

INSTITUTIONS AND LOCAL DEVELOPMENT IN ETHIOPIA: THE CASE OF EAST SHEWA ZONE

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1. INTRODUCTION

The standard literature recognizes economic factors as key elements in explaining local development. Hence scale, agglomeration and scope economies, hard infrastructures etc. are given central positions in attracting external capital and creating local employment. This conception implies that local development strategies are transferable and rely on external factors and sources.

The conception of local development as endogenous development, however, brings some important issues to the fore regarding the theory and policy of local development. First, local development is the outcome of a process that takes place in a particular territory at a certain time and hence it is not transferable to another territory and another time without being complemented with knowledge gained from the new process (Figueiredo 1990). Second, local development implies local ability to see through its own development choices. Hence internal factors pertaining to human organizations are considered as key to the success of local development. In this regard institutional forces belonging to the civil society, the market and the state become crucial. Malliat (cited in Figueiredo 1990) says that the dynamic evolution of a territory depends on the human relations established among regional actors organized as network and that the strength of a region varies directly with the density and intensity of these networks.

Recently Ethiopia has embarked on a decentralization program in which local and regional entities are recognized. Hence regional and local development has preoccupied the development agenda of the country. It thus becomes indispensable to examine the operation of the different local development forces so as to overcome gaps and ensure the smooth functioning of local development. Such examination will positively contribute to local development in Ethiopia as the country is just beginning the local development process. In light of this, the objectives of this paper are:

1. To examine the roles of institutions in local development by referring to the theoretical insights into the relation between institutions and local development.

2. To identify the institutional framework and arrangements of local development in Ethiopia in reference to East Shewa zone.

3. To suggest ways of improving the operation of institutional network in local development promotion in the country

The information for this paper is collected by interviewing informants from key institutions involved in local development. Hence government departments such as Economic Development and Planning, Trade and Industry, Disaster Preparedness at zonal level and Administration at Wereda level were interviewed. In addition non-government organizations such as the Chamber of Commerce and the Oromo Regional Development Association were also interviewed. The interview was carried by making use of a checklist prepared to guide the discussion and information collection.

This paper is limited to the formal institutions and does not examine the informal or indigenous institutions. It should however be noted that informal or indigenous institutions are widely abundant in the country and are important in the development process (Dejene and Getnet 1998). These institutions need to be studied to identify their relations with the formal institutions and their role in development.

2. THE ROLES OF INSTITUTIONS IN LOCAL DEVELOPMENT

Some authors have lamented the lack of theory or model to explain local development. Guimaraes (1997) indicated that, though other fields of development usually lack theories and models that guide the future, it is much more difficult with the local level development. The reasons, he believes, are that local (regional) systems are open, complex, dynamic, adaptable, political and largely self-organizing systems. These nature of local development entails that local development is unique and path dependent.

There are, however, some attempts to explain local development from different perspectives. Economic theories are in the forefront to explain local development. Location theories which provide a framework for business locations are at the center of local development explanations. The strategies derived from such conception emphasize the attraction of investment. In this regard export processing zones or special economic zones are designed to attract external capital (Rogerson 1995). The model involves a range of policy instruments such as place marketing; offering concessions, direct provision of land, buildings or finance to attract industries, etc.

Economic theories and economic strategies alone, however, are not adequate to grasp the process of local development particularly viewed as endogenous growth involving different types of resources. The contribution of non-economic theories should be realized on equal ground. The sources of non-economic theories, however, are not very clear. The conventional political economy school which emphasizes class and class struggle reduces development explanation to the class appropriation with little consideration of individuals and non-state activities (Lathrop 1997). Dwelling on class relation to explain local development in a modern civil society will not lead to a fruitful discourse. As alternative perspectives that are less based on class and more on community, Lathrop (1997) suggests that the new communitarism of A. Etzioni or the social movements school represented by Borda and Touraine could be possible theories of local development. Garofoli (1990) also stated that only local social forces will be able to identify objectives and instruments of intervention in relation to the actual situation in each area. These theories make use of the power structure and the interplay of different interests in a community with different institutional arrangements as the basis of development. In this regard Lathrop's (1997) conclusion is

- a) the local structure of power group
- b) the institutions-formal and informal—by means of which they promote and /or impose their interests and
- c) the role that the local state institutions play in the articulation of interests are crucial parts of the internal environment for local development and should constitute a basis for intervention and promotion.

