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### URBAN LOCAL GOVERNMENT AND ITS ROLE IN LOCAL ECONOMIC DEVELOPMENT: THE CASE OF ADAMA CITY, ETHIOPIA

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### ABSTRACT

Evidence confirms that for local economic development (LED) to be successful and improve the lives of local communities, sub-national governments and for that matter local governments are supposed to play an active role in the process. To this end, the purpose of this study is to investigate the contribution of urban local government in the promotion of LED in Adama City, Ethiopia. Both quantitative and qualitative data were collected to achieve the objective of the study. Qualitative data was collected through document analysis and key informant interviews (KII). On the other hand, quantitative data was collected using a survey questionnaire developed based on five-point Likert-scales to measure the perceptions of various respondents on the contribution of urban local government in promoting LED and factor attributes for its poor contribution. While survey questionnaires were randomly distributed to target respondents, interview participants

were included in the study using purposive and convenience sampling techniques. The findings of the study highlight gaps in the overall contribution of the Adama City government towards LED, which is measured in terms of the provision of infrastructure, regulating and capacitating socio-economic entities in the city, creating favourable environments for networking and businesses to flourish, facilitating credit facilities and others. The limited institutional capacity of the city government itself and the inadequate existence of favourable legal and policy environments are factors that contribute to the poor contribution of the city government to LED.

**Keywords:** Urban, Local Government, Local Economic Development, Adama City.

## INTRODUCTION

Urbanization is a desirable process that leads countries into a better state of civilization if supplemented by sustainable development. Facts on the ground, however, reveal that cities and towns in developing countries are centres of poverty instead of prosperous places for most dwellers. There is increased poverty and homelessness and growing social and income inequality in cities of most developing nations. Squatter and illegal settlements are spreading rapidly and crimes are increasing at an accelerating rate. Young people face the greatest challenges and in certain urban areas, the youth unemployment rate exceeds 50 per cent (UCLGA<sup>1</sup>, 2016). The challenge is more intense in Sub-Saharan African (SSA) countries. In most of SSA, cities and towns have so far failed to become the engines of growth observed elsewhere in the world. The resulting shortage of employment opportunities, combined with a general lack of health and education provision in SSA urban environments, have created urban problems such as poor living conditions, extreme poverty and urban unemployment and underemployment (Rodriguez-Pose & Tijmastra, 2005).

In Ethiopia too, there is the prevalence of extensive unemployment, miserable poverty and acute deficiency of urban services in the majority of urban centres of the country. According to the UN Habitat report (2014), 79.1 per cent of the country's urban population lives in slum areas. As per the National Labour Forces survey in 2018, the

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<sup>1</sup> United Cities and Local Governments of Africa

total number of urban unemployed in the country was 21.3 per cent. The challenge seems to be more intense in Adama City where this research was conducted. The national labour force survey of 2018 for instance, indicates that the unemployment rate in the city was around 23.5 per cent (CSA, 2018), which is relatively higher than the national urban unemployment rate. Major unemployed people in the city were due to rural migrants who make up a large proportion of job seekers (OECD<sup>2</sup>/PSI<sup>3</sup>, 2020).

Thus, rapid urbanization in developing regions including Ethiopia needs a sustainable development strategy to nurture an economically competitive environment and improve the quality of urban management (SACN<sup>4</sup>, 2006) of which planning for local economic development (LED) could be of practical importance in addressing urban local challenges of developing nations. Well-articulated and effective LED strategy supported by active urban local government's role in enabling the whole environment could help as a tool to address these urban pressures.

Local government particularly, municipalities play a crucial role in alleviating urban poverty and contributing to the promotion of LED as Grootaert (1998) argued, through the creation of enabling environments for local business to prosper and facilitating improvement for economic development. Helmsing (2003), who is one of the pioneers of LED, also confirmed that local governments contribute to LED by providing the right mix of local public goods and through enabling other actors to make their most respective productive contribution. Oduro-Ofori (2011) from his side also added that the creation of enabling environment in which entrepreneurs would explore opportunities and increase productivity is the essential role of local government in LED. Of course, for local institutions particularly, local governments to contribute to the supposed role towards LED, the existence of favourable legal and policy environments and the institutional capacity of the organizations highly matters (Vazquez-Barquero, 1999; Rodriguez-Pose & Tijmstra, 2009; Rodriguez-Pose, 2013). This implies that the more local governments are institutionally capable and legal and policy environments are favourable in the locality, the more local institutions and for that matter local governments contribute the supposed role towards LED.

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<sup>2</sup> Organization for Economic Cooperation and Development

<sup>3</sup> Policy Study Institute

<sup>4</sup> South Africa City Network

Though local government plays an essential role in the promotion of LED, Helmsing (2001) and Rogerson (2003) however, argued that the role of local institutions, particularly, urban local government towards local development is marginalized and existing studies overlooked the role of these institutions in the promotion of LED in the developing countries' context. In addition, as Nel (2005) argued, despite shifts in government policy of many countries in the south to devolve and take local developmental mandates and issues to local governments, there is a scholarly research gap on how effectively these local governments are contributing to the ground in addressing the development problems of local communities. In the same fashion, though the federal structure and decentralized framework in Ethiopia allows sub-national governments, including municipalities to decide on-socio-economic activities within their jurisdictions, there is limited empirical research on their actual contribution towards LED.

In response to these gaps, this study investigates the role of urban local governments in LED. The study also discusses the influence of legal and policy environments and institutional capacity on the effective contributions of municipalities in LED by taking the Adama City Administration as a reference.

## **LITERATURE REVIEW**

### **The Meaning and Concepts of Local Government**

Local government was defined by the UN as a political sub-division of a country that is established by law and has significant control over local affairs within its boundaries. For Sad (1962 cited in Khan, 2006), the governing body of local government was directly elected by the public or otherwise appointed. Hill (1974) understands local government as a system of territorial units with well-defined jurisdictions, having institutional structure, legal identity, power and duties written in a general and special law and with a certain degree of political, financial, and autonomy. Local government, according to Roberts and Benjamin (1996) was the authority empowered constitutionally to collect or raise and spend money to accomplish and provide socio-economic services and other matters of grassroots communities within their boundaries. Guidelines for Local Government Reform also explained local government as government at the local level exercised through a

representative council established by law to exercise specific powers within a defined area (1976 cited in Abdullahi & Chikaji, 2017).

Local government was generally seen as a sub-division of regional and national government given power and authority to make decisions and implement public policies within a relatively small geographic area (locality). It was also expected to serve as the basis for the socio-economic development in the locality. In this study, local government was understood as municipalities and state actors operating at the urban local government level that have specified powers to perform specified tasks, have a legal personality, involve citizens in decision-making, and have significant staffing and budgeting in the promotion of development within its boundaries.

### **The Roles and Challenges of Local Government in Promoting LED**

Local economic development (LED) was an alternative bottom-up development strategy to the top-down development approach (Rodriguez-Pose & Palavicini-Corona, 2013) that fails to create significant and sustainable development at the local level (Mensah et al., 2019). The idea of LED as an alternative bottom-up development strategy was first introduced in cities of developed regions in the 1960s and 1970s (Akudugu, 2013; Blakely, 1994; Harvey, 1989; Mensah et al., 2013). The notions of and approaches to LED were, however, diffused to most developing regions including SSA starting from the late 1990s with the aim to decrease poverty, unemployment & inequality at the local level (Hampwaye & Rogerson, 2011; Marais, 2010; Rodriguez-Pose & Tijmstra, 2009; Rogerson, 2010; Rogerson & Rogerson, 2010).

Although LED as an alternative development strategy has come to enjoy increasing credibility in both developed and developing regions, the concept was, however, defies common definitions and hence, various authors in the area defined it in different ways. Helmsing and Egziabher (2005) for instance, explained LED as a process in which partnerships between private sectors, NGOs, community-based organizations, and government are established to create jobs, manage existing resources and excite the economy of a well-defined territory. Blakely (1994), who is one of the early authors of the contemporary

LED approach, also defines the concept of LED as a process by which local governments and/or community-based groups manage their existing resources and enter into new partnership arrangements with the private sector or each other to create new jobs and stimulate economic activity in a well-defined economic zone.

