

LEGAL AND POLICY ENVIRONMENTS AND ITS IMPLICATION FOR THE PROMOTION OF LOCAL ECONOMIC DEVELOPMENT: THE CASE OF ADAMA CITY, ETHIOPIA

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ABSTRACT

Evidence attests that the success of local economic development (LED) as a bottom-up alternative development strategy relies on the existence of enabling environments particularly, the legal and policy environments prevailing in localities. The central purpose of this study is therefore, to examine the extent to which the existing legal and policy environments in Adama City allow for the effective implementation of LED strategy. Mixed research method was employed to achieve the objective of the study. The study drew data both from primary and secondary sources. Questionnaires were randomly distributed to 198 target samples with 158 (80%) response rates while Purposive and convenience sampling techniques were used to select interview participants. The finding of the study reveals that except infrastructure development policy, which is relatively encouraging, legal and policy environments prevailed in Adama City do not support the implementation of LED strategy. The adoption of LED as the only development strategy is not sustainable and leads to failure in localities like the study area where there is inadequate enabling legal and policy environments. Therefore, we can safely conclude that LED can be practiced in the study area in parallel with the top-down development approach instead, of adopting it as an outright alternative development strategy.

Keywords: Legal and Policy Environments, Local Economic Development, Infrastructure Development Policy, Adama City, Ethiopia

INTRODUCTION

The concept of local economic development (LED) as a development strategy/approach was relatively new and not nurtured well particularly in developing nations. There is a common consensus that the practice of LED as an alternative developmental strategy originated in industrialized regions like North America and Western Europe in 1960 and 1970s due to the direct falls in the economic growth of developed countries and other related challenges (Blakely, 1989 and Mensah et al., 2013). Local economic development (LED) as an alternative locality- based development approach however, spread to most developing regions including Sub-Saharan Africa starting from the late 1990s with the objective to decrease poverty, unemployment and inequality at local level (Rodriguez-Pose and Tijmstra, 2007 and Rogerson and Rogerson, 2010).

The likelihood of success of LED strategy and its ability to create economic growth, decent jobs and improve the life of local community however, relies on the suitability of existing environments and potential of the territory and place-specific conditions where LED takes place (Rodriguez-Pose and Tijmstra, 2009). The implementation of LED in the absence of enabling environment particularly, lack of legal and policy environments would not be sustain and it creates harm than benefits. Thus, one should make sure the existence of enabling environments before the implementation of LED in a given locality. Vazquez-Barquero (1999) added that LED initiative is more productive in localities where there are conducive environments/factors.

In spite of this facts however, existing studies overlook and give little attention towards LED environments particularly, in developing nations (Rodriguez-Pose and Tijmstra, 2009). There is also scarcity of scholarly research on the potentials of localities for successful planning and implementation of LED in Ethiopia in general and in the study area in particular. This is confirmed from the fact that ‘all possible keyword search engines’ were tried and the result shows, absence of scientific research on the topic understudy. The purpose of this study is, therefore, to investigate local legal and policy environments and its implication for the promotion of local economic development (LED) in Adama City.

METHODOLOGY

Mixed research method was employed to achieve the objective of the study. The study drew data both from primary and secondary sources. Key informant interview (KII) and survey questionnaire were used to collect primary data while document analysis was employed to collect secondary data. Survey questionnaire containing 12 items were developed based on five point likert-scales to measure the prevalence of LED legal and policy environments. The scale ranges from strongly disagree (1) to strongly agree (5) in, which higher score showed existence of conducive legal and policy environments. The opposite is true for lower scores. Internal consistency/ Cronbach Alpha coefficient was used to test the reliability of items in the survey questionnaire and the test result is within the acceptable range (i.e. Cronbach Alpha coefficient was 0.78). The validity of the scales in the questionnaire was also checked by establishing content validity to ensure all items included are essential.

Out of 408 target population identified for study, 198 samples were randomly selected and questionnaires were distributed to the identified samples with 158 (80%) response rates. Sample size was taken objectively using the sample size determination

formula developed by Cochran in 1977, $n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$ Where,

$$n_0 = \frac{z^2 pq}{e^2}$$

n = sample size, $Z^2 = 1.96$ (critical value from table at 95% confidence level), P = Population variability (assuming maximum variability = 0.5), $q = 1 - P$, e^2 = the desired level of precision/margin of error (5%), N = Total population of the study

Accordingly, $n_0 = \frac{z^2 pq}{e^2} = 384$ and sample size (n) = $384 / [1 + (384 - 1) / 408] = 198$

Questionnaires were analyzed using descriptive statistics such as percentages, tables and inferential statistics such as Kruskal-wallis test and Mann-Whitney U test. On the other hand, qualitative data was analyzed using qualitative techniques such as narration analysis. .

REVIEW OF LITERATURE

Meaning and Concepts of Local Economic Development

Local economic development (LED) is an alternative bottom-up development strategy to the top-down development approach (Rodriguez-Pose and Palavicini-Corona, 2013) that fails to create significant and sustainable development at the local level (Mensah et al., 2019). The practice of the concept as an alternative developmental strategy was originated in industrialized regions like North America and Western Europe in 1960 and 1970s due to the direct falls in the economic growth of developed countries and other related challenges (Blakely, 1994; Harvey, 1989; Akudugu, 2013 and Mensah et al., 2013). The concept was however, spread to most developing countries including Sub-Saharan Africa starting from the late 1990s with the objective to decrease poverty, unemployment and inequality at local level (Rodriguez-Pose and Tijmstra, 2009; Rogerson and Rogerson, 2010; Marais, 2010; Rogerson, 2010; Hampwaye and Rogerson, 2011).

Though LED got relative importance in both developed and developing regions, there has been ongoing battle of ideas and struggle by many authors and authorities over the meaning of the term (Nel and Rogerson, 2005). In spite of this difficulties however, attempts have been made to define LED concepts. For Blakely (1994), who is one of the early authors of the contemporary local economic development approach, defines local economic development (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”. Helmsing and Egziabher (2005) consider LED as a process in which partnerships between local 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. ILO (2010) defined LED as a locally owned and participatory development process takes place within a given territory in partnership with both public and private actors. LED strategy makes use of local resources and competitive advantages to create decent employment and sustainable economic growth.

There are key ideas that derived from these various definitions: For one thing LED is a concept that goes beyond economic growth. It is about creating development within a given territory that improves the quality of life for local communities. LED is also a process or processes of fostering partnerships between governments, private sector, donors and the community to manage and stimulate local economic development of defined territories. The ultimate aim of LED is to create sustainable socio-economic development of local community. That means, LED approach seeks to promote a truly inclusive policy process, valuing the ideas of various local actors and promoting equality among them that are not necessarily found in other development strategy (Helmsing, 2003).

Environments for Local Economic Development (LED)

Local economic development (LED) can improve the life of local communities, but only under enabling environments. Enabling environment according to Bolger (2000) denotes the broad setting within which development processes take place. Evidence indicates that environment may in fact be either enabling or constraining, or possibly a mix of both. Therefore, enabling environment in this context can be understood as a set of conditions to create a favorable or unfavorable setting for local economic development to take place (Konig, Da Silva, and Mhlanga, 2013).

