

**URBAN GOVERNANCE WITH RESPECT TO CITIES’
COMPETITIVENESS IN ETHIOPIA: THE CASES OF DIRE DAWA
AND HAWASSA CITIES**

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DECLARATION

I, the undersigned, declare that this dissertation is my original work and has not been presented for a degree in any other university, and that all the sources of materials used for the thesis have been duly acknowledged.

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ABSTRACT

The general objective of the study was to investigate the urban governance system in respect of competitiveness in Ethiopia. Dire Dawa and Hawassa were used as case studies to examine the urban governance system and the performance of the urban competitiveness. The study has employed a mixed research approach and descriptive case study as a research method. Both primary and secondary data were gathered from public, private and civic society organizations operating in the case areas. The urban governance system and urban competitiveness are interrelated and interdependent. The urban government in Ethiopia has administrative power to furnish both the province and municipal affairs and they have the Power to generate and collect their own revenue within the frameworks that were delineated by law regardless of the high intervention of the federal government on urban matters. The analysis concludes that, governance structure of the cities, the absence of institutional and legal mechanism to promote the NSA's involvement and the less autonomous power of urban government in making laws and policies would affect the competitiveness of cities, while the location and being the center of political and administrative seats of the state contributes more to enhance cities' competitiveness. In addition, the urban government system in Ethiopia is highly dominated by the state actors in which the NSAs did not have the adequate bargaining power to express their preference in urban development plans and policies. As a result, the coalition between the state and non-state actors depends on the downward relationship of implementation of urban development policies and obtaining the commitment of the non-state actors. Coordination for the sake of enhancing economic growth and competitiveness has been absent in both cities studied. As a result of the centralized policy making process, the cities haven't used policies and laws as an instrument to attract investment to their territories, and more than 93 % of investments were concentrated in Addis Ababa. A key contribution of this dissertation is the recognition of how the governance process influences the policy decision-making process and how this may relate to the economic performance of cities' in enhancing competitiveness. Finally, There are varying explanations for why individual cities have done good or bad, but it might be required to investigate further why the disparity has created between Addis Ababa and other major cities like Hawassa, Dire Dawa, Mekelle, Bahir Dar and etc in attracting and retaining investments. These might be issues for further research.

(Key Issues: Urban Government, Urban Governance, Urban Competitiveness)

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CHAPTER ONE: INTRODUCTION

1.1. Background and Rationale for the Study

In the last two decades, Ethiopia has been undertaking fundamental economic, ideological, political and structural change to ensure rapid and sustainable economic growth. The command economic system had been turned into free market economic policy; the highly centralized government system had changed to decentralized and Federal governmental structures. During the same period, the country has promulgated a new constitution in 1995.

Based on these changes, administrative, political and financial authority has devolved from central government to regional and local jurisdictions. Hence, local governments have gained constitutional power and resources to govern and manage their localities and widen opportunities for citizens to participate in the local decision-making process (FDRE, 1995). This is regarded as a crucial instrument for carrying out policies and strategies that are developed by federal and regional governments in urban areas.

In addition to the internal political and economic changes, various external forces such as globalization, international pressure and increasing urbanization have forced many developing nations to accept democratic urban/local governance (Smoke, 2003; Olowu, 2001; Davey, 1993; McGill, 1998; Stren, 1991; Franklin Obeng, 2009) including Ethiopia. Various studies on globalization and cities explain that the global economic system has changed from one of protected or closed national economies, to open, liberalized and competent one (Jun & Wright, 1996; Manirakiza, 2012). As a result, globalization is bringing down the authority of the national government and contributing to new, complex, and decentralized systems of networks that are radically different from the old centralized systems of governance (Jun & Wright, 1996, p. 4). Globalization thus influences national governments to reform governing structures and procedures in order to allow more autonomy at the local level so that local administrators become more effective in resolving local problems.

Moreover, the influence of the policies of international organizations such as the World Bank and the International Monetary Fund (IMF) has made urban governance and cities' competitiveness as key components of urban policy and strategies (Serra & Stiglitz, 2008). This is evident in the World Bank's (2000, p. 8) urban and local government strategy. Accordingly, the World Bank considers urban governance and competitiveness as pillars of

urban policies and strategies for all cities and local governments. The implementation of these pillars at city level becomes part of the conditionality for ‘good governance’ imposed by most donor agencies. That may be the reason why the Government of Ethiopia (GOE) in the urban development policy (2013) has recognized the issue of good urban governance and competitiveness as serious problems of urban centers.

As been identified by a number of scholars, the main problems that faced cities in the world are, the rapid urbanization process in terms of urban population and urban sprawl, which posed challenges on National and Local governments (Kresl & Fry, 2006; World Bank, 2010; UN, 2011). For instance, the number of people living in urban settlements rising from 1.5 billion in 1990 to 3.6 billion (more than half of the world’s population) in 2011. Urban dwellers are expected to double between 2000 and 2030 (UNDP, 2000).

In line with this, the urbanization process in Ethiopia is similar to what happens everywhere in the globe. However, 83 percent of the population in Ethiopia is living in rural areas; recently there has been an observable trend towards rapid growth of urbanization in terms of population and number of towns. For instance, the Central Statistical Agency has projected that the total population of Ethiopia could be 85.9 million, of which 17.4 percent of the total population is living in urban areas (CSA, 2013). The growth rate of population at the national level is 2.7 percent, while the urban population is growing at a rate of 4.7 % per annum (CSA, 2010). Thus, the average growth of urban population in Ethiopia is one of the highest in Africa (World Bank, 2014).

In spite of these developments, the phenomenon of urban growth in Ethiopia has not been recognized adequately in research and policy as well as its impacts on urban management and city’s competitiveness capacity. Nevertheless, in order to make cities engines of economic growth and transformation in Ethiopia, effective urban governance and cities’ competitiveness ability are essential. This is because of the effective urban governance and competitiveness capacity that gives cities and towns enormous advantages to attract both domestic and foreign direct investments. For instance, globally the largest 100 cities produce nearly 25 percent of the World’s GDP (IHS, n. d). Even in Ethiopia, the urban economy’s contribution to GDP has grown from 45 % in 1995/96 to 60 % in 2013/14, which grew at the higher average rate than the rural economy (World Bank, 2013). Hence, the processes of urbanization and the growth of cities and towns favor national development by diversifying

incomes, expanding options for more affordable service delivery, and widening horizons for innovation and skill acquisition.

The available data, however, show that, the rapid growth of urbanization brings pervasive and persistent problems to national and local governments. This includes growing poverty in many cities, widespread corruption and rent seeking in relation to land administration and utilization, youth unemployment, poor urban service provision, informal resettlements and deteriorating living conditions with inadequate sanitation, unsafe water and so forth (UN-HABITAT, 2008).

The primary concern of this study, therefore, is to describe, analyze, and examine critically the urban governance in line with the context of urban competitiveness in selected two case study areas (i.e. Dire Dawa and Hawassa). While, the findings of this study would be applied or scaling up to all cities that are found in the country. This is because of all major cities governed by similar policies, laws and national plans that have developed by the federal government. In addition, they have closer demographic characteristics except Addis Ababa in which the capital city of the country, e.g. Mekelle (323,700), Desse (187,917), Gondar (323,875), Adama (323, 999), Jimma (177,943), Hawassa (301,514), Dire Dawa (268,000) and Addis Ababa (3,273,000) (CSA, 2014).

Finally, the next section presents the statements of the problem that this study intended to address why the issues of governance and competitiveness have become crucial in both academic and political arenas.

1.2. Statements of the Problem

Nowadays, the notion that underpin governance has gained much emphasis, in which it requires the shift from government to governance in the process of governing and the role of the state in making and implementing urban policies. Here, governance can be viewed in the context of what the OECD refers to as ‘the formal and informal systems that determine how public decisions are made and how public actions are carried out’ (OECD, 2006) from the perspective of urban development.

The underlying conceptual notion of governance, particularly the urban regime theory that was written by Stoker (1993) assumes that the strength of local government depends greatly on the cooperation of nongovernmental actors and on the combination of state capacity with nongovernmental resource. This is because of the formal institutions of the government, i.e. the political leadership and the administrative apparatus. The nongovernmental forces (community, private sector and civic society) have played major roles in the operation of local economic development. As a result, the non-state actors have become increasingly important protagonists making political decisions for cities (Giersig, 2008). While in Ethiopia the role of non-state actors in the process of decision-making and urban development are insignificant, the urban development policy acknowledges the urban regime in many cases would be a poor partner with non-state actors (FDRE, 2010).

Different empirical studies (e.g. UN-HABITAT, 2016) demonstrate that in most countries, existing institutional frameworks prevent urban governments fully delivering on their responsibilities: inadequate decentralization, lack of resources, insufficient capacity and poor frameworks for engagement with civil society and key stakeholders weaken urban governance. Many countries suffer from ill-defined distribution of roles and blind spots. These problems would also reflect on the Ethiopian urban governance system.

The other related issue to urban governance is urban competitiveness. The idea of competitiveness in urban policy allows cities to attract foreign direct investment; enhancing the region's technological capacity; creating an enterprise culture and the existence of private sector service (Springer, 2008). Moreover, urban competitiveness is seen as a major driving force to alter the 'urban government' to 'urban governance', because cities could not be competitive without the engagement of informal actors, as cities are the product of diverse social dynamics.

Hence, urban competitiveness and urban governance are interrelated and the pursuit of urban competitiveness necessitates changes in urban governance (Shen, 2004). However, studies in Ethiopia confirmed that Ethiopian cities have been characterized by pervasive and persistent urban problems due to various internal and external shocks (MoFED, 2011). In this case, it is crucial to form an urban coalition between state and non-state actors in order to solve the multifaceted urban problems. The problems that may challenge many Ethiopian urban centers, including the case study cities are high level of unemployment, severe incidence of poverty, slum dwelling, and inefficient basic infrastructures. For example, 70 percent of the

urban population of the country is living in slums; urban employment is predicted for 26 to 40 percent; 40 percent of urban residents are living below the poverty line (MoFED, 2010; MoUD, 2013).

These problems have been fueled by steady growth rate of urbanization and inefficient urban management and governance. For the last two decades, the government has sought to tackle urban problems through national development plans. Since 2013, new urban development policy has been adopted. For instance, during the implementation period of the Sustainable Development and Poverty Reduction Program (SDPRP), which covered the years 2002/03 - 2004/05, the government has sought to formulate various laws and set institutional frameworks to run urban centers.

The plan for accelerated and sustainable development to end poverty (PASDEP) had considered the urban centers as a facilitator of the rural development policy rather than recognizing cities as an entity and economic basis for the national economy. The new urban development policy aims to reduce urban unemployment and to improve slums through the development of small and medium enterprises (FDRE, 2010). In the process of tackling these problems through national strategies and urban development policy, the government's intervention has taken the lion's share. On the other hand, the role of non-state actors had not been recognized adequately in different urban policy and strategy documents.

Though urban governance and competitiveness are a prerequisite for urban development for a number of reasons (Paddison, 2001), in Ethiopia, the national development plans and the newly introduced urban development policy have failed to acknowledge the issue of competitiveness and the partnership between state and non-state actors. The notions of urban governance and competitiveness have not gained considerable importance in the urban development policy. They are not a part of the urban growth strategy of the country. Moreover, the involvement of non-state actors in the initiation, formulation and implementation of policy, planning and strategy is nonexistent, which is the prerogative right of the executive and political leadership (Mulugeta, 2005).

More specifically, the government interventions have become the main sources of job creation, the management of urban economic resource and the provision of urban services. Facilitating the public-private sector collaboration for collective efficiency is a serious problem. As noted above, the urban governments are constitutionally autonomous to

administer and manage their jurisdiction without intervention of the higher tiers of government. If the intervention is necessary, it could be in the form of partnership or cooperation. Yet the urban governments have no adequate administrative, political and fiscal autonomy to manage and govern cities on their neighborhoods. As a result, the urban governments become dependent on the higher tier of governments. In addition, they are forced to implement the land lease and investment policies that are introduced at the federal level.

In addition, from the governance points of view, all state and non-state actors are responsible to address urban problems and works in the manner of cooperation in order to make cities competitive and to improve the well-being of the residents. However, due to the absence of institutional and legal frameworks that share responsibilities between state and non-state sectors in cities the lever of power in urban governance system shows disequilibrium.

There are various studies that were conducted on urban problems in Ethiopia, among these Mehret (1999) has suggested that the urban problems in Ethiopia especially in Addis Ababa have derived from poor organization and management of cities in which the upward accountability dominated the *modus operandi* of municipal government, and the city was run by amateurish politicians rather than a competent cadre of professional managers. This might be true in the case study areas that the traditional urban management approaches and high scale government's intervention may constrain the efficiency of the urban governance system.

Therefore, the central concern of this study is urban governance in which the interaction among government (i.e. Urban, regional and federal governments), business sector and civil society that can influence the economic development of cities in general, and the level of cities' competitiveness in particular. Based on this, the study has tried to answer the following specific questions.

1. How does the urban governing system (i.e. Formal political and governmental arrangements) organize in terms of division of power and authority among the state actors and between the state and the non-state actors?
2. How important is the relationship between urban governance and cities' competitiveness for urban development?

3. How do the set of policies, strategies and laws affect cities' competitiveness?
4. What are the competitive advantages of the case cities?
5. What can cities do to enhance urban competitiveness?

1.3. Objective of the Study

In order to address the above research questions, the following main and specific objectives were designed.

1.3.1. General Objective

The main objective of the study is to investigate how the existing model of urban governance in Ethiopian cities can influence the level of cities' competitiveness with particular reference to Dire Dawa and Hawassa cities. The examination of urban governance in terms of cities' competitiveness is important in many respects; however, this study would focus on the following specific objectives that come out from the general objectives of the study.

1.3.2. Specific Objectives

The Specific objectives of this study are:

1. To assess the existing institutional arrangements in Dire Dawa and Hawassa cities. It is because institutions affect the political and policy outcome as well as it shapes the relationship between the state and non-state actors. Hence, the formal structures of urban government and the constitutional status of the urban government in the case study areas were examined.
2. To examine the degree of the self-governing and autonomous power of urban governments. In order to pursue the competitiveness of cities, the urban government needs adequate autonomy in terms of political, fiscal, and administrative power.
3. To analyze the relationship between urban governance and urban competitiveness. It is because the urban competitiveness and urban governance are interrelated and the pursuit of urban competitiveness will necessitate changes in urban governance.
4. To examine the role and power of the NSAs in the process of the formulation and implementation of urban policies related to urban economic development. The

relationships and interaction among urban government, business sector and civil society are the foci of urban governance

5. To identify and analyze the determinants that help to shape and constrain the performance of cities' competitiveness in line with the notions that underpin urban governance.

1.4. The Description of the Study

The term industrial zone or clusters have been defined in different ways. For instance, World Bank (2009: p. 1) defined industrial cluster as "an agglomeration of companies, suppliers, service providers, and associated institutions in a particular field. Often included are financial providers, educational institutions, and various levels of government."

In the Ethiopian context, the development of industrial zones aims to stimulate manufacturing industries and enhance industrial competitiveness. Ethiopia has four industrial or special economic zones in different parts of the country. They are Addis Ababa, Dire Dawa, Hawassa and Kombolcha (EIA, 2015). However, out of these four industrial zones, Kombolcha and Addis Ababa are not included as a case study area. Kombolcha has the smallest size of population as well as it is dedicated to textiles only. On the other hand, Addis Ababa is a capital city and a seat for Federal government and international organizations. Hence, its role as a federal capital and its relative magnitude in terms of population size and industrial development makes it difficult to consider it as a case for a study based on the most similar cases comparative analysis.

The role of regional cities in creating competitive regions capital cities are different in many respects from non-capital cities because they have a capacity to attract domestic and foreign direct investments (FDI) as well as having a higher GDP per capital in their National Average. Hence, both Dire Dawa and Hawassa were selected as case area in order to conduct this study. In Ethiopia, due to various Historical backgrounds; cities in southern, western and eastern part of the country are composed of diverse group of peoples in terms of ethnicity, religion, culture, and when compared to the cities that are found in the northern parts of the country.

For instance, in Mekele 96.5 percentage of the total population are Tigrayans, and in Bahir Dar Only, 1.56 % of the total population are made up of other ethnic or non-Amhara groups.

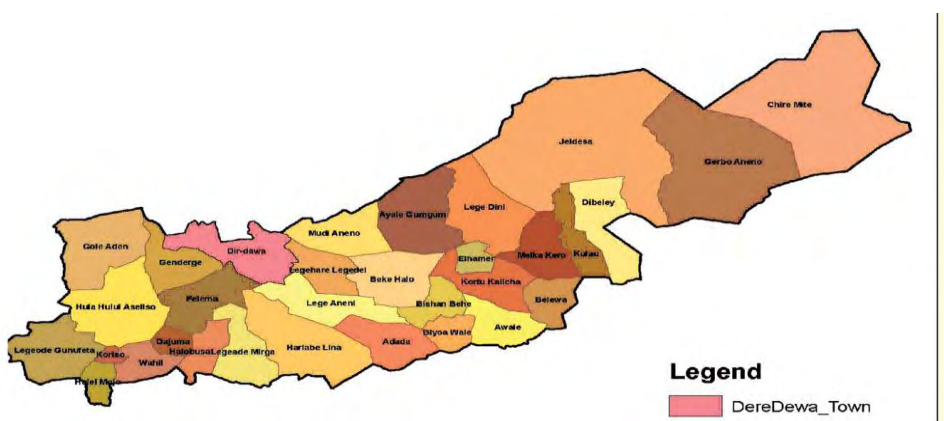
While in Dire Dawa 46.1 % Oromo, 20 % Amhara, and 14% are belonging to other ethnic groups. Similarly, more than 50 ethnic groups live in Hawassa. Moreover, the administrative and political structure of the cities has made Dire Dawa and Hawassa more appropriate for this study. The city of Dire Dawa would be part of the federal government structure and it has three levels of government (i.e. federal, city administration, and Kebele) while Hawassa is the capital city of the SNNRS and it is accountable directly to the regional government not for the federal government. This enables the researcher to make multiple comparative case studies in many respects of this research. Therefore, both Dire Dawa and Hawassa were selected as case study area in order to evaluate and analyze the status of competitiveness in relation to urban governance.

1.5. The Case Study Cities Profile

Dire Dawa was established in 1902 after the Addis Ababa - Djibouti Railway reached the area. It is one of the chartered cities in Ethiopia like Addis Ababa, the second largest city in the country, but 14 times less than the Capital city of Addis Ababa (MoUD, 2010).

The Dire Dawa Administration area covers nearly 130,000 hectares, of which only 2% constitute built-up urban areas. The remaining 98 percent is considered rural Dire Dawa. In terms of population, it has a total population size of 384,000 of which 74% (284,160) live in urban Dire Dawa while the remaining 26% live in rural areas. The majority of the population derives their livelihood from trade activities (UN-HABITAT, 2008).

Figure 1: Map of Dire Dawa City Administration



Source: Dire Dawa Communication Bureau, 2014

The second case study city, Hawassa is located 270 km south of Addis Ababa, it is the capital of the Southern Nations, Nationalities and Peoples Regional State, and it has a status of the Administrative zone of the region. Based on the 2007 Census conducted by the Central Statistics Agency of Ethiopia, this city has a total population of 258,808, of whom 133,123 are men and 125,685 women. While 157,879 or 61% are living in the city of Hawassa, the rest of the population is living in surrounding rural Kebeles.

Figure 2: Map of Hawassa City Administration



Source: Hawassa City Administration office, 2013

The geographical location of the two cities are at crossing point of two transport infrastructures that connect the country with neighboring countries, Dire Dawa being located at the cross road of the Ethio-Djibouti railroad that connects the Port of Djibouti to Addis Ababa and Hawassa located at cross road point of the Trans-African highway -Nairobi to Cape-town, makes the two cities most vibrant commercial, financial, industrial and service center in their respective regions.

The two case study areas are different in terms of geographic location, but there have been similarities in some of the factors that influencing city‘ competitiveness and effectiveness of the local government. Since the cities‘ administration has no constitutional basis, they are exposing for high local government intervention and weak partnership between state and non-state actors that could be comparable in both cities. These similarities may suggest any general recommendation about urban governance and competitiveness that may apply to

other urban areas of the country. Hence, both Dire Dawa and Hawassa may provide vivid illustration on how state and non-state actors together can determine economic competitiveness on one hand, the effectiveness of each tier of government on the other.

1.6. Delimitation and Limitation of the Study

Delimitation is the boundaries of research as it is being proposed, which includes as the ‘_case’ being investigated. From this point of view, this study confined on analyzing and evaluating the role and power relationship of the state and non-state actor in order to enhance urban competitiveness. This is undertaken in the selected two major cities that are found in Ethiopia. The data were used for analysis of the empirical study would cover the time frame since the case areas have gained the status of ‘_city administration’ in which the cities have conferred self-government powers and that urban problems have recognized by the federal and regional government through policies and strategies.

- Urban development Policies to attract foreign and domestic investments
- Policies and incentives favoring Small and Medium Enterprises and Large and Medium Manufacturing industries and foster industrial clustering
- Policies that promote public private partnership in urban development
- The 5-year plan of the government, such as SDPRP, PASDEP & GTP would review and examined.

The limitations of a study are factors that may affect the results and it is beyond the control of the researcher. Hence, the limitation of this study is derived from the nature of the urban governance and competitiveness, various researchers on the subject applied different approaches. Because of this, the issues of urban governance and cities’ competitiveness have no universally accepted approaches. This led the researcher to make subjective judgments to measure the performance of cities’ competitiveness. Besides, the study uses *case study methods*, which inherently has a drawback to having complete documentation for data collection, data management, and data analysis and inference of case study methods.

Moreover, one of the constraints during this study is limited data that are available in both cities, for instance, in Hawassa there was no organized secondary data on regional gross domestic product (RGDP) and the number of small and micro enterprises in terms of their

scale of production and type of industries. In order to overcome such problems the researcher replaced by other data to make the time series analysis.

1.7. The Significance of the Study

The rationale of this study is to provide an overview of the Ethiopian urban governance system in line with city's competitiveness with particular references to Dire Dawa and Hawassa cities. This enables researchers to understand how the urban governance system relates to urban development. In other words, both state and non-state actors are working together to build governing coalitions to make their cities competitive in the form of partnership.