The development literature has recognized the prominence of institutions in growth and development due to the realization that a discourse on the factors accounting for growth and development that omits institutions and institutional changes is incomplete and unsatisfactory (Feeny 1988). Similarly while technological changes are considered to account for the residual variation in output growth from input growth, it is realized that institutions matter in the generation of technologies and in peoples' ability to realize the gains of such technologies (Feeny 1988)

Institutions are defined as the rules of the game or are the humanly devised constraints that structure human interaction (North 1995). They include formal rules, informal constraints and the enforcement characteristics of both (North 1995). These rules are observed in a society by actors or organizations. In a standard literature the latter are defined as players or as groups of individuals bound by a common purpose to achieve the objectives (North 1995). The interactions between institutions and organizations determine the institutional changes.

The institutional approach to local development focuses on the functions and tasks of key institutions and actors involved in the development of a locality (Manuel 1997). There are several actors involved in local development. These actors could be

abstracted into three categories of public, private and community sectors. Table 1 shows a summary of the characteristics of each sector.

The different sectors have their own unique contributions to economic development. A public sector action is needed to overcome market failures, externalities, monopolistic behavior, free riding etc. Similarly the provision of public goods in local development necessitates the active participation of a public sector. A private sector, as producer of goods and services and generator of employment, is required to invigorate the economic well being of localities. A community sector creates access to particular group of the population and also enables the mobilization of the community resources. Other roles of a community sector in local development involve:

- a) the creation of a focus on target group
- b) flexibility and responsiveness
- c) heterogeneity
- d) ability to experiment, innovate and pioneer untried approaches and
- e) commitment to defined missions (Manuel 1997).

Local development is, therefore, the responsibility of not any one sector but the responsibility of many sectors with varying institutional roles.

Table 1. Summary of the Characteristics of the Public, Private and Community Sectors

Element	Public Sector	Private Sector	Community Sector
Principal Mechanism	Bureaucratic organizations	Market process	Voluntary association
Decision maker	Administrators and experts	Individual producers, consumers, savers and investors	Leaders and members
Guides for behavior	Regulations	Price Signals and quantity adjustments	Agreements
Criteria for decisions	Policy and best means to implement it	Efficiency, maximization of profit and or utility	Interests of members
Sanctions	State authority backed by coercion	Financial loss	Social pressure
Mode of operation	Top-down	Individualistic	Bottom-up

Source: Manuel, 1997.

The institutional responsibilities of actors could be of different nature and character. Manuel (1997) has simplified the different local development tasks by outlining a) development planning b) development managing c) fund provisions d) production of goods e) institutional support. These tasks will be performed by different institutions with varying responsibilities. In addition to having different roles or functions, each of the key actors works in cooperation with the others. No actor is capable of addressing fully the issue of local development alone because of numerous

constrains. Hence inter-institutional cooperation and arrangements are needed. Such interrelations define the institutional network that exists in a given place.

Some authors describe the network of institutions as institutional thickness (Lathrop 1997). Institutional thickness can be characterized by the following factors:

- a) A strong institutional presence containing institutions of different types (firms, trade associations, local authorities, CBOs, NGOs, training agencies, state or private development agencies etc.) which can provide a basis for collective representation in supra local networks and sustain particular local practices
- b) a high level of interaction among the institutions of the local network including cooperation and sharing of information
- c) a resulting well defined system of leadership or patterns of coalition that can be engaged in collective representation of what are normally group or individual interests, the sharing of costs and the controlling of deviant behavior and
- d) the development amidst the institutions of an awareness that they are involved in a common enterprise, which is represented by a common agenda with varying degrees of formalization (Lathrop 1997).

The institutional network approach to local development could enable to harness the innovation potential of local development (Figueiredo 1990). The approach could be used in both the concentration areas where institutional dynamics increase the agglomeration effects and in depressed or stagnant areas where the creation and intensification of institutional networks may be seen as another type of development infrastructure. The institutional approach is more significant in the promotion of entrepreneurship based local development than the risky attempt of appealing to the external capital.

3. INSTITUTIONAL FRAMEWORK IN LOCAL DEVELOPMENT IN EAST SHEWA ZONE

East Shewa zone is one of the 12 zones of the Oromiya region. The zone contains 12 weredas with a population of 1,905, 640. The urban population of the zone which is about 28% represents the highest concentration of urban population in the region. Nazreth, the capital of the zone, is perhaps second to Addis Ababa in terms of its economic activities. Some of the bigger cities in the zone such as Nazreth, Shashemene, Mojo, and Debre Zeit are seats of industries and heavy commercial businesses. The zone is one of the most developed zones in the region in terms of its transport accessibility, industry, business, etc. (Trade and Industry and Planning and Economic Development Departments 1999).

