This publication presents the state of art of Local Economic Development programs and projects it’s a national report on current Local Economic Development legislation and practices.

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Contents

1. Introduction........................................................................................................................................4
2. National LED Enabling Environment .................................................................................................5
3. Local LED Enabling Environment ......................................................................................................7
   3.1 Local Government Powers .............................................................................................................7
   3.2 Local Government Finance ...........................................................................................................8
   3.3 Stakeholder Engagement/Business Liaison ..................................................................................9
4. Local Economic Development [LED] Practice in Ethiopia .................................................................9
5. LED Practitioners, Competency Centres and Skills Availability ....................................................15
6. Conclusion ..........................................................................................................................................17
References ..............................................................................................................................................19
1. Introduction

Ethiopia is one of the world’s oldest civilizations, located in the Horn of Africa and borders with the Sudan and South Sudan to the west; Eritrea to the north and north-east; Djibouti and Somaliland to the east; Somalia and Kenya to the south. The country has sustained a high annual growth since 2004 and it is among the fastest growing non-oil producing economies in Africa. It is implementing the second phase of Growth and Transformation Plan (2015-2020) which aims to foster high and broad-based growth. The national policy seeks to strengthen public-private partnerships at regional and local levels in order to stimulate investments, generate employment and create an enabling environment for private sector and entrepreneurial development. National framework/guidelines for local economic development provides a single vision for LED nationally, and this vision helps to clearly understand and articulate macro and micro components of policies and strategies and help align the thinking of different stakeholders. Ethiopia has a number of macro and sectoral policies that provide conducive environment for LED. These include the decentralization framework, the urban policy, the GTP etc.

Though late as compared to other African countries, the Government of Ethiopia, with the support of UNDP, has been implementing a multi-year programme, entitled “Local Economic Development” (LED) with a pilot in seven cities of the four major regions since May 2009. With an initial UNDP’s allocation of US $10 million during 2009-2012, the Ministry of Finance and Economic Development (MoFED) and its Bureaus (BoFED) have been coordinating implementation of this innovative approach of LED in Asella and Nekemte (Oromia region), Bahir Dar (Amhara region), Awassa and Sodo (SNNPR), and Mekele and Adigrat (Tigray region). Local Economic Development (LED) with the allocated regular budget of US $8,042,000 has been limited to these seven urban localities since the program was in its pilot phase. LED is a learning process as there is no conventional formulae for success. It has to be adapted to specific conditions and requirements and there was also a need to create national consensus on the program.

Information generated in an assessment activity helped to take up the best practices achieved and up-scaled to other additional twenty urban localities and refocused activities towards the desired goals and objectives. The second generation/main LED program then started in 2012 and ended up around March, 2015 claiming that it is merged with Entrepreneurship Development Program (EDP). EDP is the current running program with the allocated total budget of US $3,980,045 (Regular TRAC= US $1,096,000 and Donor (Canada) = US $2,884,045). Until now, there is no performance assessment study of the Second Generation/main LED program of 2012-2015 and has no adequate data on its performance level and detailed information. With its shortcomings of data sources about the 2012-2015 LED program closing and merger processes with EDP, this report offers an assessment of the LED program in Ethiopia.

In recognizing the importance of compiling the state of LED report of countries, the United Cities Local Government - Africa, initiated a study in this regard in Ethiopia. The purpose of this study was to compile the state of LED report of the country. This task was conducted through desk study...
of reviewing relevant official documents, study papers, circular letters, and policy and strategy documents. Field work data collection from the relevant donor offices, local governments, regional development offices and the concerned ministry were also done. The report dealt with the general national policy and strategy, regional and local enabling environment for local economic development, the LED practice of programs and projects in Ethiopia. The numbers and types of LED interventions by thematic and spatial areas, and major funders and stakeholders for projects. Besides LED practitioners, competency centres, and skills availability in Ethiopia were reported. Finally the report comprised of conclusion and recommendations.