Hence, understanding the interaction between the urban governance system and urban development has various benefits to both the study of urban governance and urban policy practices. However, in Ethiopia, most research on urban centers has focused on specific urban problems (Roe, 2009). For instance, inner city renewal in Addis Ababa (Ashenafi, 2001); the impact of Urban Expansion (Mekonnen, 2002); Urban Policies and the formation of Social and Spatial Patterns in Ethiopia (2002); Revisiting Slums (Alemayew & Yitbarek, 2008); even urban governance and management structure have studied from the dimension of accountability, transparency and participation (Mehret, 1999).

However, the power relationship between various actors and the cities' competitive capacity in relation to urban governance system has not been studied extensively. Especially, to study urban governance system in line with Ethiopian cities' competitiveness from the contexts of the 'elite theory', 'urban regime' analysis, and the determinants of competitive advantages of the cities from 'Porter's diamond' framework that has gotten little attention.

Similarly, the researches that were conducted in Ethiopian cities had studied 'competitiveness', in the context of either 'industrial productivity' or 'Firm's competitiveness' independently. However, this dissertation attempted to evaluate and assess the role and the contribution of urban players that are involved in the process of urban development in making their cities competitive, and identified the determinant factors that shapes or constrains the urban competitiveness in relation to governance. Within this context, this study primarily intended to contribute to a better understanding of cities' competitiveness in terms of urban governance. In this regard, most researches that were undertaken in

Ethiopia, aims to assess ‘urban governance’ from the perspectives of democratic principles (i.e. Transparency, accountability, responsiveness and so on).

The essence of research is to find more knowledge and add existing body of knowledge, especially at the masters or PhD level. In this regard, the study of urban governance in line with cities’ competitiveness independently or the impact of governance on city’s competitiveness in USA or Chinese cities may not have the same finding if conducting in Ethiopia. Thus, this research is the first contribution to Ethiopia as well as in the case study area.

As noted above, the primary aim of the researcher in this study was to examine the modes of urban governance in line with the competitiveness capacity of cities. So far, most studies on governance or competitiveness focused at the national level, while in this study, the researcher has tried to shift the focus to individual cities by integrating the variables of urban governance and cities’ competitiveness. Hence, this study has contributed in different ways to the body of knowledge (BoK).

The result of the empirical research, which has been conducted (i.e. Dire Dawa and Hawassa) on the basis of the theoretical model (Elite, URT and Agglomeration theories) provide a basis for decision making at all levels of government, policy makers and experts to better understand the areas that can improve the mode of urban governance and to implement more effective urban development policy.

However, this study was intended to assess the conceptual notions that contained in urban governance from the standpoint of urban competitiveness. The study tries to contribute to the development of a comprehensive framework to evaluate the implementation of urban policy in terms of the stakeholders’ involvement in the decision-making process, power relationships, as well as their contribution to pursue the goals of cities’ competitiveness in relation to urban governance. This study has also contributed to policy makers to consider the issue of urban governance and cities’ competitiveness as a strategic package.

1.8. The Structure of the Dissertation

The dissertation consists of six chapters. The first chapter introduces the background, research problems, the main objectives and the setting of the study. The second chapter elaborates different related literatures of urban governance and cities’ competitiveness from

the context of the study, these sections had helped to underpin the empirical study with a theoretical framework. Chapter 3 dealt with research methodology, methods of data collection and techniques of analysis. The approach used in the research is mixed method approach in which both qualitative and quantitative data are used. Data related to competitiveness are analyzed by using statistical method of data analyses and data related to policy and governance is analyzed qualitatively. At the end, both data are triangulated in order to increase the reliability and validity of the data. Chapter 4 begins with tracing the structural arrangements of the mode of urban governance from legal and constitutional perspective and its implication in pursuing urban competitiveness. Chapter 5 presents the analysis of competitiveness of the two cities administrations in line with urban governance based on the Porter's determinant factors of competitiveness. Chapter 4 and 5 are the crucial part of the study that presents the empirical and theoretical analysis. This provides the basis for the conclusions and policy recommendation that follows in chapter six. Chapter 6 summarizes the main results, discusses the findings in relation to the main questions of the study. It draws together insights from both the empirical study and the review of other works to put forward a set of conceptual developments as well as some policy recommendations that could be useful for local economic development.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1. Introduction

The topic of urban governance and Cities' competitiveness is the fundamental concern of this study. The subject of urban governance and competitiveness have considered as a field of study in various schools, countries and even in international and regional institutions. For example, the UK has a research center (i.e. British Economic and social Research) that investigates urban governance along with urban competitiveness and social cohesion, and sometimes accompanied by concern for sustainability in British cities (Begg, 2004).

Researches on urban studies have considered for the importance of responsive governance in which the structure of large cities needs to be rectified in order to offer an adequate framework for meeting the challenges of today, such as sustainable urban growth, increasing competitiveness in a worldwide economy (Buck and et al., 2005:6). In addition, different scholars (Fainstein, 2001; Begg, 2004; Shen 2004) have stressed on the importance of urban governance and competitiveness in boosting urban economies and in utilizing their endowments.

Nevertheless, in Ethiopia, there are no written reports that have been conducted on urban governance in conjunction with urban competitiveness. Urban governance has been studied based on its democratic principles such as accountability, transparency, rule of law, equity etc. The issue of urban governance, therefore, is a highly effective analytical tool to analyze the wider set of institutions and interrelationships, which play a role in shaping or steering economic and promoting competitiveness (Buck and et al., 2004).

Hence, in this study, various conceptual and theoretical approaches to urban politics/governances and competitiveness would be used in order to examine the interacting intervention efforts of both state and non-state actors in managing cities' competitiveness. Finally, this chapter provides the theoretical and analytical tools in which the empirical data of the study would be explained, evaluated and analyzed. The chapter contains three sections; the first section introduces the theoretical perspectives of urban governance, while the latter sections discuss the issues that are related to competitiveness, finally the interrelationship between governance and competitiveness are provided.

2.2. The Concept of Urban Governance

The theoretical and conceptual framework of this study is the theories of Elite, Urban Regime, and agglomeration economics (i.e. Porter's competitive advantages of nations). The perspective of effective urban governance promotes the participations of all urban stakeholders in the urban development process by diffusing power among these actors. Put differently, the political decisions have never been an exclusive prerogative of elected representatives and their administrative apparatus (Giersig, 2008). Rather, cities are held to consist of the diverse entities in terms of ideology, culture, ethnicity, language, economic status, social class and so on. Given the diverse nature of cities, the urban governance system should be responsive to the preferences of the public rather than to dominant elite groups.

Moreover, this conceptual notion also enables to assess the condition of urban competitiveness in the framework of governance, because the governance of the local economy its forms and objectives are subject to related cities' competitiveness. The term 'governance' is actually a very old one, but has been reviewed more recently, and has taken a number of meanings (Rhodes, 1997; Stoker, 1997) and in particular has come to imply changes in the public sector that minimize the use of formal government actors.

Recently, the term governance interpreted in the context of the debates on the changing relationships between the state, private sector and civil society, characterized by a reduced role of the state and increased importance of markets in providing goods and services to citizens (Hambelton and Gross, 2007).

This study takes the UN-HABITAT working definitions of governance, which conceptualized urban governance as "the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of the city", as a working definition. In this sense, governance is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of the society (UN-HABITAT, 2002).

The second definition of urban governance from UNDP complements the above definitions and defines 'governance' as the exercise of political, economic, and administrative authority to manage a societal affair. This broad concept encompasses the organizational structure and

activities of central, regional, and local government; the parliament and judiciary; and the institutions, organization, and the individuals that constitute civil society and the private sector (UNDP, 1997).

Hence, the underlying notion of urban governance not only emphasizes on the ‘process’ but explains about the nature, quality and purpose of the totality of relationships that link various institutional spheres-local state, civil society and the private sector in urban areas. These relationships span formally structured/regulated dimensions and informal ones (UN-HABITAT, 2002). From these discussions, one can understand that, the notion of urban governance recognizes the changing role of government; acknowledges the existence of other actors behind government; and considers having more space for ideas and participation in the formulation and implementation process of urban policy. Therefore, governance facilitates an understanding of the ways in which power penetrates policy spaces, processes and practices, and the formal and informal institutional arrangements, which contribute to a “matrix of governance” (Lieberthal, 1995, p.12).

In various literatures, the concept of ‘governance’ and ‘government’ has frequently used interchangeably. To make clear the difference, the government makes decisions within specific administrative and legal frameworks and uses public resources in a financially accountable way (Hambelton, 2007). Most importantly, government decisions are backed up by the legitimate hierarchical power of the state. It is characterized by its ability to make decisions and its capacity to enforce them (Stoker, 1997). “Governance,” on the other hand, involves government, plus the looser processes of influencing and negotiating with a range of public and private sector agencies to achieve desired outcomes. A governance perspective encourages collaboration between the public, private, and non-profit sectors to achieve mutual goals. While the hierarchical power of the state does not vanish; the emphasis on governance is on steering, influencing, and coordinating the actions of others (Hambelton and Gross, 2007).

Recently, much literature (e.g. UN-HABITAT; Ana Virtudes, 2016) has focused on urban governance the importance of urban governance in order to respond the current urbanization trends and urban changes. A new concept of urban governance has to grasp the issue of integrating different levels of government and a wide range of participating actors-formally and informally- in policy formulation and implementation.

Hence, with the change of government to governance the governing administration is now only one player amongst many others in the policy arena. The policy arena has become visibly more crowded, there are more actors involved, the boundaries between the public and the private sphere are less precise and the government's command over the policy process is said to have been transformed (Kjaer, 2004; Newman, 2005 in Kennett, 2008, p. 4).

A new paradigm emerging around the world, emphasizes the need for governments don't retain direct control over planning, development and management of cities; this implies that, government should act as enablers: creating legislative and administrative frameworks which a wide range of actors: private sector firms and community organizations can follow and operate without jeopardizing the livelihood of others (O. Odufuwa, J. Fransen, A. Bongwa and A. Gianoli, 2009). .

By all accounts, there is a growing consensus from the World Bank and NGOs to urban theorists around the concept of urban governance, the opportunities that this consensus presents solutions to urban problems as well as facilitates the coordination between state and non-state actors.

However, there were various criticisms about governance approaches that governance is a less creative process for solving societal problems than a mechanism for allowing the state to abdicate its responsibilities for providing social care and support. While it is important to analyze both government and governance," there is a danger of a sterile discourse developing between two rival camps: those who favor a strong role for government and those who favor a weak role for it.

However, from Ethiopian context, given the nature of private sectors and civic society organization, both strong government and the collaboration among diverse stakeholders should be required for governing cities. Lack of strong institutional arrangements and legal frameworks that mobilize both the state and non-state actors towards the common goals necessitate strong collaboration. Adding to these latent problems with the term governance Keating (n.d) expresses a complementary criticism, for him, the word governance is merely a neologism, since according to him government was always about more than the formal structure of the state. Therefore, the vaguely pluralist basis of the idea [governance] seems to represent a loss rather than a gain in analytical capacity (Irazabal, 2005).

From governance perspectives, in the Ethiopian federation, there is a constitutional based sharing of power between the Federal Government and the nine Regional States (see FDRE Constitution Art. 51 and 52). The National Regional States have in turn sharing of power with local governments based on their regional constitutions. The constitution has shared power vertically from the Federal government through Regional governments all the way down to city administrations and city council. On the other hand, the federal and regional governments have acknowledged the contribution of private and civic societies to the local development, recently the government has recognized those non-state actors who are involved in local development and named them as *developmental forces*:

This implied that, the importance of the change from the *government* to *governance* by giving recognition for the non-state actor's contributions in the process of the local economic development, regardless of the political and institutional strains that faced the non-state actors. While a shift from „government“ to *governance* consequently demands a holistic change both in terms of *who* is in charge of political decision making and also *how* the coalitions between the state and non-state actors become institutionalized, operate internally, express their preferences and finally implement policies for mutual benefits.

To sum up, the concept of Governance facilitates an understanding of the ways in which power penetrates policy spaces, processes and practices, and the formal and informal institutional arrangements, which contribute to a *matrix of governance* (Lieberthal, 1995) *choreographies of governance* (Swyngedouw, 2001). Moreover, it provides the ensemble of norms, patterns of behavior, networks and other institutions, and the power play between them (Osborne, 2010).

Regarding governance and competitiveness theories, the following section is attempting to explore the theoretical approaches of urban governance and competitiveness that are used for explaining, describing and analyzing the empirical study. After briefly presenting some insights from Elite, Urban Regime, Location and Porter's *diamond* model and regional competitiveness, and key ideas from each theory, it would be decided the methodologies and the conceptual frameworks that are employed to conduct the research.

2.3. Theoretical Models of Urban Governance

As discussed above, the terminology distinctions made above are supposed to provide more theoretical and conceptual insights about governance. However, this study focuses more on the governance theories in which the relationship between the government and the people, between the formal political structure and informal actors.

There are various theoretical models that have developed based on the notions that underpin either governance or governments. For instance, those theories that advocate the concepts of governance has given much emphasis for the structure, the internal rules, the composition of actors and the goals to be achieved. In another way, the theories that focused on the idea of governments suggest that there exists one uncontested center of political power with a comprehensive area of responsibility.

In this sense, the dominant analytical framework of urban governance research for the past two decades has been the *political process* model and the *market process* model. On the one hand, the political process model emphasizes more on the role of non-state actors in relation to other actors within the government or the structure of community power. On the other hand, the process of the market model offers us a view of the possibilities of utility maximization through the economic opportunity structure. Thus, among different theories of governance, the political process model is used as a framework of explanation and analysis in this study. This is because of the political process model focus on the nature of the structure of power and the degree of dispersion of influence on public policy, which is the central issue in the study of urban governance competitiveness and effectiveness in selected cities in the Ethiopian federation.

The most common theories that are categorized under the political process model are the elite and pluralist theories. Elite theory argues that a small group of leaders called elite possesses power and rules society. Conversely, pluralist theory posits that power is dispersed among competing groups whose clashes produce societal rule (Bowman & Kearney, 2011, p. 300).

Thus, these theoretical approaches are crucially important for a number of reasons. For instance, The *elite theory* would enable to identify the dominant actors who determine the policy goals in urban regions, as well as it provides to examine the extent of power that are concentrated in an elite group (Stoker, 1989; Harding, 1995; Parker, 2004).

Finally, and most importantly, recent articles (2008 to 2017) on urban governance and urban competitiveness focus on some key facts: urban autonomy, the exclusive role of cities, the involvements of non-state actors, and democratic participation of the people (e.g. UN-HABITAT, 2016.). In this process, it considers the competitiveness of nations as competitiveness of its urban centers (Kresl, and Daniele Iteri, 2014).

Governance, therefore, is a polysemic and ideological concept of neoliberal origin, which is aimed at normalising the creation of public-private partnerships responsible for directing the policies, projects and management of democratic institutions (García, 2009).

In Ethiopian urban governance system, various actors are involved in the process of governing cities, these include, the federal governments, regional states, local urban government, the political parties, civic and charity societies (CSOs), and the private sectors. Hence, the elite theories are useful frameworks to examine the degree of power concentration of each state and non-state actors. While the *urban regime theory* mainly concerned with forms of collaboration that lead to economic growth (Harding and et al., 2000), and is important in understanding the composition of urban political coalitions made up of both state and non-state actors ('urban regimes') and the way they interact and take decisions ('modes of cooperation'), Thus, detail presentation of the two theories in urban governance context is the next issue addressed in the continuing part of the discussion.

2.3.1. Elite Theories of Urban Governance

A modern elite theory developed over the last century, but the rigorous conception of elites and elitism date back at least as far as ancient Greece (Plato, 1974 in Harding, 1998). The Oxford English defines elitism as 'advocacy of or reliance on the leadership or domination of a select group'. Put differently, elites are persons with the *organized capacity* to make real political trouble without being promptly repressed (Ibid.).

Harding (1998, p. 35) has also defined that, "elites as persons who, by virtue of their strategic location in large or otherwise pivotal organization and movements, are able to attract political outcomes regularly and substantially. Elite theorists argue that, the elite or the group of individuals whose decisions play a crucial role in shaping the lives, choices and the future of the mass people, social structures resemble pyramids, with a relatively small number of very powerful people at the top gradually giving way to a large mass of powerless people at the bottom.

From urban governance points of view, elitism views the local government relies on specialized tasks being performed according to formal rule and procedures within a well-defined hierarchy, power is therefore concentrated in the hands of the few who occupy commanding in position within society's leading bureaucracy (Weber, n.d). Hence, Elite theory based on this hierarchical conception of society and concerns in relation between the rulers and the ruled, the powerful and powerless (Harding, 1998). In the Ethiopian context, elite theory is explained and described more in light of making policies or plans and in setting strategic goals. For instance, Mulugeta (2005) noted that, " the executive and the ruling party have a prerogative right on the policy making process." In other words, a dominant group, who has a power to shape and restrain decisions, shapes the urban policy and urban growth strategies.

Elite theory is especially more suitable to investigate the power distribution in countries, where the practices of democracy could be repressive like Ethiopia and other African countries (Merara, 2007). This is because of the political influence is concentrated in the hands of dominant political parties and the urban governance system built upon the ethnic based political structure. This could result in the concentrate of power on a single dominant actor within the modes of governance system. Elite theory, therefore, is asserting that an individual or a group who have a dominating power in urban settings can imbalance the power equilibrium that configures both the state and non-state forces. Hence, the most important points here to note that, elite theory is suitable to examine the power concentration rather than distribution and enable to identify who is powerful and why.

In addition, how those with economic wealth and political authority get to decide what policies and growth oriented policy goals should be taken on behalf of the largely voiceless and powerless majority (Hunter, 1953). The first rigorous attempt to apply elite theory to urban studies was made by Hunter in Atlanta (Parker, 2004). However, the elite theories have been criticized for numbers of drawbacks. One of the main critics of the elite theories for accepting the idea that one single and stable core of urban elite holds power over all relevant fields of urban politics (Nico, 2008).

In addition, the elite theories see 'power elite' as neither natural nor desirable, but as the wary product of historical trends (Harding, 1998). For instance, most elite theories believe that power has concentrated in the hands of military and business leaders, rather than only a few political scientists provides concepts how elite formation in and around the machinery of

government (Stoker, 1998). In general, the elite theories neglect the interdependence of the state and non-state actors in meeting the social and economic challenges in terms of cooperation and coordination between them. However, the work of the elite theory along with the regime theory helps to examine the actions of individuals or groups who have played a role in urban politics.

This is because of the urban regime theory provides conceptual frameworks based on the critics of the elitist theories in which how the power could be fragmented between the formal or the state and informal or non-state actors in order to assemble the capacity to govern cities. The following section is intended to explain the central concern of the urban regime theory.

2.3.2. The Urban Regime Theory

The urban regime concept was a dominating concept in urban approaches for the last couple of decades. One of the reasons for this is that it focuses not on ‘who’ governs, but on ‘how’ governing is done (Lauria, 1997). The chief architect of the urban regime theory is Stone (1993); in his decades long research into politics in Atlanta led him to understand that governance was not simply or even mostly a matter of social control, in which rival factions or coalitions seek to dominate government decision making. As Stone (1989) explained: *–Governing,*” as used in governing coalition does not mean rule in command-and-control fashion. Governance through informal arrangements is about how some forms of coordination of effort prevail over others. It is about mobilizing efforts to cope and to adapt; it is not about absolute control. He has focused on informal arrangements as a way of bolstering (and guiding) the formal capacity to act, but even this enhanced capacity remains quite limited. This informal partnership and the way it operates constitute the city's regime; it is the means through which major policy decisions are made’.

According to Stone (1989, p.6), urban regime refers to *–the informal arrangements by which public bodies and private interests function together in order to be able to make and carry out governing decisions.*” Regime governance, in turn, hinges on the ability to coordinate actions and deploy resources through the building and maintenance of political alliances. As Stone (1989, p. 5) states, *–These informal modes of coordinating efforts across institutional boundaries are what I call ‘civic cooperation’ ” (emphasis in original).* He adds, however, that *–a regime involves not just any informal group that comes together to make a decision, but an informal yet relatively stable group with access to institutional resources that enables it to*

have a sustained role in making governing decisions” (Stone 1989, p.4; emphasis in original) (1998, pp. 3-6).

He also proposed the mechanisms that how urban coalition could be formed. In his opinion, regimes can be formed when city elites come together in an alliance, in order to assume the task of governance (Stone, 1998). The makeup of the governing coalition and the nature of the informal arrangements that unite the governing partners determine the sorts of governing tasks undertaken. To carry out the task of governing a city, these ruling alliances work out mutual understandings of the problems of governance and tap their various institutional bases of *power* for the resources necessary to undertake the tasks of governance. Further, because they have access to substantial institutional resources, business leaders are most often sought out as governing coalition partners, thus creating a systematic bias in urban regime formation (Stone, 1989, pp. 235–42).

Urban regime theory (URT) strongly argued that, adequate conception of power should be needed for governing regimes in order to be able to shape the city’s agenda, especially governance require the power to combine the necessary elements for publicly significant result. However, a considerable number of scholars have criticized its universal applicability outside the context of United State. Most critics derived from his methodology that he used in his research. For instance, Parker (2004:127) noted that, “urban regime would not be better to describe the regime approach as a model rather than a theory in its own right because it lacks a universal application.” As Lauria, (1997:6) comments, regime theory inadequately theorizes the connection between local agents (economic and political) and their wider institutional contexts.

However, the successor of urban regime, for instance, Fainstein and Fainstein (1983, p. 276) and Elkin (1987, pp. 18-35) argue that the structural features that define an urban regime stem from what he calls the "division of labor between market and state," ; specifically, the definition of the respective prerogatives of the "controllers of productive assets” (capital) and public authorities, the organization of public authority, and the external relations of public authorities to private controllers of productive assets. These features suggest three defining axes of urban politics: public and private growth alliances, electoral politics, and bureaucratic politics.

In line with this, Regime theory holds substantial promise for understanding the variety of responses to urban change. Its emphasis on the interdependence of governmental and non-governmental forces in meeting economic and social challenges focuses attention upon the problem of cooperation and coordination between governmental and non-governmental actors (Stoker, 1998). Thus, the urban regime theory provides conceptual frameworks to establish an analytical framework for urban governance.