Taking Table 1 as a reference point, attempt is made to identify the different institutions involved in locality development in the East Shewa zone (see Table 2). In the public sector the tasks of the regional and zonal governments and sectors are delineated since each has different resources, capacities and mandates. Following other researchers (Manuel 1997), the private sector is defined as organized groups of businessmen in a locality. Organized groups of businessmen are believed to have some stake in locality development if they perceive development as a means of reducing the costs of production and increasing the profit of the private sector. The community sector, which is also called the civil society sector, involves community-based organizations and the non-government sector as well. Accordingly, Table 2 identifies the public, community and private sector entities working in the zone.

The Public Sector

The public sector includes the Regional Government, the Zonal Administrations, the Planning and Economic Development Department, the different sector Departments, the Municipalities, Financial Institutions, and support committees.

The Regional Government was established by Proclamation No. 7/1992. The activities within the powers of the Regional Government include:

- Establishing regional administration on the basis of self determination and establishing a democratic system*
- Formulation and executing the regional constitution*
- Formulating and executing the economic and social development policies and strategies*
- Administering land and natural resources on the basis of the federal law*
- Determining taxes and collecting revenues from regional resources*
- Formulating and executing laws concerning civil servants administration and work conditions in the region and*
- maintaining peace and order in the region and establishing police force*

The main development tasks of the regional government in the zone are approval and allocations of budgets to the zonal administration. This is done in accordance to the priorities and needs of each zone submitted to the regional governments. The regional government evaluates the zonal administration's and planning department's reports. The regional government through its different bureaus is responsible for undertaking development projects in the zone which are over 1.5 million birr worth. This is due to lack of capacity on the part of zonal sector departments to implement such big projects.

The zonal administration was established by the regional governments from the elected regional council members. The zonal administration is responsible for the

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overall coordination of development activities in the zone. Hence the zonal administration, through its executive committee members and the social and economic affairs committees, follows the work of the sector departments, approves the overall plan of the zone and follows the implementation of projects in the zone. The zonal administration's activities are monitored by the regional government in their annual meetings. In actuality, however, more frequent meetings take place between the executives of the regional governments and zonal administrations.

The zonal sectors are established by Proclamation No. 41/1993 which established the executive organs of the federal and the regional government. The proclamation established the federal ministries and the regional sector bureaus. The zonal sectoral departments are extensions of regional sector bureaus and are accountable to the sector bureaus and zonal administration. The sectors are responsible to lead and coordinate activities in their respective sectors. There are 10 sectors which are active in the zone. These are Education, Health, Agriculture, Water and Mining, Urban Development, Transport and Communications, Labor and Social Affairs, Finance, Industry and Trade and Culture and Information. The last two sectors are not grounded in the zone but are working at regional levels. The Planning and Economic Development department plays a coordinating role for the different sectors and is responsible for providing technical support to the zonal administration. For instance, the department provides assistance to the zonal administration in allocating resources to *weredas* and sectors and following up the implementation of projects in the zone. The activities of sector departments are monitored and evaluated by the monthly and quarterly report they submit to the regional sectors and zonal administrations.

The municipality is an independent organization accountable to the zonal administration and is involved in multi-sectoral development of the different towns in the zone. At present the region does not have a clear legal framework on the operation of the municipalities. In fact this is one of the gaps in the Ethiopian decentralization because neither the federal nor the regional constitutions recognize or make a reference to municipalities as separate and distinct institutions of authority and governance (Meheret 1998).

In addition, there are government financial institutions such as banks and insurance companies working in the zone. These financial institutions do not have any direct structure with the government offices in the zone. They are directly linked to their head offices in the center.

Support committees to the public sector in the zone are the investment and the project committees. The investment committee coordinates and promotes investment in the zone. The committee comprises the zonal administrator and selected sector bureaus. The committee is responsible for the provision of land to investors and following implementation problems in the zone. The committee is formed according to

Proclamation No. 2/ 1987 of the Oromiya region which is amended by Proclamation No. 18/1989. The zonal investment committee has a responsibility of reporting to the investment office at regional level on monthly bases. This however is not observed in reality. For instance, in the Oromiya region, there is only one zone which has reported to the zonal investment office in the last three years (Tesfaye 1999). This shows that there is loose control in strictly following the reporting systems.