LED environment is broadly classified into three: economic hardware, software and orgware Vazquez-Barquero (1999). He argued that LED initiative is more productive in localities where there are availability software, hardware and orgware factors. The accessibility of economic 'hardware' such as communication networks and transport as well as infrastructure for the development of human resource like health, education and cultural facilities, greatly facilitates the success of LED. The presence of economic software' such as the availability of the necessary ingredients to diagnose local comparative advantages and resource bottlenecks and develop LED strategies also enhances the chances of success. The availability of orgware or organizational capacity, which nurtures the participation of local actors, develops partnerships and coordinates actions at various levels of government, is of importance too. This study however, focuses only on the software factors particularly, the legal and policy environments that affect the success of LED strategies.

The environment that determines the success of LED can also be classified into International, national and local environments (Rodriguez-Pose and Tijmstra, 2009). The international environments such as International trade, investments and markets can shape opportunities and threats faced by local areas. Similarly, international NGOs and other international organizations could also play important contributions in the LED process in terms of providing technical assistant as well as initiating and co-financing the programs. The involvement of international organizations supports the spread of the LED strategy to localities where national policies are not that much suitable to the approach. In addition, these organizations have an important role to play in filling capacity gaps at local level (Rodriguez-Pose and Tijmstra, 2009).

National environments including decentralized governance, policies and legal framework also have a crucial contribution in promoting employment and economic growth. Central governments would support local communities to exploit potential competitive advantages and increase local employment opportunities in a more productive and sustainable way by providing localities with the power and resources to develop projects at smaller scale. Both the quality of governance in a country would have also an impact on how the LED strategy can be designed and implemented (Rodriguez-Pose and Tijmstra, 2007 and Kaufmann et al., 2008).

Besides international and national environments, local factors such as LED process itself, strategy adopted and the focus given for sustainability also play important role in making the LED strategy to work better for localities (Rodriguez-Pose and Tijmstra, 2009). Understanding local situation is also an essential requirement to formulate a balanced LED strategy that is capable of delivering real opportunities for growth and development. Although every LED strategy will be locally tailored and unique, (Rodriguez-Pose, 2002) identify policies that are most commonly used for LED success including (1) transparent policies aimed at attracting new inward investment (2) policies that aim to improve the competitiveness of local firm (3) programs and projects aimed at developing local human capital and skill-pool in the local economy (4) tasks and activities that aim to scale-up the local infrastructure. Moreover, the success is also greatly enhanced if LED projects take due consideration of collaboration among actors (Hooghe and Marks, 2001 and Vazquez-Barquero, 2003) and the creation of sustainable LED approach.

Meyer (2014) on the other hand, identify twelve factors that create an enabling environment for the success or failure of LED including: Formation of partnerships; clear Policies, initiatives, capacity and structures within local government; strong local leadership; poverty alleviation and social development initiatives; economic development initiatives; environmental and spatial development actions; infrastructure development; human resource development, the development of entrepreneurship and SMME's; transport and access opportunities; Agricultural development actions and a safe and secure environment.

Though the success of LED initiative is influenced by various factors as indicated in the literature above, this study however, focuses on the local legal and policy environments that affect the success and sustainability of LED initiatives. There is an argument that the existence or absence of local enabling legal and policy environments and conditions highly matters for the successful implementation of LED strategies. Disfavorable and inadequate local policy conditions are causes for the poor performance of LED (Rodriguez-Pose and Tijmstra, 2009). The study assesses the followings important local legal and policy environments/factors that systematically derived from the literature and evaluate its implication for the promotion of LED initiatives in Adama City, Ethiopia:

Existence of policy and legal Framework governing LED strategies; Physical and human infrastructure development policy; policy supporting networking and collaboration; Policy supporting Dialogue Forum; policy supporting the participation of local non-state stakeholders; policy encouraging inward investments and improve competitiveness of local businesses.

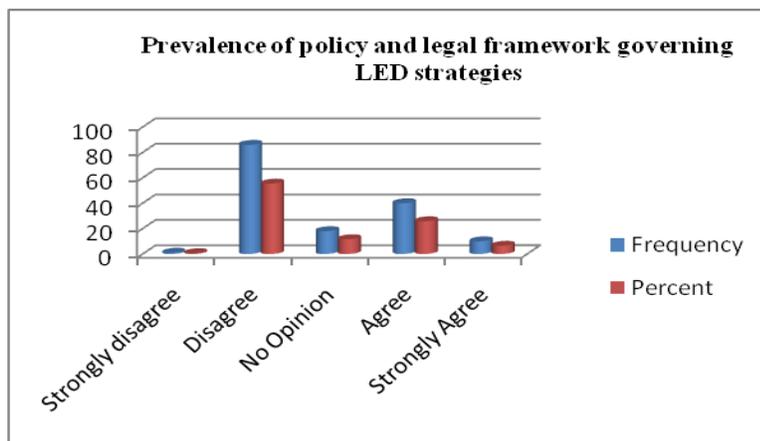
RESULTS AND DISCUSSIONS

This section discusses about the extent to which existing legal and policy framework and conditions enables the promotion of LED in Adama City.

Existence of Policy and legal Framework Governing LED strategies

LED Policy and legal framework is a pre-requisite for the successful practice of LED strategies. There is a strong argument from writers in the area that the regulation of LED strategies and programs is a challenging task in the absence of policy and legal framework. The existence of policy and legal framework governing and regulating LED programs in Adama City was examined and investigated using survey questionnaire and data collected from qualitative sources. As indicated in Figure 4.1 below, majority 87(56%) of the survey respondents who filled the questionnaire do not agree with the prevalence of policy and legal framework guiding and governing LED strategies and programs in the Adama city. Only 50(32.3%) agree with the existence of LED policy and legal framework in the city. Of course, some (11.6%) do not have opinion and information at all about the existence of policy and legal framework governing LED programs.

Figure 4.1: Respondents’ perception on the prevalence of Policy and Legal framework Governing LED strategies



Source: Survey Questionnaire, 2021

Non-parametric **Kruskal-Wallis test** was conducted to see differences in the perceptions of respondents with respect to existence of policy and legal framework regulating LED strategies in Adama City Administration among the three institutions (representatives of city government, Micro and small enterprises and civil society organizations). As indicated in table 4.1 below, the mean rank for MSEs= 81.35 reveals that the institution most disagree with the availability of LED policy and legal framework in the city when compared with city government and civil society institutions. However, **Kruskal-Wallis test** ($\chi^2= 1.798$ and p-value or asymptotic sig. (2-tailed) .407) attested that there is no statistically significant difference with regard to the prevalence of policy and legal framework guiding LED among the indicated institutions at 5% level. This means, each sampled survey respondents have similar view on the absence of legal framework governing LED programs in the city.