To sum up, the underpinning notions of urban governance have provided new forms of relationship and interaction between state and society, governments and citizens, and state and non-state institutions (Jessop, 2004). Governance, therefore, facilitates an understanding of the ways in which power penetrates policy spaces, processes and practices, and the formal and informal institutional arrangements that contribute to urban development (Lieberthal, 1995). However, in order to bring all actors together towards the same urban goals require a variety of power distribution in diffused localities. In light of these analyses, the Elite theory and urban regime analysis have provided a theoretical and conceptual framework from different perspectives.

On the one hand, the elite theory assumes the business elites and the upper strata group made as allies to city governance. These elites control all forms of resources that are critical to enhance the regime's capacity. On the other hand, urban regime analysis is the most important theories that enable us to explain and describe urban governments in Ethiopian contexts. It has focused on the internal dynamics of coalition building, which promotes a social production model and tries to answer the questions _ how, in a world of limited and dispersed authority, do actors work together across institutional lines to produce a capacity to govern and to bring about a significant result. It also emphasizes on the importance of local actors and organization in which the study has focused.

However, in many cases, the two theories have similarities and differences among themselves on various features. These theories are strong supporters of local governments, primarily concerning with increasing growth. However, constrained by the limited conceptualization of the local state and their narrow vein of the economic development process, they are excessively localist (Stoker, and Wolman, 1995). However, both the elite and urban regime theories are still dominating much thinking in several academic fields should be considered as the „*magnumopus*“ of a _long-term project‘ aiming at providing a _general theory applicable to all societies‘ (Gartman, 1991, p. 423).

2.3.3. The Dynamics of Power and Local Autonomy

Understanding the meaning of power is a prerequisite for understanding and analyzing the underlying notions of urban governance. To make clear that a blend of normative and empirical analysis of power focused upon: what kind of political structure exists and which seems best? Who is best qualified to govern and who should rule? What is the role of power and influence in the political system and how should it be used? What kind of policies is adopted and which are the best policies for the government to prescribe and implement (Vogel, 1997, p. 58).

From these questions one can understand that the concept of power provides the theoretical insights to examine the structure of local government, the influence of power on the governance system, in the partnership process between public and private sectors, and how the urban policy and planning were adopted in the study area. The notion of power is, therefore, central to analyze governance, because the study of community power structures is a well-trodden path in the field of urban policy (Hunter 1953; Dahl, 1961; Gordon 1973).

Theoretically, political power is divisible into three broad categories, first, the legislative power that formulates and expresses the will of the state (rather the people). Secondly, the executive, which is used to designate all those officers of the government whose business, is to execute, or put in to effect, the laws and policies. Thirdly, the judicial powers, which determine whether the law is applicable in a particular case; however, is not the focus of this paper.

The rationale behind the distribution of power among the three branches of government is to avoid the concentration of power in the hands of few elites or groups. This can be done by separating the function of the three branches of government through laws. The theories of separation of power have emphasized that, the function of government should be differentiated, and that they should be performed by distinct organs consisting of different bodies of person so that each department should be limited to its own sphere of action without encroaching upon the others, and that it should be independent within that sphere. The urban power structure and its working could be analyzed on the two general aspects of the study. The first aspect is a network analyses. A network analysis provides an empirical picture of the interconnection among the key organizations and people in the power structure and the operations of that network on policy issues (William, 1990).

The second aspect of a power structure study is a "content analysis" of what is said and done within a power. Such studies can provide information on the substance of new policies and an understanding of the strategies and values that underlie the policy planning of the power elite. From these points of view, this study emphasized on the power distribution within state actors from the perspectives of elite and urban regime theories. In order to assess the power structure, particularly between the state actors (i.e. Executive and legislature) a reputational method of network analysis was employed. Reputational method is based on the personal opinions of a wide range of people who are interviewed about who think to be the key people and organizations in the power structure (Barton, 1985; Higley, 1985).

Power can be analyzed based on the importance of institutional positions occupied and the participation of the group in important decision-making. If a group or class is highly overrepresented or underrepresented in relation to its proportion of the population, it can be inferred that the group or class is relatively powerful or powerless, as the case may be. For example, if a class that contains 1 percent of the population has 30 percent of the important positions in the government, which is thirty times as many as would be expected by chance, then it can be inferred that the class is powerful (William, 2006:10).

From William (2006) points of view, power is about being able to realize wishes, to produce the effects you want to produce. A great philosopher of the 20th century, Bertrand Russell (1938) defined power as "the ability to produce the intended effect." The usefulness of this definition is shown by the fact that how the state actors that have shared power based on the legal frameworks and the extent of their capacity to produce intended and foreseen effects. Hence, the following sections aim to examine the power distribution among the state actors from the theoretical perspectives and constitutional principles.

The extent of power relations that exist between governmental and nongovernmental forces may determine the ability of the non-state actors to contribute effectively in the partnership process. That is, in order to govern cities need some power to act cooperatively) and power over others (controlling other's action) either by defeating them (dominating power), persuading them from the decision making process (pre-emptive) (Irazabal, 2005). The various interpretations of the urban power structure theories hold in common the assumption that city governance can be explained by the configuration of informal relations among significant actors that shapes the process of political decision-making.

Stone (1988:90–91) has identified at least four distinct forms of political power that governance requires to combine the necessary elements for a publicly significant result such as dominating power, bargaining power, systemic and pre-emptive. *Dominating* power is used to secure compliance, and is at the crux of the community power paradigm idea of political power (Dahl, 1986). Dominating power is implicated in relationships marked by conflict, where actors utilize resources to overcome or to prevent the actions of others (see Stone, 1986; 1988). Formal authority and informal influence can be the basis for the use of dominating power. A simple illustration of dominating power is the mayoral use of veto power to stop city council legislation that the mayor opposes.

Bargaining power is employed in building coalitions (Stone 1986:82– 83), and is a “relationship between actors bargaining from autonomous basis of strength” (Stone 1988:88), where each has “complementary resources, perhaps complementary domains in which each has command power” (Stone, 1986:82–83). When competing actors perceive that their conflict would be too costly to settle by use of dominating power, they move toward a more cooperative relationship of negotiation in order to compromise. This is the familiar give and take of American urban politics, in which, for instance, a police union, after rejecting a mayor’s proposed contract because of one or two controversial items, enters into negotiation to work out the differences between the two sides (DiGaetano and Klemanski, 1999).

Systemic power (Stone 1980) enables certain interests, particularly business interests, to influence decision making simply through their position in society. This is often done without intention or recognition on the part of the systemic power holder. This formulation echoes both the elite theorists’ notion of positional power (see Hunter 1953) and Lindblom’s (1977) argument that markets exercise disciplinary power over government. That is, because business interests control crucial resources necessary for political success, governing decisions are made in ways that seek accommodation with privileged power holders. For example, to retain or attract the business investment that generates local taxes and jobs, city officials normally take care to provide the infrastructure or services necessary for the operations of large corporations, whether corporations overtly demand them or not.

Pre-emptive power is the most complex form of political power. Akin to Bachrach and Baratz’s (1962, 1963) non decision-making, pre-emptive power is the “capacity to occupy, hold, and make use of a strategic position” (Stone, 1988:83). In terms of urban governance, it is the capacity of fusing dominating and systemic power, which, in turn, enables a coalition to

control policy setting through the ability to hold and occupy a strategic location in the governing process (Stone, 1988:90–91).

As a result, those who acquire and use pre-emptive power can direct policy setting and discourage would-be opposition to their policy agenda by making challenges far too costly to attempt. Well-oiled urban political machines, through their control of party nomination processes and patronage distribution and often-in alliance with significant business interests that sought government contracts or other leagues, clearly pre-empted opposing or alternative policy agendas (Stone, 1988; Digaetano and Klemanski, 1999; Irazabal, 2005). In line with this, it is important to understand the level of autonomy that the urban government has in practice.

In order to exercise the authorities over a wide range of state and municipal functions the urban government should require self-government and autonomous power. The urban government autonomy is a system of urban government in which local government units have an important role to play in the economy and the intergovernmental system, have discretion in determining what they will do without undue constraint from high levels of government, and have the means or capacity to do so” (Wolman et al., 2010; Smith and Spicer, 2015).

Wolman and Goldsmith, (1990) define local autonomy in terms of politics as "the government's ability to have an independent impact on the welfare of the residents of the local jurisdiction." In this study, the urban government autonomy is the ability to initiate, make and implement plans, strategies and policies with respect to its power and responsibilities that assigned exclusively to the urban government. Hence, the urban government's legal, fiscal and functional autonomy are closely related to cities' economic competitiveness.

It is important to note that the urban governments are an integral part of the federal and regional governments and therefore cannot be completely independent of either the federal or the regional governments. In order to examine the impacts of governance on cities' competitiveness it is important to investigate further the extent of the self-government and autonomous powers urban governments' have. Hence, there are various approaches, which can be used to examine the extent of autonomy local governments have in practice.

In this regard, Clark (1984) has developed the four different types of local autonomy and identifies two primary principles of local autonomy: the power of *initiation* and the *power of*

immunity. Initiation refers to the actions of local governments in carrying out their rightful duties and immunity is defined as the power of localities to act without fear of the oversight authority of higher tiers of government (Clark, 1984).

In this sense, immunity allows local governments to act in whatever way they wish within the limits imposed by their initiative powers (Clark, 1984). For Clark (1984), these two sets of powers define local autonomy: local discretion in turn is defined by the degree of local autonomy in terms of local government functions, actions and legitimate behavior.

Table 1: Typology of Local Autonomy

	Initiation	Non Initiation
Immunity	Type I (High)	Type III (Medium)
No immunity	Type II (Medium)	Type IV (Low)

Source: Adopted from Gold Smith (1998)

Clark's perspective allows him to develop a fourfold typology of local autonomy (see Table 1). Under Type 1 autonomy, local governments have both the capacity to initiate and are free (immune) from the oversight of higher levels of government. Under the opposite case (Type 4), local governments have neither the power to initiate nor do they have any immunity from oversight. Under Type 2, local governments have the power to initiate for themselves, but are constrained in that everything they do is subject to oversight by higher levels of government. Under Type 3, local governments have little or no power to initiate, but are then immune from higher-level oversight. Within this context, the core issues of this chapter are why and how the urban governance system affects the competitiveness of cities' ability.

2.4. Competitiveness in Urban Context

2.4.1. Defining Urban Competitiveness

In the previous section, the conceptual and various theoretical approaches to governance have been described. Particularly the focus was on the importance of the coalition between state and non-state actors, the shift from government to governance, and the different forms of urban power structure and self-governing autonomous power for making cities competitive.

Against this backdrop, however, this section intended to discuss the theoretical approaches and arguments of competitiveness in the urban context. Hence, it is important to begin by defining what competitiveness means from the context of cities. The concept of competitiveness is highly addressed in economics and business literature, but there is little agreement on what the term means, and what affects it in relation to governance.

The most common debates on the notions of competitiveness relate to the units of analysis selected in order to analyze the competitiveness of the units. For instance, classical economist from Adam Smith to Michael Porter, the concept of competitiveness is an issue to be analyzed in relation to the situation of individual firms or national economies, with little attention being paid to the cities' competitiveness, and policies and strategies that promotes or discourages investments. That is why the study of competitiveness was dominated by the notion that the nation and enterprises was a proper subject of analysis. In this regard, prominent economists such as Krugman (1994) argued from the traditional economic position that the firm is a center of competitiveness. Kresl and Ietri (2015) have been critically arguing that competitiveness is an attribute of *companies*, not of cities, regions, countries or continents.

On the contrast, others support the pertinence of the urban competitiveness concept and define it as the capacity of cities to attract productive investment. These includes, change in their economic position in the national or international urban system, or as the interrelation between the local economic performance and other social, political and environmental manifestations of the urban life (OECD, 2006; World Economic Forum, 2010; World Bank, 2010).

However, under the new model of economic development, competitive advantages results from the capacity of cities, business, and governments to be flexible and to improve technologies, product, market segment, operating strategies and policies (ADB, 2011). In line with this, competitiveness is defined as "the ability of an (urban) economy to attract and maintain firms with a stable or rising market shares in an activity while maintaining or increasing standards of living for those who participate in it" (Storper, 1997:20).

The global urban project (GUCP, 2011:9) has also considered the urban competitiveness as –The degree to which a city, or urban region, in comparison with other competing cities, is able to attract productive investment that provides the jobs, income, cultural and recreational

amenities, degree of social cohesion, governance and urban environment to which is current and targeted new residents aspire”. In the same vein, the World Bank (Stren, 2010) in its urban strategy has suggested that, cities and city regions that are *more* competitive to ~~attract~~ more international (or even local) investment; and demonstrate rising levels of such indicators as retail sales, manufacturing value added, professional employment, business service receipts, high-quality business and residential construction, and the like”.

By contrast, cities that are *less* competitive ~~tend~~ to display higher levels of unemployment and dependency, a deteriorating business and manufacturing environment, and overall, a more sluggish economy” (Stren, 2001, p. 47). The definition that provide by IMD (2000) and Roggerson (1999) has tried to compromises the above different notions of urban governance by integrating them, competitiveness from IMD and Roggerson’s points of view ~~the~~ competitiveness of firms, the competitiveness of cities, and the competitiveness of nations are interrelated but interdependent” (IMD, 2000; Roggerson, 1999).

Hence, the working definition of urban competitiveness of this study does not consider competitiveness as a rules of the game’ as most economists have assumed, rather the conceptualization of competitiveness by the World Economic Forum are more suited from public policy perspectives. World economic forum defined competitiveness as ~~the~~ set of institutions, policies, and factors that determine the level of productivity of urban regions” (WEF, 2010:3).

Chris Urwin (2008) has provide a more comprehensive definition of competitiveness, according to Urwin, competitiveness can be defined as the ability of cities to continually upgrade their business environment, skill base, and physical and cultural infrastructures, so as to attract and retain high-growth, innovative and profitable firms, and an educated creative and entrepreneurial workforce, to thereby enable it to achieve a high rate of productivity, high employment rate, high wages, high GDP per capita, and low levels of income inequality and social inclusion.

The concepts that are contained in the above definitions, for instance the institutions, policies and factors that influence cities competitiveness are the outcome of government’ or governance’. Hence, it is important to measure cities competitiveness in relation to governance that this study has intended to do. This is because of the outcome of the city’s competitiveness is the result of the combined efforts of the state and non-state actors. For

instance, the different tiers of governments have responsible in providing public utilities (i.e. Road, water, energy, and telecommunication and so on), in enacting regulations to promote both domestic and foreign investments, skilled human resources, and other basic services that facilitates economic developments in urban centers.

The private sectors are producers for local and global markets in a competitive manner by taking into consideration the changing environments. While the non-government organizations also have significant influences in bridging the gaps that cannot be filled by the public and private sectors.

In line with this, recent literatures on competitiveness confirms that the importance of stakeholders' involvement in implementing strategies. For instance, Peter Trainor (2011) argues that, neither the private sector nor the government sector acting alone is in a position to facilitate locally based competitive strategies, since, The private sector is likely to be ineffective because of problems of market failure... [While] the zone of competence of city government is typically smaller (and often fragmented) compared to the functionally relevant territory.

In light of the above definitions, a variety of theoretical approaches explains competitiveness in an urban context.

Given the diverse nature of competitiveness, it is possible to employ different theoretical approaches in studying the competitiveness in an urban context. Many published (2008 to 2016) theoretical and empirical studies on urban competitiveness have focused on two aspects: the concept and model of urban competitiveness (Haixiang Guo and et al. (2015). For instance, some focus on the spatially targeted fiscal incentives that based on employment creation and the attraction of business, while the others have an increased awareness of agglomeration economies, clustering, and knowledge spillovers (World bank, 2010, p. 21).

Although scholars have made great progress in the theoretical and empirical study of urban competitiveness, recent studies generally focused on factors that promote urban development, for example, the economic side, while ignoring factors that impede urban development, such as social problems and energy problems. This study argues that governance factors such as the extent of power of urban government, the structure of governance, and the extent of the NSAs involvement in making laws and policies should be considered when evaluating urban competitiveness.

Hence, for the purpose of this study, the Porter's diamond model (1990) from the standpoint of the competitive advantages of cities and the cluster theories were used as a theoretical framework to describe and examine the issues that are related to cities' competitiveness.

2.4.2. The Determinants of Competitiveness in Urban Context

The cities within the global hierarchy range from the global cities of New York, London, and Tokyo to our national capital Addis Ababa, and the case study cities Dire Dawa and Hawassa, which are in search of economic activities that produce income in order to increase the general wealth and to improve the quality of life of its residents. However, there are disparities between cities not only in the global hierarchy, but also within the same nations.

In other words, what makes a city more or less competitive? The answer could have addressed from different points of view. In this regard, there are two views that have attempted to answer the question, such as, pure agglomeration and resource based views or locational theory.

The 'pure agglomeration' model comprises a number of key features including an emphasis on pure competition and focus on an economic analysis of firms. In order to explain the rationale behind the agglomeration as a source of competitiveness, the 'pure agglomeration' stipulates that firms may be attracted or willing to continue to be located in an area because of the availability of positive externalities (external economies) that can be internal to an industry (such as less cost or profit maximization). On the other hand, the 'resource based or locational theory' views suggests that, some cities manifestly perform better than others do because of the income and employment generated within their boundaries which exceeds that of others.

Among different resource based theories, the location theory is the most well known theoretical approach focuses on conditions. The location theory suggests that, not only key factors in city's competitiveness could be the availability of capital and a labor force with the requisite skills, an institutional context with the right set of regulations and sufficiently attractive tax regimes, the right infrastructure and good accessibility, but also the availability and affordability of spaces, subsidies and/or tax abatements (Parson, 2006). In more concrete terms, this is about the nearness to global financial centers, the presence of a major international airport, telecommunication services, other service suppliers, and clients, as well

as the availability of an international labor pool (Sassen, 1991, 2002; Derudder et al., 2003; Scott, 2003; Taylor, 2004).

In the 'location' theory, several authors pay attention to the importance of educational facilities, more particularly high quality public schools and universities. The presence of these facilities ensures the availability of highly skilled labour and attracts firms to these places. Glaeser and Saiz (2003, page number) found that "for more than a century, educated cities have grown more quickly than comparable cities with less human capital." The findings resulted from an analysis in which they controlled for a range of other variables. Hence, the location theories not only revealed the analytical tools to examine the determinant factors that constrain cities' competitiveness capacity, but also enable to examine the interagency cooperation between government departments, public agencies, private companies and civil society and conducive policies and strategies to promote city's competitiveness.

However, among different resource based theories, Michael Porter's (1990) work 'Competitive Advantages of Nation' has provided comprehensive theoretical frameworks that used to identify the determinant factors of competitive advantage of cities, though his work focused on the notion of 'nation's competitiveness. Michael Porter (1990) has provide a conceptual work that focuses on the identification of the sources of locational competitive advantages which are derived in the interrelation between four determinant factors of competitiveness such as locational factors, the context of home demand condition, the presence of the nations (or in this case cities) supplier industries or related industries, and the strategy, policy, and rivalry, which are represented in a diamond model (as cited in Porter, 2000).

In the same vein, Deas and Giordano (2004) have developed a model of urban competitiveness. For a given city, the asset base can conceive as comprising a mix of contextual factors, which includes city's economic context: the skills and qualification of its residents, the sectoral breakdown of its economy. Another asset category relates to a city policy context: the mix of agencies, institutions and policy initiatives in operations, or the level of resources vested in them (Deas and Giordano, 2004). The degree to which cities are able to capitalize upon these various assets is influenced by the effectiveness of the coalition between the state and non-state actors (i.e. Governance).

Nowadays different policy researcher (e.g. Hu, J. Blakely, and Zhou, 2013) were attempted to advance the scholarship on urban competitiveness along two strands. On the first strand, they approach urban competitiveness from a singular economic perspective to an integrative one that includes economic and non-economic dimensions. On the second strand, they measure urban competitiveness in a model that incorporates attributes as well as performances of a city's competitiveness. The attributes refer to the 'determinants' of a city's competitiveness; the performances refer to the 'indicators' of a city's competitiveness.

Within this theoretical framework, the locational factors in Ethiopian cities have been one of the reasons leading the disparities of cities in terms of social and economic performances. Locational factors are therefore the physical infrastructure and natural endowments, local demand condition or the size of the local market, the policy, strategy, and laws, and its proximity to politics that determine the competitiveness of cities. In addition to the resource based theories, the structure of a cluster and network have an emerged approaches of competitiveness. In Ethiopia, the concept of cluster development is in its nascent stage of development, though the notions of the cluster had been implemented traditionally in Ethiopia. Therefore, in this study; the cluster theory is used to examine the nature and extent of industrial linkages in the case areas.

2.4.3. Cluster Theory

From the context of this study, the cluster theory employed to examine and analyze the horizontal and vertical integration within and among industries that are found in the case areas. These include, the linkage between micro and small micro enterprises and medium and large industries, and among the medium and large industries.

A key element in this theory is the fact that activities are assumed to cluster because they have linkages to each other, use the same public and private services and institutions and are connected to the same environment, while profiting from each other's presence (Mustard and Murie, 2010). The term 'Cluster' used in different forms. Consequently, there is considerable confusion concerning the use of related terms such as 'new industrial space' (Scott, 1998), 'industrial complex (Czamanski and Augusto, 1979)', 'socio-territorial industrial system', (Courlet and pechequer, 1991).

Recently most scholars and international institutions like the World Bank (2009) and the World Economic Forum (WEF) have been using the term ‘Industrial Cluster’ to describe this phenomenon of agglomeration of interlinked firms. According to Porter (1997), clusters are geographic concentration of interconnected companies, specialized suppliers, service providers, firms related to industries, and associated institutions (for example, universities, standard agencies, and trade associations) in particular fields that compete but also cooperate. From these definitions, one can understand that the concept of cluster is specific to location and consider diversified economic sectors in a given place.

