**Significance of Good Governance for Local Economic Development: A Practical Assessment in Lideta Sub-City (Addis Ababa City Administration)**

 **Tegenegn Aymeku**

 **Enrolment No: 109100875**

 **Supervised by Elias Berhanu**

**This Dissertation is submitted in partial fulfillment of the requirements of the M.A. (Public Administration) of the Indira Gandhi National Open University**

 **MASTER OF ARTS (PUBLIC ADMINISTRATION)**

 **INDIRA GANDHI NATIONAL OPEN UNIVERSITY**

 **June 2012**

 **Addis Ababa**

**CERTIFICATE OF APPROVAL**

Certified that the Dissertation entitled Significance of Good Governance for Local Economic Development: A Practical Assessment in Lideta Sub–City Administration submitted by Tegenegn Aymeku is his own work and has been done under my supervision. It is recommended that this Dissertation be placed before the examiner for evaluation.

 **(Signature of the Academic Supervisor)**

 **Name:**………………………………… **Address:**……………………………

 **Study Centre: ST. Mary’s University College**

 **Regional Centre: 8105**

 **Date:** ………………………………….

**ACKNOWLEDGEMENT**

First I would like to thank my advisor Mr. Elias Berhanu who devoted his precious time to help me for the realization of this research.

I would like also to extend my gratitude to all my friends who helped me in providing relevant information throughout my studies.

I

**TABLE OF CONTENTS**

**CONTENTS PAGE**

Acknowledgment……………………………………………………………...................I

Table of Contents…………………………………………………….............................II

 List of Table………………………………………………….......................................IV

 Acronyms…………………………………………………………................................V

 Abstract……………………………………………………………..............................VI

 **CHAPTER ONE**

 **1. Introduction**

 1.1 Background Information…………………………………......................................1

 1.2 Statement of the Problem………………………………….....................................2

 1.3 Objective of the Study…………………………………..........................................2

 1.4 Research Questions……………………………………..........................................2

 1.5 Significance of the Study…………………………….............................................3

 1.6 Scope of the Study……………………………………...........................................3

 1.7 Description of the Study Area……………….........................................................3

 1.8 Organization of the Paper ………………...............................................................4

 **CHAPTER TWO**

 **2. Literature Review**

 2.1 Theoretical Literature..............................................................................................5

 2.1.1 Conceptualizing Good Governance.....................................................................5

 2.1.2 Principles of Good governance ..........................................................................7

 2.1.3 Local Economic Development (LED) ................................................................9

 2.1.3.1 What is Local Economic Development?.........................................................9

 2.1.3.2 Evolution of Local Economic Development………......................................10

 2.1.3.3 Approaches to Local Economic Development………...................................11

 2.1.3.4 Theories of Local Economic Development...................................................12

 2.1.3.5 Importance of Local Economic Development………...................................13

 2.1.3.6 Local Economic Development Strategic Planning Process……...................13

 2.1.3.7 Relationships between Good governance and LED……………...................15

 2.2 Empirical Literature..............................................................................................16

 2.2.1 The Local Economic Experience in Ireland…………………….......................16

 2.2.2 The Local Economic Development in South Africa…......................................17

 II

 **CHAPTER THREE**

 **3. Research Methodology**

3.1. Research Design....................................................................................................19

 3.2 Types and Sources of Data……………………………………..............................19

 3.3 Population and Sampling Techniques……………………….................................20

 3.3.1 Population………………………………………………....................................20

 3.3.2 Sampling Techniques…………………………………......................................20

 3.4 Justification for Sampling Techniques…………………........................................20

 3.5 Data Collection Instrument, Procedures and the Response Rate............................21

 3.5.1 Data Collection Instrument…………………………….....................................21

 3.5.2 Data Collection Procedures…………………………….....................................21

 3.5.3 Response Rate…………………………………………......................................21

 3.6 Data Analysis………………………………………………...................................22

 **CHAPTER FOUR**

 **4. Analysis and Interpretation of Data**

 4.1 Good Governance from the view point of LED.....................................................23

 4.1.1 Level of Participation and Consensus Building in relation to LED...................23

 4.1.2 Level of Transparency in relation to LED……………......................................25

 4.1.3 Level of Accountability in relation to LED……………....................................27

 4.1.4 Rule of Law with regard to LED.....................................................................28

 **CHAPTER FIVE**

 **5. Conclusion and Recommendation**

 5.1 Conclusion……………………………………………….......................................31

 5.2 Recommendation…………………………….........................................................32

**BIBLOIGRAPHY**………………………………………….........................................34

**ANNEXES**…………………………………………………….....................................36

III

**LIST OF TABLES PAGE PAGE**

 Table 4.1: Respondents’ response to the indicators of Participation and

 Consensus Building in relation to Led...................................................................24

 Table 4.2: Respondents’ response to the indicators of Transparency

 In relation to LED...................................................................................................26

 Table 4.3: Respondents’ response to the indicators of Accountability

 In relation to LED...................................................................................................28

 Table 4.4: Respondents’ response to the indicators of

 Rule of Law in relation to LED...............................................................................29

 **ANNEXES**

 Annex 1: Survey Questionnaire to study Significance of

 Good Governance on LED....................................................................................36

IV

**ACRONYMS**

ANC African National Congress

CBO Community Based Organization

DAFF Department of Agriculture, Food and Forestry

EPRDF Ethiopian People’s Revolutionary Democratic Front

FDI Foreign Direct Investment

FDRE Federal Democratic Republic of Ethiopia

ICT Information and Communication Technology

LED Local Economic Development

NGO Non Governmental Organization

PA Peasant Association

SOWT Strengths, opportunities, Weaknesses and Threats

UDA Urban Dwellers Association

UNDP United Nations Development Programme

UN-HABITAT United Nations Settlements Programmme

V

**ABSTRACT**

This study offers a critical review of significance of good governance on LED. It examines the relationship between good governance and LED, particularly by emphasizing on the principles of good governance and their impact on LED. By doing so, principles like participation, transparency, accountability and rule of law and their relation to and significance on LED is deeply analyzed and interpreted. The study disclosed that where and when these principles are practiced well, accepted and legitimized by the local community, then LED activities are to be vibrant. On the other hand, where and when these principles are not applied properly the reverse is true. This has been clearly identified in this study. The study has shown that there is a direct relationship between good governance and local economic development. It has come up with the conclusion that when and where principles of good governance are at work or applied; the local economic development activities are vibrant and acceptable by the local community. This in turn indicates LED is unthinkable without ensuring local good governance.

 Given these scenario, the study argues for an urgent need for a reversal of the trend to see a fast and sustainable local economic development in Lideta Sub-City.

VI