

Addis Ababa University
School of Graduate Studies
Institute of Regional and Local
Development Studies

**INSTITUTIONAL NETWORKING FOR RURAL LOCAL ECONOMIC
DEVELOPMENT IN ETHIOPIA: CASE STUDY OF TEDE AND GOLJE
KEBELES IN LUME WEREDA, EAST SHEWA, OROMIA NATIONAL
REGIONAL STATE**

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A thesis submitted to the School of Graduate studies of Addis Ababa University in Partial fulfillment of the requirements for the Degree of Master of Arts in Regional and Local Development Studies

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Table of Contents

Acknowledgements.....	i
List of Tables.....	v
List of Figures.....	v
List of Boxes.....	v
List of Abbreviations.....	vi
Abstract.....	viii
Chapter 1.....	1
Introduction.....	1
1.1. Background of the Study	1
1.2. Statement of the Problem.....	4
1.3. Research Objectives.....	6
1.4. Research Questions.....	7
1.5. Research Methodology	7
1.5.1. Data Collection.....	9
1.5.2. Methods of Data Processing and Analysis.....	11
1.6. Significance of the Study.....	12
1.7. Limitation of the Study	12
1.8. Organization of the Study.....	12
Chapter 2.....	13
Literature Review	13
2.1. Introduction.....	13
2.2. Conceptualizing Institutions	13
2.3. Institutions and Development: A Look at the Theories.....	15
2.3.1 Theories of the New Institutional Economics	15
2.3.2 An institutional approach to rural LED: A conceptual framework.....	18
2.3.3. The role of institutions in rural LED.....	22
2.3.3.1. Institutions: actors in LED.....	23

2.3.4 Institutional networks and governance in local economic development ..	29
2.3.5 Other institutional factors related to rural LED	33
2.4. Institutions and Regional /Local Development in Ethiopia: An Overview.....	38
2.4.1. The development of institutions in rural areas	38
2.4.2. The experience of institutions for regional /local development in Post 1991	41
2. 4. 2.1. Regional/local development experience in Ethiopia.....	41
2.4.2.2. The role of institutions in regional / local development	44
2.5. Conclusion	46
Chapter 3.....	48
The Study Area and Institutional Framework for Rural LED.....	48
3.1. The Study Area	48
3.1.1. Lume <i>Wereda</i>	48
3.1.2. Tede Dildima and Golje Dildima Rural <i>Kebele</i> Administrations	50
3.2. Institutional Framework for Rural LED in the Study Area	52
3.2.1. The public sector	52
3.2.2. The civic sector	60
3.2.3. The private sector	64
3.3. Conclusion	65
Chapter 4.....	66
Data Presentation and Analysis	66
4.1. Characteristics of Sampled Households	66
4.1.1. Demographic profile	66
4.1.2. Socio-economic profile	67
4. 2. Rural LED Interventions in Tede and Golje Kebeles: An Institutional Approach.....	73
4.3. Environmental Management.....	74
4.3.1. Watershed Development	76

4.4. Community Based Economic Development.....	79
4.4.1 Smallholder agriculture development.....	79
4.4.2. Small-Scale Mining Enterprise Development	84
4.5. Institutions Involved in Rural Local Economic Development	87
4.5.1 Institutions in watershed development Project	87
4.5.2 Institutions in smallholder agriculture development.....	89
4.5.3. Institutions in small-scale mining enterprise development.....	91
4.6. Trends of Rural LED: A pro-poor or pro-growth?	93
4.7. Institutional Networking for Rural Local Economic Development	95
4.7.1. Networking in watershed development.....	96
4.7.2. Networking in smallholder agriculture development.....	101
4.7.3. Networking in small scale mining enterprise development	104
4.8. Patterns of Institutional Networking	106
4.9. Other Determinant Factors in Rural Local Economic Development.....	108
Chapter 5.....	113
Summary of Main Findings and Conclusion.....	113
5.1. A Summary of Main Findings	113
5.2. Conclusion	115
References.....	117
Appendices	125

List of Tables, Figures and Boxes

Tables

Table 1.1. Overview of interviewees from rural LG, civic and private sector institutions	10
Table 3.1 Land use and cover in Lume <i>wereda</i>	49
Table 3.2 Land use /Cover in Tede <i>kebele</i>	51
Table 3.3 Land use/cover in Golje Dildima <i>Kebele</i>	51
Table 4.5 Number and percentage of households sampled in Tede and Golje <i>Kebeles</i> ...	66
Table 4.6 Percentage distribution of respondents based on their level of education.....	68
Table 4.7. Distribution of respondents by the status of owning land.....	68
Table 4.8 Number of livestock's owned by respondent households in percent.....	69
Table 4.9 Distributions of household respondents by their major economic activities.....	71
Table 4.10 Distribution of household respondents engaged in non-farm activities that generates income.....	72
Table 4.11 Assessment of soil fertility rating by household respondents.....	75
Table 4.12 Watershed components and major investment measures underway in Kilie and Gerersa watershed development project.....	78
Table 4.13 Volume of fertilizers purchased and distributed to farmers.....	90
Table 4.14 Volume and value of improved seeds purchased and sold.....	90
Table 4.15 A summary of the major tasks of institutions in promoting rural LED in the case study <i>kebeles</i>	92

Figures

Figure 2.1. Organizational sectors, societal level.....	32
a) Mature Democracies: Sectors in Balance.....	32
b) Non-Democratic States: Unbalanced Sectors.....	32
Figure 4.1. Ties of dung prepared for selling in one of the homestead of households in the study area.....	69
Figure 4.2. Tede Dildima <i>Kebele</i> Health Center, under construction.....	70

Boxes

Box 3. 1: Constitutional powers and duties of the Administrative Council of the <i>wereda</i>	54
Box 3.2: Powers and duties of the Department of Rural and Agriculture Development.....	56
Box 3.3: Powers and duties of the DoTIT with regard to MSEs.....	57

List of Abbreviations

ADLI	Agricultural Development Led Industrialization
ASC	Agricultural Service Cooperatives
CBED	Community Based Economic Development
CBO	Community Based Organization
CSO	Civil Society Organization
CWT	Community Watershed Team
DA	Development Agent
DED	German Development Service
DoCP	Department of Cooperative Promotion
DoRAD	Department of Rural and Agriculture Development
DoTIT	Department of Trade, Industry and Transport
EPRDF	Ethiopian People's Revolutionary Democratic Front
FDRE	Federal Democratic Republic of Ethiopia
FGD	Focus Group Discussions
FTC	Farmers Training Centers
GTZ	German Technical Corporation
ILO	International Labour Organization
KFW	German Development Bank
LAFCU	Lume-Adama Farmers' Cooperative Union
LED	Local Economic Development
LG	Local Government
MSE	Micro and Small Enterprise
ND	No Date
NGO	Non Governmental Organization
NIE	New Institutional Economics

List of Abbreviations (Cont'd)

ONRS	Oromia National Regional State
OPDO	Oromo People's Democratic Organization
PA	Peasant Association
PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
PRA	Participatory Research Appraisal
RKA	Rural <i>Kebele</i> Administration
RLIs	Rural Local Institutions
SSA	Sub-Saharan Africa
SWC	Soil and Water Conservation
TMAC	Tede Multipurpose Agricultural Cooperative
WWT	<i>Wereda</i> Watershed Team

Abstract

The objective of the research is to analyze the institutional approach to rural LED through networks in a particular agrarian locality. It describes the case of three villages in Tede Dildima and Golje Dildima RKAs in Lume *Wereda*, with low natural resource base, dominated by smallholding subsistence agriculture, in promoting locality and CBED. House hold survey, FGD, key informant interview and personal observation data collection techniques are used to analyze the situation. The study has identified and presented three main rural LED intervention strategies- micro watershed development project, smallholder agriculture development and small-scale mining enterprise development-in Tede and Golje RKAs. The study found that each institutions involved in rural LED have a unique role to play in locality and CBED. Furthermore, the analysis of rural LED interventions indicates that different types of institutional networks are created both at the *wereda* and *kebele* level.

The results of the study revealed that institutional networks have brought some positive changes in both *kebeles*. Rural LED is improved mainly through creating new jobs by using locally available resources as well as transferring and disseminating new knowledge and technologies in both localities. The institutional networking, established particularly in watershed development project, in the areas of micro-watershed development planning, development management, resource/fund provision and institutional development have contributed to the local effort of natural resource management. In spite of this, however, the poorly integrated and weak institutional networks curtailed the dynamism of the rural LED in both *kebeles*. The established networks/ partnerships tend to be short term and only temporary, as they are project and program based networks. Rural LED tends to be promoted through the conventional sector specific approach in both *kebeles*.

The study found that rural LED initiatives having any significance are almost non-existent at Golje and Tede RKAs. The process and functioning of local institutional networks, in promoting rural LED is determined and depends on the overall politico-administrative environment provided by the national and regional governments. The study concludes that lack of financial and political autonomy immensely diminish the role of Lume *Wereda* government as an enabler, facilitator, and stimulator of the civic and private sector institutions in the process and functioning of rural LED in both *kebeles*. As a result, rural LED in Tede and Golje RKAs is led by the central government, regional government, and rural LG in respective hierarchy order.

Chapter 1

Introduction

1.1. Background of the Study

Until the 1990s, local and regional development processes were mainly dominated by central government agencies in developing countries. Local Economic Development (LED) has become an increasingly important condition as a result of fundamental changes in development policy (mainly structural adjustment and liberalization) and the response to globalization (Binns and Nel, 1999; Helmsing, 2005a; Philander and Rogerson, 2001). These changes have reduced the dominant role of the central government in coordinating the economic activities, which in turn has brought local as well as global actors and institutions playing a role in LED (Tegegne and Helmsing, 2005). Accordingly, the situations for LED have significantly changed. In line with this, Binns and Nel (1999) argue that "... situationally relevant and people centered development is apparent and seems appropriate" as an alternative to traditional development approach¹. They assert that "... notions such as 'self-reliance' and local equivalents of 'Local Economic Development'... appear to be among the few realistic development options available to the 'poorest of the poor' of the developing countries" (Binns and Nel, 1999).

Therefore, LED seems to be one of the most realistic development alternatives for countries like Ethiopia, in which rural poverty, unemployment, food insecurity, poor governance, and natural resource degradation are among the major development challenges. Although LED appears to be one of the important development alternatives, only few literatures are found in rural LED initiatives as compared to a high number of LED initiatives for urban areas. The experiences of developing countries reveal that rural LED initiatives that "are focused on restructuring local economies for growths are far less in evidence." Therefore, in the

¹ Traditional development approach mainly focused, among others, on: " 1. Top-down approach in which decisions about the areas where intervention is needed are taken in the centre; 2. Managed by the central administration; 3. Sectoral approach to development; 4. Development of large industrial projects to stimulate other economic activity..."(Casanova, n.d).

developing countries rural LED should be understood “as a survivalist strategy often more appropriately referred to as rural self-reliance” (Philander and Rogerson, 2001).

In recent years, institutions have occupied the attention of institutional economists and others in the area of development discourse. More importantly, the ideas of the New Institutional Economics (NIE) unlike the older one have got a wider recognition in realizing development goals². The NIE is a school of thought that is different from neo-classical economics³. However, the NIE try to modify or extend neo-classical economics without abandoning it totally. Thus, according to North (1995) “[t]he new institutional economics is an attempt to incorporate a theory of institutions into economics. However, in contrast to the many earlier attempts to overturn or replace neo-classical theory, the new institutional economics builds on, modifies, and extends neoclassical theory to permit it to come to grips and deal with an entire range of issues heretofore beyond its ken.” The short coming of the neo-classical economics has lent the way to the emergence of the NIE that incorporates institutions into its analysis. In the thought of the NIE, non-economic factors such as social norms, networks, and laws can play a role in economic development (Sandler, 2001). Hence, institutions matter for development as they determine the presence and efficiency of both markets and organization, public or private. According to Dejene (2000a) “[t]he NIE appears to be particularly relevant to the study of developing economics in general, and Africa, in particular, where non-market institutions and market failure⁴ (plus state failure⁵) has been of particular importance.” Tegegen and Kassahun (2004) made a remark that countries differ from one another in their level of income mainly due to the “differences in the quality of institutions rather than by differences in capital markets, knowledge, and natural resources.”

²The work done by Douglass North, the 1993 Nobel Prize winner in economic science, on institutions and economic performance amply demonstrates this argument (see North, 1990).

³ The neoclassical economics is concerned “with an advanced capitalist world of perfect markets; consumer sovereignty; automatic price adjustments....”(Todaro and S.C.Smith,2006) and assumes institutions as given.

⁴ The effects of structural adjustment programs during the 1980s and 1990s have shown that markets do not function by themselves, mainly because they are imperfect. According to the economists, market failure mainly results from asymmetric and incomplete information (Anda, 1997).

⁵ The state, on its part, will become inefficient in implementing public policies that define the role of all productive agents, and civil society organizations (Anda, 1997).

In this regard, rural institutions can play a role in LED, in a country like Ethiopia where the majority of the population is agrarian. This argument can be supported by Dessalegn (1991) indicating that peasant organizations “will serve as significant elements in the development of democratic and responsible governance in Africa, and can play a significant role in rural society’s endeavor for social and economic progress.” In a similar manner Yigremew(1999) also underscores the necessity of efficient rural based institutions for development. As he succinctly puts “[t]he major tasks of these institutions include service provision, resource mobilization, facilitating popular participation and presentation, resource management, local administration and other complementary services.” However, for these institutions to be viable and discharge their tasks efficiently “they need to remain autonomous and broadly participatory on the one hand, and to grow and expand their influence without losing their popular roots on the other” (Dessalegn, 1991).

As mentioned above, the shift in development policy and thinking reduced the dominant role of the central government in coordinating the economic activities. As a result, local governments (LGs) are increasingly seen as having a central role to play in LED activities. Despite the heavy emphasis accorded to LGs, “they do not have sufficient capacity to improve deteriorating public services and are faced with an ever- increasing scarcity of resources to meet the growing public demand for basic services” (Fenta, 2007). This has brought a shift in rural LED approach. Currently, most of the literatures indicates that establishing networks among local institutional actors offers the most promising opportunities in dealing with rural LED challenges (Dejene and Yilma, 2005; Helmsing, 2005; Huisman, 2005; Tegegen, 2001). In this regard, Fenta’s observation is worth mentioning: “State and non-state actors are interacting and orchestrating their activities at the local level through networks of relationships through which they share information, pool resources, and design joint solutions to socio-economic problems.” The local institutional network has become a realistic approach to address multi-faceted and complex development problems at the local level. Thus, rural LG is only one actor among a network of institutions engaged in the promotion of rural LED. Local institutional network “is concerned with processes that create conditions for structured rule and decision making to define and establish common objectives to be implemented jointly” (Fenta, 2007). Cross

sector and multi-actor interactions and working relationships are the essence of local institutional networks.

Hence, the main objective of the thesis is to analyze local institutional networking between rural LG, the civic (including local community) and private sector institutions, within the general rule of the game, in stimulating rural LED. Institutional networking here refers to a process of establishing partnerships between rural LG, the civic (including the local community) as well as private sector institutions in promoting rural LED. In this regard, the case study method was employed to analyze the interactions and relations between local institutional actors in the endeavor of LED in Tede and Golje RKAs of Lume *Wereda*.

1.2. Statement of the Problem

Ethiopia is one of the poorest countries in the world. The majority of the Ethiopian population (about 84%) predominantly lives in rural areas (FDRE, 2008). In the rural areas poverty, unemployment, food insecurity, poor governance, natural resource degradation and underutilization are pervasive and remain to be the major challenges of the country. According to the 2004/05 Household Income, Consumption and Expenditure Survey (HICES), the poverty incidence in the country in 2004/2005 was 38.7 % with poverty being more prevalent in rural (39.3%) than in urban (35.1%) areas. Furthermore, “lack of pro-poor growth policies” in SSA countries (where Ethiopia is not an exception) is the most important factor contributing to the rising level of poverty (Asfaw, et al., 2007).

The studied villages: Endode, Kenteri and Kusaye in the two kebeles in Lume *Wereda* are not an exception to the above mentioned facts. The livelihood of the people in these villages largely depends on small-scale farming, which is characterized by poverty-manifested in low income and low standard of living. Of the total population, about 70% of the households are poor in Endode, Kenteri(38% are food insecure) and Kusaye villages (Lume *Wereda*, DoRAD, 2007b&c). Furthermore, land and land related natural resources (water, forests & trees) in which the majority of the rural people depend on it for rural LED, food security and other basic necessities, has been deteriorating in the villages due to different factors. The prevalence of low natural resource base in the locality, among others, diminished land productivity and the presence of drinking water and vegetation cover.

Ethiopia had experimented with different types of institutions based on different strategies and policies of rural development in order to increase the productivity of the farmers, raise income and mobilize participation. However, none of these strategies had brought a lasting and sustainable development in rural areas. The reasons, among others, are a top down development planning by the central government and donor community, "... as well as structural, institutional and policy constraints" (Tegegne, 2001). The top down approach of the central government and alien development theories fail to address regional and location specific problems in the country. Thus, it had neglected the local level development initiatives as a way out for development problems. Therefore, although, Ethiopia had "experimented with different types of institutions based on various strategies of development, which were designed under strong influence of the major donors and of western development economists" (Dejene, 1996), none of these strategies has brought a lasting and sustainable development in rural areas.

Since 1991, Ethiopia has embarked on decentralization and regionalization policy with the aim of transferring power and responsibilities from the center to the regions. In line with this, the designed constitution established the regional and *wereda* (local) level governments. The country has also undergone a second stage of decentralization program since 2001 that has devolved power and responsibilities to *werdeas* that are considered as the center of rural LED activities. In spite of this, however, Asfaw et al., (2007) and Meheret(2002) notes that the program has been curtailed by weak and inadequate institutions as well as lack of personnel having the required training and skill.

In order to discharge their responsibilities through decentralization, the *weredas* " more than anything else, require institutional designing as they involve coordination, interlinking and participation"(Tegegne, 2001) of various development actors in the locality. This could be possible only when a genuine decentralization system is effected where the *weredas* and other local institutional actors are given the power to plan and execute developmental strategies and policies. Hence, sustainable LED requires an appropriate, efficient and member owned rural local institutions more than any thing else. Although various rural local level institutions have existed in the country and also there is a wider

recognition that these institutions are indispensable for rural LED, the situations in rural areas remain unabated.

Thus, issues pertaining to rural local institutions in general and local institutional networking in particular need to be studied and analyzed thoroughly. Most of the literature written in the area of institutions focused in urban areas dealing with enterprise development. However, this paper tries to analyze the networking (which is a necessary though not a sufficient condition) of key rural institutions in an endeavor to LED agrarian locality.

1.3. Research Objectives

The main objective of the research is to analyze the process⁶ of local networking /partnership between the major institutions for rural LED in Tede and Golje RKAs in Lume *Wereda*.

The specific objectives are:

1. To examine the separate developmental role of major rural based formal institutions.
2. To identify the main rural LED interventions and the main types of rural LED networks created.
3. To examine the trend of rural LED interventions.
4. To examine the pattern, structure, interactions and operations of institutional networks.
5. To investigate the factors that affect the performance and effectiveness of local institutional networks
6. To create a linkage between institutional networking and rural local economic development.

⁶ The study focuses on process dimension of LED. LED has product and process dimensions. The “process is concerned with policies, strategies, means and resources used to achieve desired outputs including institutional arrangements” or networking. The product is concerned about meeting stated outputs (Stimson,etal.,2006).

1.4. Research Questions

The study attempted to investigate and provide answer for the following research questions:

- 1) What are the formal types of institutions existing in the selected study site? What are the role /responsibilities of each institutions involved in rural LED in the area?
- 2) What are the institutional arrangements under which each formal institution is operating?
- 3) What form/nature of institutional networks exists in the study area? How do institutions create networking and operate within this network? How does it involve the local communities?
- 4) What are the major rural LED activities in the study area?
- 5) What are the factors that basically influence the performance of institutional networking in addressing the needs of the rural local community?

1.5. Research Methodology

The current trend of development policies and strategies focused on local level development. As noted by Helmsing (2005b) “(g)overnance of local economic development becomes a central ingredient of LED policy: creating the institutions and support systems for economic development.” Thus, the paper attempts to show LED effort at a specific agrarian locality within the framework of analyzing local networking between major development actors. In this regard, this research has employed the case study method to analyze the relations and interactions between local institutional actors in Tede and Golje *Kebeles* in Lume *Wereda*. Case study is “an empirical inquiry that investigates a contemporary phenomenon within its real life context using multiple sources of evidence” (Noor, 2008). Understanding and examining the process and functioning of rural LED networks through empirical approach depends on a specific context within which the institutions operate. Hence, a case study method is chosen so as to investigate the interactions and relations of institutions within a specific locality. Using the case study method, the thesis is concerned with the process and functioning of local institutional networks that involve the interactions and relations of actors both at *wereda* and *kebele* level. The study has also used multiple sources of evidence to triangulate the data collected.

To analyze the process and functioning of institutional networks, Lume *Wereda* was purposefully selected. Lume *wereda* was selected based on three factors: The first and main important one is the presence of a good number of rural based institutions that could make the locality an appropriate site for analysis of institutional networks. Secondly, the current trend of decentralization has made the *wereda* a basic unit of economic activity where local economic development has been taking place. Hence, it has become important to investigate the process, functioning and pattern of institutional networks in relation to rural LED at the *wereda* and *kebele* level. Thirdly, my exposure to the locality is the other factor that could enable me to obtain relevant data and information.

This study mainly deals with rural local institutional networks that involve the public, civic, and private sectors. Thus, in this study, the public sector is represented by the *wereda* government (and some sectors) and RKAs, while the civic sector is depicted by an international voluntary organizations, local multipurpose agricultural cooperative and local communities. And the private sector is represented by MSEs (see chapter 3 for more detail). In line with this framework, the selected and studied institutions are: Lume *Wereda* government (and specifically Department of Rural and Agricultural Development; Department of Trade, Industry and Transport; Department of Cooperative Promotion), and Tede Dildima and Golje Dildima RKAs representing the public sector; German Technical Corporation (GTZ), German Development Bank (KFW), German Development Service (DED), and Tede Multipurpose Agricultural Cooperative representing the civic sector; and the private sector is represented by 'Bikila Boru' and 'Golje Dildima' Mining Enterprises. Institutions representing each sector were selected based on the researcher preliminary observation, indicating that they have some common purpose to pursue in the study area. One should also note that, those institutions that are not dealt in this study including indigenous institutions are indispensable for local development.

As illustrated above, two RKAs namely Tede and Golje, were selected due to the presence of abundant institutions that could help for analysis of networks. Furthermore, three villages in which the concerned institutions are apparently involved in pursuing some common agenda were selected from the two rural *kebeles*.

To address the objective of the study, multiple sources of evidence that involve both primary and secondary data sources were employed. To collect the primary data, the field study was conducted in April and May 2009, taking a total of three weeks. The details of data collection methods and techniques are presented as follows.

1.5.1. Data Collection

i) Primary data

The techniques applied in collecting primary data are the following:

A) Semi structured questionnaire

Both close ended and open ended questions were used to obtain information from the household survey. The survey questionnaires were used to know the demographic profile and the socio-economic characteristics of the respondent households. The questioners were applied to describe and analyze the level of participation of the respondents in the major rural based local institutions such as rural LG, civic and private sector.

Sampling and sampling design

After selecting the institutions and the villages studied, the next step was taking representative sample from the villages in which the sampled households were involved in one or more of the activities undertaken by the institutions. Based on this 76 (20%) household heads were sampled from three villages of Tede and Golje *Kebeles*. Accordingly, 36 from Kusaye village in Tede, and 28 and 12 from Endode and Kenteri villages respectively, in Golje were sampled. The households were selected based on stratified simple random sampling. Stratification was used to make sure that the sample reflects the proportion of individuals with certain characteristics (in this case based on their land holding status). Hence, before taking the sample the households were stratified as those who own land and who do not own land. Then, simple random sampling was applied to select the households.

As 75% of household posses land in Kusaye (Tede) 28 were selected, while 8 households were selected from the remaining 25% who are landless. From 55% of households in Endode and Kenteri(Golje) who posses land 22 were selected and 18 were selected from the rest that constitute 45% of landless households.

B) Key informant interview

Key informant interview was used to collect the required data from the members and leaders of the selected rural local institutions. Key informant interview was conducted basically to analyze the unique role of each institution and the process and functioning of institutional networks viewed from the side of respective institutions. In addition, the interview served to examine the characteristics, pattern, structure, links and operations of local institutional networking; to investigate the factors that affect the performance and effectiveness of institutional networking. It was also used to clarify and triangulate issues raised in the focus group discussion. Semi structured interview was made with key informants such as leaders of the community, rural cooperative, rural *kebeles*, *wereda* government official, *wereda* rural and agricultural department(including development agents), *wereda* trade, industry and transport department, *wereda* cooperative promotion department as well as GTZ expert at head office level. In general, sixteen individuals representing their respective institution were interviewed (see Table 1.1).

Table 1.1. Overview of interviewees from rural LG, civic and private sector institutions

	Rural LG	Civic	Private	Total
Lume <i>Wereda</i> official, sector department heads and experts	6	-	-	6
Tede & Golje <i>Kebeles</i> chief administrators and DAs	4	-	-	4
GTZ expert	-	1	-	1
TMAC head and expert	-	2	-	2
Community leader	-	1	-	1
Bikila Boru & Golje Dildima Mining Enterprises	-	-	2	2
Total	10	4	2	16

C) Focus group discussions

Focus group discussions (FGD) were made with representative peasants, who were involved in institutions, which run rural LED activities. It includes landless youth peasants, smallholder farmers and female headed households. The FGD was made to supplement

data and verify the data collected through key informant interview. The FGD focused on issues like functions and impacts of rural local institutions; the way decisions were made in an institution they are members; natural resource degradation and watershed management and local economic development initiatives. Two FGD were made in each RKAs. Each FGD consists of 7-10 individuals.

D) Personal observation

During the data collection time, the way individual farmers perceive and participate in institutions in which they are members was observed. In addition, the way institutions operate, function and respond to the felt needs of the local community was observed.

ii) Secondary Data

Secondary data sources such as books, journals, government and international institutions reports and working papers and unpublished materials were collected and used to conceptualize the framework, for the part of literature review as well as to substantiate the arguments raised in part of data analysis. In addition, constitutions and proclamations of federal as well as regional governments on the areas of rural institutions were used to strengthen the data collected in field research.

1.5.2. Methods of Data Processing and Analysis

The data collected by using a combination of the above techniques was interpreted and analyzed mainly through qualitative research approach. Fenta (2007) notes that a research that mainly deals with institutional networks “are more qualitative than quantitative in nature.” Hence, much of the data analysis focused on describing and explaining the complex process of networking between the rural based institutions so as to see their contribution or lack of contribution in the endeavor of local development in Tede and Golje *Kebeles*. However, the questionnaire part of the data was analyzed by quantitative method using Statistical Package for Social Sciences (SPSS. 15.0). It employs largely percentage to analyze the characteristics of respondent households.

1.6. Significance of the Study

The lack of materials in the study of the nature, function, characteristics and roles of RLIs as well as local institutional networks for local level development could signify the importance of this study. In addition it could have the following significance:

1. It will give insights to development students, development researchers, policy makers and planners and civic sector institutions about the characteristics, functions, roles and problems of RLIs as well as local institutional networks in a way of understanding their contributions to the development effort of rural/local areas.
2. It will contribute knowledge on the areas of local institutional networks in Ethiopia
3. It will serve as a material in making comparative analysis on local institutional networking and LED efforts in any other parts of the country.