A definition pointed out by Pitelis (2006) has paid an emphasis on the relationships that exists between sectors. Clusters are geographically proximate firms in vertical and horizontal relationships involving localized enterprise support infrastructure with a shared developmental vision for business growth, based on competition and cooperation in a specific market field (Pitelis et al, 2006). This study uses the term ‘clusters’ based on the definition given by Pitelis (2006), which embraces all elements that are important for the description and analysis of the study. "Clusters are agglomeration of firms in a particular activity, usually with geographical dimension, with horizontal and (preferably also) vertical intra and (preferably) inter-sectoral linkages in the context of a facilitating socio-institutional setting, which cooperate and compete (cooperate) in inter (national) markets” (Pitelis et al., 2006: 20).

As Shmitz and Nadvi points out, clustering is a route to economic development and social well-being, there being many examples of successful clusters bring much to their localities. There is also increasing evidence that clustering can help boost industrial growth in developing countries (Porter, 2000). For instance, Clustering supports a diverse range of specialized local input suppliers and intermediate input and service providers at lower cost. The existence of a pool of specialized skills and knowledge, knowledge externalities, promotes different forms of learning through dissemination of ideas, by continuous dialogue in social networks (learning-by-interaction) and learning-by-doing (UN, 2007).Hence, cluster development provides a wide range of advantage that enables cities to become competitive and contributed to employment generation, poverty alleviation and provision of a favorable environment for further industrial development by creating economies of agglomeration (*e.g.*, Krugman, 1991; Nadvi and Schimtz, 1994; Hayami *et al.*, 1998; Schimtz and Nadvi, 1999; Sonobe and Otsuka, 2006).

Conversely, there are various critics in cluster approaches in the context of competitiveness. For instance, Ietri and Kresl (2015:7) argued that, "clusters worked only in some industries and location. Some industries were dominated by parent to subsidiary linkages that allowed for none of the interrelations among firms within the spaces of the cluster that is vital if clusters benefits are to be realized. Therefore, while clusters are of importance in some situations, they can be also less important to the economy of a particular city in other situations.

However, in Ethiopia, industrial cluster development is an emerging phenomenon. The most common types of clusters in Ethiopia are natural clusters, which grows out spontaneously from the concentration of economic activities based on market forces over a long period. Although the exact number of natural clusters in Ethiopia yet unknown, they are found commonly among labor-intensive manufacturing sectors and are mostly located in urban centers, rural towns and tourist areas (CMI in Merima Eds, 2012, p. 2). Some examples of such clusters are the footwear cluster in Mercato, Addis Ababa, and the metal and woodwork cluster in Mekele, the bamboo work cluster in Hawassa and the handloom cluster in Addis Ababa.

Recently, the federal government has established industrial cluster zones around Addis Ababa and in selected cities including Dire Dawa and Hawassa. The core intention of cluster development is to promote technological transfer, bridge the link between MSEs and medium and large industries, and to improve the competitiveness of domestic resource based industries (FDRE industrial policy, 2010/11, p. 24). From these points of view, cluster development is not a function of an actor rather it encompasses different actors that are involved in the process of urban development. Therefore, the contribution of cluster development for cities' competitiveness will be examined based on the notions that underpin the theories of cluster development.

Finally, the theories of urban governance are used to address the questions of "who, how, and what" of governing cities. Moreover, it provides the theoretical insights to understand the role of urban coalitions or public-private partnerships in driving strategies for urban development and regeneration (Bassett, 1996; Elkin, 1987; Harding, 1994; Logan and Molotch, 1987). For instance, the Regime theory (Elkin, 1987; Stone, 1989) suggest that the limited power of public officials to bridge the gap between state and non state actors as well as the local state essentially relies on cooperation with private actors to induce urban economic growth.

Conversely, Elite theory asserts that the urban policy, strategies and planning decision would not be made with the demands and interests of people rather derived from the interest of governing or dominating groups. Hence, based on these assertions the way of power distribution among various actors and the significant role of various actors in the study settings would be examined.

Regarding the theories of competitiveness, location and cluster theories are identified for analytical purposes. The location theory in particular provides analytical tools to assess the factors that are regarded as playing the major role in the development of urban regions. While the cluster approaches offer a practical framework how the government facilitates the private sector collaboration, for collective efficiency, particularly to create networks between those companies leading the export product services to outside and small and medium enterprises that supply inputs to these leading companies. Hence, a cluster approach is not to create new clusters, but to promote and exploit synergies (UN-HABITAT, 2013, p. 14). Thus, from these theoretical perspectives the conceptual framework is suggested to indicate the issues that the study focused on and the relationship between the variables that used to measure urban competitiveness and governance in the study areas.

2.5. The Conceptual Framework and Measuring Variables

The conceptual frameworks are ways of looking at or conceiving of objects of study, they provide a frame of reference through which reality can be examined (Judge, 1995:1). Within this framework, this study develops a conceptual framework by integrating different approaches that have drawn from the notion of urban governance and competitiveness of cities (Figure 5).

It is important to define the general process of city competitiveness formation and also the most important factors with their structural elements influencing the formation of city activity results. As Begg (1999) denotes, "... understanding the factors improving the competitiveness of cities in national and international markets helps to identify their current position more effectively and to foresee possible perspectives for a more targeted city development policy" (Sinkiene, n.d).

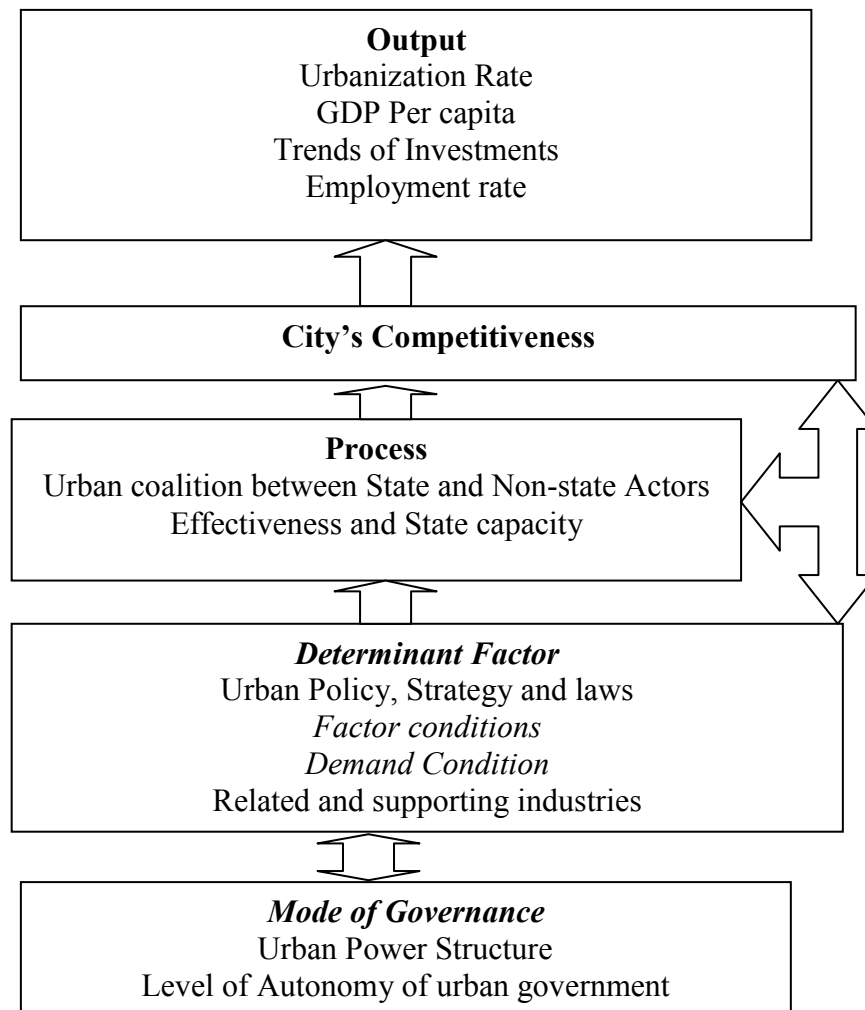
The conceptual framework (figure 2.1) of this study demonstrates the interrelationship among the elements of urban governance and cities' competitiveness. The model considers cities as

an ‘open system’ in which the city's competitiveness capacity are influenced by different factors that are derived from external and internal sources. However, the study is set to focus only on the factors that were related to the governance system. *First*, the framework expresses the two dimensions of urban governance; these include urban power structure and the level of self-governing and autonomous power of the urban governments. Modes of governance are the structure and process that shape local political decision-making (Digaetano, 1997). The dimension of modes of governance enables to analyze the social, political, economic, intergovernmental, and the political decision-making structure and process in the context of the case areas.

As noted above, the modes of urban governance constitute two components. These include *urban power structures*, which influence how cities are governed by affecting allocation of political power among urban leaders. In short, how ruling elites govern depends on the distribution of political power in a city. This is because of the power relations between central and local government as well as among local actors have had a potent influence on making and implementing urban policies.

In the case of this study, the urban power structure would be examined based on the degree of authority and power that is vested in a formal structure such as national and regional governments, executives, city councils and administration (Kearney and Bowman, 2011, p. 278).

Figure 3: City Competitiveness Model with respect to Urban Governance



Source: Designed by the author from different sources (see Kresl, 2006; ADB, 2011)

The other component of the modes of governance is the self-governing and autonomous power of urban governments. The self-governing power and autonomous power are regarded as the legal responsibility of authorities to decide independently within the law on the issues that matter to the local communities (i.e. Cities) in which they operate (Zaharia, 2011). Second, the framework provides the determinant factors of the competitiveness of the cities based on the ‘Porter’s diamond’ model. Four corners of the diamond are ‘factor conditions’, ‘demand conditions’, ‘firm strategy, structure and competition’ and ‘the presence of related and supporting industries’ (Porter, 1985:81).

These enable the researcher to examine how the mode of governance in city administration can influence the competency of cities based on each determinant as well as it could be used to measure the extent of influence in city's competitiveness. Third, the framework integrates the determinant factors and the outputs of city's competitiveness. Cities can gain competitive advantages through the involvements of various types of players in the process of urban development, in particular in pursuing competitiveness.

As noted above in the literature part of this study (refer to section 2.4 in Chapter 2) competitive advantage is dependent on the effectiveness and efficiency of the urban coalition between state and non-state actors. The governing coalition is the area where the coalitions and power structures set and carry out governing agendas (UNCHS, 1997). Governing coalition can also be the involvements of the public, private, community or civic society in policy making and in setting priorities that promote competitiveness (Digaetano and Klemanski, 1999). In this context, the city's competitiveness could be enhanced through the process of coordinated and integrated efforts of the state and non-state actors.

In order to coordinate the efforts of various actors and to promote the involvements of the non-state actors in making decisions on urban matters that needs formal structure and legal frameworks. For instance, hierarchy or formal structure of cooperation, locality specific rules and regulations that bridge the public-private divide (Lauria, 1997, pp. 100-103). Hence, within this framework the vertical coordination among different tiers of government, modes of intervention, and the horizontal linkages within the state and between the state and non-state actors were examined.

In general, the framework indicates not only the relationship between variables (i.e. The determinants of the modes of urban governance and the factors that determine cities competitiveness) but also how the state and non-state actors discharge their duties and functions in making cities competitive. Finally, the output model is used to measure competitiveness in terms of urbanization rate, employment and unemployment rate, and investment or the rate of new firm formation. Within this conceptual framework the dimension of analysis and the variables that were used to measure and analyze the empirical data on urban governance and urban competitiveness are identified. For instance, to assess governance, the two dimensions of analysis of governance further splits into eight different variables (see Table 2). Moreover, the determinant factors of urban competitiveness were

also selected to construct competitiveness index. These indicators are very limited, but it helps to indicate the status of urban competitiveness in the context of the study area. To sum up, in order to assess and measure urban governance and cities' competitiveness, the suggested conceptual framework has attempted to bring the 5 dimensions of analysis along with the 16 variables. The variables are the basic unit of governance and competitiveness that is sought to be assessed or measured. The variables within each dimension are given below in

Table 2: Variables Used for the six Dimensions of governance and Competitiveness

	Dimension	Variables/indicators
Modes of governance	Urban power structure, Self-government and level of autonomous power	Legitimacy Forms of political power (i.e. consensus, compromises, bargaining and pre-emptive) Level of self-governing and autonomous power (i.e. initiation and immunity) Mode of intervention of higher level of governments
	Process	Effectiveness Responsiveness State capacity Representation
	determinant factors	Factor conditions Demand conditions Strategy and rivalry Supporting and related industries
Cities' competitiveness	The output factors	% of unemployment rate Population growth % of people employed in total population Investment trends

Source: From various literatures (World Bank, 2010; WEF; 2011-12; UNCHS, 2011)

2.6. Conclusion

In order to understand and analyze the urban governance system and urban competitiveness in the case study areas different governance and competitiveness theories were discussed above. The primary concern of these theories would be employed to analyze 'urban governance', which are addressing the questions of "who, how, and what" of governing cities, as well as one of the defining characteristics of governance is a more visible role for

urban coalitions or public–private partnerships in driving strategies for urban development and regeneration (Bassett, 1996; Elkin, 1987; Harding, 1994; Logan and Molotch, 1987).

In this sense, the Regime theory (Elkin, 1987; Stone, 1989) points to the limited power of public officials to bridge the gap between state and non state actors and the local state essentially relies on cooperation with private actors to induce urban economic growth. Conversely, Elite theory asserts that the urban policy, strategies and planning decision are not made based on the demands and interests of people, but rather based on the interest of governing or dominating groups. Hence, based on these assertions the way of power distribution among various actors and the significant role of various actors in the study settings were examined.

Regarding the theories of competitiveness, location and cluster theories are identified for analytical purposes. The location theory in particular provides analytical tools to assess the factors that are regarded as playing the major role in the development of urban regions. While the cluster approaches offer a practical framework how the government facilitating the private sector collaboration, for collective efficiency, particularly to create networks between those companies leading the export product services to outside and Small and medium enterprises that supply inputs to these leading companies. Hence, a cluster approach is not to create new clusters, but to promote and exploit synergies (UN-HABITAT, 2013, p. 14). Thus, from these theoretical perspectives the conceptual framework is suggested to indicate the issues that the study will focus on and the relationship between the variables that used to measure urban competitiveness and governance in the study areas.

CHAPTER THREE: RESEARCH DESIGN

3.1. Introduction

This chapter presents the proposed research methodology, methods and data collection instruments and analysis techniques. In addition, it describes the rationale for the application of the mixed research approach, the case study as a research method and various techniques used to identify, select and analyze the information obtained from the case study areas.

As discussed in chapter two of this dissertation, the research on urban governance and competitiveness has been done through various methodological approaches. The fundamental underlying epistemological and theoretical perspective on knowledge of urban governance and competitiveness are made from predominately urban political and economic perspective.

Therefore, trying to understand the fundamental nature of urban governments the most widely used approaches are derived from the theoretical perspectives of the political process model that is the Elitist and the pluralist view of urban governance (Ronald K. Vogel, 1997; DiGaetano and S. Klemanski, 1999; Nico Giersig, 2008). In addition, urban competitiveness was examined in terms of a set of economic (i.e. Factor of production, infrastructure, location, economic structure, and urban amenities) and strategic factors (i.e. Governmental effectiveness, urban strategy, public-private sector cooperation, institutional flexibility) (Nick Oatley, 1998).

Within this framework, the following section presents a description of research methods, data source and collection techniques.

3.2. Research Methodology

The researcher has applied many conceptual and methodological approaches to this study in order to examine the issue of urban governance and competitiveness. Urban governance and competitiveness are investigated predominately based on urban political and economic perspectives. Urban political economy is the basis to understand urban governance (Stone, 1987). One important theoretical development in the study of urban political economy is the urban regime theory developed mainly in the context of the United States (Fainstein and Fainstein, 1983; Lauria, 1997, 2004).

Therefore, the fundamental nature of governance has derived from the theoretical perspectives of the political process model, that is the elitist and the urban regime analysis view of urban governance. According to these approaches, governance is examined based on the ways in which political power and influence are distributed and exercised in the cities.

The main distinction between the elitist and the urban regime analysis in which the elitists provided the power can be described as hierarchy and domination oriented (Parker, 2004). A particular position will endow actors with the capacity and instruments to exert power over other actors. As an alternative, the urban regime approach offers an understanding of power that does not rest primarily on social control, hierarchy and dominance, but rather on the horizontal cooperation of different groups of actors, who thereby acquire the shared *power* to solve certain problems or realize particular projects (Stone, 1998)

In other words, to understand urban governance one must know how the structure of power determines the competitiveness of a city; the strategies and destinations; the comparative influence of public officials and private sectors cooperativeness' working arrangements between state and non-state actors in implementing authoritative decisions (Vogel, 1997; DiGaetano and Klemanski, 1999; Giersig, 2008).

On the other hand, several researchers have introduced diverse approaches to examine the subject of competitiveness. For instance, Kresl (1995:51) has attempted to conceptualize the determinants of urban competitiveness in terms of a set of economic (i.e. Factor of production, infrastructure, location, economic structure, and urban amenities) and strategic factors (i.e. Governmental effectiveness, urban strategy, public-private sector cooperation, institutional flexibility) (Oatley, 1998).

Deas and Giordano (2001) conceived cities as assets-outcomes model, and competitive assets are grouped in economic, policy, environmental, and social contexts, and are interactively linked to firm-based and area-based competitive outcomes. The work of Sobrino (2002) also examined the city's competitiveness from the perspectives of "Industrial Competitiveness" based on four constructed variables that refer to the city's absolute and relative changes in its share of national industrial output.

However, the United Nations Human Settlements Program (2013) has provided three different approaches to ascertaining the actual determinants of urban competitiveness. The *first* is benchmarking, the second is a conceptual or structural, and the third is statistical or empirical. The *second* approach is conceptual / structural examining the state of affairs in which a city finds itself and grouping it with other cities in roughly the same position so that they can compare and analyze in relation to other groupings of cities.

The *third* approach of evaluating urban competitiveness is based on a statistical methodology, rather than one of amassing a large set of subjectively selected variables or of imagining possible situations in which cities can be placed as is the case in the first and second approaches, respectively (UNCHS, 2013, pp. 19-23).

The aim of this study is not comparing the units of analysis rather it focuses on the evaluation of competitiveness with respect to urban governance. The third approach, therefore, is more appropriate to conduct this research than the first two approaches because it is important to assess the status and performance of urban systems with existing indicators that have considerable relevance in assessing the competitiveness; instead of using other cities as benchmarks, (Flood 1997; 2000; Heikkila 1999; Fairfax County 1999).

Based on the above epistemological and methodological background of the research, both qualitative and quantitative case study approaches were employed to examine urban governance and urban competitiveness in the context of the case study areas.

A quantitative survey was enabling the researcher to make a clear comparison of the trends of the outcomes in terms of the employment rate, the growth rate of domestic and foreign investments, and the growth rate of urban population by state and non-state actors statistically. To make the study more comprehensive and to complement the quantitative data, the qualitative case study approach has been used to examine urban governance and competitiveness in the context of cities by using a variety of data sources. For instance, the data that are related to the urban policies and strategies, about the stakeholder involvement to enhance urban competitiveness, the strengths and weaknesses of each city etc... have been examined qualitatively.

In line with this, the variables and indicators used to measure competitiveness in this study were organized from various literatures and widely cited sources such as the International

Institute for Management Development (IMD) and the World Economic Forum (WEF), which assesses the competitiveness of cities as, outlined in the table 1.1 above. Finally, the following section discusses the research design, i.e. Research methods, data source and data collection techniques, and approaches to analyze the empirical data that obtained from primary and secondary sources.

3.3. Research Methods

3.3.1. Case Study: Rationale and Selection

As discussed above, various research methods were used to study a research on urban governance and competitiveness. As a result, there is no a generally accepted method that guides governance analysis from an economic perspective. Yet clearly, some ways are better than others are for certain purposes. For instance, large-scale survey is more appropriate to assess the cities' competitiveness and urban governance in a given country. While, given limited resources, many *case studies* are conducted as a second-best alternative to more expensive large-scale research (Eckstein 1975; Yin 1984 as cited in Vogel, 1997).

Case study is simply a research method that uses in-depth investigation of one or more examples of a current social phenomenon, utilizing a variety of sources of data. A *case* can be an individual person, an event, or a social activity, group, organization or institution (Yin, 2003). Within this framework, this study employed *Case study* as a research method because its aim is to gain insight into the conjectural patterns linking many variables in one city and to describe them accurately in terms that might apply to other cities (Stone, 1989, pp. 255–6).

With regard to the cases and the units of analysis of the study, the two cities are considered as cases that are being studied and the unit of analysis is the major entity that is being analyzed in the case study. It is that *what* or *who* that is being studied. In this case, the *urban governance* and *urban competitiveness* are the units of analysis that are being analyzed in the study. In addition, the case study has different categorizations, for example, Yin (2003) use different terms to describe a variety of case studies. He categorizes case studies as explanatory, exploratory, or descriptive. He also differentiates between single, holistic and multiple-case studies.

Hence, given the nature of the study both the descriptive and explanatory case study research methods were employed to investigate the research problems in the case study area. This is because of the actual power distribution would be described between the state and non-state actors, as well as the causal link between urban governance and cities' competitiveness were explained.

3.3.2. Population, Sampling Design and Techniques for the Study

The population of the study includes both the state and non-state actors who are involved in urban, political, social, and economic activities in both Dire Dawa and Hawassa cities. These include public institutions, private sectors, civic society organizations that are involved in the overall process of urban development

The information that is compiled by CSA about the number of business firms in terms of scale of production and the list of civil society organizations that were found in the bureau of finance and economic development of the city administrations were used as sampling frames from which the sample elements were drawn.

With regard to sampling design, both probabilistic and non-probability type of sampling were used. The public institutions and the respondents from public institutions and private and civic society organizations were selected purposively. The respective duties and functions and the extent of influence on making decisions on urban governance system were used as criteria to include within the sample. These include City's Councils, Municipalities, Trade, Industry and Investment bureaus, Revenue authorities and Infrastructure related offices. In addition to public institutions, respondents from political parties, representatives from civic society and consultants on urban issues are chosen purposefully based on the criteria set out above.

Conversely, in order to select samples from CSOs and private sectors (or firms) probability sampling techniques were employed. The aim of obtaining information from CSOs and firms was used to solicit opinions of CSOs and business people about the quality of services, the degree of involvement and their role in the decision making process, and their relationship with local government. In other words, this enables the researcher to assess the power distribution among various actors in the city.