Table 4.1: Kruskal-Wallis test results of mean differences on the existence of LED policy and legal framework among local Institutions

| Variables | Type of Institution | N | Mean Rank | χ^2 | Asymp. Sig. (2-tailed) |
|---|---------------------|-----|-----------|----------|------------------------|
| There is clear policy and legal framework that govern and regulate local LED strategies in Adama city | Government | 48 | 71.69 | 1.798 | .407 |
| | MSEs | 91 | 81.35 | | |
| | CSOs | 16 | 77.88 | | |
| | Total | 158 | | | |
| | | | | | |

Source: Survey Questionnaire, 2021

The same **Kruskal-Wallis test** was also run to see differences in the perception of the respondents with respect to existence of policy and legal framework regulating LED strategies in the City Administration among respondents with different levels of education. Accordingly, as indicated in table 4.2 below, the mean rank for respondents with level of education below diploma and TVET= 88.00 reveals that this group of respondents most disagree with the availability of LED policy and legal framework in the city when compared with other group of respondents. However, **Kruskal-Wallis test** ($\chi^2= 3.109$ and p-value or asymptotic sig. (2-tailed) .540) confirms that there is no statistically significant difference with this respect among respondents with varying levels of education at 5% level. That means all respondents with different level of education have same position on the absence of legal framework governing and regulating LED programs in the city.

Table 4.2: Kruskal-Wallis test result of variations on the existence of LED policy and legal framework among respondents with different level of education

| Variable | Level of Education | N | Mean Rank | χ^2 | Sig. (2-tailed) |
|---|-------------------------|-----|-----------|----------|-----------------|
| There is clear policy and legal framework that govern and regulate local LED strategies in Adama city | Below Diploma and TVET | 23 | 88.00 | 3.109 | .540 |
| | Diploma and TVET | 40 | 76.41 | | |
| | First degree | 60 | 72.95 | | |
| | Second degree and above | 29 | 78.60 | | |
| | Other | 1 | 44.00 | | |
| | Total | 153 | | | |

Source: Survey Questionnaire, 2021

Again, non-parametric **Mann-Whitney U test** was also run to see difference in the perception of male and female respondents with respect the prevalence of policy and legal framework governing LED programs. As shown in table 4.3 below, the mean ranks for female = 82.71 implies that female respondents more disagree with the availability of LED policy and legal framework in the city when compared with male respondents. However, the **Mann-Whitney U test** p-value or asymptotic sig (2-tailed) .323 results indicates that there is no statistically significant difference with this respect between male and female respondents at 5 % level.

Table 4.3: Mann-Whitney U test showing variation on the existence of LED policy and legal Framework between Male and Female Respondents

| Variables | Gender | N | Mean Rank | Mann-Whitney U | Asymp. Sig. (2-tailed) |
|---|--------|-----|-----------|----------------|------------------------|
| There is clear policy and legal framework that govern and regulate local LED strategies in Adama city | Male | 106 | 75.82 | 2366.000 | .323 |
| | Female | 49 | 82.71 | | |
| | Total | 155 | | | |

Source: Survey Questionnaire, 2021

Data obtained through document analysis and interview held with concerned people supports the result of survey questionnaire. Review of existing documents reveals that there is no separate policy and legal frameworks that govern and guide LED programs and activities even at country level let alone at Adama city level.

Almost all interview participants also confirm that the City Administration lack LED policy and legal framework that guide and regulate its strategies and programs. It is worth to quote the response of one of the respondent, who led LED project as follows,

We have started the implementation of LED programs in parallel with existing local development system and practice of city government at project level with the financial and technical support of UNDP. But, the legal framework that guide LED project activities is not yet in place, instead, we are using other framework that are less relevant for LED strategies to undertake functions. In addition, there is no easily identifiable LED structure within the system of city government'.

Therefore, it is possible to conclude from the analysis and discussion above that there is no separate policy and legal framework governing and regulating LED strategies and programs in Adama city. In situation where policy and legal framework guiding LED programs is lacking, implementing and adopting LED as the only development strategy leads to failure than success.

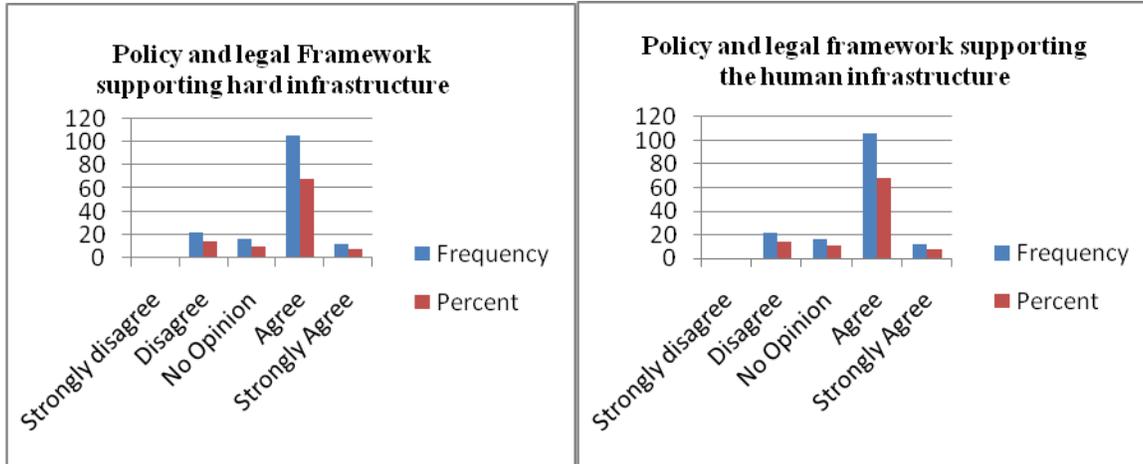
Existence of Adequate Infrastructure development Policy and its implication for LED practice

There is an argument that LED strategy is sustainable and lasting, only if there, are adequate local policies and practice that support the development and investment on physical infrastructure such as road, electricity, water, sewerage, market facilities, telecommunication as well as human resource infrastructure like health, education and others. The researcher investigated whether the existing policies and practices in Adama city support the development of the physical and human infrastructure.

With respect to infrastructure development policy and practice, the result of survey questionnaires(see Figure 4.2 below) reveal that majority of the survey respondents 125(79%) agree with existence of adequate physical infrastructure development policy and practice that support the development and investment on infrastructure in Adama City Administration. Only 24(15%) of the respondents disagree with the adequacy of physical infrastructure policy and practice in

the city. On the extreme side, very few (5.7%) of the respondents, lack opinion on whether existing policy and practice in Adama city sufficiently support the development of physical infrastructure.

Figure 4.2: Perception of Respondents on the Existence of Policy and Legal Framework Supporting Infrastructure Development



Source: Survey Questionnaire, 2021

Survey respondents were also asked to rate the extent to which existing policy and practice in Adama City Administration sufficiently support the development of human infrastructure (Education, Health and others). As shown in Figure 4.2 above, while most respondents 118(75.6%) agree with the adequacy of policy and practice that support the development and expansion of human infrastructure in Adama city, only 22(13.9%) disagree with the adequacy of human infrastructure in the city government. Of course, some (10%) of the respondents took neutral position about the issue.

