.

3

Initiative Africa in partnership with CETU (2007), *Challenges of Women in the Informal Sector*, A project funded by the European Union.

Objectives

The research is part of a program, to be implemented in partnership by CETU and NEXUS ER aimed at supporting CETU's capacities to organize and represent women in the informal sector and in micro and small-scale enterprises. The main objectives are:

- To improve the knowledge and understanding of "Informal Economy" in Ethiopia by sectors and in different contexts;
- To build the capacity of doing a gender analysis of Informal Economy;
- To identify indicators of success in the strategy for women's empowerment in the labour market;
- To identify different advantages and disadvantages of the transition from informal to formal sectors;
- To draw a clear picture of the cooperative system as a feasible tool in the strategies for women's empowerment;
- To have a detailed picture of the situations in which the project will be implemented;
- To identify possible obstacles and risks in achieving the projects' objectives (at all different levels);
- To build case studies for the trainings to be conducted in the project.

The following phases of the project, training and creation of start ups, will be based on the research results that should allow building innovative models of sustainable support to the micro and small enterprises of the women also in different areas of the country.

Research questions

It is within this framework that this research was conducted; **the leading questions** to which it intends to answer are the following:

- 1) Who are the women involved in informal economy and in small-scale enterprises?
- 2) Is formalization of informal work (and subsequent access to credit) sufficient as an answer to poverty, lack of social protection and absence of social benefits, which is typical of informal economy? How is it possible to guarantee better working conditions, social benefits (such as pensions, sick pay and health insurance, etc.) to women who are engaged in informal economy?

- 3) If formalization is not sufficient, what is needed in order to guarantee that registration and legalization of an informal business, will produce a change in the living conditions of the persons involved and access to higher quality jobs?
- 4) Who are the actors and the institutions best equipped and most interested to answer these questions and to look for ways forward? What are the policy tools already used to address informal sector issues?
- 5) If it is true that women are over represented among the informal workers as poorest, most "vulnerable" groups, "excluded from better opportunities", why is it so? What makes their position different from that of men? What is necessary to promote women's empowerment?

Methodology

The research was conducted using both quantitative and qualitative methodologies. Being a pilot program, only three locations were selected, according to CETU's choice: Addis Ababa (Sub City of Kolfe Keranyo), Jimma and Hawassa. A total of 296 questionnaires were distributed in the same locations: 94 in Addis Ababa, 99 in Jimma and 103 in Hawassa (See questionnaire form attached).

A total of 92 in depth interviews were conducted with women identified by the local Wereda offices, but also, in Hawassa, with illegal informal street vendors. Meetings and interviews were held with the officers of all the involved departments (see Interviews Questions and guidelines, attached). Through the questionnaire, data was collected to describe demographic and socioeconomic characteristics of the small-scale enterprises conducted by women. The interviews were aimed to listen to the women's voices, to understand which are their life conditions, experiences and aspirations. The two methodologies cover both the "enterprise approach", which produces data on the structure, nature, size and sector of the enterprise and the "labour approach", less frequently adopted in field research, which gives information on the attitudes and lives of the persons involved.

WOMEN IN MICRO AND SMALL BUSINESSES IN ADDIS ABABA, JIMMA AND HAWASSA: SOCIOECONOMIC CHARACTERISTICS AND THEIR SITUATION IN BUSINESS OPERATION

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EXECUTIVE SUMMARY

With an urbanization rate of approximately four percent per annum, Ethiopia has one of the fastest growing urban populations in Africa. This high rate of urbanization places urban centers under great stress, one being unemployment, that led the major urban centers to an unprecedented expansion of the informal sector. The unemployment rate remains high among young females, with almost one third of them unable to find a job in the urban areas. The Women's Affairs Department of the Confederation of Ethiopian Trade Unions (CETU) in collaboration with Italian Partners and donors: Nexus Emilia Romagna and CGIL conducted this survey to generate baseline information on the socioeconomic characteristics and on an overall situation of the women in the informal sector at the selected localities of the three urban sites Addis Abeba, Awassa and Jimma. The respondents of this survey were two groups of women: those who were formerly operating in the informal sector and currently organized as Micro and Small Enterprises (MSEs) and secondly the ones who were still operating in the informal sector. Altogether a total of 296 women were interviewed from the three sites representing the two groups. Major findings of the survey that are useful indicators for planning future project interventions are listed below:



- Mean age of the surveyed women in Hawassa and those in the informal businesses were significantly younger while those in Addis Ababa and those organized in group were significantly older than the rest.
- The sampled population's marital status showed that overall 58% of the women were married (72% in Jimma, 57% in Addis Ababa and 46% in Hawassa); about a quarter (26%) of them were either divorced/widowed/separated, and this proportion was highest in Addis Ababa (41%) and it was about one fifth in Jimma and Hawassa towns. Besides, women who were single (37%) account for the second biggest proportion in Hawassa.

- More than two thirds (68%) of the surveyed women were migrants while one third of them (32%) were non migrant. The proportion of migrants was highest in Addis Ababa (74%) followed by Hawassa (68%) and Jimma (60%).
- Nearly one third of the women (31%) in MSEs and in the informal sector were illiterate (Addis Ababa 43%, Jimma 32%, and Hawassa 19%).
- About two thirds of the respondents (64%) live in a rented house (49% from private house owners and 15% from Kebele), and one fourth of the women (25%) live in their own house.
- Women in MSEs in Addis Ababa generated significantly higher average daily income (30 Birr) as compared with those operating informally. Whereas the result of the survey for Jimma and Hawassa revealed that there was no significant difference in the average daily income of women in MSEs and those in the informal sector.
- More than half of the women (75% in Jimma and 56% in Addis Ababa and Hawassa each) reported that there was one other member of their household who has income. Nearly one third of the women in Jimma, and about one fifth in Addis Ababa and Hawassa, also mentioned that there were two other members of their household who have income.
- One fifth of the women in MSEs operating in group generated stable income which is significantly higher than those in MSEs running individually and the informal businesses. There was no significant variation in generating stable income across the study sites.
- The women started their business with an average startup capital of 2,232 Birr; there was significant variation in startup capital across business types (MSEs 2752 Birr vs. women in informal business 1,166 Birr).
- Nearly half (45%) of the MSEs run by group were financed through loan, the startup capital of more than half of individually operated MSEs (59%) and nearly three fourth (72%) of the informal businesses were financed by own source including families and friends support.
- The startup capital of women in Addis Ababa was dominantly based on loans (50%) and grant (20%) while more than two thirds of women in Jimma and Hawassa (Jimma 76%, Hawassa 67%) used largely their own resources and support from families and friends.
- Women in Hawassa and Jimma were much more likely to save the income they earn from their business as compared with their counterparts in Addis Ababa. On the other hand, women in MSEs operating in group were about twice less likely to save as compared with those working individually.
- Microfinance institutions were the most used by MSEs (93% working in groups and 56% of those working individually). Formal banks were most preferred by MSEs run by individuals in (33%) and those doing businesses informally (29%). Equib is largely used by informal business operators.

- Formal banks were only rarely used by the women in Hawassa and Addis Ababa; microfinance institutions were least used by the women in Jimma (47%) as compared to Addis Ababa (58%) and Hawassa (76%).
- One fifth of the surveyed women (21%) have taken loan individually to finance their business during the last one year (14% of women running MSE individually, 24% of those operating in group and 26% in the informal sector). Of those who got the loans individually, more than half of the women in MSEs (63% of those operating individually, and 55% of those operating in group) got the loan from microfinance institutions while the remaining of them got loans from friends, family members and others.
- On the other hand, a little more than three fourth (76%) of the women in the informal sector got loan from their friends and relatives during the last one year period; and about one fourth of them (24%) got the loan from microfinance institutions.
- Two thirds of the women (61% in MSIEs operated individually, 58% in MSIE operated in group and 78% of women in the informal sector) had a new business plan in mind. The aspiration was found to be significantly higher among women operating in the informal sector.
- About one fifth of the women with a plan to start a new business in the future have the necessary capital to implement their plan (16% in MSE operating individually, 23% in MSE operating in group, and 20% of women operating informally).
- Lack of sufficient working capital, lack of security of livelihood, lack of job opportunity in the formal sector, competition with bigger vendors, and lack of access to clean running water were the major challenges in operating MSEs and informal businesses as per their order.
- About one third of the households (22% in Addis Ababa, 48% in Jimma, and 27% in Hawassa) have house/land. Nearly half of the households (47%) possess Television, 7% have cattle, and 6% have bicycle.
- Women in Addis Ababa were members of most of the social organizations (cooperatives 39%, self-help groups 18%, saving and credit groups 26%, and Edir 19%). Nearly half of the women (46%) at Jimma were members of Edir, and 39 percent of them had Equib while the proportion of women in other organizations was relatively low (Saving and credit group 14% and cooperatives 12%). In Hawassa, nearly half of them (48%) were members of saving and credit group.
- Women in MSEs were members of the formal financial organizations while more women in the informal business were members of traditional organizations like Equib and Edir.
- When asked whom they ask when they are in income shock or encounter problems such as sickness, lack of food, etc. nearly half of the women (48%) mentioned that they ask their relatives. More than half of the women at Jimma and Hawassa consider asking help from relatives as the immediate option to cope up with difficult life circumstances while very few of the women in Addis Ababa (16%) mentioned their families as sources of help.

LIST OF ACRONYMS

CSA Central Statistical Agency
 CETU Confederation of Ethiopian Trade unions
 MSE Micro and Small Enterprises
 NGO Nongovernmental organization
 SPSS Statistical Package for Social Scientists
 VSLA Voluntary Saving and Loan Association

1. Introduction

1.1 Background

With an urbanization rate of approximately four percent per annum, Ethiopia has one of the fastest growing urban populations in Africa. It is estimated that 16 percent of the total population, are residing in urban areas. Urban population growth is not only the feature of the primate city, Addis Ababa, but it also prevails in other secondary cities. This high rate of urbanization places urban centres under great stress, one being unemployment, that led the major urban centres to an unprecedented expansion of the informal sector as the formal market fails to absorb the surplus labour. This is evidenced by the facts that in Ethiopia 51% of urban employed are in the informal sector (CSA, 1999). The 2013 IMF country report for Ethiopia revealed that unemployment rate remains particularly high among young females, with almost one third of them unable to find jobs in the urban areas.

The informal sectors, with its labour intensive technology absorb a considerable amount of the growing urban labour force, particularly of female labour force. Recognizing the role of MSEs in unemployment reduction the government of Ethiopia has launched extensive programs of promoting and supporting MSEs. Despite a stipulation of the provision of support in policy and strategy these efforts are not only inadequate but also are uncoordinated and thus it has been a challenge for individuals to engage in such enterprises and sustain their work (Fitsum, 2014).



The Central Statistical Authority (CSA) has conducted a nationwide urban informal sector survey in January 2003, with the objective to provide comprehensive data on the size and characteristics of the informal sector and its contribution to the national economy. The result of the urban informal sector survey is somehow outdated and doesn't yield indicators specific to each urban centres. There are also other studies conducted so far, but that are scanty and specific to certain aspects of the informal economy. Therefore, the Women's Affairs Department of the Confederation of Ethiopian Trade Unions (CETU) in collaboration with Italian Partners Nexus Emilia Romagna, CGIL (General Confederation of Italian Workers), conducted a package of four studies (including this quantitative survey) to generate information on the socioeconomic characteristics and on the overall situation of the women in the informal sector at the selected localities of the three urban sites Addis Ababa, Hawassa and Jimma. The result of the studies is planned to be used for planning future project interventions specific to local circumstances at respective sites.

The respondents of this survey were two groups of women: those who were formerly operating in the informal sector and currently organized as Micro and Small Enterprises (MSEs) and secondly the ones who were still operating in the informal sector. Those organized by the office of Micro and Small Enterprises of the respective city administrations (either to work in group or individually) were provided with government support such as provision of loans from micro finance institutions, working area from municipalities, trainings from TVETs, etc. The MSEs were further classified into two as “working in groups” and “working individually”. The other group refers to the women working in unregistered small businesses operating on a very small scale, with little or no access to facilities such as organized markets, credit institutions, formal trainings, public services and amenities, and they are businesses carried out without fixed location; these were categorized as “informal businesses⁴”.

1.2 Objectives of the survey

The overall objective of the survey was to assess the socioeconomic characteristics of women in MSEs and those in the informal economy in Addis Ababa, Hawassa and

Jimma cities; to examine business operation including saving and loan experiences and challenges of women in MSEs and in the informal economy; and to suggest workable recommendations to improve the livelihood of poor women in MSEs and in the informal sector.

1.3 Methodology

This is a cross-sectional quantitative survey of women in MSEs and those in the informal sector in selected localities of Addis Ababa, Jimma and Hawassa. Data was collected using a structured quantitative survey questionnaire to assess the background characteristics of women in MSEs and those engaged in the informal sector. The questionnaire was used to collect socio-demographic information of the women including their age, marital status, migration history, education, religion, etc., and data regarding savings and loans, the nature and challenges in MSEs and in the informal businesses, etc. A number of secondary research resources were also helpful in preparing this analysis. Secondary research material included online material from various sources (e.g. government, NGO, academic websites, etc.) and previous microenterprise studies.

⁴
Informal tolerated in Addis Ababa were also categorized under this group.

1.3.1 Sample Size Estimation

Considerable detail was devoted in the process of estimating the sample size for this survey because of the importance of sample size to the entire operation and cost of a survey. Accordingly, the following formula was applied for calculating the sample size

$$n = \left(\frac{z}{m} \right)^2 p(1-p)$$

Where, z is the z value (1.645 for 90% confidence level); m is the margin of error (5%); and p is the estimated value for the proportion of a sample that will respond a given way to a survey question (50%). With the above formula the sample size was estimated to be 269 respondents. We expected a response rate of 90% and therefore we accounted for this by dividing the counted for this by dividing the estimated sample size ($n=269$) by 0.90 and got an adjusted sample size of 299. Therefore it was planned to conduct interview of 300 women working in MSEs and in the informal businesses at the three study sites.

1.3.2 Sampling Procedure

The major intent of the survey was to learn the background characteristics of women in the MSEs and in the informal sector and to explore the interrelations of these characteristics with their business operation for developing estimates of measurable indicators. And because the study areas were selected purposively the estimated total sample size was distributed equally to the three sites, namely Addis Ababa, Jimma and Hawassa. Similarly, the estimated sample was again

equally distributed to the Woredas within the cities/sub cities, and finally the assigned quota for each Woreda was distributed to the three categories of the respondents: women in MSE working in group, women in MSE working individually, and women in the informal sector. A list of women in MSEs was received from the respective government offices at each town and it was used as a sampling frame for applying systematic random sampling to select the required number of respondents. The selection of the specific study sites and respondents was conducted as follows:

- *Addis Ababa*: Kolfe Keraniyo Sub city was selected, and through discussion with the Women, Children and Youth Affair department of Kolfe Keraniyo sub city Woreda 8 and 11 were purposively selected considering higher prevalence of informality in the area.
- *Jimma*: Bocho Bore and Jiren Kebeles in Jimma town and Dedo/Sheki and Seka towns from the suburb of Jimma were purposively selected through discussion with the Department of Micro and Small Enterprises, and Office of the Women's, Children and Youth Affairs.
- *Hawassa*: Menehariya sub city of Hawassa town was selected due to high prevalence of informal businesses and through discussion with the department of Micro and Small Enterprises Tesso and Wukro Kebeles were purposively selected.
- Equal quota was assigned to the three business types: MSEs operating individually, MSEs operating in group, and the informal businesses.

Table 1: Number of respondents by study site and business type

Respondent’s Category	Addis Ababa	Jimma	Hawassa	Total
MSEs operating individually	34	48	34	115
MSEs operating in group	30	19	34	83
Informal businesses	30	32	35	97
Total	94	99	103	296

1.3.3 Fieldwork Management

Three fieldwork teams, each consisting of three interviewers and the principal investigator, were deployed for each town. The interviewers were given intensive orientation for half a day at each town before they started field data collection. Data collection lasted for about three weeks from November11-28, 2014. After deployment to Woredas and Kebeles, the field team had a short meeting with local officials to briefly describe the objectives of the study. Listing and random selection of respondents was facilitated through officers of the sector departments. The overall facilitation of the study in Addis Ababa was made by CETU head office while its regional branch offices at Jimma and Hawassa facilitated the study in their respective operational areas.

1.3.4 Data Processing and Analysis

All questionnaires were manually checked for inconsistency and SPSS version 20 was used for data entry, cleaning, and analysis. Basic analysis tools such as univariate and bivariate tables were produced. For most results percentage analyses were utilized. In addition, different tables and graphs were produced to display the findings. Significance of difference in proportion was tested with z-test and difference in means was tested with t-tests. Through questionnaires the socio-economic background characteristics of the women were investigated. A multivariate model of analysis was applied to examine significance of these background characteristics in determining the women's business performance in terms of their saving and loan experiences.

2. Findings

2.1 Socio-Demographic Characteristic

Data regarding the socio-demographic characteristics of sample population in the MSEs and the informal businesses including age, marital status, migration status, literacy status, and housing condition were collected and findings are summarized and depicted in Table 2. The age structure of the women respondents revealed that the majority of them (85% in Addis Ababa and 55% in Jimma) were aged above 30 years while the majority of them in Hawassa (69%) were in a youth age group. The variation in mean age was found to be statistically significant across the respondent business type as well as study sites. Mean age of those in Hawassa and the ones in the informal businesses were significantly younger while those in Addis Ababa and those organized in group were significantly older than the rest. For instance, more than one fifth of the surveyed women in MSEs organized in group in Addis Ababa were older than 50 years ⁵. The sampled population's marital status showed that overall 58 percent of the women were married (72% in Jimma, 57% in Addis Ababa and 46% in Hawassa); about a quarter (26%) of them were either divorced/widowed/separated, and this proportion was highest in Addis Ababa (41%) and it was about one fifth in Jimma and Hawassa towns. Besides, women who were single (37%) account for the second biggest proportion in Hawassa. Overall, more than two thirds (68%) of the respondents were migrants while one third of them (32%) were none migrants.



The proportion of migrants was highest in Addis Ababa (74%) followed by Hawassa (68%) and Jimma (60%). Most of the migrants in Addis Ababa came to the city before 20 years. The findings also showed that business operators in MSEs and in the informal sector in bigger urban areas were dominantly migrants. Looking into the overall result of the survey, nearly half of the women came from rural areas (48%) while one fifth of them migrated from other urban areas. As is noted in (Zemen Haddis⁶, 2014) the rural areas of most part of Ethiopia are deprived of critical infrastructure, such as roads, markets, electricity, communication technologies, and skills development institutions. The study further noted that absence of these infrastructures in rural areas and competition for increasingly scarce arable land is likely to result in increased rural-urban migration. Religion wise, the data revealed that more than half of the respondents in Addis Ababa and Hawassa were Orthodox Christians followed by Muslims in Addis Ababa (36%) and Protestants in Hawassa (37%). The respondents in Jimma were dominantly Muslims (56%) followed by Orthodox Christians (35%)

⁵

Most of these women were former fire wood collector

⁶

Paper prepared for presentation at the "2014 World Bank Conference on Land and Poverty" The World Bank - Washington DC, March 24-27, 2014

Table 1: Background characteristics of the respondents by study sites and business type

Background Characteristics	Study Site			Business Type		Informal Business	Total
	Addis Ababa	Jimma	Hawassa	MSEs			
				Individual	Group		
				(n=94)	(n=99)		
Age							
Less than 30	15%	45%	69%	42%	45%	45%	44%
31-49	63%	51%	28%	49%	35%	54%	47%
50+	22%	4%	3%	9%	20%	1%	9%
Total	100%	100%	100%	100%	100%	100%	100%
Mean age	39.4	31.9	27.8	32.9	35.4	30.6	32.9
Marital status							
Never married	1%	8%	37%	13%	19%	16%	16%
Married	57%	72%	46%	62%	49%	61%	58%
Divorced	17%	6%	6%	11%	8%	8%	9%
Widowed	21%	9%	8%	10%	18%	10%	13%
Separated	3%	5%	4%	3%	5%	4%	4%
Total	100%	100%	100%	100%	100%	100%	100%
Place of birth							
Non migrant	26%	39%	32%	34%	37%	27%	32%
Other place - urban	4%	13%	41%	17%	31%	13%	20%
Other place - rural	70%	47%	27%	49%	31%	60%	48%
Total	100%	100%	100%	100%	100%	100%	100%
Religion							
Orthodox	54%	35%	55%	41%	69%	39%	48%
Protestant	10%	9%	37%	14%	12%	31%	19%
Muslim	36%	56%	8%	45%	19%	30%	33%
Total	100%	100%	100%	100%	100%	100%	100%
Can you read and write/are you literate?							
Yes	57%	68%	81%	66%	76%	66%	69%
No	43%	32%	19%	34%	24%	34%	31%
Total	100%	100%	100%	100%	100%	100%	100%
Where do you live?							
Rented from private	26%	39%	80%	50%	37%	58%	49%
With relatives/friends	7%	1%	7%	2%	10%	5%	5%
Kebele house	29%	15%	1%	14%	27%	5%	15%
Own house	20%	44%	11%	34%	20%	19%	25%
Others (Ex. temporary house)	19%	0%	2%	1%	6%	13%	6%
Total	100%	100%	100%	100%	100%	100%	100%

A considerable proportion of women in the informal sector, nearly one third (31%), were illiterate, which may hamper the prospects of expansion of the businesses. The level of illiteracy was highest among respondents in Addis Ababa followed by Jimma and Hawassa. There was no significant difference in the proportion of literacy among women by business type. Higher proportions of women respondents in Hawassa were literate, as most of them were of younger age on average. As revealed in this survey about two thirds of the respondents (64%) live in a rented house (49% from private house owners and 15% from Kebele). Only one fourth of the women (25%) live in their own house. While 80 percent of the respondents in Hawassa live in rented houses from private holders, the majority of them in Jimma live in their own house.

2.2 Household Economy

In this survey respondents were asked their average daily income, whether other members of their households have income or not, and the women’s involvement in decision making regarding the planning and utilization of the income the women earned. Based on the experience in many other surveys that respondents are not willing to report income related data truthfull information regarding income was asked at the end of the interview after all issues which were not very sensitive were asked. The data collected here is, therefore, presumed to be indicative of the overall income pattern although the estimated values may not be representative of the absolute reality.

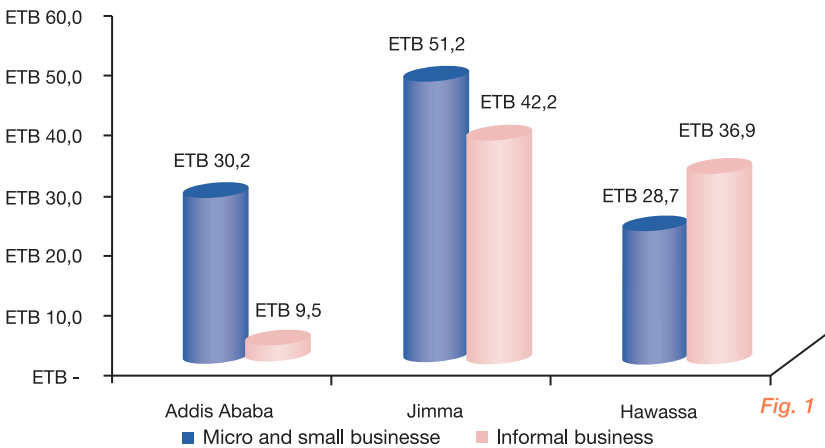


Figure 1: Average daily income of MSEs and informal businesses by study site

Women in MSEs in Addis Ababa generated significantly higher average daily income (30 Birr) than those operating informally (≈ 10 Birr). Whereas the result of the survey

for Jimma and Hawassa revealed that there was no significant difference in the average daily income of women in MSEs and those in the informal sector.