Hence, in order to determine a minimum sample size from the residents and business firms the researcher used the formula shown in the box below (see, box 3-1). Theoretically, the permissible margin of error can vary from 5 to 10 percent or even slightly more depending upon the scope and financial constraints of the study. However, in this study, 5 percent margin of error is taken. Hence, the sample size was computed based on the above formula (see box 3-1).

Then, the samples from each category were selected randomly by using the systematic Random Sampling (SRS) techniques; the lists of populations in which the sampling frame was obtained from different sources including public institutions that were found in Dire Dawa and Hawassa as well as the data from the central statistics agency of Ethiopia was utilized to obtain the manufacturing firm.

Equation 1: The formula for Sample Determination

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

Where n= required sample size; N= Definite population size

e= margin of error to be tolerated (i.e. 0.05) (Adopted from Harper (1994))

As shown below in Table 4, the sampled respondents were drawn from different population that has direct relation with the subject of the study. However, the private sectors, particularly who engaged in the service sectors and trade were vast in number. Hence, for the purpose of this study, the lists of the private sectors were determined based on their size of employees (i.e. > 10 employees). The total population of Large and Mediums Industries (LMIs) and the model Micro and Small Enterprises (MSEs) were included in the sample based on the report of the trade, industry and investment bureaus of the city administrations.

The MSEs and LEMMIS were identified based on the classifications of the Central Statistics Agency (CSA). According to CSA, MSEs and LEMMIs are classified based on the size of employment and the extent of automation (CSA, 2010). According to the definition of central statistics agency of Ethiopia:

Table 3: The Definitions of large and Medium and Small and micro enterprises

Large and Medium Scale, manufacturing enterprises has been classified as establishments with more than ten employees and that use automated machinery, whereas “Small and Micro Enterprises (SMEs) are establishments that engage less than 10 persons using power driven machinery.

Source: CSA (2010)

Table 4: The Population, the Sample Size and the Response Rate of the Study

Target group	Dire Dawa				Hawassa			
	N	n	Returned questionnaire	Response Rate	N	n	Returned questionnaire	Response rate
Private Sector	223	146	125	64	194	131	97	68
Manufacturing industries	62	40	36	64	87	60	59	68
Model MSEs	85	55	46	64	55	38	24	68
Construction	10	7	6	64	2	2	2	68
Social Sector	15	10	7	64	14	10	8	68
Trade and Commerce	24	16	14	64	18	13	13	68
Hotel and Tourism	17	11	9	64	26	18	16	68
Urban Agriculture	9	6	5	64	19	13	10	68
Member of City's Councils	30	30	27	90	30	30	24	80
CSO's	59	52	48	88	66	45	42	68

Source: Author

The representative samples were taken from model small and medium enterprises and from the large and medium industries. Both the micro and small enterprises and medium and large industries are considered as a strata because they are heterogeneous, as a result, the sample size for each stratum is determined based on the above formula (see box 3.1) then the samples would be drawn randomly using the lottery method from each Stratum.

The list of SMEs and LMMIS compiled by each city administration was used as the sampling frame. In addition to the public and private sectors, representatives from a Civic Society Organization (CSOs) were selected based on their size of the budget that was allocated for urban development.

3.4. The Profile of Surveyed Respondents and Firms

As explained above, the respondents to survey questionnaires were selected from state and non-state actors. The profiles of respondents are presented in Table 5.

Table 5: The profile of respondents by cities

	Variable	Dire Dawa	Hawassa
By sector	Public sector	27	24
	Private Sectors	123	146
	CSOs	48	51
Respondents by position	General Manager	54	48
	Department Head	32	33
	Employee	35	11
	Others	4	16
Members of CC by political Parties	OPDO	11	0
	ESPDP	10	0
	TPLF	2	1
	ANDM	2	1
	SPDM	2	22
LEMMIS by year of foundation	Before 1991	4	0
	1991-2000	16	0
	2001-2010	21	21
	After 2010	0	10
LEMMIS by intensity of technology	High Tech	0	0
	Medium High Tech	2	14
	Medium Low Tech	12	13
	Low Tech	20	31
LEMMIS by Scales of production	Fully Operational	10	20
	Partially Operational	25	34
LEMMIS by line of business	End consumer Manufacturing	26	22
	Intermediate Manufacturing	9	27

Source: Author

The survey questionnaires were distributed for different group of respondents such as the members of city council, CSOs, and the private sectors. Respondents from the private sectors

were selected from service sectors; large and medium manufacturing industries and micro and small enterprises. However, head of public sectors and the representatives of chambers of commerce were not included in Table 3.2 because the information obtained from these groups was analyzed independently.

In the case of Dire Dawa, the respondents were constituted from city councils (13.6 percent), private sectors (62.1 percent) and CSOs (24 percent). In the case of Hawassa city, 10.8, 66, and 27 percent of the respondents were from city's councils, private sectors and CSOs respectively. Most of the respondents from the city councils were elected one to three terms, so they are the appropriate people to fill the questionnaire because they are knowledgeable on issues related to governance and competitiveness in order to fill. The majority of the members of the city council were from the ruling party that is EPRDF, though the Somali People's Democratic Party (SPDP) has some representation. In addition, the majorities of the council members were from the same ethnic background. The composition of members of the council might negatively influence on the objectivity of the information. For this reason, the researcher has triangulated the information obtained from the council members with information from private sectors and CSOs.

The surveyed private sectors were constituted from the service sector, the micro and small enterprises, and medium and large industries (see table 3.2). The diverse nature of the respondents enables the researcher to have adequate information about their role and effects in making and implementing urban development policy. As shown in table 3.2, the surveyed manufacturing industries were also different in terms of the intensity of technology (i.e. High, medium and low tech) and scales of production (i.e. Fully and partially operational).

3.4. Data Source and Collection Techniques

Within the selected case study areas, quantitative and qualitative case study approach was used by combining ranges of primary and secondary information sources. These different sources of data are discussed below.

3.4.1. Primary Sources

In order to obtain the primary data that were related to modes of governance system and cities' competitiveness, survey of individuals and organizations were carried out. Hence, as described above questionnaire were distributed to sample respondents from public offices,

private sectors and CSOs. The questionnaire that employed in the survey were adopted by different international organizations such as the World Bank Institute (WBI), World Economic Forum (WEF) and UN-HABITAT, which were used to measure urban governance and competitiveness performances in different countries. In addition, the primary data are gathered with field research techniques, consists of a series of semi structure, and structured interviews with selected respondents. As shown below in Table 6, the questionnaire was sent to all organizations based on the number of sample sizes in public, private and civic society organization that were found in both cities. All together sent out 440 questionnaires of which 365 (82.9 percent) were sent back. The organization to which the questionnaire was sent were those which were involved in urban governance system, the respondents have either the head of the organization or representatives of the organization. The missing values were replaced by mean of nearby points with the help of SPSS.

Table 6: The total number of questionnaires distributed to respondents

	Dire Dawa		Hawassa	
	Total Number of questionnaires distributed	Returned Survey questions	Total Number of questionnaires distributed	Returned Survey
Public Officials	33	29	33	24
Private Sector	146	125	131	97
CSOs	52	48	45	42
Total	231	202	209	163

Source: Data Survey by Author, 2015

As shown below in the Table 7, interviews were conducted with the Deputy Mayor, the speakers and the chairpersons of standing committees of the council, influential individuals, representatives of private sectors (e.g. Chamber of Commerce) and members of civic societies in both cities. This is because, they deal with the government machinery on a regular basis; they were also good sources of feedback from the decision maker perspective and user perspective on the issue of governance and competitiveness. The respondents are presented below in the table.

Table 7: The lists of respondents (interviewee) in Dire Dawa and Hawassa

Respondents	
Deputy Mayor and Head, Bureau of Trade, Industry and Investment	Dire Dawa and Hawassa
Spokesman of the City Council	Hawassa
Deputy Spokeswoman of the Council	Dire Dawa
The Head of the Office of the Mayor	Dire Dawa and Hawassa
The chairperson of standing committees	Dire Dawa and Hawassa
Focal person for Charities and Societies in Bureau of Finance and Economic Development	Dire Dawa and Hawassa
The representatives of SPDP and SEPDM	Dire Dawa and Hawassa
Director for Center for Charities and Societies	Dire Dawa and Hawassa
The Chair Person of Chamber of Commerce and Sectoral Associations	Dire Dawa and Hawassa
Four selected influential individuals	Dire Dawa and Hawassa

Source: Data Survey by the Author, 2015

The data obtained through questionnaire are focused on the role and involvements of the NSAs in making and implementing urban development policies, particularly, the influence of CSOs and private sectors to reflect their preferences on various decisions that affect the entire urban development and their interest. Along with the primary data various laws, regulation and proclamation, policies and strategies, minutes were reviewed to rich the data.

3.4.2. Secondary Sources

Given the nature of the study, wide ranges of secondary source materials were used to describe, explain and analyze urban governance and competitiveness of the cities. These include *Minutes from city councils and city administration offices* in both case study areas. These sources of information were very useful in different ways. In order to assess the extent of influences of the city council on the decisions or proposal that presented by the city cabinets (e.g. Budget proposal, appointments and removals of officials), the participation of representatives from private sectors and CSOs in public hearing, and the discussions of the Mayor with private sectors were used as a secondary source documents. Secondly, the minutes also help to understand how the decision process has been made in cities' council and to examine the extent of the participation of non-state actors (i.e. Representatives from CSOs and influential individuals) during the plenary session of the city council and public hearings. In both cities, the minutes of the plenary session of the city council and the standing

committees from November 2010 to June 2015 (i.e. Fourth tenure of the council) more than 23 documents were examined.

Documents such as the Constitutions, City's Charter, and different Rules and Regulations provide information on the allocation of authorities and responsibilities between the formal and informal actors; and on the structural arrangements of the city's government to respond to urban problems. *Policy and Strategy documents*: a range of policies and strategies has been formulated at national and regional levels that are related to urban governance and economic development. The policies and strategies related to urban development, such as the strategies of Small and Micro Enterprises (SMEs), the laws and policies on trade, industries and investments, land lease, as well as long-range plans like a Plan for Accelerated Sustainable Development to End Poverty (PASDEP) and the Growth and Transformational plan (GTP) in which the government expressed its commitment towards poverty reduction have been examined to determine its impact on making cities ' competitiveness.

These documents contain information about the strategies and directions to attract foreign and domestic investments; provides directions to foster industrial clusters and SMEs; and identified the role of each actor in the implementation process of the policy. Importantly, these documents enable the researcher to evaluate the strength and weakness of the local government in relation to utilizing their competitive advantages.

Statistical information: Many annual statistical abstracts published by the central statistical agency were used to assess the socioeconomic profiles of the two cities including the employment rate, GDP, the size and the rate of urbanization and population growth, and the productivity of the city. Finally, the relationship among the research questions, conceptual framework and data source and collection techniques are summarized in table 3.5, with the dimension of analysis and measuring variables of governance and competitiveness.

3.5. The Reliability and Validity of the Study

The term *reliability* defined as the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered reliable (Joppe, 2001). In order to fit the context of this study, the researcher adapted instruments and units of measurements used by International institutions such as WBI, WEF and OECD.

In order to increase the reliability and validity of the instruments, a pilot test was conducted with 38 participants that were selected randomly in both Hawassa and Debre Berhan city administration. Then, the questionnaires were improved based on the results obtained during the pilot testing. The term validity is defined as the extent to which the instrument measures what it purports to measure (Jessop, 2000). In this study, the qualitative research would be validated by using both the methodological and data source triangulation. The methodological triangulation involves the use of multiple methods. Hence, the qualitative information would be triangulated by complementing with quantitative data. On the other hand, the data triangulation involves using different sources of information in order to increase the validity of the study.

In this study, in order to triangulate, the data obtained from the executive and the members of city council would be crosschecked by private sectors and vice versa through interview and surveyed questions. Moreover, the quantitative information, particularly the urban governance and competitiveness indicators that are clustered in the same group would be checked using correlation whether they have discriminant validity. Hence, each indicator in each dimension would be expected to correlate at 0.95 levels of confidence.

Regarding the response rate, in both cases the 440 (see table 6) questionnaire were distributed to participants, of which 365 questionnaires were completed. The response rate would be 83 %, which is good to produce accurate and useful results. In order to increase the response rate, the researcher use different strategies, among these, all participants in both private sectors and CSOs would be managers who feel responsibility when compared to other ordinary employees, the data collectors were PhD candidates and Masters Students in Haromaya and Hawassa University, and the head of government's communication affairs bureau of Dire Dawa and the secretariat office of Hawassa city administration head had played a lion share by reminding participants through calls. Moreover, the survey was open for 21 days (3 weeks) in Dire Dawa and for 30 days in Hawassa.

Finally, there are different missing data due to different factors, in the case of this study, respondents leaving some questions that are not relevant to his/her responsibility and some respondents were declining to respond for interrelated questions (e.g. If your answer for the above question.....). Hence, the missing values in this study would be managed by filling in the missing values with estimated scores (imputation) by the help of SPSS.

3.6. Data Analysis Procedure

This section presents the tools to examine, categorizing, tabulating and interpreting both the quantitative and qualitative evidence to address the initial research questions or objectives of the study. The performance (or results) of cities that are related to governance and competitiveness are analyzed by using statistical and qualitative tools.

The researcher categorized the data into two broad themes (i.e. Governance and Competitiveness) so as to analyze the two separate concepts using different approaches. The first part is the presentation of the analysis of governance. The analysis of governance, mainly depends upon *document* analysis. In order to verify the power relationship and the allocation of responsibilities between state and non-state actors and to examine the extent of the shift in governance arrangements; the researcher examines various laws and regulations including the constitution and minutes (i.e. Qualitative document or content analysis).

Then, the results that are obtained from the document analysis would also compared in line with the *theoretical insights* that presented in the literature part of this paper as well as how the state and non-state actors are acting based on the frameworks of the laws. In addition, SPSS a computer assisted programs or a software package is used for quantitative analysis. The *second* part of the case study looks at the indicators of governance to measure the performance of urban competitiveness. Hence, wide ranges of statistical tools are used to analyze the performance of city's competitiveness. These include correlation, regression, an independent t-test, and a one-way analysis of variance, which would be utilized to infer the relationship between the variables that were used to measure governance and competitiveness of the cities.

The correlation and regression analysis are used to analyze the outcome that was produced from the case study areas based on the identified dimensions and indicators that are mentioned above (e.g. In generating employment opportunities & the contribution to GDP). The coefficient of correlation for sample data is used to measure the extent of the relationship between the effectiveness of governance and the performance of city's competitiveness by computing the results of the six dimensions of urban governance and competitiveness. On the other hand, multiple regression analysis is used to estimate the performance of competitiveness (i.e. The dependent variables) based on the determinant indicators, which are considered as independent variable. These include the availability of skilled labor, the rate of

population growth, the quality of urban service and infrastructures, the quality of local government in terms of effectiveness, etc.

The survey questions were designed in the form of Likert-type scale and it would be analyzed as an interval scale (see, for instance, Baggely & Hull, 1983; Murre & Pierce, 1998) by calculating a composite mean score of response. Likert 5 point scale ranging 5= strongly agree to 1= strongly disagree. Hence, it would be interpreted the answers as follows:

- Under 1.5 or over 4.50 the disagreement or agreement is very significant
- Between 1.51-2.50 or 3.51—4.50 disagreement or agreement is generally significant
- Between 2.51-3.5 the issue is not really significant

Finally, in order to display the relationship between variables and to facilitate the data manipulation process various charts and graphs are utilized.

CHAPTER FOUR: URBAN GOVERNANCE SYSTEM IN THE CASE STUDY AREAS

4.1. Introduction

This chapter describes and analyses the modes of urban governance system in the study areas based on the theoretical and empirical evidences that were obtained from different primary and secondary sources. As explained in the literature part of this study, the theories of governance dominated on the complex relationship among the public, private, civil society the political decision making structures and processes. In other words, the notion of mode of governance focuses on the questions of “who, how, and what” of governing cities.

Thus, the first research question will be answered in chapter 4, while this chapter together with chapter 5 addresses the second and the third research questions, As stipulated in chapter one, the second research questions was how the urban governance system (formal and informal political and governmental arrangements) can distribute power and authority within the state, between the state and the non-state actors; the third research question was how urban governing system can determine the level of cities’ competitiveness performance.

The first two sections (Section 4.2 and Section 4.3) of this chapter spells out briefly the institutional arrangements of the federal governments and the urban governments of the case study areas based on the legal and constitutional provisions for the cities in the structure of the federal and regional government. Section 4.5 analyses the power distribution within state actors (Executive vs. Legislative and urban/local vs. federal/regional governments) and between state and non-state actors. Section 4.6 analyses the role of state and non-state actors in making and implementation of urban development policy and strategies and its implication on city's competitiveness.

Finally, Section 4.8 discusses the trends on the shift from “government” to “governance” in the two cities.

4.2. The Structure and the Power Division in the Federal Government

As noted above, this section describes and analyses the urban governance systems of Dire Dawa and Hawassa cities’ administration from the context of the federal government structure, constitution and different laws. Historically, Ethiopia had a centralized and unitary

form of state before the fall of the Military government. After the fall of the Dergue regime in 1991, the charter of the Transitional Government of Ethiopia has declared that the state structure would follow the Federal forms of government, which was consisting of the principles of the division of powers and authorities between the central and regional governments.

In Ethiopian, the House of Peoples' Representative and the House of Federation is the legislative organ of the federal government and it has the highest power to formulate legislation and policies on matters under their jurisdiction. The Prime Minister and the council of Ministers have the executive functions and accountable to the legislative organ of the government. The president of the country is the head of state, and have a power to proclaim laws that approved by the legislature.

The federal government comprises nine regional states and two city administrations. The boundary of the regional states is delimited based on their settlement patterns, language, identity and consent of the people concerned. The regional states have been established based on the constitution of FDRE while Addis Ababa and Dire Dawa cities' administration were part of the structure of the federal due to various historical and political reasons. As a result, both city administrations have equal political power to that of the national regional states.

In the case of Hawassa, the city administration has been established based on the constitution of the Southern, Nations, Nationalities and Peoples' Regional State and the city administration is directly accountable to the regional state. Hence, the city administration in Hawassa does not have equal political power as Addis Ababa and Dire Dawa city administrations. As a result, the urban political and administrative structure of the Hausa city administration would be found on the third level of government structure, which is under the regional state.

With regard to the establishments of the local/urban governments, there are different arguments whether they have constitutional status or not. As to the smallest units of government, the constitution under article 50/4 of the FDRE constitution allows the regional states to establish autonomous local governments that serve as implementing public policies and strategies of the national and regional governments as well as to involve the people

directly at the lowest administrative units. On the other hand, Zemelak and Yonatan (2013) argue that the constitutional status of local governments appears to be ambiguous in Ethiopia.

Regardless of the arguments on the constitutional basis of local/urban governments, the regional states have a power to establish these government structures (Woreda, City's Administration, and Kebeles) on their respective territories. The structure of the organ of the regional states and the chartered cities is similar to the federal government structure in which they are exercised the legislative, executive, and judicial powers within their area of jurisdiction.

From governance points of view, the Constitution and the structure of the Federal Democratic Republic of Ethiopia that is currently at work clearly specifies the share of power and responsibilities among different levels of governments irrespective of the level of local autonomy and self-governing power of the local government.

4.2.1. Urban Governance System of Dire Dawa and Hawassa

As noted in the previous section 4.1, the constitution of FDRE has specified the member state of FDRE but the city administration of Dire Dawa has no place in the constitution of the DFRE. The city is geographically located between the Somali and Oromia Regional State; and it is a resident for the two major ethnic groups of peoples (Oromia and Somali) which account 46 % and 24 % of the total population. As a result, both Oromia and the Somali region have the claim to include the City of Dire Dawa on their territories or to bind to their regions. However, the federal government has decided the Dire Dawa city administration being one of the cities of the federal government until the claim of the two regions will be resolved.

Therefore, the Dire Dawa city is organized under the Federal Democratic Republic of Ethiopia administration „*Dire Dawa City Administration charter proclamation No. 416/2004*“. According to this Proclamation Dire Dawa city, the administration has the legal personality to establish different organs and bodies of urban government and representatives of the city administration. In the same vein, the constitutions of the SNNPRS stipulated that Hawassa is the political and administrative center of the Southern Nation, Nationalities, and

Peoples Regional State. In addition, the constitution permits Hawassa to become the seat for Sidama Administrative Zone.

As noted above, the Somali and Oromia regional states claim that Dire Dawa is part of their respective regional territories. Similarly, the Sidama's people also demand to administer Hawassa city without any political and administrative intervention of the federal or the regional governments. These results in political tension and source of violence between the Sidama people and the government for the last two decades (source: interview with the Deputy Mayor of Hawassa city council). According to the source, the legitimacy of the question has remained unclear whether it is the interest of the political elite groups or it represents the entire residents of cities. Therefore, this will need further study.

Hence, the arrangements of current urban government systems in Dire Dawa and Hawassa cities have considered the aforementioned problems. For instance, in the case of Dire Dawa, either the mayor is appointed from the Somali or from Oromo ethnic group and the mayor from one ethnic group serves for only one term (a term covers either 2.5 or 5 years). Similarly, in the case of Hawassa the mayor and the cabinet members are appointed from the Sidama ethnic group.

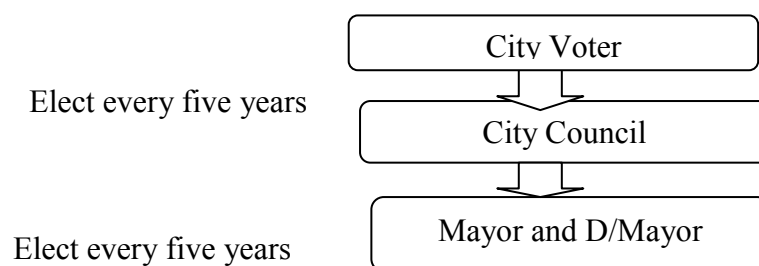
These important factors would help us to understand how urban power is distributed among various urban actors and the principles that employed in the establishments of the urban governance system of the case areas. In line with this, the city of Dire Dawa has gained a legal personality based on the proclamation No.416/2004 that was enacted by the legislative organ of the federal government. The city charter (416/2004) has clearly specifies the power division and function of the legislative (city council) and the executive (city's cabinets) of the city administration.