1.7. Limitation of the Study

This research mainly focuses on major formal/modern rural based institutions and institutional networking. It is beyond the scope of this research to study informal/indigenous rural based institutions though they have a great contribution to rural LED. Dessalegn (1991) emphasizes the importance of informal peasant organizations stating that they "...serve as instruments in the everyday struggles of peasants and contribute significantly to the economic viability of rural households..."

1.8. Organization of the Study

The thesis has five chapters. The first chapter is an introductory part which highlights the background of the study and research methodology. The second chapter reviews related literature, and presents theoretical framework of the study and empirical literature on Ethiopia. The third chapter presents an overview of the study area, and sets the institutional framework of the studied locality. Chapter four highlights characteristics of sampled households, and presents rural LED interventions, institutions involved in the interventions and institutional networks for rural LED in the study area. The final chapter summarizes the major findings and concludes the thesis.

Chapter 2

Literature Review

2.1. Introduction

LED practitioners have a number of instruments, interalia, networking strategies, for stimulating locality development (Beer et al., 2003). It is argued that any locality /community have the potential to improve its economy if it can get mobilized. Economic development at a local level is a multi actor/institution business. One single institutional actor rarely carries all the activities, and has all the necessary ability and resources to achieve LED goals and strategies (Helmsing, 2005a). The success of LED, therefore, depends on its ability to mobilize public, private and civil society organizations. It should be noted that developing “LED networks...vary strongly by region, depending on the diversity of their economic structures and the level of economic development. Peripheral regions depend much more on local governments as central actors in LED networks” (Helmsing, 2005a). After this brief introduction, the following sections of the chapter reviews and conceptualizes institutions, institutional actors, institutional networking and rural LED. It also reviews other but related institutional factors that affect rural LED.

2.2. Conceptualizing Institutions

Many writers on the area of development agree that institutions have a role for economic growth and development through improving the livelihood condition of the poor. Notwithstanding this, it seems that there has been no agreement on the way institution is defined and conceptualized among different disciplines and even within a discipline. Institutions can be understood differently implying different aspects. The first way of conceptualizing institutions may be viewing it from the side of tow perspectives: a behavioral and the rule side. As to the former, institutions are “complexes of norms and behavior that persist overtime by serving socially valued purposes” (Uphoff and Buck, 2006). In the latter, institutions are viewed as the “rules of the society or of organizations that facilitate the coordination among people” (Tegegne, 2001). In a new institutional economics, North views institutions as both norms of behavior and rules of institutions.

According to him, institutions are “rules, enforcement characteristics of rules, and norms of behavior that structure repeated human interaction” (North, 1995). Furthermore, North defined institutions as follows:

the humanly devised constraint that structure human interaction. They are made of formal constraints (e.g. rules, laws, and constitutions), informal constraints (e.g. norms of behavior, conventions, self imposed codes of conduct) and their enforcement characteristics. Together they define the incentive structure of societies and specially economies (North, 1995).

It seems that North has provided a broad definition of institutions. As illustrated in the above, institutions are either formal or informal. This study is, however, limited to deal with the formal institutions in the rural area. Another disagreement in defining institutions is that “whether organization is part of institution or not” (Dejene, 2000a). Much of the literatures use the terms interchangeably (Tegegne, 2001; Uphoff and Buck, 2006).

For instance, Uphoff and Buck, in defining institutions as “complexes of norms and behavior...” meant that such a kind of institutions can serve as organizations that can be defined as “structures of recognized and accepted roles that serve particular purposes” (Uphoff and Buck, 2006). North also distinguished between institutions and organizations. He stated that institutions are the “rules of the game [and] organizations and their entrepreneurs are the players.” In accordance with this, organizations are formed on the basis of “groups of individuals bound by some common purpose to achieve objectives” (North, 1995). Hence, “organizations include political bodies (political parties, a city council, a regulatory agency), economic bodies (firms, trade unions, family farms, cooperatives), social bodies (churches, clubs, associations), and educational bodies (schools universities, vocational training centers) (North, 1995).

From the above, it can be summarized that although there is no universally accepted definition of institutions, for the purpose of this paper the definition given by North, with little modification is adapted. In this study, institutions are considered as both the rules of the game as well as an organization. It seems important to use this definition so as to analyze the process of networking for rural LED considering institutions and organizations

as players/actors at the local level within the broader institutional framework set by the rules of the game.

In light of the aforementioned understanding of institutions, this study emphasizes on investigating the process of networking between rural local institutions/organizations in an endeavor to rural LED in the study area. Although the role of institutional networking in rural LED will be dealt in detail later in this chapter, the terms local and rural as intersecting domains need some clarification. The term local is used to refer to three differentiated levels of decision making and activity- the group level, the community level, and the locality level. These three levels are levels "... where there is or can be face-to-face interaction on an ongoing basis, and thus where potential for collective action exists that can mobilize resources and solve problems that individuals and households by themselves are less able to deal with" (Uphoff and Buck, 2006). On the other hand, the term rural refers to "a sector that has both economic and geographic frames of references" (Uphoff and Buck, 2006). Although the term is mostly used as a geographic delineation referring to non-urban areas, it can also be used as economic references on which some economic activities are mainly associated with the rural areas.

2.3. Institutions and Development: A Look at the Theories

2.3.1 Theories of the New Institutional Economics

Although institutions matter for development, it has received little concern by the neo-classical economics. The Neo-classical economics assumed institutions as given, unlike the NIEs. The followers under the NIEs inculcated a theory of institutions in the analysis of economic development (Dejene, 2000b). In a country like Ethiopia where the majority of the populations are agrarian, institutions are important instruments of rural development. However, as noted by Dejene "the role of institutions in development has received little attention from researchers and practitioners concerned with rural development" (Dejene, 2000b).

As far as the NIE are concerned, two intertwined approaches: the transaction costs and information costs approach and collective action approach are identified in institutional analysis (Dejene, 200a). Transaction costs are defined "as costs of finding what the relevant

prices are, of negotiating and concluding contracts, and of monitoring and enforcing them” (Dejene, 2000a; Dejene, 2000b). The main gist of this approach is that “institutions are transaction costs minimizing arrangements” (Dejene, 2000a).

According to Dejene (2000a) the term collective action refers as “the conditions under which groups of people with a common interest will perceive that interest and act to achieve it.” The approach of collective action has been applied with the use of “public or collective goods or with common property resources” (Dejene, 2000a). The theory of collective action is important in conceptualizing organizations and institutions as well as its applicability to these organizations and institutions such as cooperatives, credit unions, self-help organizations, regional organization, etc (Dejene, 2000a). Thus, collective types of organization and different institutions can contribute in improving the life of poor households. In spite of these roles of collective action, however, Neaten argued that “much less attention is paid to the way in which individual households are embedded in multiple institutional settings at the same time and how this is related to household livelihood strategies”(Nuijten,1999). He also noted the disadvantages of the formal types of collective action in certain areas where “the state had the reputation of being unpredictable, dangerous and sometimes violent” (Nuijten, 1999).

As mentioned in the foregoing discussion and supported by other writers, institutions matter for development. Institutions are seen as a core element for sustainable economic development. As mentioned by Tegegne (2001) “economic development is defined as economic growth accompanied by efficient institutional change”⁷. Tegegne and Kassahun indicated that countries differ from one another in their level of economic growth not by differences in having natural resources, knowledge and capital markets but mainly due to differences in the quality of institutions (Tegegne and Kassahun, 2004). This argument is further supported by North (1995) in explaining the poor economic performance of Third world countries as: “third world countries are poor because the institutional constraints define a set of pay offs to political /economic activities that do not encourage productive

⁷ Institutions change incrementally (see, North, 1990). Institutions arises, changes and disappears in fulfilling changing human economic, social, or political goals. Hence “institutions are never finished products. Circumstance change, and human needs as well as the means for satisfying these needs also change”(Krishna, 2003).

activity.” Hence, institutions need to be efficient in order for an economy to perform well and bring economic growth. To put it differently, good institutions are institutions that nurture “productive behavior” and halt “destructive behavior” and the opposite is true for bad institutions ⁸(Luiz, 2009). Institutions and communities at the local level are also accorded an important role in managing natural resources so as to realize sustainable development (Nuijten, 1999).

In explaining the effect of institutions and political structure in the process of economic development, it is argued as follows:

1) Institutions structure economic forces and play an important role in expanding human choices; 2) Institutions affects choice by influencing the availability of information and resources; 3) in clarifying the relationship between participation and development it is important to note that much development effort fails because it does not provide space for local participation (Dejene, 2000b).

To summarize, institutions affect human choices by providing incentives, by mobilizing resources, by reducing information and transaction costs as well as by reducing uncertainty in economic activities. Therefore, “[i]nstitutions are... the backbone of an economy because they determine the incentives players face and as a result affect our behaviors and thus economic outcomes” (Luiz, 2009). Based on the World Bank publication, Dejene (2000a) also noted that “institutions matter for development because they determine the efficiency and existence of both markets and organizations, public or private.” It is important to give emphasis here, therefore, that institutions play a key role in expanding human choice- a fundamental goal of economic development. To this end, Amartyesen succinctly puts that “human freedoms and choices are in fact an essential element of what development is ...” (Luiz, 2009)

⁸ Institutions are good when they “provide incentives for growth enhancing activities by inducing productive behavior for economic players.” These institutions are characterized by among others, (1) putting constraints “on the actions of a elites, politicians and other powerful groups, so that these people cannot extrapolate the incomes and investments of others or create a highly uneven playing field (2) creating “some degree of equal opportunity for broad segments of society, so that individuals can make investments, especially in human capital and participate in productive economic activities” (Luiz, 2009).

2.3.2 An institutional approach to rural LED: A conceptual framework

The foregoing discussion illustrated the nexuses between institutions and development, and the importance of institutions as an instrument of enhancing economic development. This could be used as a spring-board to form the conceptual framework of the study in dealing with the role of local institutional networking for local economic development in a rural setting. First, what rural LED is conceptualized and its importance is briefly discussed within the context of developing countries. Second, the role of institutional networking in the achievement of rural LED can be dealt. Third, other institutional factors that affect the process of rural LED are highlighted.

Conceptualizing rural LED

Until the 1990s, local and regional development processes were mainly dominated by central government agencies in developing countries. As noted by Tegegne and Helmsing (2005) “[t]he dominance of central government in all spheres of economic life contributed to the under development of the local social and economic fabric”. LED has become an increasingly important condition as a result of fundamental changes in development policy (mainly structural adjustment and liberalization) and rise in globalization (Binns and Nel, 1999; Helmsing, 2005a; Philander and Rogerson, 2001).

As a result of these changes, the dominant role of the central government declined in coordinating the economic activities. This has brought local as well as global actors and institutions so as to “make the market economy work” (Tegegne and Helmsing, 2005a). Accordingly, the situations for local economic development have significantly changed. In line with this, Binns and Nel (1999) argue that “... situationally relevant and people centered development is apparent and seems appropriate” as an alternative to traditional development approach. They assert that “... notions such as ‘self-reliance’ and local equivalents of ‘Local Economic Development’ (LED) appear to be among the few realistic development options available to the ‘poorest of the poor’ of the developing countries” (Binns and Nel, 1999). Therefore, LED seems to be one of the most realistic development alternatives for countries like Ethiopia, in which rural poverty, unemployment, food insecurity, poor governance, and natural resource degradation are among the major development challenges.

There has been lack of a clearly defined theory or model to explain LED (Casanova, n.d; Tegegne, 1999). For some authors, the reasons are that since LED usually emerges or inspired based on practice and experience, it is difficult to formulate a single or clearly defined theory (Casanova, n.d; Pike et al 2006). However, according to Tegegne “[t]he reasons... 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” (Tegegne, 1999). In spite of its lack of “a single or clearly defined theoretical underpinning, this model of tailor made approaches to the development of territories has progressively been gaining ground as the foundation for new development strategies” (Pike et al. 2006).

As a result of the absence of widely accepted definition, it seems relevant to point out the dominant features of LED and then proceed to its definition. Pike et al., identified four distinguishing features that characterize LED strategies; “they require participation and social dialogue; they are based on territory; they entail the mobilization of local resources and competitive advantages; they are locally owned and managed” (Pike et al., 2006).

Casanova (n.d) indicated that the ILO local economic development program provides a definition that incorporates these four features. LED, therefore, is defined as:

a participatory development process that encourages partnership alignments between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context, with final objective of creating decent jobs and stimulating economic activity.

Helmsing (2005a) also defined LED in some what similar way to the above as follows:

Local economic development... is... a process in which partnerships between local governments, community-based groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined territory. It emphasizes local control, using the potentials of human, institutional and physical resources.

Zaaijer and Sara(1993) also define LED “as a process in which local governments, the private sector, and community based groups, administer their resources and converge into partnership or networking arrangements with each other to generate employment and encourage economic activity in specific area.”

Local governments (LG) have a role to play in LED. However, it can be understood from the foregoing definition that, LED is not merely an activity to be left for local government alone; rather, it includes all stakeholders in a locality, among others, the private and civic sectors (Helmsing, 2005a; Philander and Rogerson, 2001). Thus, “the activity of LED is generally conceptualized as a form of partnership between the key [institutional] actors on a locality”(Philander and Rogerson, 2001). The role of partnership or networking between institutions in the process of LED will be dealt in detail later in the section that follows.

Significance of rural LED

Although LED appears to be one of the important development alternatives in recent years, only few literatures are found in rural LED initiatives as compared to a high number of LED initiatives for urban areas (Philander and Rogerson, 2001). The literature presents two different approaches or practices of LED (Binns and Nel, 1999; Philander and Rogerson, 2001) although Helmsing (2005a) has come up with the third additional dimension of LED initiatives namely locality development.⁹

The two major approaches are pro-poor and pro-growth which is also named as market-critical approach of community development and market led approach of business development (Philander and Rogerson 2001); community based economic development and enterprise development¹⁰ (Helmsing, 2005a). There have been debates among researchers, for instance in the context of post-apartheid South Africa, around the appropriate approach and balances between pro-poor and pro-growth LED (Rogerson, 2005). In dealing with the rural setting of developing countries, and particularly in the rural areas of Africa, CBED or

⁹ Locality development is about the planning and built-up of physical infrastructure “and of relevant economic and social overhead capital in the locality” (Helmsing, 2005a).

¹⁰ Enterprise development “consists of initiatives that directly target and involve cluster(s) of enterprises. In contrast to community economic development, this category is premised on specialization and overcoming obstacles towards specialization in a market context. A number of the principles of enterprise development policies apply differentially to small, medium and larger enterprises. Survival-based micro enterprise activity is examined under” community based economic development (Helmsing, 2003).

pro-poor approach of LED can be used to analyze the prevalent conditions of poverty in a better way than the other approaches. One should also note that a pro-poor LED activity exists in urban areas.

The pro-poor or community-based economic development is aimed at bringing “endogenous development, local self-reliance, empowerment, participation, local cooperation, redefining work, and sustainability” (Philander and Rogerson, 2001). Helmsing made a point that the essence of community based economic development is facilitating the diversification of household economic activity as the basic way of improving livelihood and reduce poverty and vulnerability (Helmsing, 2005a). According to him the survival based economic activity including survival based MSEs are dealt under this approach.

In comparing with urban LED initiatives, the rural LED planning basically differs in the due attention that often gives to “natural resource and resource led development” (Philander and Rogerson, 2001). In developed countries, rural LED initiatives are framed so as to provide resource-based rural communities to restructure in the face of changing external economic conditions by strengthening agricultural bases, diversifying rural economic activities and soon. However, as indicated by Philander and Rogerson (2001), the experience of developing countries reveal that rural LED initiatives that “are focused on restructuring local economies for growth are far less in evidence.” Similarly, Binns and Nel(1999) argue that the dominant feature of rural LED in developing countries is of “much more basic form, due to limited technology, resources and external support.” Furthermore, it is argued that in the developing countries rural LED should be understood “as a survivalist strategy often more appropriately referred to as rural self-reliance” (Philander and Rogerson, 2001). It would suffice to mention the argument made by Binns and Nel (1999):

Development strategies in Africa need to focus more on local self-help and community self-reliance, structural adjustment, drought, war, civil strife and the failure of ‘top-down’ development schemes have forced many rural Africans to look inward as their own resources and skills to cope with the harsh realities of the modern global economy.

2.3.3. The role of institutions in rural LED

Local and regional development would be affected by various factors. Among others, the contribution of institutions for LED have received due attention in recent years (Blakely, 2002). In the development literature, authors such as North (1991) recognized the central role of institutions in growth and development and assert that any discourse ascribing for economic performance and development that exclude institutions and institutional change is questionable.

Accordingly, many writers recognized the central role of institutions for local and regional development. According to Tegegne (2001) institutional machinery is one of the four factors that enhance the performance of regional development¹¹. The institutional machinery can be used as a

channel through which various regional development ends are accomplished; relevant societal issues and priorities are articulated; short term and long term plans are formulated; regional development projects are implemented; people are involved in specific activities undertaken by the government; and the planning and implementation processes are integrated (Tegegne, 2001).

Pike et al. realizes that LED strategies are based on a combination of development of three different factors that includes: “economic *hardware*, *software* and *orgware*¹²” (Pike et al., 2006). *Orgware* is one of the factors that affect any local economic development strategy. *Orgware* refers to “the improvement of the organizational and institutional capacity to design, implement and monitor the whole development strategy” (Pike et al 2006). Manuel also identified the responsibilities of institutions for development at the local level by pointing out “a) development planning b) development managing c) fund provisions d) production of goods e) institutional support” (Manuel, 1997).

¹¹ The remaining three are 1) technical skills, values, attitudes and beliefs of individuals within the society; 2) the socio-political structure... and 3) resource availability (Tegegne, 2001).

¹² “The development of hardware involves many factors common to traditional development polices, such as the provision of basic infrastructure, including the establishment of transport and communication networks....The development of software implies the design and implementation of comprehensive local development strategies”(Pike et al., 2006).

2.3.3.1. Institutions: actors in LED

The institutional approach to LED focuses on the activities and functions of key institutions/stakeholders involved in a locality. There are various institutional actors involved in LED. In deed, as stressed by Helmsing (2005a) “LED initiatives assume the presence of a certain minimum level of institutional thickness or density of public, private and civil society actors.” Similarly, Manuel (1997) identified three institutional actors that are involved in economic development of a locality: public, civic and private sectors.

Based on the above categorization, the paper focuses on the horizontal convergence of public, civic (including local community) and private sector institutions into networking or partnership arrangements with each other to enhance rural LED. For the purpose of this study, therefore, in a web of institutional networking, the public sector represents local governments, while the civic sector represents international donor organizations, local agricultural cooperatives as well as local communities, and the private sector by MSEs. These institutional actors do have their own unique as well as common (joint) contributions (working through networking) for LED in rural areas. It becomes imperative, therefore to have a framework and clear picture of the studied institutions that are involved in locality development at the rural setting.

Public sector

In the public realm, government (especially LG) is a key institution in the process of rural LED. LG has a role to play in contributing to local economic development. In this regard Elias (2005) noted that:

government action is needed especially in conditions where the market is not able to operate efficiently (market failure) because of monopolistic behavior, risk/ uncertainty, positive and negative externalities, free-riding, etc. Therefore, local governments (and the public sector at large) are involved in the provision of public goods (for efficiency reasons). Moreover, the government has the commitment to provide access to certain goods and services regardless of people’s ability and willingness to pay (for equity reasons).

In general, government involves in formulating policies, providing guidelines, regulatory frameworks and public goods to promote LED. LGs do also have the capacity in nurturing and bringing democracy and economic development. With respect to economic development, local governments have potential to mobilize resources, address the needs of the community, facilitate information sharing and coordinate local and central government services in the community (Tegegne, 2001).

In developing countries, the capacity of local governments to fulfill a developmental mandate is constrained because of lack of financial and administrative resources and weak institutional capacity that manifest itself in lack of authority, clear mandates and sufficiently trained human resources (Rogerson and Philander, 2001; Tegegne, 2001). Furthermore, the weakness of local government is noted “in initiatives occurring in rural areas across the developing world and particularly in sub-Saharan Africa” (Rogerson and Philander, 2001).

Nevertheless, LED provides new roles for the public sector in which local government is regarded “as responsible for providing the right mix of local public goods and to facilitate or enable other actors, communities, private enterprises, workers or NGOs to make their most productive contribution”¹³ (Rogerson, 2005). Indeed, the literature emphasizes that the business of LED is not merely an activity for local government alone; instead, it involves a partnership/networking between all actors in a locality (Helmsing, 2005a; Rogerson, 2005; Philander and Rogerson, 2001).

The theory of enablement has also accorded local government a role to play along side with the communities. As Tegegne (2001) noted the theory of enablement seen “government as an enabler.” Communities are one of the actors in the process of enhancing local development. Based on the theory of enablement, community empowerment is the counterpart of government enablement (Helmsing, 2005a). According to Helmsing (2005a) community empowerment “implies that communities take part in decision-making affecting their own livelihood and are involved in managing to improve their livelihood and human

¹³ The enablement theory provided a new role for the public sector (for both national and local government). Accordingly, government should not be involved directly in providing and delivering services but rather it would have a role to coordinate and regulate the framework in which other actors operate effectively (see Tegegne, 2001).

settlement conditions while government facilitates community participation and management rather than intervenes directly and unilaterally.” The government should play a role in enabling the communities to take their own responsibilities and withdraw their own actions from community initiatives. Thus, “[g]overnment enablement of communities action may...be redefined as (local) government creating appropriate legal, administrative, including (financial) and public planning frameworks to facilitate community organization, management and action” (Helmsing,2005a). Tegegne identified three types of government enablement: community, political and market¹⁴. Community enablement is “a strategy by central and local government to coordinate and facilitate the efforts of community and neighborhood-based organizations to initiate, plan and implement their own project according to the principles of self-determination, self-organization and self-management” (Tegegne,2001)

One of the dimension of government enablement of the community- the rule driven bureaucratic organizations of the government- concerns with the “degree to which the participation of communities (and their organizations) in the administration, finance and planning of public affairs is legally enacted” and make sure that it is implemented accordingly (Tegegne,2001). The other dimension of enablement is about planning at local level for better basic service and alleviation of poverty, a crucial area that needs the interaction of government and community in developing countries. In this case, it would be expressed in the way that (i) planning at community level takes place and (ii) governments incorporate such efforts in their own planning activities ((Tegegne, 2001)

However, according to Helmsing (2005a) the participation of community by itself though important is not sufficient condition for community based development. For him, what is “crucial for the success of community participation is community management. This refers to the ability of communities to identify their needs and determine priorities for community action. This requires the development of community management skills in the form of

¹⁴ Market enablement is about “the facilitation and promotion of the formal and informal business sectors and entrepreneurs to provide market solutions for production, consumption and distribution of goods and services ...” Political enablement refers “the transformation in the structure and functions of central and local government, the relations between them and their relations with the market and the community”(Tegegne,2001).

community base-planning, monitoring and evaluation systems”(Helmsing, 2005a). Another important point about community based development is the issue of forming community organizations /associations at the level of grassroots and federations level¹⁵. This helps in strengthening the market position of the community. Such a kind of organizations also helps to raise their voice and facilitate information sharing and experiences. In short it “can strengthen the autonomy of CBOs vis-à-vis the State as well as the market” (Helmsing, 2005a).

Civic sector

The civic (or the civil society) organizations are those that are engaged in a number of different developmental activities “outside the state and the market”¹⁶ (Dessalegn, 2008a). In the Ethiopian context, CSOs “... consists of organizations engaged in relief, rehabilitation and development activities (commonly referred to as NGOs or service providers); professional associations and interest groups, self-help, mutual aid and community based organizations; and human rights governance and advocacy organizations, and policy research institutions ...; in some works ... trade unions and cooperatives ...” are also included(Dessalegn,2008a). Here, the civic sector is represented by international donor organizations, which is seen in most cases as NGOs and local agricultural cooperatives, and these institutions are elaborated here.

NGOs: The government enablement to community action also recognized the importance of NGOs as mediators between local government and the community (Tegegne, 2001). Development based NGOs may engage in different activities and “they constitute an important actor as intermediary support organizations” (Helmsing 2005a). NGOS are involved in running and administrating various programs in many countries. They construct and deliver basic services, mobilize financial resources, build capacity and undertake policy advocacy (Dejene and Yilma, 2005; Helmsing, 2005a). Many NGOs are considered as pioneers in promoting programs and policies that are later on to be taken by governments.

¹⁵ Grassroots territorial CBOs unlike ‘self-selected’ grassroots groups are “all encompassing and broadly representative and multi-purpose organizations. A Self- selected grassroots groups are mostly single purpose oriented, more homogeneous and are less hierarchical”(Helmsing,2005a).

¹⁶ Civic or civil society organizations are another name for organizations in the voluntary sector (Dessalegn, 2008).

In this regard, issues like gender, environment and micro-finance institutions can be cited as an example (Djene and Yilma, 2005).

According to Helmsing, “[t]here are often tensions between NGOs and local governments. With some notable exceptions, NGOs are quite reluctant to link their programs directly up with local government” (Helmsing 2005a). He indicated that there are contacts with local government that are only limited to have access to the area and be permitted to operate (Helmsing, 2005a). In many African countries, therefore, NGOs keep themselves at a distance from government and prefer to execute their community programs alone. Hence, NGOs are blamed “for focusing too much on service delivery and too little to policy advocacy and for providing too little support to CBOs efforts to lobby for policy change” (Helmsing, 2005b). Indeed, it is stressed that partnership/networking between local government, community and NGOs are more effective for sustainable community based development in the present day of decentralization.

Agricultural cooperatives: Cooperatives are organized by individuals who voluntarily join a social group (“co-operative society”). Basically co-operatives are formed “to take advantage of potential economies of scale in pooling their own meagre individual resources” and financial gains due to their better bargaining positions (Wolz, 2000). Like any other cooperatives, three major principles guide the operation of agricultural cooperatives namely “self-help, self-administration and self-responsibility.”

Self-help means that people join forces, raise the necessary financial means for the joint co-operative undertaking themselves and are prepared to give mutual help. Self-administration means that the members organise the internal conditions of their co-operative society themselves (“internal democracy”). Hence, the co-operative is not subject to third party's orders.... Self-responsibility means that members themselves are responsible for the foundation and upkeep of the co-operative enterprise with respect to business partners in order to establish confidence in economic life (“joint liability”)(Wolz, 2000).

Agricultural cooperatives have a part to play in rural LED by improving the livelihood of peasants and enhancing the empowerment of peasants. To do so, these organizations should work in coordination with other actors such as LGs, NGOs and the private sector.

Private sector

The motive of the private sector mostly is profit making. Generally the private sector has a stake in LED by creating jobs and generating investments through producing tradable goods (Manuel, 1997). The sector also contributes to LED by providing important resources such as management skills, technical knowledge, and access to finance (Manuel, 1997). In this study, the private sector is represented by micro and small enterprises (MSEs).