2. National LED Enabling Environment

The decentralization legal framework in Ethiopia emanates from the existing 1995 Constitution. It defines and distributes powers and functions of the Federal and Regional Governments. It requires both entities to respect the powers of one another. Each entity exercises legislative, executive and judicial powers within its allocated sphere and is autonomous from one another. The powers of the federal state are limited to matters expressly enumerated under article 51 and article 55 of the constitution while the powers of the regional states include all matters not assigned expressly or concurrently to the federal state. The following responsibilities are included under the residual powers of the component states:

- Establishing a state administration that best advances self-government and democratic order based on the rule of law:
- Enacting and implementing their constitutions and laws.
- Preparing and implementing economic, social and development policies and plans of their respective states.
- Levying and collecting taxes and duties on state revenue sources.
- Preparing and administering their budgets.
- Administering land and other natural resources in accordance with federal laws.
- Enacting and implementing laws on the administration of state employees and conditions of their work.
- Establishing the police force and maintaining public order and peace within their respective territories.

The Federal structure comprises nine self-governing regional states and two city administrations. The Constitution recognizes and assigns powers, functions and revenues between the federal government and the nine member states of the Federation (Tigray; Afar; Amhara; Oromia; Somalia; Benishangul Gumuz; the State of the Southern Nations, Nationalities and Peoples (SNNP); Gambela and Harar). Two
cities (Addis Ababa and Dire Dawa) are each chartered by federal proclamations and are treated in some respects as regional state level city governments. By virtue of self-rule principle of the constitution, Ethiopia is a federal state with four main government levels including local governments (cities/woredas), and the kebele level.

Adequate power is entrusted to the lowest units of government to enable the people to participate directly in the administration of units. The local government self-government entities have functional organs, such as a council, executive committee, judicial administration organ and etc. The council members of the local government are directly elected representatives of the local residents. The Government of Federal Democratic Republic of Ethiopia acknowledges the important role of the urban sector in overall economic growth and has established policies, strategies and programmes that support investment in urban development. National decentralization policies have formed part of a large scale reform of government resulting in creation of institutional and legal frameworks for urban local government authorities. The objective has been to create and strengthen urban local government that will ensure public participation, democratization and enhance decentralized service delivery through institutional reforms, capacity building, systems development, and training.

The national enabling environment had an important role to play in promoting economic growth and employment creation in regions and localities. In fact the quality of governance and the economic situation in a country had significant impact on how LED approach could be used and implemented. In terms of governance, the institutions which defined authorities affect both private sector and citizens and similarly economic environment influences the opportunities and incentives to pursue productive and sustainable strategies.

In regard to the assignment of governmental department responsibilities for LED program, LED program is viewed as a program/project that can be implemented at local level through the coordination role of the federal government. Thus there is no a single governmental department responsible for the national LED program apart from the project coordination unit under MoFEC and FeMSEDA. The Ministry of Finance and Economic Cooperation took the responsibility and established a program/project coordinating unit (currently dissolved) of LED. However, for the current Entrepreneurship Development Program, a program coordinating unit under the Federal Micro-and Small Scale Enterprises Development Agency is responsible for the LED program with a subsequent steering and technical committees in regions and local governments. While the existing institutional arrangement in the form of steering and technical committees has an integrative function by bringing together government executives with relevant portfolio, the main problem is that it is an add-on to the existing functions of the executives to which they are more accountable and responsible.

Secondly, there is no LED structure in the government system that is easily identifiable with
government budget and responsibility. As a result, LED is currently run as a project activity. Thus LED need to be transferred from project to a suitable structure within the existing government system. Therefore, it is an imperative for fully fledged LED units with the necessary strategic leadership, human resources and financial capacity to be established at the various levels with their respective roles.