As it is possible to understand from these definitions, LED initiatives require the involvement of different actors to mobilize the required resources and develop new institutions and local systems by way of dialogue and strategic actions. Rodríguez-Pose and Tijmstra (2009) from their side argued that LED as an alternative development strategy can be initiated by international organizations, NGOs, national government, or local actors themselves. But, for LED to bring lasting impact on the lives of local communities and contribute to the national economy, it should be owned by local institutions primarily local governments.

Local government played an essential role in creating place prosperity. This was by providing the right mix of local public goods and by enabling other actors to make their most respective productive contributions (Helmsing, 2003). According to Grootaert (1998), the creation of an enabling environment for local businesses to prosper and facilitate the improvement of economic development is an essential role of local government. Meyer (2014) also argued that local government could not necessarily create jobs, instead, has the responsibility to create enabling conditions and implement policies and strategies for businesses to flourish which ultimately can create employment opportunities and improve the living standards of local communities. Oduro-Ofori (2011) also added that the creation of enabling environments in which entrepreneurs would explore opportunities, increase productivity, create employment for local residents, and contribute to the country's economic growth were the essential roles of local government in LED.

Goetz and Clarke (1993 cited in Kokor, 2000) identified four major roles to be played by local governments in LED which include facilitation, adjustive/service provision and participation roles. The participatory role of local governments according to these authors includes participation in an equity position, ownership of productive assets, and partnership arrangements which make purposeful use of local public resources directly accessible to the local economy. Local

government facilitation role allows them to use different tools like subsidies and incentives to inspire economic activities. The regulatory role of local government on the other hand involves the usage of its rating system and laws that facilitate the establishment of private enterprises and monitor and regulate the work of private markets. Finally, local government also plays adjectives or service providing functions that basically involve the provision of public services that alleviate the negative effects of the market specifically on the marginalized and disadvantaged section of the society, and minimizing the effects of market forces on the local population (Kokor, 2000).

Blakely (1994), Helmsing (2005) and UN-HABITAT (2009 cited in Oduro-Ofori, 2011) from their side acknowledged four general roles local governments were expected to undertake with respect to LED: Regulation, enabling/developer, stimulation, coordination, participation, and facilitation role.

Maloka (2013) also explained the role of municipalities in promoting LED strategies as follows: the creation of a favourable environment for business establishment, growth and development; investing more in hard infrastructure and provision of soft infrastructure like access to finance, mentorship, developing business focused education program and provision of skill training; new enterprises development and encouraging growth in existing enterprises and supporting initiatives that improve quality of life.

Although local governments play a paramount role in enhancing local economic development, their potential contribution could, however, be constrained by various factors. Lack of the required institutional capacity measured in terms of physical and capital resources, technological resources, human resources, inter-institutional linkage (network and partnership) and leadership are among factors that limit the contribution of local governments towards LED (Matachi, 2006; UNDP; 1998; Wickham et al., 2009). In addition to institutional capacity, the role of local governments in promoting LED could also be relied on the availability of software enabling environments specifically, the prevalence of legal and policy environments highly matters (Rodriguez-Pose & Tijmstra, 2009; Vazquez-Barquero, 1999). This showed that the level of institutional capacity of local governments and the existence or absence of the enabling legal and policy environments found in the country affect the positive

contribution of the local governments to LED. Thus, it is imperative to assess the institutional capacity of local governments and the extent to which the existing policy environments support the contribution of the sector to LED initiatives. The relationship between LED initiatives and local government capacity as well as policy environments could be hypothesized as the more local governments have sufficient institutional capacity and policy environments are conducive, the more LED initiatives are successfully implemented and sustainable in the locality. The opposite is true if local governments have institutional capacity deficits and the legal and policy environments are unfavourable.

## **METHODOLOGY**

Both quantitative and qualitative research techniques were employed in the study. Qualitative data was collected through document analysis (journal articles, proclamation, Federal Democratic Republic of Ethiopian Constitution, decentralization framework, urban policies, regulations, directives) and key informant interviews (KII). On the other hand, quantitative data was collected using survey questionnaire developed based on five-point Likert scale to measure the perceptions of various respondents on the contribution of urban local government towards LED; the existence of favourable legal and policy environments; and institutional capacity of city government. The scale ranges from strongly disagree (1) to strongly agree (5) in which higher scores showed urban local government contributed better to the promotion of LED, while lower scores indicated poor contribution. In the same way, higher scores for institutional capacity and legal and policy environments reveal the prevalence of institutional capacity and favourable legal and policy environments. The opposite is true for lower scores. The validity of the scales in the questionnaire was checked by establishing content validity. On the other hand, internal consistency (Cronbach Alpha coefficient) was used to test the reliability of items in the survey questionnaire and the test results reveal that constructs are reliable.

The target population of the study from which samples for both quantitative and qualitative data were taken was stratified into city government, micro and small enterprises (MSEs) and local civil society organizations (CSOs). Then, a total of 408 populations (130, 235 and 43 from urban local government, MSEs, and local CSOs

respectively) were identified to collect quantitative strands of the data. Of these total populations, 198 were selected using simple random sampling with 158 (80%) response rates while samples of each sub-sector were taken using the proportionate sampling technique. On the other hand, interview participants were included in the study using purposive and convenience sampling techniques.

Qualitative data was analysed through qualitative techniques such as narration and framework analysis. On the other hand, the survey questionnaire was analysed using descriptive statistics such as percentages, tables and inferential statistics such as Kruskal-Wallis test and Mann-Whitney U test. A multiple linear regression model ( $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$ ) was also run to see the extent to which the legal and policy environments and institutional capacity influence the overall contribution (performance) of Adama City government towards LED.

## FINDINGS AND DISCUSSIONS

Based on data obtained from both primary and secondary sources, a summary of the actual role played by the city government in LED promotion, which is discussed in detail in the subsequent sections, was identified as follows:

*Provision of physical and human infrastructure; encouraging, and participating concerned stakeholders in LED; regulating, registration and licensing of socio-economic entities; facilitation and provision of management and skill training for socio-economic entities; provision of credit facilities; supporting the establishment of networking and collaboration among stakeholders.*

### **Provision of Physical and Human Infrastructure**

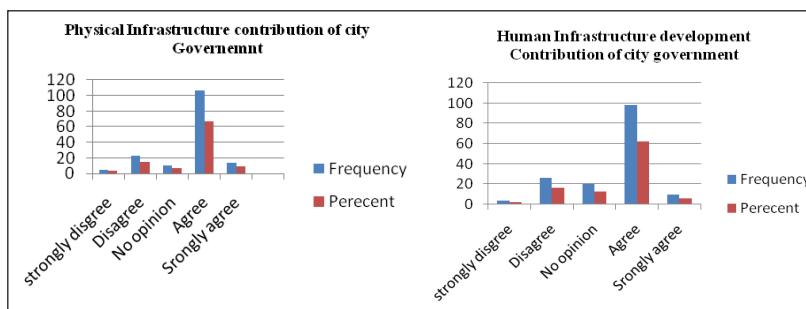
As Vazquez-Barquero (1999) rightly argued, the accessibility of economic 'hardware' such as road, electricity, water, telecommunication as well as infrastructure for the development of human resources like health, education and cultural facilities, greatly facilitates for

the success of LED initiatives. These infrastructures, especially sustainable infrastructure that plays an essential role in diversifying and stimulating production, attracting and expanding business and trade, alleviating urban poverty, is expected to be provided or cause to be provided by local governments, in this context, Adama City government. The role of Adama City government in the provision of infrastructure was investigated using data obtained through a survey questionnaires and qualitative instruments.

Respondents that filled out the survey questionnaire by representing their respective institutions were asked to indicate their level of agreement with the contribution of Adama City government in providing the physical and human infrastructure that are considered to be essential to enhance LED in the area. As shown in the Figure 1, while those respondents that rated the contribution of city government with related to city physical infrastructure (road, market facilities, water, telecommunication, etc.) as 'agree' and 'strongly agree' together accounts for 120 (76%), only 28 (17.8%) of the respondents rated the same issue as 'disagree' and 'strongly disagree'. On the extreme side, only 10 (6.3%) of the respondents, lack an opinion on the physical infrastructure contribution of the Adama City government.