The project committee is a technical committee within the public sector which is mandated to evaluate and follow up projects undertaken in the zone. The project committee is not established by proclamation.

In addition to these formal government sectors, the Ethiopian Social Rehabilitation Fund (ESRDF), a semi-public entity, is involved in the development activity of the zone. ESRDF is mainly a fund giving agency for community based projects. The ESRDF assists demand driven and community based productive and income-generating micro projects. Micro projects are submitted by community beneficiaries, local administration, local or international NGOs.

The Community Sector

The formal community or the civil society sector in the zone is dominated by a strong presence of NGOs. There are 35 NGOs in the zone currently running 46 projects (Communications with Disaster Prevention and Preparedness Department). These projects are in the fields of agriculture, health, drinking water supply, irrigation and child sponsoring. Most NGOs are working in rural areas with only about four NGOs actively working in towns. The NGOs work according to the agreements they reach with Disaster Prevention and Preparedness Department (DPPD) and their respective donors. Hence these agreements guide the behaviors of the NGOs. There are two ways of monitoring NGOs' activities in the zone. The first is an annual evaluation of sample NGOs undertaken by a technical committee established by the zonal administration. The reports of the technical committee will be discussed in a meeting where NGOs are present. The meeting is supposed to correct deficiencies in the operation of NGOs. The second is a mid-term evaluation report submitted by NGOs to DPPD.

The Oromo Development Association (ODA) is a community based NGO working in the region and in the zone. The Oromo Development Association is formed on the basis of a proclamation which specifies the formation of associations in the country. The relevant legal frameworks are the 1960 civil code, the 1966 Association Registration regulation and article 31 of the FDRE Constitution. The ODA draws its members from working places and residential areas throughout the region and the zone. The structure of ODA comprises the grass-root association, the *wereda* council, the branch office, the central office and the general assembly. At each level there is

an executive and audit committee undertaking the day to day activity (personal communication with the General Manager of ODA). ODA draws its resources from members and relies on the willingness and voluntary actions of members to undertake its activities.

The ODA has its own constitution which guides its behavior. Since ODA is a voluntary organization, though it evaluates reports at each level, enforcement mechanisms are very loose and individuals' willingness is crucial for its activities.

The main tasks of the ODA are the provision of social infrastructure in the fields of education, health, water and sanitation. Hence ODA is engaged in the construction of elementary schools, clinics, rural water supply etc. In addition to this, ODA is also involved in mobilizing communities and providing matching funds for other agencies such as ESRDF which are operating in the zone.

The Private Sector

There is a significant presence of the private sector in the zone. This is because of the zone's suitability for private business in terms of market, accessibility and rich agricultural hinterland. The private sector works as individuals or trade associations. In the latter group, there are significant trade associations in the form of private limited companies with membership ranging from 2 to 50 or share companies with a minimum number of members of 5 and indefinite maximum members. According to unpublished document of the Department of Trade and Industry, there are 35 registered private limited companies and about 10 share companies working in the zones in different fields of agriculture, trade, industry, hotels, transport, construction, banking, insurance etc. These trade associations are formed on the basis of the 1955 Commercial Code. Each trade association has its own Memorandum of Associations and Articles of Associations. The latter define the objectives, duties and responsibilities of the associations and the members of the associations. Businesses are therefore run according to the article of associations members agree upon.

In addition to the trade association, there is a chamber of commerce which is mandated to serve as a bridge between the government and the business community. The chamber has branches in Nazreth and Shashemene towns in the zone.