Government engagement/its commitment to LED is manifested through its overarching series of transformational plans that are the Growth and Transformation Plan (GTP I &II) 2010/11 -2014/15 and (2014/15-2019/20) respectively. Both plans had an overall objective of attaining broad-based, fast and equitable economic growth over the plan period. These are envisaged to be achieved through strategic pillars. The plan focuses on growth sectors particularly agriculture, industry as it also focuses on social development, infrastructure and governance. Thus GTP I & II and LED are closely aligned. As GTP II focuses on agriculture, LED can assist this initiative by creating enterprises that will be closely linked to agricultural marketing, processing and input provisions. The closest link between GTP II and LED, however, comes directly through the micro and small enterprise and the urban development components of GTP II. Moreover, as LED aspires to create efficient and functioning local economies, it has a direct alignment with growth and transformation efforts. The urban policy, the MSE strategy and the regional development framework provide favorable opportunities for the implementation of LED in Ethiopia.

3. Local LED Enabling Environment

3.1 Local Government Powers

The local governments in Ethiopia have power and authority that emanate from each of the respective Regional Constitutions; provisions vary modestly across regional states, but in each of the local governments are the key autonomous self-governing units to which power and resources are devolved. Local governments are empowered to prepare and decide on economic and social service plans for its territorial area. Local governments’ fiscal authority is defined by regional governments. Local governments are assigned certain tax bases though many of them suffer from vertical imbalance forcing them to rely on regional government to cover the bulk of their expenditure requirements. Local governments have a wide range of expenditure responsibilities including local police, local roads, utilities, water and sewerage, street lighting, and sanitation (Tegegne and Kassahun 2007).

The process of devolution of power in Ethiopian local governments has been supported and facilitated by a number of crucial national and regional economic and development strategies, policies and programs.
These include Urban Development Policy (2005), The Civil Service Reform Program (1994), Urban Good Governance Package (2006), Urban Developmental Good Governance Strategy (2014), and City Establishment Proclamations promulgated by respective Regional states to empower cities.

Ethiopian Cities’ responsibilities are delineated in to two types of functions categorized by state and municipal services: These are the provision of state services which mainly associated with economic, social and political national objectives of the country aiming to bring equitable growth including education, health, justice, transport management, economic affairs and security services. Whereas municipal services provision which do focus on local based initiatives with some extent of regional coordination related to urban roads, drainage, waste collection and disposal, abattoir, vital registration, water, streetlight, fire protection, and sanitation are notable examples in all cities.

3.2 Local Government Finance

Local government financial management is based on the specific regional state financial legislations. There is a great deal of uniformity across cities and regions, except for the specific legislation and regulations that pertain to own source revenue management and variation in other elements of financial management legislations. The government of Ethiopia has been executing Revenue Reform Program as part of the economic reform program. Subsequent to Revenue Reform Program and establishment of Regional government finance system, the government tried to implement fiscal decentralization to Woreda and City Administration. One of the primary functions of city administrations and municipalities are providing services to the citizens within their jurisdiction. Financing of these services is realized by levying taxes, charging for municipal services rendered and levy collection through business levies. Tariffs represent the charges levied by city administrations and municipalities from consumers for the utilization of services provided by city Administrations. These are calculated dependent on the nature of service being provided.

Revenue as widely practiced in city governments, is dependent on taxes, user charges and other current revenue and externally raised revenues including transferred grant from regional and/or federal governments and local community contribution. Source of revenue for local governments vary across the country, but generally include taxes, user fees and charges, and intergovernmental transfers. To varying degrees, local governments can set their own local tax rates within the context of regional state’s law.

They are also generally empowered to adopt their own urban land use plans and make local regulations pertaining to urban affairs. Own source revenues are key to funding urban public services such as funding for urban investments; to fund the effective operation and maintenance of investments in infrastructure and service; to provide a local financial autonomy; and to serve as an accountability mechanism between local authorities and local citizens.
Hence this fiscal decentralized structure provides an enabling environment to undertake LED in Ethiopia at local level. In addition, the fact that cities have their own budget provides space to implement local economic development from their own financial sources.