Micro and small enterprises (MSEs): MSEs are the major economic feature of developing countries (Liedholm and Mead, 1999). Elias (2005) noted that in the African conditions, “local economic development initiatives can not afford ignoring MSEs role in the web of partnership for development”. Indeed, the importance of MSEs is stressed due to the increasing number of population both in urban and rural areas of Africa. As a result, MSEs have become not only a means of generating income but also a means of survival especially in rural areas. In addition, MSEs can contribute to rural LED promotion, among others, through employment generation, poverty alleviation, utilization of indigenous resources and utilization of labour intensive technologies.

Different criteria are used to differentiate between micro, small, medium and large enterprises. Among others, numbers of employees and size of capital are the common parameters used. Using the number of employees as a criterion, Elias (2005) depicted that for “developing economies, small firms will generally mean those with 10-50 workers whereas micro enterprise (‘very small firms’) are roughly with fewer than 10 workers”. Elias (2005) also made a point that in Ethiopia, the Federal Micro and Small Enterprise Strategy defined MSEs based on size of capital and level of automation. One should also note that MSEs may comprise firms that are engaged in various economic activities like sand and stone mining, pottery making, wood works, bee keeping, forestry, irrigation etc.

2.3.4 Institutional networks and governance in local economic development

Development (economic, social, cultural, and political) cannot be effectively achieved by an effort of the government perse. The current consensus seems that development, as comprehensive process, is the outcome of integrated efforts by the government, the private..., and [civic sectors].... These three actors are jointly considered as 'development partners /actors' (Elias, 2005).

The recent literatures on development have focused up on the shift from local government to local governance on the one hand, and the presence of institutional networks /thickness¹⁷ in a locality for the success of economic development on the other hand (see Gibbs et al., 2001; Pike, et al 2006; Tegegne, 1999). According to Helmsing (2005b) the new theories of local and regional development relies on two core premise: place and local governance. Place and local governance matters in LED. The latter premise is about “the extent to which the localized nature of economic development can be made use of to promote economic development of particular localities/regions depends on purposeful public, collective and joint action by several actors” (Helmsing, 2005b). Pike et al., (2006) also pointed out that “[t] development of *orgware* goes beyond a mere vertical and horizontal coordination of different levels of government and of local public and private actors and raises important issues of governance that need to be addressed by common institutions.” Thus, network of governance need to be forged between different institutional actors for the success of LED. This is due to the fact that “the governance of local economic development are interested and able to work together to generate synergies and to commit resources through partnerships in order to promote local economic development” (Helmsing, 2005b). In this regard, what Pike et al (2006) underscores is worth mentioning here:

[t]he development of institutions and governance systems... contribute to the empowerment of the population and... help individuals and communities take charge of their own future. It also fosters the development of civil society and promotes the formation of the networks and partnerships that are fundamental to processes of economic and social progress.

¹⁷ For some writers institutional networks is described as and meant to be institutional thickness (see Tegegne, 1999).

Developments of institutions and governances, therefore, have the role to promote the formation/arrangements of institutional networks and partnerships in a given locality. In the work of some authors, the term 'networks' refers "as intermediate and institutionalized forms of social organization that are neither markets nor organization hierarchies but are cooperative and potentially mutually beneficial... [and] cooperatives and reciprocal networks are founded up on trust-based relationships between participants. This enables information sharing and mutually beneficial action without the need of tightly pressed contracts" (Pike et al., 2006). According to some other authors, institutional networks described as institutional thickness is illustrated as follows:

- 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 pattern 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(Tegegne, 1999).

In short, institutional thickness (institutional networks) is defined as "a strong institutional presence locally, high levels of inter-institutional interaction, strong social structures and collective awareness of a common local and regional enterprises" (Pike et al., 2006). For the purpose of this study, institutional networks is defined as the process of creating partnership between the public (local governments), and civic (local communities, international donor organizations and local agricultural cooperatives) as well as private (MSEs) sectors in promoting rural LED.

Securing local economic success is not only influenced by a narrow set of economic or financial factors but it is also linked with the presence of institutional networks in a given place (Gibbs et al, 2001). The institutional network approaches ascribes trust-based inter-

institutional cooperation as one of the factors for LED. Hence, “‘high-trust’ localities ... are interpreted as more capable of the rapid innovation and adaptation amenable to development due to collaboration to share costs and risk, exchange information and solve problems. Trustful relations reduce monitoring and contracting costs for participants, for instance fostering supply of cheap local credit and cooperative labour relations” (Pike et al., 2006).

It is also well noted that the generation of sustainable livelihood in rural areas depend mainly up on “having active and effective networks of RLIs [rural local institutions]” (Uphoff and Buck, 2006). According to these authors:

the most successful rural development efforts, which would include SL [sustainable livelihood] creation, have been associated with systems of organization that are multi-tiered, with horizontal linkage and cooperation among similar organizations at the same level (and often with other organizations at the same level) co-existing and co-evolving with vertical linkages between levels, lower and higher (Uphoff and Buck, 2006).

As mentioned in the foregoing discussion, governance of LED emphasis on partnership between governmental agencies, community and their organizations and NGOs. According to this approach, “the state apparatus is often only ‘first among equals’” (Pike et al., 2006). Accordingly, “the role of political authorities is to steer the self organization of partnerships and networks- a kind of governance without government” (Pike et al., 2006). But this does not mean that government any long matters. The idea of:

governance refer to governing styles in which the boundaries between and within the public and private sectors have become blurred. The focus is on governing mechanisms which do not rest on resources to classical ideas of state authority and sanctions, but on the interactions of multiple actors. Such forms of working are generally seen as requiring high levels of trust between the actors involved to be effective, and the task of governance becomes that of ‘steering’ networks (Pike et al.,2006).

As remarked earlier, LED is a complex process that requires the involvement of the public, civic as well as private sector institutions in a web of networking to jointly design and implement a development strategy that exploits local resources and capacities as well creates better conditions for economic growth and employment generation.

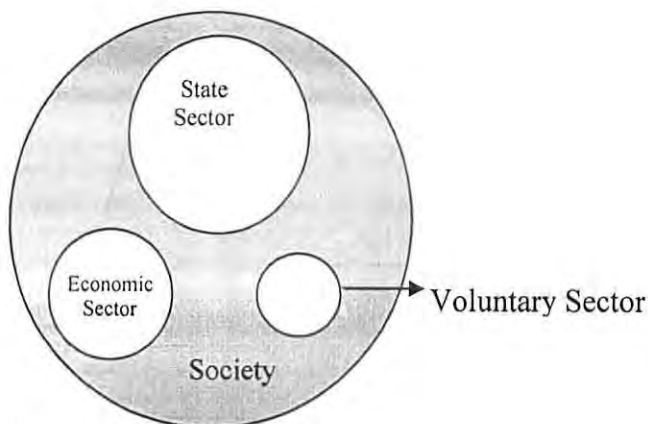
Notwithstanding this, Dessalegn(2008a) argued that the inter-institutional relations between the public, private as well as civic sectors and “the relative strength of each at a given time may be taken as a measure of the depth and breadth of democratization in society.” He goes on saying that “[i]n mature democratic societies, the state, market and voluntary spheres are balanced, the latter two serves as a countervailing influence on the former. In non-democratic societies such as Ethiopia”, in contrast, the state, market and voluntary sectors are unbalanced and the state overwhelmingly dominates the latter two (Dessalegn, 2008a). This contrasting experience is depicted in figure 2.1 below, in which figure 2.1.a. Portray the balance of forces in mature democracies, while figure 2.1.b. represents the African countries including Ethiopia.

Fig. 2.1 Organizational sectors, societal level

a) Mature Democracies: Sectors in Balance



b) Non-Democratic States: Unbalanced Sectors



Source: Adapted from Dessalegn (2008a).

2.3.5 Other institutional factors related to rural LED

Participation

Local institutions along with local participation are one among the factors that contribute for sustainable development (Uphoff, 1992). In spite of the conceptual debate whether to consider development participation as a means or an end by itself, some writers consider it as both an end and, a means in itself (Cohen and Uphoff, 1980; Tegegne, 2001). For instance, it is argued that “participation in matters concerning own development is also a fundamental right, and therefore an end in itself per se” (Dejene and Yilma, 2005). But, Tegegne (2001) not only consider people’s participation “as a means and an end but also as a sine quo none of development at local level.”

As noted before, local self-help and community self-reliance is favored as strategies of development to be followed in case of Africa (Binns and Nel, 1999). In this regard, complementing the paradigm of ‘development from below’ Binns and Nel advocated the idea of ‘development from within’ in the African context (Binns and Nel, 1999). The concept of ‘development from within’ is mainly based “on enhanced participation and control by local people over their development endeavors in a manner which embraces all members of a community” (Binns and Nel, 1999). It recognizes communities and their local knowledge as a factor needed for local development. In line with this, Uphoff (1992) argues that peoples’ participation for encouraging sustainable rural local development is based on “the assumption that rural people have more to contribute to the development process than just their money or labor power. They have ideas, management kills, technical insights, and organizational capabilities that are needed for development. They are to be regarded as partners more than “beneficiaries”.

Three different kinds of development participation are identified mobilization, decentralized decision making and empowerment (Dejene and Yilma 2005). Mobilization is defined as a condition “where people are involved not as co-planners but as sources of labor or as suppliers of other resources”. Decentralized decision making is about transferring or delegating powers to the people. Decentralizing decision making alone is not sufficient people’s genuine participation. Empowerment is the one in which the full participation of the people is realized. “Empowerment creates conditions for self reliance

and sustainable development of rural communities.” Empowerment involves people’s participation in identifying their needs, planning, implementation and evaluation in the process of development ((Dejene and Yilma 2005).

Participatory development is considered important because of the following reasons: (1) effective utilization of local resources, (2) sharing of experience and (3) selection of location specific and appropriate technologies through the learning process (Ibid). In addition it has also the following benefits, among others; (1) increased food production (2) higher net family income (3) increased employment (4) strengthening of rural institutions (Dejene and Yilma, 2005).

In general, Uma Lele in reviewing projects of rural development in Africa for the World Bank concludes:

Local participation may mean involvement in planning, including assessment of local needs. Even if local people do not participate in planning, at the very minimum they should be informed of the plans designed for their areas if they are expected to consent and to cooperate in program implementation. Participation in planning and implementation of programs can develop the self reliance necessary among rural people for accelerated development (Cohen and Uphoff, 1989).

Decentralization

As pointed out by Helmsing (2005a) “LED requires degree of political and financial autonomy”. This necessitates decentralized decision making that requires decentralized institutions. These institutions can be established through the process of decentralization undertaken by central government (Tegegne, 2001). According to Tegegne decentralization is broadly defined as:

The transfers of planning, decision-making or administrative authority from the central government to its field organizations local administrative units, semi autonomous and parastatal organizations, local governments or non-governmental organizations (Tegegne, 2001).

The need to develop local governance (not just local governments) is one of the reasons to initiate decentralization programs in many African countries. This implies not only the transfer of power and responsibilities from central to local governments but also to create the simultaneous interrelation between central government and local government as well as other local institutions (Olowu, 2003). There are two broad dimensions of decentralization related to governance: the demand and supply side of governance:

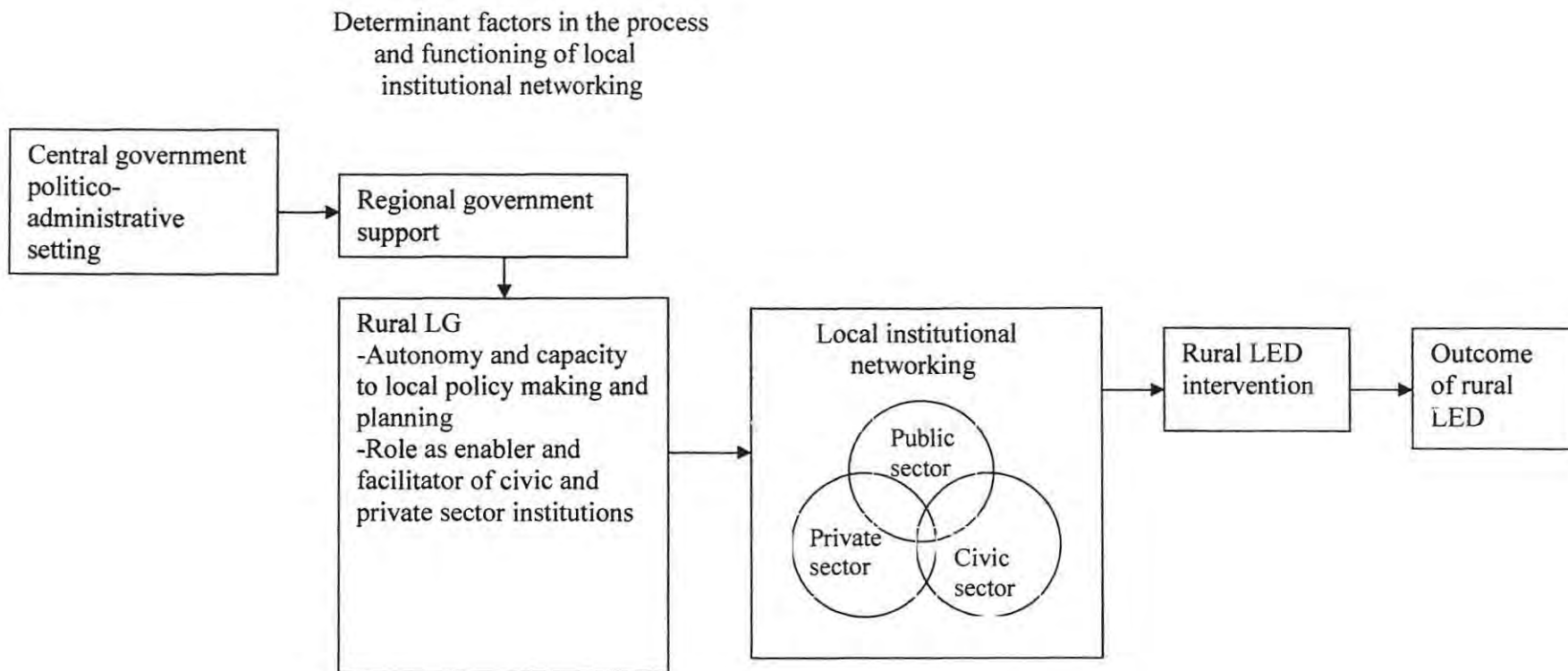
The demand side of governance refers to the interaction between local government and local civil society and economic actors in the process of establishing annual and medium/long term public preferences/ priorities and plans (public investment, long term territorial and development plans) and downward external accountability. The supply side of governance refers to the delivery of public services by non-public means (through collective action or privately) and the role of non-public actors in improving the efficiency and effectiveness of service delivery (public and non-public)(Helmsing, 2005b).

Decentralization coupled with governance is assumed to bring various advantages: it increases the degree of responsiveness of the public sector as the LG is closer to the public; increases accountability, enhances participation, and improves economic efficiency (Aggrey, 2005; Helmsing 2005b). Nevertheless, various factors are mentioned that may impede these advantages from being realized. Such factors include the transfer of more power and responsibilities by the central government that could not match with the actual resources of the local government (at the central level) and at the local level "... elite capture of local government institutions and local patronage and clientelist politics, poverty of resources, such as poor fiscal capacity, technical and human capacity problems..." (Helmsing, 2005b).

To conclude the theoretical literature review part, let me make some remarks. Rural LED activities are no longer to be left for LG alone. Promoting rural LED has become an issue of both state and non-state actors. The complex nature of rural LED problems requires the involvement of multiple institutions from various sectors of the society that requires their interactions and relations. This has brought the establishment and development of local

institutional networking approach to promote rural LED. Hence, this thesis has used the local institutional network approach as theoretical framework to analyze the process and functioning of rural LED interventions: watershed, smallholder agriculture and micro and small-scale mining development. The process and functioning of local institutional network, among others, depend upon the regional government support, LG autonomy and capacity to local policy making and planning as well as its role as enabler and facilitator of civic and private sector institutions. However, the politico-administrative setting in which the institutional networks operate is determined by the central government (see the conceptual framework of the study on figure 2.1 below).

Figure 2.2 Conceptual framework



Source: Own construct

2.4. Institutions and Regional /Local Development in Ethiopia: An Overview

Ethiopia is endowed with a variety of traditional/indigenous as well as modern institutions. The *iddir*, *senbate*, *mahber*, *iqqub*, *yejoka*¹⁸, among others, are examples of socio-political and financial indigenous institutions. The traditional institutions have existed for very long time serving different purposes in both rural and urban areas. However, modern organizations started operating largely in post 1941 period (Kassahun, 2007). Since this period, organizations that basically differ from the traditional one started their activities (Kassahun, 2007).

The historical development of institutions in Ethiopia has been categorized in to three distinct periods: the period of institution building, 1941-74; the period of human and economic distress 1974-91; and the period of restructuring and experimentation with ethnic federalism, 1991 to present (Bahru, 1999). This categorization of institutions is slightly highlighted vis-à-vis national and regional economic growth and development experience of Ethiopia through the sections that follows.

2.4.1. The development of institutions in rural areas

As far as the institutional development experience of Ethiopia is concerned, the period from 1941 - 74 is regarded as the period of institutional building (Bahru, 1999). Indeed, as Bahru notes, this was a period in which quite a number of institutions that are still crucial to the life of the society were built (Bahru, 1999). The so-called modern rural organizations that were initiated by the government namely, agricultural cooperatives, started emerging gradually since 1960s (Yigremew, 1999).

The outbreak of drought and famine that plagued the country in the beginning of 1970s “and the attendant human crisis resulted in the proliferation of civil society organizations, mostly international, but also a few local NGOs” (Kassahun, 2007). These organizations

¹⁸ *Iddir* is a “traditional system or institutions established to help and support each other during bereavement and times of other crises and problems.” *Senbete* is a “traditional religious association established to maintain social ties among people of the same religious background, particularly orthodox Christians.” The literal meaning of *mahber* is association. *Iqqub* refers to a “traditional rotating system of saving and credit”. *Yejoka* is a “traditional administrative and conflict management institution of the *sebat-bet* gurage people.”(Getinet, 1999).

were few in number and engaged in limited activities; most of them were found in urban areas and they could not meet one of the element of CSOs namely, autonomy at the time. It should be noted that, there are different types of CSOs¹⁹. Some CSOs such as cooperatives, trade unions, youth and women are member serving while others like NGOs and advocacy groups are third party serving (Tegegne and Kassahun, 2004).

The Military Government, which came to power in 1974, issued a land reform law after a year that resulted in the pronouncement of agricultural cooperatives (mainly service cooperatives) and the establishment of peasant associations (PAs). Yigremew (1999) wrote that since this period "... these institutions became the most preferred forms of institutions for rural development." Apart from these rural institutions, the Military Government "had neither the policy nor the good will to encourage the creation of civil society organizations"(Kassahun, 2007). As the country was hit by drought in the 1980s, it was only NGOs that were allowed to engage "in aid and minor development activities ..."(Kassahun, 2007).

Agricultural service cooperatives (ASCs) were established mainly to provide services to their members such as agricultural inputs, credit and marketing services for crops produced by members, consumer goods and soon (Dessalegn, 1992; Tegegne, 2001; Yigremew, 1999). According to Dessalegn, though these cooperatives "were formed largely by government fiat and without sufficient participation by the peasantry, the services they provide [were] welcomed by peasants"(Dessalegn, 1992). By the year 1988/89 there was 4052 ASCs with membership of 4.5 million household (Walton, n.d). In addition to above, ASCs had also created employment opportunities. However, the functions of these organizations had been limited to "consumer oriented services and the supply of food grain to AMC [agricultural marketing corporation]"(Dessalegn, 1992). Though ASCs were important in contributing to rural development, they "were created and used by the government to implement its unpopular policies ... as a result, peasants lost interest in these

¹⁹ In the Ethiopian context, CSOs "... consists of organizations engaged in relief, rehabilitation and development activities (commonly referred to as NGOs or service providers); professional association and interest groups, self-help, mutual aid and community based organizations; and human rights governance and advocacy organizations, and policy research institutions ...; in some works ... trade unions and cooperatives ... "are also included (Dessalegn, 2008a).

institutions and they become moribund since the government policies shifted from agrarian socialism to mixed economy”(Yigremew, 1999).

Peasant associations- born out of the 1975 land reform policy- were established based on the assumption that the isolated and scattered form of existence had protected the peasantry to engage in development activities or pursue political goals (Dessalegn, 1984). According to Dessalegn (1984) the tasks of PAs during the Derg period were three: “1. Land distribution and land administration... 2. Responsibilities associated with rural development 3.Tasks involving law and order, arbitration and local administration” (Dessalegn, 1984).

As far as rural development was concerned, the land reform legislation had not clearly stated the power and responsibilities of PAs. “There are general provisions that enjoin PAs to strive towards raising production, make improvements in farm methods, and technique and encourage their membership to move towards socialist form of agriculture” (Dessalegn, 1984) .Despite the fact that PAs were entrusted with the task of rural development, it was proved difficult to achieve it in practice. The main reasons for this, among others, were “[1] PAs [did] not have (or cannot generate) the resources needed, that they severely lack technical, administrative and organizational experience, and that too often they [were] mostly concerned with persevering what exists rather than changing or developing it ... [2] The quality of PA leadership”(Dessalegn, 1984). The leaders lack the required expertise, or experience of the new rural institution that enable them to plan and coordinate the activities undertaken by the community (Dessalegn, 1984). Dessalegn (1984) made a remark that, this problem “had led to a situation where many PAs [were] devoid of initiative, where the resources of their communities [were] improperly used. And where problems that could easily be overcome by collective effort remain unresolved.”

Furthermore, peasants had lost their confidence and later on, they disregarded PAs due to “their involvement in the implementation of the government’s unpopular policies ...: delivery of grain quota, resettlement and villageization programs, obligatory military recruitment, collection of various contributions and others” (Yigremew, 1999).

2.4.2. The experience of institutions for regional /local development in Post 1991

2. 4. 2.1. Regional/local development experience in Ethiopia

Sub-Saharan Africa (SSA) is one of the poorest regions in the world. Poverty has been continuously rising in this region. It is reported that the number of Africans living below US \$ 1 a day has increased from 288 million in 1980 to 516 million in 2001 (Asfaw et al, 2007). Although there are a number factors attributed to the cause, “lack of pro-poor growth policies ...” has been cited as the most important one (Asfaw et al, 2007).

As a result, local and regional development has become an alternative development approach to alleviate poverty in SSA countries. The fact that local and regional development focuses on a specified local territory and at a grass root level of the community, it has tremendous impact on poverty conditions of the people (Asfaw et al., 2007). “This is very important because the worsening conditions of the people of SSA, particularly of the rural and urban poor is constrained by their inadequate access to resources including land, capital, physical infrastructure, and social services” (Asfaw et al, 2007).

According to Asfaw et al, (2007), the core element of regional and local development approach is bringing people centered development by enhancing “the self-organizing capability of local people and strengthening local institutions.” Accordingly, alleviating poverty in SSA requires an “integrated and comprehensive pro-poor growth policies.” This is because “...the recent evidence from SSA indicates, achieving faster economic growth rates by itself does not bring the desired level of well-being and equity” (Asfaw, et al., 2007).

Ethiopia has experienced with different types of regional development planning and strategies. In the imperial and Derg period, regional development was considered as far as it improves and assists the national economy (Tegegne, 2000). Since 1991, Ethiopia has embarked on decentralization and regionalization policy with the aim of transferring power and responsibilities from the center to the regions. A federal system of government that comprises nine ethnically based regions and two administrative cities were created. Apart from devolving power and responsibilities to the regions, the country has also undergone a

second stage of decentralization program since 2001. The second stage of decentralization has devolved power and responsibilities to *werdeas* that are considered as the centre of economic activity (Tegegne and Kassahun, 2004). Indeed, “[t]he *woreda* structure, abandoned by the *Derg* in 1987, was re-instituted by proclamation No.7/1992 as a basic government unit in each region” (Fenta, 2007). In general, the decentralization program that Ethiopia has embarked on resulted in a new trend of regional development (Tegegne, 2007).

The main objective of decentralization policy in Ethiopia was “political decentralization, initiated for the purpose of maintaining the integrity of the nation through the process of regionalization and based on ethno linguistic criteria” (Tegegne and Kassahun, 2004). The ethno-linguistic components have been taken as the main criteria in the process of regionalization in Ethiopia. In this regard, Tegegne (2007) has the following to say:

One of the arguments labeled against ethno-linguistic regionalization in Ethiopia is that such regionalization splits citizens’ sociopolitical psychology along ethnic lines and hence promotes a divide and rule strategy. While this argument underlies the political reaction, it is not clear how ethno-linguistic regionalization will promote development in the different regions. The reason being that ethno-linguistic regions are composed of diverse ecology, geographical character and levels of development ... designing appropriate development strategy becomes difficult. It poses difficulties in pursuing geographically-differentiated strategies for the purpose of regional development.

Other researchers such as Sisay (2003) strongly argue that “the structure of ethnic regionalism today may provide incentives for local political elites to impede cross-regional investments and/or to extract bribes from outside investors. Similar impediments to the mobility of forms of labor such as professional labor may exist. So the structure has the potential to contribute to economic stagnation or decline in some ethnic regional states...”

Some others also argue that decentralization policy in Ethiopia has the aim of “... enhancing grass roots participation in the political and economic development process of the country and creating an environment where development plans become more responsive to local condition and needs” (Asfaw et al., 2007). In spite of this, however, the

policy has been curtailed by weak and inadequate institutions as well as lack of personnel having the required training and skill (Asfaw et al., 2007; Meheret, 2002).

The focus of the Ethiopian government policy previously was on regional equity and balanced regional development. However, in recent years the "... thinking of regional development ... seems to be driven by a concern for growth" (Tegegne, 2007). In other words, it seems that the government is currently following pro-growth regional and local development approach that gives some space for efficiency. The other remarkable point made by Tegegne is that "sectoral policies dominate development thinking" in Ethiopia (Tegegne, 2007). Although the country has espoused on decentralization and regionalization policy in which different regions and rural local governments have given space to prepare their own development plans, regional and local development in Ethiopia up until now is a mirror reflection of sectoral policies.

The overall development strategy of Ethiopia, Agricultural Development Led industrialization (ADLI), is being followed by all regions. Accordingly, efforts were made by the regional states "to utilize resources, ensure food security and bring rural development mainly in line with the principle of ADLI." Such a thinking, as Tegegne (2007) puts it is "an over zealous obsession with rural development strategy", which resulted in another gap in the area of regional development (Tegegne, 2007). This bias has brought problems in areas of urban development and rural urban linkages in Ethiopia for many years (Tegegne, 2007).

The recently issued government strategy- A Plan for Accelerated and Sustainable Development to End Poverty (PASDEP)- is aimed at addressing the above mentioned gaps through geographically-differentiated strategies (promotion of specialization and diversification as well as promotion of growth areas, growth centers and growth corridors), urbanization agenda and rural-urban linkages (Tegegne, 2007). Specialization and diversification are among the major components of geographically-differentiated strategies. Specialization is aimed to happen across regions and agro-ecological zones. At the individual "farmers' level, however, diversification is encouraged through promotion of mixed farming" (Tegegne, 2007). The other components of geographically-differentiated

strategies are concerned with the enhancement of growth areas, growth centers, and growth corridors. These, among others, include the already established Addis-Ababa-Djibouti corridor and other resource reach areas such as the Humera-Gonder corridor. At a regional level, Oromia and Tigray are attempting to develop growth corridors and centers (Tegegne, 2007).