**Figure 1**

*Perception of Respondents on the Physical and Human Infrastructure Contribution/ Role of Adama City Government*



Source: Survey questionnaire

In the same way, those respondents that rated positively the role of city government related to human infrastructure (education, health and cultural facilities) as 'agree' and 'strongly agree' together accounts for

108 (68%). On the contrary, only 30 (19%) of the respondents rated the same issue as ‘disagree’ and ‘strongly disagree’ while very few 20 (12.7%) respondents lack an opinion on the extent of the human infrastructure contribution of Adama City government.

Non-Parametric Kruskal-Wallis test was conducted to see differences in the perception of respondents with respect to the physical and human infrastructure provision contribution of Adama City government among the three institutions (representatives of city government, Micro and small enterprises [MSEs] and civil society organizations [CSOs]). The result of Kruskal-Wallis test ( $\chi^2=2.237$ , 5.100 and p-value = 0.327, 0.078)<sup>5</sup> respectively, indicates that there is no such a significant statistical difference in the physical and human infrastructure development contribution or role of city government among the identified institutions at 5 per cent level. This means each institution has almost similar view and position on the positive infrastructure contributions and efforts of the city government.

Similarly, the same non-parametric Kruskal-Wallis test was also conducted to see differences in the perception of respondents with different levels of education on the physical and human development infrastructure contribution of city government. Accordingly, the result of test statistics ( $\chi^2=2.123$ , 4.467 and p-value or asymptotic sig. [2-tailed] 0.713 and 0.346) respectively implies that there is no significant statistical difference in the physical and human infrastructure role of city government among respondents with varying level of education at 5 per cent level. This implies that respondents with different level of education have the same view with the positive contribution of city government in the development of the city’s physical and human infrastructure.

In addition to the survey questionnaire, data related to the efforts made by Adama City government in the provision of physical and human infrastructure was also collected through qualitative instruments, specifically key informant interviews, and document analysis for triangulation purposes. Our evidence obtained through key informant interviews and document reviews reveal that the city government under studies recognizes the importance of physical and human infrastructure in the socio-economic development of the city

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<sup>5</sup>  $\chi^2$  - represent Chi-square

administration and hence, the provision of infrastructure has been included in the various development plans of the city government. The provision of infrastructure by the city government emanates from its core mandates to successfully attain the overall development of the locality under its jurisdiction (refer Urban Establishment Proclamation No. 196/2016 Article 11). Article 11 of Oromia Regional State City Establishment Proclamation No 196/2016 for instance stated that every city in the region has the mandate to construct and maintain or cause the construction and maintenance of basic infrastructure including roads, potable waters, electricity, telephone, and mass transportation for the residents of the city. Again, the manual developed by the region's urban land development bureau to implement the same proclamation also allows cities in the region to develop infrastructure within their jurisdiction.

Interviews held with concerned stakeholders on the issue also confirm that the existing infrastructure policy is not discouraging instead; there was a prevalence of opportunities for the development and expansion of physical and human infrastructure for the city. Informants especially appreciate the support of regional and federal governments and other stakeholders for the construction and expansion of infrastructure in the city.

As a result, the city government has relatively performed better in facilitating and supporting the implementation of various infrastructure programs, projects and activities in the areas of road construction, improvements and maintenance, the construction of market facilities, an extension of electric power to the communities and the provision of storage facilities, according to interview participants. In addition, the city government has also been doing its level best in an extension of telecommunication and supporting the construction and provision of water infrastructure for the dwellers of the city, according to informants. The primary purpose of providing and facilitating these infrastructures, according to our key informant interview is to improve the communication, socio-economic interaction, and linkages within the city and with other neighbouring local communities, and all these in turn potentially contribute to enhancing LED initiatives.

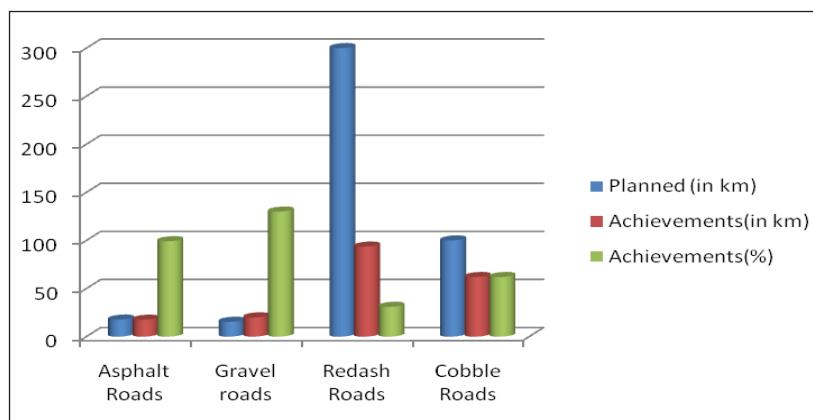
For the construction and maintenance of road infrastructure, the city government was doing well in surfacing the city with different types of feeder roads in the city, despite the city being constrained

by financial and other challenges to provide adequate infrastructure for its growing population, according to interview participants. However, interview respondents have reservations about balancing the maintenance of existing infrastructure and the construction of new ones since decisions are most of the time in favour of the latter.

Data obtained through document analysis also partly supported the results of primary data. As indicated in Figure 2, during GTP-II, the city government planned to construct 17.7 km of asphalt roads in the city, while actually able to construct 17.56 km which was 99.2 per cent of the plan. In the same way, during the same period, the city government planned to construct 15.45 km of gravel roads in the city while actually constructed around 20 km, which is 130 per cent of the plan. Of course, gaps were observed in the construction of 'redash road' and 'cobble road' in the city in which 300 km and 100 km were planned to be constructed while actually constructed only 93.6 km (31%) and 62 km (62%) of the plans respectively (ACGPEDO<sup>6</sup>, 2020).

**Figure 2**

*Planned and Implementation Performance of Road Infrastructure Development of Adama City Government (2015-2020)*



Source: Developed based on data from ACGPEDO (2020)

Due to its strategic setting and location, the city is also accessible to asphalt and better gravel roads from all directions of the country. This

<sup>6</sup> ACGPEDO-Adama City Government Plan and Economic Development Office

enabled the city to create linkages with businesses found within and outside the city and has enhanced the movement of goods and services to and from the city administration. These roads have also been used to link marketing centres to the city. The researchers also experienced and observed better improvement in road infrastructure in Adama City, which confirms the positive efforts of the city government in the sector.

In addition to the provision of road infrastructure, respondents have also appreciated the effort made by the city government in facilitating the construction of telecommunication infrastructure and in making telecommunication services accessible to the dwellers of the city. Adama City government facilitates the accessibilities and provisions of telecommunication infrastructure and Telecommunication services including telephone (both wire and wireless) standards, mobile technology, voice and internet services, and satellites through Ethio-telecom branches found in the city, according to respondents. Of course, the city government did not commit many resources to the provision of this infrastructure since Ethio-telecom financed the costs. The city government instead does more on facilitation and supporting Ethio-telecom branches found in the city for the expansion and provision of quality service for communities. In addition to improvements in access to various telecom services, various jobs were also created for youths in the city, as a result of this service. Some youths are engaged in mobile phone sales and repair shopping operations and internet shop businesses, according to respondents. This in turn also serves as a source of revenue for the city government.

Extension of electricity and water facilities for dwellers and businesses in the city is another role expected from the city government. With respect to the provision of the water supply system, a review of documents reveals that the Adama City government was able to provide around 70 per cent of the drinking water demand for city dwellers at the end of GTP-I. The city government planned to expand this coverage to 100 per cent at the end of GTP-II but was able to cover and fulfill only 80.79 per cent of the drinking water demand of the residents (ACGPEDO, 2020). This suggests a low performance of the city government in this respect.