Table 2: Average daily income of MSEs and informal businesses by study site					
Study Site	Business Type				
	MSEs			Informal Business	All Group
	Individual	Group	Total		
Addis Ababa ⁷	31.6 _a (n=94)	28.3 _{a,b} (n=30)	30.2(n=64)	9.5 _b (n=30)	23.6(n=94)
Jimma	57.0 _a (n=48)	36.5 _a (n=19)	51.2(n=67)	42.2 _a (n=32)	48.3(n=99)
Hawassa	20.8 _a (n=34)	36.5 _b (n=34)	28.7(n=68)	36.9 _b (n=35)	31.5(n=103)
Total	39.0(n=116)	33.6(n=83)	36.7(n=199)	30.2(n=97)	34.6(n=296)

Although it is not statistically significant, the income level of women in the informal sector in Hawassa is higher than those in the MSEs. The result of the survey, in this regard, revealed that the opportunity for informal operators to grow and succeed in Addis Ababa is very low. The main cause of this could be that the government system of control against informality is stringent in Addis Ababa as compared to the level of tolerance in the surveyed regional towns, Hawassa and Jimma. The women were asked if there were other members of their household who have income. In this regard, more than half of the women (75% in Jimma and 56% in Addis Ababa and Hawassa each) reported that there was one

other member of their household who has income. Nearly one third of the women in Jimma, and about one fifth in Addis Ababa and Hawassa, also mentioned that there were two other members of their household who have income (Figure 2). The findings here suggest that women in MSEs as well as those in the informal sector are members of households struggling to sustain the livelihood of their families. More than half of them have at least one other member of their household assisting them to shoulder the living costs of their households. Poverty has obviously forced every member of poor households to work in order to sustain their livelihood.

⁷

Throughout this report, where such comparisons are indicated, note that values in the same row and sub table not sharing the same subscript are significantly different at $p < .05$ in the two-sided test of equality for column means. Cells with no subscript

(sub totals) are not included in the test. Test assume equal variances. Tests are adjusted for all pair wise comparisons within a row of each innermost sub table using the Bonferroni correction.

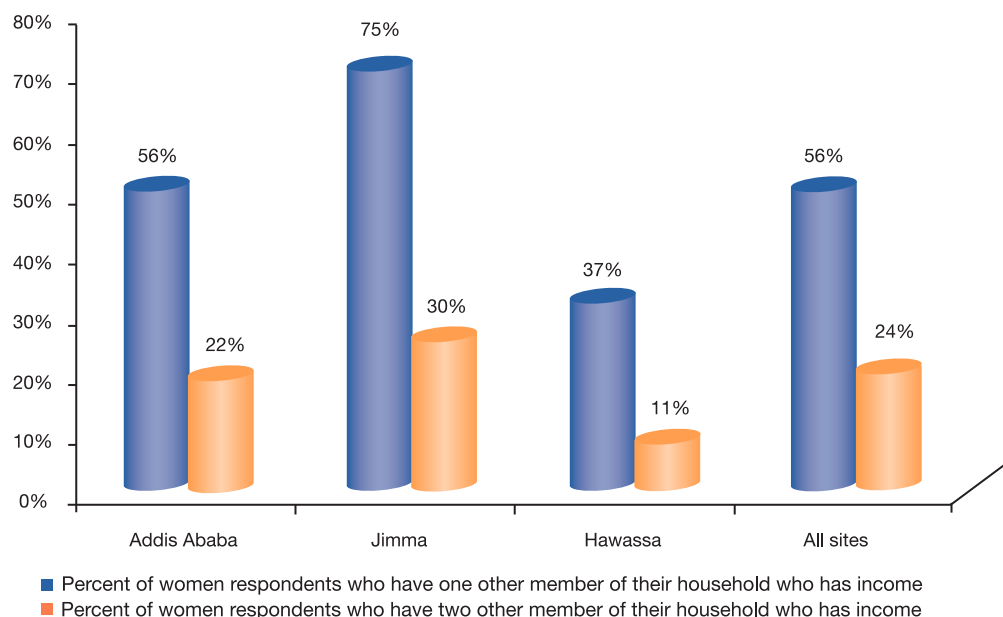


Fig. 2

Figure 2: Percent of women respondents whose other members of their household have income

When asked if their business had generated stable income, only one in ten of the respondents replied “yes.” When we look into the variation across study sites the difference was not statistically significant. However, the variation was statistically significant (at 95% confidence) when we

compare the MSEs operated individually and those in the informal sector against MSEs operating in group (Figure 3). The finding here justifies the benefits of working in group that can generate relatively stable income to its members than those running businesses individually.

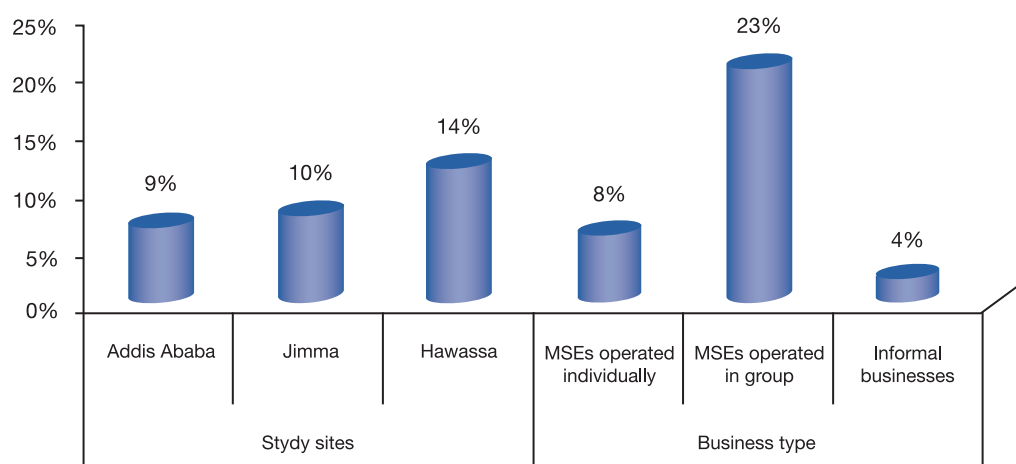


Fig. 3

Figure 3: Percent of respondents generating stable earnings by study site and business type

The burden on the women is obviously higher as they are also traditionally

expected to perform household chores and they are also responsible for child rearing

activities in addition to the long hours they spend operating their small business. Most of the women's spouses were daily labourers who earn irregular income. In this assessment it was also found that the women spend an average of about eight hours per day for seven days to run their business. Women in some of the MSEs and almost all the women in the informal businesses work in situations where they are exposed to unfavourable environmental conditions (polluted areas), where toilets and clean water is not accessible, and theft is prevalent.

2.3 Start up Capital and Sources of Financing

In the 2003 national survey on the informal sector it was found that the three major sources of initial capital for starting their informal sector operation was own saving (45%), borrowed from friends and relatives (24%) and assistance from friends and relatives (20%). In this survey respondents were asked the amount of the initial capital they started the business and the source of the initial capital, the result of which is presented in Table 4. It was revealed that the women started the business with an average start up capital of 2,232 Birr. However, there was significant variation in average start up capital across business types (MSEs 2752 Birr and women in informal business 1,166 Birr).



Table 3: Average start up capital in Birr by study site and business type			
Study Site	Micro and small businesses	Informal business	Total
Addis Ababa	1,278 _a	890 _a	1,154
Jimma	2,229 _a	2,019 _a	2,161
Hawassa	4,653 _a	623 _b	3,284
Total	2,752	1,166	2,232

Looking further into the variation by study sites and across the business types the result of the survey revealed that the difference in the amount of the initial working capital between MSEs and the informal businesses was significant in Hawassa and shows no significant difference in Jimma and Addis Ababa. When we look into the sources of financing (Table 5), nearly half of the financing source of groups of women operating in MSEs was through loan (45%) while the share of own contribution including relatives/friends support was similarly 45%, and the remaining 11% of them got the money

as grant. The start up capital of more than half of individually operated MSEs (59%) and nearly three fourth (72%) of the informal businesses were financed by own source including families and friends support. When we look into the contribution of loan across study sites, the start up capital of women in Addis Ababa was dominantly based on loans (50%) and grant (20%) while more than two third of women in Jimma and Hawassa (Jimma 76%, Hawassa 67%) used largely their own resources and support from families and friends.

Table 4: Sources of financing the start up capital by study sites and business type							
	Study Site			Business Type			
How did you collect the first “seed capital” to start your current business?	Addis Ababa	Jimma	Hawassa	MSEs		Informal Business	Total
				Individual	Group		
	(n=85)	(n=87)	(n=101)	(n=105)	(n=83)	(n=85)	(n=273)
Loan from different sources (such as micro-finance institutions, private individuals, revolving fund/NGOs, and from VSLAs ⁸)	50%	16%	30%	32%	45%	19%	31%
Personal savings, Equib, and selling personal goods	26%	40%	34%	23%	34%	47%	34%
Relative’s/friend’s support	5%	36%	33%	36%	11%	25%	25%
Grant from NGOs, government institutions, ecc	20%	8%	4%	11%	10%	9%	10%
Total	100%	100%	100%	100%	100%	100%	100%

⁸ Voluntary Saving and Loan Association

2.4 Saving and Loan Experience

It is often assumed that low-income people have simple and straightforward financial behaviour. For example, it is commonly accepted that poor people cannot save. In reality low-income people use a range of financial tools to manage their money. To survive on very little requires a strategy, which includes saving in various forms, taking credit and lending out to others.

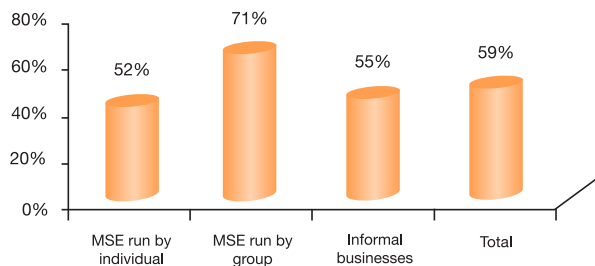


Figure 4: Percent of women who saved in the last one year by business type

Looking into the variation in saving experience of women operating informally across study sites (Figure 5), it was revealed that women in Addis Ababa were most likely (95%) to save as compared to those assessed in Jimma (39%) and Hawassa (47%). The finding here calls for empowering women in the regional towns to learn more on the benefits of saving. The type of institutions where the surveyed women save is presented in Table 6. Microfinance institutions were the most used by MSEs (93% of the groups⁹ and 56% of individuals). Formal banks were most preferred by individuals.

⁹

The reasons are that micro and small businesses working in group have benefits of getting loan from micro finance institutions and are mostly required to pay back their loans and save regularly.

Experience in Savings

The result of the survey depicted in Figure 4 revealed that women running MSEs in group were more likely to save than others, nearly three fourth of them reported that they were saving in the last one year from the income they got. Women operating micro and small business individually were almost equally likely to save as those in the informal sector, 52 percent and 55 percent respectively.

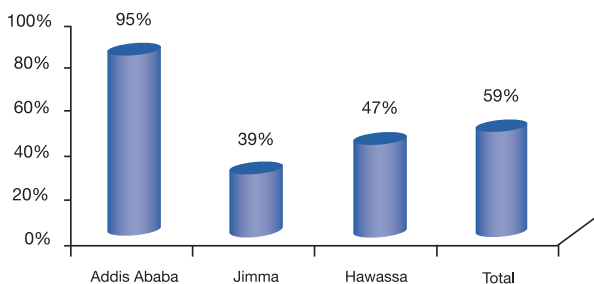


Figure 5: Percent of women who saved in the last one year by study site

in MSEs (33%) and those doing businesses informally (29%). Only one fifth (20%) of women in the informal market reported that they are saving in micro finance institutions.¹⁰ Informal businesses use various forms of saving including both the formal and informal ones. For instance, Equib is largely used by informal business operators as one of the mechanism of saving. Looking into the regional variations, formal banks were only rarely used by the women in Hawassa and Addis Ababa ; microfinance institutions were least used by the women in Jimma (47%) as compared to those in Addis Ababa (58%) and Hawassa (76%).

¹⁰

Mostly these are informal business operators preparing to join the formal micro and small business sector and opting for loan from the micro finance institutions

Table 5: Institution where the surveyed women save by study sites and business type							
Study Site				Business Type			
Where do you save?	Addis Ababa	Jimma	Hawassa	MSEs		Informal Business	Total
				Individual	Group		
	(n=77)	(n=38)	(n=42)	(n=57)	(n=59)	(n=41)	(n=157)
Equib	0.0%	28,9%	11,9%	5%	2%	29%	10%
Bank	31.2%	18.4%	2.4%	33%	2%	29%	20%
Micro finance	58.4%	47.4%	76.2%	56%	93%	20%	61%
Friend/family	0.0%	5.3%	7.1%	4%	3%	2%	3%
Other	10.4%	0.0%	2.4%	2%	0%	20%	6%
Total	100%	100%	100%	100%	100%	100%	100%

Multivariate analysis (binary logistic regression model) of the factors of saving was conducted considering background characteristics of the women (such as age, study site, business type, marital status, migration status, religion, and literacy status) as independent variables. The result of the multivariate analysis (Table 7) revealed that women in Hawassa and Jimma were much more likely to save the income they earn from their business as compared with their counterparts in Addis Ababa ($p<0.001$). On the other hand, women in MSEs operating in group were about twice less likely to save as compared with those working individually ($p<0.1$). The multivariate result showed that other background variables did not have significant difference in saving experience of women.



Table 6: Multivariate binary logistic regression model of the factors of saving in the last one year

	B	SE	Wald	df	Sig.	Exp(B)
Age						
Less than 30						RC
31-49	-.420	.348	1.459	1	.227	0.657
50+	-.725	.819	.782	1	.377	0.485
Study site						
Addis Ababa						RC
Jimma	3.308	.589	31.578	1	.000	27.334***
Hawassa	3.161	.649	23.706	1	.000	23.604***
Respondent Category						
Individual						RC
Group	-.816	.385	4.488	1	.034	0.442*
Informal	-.351	.370	.902	1	.342	0.704
Marital status						
Never married						RC
Married	-.231	.434	.283	1	.594	0.794
Divorced	.043	.706	.004	1	.952	1.044
Widowed	-.088	.662	.018	1	.894	0.916
Separated	.156	.819	.036	1	.849	1.169
Place of birth						
Non migrant						RC
Other place - urban	-.396	.407	.946	1	.331	0.673
Other place - rural	-.028	.369	.006	1	.940	0.973
Religion						
Orthodox						RC
Protestant	-.180	.425	.179	1	.672	0.836
Muslim	-.104	.393	.069	1	.792	1.109
Literacy status						
Literate						RC
Illiterate	.297	.360	.680	1	.406	1.345
Constant	-2.224	.751	8.767	1	.003	0.108

Note: ♦ RC- reference category,
♦ * Significant at 90% confidence level
♦ *** Significant at 99% confidence level

Experience in loan taking, source of loan and paying back

The experience of taking loans individually is presented in Table 8. The findings in this regard revealed that one fifth of the surveyed women (21%) have taken loan individually to finance their business during the last one year (14% of women running MSE individually, 24% of those operating in

group and 26% in the informal sector). Of those who got the loans individually, more than half of the women in MSEs (63% of those operating individually, and 55% of those operating in group) got the loan from microfinance institutions on individual basis while the remaining of them got loan from friends, family members and others.

Table 7: The experience of loan taking individually, sources loan, and paying back by business type

	MSEs				Informal Business		Total	
	Individual		Group					
	n	%	n	%	n	%	N	%
Do you have the experience of taking loan individually in the last one year for your business?								
Yes	16	13.8%	20	24.1%	25	25.8%	61	20.6%
No	100	86.2%	63	75.9%	72	74.2%	235	79.4%
Total	116	100%	83	100%	97	100%	296	100%
From where did you get the loan?								
Bank	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Micro finance	10	62.5%	11	55.0%	6	24.0%	27	44.3%
Friends, family members and other	6	37.5%	9	45.0%	19	76.0%	34	55.7%
Total	16	100%	20	100%	25	100%	61	100%
Did you pay back as agreed?								
Yes	12	75.0%	10	50.0%	20	80.0%	42	68.9%
Yes, but with difficulties	3	18.8%	4	20.0%	1	4.0%	8	13.1%
No	1	6.3%	6	30.0%	4	16.0%	11	18%
Total	16	100%	20	100%	25	100%	61	100%

On the other hand, a little more than three fourth (76%) of the women in the informal sector got loan from their friends and relatives during the last one year period; and about one fourth of them (24%) got the

loan from microfinance institutions. One can easily recognize that the informal structure (family system and social networks) were the major source of financing the informal businesses.

Table 8: The experience of loan taking in group, sources loan, and paying back by business type

	MSEs				Informal Business		Total	
	Individual		Group					
	n	%	n	%	n	%	N	%
Have you taken loan in group in the last one year for your business?								
Yes	15	12.9%	40	48.2%	6	6.2%	61	20.6%
No	101	87.1%	43	51.8%	91	93.8%	235	79.4%
Total	116	100%	83	100%	97	100%	296	100%
From where did you borrow?								
Bank	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Micro finance	14	93.3%	34	85.0%	1	16.7%	49	80.3%
Friends, family members and other	1	6.7%	6	15.0%	5	83.3%	12	19.7%
Total	15	100%	40	100%	6	100%	61	100%
Did you pay back as agreed?								
Yes	14	93.3%	28	70.0%	3	50.0%	45	73.8%
Yes, but with difficulties	0	0.0%	7	17.5%	0	0.0%	7	11.5%
No	1	6.7%	5	12.5%	3	50.0%	9	14.8%
Total	15	100%	40	100%	6	100%	61	100%

When asked whether they paid the loans they took individually as agreed or not, 69 percent of them replied “yes” and 13 percent of them mentioned that they paid it with difficulties. Looking into the difference across business types it was found out that almost all individually operating MSEs, 70 percent of those operating in group, and 84 percent of the women in the informal sector have paid back as agreed. Of all MSE operators who paid back the loan, nearly one fifth of them paid back with difficulties. Nearly one third of those MSEs doing business in group and 16 percent in the informal market do not pay back the loans as agreed. As revealed in Table 9, 13% of the women running MSE individually, 48% of those operating in group and 6% of the women in the informal market got loan in the last one year. Of those who took loans, the greater majority of the women in MSEs (93% of those working individually¹¹ and 85% of those working in group) got loan in the last one year period from microfinance institutions. Most of those in MSE, who got group loan, have paid back as agreed. Multivariate analysis (binary logistic regression model) of the factors of taking loan was conducted considering background characteristics such as age, study site, business type, marital status, migration status, religion, and literacy status as independent variables. The result of the multivariate analysis (Table 10) revealed that women in MSEs and informal businesses at Hawassa and Jimma are many times more likely to take loans as compared to their counterparts in Addis Ababa. On the other hand, women in MSEs operated in group and those operating informally are less likely to take loans as compared



with women in MSEs working individually. The multivariate model also revealed that migration and literacy status of women were the other significant factors determining loan taking experience of women operating small businesses. In which case migrant women were found to be less likely to seek for loans as compared with the none-migrants; the reason could be lack of collateral or social bonds that are mostly essential for guarantee. Illiterate women are about twice likely to take loans as compared with the literate ones; the likely reason here might be that the literate once might fear difficulties to pay back while Illiteracy increases the likelihood of high-risk behaviour. All other background characteristics of the women were not significant in determining the experience of loan taking.

¹¹

The system of loan taking here refers to the funds that the loan takers use the money for individual businesses while the members in their VSLA will be the collateral.

Table 9: Multivariate binary logistic regression model of the factors of taking loan in the last one year

	B	SE	Wald	df	Sig.	Exp(B)
Age						RC
Less than 30						
31-49	.070	.435	.026	1	.872	1.073
50+	.496	.801	.383	1	.536	1.642
Study site						RC
Addis Ababa						
Jimma	2.767	.515	28.827	1	.000	15.913***
Hawassa	1.942	.598	10.568	1	.001	6.976***
Respondent Category						RC
MSEs operated individually						
MSEs operated in group	-.850	.487	3.045	1	.081	0.427*
Informal businesses	-1.283	.482	7.094	1	.008	0.277**
Marital status						RC
Never married						
Married	-.620	.570	1.185	1	.276	0.538
Divorced	.221	.873	.064	1	.800	1.248
Widowed	-.961	.797	1.451	1	.228	0.383
Separated	-.133	1.263	.011	1	.916	0.875
Place of birth						RC
Non migrant						
Other place - urban	-1.087	.532	4.166	1	.041	0.337*
Other place - rural	-.471	.479	.969	1	.325	0.624
Religion						RC
Orthodox						
Protestant	.475	.522	.767	1	.381	1.580
Muslim	.316	.459	.474	1	.491	1.372
Literacy status						RC
Literate						
Illiterate	.899	.482	3.483	1	.062	2.457*
Constant	.452	.801	.318	1	.573	1.572

Note: ♦ RC- reference category,
♦ * Significant at 90% confidence level
♦ *** Significant at 95% confidence level
♦ **** Significant at 99% confidence level

2.5 Intention/Plan for Expanding the Business

It is obvious that small business operators mostly have aspiration to grow and prosper. However their commitment to implement their plans might vary due to different factors. As it was found in this survey

(Table 11) two thirds of the women (61% in MSIEs operated individually, 58% in MSIE operated in group and 78% of women in the informal sector) had a new business plan in mind. The aspiration was found to be significantly higher among women operating in the informal sector.

Table 10: The experience of loan taking in group, sources loan, and paying back by business type

	MSEs				Informal Business		Total	
	Individual		Group					
	n	%	n	%	n	%	N	%
Do you have a new business plan in mind ¹² ?								
Yes	71 _a	61.2%	48 _a	57.8%	76 _b	78.4%	195	65.9%
No	45 _a	38.8%	35 _a	42.2%	21 _b	21.6%	101	34.1%
Total	116	100%	83	100%	97	100%	296	100%
Do you have the capital necessary for implementing your plan?								
Yes	11 _a	15.5%	11 _a	22.9%	15 _a	19.7%	37	19.0%
No	60 _a	84.5%	37 _a	77.1%	61 _a	80.3%	158	81.0%
Total	71	100%	48	100%	76	100%	195	100%

Those who have a new business plan in mind were asked if they have the necessary capital for implementing their plan. About one fifth of the women with a plan to start a new business in the future have the necessary capital to implement their plan (16% in MSE operating individually, 23% in MSE operating in group, and 20% of women operating informally). There is no significant difference in proportion of women having the necessary capital for implementing their plan across business type. The result here revealed that although the majority of the women have a plan to expand their business only few of them (about two in ten of the women with the plan) have the necessary capital.