As far as rural-urban linkage development in Ethiopia is concerned, they “should complement each other in order to ensure their sustainability” (Tegegne, 2007). However, it is mentioned that rural development policies and program such as land tenure system that could have a negative consequence on rural-urban linkage should be addressed. In this case, Dessalegne quoted in Tegegne (2007) indicated that:

the land [tenure] system has discouraged peasant mobility and trapped the population in rural areas.... Improvements in livelihoods are impossible unless a considerable portion of this population is released from the land and moves out of the rural areas...the greater mobility of peasants out of agriculture will stimulate greater mobility of land...the destination of a mobile peasantry will be the urban areas.

The strategies of specialization and diversification, growth centers and growth corridors and urban-rural linkages are presented as guiding principle for regional development. According to Tegegne (2007), the strategies are important and will enhance regional growth. Nevertheless, he mentioned that understanding the implications and adequacy of these strategies are important. For example, “the pro-growth regional development may exacerbate regional imbalances and the government should put corrective measures in anticipation of such effects” (Tegegne, 2007).

2.4.2.2. The role of institutions in regional / local development

One of the challenges of reducing poverty in any society is developing institutions that support and promote economic growth (Sisay, 2003). From the perspectives of regional/local economic development in Ethiopia, this study is interested in different types of institutions: public, civic and private sector institutions.

In the public realm, government is involved in formulating policies, providing guidelines, regulatory frameworks and public goods to promote rural LED. In the post 1991 Ethiopia, the New Economic Policy adopted by the Transitional Government of Ethiopia stated that the government could not be directly involved in the production of goods and services. But, the “primary function would rather be the building of an infrastructure to provide sufficient services, skilled manpower, and to facilitate bureaucratic process to attract investment”(Fenta, 2007). Despite its pledge, the Ethiopian government is not genuinely committed in providing an enabling environment and has continued its direct involvement in the production of goods and services (Fenta, 2007). It is to be noted that the central government in developing countries is more directly involved in enhancing LED unlike the developed countries, which is more concerned with developing the capacity of local institutions so that they can contribute more to LED (Manuel, 1997).

The private sector has a stake in rural LED by creating jobs and generating investment through producing tradable goods (Manuel, 1997). In developing countries like Ethiopia, the private sector is not well developed institutionally. In these countries, the private sector lags behind among the LED actors. Two reasons are mentioned for its low visibility: “(a) its potential as an important LED actor is not yet been sufficiently tapped; (b) it has limited institutional capacity to fulfill the requirements for LED promotion”(Manuel,1997). In Ethiopia, Fenta(2007) indicated that:

the domestic private sector is still too underdeveloped and fragmented to take on major production and the delivery of services, or play a leading role in the economic sphere. The sector is highly constrained by a lack of capital and markets to invest in large-scale operations and, hence, is mainly confined to small and medium scale operations in urban premises. Moreover, the government has not yet set economic operations free. It has only changed the form of intervention from ‘public enterprises’ to ‘party-owned enterprises’. The latter have established a wide array of economic networks among themselves to control all major economic activities. This hampers free economic competition and the growth of private investment for sustainable development

The civic sector also plays an important role in promoting rural LED. In developing countries like Ethiopia, the public and private sector institutions have limited capacity in addressing the interest of poor communities in rural areas. The capacity of LGs to fulfill a developmental mandate is curtailed because of lack of finance and weak institutional capacity, inefficient public bureaucracy (Fenta, 2007; Rogerson and Philander, 2001; Tegegne, 2001). The civic sector in Ethiopia is growing in number and in diversity. The emerging trends also indicates that CSOs are shifting from their sole concern of service delivery and relief towards issues of poverty reduction, socio-economic development, human rights and policy reforms. The trends also indicate that the civic sector is in its “formative stage” (Dessaiegn, 2008a).

According to Fenta(2007) the government of Ethiopia “encourages NGOs to work closely with local governments, sector agencies and people. NGOs mobilize resources to invest in rural areas where there is lack of basic social and economic services.” Fenta(2007) also noted that in addition to NGOs, bilateral and multilateral donors are involved in providing support to the democratization and governance reform process of Ethiopia. “They provide aid to the central government and also to local governments and people to improve and expand basic social and economic services to those who have no access to such services”(Fenta, 2007). In general, although some positive changes have been recorded in involving and participating non-state actors in rural LED activities, “a similar record have not yet been achieved in terms of their advocacy role and participation in policy making at various levels. Such roles have not yet been well integrated into the governance system” (Fenta, 2007).

2.5. Conclusion

This chapter has illustrated the nexuses between institutions and development, and the importance of institutions as an instrument of enhancing economic development. It has also shown that rural LED is no longer left for the rural LG alone. The reviewed literatures on development have focused up on the shift from local government to local governance on the one hand, and the presence of institutional networks /thickness in a locality for the success of economic developments, on the other hand. Securing local economic success is

not only influenced by a narrow set of economic or financial factors but it is also linked with the presence of institutional networks in a given place. LED is a complex process that requires the involvement of the public, civic as well as private sector institutions in a web of networking to jointly design and implement a development strategy that exploit local resources and capacities as well creates better conditions for economic growth and employment generation. In general, one should note that “even though LED is a locally owned and implemented program, the national and regional environment within which a locality is imbedded will impact greatly on its ability to create economic growth and employment” (Rodriguez-Pose and Tijmstra, 2005).

This chapter has also dealt with related empirical literature on Ethiopia. Let me make some remark to conclude the chapter. Tegegne and Kassahun (2004) indicated that in Ethiopia the “...political systems under successive regimes of the past are noted for their restrictions on space for local self-rule and institutional development.” In a similar manner, Dessalegn (2008a) argues that the Ethiopian state has greatly expanded since the 1960s, and this trend shows no sign of reversing: “Both during the Derg and the present government, the ability of the state to intervene at the local level and household level and in every part of the country has been greatly enhanced.”

Hence, one can argue that the presence of insufficient and weak institutions in the country have contributed in constraining the economic growth and development of the country. In this case, Sisay boldly argues that “... the poverty problem in Ethiopia is fundamentally a problem of the institutional failure and lack of democratic governance that has prevented the country’s human and natural resources potential from being realized or channeled toward productive activity”(sisay, 2003).

Chapter 3

The Study Area and Institutional Framework for Rural LED

3.1. The Study Area

3.1.1. Lume *Wereda*

Location and bio-physical features

Lume *Wereda* is located 73 km East of Addis Ababa and 25 km West of Adama/Nazreth in East Shewa Zone of Oromia Regional National State (ONRS). The *wereda* lies on a total of 75,220 hectares of land that extends from $8^{\circ} 24'$ - $8^{\circ} 51'$ N and from $39^{\circ} 1'$ - $39^{\circ} 17'$ E. It is boarded by Amhara National Regional State and Gimbichu *Wereda* in the North and Boset *Wereda* in the North East, Adama *Wereda* in the East ; and Ada Liben and Dugda Bora *Wereda* in the west and South respectively. Modjo, the capital of the *wereda*, is also the seat of industries and heavy commercial business. Ejere, Ejersa and Koka are other small rural towns in the *wereda*. The *wereda* is being served by all weather roads and dry weather roads. The all weather roads are the Addis Ababa-Adama and Modjo-Ziway asphalt roads, while the dry weather roads are the one that leads to the neighboring RKAs. The *wereda* is also served by an old asphalt road that joins Adama crossing Tede Dildima and Golje Dildima, the two rural *kebeles* selected for this study.

Lume *Wereda* is characterized by having *dega*, *weina dega* and *kola* agro-climatic zones covering an area of 30, 45 and 25 percent each respectively. It has a bi-modal annual rain fall with a short rain season from March to May and with a long rainy season from June to September. The range of the annual rainfall varies from lowest 500mm to highest 1200 mm and temperature from 12°C to 30°C . The area has topography of plain (60%), mountains (33%) and gorge (7%)(Lume *Wereda* DoRAD,2007a).The soil type is vertisol(49%), rendinas and phacozems (37%), and cambisoils and luvisols (14 %)(Fikru ;2008). Land used for farming/cultivation (68.9%) dominates over other types of land use, followed by degraded land (8.96%) and water body (8.78%)(see Table 3.1 below).

Table 3.1: Land use and cover in Lume wereda

Land use type	Area (in hectare)	Percentage
Cultivated land	45758	61.74
Degraded land	6740.21	8.96
Water body	6604.8	8.78
Rural settlement	3490.47	4.64
Forest land	3385	4.56
Bush and grass land	802.41	1.07
Urban settlement	1504.51	2.0
Grazing land	361.08	0.48
Irrigated land	5465	7.37
Total	74,111.48	100

Source: Lume *Wereda*, DoRAD(2007a)

Population and rural institutions

Lume *Wereda* has 35 RKAs, with total population of 116,501 of which 77,759 live in rural areas and 38, 742 in urban areas (FDRE, 2008). The numbers of male and female population living in the rural areas are 40,899 and 36,860 respectively. In the urban areas there are 18,937 males and 19,805 females.

The *wereda* is endowed with various rural institutions. Apart from the public sector that comprises rural LG, there are various CSOs operating in the area. Primary agricultural multipurpose cooperatives (15 in number), German international development institutions (GTZ, KFW, DED), Hunde Oromo Grassroots Development Initiatives (a local NGO), and Lume Adama Farmers' Union, among others, can be categorized under CSOs. There are also various MSEs that are categorized under the private sector. The private sector include, among others, MSEs such as river sand and stone mining (35 in number), irrigation (6), forestry (16), saving and credit (19) and poetry makers' (LAFCU, Planning and program section, n.d).

Generally, there are about 21 types of cooperatives having a total of 119 primary cooperatives that are engaged in different activities in Lume *Wereda*. At the initial stage of their foundation, excluding Saving and Credit Associations, they had 14,932 household members that have grown to 19,509 households of which 17,039 are males and 2470 are females. Their capital has grown from 2, 646,692.15 to 8,485,658.08 birr at the present. With regard to Saving and Credit Associations, there are 5 enterprises having 1459 household members and a capital of 3,515,689.85 birr currently (Interview, Kider Sefa & Tadele Boku, May 2009).

Economic activities

The livelihood of the majority of the people in Lume *Wereda* depends on agriculture, which combined both crop cultivation and livestock keeping. Sixty-nine percent of the land is used for agriculture (Lume *Wereda*, DoRAD, 2007a). Small holder agriculture is the dominant economic activity in the locality. The major crops grown include *teff*, wheat, maize and barely. Livestock keeping that includes cattle, sheep and goat are the other source of income that complements crop cultivation. Other economic activities include micro and small level mining and quarrying, micro and small level trading, fishery, beekeeping, fattening, pottery, butchery, milk production and soon.

3.1.2. Tede Dildima and Golje Dildima Rural Kebele Administrations

The studied villages are: Kusaye in Tede, and Endode and Kenteri in Golje RKAs. As indicated in the foregoing discussion, the villages are selected because of rural LED interventions that involved the concerned stakeholders/institutions. Tede and Golje RKAs are found about 5 km South East and 10 km East of Modjo town respectively. Both kebeles are being served by the old and abandon asphalt road that leads to Adama. Tede has 501 households and 2,532 people distributed over the three villages viz. Kusaye, Tede and Kero (of which Kusaye has 180 households) (Interview, Tesfaye Hailu, April 2009). Golje has 393 households with 2483 people that reside in three villages viz. Endode, Kenteri and Kachela Dilidima (of which Endode and Kenteri have 200 households)(Interview, Bekele Alemu, April 2009). The total area of Tede kebele is 2,020 hectare, while that of Golje is 1277 hectare. The dominant land use of Tede is farming / Cultivation, while area

demarcated for forest protection is also significant (see Table 3.2). The major land use of Golje *kebele* is farming which is similar to Tede, but the area demarcated for forest is insignificant as compared to Tede (see Table 3.3).

Table 3. 2: Land use /Cover in Tede *kebele*

Type of Land use/cover	Area (in hectare)	Percentage
Cultivated land	996	49.3
Forest land	645	31.9
Grazing land	101	5
Residential area	42.75	2.1
Other	235.25	11.6
Total	2020	100

Source: Tede *Kebele* Administration Office (2009)

Table: 3. 3 Land use/cover in Golje Dildima *Kebele*

Type of land use/cover	Area(in hectare)	Percentage
Cultivated land	1131	88.56
Forest land	76	5.95
Residential area	55	4.30
Grazing land	15	1.17
Total	1277	100

Source: Golje *Kebele* Administration Office (2009)

Teff and wheat are the major crops grown in both *kebeles*. Peas, maize, barely, lentil, beans, haricot-beans, chick-pea and pig are also grown in the *kebeles*. The productions of cash crops are very limited. Livestock production has diverse function providing draft power, transportation, nutritious food (meat, milk, egg etc) and generating additional income.

In both *kebeles*, the peasants particularly the youth, who do not own farm land, are organized in MSEs. A good number of people depend for their livelihood in small-scale mining enterprises, extracting river sand and stone. The enterprises engaged in this activity

are named as 'Bikila Boru' in Tede *Kebele* and 'Golje Dildima' in Golje *kebele*. A group of landless women are also engaged in pottery production using clay soil in Tede *Kebele*. Saving and Credit Associations are also present providing saving and credit services for their members.

3.2. Institutional Framework for Rural LED in the Study Area

Rural LED is a complex process which requires the active involvement of various institutions. Though institutions have their own independent role in locality-based rural development, their convergence into partnership or networking arrangement with each other is paramount importance to tackle the complex problems of agrarian locality. In order to study institutional networking, both at the *wereda* and *kebele* level, first, it becomes necessary to have a framework and clear picture of institutions involved in rural LED. Thus based on the institutional framework developed in chapter two, three types of institutions involved in locality-based development were identified in the study area:

- i) Public Sector: The public sector is represented by rural LG that includes *wereda* government and some of its sectors-Rural and Agricultural Development Department, Cooperative promotion Department, Trade, Industry and Transport Department and Rural *Kebele* Administrations.
- ii) Civic Sector: The civic sector is represented by an international voluntary organizations and local multipurpose agricultural cooperative.
- iii) Private sector: The private sector is represented by rural small-scale mining enterprises.

3.2.1. The public sector

Government (especially rural LG) is a key institution in the process of rural LED in many ways. Among others, (1) it formulates policies, provide guidelines and provide regulatory frameworks for other stakeholders involved in rural LED; (2) rural LG provides public goods and public funding thereby nurturing local economy;(3) rural LG need to play an enabling role, i.e., to coordinate and facilitate other rural LED actors like international development organizations, rural cooperatives, private enterprises, and NGOs.

Rural local government

The *wereda* government of Lume is a rural LG that represents the public sector. As per the legal instruments of Ethiopian government, *wereda* and *kebele* are the two tiers of local government, which are very close to the peasant households. Since the second phase of decentralization, there has been a change in the structures of *wereda* and *kebele* (Dessaiegn, 2008b). Accordingly “the *wereda* and, to a small extent, the *kebele*, have been given increased duties and responsibilities with regard to local administration, service delivery, program management and budget utilization”(Dessaiegn, 2008b).The decentralization program of the Ethiopian government has made *wereda* to be the center where rural LED takes place. That is to say, the *wereda* has now become an epicenter for local development planning and implementing programs and projects.

The revised Constitution of Oromia National Regional State (ONRS) provided both the *wereda* and *kebele* with three principal organs: an elected assembly, an executive body and the judicial body²⁰. The constitution states that the *wereda* assembly, a house organized below ‘*Caffee*’²¹, is elected by the people for a term of five years and accountable to the *wereda* electorate. The *wereda* assembly is a deliberative body that endorses plans, programs and initiatives related to agrarian economic development, social services, public administration, and natural resource management of the *wereda* (ONRS, 2007).

The Administrative Council that consists *wereda* administrator, deputy administrator and heads of sectoral departments, is the executive organ of the *wereda*. This body has dual accountability both to *wereda* administrator and *wereda* assembly (ONRS, 2007). Now a day, the system of government called cabinet was emerged to refer to the *wereda* executive body, although the term doesnot appear in ONRS constitution. One should note that it is the executive/administrative council that made a government in real sense of the term. Therefore, in dealing with rural LG, this study mainly focus on administrative council and

²⁰ An elected assembly is named as District Council and *Kebele* Council for the *wereda* and *kebele* respectively. where as the executive body is termed as District Administrative Council(at *wereda* level) and *Kebele* Administrative Council(at *kebele* level) and the judicial organ is named as District Judicial Organ(at *wereda* level) and *Kebele* Social Court(at *kebele* level)(ONRS, 2007).

²¹ *Cafee* is the legislative body of Oromia National Regional State(ONRS,2007)

the sectoral departments of the *wereda*. The Administrative Council of the *wereda* is provided with the following powers and duties (see box 3. 1).

Box 3. 1: Constitutional powers and duties of the Administrative Council of the *wereda*

- Implement the policies, laws, directives, plans and programs of the [government]...;
- Coordinate, supervise and lead the activities of the executive organ...;
- Prepare annual budget draft and submit it to the [*wereda* assembly], implement same upon approval;
- Maintain peace and security...direct the[*wereda*] police and security force as well as coordinate their function;
- Prepare plans for social services, economic development and administration...;
- Protect, preserve and develop the natural resource as well as mobilize the populace for developmental activities

Source: ONRS, The revised constitution of ONRS, 2007

Although the legal instruments entrusted many tasks to rural LG, an interview made with deputy administrator of Lume *wereda* revealed that the major tasks of the *wereda* government are: (1) local administration- administering rural *kebeles* and its residents; (2) promoting rural development; (3) Budget administration- to follow up and make sure that the budget assigned goes to the required development tasks; (4) coordinate and lead the overall tasks of the sector departments(Interview, Bekele Beyecha, May 2009).

According to him, the main responsibilities of *wereda* government with regard to rural development are to implement policies, plans and programs of the national and or regional government. Hence, the *wereda* works towards convincing the local community as well as the public servants to accept and implement the government development strategy. Furthermore, the rural local government also works in promoting education and health care institutions as part of its rural development endeavor. In this regard, he said that each *kebele* in the *wereda* has already got a health post and a primary school. Agriculture and rural development is closely linked with social activities such as education and health and

thus needs to be integrated in agrarian locality development (FDRE, 2006). Farmers Training Centers were also established in each *kebele* so as to transfer improved agricultural technologies to the farmers (see chapter 4 for more). He noted that “all in all we engaged in developmental activities that fulfill the need of the local community”.

As indicated above, the *wereda* government has the responsibility to coordinate and lead the tasks of the sector departments. There are more than 20 sectors in Lume *Wereda*. To mention: Rural and Agriculture Development; Trade, Industry and Transport, Cooperative promotion, Finance and Economic Development, Revenue, Education, Health, Water, Rural Road, Culture and Tourism, Information and Communication are some of them. The *wereda* government and sector departments are provided with various powers and duties due to the decentralization process. However, many of the local authorities interviewed for this study, mentioned lack of finance as a basic factor limiting the role the *wereda* and sector departments play (see chapter 4 for more). Tegegne and Kassahun (2004) also mentioned that as a result of the current decentralization program, “...the executive branch of the *woreda* has been expanded significantly despite these developments; however, there is concern about the *woredas*’ capacity to shoulder the responsibilities given to them, in terms of finance, planning and management.” It should be noted that each sector departments may have a stake in rural LED; but the emphasis of this study lies on the first 3 departments and RKAs in Lume *Wereda* as mentioned above. These will be briefly presented as follows.

Department of Rural and Agriculture Development (DoRAD)

DoRAD is one of the sector department constituted in Lume *wereda*. The vision of the department is to see the peasants in the *wereda* relived from the conditions of poverty and become in the status of middle income peasants (Interview, Nigussie, May 2009). According to him, to realize its vision the department through its agricultural extension program is involved in a wide range of rural and agriculture development activities.

The powers and duties of the *wereda* sector departments are provided by ONRS proclamation No. 87/2004 that established the executive organs of the region. According to proclamation No.132/2007(that amended pro. No. 87/2004 and its other amending

proclamation), DoRAD is provided with a wide range of powers and duties (see box 3.2: for some of the powers and duties).

Box 3.2: Powers and duties of the Department of Rural and Agriculture Development

- Give extension service for farmers and investors;
- Facilitate and manage the supply and distribution of agricultural inputs;
- Coordinate and direct activities undertaken to realize food security;
- Cause expansion of farmers training center, direct and administer the same;
- Give and follow-up capacity building training to upgrade the execution capacity of professionals and farmers;
- Administer rural land, cause implementation of laws rural land administration and use;
- Facilitate conditions and give technical support activities undertaken to minimize soil erosion through soil and water conservation;
- Give support for government agencies, private investors, farmers and associations to reproduce and distribute technologies resulting from agricultural research centers;
- Provide information and data by following domestic and foreign market for the farmers and investors engaged in agriculture development so as to enable them to be competitive in price and quality;

Source: ONRS, Proclamation No.132/2007

Department of Trade, Industry and Transport (DoTIT)

DoTIT is one of the sector department constituted in Lume *Wereda*. It was established recently, in February 2009. Before this time, the sector was constituted only at the zonal level. The main developmental task of the department in the *wereda* is creating jobs for the unemployed or for the landless peasants who have no other means of generating jobs. The department has the mandate to register and organize the unemployed or landless peasants (largely the youth) in micro and small enterprises (see box 3.3 for the legal powers and duties of the department in relation to MSEs). The department organizes MSEs in the *wereda* in the form of cooperatives.

Box 3.3: Powers and duties of the Department of Trade, Industry and Transport with regard to MSEs

- Undertake study on resource and development opportunities of small and micro enterprise;
- Give extension service for micro and small enterprises, establish training center;
- Identify training need of workers and managers of industry and micro and small enterprises, coordinate and follow up training to be given in collaboration with concerned bodies;
- Organize association of industry and micro and small enterprises which have three and above members in [rural areas], register, issue legal personality certificate, renew and cancel it;
- Undertake study on market relating to industrial and micro and small enterprise products, facilitate conditions to advertise their products;
- Cause micro and small enterprises to be expanded and being a base for middle and higher level industries by providing trade development service;
- Give necessary support to strengthen trade relationship among urban and rural MSEs;
- Give audit services to micro and small enterprises organized in cooperatives;

Source: ONRS, Proclamation No.132/2007

Department of Cooperative Promotion (DoCP)

DoCP is one of the sector department constituted in Lume *Wereda*. The department has a vision of organizing the peasants in cooperative society so as to change the poor living conditions to the one characterized by vibrant economy and become competitive in the African economic stage. The purpose of the department is to enable the cooperative society to be autonomous and self-administered organizations, efficient and self-responsible as well as competitive in the market to improve the livelihood of its members. Hence, the department is responsible for organizing, promoting and registering rural cooperatives in the *wereda* (Interview, Kider Sefa and Tadele Boku, May 2009)

Previously, DoCP was under rural and agricultural development department. But currently it is a sector office, which is accountable directly to the *wereda* government and Zone Cooperative Promotion Bureau. The previous structure created some problems such as lack

of human resource and lack of budget that curtail the activities of the department (Interview, Kedier Sefa & Tadele Boku, May 2009).

Rural Kebele Administrations

Rural *kebeles* are the lower level LG, which are very close to the peasant households. As indicated before, Lume *Wereda* comprises 35 rural *kebeles*, and of which two *kebeles* namely Tede Dildima and Golje Dildima were selected for this study. Tede and Golje *kebele* administrations have the same structure in terms of its organization. As indicated in the aforementioned discussion, the *kebeles* are provided with three principal organs: an elected assembly (named kebele council); an executive body (named *kebele* administrative council) and *kebele* social court (ONRS, 2007).

The *kebele* assembly is the highest government body of the *kebele*. The members of the house are elected directly by its residents for a term of five years. The house is accountable to the people of the *kebele* and *wereda* assembly (ONRS, 2007). Bekele Beyecha, Lume *wereda* Deputy Administrator, noted that the *kebele* assembly is organized based on the number of *kebele* population. Accordingly the number of members of the *kebele* assembly varies and ranges from 100 to 300 in Lume *Wereda*. For example, while the number of members in Tede *kebele* currently is 295 (229 male and 66 female), that of Golje is 211 (148 male and 63 female)(Interview, Bekele Beyecha, May 2009).

The *kebele* administrative council that comprises the *kebele* administrator, deputy administrator and other members is the lowest executive body. This body has dual accountability both to the *kebele* assembly and to *wereda* administrative council. The *kebele* administrator shall be elected from a political party or coalition of political parties that have a majority in the assembly (ONRS, 2007). In a similar manner to the *wereda*, the system of cabinet was emerged to refer to the *kebele* executive body. In Tede and Golje *Kebeles*, a cabinet system of administration is adopted. In each *kebele*, the *kebele* administrators are charged with the power to nominate members of their cabinet from the assembly and get approval by the assembly. Each *kebele* has 7 appointed cabinets including *kebele* administrator and deputy *kebele* administrator. Other members, include one development agent, one health extension worker, one schoolteacher and two

farmers(Interview, Girma Wakeyo, April 2009; Eshetu Deme, April 2009). Besides this structure, a *kebele* manager hired by Lume *Wereda* government since the last two years runs the day-to-day affairs in each *kebele*. The managers in both *kebeles* are full-time salaried workers responsible for running the office.

Rural *kebeles* have been entrusted with various tasks. The main developmental tasks of the *kebele* include:

- local administration and service delivery;
- formulation of development plans and programs, and follow up their implementation;
- promoting rural local development;
- mobilizing the *kebele* residents for development activities;
- preservation of natural resources as well as historical and cultural heritage;
- Collecting land use and agricultural income taxes and so on (Dessaiegn, 2008b; ONRS, 2007; Hussine, 2006).

According to Eshetu Deme, chief administrator of Golje *kebele*, the *kebele* is charged with promoting any tasks related to sectoral departments of the *wereda*. However, the chief administrators of both Tede and Golje *Kebeles* indicated that their main duty is to publicize and implement development plans, programs and directives initiated at the level of *wereda*. Hence, rural local economic development initiatives having any significance are almost non-existent in both *kebeles*. The rural *kebele* administration often expect the initiatives to come from above, and they perceive their role to be one of transmitting and publicizing decisions made at the higher governmental level to the peasant households.

Furthermore, the task of RKAs in rural local development work has been seriously curtailed. The main reason for this is that RKAs “does not have any budget of its own nor does it receives any financial support from the *wereda*”(Dessaiegn, 2008b), except to pay the salary of the *kebele* manager. This was also true in the two *kebeles* studied, in which both *kebeles* do not have any financial resources to run rural development work and other activities. Beside this, the chief administrators and deputy administrators of both *kebeles* do not have any remuneration and this may harm the motivation of the leaders to work.

3.2.2. The civic sector

The civic sector plays an important role in promoting rural LED. In developing countries like Ethiopia, the public and private sector institutions have limited capacity in addressing the interest of poor communities in rural areas. The capacity of the LGs in fulfilling a developmental mandate is curtailed because of lack of finance and weak institutional capacity (Rogerson and Philander, 2001; Tegegne, 2001). The weakness of local government is further manifested in locality based rural development initiatives particularly in SSA countries. At the same time, the private sector is not well developed institutionally in developing countries. In this context, therefore, CSOs become an important actor and partner for LED processes in many respects. According to Dessalegn(2008a) CSOs:

... are frequently credited as being innovative (they bring new approaches to deal with existing problems), responsive (they work in ways that respond to local needs), and participatory (they involve the communities concerned in the planning, preparation and implementation of program activities). In a number of countries in the developing world, they are recognized as vital partners in addressing the challenges of development

In Ethiopia, the formal civic sector consists, among others, NGOs, cooperatives,²² professional associations, CBOs, and self-help groups. Nevertheless, Dessalegn (2008a) notes that "... the most numerous organizations in this country are cooperatives, followed by NGOs..." There were 4, 052 agricultural cooperatives with membership of 4.5 million (Walton, n.d). According to the ministry of justice Database (2007), the number of local NGOs have reached 1742 and that of international NGOs are 234 (Dessalegn, 2008a).