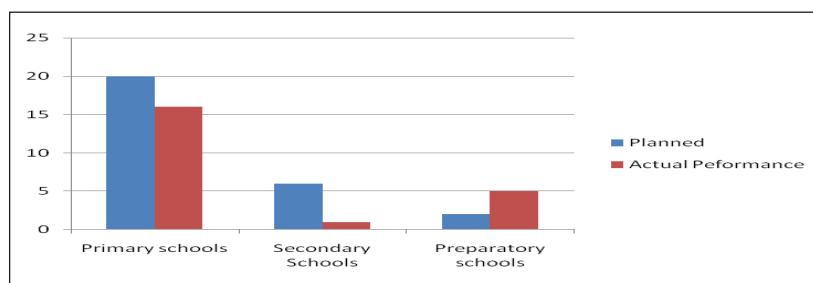
The city government also planned to install a 50 km internal lighting line and system during the last five years of GTP-II while actually

being able to install 31.33 (62%) of the plan. On the other hand, the city government planned to install a 45 km lighting line on the main roads during the same period while actually being able to install 43.4 km (96.4%) of the plan (ACGPEDO,2020). This suggested that though the city government showed better performance in the installation of the light systems on main roads, still more jobs are expected in the installation of the internal lighting systems and fully address and meet the electric demands of the city's inhabitants.

With respect to education, the city government has done its best to make education accessible for residents. As indicated in Figure 3, the city government planned to build 20 primary schools during GTP-II while actually being able to build 16 primary schools which is 80 per cent of the plan. In the same way, during the same period, the city government planned to build 6 secondary schools (9-10) while actually being able to build only 1 (20%) secondary school.

**Figure 3**

*Planned and Implementation Performances of Education Infrastructure (2015-2020)*



Source: Developed based on Information obtained from ACGPEDO (2020)

On the other hand, the city government planned to build 2 preparatory schools while actually being able to build 5 (250%) preparatory schools. This implied that the Adama City government performed well in the expansion of primary and preparatory schools while low performance was observed in the case of secondary schools.

As we can infer from the discussion above, the provision of infrastructure which was essential to enhance LED is the main task of the city government. Adama City government is relatively doing better

in this regard. The findings of the study conducted by Makhathini, Mlambo and Mpanza (2020) assert that LED can be realized mainly by developing the infrastructure within local communities so that businesses and organizations are able to operate and offer services to the people. In the same way, the findings of the study conducted by Sierak (2016) also confirmed that investment in infrastructure plays an essential role in local development processes. However, still, more job is expected in generating sufficient funds for sustainable infrastructure development that contributes very much to LED. In addition, gaps are observed in balancing the maintenance of existing infrastructure and the construction of new ones since decisions are most of the time in favour of the latter.

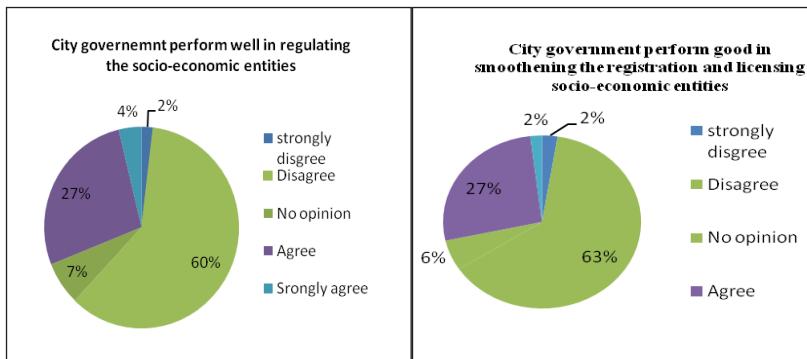
### **Regulation, Registration and Licensing of Socio-Economic Entities Working in the City**

Questionnaire survey respondents who filled out the questionnaire were also asked to indicate their level of agreement with the contribution of the Adama City government in regulating the work of socio-economic entities found within the boundary of the city. As shown in Figure 4, while those respondents who rated the level of city government's regulatory role as 'disagree' and 'strongly disagree' together accounts 98 (62%), only 49 (31%) of the respondents rated the same issue as 'agree' and 'strongly agree'. On the extreme side, only 11 (7%) of the respondents, lack an opinion on the regulatory role of the city government.

With respect to the contribution of the city government in smoothing the registration and licensing of the socio-economic entities working in the city, those respondents that 'disagree' and 'strongly disagree' with this function of the city government together account for 104 (65.8%). On the contrary, those respondents that 'agree' and 'strongly agree' with issue account only 45 (28.8%), while very few (6%) took a no opinion or neutral position.

**Figure 4**

*Perception of Respondents on the Role of Adama City Government in Regulating and Smoothening the Registration and Licensing of Socio-Economic Entities in the City*



Source: Survey questionnaire

Non-Parametric Kruskal-Wallis test was conducted to see differences in the perceptions of the respondents with respect to the regulatory, registration and licensing role of Adama City government among the three institutions (representatives of city government, micro and small enterprises [MSEs] and civil society organizations [CSOs]). As indicated in Table 1, the mean rank for MSEs= 81.46 reveals that this sector most disagrees with the positive regulatory and registration and licensing roles of city government when compared with city government and CSOs. In the same way, the mean ranks for MSEs= 83.85 also indicate that MSEs most disagree with the positive efforts of city government in smoothening the registration and licensing of socio-economic entities when compared with city government and CSOs.

However, the result of test statistics ( $\chi^2=2.123$ , 4.467 and p-value or asymptotic sig. [2-tailed] 0.763 and 0.227) respectively attests that there is no statistically significant difference in the regulatory and registration and licensing contributions of city government among the identified institutions at 5 per cent level. This means, each institutions have a similar view and position on the poor contributions of the city government with respect to its regulatory and registration and licensing functions of organizations operating in the city.

**Table 1**

*Kruskal-Wallis Test Results of Variation in the Regulatory, Registration and Licensing Role of Adama City Government*

Variables	Type of Institution	N	Mean Rank	$\chi^2$	Asymp. Sig. (2-tailed)
City government's role in regulating the work of socio-economic entities found within the city	Government	50	77.07	.540	.763
	MSEs	92	81.46		
	CSOs	16	75.84		
	Total	158			
City governments' role in smoothing the registration and licensing of socio-economic entities within the city	Government	50	74.76	2.970	.227
	MSEs	92	83.85		
	CSOs	16	69.31		
	Total	158			

Source: Survey questionnaire

Non-parametric Mann-Whitney U test was also conducted to see the difference in the perception of male and female respondents with respect to the regulatory, registration and licensing role of the Adama City government. As shown in Table 2, the mean ranks for female were 81.67 and 81.63 respectively, implying that female respondents more disagree with the adequate regulatory, registration and licensing role of the city government than male respondents (78.43 and 78.45) in Adama City. But the result of Mann-Whitney U test was that p-value or asymptotic sig. (2-tailed) 0.632 and 0.630 indicate that there was no statistically significant difference in this respect between male and female respondents at a 5 per cent level of significance.

The results obtained through the survey questionnaire were also triangulated with data collected through an interview held with concerned state and non-state officials with respect to the issue under consideration. Results obtained through interviews do not diverge from the results of the survey. Interview data obtained from MSEs and CSOs attest that getting a work license is a serious challenge in the city. There was also unfair and biased treatment by the city government in providing registration and work license services and in renewing

the existing licenses, according to these respondents. Interview data also showed that the time to get the work license after the application is unpredictable. This created a great challenge to smoothly run the operations of businesses, according to interview respondents.

**Table 2**

*Mann-Whitney U Test Results of Male and Female Respondents on the Regulatory, Registration and Licensing Role of Adama City Government*

Variables	Gender	N	Mean Rank	Mann-Whitney U	Asymp. Sig. (2-tailed)
City government's role in regulating the work of socio-economic entities found within the city	Male	106	78.43	2643.000	.632
	Female	52	81.67		
	Total	158			
City government's role in smoothing the registration and licensing of socio-economic entities within the city	Male	106	78.45	2645.000	.630
	Female	52	81.63		
	Total	158			

*Source:* Survey questionnaire

What one can conclude from this survey results and test statistics was that the Adama City government has been performing or doing poorly both in regulating as well as in smoothing the registration and licensing of socio-economic entities working within the jurisdiction of the city.