Table 2. Institutional Framework in East Shewa Zone

Sector	Organization	Description	Rules	Monitoring & Evaluation	Development Tasks
Public	Regional Government	Constitutionally created organ for the purposes of administering regional affairs	-FDRE constitution -Proclamation no 7, 1992: A proclamation to provide for the establishment of regional self Government	Annual meetings	-Approve and allocate budgets -Evaluate zonal administration and planning bureau reports -Undertake development projects over 1.5 million birr worth
	Zonal Administration	-An administration formed by the regional council to administer and run zonal affairs	-Proclamation no 7/1992	Annual meetings with regional governments	-Approve development plans of the zone -Coordinate plan and sectoral activities through the economic and social affairs
	Planning and Economic Development department	A department responsible for the overall development of the zone	-Proclamation no 41/1993- A proclamation to define the powers and duties of the central and regional executive organs of the transitional government of Ethiopia	Monthly and quarterly reports to zonal administration.	Compilations of plans according to priorities -Resource allocations to weredas -Follow up of development projects implementations -Information and data compilations
	Sector departments	Departments responsible for sectoral development in the zone	-Proclamation no 41/1993- A proclamation to define the powers and duties of the central and regional executive organs of the transition government of Ethiopia	Monthly and quarterly reports to zonal administration	-Sectoral plan formulations and implementations
	Zonal Investment committee	A committee comprising the administrator, planning office, urban development, agriculture and head of economic affairs of the administration for the purpose of dealing with investment promotion in the zone	-A proclamation to provide for the establishment of investment administration in the Oromiya region Proclamation no 2/1987 EC amended by proclamation no.18/1989 EC	Monthly reports to the regional investment office	-Provide land to investors
	Municipality	An entity responsible for the overall administration and control of towns	No Official document	No official methods	-Undertake multi-sectoral activity in the development of towns

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Table 2 continued

Sector	Organization	Description	Rules	Monitoring & Evaluation	Development Tasks
Semi-public	Banks and Insurance	Government run organizations providing banking and insurance services	Monetary and Banking Proclamation No. 23/94	Internal procedures	-Financial mobilization with individual clients
	ESRDF	A development fund established to assist community projects	Own Constitution	Reports	-Fund community projects
Community	NGOs	Non profit organization to provide assistance in social and economic development	-Agreements with DPPC and donors	Yearly review of the activities of sample NGOs by zonal technical committee –Mid term evaluation of NGO activities	-Undertake development projects in various fields
	Oromo Development Association	A voluntary organization established to assist the development process of the region	- FDRE Constitution 1966 association registration-1960 civil code	-Reports -Willingness of individuals	-Undertake Social Infrastructure development -Provide matching funds for ESRDF
Private	Chamber of Commerce	An independent entity to keep the interests of business men and liaison with government	-Own Constitution	NA	Service to the business community
	Traders association	A voluntary organization of business men for the purpose of carrying business venture	Memorandum of association -Articles of Association	According to members agreement	Production of goods and services
	Private banks and Insurance	Share companies involved in banking and insurance services	Proclamation No. 84/1994: A proclamation to provide for the licensing and supervising of banking business	Internal procedures	Provision of financial services

4. INSTITUTIONAL ARRANGEMENTS IN EAST SHEWA ZONE

Institutional arrangements are required because a single sector can not provide the resources and skills required to meet the demands of local development. In addition to easing burdens in resource and skill requirements, institutional relations will also reduce the risks involved in local development. The benefits of establishing relations between the public, private and community sectors include managed dependency, exchange efficiency, social satisfaction from the association and reduced uncertainty (Palmer 1996 cited in Manuel). Institutional relations could take different nature in the forms of information exchange, coordination of activities, partnerships etc.

Figure 1 presents the inter-sectoral relationship in East Shewa zone. There is a very strong relation within the components of the public sector. The zonal administration is the overall manager of public development activities and the plan department is a coordinator and supervisors of sectoral activities. These three sub sectors are related in the processes of plan preparation, plan compilation and plan approval. The process of plan preparation involves that sector departments receive guidelines from plan department. These departments, on the basis of information they receive from *wereda* offices, prepare plans and submit to the zonal plan department which submits the same, after compilation, to the zonal administration for approval. Once the plan is approved by the zonal administration, it will be sent to the Regional Government for final approval. The Regional Government allocates resource to the zone and the plan department further allocates the resources to the different sectors in the zone. In addition to plan preparation, the plan and sector departments are related through follow up of project implementation in the zone. Sectors are the main implementing agencies while plan departments and project committees follow-up the implementation process.

The government financial institutions are less related with other entities of the public sector. The banks and insurance, besides considering the public sector as clients in their day to day activities, are not explicitly involved in development planning or management of the locality

The community sector or the civil society sector particularly the NGOs in the zone are related to the public sector as each NGO is required to work closely with the line sectors under which it is performing its activity. The procedure of NGO project implementation involves that the details of projects are worked out with the line sectors and communities where projects are to be implemented. The line sectors ensure that projects follow government standards. Similarly line sectors will also be the ones to run the projects after NGOs withdrawal from the area. The line sectors in their annual plan reports include the activities of the NGOs in their respective sector

plans as a separate document. Sectors, however, can not influence the agreed upon project plans of NGOs.