2.6 Factors Affecting the Performance of MSEs and Informal Businesses

Different studies have revealed challenges that prevail in MSEs and businesses in the informal sector. Many women inhabit slum and squatter settlements with poor conditions of houses, electricity, and water and drainage systems. Informal sector is the only hope for a large number of women who are not able to find employment in the formal sector. The national survey on urban informal sector revealed that 38 percent of the MSE activities during the start up period, and 30 percent of them during the

operation faced shortage of working capital (CSA, 2003). A study on socio-economic contributions of MSEs in Jimma town revealed that the activities of the MSE sector are constrained by many factors like lack of financial capacity, lack of working and production places, rules and regulatory procedures, lack of capacity to compete larger enterprises, and insufficiency of business development services and socioeconomic infrastructures (Diriba Shiferaw, 2013). Another study on the Factors Affecting the Performance of MSEs in Arada and Lideta Sub-Cities of Addis Ababa also revealed challenges of MSEs such as inadequate finance, lack of working premises, marketing problems, inadequate infrastructures, poor management practices, and technological, entrepreneurial and politico-legal problems including bureaucratic bottlenecks of government system (Admasu Abera, 2012). The findings in this survey (Table 12) similarly revealed that lack of sufficient working capital, lack of security of livelihood, lack of job opportunity in the formal sector, competition with bigger vendors, and lack of access to clean running water (especially for those involved in food vendors) were the major challenges as per their order. The challenges were more or less common to all the study sites. For instance, lack of working capital is the leading challenge as reported by women in Addis Ababa, Jimma as well as Hawassa.

¹²

Values in the same row and subtable not sharing the same subscript are significantly different at $p < .05$ in the two-sided test of equality for column proportions. Cells with no subscript are not unum proportions. Cells with no subscript are not

included in the test. Tests assume equal variances. Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.

Table 11: Challenges that women in MSE and informal business encounter by study sites and type of business¹³

	Study Site			Business Type			
	Addis Ababa	Jimma	Hawassa	MSEs		Informal Business	Total
	(n=94)	(n=99)	(n=103)	Individual (n=116)	Group (n=83)	(n=97)	(n=296)
Lack of working capital	71.3%	52.5%	35.0%	72.4%	30.1%	47.4%	52.4%
Lack of security of livelihood	36.2%	32.3%	32.0%	37.1%	13.3%	46.4%	33.4%
Lack of job opportunity in the formal sector	46.8%	36.4%	16.5%	23.3%	51.8%	27.8%	32.8%
Competition with bigger businesses	26.6%	37.4%	29.1%	39.7%	18.1%	32.0%	31.1%
Lack of access to clean running water (for food vendors)	23.4%	10.1%	27.2%	7.8%	59.0%	2.1%	20.3%
Poor access to market places (roads, transport)	27.7%	9.1%	7.8%	10.3%	20.5%	14.4%	14.5%
Insecure storage facilities (thefts, damage, etc)	14.9%	13.1%	6.8%	12.1%	9.6%	12.4%	11.5%
Markets waste disposal/poor hygiene	16.0%	8.1%	23.3%	13.8%	20.5%	14.4%	15.9%
Competition with formal businesses in the same field	5.3%	7.1%	18.4%	12.9%	2.4%	14.4%	10.5%
High price/restrictions on licenses	1.1%	6.1%	2.9%	0.0%	6.0%	5.2%	3.4%
Urban renewal works disrupted market places	1.1%	9.1%	0.0%	0.0%	3.6%	7.2%	3.4%
Timing of eviction, too short no notice ahead	1.1%	16.2%	0.0%	0.0%	4.8%	13.4%	5.7%

Lack of working capital and lack of security of livelihood was mentioned by more than half of the individuals operating MSEs individually and those in the informal sector while lack of access to utility lines such as

clean running water and lack of job opportunity in the formal structure were mentioned by more than half of the women in MSEs operating in group.

¹³

Note that the percentages in the body of tables 12, 13 and 14 do not add up to 100. It is computed from a multiple response answer questions.

The totals of “yes” responses to each question were divided by the sample size indicated in the header column.

2.7 Social Protection

Social protection is a central public policy component for countries addressing poverty, vulnerability and inequality. It is an assistance designed to help the most vulnerable individuals, households and communities to meet a subsistence food and improve living standards. Ethiopia has endorsed a National Social Protection Policy in 2012. The policy asserts that investing in social protection reduces the vulnerabilities of poor people to external shocks such as aggregate income shocks, instability in the price of essential commodities, and the effect of climate change. The policy has recognized that there are a wide range of support mechanisms in the extended family and other social institutions: remittances from relatives living abroad, Idirs that provide resources of different types when problems occur amongst members, primarily financial institutions such as Equib, etc. are mentioned in the policy as some of the community level social protection informal mechanisms that form the bedrock of social protection in the country. In this survey respondents were asked the major assets that their household has, participation of the women in different social organizations and where they seek for assistance when they face problems and income shocks. In major urban areas such as Addis Ababa and Hawassa possession of a house/land is next to impossible for low income households, except the possibilities of some form of informal settlement in urban fringe zones¹⁴. The result of the survey in this regard (Table 13) revealed that about one third

of the households (22% in Addis Ababa, 48% in Jimma¹⁵, and 27% in Hawassa) have house/land. Nearly half of the households (47%) possess Television, 7 percent have cattle, and 6 percent have bicycle¹⁶. The difference in the proportion of the ownership of land/house is statistically significant between Jimma on one hand and Addis Ababa and Hawassa on the other hand; proportion of households' ownership of television is significantly higher in Addis Ababa as compared with the other sites. However, there is no significant difference in ownership of house/land and television across the women in different business types. When we look into the social organizations where the women were members (Table 14) it was found that women in Addis Ababa were members of most of the social organizations except Equib (cooperatives 39%, self-help groups 18%, saving and credit groups 26%, and Edir 19%). Nearly half of the women (46%) at Jimma were members of Edir, and 39 percent of them had Equib while the proportion of women in other organizations was relatively low (Saving and credit group 14% and cooperatives 12%). In Hawassa, nearly half of them (48%) were members of saving and credit group and insignificant proportion of them were members of other organizations. The reason could be that most of the surveyed women in Hawassa running business in MSEs and in informal sector were of younger age and they did not have a strong link with traditional associations of women such as Edir and Equib.

¹⁴

In this study we never ask whether they have title deeds for the house/land they possess.

¹⁵

In case of Jimma the survey sites included districts in the suburb of Jimma town that resulted in higher proportion of households owning land, cattle and farm equipment.

¹⁶

TV is mostly recreational media as well as it is an asset for poor households that can be sold when they face income shock. Due to a fall in the price of electronics appliances it is possible that a households can easily buy a used one with a price beginning from Birr 1000. Similar result was found in EDHS2011 that revealed 42 percent of urban households own televisions, 6 percent of urban households own bicycles.

Table 12: Assets owned by households of the surveyed women by survey site and business type							
	Study Site			Business Type			
	Addis Ababa	Jimma	Hawassa	MSEs		Informal Business	Total
	(n=94)	(n=99)	(n=103)	Individual (n=116)	Group (n=83)	(n=97)	(n=296)
Land/House	22%	48%	27%	38%	36%	24%	33%
Television	60%	45%	38%	43%	54%	46%	47%
Cattle	2%	12%	6%	8%	7%	5%	7%
Bicycle	2%	3%	14%	5%	10%	5%	6%
Farm equipment	0%	7%	4%	6%	2%	2%	4%
Construction equipment	3%	0%	0%	0%	1%	2%	1%
Horse/donkey/cart	0%	2%	1%	2%	1%	0%	1%

Looking into the difference between proportion of women in MSEs and those in the informal business it was found that those in MSEs were members of the formal

financial organizations while more percent of women in the informal business were members of traditional organizations like Equib and Edir.

Table 13: Respondent's membership status of different community level organizations by study site and business type							
	Study Site			Business Type			
	Addis Ababa	Jimma	Hawassa	MSEs		Informal Business	Total
	(n=94)	(n=99)	(n=103)	Individual (n=116)	Group (n=103)	(n=97)	(n=296)
Cooperative	39%	12%	2%	41%	5%	0%	17%
Self-help group	18%	3%	5%	2%	5%	20%	8%
Saving and credit group	26%	14%	48%	36%	41%	11%	29%
Edir	19%	46%	0%	27%	13%	22%	21%
Equib	1%	39%	3%	16%	7%	20%	15%

When asked whom they ask when they are in income shock or encounter problems such as sickness, lack of food, etc nearly half of the women (48%) mentioned that they ask their relatives. In this regard there is no significant difference in proportion across business types; however, region wise it was found that more than half of the women at Jimma and Hawassa consider asking help from relatives as the immediate option to cope up with difficult life circumstances while very few of the women in Addis Ababa (16%) mentioned their families as sources of help. Nearly one fifth of the women (22% in Addis Ababa, 19% in

Jimma and 11% in Hawassa) mentioned that they regard their husband as a helper in situations where they face difficult circumstances in life; the result showed no significant difference in statistical terms across the different business types. Strikingly, near to one fifth of the women (24% in Addis Ababa, 12% in Jimma and Hawassa each) mentioned that they have no one to ask; when looked into the business types the women in a feeling of despair were mainly those in the informal sector (8% MSEs working individually, 12% of MSEs working in group, and 29% of those in the informal sector).

Table 14: Respondents' source of help or whom they ask when they encounter problems such as sickness, lack of food, etc by study site and business type							
	Study Site			Business Type			
	Addis Ababa	Jimma	Hawassa	MSEs		Informal Business	Total
	(n=94)	(n=99)	(n=103)	Individual	Group	(n=97)	(n=296)
	(n=116)	(n=103)					
Relatives	16%	52%	75%	53%	43%	46%	48%
Self-help group	0%	2%	1%	3%	0%	0%	1%
Public agency	24%	2%	0%	13%	7%	4%	8%
Employer	0%	0%	2%	0%	0%	2%	1%
Edir	12%	9%	0%	9%	11%	1%	7%
My husband	22%	19%	11%	14%	22%	18%	17%
My children	1%	4%	0%	1%	5%	0%	2%
No one to ask	24%	12%	12%	8%	12%	29%	16%
Total	100%	100%	100%	100%	100%	100%	100%

3. Conclusion and Recommendations

Like most of the developing countries, Ethiopia is challenged with a high unemployment rate; the hardest hit by unemployment are the women and youth. Given the rate at which new entrants enter the job market, a growing number of women will continue failing to secure jobs in the formal sector, a situation that will make them turn to the informal economy that absorbs most of the surplus labour that cannot find wage employment in urban areas, for employment and income generation. The overall purpose of this survey was to assess the socioeconomic characteristics of women in the MSEs and in the informal sector and to study the situation of their business operation. The survey finding has shown that the informal economy and its transition to MSEs have good prospects; it however, varies across the study sites. The result of the survey yield that informal sector in Addis Ababa is being run under difficult situation and yield very low income that it needs further encouragement and support to provide productive employment

opportunities to a growing number of unemployed poor women. The study also revealed that the status of income generated by MSEs and informal businesses at the regional towns doesn't show much difference. Lack/shortage of working capital is, however, the leading challenge as reported by the MSEs and those in the informal sector across all the surveyed urban sites. Persons working in the informal economy have initiatives. They need training, technology, financial support and sound managerial techniques to demonstrate their success. However, low level of education of informal economy operators has an impact on their operations. Formation of VSLAs to enhance the operations of the MSEs and informal economy through access to loans and capital formation, provision of revolving fund, organizing training and skill development packages aimed at improving entrepreneurial and management skills need to be developed so as to improve the efficiency of the business operations and to improve the livelihood of the women.

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ASSESSMENT ON THE INFORMAL ECONOMY WITH GENDER APPROACH IN ADDIS ABABA, HAWASSA AND JIMMA

INDIVIDUAL QUESTIONNAIRE

GENERAL INSTRUCTION FOR INTERVIEWERS

Interviewers are strongly advised to follow the instruction before conducting an interview

Please, make sure that the interviewees fully understand the objectives of the interview and the information she/he gives will be kept confidential. It is most important to win the confidence of the interviewees to develop trust and friendship on us. This can be possible through creating an enabling environment such as arranging convenient time and place for an interview session, respecting and demonstrating politeness. Write any additional information you get on side of the questionnaire.

Introducing yourself and secure an informed oral consent of the respondent

Good morning/afternoon! My name is _____. I am working with The Confederation of Ethiopian Trade Union (CETU), Department of Women's Affairs. . We are conducting an assessment on the Informal Economy with Gender Approach in Addis Ababa, Hawassa and Jimma. I would like to ask you some questions related to your business activities. This information will help CETU to effectively design, implement and monitor a project aimed at improving the livelihood condition of poor women in this community. We would very much appreciate your participation in this study. Can I continue asking questions? If the answer is yes continue!

Interviewer:

Name: _____ Region _____

Signature: _____ Zone/S. City _____

Date: _____ Woreda _____

Time (HH/MM): _____ Kebele _____

Questionnaire ID _____

Respondent Category

1. Registered MSEs operating individually
2. Registered MSEs operating in group
3. Small and micro businesses operating informally

#	Question	Code
Q01	Age (in completed years)	
Q02	Marital Status 1. Never married 2. Married 3. Divorced 4. Widowed 5. Separated	
Q03	Number of children <5 5-14 14+ M ___ ___ ___ F ___ ___ ___ T ___ ___ ___	
Q04	Migration status 1. Non migrant 2. Other place - urban 3. Other place – rural	
Q05	If you are a migrant, when did you come here?	
Q06	Reason for migration 1. Married here 2. Looking for job opportunity 3. Looking for education opportunity 4. Escaped from marriage 5. Death of parents 6. Sickness of parents 7. Parents divorce 8. Other _____	
Q07	Religion 1. Orthodox 2. Protestant 3. Muslim 4. Other religion	
Q08	Can you read and write/ Are you literate? 1. Yes 2. No	
Q09	If literate, what is the highest grade you completed 1. Non formal education 2. Primary education 3. Secondary education 4. TVET certificate 5. Degree and above	
Q10	If the woman has children aged 5-14, are they attending school? (Check Q103) 1. Yes 2. No	
Q11	Where do you live now? 1. Rented from private household 2. Live in relatives/friends house 3. Rented Kebele house 4. Own house 5. Temporary shelter 6. Other (specify)_____	

#	Question	Code
Q12	Which is your business? 1. Self-employment 2. Work for an employer 3. Cooperatives 4. SME funded by a project 5. Other specify _____	
	How many hours per week do you work on your business?	
Q13 a	Are there other members of your household who have some form of income? 1. Yes 2. No	
	What is the business of the other member of your household? 1. Self-employment 2. Work for an employer 3. Cooperatives 4. small enterprise 5. Other specify _____	
Q13 b	Are there other members of your household who have some form of income? 1. Yes 2. No	
	What is the business of the other member of your household? 1. Self-employment 2. Work for an employer 3. Cooperatives 4. small enterprise 5. Other specify _____	
Q14	Who makes decision in the household in utilization of the income you earn? 1. Myself 2. In consultation with my husband 3. My husband 4. Other specify	
Q15	How did you collect the first “seed capital” to start your current business? 1. Borrowed from formal bank 2. Borrowed from microfinance institution 3. Borrowed from revolving fund of an NGO 4. Relative's support 5. Friend's support 6. Sold personal goods 7. Others (Specify)	
	How much was your initial working capital? Own source _____ Borrowed _____	
Q16	Do you have experience of saving in the last one year from the income you get from the small business? 1. Yes 2. No	
Q17	Where do you save? 1. Equib 2. Bank 3. Micro finance institution 4. Individual/family 5. Others (Specify) _____	

#	Question	Code
Q18 a	Do you have the experience of borrowing money individually in the last one year for your business? 1. Yes 2. No	
	From where did you borrow? 1. Bank 2. Micro finance institution 3. Individual/family 4. Others (Specify) _____	
	Did you pay back as agreed? 1. Yes 2. Yes with difficulty 3. No	
	If no, why? With which consequences? _____	
Q18 b	Do you have the experience of borrowing money in group in the last one year for your business? 1. Yes 2. No	
	From where did you borrow? 1. Bank 2. Micro finance institution 3. Individual/family 4. Others (Specify) _____	
	Did you pay back as agreed? 1. Yes 2. Yes with difficulty 3. No	
	If NO: why? With which consequences? _____	
Q19	Do you have a new business plan in mind? 1. Yes 2. No	
Q20	If yes, what is your plan? _____	
Q21	Do you have the capital necessary for implementing your plan? 1. Yes 2. No	
	If yes, how did you get that capital? 1. Borrowed from formal bank 2. Borrowed from microfinance institution 3. Relative's support 4. Friend's support 5. Sold personal goods 6. Others (Specify) _____	
	If no, how did you plan to get that capital? 1. To borrowed from formal bank 2. To borrowed from microfinance institution 3. To ask relative's support 4. To ask friend's support 5. To sell personal goods 6. Others (Specify) _____	

#	Question	Code
Q22	Which obstacles do you face which undermine your productivity? (multiple answer is possible) 1. Lack of access to clean running water (for food vendors)? 2. Poor access to market places (roads, transport) 3. Insecure storage facilities (thefts, damage, etc) 4. Markets waste disposal/ poor hygiene 5. Competition with other informal vendors? 6. Competition with formal businesses in the same field? 7. Other (specify)_____	
Q23	Do you generate stable earnings? 1. Yes 2. No	
Q24	Which restrictions make it difficult for you to generate stable earnings? (multiple answer is possible) 1. High price/restrictions on licenses 2. Urban renewal works disrupt market places? 3. Timing of eviction, too short no notice ahead 4. Lack of working capital 5. Lack of security of livelihood 6. Lack of job opportunity in the formal sector? 7. Other (specify)_____	
Q25	What is your average daily net income?	
	which is the most profitable activity (if you have more than one) _____	
Q26	What asset does your household has? (multiple answer is possible) 1. Land/house 2. Cattle 3. Construction equipment 4. Farm equipment 5. Horse/donkey/cart 6. Bicycle 7. TV 8. Other asset (specify) _____	
Q27	Are you member of an organization? (multiple answers possible) (multiple answer is possible) 1. Cooperative 2. Self-help group 3. Saving and credit group 4. Edir 5. Equib 6. Other (specify) _____	
Q28	In case of problem (illness, lack of job, extra expenses to face, bad weather for crops), to whom you ask for help? (multiple answer is possible) 1. Relatives 2. Self-help group 3. Public agency 4. Private insurance 5: Employer 6. Edir 7. Other (specify) _____	

Interviewers note:

Thank you!



THE ROLE OF MICRO AND SMALL ENTERPRISES (MSEs) IN STRENGTHENING GRASSROOTS ASSOCIATION IN POOR COMMUNITIES OF ETHIOPIA WITH A GENDER APPROACH

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Research outline and methodology

This research report aims to shed light on the role of recent policy reforms in Ethiopia in strengthening the livelihood conditions of poor people in three selected peri-urban settings with a focus on gender relations. These reforms aim to promote the formalisation of the informal economy as a way to sustain economic growth, reducing poverty, and establish a more efficient system of service delivery and extension services. Although recent reforms embarked on by Ethiopia address a wide range of areas, including the cooperative sector, food security and safety-nets, access to credit and microfinance, resettlement and promotion of rural towns, the privatisation of state owned enterprises, the report will specifically focus on the role of Micro and Small Enterprises (MSEs) in sustaining individual and family incomes, extending social protections, and representing a viable instrument for economic growth and poverty reduction. MSEs are currently promoted by the Government of Ethiopia (GoE) as a policy tool to combat unemployment and creating new job opportunities for women by means of an eased access to credit and finance. The report ultimately intends to assess the opportunity of sustaining the implementation of MSEs for Nexus/CETU as



a way to 1) strengthen the ability of women beneficiaries to find new and better jobs; 2) increasing social protections and workers' rights; 3) strengthening the capacity of the Confederation of the Ethiopian Trade Unions (CETU) to establish itself in the country and playing a significant role in addressing the problems of women in informal settings. The research stands on the 5 main research questions as outlined in the introduction. The research has been conducted over a period of 3 weeks in November 2014 and encompassed a review of the literature and semi structured in-depth interviews in three peri-urban contexts of Ethiopia, located in Addis Ababa (Kolfe Keranyo sub-city), Jimma, and Hawassa.

Rationale behind MSEs

MSEs have been first regulated by the end of the 1990s with the issuance of the National Micro and Small Enterprises Strategy in 1997 and the establishment of the Federal Micro and Small Enterprises Development Agency. However, it is only quite recently that the government opted for a strategy of employment creation – and more broadly economic growth – heavily drawing on the promotion of micro and small businesses. Development of MSEs is today seen as an important instrument to consolidating a productive and dynamic private sector, creating long-term jobs, and providing the basis for medium and large export-oriented enterprises. MSEs are supported through infrastructural and financial facilities, trainings, and supply of raw materials (Ageba and Ameha, 2004). The reformulation of the GoE's strategy for economic development is even more evident in peri-urban settings where the growth of the informal sector in the last years has been associated with the expansion of urban centres and retraction of the rural areas. This emerges clearly in INT1 when it is made clear that the strategy for socio-economic development of Kolfe Keranyo is now based on a **regularisation policy** aimed at combating behaviours labelled as “**social evils**”, for instance prostitution, illegal street vending, illegal tree cutting for firewood collection. The policy for regularisation is motivated by the current trend of fast in and out migration and entails both the creation of MSEs and housing to **formalise and regularise** the informal sector, as well as **resettlement** of part of the population to new expansion areas of the city.

In practice this policy entailed a transformation of how the peri-urban space is conceptualised by both its users and local institutions. Defining what is informal and what is formal, what policy implementation aims to regularise or suppress, is central in the configuration of patterns of authority and power. It is therefore against this background that the regularisation policy behind the current promotion of MSEs has to be interpreted both as a strategy of economic development aiming to promote fast growth and ‘turning unemployed in businessmen’ (INT16), as well as a strategy of social and political control of a fast increasing urban population. These objectives are inextricably linked together as the ultimate goal the current political elite wants to achieve is a sustained socio-economic transformation of the country by means of the **collective** rather than individual participation of the population in the development process (Vaughan and Tronvol, 2003).



The notion of collective participation must be contextualised in the historical trajectory of the country – originating from two distinct revolutionary moments in the 1970s and the 1990s – which informed an approach to the national question based on the self-determination of the plurality of groups and people of Ethiopia (Markakis, 2011). MSEs embody collective participation to the extent that the business model the GoE aims to promote is organised around the work of small groups rather than individuals. This aims to pull together the joint effort of poor people for common business projects and, at the same time, allowing them to access to financial services, primarily credit, by means of **group collaterals**. The responsibility for paying back a loan in a newly established MSEs is primarily vested in the group, which provide guarantee against individual members, by establishing a kind of moral – rather than strictly legal – sense of accountability. However, the idea of collective participation behind the promotion of MSEs mirrors a project of socio-economic transformation of the individuals' attitude towards saving. **Saving first**, meaning instilling the attitude to saving through trainings and other activities, is at the same time an input and output of the promotion and consolidation of MSEs in the country. A fast growth can be achieved only by means of a structural change in the attitude of people towards saving and by pulling effort together to achieve a fast growth through the promotion of individual businesses. Another important principle behind the promotion of MSEs emerging in several interviews is the notion of **kaisen**.