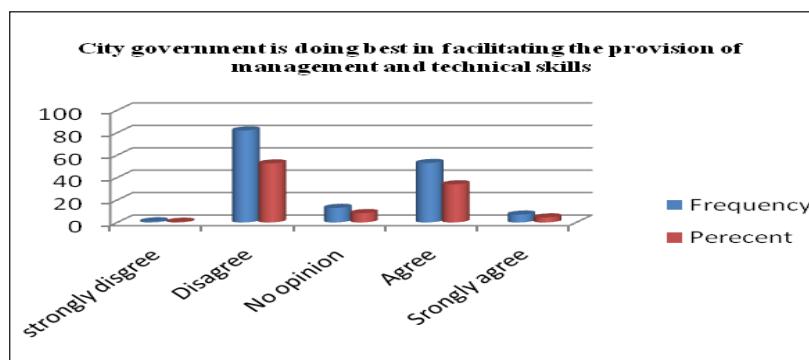
### **Facilitating the Provision of Management and Technical Training Program**

To develop the human resource capacity of localities in the long run, urban local governments need to provide or facilitate the provision of various management and technical skills for labour forces and businesses found in the city. With this regard, survey respondents were asked to indicate their level of agreement with the role of the Adama City government in the provision of management and

technical training for youths and the unemployed in the city. As indicated in Figure 5, while those respondents that rated the level of the city government's provision or facilitation of management and technical skill training role as 'disagree' and 'strongly disagree' together account for 83 (60%), 60 (38%) of the respondents rated the same issue as 'agree' and strongly agree'. On the extreme side, only 13 (8.2%) of the respondents, lack an opinion on the management and technical training performance of the city government. The majority of the respondents disagree with the provision of management and technical training suggests that the contribution performance of the city government with this respect is not that much satisfactory.

**Figure 5**

*Perception of the Respondents on the Contribution of City Government in Facilitating the Provision of Management and Technical Training Program*



Source: Survey questionnaire

Non-parametric Mann-Whitney U test was conducted to see the difference in the perception of male and female respondents with respect to the management and technical training role of the Adama City government. As shown in Table 3, the mean rank for female of 84.38 implied that female respondents more disagree with the positive role of city government in the provision and facilitation of management and technical training for socio-economic entities found within the city than male respondents.

**Table 3**

*Mann-Whitney U Test Results of Males and Females on the Role of City Government in Facilitating the Provision of Management and Technical Training*

Variables	Gender	N	Mean Rank	Mann-Whitney U	Asymp. Sig. (2-tailed)
City government's performance in facilitating the provision of management and technical training	Male	104	75.38	2379.500	.177
	Female	52	84.74		
	Total	156			

Source: Survey questionnaire

However, the result of Mann-Whitney U test ( $U=2379.500$  and p-value or asymptotic sig [2-tailed] 0.177) revealed that there was no statistically significant difference with this respect between males and females at a 5 per cent level of significance.

Kruskal-Wallis test was also run to see differences in the perceptions of the respondents with respect to the management and skills training provision role of Adama City government among the three institutions (representatives of city government, micro and small enterprises and civil society organisations). As shown in Table 4, the mean rank for government institutions recorded 85.419 indicates that government institutions most agree with the poor contribution of city government in the provision of management and technical training for socio-economic entities within the city when compared with MSEs and CSOs. But the difference is statistically insignificant at 5% since the p-value or asymptotic sig. (2-tailed) is 0.363 which is greater than 0.05. This means, each institutions have the same position on the poor performance of the city government with respect to this function.

**Table 4**

*Kruskal-Wallis Test Results on the Role of Adama City Government with Regard to Facilitating the Provision of Management and Technical Training*

Variables	Institution	N	Mean Rank	$\chi^2$	Asymp. Sig. (2-tailed)
City government's performance in facilitating the provision of management and technical training	Government	50	85.19	2.025	.363
	MSEs	90	74.99		
	CSOs	16	77.34		
	Total	156			

Source: Survey questionnaire

Data obtained through key informants and document review also confirms that though there was some effort made by the Adama City government in providing skills provision and training program, still there was limitation in creating the required skills levels for self-employment, financial and other resource management which could be expected to enhance the LED.

We can generally conclude that the city government's role in the provision or cause for the provision of management and technical training for youths and businesses in the city is not satisfactory.

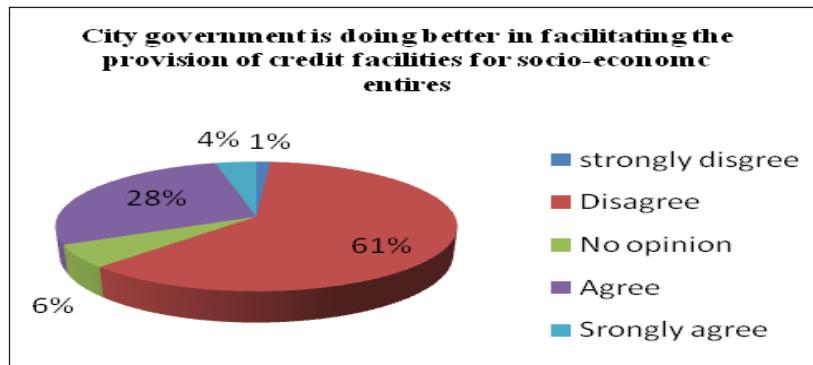
### **Provision or Facilitation of Credit Facilities**

The availability of credit facilities in localities has impacted the success of LED. These services were most of the time facilitated by local governments that are considered to be very close to the residents. With this regard, respondents of the survey questionnaire were asked about the extent to which the Adama City government has provided or facilitated different types of credit facilities for socio-economic institutions working in the city. Figure 6 showed that while those respondents that rated the level of city government's credit facilities provision role as 'disagree' and 'strongly disagree' together account for 97 (62%), only 50 (31.5%) of the respondents rated the same issue as 'agree' and 'strongly agree'. On the extreme side, only 9 (7.5%) of the respondents, lack an opinion on the city government's performance with the provision of credit facilities for local businesses. This shows that the contribution performance of the city government with respect

to the provision of credit facilities is not sufficient enough to enhance LED in the area.

**Figure 6**

*Role of Adama City Government in Providing or Facilitating Management and Technical Skills for Socio-Economic Entities Operating in the City*



Source: Survey questionnaire

Kruskal-Wallis test was run to see differences in the perceptions of the respondents with respect to the credit facility provision role of the Adama City government among the three institutions (representatives of city government, Micro and small enterprises and civil society organizations). As shown in the table 5 below, the mean ranks for CSOs=91.53 indicate that the institutions are relatively most agree with the inadequate contribution of the city government with respect to the provision of credit facilities for local enterprises and businesses when compared the other two institutions. However, this difference is statistically insignificant at 5 per cent level of significance since Kruskal-Wallis test ( $\chi^2=2.123$  and p-value or asymptotic sig. [2-tailed] is 0.274) which is greater than 0.05. This means, each institutions have the same position on the poor contribution of the city government with respect to the provision of credit facilities for businesses.

**Table 5**

*Kruskal-Wallis Test Results on Variation of Adama City Government Role with Regard to the Provision and Facilitation of Credit Facilities*

Variables	Institution	N	Mean Rank	$\chi^2$	Asymp. Sig. (2-tailed)
City governments' role in facilitating the provision of credit facilities	Government	50	81.53	2.588	.274
	MSEs	91	75.41		
	CSOs	16	91.53		
	Total	157			

Source: Survey questionnaire

Non-parametric Mann-Whitney U test was also conducted to see the difference in the perception of male and female respondents with respect to the provision of credit facility performance by Adama City government. Table 6 showed that the mean rank for female=82.32 implies that female respondents are more disagree with the positive role of city government in the provision of credit facilities for local businesses than male respondents. However, the result of Mann-Whitney U test ( $U=2557.5$  and p-value or asymptotic sig [2-tailed] is 0.457) indicated that there was no statistically significant difference with this respect between males and females at a 5 per cent level of significance.

**Table 6**

*Mann-Whitney U Test Results of Variation on the Role of Adama City Government in the Provision and Facilitation of Credit Facilities among Male and Female Respondents*

Variables	Gender	N	Mean Rank	Mann-Whitney U	Asymp. Sig. (2-tailed)
City governments' role in facilitating the provision of credit facilities	Male	105	77.36	2557.500	.457
	Female	52	82.32		
	Total	157			

Source: Survey questionnaire

## **Encouraging, Mobilizing and Coordinating the Contributions of Stakeholders in LED**

For the success of LED, the involvement of concerned stakeholders found at different levels was required since it couldn't be materialised by the efforts of local government alone. That means a LED initiative requires the participation of key state and non-state local stakeholders to develop and implement LED strategies.