Non-parametric **Mann-Whitney U test** was conducted to see difference in the perception of male and female respondents with respect to the extent to which existing policy and practice in the Adama city supports the development of physical and human infrastructure. As shown in table 4.4 below, the mean ranks in both variables are higher for female respondents. This implies that female respondents agree more with the adequate existence of policy supporting physical and human infrastructure than male respondents in Adama city.

Table 4.4: Mann-Whitney U test variation on the adequacy of physical and human infrastructure between Males and Females Respondents

Males

| Variables | Gender | N | Mean Rank | Mann-Whitney U | Asymp. Sig. (2-tailed) |
|--|--------|-----|-----------|----------------|------------------------|
| There is adequate policy and practice supporting the development and investment on hard infrastructure | Male | 106 | 77.72 | 2567.000 | .414 |
| | Female | 52 | 83.13 | | |
| | Total | 158 | | | |
| There is sufficient policy and practice supporting the development of human infrastructure | Male | 105 | 76.09 | 2424.500 | .247 |
| | Female | 51 | 83.46 | | |
| | Total | 156 | | | |

Source: Survey Questionnaire, 2021

However, the result of **test statistics**($U=2567, 2424$ and p -value or asymptotic sig (2-tailed) .414 and .247) for policy supporting physical and human infrastructure respectively indicates that there is no statistically significant difference with this respect between male and female at 5 % level of significance.

Non-parametric **Kruskal-Wallis test** was also conducted to see differences in the perception of the respondents on the prevalence of adequate policy and practice supporting the development of physical and human infrastructure in Adama city government among respondents with different levels of education. Accordingly, the result of **Kruskal-Wallis test analysis** ($\chi^2= 1.434$ and p -value or asymptotic sig. (2-tailed) .838 and .801) for policy supporting physical and human infrastructure respectively, implies that there is no statistically significant difference with this respect among respondents with varying levels of education at 5% level. That means, all respondents with different level of education have same view on the adequacy of infrastructure development policy and practice in the city.

The same **Kruskal-Wallis test** was also conducted to see differences in the perceptions of the respondents with respect to adequacy of policy and practice supporting the development of physical and human infrastructure in Adama city government among the three institutions (representatives of city government, Micro and small enterprises and civil society organizations). As indicated in table 4.5 below, the mean rank for MSEs= 83.82 reveals that this sector were most agree with the adequacy of policy and practice supporting physical infrastructure in the city when compared with city government and civil society institutions. On the other hand, the mean rank for CSOs= 98.63 indicates that the institution most agree with the prevalence of adequate policy and practice supporting human infrastructure in Adama city when compared with city government and MSEs institutions. However, Kruskal-Wallis test ($\chi^2= 3.225, 5.259$ and p -value or asymptotic sig. (2-tailed) .199 and .072) respectively shows that there is no statistically significant difference in adequacy of physical and human infrastructure policy and practice among the indicated institutions at 5% level. This means, each institutions have the same position on the adequate prevalence of policy and practice supporting infrastructure in the city.

Table 4.5: **Kruskal-Wallis test** results of the three institutions on the adequacy physical and human infrastructure

| Variables | Institution | N | Mean Rank | χ^2 | Asymp. Sig. (2-tailed) |
|--|-------------|-----|-----------|----------|------------------------|
| There is adequate policy and practice supporting the development and investment on hard infrastructure | Government | 50 | 71.46 | 3.225 | .199 |
| | MSEs | 92 | 83.82 | | |
| | CSOs | 16 | 79.81 | | |
| | Total | 158 | | | |
| There is sufficient policy and practice supporting the development of human infrastructure | Government | 49 | 75.05 | 5.259 | .072 |
| | MSEs | 91 | 76.82 | | |
| | CSOs | 16 | 98.63 | | |
| | Total | 156 | | | |

Survey Questionnaire, 2021

The result obtained through survey questionnaire was also triangulated with data collected through review of documents and interview with key informants on the prevalence of adequate policy and practice encouraging the development and expansion of infrastructure in Adama city administration. The results obtained through qualitative instruments do not contradict with the result of the survey. Article 11(1o) of Oromia regional state city establishment proclamation No 196/2016 for instance stated that *every city in region have the mandate to construct and maintains or causes the construction and maintenance of basic infrastructure including roads, potable waters, electricity, telephone and mass transportation*’ for the residents of the city. Again, manuals developed by the region’s urban land development bureau to implement the same proclamation also allowed cities in the region to develop infrastructure within their jurisdiction.

Interview held with concerned stakeholders on the issue also confirms that existing infrastructure policy and practice is not discouraging instead, there are 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.

What we generally infer from the results of questionnaire and qualitative data is that existing infrastructure policy and practice in Adama city is encouraging and can be an opportunity for the implementation of LED strategy though the prevalence of favorable infrastructure policy is not the only factor for its success.

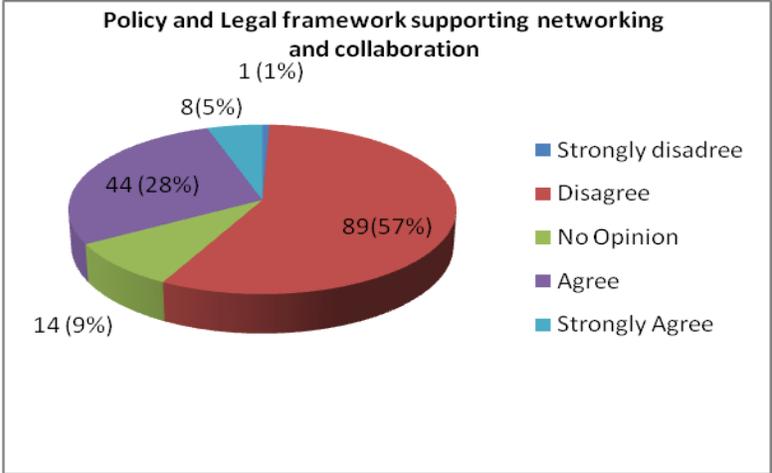
Policy and legal framework supporting the establishment of Networking and Collaboration for the promotion of LED

As Meyer-Stamer and Cunningham (2005) rightly argued, LED objectives could not be attained by the effort of a single sector or institution alone, instead the success and sustainability of LED strategies relies on how effectively each institution

work together and play their respective roles. For the effective collaboration and networking by local institutions and other stakeholders for LED promotion, there need to be an enabling policy and legal framework encouraging networking and doing together. The existence of effective policy and legal framework that allows the establishment of networking among local institutions in Adama city was assessed using survey questionnaire and qualitative sources.

As shown in Figure 4.3, majority 90 (57.7%) of the respondents who filled the questionnaire disagree with the adequate existence of policy and legal framework that support working together among local institutions in the Adama city. About 52(33.3%) agree with the existence of LED policy and legal framework allowing networking in the city. Some 14(9%) do not have opinion on the existence of policy and legal framework encouraging and supporting collaboration among local stakeholders for the promotion of LED.