Kaisen, derived from Japanese, means quality production in the most efficient way and at the lowest cost possible. The idea of kaisen is taught during vocational trainings before the formation of MSEs and particularly at the stage of business plans formulation. The idea of collective participation to the country's socio-economic development through an individual change in the attitude towards saving and more broadly business underpins an eminently political project for transformation. In the mind of its architects individual and societal transformation cannot be achieved unless it is driven by rapid economic growth (Zenawi, 2012). Reflexes of this project on the individuals, and the poor and marginalised particularly, are quite difficult to depict. The case study presented in Box 1 is meant to shed light on the relationship between collective participation and individual transformation of the attitude towards change, and particularly how such project generate at the same time opportunities and contradictions.

Box 1. Case study

Z.M. is 39 and has been living in Kolfe Keranyo for over 20 years now. She has no husband and has one 25 years old unemployed son. She is among the first nine women that founded the Former Women Fuelwood Carriers Association during the Dergue period. The association was meant to provide alternative activities to women whose main source of livelihood was cutting trees from the neighbouring forest. The government gave them land and facilitated the establishment of the association as a way to secure them some alternative sources of income. Today the association counts 105 members, the main activity being a nursery for seedlings of trees and vegetables. The association is also engaged in re-forestation activities of oak and eucalyptus trees. Unfortunately the association is not very successful from an economic perspective. With the money they make they are barely able to pay for the bills and some other little costs such as a guardian. In the past they also had a water pump they used to use for irrigation but as the cost of electricity largely exceeded the profit, they are no longer using it. Nonetheless she works three days a week up to 3 pm for the association. Quite ironically, the motto of the association is “if we work we will have hope [*ka serahan tesfa allen*]”. But why is she still in the association? She explains that the association is not for making a living. Rather through the association she is able to get individual loans for her own business. The association provides the group collateral that each individual member needs in order to apply for a loan at the local microfinance institution. The association is organised in groups of 8 women for credit and loans purposes. Each group has a leader, and she is the leader of her group.

To make her living Z.M. buys vegetable from the main market in Addis Ababa (*merkato*) and retails them into her neighbourhood's local market. She goes to merkato whenever she is not busy with the association. Considering that she works for four days a week she claims she is able to make a profit of about 25-30 ETB/day. The peculiar and interesting aspect is however how she was taught to design her daily business plan in the trainings about saving she received from the kebele. Her daily profit does include her daily salary, which is 15 ETB, as she explains, “this is the cost for the labour as if someone else would do the business on my behalf”. She therefore considers herself as an employee of her own very business. The other peculiarity is that she claims she can't use the profit she made today for current expenses but the profit she made yesterday. The reason is that she has been taught that the profit of today has to be considered as insurance for any inconvenience or problem happening during the day. “I can't use the profit I made today. I have to use the profit I made yesterday. The profit of today is an insurance in case I'll get sick”. She is very proud of herself and extremely happy about the trainings on saving that she receives every few months from the government. She explains that more broadly discussions about saving are a recurrent topic in any other meetings with friends and members of the association. “Saving is important because helps you when you are old”. However, not many people are well receptive with the trainings, “many just go at the meetings because they have to but then they forget all of what they learnt. As a result they struggle to pay back the loans they get, and go back to collect firewood to extinguish their debt”.

The story of Z.M. – what can be referred to as a success story – exemplifies both the opportunities and the tensions of the current project for economic development and poverty reduction based on the promotion of small businesses. On the one hand the main contradiction of many group initiatives is that they are not productive, with people basically sometimes engaging in free labour. However people have very little opportunities to get by in other ways and, as the case of Z.M. shows, they try to make the most of it by using groups to get little loans and other opportunities they are offered. On the other hand, at an individual level, the case analysed shows that the ultimate purpose of the “saving first” system, is to create endogenous systems of social protections based on individual micro accumulations of capital, with larger groups working as broader mechanisms for affording the required initial capital. While it is very difficult to comment and predict the long-term outcomes of such mechanisms and ideas, what seems clear is that they reflect a model that can be seldom considered as neoliberal. Rather, the promotion of MSEs through the aggregation of people in small groups reflects a project of state building that the current Ethiopian elite refers to as **developmental state**, implying a key role for the central government in driving and stimulating the national economy, as explicitly theorised by the former PM Meles Zenawi (Zenawi 2012). MSEs should probably be considered as the bricks through which the current political elite is trying to build the developmental state both from a material and ideological perspective. However, whether the building will be solid enough to stay still in the long run is very difficult to judge.

What is noticeable is that this normative system – epitomised by the regularisation policy – shapes the boundaries of the peri-urban space and constantly redefines understandings of formal and informal, legal and illegal, and yet engenders overlapping dynamics of formalisation and informalisation, legalisation and illegalisation (Lund and Boone 2013). Yet the spatial and temporal dimensions define whether a given activity can be considered as legal or illegal, formal or informal. To elucidate this concept is possible to use the example of street vending. Street vendors can perform both legal and illegal activities. They are illegal when they attempt to sell products in certain spaces (for instance in the middle of the road when cars cue in the traffic), or during the rush hours of the day. They are tolerated or even legal – with the justification that they are poor and that they can’t provide for themselves otherwise – if they conduct the very same activity within their domestic space (in front of their house), or if they sell product in the street after 5 or 6 pm when the police is no longer controlling (INT. 1,2,3).



Distinguishing between what is formal and what informal in a peri-urban context is normally very hard. Social rules and boundaries are constantly negotiated and redefined, whereas a plurality of politico-legal institutions exercise limited authority and have often changing perspectives on what can be tolerated and what cannot. People living in an informal context normally have no license for their business, do not pay taxes, and might or might not be enrolled in the kebele employment lists. Those enrolled in the employment lists constitute a different category as they are somehow waiting to be formalised and to be included in development programmes, but they are also expected to respect some further rules. However, it is not uncommon to hear people enrolled in the waiting lists complaining that they do not benefit from government initiatives because “they are still waiting” and at the same time they are prevented from performing activities from which some others “informal and not registered” are benefiting from. In the context of all these people living in the limbo between the formal and informal, the legal and illegal, the MSEs can be therefore considered as the vehicle for a strategy of formalisation and legalisation, aimed at creating new job opportunities, and guaranteeing some standards of security (in terms of police and law enforcement). In an interview with the Women and Youth Affairs Office in Addis Ababa (INT. 2) specifically focused on how categorising people and economic activities in the peri-urban context, the officers interviewed mention at least the following three different groups.

‘Informal, tolerated’. These are people that are not in the position to apply for licenses or pay taxes. However the government targets them with programmes that are meant to provide some economic opportunities and control them.

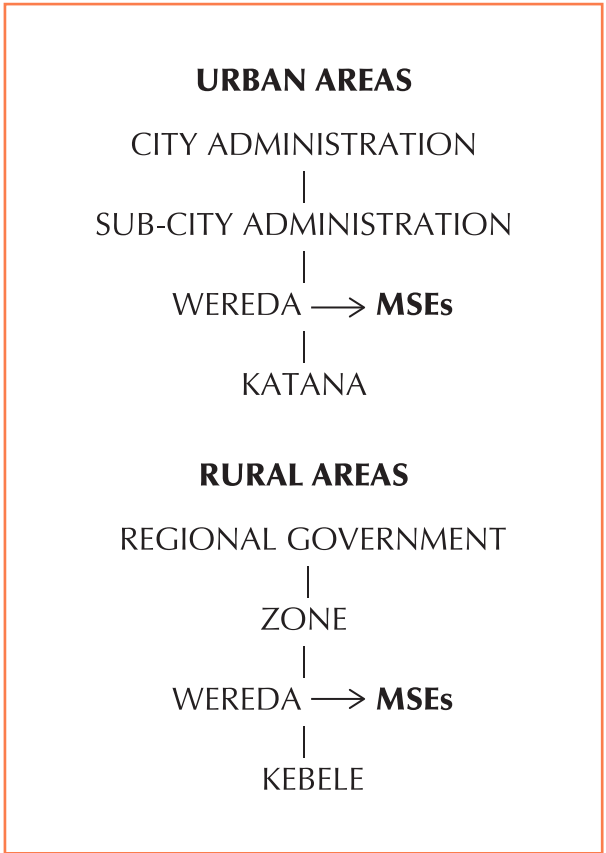


One example is the members of the Former Women Fuelwood Carriers Association, composed of about 100 women that have been given land since the Dergue period and credit through the mechanism of group collaterals. They are at the same time a credit association in the sense that they have their own finance, they distribute shares, but do not pay taxes or have proper business license. **‘Informal, informal’.** These can be referred as people engaging in economic activities with no legal recognition (they do not pay taxes and have no license), who are not enrolled in the employment lists of the kebele, and who receive no or little support from government and other NGOs. However, some of these people can be also in the government “waiting list” for employment or support, living in a sort of limbo. An example is the beneficiaries from Ras Aid, a local NGO giving small initial capital to about 160 people running street businesses in Kolfe Keranyo.

‘Formal, legal’. These are individual businesses in which the government allocates a space (land or a shop) to discharge formal activities liable for taxes and licenses. Examples are the businesses such as fruit and vegetable shops and small merchandising. In designing following stages of the project, NEXUS/CETU have therefore to take into account such context and targeting beneficiaries in light of their respective priorities.

Structure of MSEs

Any individual manifesting an interest is entitled to establish a MSE, however there are three main target groups whose participation is particularly encouraged [priority groups]: **university graduates, students that completed grade 10, and women.** MSEs Promotion Offices coordinate the work of MSEs and create awareness on how to establish a MSE. More broadly they function as employment agencies, and in coordination with other offices, keep up to date employment lists and prioritise the areas where potential new businesses are needed. MSEs offices act primarily at wereda level although coordination branches are found at all of the administrative levels of the state structure. These differ slightly from urban and rural areas, as follows:



Technical and vocational trainings on a wide range of topics are the main instruments through which promotion offices discharge their competences. **Vocational trainings** for instance include trainings on the importance of saving, as well as activities on how important is the constitution of groups for successful businesses. **Technical trainings** include for instance workshops on how to become successful entrepreneurs, short term trainings given in collaboration with the technical schools on specific sectors, trainings on how to design successful business plans. Business plans are prepared by each group, and include all the details about the planned activity, budget, machineries, work space, value chain analysis, the amount of required capital, and how and in what time the group plans to pay back the initial capital. Profits are shared according to the bylaws established by each individual MSE. Depending on the number of members there are three main typologies of MSEs:

1. Individual MSEs;
2. Shared companies: between 2 and 10 members
 - partnership (capital below 50000ETB),
 - Private Limited Companies (capital above 50000ETB);
3. Small Enterprises/Cooperatives: in Jimma MSEs composed of over 10 people take the form of cooperatives. These are assisted by the cooperative promotion office but receive the license from MSEs office and have to fulfil the same criteria of other MSE, such as the 20/80 requirement for initial capital to get a loan (see section MSEs and microfinance). In Hawassa this organisational form is referred to as small enterprise rather than cooperative.

From a structural perspective the promotion office is in charge of incentivising a business to grow and, depending on the enterprise capital, **graduating** successful enterprises. Graduation is supposed to be achieved within 5 years since the business inception, meaning that a given MSE should be able to get credit without assistance from local government institutions and handle by itself licensed activities. If MSEs fail to get graduation they are given other chances “because the ultimate goal of the government is to graduate people” (INT.1). Enterprises are divided in four different categories depending on the actual capital: micro or start-ups; small; medium; and industry. The amount of capital necessary to graduate depends from sector to sector, but for instance in manufacturing is as follow:

0-50.000 ETB	micro
50.000-200.000 ETB	small
200.000-500.000 ETB	medium
500.000-above	industry

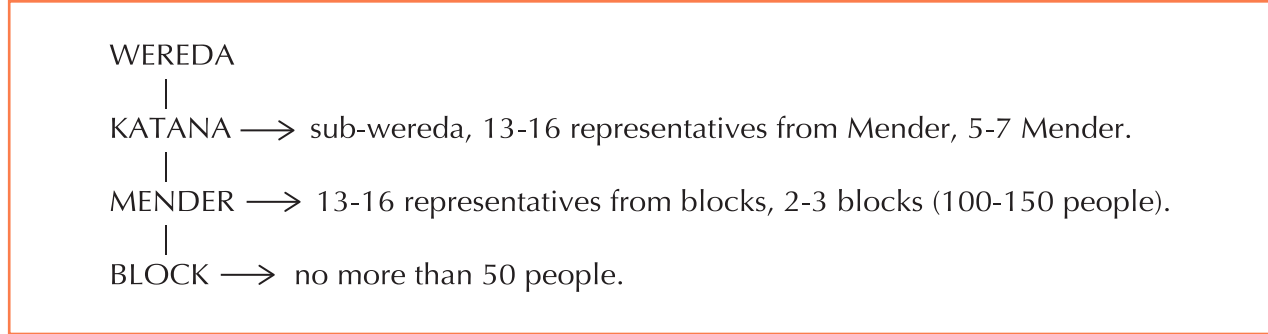
- MSEs operate on priority sectors dictated by promotion offices, which depend on local needs. In the three cases analysed, therefore in a urban setting, MSEs operate under 5 sectors:
1. Manufacturing: examples are food processing, wood work, jewelry manufacturing, artifacts production.
 2. Construction: examples are cobble stone production, building construction, finishing material.
 3. Trade: examples are wholesale, retailers, trade of raw materials.
 4. Services: this entails distribution from producers to consumers, and activities such as electronics, internet cafe, etc.
 5. Urban Agriculture: examples are beekeeping, sheep branching, diary production.

Selection of beneficiaries

In order to select new beneficiaries promotion offices and other local government offices (such as the Women & Youth Affairs office) organise advocacy activities and trainings at kebele level on the opportunity provided by MSEs. These initial activities are quite broad and consist in meetings with the general public. The second step is the registration of unemployed people, i.e. creation and updating of unemployment lists. Registration is carried out through a **door to door model** and implemented by both the MSEs office and other kebele offices. After the registration, the promotion office assists beneficiaries in developing their business plan and provide more specific trainings, normally of about one week each. Specific trainings are meant to help people developing a business plan and to gain technical competences through the participation of sectors’ technical experts. In the business plan start-ups can also request the allocation of working spaces in case they are needed for discharging their activities. Further trainings are given on saving, a mandatory prerogative when it comes to establishing a new enterprise. Promotion offices evaluate business plans in light of two criteria: cost-effectiveness and technical feasibility of the proposed business. Once the business plan is approved the promotion office write a support letter addressed to the local microfinance institution with the purpose of easing access to the initial capital for the business. Finally, promotion offices organise monitoring and evaluation activities on the performance of MSEs, and provide further on-job trainings. Awareness creation for establishing MSEs is based on a door to door model that relies on 3 so called **development alarms**, i.e. how different institutional channels engage with unemployed people to embark them on development activities.

- 1) People community wing: these are people already in MSEs making other people aware about the possibility to open a MSE;
- 2) Government wing: under these wing can be grouped all those offices organizing trainings, the MFIs, technical and vocational schools and promotion offices;
- 3) Political party wing: members of the ruling party that suggest or recommend people to establish MSEs.

The three wings are the three mechanisms through which the selection of people for MSEs takes place. From an institutional perspective the three wings act at the level of wereda and below. Recently (since 2013 in Addis for instance) micro-institutional levels for development purposes have been reorganised as follows:



Each institutional level has one leader. At Block and Mender level leaders are individuals with a good reputation in the community and are elected/selected through internal mechanisms. At Katana level leaders are normally political figures selected from the government/party. Mender leaders are selected from blocks, katana leaders from mender, etc.

Leaders, one to five networks and development groups

Another important feature behind the current policy emphasis on MSEs – and more broadly on the idea of collective participation to the country’s socio-economic

and political development – has to do with the micro institutional structures of the **one to five networks** (*and le hammest*) **and development groups** (*ye limat budin*). These institutional networks constitute the basis through which groups for various purposes are formed and have both political and technical value (Lefort, 2012). The one to five is a group of six people where one is the leader or model and is responsible for passing relevant information from government offices to the other five, coordinating development activities, collecting taxes. The development groups are composed of 25-30 people and keep record of individuals seeking new jobs, forming unemployment lists, identify potential jobs or professions that are lacking in a specific area. Development groups perform also other activities in the field of the

neighbourhood’s security, political advocacy for the ruling party, and public works. Both institutional networks are meant to “bringing and sustaining change through good governance [*melkam astedader*] activities” (INT.31). These institutional networks play a crucial role in contexts characterised by high unemployment rates and explain for instance “why today Addis is peaceful” (INT.1). In Kolfe Keranyo and Jimma most of the newly established MSEs were based on one to five networks (see INT. 4, 16, 20, 21). Even before starting to design their business activities, people are asked to form one to five networks and only after to starting their application through the MSEs promotion

office (see INT. 20, 21). If the members of a given MSEs are less than five, the one to five network is formed in conjunction with a neighbouring business. When a MSE has more than six members, more networks will be formed as a consequence. One to five networks for MSEs purposes do not require members to be neighbours: they are a group as long as business is concerned. Development groups in this specific case means simply aggregations of one to five networks. The groups are essential for MSEs when it comes to apply for credit at the local MFI, and serve as the basis for **group collaterals** (see the section MSEs and microfinance). The leaders, which are often also members of the local party branch, are in charge of collecting the money from each member to pay back the loan to the MFI on a monthly basis. In this context the group responsibility for paying back the loan becomes not only moral but also **political**. Leaders are also meant to facilitate and coordinate knowledge sharing and information flows from and to local government institutions. Each leader is normally chosen directly by the other members, however the kebele (and possibly the local party branch) retains the power to dismiss the proposed leader. The one to five networks and the development groups also perform the very



important role of keeping track of jobless people in each neighbourhood and recommending new potential beneficiaries to the MSEs promotion office. “Members of the one to five networks and development groups are your witnesses and can recommend you to the promotion office to get loans and establish MSEs” (INT. 16). According to the head of the MSEs promotion office of Misrak sub-city in Hawassa, the role of one to five networks is to provide an opportunity for people to support each other, also from a financial perspective, sharing knowledge and experience regarding their businesses, instilling the habit of living together, sharing work responsibilities, securing the neighbourhood, and maximising the profit of business activities (INT. 31). More broadly, one to five networks and development groups are a central component of the **legalisation policy** that the government is implementing in peri-urban context through the promotion of MSEs to fight unemployment. For instance, the networks operate performance checks on individual businesses, and are meant to be a forum for discussion on saving and entrepreneurship. Although these networks are extremely important for the promotion of MSEs, they also exist in many other different sectors, including the civil service and higher education.

MSEs and microfinance

The primary source of funding for MSEs is local Micro Finance Institutions (MFIs). MFIs are quasi-public institutions to the extent that, despite being private entities, their capital is almost exclusively controlled by the central government, which is normally shareholder at over 95%. MFIs are organised at regional level and they seldom act beyond the boundaries of each region. At zone and wereda level each MFI has got branches that coordinate the work in each specific area. Other private institutions are allowed to provide credit but they are required to get a permit from the national bank of Ethiopia. In Addis Ababa the main MFI is the **Addis Saving and Credit Institution**, with the government as shareholder at 98%. The city MSEs promotion office is member in the board of the MFI. In Jimma, **WALQOO** is by far the biggest MFI providing credit not only to MSEs, but to a majority of the Oromiya region businesses. Another MFI in Jimma is Harbu. In Hawassa the biggest MFI is the **Omo Micro Finance**, others are Wisdom, and the Sidama Development Organization. Concerning MSEs, the role of MFIs is to evaluate and approve individual business plans in conjunction with the MSEs promotion office, based on the criteria of (a) feasibility, (b) skills required, (c) guarantees. MSEs can access to credit by providing different forms of guarantees, such as private collaterals, group guarantees, letter of guarantees from public institutions, provision of seeds money to integrate the initial capital. This brings us to discuss in more details the products and collaterals demanded by MFIs to establish a business.

As explained by one officer from WALQOO in Jimma, there are normally four main forms of **collateral** that MFIs accept to provide credit.

1. Private collateral, for instance buildings or other unmovable goods;
2. The municipality or other public institutions take the responsibility and write a letter of recommendation for a given group/individual;
3. Civil servants use as collateral their salaries to get credit – for themselves or for other people – for sums not exceeding the amount of the annual salary.
4. Group guarantee system (group collateral). As many people cannot provide other collaterals, this form is based on a group liability system. The group is responsible for any individual member whenever he/she is not able to pay back the loan. The group is liable for the collective amount of credit provided, although the payback is individual. Examples are the one to five networks at kebele level.

Collateral 1-3 and 4 are conceptually considered by MFIs as two different kind of products. Based on this distinction it is possible to classify three different loan's beneficiaries:

- Individual providing a private collateral.
- Government officials, liable to borrow up to the maximum yearly amount of their salary.
- Groups (both MSEs and groups organised receiving public institutions' guarantees). Mainly jobless individuals organised in groups for business purposes (especially women and youth).

Based on this, both WALQOO and Omo Micro Finance offer the following **products**:

1. **MSEs.** Member of the MSE are required to contribute with an initial 20% (**pre-loan saving or seed money**) of the capital they intend to borrow. There is a compulsory saving of 100 ETB/month. Repayment basis depends on the kind of business and can be monthly, quarterly, or yearly.
2. Loans based on collection of seed money to establish a 20% initial capital. The loan is granted whenever an individual prove to be able to save a certain amount of money on the MFI for several months consecutively. A business plan approved by the MSE office is also a requirement. The 20% initial capital in this case becomes part of the collateral.
3. **Group based loans.** Repayment is always monthly and loans are normally in Jimma are for instance between 3000 ETB and 15000 ETB. This is to target women and youth receiving a guarantee letter from government institutions. There is no need of initial capital as the MFI funds 100% of the business. There is a monthly compulsory saving of 25ETB. One example is a special funding established by the government in collaboration with donors known as the "Global Fund", that in Addis is specifically aimed at targeting women (see INT. 1,16). Similarly, sometimes NGOs provide the initial capital to allow people applying for credit, like in the case of Ras Aid (see INT. 4). These initiatives allow women and youth to start MSEs even if they do not have the initial 20% capital. In the case of the Global Fund beneficiaries can get loans of up to 8700ETB which work as revolving funds,

meaning that when a woman pay back the initial capital another woman will be granted the money (no interest rate is applied).

4. Loans to government employees and civil servants.
5. Business loans.
6. Loans for the construction sector.

Loans under the categories from 4 to 6 require 10% of pre-loan saving, and 100ETB of monthly compulsory saving. Repayment time cannot exceed 2 years [for construction 5 years] and normally is due on a monthly basis. In all the 1 to 5 typologies compulsory saving can be accessed once the loan has been repaid. Concerning the **interest rate**, different rates apply in the three sites of the research:

- Interest rate applied to MSEs in Jimma and Hawassa is 13% constantly decreasing as is calculated after repayment. In Addis the interest rate may reach 9% depending on the specific business and the associated risk. In the rural areas interest rate is normally higher in the urban areas as explained by the zone officer of WALQOO in Jimma.
- Interest rate applied to groups and government employees is 17% declining.
- Passive interest is 5%, i.e. the interest paid by the MFI on compulsory savings.

Interest rates offered by MFIs do not seem significantly different from those offered by private banks, normally at 12-15%. However banks seldom allow the same system of guarantees as the MFIs. Payback is normally due on a monthly basis and over but may differ depending on the seasonality of the business. The overall repayment rate is very high. For instance at the time of the survey at WALQOO in Jimma it was 96,87%, with over 20 millions ETB borrowed. Of this, 4.561.700 ETB have been borrowed to 1448 women; 10.486.000 to 137 MSEs counting 531 members [285 males; 246 females].