The NGO-Public sector partnership however is a new phenomena in the zone and this is mainly done through the zonal DPPD and not through the zonal Plan department. Such partnership is evident only among bigger NGOs and sectors and among those which operate in close vicinity of the zonal capital. Small NGOs and those which operate in far rural areas work less with the public sector.

The Oromo Development Association in the zone works in collaboration with sector departments, the zonal project committee and the community. The ODA, at the regional level, enters into an agreement with the regional sector bureaus to undertake a particular activity in a given place. The regional sector bureau delegates the zonal sector department which in turn delegates the *wereda* sector office. The project committee at the zonal and *wereda* level will evaluate and follow the implementation of ODA projects like other projects being implemented in the zone or the *wereda*. A beneficiary community is also mobilized to assist ODA projects with material or labor supplies.

Though it is quite obvious that the private sector makes its own contribution to local development through paying taxes and producing goods and services, its involvement in locality development in the form of being a member of a project committee, a board or a policy committee or in the form of participating in planning local development is minimal or non-existent. The private sector has no working relation with the zonal planning department or other sectors in the zone. The private sector works with the department of trade and industry mainly for registration, licensing and taxpaying purposes. The private sector does not also work with the NGOs or development association in the region. The private sector however should be an active participant in the local development process since local development will contribute to personal profit making and cost minimization.

5. INSTITUTIONAL FRAMEWORK AND ARRANGEMENTS AT WEREDA LEVEL

Most of the institutional framework depicted at zonal level is also found at *wereda* level. In the public sector, there is a *wereda* council which is responsible for the overall development of the *wereda* and corresponds to the zonal administration at the zonal level. The sectors found at the *wereda* level, however, are fewer in number. These are Health, Education, Agriculture and Finance. Some sectors such as trade and social affairs are found in some *weredas* and coordinate activities in other *weredas*. The sector offices submit reports on monthly and quarterly basis to the zonal sector departments for monitoring and evaluation purposes. The *weredas* do

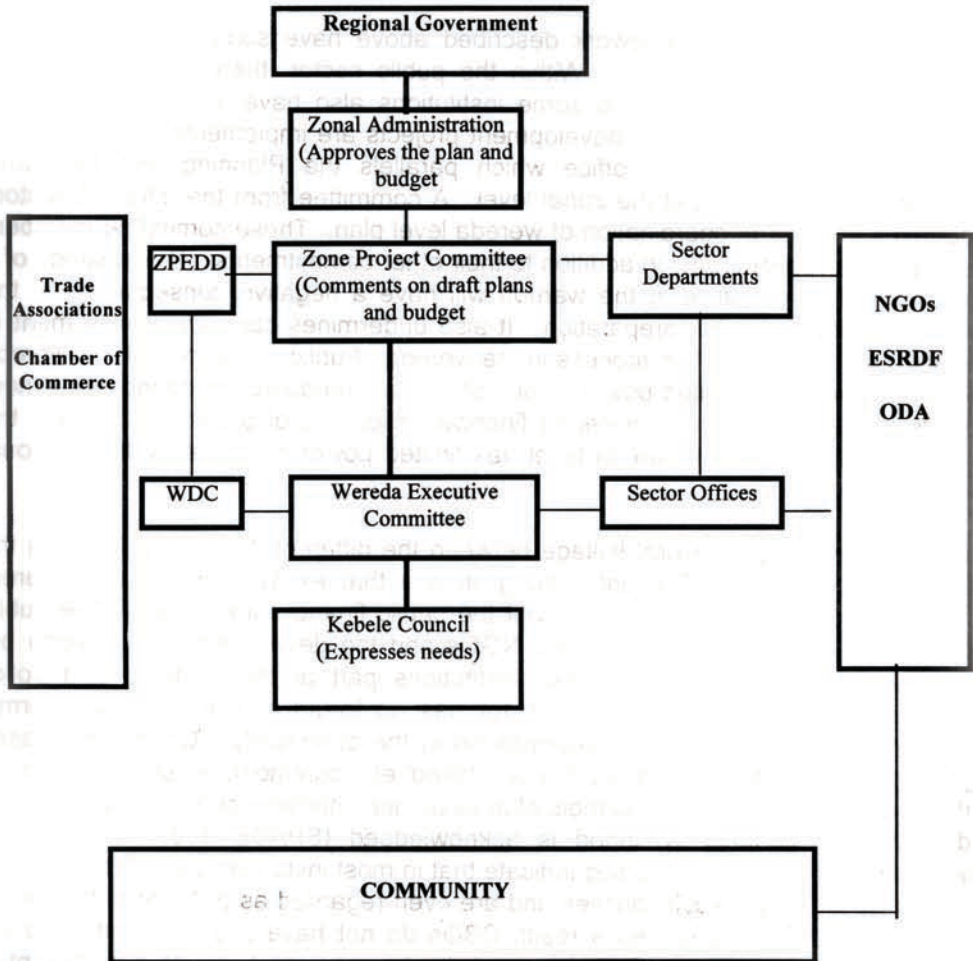
not have an office that corresponds to the Department of Planning and Economic Development. The corresponding unit is the Wereda Development Committee which comprises wereda administrator and sector representatives found at the *wereda* level. The Wereda Development Committee plays a coordinating role for the different sectors' plan preparation and implementation process. Each sector in the *wereda* prepares sectoral plans and submits to the zonal sectoral departments and to the Wereda Development Committee. The Wereda Development Committee after reviewing and compiling the plans submits the same to the Wereda Executive which in turn submits to the Wereda Council for final approval. The Wereda Council in turn submits the same to Zonal Administration.

