

Communicating Local Economic Development Approach for Poverty Alleviation in Ambo Town, West Shewa, Oromia, Ethiopia

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Abstract

Local Economic development as approach to development is a prominent strategy to tackle unemployment and poverty in urban areas. Thus, the objective of the study was to assess and communicate the extent to which municipal Local Economic development initiatives contribute towards improving the livelihood of communities in Ambo Town for sustainable local economic development. Both quantitative and qualitative research methods were employed in this study. Accordingly, data were collected from 152 participants through questionnaire, interview and observation; and analyzed using descriptive statistics, content analysis and description. The study revealed that local economic development has had a marginal impact on poverty alleviation due to a myriad of factors which reinforce and interact with each other thereby trapping entrepreneurs and residents in poverty. Local economic development approach, in most cases, to the development project planning and decision makings are in top-down which do not target all the segments of the poor in a meaningful way. Local economic development serves as an important strategy to boost local economies to address the high levels of poverty, unemployment and inequalities facing majority population. Participatory development process is crucial to properly translate the local economic development policy into meaningful practice so that there is a significant impact on alleviating poverty program.

Keywords: Local Economic Development, Poverty Alleviation; Unemployment

Introduction

Development is a multi-dimensional concept; it could refer to the human development, economic development, sustainable development and territorial development or other type of development. It requires the involvement of different disciplines. Varied ways and activities are needed to bring about development and maintain and increase development. Many national approaches to development have been unsuccessful to satisfy the local needs as well as to tackle local economic difficulties and challenges, and, thus, have failed to improve people's quality of life in a context of increasing globalization

(Swinburn, 2006). Accordingly, poverty remains rampant and continues to compromise available opportunities to majority of the world's poorest people.

However, the rise of the use of Local Economic Development (LED) strategies as a tool for development can be seen in international development policy. Global economic factors have forced many governments to realign their strategies of development and these governments have used LED as an effective tool for development (Helmsing, 2001; World Bank, 2002). LED looks development as more holistically and shifts away from basic economic and materialistic thinking towards that which bases development on the attitudes

of people and their interpretation of their needs. It is rooted in bottom-up, people-centered development literature rather than top-down, centralized thinking. This means that local economic development is primarily understood as a process whereby either local governments or community based organizations, or both, are responsible for coordinating the use of existing resources and to establish partnerships with one another and with the private sector to boost the local economy in order to improve the lives of the local people living in the area. LED is also connected to decentralization with regards to the delegation of power to lower levels of government, particularly in terms of economic activity, in order to ensure the financial viability and sustainability of local areas.

Hence, a wide range of strategic focus areas for LED now include inter alia, property development, place marketing for inward investment, Small, Medium and Micro Enterprise (SMME) development, investment facilitation, improving the local business investment climate, encouraging local business, institutional development, upgrading skills and training, investment in business sites and premises, and cluster upgrading (Rogerson, 2003; Harrison et al., 2008). In addition, LED plays an important part in local democratic literature since it is connected to ideas of citizen inclusion and voice, and the valuing of local knowledge, expertise and resources. LED integrates the economic measures and humane aspects of development but goes on further to focus on development at a micro level. It is a conscious process wherein small communities assisted by better developed institutions work toward improving standards of social and economic life (Jeppe 1980).

In line with the current global trend of streamlining the role of the state, the governments of Ethiopia have devolved power to grassroots institutions with a view to enhance development through decentralization. But in reality, such devolutions have in many cases been quite inefficient to achieve the development goal. The need to empower the local people responds to the growing recognition that local people in developing countries lack control over resources and

opportunity to participate in decision making processes. For instance, the dominant paradigm of neo-liberalism limits economic possibilities and, ultimately, human flourishing for the vast majority of people. This market economy reinforces and perpetuates conditions of wealth inequality, poverty, environmental injustice, and health, gender and racial disparities. The contemporary local economic development approach; thereof, has been projected as a viable alternative development strategy capable of unleashing the development potentials of territories and making localities and their enterprises or economic ventures competitive in the global scene. Thus, municipalities have been tasked and have the responsibility to ensure that they fulfill the governmental constitutional developmental mandate of coordinating local economic initiatives despite challenges in their respective localities. In different words, municipalities have always played a role in local economic development. They employ people from local area, purchase goods and services, develop infrastructure and regulate the development of land and donors' grants directed to local community. These activities have significant impact on the local economy.