One main question emerging from the analysis of the relationship between MSEs and microfinance is to what extent the practice of saving the profit is somehow forced or compulsory, given the strong political emphasis on engendering virtuous cycles of micro accumulation of capital to sustain growth. Whereas a component of compulsory saving is a prerequisite to get credit from MFIs, it seems that people are not forced to save part of their income in the stricter sense, but they are somehow strongly incentivised through trainings and other awareness activities. As noted by the manager of MSEs promotion office in Kolfe Keranyo, saving is only compulsory in the construction sector (20-40% of the profit) and in some other few sectors where the market is created directly from the government (INT. 7). The practice of saving seems therefore more directed at incentivising people to accumulate enough seed capital (20% for MSEs, but 15% for some strategic sectors the government wants to incentivise specifically) to start other activities or enlarge existing businesses. This reflects once again the effort to promote a strategy of economic development heading towards industrialisation but with a strong state interventionism (the East Asian model) and with selective and original strategies of economic liberalisation of some sectors of the economy. The MSEs officer refers to this strategy as “import substitution of agro-products and manufacturing machinery” (INT. 7). This becomes even clearer when considering that MSEs get further incentives if they produce for export: they can see the initial saving amount minimized and the possibility to get more capital on credit. The current emphasis of the government on “saving first” and fuelling credit into the economy to create employment, however confronts with



the following tensions and contradictions:

1. Some people do not want to get loans because they don't want to get indebted (INT. 1, 4, 9, 23, 42).
2. Women tend to spend the loan for household consumption right after funding (INT. 4, 10, 11). One suggestion made by the Women and Youth Affairs officer in Kolfe Keranyo is that it would be important to run MSEs side by side with nutritional support activities, with one option being creating MSEs within the framework of the Productive Safety Net Programme.
3. In some circumstances people argued that they prefer saving on the commercial bank or individually because getting back the money from MFIs is somehow difficult (INT. 1, 23, 42). They prefer other saving instruments in order to be able to dispose of the money whenever they need. As opposed to this, some other people prefer to rely on MFIs and on collective saving because they feel safer in case of emergency.

Box 2. What happens if you do not pay back your loan?

A. started the mechanic business 3 years ago, he mostly fixes motorbikes but sometimes also cars. He has got a license for which he pays a yearly fee of 4200 ETB. A. has got three employees working with him when there is enough to do and normally getting 200-250 ETB/month. The initial capital to start the business comes from previous savings and by a loan that F., his wife, got from Harbu, a local microfinance institution. F. got the loan because she is part of a women association in her neighbourhood together with eight other women. They have saved 2 ETB/week for several years and through that they created an initial saving base (seed money). The association was initially sponsored by a local NGO named Facilitator for Change. Since she has been in the association she has been able to borrow money for three times, getting 3000, 4000, and 6000 ETB respectively. Each loan is to be returned back in a nine months period. She is currently paying back the 6000ETB loan, and every month she is giving back 750,5 ETB, which include also a 20 ETB/month of compulsory saving. She tells us the story of a woman in her association who, two years

before, borrowed 10.000 ETB and that after some time stopped paying back the loan. She could no longer pay the loan because she had a fight with her husband and, given that the borrowing was meant to fund his business, he no longer gave her the monthly money to pay back the debt to the microfinance. As the loan was granted on a group collateral basis, soon after Harbu asked the other eight women to pay back the money that the insolvent woman did not pay. The eight women refused on the ground that they were sure that this was only a temporary problem, also because they knew the woman personally and they did not want to compromise their relationship with her, especially because she was known to be quite rich. However, for the two years time during which the woman did not pay back the loan, the association was closed down and Harbu prevented the other eight women from getting back their compulsory saving. Recently the woman managed to solve the problems with her husband and she started paying back the loan. However she has been asked to pay also for the interests of the two years she's been missing paying (13%).

The story is illustrative of several issues of the relationship between microfinance and MSEs. First, the strong emphasis of the government on women as a main recipient for credit provisions sometimes generate the paradox that men demand their wives to get loans as a way to start new business activities because for them it is more difficult to access to finance. Second, this creates the problem that in case of a controversy the woman is left with the legal burden of paying back the loan, despite the money being initially meant to start a man’s business. Third, social sanction within a group applying for credit is a potent instrument to both making borrowers complying with their payment, as well as the rest of the group not to undertake legal measure as long as these are not required. Fourth, MFIs are not legally entitled to get the money back from the group but they can prevent the group from getting further credit, and holding the compulsory savings.

Data on MSEs

Data on the general trend of MSEs in the three sites show a fast growth in the number of MSEs formed, as well as enterprises that manage to achieve graduation. However, numbers for unsuccessful businesses were absent and it is quite difficult to estimate the overall performance of the micro enterprise sector in the three sites. Yet, given that the central government started to push MSEs only in the last few years, it is too early to assess whether the policy will be successful in establishing a vibrant business environment

with significant repercussions on poverty reduction and empowerment of women. The following data are just meant to give an indication on how fast MSEs sector has been expanding in the last few years and how many beneficiaries are involved in each site.

a) Kolfe Keranyo

Out of a total population estimated to be 490.000 people, and with an average unemployment rate estimated at 23%, in 2014 the sub-city promotion office targeted 27.000 people. The office budget has been increasing fast in the last few years, this reflecting in a growing number of beneficiaries targeted by the programme. In 2013 for instance only about 23.000 people were selected for MSEs purposes.

b) Jimma

The following are some numbers for Jimma zone in the 2005-2012 period:

- Individual enterprises: 468 in urban areas.
- Shared companies: 261 rural MSEs (1060 men; 411 women) - 745 urban MSEs (1868 men; 1196 women).
- PLC: 27 rural MSEs (93 men; 17 women) - 108 urban MSEs

One officer of WALQOO notes that MSEs over the last year have been booming. In the past five years the total amount of money borrowed to MSEs was about 5-6 millions ETB. In the current year let alone MSEs received over 10 millions ETB. When asked to explain why, he argues that the government is getting ready to the elections and that want to invest as much as possible to create employment (INT. 29).

c) Hawassa (Misrak Sub-City only)

Year	Small Enterprises	Partnerships	PLC	Individual
2009	87	228	250	478
2010	256	751	565	1316
2011	356	952	1064	2016
2012	571	3681	2284	5965
2013	1291	4945	3548	8493

Number of people involved in MSEs between 2009 and 2013 (Source: Misrak Sub-City MSEs Promotion Office).

Conclusions

Recent years have witnessed the Ethiopian informal sectors undertaking deep transformations as a result of a fast growth of the economy, expansion of the urban areas and retraction of the rural areas, as well as specific policy initiatives aimed at formalising and regularising job relations. These transformations are particularly relevant to gender dynamics with different impacts for both men and women. However, women in informal peri-urban settings are often those experiencing a higher risk of marginalisation and poverty, thus deserving a specific lens of analysis. Policies of formalisation and regularisation are implemented as part of broader poverty reduction initiatives – as outlined in the 2010 Growth and Transformation Plan (GTP) – and have a main component in the promotion of MSEs. This report has focused on several aspects of the role of MSEs in sustaining poor women in peri-urban settings of the three selected sites where the research was conducted, namely Addis Ababa, Hawassa, and Jimma. The main research findings of the research can be summarised as follows: In the three areas where the research was conducted, distinguishing what constitutes formal and what informal is a very difficult (and perhaps) un-useful exercise. Peri-urban dwellers engage at the same time in a number of formal and informal activities, and the outcome of policies of regularisation is often uncertain, leading to dynamics of both formalisation and informalisation depending on specific circumstances. Although constructing typologies of people living in the informal sector is sometimes misleading, the research has identified at least three categories of people whose position depends on the extent to which their economic activity is more or less formalised and regularised. These are ‘informal, tolerated’; ‘informal, informal’; ‘formal, legal’. The government intervention in the informal economy is driven by a policy of regularisation that is aimed at promoting

the formalisation of job relations, as well as creating new job opportunities as a way to combat poverty. Rather than being based on a (liberal) notion of individual participation to development activities, such policy entails an idea of collective participation whereby groups of people are asked to pull together efforts for the socio-economic and political transformation of the country. The promotion of group MSEs and the creation of small businesses is a prominent aspect of such policy and idea of participation. Women, side by side with recently graduated students, are the main targets of MSEs. Their participation is facilitated through a number of special programmes, credit facilities, and trainings. Two important principles of this policy are **saving first**, i.e. instilling the attitude to saving through trainings and other political activities, and **kaisen**, i.e. quality production in the most efficient way and at the lowest cost possible. MSEs promotion offices are deployed following the hierarchical structure provided by the federal administrative system. Offices are found at city, sub-city, and wereda levels. Interventions, planning of activities and targeting of beneficiaries take place at kebele level. Selection of beneficiaries is implemented through a door to door model involving the local administrative structures of the wereda and the kebele, the local party structure, as well as the civil society such as NGOs. Groups are primarily meant to allow resource-less individuals to access to credit through group collateral arrangements. MSEs are tightly connected to MFIs providing credit through a variety of channels. Over the last few years MSEs have been booming, this reflecting that they are a main strategic priority for the current government to face unemployment and combating poverty.

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ENTREPRENEURSHIP, CREDIT AND EMPOWERMENT: THE CASE OF WOMEN'S COOPERATIVES IN ETHIOPIA.

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Introduction: research questions, methodology and policy background.

This research aims at shading light on the potential and limitations of cooperatives as tools for women's empowerment in the context of informal work in three selected urban and peri-urban contexts in Ethiopia. This analysis has to be seen in the context of a strong policy orientation towards formalization of informal businesses. The idea that formal entrepreneurship can be a way out of poverty is widespread and reflects into Ethiopian public policies; using the tools of entrepreneurship promotion through incentives to saving and provision of credit, public policies have multiple aims: employment generation, empowerment for specifically vulnerable groups (namely women and youths, that are specific targets of the programs), savings mobilization. The definition of informal work and enterprise is a difficult task, because of its heterogeneity and its interconnectedness with the formal sector. At the same time, in the policy discourse it is often assimilated to unemployment: formalization of informal sector and struggle against unemployment are considered synonymous, as emerges from discussions with Micro and Small Enterprise promotion offices in the 3 cities target of our study. For both aims, the major policy tool put in place is the promotion of Micro and Small businesses (from now on, MSEs). MSEs can take the form of cooperatives, but the link between this policy and the cooperative enterprise as a tool for economic



empowerment is not clear. Thus, our first research question is to analyse the existing and possible links, overlapping and confusions, between cooperatives and MSEs. The policy aim of this question is to understand whether cooperatives can be tools to scale up MSEs and to allow for the emersion of these activities from the "micro" level. The accent of the recent policies is strongly focused on credit, but I will claim that the needs behind the demand for credit are very diversified and heterogeneous and that the same tools are used for different purposes, that can be both entrepreneurial and oriented to social protection. Credit cooperatives are a widespread institution, both in urban areas (SACCOs) and in rural ones (RUSACCOs) and seem to absolve different functions, first of all playing an important role in welfare policies, since people can get loans when they are in hardships.



If public policies push for a shift from informal to formal, several cases going in the opposite direction can be found: wage workers that look for informal businesses to complement an insufficient wage, laid-off workers that are pushed outside the formal labour market, etc. These represent processes of “informalization” of work. Can the cooperative play a role in managing this transition, protecting workers’ right and living conditions? The public and international discourse stresses entrepreneurship as empowerment, giving less attention to labour condition, fair remuneration, workers’ political voice. These may be crucial issues for the Union movement in its attempt to organize informal workers. This report draws from the fieldwork done between November and December 2014 within a research program of the Confederation of Ethiopian Trade Unions (CETU) and NEXUS Emilia Romagna, carried on in Kolfe Keranyo, a sub-city of Addis Ababa, Jimma and Hawassa. We conducted interviews with public officials working in MSE and cooperative promotion offices, women’s affairs offices, and with women working in the informal sector, in cooperatives, in MSEs promoted through government and microfinance institutions, or working as wage-workers in private firms. The gender perspective of our research allowed us,

besides analysing specific conditions of women with respect to men and the implications of employment conditions on intra-household relationships, to highlight elements that otherwise we maybe would not have seen, such as the need for income security and social protection that sometimes “hides” behind participation into credit programs. I will first go through an overview on cooperatives and then provide some tentative answers to the research questions above.

Cooperatives: an overview.

Cooperatives are important organizations in Ethiopia, as can be seen in Table 1, both in terms of absolute numbers and in terms of growth rate: all sectors see an expansion in the last 5 years. Even though this information doesn’t capture substantial transformations, it is informative of the relevance of this form of entrepreneurship and collective action. Cooperatives in Ethiopia exist since the imperial period, but at that time they gathered richest farmers and landlords; during the Derg period, on the other hand, they were mostly State-driven and were more similar to public firms rather than to free associations of people. It’s after 1991 that the cooperative movement took its nowadays form, adopting the internationally acknowledged definition of “society established by individuals on voluntary basis to collectively solve their economic and social problems” in a democratic way (based on one-member-one-vote basis) (FDRE, 2004). Cooperatives are regulated by the Proclamation 147/1998 of 2004; it states that cooperatives have to follow the principles of open membership, democratic voting, they shall distribute dividends to members according to the number of shares they own, after having saved 30% of profits into reserves or devoted to employment creation or social aims. Cooperatives are absolved by income tax and have the right to acquire land.

Tab 1. Number of cooperatives at national level and in the regions concerned by the research.									
Types of co-operatives									
Region	Multi purpose	Irrigation	SACCOs	Housing	Consumer	Dairy	Marketing	Other	Total
OROMIYA	3457	518	3579	5	703	136	1685	1238	11321
SNNP	990	91	2460	128	100	-	327	3809	7905
SADDIS ABABA	-	-	1415	5599	168	-	-	2300	9482
NATIONAL	7702	1663	10270	7587	1502	360	2798	11374	43256
% SHARE	17.8	3.8	23.7	17.5	3.5	0.8	6.5	26.3	100
GROWTH RATE OVER THE LAST 5 YEARS (%)	46.1	213.8	96.2	94.9	531.1	40.6	-	119.4	87.4

Source: *Federal Cooperative Agency data in Abate, 2014*

According to the data of the Federal Cooperative Agency, in 2012, the regions with more cooperatives are Oromia, Addis Ababa, SNNP and Amhara (Abate, 2014). We select in the following tables the data on the regions concerned by the research, Addis Ababa, Oromia and SNNP. According to the law, cooperatives can be agricultural cooperatives, housing cooperatives, industrial and artisanal production cooperatives, consumers' cooperatives, saving and credit cooperatives, fishing cooperatives and mining cooperatives. In terms of relative weight on the total, the most important coops are agriculture multipurpose cooperatives, credit cooperatives (SACCOs and RUSACCOs) and housing cooperatives. A growing reality is the one of consumer cooperatives, as we can see from the data on growth rate: they are an important recent policy tool with the purpose of price stabilization. They sell some products that are scarce or at risk of shortage, such as sugar, palm oil, salt,

in order to keep prices under control. We won't specifically deal with these, but this is an issue that deserves further attention, since some of the cooperatives that we met also organize as consumer cooperatives in order to access more easily to primary products. In 2002 the Federal Cooperative Agency is established and had as ambitious aim a substantial increase of the cooperative outreach in the rural areas, as a tool for smallholders' market integration (Bernard, 2008), represented by the perspective of promoting the existence of one cooperative in each *kebele*. In recent years, agricultural cooperatives have also been a major policy priority; given the urban focus of our research, I will not discuss this in details, but it is important to mention some transformation that the sector is incurring now, since they have impacts on other cooperatives. Multipurpose cooperatives are the input providers and the output purchasers for primary production of smallholders.

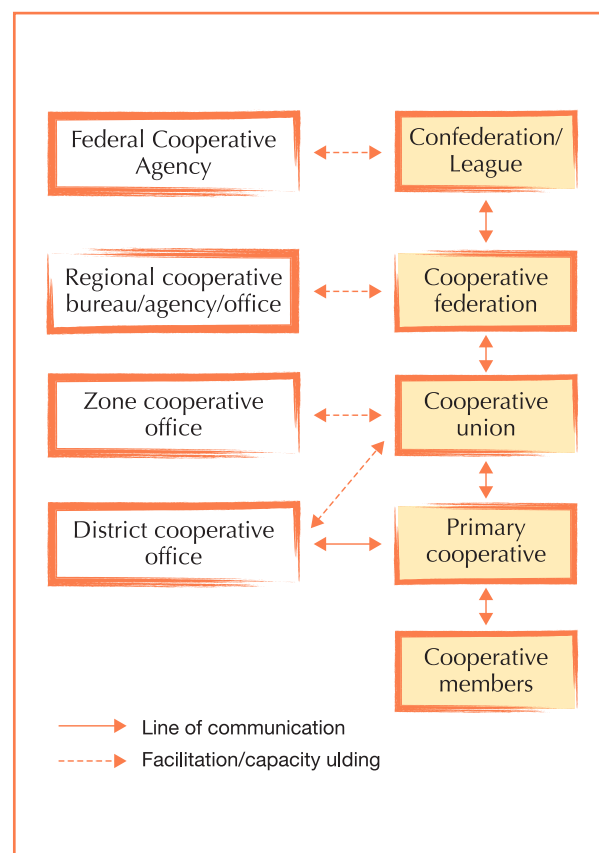
The new “Agricultural Cooperatives Sector Development Strategy” (FDRE, Ministry of Agriculture, 2012) implies a major shift, since it prevents them to supply inputs though credit, shifting this task to other credit institutions, among which SACCOs (cfr. Chinigò, forthcoming). It is too early to see the effects of this policy change, but some of the effects that we might expect are a redirection of the main function of the cooperative to storage and marketing. The consequence that is more relevant to our purposes now is that the role of credit to input buying is shifted to credit institutions, micro-finance banks and credit and saving cooperatives (M., Cooperative Promotion Office, Jimma). This may have some consequences on these organizations that were serving other functions and that have specific inclusiveness problems, as we will discuss later on. At the same time, this choice seems to be coherent with a strategy of saving mobilization at the national level. An important role in nowadays policy is taken by credit and saving cooperatives, called SACCOs in the urban areas and RUSACCOs in the rural contexts. They are groups of minimum 20 members who collectively save and can get credit.



These are usually grouped in unions the city or regional level e.g. the Union of Addis Saving and Credit Cooperatives. They have the possibility to ask for a loan to the union, but this possibility is seldom exploited (according to the official at the Jimma cooperative office, the reason is “lack of necessary skills” to manage bigger loans). They can also run activities to raise more money, but this seems to be mainly done in Addis Ababa, while it is not mentioned elsewhere. What follows is a picture of the cooperative enterprises in the areas of our research, as emerged from the interviews with the three Cooperative Promotion Offices. In the Addis sub-city of Kolfe Keranyo there are 470 SACCOs, 22 consumer coops and about 20 “other” cooperatives, that are mainly service and production coops (restaurants, horticulture, leather handicraft,...). In Jimma the majority of coops are agricultural cooperatives: there are 456 multipurpose farmers coops—those in charge of input supply and product marketing- and 147 “other agrarian cooperatives” (about 10.500 members), that manage activities such as grain marketing, honey production, fattening, irrigation. The former have about 180.000 members, of which only 7500 women; these are usually the cases of widows and divorced women, who are household heads, while, if the husband is present, he is registered as member of the farmers’ coop. Non-agricultural production cooperatives are 74, with 2535 members (the number of women is not available, but we are told that they are few). Consumer coops are 53 and they gather more than 11.500 members. Credit cooperatives, summing the urban and the rural ones, are 338 and their members are about 8000 men and 13.600 women.

The city of Hawassa is mainly urban and only covers one rural sub-city; this reflects into the existing typologies of cooperatives: only 2 can be classified as agrarian (1 coffee and 1 chat producers), 42 are production or service coops different from farmers', 99 are consumer coops and 108 credit and saving (whose members are 7600 men and 5500 women). Discussing with city and sub-city level offices in the three areas of our study, it seems that there isn't a big emphasis on non-agriculture production cooperatives. Even though they exist, they are not the focus of public policies. The main public policy focuses, as we have seen, seem to be consumer coops, credit and saving coops and multipurpose farmers' coops. We will nevertheless draw some of our reflections from cases of workers' cooperative that we met and where we conducted interviews. How are cooperatives promoted? The Cooperative Promotion officials that we met usually describe the activity of awareness raising as meeting promoted by kebele administration level. In Jimma, this is described as passing through people organizing in "development groups" or "working groups". It is at this level, for example, that women who are organized in informal saving groups and are to be formalized into saving cooperatives, receive training in order to gain "trust into the banking system". We often meet cooperatives promoted through "one to five networks" (*and le hammest*), as it is the case in Dedo (Jimma), where two partnerships are promoted among women that were working informally or were in search of a job (INT 14 and 15). These partnerships were built by gathering people from different "one to five networks" together. On what concerns the upstream network, Fig.1 represents the scheme and the relationships between the public promotion offices and the levels of the cooperative federations.

Fig. 1 Organization down to the district level



Source: Emana, 2009

We found a few but interesting cases where cooperatives are promoted through pre-existing self-help groups, mainly "Idir", that are burial societies, that collect a sum of money regularly by members and intervene with financial help in case of a loss in the family. All the women we interviewed are members of Idir and the average contribution is 10 birr/month. In one case it is mentioned that it's the husband who takes care of it (INT. 6), but in the others it seems to be done by the women. Just in one case the association (not formally a cooperative, though) was built mobilizing an Idir (INT. 9), who provided the guarantee for the initial loan to build up a cooperative. It is also mentioned by Abate (2014) the possibility that Idir manage income-generating activities to increase their

income and expand their self-help and community activities besides assistance in case of funerals, often in collaboration with NGOs. In Addis Ababa, Idir are one of the possible groups that are targeted by the Cooperative Promotion office to promote saving and credit cooperatives.



What distinguishes cooperatives from MSEs and what common problems do they have?

The fact that there used to be some confusion between the two is acknowledged, as it is witnessed by the interview at the Cooperative Promotion office in Kolfe Keranyo; at the same time, policies are trying to fix boundaries. The effort of separation between the two varies across areas: in Kolfe Keranyo since 2 years there is a stronger demarcation between the two and the competent offices reduced the interactions, while before it happened that the follow up of an enterprise passed from one office to the other, according to the size of the firm and its needs. On the contrary, in Hawassa, the Coop Promotion Office declares that

they have a tight collaboration with MSE office. As an example, the MSE office may manage the credit services also to cooperatives. The main differences that we can highlight are the following. First, a difference in size, since coops need to have more than 10 members. Second, MSEs are a tool to implement a policy against unemployment: they are considered temporary, since individuals and groups have a limited number of years when they have the physical place to conduct their activity and they have to repay the initial loan. The, they are supposed to be able to “stay on the market” or to produce the necessary saving for the members in order to build up another activity. Coops are, on the contrary, thought as permanent businesses (as stated by the Hawassa coop office). At the same time, coops can also become unemployment policies, when MSE offices want to promote bigger groups. Third, there may be an accumulation vs redistribution concern: cooperatives are service organizations (Hawassa coop office), that, after having provided services to members, redistribute profits; MSEs are businesses that aim at accumulating profits. At the same time, we know that the law asks coops to accumulate at least 30% of profits. Linked to this, at the Kolfe Keranyo Cooperative Office, the attention is concentrated on the fact that “cooperatives are not driven by profit motive”. This is interesting since the law doesn’t mention this in defining a cooperative, while, on the contrary, it explicitly mentions that “members shall receive dividends from profit” (FDRE, 2004), that is exactly what non-profits, in their general definition, cannot do (non-distribution constraint).