Wereda Investment and Project Committees corresponding to the zonal level committees are also found at the *wereda* level. The Investment Committee is established by the same proclamation the Zonal Investment committee is established. The committee however has less power under its control. For instance it can not give land to investors though it participates in the identification and selection of land. It is the responsibility of the Zonal Investment committee to give land to investors at *wereda* level. The Wereda Investment Committee submits reports on monthly basis to the Zonal Investment Committee. The Wereda Project Committee is responsible for evaluating and following up projects to be implemented in the *wereda*.

The presence of the private sector in the *wereda* varies from place to place. The private sector is concentrated in the relatively developed *weredas*. The community sector comprising the Oromo Development Associations and the NGOs operate at the *wereda* level. The Oromo Development Association has the Wereda Council and grass root associations at *wereda* level. The relation between NGOs, the development associations and the public sector are similar to that of the zonal level.

The Kebele Associations represent the community at the grass-root level both in rural areas and in urban areas. The involvement of the Kebele Association in local development is limited to expressing wishes on the types of projects they desire for their community. There is thus a limited participation of Kebeles in local development decision making.

Figure 1. Institutional Arrangements in East Shewa Zone



ZPEDD= Zonal Planning and Economic Development Department
WDC = Wereda Development Committee

6. GAPS IN INSTITUTIONAL DEVELOPMENT FROM LOCAL DEVELOPMENT PERSPECTIVE

The current institutional framework described above have some gaps at different levels and in different sectors. Within the public sector, there are some offices missing at the *wereda* level and some institutions also have limited power. The *wereda* is the basic unit where development projects are implemented. The *wereda* however does not have an office which parallels the Planning and Economic Development Department at the zonal level. A committee from the different sectors undertakes the task of coordination of *wereda* level plan. These committee members undertake this responsibility in addition to their other commitments. The absence of a full-fledged planning office in the *wereda* will have a negative consequence in the *wereda* development plan preparation. It also undermines capacity development in planning and implementation process in the *wereda*. Public institutions at the *wereda* level also have some limited power. For instance a *wereda* sector cannot implement projects in the sense of administering financial resources of projects. Similarly the Investment Committee at *wereda* level has limited power compared with the Zonal Investment Committee.

There is a weak inter-sectoral linkage between the different institutions found in the zone and the *wereda*. The only strong linkage that exists is within the different components of the public domain except the public financial institution. The public sector has a working relation with the NGOs and the development association but there is no provision to make these institutions part of the planning and policy formulation processes. The public sector has no forum to link with the informal institutions or community based organization in the community. Community based organizations (CBOs) such as '*edir*', '*equb*', '*debo*' etc. commonly exist in many parts of the country. Their role as channels of development intervention to alleviate poverty and ensure sustainable livelihood is acknowledged (SPADE 1999; Singh 1999; Dejene and Getnet 1998). Studies indicate that in most instances such CBOs are not regarded as legitimate social entities and are even regarded as a threat to the formal institutions (SPADE 1999). As a result CBOs do not have any contribution to the government-led development initiatives and the formal institutions do not attempt to use CBOs as part of the development process

There is also a lack of cooperation between the community based development association and the NGOs. For instance there is no association between the ODA and NGOs in the zone. The lack of involvement of the private sector in local development planning and policy formulation represents a significant gap that needs to be addressed. Such lack of linkages results in a poor execution of the overall development activities of localities with the possible consequence of isolation of some sectors on one hand and duplication of efforts on the other.