3.3 Stakeholder Engagement/Business Liaison

Local governments have responsibilities of enabling both the private sector and the civil society so that they play their appropriate roles. Enabling involves providing them with necessary space in decision making and assisting them in building their capacities, allocating specific roles, mandates and responsibilities. In Ethiopia at local level though there are some initial beginning of recognizing the role of the stakeholders involvement, there is a long way to go to make these non-state actors part of the general development endeavors and LED program in particular. Though it is at an infant stage of development, there is a public private dialogue forum (PPDF) in some localities mainly initiated through the LED program. In those localities which has initiated its public-private dialogue forum (PPDF), the participants are from the business community, the civil society and the government. The PPDF is jointly run by the private and the government sectors. It is, however, realized that since there are no adequate structures to keep its regularity and focus, there is a need to strengthen the initiative.

Likewise, at local level there is an attempt to create an enabling environment for business development, attraction of investment and stimulating the economy. In conclusion, in Ethiopia, there is no enough space and room for the non-state actors namely the private sector, business entities and the civil societies to engage fully in development efforts in general and in LED processes at local levels.

4. Local Economic Development [LED] Practice in Ethiopia

In Ethiopia the UNDP/MOFEC LED program was commenced as a pilot program in 2009 in seven cities/urban areas of the major four regions. The LED program went through various processes in its planning and implementation stages. The planning phase of the LED program was concluded with the production of strategic and implementation plans for all the program localities. The strategic plans are prepared in a participatory manner with local stakeholders. The strategy and implementation plan preparation has also involved an assessment study of localities which identified local potentials by creating an inventory of existing and potential economic development resources available in each locality. The critical gaps and strategic issues were identified in each locality. The common gaps and issues identified were high unemployment and poverty, weak implementation capacity, lack of finance, vision and strategies. The strategy plan for each locality was drawn for a five year period (2010-2014). On the basis of strategizing workshops held in each area, each city identified the vision, mission and values of each locality in practicing LED.
After two and a half years of the pilot program, the second generation of LED program (2012-2015) implemented as an up-scaled projects in twenty seven cities including the piloted seven cities. Then the Entrepreneurship Development Program launched in 2015 March in four regional cities including Addis Ababa which is currently operational.

The implementation of the LED program is led by broad implementation plans and individual project action plans. The implementation plans put together an institutional coordination strategy that involved three entities. These are the regional and city level technical and steering committees, the LED technical assistance unit which is housed in BOFED/DOFED and serve as secretariat for the technical/steering committees, and the beneficiary groups coordinated by MSE agency. Non-state actors are expected to become members of the technical/steering committee owing to their potential and role in contributing to LED and the partnership philosophy of LED as well. The implementation plan make out the committees during the piloting period while it was replaced by more formal structures of the 2012-2015 LED Program. The implementation plan also identified a number of intervention projects which were classified as level I and level II projects. Level I projects were those projects or interventions which involve locality level capacity building and level II projects were micro projects which were geared towards improving the income and employability of unemployed youth, women and other vulnerable groups including PWDs and PLWHA. The implementation plan indicated that mobilizing community for LED, an investment friendly environment, promoting private sector development and strategic planning were required as support mechanisms.

The implementation plans envisaged LED funding strategy to include various sources. UNDP fund which was the major source of fund was also serving to the two level projects with grant provision for the first level capacity building intervention and loan able revolving fund for the level II projects. While the former followed conventional public finance procedures, the latter was expected to be managed through Micro Financial Institutions (MFI). In addition, suggestions were made to leverage private sector resources, securing inputs in kind or in cash from communities, inputs from non-government organizations, inputs from international organizations, harnessing unused or poorly used assets, good will trust, commitment and imagination.