Moreover, this seems to be partly in contrast with the argument supporting the aforementioned transition in agricultural cooperatives, that have to lead them to be “real” profitable businesses. Since MSEs are also tools to mobilize savings (since they organize women into groups, that collectively save and make individuals eligible for credit) they can also end up being similar to Saving and Credit Cooperatives. At the Jimma cooperative office, we are told that the main difference between the two is that in credit coops first members save, then they borrow individually, while in MSEs first members borrow collectively, then they save to repay. At the same time, we find a number of cooperatives that are promoted with the same aims of MSEs, that is to fight against unemployment or “socially undesirable” activities, and that possibly face the same risks and limitations of MSEs. This is for example the case of women who were formerly fuelwood collectors in the woods surrounding Addis Ababa (INT 3 to INT 8). This activity has been a target by the Addis administration because of both environmental protection and bad working conditions. W. (INT 3) was collecting fuelwood and selling it; she was gaining 4 birr/day (whose value was at that time much higher than today), working 6 days per week, but the gain was decreasing. Then, the Wereda office registered her as fuel wood collector and pushed her to join the association. The fact that wood collection is a dangerous activity is confirmed by A. (INT 4), who witnesses the danger of sexual harassment in the forests. In Wereda 8 of Kolfe Keranyo a group of these women have been organized in an association (very similar to a cooperative, even though not formally organized as such), were given a plot of land and trained

to practice horticulture. This activity never really took off and nowadays is not producing almost any gain, as declared by W. (INT 3): “we work 2 days per week, but we don’t gain anything; 10 people quitted because of that”. The economic role of the association is to make women access to individual credit for their own businesses (baking bread and cooking injera, in the cases of the two women I interviewed). We met several cases where both the cooperatives or the MSEs serves more the function of constructing or reinforcing a network that provides individual services, rather than having an economic profitability itself. Some of them are nevertheless more nuanced cases: a textile factory in Wereda 11, whose members are women who were formerly fuel wood collectors too, provides an income, although volatile. For some women members this is indeed the only source of income (INT 5), while for others this is complemented by a private activity (INT 6), but in both cases, the association allows them to be member of a SACCO and to get loans. H. (INT 5) uses it for consumption and A. (INT 6) uses it to finance her own business.

We met several cases where both the cooperatives or the MSEs serves more the function of constructing or reinforcing a network that provides individual services, rather than having an economic profitability itself.

A problem that both appears in MSEs and in coops, when they are promoted to replace a former activity, is when they provide incomes that are lower than the activity that they want to replace. This is often the case among vendors at the market in Wereda 8, Kolfe Keranyo: L. (INT 2) tells us that in 2010 an association was promoted by the local administration to gather unemployed and informal workers. They put together efforts to build a market structure, but on the site where they are now a few costumers arrive because it is not known (she is nevertheless confident that it is just a matter of time). In some cases, the construction of the cooperative has been a top-down process driven by the need to provide some local public good, such as in the case of a reforestation cooperative close to the Hawassa lake and a cleaning cooperative in Dedo (Jimma). In the first case, the cooperative has been built up by an NGO that was working with UNDP in 2011, initially with 300 members, now 400. They received an initial funding, not followed by other resources. All members do voluntary work for the cooperative and have other jobs to make a living (INT 22). In the second case, the group of women, organized by the kebele, is supposed to do garbage collection in the town, but they didn't receive the material to start the job and they are not able to get credit, since they have no guarantee (INT 14). In both cases, the output of the cooperatives is a public good, but the local administration is not paying for it, that makes the activity unprofitable for members.



Challenges for cooperatives: scaling up and value chains.

Starting from the reflections in the previous section, it is worth analysing whether we have observed specific advantages of building up cooperatives instead of micro-enterprises. Ossome (2013), quoting an urban survey carried on in 1997, highlights that four fifths of urban activities in Ethiopia are owner-operated. The formalization of these businesses through the Micro and Small Enterprise (MSE) promotion policy doesn't really address the issue of the size of the business and of the possible competition among small similar businesses. Could it be addressed through cooperatives? In principle, cooperatives are a tool for scaling up a business in terms of size and market power. We observed, in this respect, several cases with different outcomes, that are closely linked to the capacity of the enterprise (with the support of the promoting agency) to invest in value chain creation, at least on the product demand side. This is depicted by the case study on the injera value chain that is in the box below.

Case study 1: injera production and value chain organization.

We met three different cooperatives (or similar entrepreneurial forms) that gather women producing injera. One in Jimma city (INT 9 and 10), one in Dedo (rural area in the surroundings of Jimma. INT 15), one in Hawassa (INT 18). The first is a MSE with the entrepreneurial form of a cooperative with 18 members (at the beginning they were 70, but in 2012 they were liquidated because there was a case of corruption among the chairpersons and in 2013 started again). They were individually cooking injera, then an NGO proposed individual credit, that was given through Idir, which worked as a group guarantee. Then, the MSE office organized them: they obtained a loan from WALQO of 100.000 birr for the association, but with individual guarantees. Individual income is not fixed, depends on the total profits, that are shared equally (the last month they got paid, they got 1000 birr each). They sell exclusively to Jimma University. A.M. says that the major gains have not being monetary, but have been in terms of proximity with institutions and in terms of personal satisfaction, since they speak of them on the media. And adds, "before the woman was just a servant of the husband, now has her own money". The second, in Dedo, is a partnership promoted by MSE office gathering together different "one to five" networks. Now they are 20 members (they were 10 at the beginning, then the administration merged them with others). They heard on the media about the campaign of MSE creation ("development through enterprise"), went to Kebele offices, then obtained orientation, but did not get any loan. They got a common place to cook injera and a shop in the market, but they don't have any important buyer. They have no licence (would like, but it's too expensive) and no bank account. They divide profits equally and on average get 10 birr/week each. The third, in Hawassa, started in 2009, organized by kebele, who gathered very poor women to organize a cooperative to prepare injera for Hawassa University; they were given the area for production and credit.

They got a first credit of 1 mln birr, that they repaid (5000 birr/month) then a second of 1,7 mln, that they repaid (8.000/month). They are organized in 2 shifts (lunch/dinner) and produce more or less 10.000 injeras per shift. They have mandatory saving as cooperative and individual voluntary saving. Now they are 240 (88 members and 152 employees). The non-members are interested in becoming members (for that, they are supposed to pay 50 birr for registration and buy shares, up to 10). The salary of a non-member employee is 600 birr/month. At the end of the month, they share profits equally (e.g last month they got around 1000 birr each). A. tells us that before she was producing injera on her own and she was gaining 200 birr/month. If a person gets sick she is covered, but these days are taken off from her salary. These three cases differentiate in several respects, but one important aspect is the value chain organization: in the second case, in Dedo, N.H. clearly states "we lack big buyers", meaning that don't have enough demand for their output. N.H. tells us that she was gaining more when working individually, but that she has other advantages in being in the partnership. The demand issue is partly solved in the two other cases that indeed produce higher incomes for women. The first one sells exclusively to Jimma University. Their problem is mainly on the input purchase side, since they have a mill that now is broken. The price of teff increased recently and this is one of their major problems. In the Hawassa case, the relationship with University is more structured (the coop works inside the campus). They participate to a bid every 6 months; at the beginning there were just them participating; now it is no more the case, but still they are prioritized. Part of the initial loan is kept by the University as a guarantee for the participation in the bid. In this third case, it seems that the local administration closely followed the construction of the links between the coop and the buyers, following a sort of "affirmative action" policy, where the coop was prioritized with respect to potential competitors. This contributed to the fact that now it is growing in size and seems to be the case among our three examples that made a bigger economic change for the members.

We described three different scenarios of women cooperatives who produce injera, with three different degrees of value chain integration. It seems to us that the stronger is the integration in the value chain (mainly on the demand side), the more the cooperative is able to “scale up”, both in terms of size and employment creation, and in terms of income differential that it is able to provide to worker members. It is interesting to underline that limited value chain integration is often reported by members themselves: as I quote in the box above, N.H., member of an injera production cooperative in Dedo, clearly states “we lack big buyers”. A. (INT 6) in Kolfe Keranyo (Wereda 11) is member of a textile production association and declares: “We buy raw material at Merkato, but it is difficult to find what we need. We tried to reach an agreement with a seller, but it didn’t work because we didn’t buy enough quantity. But the reason why we don’t manage to increase production is because we don’t manage to reach enough demand.”



A member of a textile production association declares: “We buy raw material at Merkato, but it is difficult to find what we need. We tried to reach an agreement with a seller, but it didn’t work because we didn’t buy enough quantity. But the reason why we don’t manage to increase production is because we don’t manage to reach enough demand.”

A specific case of lack of value chain integration is when the buyer shall be the public authority, but this doesn’t work. This is the case of cooperatives producing public goods and local services, as the aforementioned reforestation cooperative in Hawassa and the cleaning cooperative in Dedo (Jimma). In the first case, members do voluntary work for the cooperative and have other jobs to make a living (INT 22). In the second case, the group of women, organized by the kebele, is supposed to do garbage collection in the town, but they never started the work because of lack of money, of tools and of guarantees to ask for a loan (INT 14). Scaling up not only is an economic process, but can be also a political one, if we consider the possibility to make some needs and requests of the poor more visible and more “vocal”. It seems that participating into these kebele-promoted cooperatives allows for a greater connection with the local public authorities. A. M. from a Jimma cooperative producing injera (INT 9) argues that a positive aspect of working in the cooperative is the fact that it is easier to get in touch with the local authorities. The need to be more “vocal” seems to be, at least partly, a push to engage in activities also if they are economically weak.

Entrepreneurship and income support: same tool, different aims.

Another reflection that can be drawn from the interviews is that the same tools of group lending can be used for different purposes; more specifically, actions meant to stimulate entrepreneurship through accumulation may be used as income support devices. Among the women that were fuel wood collectors in Addis Ababa and that have been organized in cooperatives and associations, we met both women that used the credit got through the association for business and women that used it for consumption or to face hardships. W. (INT 3) participates into the common agricultural activity of the cooperative without any gain, but, thanks to this, she can ask for credit “in the name of the association”. She then funds her private business (she was baking bread at home, but since the price of wheat increased she turned to selling potatoes). H. (INT 5) received three individual loans (obtained thanks to the association) of 3000 birr. She repays monthly, after she gets the gain from the selling of scarfs (but the gain is volatile) and she accumulates mandatory savings.

People use credit in heterogeneous and autonomous ways; moreover, these uses seem to express a need for income support and social protection that goes beyond the credit tools provided.

She doesn't manage to save other money. The loan has been used for everyday expenses and material for the house. What can we learn from these different stories? People use the provided tools in heterogeneous and autonomous ways; moreover, these uses seem to express a need for income support and social protection that goes beyond the credit tools provided. At the same time, an important question that will deserve more attention than we are able to give here, is which is the actual importance of credit in the support to viable start-ups. According to Hundera (2014), the creation of start-ups is positively correlated with training, working premises and to market linkages, but not to credit facilities. On the other hand, Bekele and Worku (2008) find out that lack of access to formal credit strongly disadvantages women in terms of possibility of survival of their small enterprises with respect to men-driven MSEs. Credit can also be a burden on debtors: A. (INT 4) is a former fuel wood collector, now she is selling injera, using credit channelled from the association she is member of. She received a loan, that she repaid, but she didn't manage to save systematically. In the last 3 days before the monthly repayment deadline, she had a big stress and she needed to buy teff in credit from the sellers. “It is worrisome to have credit”, she says. It is difficult to understand what facilitates the success of the use of credit for business purposes and what distinguishes cases where the credit is used in order to accumulate and invest from those which finance consumption. Of course, there is some degree of “entrepreneurial skills”, such as in the case of T.I. (INT 16), in Dedo (Jimma): she opened a restaurant with a credit

obtained in group with 3 other women (they just joined to get the credit together, but run different activities). She obtained and repaid two credits from the local MFI, and now she doesn't need more credit because she saved and her activity is solid. Now she has her own bank account in Jimma Bank and she employs 4 people. In some cases, there is empowerment without proper accumulation: B., in Addis Ababa (INT 8) is an ex fuel wood collector, now sells potatoes at the market. She prefers her business now, since it is less tiring and more profitable. Her revenue is 50 birr per day, divided as follows: 20 birr to repay the loan and mandatory saving, 20 birr for the family, 10 birr for charcoal and extra saving. How does she manage this division? *"I have a bank in my house"*, she declares. She immediately asks for a new loan when the previous is repaid. She uses credit to buy potatoes. She manages to pay the rent of the house in Addis and she is taking classes in an adult education program. In the case of B., the entrepreneurship promotion program didn't make a "big" shift in terms of accumulation, but allows for an extremely efficient management of her selling activity and to get "empowered" also in non-economic terms.

The ability to face risks and, more specifically, the risks connected with the start-up phase of a business, seems very different for women who have husbands who provide for the family and those who don't

Besides these cases, some women who are running profitable businesses are those who can take more risks and can wait until the investments become fruitful. The ability to face risks and, more specifically, the risks connected with the start-up phase of a business, seems very different for women who have husbands who provide for the family and those who don't. F. (INT 11) opened a shop in Jimma with two friends she graduated with; now they don't earn any money from the shop, but they can afford this choice: with profits, they pay taxes, repay the loan and reinvest into the enterprise to strengthen it. Now the business is "for mental satisfaction", but they plan to be able to divide profits and to employ a person within one year. When asked how do they make their living, F. answers "We are not bachelors, our husbands provide for the family". At the same time, most of the cases we met are women that were forced to start a business because of hardships often due to the death of the husband, his sickness or a divorce. M.S. in Dedo (Jimma. INT 14) had to start working when the husband died 10 years ago, first as a servant in house, then she went to collect water from the river and resell it, now she runs a vegetable selling business. Y.A. in Jimma (INT 10) worked as daily worker in the construction sector: she needed to do this job after her husband died (she has 3 children, one now is in university). In these cases, the uncertainty of the start-up phase and the volatility of the revenues produced by the MSEs are more dangerous for the livelihood of the women and their families, since they are the only source of income of the household.

Another factor can be broadly defined as social capital and “closeness with institutions”, that seems to confirm the importance that network plays in the success of women MSEs (Hundera, 2014). A. (INT 6, Kolfe Keranyo) obtained 4 loans thanks to the belonging to the cooperative, that she mainly used to buy raw material in big quantities for individual production of textile; she also used it to pay school fees, hospital and to be cured in case of health problems. She is member of “1 to 5” network and of the road development group of her neighbourhood. She is quite clear about the use of the household budget and the responsibilities: the husband pays Idir, electricity, water; after this, he gives her a part of his salary, that she administers for the needs of the family.



Need of social protection: focus on credit cooperatives.

It is worth devoting a specific section to Saving and Credit cooperatives (SACCOs), that are numerous, important targets of public policies and significantly involving women. Saving and credit cooperatives are ruled by by-laws that set most of the functioning mechanisms; nevertheless, these are bound to follow some rules. On what concerns the interest rates, coops have to ask interest rates lower than those of banks: according to our interviews, these seem to be quite different in different contexts, but around 7-8%. SACCOs have their own bank account, usually at a microfinance institution and withdraw from that account as a member asks for a loan; at the Jimma cooperative office I am told that the opening of a bank account is a crucial step in the formalization of a SACCO, since it is the outcome of a process of trust creation towards the banking system. At the same time, on the saving side, they pay interests on deposits of about 4%; nevertheless, most of the interviewed women are not aware of such passive interest (cfr. Amha & Alemu, 2014). The main limitation of SACCO according to our interviews is the size of loans that is too small. The general rule is that, without any guarantee, members can just get a loan “up to their amount of savings” (savings work as collateral). With a social guarantee provided by another member, they can obtain more than that, sometimes bounded to 2 or 3 times the amount of savings. As we are told at the Jimma Cooperative Division, there is an attempt to allow for the acceptance of physical guarantees, since this social guarantee may create conflicts.

These limitations may allow SACCOs to rely on local ties and trust, but strongly constraint the size of the circulating liquidity and the possibility that SACCO loans allow for big shifts from the initial economic conditions of borrowers. According to the Cooperative Division in Jimma, the main reasons for borrowing from a Credit Cooperative are to build the house, for education and health expenditures, for rural households to manage seasonality, or to run a business. Since last year, farmers borrow to buy inputs, since multipurpose cooperatives don't serve that function anymore (see first section of this report). In general, SACCOs seem to offer loans mainly to income support purposes. Understanding the role of credit cooperatives in the social protection agenda of the government goes beyond the aim of this study and seems to be a complex issue. We can nevertheless say that they seem to play a role. The Federal Ministry of Social Affairs issued a draft policy proposal on social protection in 2012: the main areas of interventions that the government identified are social safety net, employment promotion, social insurance, inequalities in accessing basic services. The Social Protection Plan states that it aims to devoting between 2 and 3% of GDP to this policy program. This comes after what has been defined by Devereux and Guenther (2007) as a major shift in social protection and agricultural policy, from a strictly egalitarian approach, where raising incomes policies were disregarded to the advantage of risk-minimizing strategies, to more growth-oriented policies. Indeed, from our interviews at the city and subcity offices, it seems that actual social protection interventions seem to be addressed to those

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who are unable to work. In this framework, promoting saving and credit to fuel self-insurance seems to be a way to spread self-managed social protection among those who have an income source. SACCOs are often formed by employees of the same firm; for example, most of the employees of the Hawassa Textile factory that we interviewed are members of a saving and credit cooperative. In these cases, saving is collected as a mandatory percentage of the wage. This makes SACCOs instruments more easily "usable" by formal workers, that have a regular pay, even though a lot of informal workers join a saving and credit cooperative too. Still, some of the women that we interviewed told us that they gained too little money to be part of a saving cooperative. This is the case of Y.A. (INT 10), now working in a cooperative of injera production in Jimma, who could save into a SACCO when was a wage worker, but now she cannot anymore, and of H.H. (INT. 20), cleaner at the Hawassa Textile Company, where she gains a salary that doesn't allow her to enter a SACCO.

This raises a problem of inclusiveness of these credit institutions: a profitable participation crucially depends on the regularity and the level of income.

Concluding remarks: the “informalization” of work.

The border between cooperative enterprises and Micro and Small enterprises is often unclear; what mainly distinguishes them is the role that they serve in public policy, where MSEs are tools to fight against unemployment and to formalize informal work. Nevertheless, we find cases of cooperatives promoted as MSEs and that, therefore, face some of the same risks faced by MSEs. We met cases where both the cooperatives or the MSEs serve more the function of constructing or reinforcing a network that provides individual services, rather than having an economic profitability themselves. In principle cooperatives are a tool for scaling up a business in terms of size and market power. Their outcomes seem to be closely related to the capacity of the enterprise to invest in value chain creation, at least on the product demand side. It seems that the stronger is the integration in the value chain, the more the cooperative is able to “scale up”, both in terms of size and employment creation, and in terms of income differential that it is able to provide to worker members. A specific problematic case occurs when lack of value chain integration happens in cooperatives that are producing public goods, but the local government is not paying for their services. Another reflection is that the same tools of group lending through the organization into associations or cooperatives can be used for different purposes; more specifically,

actions meant to stimulate entrepreneurship through accumulation are sometimes used as income support devices. These uses seem to express a need for income support, that is addressed through tools that are not meant to solve income and social protection purposes. Different factors influence the ability to use credit facilities to start an accumulation process. These are mainly factors that increase the capacity to face risks and, more specifically, risks connected with the start-up phase of a business (income composition of the household, social capital and “closeness to institutions”). I then devote a specific section to Saving and Credit cooperatives, that are important and widespread small-scale financial institutions. SACCOs seem to offer loans mainly to income support purposes. In this respect, the main limitation of SACCO seem to be the size of loans that is strongly constrained to the size of savings. Moreover, they seem more easily “usable” by formal workers, who have a regular pay, since a profitable participation crucially depends on the regularity and the level of income.



There is evidence from our interviews that the border between formal and informal employment is blurred. Many women arrived to the informal businesses through formal employment and many formal wage workers would like to complement low wages through private part-time businesses. Moreover, in the recent privatizations, factories incurred layoffs and decreases in

worker's protections (INT 21, Hawassa). This pushed more workers to "go informal". Can cooperatives be a tool to manage these transitions and to provide, through self-management, a way out of unemployment? This is the case of a plant closure described in the box below, where a group of workers gathered into a cooperative.

Case study 2: Brick production cooperative in K'linto (outskirts of Addis Ababa)

This cooperative with 15 members was formed upon initiative of a group of laid-off workers after the closure of the factory where they worked. The leader of the cooperative is a woman, CETU leader in the factory. Already before the factory closed, they had some important conflicts within the firm: the firm unilaterally reduced the salaries after a struggle to obtain annual leave. The wages were reduced to 360 birr/month for the permanent workers and to 13-15 birr/day for daily workers (13 for women and 15 for men, even though for the same tasks). The union leader was fired for one year

after this conflict, but she won the trial and the firm was obliged to reintegrate her in the job. In 2012 the factory was forced to close because of the owner didn't pay taxes and 580 workers were laid off. Parallel to the process of asking for compensations, a group of 15 people (12 women and 3 men) started this cooperative with the help of MSE promotion office, that has been involved upon the workers' initiative. They got credit from Addis Credit and Saving Association to buy a machine to make bricks, got the site where to work (within a construction area), and got a (unwritten) contract to sell 1000 bricks per day to the construction company. They gain about 1000-1500 birr/month. They state in the by-law annual leave and paid sick leave.

This last case opens up the possibility to join a "labour" approach to the dominating enterprise-centred one. The panorama indeed seems dominated by an approach that takes the point of view of the enterprise as major tool to fight unemployment. The risk behind this is what Banerjee and Duflo (2011) clearly state: "perhaps the many businesses of the poor are less a testimony to their entrepreneurial spirit than a symptom of a dramatic failure of the economies in which they live to provide them with something better". In this respect, a space of actions for trade unions opens up.

There is evidence from our interviews that the border between formal and informal employment is blurred. Many women arrived to the informal businesses through formal employment and many formal wagedworkers would like to complement low wages through private part-time businesses. Moreover, in the recent privatizations, factories incurred layoffs and decreases in worker's protections This pushed more workers to "go informal".

