CHAPTER ONE

1. INTRODUCTION

1.1 Background Information

Ethiopia is one of the oldest countries in the world. It was under monarchist system for several years. Emperor Hail Sellasie was the last emperor of a dynasty claiming descent from biblical Solomon. The Hail Sellasie regime is generally credited for initiating “modern” administrative and local government structure in Ethiopia, although these structures were for the purpose of increasing the power and authority of the central government. The structure instituted greater centralization which resulted in the dominance of central governance over and excessive interference in lower levels’ affairs.

In 1974 the military regime took the power. Following the overthrow of the monarchy the military regime issued a series of legislations which were mainly focused on the indoctrination of Marxist-Leninist ideology and strict one-party system. Even though there were many divisions, Urban Dwellers Association (UDA), Peasant Association (PA) and Cooperatives, in urban and rural areas, the power and authority was highly centralized. The military regime was finally deposed in 1991.

After the fall of the Derg regime the current government, Federal Democratic Republic of Ethiopia (FDRE) has taken the power. The present government declared Ethiopia a Federal state comprising of nine regional states and two autonomous city administrations – Addis Ababa and Dire Dawa City Administrations. The FDRE government has established a democratic system of government.

As a result of rapid urbanization in Ethiopia pressure on urban services and facilities has became a serious problem in urban centers and job opportunities offered by towns and cities are too few for a large number of urban dwellers. Consequently the number of poor people within urban centers, including Addis Ababa is rapidly increasing.

Among the reasons to be mentioned for the failure of many urban authorities is poor urban governance and unable to correlate urban good governance with local economic development.

1.2 Statement of the Problem

It is experienced that absence, inefficient and / or ineffective functioning of governance has multiple negative consequences on local economic development. Particularly, lack of good administrative governance affects the services delivered to the local community and any other people who seek public services.

This indicates problems arise from the deficiencies of good governance is not self confined since there are other consequent social, political and economic problems.

Lideta Sub-City is located at the center of Addis Ababa. Its administrative structure is organized within a framework of decentralization where power and responsibilities are distributed among different administrative offices.

However, the local economic development is not satisfactory. In spite of different government structure/offices, there are considerable inefficiencies in local economic development. Nevertheless, no comprehensive study has been conducted concerning the relationships between good governance and local economic development in the Sub-City. This indicates there is a knowledge gap.

Therefore, this research will be conducted to fill this knowledge gap by investigating the significance of good governance in facilitating local economic development within the Sub- City.

1.3 Objectives of the Study

The general objective of the study is to address the relationships between good governance and local economic development.

The specific objectives are:

* To assessing the significance of good governance in facilitating local economic development.
* To identify, describe and analyze missed principles of good governance which negatively affects local economic development.
* To forward policy and strategy recommendations to develop good governance in view of facilitating local economic development.

1.4 Research Questions

To address the stated objectives, the following research questions are designed.

* What are the relationships between good governance and local economic development?
* Which principles of good governance are missed and hence affect the local economic development?

1.5 Significance of the Study

The study on significance of good governance on local economic development is important for policy makers, administrators, researchers and for practitioners for several reasons. Understanding the relationships between good governance and local economic development will help the local administrators to formulate and implement strategies based on the principles of good governance that will integrate all development actors to bring accelerated and sustainable local economic development.

1.6 Scope of the Study

The scope of the study will be limited in time period, spatial coverage and issues to be considered. It will be limited to the assessment, describe and analyze the significance of good governance in facilitating local economic development within the study area. It also deals with the situation since 1990s.

1.7 Description of the Study Area

Lideta Sub-City is one of the Sub-City administrations established by the proclamation 1/1995, which established Sub-Cities and Kebeles. It is located at the center of the city. It is bounded by Addis Ketema Sub-City in the North; Nifas Silk Sub-City in the South; Kirkos Sub-City in the East; Kolfe Keraniyo in the West; and Arada Sub-City in the North- Eastern part.

The Sub-City covers a total area of 11 square kilometer (Lideta Sub-City, 2011). According to the 2007 Population and Housing Census of Ethiopia, the Sub-City has a total population of 201,713 out of which 105,441 are female and 96, 272 are male(CSA, 2010 : 9).

As it is found at the center of the city, there are a number of socio- economic activities. They range from large manufacturing to small scale industries and urban agriculture; and from formal to informal socio- economic activities.

Even though there are vibrant economic activities, the Sub-City is still under acute shortage of housing, inner roads, drainage lines, toilet and other social and economic needs of the local community.

CHAPTER TWO

2. LITERATURE REVEIW

2.1 Conceptualizing Governance

The concept of governance is not new. It is as old as human civilization. Governance refers to a process of exercising of authority to govern people or regulate public affairs. It is associated with efficient and effective administration in a democratic framework which involves the exercise of political, economic and administrative powers in managing the country’s affairs including the formulation as well as implementation of decisions (IGNOU, 2005).

According to UNDP (1996) governance is defined as “the exercise of economic, political and administrative authority to manage a country’s affairs at all level. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences’. In other words, governance comprises the mechanisms, processes and institutions (the state, the private sector, and civil society) through which citizens and groups can articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. To put simply, governance means the process of decision – making and the process by which decisions are implemented (UNESCAP, n. d.). As indicated above there are actors, structures, techniques, processes and affairs in governance.

2.2 Principles of Good Governance

Before discussing principles of good governance, it is important to see what good governance is. The concept good governance has been discussed by many writers, organizations and governments according to their experience even though the definitions given by the UN – Habitat has been preferably adapted in this paper.