The city charter has also described the sources of the state power of the city administration in which it derived from election and direct democratic participation of the people. The election of the city council would be held according to the electoral law of the country. The city administration has no right to set out its schedule for election. Rather the schedule is left for the Federal Government or the National Electoral Board of Ethiopia. However, the city administration has a power to make laws and exercise judicial powers over matters that have not specifically been included in the details of the powers and functions of the federal governments. Besides, the city administration has the power to make and implement policies,

proclamations, regulations as well as adopt various economic and social plans concerning the development of the city. What is more, the charter has delineated that the urban government structure should be formed based on the principles of separation of power among different organ of governments including the City Council, Mayor, City Cabinet, City judicial organs, and the Office of the Chief Auditor of the City. As discussed in the literature part of this paper, city governments operate with one of the three structures: a mayor–council form, a council–manager form, or a city commission form. Hence, the Dire Dawa city administration has structured in a mayor-council form.

The city council has the power to adopt policies on matters that fall under its jurisdiction and approve the short-term and long-term economic and social development plans together with the annual budgets of the City. The charter also grants power for city council to render decisions over the executive including the city's mayor and his deputy, spokespersons of the city councils, and over the chief auditor when they violate the code of conducts of the city council. According to the charter, the accountability of the city council is to federal government and its residents. The city council also has a mandate to appoint the mayor and the deputy mayor among the members of city council. Hence, according to the charter, the Mayor and the deputy Mayor must be the member of the city council, and they are elected directly by city voter to be representatives of their constituencies within the city council.

Figure 4: Mayor- Council Form of Government



Source: Arranged by author from Dire Dawa city administration charter proclamation No. 416/2004

The mayor is elected from the members of the city council, and he is accountable to both the city council and the federal government (see Figure 4). According to the charter, the Mayor is the chief executive officer of the city and he is responsible for the management of the city's municipal and non-municipal functions. He is also empowered to perform all executive functions of the city's government. Hence, the mayor has a mandate to execute decisions, laws, annual plans and budgets adopted by the City Council. He can propose various policies, economic and social development plans, and annual budget for the city council after consultation with the cabinet ensuring the implementation upon approval.

However, the power to initiate citywide policies and laws rests upon the city's cabinet. The city cabinet is accountable to the mayor and for its joint decision to the city council. Besides, the manager is accountable to the mayor and responsible for all municipal services. The political and administrative structures of the city administration of Dire Dawa are similar to that of the federal government except the institutions like foreign and defense ministers. This enables the urban governments to actively promote the economic growth of the city through the provision of adequate infrastructure as well as it encourages the power distribution within the state actors (See Annex 8).

With regard to the institutional arrangements of Hawassa city administration, the SNNPRS created the city administration of Hawassa through proclamation No. 103/2006. The Council of the region has granted the city the status of 'city administration'. This enables the urban government having a power to perform both the state and municipal functions like Addis Ababa and Dire Dawa city administration. According to proclamation number 103/2006, the governmental structure of the city is the Mayor-Council form. With respect to this, the system of Governance of Hawassa is similar to that of Dire Dawa in which the city administration is structured based on the principles of the separation of power between the executive and the legislative. Hence, the governance system comprises the city council, the Mayor, the Mayor's committee, the Manager of Municipal services, judicial organs, and Administrative Courts.

As noted above, the city council acts as the legislative organ of the government, while the Mayor and its committee serve as a chief executive of the city. The executive is responsible to initiate and propose policies and ensure the implementation of policies and laws that are ratified by the city council. The Mayor and D/mayor appoint from the members of the City's Council. The administrative structure of the executives organized at departmental level,

which has less power when compared to the bureau. As a result, the city administration of Hawassa has less political and administrative power than Dire Dawa city administration.

The urban government of the city has been arranged into three-tiers of governance structures such as the city administration, the sub-city, and Kebeles, while in the case of Dire Dawa, it be arranged in two tiers of governments. Furthermore, the urban government is formed based on the principles of separation of power among the three branches of governments that include the city council, the executive, and the judiciary. The city council is responsible to the president of the region and its office. The members of the city council should be elected every 5 years in accordance with the national election laws and rules. According to the hierarchy of the urban government, the Mayor and the members of city' cabinets are accountable to the city council. While the accountability of the sub cities and sectoral department would be for the Mayor.

As described above, both cities have arranged at the 'cities' administration' level in order to have powers perform both the state and municipal functions. Moreover, the entitlement of 'city administration' have made cities to have a right to get transfers from regional or federal governments directly. According to the SNNPRS revised cities proclamation No. 103/2006 under article 2/5/1, for the purpose of management and accountability, cities in the region have been classified into two major categories such as 'City Administration Cities' and 'Municipal Cities' (103/2006).

Based on the above classification of cities, the SNNPRS has also classified cities into four groups in terms of the cities size of the population, and the level of economic and social activities these include emerging city administration, medium level city administration, advanced city administration, and leading city administration (103/2006 article 2/5/2). According to the criteria of SNNPRS, if the city has attained the highest level of economic and social growth and the size of the population should be more than 100,000 the city could be categorized as a leading city. Within these standards of the regional government, the Hawassa city would be the leading city administration.

In the case of Dire Dawa, the urban government of the political and administrative structure would be the two-tiers of governance structure such as the city administration and Kebele. In addition to the sectoral bureaus, the municipality is established as an independent institution in both cities. The municipality in both cases are responsible for delivering municipal

services for instance, provision of solid waste, water, sewerage, and drainage services; management of urban land and the provision of urban land services; and delivery of miscellaneous services, including fire protection, libraries, public toilets, street lighting, nursery schools, and ambulance services.

The other tiers of Administration are the Kebele, which is an indispensable unit of the city administration, and accountable to the residents of their respective Kebele and City Administration. The Kebele administrations are responsible for administering the social, economic and political issues at the local level. In the case of Hawassa, there are sub cities between the City administration and Kebele Administration, used as a bridge to link both tiers of governments (the Kebele and City administration). As noted in the previous section, the Dire Dawa City Administration has the same status of regional states, while Hawassa city has the same status of Zonal Administration, which is the administrative and political structure between the regional government and the Woreda administration.

Ascribing this difference in the status of the city administration, in the case of Dire Dawa city, the administrative functions are arranged at the level of bureau, agencies and commissions. In the case of Hawassa, the administrative function is organized as departments, agencies and supportive sections at office levels. In both cases, the public sectors are responsible for state functions. Because of the status difference between Dire Dawa and Hawassa, the size of allocated budget, the number of public servants, and responsibilities would also differ. For instance, the educational bureau of Dire Dawa city administration is responsible for establishing and administering starting from kindergarten to the second cycle of the secondary education, TVET, and medium level colleges. While the education department of Hawassa city administration is only responsible for establishing and administering to the first cycle of the secondary educations. The highest tier of educational career would be remained in the regional state.

From the urban governance perspective, the institutional arrangements in both cities aim to address all the major economic, social and economic problems that faced the cities. However, it lacks autonomous and self-governing power to make policies and long range plans as well as to coordinate the wide range of public and private entities.

In addition, the city administrations have their own institutions that are responsible to improve cities' competitiveness that include promoting investments, provide basic urban

services, generating and collecting revenues. However, the main determinants of cities' competitiveness, including power, telecommunication, licensing and registration of FDI, and determining the tax rate would be residing in the hands of Federal government. As mentioned above, the urban government system in Dire Dawa and Hawassa cities were arranged based on the principles of the separation of power among the three organs of governments such as city council, cities' cabinet, and judiciary.

4.2.2. The Legitimacy and Representativeness of the City Councils

It is important to examine the legal basis of the city council and the extent of their representation of the residents and various opposing interests before investigating the power distribution in the urban government system. This is because of the legitimacy and the representativeness of the city council in the urban government system has an impact on the power of the legislature to make laws and policies.

In this regard, the city charter of Dire Dawa (i.e. 416/2004) and the revised cities Proclamation No. 103/2006 of the SNNPRS have stipulated that the residents of the City should elect the members of the Council for a term of five years based on the law of national elections. Hence, the city council in both Dire Dawa and Hawassa were established in accordance with the law. This makes the city councils legitimate to make decisions that relate to various policy issues and enables them to have a legislative power over their jurisdiction. In other words, the city council has a power to make decisions on behalf of its constituents regardless of the background of the voter.

Since the city councils are legitimate, as an elected council, they have responsibilities to make laws and policies that would be executed within their jurisdiction; and to make decisions on overall development goals such as urban planning, health, education, infrastructure development and others. As a result, their decisions whether it be positive or negative would affect the citizens under their constituents. Thus, the city councils should represent the preferences of all residents.

This is because of urban areas are home to a growing population of the country regardless of their ethnic identity. According to the World Bank (2014), the urbanization rate is faster in Ethiopia than in Africa. For instance, from 2000 to 2015 the urban population in Africa is

growing at the rate of 3.48 % (annual) while in Ethiopia has been growing at the rate of 5.01% (WB, 2014). As a result, Cities in Ethiopia have become hubs for diverse nations and nationalities (see page 97), cultures, social and economic activities.

Since cities are the locations for the rich intermingling of culture differences and diverse, social and political practices in the city councils could be the right place to accommodate such diverse preferences of its residents. This is because the city councils are representative of their constituents and they are responsible for speaking to the residents of the city, to do the will of the public in designing plans and policies and to facilitate the public service delivery irrespective of any ethnic, political and religious backgrounds of the voter.

In order to measure the quality of urban governance the UN-HABITAT's global campaign on urban governance in 2004 has developed Urban Governance Index (UGI). The UGI is composed of 25 indicators grouped under four sub-indices for effectiveness, equity, participation and accountability. In this context, the percentage of representatives from each social groups for example the percentage of women members of city council to the total number of councilors in a local authority is an indicator to measure the level of participation of different interest groups.

For purposes of this study, the percentage of representative from a diverse ethnic group of people, political parties, private and CSOs in city council, and the power of city council over the executive in terms of different indicators such as appointment and budgetary power policy and law making power, the staff available to city council would be used to analyze the composition and powers of city council over the executive.

Thus, the preceding analysis reveals important insights about how the political power has distributed between the legislative and the executive organ of the urban government and the extent of influences of the NSAs in the decision-making process particularly in city councils. Before we are going to examine the extent of representation of different interest groups in city council, it is important to describe the demographic characteristics of the case study areas. In this regard, as indicated below in Figure 8, the ethnic mix of Dire Dawa 46.2%, 24.5% and 21 % of the residents comprise the Oromo's (i.e. the largest), Somalis, and the Amhara respectively; while the remaining 21 % of the population is composed of other ethnic groups.

Similarly, the City of Hawassa composed of a very diverse population that includes major ethnic groups. As indicated in Figure 9 below, the population of Hawassa city is composed of 46 % from Sidama, 15 % from Amhara, and 14 % from Wolayta. In other words 75 % of the peoples were constituted the combinations of the three ethnic groups, while the remaining 25 % of the people were from different ethnic groups such as Kembata, Hadiya, Tigre, etc. As well as from other nationalities (e.g. Arab and India).

However, the formations of the city councils in both cases only considered the composition of the indigenous ethnic groups rather than considering the cities as the seats for all the nations, nationalities, and peoples of the country. With respect to the composition of city council, the data obtained from both cities confirmed that indigenous ethnic groups and the ruling parties dominated both the executive positions and the ethnic and political mix of the members of city councils. For instance, in Dire Dawa both the executive's position and the ethnic composition of the city council are calculated by 4:4:2 ratio formations in which the seats of the council were shared 40 percent for Somali, 40 percent for Oromo and 20 percent are reserved for the remaining nations and nationalities (see Table 9).

The proportion of the members of city council to total population in terms of different ethnic groups in Dire Dawa indicated that there are three and five representatives for every 100 people for Somali and Oromo peoples respectively. In addition, there are seven representatives for 1000 Amhara in the city council. The proportional percentage for the remaining 8.79 % of the people would be insignificant, in which the ratio would be 5 to 10,000 people. Even though, the number of the Oromo people have been exceeded than the number of Somalis people in the city they have equal seats in the city council.

Table 8: The percentage proportion of Member of City Councils in terms of Ethnicity, Dire Dawa

No	Ethnicity	Number of Population	Percentage of population	Members of CC	Percentage of the members of city councils
1	Oromo	182,024	46.2	75	40
2	Somali	96,335	24.4	75	40
3	Amhara	81,136	20.5	24	12.5
4	Guragie	18,025	5	1	0.5
5	Tigray	4902	1	3	1.6
6	Harari	4314	1	3	1.6
7	Others	7446	1.9	9	4.7
	Total	394,182	100	190	100

Source: The secretariat office of Dire Dawa city council (September 2014)

As mentioned earlier, the city of Hawassa is a seat in the nation and nationalities (see Table 9), diverse cultural and political views. Since the city constitutes a diverse nation and nationalities the city council should be represented all the nations and nationalities. While in practice the city council in terms of ethnic groups, were dominated by Sidama people, while only 12 percent of the members were from other ethnic groups, which composed of 54 % of the total population of the city.

Table 9: The Proportion of the Members of City Council to Total number of Population in terms of diverse Ethnic Group, Hawassa

	Ethnic	Number of Population	Percentage of population	Number of Members of city council	Percentage of Members of the city councils
1	Sidama	158,646	46.2	130	74
2	Wolaita	49,218	14.4	13	7.4
3	Amhara	52,104	15.1	10	5.7
4	Oromo	17,610	5.1	5	2.8
5	Guragie	14,658	4.3	5	2.8
6	Tigray	4395	1.3	4	2.3
7	Hadya	4666	1.4	3	1.7
8	Kambata	9237	2.7	2	1.1
9	Others	32,641	9.5	4	2.2
	Total	343,175	100	176	100

Source: CSA (2014) and the Secretariat office of the city council of Dire Dawa and Hawassa

In addition to the representation of diverse ethnic groups in city council, the existence of representatives from the Non-State Actors (NSAs) is also crucial to facilitate a more proportionate allocation of council seats and stimulate different political interest and participation among voters in city council. In essence, urban governance is about effective collaboration between the state and non-state actors towards in the decision-making process. From the perspectives of the urban governance, the participation of NSAs is very important in solving urban problems. Both the private sectors and CSOs have allocated huge amounts of resource that have significant impact on the socioeconomic developments of urban centers. As noted in the literature part, various scholars have used the notion of ‘urban governance’ to illustrate the interrelationships between different state and non-state actors in making and implementing of urban development plans and policies. In other instances, state and non-state actors create collaborative relationships where the former can achieve specific policy goals with assistance from the latter, even while pursuing their own interests.

As discussed above, the city councils have vested power over the executives and the people within their jurisdiction. The decisions that passed by the legislative or city council in one or the other way may affect the interests of the private sectors and CSOs. On the other hand, the involvements of NSA in formulating, promulgating, and enforcing rules affect the behavior of a wide range of actors. Hence, for the NSAs to be the part of the process of urban

development and to reduce the negative externalities, for instance, opposing the government's policies and strategies, the participation of NSAs in the decision-making process particularly on city council would be crucial.

The results obtained from respective respondents confirmed that there is no a consensus regarding the power and role of the Non-state actors in the process of governance system. This could be witnessed by the response of the interviewee. For instance, the deputy speaker of Dire Dawa and the speaker of Hawassa city councils believe that the composition of the city council addresses all social groups that are found in their jurisdiction. According to the response of the deputy speaker of Dire Dawa city council, the members of the city council are elected from diversified interest groups for instance; there are a member of city council from Women, private and public sectors, persons with disables, as well as from civic society. Hence, the city council of Dire Dawa city administration was a mix of diversified interests.

However, the speaker of the city council of Hawassa city administration replied that the members of the city council represent not only their individual interest, but also the interest of residents and their political parties simultaneously. Hence, in principle, political parties reflect the civic qualities so it is not important being a representative of an individual group. However, the empirical study of this dissertation confirmed that different interest groups demand to have a wider role in the decision-making process in order to influence their special interest in various laws and policies. That is why different interest groups have formally organized, politically active groups to exist. For instance, the chambers of commerce in both cities have interests either to have a seat on city councils or to have informal arrangements like public-private councils or forum in order to express their interest.

Similarly, the representative of the civic society organizations (CSOs) in both cities demands to involve at least in meetings that held in the city council without having the votes. Such participation would benefit both the governments and the civic society organizations in order to strengthen the close relationship between them. In addition, interest groups are the main vehicle in the process of urban development for representing the public interests and bringing it to bear in an organized way on the policy making process.

Hence, it is important the composition of the city council should represent the preferences of the various organized group of society. In line with this, the ruling parties of the two city administration have recognized the composition of women and farmers within city councils

during the election period. But, in practice the composition of the city council in Dire Dawa, 84 (or 44.4 %), 23 (or 12.1), 76 (or 40.2), 2 (or 1.05 %) and 4 (2.1 %) were constituted from the public sectors, private sector, farmers, CSOs and youth respectively. It also the study finds that, 106 (or 60.2 %), 33 (or 18.7 %), 24 (13.6 %), and 13 (or 7.3 %) were composed of the public sectors, private sectors, farmers and youths. From this the one can understand that, the public sector has played a dominant role in the decision making process within the city council (see Table 8 & 9). Here, the important points that need considerations are that all members reflect the interests of their political parties. However, the non-state actors as organized interest groups didn't involve in the decision making process of the city councils in order to influence the decisions that may affect the interests of their groups and their constituents.

Therefore, ethnic political bosses have dominated the political situation of the cities. As a result, in both cases there are strong competitions between different interest groups to take the political power in urban government. This issue is more exposed in the case of Dire Dawa in which the two major groups such as the Somali and Oromo peoples are competing for political power through their political parties. That is why the Mayor was swap places between the Oromo and Somali every two and half years since 2005, and every five years after the 2005 election.

Here, the main points were not to examine the rationale of the political game behind the ethnic based political structure of the city councils; instead it is to analyze the level of participation of different interest groups in city council from governance points of view whether it represents the interests of all urban players in the process of urban governance or not.

In this regard, different studies (Alesina, Alberto, and Ekatrina, 2008) described that ethnic based politics may be prevalent in the creation of ethnic conflict between the groups who dislike each other. This results in disagreements on a common set of rules and policies and leading to deterioration of the polity. This can be true in the case of Dire Dawa. For example, when the Mayor is from Oromo, all investment decisions would be revised or changed in favor of the Oromo's, and vice versa. According to interviewee from the bureau of trade, industry and investment in Dire Dawa, during the exchange of the Mayor's position between the Oromo and Somali at least it takes a year to stabilize different institutions of the city's

administration (Interview, Dire Dawa, and September 2015). However, under article 20/3 of the Dire Dawa administration charter proclamation No. 416/2004 stated that, the term of years of the Mayor should be the term of office of the council in which the term of office of the city council should be five years (see article 13/1 of the same proclamation).

As a result, decisions, particularly related to investment had become delayed or rejected due to different reasons. Moreover, the ethnic based city council leads to the selection of politician more interested in pursuing ethnic based policies rather than the common policies. This can be reflected more on the decisions of the executives of the Hawassa city administration. For instance, lands that are found in the front part of the city have given prior to Sidama speaking investors and for ‘endowment owned’ companies that was established by the ruling party in the region than the non-Sidama.

This is because of the composition of cities council in both cases has dominated by indigenous ethnic groups rather than representing all the peoples residing in a given city irrespective of his/her ethnic background. The other important dimension that measured the representation of different interest groups in city councils is the composition of political parties within city councils. This enables the researcher to examine the extent of power concentration or distribution among different interest groups from the perspectives of pluralist or elitist theories.

In Democratic society in a single political party could be a winner of all the seats of the councils but the city council should represent the majority of people to entertain the interests of different groups in the process of making laws and policies. Hence, this section focuses on the trends of the composition of the different political parties in the seats of the city councils. With regard to this, during the third tenure (i.e. 2006 to 2011) and the fourth tenure (i.e. and 2011 to 2015), the members of the ruling party have been dominating the city councils in both cities. For instance, in Dire Dawa 60 and 40 percent of the council seats were occupied by EPRDF and Allied political parties respectively. The Allied political party has been Ethiopian Somali Peoples’ Democratic Party (ESPDP) (see Figure 4).

Both OPDO and ESPDP have a similar political ideology and policy options. As a result, ESPDP did not provide other alternatives related to urban development plans, policies, and strategies against the ruling party. In the case of Hawassa, 100 percent of the seats on the city council were held by the member organizations of EPRDF (see Figure 5).