Figure 4.3: Perception of Respondents on the prevalence of Policy and Legal frame working supporting Networking and collaboration



Source: Survey, 2021

Kruskal-Wallis test was run to see differences in perceptions of the respondents with respect to existence of policy and legal framework that supports doing together between and among the three institutions (representatives of city government, Micro and small enterprises and civil society organizations). As indicated in table 4.6 below, the mean rank for CSOs= 84.25 reveals that the institution most disagree with the adequate existence of LED policy and legal framework allowing networking in the city when compared with city government institution and MSEs.

Table 4.6: **Kruskal-Wallis test** results of mean difference on the existence of collaboration and networking policy and legal framework among local institutions

| Variables | Institutions | N | Mean Rank | χ^2 | Asymp. Sig. (2-tailed) |
|---|--------------|-----|-----------|----------|------------------------|
| There is adequate policy that support the establishment of networking b/n public-private & civil society in Adama | Government | 48 | 79.96 | .568 | .753 |
| | MSEs | 92 | 76.74 | | |
| | CSOs | 16 | 84.25 | | |
| | Total | 156 | | | |
| | | | | | |

Source: Survey Questionnaire, 2021

However, **Kruskal-Wallis test** ($\chi^2 = .568$ p-value or asymptotic sig. (2-tailed) .753) reveals that there is no statistically significant difference with regard to the prevalence of policy and legal framework supporting the establishment of networking and doing together among the indicated institutions at 5% level.

This means, each institutions have similar view on the absence of legal framework encouraging and supporting formation of partnership among concerned local institutions in the city.

The same, **Kruskal-Wallis test** was also conducted to see differences in perception of the respondents with respect to adequate existence of policy and legal framework supporting the formation of partnership and collaboration among key local institutions in Adama city Administration among respondents with different levels of education. Accordingly, as indicated in table 4.7 below, the mean rank for respondents with level of education below diploma and TVET= 84.79 reveals that this group of respondents most disagree with the availability of policy and legal framework supporting the formation of networking in the city when compared with other group of respondents.

Table 4.7: **Kruskal-Wallis test** results of mean difference on the prevalence of policy and legal framework supporting networking among Respondents with varying level of Education

| Variable | Level of Education | N | Mean Rank | χ^2 | Sig. (2-tailed) |
|--|-------------------------|-----|-----------|----------|-----------------|
| There is adequate policy that support the establishment of networking among public-private & civil society in Adama city | Below Diploma and TVET | 24 | 84.79 | 3.495 | .479 |
| | Diploma and TVET | 40 | 69.63 | | |
| | First degree | 60 | 80.86 | | |
| | Second degree and above | 29 | 76.48 | | |
| | Other | 1 | 45.50 | | |
| | Total | 154 | | | |

Source: Survey Questionnaire, 2021

But, **Kruskal-Wallis test** p-value or asymptotic sig. (2-tailed) .479 reveals that there is no statistically significant difference with this respect among respondents with varying levels of education at 5% level. That means all respondents with different

level of education have similar position on the absence of legal framework allowing the establishment of partnership among local institutions in the city.

Data was also collected through qualitative means to triangulate and ensure results of survey questionnaire and the result converges and supports each other. All interview respondents unanimously agree with the absence of clear legal framework that supports the formation of partnership and collaboration among key concerned institutions in the city. One interview participant from Adama City Administration plan and Economic Development office argued that *'we always talk the importance of doing together with the assumptions that it enhances and improves the life of local communities. Nevertheless, how and with whom to collaborate is always a big challenge for us due to absence of clear policy direction and legal framework and good practice supporting working together.*

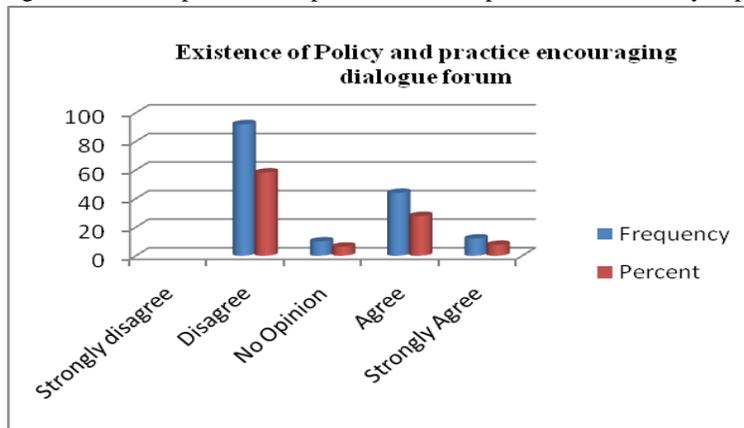
Another interview participant from CSOs confirms that *we recognize and value the importance of coming together to solve our financial and other capacity limitations. There are times that we take initiation to cooperate and form partnership with others that share our objectives based on our informal relationships. However, most of the time, our initiations and practice of doing together is failed and not sustainable due to absence of binding policy direction and legal framework guiding our partnership initiatives'.*

What we can generally infer from the discussion above is that there is lack of clear policy direction and adequate legal framework and practice that support collaborative actions in Adama City. In the environment where the culture of working together is not supported by adequate policy and practice, it is difficult to expect the successful practice of LED strategies in localities.

Existence of Policy supporting Dialogue Forum as an Instrument for the success of LED Strategies

Dialogue and regular communication forum among key institutions is an essential ingredient for LED initiatives and programs to succeed. Bringing local stakeholders around one table for dialogue and regular conversation helps to promote the spirit of trust and confidence, creates social networks among key stakeholders and encourages innovation. But the dialogue and conversation among public-private and CSOs is sustainable and brings the intended results only if there is adequate policy that support and encourage such practice in the locality. Existence of adequate policy that provides space for dialogue and communication among key local institutions in Adama city were assessed based data obtained through survey questionnaire. As indicated in Figure 4.4 below, majority 92(58.2%) of the respondents do not agree with the availability of adequate policy supporting dialogue forum in Adama city. Only 56(35.4%) recognize the existence of adequate public-private and CSOs dialogue policy and practice. There are also few (6.3%) respondents that lack information on the existence of adequate dialogue in the city.

Figure 4.4: Perception of Respondents on the prevalence of Policy supporting Dialogue Forum



Source: Survey Questionnaire, 2021

Non-parametric **Mann-Whitney U test** was run to see difference in the perception of male and female respondents with respect to the existence of adequate policy supporting public-private and CSOs dialogue forum in Adama city and as shown in table 4.8 below, the mean ranks for female = 85.69 implies that female respondents more disagree with the availability of adequate policy and practice supporting dialogue forum in the city when compared with male respondents.