According to UN- Habitat good governance means:

The process in which mass organizations, institutions and individuals use different strategies to plan and guide the mutual matters of an urban centers. This is, therefore, a consistent and general process in which in habitants (citizens) reflect their wishes, ensure their rights, fulfill their responsibilities, reconcile their differences and take an integrated practical step (cited from Ministry of Works and Urban Development,2006).

Good governance in general and urban good governance in particular, has basic principles. Even though these principles have their own context and appearances, each are so much interrelated that one has no significance without the other.

Ministry of Works and Urban Development of Ethiopia (2006) in its Urban Good Governance Package states the following are basic principles of good governance. Such as, ensuring urban sustainability, subsidiarity, ensure equity with regard to resource utilization, efficiency and effectiveness in service delivery, transparency and accountability, participation and consensus building and ensure rule of law and security.

In addition , many scholars and international organizations includes promoting gender balance, tolerate and accepts diverse perspectives, strengthens indigenous mechanisms, enabling and facilitative and able to define and take ownership of national solution as characteristics of good governance (UNDP, 1996).

2.3 Local Economic Development

Local Economic Development (LED) is a newly emerging concept (Blakely & Ted, 2002:54-55). It is initially started being practiced in 1970s because government realized the challenges and opportunities of globalization, urbanization, and decentralization of power and responsibilities to the local level (World Bank, 2001). These major factors initiated governments to build up their competitive bases which would help them to successfully compete at all levels – international, national, regional and local.

The World Bank Report (2006) indicates that from 1980 to mid 1990s the focus was in retention and growing of existing local business; continued emphasis on inward investment attraction but usually to specific sectors or from certain geographic areas (Public sector driven); business incubators / work space; advance training for small to medium enterprises; technical support and business start- up support; and investment on both economic and social structure.

In late 1990s on wards the primary focus is in making the whole business environments favorable; soft infrastructure investment such as human resource development through education and training and regulatory rationalization; supporting and improvement of quality of life and security of community and potential investors; highly targeted inward investment attraction building on local area competitive advantage; public mobilization and collaboration, and facilitating public private partnerships (ibid.).

Much of the recent literature on local economic development is guided by the perspective that development is a multi- dimensional processes through which society seek to achieve a variety of goals. Kulkarni and Rajan (cited from Walsh, 1996: 159) explained development as “an organized and articulated effort of a community to empower itself in the context and condition of its collective existence”. It involves social, economic and political processes through which a society attempts to achieve a range of objectives. These objectives may include economic, social, political, cultural, and environmental objectives (ibid.).

2.4 Relationships between Good Governance and Local Economic Development

The activity of development includes an all round efforts. To start with, there are many actors in development activities. These are governments at different levels, private or business sectors, non- governmental organizations, associations and individuals in the local community. An organized and integrated efforts of all these actors, as many scholars and institutions agreed up on, can bring about rapid, sustainable and inclusive development. As indicated earlier, the concern of governance is organizing of these efforts in such a way that it could bring about holistic development by promoting good governance (Ministry of Works and Urban Development, 2006: 11).

Governance as envisioned by international development agencies including the World Bank is the power, influence and relationship between governments and citizens that is utilized to implement social and economic programs. These agencies argue that without good governance sustainable economic development is not possible (Bhatta, Joaquin & Gonzelez, 1998:53).

Almost all scholars agree that the spectacular economic performance of countries such as Japan, Hong Kong, South Korea, Taiwan, and Singapore since 1960s has been nothing short of miracle especially one consider from where some of these countries were started. The empirical studies indicated that the high performing of these countries is their application of the concept of good governance, according to their context, in their policy formulation and implementation (ibid.).

Theoretically speaking, local economic development without the application of good governance principles is impossible (Tomlio, 2007: 19).

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Research Design

The research will be designed in such a way that it will assess and describe the significance of good governance in facilitating local economic development. Thus, the study is a descriptive type of research which focuses on the assessment of significance of good governance in accelerating local economic development in the study area.

Both primary and secondary types and sources of data will be used to overcome the limitation involved with using only one type and sources of data. The methodological approach for the research will be both qualitative and quantitative approach.

3.2 Sources and Types of Data

The study has two types of data sources: primary and secondary sources. Primary sources refer to the first hand data and information collected from sources such as government officials, local communities and the researcher through interviews and questionnaires. On the other hand, Secondary sources refer to the data that will be collected from books, journals, government policy documents, reports, proclamations, news letters and internet.

3.3 Sampling Techniques

The population of interest in this study will be the total residents in the study area and the officials. But due to time, money and human constraints it is too difficult to deal with the whole population, therefore, the study will employ a sample survey method.

Regarding the sample selection technique, purposive and stratified sampling techniques will be used. The officials will be selected using purposive techniques while the local residents will be selected through stratified sampling techniques.

3.4 Data Collection Method

A combination of different data collection methods will be used. These are data collection through questionnaire and interview. The combination of these instruments is important primary to reduce the chance of committing bias.

3.5 Data Analysis

Collected raw data will be systematically organized, tallied, verified and tabulated. Depending on the data, percentages, tables, bar charts, line charts and pie charts will be used. Some data may be described using narrative description.

CHAPTER FOUR

4. SUMMARY, CONCLUSION AND RECOMMENDATIONS

Based on the data presentation, analysis and interpretation of the previous chapters this final part of the study deals with the summary of the findings, the conclusion reached and the recommendations forwarded on the basis of the conclusion.

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ANNEXES