The study was conducted from a context where the poverty alleviation, unemployment and job creation serves as the strategic intent of the Ethiopia government through local municipalities' development. Resources are expected to be channeled towards the support of small and medium enterprises (SMMEs), thus creating sustainable livelihoods for individuals and communities. The direct participation of local communities in the mainstreams of their local economies is crucial in making this strategy work effectively. Accordingly, the local economic development approach has been promoted in Ethiopia since 2009 mainly by international development agencies. Since then, there have also been national efforts to institutionalize the LED approach and also up-scale LED initiatives in different towns across the country. This study, thus, was carried out to assess the contribution of Local Economic development initiatives towards improving the livelihood of communities in Ambo Town.

Research Methods

Description of the Study Area

The research was conducted in Ambo town of West Shoa Zone in Oromia regional state of Ethiopia. The geographical (astronomical) location of the Ambo Town is approximately between 8° 56'30'' N - 8° 59'30'' N latitude and between 37°47'30" E - 37° 55'15" E longitude (topographic map sheet obtained from Ethiopian Mapping Agency and topographic surveyed map). Ambo town is located 110 km far away West of Addis Ababa.

Research Design

The research design is the overall plan for obtaining answers to the questions being studied and for handling some of the difficulties encountered during the research process. It normally specifies which of the various types of research approach adopted and how the researcher plans to implement scientific controls to enhance the interpretability of the results (Polit & Hungler, 1999). For the purpose of this study, both qualitative and quantitative methodologies which imply the application of mixed methods were used. This is basically due to the manifold advantage of such an approach. According to Creswell et.al (2007), the use of both qualitative and quantitative approaches in combination provides a better understanding of research problems that either approach alone. Generally, the descriptive research design is used to conduct the study.

Study population

Research population is expected to cover the stakeholders that could be useful strategy and carry out LED. They are individuals, community groups, firms and/or organizations in the public private and not-for-profit sectors (World Bank, 2002). In this research, the population includes municipal government structures working at different level, targeted communities, cooperative unions` representatives, SME representatives, private

developers, professional associations, youth groups, and nongovernmental organizations.

This study employed purposive sampling to select the Ambo municipality. Purposive sampling lies in selecting information thus enabling researchers to target and engage only those respondents likely to have the required information and are willing to share (Berg, 2001).

To determine the sample size, Yemane formula is used. Yemane (1967) provides a simplified formula to calculate sample sizes.

$$n = \frac{N}{1+N(e)^2}$$

where n = sample; N = population; e= standard error

$$\begin{aligned} n &= 16815/(1+16815(0.08)^2) \\ &= 16815/108.6 \\ &= 154.83 \text{ or } 155 \end{aligned}$$

The study adopted a confidence level of 92% and the margin of error of 8%.

Source of data and data collection tools

Both primary and secondary data were collected for the study. Concerning the primary data, information was gathered from the sample respondents. These are identified as beneficiaries of the project and chosen on the basis of the simple random sampling technique. As to the secondary data, information were collected from both authorized and non-authorized sources such as reports, project documents, manuals, research papers, newspapers, bulletins, posters, billboards, professional journals, etc.

Data Collection Tools

To gather very useful information for the research, the researcher used three data collection instruments. These are questionnaire (both open ended and close-ended), semi-structured interview and participant observation by the researcher. This helped to triangulate the data collected. To collect data from the respondents, 155 questionnaire papers were

administered and 152 were collected. As most of target populations were not familiar with the English language, the questionnaire was prepared in English and translated in Afan Oromo to collect reliable data.

Methods of Data Analysis

The purpose of data analysis is to reduce data into intelligible and interpretable form so that the relation of research problems can be studied and tested. Interpretation takes the result of analysis, makes inferences pertinent to the research thesis and draws conclusions from relations (Kerlinger, 1986). Accordingly, depending on the nature of the LED, the essential data were collected from respondents and the participants through questionnaires, interview and observation. Before grouping the obtained information from the instruments, checking was done to be sure that all data are relevant to the research. Then, the researcher reviewed all the responses and checklist information to recognize the similarities and differences of the data. So far, similar expressions and common patterns were sorted and recorded. Finally analysis and presentation be clearly described.