The civic sector in Ethiopia is growing in number and in diversity. The emerging trends also indicates that CSOs are shifting from their sole concern of service delivery and relief towards issues of poverty reduction, socio-economic development, human rights and policy reforms. The trends also indicate that the civic sector is in its "formative stage" (Dessalegn, 2008a).

²² In Ethiopia, "there is some controversy as to whether cooperatives should be included in the voluntary sector, since they cannot strictly be considered non-state agents as they are government supported, and some argue that, they are profit-making, which violates one of the principle of voluntarism" (Dessalegn, 2008a).

CSOs in Ethiopia face a number of challenges and problems. Dessalegn (2008a) underlined that the major challenge is “the absence of an enabling policy environment.” Although there has been certain improvements in the last five years, “the government has not yet fully accepted CSOs as legitimate actors in society and agents for change or development, while many CSOs do not have full confidence in the intentions of government and are disappointed by their exclusion from participation in consultation and program planning process” (Dessalegn, 2008a). They also suffer from lack of capital/fund, bad image problem (by the public) and weak institutional capacity.

Civil society organizations that are involved in promoting rural LED in the study area(which is the focus of this study) are GTZ, KFW and DED on the one hand, and Tede Multipurpose Agricultural Cooperative on the other. It should be noted that GTZ, KFW and DED are an international donor organizations, which is seen in most of the cases as the non-governmental organizations. Now let us see the character and tasks of each organization briefly.

German Technical Corporation (GTZ)

GTZ is an international cooperation enterprise for sustainable development with worldwide operations. In Ethiopia, GTZ has been working for more than 3 decades. It works in bilateral cooperation representing the German Federal Ministry for Economic Cooperation and Development, and acting as an agent of the Ethiopian government and international donors (GTZ, 2007).

Now a day, the issue of local and regional development has got the attention of international development cooperation such as GTZ. In Ethiopia, GTZ is working with many governmental institutions both at national, regional and local levels. GTZ works on the following priority areas: (a) capacity building in governance; (b) sustainable utilization of natural resources for improved food security; (c) capacity building in engineering and private sector development for sustainable economic growth (GTZ, 2007)(see sections 4.5.1 and 4.5.2 for the roles of GTZ in the studied *kebeles*)

German Development Bank (KFW) and German Development Service (DED)

In Ethiopia, GTZ is working with other German development institutions in partnership arrangement. These partner institutions, inter alia, are: the German Development Bank (KFW), and the German Development Service (DED) (GTZ, 2007). The main task of DED is providing professional advisors that engage mainly in training, advisory capacity and planning tasks. KFW is involved in provision of fund for development activities. It is indicated that “together the different partners work in the same priority areas and pursue the same objective: sustainable development in Ethiopia” (GTZ, 2007)(see section 4.5.1 for the roles of KFW and DED in the studied *kebeles*).

Tede Multipurpose Agricultural Cooperative (TMAC)

Tede multipurpose Agricultural cooperative was established in 1977. The cooperative, located in Tede RKAs, provide service to five neighboring *kebeles* in Lume Wereda: Tede Dildima, Golje Dildima, Bola Buta, Jogo Gidido and Adada Dembela. These rural *kebeles* have been served by one primary agricultural cooperative. However, the aim of Ethiopian government indicated in its policy document is to have one cooperative per *kebele* by 2010 (World Bank, 2007). In 2002, individual membership size of TMAC was 1564 of which 1483 were male and 81 were female. At present, the number of members increased to 1600 with capital of 713,728. (Interview, Girma Wakeyo, May 2009).

There are certain requirements to be a membership of a cooperative. Cooperative society proclamation No.147/1998 allows voluntary and individual membership to any one above the age of 14 and able to pay the share capital and registration fee required by the cooperative society. In the case of Tede multipurpose cooperative, an individual should pay 5 birr for registration and 74 birr for 1 share capital (an individual farmer may have more than 1 share)(Interview, Belehu Urge, May 2009). Furthermore, an individual farmer may become a member of Cooperative Bank of Oromia if he/she buys 4 shares (in which the value of 1 share is 100 birr) from TMAC. An interview made with Girma Wakeyo, chairperson of TMAC, revealed that until recently the cooperative had bought 3000 share from Cooperative Bank of Oromia having a value of 300,000 birr.

The power of administration and leadership of TMAC lies mainly in the hands of the board (management committee) which is claimed to be accountable to the general assembly. The board is assumed to be elected by the general assembly for the term of 3 years. The board is composed of chairperson of the cooperative, secretary, cashier and 4 individual members. There also exists control committee, a body elected by the general assembly for the term of 3 years. The main task of the control committee was to control the overall activities of the cooperative (Interview, Belehu Urge, May 2009). TAMC has also other committee, which is responsible for handling matters related to credit. Furthermore, the cooperative employed 1 accountant and 4 guards. Hence, it can be said that the established committee discharges most of the activities of the cooperative (Interview, Belehu Urge, May 2009).

Lume-Adama Farmers' Cooperative Union

TMAC is a member of Lume-Adama Farmers' Cooperative Union (LAFCU). LAFCU was established by four primary cooperatives with initial capital of 150,000 in Lume *Wereda*, East *Shewa* zone, in 1997. The objective of the union as stated in its profile is to:

- improve the bargaining power of members;
- procure inputs and services at lower cost;
- enable members' produce get better market access;
- promote modern agricultural technologies;
- involve in natural resource management;
- promote education and training;

At present, the union encompasses 31 primary cooperatives with 22,896 individual members (20,121 male and 2,775 female). The capital of the union has reached more than 15 million (LAFCU, planning and program section, 2008). The union operates in three *weredas* of East *Shewa* Zone: Lume, Adama and Boset.

The union was established by federal government proclamation No. 85/1995, which has been replaced by proclamation No. 147 of 1998. The rules and regulations governing the establishment, organization and management of cooperative societies are stipulated in proclamation No. 147/1998. As stated in the legislation "co-operative societies may, according to their nature, be established at different levels from primary up to federal level" (FDRE, Proclamation NO. 147/1998).

The Lume-Adama Farmers' Cooperative Union was supported by ACIDI/VOCA during its establishment. ACIDI/VOCA, a non-profit international development organization provided technical assistant, training and managerial support to the union (Walton, n.d).

3.2.3. The private sector

As noted elsewhere, the private sector has a stake in rural LED by creating jobs and generating investment through producing tradable goods (Manuel, 1997). In developing countries like Ethiopia, the private sector is not well developed institutionally. In spite of this fact, however, the private sector has become an important partner in locality based economic development. Rural local governments' financial restraint and weak institutional capacity has resulted in the importance of the private sector to support rural LED.

The private sector operates as individuals or organized in the form of associations (Tegegne, 1999). Actors that operate at the level of individuals may include smallholder farmers, petty traders, artisans, etc (Getnit, 1999). At the level of institutions, rural MSEs are identified as the main actor that represents the private sector in Tede and Golje RKAs in Lume *Wereda*.

Rural micro and small enterprises

According to the unpublished document of DoTIT of Lume *Wereda*, there are two registered MSEs in Tede Dildima and Golje Dildima *kebeles* that are engaged in mining and quarrying river sand and construction stone. These enterprises are organized in the form of cooperatives. The MSEs are named 'Bikila Boru' in Tede *kebele* and 'Golje Dildima' in Golje *kebele*. Let us now see each organization briefly.

Bikila Boru Mining Enterprise

According to the information provided by Lume *Wereda*, DoTIT, Bikila Boru mining enterprise was established in 2004 and has 187 members and of whom there are only 2 female members. The enterprise is mainly engaged in producing tradable goods such as river sand and stone. River sand and stone are resources that have high demand for construction purpose. According to the information, provided by Tede *kebele* administration the area covered by these resources are estimated to be 24 hectares. The

mining enterprise has a capital reserve of 219,060 birr in bank. In terms of fixed asset, the enterprise has a crusher that costs 140,000 birr (Lume wereda, DoTIT, n.d). The crusher is used for stone crushing without the use of human labor.

Golje Dildima Mining Enterprise

The information provided by the DoTIT of the *wereda* indicated that, Golje Dildima mining enterprise was established in 2006 and has 180 members. As indicated earlier, producing river sand and stone is the main activity of the enterprise. Golje Dildima mining enterprise has a capital reserve of 100,922 birr in bank. In addition, it has also a fixed asset, which is estimated to be 40,991 birr.

3.3. Conclusion

This chapter has presented the study area and institutional framework for the studied locality. It has provided a clear picture of the study area and identified the concerned institution involved in rural LED. Based on this, the next chapter presents characteristics of household respondents who are members of the selected institutions. Furthermore, it identifies and discusses rural LED interventions, the unique role of each institution and the consequent networks created in the study area.

Chapter 4

Data Presentation and Analysis

4.1. Characteristics of Sampled Households

In this study, 20% of the households were sampled, in three villages, one in Tede and two in Golje *kebeles*. The villages studied are: Kusaye in Tede and Endode and Kenteri in Golje *kebeles*. The number and percentage of households sampled are presented in Table 4.5.

Table 4.5 Number and percentage of households sampled in Tede and Golje *Kebeles*

Name of <i>Kebele</i>	Villages	Number of respondents	Percentage
Tede Dildima	Kusaye	36	47.4
Golje Dildima	Endode	28	36.8
	Kenteri	12	15.8
Total		76	100

Source: Own field survey

4.1.1. Demographic profile

Sex and age composition: As mentioned earlier the survey targeted heads of households. Based on this, of the 76 respondents, 73.7% were male headed households, while 26.3% were female headed households. Among the respondents of female headed households, 60% were widowed, 20% each were divorced and not engaged. The age of the respondents lies between 22 and 69 years of age, of whom 36.8% were between 22 and 35 years, 18.4% were between 36 and 49 and 44.7% were between 50-69 years of age. The average age of the respondents was 44.39. The age of the respondents, who depend on small scale sand and stone mining as their main occupation ranged from 22 to 45 years of age with mean age of 30, unlike the mean of the households engaged in farming which was 50 years. This implies that, relatively, mining is the major occupation of the youth household respondents. The different age composition of the respondents enabled the fair representation of the respondents experience and perception towards the local institutions.

Household sizes: The total numbers of people covered were 422, of whom 10.42% were under five and 6.63% were above 55 years of age. The number of children under the age of five was higher than the elderly whose age was above 55 years. The size of households ranged from 1 to 11, with an average of 5.7 persons per household. In Kusaye village the size of the households ranges from 2 to 10 with an average of 5.35 persons per household. In Endode and Kenteri villages, the size of the households ranged from 1 to 11 with the average of 6 persons per household. There was slightly higher household size in the latter villages compared to the former.

Composition of religion: Orthodox Christianity was the dominant religion in the studied *kebeles*. The survey indicated that, all the respondents were followers of Orthodox Christianity. This has an implication on the days spent in working by the peasants in the area. According to the Lume *Wereda* Agricultural Office (2007b), in the discussion held with the community, it was revealed that the non- working days of Orthodox followers were greater than the actual working days of a month. The non-working days have reached up to 18 days a month. Although the community has reached on agreement to reduce the non-working days and use some of the these days for watershed management activities, during the time of field survey the researcher observed that in two of the Orthodox holidays the peasants were not present in the public watershed management work.

Education profile: The education profile of the household respondents in the three villages of the two *kebeles* can be summarized as: 13.2% are unable to read and write; 57.9% have basic education; 10.5% have attended secondary education; 18.5% have a primary education. The respondents' level of education in their respective villages of *kebeles* is provided in Table 4.6.

4.1.2. Socio-economic profile

Agricultural land and livestock ownership

Agricultural land: Obtaining the exact information on agricultural land holdings from the farmers is a very difficult task. Given the land tenure system of the country, farmers would try to hide information due to fear of distribution or redistribution of farm land. Hence, the data obtained were estimates reported by farmers. From the respondents, 65.8% had farm

land, while the remaining 34.2% were landless peasants (see Table 4.7). Hence, the sizes of farm land ranged from nil to 5 hectare. About 72% of the peasants who own agricultural land had a land size that falls between 2 and 3 hectare. It is interesting to note that from those who own agricultural land, 64% had reported that they have shortage of land.

Table 4.6 Percentage distribution of respondents based on their level of education

Level of education	Tede Dildima Kebele	Golje Dildima Kebele	
	Kusaye village	Endode village	Kenteri village
Unable to read and write	11.1	7.1	33.3
Basic education	55.6	57.1	66.7
Primary education	27.9	35.6	0
Secondary education	5.6	0	0
Total	100	100	100

Source: Own field survey

Table 4.7. Distribution of respondents by the status of owning land

Do you have your own farm land?	Number of respondents	Percentage
Yes	50	65.8
No	26	34.2
Total	76	100

Source: Own field survey

Livestock: Livestock is the other important asset in the study area. It complements crop production by providing draft power, transportation, nutritious food and cash income. The dung produced from livestock was used as an input for farming. However, it was not uncommon to observe a bunch of manure in the homestead of the households in the study area that was prepared for selling (see fig.4.1). Although selling the manure generates additional cash income for the households, it will have a drastic effect on the productivity of soil in the long run.

Fig.4.1 Ties of dung prepared for selling in one of the homestead of households in the study area



Source: Photo by the author, May 2009

It is also common to find livestock in the households interviewed in the study area. According to the survey 97.4% of the respondents replied having livestock. It was only 2.6% of the respondents who reported owning no livestock (see Table 4.8 for the distribution of livestock per household).

Table 4.8 Number of livestock's owned by respondent households in percent.

	Number of livestock owned by respondent households in percent										Total percent
	0	1	2	3	4	5	6	7	10	22	
Ox	26.3	7.9	39.5	7.9	13.2	2.6	2.6	0	0	0	100
Cow	36.8	47.4	13.2	2.6	0	0	0	0	0	0	100
Sheep	71.1	0	2.6	10.5	7.9	2.6	2.6	0	0	2.6	100
Donkey	2.6	50.0	36.8	5.3	2.6	2.6	0	0	0	0	100
Goat	94.7	2.6	2.6	0	0	0	0	0	0	0	100

Source: Own field survey

Public services and infrastructures: There were various social services and infrastructures provided to the *kebeles*. According to the key informant interview and my observation, Tede *kebele* has one primary school (1-8), one farmers training center (FTC) and one health center, which was under construction during the time of field visit (see figure 4.2). The FGD and the household respondents revealed that dwellers of the *kebele* have access to water from different sources. Golje *kebele* has one elementary school (1-4), one FTC, and one health post. The residents have access to multiple sources of water as revealed by FGDs and household respondents.

Fig.4. 2. Tede Dildima Kebele Health Center, under construction



Source: Photo by the author, May 2009

The household respondents in the three villages of Tede and Golje *kebeles* indicated that pipe water, hand pump water, dug well/spring and river/pond were sources where they could get water. Thus, there were multiple sources of water for the households, and were accessed based on its availability. Accordingly, based on the multiple responses provided for a given question by the households it was indicated that the respondents had access to water from: pipe water (97.4%); river/pond (71.1%); dug well/spring water (50%).

Although the great number of respondents had access to pipe water (when it was available), the number of households who obtain water from river/pond as well as dug well/spring water were also significant. This implies that availability of water was intermittent and there was lack of clean and safe drinking water on a permanent basis. The information obtained from Lume *Wereda* Rural and Agriculture Development Department (2007b&c) also affirms that there is a shortage of water all over the villages in the study area especially in the dry season.

As compared to Tede, the shortage of clean and safe drinking water in Golje *kebele* was severe. During the FGD, it was indicted that Golje *kebele* has got access to pipe water recently. However, the household respondents reported that the great majority (95%) at the time use water from river/pond in time of lack of pipe water. In Tede *kebele*, it was only 44.4% who uses river/pond water in the absence of pipe water.

The studied villages in the two *kebeles* have no line telephone, but they are being served by mobile telephone. Electricity was not available. Tede Multipurpose Agricultural Cooperative used to provide milling flour service for five neighboring *kebeles*, in which the studied villages in Tede and Golje was among the beneficiaries.

Main Economic Activities: Household respondents were engaged in different economic activities. As reported by the household respondents', agricultural activity (crop production) accounting 68.5% was the major source of livelihood for the majority of the people in the studied locality. The second most important economic activity indicated was small-scale river sand and stone mining (31.5%)(See Table 4.9 below for household distribution on the major economic activities).

Table 4.9 Distributions of household respondents by their major economic activities

Major economic activities engaged in	Number of respondents	Percentage
Agriculture/crop production	52	68.5
Sand and stone mining	24	31.5
Total	76	100

Source: own field survey

Despite the fact that agriculture was the main source of livelihood for the majority of the households, about 42.3 % out of those engaged in agricultural activities responded that income generated from this activity was not sufficient to meet their basic needs; 15.4% said that it address their basic needs for sometimes only, while the remaining 42.3% reported that it was sufficient to sustain their basic needs.

The great numbers of household farmers whose income was insufficient to meet their basic needs or those who address their basic needs only for sometimes were mainly dependent on local institutions (35%) such as *wereda* government and NGOs as well as cooperatives and microfinance for their survival. The household respondents in this category indicated that about 8% of them had received aid from the *wereda* government or NGOs to meet their basic needs; and 27% Of them borrowed money from cooperatives or micro finance institutions so as to diversify their source of their livelihood. However, only 19.2% of them were participated in other non-farm income generating activities.

The peasants involved in sand and stone mining also face the same problem of sustaining their basic needs. The FGD made with youth and landless peasants revealed that the income they get from mining activities was not enough in fulfilling their basic requirements for life. Unlike the farmers, they had not received aid or credit from any of the local institutions so as to ensure their survival. The discussants said that the main means to generate additional cash income so as to sustain their livelihood was being hired as daily laborers on others farm, mainly in time of peak season. In general, the following table summarizes the distribution of household respondents engaged in non-farm activities that generates income.

Table 4.10 Distribution of household respondents engaged in non-farm activities that generates income

Non farm activities	Number of households	Percent
Sand and stone mining	24	31.5
Daily laborer	24	31.5
Petty trade	18	23.7
Employed in private sector	6	7.9
Employed in public sector	0	0
Black smith	0	0
Pottery	0	0
Carpenter/plumber	0	0
Total for all activities	72	94.6

Source: own field survey

As shown in the table, sand and stone mining and daily labour were the most important non- farm income generating activities, followed by petty trade.

With this brief presentation and description of characteristics of respondent households, the next part of the chapter presents an institutional approach to rural LED interventions in the case study *kebeles*.

4. 2. Rural LED Interventions in Tede and Golje Kebeles: An Institutional Approach

The field study in Tede and Golje RKAs of Lume *Wereda* has identified the existence of three significant rural local development intervention strategies. The intervention strategies are not wholly initiated and controlled by local communities. These interventions mostly are government sponsored and some are supported by international development organizations. The natural resource base degradation, the limited capacity of rural LG to provide basic services, shortage of farmland, poverty and unemployment are among the factors that catalyze the development intervention. The three interventions, which are categorized in to two main topics are as follows:

- 1) **Environmental management:** It comprises Gerersa and Kilie watershed development project, which has focused mainly on natural resource management. For the management of natural resources, the promotion of communication and coordination among various organizations are needed. Rural LG (mainly Lume *Wereda* Rural and Agriculture Development Department as well as Tede and Golje RKAs), the German International Development Institutions (GTZ, KFW, DED) and the local communities are involved.
- 2) **Community Based Economic Development:** It comprises: (i) smallholder agriculture development and (ii) rural micro and small enterprises development. The institutions involved in smallholding agriculture development are rural LG (mainly Lume *Wereda* Rural and Agriculture Development Department, Lume *Wereda* Cooperative Promotion Department and Tede and Golje RKAs), German Development Institutions as well as Tede Multipurpose Agricultural Cooperative. The institutions involved in MSEs development are rural LG (mainly Lume *Wereda* Trade, Industry and Transport Department) as well as Bikila Boru and Golje Dildima Mining Enterprises. The former focused on enhancing agricultural

development through agricultural extension program and providing agricultural inputs and grain marketing. The latter focused on producing and supplying river sand and stone.

This chapter deals about rural LED interventions in Tede and Golje RKAs. The following sections of this chapter briefly presents environmental management activity that comprises micro-watershed development and community based economic development (CBED) that entails agriculture development and rural small-scale mining enterprise development.

4.3. Environmental Management

Environmental management focuses on the ecological dimension of development. But, it is not about the protection of nature only. With regard to rural LED, environmental management can create a sustainable condition for prevention of natural resources and improving living situations. In a predominant agrarian country such as Ethiopia, the issue of land and land related natural resources management is crucial. This is because the majority of Ethiopian people predominantly live in rural areas and depends on natural resources such as land, water, forests and trees for rural local development, food security and other basic necessities (Alemneh, 2003). The survival of the rural poor that constitutes the largest proportion of population depends on exploiting these natural resources. Therefore, in promoting rural LED and alleviating rural poverty in Ethiopia, the issue of natural resource management has become an important factor. This is mainly because rural poverty and land resource degradation appear to feed off each other.

According to the information provided by local officials, although the study area has a potential for agricultural production, it is not utilized in a sustainable manner. Accordingly, the living standard of the peasants was very low in the studied villages: Kusaye in Tede *kebele*, and Endode and Kenteri in Golje *kebele*. In Gerersa watershed development that encompass Kusaye village, more than 70% of the households are poor (Lume Wereda, DoRAD, 2007b). Similarly, in Kilie watershed development that includes Endode and Kenteri villages, about 70% of the households are poor and of which about 38% of households are food insecure. It was also indicated that the majority of the peasants in this watershed do suffer from seasonal food shortages during the main cropping seasons (Lume

Wereda, DoRAD, 2007c). In consequence, the natural resource base has been deteriorating in both watershed sites. The household survey questioner also indicates that land resource degradation has reduced the fertility of soil that in turn affects land productivity and economic growth of the study area. Table 4.11 presents the assessment of soil fertility by the household respondents who own farmland.

Table 4.11 Assessment of soil fertility rating by household respondents

Soil fertility rating	Percentage
Very fertile	0
Medium	87.5
Poor fertility	12.5
Total	100

Source: Own field survey

Furthermore, the local communities pointed out the causes for natural resource base degradation. According to them, the major problems related to natural resource base degradation in the study area are: (1) diminishing land productivity due to increased soil erosion and inadequate skills in SWC, and insufficient and erratic rainfall; (2) high pressure on the natural forest for firewood and construction materials; (3) shortage of land aggravated by high population pressure; (4) weak income-base due to limited alternative of income sources and heavy dependent on farming for income generation (5) high work burden on women (FGD, Tede and Golje *Kebeles*, May 2009). The low natural resource base in Gerersa and Kilie watershed area, among others, limited the presence of drinking water and vegetation cover. As a result, women travel a long distance to get water and firewood. The empirical research conducted in Kilie watershed also affirmed that "... resource base degradation and low productivity of the land, caused by lack of appropriate land use plan to guide the use of land and land resources" is the major problem (Girum, 2007).

In order to improve these situations, devising an appropriate mechanism for intervention has become indispensable. Accordingly, different institutions such as rural LG and German development organizations have opted for intervention through micro-watershed

development project. Thus, based on the above highlight, the next part of the paper briefly discusses the proposed project for intervention in the case study *kebeles*.

4.3.1. Watershed Development

Watershed development is an approach devised to promote and stimulate locality based rural development in a defined territory²³. The watershed development encompasses Kusaye village in Tede *kebele*, and Endode and Kenteri in Golje *kebele*. The concerned communities, therefore, are those who interact with the watershed. At the initial phase of the project, rural development approach, which covered all villages and households of both *kebeles*, were followed. But, currently watershed development approach which has different components in it has been used so as to contribute for rural LED in the two project sites- Gerersa and Kilie. As indicated above, these areas are mostly affected by the problem of natural resource base degradation.

According to local officials, high population growth has brought land shortage and created pressure on limited land for agricultural production. This in turn has forced local people to expand their agricultural land to areas previously covered by vegetation including the steep and marginal areas. Consequently, this has depleted the natural resource base that in turn reduced agricultural productivity of the area. The size of the watershed under implementation in the study area is small. According to Woldeamlak (2003); a micro watershed comprises approximately 100 to 200 households. The number of households involved in watershed development in each site of the study area much the above indication.

In micro-watershed based resource management, the participation of local communities is paramount importance. In line with this, Woldeamlak (2003) defined participatory watershed management as: "utilization and conservation of land, water and vegetation resource at farm household and micro-watershed level for continuously improved livelihood and human development." The objective, therefore, is promoting rural development at the local level through appropriate use and management of natural resources by the local communities (Woldeamlak, 2003). In Gerersa and Kilie watershed,

²³ "Watershed is a geographic area that sheds off water to a common outlet" (Woldeamlak, 2003).

the evidence collected through key informant interview and FGD with the farmers reveals that the local communities were mostly involved in implementation of micro-watershed project through provision of unskilled labour. According to Habtamu Wuebeshet, GTZ senior expert, there were some attempts to integrate the issues raised by the communities in a project. However, the ideas raised by the concerned communities were rarely accepted. The result of the PRA done by GTZ in collaboration with Lume *Wereda* DoRAD shows that the priority need of the local communities in both *kebele* were education followed by water and road provision. This was an indicative of the fact that there was lack of genuine local people participation in the identification, formulation and prioritization of development projects in the locality. The study made by Tegegne also affirms that in rural Ethiopia, “real and genuine participation of the people in development, environmental rehabilitation etc is a far cry” (Tegegne, 2001). It should be noted that sustainable local rural development requires the active participation and empowerment of rural communities “in the process of identification, implementation, monitoring and evaluation of viable and replicable development ... projects” (Dejene and Yilma 2005) such as micro watershed development.

Components of micro-watershed development

Watershed development involves a variety of components. The components are mainly categorized in to two: biophysical and socio-economic aspects. The former includes water, land and vegetation aspect of the watershed. The latter involve population, farming systems, social setups, economic activities, vulnerability profile, gender, etc.

The micro-watershed development components in Gerersa and Kilie include natural resource management, agriculture development, infrastructure development and capacity building. Under each watershed components, different investment measures have been undertaken by organizations involved in the area(see table 4.12 the various investment measures underway in both watershed sites). The interview made with Lume *Wereda*, rural and agricultural bureau experts and DAs, indicate that much work has been done in treating biophysical components, i.e. soil and water conservation. The budget assigned for the project in Gerersa watershed also indicates that, the highest proportion (69% of the total cost estimate) goes to natural resource management, while agriculture, infrastructure and

capacity building comprises 9%, 6% and 16% respectively (Lume *Wereda*, Rural and Agriculture Development Department, 2007b).