Table 4.8: Mann-Whitney U test results of on the existence of policy supporting dialogue forum between Male and Female Respondents

| Variables | Gender | N | Mean Rank | Mann-Whitney U | Asymp. Sig. (2-tailed) |
|---|--------|-----|-----------|----------------|------------------------|
| There is formally established and policy supported dialogue forum b/n city government and non-institutions for the promotion of local development in Adama city | Male | 106 | 76.46 | 2434.000 | .177 |
| | Female | 52 | 85.69 | | |
| | Total | 158 | | | |

Source: Survey Questionnaire, 2021

However, the **result of test statistics** (U= 2434.000 and p-value or asymptotic sig (2-tailed) .177 indicates that there is no statistically significant difference with this respect between male and female respondents at 5 % level.

Kruskal-Wallis test was also conducted to see differences in the perceptions of the respondents with respect to the prevalence of policy supporting dialogue among the three institutions (representatives of city government, Micro and small enterprises and civil society organizations) in Adama city. As indicated in table 4.9 below, the mean rank for CSOs= 80.69 reveals that the institution most disagree with the adequate existence of policy supporting dialogue in the city when compared with city government institution and MSEs. However, **Kruskal-Wallis test** p-value or asymptotic sig. (2-tailed) .987 reveals that there is no statistically significant difference with regard to the availability of adequate policy encouraging dialogue

between public-private and CSOs in Adama city at 5% level. This means, each survey respondents have similar view on the absence policy supported dialogue and practice among concerned local institutions in the city.

Table 4.9: **Kruskal-Wallis test** results showing mean variations on the prevalence of policy supported Dialogue forum among local institutions

| Variables | Institutions | N | Mean Rank | χ^2 | Asymp. Sig. (2-tailed) |
|---|--------------|-----|-----------|----------|------------------------|
| There is formally established and policy supported dialogue forum b/n city government and non-institutions for the promotion of local development in Adama city | Government | 50 | 79.86 | .027 | .987 |
| | MSEs | 92 | 79.10 | | |
| | CSOs | 16 | 80.69 | | |
| | Total | 158 | | | |

Source: Survey Questionnaire, 2021

Data related to the availability of adequate policy and practice supporting dialogue among public-private and CSOs was also collected through interview with stakeholders. The result of interview conforms to survey results and all respondents participated in the interview unanimously disagree with the availability of formally recognized and policy supported dialogue among the key local institutions in Adama city. One of the interview participants from CSOs argued that *'there is occasion where we were invited on dialogue stage prepared by the government. But such dialogues do not bring the intended result since it lacks sustainability and not supported by clear policy. Again, such stage is not genuine and government needs our involvement for its own benefit (like the requirements of funder) than seeking our real contribution for local development'*.

Interview participants also confirm that the practice of dialogues and communication on local development issues with key stakeholder in Adama city is infrequent and in case it exists, government dominates the stage. This results in loss of confidence and trust to genuinely work with city government. Informants associate this problem with the absence of adequate policy and binding legal framework supporting dialogue and regular communication with stakeholders.

Therefore, we can generally concluded that the culture of dialogue and communication on local development issues by concerned stakeholders in Adama city is not matured enough and found to be at early stage. This is mainly associated with lack of adequate policy and practice supporting regular dialogue forum with key local institutions. In localities such as the study area, where the culture of dialogue and communication among key stakeholders is poor and not supported by legal framework, the adoption and implementation of LED as the only development strategy leads to failure.

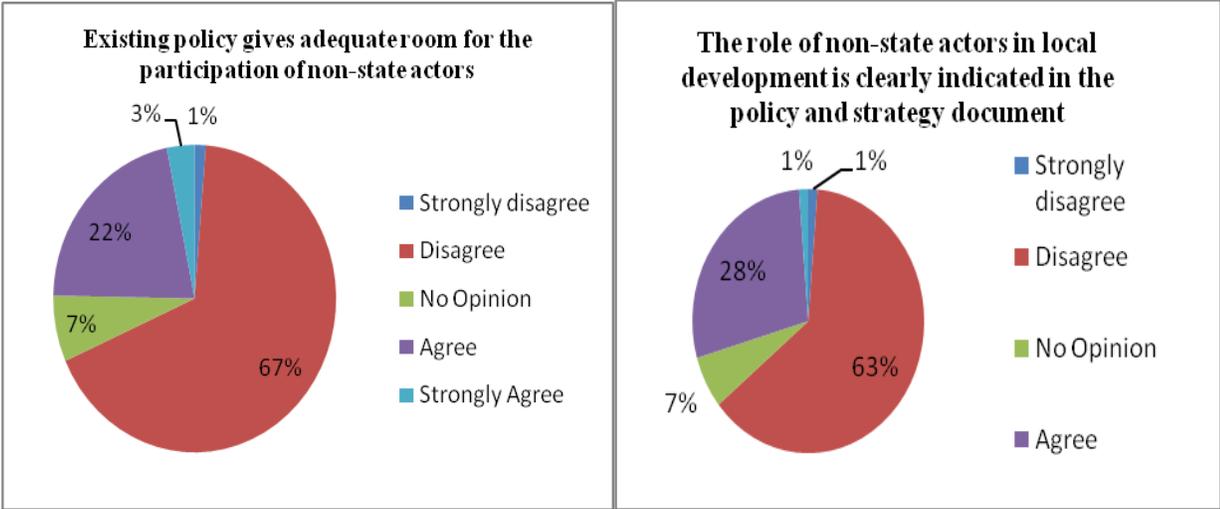
Adequacy of policy and legal framework supporting the Participation of non-state institutions in LED

As Blakely (1994) rightly stated, LED is a participatory development process in which government, business and civil society organizations work collectively to create better conditions for economic growth and employment generation with the ultimate aim to improve the quality of life for all. That means, LED as a bottom-up development strategy is not something achieved by the effort of local government alone. Instead, the involvement and participation of non-state institutions is highly

required for its success. Each institution and stakeholders have their own peculiar role in local development that is not covered by one another. But, for these non-state actors and institutions contribute what is expected from them towards local development, there need to be adequate policy and practice that encourage their genuine participation. The adequacy of policy and practice supporting the involvement of non-state actors towards LED in the study area was examined by the researcher based on data collected through survey questionnaire and qualitative instruments.

Respondents of survey questionnaire were asked to rate extent to which existing policy and legal framework give adequate space for the involvement of non-state institutions in the development of Adama City Administration. As indicated in descriptive statistics (see Figure 4.5 below), while majority 108(68%) of the respondents have reservation on the adequacy of policy supporting the participation of non-state actors, only 39(24.7%) recognize the existence of adequate policy allowing non-state stakeholders in local development.

Figure 4.5: Perception of Respondents on the adequacy of policy and practice supporting the participation of non-state actors in local development



Source: Survey Questionnaire, 2021

Similarly, survey respondents were also asked to rate extent to which the role of non-state institutions in local development is clearly indicated in the existing policy and legal framework of the city government. While majority 100(63.7%) of the respondents disagrees, only 46(29%) of the respondents agree with the issue under consideration.