Accordingly, the quantitative data were analyzed using the Statistical Package for Social Scientists (SPSS) software updated version 20 at the time of analysis. To make the analysis procedural the questionnaires were coded and entered to the SPSS for statistical analysis. Descriptive statistics was the main statistical technique used during analysis as it describes those variables. Content analysis was the major analytical technique for qualitative data.

Results and Discussion

LED initiatives contribution towards the livelihoods of local communities

There are divergent views on the implementation of LED as a poverty alleviation tool to Ambo Town in particular and Ethiopia in general. From the interviews different views of LED emerge, even though it is a statutory

requirement in most countries. Firstly, town and regional planners view LED as a means of enhancing the space economy of an area. In common terms which feature from this line of thought is developing corridors, nodes, economic hubs, infrastructure provision, and movement networks. From this perspective LED is concerned with designing and building infrastructure in long-term. Thus, through such approaches Ambo municipal economy can be mainstreamed and ultimately the global economy through anchor projects such as the UNDP and World Bank projects.

Economists and personnel from the SMEs support unit within the municipality, viewed LED is concerned with promoting business enterprises through business support activities. From this point of view, LED is mainly concerned with enhancing the competitive advantage of enterprises and letting the market dictate is central. LED; therefore, acquires an economic growth focus wherein with economic growth it is assumed that there will be trickled down effects and alleviate poverty. One; therefore, wonders how different LED is from previous economic development strategies or is it just the same outworn presumption repackaged.

Though LED is pro-poor, from the interviews with local community and some others municipality sectors, LED is scarcely viewed as a poverty alleviation tool. Instead, it is described as a wealth creation tool for some wealth people and family of officials. One community member or household confirmed that LED usually supports the wealth as-“Government created a number of jobs to minimize unemployment in the town through SMEs development. However, most shops here in our town organized through SMEs belong to official families or business owners.” With this line of thought LED approach in Ambo Town; therefore, mainly geared to SME’s at an advanced stage of development disregarding those at lower segment. Thus, LED is conceived as not achieving its objective of being pro-poor, since it finds it is not managing to reach the poor in a meaningful way.

Major Activities of LED initiatives

Different LED stakeholders work in different fields at variant levels depending on the specialty of the institution itself and availability of grants. Institutions can contribute in all different society daily life fields and efforts are needed to establish the proper tool to distribute

the grants and capitals on effective fields relevant to the institutions. However, the respondents be aware of the implementation of the activities differently. Table 1 illustrates the activities of LED initiatives undertaken in Ambo Town.

Table 1: Activities of LED initiatives

Activities	n	Response	
		No	Yes
Infrastructure construction	152	76(50)	76 (50)
Humanitarian service	152	113 (74)	39(26)
Profit Making	152	103(68)	49(32)
Awareness creation/ communication	152	15(10)	137(90)
Environmental protection	152	37(24)	115 (76)

As the data in Table 1, 76 (50%) of the respondents responded that stakeholders participated in infrastructure construction. About 39 (26%) of the respondents responded that LED stakeholders provide humanitarian services, while 49 (32%) of the respondents stated that stakeholders do profit making. On different hand, almost all, 137 (90%) of the respondents confirmed that stakeholders provide awareness creation activities, and 115 (76%) stated that stakeholders provide environmental protection activities.

LED should exercise its functions in a way that it has maximum impact on the social and economic development of the local community by meeting the basic needs and interest. Through service delivery and regulations, local governments could exert a lot of influence on the social and economic well-being of local communities. The reasons how and the extent to which LED initiatives could curb the problem of the grassroots community and improve the leaving standards of the community is summarized in Table 2.