Creating conducive environments for the participation of non-state stakeholders, encouraging and coordinating their contribution towards LED is the core responsibility and function of local governments, in our case, the Adama City government. The role played by the Adama City government in encouraging the participation of concerned key local stakeholders, mobilising and coordinating their contributions to enhance LED was investigated by researchers using survey questionnaire. The result of the survey questionnaire reveals that the majority (59%) of the respondents have reservations with the effort of the city government in encouraging the participation of concerned stakeholders in LED, while only 33.3 per cent of the respondents recognize the positive contribution of the city government in supporting concerned local institutions to participate in LED. On the other hand, a few (10%) of the respondents, lack an opinion on the efforts of the city government in encouraging the participation of stakeholders. This shows that the performance of the city government with respect to taking initiation and encouraging concerned stakeholders in local development is not satisfactory.

With respect to the contribution of the city government in mobilizing and coordinating the contribution of concerned stakeholders, while 57 per cent of the respondents rated as poor (i.e., disagree and strongly disagree), 41 per cent of the respondents rated above average (i.e., agree and strongly agree). On the other side, only less than 2 per cent of the respondents lack an opinion about this particular role of city government.

Kruskal-Wallis test was conducted to see differences in perceptions of the respondents with respect to the role of the Adama City government in encouraging, mobilizing and coordinating the contributions of these key stakeholders among the three institutions (representatives of city government, micro and small enterprises and

civil society organisations). As indicated in Table 7, the mean rank for Government recorded 84.48 reveals that this sector most agrees with the low performance of the city government in encouraging the participation of concerned key local stakeholders, mobilising and coordinating their contributions towards LED when compared with micro and small enterprises and civil society organisations.

Similarly, the mean rank for Government institutions recorded 88.36 indicating that the institution also most disagrees with the positive role of city government in mobilising and coordinating contributions of concerned stakeholders in the promotion of LED when compared with micro and small enterprises and civil society organisations.

**Table 7**

*Kruskal-Wallis Test Results of Variation of City Government Role in Encouraging, Mobilising and Coordinating Key Socio-Economic Entities in LED*

Variables	Institution	N	Mean Rank	$\chi^2$	Asymp. Sig. (2-tailed)
City government adequately encourage the participation of concerned stakeholders in local development	Government	50	84.48	1.448	.485
	MSEs	91	76.97		
	CSOs	16	73.44		
	Total	157			
City government perform well in mobilizing and coordinating the contribution of stakeholders towards local development	Government	50	88.36	3.953	.139
	MSEs	92	74.33		
	CSOs	16	81.56		
	Total	158			

Source: Survey questionnaire

However, the result of Kruskal-Wallis test ( $\chi^2=1.448$ , 3.953 and p-value or asymptotic sig. [2-tailed] 0.485, 0.139) respectively, indicated that there was no statistically significant difference in the effort of the city government among the identified institutions at 5 per cent level of significance. This means each institution has the same position on the low performance of the city government in encouraging, mobilising and coordinating the contribution of key local stakeholders towards local development.

Similarly, the same non-parametric Kruskal-Wallis test was also run to look at differences in the perception of respondents with the same issues among respondents with different levels of education. Accordingly, the result of test statistics reveals that p-value or asymptotic sig. (2-tailed) is 0.626 and 0.066 respectively, which shows that there was no statistically significant difference with this particular performance of the city government among respondents with different levels of education at a 5 per cent level of significance.

In addition, Mann-Whitney test was also run to see differences in the perception of male and female respondents with respect to the contribution of the city government in encouraging the participation of stakeholders and mobilizing and coordinating their contribution to LED. As shown in Table 8, the mean ranks of both variables were slightly higher for female respondents. This implies that female respondents more agree with the low contribution of the city government in supporting and encouraging the participation of concerned local stakeholders as well as mobilising and coordinating their contributions to the promotion of LED compared to the male respondents.

**Table 8**

*Mann-Whitney U Test Result on the Role of City Government in Encouraging, Mobilising and Coordinating Key Socio-Economic Entities in LED*

Variables	Gender	N	Mean Rank	Mann-Whitney U	Asymp. Sig. (2-tailed)
City government adequately encourage the participation of concerned stakeholders in local development	Male	106	77.72	2430.000	.250
	Female	52	83.13		
	Total	158			
City government perform well in mobilizing and coordinating the contribution of stakeholders towards local development	Male	105	76.09	2549.000	.386
	Female	51	83.46		
	Total	156			

Source: Survey questionnaire

The difference was however, statistically insignificant at a 5 per cent level of significance since the p-value or asymptotic sig (2-tailed) are

0.250 and 0.386 respectively, which is greater than 0.05. That means both male and female respondents who filled out the questionnaire have similar view with the poor contribution of the Adama City government in supporting the participation of concerned key development stakeholders and exploiting their contributions towards LED.

The result of the analysis from the survey questionnaire was triangulated with data obtained through document analysis and interviews held with key concerned stakeholders. Different policy documents including the FDRE Constitution (Article 43 and 52) and the revised Oromia Regional Constitution (Article 43) were reviewed and these provisions allow the participation of stakeholders in the development issues of their localities. However, the provisions are more general and inadequate since they did not put effective systems and legal frameworks that realised the effective involvement of local non-state institutions and development actors in the development of issues of the localities.

Oromia regional state Urban Local Government Proclamation No 65/2003 Article 32(1) also stipulates that residents, mass organizations and the private sector shall discuss, debate and express their views on the city's annual work program, budget proposals, project ideas, performance as well as financial and audit reports. However, this provision did not put detailed systems, standards and procedures through which localities effectively exercise such mandates. In addition, though the provision in one way or another seems to allow the participation of stakeholders in the development issues of their localities, local context and reality on the ground do not permit the effective practice of the provision.

In addition to document review, information was also collected through interviews and results showed that interview participants have good know-how and awareness about the importance of local stakeholders' involvement in the promotion of LED and improve the lives of local community. However, respondents confirmed that though there is always oral talk and common agreement with the importance of participating non-state actors to improve the life of the local community, most of the time, it is used only for political consumption. One interview respondent from CSOs stated that:

*'We are sometimes invited by the city government to participate in the development issues and agendas of*

*the city. But it is only for formality and political purpose (legitimizing its intended actions) than seeking our real contribution for local development. Even invitation to participate is selective. Those stakeholders that are not supporting the ideologies of government and believed to expose its wrong doings are not allowed to participate. This is basically, linked with the existence of insufficient policy and binding legal frameworks as well as inappropriateness of reality on the ground for genuine involvement of non-state institutions in local development'.*

Interview participants with city government officials themselves did not also totally deny the ineffective participation of non-state actors in the planning, implementation and evaluation of city development performance of the Adama City government. However, the difference was that the poor participation of these stakeholders in local development issues is not only due to the absence of enabling conditions for participation, instead, it is also associated with poor capacity and lack of interest from stakeholders to participate, according to these groups of interview participants.

### **Supporting the Establishment of Networking and Collaboration among Local Stakeholders**

As Rogerson (2010) rightly argued, collaboration and networking among local institutions were important bases and foundations for the successful planning and development of LED. However, the establishment of this networking between concerned stakeholders required the support of local governments. The extent of support made by the urban local government for the formation of networking and partnership between local stakeholders in the Adama City was investigated using a survey questionnaire. As shown in Table 9, the majority (64%) of the respondents rated the city government's role of supporting the establishment of networking among local stakeholders for local development as 'disagree' and 'strongly disagree'. About 30 per cent of the respondents rated this particular effort made by the city government as 'agree' and 'strongly agree'. On the other hand, only a few (5%) of the respondents, lack an opinion on the efforts of the city government in supporting the creation of collaboration and partnership among local stakeholders for local development. This shows that the performance of the city government with this regard was not satisfactory.

**Table 9**

*Perception of Respondents on the Effort of City Government in Creating Networking among Local Stakeholders for Local Development*

		Adama city government is doing its best in supporting the creation of networking and collaboration among local stakeholders	Frequency	Valid Percent
Valid	Strongly Disagree		3	1.9
	Disagree		98	62.4
	No opinion		8	5.1
	Agree		43	27.4
	Strongly Agree		5	3.2
	Total		157	100.0
Missing	System		1	
Total			158	

Source: Survey questionnaire

Non-parametric Mann-Whitney U test was conducted to look at differences in the perception of male and female respondents with respect to the performance of city government in taking initiation and supporting the establishment of networking among local institutions for their contribution to LED. As indicated in Table 10, the value of mean ranks for females was 79.13 revealed that female respondents more disagree with the adequate support of the city government for the establishment of networking and working together than male respondents. However, the result of Mann-Whitney U test p-value or asymptotic sig (2-tailed) was 0.977 indicated that there was no statistically significant difference with this respect between males and females respondents at a 5% level of significance.