The consultations and workshops held in plan preparation stages also showed that the LED plans are participatory and this helped local people to own the process and ensure easy buy-ins into the philosophy and operation of LED. In fact this was one of the strong points of LED implementation in Ethiopia. The objectives and strategies of the LED program in Ethiopia indicated that LED is envisaged as a pro-poor intervention that is mainly focusing on reducing poverty and creating employment. Such orientation is understandable given the critical gaps or strategic issues of many localities that revolved around poverty, unemployment and vulnerability. This pro-poor LED is implemented through program formulation components or elements. The main ones are Enabling Environment Creation, Capacity Building, and Enterprise Development and Entrepreneurship Development areas as indicated above in Table 1.

Table 1. LED Projects in Ethiopia
<table>
<thead>
<tr>
<th>Thematic and Programme Areas</th>
<th>Projects in Thematic Areas</th>
</tr>
</thead>
</table>
| 1. LED Enabling Environment | 1. LED Strategy and Implementation Development  
2. Cluster Development Guidelines  
3. Public-Private Dialogue Forum Development |
| 2. Institutional Capacity Development | 1. Institutionalization of LED  
2. Skill Development Training for MSEs  
3. Town Social/Community Mobilization  
4. Integrating LED Interventions in the Cities Growth and Transformation Strategy  
5. Enhancing city revenue generation through Resource Mobilization  
6. Promoting Value chain approach and cluster development  
7. Labor force development for the local economy  
8. Business/Investment Climate Monitoring  
9. Strengthening existing local development partnership forum  
10. Establishing Business Development Resource center (BDRC) |
2. Training on cluster development  
3. Setting up and/or Strengthening of the Business Development Resource Centres (BDRC)  
4. Enterprise support and business enabling environment |
| 4. Entrepreneurships Development | 1. Training entrepreneurs on business skills and business opportunities  
2. Establishing Entrepreneurship Development Centres  
3. Training and certifying business advisors  
4. Business Development Services to Entrepreneurs  
5. Training government SME institutions to establish and implement entrepreneurship development programs  
6. Development of stakeholders engagement and sensitization  
7. Policy dialogue forum development for government and stakeholders |

In regard to the spatial interventions of LED program in Ethiopia, it happened only in urban areas than rural areas. However, the selection of new 20 up-scaling localities has been made by the Regional LED Steering Committees/ Councils, based on the agreed upon criteria and terms and conditions, established.

Table 2. LED Spatial Intervention Areas

<table>
<thead>
<tr>
<th>S.N</th>
<th>Regional States</th>
<th>Enabling Environment, Capacity Building and Enterprise Development LED Programs</th>
<th>Entrepreneurship Development (2015-2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Oromia</td>
<td>Assela, Nekemte</td>
<td>Ambo, Adama, Bishoftu, Chiro, Metu and Shashimene</td>
</tr>
<tr>
<td>2</td>
<td>Amhara</td>
<td>Bahirdar</td>
<td>Debremarkos, Debreberhan, Gonder and Dessie</td>
</tr>
<tr>
<td>3</td>
<td>SNNPR</td>
<td>Hawassa, Sodo</td>
<td>Arbachinich, Dilla, Hossaena and Mizan</td>
</tr>
<tr>
<td>4</td>
<td>Tigray</td>
<td>Mekele, Adigrat</td>
<td>Adwa, Alamata, Axum and Shire</td>
</tr>
<tr>
<td>5</td>
<td>Harari</td>
<td>-</td>
<td>Harar</td>
</tr>
<tr>
<td>6</td>
<td>City Administration</td>
<td>-</td>
<td>Dire Dawa</td>
</tr>
</tbody>
</table>
The LED program implementation in Ethiopia through institutional arrangements, capacity building, enterprises development and entrepreneurship development has brought some tangible results for the communities of the project localities. Most of these changes are qualitative ones and demonstrate the powerful effects of local economic development as a development approach. Some of these changes though it does not mean that LED as it is currently practiced is adequate.