Table 4.12 Watershed components and major investment measures underway in Kilie and Gerersa watershed development project

No.	Watershed development components	Investment Measures
1	Natural resource management	<ul style="list-style-type: none"> ▪ Gully treatment <ul style="list-style-type: none"> -check dam construction -planting multipurpose trees, bushes and grass ▪ SWC on farm land <ul style="list-style-type: none"> -construction of soil bund -construction of fanyajuu -planting vetiver hedge -grass strips ▪ Degraded land rehabilitation <ul style="list-style-type: none"> -hillside terrace -micro basins -trenches ▪ Household woodlot development
2	Agriculture development	<ul style="list-style-type: none"> ▪ Farmland development <ul style="list-style-type: none"> -triticale introduction ▪ Homestead resource development <ul style="list-style-type: none"> -apiculture promotion by establishing beehives -compost preparation and application -introducing fuel saving stove technology
3	Infrastructure development	<ul style="list-style-type: none"> ▪ Maintenance of road
4	Capacity building	<ul style="list-style-type: none"> ▪ Training WWT to strengthen their leadership and technical capacity ▪ Training CWT and community participants to strengthen their leadership and technical capacity ▪ Innovative farmers participation in experience sharing

Source: Lume *Wereda*, Rural and Agriculture Development Department (2007b and c)

The socio-economic elements of the watershed have not been given much emphasis. Furthermore, the project was not designed to specifically address the problems of resource poor and vulnerable households, particularly women. The watershed development project has not specifically targeted to address the problems of the poor (Interview, Habtamu Wuebeshet, May 2009). According to Habtamu, all the local communities who interact with the watershed are beneficiaries from the project. In this regard, Woldeamlak (2003) argues that the overall goal of participatory watershed management “should be towards improved food security and alleviation of rural poverty through conservation-based use of

the resources as resource degradation is recognized to be a 'cause, symptom and result of poverty'."

4.4. Community Based Economic Development

In SSA countries, LED is gaining momentum "as a pro-poor growth model, being practiced mainly in the traditional informal sectors more related to community-based business and locality development" (Wilson, 2008). The main objective of an explicit pro-poor approach is job creation and sustainable rural development (Wilson, 2008). Binns and Nel (1999) also noted that in the African context LED covers a wide range of locally based and controlled development and community based economic activities. Furthermore, evidence indicates that in Africa, especially in agrarian localities households depend on a broad category of activities for their livelihood. This means that in addition to agricultural activities, non-agricultural and non-farm activities have become an important source of livelihood in rural localities. In this regard, small holder survival farming activities and small-scale survival mining enterprises were identified as the major community based economic activities in the study area. Smallholder agricultural development and survival based small-scale enterprises are categorized into CBED due to the seasonality and risky nature of their activities.

Based on the foregoing discussion, the two most important CBED interventions identified in the study area were: smallholder agricultural development and small-scale mining enterprise development. Let us now present these strategies one by one.

4.4.1 Smallholder agriculture development

As the agricultural sector employ a large number of people in developing countries, it is imperative to consider agricultural development in the study of local and regional development (Hilhorst, 1998). Enhancing agricultural growth through increasing production and employment has been one of the concerns of rural local development. In Ethiopia, agriculture is the backbone of the economy and contributes 45%-50% of GDP, 75%-85% of employment and 80% -90% of export earnings (Demessie, 2006). Ethiopian agriculture has been dominated by smallholder agriculture. For a long period, the

agricultural sector has been characterized by low productivity and stagnation. As Demessie notes "... the smallholding peasants has also been characterized by poverty, defined in terms of low incomes, low standard of living and minimal access to basic socio-economic amenities etc"(Demessie, 2006). In spite of its shortcomings, however, smallholder agriculture has contributed significantly to the national and local economy.

As Hilhorst puts it, "in trying to solve the main economic problems of most developing countries, an alternative to basic needs strategy might be found in adopting a strategy of Agricultural Demand-Led Industrialization..."(Hilhorst,1998). With regard to Ethiopia, the overall development strategy-ADLI, formally set forth in 1995, has been followed by all regions. ADLI as a strategy has focused on accelerating agricultural growth through the commercialization of smallholder production and creating linkages with the emerging industrial sector (FDRE, 2006). Accordingly, the concern of ADLI has become decentralization of rural services for small holders, specifically agricultural extension, input supply, credit provision and infrastructure development (Spielman, et al., 2008).

Hilhorst noted that the success of Agricultural Demand Led Industrialization depends on the following assumption:

high inter-sectoral linkage ..., the existence of agro technologies appropriate to specific food crops, soils, typology and climate conditions. Additionally, successful implementation of [Agricultural Demand Led Industrialization] requires careful management of the agricultural terms of trade, so as to enable farmer- incomes and farm-profits to increase (rather than fall) with improvement in agricultural productivity ... (while) land tenure arrangement encourage farmer responsiveness to price incentives and the adoption of more production technologies (Hilhorst, 1998).

In the studied locality, agriculture is the main occupation for the majority of household respondents. More than 68.5% of the respondent households were mainly employed in agriculture sector. However, the study made by Lume *Wereda*, DoRAD (2007b&c) indicates that, out of the total population in kilie watershed (Endode and Kenteri villages), 76% of the households were mainly engaged in agriculture, while in Gersa watershed (Kusaye village) it was 87% of the households. The study also reveals that, the average

landholding size in Endode, Kenteri and Kusaye villages was about 1.7 hectare per household (Lume *Wereda*, DoRAD, 2007b&c). Hence, the livelihood of the people in these villages largely depends on small-scale farming. In the locality, therefore, smallholder peasant farming has been the dominant trend. As it is the case in Ethiopia in general, the smallholder peasants in the area have been characterized by poverty, which is manifested in low income and low standard of living. As mentioned earlier, of the total population, about 70% of the households are poor in Endode, Kenteri and Kusaye villages (Lume *Wereda*, DoRAD, 2007b&c). The FGD made with smallholder farmers also reveals that, for the majority of the farmers the income generated from farming was not sufficient to sustain and meet the basic needs of the whole family (FGD, Tede&Golje *Kebeles*, May 2009). As mentioned elsewhere, 42.5% of the household respondents who were engaged in agricultural sector indicate that the income generated from this sector was not sufficient to meet their basic needs and 15.4% reported that it fulfill their basic requirement for some seasons only.

Though smallholder agriculture has been characterized by low productivity and low income generating capacity in the study area, it constitutes the key sector in rural LED. Hence, enhancing smallholder agriculture development is a necessary though not a sufficient condition for rural economic development in the locality. To enhance smallholder agriculture development in the locality, rural LG, German Development Institutions and Tede Multipurpose Agricultural Cooperative have opted, interalia, for the following programs /interventions: (1) agricultural extension program; (2) agricultural input supply.

Agricultural extension program

The agricultural development strategy of the government of Ethiopia is mainly focused on producing enough foods to ensure food self-sufficiency of smallholder farmers (FDRE, 2006). To help achieve this, agricultural extension program is being promoted through various ways in the study area. Hence, establishing FTCs that provide extension services has become one of the focal issues in agrarian locality development.

Farmers training centers

According to PASDEP, the core task of “FTCs will be provision of extension services through training and demonstration. They also serve as information and exhibition centers” (FDRE, 2006). According to the interview made with local officials including DAs, FTCs were established in each of Tede and Golje *kebeles*. The centers were constructed by Lume *Wereda*, Rural and Agriculture Development Department and by contributions of local communities. The study also witnessed the centers during the field visit. Three agricultural extension workers named as DAs, who hold college diploma, were assigned in each of the FTCs in the two *kebeles*. The FTCs are composed of three departments’ namely natural resource management, plant science and animal science. The FTCs train 60 farmers at a time for a 3 month. A farmer is required to attend the program for two days a week. The DAs in each department provide training depending on the module prepared by Oromia Agriculture and Development Bureau (Interview, Bekele Alemu, April 2009; Tesfaye Hailu, April 2009).

Thus, one of the functions of FTCs in Tede and Golje *Kebeles* is provision and transfer of improved agricultural technologies for the farmers. Improved agricultural technologies such as improved seeds, selected animal varieties etc will make a tremendous impact on agricultural productivity and poverty. However, it is indicated that “[d]efficiencies in the system of technology development and the broader economic system that influence economic viability of the new technologies have constrained agricultural development in Ethiopia” (Mulat, 2001). The FGD made with farmers indicate that the farmers perception to improved technologies such as modern beehives is positive and they believe that such technologies can raise productivity. However, they disclosed that bees could cause danger both on humans and animals. They said that this problem is mainly related with lack of proper use of the beehives. Lume *Wereda* rural and agriculture development department and FTCs are responsible for disseminating such a kind of technology by providing proper information and training to the farmers. However, the discussants indicate that these organizations donot provide appropriate information and training on the subject matter. Furthermore, the participants revealed that the DAs gave priority to model farmers and most of the time they communicate with farmers who are located on the roadsides (FGD,

Golje Kebele, May 2009). A number of persons whom I interviewed said that the public servants and DAs of the DoRAD are overburdened by unrelated tasks. They are occupied more by administrative duties rather than developmental activities.

Mulat also made a point that “the performance of the extension system has remained weak even where appropriate technologies are available” (Mulat, 2001). According to him the major weakness of technology transfer are:

[1] Inadequate capacity: most [DAS] ... often...lack practical farming knowledge and specific information about the packages that they try to promote; [2] Extension service based on blanket recommendation, instead of location specific recommendation; [3] more time on instructing farmers to work according to recommendation given from above, not developing skills of farmers and utilizing indigenous knowledge.

Agricultural input supply

Agricultural inputs such as improved seeds, fertilizers and credits have a widespread impact on the development of smallholder agriculture. The provision of fertilizers, selected seeds and credits to the farmers are the other main element of agricultural extension program. Although agricultural inputs are typically provided with rural local government, cooperatives play a role in providing these inputs to smallholder farmers in Tede and Golje Kebeles.

The two main chemical fertilizers distributed to the farmers in Tede and Golje were DAP and Urea. These inputs were supplied on credit basis because the majority of farmers cannot afford to pay in cash. However, starting from this year (2009) the farmers will be made to pay in cash for the agricultural input they receive (Interview, Girma Wakeyo, May 2009). This condition will create a huge problem especially on resource poor smallholder peasants.

The other problem raised during the FGD with the farmers was the quality and price of fertilizers. With regard to quality, the farmers witnessed that the fertilizers applied to their farmland had remained insoluble and as it is (FGD, Tede Kebele, May 2009). The increase in the price of fertilizers also created a problem in that farmers are forced not to use it and if

they use, they will face difficulties in repaying the loan. Thus, the high price of fertilizers coupled with its low quality will adversely affect the livelihood of the peasants.

The interview made with a community leader in Tede *kebele* also affirms the above position of the smallholder farmers. According to him, these days, the agricultural land does not give produce without fertilizer. This situation often forced the farmers to use fertilizers. The sad thing is that due to the high price of fertilizer the income gained from the produce often used to cover the costs of the fertilizer (Interview, Girma Wolde, April 2009). In this regard, the study made by Yonas on the current agricultural extension program revealed that, the rise in the prices of inputs such as fertilizers coupled with the decline in the prices of agricultural commodities squeezes the farmers' income and adversely affect their livelihoods. He further indicated that the farmers "become unable to cover the costs of inputs, leading to difficulties in loan repayment and the risk of default. This further decreases farmers incentives to continue applying inputs and discourages them from taking investable loans in the future putting into question the sustainability of the [agricultural extension program]"(Yonas, 2006).

4.4.2. Small-Scale Mining Enterprise Development

According to the Ethiopian government document, PASDEP, MSEs has assumed an important role particularly in the context of Ethiopia's poverty reduction strategy. It is stated that MSEs "are seed beds for the development of medium and large enterprises (vertical intergradations), and because they absorb agriculturally under-employed labor, and diversify the sources of income for farming families (horizontal integration)" (FDRE, 2006). The study conducted for the establishment of mineral products marketing cooperatives in East *Shewa* indicate that, agriculture under its current situation is not in a position to fully employ the active labour force in the rural areas and a significant proportion of the active labour force is being marginalized in East *Shewa*. Hence, the threat of increasing unemployment and food insecurity problem on the one hand and promotion of regional and local development for poverty reduction on the other, calls for supplementing agriculture with non-farm activities, inter alia, mining (Oromia Bureau of Cooperative Promotion, n.d.).

Mining/quarrying is the major non-farm occupation in Tede and Golje RKAs. A total of 367 households (187 in Tede and 180 in Golje) are engaged in mining river sand and stone resources. In the year 2004, a policy decision was made by the ONRS providing rules and regulations for accessing river sand and stone resources. A FGD made with young and landless peasants revealed that before 2004, only individual private traders, who were issued license by the Ministry of Mine and Energy, could use the resources, paying tax and royalty in return (FGD, Tede & Golje Kebele, May 2009). This condition was halted by ONRS providing rules and regulations that allow the exploitation of the resources only to the landless and unemployed youth who are residents of the *kebeles*.

The landless or unemployed peasants of the *kebeles* have the opportunity to access resources whenever they are organized under MSEs institutions. However, the discussants indicated that individual peasants, who are not members of the MSEs, are allowed to work as daily laborers, though they cannot share the benefits derived from sale of sand and stones. The selection for membership is decided by Lume *Wereda* Trade, Industry and Transport Department in consultation with RKAs. To be eligible for membership a person should provide a certificate from the RKAs that indicate he/she does not own land or has no other means of generating income (Interview, Habtamu Tolcha, May 2009). The participants in the FGD expressed that all of them were members of a ruling party, through a formal member of a regional political party called Oromo Peoples' Democratic Organization (OPDO) (FGD, Tede Kebele, May 2009). It seems, therefore, that being a member of political party was one of the criteria used for selection.

Based on the above criterion, two small-scale mining enterprise institutions were developed in Tede and Golje RAKs: 'Bikila Boru' sand and stone mining enterprise (in Tede) and 'Golje Dildima' sand and stone mining enterprise (in Golje). These institutions could be categorized under small-scale enterprise based on the amount of capital they own. According to proclamation No. 146/2001 of ONRS small enterprises are referred as those that are engaged in any business activity having a capital that ranges from 50,000 to 1,000,000 birr. At the initial phase of their establishment, individual members contributed 22 birr each as a start-up capital. But later on each individual member had bought 1 share

that have a value of 100 birr. Hence, the enterprises were engaged in selling shares and distributing dividends to its members from the profit obtained.

The area in both locality is endowed with river sand, stone and pebble resources that have high demand for construction in the near by towns of Modjo and Adama. Currently, using cobblestones for paving streets in these towns have boosted its demand. In the FGD, participants indicated that the river sand resources are available for only four or five months in a year during the rainy season. In addition, since the sand is harvested from somewhat gorgy banks of the river it requires donkeys to transport it to the top of the plain. This has made the activity laborious requiring more energy. In general, the participants in the FGD expressed the following:

the government believe that it has done something good for the peasants who do not own land or have no other means of generating income. However, we are participating in this activity assuming that there is no other alternative to get income. This work is temporary, the income gained is insufficient, and it only fulfills our daily needs. We could not produce river sand across the year. As a result, the income generated is not sustainable. At the same time, we are not allowed to do any other work because we are assumed as self-employed members of the enterprise having their own work (FGD, Tede Kebele, May 2009).

It is indicated that out of the total revenue from the sale of sand and stone 50 % is distributed as a salary for the members while the remaining is allocated as follows: royalty and sale tax-11%, capital reserve – 20%, saving of individual members 10%, recurrent expenditure 9%(FGD, Tede Kebele, May 2009).Although the income generated is not sufficient, a good number of people depend on extracting river sand and stone as a source of livelihood. As the enterprises are engaged in locally available human and natural resource, it could have the potential to contribute for rural LED.

4.5. Institutions Involved in Rural Local Economic Development

4.5.1 Institutions in watershed development Project

Rural local government

The main task of Lume *Wereda* government office in watershed development is to coordinate and follow-up the overall activities of the project. For example, the office has a responsibility to follow up and make sure that the fund provided goes to the required watershed development activities (Interview, Bekele Beyecha, May,2009). The office of *wereda* government through its Chief Administrator concluded an agreement with GTZ (under the framework of Ethio-German Cooperation) to support the implementation of watershed investment measures, and for sustainable utilization and management of natural resources.

The Department of Rural and Agriculture Development through *Wereda* Watershed Team (WWT) is involved in selection and prioritization of watershed development project in Tede and Golje RKAs. The department assists DAs and Community Watershed Team (CWT) during detailed watershed plans preparation. It ensures the coordination-taking place between CWT and DAs during planning and implementation. The DoRAD has the task of collecting and reviewing watershed plans, prepare *wereda* level aggregated watershed plans, and use of watershed plans for upgrading of *wereda* strategic plans. It also provides technical support and training to DAs and local communities on issues of watershed development (Lume *Wereda*, DoRAD, 2007b&c). In general, the task of DoRAD is to provide training and technical support, facilitate and coordinate community watershed activities, establish CWT and WWT, settle disputes that may arise in the locality on land use, and provide support on specific issues such as land certification. Hence, the department ensures the smooth implementation and management of watershed activities (Interview, Getye Eregete, May 2009).

Tede and Golje RKAs are inadequately involved in the activities of watershed management. Their main task is to publicize watershed development project and mobilize the communities for watershed development activities (Interview, Girma Wakeyo, April 2009; Eshetu Deme, April 2009). The DAs assigned for watershed development project

prepare detailed watershed plan and follow-up the implementation of activities by the community (Interview, Bekele Alemu, April 2009; Tesfaye Hailu, April 2009).

German Development Institutions

In Lume *Wereda*, the German Development Institutions (GTZ, KFW, DED) have been involved in the work of micro-watershed development, a three year project. These institutions operate in Tede and Golje *kebeles* of the wereda. In these *kebeles*, the organizations' focus has been placed on resource-degraded areas: Gerersa and Kilie watershed. The villages that are included in the watershed are kusaye in Tede *Kebele* and Endode and Kenteri in Golje *kebele*.

The three German institutions- GTZ, KFW and DED- are involved in supporting the project of micro-watershed development (Interview, Habtamu Wuebeshet, May 2009). These institutions work in "a pluralistic organizational set up" to address the different needs and demands of watershed development in the area. The focus of GTZ's contribution in watershed development lies in the provision of technical assistance as well as in development planning²⁴. Furthermore, GTZ works with different sector departments- Rural and Agricultural Development, Rural Road Construction, Water Resource, Rural Land Use and Administration- in Lume *Wereda* (Interview, Habtamu Wuebeshet, May 2009). Hence, GTZ seeks to improve collaborations between and among public sectors in the *wereda* through its capacity-building program.

In promoting watershed development, the KFW is mainly involved in project fund provision. The fund has been transferred directly to Lume *Wereda*, Finance and Economic Development Department, based on the proposal developed and submitted to KFW by Lume *Wereda* Rural and Agricultural Development Department. The stake of DED in enhancing watershed development lies in bringing professional and experienced foreign experts to provide training in the area of watershed management on voluntary basis (Interview, Habtamu Wuebeshet, May 2009). GTZ, besides its duty mentioned above, coordinates the overall activities of the project on behalf of the other German development institutions.

²⁴ Development planning refers to "participation in the identification, formulation and prioritization of development interventions for the locality (Manuel, 19997).

4.5.2 Institutions in smallholder agriculture development

Rural local government

The main responsibility of Lume *Wereda* government with regard to local agriculture development is to implement policies, plans and programs of the national and regional government. The task of *wereda* government lies in convincing the local community as well as the public servants to accept and implement the government development strategy (Interview, Bekele Beyecha, May 2009).

The Department of Rural and Agriculture Development, through its agricultural extension program provides training and technical support, introduce and extend improved agricultural technologies and systems to increase production and productivity (Interview, Nigussie, May 2009). Accordingly, DoRAD in collaboration with communities established FTCs, in Tede and Golje RKAs that provide extension services for smallholder farmers. As mentioned before, the FTCs are composed of three departments' namely natural resource management, plant science and animal science. The FTCs train 60 farmers at a time for a 3 month. The DAs in each department offer training for the farmers on improved agricultural technologies (Interview, Bekele Alemu, April 2009; Tesfaye Hailu, April 2009).

German Development Institutions

The German development institutions are involved in promoting smallholder agricultural development as part of its watershed development. The agricultural investment measures are focused on farmland, pastureland and homesteads development through various means. The farmland activities include introducing an improved seed named triticale²⁵. Triticale has been introduced and widely used among the smallholder farmers in Tede and Golje RKAs (Interview, Habtamu Wuebeshet, May 2009). With regard to homestead resource development, the activities include compost preparation and application, establishment of beehives for apiculture promotion and experiencing the use of fuel saving stove technology by the households (Interview, Geteye Eregete, May 2009).

²⁵ Triticale is a hybrid cereal produced by crossing wheat and rye.

Tede Multipurpose Agricultural Cooperative

TMAC in Lume *Wereda* is involved in providing different services to its members. The main developmental task of this organization lies in providing agricultural inputs, grain marketing, and credit service. With regard to agricultural inputs, TMAC mainly involved in distribution of fertilizers and improved seeds. Table 4.13 shows the amount of fertilizers distributed to farmer in 3 years while Table 4.14 indicates the amount of improved seeds distributed to farmers in 2 years.

The cooperative distributed fertilizers to its members in a form of credit. The farmers, however, were obliged to pay from 45 to 50% of the money in cash primarily. The chairperson of the cooperative pointed out that, although they had collected above 97% of the credit given by the year 2008, a substantial amount of money (572, 019 birr) rendered from 1996 to 2008 was left uncollected (Interview, Girma Wakeyo, May 2009). Two reasons were mentioned for the failure of smallholding peasants in paying back the debt: (1) lack of capacity and (2) lack of willingness.

Table 4.13 Volume of fertilizers purchased and distributed to farmers

Year	Dap. In Qt.	Urea in Qt
1998	3214.5	1024.5
1999	2610	724
2000	2432	672.5
2001	3400	1173

Source: TMAC office

Table 4.14 Volume and value of improved seeds purchased and sold

No	Particular	Unit	Year	
			2001	2002
1	Volume purchased	Qt	88	32.50
2	Purchased price	Birr	3608.00	1202.50
3	Volume sold	Qt	88	32.50
4	Sales price	Birr	3608.00	1235.00

Source: TMAC office

In connection with grain marketing, TMAC is involved in purchasing grain from its members. The members gain benefit if they sell their produce to the cooperative since their dividend is based on the amount of produce sold out to the cooperative. Such a kind of marketing activities as noted by Dessalegn (2002) "... may be taken as further evidence of cooperatives taking over roles to fill the gap between local needs and the weak private sector." In addition to the above service, TMAC used to provide grain mill service for its members though it was dysfunctional at the time of the filled study.

Lume-Adama Farmers Cooperative Union

Currently, LAFCU is engaged in a wide variety of local agriculture development activities.

Among the activities are:

- Distribution of agricultural input
- Marketing of farmers produce
- Food processing activities
- Seed multiplication activities
- Credit service
- Tractor rental service
- Storage service (LAFCU, planning and program section, 2008).

4.5.3. Institutions in small-scale mining enterprise development

Rural local government

Lume wereda government through its Trade, Industry and Transport Department involved in organizing the peasants, who do not own and control land, in MSEs. Accordingly a significant number of landless peasants are organized under Bikila Boru and Golje Dildima Mining enterprises. The department in consultation with RKAs registers and selects the peasants to be organized in MSEs. To be eligible for MSEs membership, a person should provide a certificate from the RKAs that indicate he/she does not own land and/or has no other means of generating income (Interview, Habtamu Tolcha, May 2009). The DoTIT provided technical support and training for the leaders of Bikila Boru and Golje Dildima mining enterprises, on issues related with business such as marketing and record keeping. Tede and Golje RKAs are also involved mainly in identifying and providing the land to be

mined (for more detail, see section 4.4.2). Table 4.13 above provide a summary of the role of institutions in promoting rural LED in the case study area.

Table 4.15 A summary of the major tasks of institutions in promoting rural LED in the case study kebeles

	Rural LED interventions/s strategies	Institutions involved	Major rural LED tasks
1	Environmental management <ul style="list-style-type: none"> Micro-watershed development project 	Public(Rural LG, DoRAD, WWT, Tede and Golje RKAs) Civic(GTZ,KFW,DED,CWT, Local community)	<u>Public</u> -coordinate and follow up the project activities -select and prioritize watershed development project -prepare and review watershed plans -provide technical support and planning -implement and manage watershed activities <u>Civic</u> -capacity building (provide technical assistance and training) -development planning -fund provision -free labour provision by the community
2	CBED <ul style="list-style-type: none"> Smallholder-agriculture development 	Public(Rural LG, DoRAD,DoCP,FT Cs(DAs), Tede & Golje RKAs) Civic(GTZ,KFW,DED, CWT,Local Community)	<u>Public</u> -implement policies, plans and programmes - provide technical support and training -introduce and extend improved agricultural technologies and systems -establish FTCs <u>Civic</u> -farmland development -homestead resource development -provide agricultural input, grain marketing and credit service
3	CBED <ul style="list-style-type: none"> Small-scale mining enterprise development 	Public(Rural LG, DoTIT, Tede and Golje RKAs) Private(Bikila Boru and Golje Dilidima Mining enterprises)	<u>Public</u> -creating jobs by organizing the landless peasants in MSEs -provide technical support and training -identify and provide land to be mined <u>Private</u> -produce river sand, stone and pebbles that generate income -generate royalty and sale tax -sale shares and distribute dividends

Source: Own field survey

4.6. Trends of Rural LED: A pro-poor or pro-growth?

LED has been taken as an alternative development approach to alleviate poverty in SSA countries. In Ethiopia, particularly in the agrarian locality where there is high level of poverty, formulating a comprehensive and an integrated pro-poor rural LED policies and strategies are imperative. Because, studies indicate that in SSA countries, high economic growth rate by itself has not decreased the level of poverty. As presented in chapter three, the focus of the Ethiopian government policy previously was on regional equity and balanced regional development. However, in recent years the "... thinking of regional development ... seems to be driven by a concern for growth" (Tegegne, 2007). In other words, it seems that the Ethiopian government is currently following pro-growth regional and local development approach that gives some space for efficiency.

In the preceding part, three major rural LED interventions- watershed development project, agricultural development and mining enterprise development- in Tede and Golje RKAs in Lume *Wereda* were presented and analyzed. The analysis indicates that more emphasis was given for pro-growth rural LED. Looking at each local activity will give us some idea here.

Primarily, the peasant households in both *kebeles* were not actually involved in prioritizing local development intervention strategy. This is particularly reflected in the decision made by local and regional authorities opting for watershed development projects. This has totally marginalized the peasants from the process of decision making in areas of local development that affects their livelihood. In this case, as pointed out above, the PRA conducted by the stakeholders to assess the priority need of the peasant households in the locality was only nominal. Secondly, the local planning formulated for watershed development and smallholding agriculture development was more of growth oriented than equity or community oriented planning²⁶.

²⁶ Growth, equity and community oriented planning are the important component of district level planning, which is classified based on their objectives. "Growth oriented planning is essentially area based approach which includes development of local resource potential and basic infrastructure to maximize production in all sectors of the economy" (Tegegne, 2006). Development of production resource, which includes agriculture development and SWC, can be mentioned as an example of growth oriented planning. "Equity oriented planning is a target group approach in which identification of weaker sections of the society followed by creation of income and employment generating opportunities and or transfer of

The watershed development project was not particularly designed for and targeted the poor and weaker section of the community such as the landless, unemployed and women. Furthermore, the approach towards watershed development in the locality was more of 'hardware' development (natural resource management, site development etc) than building the 'orgware' side of LED (institutional development and support etc.) With regard to agricultural development, more emphasis was given to better-off or what they call "model farmers." The agricultural extension services in the area were geared towards supporting and helping the better-off or influential farmers. The study made in the North and South Wello Zone by Elizabeth, also indicates that DAs are put under pressure to "accommodate demands from powerful or influential people within the community" (Elizabeth, 2002). The resource poor peasant households in Tede and Golje RKAs had been complaining about the high price of fertilizer. As the government did not subsidize the price of fertilizer, the poor peasants are left in a precarious condition.