**Table 10**

*Mann-Whitney U Test Results on the Role of Adama City Government in Adequately Supporting the Formation of Networking*

Variables	Gender	N	Mean Rank	Mann-Whitney U	Asymp. Sig. (2-tailed)
The effort of Adama city government to support the establishment of networking and collaboration among stakeholders for local development	Male	105	78.94	2723.500	.977
	Female	52	79.13		
	Total	157			

Source: Survey questionnaire

Kruskal-Wallis test was also conducted to see differences in perceptions of the respondents with respect to the performance of the Adama City government in supporting the formation of networking among stakeholders for their contributions towards LED among the three institutions included in the study (representatives of city government, micro and small enterprises and civil society organisations). As indicated in Table 11, the mean rank for government of 83.33 revealed that government institutions themselves most disagree with the better performance of city government in supporting the establishment of collaboration among local stakeholders when compared with MSEs and CSOs. However, the results of the Kruskal-Wallis test p-value or asymptotic sig. (2-tailed) 0.627 indicated that there was no statistically significant difference in the effort of city government among the identified institutions at a 5 per cent level of significance. This means that each institutions have the same position on the low performance of the city government in supporting the creation of networking of local stakeholders towards local development.

The same non-parametric Kruskal-Wallis test was also conducted to see differences in the perception of respondents with the same issues among respondents with different levels of education. Accordingly, the result of test statistics reveals that p-value or asymptotic sig. (2-tailed) was 0.490, which shows that there was no statistically significant difference with this particular role of city government among respondents with different levels of education at a 5 per cent level of significance.

**Table 11**

*Kruskal-Wallis Test Results of the Mean Variations of City Government in Adequately Supporting the Formation of Networking*

Variables	Institutions	N	Mean Rank	$\chi^2$	Asymp. Sig. (2-tailed)
The effort of Adama city government to support the establishment of networking and collaboration among stakeholders for local development	Government	50	83.33	.934	.627
	MSEs	91	76.70		
	CSOs	16	78.53		
	Total			157	

Source: Survey questionnaire

Data was also collected through the interview to ensure the results of the survey questionnaire and the results did not diverge. Informants,

particularly those from non-state institutions (MSEs and local CSOs), recognized the importance of doing together since it helps to overcome challenges that were not addressed by the effort of a single institution alone. One informant from CSOs for instance, stated that

*'we recognize and value the importance of coming together to solve our financial and capacity limitations. There was a time that we took initiation to cooperate and form a partnership with others that shared our objectives based on our informal relationships. But, most of the time, our initiations and practices of doing together failed and are not sustainable due to the absence of binding policy direction and legal framework guiding our partnership initiatives'.*

In the same token, one informant from Adama City's Administration Plan and Economic Development Office argued that the '*government always talk the importance of doing together with the assumptions that it enhances and improves the lives of local communities. But, it is short of practice due to various reasons*'.

Informants from non-state institutions (specifically MSEs and COSSs), however, had reservations on the effort of the city government in creating conducive environment for the establishment and creation of networking among development stakeholders found in the city. Government officials were good at talking about the importance of doing it together. But the reality on the ground was opposite, according to one of the informant. This comes from two things according to informants; one, lack of genuine support for the establishment of collaboration from the government side. The second reason could be lack of capacity from the city government to support and create a favourable environment for the establishment of collaboration among local development actors and stakeholders.

### **The Overall Contributions/ Performances of Urban Local Government towards LED**

The aggregate contributions and performance of the Adama City government in promoting LED was analysed by adding together and taking the mean of the various city government contributions discussed above using the SPSS software. Accordingly, as indicated in Table 12, the overall performance mean value below 3 suggested that the Adama City government poorly performed in promoting LED.

**Table 12**

*The Overall Contribution and Performance of Adama City Government towards LED*

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Aggregate performance of Adama city government towards LED	153	1.67	4.58	2.9221	.48541

*Source:* Survey questionnaire

**Factors Influencing the Overall Contribution of Urban Local Government towards LED**

There were different external and internal factors that affect the performances of urban local government in LED. Among these factors, legal and policy environments and institutional capacity highly matter in improving urban local government contributions towards LED. The existence of the overall legal and policy environments in the Adama City Administration and the institutional capacity of the city government were investigated. As indicated in Table 13, 58 per cent of the aggregate institutional capacity mean value below 3 suggested that the city government had serious institutional capacity limitations. Similarly, about 61 per cent of the overall legal and policy environments mean value below 3 confirmed that there was inadequate legal and policy environments that support the contribution of city government in promoting LED.

**Table 13**

*Factors Contributing to Poor Performance of City Government towards LED*

<b>Factors</b>	<b>Greater than 3 (High)</b>		<b>Equal to 3 (Neither low nor High)</b>		<b>Less than 3 (Low)</b>		<b>Mean</b>	<b>Std. Deviation</b>
	<b>Frequency</b>	<b>%</b>	<b>Frequency</b>	<b>%</b>	<b>Frequency</b>	<b>%</b>		
Aggregate Institutional Capacity	52	33.6	13	8.4	92	58	2.9639	.54100
Overall Legal and policy environments	50	32	11	7	97	61	2.9108	.48292

*Source:* Survey questionnaire

## **Correlation Analysis**

Pearson correlation coefficient was run to see the association between the aggregate performances of urban local government, in this case, Adama City government towards LED and legal and policy environments as well as the institutional capacity of city government. Hence, the following hypothesis was developed and tested to see the association and direction of relations among these variables;

$H_0$ : *The contribution/ performance of urban local governments in promoting LED and legal and policy environments as well as institutional capacity are not associated*

$H_1$ : *The contribution/ performance of urban local governments in promoting LED and legal and policy environments as well as institutional capacity are associated*

As shown in Table 14, the result of test statistics revealed that there was a significant direct positive relationship (as the correlation coefficient is 0.462 and the p-value or asymptotic sig. (2-tailed) is 0.000) between the performance of urban local governments towards LED and local legal and policy environments at 1 per cent level of significance. This implied that the more there was favourable legal and policy environments in localities, the more urban local governments perform well in the promotion of local economic development (LED). As shown in the same Table 14, the correlation coefficient and p-value or asymptotic sig. (2-tailed) for the performance of city government and institutional capacity are 0.327 and 0.000 respectively, and this shows that there is statistically significant direct relationship between the variables at 1 per cent levels. Even, there is also significant direct relationship between legal and policy environments and institutional capacity (correlation coefficient is 0.389 and p-value or asymptotic sig. is 0.000) at 1 per cent level of significance. This implied that the contribution of urban local governments to local economic development was in one way or another influenced by its institutional capacity.

Therefore, the null hypothesis ( $H_0$ ), ‘*Performance of urban local governments in promoting LED and legal and policy environments as*

*well as institutional capacity were not associated*' was rejected while no sufficient evidence to reject the alternative hypothesis ( $H_1$ ) that states '*Performance of urban local governments in promoting LED and legal and policy environments as well as institutional capacity are associated*'.

**Table 14**

*Association between Performance of City Government towards LED and Legal and Policy Conditions as well as Institutional Capacity*

		Adama City government's performance towards LED	Existence of LED legal and policy environments in Adama City	Institutional capacity of the Adama City government
Adama City government performance towards LED	Pearson Correlation	1	.462**	.327**
	Sig. (2-tailed)		.000	.000
	N	153	146	142
Existence of LED legal and policy environments in Adama City	Pearson Correlation	.462**	1	.389**
	Sig. (2-tailed)	.000		.000
	N	146	151	142
Institutional capacity of Adama City government institution	Pearson Correlation	.327**	.389**	1
	Sig. (2-tailed)	.000	.000	
	N	142	142	147

*Source:* Survey questionnaire

### ***Regression Analysis***

Linear multiple regression analysis was also designed to see the extent of the influence of independent variables on dependent variables. In this case, the contribution/performance of urban local government towards LED was treated as outcome variables, whereas legal and policy conditions and institutional capacity are predictors/independent variables. Before analysing and interpreting the data, the assumptions of linear regression including normality, homoscedasticity, multicollinearity and sample size were checked and the data fulfilled the assumptions.