Graph 2. Local Economic Development Enabling Environment Program Area (2009-2011)

together different stakeholders in the form of steering and technical committees. The committees have responsibilities of coordinating the program, approving projects and disbursing funds. The program has been able to create political champions as the Mayor is the lead person at city levels. In addition, the program has been able to mobilize local resources in kind and in cash that contributed significantly to its sustainability. The lack of institutionalization, limited participation of the non-state actors, the network structure of the committees’ operation and limited integration of LED with local planning and budgeting are, however, weaknesses that can be mentioned.
The main stakeholders in the LED project cities were: City administrations, BoFED and MoFED, MSEs, TVETs, Revenue and investment offices, Chambers of Commerce, Sectoral Associations, MFIs and CSOs, MSEs and entrepreneurs, particularly youth and women, general population, especially the poor and vulnerable. LED involved partnership formation among relevant actors for managing local resources for purposes of stimulating the local economy and creating jobs. The main actors in local economic development are the government, the civil society and the private sector. Adequate representation of these actors ensures sustainability in local economic development as each actor pools own resource, skills and knowledge.

The steering and technical committees in many localities are dominated by government representatives leading to limited involvement of non-state actors. Concerning the participation of the private sector, it is observed that in some localities, the private sector is represented but is represented only by the head of the Chamber. In other localities, the private sector is not part of the steering/technical committee though in some cities the chamber participated initially but withdrew subsequently. In all those localities, there is an accusation that the government is not ready and willing to include the private sector in the steering committee. On the other hand, the private sector mentioned that except one or two meetings, they were not invited to attend steering committee meetings and as a result they were forced to resign from committee membership. In return, government representatives, accuse the private sector as being not developmental in their outlook and not ready to address the needs of the vulnerable and the poor. In the project localities, there is a strong awareness that the private sector is the missing link. In fact, there is a plan to include the private sector and build their capacity through educational trip to other cities which have relatively better involvement of the private sector.

Graph 3. Institutional Capacity Development Program Area (2009-2015)
Institutional capacity development program had two project levels. Level one component of the project is entirely devoted to capacity building of the executives and beneficiaries. This component is critical since it creates an enabling environment for LED implementation by raising implementer’s capacity and beneficiaries’ skills and knowledge and level II projects were micro projects which were geared towards improving the income and employability of unemployed youth, women and other vulnerable groups including PWDs and PLWHA. In the first phase of the programme, during 2009, the capacity building was largely focused on foundational activities to create awareness and to integrate the programme within the regions and localities. This was represented by numerous training and workshop exercises. Once micro-enterprise activities had moved into full implementation in 2010, the focus shifted to various direct interventions to capacitate beneficiaries through basic training in business management, financial management at a significant scale. Since 2010 numerous youth, women and members of vulnerable groups were trained in vocational and entrepreneurial skills in the project localities. Despite the commendable capacity building efforts, however, LED leadership in the localities is far from desirable. Moreover, high turnover among executives, the supply-based nature of training and its limited duration reduce the effectiveness of the capacity building effort.

Graph 4. Enterprise Development Program Area (2012-2015) in 27 Cities

Purpose is to create employment and establish MSEs particularly for the vulnerable: the women, the youth and the disabled. The major funder for this program was UNDP. Besides, the project implementing localities, local budgets were largely in-kind contributions in the form of land and premises. The initial focus of enterprise development was on new-start-ups but later it included business expansion and retention. The enterprise development component has also introduced an innovative micro-finance strategy that created access to the poor in the form of a revolving fund. By focusing on the poor, the cooperatives and single MSEs, the approach seems to have weaknesses of targeting, marginalizing individual entrepreneurs, limited networking and poor market linkage.

Graph 5. Entrepreneurship Development Program Areas (2015-2016/7) in five major Cities
In the country’s Growth Transformation Plan (GTP), development of growth-oriented micro and small enterprises (MSEs) was identified as an effective private sector development strategy which can contribute to the country’s bottom-up economic growth and bring about a transformational change in the economy.