Figure 5: The Composition of political parties in City Council (2011 to 2015), Dire Dawa

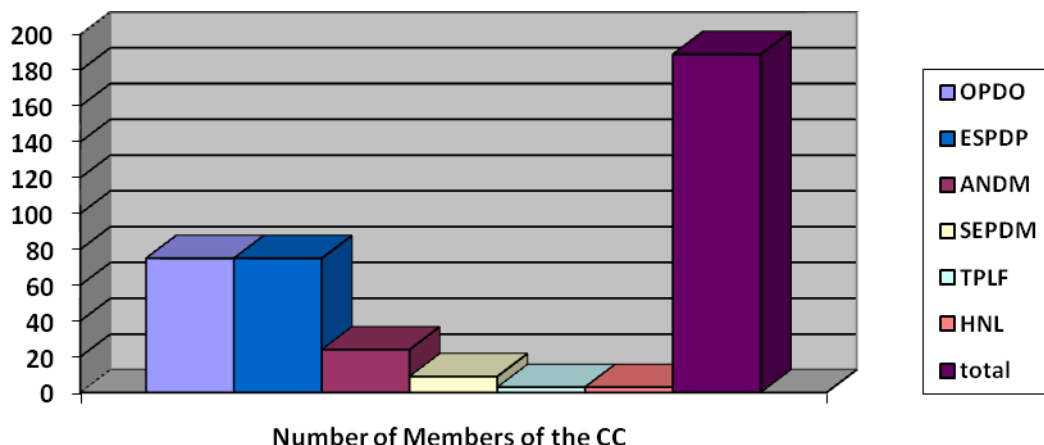
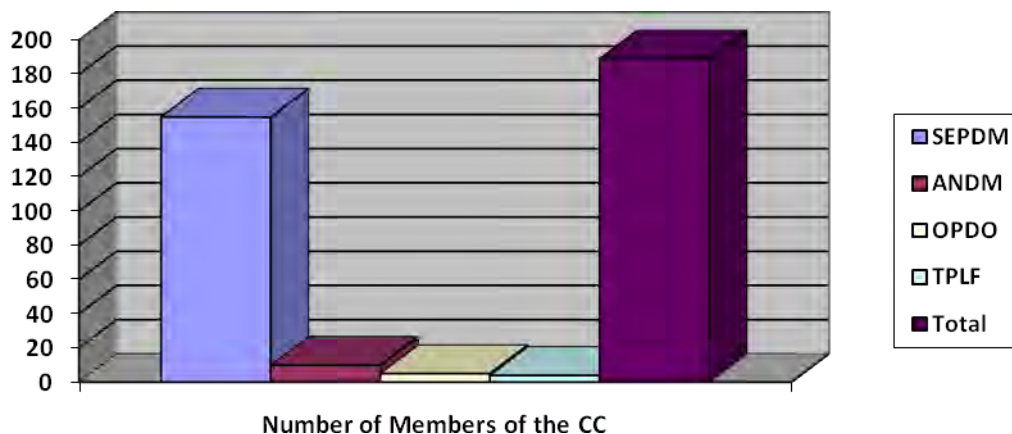


Figure 6: The Composition of political parties in City Council (2011 to 2015), Hawassa



According to the city charter of Dire Dawa city administration and the cities' revised proclamation in SNNPRS, the seats on city council would be held through democratic election. The political party who has the majority seats in the council would have a right to establish the urban government. In other words, the political power in the cities would be held based on democratic principles in which the majority rules with protecting the minority right. In this principle, the making of binding decisions would be made by a vote of more than 50% of all persons who have participated in an election. The rationale of this principle is either a form of government in which the supreme power is vested in the people and exercised by them directly or through their elected agents (Albert Shankar Institute, n.d).

Thus, according to this principle the political power has been derived from the people regardless of their ethnic background. However, in both cases, the last ten years (i.e. 2006 to 2015) 100 percents of the seats on the city council were occupied only by EPRDF. In the

same vein, the composition of executives in terms of their ethnic and political background was the same with the members of city councils. This implied that the executive was a different side of the same coin.

With regard to urban power structure, as described in the literature part of this study (Ch. 2), there are various arguments. For instance, the elite theorist suggests that one single and stable core of an urban elite holds power over all relevant fields of urban politics (Nico, 2008). In contrast to elite theorist, the urban regime analysis holds that local political power does not primarily constitute itself by means of democratic election, but rather by informal coalition building in order to tie and merge resources and knowledge so as to be able to pursue common goals more effectively (Stone, 2005).

In reality, the people in urban centers are the set of the diverse ethnic groups, cultures, political views, and so on. However, as suggested by elite theorist, the legislative and executive powers in the case study areas were concentrated in the hands of the ethnic based dominant single political party. Hence, the power distribution should not be considered as the diverse natures of the residents, including the proportion of the population in terms of their ethnic or religion or political views.

This also controversial from the underpinning notion of urban governance that the principles and the vision of urban governance would be to realize the vision of the “Inclusive City,” in which a place where everyone, regardless of wealth, gender, age, race or religion, is enabled to participate productively and positively in the opportunities cities have to offer. Inclusive decision-making processes are an essential means to achieve this and are the cornerstone of the notion of urban governance (UN-HABITAT, 2005).

To sum up what has been discussed above, the key coalition in charge of political decision making remains dominated by the state representatives and a single political party and the dominant indigenous ethnic groups governed cities. From the above discussion, the one can conclude that the city councils in both case study areas lack to represent all constituents from different ethnic and political backgrounds. In addition to the ethnic and political composition of city councils, the size of the city council has also affected the quality of urban governance. In this regard, the size or the numbers of the members of the city council should be determined by the constitutions of FDRE and the law on the national electoral board of

Ethiopia. According to the constitution, every 100,000 may have a representative in city council.

On the basis of the above article, during the fourth tenure on the city council the ratio of the members of city council to total voters in Dire Dawa and Hawassa city council would be represented by 1 to 2055 and 1 to 1950 voters respectively. On the other hand, during the fourth tenure (or 2006 to 2011) of parliament, a member of parliament in the House of People's Representative (HoPR) represents about 200,000 voters, this is much harder for elected representatives keep in touch with his constituents when comparing to the member of city councils, where the ratio would be 1 to 2000 voters. Hence, the participation of the people at the lowest limit of government is at the highest rate than at the upper echelon of the government.

The proportional representation within the city councils based on the number of the total the population is better than the representation in the parliament. Even though, the proportional representation of the city councils has failed to recognize the diverse ethnic groups that the total number of the population of cities constitutes various social groups in terms of sex, nationalities, and political views.

Thus, in Ethiopian urban context, the urban political power within the legislative organs of the urban governance system is distributed based on the ethnicity and political background of the members of the city council. This could be confirmed in the city's charter of Dire Dawa (416/2004) and the revised cities' proclamation of SNNPRS (103/2006 under article 16/3). For instance, the revised city's proclamation no. 103/2006 under article 16/3.1 has clearly defined that; the city council would be established since the indigenous nations/nationalities become the majorities in the city council. This can be done by bounded the rural indigenous nations or nationalities within the areas of the urban boundaries. That is why the city administration of Dire Dawa has included the 38 rural Kebeles or 159,000 people or 59.3 % of the total population within boundary of the city; similarly, the Hawassa's city administration also 12 Kebele or 122,388 or 28.4 % peoples are bounded to the urban jurisdiction.

According to the response of the leaders of the ruling political parties in Dire Dawa and Hawassa, the adjacent rural Kebele or peoples to urban areas were included to be a part of the cities administration for different political and economic purposes these include making the

indigenous nations or nationalities to have a political power over their jurisdiction. This is because during the former regimes (i.e. the Dergue and Emperor's) the indigenous nations and nationalities were not a part and parcels of the political decision making process, but rather they were oppressed and excluded by the ruler. In addition, it is important for urban expansion and for provisions of adequate land in order to promote the economic growth of the cities including investments.

4.3. The Distribution of Power within State Actors

Analyzing the distribution of power between the executive (cities' cabinet) and legislative (Cities' council), and urban government/cities' administration and the higher tiers of government would be the central concern of this section. As explained in the previous section, the constitution and the cities' charter have clearly separated the power among the three branches of the government includes the executive, the legislator and the judiciary in order to leverage the power among them.

From a governance perspective, the urban power structure should be permeable to allow all the state actors to influence the decision making process. By understanding the power structure, the relative influence of different groups and actors in the city would be identified and could help to examine the nature of urban government of the case areas from the notions that underpins governance and government. From these points of view, within the urban governance systems the city councils, the cabinets, the regional and the federal governments are the major state actors that have played a major role in decision making processes related to urban development plan and policies. Hence, it is important to analyze the power division between the city council (i.e. Legislative) and city's cabinets (i.e. Executive) before analyzing the power distribution vertically between the urban government and the higher tiers of government.

Theoretically, the city council typically referred to as a legislature, engage in three principal functions: policymaking, representation, and oversight. The first, policy making includes enacting laws and allocating funds. Legislatures are not only have ones to control the state policy-making functions, but also governors, courts, and agencies also determine policy through executive orders, judicial decisions, and administrative regulations, respectively (Bowman and Kearney, 2011, p. 316).

However, the legislator is the dominant policy-making institutions in state government. The oversight function is different from the policy making and representation functions. Concerned that the laws they passed and the funds they allocated frequently did not produce the intended result, lawmakers began to pay more attention to the performance of the state bureaucracy. In their second function, legislators are expected to represent their constituents in two ways. On one hand, they are expected to speak for their constituents in the legislative chamber at the time of designing policy solutions. On the other hand, legislators act as their constituents' facilitators in state government. For example, they may help a citizen to deal with an unresponsive state agency.

The oversight function is different from the policy making and representation functions. Lawmakers pay more attention to the performance of the state bureaucracy when the laws they passed and the funds they allocated do not produce the intended results. In relation to the role and power of the legislature and the executive bodies of the government, the constitution of FDRE recognizes the regional, state councils and the city councils as the highest authority of the government in their jurisdiction similar to that of the House of People's Representative (HoPR).

According to the constitution, the city councils have the power of legislating; over sighting and controlling governmental bodies, as well as they approve general policies and strategies of economic and social developments in addition to approving fiscal and monetary policies of the country (FDRE, 1994). In the same way, the Dire Dawa Administration Charter Proclamation No.416 /2004 and the revised city's proclamation (103/2006) have clearly stated the independent functions of the executive and the city councils. The city council has a power to promulgate proclamations or to adopt policies in order to realize the implementation of the power and function that are granted to the city administration. While the executives or city cabinets have the powers to ensure the implementations of proclamations, regulations, resolutions, policies and standards adopted by the City Council and by the Federal Government. This constitutional division of power reduces the power conflict between the executive and legislatures, and provides constitutional frameworks to ensure responsibility and accountability of the state actors towards their action, has also encouraged the delegation of more responsibility to local government.

In addition, the city council has powers to elect the mayor and deputy mayor from the council members and to approve when the mayor nominates the appointment of the members of the

City Cabinet (Article 103/2006). They have authorities to approve the short-term and long-term economic and social development plans and annual budgets of the City; however, the executive is responsible to prepare budget proposals and submit the draft budget to city councils for approval. Hence, the power division between the legislature and the executive of the city administration would be performed based on the federal/regional constitutional and legal provisions in which the power division between the two state actors were legitimate.

As discussed above, the legal provisions in both cities were declared that the city council is the highest authority in the urban governance system. As a legislature, the city council has a prerogative right to formulate and implement policies because the council draws its legitimacy from public election and it is responsible to reflect public opinions in relation to budget and policy decisions. In addition to the legal power of the city council, it is important to analyze the actual power of the city council to influence decisions that have made in the city council. This can be examined based on the three general ways in which the city council may control the executives in a separation of power system: budgeting, legislation and institutional capacity for making decisions. This is because the city council must have a capacity to make laws and policies, and the executive needs to be willing to comply with the cities' council enactments.

With regard to budgeting power of the city council, some researchers (see Bandeira, 1999 and Young, 1999) have stressed that budgeting takes place in a broader political context and that is, ultimately, an expression of the power relations of political actors that participate in the process (Stapenhurst and et al., 2008). Thus, how much *de facto* rather than *de jure* influences the legislature is largely determined by party political majorities. In this regard, the "OECD best practices for budget transparency" recommends that the legislature should involve in the draft stage, because it helps to set priorities, bind both the executive branch, and enable the legislature to engage more meaningfully in the budget debate (Posner & Park, n.d).

There are possibilities for legislative involvement in the drafting process. A budget standing committee can request briefings on the preparation of an upcoming budget; or it is possible for *powerful* legislators be involved in the informal discussions and negotiations at the time of budget approval. In addition, some city councils engage with the formal pre-budget debate that focuses on broad priorities and fiscal policy objectives for medium-term (OECD 2003:161).

In general, Salvatore (2007) identified three types of the legal power of the legislature to amend the budget:

- ⇒ The first type is the unrestricted powers, which gives the legislature's power to change both expenditure and revenue up or down without the consent of the executive;
- ⇒ The second type is the restricted powers, which is the power to amend the budget within the set limits often relating to increase in the total expenditure, and
- ⇒ The third types of legislative powers are balanced powers, which are the ability to raise or lower expenditure or revenue as long as a counterbalancing measure maintains the budget balance (Salvatore Shiavo-Campo, 2007).

On the other hand, authority can also be classified based on the relative dominance of or balance among institutional actors in budget formulation and approval. Some processes exhibit extreme executive and administrative dominance; other processes are legislatively dominated. Good arguments can be made for balanced levels of executive influence and legislative influence in budget development and adoption (Saha, 2007). Within this theoretical framework, the city charter of Dire Dawa (416/2004) and the revised city's proclamation (103/2006) of Hawassa grants power to city councils in order to approve the short-term and long-term economic and social development plans, annual budgets of the city, to levy taxes and duties on revenue areas, and set service charges specifically indicated under this Charter (Article 12/2c and d).

Hence, the city council in both cities have legal (or formal) unrestricted power in order to change both expenditure and revenue in both directions without the consent of the cabinets. In other words, the legal provision has encouraged the involvements of the city council in the budget process. The power of actors in budget process can be examined based on their influence in each budget cycle. This is because the priorities and choices, it embodies reflect the power of various actors in this process. Those who are effective in influencing the budget succeeds in having their choices and priorities included (IPU, 2004).

Any government budget process entails a cycle: preparation and formulation, approval, execution, and audit and evaluation. Preparation is often viewed as predominantly an executive role while approval is a legislatively driven stage. The execution stage includes

warrants issuance, mechanisms to ensure executive accountability to legislative policy (WB, 2007). As mentioned above, the involvement of the city council in the preparation and formulation stage is important to set planning priorities based on the preferences of their constituencies. With regard to the role of the city council in the budget process, the legal provision of the cities grants the power in the approval stage, while this does not mean that the council couldn't engage in the drafting stage of the budget. As indicated below in Table 10, more than 85 % in Dire Dawa and 78 % of respondents in Hawassa were replied that that the city council didn't involve during the drafting stage of the budget. This implied the city council have been neglected at this stage of the budget.

Table 10: The involvement of City Council during annual budget preparation

			The Study areas		Total
			Dire Dawa	Hawassa	
The involvement of city council during annual budget preparation	Yes	Count	3	5	8
		% within The Study areas	11.1%	20.8%	15.7%
	No	Count	23	19	42
		% within The Study areas	85.2%	79.2%	82.4%
	don't know	Count	1	0	1
		% within The Study areas	3.7%	0.0%	2.0%
Total		Count	27	24	51
		% within The Study areas	100.0%	100.0%	100.0%

Source: Surveyed questions, 2015

The city councils are expected to play their crucial role in the approval stages of budget process. The legislature's role is arguably most prominent during this stage, when it scrutinises the expenditure and revenue proposals of the executive. Its options are to approve or reject the budget, to amend it, or, in a few cases, to substitute the draft tabled by the executive with its own budget (IPU, 2004).

In the case of this study, the data for the past six years (i.e. 2009/10 to 2014/15) confirmed that the cities' council generally approved the budget proposed by the cities' cabinets with no changes or amendment by the standing committee and cities' council (see the column of the percentage difference between the proposed and approved budget in Table 11).

**Table 11: The Dire Dawa and Hawassa city’s Administration budget for 2002 to 2007
Ethiopian fiscal year (000,000)**

Years	Proposed by the Executive	Passed by city council	% difference	Hawassa		
				Proposed by Executive	Passed by city council	% difference
2009/10	331.09	331.09	0	296.2	296.2	0
2010/12	398.44	398.44	0	393.5	393.5	0
2011/12	733.63	733.63	0	375.6	375.6	0
2012/13	978.15	978.15	0	921.9	921.9	0
2013/14	1132.94	1132.94	0	1200.1	1200.1	0
2014/15	1500.67	1500.67	0	1529.4	1529.4	0

Source: The secretary office of the city council, Dire Dawa and Hawassa (2015)

The other variable that was employed to measure the real power of the city councils is their power to initiate and enacts laws and budgets. As discussed above, the city councils in both cities have the power to enact laws, to approve or reject laws that have provided by the executive branch of the urban government. All legislative power is vested in a city council, meaning that is the only part of the urban government that can make laws (see article 12/1 of the Dire Dawa administration charter 416/2004 and article 17/2.1 of the SNNPRS revised cities proclamation No. 103/2006), and cities’ cabinets issue regulations and prepare annual plans within the framework of the laws that have enacted by city council.

The rationales behind the legislative power of city council are balancing of power representing constituencies. As a result, the city council must insist on participating in the initiation of policy and refuse to rubber stamp executive proposals. Hence, the percentage change of the rejected bills over the total number of amended laws by the city councils in a given year are used as a yardstick to measure the extent of influence of the city councils in the law making process.

Table 12: The numbers of bills approved by the cities council for the year 2006/07 to 2014/15, Dire Dawa and Hawassa

		Dire Dawa		Hawassa	
		Number	Percent	Number	Percent
1	Bills approved without amendment by city councils	35	100	13	100
2	Bills approved with amendments by city councils	0	0	0	0
3	Bills rejected by the city council	0	0	0	0
	Total number of bills voted by the city council	35		13	

Source: Minutes from the office of speaker of city council, Dire Dawa and Hawassa

As depicted in Table 12, for the year 2006/07 to 2014/15 the city councils have passed laws without any amendments that were initiated and proposed by the city’s cabinets. This implied that the law making processes in the case the cities’ cabinet (i.e. The executive branch of the urban government) dominated areas. Moreover, the constitutional and the real power of the city council could be measured in terms of their power of appointment and removal of the executive and the mayor. In addition to the above indicators, the questionnaire was filled by sampling members’ of cities _council regarding the extent of their role and power over budget, planning and policy as well as their power on the appointment and removal of the Mayor and the members’ of cities’ cabinets. The results will be presented below in Table 13.

In this respect, the Dire Dawa Administration Charter Proclamation No.416 /2004 under article 2/f and the Southern Nations, Nationalities and Peoples Regional State revised cities proclamation No. 103/2006 under article 17/2.7 stated that the city council has powers to elect the mayor among its members as well as responsible to appoint or remove the heads of bureau or departments, boards and commission based on the recommendation of the mayor.

However, in practice the power to appoint and remove the members of the cabinets, including the Mayor would remain in the hands of the political parties and leaders. As illustrated in Table 15, that the power of the city councils over the removal of the city’s cabinet the average scores of Dire Dawa is ($M=1.89$, $SD=.506$, $n=27$) and Hawassa is ($M=1.63$, $SD=.495$, $n=24$), $t(49)=.648$, $p<0.05$ (see annex 17 an independent sample test). Thus, there was no statistical difference on the power of the council to remove the cabinets and

mayor between the two cities in which the power of the city council over the removal of the mayor and cabinet members would be less. In other words, the legal power of the city councils to appoint or remove the members of the cabinet and the mayor were nominal.

Instead of the power of city council, the power of appointment and removal of the cabinet members and the mayor resides in the hands of the party for which the Mayor is the member. For instance, in Dire Dawa case, if the mayor has failed his duties, first the members of cabinets proposed their decisions to remove individuals and submit their proposed decisions to their respective parties, for example for EPRDF, then the party has passed its final decision whether to accept or reject the cabinet's decision. Finally, the city councils approved the decisions that have made at the party level, whether to remove or continue an individual in his mayoral position.

Table 13: The real power of the city council in the process of making laws and policies

	The Study areas	N	Mean	Std. Deviation
The involvements of CC on the preparation of the 5 yrs development plan	Dire Dawa	27	2.15	.362
	Hawassa	24	2.13	.537
The power of city's council to change the size of budget	Dire Dawa	27	1.70	.609
	Hawassa	24	1.58	.717
The city council has a power to remove the Mayor and City's Cabinets from their position during for any failure in official duties	Dire Dawa	27	1.89	.506
	Hawassa	24	1.63	.495
Does the city council has a power to incorporate the interest of constituents on policy	Dire Dawa	27	1.52	.509
	Hawassa	24	1.46	.509
Do you think that City's council has played a crucial role in making laws and Policies	Dire Dawa	27	1.00	.000
	Hawassa	24	1.13	.448
The willingness of city cabinet to the city council inputs	Dire Dawa	27	1.85	.770
	Hawassa	24	1.88	.338
Does the city council has a power to incorporate the interest of constituents on policy	Dire Dawa	27	2.07	.267
	Hawassa	24	1.83	.381
The plan of the city reflects the interest of the residents	Dire Dawa	27	4.30	.465
	Hawassa	24	4.38	.495
The relationship between the executive and city council	Dire Dawa	27	1.78	.641
	Hawassa	23	2.00	.674

As noted above, the legislative power of the city council specifically the power in initiating and making laws, plans and policies, as well as an appointment and removal of the members of cities cabinets and their binding activities were constrained by different factors as outlined below. A *first* reason is derived from the forms of urban government in which mayor-council form of government. Theoretically, as Frederickson (1996) argued that the mayor-council form cities resemble presidential form government. The mayor-council legal platform includes an elected mayor who exercises the administrative authority of the city and heads up its executive functioning. In addition, an elected council members exercise the law and policy making authorities. The logic of council-mayor form of government the separation of power and check and balance exercises between an elected mayor, executive and an elected city council.

However, in both cases the mayor is not elected directly from districts rather than appointed by the city council among the members of city councils that have a majority seats in the council. As a result, the council could be established by the fusion between the executive and the legislative branches of the urban government because the two bodies were from the same political party who have the majority seats in the council. Thus, the legislature's ability to influence the executive's decisions related to laws or policies would be weaker. This is evidenced by the last two terms of the city councils (3rd and 4th) in both cities the entire seats in the council were occupied by the same political party (see Figure 5, p. 75). The second reason would be the effectiveness and efficiency of the city councils could be determined by its own institutional arrangements and the existence of adequate human resource or technical advisors in the councils. The existence of a legislative institution and adequate human resource nourished the growing legislative capacity and independence.