Thus, multiple linear regression equation was formulated as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Where, Y= Outcome variable/city government contribution/ performance in LED

$\beta_0$ = the intercept of the regression equation or constant term

$\beta_1$  &  $\beta_2$ = regression coefficients

X1 = legal and policy conditions

X2= Institutional capacity

$\epsilon$ i= Error terms

### ***Coefficient of Determination***

The proportion of variation in dependent variables (in this case, urban local government performance) that was explained due to explanatory/ predictors variable on the dependent variable was checked and measured using R-square ( $R^2$ ). As indicated in Table 15, the value of R-square ( $R^2$ ) was 0.237 indicating that 23.7 per cent of the variation in the dependent variable (in this case, the Adama City government performance) was due to the explained variable included in the model i.e. legal and policy conditions and institutional capacity.

**Table 15**

#### *Test of Coefficient of Determination ( $R^2$ )*

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
1	.487 <sup>a</sup>	.237	.226	.42902

Source: Multiple regression output

#### *Test of Model Adequacy (ANOVA)*

Evaluation of model fitness involves the determination of the significance of the model in influencing the dependent variable, in this case, the performance of urban local government towards LED. Thus, the objective test of model adequacy was hypothesized as follows;

$H_0: \beta_1 + \beta_2 + \dots + \beta_i = 0$  (the model is not adequate or for all independent variables, the coefficient of determination is not significantly different from zero)

$H_1: \text{At least one, } \beta_i \neq 0$  (at least one of the explanatory variables is significant or for all independent variables, coefficient of determination is significantly different from zero)

The significance of the linear multiple regression model in estimating the influence of legal and policy environments and institutional capacity on urban local government performance towards LED was checked from the ANOVA table (Table 16). ANOVA is used to test whether the overall regression model is a good fit for the data or not.

As indicated in Table 16, the model was a good fit for the data and statistically significant in estimating the factors that influence the performance of urban local governments since  $F(2, 134= 20.825)$  and p-value (sig=0.000) is less than 0.05. Therefore, the null hypothesis  $\beta_1 + \beta_2 = 0$  (the model is not adequate) was rejected while the alternative hypothesis at least one,  $\beta_i \neq 0$  (at least one of the explanatory variables is significant) was accepted. Thus, we reach on the conclusion that at least one explanatory (predictor) has a significant impact/influence on the dependent variable; in this case, urban local government performance in promoting LED.

**Table 16**

*Model Test ANOVA*

<b>Model</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	7.666	2	3.833	20.825
	Residual	24.664	134	.184	
	Total	32.330	136		

Source: Multiple regression output

***Estimates of Individual Regression Coefficients and Statistical Significance of Predictors***

The influence of each predictor on dependent variables was tested by determining the change in the outcome variable as a result of one unit change in the predictor variable and the estimated model is formulated as follows;

$$\hat{Y} = 1.425 + 0.378X_1 + 0.184X_2$$

As indicated in Table 17, the result of test statistics reveals that the p-value for both independent variables/predictors are less than 0.05 and thus, both legal and policy conditions and institutional capacity significantly and positively affect the performances of the Adama City government in promoting LED at 5 per cent level of significance. The

estimated coefficient of the legal and policy environment was 0.328 which indicated that one unit change in legal and policy environment leads to an improvement in the performance of the city government in promoting LED by 0.328 units, keeping other factors constant. In the same way, the estimated coefficient of institutional capacity is 0.149 and this showed that for one unit change in the institutional capacity of the Adama City government, its contribution in promoting LED is improved by 0.149, keeping other factors constant.

**Table 17**

*Test of Individual Regression Coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for		
	B	Std. Error				LB	UB	
1	(Constant)	1.425	.236		6.044	.000	.958	1.891
	legal and policy environments for LED	.328	.069	.387	4.761	.000	.192	.464
	Institutional capacity	.149	.066	.184	2.269	.025	.019	.278

Source: Multiple regression output

## **CONTRIBUTIONS, SUGGESTIONS FOR FUTURE STUDY AND CONCLUSION**

### **Contribution of the Study**

The output of this study could serve principally as an input for policymakers found at different levels. Government and non-government development organizations could use the findings of this study to make rational and sound policies and decisions in matters related to local governments and their contribution to enhancing LED. The study also attempts to contribute to the debate and evidence of LED in SSA, which is relatively scarce in the existing literature (Rogerson & Rogerson, 2010) by focusing on urban local governments that are said to be a backbone for the success of the LED strategy.

The result of the research also hoped to stimulate further academic discourse and be used as a reference for those researchers who want to put more and rigorous research effort in the areas of LED.

### **Suggestions for Future Study**

The LED initiative is not achieved by the effort of local government alone; instead, it requires the contributions of all concerned local development actors too. Thus, a scholarly study can be carried out on the contribution of local non-state actors in the promotion of LED either in the same context or in a different context. Instead of that, this study investigates the role of local government in the promotion of LED in urban contexts. Hence, a study can be conducted on the role of local government in LED in rural contexts.

In addition, various factors influence the contribution of urban local governments to LED. However, the study assesses only the influence of legal and policy environments and the institutional capacity of the organization. So, scholarly research can be carried out on the influence of other factors that in one way or another affect the effective contribution of urban city government in the local development process. Moreover, this study focuses on the contribution of urban local government in the context of the Adama City administration, Ethiopia. However, the convergence or divergence of the result of the findings with other African cities was not well addressed by the study. So, similar studies can be conducted to compare the role of urban city government in Ethiopia with urban governments of other cities found in other African countries.

## **CONCLUSION**

The objective of this article is to assess the role of urban local governments in promoting LED and discuss the legal and policy environments and institutional capacity that influence its positive contribution in Adama City. Hence, the following major findings related to the issues were drawn based on the information collected from various sources:

The infrastructure is essential to enhance LED initiatives. Adama City government is relatively doing better in the provision of human

and Physical infrastructure. However, the study highlights gaps in generating sufficient funds for sustainable infrastructure development that contribute very much to LED strategy. Again, gaps were also observed in balancing the maintenance of existing infrastructure and construction of the new ones by the city government since decisions are most of the time in favour of the latter. Thus, the study recommends that the city government need to balance the construction of new infrastructure and the maintenance of existing infrastructure.

Local governments have the responsibility to regulate and legalize the activities of socio-economic entities operating in localities. Evidence, however, reveals that the Adama City government has been poorly performing in regulating as well as in smoothing the registration and licensing of socio-economic entities working within the jurisdiction of the city. Hence, critical reform that improves the regulation and licensing function of the city government is needed.

To develop the human resource capacity of localities in the long run, urban local governments need to provide or facilitate the provision of various management and technical skills for labour forces and businesses found in the city. However, the contributions and role of the Adama City government in the provision or caused for the provision of management and technical training for youths and businesses in the city are not satisfactory. In the same way, local urban governments are also expected to avail credit facilities for businesses and private investments to alleviate urban poverty and improve the overall living standards of residents. Regrettably, the performance of the city government with respect to the provision of credit facilities is found to be far below the expectation. Therefore, the provision or facilitation of management and technical skills as well as the provision of the necessary credits for businesses in the city are areas that need significant reform.

Creating conducive environments for the participation of non-state stakeholders in local development, encouraging and coordinating their contribution towards LED is also the core responsibility and function of local governments. Evidence, however, attests that the Adama City government exerts less effort in involving key non-state development actors in local development processes and in coordinating their role in the promotion of LED. Thus, the city government needs to create conditions that attract concerned stakeholders to participate in local development.

Local stakeholders also contribute more to local development if they create a network and do so together. The support of local government is required for the successful establishment of collaboration and networking among concerned local development stakeholders. However, gaps observed from the city government in providing the required support and creating conducive environments for the establishment of partnerships and collaboration among local development actors to contribute more to local development.

Regression analysis confirms that gaps in the overall contribution of the Adama City government towards LED could be linked with limited institutional capacity of the city government and the existence of poor legal and policy environments in the city.

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