Non-Parametric **Kruskal-Wallis test** was run to see differences among the three institutions (representatives of city government, Micro and small enterprises and civil society organizations) on the issues under consideration. As indicated in table 4.10 below, the result of test statistics($\chi^2= 1.832, .247$ and p-value or asymptotic sig. (2-tailed) are .400 and .884) indicates that there is no as such a significant statistical difference in the adequacy of policy and legal framework supporting the participation of non-state institutions in Adama city among the indicated institutions at 5% level. This means, each institutions have similar view and position absence of adequate policy that give space for the participation of private and Civil society organizations in local development.

Table 4.10: Kruskal-Wallis test results on the adequacy of policy supporting the involvement of non-state in institutions in LED among three institutions

| | The existing policy of Adama city government gives adequate room for the participation of non-state actors in local development | The role of non-state institutions in local development are clearly indicated in the policy and strategy document of the city government |
|-------------|---|--|
| Chi-Square | 1.832 | .247 |
| df | 2 | 2 |
| Asymp. Sig. | .400 | .884 |

Source: Survey Questionnaire, 2021

Similarly, same non-parametric **Kruskal-Wallis test** was also conducted to see the differences on the same issues among respondents with different levels of education. Accordingly, as shown in table 4.11 below, the result of test statistics reveals that p-value or asymptotic sig. (2-tailed) are .755 and .544, which indicates that there is no a significant statistical difference in the existence of adequate existence of policy encouraging the participation of non-state actors in the local development of Adama city among respondents with varying levels of education at 5% level.

Table 4.11: **Kruskal-Wallis test** results of respondents with different level of education on the absence of adequate policy supporting the participation of non-state actors

| | The existing policy of Adama city government gives adequate room for the participation of non-state actors in local development | The role of non-state institutions in local development are clearly indicated in the policy and strategy document of the city government |
|-------------|---|--|
| Chi-Square | 1.893 | 3.083 |
| df | 4 | 4 |
| Asymp. Sig. | .755 | .544 |

Source: Survey Questionnaire, 2021

The result of analysis from survey questionnaire is triangulated with data obtained through document analysis and interview held with key concerned stakeholders. Different policy documents including FDRE constitution article 43, 52 and revised Oromia regional constitution article 43 were reviewed and these provisions allows the participation of stakeholders in development issues of their localities. However, the provisions are more of general and inadequate since they did not put effective systems and legal framework that realize the effective involvement of local non-state institutions and development actors in the development of issues 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 annual work program, budget proposals, project ideas, performance as well as financial and audit reports.” However, this provision does 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 interview and the result showed that all interview participants have good know how and awareness the importance of local stakeholders' involvement for the promotion of LED and improve the life of local community. But, respondents confirm that though there is always oral talk and common agreement with the importance of participating non-state actors to improve the life of local community, most of the time, it is used only for political consumption. One of the interview respondents from CSOs stated that

'We are sometimes invited by the city government to participate on 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 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 do not also totally deny the ineffective participation of non-state actors in the planning, implementation and evaluation of city development performance of city government. But, the difference is that the poor participation of these stakeholders in local development issue is not only due to of 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.

The above facts and results generally implies that the participation of non-state actors in the development process is not satisfactory due to insufficient policy and binding legal framework supporting the involvement of these actors as well as lack of willingness from city government side.

Adequacy of policy encouraging the Expansion, Retention and improve the competitiveness of local businesses as well as attracting inward investments

There is a strong argument that LED strategy and program is successful and achieve the intended results, only if there is enabling policy and legal framework that encourage the expansion and retention of existing local businesses, attract inward investments and allow the competitiveness of local businesses. LED as a development strategy creates harm than benefit in localities where there is lack of enabling incentive policy for businesses and investment. Respondents of survey questionnaire were asked to rate the adequacy of incentive policy and practice that facilitate the expansion and retention of businesses in Adama City Administration.

As indicated in descriptive statistics (see table 4.12 below), majority of 103(65%) the survey respondents do not agree with the adequacy of incentive policy related to the expansion and retention of Adama city government. Only 43(27.3%) agree

with the adequate availability of incentive policy for the retention and expansion of local businesses. Of course only few (7.6%) of the respondents lack opinion on the issue.

In addition, respondents were also requested to indicate their level of agreement with the adequate existence of clear and transparent incentive policies that attracts inwards investments and businesses in Adama city. The result showed that majority 107(68.7%) of survey respondents have reservation with the adequacy of policy attracting inward investment in the city while only 46(28%) of the respondents recognize the relative existence of incentive policies attracting new inward investments in the city.

Table 4.12: Adequacy of policy encouraging the Expansion, Retention and improve the competitiveness of local businesses as well as attracting inward investments

| S.N | Items | Strongly disagree | | Disagree | | No Opinion | | Agree | | Strongly Agree | |
|-----|--|-------------------|-----|----------|------|------------|-----|-------|------|----------------|-----|
| | | F | % | F | % | F | % | F | % | F | % |
| 1 | There is clear and transparent incentive policy that facilitate for the expansion and retention of existing businesses in Adama city | 3 | 1.9 | 100 | 63.3 | 12 | 7.6 | 38 | 24.1 | 5 | 3.2 |
| 2 | There is clear and transparent incentive policies aimed at attracting new inward businesses and investment in Adama city | 2 | 1.3 | 105 | 66.5 | 5 | 3.2 | 42 | 26.6 | 4 | 2.5 |
| 3 | There is clear and transparent policies that aims to improve the competitiveness of local enterprises in Adama city government. | 3 | 1.9 | 108 | 68.4 | 3 | 1.9 | 38 | 24.1 | 6 | 3.8 |

Source: Survey Questionnaire, 2021

Finally, respondents were also asked their agreement with the prevalence of policy improving competitiveness of local enterprises and businesses and as indicated in table 4.12 above, majority 111(70.3%) of the respondents do not agree with existence of competitive policies improving local businesses in Adama city. Only 44(27.9%) agree with the prevalence of policies supporting competitive businesses in the city under study.

Non-Parametric **Kruskal-Wallis test** was run to see differences on the issues under consideration among the three institutions (representatives of city government, Micro and small enterprises and civil society organizations) and as indicated in table 4.13 below, the result of test statistics p-value or asymptotic sig. (2-tailed) for the variables are .051, .199 and .364 respectively. This indicates that there is no a significant statistical difference with the adequacy of incentive policy that encourage the expansion and retention of existing businesses, attract inward investments and allow the competitiveness of local businesses in Adama city among the indicated institutions at 5% level.

Table 4.13: **Kruskal-Wallis test** results of variation on existence of incentive policies supporting local businesses and attracting new investments among local institutions

| | There is clear and transparent incentive policy that facilitate the expansion and retention of existing businesses | There is clear and transparent incentive policies aimed at attracting new inward businesses and investment | There is clear and transparent policies that aims to improve the competitiveness of local enterprises/businesses |
|-------------|--|--|--|
| Chi-Square | 1.254 | 2.528 | 3.353 |
| df | 4 | 4 | 4 |
| Asymp. Sig. | .051 | .199 | .364 |

Source: Survey questionnaire, 2021

This means, each institutions have same view with respect to the absence of sufficient incentive policy encouraging local businesses and attracting new investments in the city.