Furthermore, the peasants who do not own and possess agricultural land are not enrolled in agricultural extension program. The DAs had totally neglected and marginalized the landless poor peasants in the area. Unlike the agricultural extension program that targeted the land-owning smallholders, the landless peasants are left without any alternative extension program at the *kebele* level.

The peasants who do not own agricultural land, the majority of whom are youth, are organized and made to participate in mining river sand and stone resources in both localities. Some peasant households, who are not members of the small-scale mining enterprises, participated in the activity of mining as daily labourers. Thus, the majority of the peasant households, who do not own land, depend on mining activities for their livelihood. It seems, therefore, small-scale mining enterprise developments in the locality are more of a pro-poor rural LED.

production assets and skills to the target people are dovetailed in the planning process" (Tegegne, 2006). Its objective is poverty alleviation through asset transfer, self-employment, housing etc.

4.7. Institutional Networking for Rural Local Economic Development

LED practitioners have a number of instruments, interalia, networking strategies, for stimulating locality development (Beer et al., 2003). It is argued that any locality/community has the potential to improve its economy if it can get mobilized. Economic development at a local level is a multi actor/institution business. One single institutional actor rarely carries all the activities, and has all the necessary ability and resources to achieve LED goals and strategies (Helmsing, 2005a). The success of LED, therefore, depends on its ability to mobilize public, private and civil society organizations. It should be noted that developing “LED networks...vary strongly by region, depending on the diversity of their economic structures and the level of economic development. Peripheral regions depend much more on local governments as central actors in LED networks” (Helmsing, 2005a).

As mentioned above, institutional arrangements in the form of networks and partnerships are required because a single stakeholder rarely provide the resources and skills required to meet the demands of rural LED. Networking reduces the risks involved in locality based economic development. Hence, forging institutional networks in different areas of LED activities has become a necessary though not a sufficient condition for the success of rural LED. In general, this section will focus on the inter-sectoral networks between the rural local government, civic and private sector institutions in rural LED intervention strategies.

LED is also a multi sector economic activity. LED in agrarian localities of African countries such as Ethiopia, embraces a wide range of locality based development activities. In this regard, the thesis has already identified and presented three main rural local development intervention strategies- watershed development, smallholder agriculture development and small-scale mining enterprise development- in Tede and Golje *Kebeles*. As the intervention strategies were already dealt out in section 6.1, the following section briefly analyze the process and functioning of networking between institutions involved in rural LED in the case study *kebeles*. Based on the interventions, the study has identified three types of rural LED networks: micro-watershed development, small holder agriculture development and small-scale mining enterprise development. Accordingly, the first part provides institutional networking in micro-watershed development. The second part briefly

present institutions involved in networking in agriculture development. This will be followed by institutions involved in networking in mining enterprise development.

4.7.1. Networking in watershed development

Watershed development project in the studied villages, involved a wide range of components and activities. Watershed development includes every activity within the watershed, interalia, natural resource management, agriculture development, capacity building, infrastructure and homestead development. As a result, it is rarely possible for a single organization to provide the required resource and skill to meet the requirement of watershed development. In fact, networking that involves various organizations and the concerned local communities, was used as an intervention strategy to promote watershed development in the villages. The institutional arrangements were made primarily between the rural LG of Lume and German development institutions as well as the local community (through community watershed team). The arrangement was also made among and between the different sector departments of Lume *Wereda*: Rural and Agriculture Development, Land Use and Administration, Water Resource, and Rural Road Construction.

In general, the institutional arrangement is operated as a three-way networking between rural LG, German development institutions (GTZ, KFW, DED) and the local communities. The networking in watershed development project was established primarily in the area of development planning, development management, resource/ fund provision and institutional development

Micro-watershed development planning

As noted earlier, development planning refers to the participation of institutions in the identification, formulation and prioritization of development interventions for the locality (Manuel, 1997). In this regard, micro-watershed development approach as a locality development intervention strategy in Kilie and Gerersa watershed management was identified in a three-way partnership between rural local government, CSOs and local community. In the process of development planning, GTZ was involved in doing PRA to identify the priority needs and preferences of the local community. The local communities were participated in the PRA process in identifying the main problems and felt needs of the

community. Lume Wereda DoRAD experts and DAs in collaboration with RKAs engaged in mobilization of farmers as well as facilitating the discussion made with farmers. Based on the issues raised in the discussion, GTZ had compiled data and submitted to the steering committee for final decision²⁷

The result of the PRA indicates that the first priority need of the local community was education followed by water and road provision. Unlike the result of the PRA, the steering committee had decided and opted for local development intervention through watershed management. This indicates that the communities were abandoned from the process of decision making and thus, they rarely have the power to control their own destiny in local development process. The decision of the steering committee was followed by setting working systems/legal framework that could serve for the smooth functioning of the stakeholders.

Development Management

Development management “refers to direct involvement [of institutions] in LED promotion through membership in policy and implementing boards/committees” (Manuel, 1997). With regard to watershed development management, partnership was established particularly between the *wereda* DoRAD and RKAs on the one hand, and GTZ on the other, for promoting watershed development through membership in different joint committee.

The established joint committees named as technical, steering and joint assessment mission (JAM) were mainly involved in technical assistance, decision making as well as conducting assessment and evaluation of the micro-watershed development project, respectively. Although GTZ was a member of these committees, it was not involved directly as a member of policy/plan making committee at the *wereda* level. GTZ was involved in micro-watershed project planning and other activities through the above-mentioned committees only.

As part of the development management, partnership was also established between *wereda* sector departments (rural and agriculture development, land use and administration, water

²⁷ Steering Committee, which include Lume *Wereda* agricultural department head and GTZ experts, has the final decision making power for selecting and prioritizing watershed development project.

resource, rural road), GTZ and local communities to implement and evaluate Kilie and Gerersa watershed project. The sector departments have established and represented by Wereda Watershed Team (WWT), which is responsible for undertaking, interalia, resource mobilization and coordination to implement watershed plans, organize orientation and training of DAs in watershed planning and implementation issues, integrate family planning with watershed development, conduct monitoring and yearly review of watershed plans (Lume *Wereda*, DoRAD, 2007b&C). The GTZ on its part follow up and oversees the implementation as well as assess and evaluate the progress of the watershed development. The local communities were also involved in the process of implementation and evaluation of the project mainly through Community Watershed Team (CWT). Individual farmers participated by sharing costs (free labour and local materials) in the process of implementation. The CWT that includes the chief administrators and DAs of RKAs in each site were composed of representatives from different sections and strata of the communities. The team was responsible for, interalia, coordinating interventions that concern more than one village, assist communities in monitoring and evaluation, compilation of reports, training and organization of field days and experience sharing within and between kebeles (Lume *wereda*, DoRAD, 2007b).

Resource/Fund Provision

Fund provision “includes raising and mobilization of funds to finance LED interventions” (Manuel, 1997). As part of financing watershed development project, a network has been established mainly between KFW, GTZ and local community in each watershed area. Although the *wereda* government agreed to cover transportation and perdiem costs, its role has been limited in facilitating and coordinating the funds released by KFW (Interview, Habtamu Wuebeshet, May 2009). In kilie watershed, the community contribution in value (unpaid labour) amounted to 397,349 birr, equal to 35% of the total project cost. The main financer of the project KFW contributed 713,131 birr, equal to 64% of the total cost in the form of grant (Lume *Wereda*, DoRAD, 2007c). Apart from KFW that release fund directly for the project activities, GTZ on its part cover transport and perdiem cost of the project (Interview, Habtamu Wuebeshet, May 2009). The total cost of the project in kilie water

shade is estimated to be 1,110, 480 birr, which is operational for year 2008/9 only (Lume *Wereda*, DoRAD, 2007c).

In Gerersa watershed, the community contribution in value (unpaid labour) amounted to 71,222 birr, equal to 16% of the total cost of the project. The main financier, KFW, granted 373,515 birr, equal to 84% of the total cost of the project. The total cost of the project in Gerersa watershed is estimated to be 444,737 birr, which is operational for one year (from January 2008 to December 2008). KFW also follow up the expenditure of the fund. In each watershed site, the community contribution in value amounted to 50% of the project i.e., the farmers get only 50% remuneration for their work.

Institutional Support

Institutional support “comes in the form of technical assistance, community organizing and mobilizing as well as research and development activities” (Manuel, 1997). As part of the watershed development activity, partnership has been established between Lume *Wereda* agriculture department and Tede/Golje RKAs on the one hand, and GTZ and DED on the other hand. The DoRAD was involved in organizing WWT and CWT, providing technical support and training to DAs and farmers, while the RKAs were participated in mobilizing the farmers for work. GTZ and DED on their part provided technical assistance and training to *wereda* department of agriculture experts and DAs. In addition, GTZ participated in promoting and organizing MSEs in soil and water conservation in both Kilie and Gererssa watershed. Micro and small soil and water conservation enterprises have a stake in protecting the rehabilitated locality (Interview, Habtamu Wubeshet, May 2009).

Let us now make some remarks to suffice the foregoing discussion on institutional networking in Kilie and Gererssa watershed development:

- The integration between and among the sector departments within the public sector that have a stake in watershed development project is not strong. They are poorly organized and integrated, and have weak institutional capacity. Except for the DoRAD, the other departments are not actually involved in the process of planning, implementation and evaluation of the activities of watershed development (Interview, Getye Eregete, May 2009).

- As the guiding principle of GTZ is providing backstop support to the DoRAD and local communities, it is not actually involved in the implementation process of watershed development. The aim of GTZ is making DoRAD and the local community to implement the project. GTZ believes that DoRAD and local communities are in the driving seat, and they are the one who spearhead the watershed development activities (Interview, Habatmu Wubeshet, May 2009). The interview made with Getye Eregete (May 2009) also indicates that DoRAD communicates with GTZ through reports and during the time of field visits of GTZ experts. Thus, it can be said that the institutions are not equally involved in undertaking and implementing the watershed development project.
- The private sectors which include small scale mining enterprises are not totally involved in promoting watershed development in both Kilie and Gerersa. As the enterprises are engaged in stone and sand extraction process following the seasonal river courses, in the area, they would have been made partner in the watershed project. Because the opening of quarries causes the top soil removal, formation of cliffs, development of ponds and ragged topography in the surrounding. Therefore, both interventions would have been coordinated and integrated so as to contribute to sustainable rural LED. This is an indicative of the absence of *kebele* level strategic planning that involved the private sector.
- Institutional context, particularly the system of property rights (land tenure system) is one of the elements that constrain the sustainable use and management of agricultural land and other natural resources in the locality. The present land tenure system has resulted in insecurity of tenure among smallholder farmers in the area. This has brought negative impact on sustainable agricultural and non-agricultural land resource management (Interview, Habtamu Wubeshet, May 2009). Indeed, the smallholder farmers are issued land certificate. But, they are still insecure and have a fear that their land will be distributed for either landless farmers or private individual investors. As a result they are forced to undermine long term use of land resources and concentrate on short term benefits (Interview, Girma Wolde, April 2009). Thus, it is to be underlined that institutional context, interalia, the system of

property rights is perhaps one of “the most essential variables explaining long-run economic development in particular” (Sjoquist, 2001).

- The institutional networking established between the public, local community and the civic sector institutions in watershed development activities is moderate (Interview with DAs, DoRAD expert, GTZ expert, community leader, heads of RKAs). According to Habtamu Wubeshet, GTZ expert, there was a weak inter-institutional relation but now the relation is showing progress. He succinctly puts that: “the public-civic-community sectors networking heavily depend upon informal relations with individuals, not through institutions” (Interview, Habtamu Wubeshet, May 2009). From this, one can conclude that the involvement of the civic sector (GTZ, KFW,DED) in locality based economic development is temporary. The networking and communication efforts among the institutions have remained dependent upon the project lifetime. The involvement of institutions such as the civic (GTZ) and community sector in local planning, implementation and evaluation of the project is not institutionalized.

4.7.2. Networking in smallholder agriculture development

The major areas in which local networks have been established between the public, civic and community sector institutions in smallholder agriculture development include agricultural extension program (provision of agricultural inputs) and institutional support.

Let me first examine the relations between public sector (Lume *Wereda*, Department of Rural and Agriculture Development and RKAs), and civic sectors (GTZ and Tede Multipurpose Agriculture Cooperative) in terms of their role in local area agricultural development activities. The DoRAD provide agricultural extension services such as improved seeds and fertilizers through Tede/Golje RKAs, Tede Multipurpose Agricultural Cooperatives, FTCs and DAs at the *kebele* level. The main role of Tede and Golje RKAs is to publicize and transmit plans, programs and directives prepared at the *weredà* level to the smallholder farmers (Interview, Girma wakeyo, April 2009; Eshetu Deme, April 2009). They are also involved in community need assessment which will be used as an input for planning at the *wereda* level. The DAs through FTCs are involved in provision of extension services through training and demonstration in both Tede and Golje *kebeles*.

The Department of Rural and Agriculture Development in partnership with GTZ are also involved in local area agricultural development activities as part of the watershed project. The organizations are involved in implementing agricultural development measures on farmland, pastureland and homesteads through various means. The farmland activities include introducing an improved seed named triticale. Triticale has been introduced and widely used among the smallholder farmers in the study area (Interview, Habtamu Wubeshet, May 2009). With regard to homestead resource development, the activities include compost preparation and application, establishment of beehives for apiculture promotion and experiencing the use of fuel saving stove technology by the households (Interview, Geteye Eregete, May 2009).

Tede Multipurpose Agricultural Cooperative that provide service for five neighboring RKAs (including Tede and Golje) are part of CSOs involved in promoting local agriculture development. The primary role of TMAC is to supply seed, fertilizer distribution, grain marketing and credit provision to its members. The credit is mainly used for purchasing fertilizers. Lume *Wereda*, Department of Cooperative Promotion provides institutional support to TMAC. It is indicated that as the cooperative is not well developed socially and economically, it should not be left alone and need to be supported by government and professionals at this stage (Interview, Kider Sefa and Tadele Boku, May 2009). As a result, Lume *Wereda* DoCP provides technical support and training to the management committee and hired employees of TMAC. The DoCP also registers rural cooperatives in the *wereda*. Hence, TMAC is closely related to the Lume *Wereda* government structures. TMAC has also become an implementing agency for the public sector, as it is involved in providing extension services for smallholder farmers. The empirical study conducted on local government and smallholder cooperatives in Ethiopia affirms that:

the scarcity of finance, technical and physical capital for development at the local level often necessitates government to carryout projects in partnerships with organizations such as cooperatives. In this context, cooperatives often serve as development partner or implementing agency for government (Spielman, et al., 2008). TMAC has also established relations with Lume-Adama Farmers Cooperative Union and Cooperative Bank of Oromia through buying shares. As a member of the union, TMAC can

get services such as fertilizer based on credit with 10.5% interest rate, credit for buying grain, and dividend based on the amount of shares the cooperative have in the union. TMAC relation with Cooperative Bank of Oromia mainly lies as a member of the bank having 3000 shares (the value of 1 share is equal to 100 birr). Accordingly, from the profit gained the bank will distribute dividend to the cooperative (Interview, Girma Wakeyo, May 2009). TMAC has also established relation with Tede and Golje RKAS and DAs mainly in time of disbursement of credit from the smallholders. TMAC is not involved in public planning with RKAs to identify the needs and problems of the community.

As noted above, TMAC is playing a central role in providing smallholders with access to agricultural inputs typically provided by rural LG. In this regard, TMAC can be seen as a development partner or implementing department of the *wereda* government. Apart from its role of implementing agency of the public sector, TMAC has been characterized by leadership being elected from a ruling political party, OPDO. During the time of field visit, this study observed that the chief administrator of Tede *kebele* is also the chairperson of TMAC simultaneously. The chief administrator of the *kebele* is elected from a political party having a majority seat in Tede *kebele* assembly. Furthermore, TMAC has a linkage with Lume *Wereda* ruling party officials through raising money. TMAC raised 6000 birr in support of the ruling party in the year 2008 (Interview, Girma Wakeyo, May 2009). This can be taken as a good example for the lack of autonomy and independence of the cooperative society in Lume *Wereda*. This may reduce the trust of the members towards cooperatives, and create a bad image among their members.

In general, TMAC's engagement in the above mentioned activities ultimately negate with its role played as a civic sector. In this regard, some researches argue that in Ethiopia, cooperatives "cannot strictly be considered non-state agents" (Dessalegn, 2008a) as they are government sponsored and involved in party politics by providing financial support. However, Tegegne argues that "[t]he most appropriate role for the cooperative, will be to play a civil society role so as to formulate and articulate the demands of their members" (Tegegne, 2001). Agricultural cooperatives should also engage in public planning to improve the economic livelihood of smallholder farmers as well as to enhance farmers' empowerment. In order for these to happen, rural LG should provide an enabling

environment that helps them “to stand on their own feet [as a civic sector] which they have not been able to do fully so far” (Dessaiegn, 2008a).

4.7.3. Networking in small scale mining enterprise development

‘Bikila Boru’ and ‘Golje Dildima’ are small-scale mining enterprises that represent the private sector. The enterprises are involved in quarrying and extracting river sand and stone resources in each RKAs. The enterprises are guided by the principle of profit making, and hence generate income for their members. The members are the main beneficiaries from the profit gained. Out of the total profit generated through the sell of sand and stone 50 percent is distributed as a salary for the members, 11 percent is paid for royalty and sell tax, 20 percent is reserved as capital in bank, 10 percent is saved for individual members in bank and 9 percent is for recurrent expenditure. The enterprises, therefore, have a potential in contributing to CBED by creating jobs and generating income for landless and unemployed peasants of the rural locality. They have also the potential to stimulate rural local development through paying taxes to the rural local LG.

Nevertheless, the involvement of ‘Bikila Boru’ and ‘Golje Dildima’ private enterprises in rural LED in the form of *kebele* development planning and development management is very limited and almost non-existent. The empirical study conducted by Tegegne in East Shewa under the theme of “Institutions and Local Development in Ethiopia” reveals that local/regional government has not made the private sector a partner in LED (Tegegne, 1999). Hence, the private sector in East Shewa Zone and particularly in RKAs, as witnessed in the case of small-scale mining enterprises, plays a limited role in community economic development activities. The training document on industry and MSEs development, prepared by Trade, Industry and Transport Bureau of Oromia (2009) indicated that lack of public-MSEs networks is one of the major challenges to the development of the private sector institutions. The document indicated that, although MSEs play a central role in private sector development as well as local/regional development, the regional and local government has not yet recognized the enterprises as partners in public developmental activities (Oromia Bureau of Trade, Industry and Transport, 2009). The document also mentioned two major weaknesses of MSEs in the region: lack of self-

initiated local development activities and development of dependency syndrome up on the regional and local governments (Oromia Bureau of Trade, Industry and Transport, 2009).

'Bikila Boru' and 'Golje Dildima' mining enterprises are not made partner of public sector in local development planning and development management. However, there is weak relation between the enterprises and Lume *Wereda* sector departments namely, DoTIT, Department of Finance and Economic Development and DoCP as well as RKAs. The enterprises established relation with Lume *Wereda*, DoTIT mainly for registration and licensing; with Department of Finance and Economic Development for paying royalty and sell tax; with DoCP for printing receipt and invoice. In addition to these, DoTIT and DoCP provide technical support and training for the leaders of the enterprises on issues related with business such as marketing and record keeping. However, the responsibilities of the DoTIT and DoCP towards MSEs are not clearly articulated as both departments are engaged in the same activities of organizing and promoting MSEs in Lume *Wereda*. It is expressed that "the main task of the Department of Cooperative Promotion is providing technical support while that of Department of Trade Transport and Industry is political" (Interview, Kider Sefa and Tadele Boku, May 2009).

Start-up capital in the form of credit has been provided by Lume *Wereda*, DoTIT in collaboration with Oromia Saving and Credit Association to MSEs (Interview, Habtamu Tolcha, May 2009). However, the FGD made with members of 'Bikila Boru' mining enterprise revealed that they did not get any credit from these institutions. On the other hand, the discussants indicate that they are all members of the ruling party and their enterprise raised 6000 birr in support of the party (FGD, Tede *Kebele*, May 2009). This is a clear indication of the strong relation established between the private sector (MSEs) and the ruling party at the *wereda* level. The mining enterprises also work with Tede and Golje RKAs mainly for identifying the land to be mined. Tede *kebele* administration had also provided a degraded area for Bikila Boru enterprise to be managed and utilized by its members.

Despite the weak inter-sectoral linkages between Lume *Wereda* public sector departments and MSEs (private sector), the study has found the absence of any form of inter-sectoral relations between MSEs and local NGOs/international development institutions in Tede and

Golje RKAs. The only exception is the relation established between 'Bikila Boru' mining enterprise and Green Ethiopia (an international NGO) through Lume *Wereda*, DoRAD. The NGO provided fencing material used to protect the tress planted in the lots of the enterprise. However, the relation was only temporary. In general, as far as private sector institutions are concerned, rural LG should provide an enabling environment by making the private sector partner in the process and functioning of rural LED "since local development will contribute to personal profit making and cost minimization" (Tegegne, 1999).

4.8. Patterns of Institutional Networking

This section attempts to analyze the pattern of institutional arrangement /networking in rural LED interventions described above. It attempts to show the structure or form of institutional networks based on the relations and linkages created among the public sectors and between the public, civic and private sector institutions.

Local development planning within the public sector institutions both at the *wereda* and *kebele* level has some problems. Each concerned sector departments and RKAs are involved in the process of plan preparation independently. The plan proposed by each sector departments and RKAs are submitted to the Lume *Wereda*, Department of Finance and Economic Development which submit the same after compilation to *wereda* administrative council and *wereda* assembly for approval and follow up of the implementation process. *Wereda* plan being prepared, therefore, is a mere compilation of the wishes and needs of each sector departments and RKAs. Thus, there is no one responsible institution fully charged with planning and coordinating the developmental activities of sector departments and RKAs. The *wereda* department of finance and economic development undertake the responsibility of compilation in addition to its other duties.

There is a weak relationship between public, civic and private sector as well as among the public sector institutions in Tede and Golje RKAs. The only exception, though with its defects, is the moderate linkage that exists between the public, German development institutions and the local community in Kilie and Gerersa watershed development project. In general, there is lack of full-fledged participatory institution that involve the public, civic

and private sector institutions in local development planning, development management, and resource mobilization. Tegegne and Kassahun mentioned that, the absences of an enabling environment/provisions as well as decentralization measures to the non-public sectors are among the reason for the lack of involvement of the private and civic sector in local policy making and development management process in Ethiopia (Tegegne and Kassahun, 2004). The civic sector that includes German development institutions and Tede Multipurpose Cooperative work with the public sector through the legal framework developed by the stakeholders. But, there is no legal provision that made this sector part of the development planning and policy making process at the local level.

Similarly, the private sectors that involve small-scale mining enterprises are not involved in planning and policy making process on development issues at the local level. In this regard, Tegegne(1999) noted that the private sector in East Shewa zone is not involved in local development planning and policy making. According to him, "... 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 with the possible consequence of isolation of some sectors on one hand and duplication of efforts on the other" (Tegegne, 1999).

The networking/partnerships established focused at program and project level in the case study kebeles. As presented in the previous section, the partnerships are sector specific and focused at program and project level. The partnerships forged focused, therefore, at watershed development project, agriculture sector development and small-scale mining enterprise development. Hence, there was lack of mechanism for formulating joint development strategies and broader strategic planning through networking to address the core problems of rural LED in Tede and Golje *Kebeles*. The partnerships forged were not based on formulating kebele strategic planning that involved all the institutional actors. The failure to identify the core issues/problems of the locality/community by joint strategic planning will slow down rural LED activities of the case study *kebeles*.

As the networks have focused at program and project level, the established networks between the stakeholders is temporary and not institutionalized. The empirical research

conducted by Dejene and Yilma on “participatory local economic development ... in Woldia Zone” also reveals that “there is no effective communication among stakeholders/actors [and] the networking structure is simply temporary not institutionalized.” They further indicated that “networking and communication efforts, among development actors, have remained far from being effective [and] there are no institutionalized and participatory mechanisms for exchanging information, sharing experience and learning from each other” (Dejene and Yilma, 2005).

4.9. Other Determinant Factors in Rural Local Economic Development

As indicated elsewhere, institutional networking is a necessary but not a sufficient condition for stimulating rural LED. The process and functioning of local institutional networks, in promoting rural LED are determined and depends on the overall politico-administrative environment provided by the national and regional governments. The broader institutional framework, set by the rules of the game determines the way institutions interact and create horizontal networks and partnerships. As Rodriguez-Pose and Tijmstra puts it, “even though LED is a locally owned and implemented program, the national and regional environment within which a locality is imbedded will impact greatly on its ability to create economic growth and employment”(Rodriguez-Pose and Tijmstra,2005). In this regard, issues related with decentralization policy of the central government such as fiscal issues, rural development programs and the ruling party structure are among the factors that determine the ability of the locality to stimulate economic growth. Let me now present issues of institutional environment related to decentralization policy.

The Ethiopian government decentralization program has made the *wereda* to be a center of rural local development activities. Similarly, the ONRS constitution in its provision has made the *wereda* to be a core for preparing local development planning and implementing programs. Accordingly, Lume *Wereda* like any other *wereda* in the region is entitled to the powers and duties provided by the regional constitution. In reality, however, Lume *Wereda* has continued relying on zonal, regional and central government mainly for finance, and

development policy making and planning. Furthermore, economic and social activities in both *kebeles* are tightly controlled by the ruling party.

Many of the local authorities interviewed indicated that, lack of finance is one of the basic problems for undertaking economic and social activities in each *kebeles*. Although the *wereda* government and sector departments are provided with various powers and duties due to the decentralization process, lack of finance could be a basic limitation to the role the *wereda* and sector departments play. Lume *Wereda* has limited source of revenue so as to cover its expenditure. As indicated elsewhere, Golje and Tede *kebeles* do not have any financial resource to run rural local development work and other activities. In a similar manner, Meheret observed that rural and urban *kebelewotch* in Tiyo/Assela *wereda* administration “have become dysfunctional because they are under financed and understaffed. They receive no financial and material assistance either from the *wereda* or the municipality. Most of them function as part of the administrative structure of the *wereda* administration and have lost their distinct character as basic units of grassroots governance” (Meheret, 2002).