Extent of municipal LED initiatives contribute towards quality life

Table 2: Contribution of LED towards quality life of the respondents

S. No	Reasons for LED projects	Level of contribution										Mean
		Very Weak		Weak		Middle		High		Very High		
		n	%	n	%	n	%	n	%	n	%	
1	Poverty alleviation	-	-	-	-	12	7.9	88	57.9	52	34.2	4.26
2	Job creation and unemployment reduction	-	-	-	-	4	2.6	80	52.6	68	44.7	4.42
3	Skills development	-	-	-	-	32	21.1	47	30.9	73	48	4.27
4	Community development	-	-	-	-	12	7.9	66	43.4	74	48.7	4.41
5	Seize economic opportunities	-	-	4	27	37	24.3	44	28.9	30	19.7	3.41
6	Networking of stakeholders	-	-	1	0.7	10	6.6	83	54.6	58	38.2	4.3
7	Others (please clarify)											

Table 2 depicts that almost all, 140 (92.1%) participants responded as LED initiatives contribute for poverty alleviation with high 88 (59.9%) and very high 52 (34.2%) rate. In light of poverty alleviation, most respondents also agreed that their standards of living is improved immensely with the income derived and the products sold, giving them something to take home to support their families. On top of this, some of the respondents indicated that they were able to improve their houses, buy TV sets and furniture (Sofa). With regard to job creation and unemployment reduction of LED projects, 80 (52.6%) rated that LED initiatives contribute to the high level and 68 (44.7%) rated very high. It is only 4(2.6%) of the participants responded that LED initiatives create job and minimize unemployment at middle rate. In fact poverty is multidimensional. It is not only based on income alone but includes basic needs and human capabilities. With regard to income indicators, there is a high level of unemployment in Ambo Town. From observation, the unemployment level looks significantly higher than the national average points out to the lack of an economic base and industrial base to absorb the unemployed. Even though there was a change in government and municipal policy to alleviate poverty in Ethiopia, interview respondents point out that their levels of poverty have not changed significantly for the better.

From Table 2, one can deduce that LED initiatives would help entrepreneurs/community members with the skill they want to acquire. On top of this, most of the respondents revealed during interview that before forming SMEs and joining LED target projects, they did not acquire the skill in any of the tasks they were doing in their projects at a moment. Most of the respondents pointed out that they acquired skills and abilities such as sewing, curving and metal work, wood work pottery and fattening. Respondents confirmed that they gained more experiences and managerial skills from their respective projects by holding official positions such as chairperson, treasurer and secretary. More skills gained by the respondents after

joining LED activities include leadership, organizing, bookkeeping and project management.

As to community development contribution to LED initiatives, the survey data confirmed that 66 (43.4%) of the respondents rate as high and 74 (48.7%) respondents rate as very high (Table 2). The balance 12 (7.9%) responded that LED contribute at middle level to community development. As Jones and Inaba (1997) state, community-based development provides the opportunity to define and measure the social problem in a community, neighborhood or household. Thus, the emerging of this idea as an alternative approach to poverty alleviation takes the community as a unit of solution to the process at large. It is generally based on the belief that problems in communities have solutions in communities and the people should participate in matters that affect them at the community level (UNDP, 2000).

For LED to be successful there should be a coherent planning process involving all stakeholders within the local area. The process takes place over time, involving all sections of the community and covers all matters that affect quality of life in a local area, particularly those that need most support (Sekhampu, 2010). Table 3 shows that a total of 10488 projects were implemented by different stakeholders in the last five years in Ambo Town and were giving benefit for the community from developed LED projects. In total, 79055 household members got job and got advantage from the proceeds and rewards brought along by the community projects. Therefore, community projects have made a difference in the livelihoods of the communities involved by providing some form of employment.

The interview data shows, in the 2017/2018 Integrated Development Plan (IDP) of the Ambo municipality, LED is one of the main objectives for the municipality. A new LED strategy has been compiled, taking into account all the principles of a modern strategy and is currently being implemented.

Table 3 Number of project implemented and employee benefiting from the projects

	<i>n</i>	<i>Min.</i>	<i>Max.</i>	<i>Mean</i>	<i>Sum</i>	<i>Std. Deviation</i>
No of projects implemented	152	3	402	69.00	10488	76.918
Budget your institution fund for projects (ETB in Million)	152	.40	36.00	12.48	1897.37	10.20993
No of jobs created in last five years	152	3	3000	520.10	79055	684.909
No of people employed at the institution	152	5	408	60.90	9257	60.447

LED Strategies

LED in Ambo municipal manifests itself at a local government level, being informed by both national and regional policy. Ambo municipality has been grappling with the concept of LED for a few years now and have been consistent in their endeavor to produce LED strategies that will guide economic development within the municipality. The primary focus in these LED strategies is creating a favorable environment for employment opportunities to occur and for attracting investments.