The same non-parametric **Kruskal-Wallis test** was also conducted to see differences in the perceptions of the same issues among respondents with different levels of education. Accordingly, as shown in table 4.14 below, the result of test statistics p-value or asymptotic sig. (2-tailed) greater than .05 for all variables indicates that there is no a significant statistical difference with the adequacy of incentive policy that encourage the expansion and retention of existing businesses, attract inward investments and allow the competitiveness of local businesses in Adama city Adama city among respondents with varying levels of education at 5% level. This means, each group of respondents have similar position with respect to the absence of sufficient incentive policy encouraging local businesses and attracting new investments in Adama city.

Table 4.14: **Kruskal-Wallis test** results of variation on incentive policies supporting local businesses and attracting new investments among respondents with varying level of education

| | There is clear and transparent incentive policy that facilitate the expansion and retention of existing businesses | There is clear and transparent incentive policies aimed at attracting new inward businesses and investment | There is clear and transparent policies that aims to improve the competitiveness of local enterprises/businesses |
|-------------|--|--|--|
| Chi-Square | 1.254 | 2.528 | 3.353 |
| df | 4 | 4 | 4 |
| Asymp. Sig. | .869 | .640 | .501 |

Source: Survey Questionnaire, 2021

Generally, the above facts reveals that enabling policy and legal framework that encourage the expansion and retention of existing businesses, attract inward investments and allow the competitiveness of local businesses is lacking in Adama city. In

localities where there is no adequate enabling policy and practice supporting local businesses, the adoption and implementation of LED initiatives as the *only development strategy* leads to failure.

CONCLUSIONS, THE WAY FORWARD, AND SUGGESTIONS FOR FURTHER STUDY

Conclusions

The core purpose of this study is to evaluate extent to which existing local legal and policies framework allows for the effective promotion of LED strategy in Adama City Administration. The following major findings related to the issues were drawn based on information gathered through review of documents, interviews and survey questionnaire:

LED Policy and legal framework is a pre-requisite for the successful practice of LED strategies. Nevertheless, the result of the finding reveals that there is no separate policy and legal framework governing and regulating LED strategies even at country level let alone at Adama City. In situation where policy and legal framework guiding LED programs is lacking, implementing and adopting LED as the only development strategy leads to failure than success.

LED strategy and program is sustainable only if there are adequate local policies and practice that support the development and investment on infrastructure. The result of data obtained from both survey and qualitative instruments reveals that existing infrastructure policy and practice in Adama City is encouraging and can be an opportunity for the implementation of LED strategy though the prevalence of favorable infrastructure policy is not the only factor for its success.

For the effective collaboration and networking by local institutions and other stakeholders for LED promotion, there need to be an enabling policy and legal framework encouraging networking and doing together. However, the result of the finding showed that there is lack of policy direction and adequate legal framework and practice that support collaborative efforts in Adama city. In the environment where the culture of working together is not supported by adequate policy and practice, it is difficult to expect sustainable and successful implementation and practice of LED strategies in localities.

The result of the finding attests that the culture of dialogue and communication on local development issues by concerned stakeholders in Adama city is not matured enough and found to be at early stage. This is mainly associated with lack of adequate policy and practice supporting regular dialogue forum with key local institutions. In localities where the culture of dialogue and communication among key stakeholders is poor and not supported by legal framework, the adoption and implementation of LED as the only development strategy leads to failure.

LED strategies and programs needs enabling policy and legal framework that encourage the expansion and retention of existing businesses, attract inward investments and allow the competitiveness of local businesses. However, both qualitative and survey results showed that there is lack of adequate policy and practice that support the expansion and retention of existing businesses, attract inward investments and allow the competitiveness of local businesses in the study area.

The Way Forward

The following recommendations were forwarded based on the empirical findings and conclusions drawn that can be transcended to other localities that have similar context:

The result of the finding attests that there is no separate policy and legal framework governing and regulating LED strategies Adama City Administration. However, to institutionalize LED initiatives in localities, adequate Policy and legal framework and permanent LED institutions that are well integrated with the overall city responsibilities and budget is needed.

The result of the finding showed that there is of lack of policy direction and adequate legal framework and practice that support collaborative efforts in Adama city. Therefore, there need to be enabling policy and practice encouraging networking to successfully implement LED initiatives in the locality.

Both qualitative and survey results highlights lack of adequate policy and practice that support the expansion and retention of existing businesses, attract inward investments and allow the competitiveness of local businesses in the study area. So, adequate policy and practice supporting attracting businesses is required to successfully promote LED strategy and programs in the area.

The result of the finding highlights existence of poor dialogue and communication on local development issues by concerned stakeholders in Adama city. Therefore, for the success of LED initiatives in the study area, there need to be policy and legal framework that provide adequate room for dialogue among local institutions and stakeholders.

Suggestions for Further study

International, national and local environments/factors may affect the successful implementation of LED (Rodriguez-Pose and Tijmstra, 2009). This study however, focuses on the local factors and its implication on LED initiative. Thus, the study can be carried out on the international and national environments that influence the success of LED.

Environment for LED is broadly classified into three: economic hardware, software and orgware Vazquez-Barquero (1999). But this study is limited to the software factors specifically the legal and policy environments that affect LED strategy and programs. Therefore, study can be conducted on the remaining environments/factors that are either opportunities or threats for the implementation of LED strategy.

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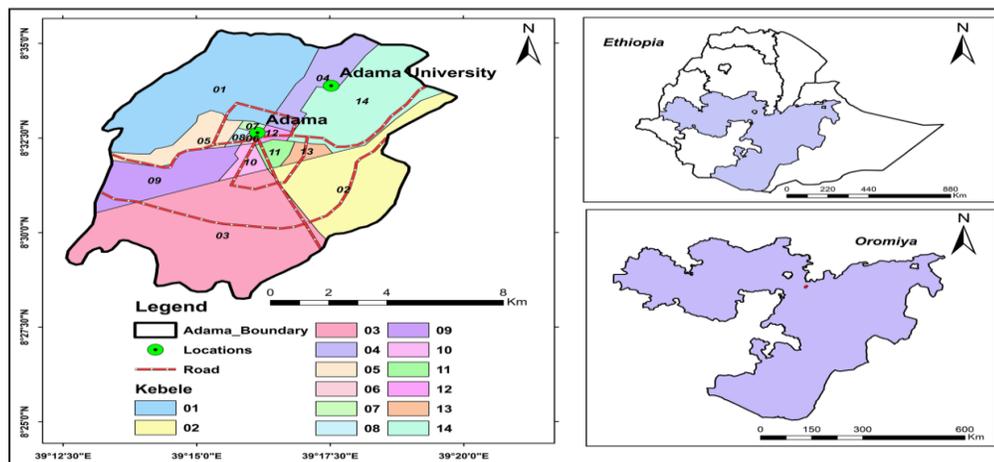
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Annex : Location and Administrative Map of Adama city



Source: Adama City Administration Land Management and Development Office, 2020