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WOMEN'S EMPOWERMENT: NOT ONLY A MATTER OF INCOME

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Theoretical framework: meanings of empowerment

In all analysis of Informal economy, we come across the statement, more or less based on evidence, that women form a large share of it. This often means that the majority of women workers, in most regions, occupy the lowest and least paid jobs. We can see this as one aspect of the feminization of poverty, caused by lower wages, less education, the multiple tasks women are expected to perform inside and outside of the household, lack of basic human rights. If all this is now widely recognised as a given fact and if it is true that women are over represented among the informal workers as poorest, most “vulnerable” groups, “excluded from better opportunities”, **why is it so?** What makes their position different from that of men? Asking more “why”s on these issues allows to pinpoint multiple causes of women’s “poverty” and “vulnerability” and therefore to identify effective and multiple answers. It also suggests looking for multiple meanings of poverty and vulnerability: poverty of what? Vulnerable to what? The answers given to these questions touch upon the history and culture of gender relations in any given society. Changing gender relations in different ways according to different contexts is a process which can be summed up in one word, which became popular in policies and literature since the first UN decades on women: empowerment and the lack of it. A concept which cannot be reduced to one component, or one single “lack” of one single asset, but refers to the complex relationships women have with the



whole of society. The “power” mentioned here is not meant as a power “over” but as a power “to” and “with” others. When we look closer to women’s lives **in relation to** the lives of others (men, children, other women, the aged and other “vulnerable” individuals) we might find out that these “vulnerable” and “poor” women are also those who support others’ lives, from granting their very survival through care and food, to providing for whole households and for children’s education.

women are over represented among the informal workers as poorest, most “vulnerable” groups, “excluded from better opportunities”, why is it so?

these “vulnerable” and “poor” women are also those who support others’ lives

This double face of women's situation in a society (being at the same time among the poorest and among the main providers for the subsistence of others) is the ground on which policies for women's empowerment must be built. When the concept of "empowerment" was framed to address women's position and gender relations in a society, it was meant as a process of *"growth of individuals and groups based on the growth of self esteem, trust in self determination and awareness of own capabilities"*. According to another successful definition, empowerment is meant as *"the process by which those who have been denied the ability to make strategic life choices acquire such ability"* (N.Kabeer). We try to use both definitions, knowing that in both cases it will not be easy to measure and quantify the process of empowerment. Things become somehow easier (in research) if we keep in mind that the ability to make choices implies three other dimensions: resources, agency and achievements. In other words:

1. Being able to manage **resources** (not only to have access to them): from material resources (such as land, water, money, and food) to human resources (knowledge, skills, and support from others, solidarity).
2. Being able to take **action**, to claim, to dialogue and negotiate with decision makers
3. Being able to actually **achieve** some sort of well being and being able to identify achievements.

These three dimensions should be always considered as three *indivisible* aspects of women's empowerment. Nowadays *empowerment* is often meant as equivalent to "economic empowerment" understood as the possession and management of **money**. But, if economic empowerment is isolated from the whole of women's life

conditions, from managing of other resources (from land to knowledge to solidarity etc.), from the ability to claim basic rights and to reach real achievements, the risk is that what is offered (access to money, for instance) may turn into a loss of the capacity of making choices. This happens, for instance, when the small-scale business becomes just an extra work burden or when the debt trap produces loss of economic resources. If "empowerment" means to produce a change in consciousness, through making visible and recognised the capacities people already have, money might not be the sole indicator to be considered. When an official from a local bureau called upon a group of women for becoming more active and productive, saying that it is high time that they also contribute to the family sustenance, the first reaction of the group was to try to give explanations concerning their "lack of capital" which made it difficult for them to save money and then ask for a loan. But, when asked to compare their activities with those of other members of the households (husbands, for instance) they all agreed that they were those who worked more and as for saving, one aged women said *"I do saving every time I cook injera and this is what I learned from my mothers and grandmothers who also thought the same"*.



In the following discussion of some parts of the in depth interviews done for the research on “Women in the Informal Economy” in Ethiopia¹⁸, we try to isolate some aspects of women’s empowerment and disempowerment which are not directly related to the economic sphere. We use the three criteria suggested by Naila Kabeer¹⁹ to explain what she calls the “essence” of empowerment: the capacity for self-determination and the **ability to exercise choices**. Therefore, we consider:

- Resources, (The capacity to access, manage and claim, resources (not only material resources in an active way)
- Agency (The capacity to act over time planning for the future)
- Achievements (The capacity to identify achievements, as outcomes of an experience, which can have a positive impact on the well being of individuals and groups)

The ability to make choices

Making choices with no resources: too poor to save

“I am 32 and I have five children. My father died and I went to school till 8th grade. The oldest son is 18: he wants to be a driver, but for him I would like that he becomes an engineer. Now he sits in the house without a job. I worked as waged labourer in construction, breaking pebbles for four and half birr per day.... My husband is 37, unemployed. He used to work as security guard,

but now he has no job and is looking for some...In the women’s group (1 to 5) we also discussed family planning and I decided to stop having children: I am the only one responsible for family planning and I am sick (but I get free treatment from the hospital). The children’s school is free: I dream that they could all get to grade 10. I have problems with the house we live in: when my husband’s mother died, there was a brother, adopted, but with the same rights as other brothers, who wanted to kick us out from the house and now he lives with us; he has another house, a big one, and he rents it. Our house is made of mud and wood, but it has a tin roof. My mother had ten children: two sisters, from different fathers, went to the Arabic Countries for two years and they were sending me some money (she has a cell phone for which she pays from 10 to 20 birr per month)...Now there is no food in the house. The best time in my life was when I was a girl, at sixteen... No tension, I was morally free. Then I got married, and I divorced for one year, then he came back... For the future I have a good vision, if God wants, I’ ll be able to support myself. Why not? (She cries). I want to CHANGE my life.” (N.B. Kolfe Keranio Wereda 8).

Change is the key word of this short story. Change is also the ground meaning of “empowerment”. When we speak of empowerment, we inevitably speak of change: from a situation of “disempowerment” to a new one. N.B. wants change. Reading the description N.B. gives of her life, we come across events of the past, conditions of her present situation and visions of a future.

¹⁸
See interviews attached

There is a story made of places and persons who have always been or became part of her life: a man (the husband), children, in laws, relatives and friends. What is there in her life that she wants to change? Does she have the ability to *make choices* which will allow her to actually produce those changes? Will such changes, once made, produce a positive impact on her life? She must have delivered her first child when she was sixteen and from then on she delivered a child every three and a half years. She was born in the same area of Addis where she lives now, but she went to live in her mother in law's house with her husband. "Mud and wood, but with a tin roof. It seems that nothing is safe and secure in her life: the mud and wood house can be taken by the husband's step brother, the children might fail to reach the 10th grade in school, the husband might remain jobless as is now the oldest son for longer than can be expected. Her very survival (and that of her husband) are at risk, not only for lack of food. When we listen to her last statement, made in an assertive tone, we wonder whether this "want" ("I want to change my life"), coupled with God's want ("if God wants") is a dream (a "vision") as she says, or it is made of choices, decisions, and plans. She did make choices in the past: to look for a job in construction (cutting pebbles): hard work, underpaid and impossible to perform if one is not in good health conditions. The choice was made out of *necessity*: there was no alternative. She also decided not to have other pregnancies, once she had discussed this with the other women in her group. She made a choice when she decided to buy potatoes from her neighbours and sell them in the Piassa. Some of these choices were

made for lack of alternatives, some did not produce any real change in her life as far as resources are concerned, while others implied a different way of looking at life and at human relations: **deciding to take upon herself the responsibility of family planning really changed her position inside the household and in the relationship with her husband. A decision taken also as the result of having entered a new space: the women's group.** The group did not help her in planning a change for a viable way out of poverty (she claims she is too poor for saving and for repaying a loan) but gave her the strength to "have a vision": the possibility of supporting herself. This aspect of empowerment is not linked to a feasible business plan, nor to the experience of a significant increase of income, but to a change in attitude towards the self and the future. "Why not? " is, for this woman, the very heart of the ability of making a choice.

No choice, bad choice

Change may be not always for the better. This happens when it is perceived as imposed or induced by external agents, as is the case of A.S.

I am 25 and I have three children (aged 8,6 and 1). I lost my mother and father when I was in 4th grade. I collected wood in the forest. At 20 I was married and applied to join the project of the textile industry. ...The Wereda people came to the forest and told us: stop collecting firewood; it is better for the environment to stop... I did not really choose to join this group, if I could have chosen I wouldn't have chosen this job".

19

Nahila Kabeer, 2005, Gender Equality and Women's Empowerment: A Critical Analysis of the Third Millennium Development Goal, Gender and Development, Vol. 13, No. 1, Millennium Development Goals (Mar., 2005), pp. 13-24 Taylor & Francis, Ltd.. Discussion on definitions and measuring of empowerment started at least three decades ago and produced a rich body of literature, research and programmes. See as related to the issues faced in this research :

Chen, Martha; Bali, Namrata; Kanbur, Ravi (2012). Bridging perspectives: The Cornell-SEWA-WIEGO exposure dialogue programme on labour, informal employment and poverty. India: SEWA Academy. And Mayra Buvinic, Rebecca Furst-Nichols, 2014, Promoting Women's Economic Empowerment: What Works?, World Bank Group Policy Research Working Paper 7087

This woman applied to join the group which runs a textile industry, but she also claims that she did not really choose to do it. If the people of the Wereda had not intervened in her life, A.S. would have continued to go to the forest to collect firewood: a risky, illegal and heavy job, also a job that she did not “choose”: “I was forced to do it,” she says. Now, after five years of work in the textile industry, she is disappointed and she sees this opportunity, which was given to her (according to the Wereda programme) as something imposed upon her.

The same attitude as that of L.H. a member of the cooperative of former wood collectors.

“The Wereda invited me to “reorganize” into a women’s group (1 to 10) and gave us this land to cultivate. But it is a waste of time: there is no water, we are 105 members and we get 50 birr per year from selling the vegetables...this place is only for showing, just to report to the higher city administration... When I joined the group, I had expected to get something, maybe to get some land for myself to use it, but this did not happen. The government should collect us and teach us some different business”.

Something did not work for these two women. When they joined the programme, they had expectations, which later were not fulfilled. The group was then perceived as an extra burden, and the change experienced in joining it, as an event that was not chosen. Little or no “empowerment” was produced by the change that could even become a “disempowering” experience of frustration and disappointment. Both women have invested the Government of the authority of choosing on their behalf and they keep expecting further assistance.

Apparently, they have chosen not to choose or, better, they don’t see themselves as capable of making choices. One could argue that they are lacking tools and conditions for making other choices, which might be true, but their words also point to the **importance of establishing clear and transparent terms of agreements when women are involved in the programs of formalization proposed by the government.** It is important to note that this negative perception is not shared by all the members in the same groups: those who are engaged in other activities, even very small ones, like cooking and selling injera or can rely on some other resources as a husband’s salary (just a small portion of it) or expect help from daughters (less frequently from sons) seem to be more able to appreciate the little that is offered by these projects. Yet, even when the experience is lived as a negative one, it is also important to see how, once this change took place in these women’s lives (whether it is perceived as a free choice or a necessary or even imposed one), the road is open for further changes and choices in all aspects of life. For this reason it is extremely important to **develop strategies that take into account the consequences of failures and disappointments.**



Resources: negotiating the household budget

The ability to make choices requires access and management of resources. Here we look at resources that the women interviewed are more or less able to mobilize within their networks of relationships in their households and within the groups.

"I expected money from my husband, but I joined the association not to be completely dependent on him". "I was dependent on my husband, now I am not any more". "Now we have a saying in the home". "There are two pillars in the home, when one is weak the other should help". "Every person learns from life...sometimes somebody may harass us or exploit us, but this is normal". "My husband works as a weaver and he contributes some money to the household". "The loans are too small, the husbands cannot be member of the group so they don't get any loan". "I have to provide for the three children because my husband has no job".

Some women made these statements during the focus group held in Addis Ababa, Wereda 11 of Kolfe Keranio. The issue to be discussed was the household budget. The first thing that strikes here is that the meaning of money is not referred to its value as a means to acquire goods or to pay for something, but as a vehicle of autonomy and independence which are not immediately geared to "making (more) money", but to produce a change. Changing a relationship, with the husband and with the other members of the family, and changing the image one has of herself as somebody who can become a decision maker, if only inside the home. The same women had just finished discussing the division of labour within the household coming to the conclusion that "Women work more than men. We are the hard workers. He comes home

and sits down", but somehow they know that the hard work they do will not be recognised as a ground on which to claim "having a saying in the home". They also recognize that husbands and all the other members of the family are dependent on their work, but that kind of dependency is not suffered by the dependents as a lack of power or as a cause of "vulnerability". There are two images of what can be a husband and wife relationship: one of cooperation, (an image of equality, mutual support and understanding (the pillars) and a more negative one which speaks of "harassment and "exploitation", but shows also the strength of a person who has learned from experience to adapt to what the society (and herself?) see as "natural". In comparing husbands' and wives' economic contribution to the family budget, we must stress that in many interviews women mentioned the condition of the husband as "jobless" or as unemployed, while very few considered themselves as unemployed or as having ever been unemployed in their lives. This is somehow a contradiction, since in order to apply for the services given to women who start a micro or small business they are registered as "job seekers", but they don't consider as "job" the business activity they are doing. And rightly so. Only younger women, with more school education, spoke of themselves as jobless ("I joined the group because I have no job as all the others in the group").

The capacity of mobilizing resources inside the household requires also negotiating skills with the husbands whether they do earn a salary or not.

"My husband lives with me, has a little pension and helps me with the sick daughter... By idea he supports me but this is not really true..." (Kolfe Keranio, market)

*"My life was better before marriage: after marriage I became poorer and poorer ...my husband helps me, but I cannot know how much he earns. I keep asking him for more money. Sometimes he gives me 300 birr, but it is too little. **I don't know anything about him**". (K.K. Former wood collectors)*

*"I am a street vendor (she sits under the trees near the market with other women, all selling the same vegetables). I have been doing this for 4 years. This is not a good job. My husband has no job; sometimes he works as carpenter, but not regularly. **I earn more than my husband**. I go by bus to the rural area and pay 15 birr to a carrier for the transport of vegetables to the market. I store the vegetables at home and when I cannot sell them, I use them for food." (Street vendor, Hawassa Market)*

*"My husband works as guardian in a school: earns 500 birr per month, **not sufficient even for just himself**".*

There are also households in which wives and husbands cooperate on an equal basis as witnessed by this woman in a rural area around Jimma,

"I am 36 and I have 6 children. I was married at 14 according to the Sharia: it was the will of my father and my duty was to obey. I was forced to marry: my husband was the same age. We have a farm, 1 hectare, registered as joint property. We cultivate mais only for family consumption. We cultivate also coffee: some for the house, some for selling. Coffee was the only income. My husband sells the coffee and we use the money for the household. We have 2 oxen and a cow for ploughing. We buy the seeds and urea spending 1600 birr per year. I have 3 hens, 2 sheep and 1 goat".

A cooperation that leaves space and freedom for the woman to have her own activity and to relate its success to the common family property that is land: *I was doing pottery at home and sold the pots at the market. It takes an hour to reach the market carried the pots on my back because I have no donkey. Now I joined this group of women who make pottery. _Two years ago, but the group started working only last Monday. Now the group has a place to make the pots (cooking stoves made of clay). The clay is digged in a place nearby. With my pottery, when I made it individually, I earned 100 birr per week. I cannot see any advantage in working in group yet, because **I don't want a loan: I am afraid that may be they take my land**".*

In the focus group held in Hawassa, union leaders (waged workers) met women engaged in small business. The union leaders complained for their small salaries and say that they manage the house budget even if the husband has a job ("I force him to give me the money he earns"). Most of the self employed women complained about the men not contributing to the house budget, but say they now have their own earning which they use to provide for the children. One woman, whose husband cannot work because he is sick from an accident, complains for the little money she gets from the small business, yet she says that she can decide on her own on it.

Cooperation or "cooperative conflict" (A. Sen,²⁰) cut across all these and other witnesses. The most cooperative models in joining efforts and resources inside a family for a small business are found where husbands and wives are better off and can draw on resources of pretty stable incomes.

²⁰

See the seminal chapter of Amartya Sen, 1987, Gender and Cooperative Conflicts, Wider Working Papers , WP18

The use of the women's group's loan for the husband's business creates conflicts that are managed by the women themselves. The woman who uses her daughter's salary for saving "for the future" or the one who stopped saving when her husband lost his job, also show how saving behaviours are always linked to the family network.

What we want to show here is that women's behaviour in managing saving or deciding to register for a loan must be understood as embedded in the context of a household, a family in which resources are pooled and distributed along lines which reflect the kind of relationship among the partners.

Saving and credit for the household: claiming social protection: A Case Study 1

When the saving behaviour of women who joined the groups were discussed, officers and coordinators of SSE departments often complained that women thought of saving as a form of social protection: money to be set aside in case of illnesses or other emergencies in the family, instead of being reinvested in the business.

An officer of the Women and Youth Department of Hawassa, discussed the problems he faces in implementing the programme for women in SSE as follows:

"When women come to the SSE office, they are afraid of loans. The reason they give is that they have not enough money for the initial saving required. They say that they are too poor for saving. Some of them work as street cleaners, temporary or daily labourers, others are street vendors who work illegally. I think that it is a cultural problem, an attitude gap. Also they have no trust in the group: they prefer to collect little money from inside the family instead of working with others in the group. City women are dependent on the family: it is difficult for them to leave the house, so they prefer to stay at home. The family group contributes assets and they leave them in the business, while in a non family group, when problems arise, each woman withdraws the contribution given to the group." ... they prefer to save "for old age" or for health care... Women should understand that they should also produce some income; earn money to support their family. There is no awareness of this need for them to contribute to help their families....I think the important thing is to see that there is a need to change a cultural attitude. They only see the failures of the groups, don't see the success stories. ..."

These statements are confirmed by all the interviews when women say: "Saving is a good thing, because if a child is sick I can draw some money from the group" or "I don't want a loan,

because I am afraid of not being able to repay" or "I am afraid that they can take my land if I have difficulties in repaying the loan". "I prefer to work individually, in groups there are always conflicts".

How to understand these difficulties? It is actually true that there are many cases of failure and even more cases of "stagnant" micro enterprises and it is also true that there is a strong resistance in many women to enter the road map of saving and credit and that this is in part due to a cultural attitude of fear in front of a new, unknown proposal. But these resistances are also based on a good solid ground. There is confidence in the "traditional" groups, the ones mentioned as sources of "social protection", but diffidence towards the new business oriented ones. Which suggests that:

- A bridge between the two types of women's groups might be built allowing a gradual passage from one to another
- A demand for social protection coming from these statements should be answered in the business groups

It is also important that those who provide the **services for SSE programmes have an understanding and monitoring of the household budget** and of the whole network of relationships each woman is connected with. The mistrust in business groups and formalization is often considered as a conservative behaviour caused by lack of knowledge of what a business requires in order to be successful (i.e. Reinvestment) but it might also be seen as a way of **taking individual responsibility for social protection**. The issue of social protection (old age, health care, insurances) is often raised also when discussing the role of groups. When a woman says, "If a child is sick, you can get help from the group" she is thinking the Iqub and not the one created for the small business. "In our culture to help each other is the insurance". The possibility of extending this function of "traditional" groups to the new groups established for business should be discussed in depth.

Women alone

Often the women we interviewed explained their decision to enter into an informal activity and later into the micro or small business with the husband's lack of job, to his death or illness or, as we saw above, to their insufficient contribution to the family budget. Many of the women interviewed were sole providers for the household: some were divorced, other widows, some married to older men who were too sick to work.

"I am 32 years old, have 3 children, aged 16, 14 and 5. Mine is a sad story". My husband disappeared ten years ago, he was mentally ill, I tried with another man but it was no good; he gave me HIV, the last child was from him. I keep looking for my husband, I want him back for the children" (KK)

"I am 47 I have no family, I am divorced. I have two children (a daughter of 27 who left her husband and lives with me with her two children) and a boy of 18 who is a student in college. I came to Addis from Gondar with my mother when I was eight. Sixteen years ago I divorced and my husband married another woman. I did not want to take him to court nor to the elders. He did bad things with other women and now he has five children with other women". When I came to Addis I was a domestic house worker: for 5 birr per month plus food, I was a slave. One day I went to somebody's house and on my way back, in the forest, this man took me: I did not want him. But the elders went to my family to settle the marriage".

Other women who divorced decided to take the husband to court and now they are getting some financial support from him and have the right to half of the little property they had: a plot and a traditional house.

The experience of divorce is always linked to the story of a marriage, which was not chosen, to a period of one's life when these women were really **vulnerable** as young girls losing the protection of one or both parents and lacking the ability to make a choice. **This reminds us that vulnerability might be rooted in a series of experiences that have an impact on the whole course of one's life.**

On the other hand, an early marriage, forced on a girl "by poverty", can develop into a satisfying relationship as long as there are children who give meaning and a sense of a possible different future.

*"I was born here. I am 40 and I have 5 children; the eldest, a daughter of 30 has 3 children. I live with only one child now. I lost my father when I was a child. My mother brought me up (with one sister and 3 brothers) alone; she married me when I was 17. She married me for poverty, and then she died. My husband cultivated fruits and vegetables; I make pottery, which I sell at the market. My husband died suddenly four months ago: it was during Ramadan, he came home and slept for three days, then he died. We thought it was a simple illness...Now my son does what the father used to do, but he doesn't like it..I sent him to school and I am angry now, because he doesn't have a job. ... **I am angry for this for all the children who went to school and now they are sitting at home without a job.*** (Jimma rural)

Many of the women interviewed were sole providers for the household: some were divorced, others widows, some married to older men who were too sick to work.

Agency. The capacity to plan ahead

Agency for children's education

The capacity to invest in the future is not only linked to saving and credit or to the ability to develop a business plan for one's small business. The first investment these women see in the future concerns the children they have.

"The greatest happiness in life is when I get a child. But now I am angry because the children cannot find a job and I cannot understand why. The son got married and he and his wife live with me because he has no job. The other boy built a traditional house near mine and works the land (with one ox) I had expected a better life for my children, but this did not happen and now I am angry for this".

*"I am 40, married with three children (two are in school, the older is in the army). My husband was a soldier, now he retired and stays at home. He is also qualified as mechanic, but has no job. With **my business I pay for the children's school**". I am illegal selling injera on the street, when the police comes and tells me "you are illegal" I tell them that my children would die if I don't do this".*



"Selling injera I sent all the children to school"

Pride and disillusion. Unemployment, as we already saw, seems to be just a men's or a boys' problem which forces them "to sit in the home". There is an expectation from the investment in the children's education that generates anger, but also the ability to claim work and jobs as a right compensation for the investment in education of the next generation. Children's education is what moves the great majority of the women and it is obviously a way to support planning over time. Once started, the school career of children sets goals one sets to herself: "I hope they can all reach 10th grade", or "I hope that at least some will reach the 8th the grade" according to a realistic exam of the situation one is in at present. But children, especially girls, can also be seen as future partners in the developing of the small business.

now I am angry because the children cannot find a job and I cannot understand why.

But children, especially girls, can also be seen as future partners in the developing of the small business.

"My plan is a vision: to build a hotel with my daughter who is now in 8th grade." "I sell injera now, but when my daughter grows up, I hope she can also make shiro and we can enlarge the business and register it and have contracts with hotels"

Agency for Housing

Having a house means first of all to have a shelter. Most women who say that they “own” a house, live in what they call a family house where parents or in laws lived or still live. Some live in “illegal” houses built on grounds not registered as plots for housing. They expect eviction with no compensation, ready to start again somewhere else. This is true especially for those who do not “belong” to the region they live in: they migrated from the north (Gondar in Addis) or from the south in Hawassa. In the rural area near Jimma houses were part of a land cultivated by the family and this is often given as a reason for not being willing to ask for loans. Some women applied for a room or a house in a “pilot project” while others are in the waiting list. The amount of money required for a real purchase is considered too much for most of the women interviewed.