Job creation needs to be the focus of most LED strategies and projects. Linked to job creation is the issue of income improvement. The overarching goal of LED is to create jobs and income, and therefore it is crucial to involve employment promotion measures and organizations in a given LED effort. Employment creation and poverty alleviation, however, is also a distinct activity with its own delivery structure, and it is usually addressed as part of social policy. This, in turn, leads to something which is often a major confusion in LED: the distinction between economic development (business promotion) and community development (employment creation, poverty alleviation). Sometimes these activities get mixed up, and as a result usually neither economic nor social objectives are achieved. As a result of focus group discussion, Ambo municipal and other stakeholders hardly ever give assistance in terms of skills development, training entrepreneurship on business management, marketing and sales, branding and packaging, record keeping and financial management and technical operations.

Studies on LED strategies reveal that the most critical business skill gaps for entrepreneur are: business plan writing; business management, branding and packaging, record keeping and financial management, technical operation and advertising (eThekwini municipality, 2007). Thus, there is a great need for the SME's to engage in training and equip them with skills to run viable business enterprises in LED strategies. Equipping small business with these skills through training will promote invention, innovation and diffusion of ideas and will assist small enterprises to grow is an important. This growth of SMEs would be in terms of income, market share and assets since it has impacts on poverty reduction and livelihoods development.

The purpose of institutional capacity building is to enable institutions perform their mandated functions effectively and efficiently. It is possible to identify two kinds of institutions (technical/sector and coordinating) as far as the LED implementation is concerned. Those institutions which have economic technical functions and those which play the key coordinating and management functions of LED. Based on information gathered, the Ambo municipality indicates that there are different stakeholders involved in LED initiatives, playing a variety of roles, as prescribed by the terms of agreement between stakeholders and on the capacity and capability of each stakeholder. The municipality is the implementer, planner and coordinator of LED activities, whilst other stakeholders, such as private businesses and government departments, like Economic Development and some international NGOs, play the role of funding, implementing and

planning, with the communities of Ambo Town and the local municipality as the recipients of LED outcomes

Conclusion

The study revealed that there were LED projects that were meant to help communities to alleviate poverty in the study area. Some of these projects promote SMEs and job creation upon which more people rely on. They are the source of income and creating access to food security too. However, the municipality has no LED unit which organizes and mobilizes local community members to form groups in order to start cooperatives and small businesses. Thus, LED is not yet well embedded in municipal structures. This indicates that Ambo municipality lacks capacity and means that would help local development activities more effective. The municipality should work critically on job creation, employability and SMEs financial stability dealing with micro finance institutions and in collaboration with other stakeholders. Entrepreneur development trainings with the focus on business management, marketing and sales, branding and packaging, record keeping and financial management and technical operations should be given by the municipality and NGOs.

The data also revealed that despite the fact that LED approach to the development plan should be generally a bottom-up one, most project planning and decisions in Ambo municipal are made still in top-down ways in the study area. In different words, project activities are more centralized. This will enable a more focused local economic development strategy which is to be achieved through a participatory approach. The merits of a participatory approach are that, the community own and design their development goals by involving all stakeholders. LED strategy planning and implementation should be a participatory process that allows an opportunity to all stakeholders involved to actively take part in all activities. LED requires more talented and skilled personnel to direct its activities, such as designing a monographic study and strategic plan for municipal council members. Besides, identification of economic poles that are very

competitive in terms of quality, quantity, price, delivery, better services, regular supply and guaranteed markets is an important job.

Generally, LED requires municipality local governors to become more strategic, creative, and ultimately influential in the way they give proper service for the community. They have a crucial role as policymakers, as thinkers, innovators and as institutions of local democracy. The local official capacity and resource limitations had negative effect to move the LED initiative forward. Besides, the majorities of the projects as the data revealed were initiated and funded by municipality and members claimed to be not receiving any direct support from stakeholders.

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