The public sectors in the zone and the *wereda* entirely depend on government budget to undertake development activities. Though there are some fund raising efforts as a one-time event, resource diversification is not institutionalized. Matching of different sources of funding namely public resources, community resources (in labor, kind or money), NGO/donor resources is not experienced in the zone or the *wereda*. The absence of resource diversification by the public sector will limit the opportunities available for local development.

The community at the grass-root level is represented by the Kebele Council whose involvement in the development process is limited to the identification of needs in terms of projects to be implemented. Kebeles, however, should be involved in the development process in a way that go beyond expressing needs. Kebeles could be used as key agents in implementing bottom up planning. Bottom up planning is capable of mobilizing local resources and enabling a greater community involvement in development process with a sense of ownership. Bottom up planning, however, requires the empowerment of people to ensure the participation of community in decision making. The current decentralization of Ethiopia is less devolved at the grass-root levels and it is the regional governments that have most power in decision making. Lower entities accept the existing structure as it is and there is no mechanism to improve, strengthen or change the administrative structure. In this regard it is important that the practices of the current decentralization programs be studied to test whether the theory put in the constitutions and proclamations match with the practice in the democratization process.

Most of the institutional relations examined have some implementation problems. A case in point is the failure of the Zonal Investment Committee to report to Investment Office at regional level on permanent basis. The implementation problem is the direct result of poor articulation of powers and responsibilities and enforcement mechanisms

7. CONCLUSION

The recognition that non-economic factors are as important as economic factors in local development has led to the consideration of institutions in local development. Scholars have suggested that the density and network of human relations and organizational structure found in a locality correspond directly with the level of development of a locality.

In East Shewa zone, it is observed that the public sector, the NGOs, the development association and the private sector are in operation. There is a strong linkage among the different components of the public sector which is engaged in coordinating and leading policy and local development in the zone. The NGOs and the development

association though they have a working relation with development sectors and they are engaged in implementing projects, are not part of the development policymaking process. Similarly the private sector is not participating in policy and local development activities.

Local development in the zone is too much 'local government driven'. The possible reason for such situation could be due to the modalities of the government. Though there is a decentralization program in the country, it remains largely within the public sector. There is little decentralization of decision making and policy formulations to the non-public sector particularly the private and non-government organizations. Organizations and stakeholders in local development are not part of the policy and planning process. This would diminish the interests and commitments of non-government organizations and agencies and poses a real problem in local development and in creating what is known as the institutional thickness.

It is important to realize that local economic development is not the responsibility of a specific sector or department because economic development has wider dimensions and concerns different sectors. Hence local development efforts should be dispersed over various sectors and departments. Each sector should have its own institutional responsibility in local development.

In light of this, it is possible to consider ways of improving the inter-institutional arrangement by devising various mechanisms that enhance coordination among the various sectors and bring institutional development. One such mechanism that enables the exploitation of institutional resources is the creation of a Development Forum for sustainable development. Development Forums have been tried in some countries to tackle issues of local concerns by bringing together local authority, private sector, civic organizations, pressure groups (Zaaijer 1998). Development Forums will enable partnership to be developed among different sectors.

The Local Government should, however, be responsible to take a lead in creating and nurturing the linkages required. In this regard, the roles of the local government as coordinator and facilitator are recognized by Blakey (1994). As a coordinator, the local government should ensure that all key actors in local development focus their approaches and activities on common objectives and common enterprise. The local government should engage in creating enabling environment in all dimensions viz. market and community enablement (Helmsing 1997). The latter refers to the efforts of local government to co-ordinate and facilitate the efforts of community and neighborhood based organizations to initiate, plan and implement their own projects according to the principle of self organization, self-determination and self management (Burgess cited in Helmsing 1977). Such enabling environment will create a fertile ground for public-private and public-community partnership in local development. In addition to facilitating linkages, local governments should consider the capacities of

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different public and non-public actors and forces. There has to be adequate capacity to participate in and contribute to local development. Hence understanding the capacities of different actors and raising the same if there are bottlenecks should be the priority agenda of local governments.

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