“My husband was a civil servant in Eritrea and we lived there for a while. Now we have a house in the “Pilot Project”: my husband helped me building this traditional house”.

“I have a coffee shop in my house: I have a licence, but I want to give it back. I paid taxes only the first year: they asked me about my income only the first year, then never again.”

Here we see that even the building of a house may be a woman’s task and women often have the skills to do it. The house is also a precious asset for leading a business legally or half legally: *“I make injera at home, nobody sees me and I don’t need to register”*. Some women complain for lack of space in the traditional house they live in and they become active in searching for means to access housing projects.

Children’s education and a house seem to be two strong reasons which set them in motion, make them “go public”, actively look for opportunities passing, first of all, through the local government programs.

One woman who has a kiosk in the market assigned by the Wereda 8 of Kolfe Keranio, considers herself happy for her situation because she has her own house that is not very far from the market, and she also has a certificate of ownership, she is paying no taxes but only pays 100 ETB/month to cover for all the bills. Through the housing association the government allocated land to build houses, and she received the house from the association. This was a pilot project that started 15 years ago, and today involves some 450 people. At the market she has a license for her space. (Jimma. Market). Having a house, being able to apply to the pilot project is one of the main reasons why these women become members of an association. This means that they do have strategic plans in their lives that go beyond mere survival and contribution to the family budget. Children’s education and a house seem to be two strong reasons which set them in motion, make them “go public”, actively look for opportunities passing, first of all, through the local government programs.

Agency: Together in a group

Associating with a women’s group is required by the government programme for formalization of informal women’s business. The women themselves give the good reasons behind this requirement sometimes, although we have often met

dissatisfaction and mistrust. It is extremely important to remember that all the women interviewed did belong to a women's group in their neighbourhood, the traditional solidarity groups (iqub or idr) but they don't relate this experience to the one proposed by the SSE programme. We may suppose that the difference is both in the purpose of saving (promote a small business **or** mutual solidarity) and, most of all, the mediation of a Bank (being Micro Credit or Commercial Bank) that produce a completely different relationship to money and to lending and borrowing. One local staff of CETU branch in Hawassa, said that *"Saving is something they learned about either when working in the factory or when they started a small business"*. This is confirmed by those women who stress that knowledge about saving was a discovery they made thanks to the training received before starting their business. Yet, if we compare these statements with the ones above on the importance of saving for family needs, etc., we can see that the big change in these women's lives consists in entering a new world where money has its own "life", can grow or diminish, demand or produce interests, reproduce itself through time or even disappear if things go wrong. Somehow the business creates a separate sphere of interests, commitment and work, detached from the primary bonds in one's life.

Those women who appreciated being in a group gave reasons like the pleasure of being together ("it is good to be with the others sometimes", said a woman who was suffering from the recent loss of her husband) or the promise from the Wereda staff that it would be easier to obtain larger loans if in a group. Some women remember well the information given by the Wereda staff and they refer to it with trust: "women should get together to be strong because we are more affected by poverty, as the Wereda staff told us".

Others see the group as merely instrumental to gain something or to satisfy the requirements of the government. The focus group held in Jimma discussed advantages and disadvantages of being in a group:

- I joined the Micro Enterprise programme. I saved 400 birr monthly; to work as individual is better because in the groups there are conflicts and disagreements.
- In groups there is no mutual understanding. There were problems, we had conflicts, but then the Kebele gave assistance and they fixed RULES, Now the problems are solved
- The problem with a group is that there is NO TRUST among the women

The problem of trust is mentioned over and over again. Apparently this is a constraint, but it could also be seen as a good opportunity to face and resolve conflicts. Women's groups of this kind are spaces outside the households, public spaces that allow to establish direct relationships with local government institutions and to experience some sort of dialogue with them that is an important source of empowerment like the ability to make choices. Women at Wereda 11 in Kolfe Keranio even decided to change the bank where they deposit their savings and opened a discussion on the issue with the local authorities. Groups therefore should be seen **as learning opportunities for women to acquire skills in moving into a public space** and, perhaps, even more important, to identify common interests and common problems which can be brought to the public arena. But this is not something that happens without efforts and active involvement of the group members themselves. When problems arise in the group, members are tempted to go back to the familiar context of family relations.

- If the group is formed by family members things are better, there is a better agreement. If women from different places come together there is suspicion
- With family saving among sisters, we bought a Bajaj
- The family group contributes assets, while in a non family group, when problems arise, each woman withdraws the contribution given to the group

In coping with other women coming from different places, one gains also competence in what a group should be like in order to be successful:

- “I did not ask for credit, because the group was weak, had no regular meetings the members were not motivated to participate”.

One union leader, says that she prefers group saving “because there is more control.” The group she is familiar with is a basic union unit inside the factory whose role is also to exercise control on the workers’ conditions and on members’ lives and needs. Control and trust in a saving and credit group mean that members become dependent on the others’ behaviour especially when the group acts as collateral for a loan. Stories of failures in repayment by one member often tell us that the members are capable of tolerate it since the disruption of the group would penalize their own plans also.

Agency: Group Leaders and active participation

Groups are headed by individuals who are already skilled in relating to a larger community and to the decision makers at least at local level. The leaders perform several different roles: “collecting people”, campaigning for elections, but also communicating between the higher levels of the local government and

the women involved in the programmes.

These leaders are appointed and they are expected to set a “model” of behaviour.

They bear responsibility for the group members to the extent of having to repay their debt when they fail (they will be repaid later on). They perform an educational task as well as some sort of “quality control” on the small businesses.



The description given by one of these leaders (also an activist in politics) of her role, shows how rewarding this task can be: “I am like an elder”, she says and reports of group discussions, meetings and collection of savings as one of the most satisfactory experiences in her life. “They campaign suggesting who should be elected, they organize security and community work in the neighbourhood, ask people about their needs and commit to improve services (an example she makes is that she recently obtained a water pump to be purchased for her neighbourhood)” Z.T. Interesting to note that this woman became active as leader after she had started her small business. This means that passages from SSE groups to leadership are possible and vice versa.

The leader acting as role model²¹ may then be the one who suggests participation not only in development activities, but also in community actions and in “collecting people needs and claims”. This model of groups as incubators of active participation to community life might be supported as an extra incentive to women to stay in the groups and promote further associations.

Achievements

We saw how the ability to make choices can be supported by the capacity to access and mobilize resources (not all necessarily economic), by the power of agency, in planning for the future: children’s education, house building, entering a group to start a small business which requires planning. The choices made were sometimes small ones, dictated by immediate necessity, but sometimes they implied plans and strategies projected into a future, A “vision” or a calculated plan as it happens when one enters the process of starting a small business. Does all this mean that these women are inside a process of empowerment in the broad sense of the word? There is no easy answer. The easiest way to answer this question is to listen to the women themselves if they do see that they have achieved something and they still set goals to themselves.

“The best time in my life was the day when I sell something and I thought that that was my own”. This achievement can be labelled as a small “taste” of self-sufficiency. When another woman, who is well ahead in the development of her business and sees her saving and credit growing fast, says *“this project really changed my life”*, we know that she achieved what she expected, she is clear about her success and is planning ahead.

Some achievements can be clearly identified, while others might become visible over time: this refers especially to the changing relationships inside the household and with the wider community.

Choices are not always made in the name of freedom from disempowerment. Women (as well as men, of course) may make choices “which reinforce their subordinate status”. When they accept not to claim household resources from their partners (“I cannot know what his salary is”) and accept the overburden of a micro business, or when they adapt to violence as a “natural” fact of life or even when they see as just and normal the disproportion of workload between them and their husbands and choose to engage in extra work “for the sake of the children”, they may perceive themselves as “empowered”, but they don’t **calculate the costs of these achievements**. We also saw that groups often discuss such costs and act as support and compensation to the general condition of women’s subordination in society. This role of women’s groups should not be underestimated.

The stories of disappointment and failure represent a real challenge. Those women who are not satisfied with their “choices” and say that they had to do something (entering a group, start saving) because of **lack of alternatives challenge policy makers** and group leaders who have invested on a single answer to women’s disempowerment, i.e.: economic empowerment through self-employment. This lack of alternatives is perceived by the women who are too poor to save or see their small business as stagnant (*“I have been doing this for years, but I am still with nothing”*).

²¹

The system of creating “role models” using the metaphor of the army of development activists is found in Ethiopia in different fields. As an example, in health issues there is “A fleet of 35,000 frontline extension workers and their “model” families are helping

carry out Ethiopia’s mission to provide universal access to basic health services and are empowering communities to take charge of their own health”.

On one hand the proposal of self-employment promises “growth” (of capital, through ever more large loans and investments) while, on the other, when it is not fulfilled, places the blame on the entrepreneur. The answer to failures is always found in “more credit and more capital”, while **little is done to understand the nature of markets (local and global) which contribute to the collapse of many small businesses.**²² We have shown how rich and complex the process of empowerment is, touching upon values, culture, relationships, social welfare, politics and economics. What is perhaps unique of the Ethiopian experience is the creation of a system, complex and far reaching, involving all levels of governance, linking financial institutions to poor and marginal groups, mobilizing and networking a large array of public institutions for the purpose of “women’s economic empowerment”. We tried to show how any change and “choice” done by (and for) women affect the whole of society (future generations, the whole labour market and its discontents, well being of adults and children). We saw that a **strong demand for social protection is shown by those women** who see saving both as a form of insurance and as a tool for growth of their business: a claim which is still waiting for an answer, imagining ways of securing from the risks of self employment and self exploitation. Women who entered this system were not always satisfied (the reasons are shown in other parts of this research), but they became able to imagine the **possibility of having chosen differently**, which is the corner stone of empowerment.

“Very Simply put, capital alone, either as a small loan or grant, is not enough to grow women’s subsistence-level businesses...poor women need more comprehensive services in order to break free from low- earning subsistence-level businesses, rather than single services or small levels of capital (in-kind, grants or loans)”



²²

“Very Simply put, capital alone, either as a small loan or grant, is not enough to grow women’s subsistence-level businesses...poor women need more comprehensive services in order to break free from low- earning subsistence-level businesses, rather than single services or small levels of capital (in-kind, grants or loans)” Or

Oriana Bandiera, Robin Burgess, Selim Gulesci, Imran Rasul and Munshi Sulaiman 2013, Capital, Skills and the Economic Lives of the Poor: Recent Evidence from Field Experiments United Nations Foundation, A Roadmap to Support Women’s Economic Empowerment,

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CONCLUDING REMARKS

The main findings of the research are summarised as follows:

Informal Economy and Small Scale Enterprises

- In the three areas where the research was conducted, distinguishing what constitutes formal and what informal is a very difficult (and perhaps) un-useful exercise. Peri-urban dwellers engage at the same time in a number of formal and informal activities, and the outcome of policies of regularisation is often uncertain, leading to dynamics of both formalisation and informalisation, depending on specific circumstances.
- Although constructing typologies of people living in the informal sector is sometimes misleading, the research has identified at least three categories of women whose position depends on the extent to which their economic activity is more or less formalised and regularised. These are ‘informal, tolerated’; ‘informal, informal’; ‘formal, legal’.
- The government intervention in the informal economy is driven by a policy of regularisation that is aimed at promoting the formalisation of job relations, as well as creating new job opportunities as a way to combat poverty.

Lack of Capital

- Two important principles behind the current policy towards sustaining credit are **saving first**, i.e. instilling the attitude to saving through trainings and other political activities, and **kaisen**, i.e. quality production in the most efficient way and at the lowest cost possible.
- MSEs are tightly connected to MFIs providing credit through a variety of channels.
- Complaints about too little capital are also the result of how resources are used.

Behind the “need of capital” there are very different needs: need for a stable income that protects from shocks, need for liquidity in specific moments in time, need for market links that allow for an increase in size of the business. However, credit is not able to answer to all of them.

- The use of “capital” for household needs should be also seen as a demand for social protection and not only as a lack of “business culture”. **Social protection is considered as “saving”** by women who say that they mainly save to face health or other emergencies.

- Household budgets, when discussed, show strong differences between the uses made inside the family of money earned by women and men. In households where women are the sole providers, jobless men are not offered the possibility to access to SEE programmes.

Constraints of MSEs

- The landscape of women’s MSEs is fragmented, most MSEs are isolated, whether run by individuals or by groups.
- Women, side by side with recently graduated students, are the main targets of MSEs. Their participation is facilitated through a number of special programmes, credit facilities, and trainings.
- MSEs promotion offices are deployed following the hierarchical structure provided by the federal administrative system. Offices are found at city, sub-city, and wereda levels. Interventions, planning of activities and targeting of beneficiaries take place at kebele level.
- Selection of beneficiaries is implemented through a door to door model involving the local administrative structures of the wereda and the kebele, the local party structure, as well as the civil society such as NGOs.

- A lack of market research was found at local and national level to support and guide the choice of sectors. Little support is given to identify possible buyers /contracts at least for some groups and establish value chains supported by contracted buyers.
- Too little attention is paid to the whole of women's work load and to the impact of MSSE on their lives and on the lives of their families.

Groups

- Rather than being based on a (liberal) notion of individual participation to development activities, the current development strategy entails an idea of collective participation whereby groups of people are asked to pull together efforts for the socio-economic and political transformation of the country.
- Women often belong to different groups and associations which are not linked and don't empower them to mainstream their demands.
- The promotion of group MSEs, small businesses as a way out of poverty, the support to cooperatives, and sustain to different forms of women groups and associations, are prominent aspects of such policy and idea of participation; in some cases, groups play the role of creating ties and to put in contact informal workers and public institutions, beyond what is their economic purpose, that is not economically relevant per se.
- Groups are primarily meant to allow resource-less individuals to access to credit through group collateral arrangements.
- Credit cooperatives seem to be institutions that frame self-managed social protection; at the same time, their tasks are increasing, since they are becoming important in rural areas to provide credit to buy agricultural inputs.

- Many women expressed mistrust in groups often accompanied by a demand for "family groups".
- Conflicts within the groups are often solved by the intervention of local government officers or they produce abandonment or rupture of the group.
- The results of cooperatives largely depend on their value chain organization and the links with buyers (the demand side).

Trade Unions

- Women in the informal sector and in MSE have little or no knowledge of what a Union is.
- The unions are sometimes seen as a "privilege" enjoyed by "privileged groups".
- Waged labourers and union leaders show great interest in self employment, but as a side engagement while only younger self employed women consider themselves as "jobless" and therefore would prefer a waged job.

Empowerment

- Women's empowerment is mainly meant as economic empowerment and economic empowerment is seldom seen as support to the women's capacity of self-determination and decision-making.
- "Vulnerability" of women is only interpreted as a lack of resources (income and education). Little attention is paid to give visibility to the strengths and agency of women who are often responsible for a large share of all households' needs.
- Economic empowerment is seldom accompanied to the strengthening of other capacities at decision-making level.

RECOMMENDATIONS

1. 'Formal, legal' normally include the wealthiest people of the three groups. This group is to be targeted if the project idea is to develop existing capabilities and competences to create a fast growth of the local economy, which in turn would result in the creation of new employment opportunities for poorer strata of the urban population. Existing government initiatives do not seem to target this group in any specific way. The risk of targeting this group is to further increase the gap between the poorest and the richest strata of the urban population.

2. 'Informal, informal' are normally the poorest of the poor. However, this is probably the most difficult group to target for a development project. Migration in this group is likely to be higher than other groups, and people are often very difficult to be 'found'. Any project aiming to target this group has to take into account that the main priority for people is daily survival, and initiatives to support entrepreneurial activities have to be accompanied to food security interventions. Thus, there seems to be quite a bit of resistance from government institutions to accept external actors (NGOs) to work on this sector. These issues may influence the sustainability of project interventions in the long run.

3. Of the three categories the 'informal, tolerated' are the group by far living the most at the brink between the formal and the informal economy, by trying to make the most of both. The advantage of targeting this group is that development initiatives can be designed in conjunction or in integration to the government, as they are by far the main priority group for MSEs and the overall 'regularisation policy'. The work of NEXUS/CETU may therefore build and integrate that of local government institutions,

guaranteeing the long-term sustainability of the project. However, the problem with this category is that not necessarily initiatives designed to support existing economic activities will result in a formalisation of job relations (in other words people might find more beneficial to exploit the 'formal' economy from the informal side).

4. Explore the possibility of Linking CETU's SACCO to groups of SSE, or open it to "Informal informal".

5. Create associations of sector SSE groups with representatives inside the unions of different sectors (textiles, agribusiness, construction, trade).

6. Create local teams to map resources available from other programmes for women's Economic Empowerment.

7. Create Networks of women in Informal Economy.

8. Explore possible intra household "joint ventures", but guaranteeing equality of ownership and distribution of income.

9. Create forms of associations which can guarantee better access to assets, inputs, markets (organize in order to negotiate better conditions with buyers) and reduce competition between very similar businesses (Cooperatives?); this may allow CETU also to promote better working conditions and wage stability within these cooperatives or networks of MSEs.

10. Apply participatory methodology: develop skills in conflict management and conflict transformation (training), rotating responsibilities, role taking in groups management.

11. Social dialogue: create **monitoring teams** involving local government and CETU staff open to representatives of women's in informal sector and SSE.

12. Explore the possibility of testing self managed “insurance systems” either upgrading the traditional ones or supporting “saving for insurance”.
13. Support the creation of women’s SSE in the field of social protection: childcare, aged care, Service cooperatives.
14. Offer trainings in fund raising
15. Pilot experiments in linking SSEs to facilitate: capital increase, access to market, more stable income : VALUE CHAINS organized as cooperatives as a way to answer to the above constraints.
16. Organize exchanges among SSE during trainings: same sector different performances and technologies; different sectors but possible linkages (chains).

PROPOSAL OF AN IMPLEMENTATION STRATEGY

1. Data collection as permanent activity monitoring the phases of all programmes for women’s economic empowerment.
2. Needs assessment. Design trainings based on the information collected in this survey.
3. Selection of 3 to 4 groups corresponding to different levels of growth of SSE and design with them a step by step road to upgrading.
4. Organize value chains starting with identification of markets’ access points.
5. Organize pilot experiences of self-sustained insurance and social protection system addressing part of the loans to this goal.
6. Development of suggestions of best practices to be tested.
7. Bring issues to a general discussion at national and transnational levels.
8. For all the above. Create participatory channels for mainstreaming SSE and Informal Sector demands at regional and national level.
9. Link with global networks of SSE at African level and beyond (a conference to discuss a Charter of Rights, and establish a documentation system of good practices)



ANNEX

QUESTIONS COVERED IN THE INTERVIEWS

(No direct questions, but open informal conversations)

Which work do they do? Have they done?

- What do they do, exactly, which different phases of activity?
- Which part of their work do they like most, which do they like least?
- Which is their working life story?
- Which social protection do they have and which they lack (health, child care, maternity leave,)
- Which are the working conditions (hygiene, working hours, leaves, etc.)
- How many activities are they engaged with and how much these activities contribute to their income?
- Are they engaged in formal AND informal activities at the same time?
- Which one do they find as most profitable?
- How far do they live from their main occupation?

Relations between informal and formal economy (informal workers' indirect inclusion in the formal system)

- Does informal labour, for example the work of street vendors, generate revenue for formal enterprises (and city governments)?
- Payment for transport
- Payment for license
- Payment for electricity, public toilets. Other public services?
- Do they generate work for others? (Guards, storage, transport, retail sellers)
- Do they have helpers who learn their skills from them?
- Do their activities have an impact on poverty reduction?
- Do they pay other 'brokers' to be able to work (e.g. informal licenses/fees)?
- Is there any overlapping with traditional/customary laws (am thinking at the agricultural sector)?

Which obstacles do street vendors/ informal workers face which undermine their productivity?

- Lack of access to clean running water (for food vendors)?
- Poor access to market places (roads, transport)
- Insecure storage facilities (thefts, damage)
- Markets waste disposal/ poor hygiene
- Competition with other informal vendors?
- Competition with formal businesses in the same field?

Which restrictions make it difficult for them to generate stable earnings?

- High price for licenses, restrictions on licenses
- Urban renewal works disrupt market places?
- Timing of eviction, too short no notice ahead
- To what extent they have tried to find a job in the formal sector?
- Do they perceive jobs in the formal sector as more remunerative? And more stable?
- Do they believe mobility is important to find more remunerative jobs (both in the formal and informal sectors)?

Household's implications

- Do the workers live in households in which their work is the main source of income?
- What is the average number of household members among them?
- Do they live in households, which receive assistance: grants, unemployment insurance, remittances, pensions, Conditional Cash Transfer?
- What is the percentage of households in the city (or neighbourhood), which have wage employment as their primary source of income?
- Who controls the household budget?
- Which are the main and the most important expenses of the household? Who provides for which?
- Are there children, teenagers (boys and girls) in the household? Do they go to school? What are their aspirations? What are the parents' expectations?
- Did the women marry at an early age? Do they receive help for childcare?
- What are the household tasks carried on by women/girls and men/boys? (A day in the house...)
- To what extent their livelihood generation depends on borrowing from their kin group/household at large? How much do they contribute to that?

Income / productivity/saving/ borrowing

- What is the average daily, monthly income?
- Which risks do they face which effect income and productivity?
- How did they collect the first “capital” to start their business?
- Do they have experience of saving? (Revolving funds, individual, family, etc)
- How far ahead in the future do they see their business and how do they imagine it could develop?
- Do they have experience of borrowing money, or services?
- How do they set the prices?
- How do they get information on the market (quality, prices, places, buyers)?
- Do they or some of their relatives own land?
- If they could get some money what would they do? (this allows to test the perception of the propensity to save versus invest)
- And if these money are bounded to open a new business?

Urban planning implications

- Do local urban authorities study the carrying capacity of areas dedicated to relocation of informal workers?
- Do local authorities relocate informal workers in public spaces or in off road spaces (rent to be paid,)
- Do informal workers receive support, when relocated, to purchase stock at scale or labour saving help?
- If they are relocated to what extent the distance from their kin/social groups/household at large constrains their ability to make a living?

Regulations

- Are regulations set for supporting informal workers (and/or) appropriately studied to meet different needs?
- Licenses: are there different types of licenses?
- Are there cases of license holders’ monopoly?
- Is licensing following a strategy of inclusion or exclusion
- Is communication between those who create regulations and the public, good and does it flow two ways?
- Are police officers trained in dealing with informal workers?
- Are there tensions between formal and informal workers? How are they regulated or dealt with?
- Have local officials ever asked their opinion about how to design regulations and activities they consider as most appropriate to make a living?

Assets

- Which financial, human, natural physical (public space etc.), social assets do they have, which do they lack, which do they plan to obtain, through which means?
- Do they have access to associations; self help groups, which are used as social assets for running their business?
- Which skills (knowledge, education) do they have, how did they obtain them?
- Have they experienced working with others, collaborating in a group? Do they consider cooperation as an asset or a source of tension and loss of individual freedom?

Social exclusion or social/economic agency?

- Do workers engaged in informal economy suffer from some kind of exploitation from the system of formal economy?
- Are informal workers (some of them) coming from a better working or living condition? Did they end into informal labour as a consequence of a loss (of social bonds, of family support, waged job)
- Are informal workers coming from a worse working or living situation getting into trade or production as the first (or second or third..) step towards a different, better situation?



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