The Entrepreneurship Development Programme seeks to bring about a transformational change and unleash the growth potential of MSEs through entrepreneurial and business management skills training and provision of comprehensive business advisory services. The project also focuses on strengthening of business capacity of existing medium and small enterprises. The programme directly supports the building of entrepreneurial skills and mind sets potential entrepreneurs, particularly women and youth, and supports the Government’s efforts in establishing service institutions for sustainable provision of entrepreneurship development support.

5. LED Practitioners, Competency Centres and Skills Availability

The LED program has created a partnership arrangement in leading the program by bringing together different stakeholders in the form of steering and technical committees. The committees has responsibilities of coordinating the program, approving projects and disbursing funds. The program is able to create political champions as the Mayor is the lead person at city levels. In addition, it can mobilize local resources in kind and in cash that contributed significantly to its sustainability. The lack of institutionalization, limited participation of the non-state actors, the network structure of the committees’ operation and limited integration of LED with local planning and budgeting are, however, weaknesses that can be taken as a finding.
Regarding the capacity building issues Level one component of the LED program is entirely devoted to capacity building of the executives and beneficiaries. This component was critical since it created an enabling environment for LED implementation by raising implementer’s capacity and beneficiaries’ skills and knowledge. In the first phase of the programme, during 2009, the capacity building was largely focused on foundational activities to create awareness and to integrate the programme within the regions and localities development agendas. This was represented by numerous training and workshop exercises including international field visits to South Africa.

Once micro-enterprise activities had moved into full implementation in 2010, the focus shifted to various direct interventions to capacitate beneficiaries through basic training in business management, financial management at a significant scale. During 2010 more than 3000 youth, women and members of vulnerable groups were trained in vocational and entrepreneurial skills in the project localities. Despite the commendable capacity building efforts, however, LED leadership in the program implementation localities is far from desirable. High turnover among executives, the supply-based nature of training and its limited duration reduce the effectiveness of the capacity building effort.

Enterprise development is the basic entry point of the LED program in Ethiopia. Its purpose is to create employment and establish MSEs particularly for the vulnerable: the women, the youth and the disabled. The enterprise development are able to create employment for 10,110 beneficiaries of the targeted groups (unemployed women, men, youth and vulnerable groups) and established or expanded 7,715 micro small enterprises. The projects implementing localities contributed for the project’s cost in-kind in the form of land and premises. The initial focus of enterprise development was on new-startups but later it included business expansion and retention. The enterprise development component has also introduced an innovative micro-finance strategy that created access to the poor in the form of a revolving fund. By focusing on the poor, the cooperatives and single MSEs, the approach seemed to have weaknesses of targeting, marginalizing individual entrepreneurs, limited networking and poor market linkage.
6. Conclusion

Local Economic Development program can be taken as a preferred development approach for developing country like Ethiopia. By solidification the local economies and competitiveness, LED empowers local authorities to back up the national growth, poverty reduction efforts and reduce local unemployment problems. Local economic development by its nature has a multi-actor, multi-sector, territory based and localized development approach of complementing sectoral and macro-economic development approaches through combating local poverty and unemployment.

Ethiopian urban localities in particular are facing a new wave of rising unemployment and poverty. In this regard, local economic development had a huge potential for local economies to grow and could also be used as a means of achieving the Growth and Transformation Plan (GTP) of the country.

The UNDP/MoFED Local Economic Development program in two phases were implemented in twenty seven urban localities and was in harmony with the needs of the country in general and local economies in particular. The program was designed as a multi-year development program with capacity development, enterprise and entrepreneurship development as major components of the program.