Lume *Wereda* lacks the power for budget expenditure. The interview made with Bekele Beyecha (May 2009) revealed that the *wereda* government does not have the power to use the revenue generated in the *wereda* by themselves. The revenue collected is transferred to East Shewa Zone and the zone in turn passes to the government of ONRS that made the final decision for budget expenditure. The *wereda* also lack the responsibility to increase/decrease the tax rate and base. The tax rate and base is set from above. Thus, the *wereda* government become dependent on transfers from the regional government to be able to carry out its economic and social activities. In a similar way, Aalen (2002) noted that the regional governments in Ethiopia depend on the federal government for finance. She pointed out that the “‘lions share’ of the revenue in Ethiopia is assigned to the federal government, and the regional states are totally reliant on federal grants to perform their duties” (Aalen, 2002). The other remarkable point made by Aalen is that “[d]espite the constitutional right to levy taxes, the regions do not have the right to change their tax bases as a means to increase their revenues. The tax level is standardized and harmonized all over the federation and is set by the Ministry of Finance” (Aalen, 2002). Thus, both the regions

and *weredas* lack financial autonomy. In this regard, Helmsing(2005a) notes that LED requires a degree of political and financial autonomy, which indeed is a necessary though not a sufficient condition. The *wereda* government in Ethiopia are financially weak and as a result “their hands are tied when it comes to undertaking meaningful community development at the local level” (Meheret, 2002).

Rural LED initiatives having any significance are almost non-existent at Golje and Tede RKAs. Almost all of the local officials of the public sector in the *wereda* and the two *kebeles* were asked to respond for the question “what are the powers and duties of your organization?” The response they provided is almost similar in one point, i.e., to implement government policies and programs which are formulated by the above government. Local level planning is mainly prepared for the smooth implementation of the policies and programs made at above. Therefore, Lume *Wereda* government and its sector departments as well as Golje and Tede RKAs often expect the rural local economic development initiative to come from above. They perceive their role to be one of transmitting and publicizing decision made at the higher governmental level to the local communities. The chief *kebele* administrators in each RKAs often mentioned that their task is convincing the peasant households to accept and believe in the government policies and programs such as agricultural extension program. Hence, rural development programs are simply imposed up on the peasant households from above. The local communities are not genuinely participated in the choice of development interventions in their locality.

Indeed, the major rural LED intervention identified in Golje and Tede RKAs -watershed development project, agricultural development (agricultural extension program), mining enterprise development- are largely initiated by the policy decision made at the higher governmental level (central and regional governments). Hence, Lume *Wereda* government and its sector components (DoRAD, DoTIT, DoCP) as well as Tede and Golje RKAs highly depend on regional/central governments for financial transfer and local rural development initiatives and programs.

With regard to local fiscal/financial and local development programs, Dessalegn’s critical observation will suffice the above mentioned points. According to him, rural local governments in Ethiopia not only depend financially on higher governmental authorities

but also in terms of rural development programs. Rural local governments (*weredas* and *kebeles*) are mainly “used as channels for the implementation of programs planned and prepared higher up, many times in fact at the federal level.” (Dessaiegn, 2008b). Taking into consideration land certification and resettlement program being implemented across the country, Dessaiegn has the following to say:

most rural programs are undertaken in similar fashion throughout [Ethiopia], with little variation in program approach, content and instruments, which is evidence that they have been planned at the top and channeled down for implementation, with local institutions having very little say on the matter. Thus despite decentralization, the system of upward accountability which governed relations between higher and lower units of government in the past, still prevails. (Dessaiegn, 2008b).

This study has also found similar micro-water shade development project under implementation in Tede and Golje RKAs in Lume *wereda* government. The project in each kebele is not only similar in its kind but also in its content and approach for implementation. In the project proposal, the problems raised by communities and the measures to be taken as suggested by the communities are absolutely the same in each kebele (Lume Wereda, DoRAD, 2007b&c). This implies that the local communities in both kebeles are neither involved in choosing the projects to be implemented nor in the process of planning of the project. Therefore, the local communities have no or little say in making decision upon local development intervention strategy of their locality.

In the study area, elected and appointed *wereda* and *kebele* administrators as well as leaders of agricultural cooperative and small-scale mining enterprises are members of the regionally based political party-OPDO- a formal member of the ruling party EPRDF. Furthermore, all members of the MSEs engaged in mining reported that they are all members of the party. This indicates that the party has significant influence in decision-making and development management in Tede and Golje RKAs. As a result rural LG authorities depend on instructions and decisions delivered from above on issues of administration and socio-economic activities. Such a kind of centralized party structure has brought upward accountability of the public sector institutions and the civic and private

sector institutions which are under the tight control of the party. Apart from the *weredas* and *kebeles*, Aalen pointed out that in the Ethiopian Federal System “the constitutional rights of the regions to formulate and implement plans and policies are severally diminished by the fact that the regional governments, which are all under the EPRDF’s hegemony, follow the centrally designed policies and five year plans” (Aalen, 2002).

In sum, the above-mentioned factors could immensely diminish the role of Lume *Wereda* government as an enabler, facilitator, and stimulator of the civic and private sector institutions in the process and functioning of rural LED in both *kebeles*. As a result, rural LED in Tede and Golje RKAs is led by central government, regional government, and rural LG in respective hierarchy order.

Chapter 5

Summary of Main Findings and Conclusion

5.1. A Summary of Main Findings

The thesis attempted to analyze the institutional approach to rural LED through networks in a particular agrarian locality. It describes the case of three villages in Tede Dildima and Golje Dildima RKAs in Lume *Wereda*, with low natural resource base, dominated by smallholding subsistence agriculture, in promoting locality and community based economic development. The study has identified and presented three main rural LED intervention strategies- micro watershed development project, smallholder agriculture development and small-scale mining enterprise development-in the locality. The unique role of each institution involved in rural LED in Lume *Wereda* in general and in Tede and Golje RKAs in particular are assessed. Furthermore, different arrangements of horizontal institutional networks in rural LED intervention are analyzed. In addition to horizontal institutional networking, other but related rural LED determinants such as the vertical relations between rural local governments (*wereda* and *Kebeles*), regional and central government are described.

As mentioned earlier, LED is s an ongoing process in which networking or partnerships between local government, civic and private sector institutions are established in a defined territory to jointly design and implement a common development strategy and mange the existing local resources with final objective of creating decent jobs and stimulating economic activity. Indeed, the process of rural LED has resulted in creating temporary and new jobs for smallholder farmers in watershed development activities in both *kebeles*. Though concrete figures are not found, a significant number of peasant households have been participating with some payment in watershed development work. A total of 367 new jobs were created for the youth (the majority of whom do not posses agricultural land) in small scale mining activities in Tede and Golje RKAs. Some peasant households were also employed as daily labourers in small-scale mining activity. Despite the new jobs created in watershed development and mining activities, it is only temporary and not sustainable.

The idle and marginal local resource(land),which is unproductive for crop cultivation in each of the RKAs have been put to use as mining and quarrying site of river sand and stone. The stone produced by the mining enterprises in the locality has been used as an input for constructing stone terrace in watershed development work. Nevertheless, the watershed development work is poorly integrated with mining activity in both localities.

Through the established institutional networking, the involved peasants and experts in watershed development activities have acquired new knowledge and experience in natural resource management, compost preparation and bee keeping. The leaders and members of small scale enterprises involved in mining have also acquired new knowledge of sand and stone processing as well as skill of managing a business enterprises. Through the network established in smallholder agricultural development, the smallholding farmers particularly the better-off/model farmers were introduced with new agricultural technologies such as triticales.

The results of the study revealed that institutional networks have brought some positive changes in both *kebeles*. Rural LED is improved mainly through creating new jobs by using locally available resources as well as transferring and disseminating new knowledge and technologies in both localities. The institutional networking, established particularly in watershed development project, in the areas of micro-watershed development planning, development management, resource/fund provision and institutional development have contributed to the local effort of natural resource management. In spite of this, however, the poorly integrated and weak institutional networks curtailed the dynamism of the rural LED in both *kebeles*. The only exception, though with its defects, is the moderate linkage that exists between the public, German development institutions and the local community in Kilie and Gersa watershed development project.

There is lack of full-fledged participatory institution that involves the public, civic and private sector institutions in local development planning, policymaking process, development management, and resource mobilization in Tede and Golje *Kebeles*. The absence of institutionalized networking system created barrier in information exchange, knowledge and experience sharing between the public, civic and private sector institutions

in the locality. The established networks/ partnerships tend to be short term and only temporary, as they are project and program based networks. Hence, there was lack of mechanism for formulating joint development strategies and broader strategic planning through networking to address the core problems of rural LED at both RKAs. The partnerships forged were not based on formulating *kebele* strategic planning that involved all the institutional actors. The failure to identify the core issues/problems of the locality/community by joint strategic planning will slow down rural LED activities of the *kebeles*.

Rural LED tends to be promoted through the conventional sector specific approach in both *kebeles*. In this regard, rural LED strategies in the study area are geared to enhance smallholder agricultural development. As a result, the agricultural sector has occupied the lion's share in rural LED activities.

The study found that rural LED initiatives having any significance are almost non-existent at Golje and Tede RKAs. This is also true as far as Lume Wereda is concerned. Lume Wereda government and its sector departments as well as Golje and Tede RKAs often expect the rural local economic development initiative to come from above. They perceive their role to be one of transmitting and publicizing decision made at the higher governmental level to the local communities. The chief *kebele* administrators in each RKA often mentioned that their task is convincing the peasant households to accept and believe in the government policies and programs such as agricultural extension program. Hence, rural development programs are simply imposed up on the peasant households from above. The local communities are not genuinely participated in the choice of development interventions in their locality.

5.2. Conclusion

The process and functioning of local institutional networks, in promoting rural LED are determined and depends on the overall politico-administrative environment provided by the national and regional governments. The broader institutional framework, set by the rules of the game, determines the way institutions interact and create horizontal networks and partnerships. As Rodriguez-Pose and Tijmstra puts it, "even though LED is a locally owned

and implemented program, the national and regional environment within which a locality is imbedded will impact greatly on its ability to create economic growth and employment”(Rodriguez-Pose and Tijmstra,2005).

The overall institutional setting such as insecure land tenure systems and weak financial and political autonomy of rural LG can have a negative impact in stimulating rural local economy. Lack of financial and political autonomy severely curtailed the role rural LG play as enabler, facilitator and stimulator of the civic and private sector institutions in the process and functioning of rural LED in both *kebeles*. Although the Ethiopian government decentralization program has made the *wereda* to be a center of rural local development activities, the result of the analysis shows that, Lume *Wereda* has continued relying on zonal, regional and central government mainly for finance, and development policy making and planning. Furthermore, economic and social activities in both *kebeles* are tightly controlled by the ruling party. As a result, the study concludes that rural LED in Tede and Golje *Kebeles* is led more by the central government, followed by regional and rural LG. The central government is more directly involved in promoting rural LED through fund provision, development planning and policies as well as development management.

In general, the thesis has focused on analyzing the process of institutional networks in rural LED. It attempted to analyze the outcomes of rural LED based on the established institutional networks/partnerships. The intuitionist approach to LED underline that “rather than focusing upon the aggregated and descriptive statistical summaries of the outcomes of growth, theses kinds of theory seek to explain the underlying characteristics and form of growth”(Pike et al., 2006). Therefore, one should note that, success or failure of a rural LED process need not be assessed on the basis of whether new jobs and incomes are created as the measurement, but also how well the process of rural LED has progressed in terms of networks, governance, coordination and autonomy of the local institutional actors.

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3. What are the major types of crops you grow, area used for growing and the amount of harvest produced in the previous year (2000 E.C)?

SN	Type of crops grown	Write 'X' in the space provided
1	Teff	
2	Maize	
3	Sorghum	
4	Wheat	
5	Barely	
6	Legumes	
7	Vegetables	
8	Other	
9		
10		

4. What are the major tools of farming you employed?
1. Hoe
 2. Ox
 3. Other traction animals
 4. Other, Specify _____
5. Is your annual income from farming enough to sustain the whole of your family?
1. Yes
 2. Sometimes(average)
 3. No
6. If the answer is no to question No 5 is no, how do you fill the gab?
1. Engage in other non-farm income generating activities
 2. Ask the wordea government /NGO for aid
 3. Borrow money from institutions such as micro finance, cooperatives
 4. Engage in food for work activities
 5. Borrow money from informal institutions
 6. Borrow money or cereals from relatives/neighbors
 7. Other, Specify _____
7. In which type of the following non-farm income generating activities do you or other members of the household engaged in? (Use 1 for yes and 2 for No).

No	Type of activity	1. yes 2. No	Amount of annul income generated in cash(Ask for 2000 E.C)
1	Petty trade (grain trade, local drink sale, small shop,SMEs etc		
2	Pottery		
3	River sand and stone quarrying		
4	Daily /casual labor		
5	Black smith		
6	Employed in public sector		
7	Employed in private sector		
8	Carpenter /plumber		
9	Other,		

8. What is the total annual amount of income earned from both farm and non-farm activities by the household in cash ? _____ Birr
9. Is the total income earned enough to sustain your family?
1. Yes 2. No
10. What is the source of water for the household?(please encircle all that are mentioned)
1. Potable pipe water 2. Hand pump water 3.Dug well/spring 4. River/pond
5.other _____
11. Which health organizations provide health services to your household?
1. public health stations/centers
2. hospital
3. Traditional healer
4. other, specify _____
12. Do you have your own farm land?
1. Yes 2. No

13. If yes to question no 12, what is the total size of the land owned by the household?
(please include the land rented out to others, if any). _____ hectare
14. Do you have shortage of farm land? 1. Yes 2. No
15. Do you have livestock in the household? 1. Yes 2. No
16. How many of the following livestock do you own as a household?
1. Ox _____ 3. donkey _____ 5. Goat _____
2. Cow _____ 4. sheep _____ 6. Other _____
17. How do you rate the fertility of the farm land you cultivate?
1. Very good 2. Medium 3. Poor
18. Which improved agricultural inputs do you use?
1. Improved seed 2. Fertilizer 3. Poultry 4. Other _____

C. Institutions and Community participation

- 1) To which institution/s or organization/s do you or any member of your household belong?(If yes put 1 and if no put 2)

S/N	Name of institutions you/your family member belong	1.Yes 2.No
1	Peasant /kebele association	
2	Rural Cooperatives	
	A.Agricultural Service Cooperative	
	B.Sand and Stone Coperative	
	C.Potery cooperatives	
3	NGOs (receiving credit, aid,NRM or in relation to any other activity)	
4	Informal institutions (Iqub, Iddir, mahber etc).	
5	Not belong to any institution	
6	Other, specify	

- 2) What kind of public service is provided by your *Wereda* Rural and Agricultural office/Peasant association?

1. _____
2. _____

- 3. _____
- 4. _____
- 5. _____

- 3) Do you think that the service provided by the *wereda* Rural and Agricultural/Peasant Association is enough in meeting your priority needs?
 1. Yes 2. No
- 4) Have you ever participated in any developmental activities that require your labour power in your kebele? 1. Yes 2. No
- 5) Does the peasant association involve the local community in identifying and prioritizing the community needs in your area? 1. Yes 2. No
- 6) Have you ever participated in such kind of activity? 1. Yes 2. No
- 7) Do you have trust on your peasant association in representing and promoting the interest of the local community? 1. Yes 2. Somehow 3. No
- 8) Do the *Werdea* Agricultural and Rural Development office provide training regarding the use of new technology, natural resource management etc to you and your family member? 1. Yes 2. No
- 9) If yes to C8, how did you find it? Does it contribute in increasing the yield you obtain as compared to the previous time?
 1. Yes 2. Somehow (average) 3. No
- 10) Do you believe that the *werdea* /peasant association alone have the capacity to solve the problems of the community in your locality?
 1. Yes 2. No
- 11) What does rural kebele mean to you? _____
- 12) As a resident of the kebele, what are the major problems facing the community ?
 1. _____
 2. _____
 3. _____
- 13) What kind of services is provided (activities is run) by the rural cooperatives in your area?
 1. _____
 2. _____

- 14) Do you have trust and belief that rural cooperatives are necessary and important in contributing to rural local development?
1. Yes 2. Somehow 3. No
- 15) Have you participated in a rural cooperative you are a member in? 1. Yes 2. No
- 16) If yes to C15, in what way have you participated? (circle all that are mentioned)
- Contributing labour
 - contribution of money
 - Electing the chairman
 - Identifying the need and priority of the community
- 17) Have you satisfied by the benefits you get from the rural cooperatives you belong?
1. Yes 2. Somehow(average) 3. No
- 18) If yes or somehow to C17, what kind of benefits have you received?
- _____
 - _____
 - _____
- 19) Do you know about the International Development Institutions currently operating in your area? 1. Yes 2. No
- 20) Do you think that these institutions are trusted and in fact necessary in promoting community based economic development? 1. Yes 2. Somehow 3. No
- 21) Have you ever received any help /aid from CSOs/ NGO for the last five years?
1. Yes 2. No
- 22) What kind of inputs/ resources have you received from ?
- | | | |
|----------------|------------------|-------------------------------|
| 1. Money | 2. Improved seed | 3. Poultry |
| 4. Fertilizer | 5. Pesticides | 6. Training on NRS management |
| 7. Other _____ | | |
- 23) Do the CSOs/NGOs in your area involve the community to identify their common problems and needs? 1. Yes 2. Somehow 3. No
- 24) Have you ever participated in such kind of activity? 1. Yes 2. No

D. Institutions and Information Sharing

1. How do you know about new agricultural inputs/technology such as improved seed, water harvesting, and selected animal variety and so on? (Circle all that are mentioned).

- 1) By *wereda* agricultural and rural development office
 - 2) By NGO operating in your locality
 - 3) By rural cooperative operating in your locality
 - 4) Through your neighbors
 - 5) Other, _____
2. How do you know about the price of agricultural input/output or any other commodity?
(circle all that are mentioned). Through _____
- 1) Peasant association
 - 2) NGO
 - 3) Rural Cooperatives
 - 4) *Wereda* Agricultural and rural development office
 - 5) Neighbors
 - 6) There is no mechanisms
 - 7) Other _____

E. Institutional Networking

1. Do you know any developmental activity (s) / project (s) in your area jointly run/ managed by the community, *wereda* government(DoRAD)/peasant association and CSOs? 1. Yes 2. No
2. If yes to 1, what are these activities?
 1. _____
 2. _____
 3. _____
3. Have you ever involved in such a kind of activities? 1. Yes 2. No
4. In which activity are you most involved?
 1. _____
 2. _____
5. Do the agricultural and rural development office and NGO operating in your village consider the indigenous knowledge and skills of your community as important in running any developmental activities?
 1. Yes 2. Somehow (average) 3. No
6. If no to E5, what do you think are the reasons?
 1. They consider the local people as “ignorant”
 2. They consider the local people as target beneficiaries
 3. They consider the local people as dependant

4. They do not have trust on the knowledge and experience of the local people

5. other, _____

7. How do you rate the institutional networking between *Wereda* Government/Peasant Association, the CSOs, and private sector institutions in rural local economic development?

1. strong 2. Medium 3. Weak 4. very weak 5. Not involved in networking

II. Interview guide for key informants

A1. *Wereda* Government leaders (including *wereda* DoRAD, DoTIT, DoCP, and development agents).

1) Position of the interviewee _____

2) How long have you served in this organization? _____

3) What are the powers and responsibilities of the organization you belong to?

4) Do you have enough resources (such as financial, human resource having required technical skill and knowledge) to run these activities? 1. Yes 2. No

5) Do you have the power and autonomy to prepare planning for local development, to initiate local development, to raise revenue as well as to make decision in budget expenditure?

6) Do you have the practical power/autonomy to determine the base and rate of tax rate as well as to formulate tax regulations in the rural *wereda*?

1. Yes 2. No 3. Other _____

7) If the revenue you generate is not enough to run the activities, from where do you get fund/budget subsidy? (circle all that are mentioned)

1. Federal government 2. Regional government
3. NGO 4. Others _____

8) Does the rural *wereda* have the power to recruit its own personnel?

1. Yes 2. No 3. Other _____

9) Is there any civil servant who has been assigned by the federal/regional government for your office? 1. Yes 2. No

10) Do you believe that rural local economic development is the only stake to be left for *wereda* government? 1. Yes 2. No

A2. Interview guide for leaders of RKAs

- 1) Position of the interviewee _____
- 2) How long have you served in this organization? _____
- 3) What are the powers and responsibilities of the RKAs?
- 4) Does the *Wereda* government assign any budget for RKAs to run these activities?
1. Yes 2. No
- 5) Is this budget enough? 1. Yes 2.No
- 6) If no, do you have any other source of budget?
- 7) What are the roles of RKAs in rural LED?
- 8) Do you have the power and autonomy to prepare planning for local development as well as initiate rural local development?
- 9) Is there any common local problems/activities that require partnership/networking between the RKAs, Civic and private sector institutions? 1. Yes 2. No
- 10) What are these common local problems and what kind of activities are currently under operation that requires partnership?
- 11) Is there any rural LED activities initiated by the community or RKAs?
- 12) Do you have trust on NGO operating in this *wereda* to be a development partner?
1. Yes 2. No
- 13) If No to 13, what are the reasons?
- 14) Is there any networking between *wereda* government/peasant association, civic and private sectors in identifying the priority needs, in planning and decision making for local economic development?
- 15) Is there any institutional framework that guides the Peasant Association to make dialogue and prepare forum so as to coordinate and enable the communities and civic sector institutions for enhancing pro-poor local development?
- 16) Do you believe that the current networking/partnerships established between *wereda* government/Peasant Association, civic and private sector institutions are satisfactory and effective in promoting community based rural development?
- 17) How do you rate the networking/partnerships involved between *wereda* government/peasant association, civic and private sector institutions in enhancing pro-poor rural local development?

1. strong 2. medium 3. Weak 4. Very weak 5. Not involved in networking

18) What are the strength and weakness of the RKAs?

19) Rural LED activities and achievements in quantity for the last 5 years in Tede and Golje RKAs?

B. Interview guide for leaders of civic sector institutions

1. Position of the interviewee _____

2. How long have you served in the organization? _____

3. When did you start operation in this RKA/s?

4. What are the activities run by your institution in this RKA/s ?

5. If you have any program/project related to natural resource management what have you done?(Ask for data that elaborate what has been done in quantity)

6. Do you link your program with the *wereda* government(Agricultural and rural development office)and peasant association? 1. Yes 2. No

7.If yes to 6, in what specific type of activities are you working with them?

8.If No5, point out the reasons

9. Do you involve the local community in the area you are operating so as to identify their needs and priority as well as in managing their own development? How do you involve them?

10. How do you involve women in natural resource management? Do you have specific project/program that involves women?

11. Is there any institutional framework that involve for civic and private sector institutions with *wereda* government/RKAs and local community for enhancing rural local development? 1. Yes 2. No

12.Is there any time where the *wereda* government/peasant association, civic and private sector institutions are involved in partnerships/ networking in planning for local development, implementing it and evaluating the outcome 1. Yes 2. No

13. Do you believe that the current networking/partnerships involved between *wereda* government/Peasant Association, civic and private sector institutions are satisfactory and effective in promoting community based rural development?

14. How do you rate the networking/partnerships involved between *wereda* government, community and NGO in enhancing pro-poor rural local development in this *wereda*? 1. Strong 2. medium 3. weak 4. Very weak 5. There is no networking at all

15. How do you consider the local community in the area you are operating ?

1. Target beneficiaries 2. Aid recipient 3. Partner 4. Other, _____

16. Rural LED activities and achievements accomplished through your organization in Tede and Golje RKAs

C. Interview guide for leaders of Rural Cooperative

1) Position of the interviewee _____

2) How long have you served in this organization? _____

3) When did your organization start its operation?

4) What is the type of activities your organization is engaged in?

5) How do you involve the member of your organization ? How do you promote the need of your members?

6) Have you get any support/help from *wereda* government/PA and NGO operating in your Kebele? What kind of support are these?

7) Have you ever engaged in a development activity that involves the partnership of rural cooperative, PA/Wereda Government and NGO?

8) How do you rate the institutional networking established between rural cooperative, PA/Wereda Government and NGO in your Kebele? 1.Strong 2. Medium 3.Weak 4. Very weak 5. There is No networking involved

9) What are the strength and weakness of your organization?

10) Activities and achievements accomplished through your organization since its establishment.

III. FGD Guide

A. Collective action

1. Do you know any local economic development initiative which is initiated by the community themselves? what is/are the name/s and what are the major activities run by this initiative?

2. Have you got any support from *wereda* government/Peasant Association or NGO operating in your area in this case? what type of support have you got?

B. Natural resource management

- 1) Do you practice agro forestry? From where do you get fire wood and timber ?
- 2) How do you use and manage common property resources (such as communal grazing land, communal forest, communal river/pond etc)? Is there any mechanism that regulates the use of this property?
- 3) How is the present status of natural resource base in your area?
- 4) Have you faced any condition of drought in the last 10 years?
- 5) What do you think is the cause of this drought? Do you think that the rise in number of population is one factor that contributes to environmental degradation?
- 6) Do the wereda government and NGO involve the local community in NRM? How do you work with CBOs, wereda rural and agricultural office and NGO in NRM?
- 7) What do you suggest for the government and NGO working in your area for sustainable means of NRS management?

C. Service provision and Rural LED

1. Do you believe that the service provision (water, health, agricultural inputs, school, rural road) in your kebele is efficient and effective?
2. Have you seen any positive change in the living standard of households in this kebele in the last five years?
3. Have you seen any positive change in the condition of rural local economic development in your Kebele in the last five years?

D. Rural Cooperative and smallholder farmers

1. What kind of services is provided (activities is run) by the rural cooperatives in your area?
2. Why do you join the rural cooperative?
3. Do you have trust and belief that rural cooperatives are necessary and important in serving your need and interest?
4. How do you participate in a rural cooperative you belong?
5. Have you benefited from a rural cooperative you belong?

Appendix 2: List of interviewees

Bekele Alemu, DA, Golje Dildima RKA, Lume *Wereda*

Bekele Beyecha, Deputy Administrator and Head of Capacity Building Department of
Lume *Wereda* Government

Belehu Urge, Accountant, Tede Multipurpose Agriculture Cooperative, Lume *Wereda*

Chairman of “Golje Dildima” Mining Enterprise, Golje Dildima RKA, Lume *Wereda*

Chairman of “Bikila Boru” Mining Enterprise, Tede Dildima RKA, Lume *Wereda*

Eshetu Deme, Chairman of Golje Dildima RKA, Lume *wereda*

Girma Weldie, Community leader, Tede Dildima RKA, Lume *wereda*

Girma Wakeyo, Chairman of Tede Dildima RKA, Lume *Wereda*

Girma Wakiyo, Chairman of Tede Multipurpose Agricultural Cooperative, Lume *wereda*

Getye Ergete, Water and Soil Conservation Expert, DoRAD, Lume *Wereda*

Habtamu Tolcha, Head of DoTIT, Lume *Wereda*

Habtamu Wubeshet, Natural Resource Management Senior Expert, GTZ-SUN-Oromia

Kider Sefa, Cooperative Expert, DoCP, Lume *Wereda*

Nigussie, Head of DoRAD, Lume *Wereda*

Tesfaye Hailu, DA, Tede Dildima RKA, Lume *Wereda*

Tadele Boku, Cooperative Expert, DoCP, Lume *Wereda*

Declaration

I declare that this thesis is my original work and has not been presented for a degree in any university and the sources of the material used for the thesis are duly acknowledged.

Name: Endalkachew Garedeu

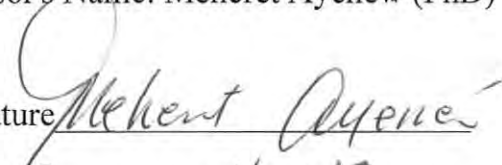
Signature 

Date 14/01/20

Place: Addis Ababa University, Ethiopia

This has been submitted for examination with my approval as a university advisor.

Advisor's Name: Meheret Ayenew (PhD)

Signature 
Jan. 14/2010