This report is an assessment of the LED program status of the country. Through consultation at local, regional and national level, the assessment finds that the program has resulted in numerous positive outcomes including the creation of huge employment for the urban poor, establishing many MSEs that are delivering consumer products, locality development products and services. It has resulted in introducing an inclusive financing strategy to address the needs of the poor in the form of a revolving fund.

The LED program in Ethiopia has also introduced a governance system in which partnership could be established between different sectors of the economy. The program has worked extensively in the area of capacity building with the objective of improving the working capacity of executives, experts and beneficiaries. This was undertaken by organizing a platform of different training programs on different issues both locally, nationally and internationally. Institutional capacity building was also part of the program. The planning phase of the program has proved to be participatory with the aim of identifying strategies that could be used as bases for long term local development. This report has raised several issues with respect to institutional arrangement, capacity building, and enterprise and entrepreneurship development.

In this report, it is realized that LED program implementation in Ethiopian urban localities has indicated that strategic areas need to be deepened and consolidated, those that need to be replicated and those which need to be initiated or re-designed were the fruits of the LED programs. Those strategic areas that needed to be re-designed or initiated were those which pertain to the strategic focus of the program, policy and institutional issues, enterprise and entrepreneurship development issues and those factors need to create a competitive local economy. LED in Ethiopia has a national policy framework and institutionalization to ensure greater and sustainable impact on local economies. While the enterprise development approach was considered to be an appropriate entry point for Ethiopian LED.
A market approach that capitalizes on value chain development, enterprise development that cultivates entrepreneurship, enhances value addition and rural-urban linkages, forges partnership and works on technology transfer as well as exploit green job opportunities were desirable path for enterprise development. At the economy level, local economies needed to be competitive and attractive. Thus measures to enhance productivity, innovativeness and clustering were critical as much as those which work towards exploiting local potential, raising local revenue capability and leveraging the private sector. Though the performance level and assessment report of the second generation LED program which has a major component of Enterprise Development, Cluster Development, BDRC (Business Development Resource Centres was not yet studied in detail, the program beneficiary localities are claiming that the program benefited them a lot. However, the program without substantial exit strategy, all of a sudden, was forced to be closed and merged with Entrepreneurship Development Program.

Finally sustainable LED requires dependable sources of finance and partnership. This report has suggested that there should be diversified sources of fund for LED. The primary source of funding however should be government at different levels. In addition grants and loans should also be tapped particularly for enterprise and entrepreneurship development. The government can still play a role to finance MSE either in the form of revolving fund or instituting loan guarantee system and accessing micro finance institutions or banks. Similarly as partnership is a critical component of LED for its success, it is important to create synergies with other institutions for purposes of combining resources and capabilities.

In conclusion, LED program in Ethiopia showed that it is beneficial, appropriate and useful for the urban localities/cities. With proper policy, strategy and institution, LED could even result in much better outcome and effect. It is proved that LED is an indispensable instrument for city growth and poverty reduction and for the achievements of goals of Growth and Transformation Plan. There is thus a need to scale up LED to other localities out of the stated cities, strengthen and sustain in the project localities and forge a national umbrella that required localities to embark on local economic development initiatives. The second phase of LED program which had a major component of Enterprise Development, Cluster Development, and BDRC (Business Development Resource Centres) was implemented and later on a year ago shrink to the Entrepreneurship Development Program.

The report recommendations that LED in Ethiopia is very crucial for cities to grow. Hence as much as possible much more cities should be the program beneficiary. The scope of the program should be more open and wider. The current entrepreneurship development program seem to have a narrower area of influence. The Attention of the government and other stakeholders to LED should be strong. LED implementation in Ethiopia should involve all stakeholders with a conducive participation environment. The participation environment for CSOs, non-state development actors, etc. in LED processes at national, regional and local levels are not as open as it should have been. The funding system for LED programs should not be relying mainly on few donors rather local and other collaborators to make it sustainable. It is also recommended that LED in Ethiopia requires permanent institutions at all levels so as to achieve its goals in a better way.
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