In this regard, the institutional capacity of the city council can assist the city councils to scrutinize the performance of the executives effectively, and as a representative of the people, it is crucial to serve the public interests. The city councils have been organized as independent institutions based on the constitution and cities' charter in order to discharge their powers and responsibilities effectively. In accordance with the Dire Dawa administration charter proclamation number 416/2004 and the Southern Nations, Nationalities, and Peoples' Regional State (SNNPRS) revised cities proclamation No. 103/2006 the set up structure of the city councils comprises the general assembly, office of

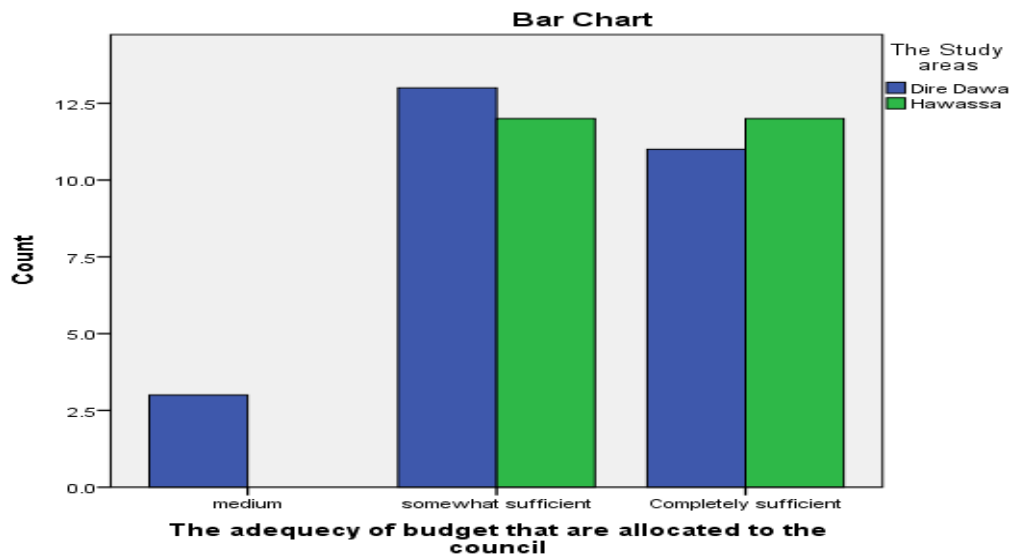
the speaker, various committees, secretariat of the house (only Dire Dawa), administrative support and technical advisory staff.

According to the city charter of Dire Dawa (416/2004), the city council of Dire Dawa should be accountable to the federal government and to the residents of the city. The general assembly is the highest tier of the council that is responsible to make laws and approve budgets as well as appointments. The Spoke Person/Woman and the standing committees are accountable to the general assembly. In addition, the administrative and the technical staffs were accountable to the spoke's person or woman of the council in the case of Hawassa, while in Dire Dawa they are accountable for the office of the secretariat offices of the council.

The spokesperson and the deputy spokesperson have been permanently positioned and they are payable of the salary. Both speakers accomplish the day-to-day activities of the council. In addition to being permanent office holders, there are various standing committees that are responsible to oversight the executives' performance on behalf of the general assembly, prepare reports about the performance of the overall socio, economic and political activities to the general assembly of the council.

The administrative support staffs were concerned to the administrative activities in the council while the technical advisors provide technical advisers to the general assembly, standing committees, and spokes persons. In addition to the existence of an independent institution and adequate human resource, adequate budget should be needed for city councils to perform their duties effectively. This is because if the allocated budget for city councils is insufficient, it will constrain the legislative and over sighting functions of the city councils.

Figure 7: The adequacy of budget allocated to City's Council, Dire Dawa and Hawassa



As shown above in Figure 6, in both cases the majority of the respondents from the members of the city councils believe that the annual budget that was allocated to city councils would sufficient in order perform all duties that have assigned to city councils. Hence, the budget allocated to city councils has insignificant impacts on the legislative and over sighting function of the city council. Thus, the existence of independent institutions of the executive and the availability of adequate human resources for city councils is important conditions to carry out the duties and responsibilities of the council.

As per to the respondents from members of city council, one of the main broad challenges that faced the city councils in order to discharge their constitutional power would be the shortage of technically capable human resource. Contrary to this, the administrative structure of the executives has been well organized in terms of professionals, while the city councils would be suffered by insufficient human resource in terms of technical staffs and the required number (Interview with the head of the bureau of public service & various reports from departments of public service, 2011). These enabled the executive to have multi disciplinary technocrats and to execute urban policies effectively when compared to the city councils. In contrast, the organizational structure of the city councils is too narrow and has a small number of human resources.

In this regard, the city council has reported repeatedly to the department of the civil service and the office of cities' cabinet in order to restructure the institutional arrangements of the

council. As a result, in both cases the human resources in terms of number and professional mixes, particularly technical advisors, were insufficient (see Table 14).

Table 14: The number of technical advisors of city council, Dire Dawa and Hawassa

Experts	Dire Dawa	Hawassa
Lawyer	2	2
Economist	3	1
Development Administration	1	—
Management	-	1

Source: The secretariat office of Dire Dawa and Hawassa

Apart from the above-mentioned factors, the educational status of the members of the city councils has an impact on the extent of influence of the councils on different decisions for example, to reject or amend proposed budget. In the case study cities, the mayor and the members of city cabinets have nominated among the members of the city council who have a better political commitment and educational attainment. This is because the higher education and the qualifications of members can play a fundamental role in discharging their duties and responsibilities effectively. City councils with high levels of qualifications have been defined in this study as people who have an undergraduate university degree or above.

The members of the city councils who have the higher educational background could be more effective in order to utilize the constitutional power of the councils when compared to the uneducated ones in many ways, for example, an effective oversight requires that the legislature has the potential to add value to the budget making process or plans/policies by checking priorities from the interest of their constituents and to increase the city councils prominence in its jurisdiction.

The Educational status of the member of the city council has also one of the factors that constrained the capacity of the councils. For example, in Dire Dawa 33 % members of the council have attained a first degree and above, while in Hawassa cases by chance 50 % of the members were above first degree. However, all master holders who were the member of the city council would become the member of cities' cabinet in both Dire Dawa and Hawassa cities' administration. This has made the councils ineffective, in other words, the educated elite who were the members of the council had played a dominant role in both the legislative and executive organ of the urban governance systems.

As a result, the remaining members of the city council would be the least competent when compared to the executive mix in terms of their experience and educational status except the Spokes Person or Woman. Meaning, the members who have a low profile in terms of educational status and experience have less probability being the member of the city's cabinet; this does not mean that restricted by law. In addition, the members of the city councils perceived the cabinets as the highest authority of the city administration.

The power division between the elected and executive bodies has defined clearly with their respective roles and functions by law. Since the city councils are elected bodies, the council has considerable legislative authority as well as administrative power supervising the executive. However, as mentioned above, the executive has played a dominant role in local decision making process. This can be true in the case of strong mayor system in which both the mayor and the council members have elected directly at large. However, in the case of this study, the executive and the mayor are elected by the council among the members of the council. Hence, in practice, the constitutional power of the city council would become artificial, that is why the role of the city councils in the budget and law making process acting as a rubber stamp of the executive.

As mentioned above, the power division within state actors is concerned with both the horizontal relationship between the cities' cabinets and cities' council as well as the vertical relationship among different tiers of government. The urban governments have a vertical relationship between the higher tiers of governments. The various tiers of governments include the federal, the regional and urban governments that are involved in making and implementing policies and laws that have impacts on the urban development process

The examination and analysis of vertical power division enables to see how the cities' administrations have run its function free from the intervention of the higher levels of government as well as on what basis that governing coalition was made among different levels of governments. This is because of the notions of governance emphasized on the power dependence involved in the relationship in collective action and about autonomous of self-governing networks of actors. Thus, theoretically the vertical relationship among the various tiers of government can be explained as an intergovernmental relationship. This is because of the notions of governance emphasized on the power dependence involved in the relationship in collective action and about autonomous of self-governing networks of actors.

In particular, important policies that are related to urban development, such as urban development, industry and SMEs policies and strategies, and intergovernmental transfer are subject to political bargaining and compromise by city administration and federal/regional governments. The inter Governmental Relation (IGR) is an important body of interactions occurring between different tiers of government (Central Government and Regional Government) within urban system. In the context of this study, it is a relationship between the city administration and the upper tiers of government (or federal and regional governments. IGR by itself is an independent subject of study in Governance; it is wider and comprehensive in its range. However, this paper aims to examine how the power is divided between different levels of government and the extent of the autonomy of the urban government within the context of IGR. Broadly, IGR means a relationship between different government organs that involves officials, non-officials, citizens and members of civic societies (WB, 2007).

From the context of this study, IGR has been analyzed based on the legal and constitutional provisions and the extent of self-governing and autonomous power of the urban government as well as the mode of intervention of the higher tiers of government in the urban affairs of the urban government. Because of the legal and constitutional framework, the Dire Dawa city administration charter proclamation No.416 /2004 and the SNNPRS revised cities proclamation No. 103/2006 have stipulated regarding the city-government relationship.

According to the Charter of the Dire Dawa city administration, the city is the constituent of the federal government and it is accountable to the Federal Government. The Ministry of Federal affairs (MoF) is an acting agent of the Federal government. The Ministry is responsible to monitor the performance of the city administration and to provide support in terms of capacity building. In addition, the city administration is accountable to submit annual and periodical reports concerning its plans, budget and the overall status of the city to the Ministry of Federal affairs (Article 51/1 and 2). In the case of Hawassa, the city administration is the part of the Southern, Nation, Nationalities and People National regional State (SNNPRS).

Regarding legal-administrative autonomy of the urban government, there are two competing concepts that were widely used in the American context. These include the ‘home rule’ and ‘Dillon’s rule’, the home rule concept of granting greater discretionary authority to local governments. Pure *home rule* assumes that a local government may exercise all authority, not

specifically prohibited it by a state's constitution or statutory law (Lang, 1991). Contrary to home rule, the idea of local governments as creatures of the state is embodied in Dillon's Rule, which holds that their existence depends on the grants of power from the state. Therefore, the powers of local governments are construed strictly to be no more than what is expressly permitted by state statute (U.S. Advisory Commission on Intergovernmental Relations, 1993).

Moreover, the legal legitimacy of local government is recognized either explicitly in the national constitution or by statute and administrative decisions (Steytler as cited in Zemelak and Yonatan, 2013). In other words, the local or urban government should not merely be an agent of the state government but should have some level of autonomy (Assefa as cited in Zemelak and Yonatan, 2013:96). That is why the city's constitutional position or the scale of urban government responsibilities relative to the federal government or regional state is used as an indicator of the level of local autonomy.

In this regard, the constitution has made the power division between the federal and the regional states. For instance, article 50/1 of the constitution stipulates that 'The FDRE comprises the Federal Governments and the State Members'. Hence, the Ethiopian constitution clearly recognizes the power sharing between the federal and regional states; but not the autonomy of the local/urban government. The establishment of the lower levels of governments is the constitutional power of the federal and regional government.

Despite of this fact, the urban government of Dire Dawa and Hawassa are the creations of the Federal and Regional governments respectively. Thus, the urban governments of the city of Dire Dawa and Hawassa have not been recognized directly by FDRE constitution (1995). As described by Saunders (2005), providing local government with a constitutional status is a reflection of the recognition of its importance. More importantly, it represents a formal guarantee against any arbitrary elimination of local government by the national or sub national government (Zemelak and Yonatan, 2013).

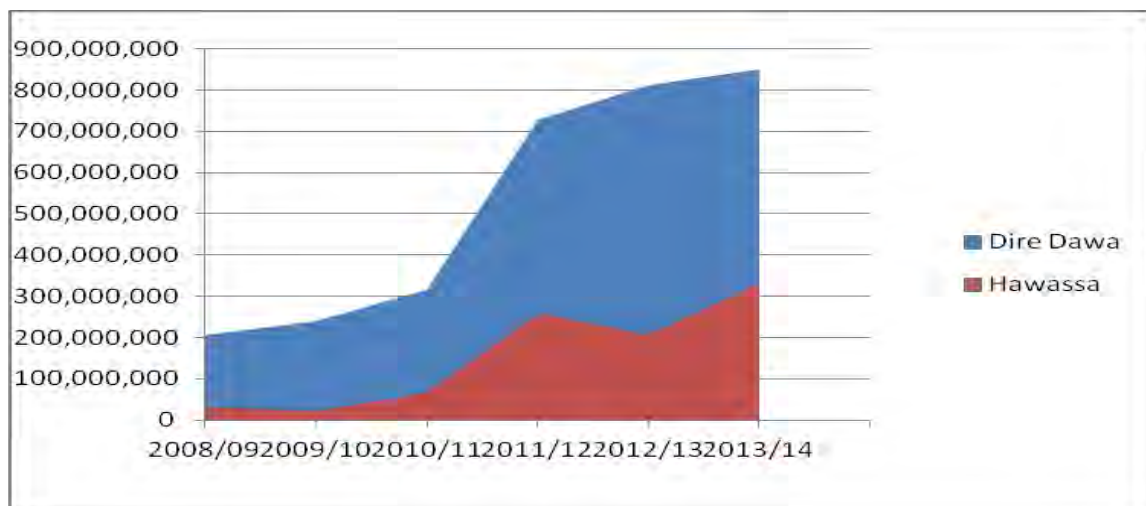
Due to the absence of constitutional recognition, the urban governments could be eliminated by the national or sub national governments. For instance, the federal government particularly the House of Peoples' Representatives (HoPR), has the right to dissolve the council of Dire Dawa where the city council commits an act that endangers the constitution or where the city council fails to control security and emergency (article 15/3 of the charter). Similarly, the

council of the executive of the SNNPRS has a right to dissolve the status of urban government of cities (article 2/10).

The other constraints in relation to legal and administrative autonomy are the variations among the federal and regional cities in terms of receiving benefits from their respective higher tiers of governments. As noted in the previous sections, cities by their nature are the living places for large numbers of people with diverse cultural and ethnic background, the business places for multinational and domestic enterprises. Moreover, cities contribute the major share to the national GDP. However, cities are not constitutionally recognized entities as sub national governments.

This results in intercity inequality in terms of receiving benefits from the higher tier of governments. Those federal cities (i.e. Addis Ababa and Dire Dawa) have more right to receive grants from the federal governments irrespective of their revenue capacity whereas regional cities like Hawassa do not have a right to receive transfers from the federal government but instead receives from the regional states.

Figure 8: The Block grants received from Federal and Regional administration for the year 2009/10 to 2013/14, Dire Dawa and Hawassa



Source: Bureau of Finance and Economic development, Dire Dawa and Hawassa, 2015

As indicated above in Figure 7, from 2008/09 to 2013/14, the city of Dire Dawa has received a total block grant of 3.1 billion birr or on the average 500 millions birr per annum from federal governments. In other words, for each of the years between 2008/09 and 2013/14 an average of 56 % of the total expenditures was financed from the transfer of the federal government.

In contrast, the city of Hawassa has received grants from the regional state only a total of 9.1 million or an average of 55 million Birr per year for each of the five consecutive years. This 11 % has received from the federal government. As a result, on average, 19 % of the total expenditure was financed by the transfer from regional states. This shows that there exists intercity inequality, for instance, in 2013/14 the transfer per capita in Dire Dawa was bur. 3174 (i.e. The total transfer from higher tiers of government to total population of the city), while in Hawassa was Br. 1155.

The intercity equalization has also implication on the budget spending for urban basic services, to illustrate, in 2013/14 the city of Dire Dawa, the per capita government health and education expenditure (i.e. The total budget allocated in a given year to the budget allocated for education or health) was Br. 868 and 598 respectively, while in Hawassa was Br. 278 and 163. This has impacts on the quality and quantity of urban services to be delivered to the citizens irrespective of the services provided by private sectors and CSOs.

The experience of other countries indicated that, these disadvantages are compensated through asymmetrical grants. For instance, Denmark and Sweden have solved the problems of inter-municipal inequalities by using common ‘umbrella’ scheme's criteria for allocating grants irrespective of their characters (Saha, 2007). Others (some German states) have specialized funds for different categories of municipalities (Ibid). Hence, the specific or general grants from higher levels of governments would have impacts to enhance cities’ competitiveness in terms of the quality of services or in the creation of additional employment opportunities. This is because the grants that received from higher levels of governments could be considered as assets that the cities translate to the competitive outcomes in terms of public spending for capital expenditures.

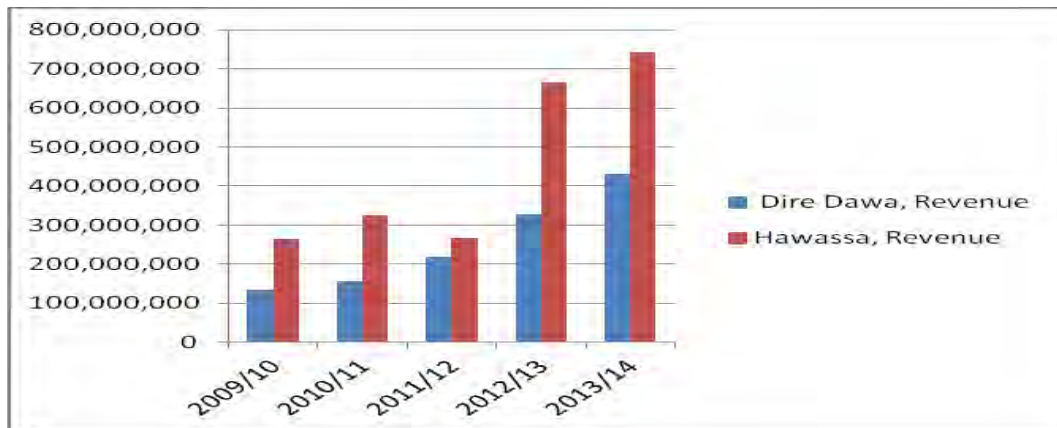
In addition to the legal-administrative autonomy, the other indicator to measure the power relationship between various levels of government hierarchy is the fiscal autonomy of cities. Fiscal autonomy is the extent to which cities’ administrations determine the amount of its revenue and the way to spend money autonomously, without being dependant on the higher level of governments are having to consider that have been specifically to programs. The fiscal autonomy of urban government is the important issues in order to facilitate various urban development programs that undertaken in their jurisdiction.

Literally, fiscal autonomy relates to the ability of the local jurisdiction both to raise enough revenues from the local economy and then to determine how to spend those revenues (Chapman, 1999). Fiscal autonomy of urban government can be measured in term taxation and *the share of budget grant* in the total public expenditure of city administration. This is because taxes are crucial sources of government revenue to carry out the government function. In addition, grants and transfers are used as instruments to make fiscal balance between different levels of government.

With regard to the power of taxation among different tiers of government, Article 96, 97, and 98 of the Ethiopian constitution (1995) had delineated the respective powers of federal government, regional state and concurrent power in regard to levying and setting tax rate. Within this constitutional framework, the city's charter (i.e. 416/2004) indicates that the Dire Dawa city administration has the power to collect income tax from employees, land use fee, profit income tax from individual trades, and capital gain taxes from a property within the bounds of the city. However, the city administration has only the power to levy and collect taxes related to land. While in the case of Hawassa, the city administration has only authority to collect taxes and service charges that law authorizes them.

The city administrations are not generally free to set the tax rate and determine the income tax within their jurisdiction. In addition, the federal and regional government has played a deceive role in the tax system in which determine the tax rate lies under the jurisdiction of the federal government. Despites these problems, the cities' administrations were unable to use tax as an instrument to promote inward investments and the involvements of the private sectors in the process of urban development. However, the urban governments have autonomous power to levy and collect local income taxes and different municipal revenues within their jurisdiction while their power is limited to set the tax rate. As results of having the power to levy and collect taxes at the urban level, the revenue collection capacity of the two cities has shown increasing trends.

Figure 9: The comparative capacity of the cities to collect revenue from own sources for 2009/10 to 2013/14



As indicated above in the Figure 8, the revenue generating capacity of the city of Hawassa has grown at the rate of 178 %, which is a fastest growth, while the city of Dire Dawa has grown at the rate of 62.8 % only, which is increasing at a slower rate when compared to Hawassa, *for further information* see the annex the revenue performance of Dire Dawa and Hawassa for the year 2006/7 to 2013/14 in different tax categories (i.e. Direct, Indirect, and non tax).

In general, in both cases the more revenue has collected over 2004 in which the cities have gained self-government powers from their respective governments through legal provision. However, only the incremental trend of revenue of the city administration does not imply the higher levels of autonomy that the cities have, but simply it could tell us the capacity of the cities in generating revenues. Thus, it is also important to analyze the expenditure assignment of the urban government.

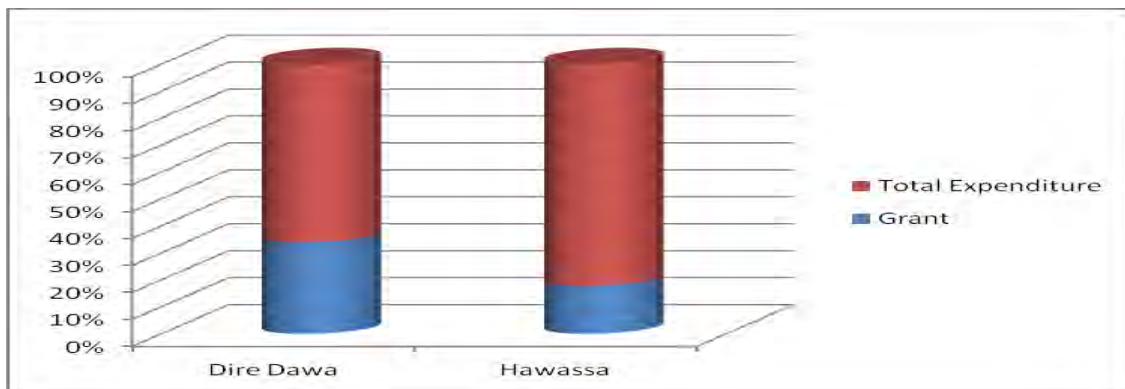
Different studies (e.g. OECD, 2003:173) concluding that, the larger the proportion of revenue (consisting of taxes, fees, charges and non-specific allocation) the highest degree of discretion city administration has in fulfilling their functions. On the other hand, the smaller, the proportion of specific allocation in total local revenues, the lower the degree of local discretion.

From governance points of view, a system of local finance can have a substantial influence on the competitiveness of regional (Chernick and Reschovsky, 2005). Sub-national governments can be responsible for providing services that are relevant for the

productiveness, such as education and infrastructure, and the way by which they are financed can have a tremendous impact.

Like the assignment of revenue, the federal government has shifted expenditure responsibilities from the center to the smallest units of government, including cities' administration in the form of general-purpose transfers in which provided as general budget support without any preconditions. Such transfers are intended to preserve local autonomy and enhance inter jurisdictional equity (WB edited by Anwar Shah, 2007:2). However, the degree of fiscal autonomy is depending on the capacity of the local government in which larger share of total expenditure would cover from its own revenue. In this regard, for the last three consecutive fiscal years (i.e. 2011/12 to 2013/14), the percentage share of unconditional grants that the federal government and SNNPRS provided to Dire Dawa and Hawassa were 51 % and 21 % of the total expenditures respectively.

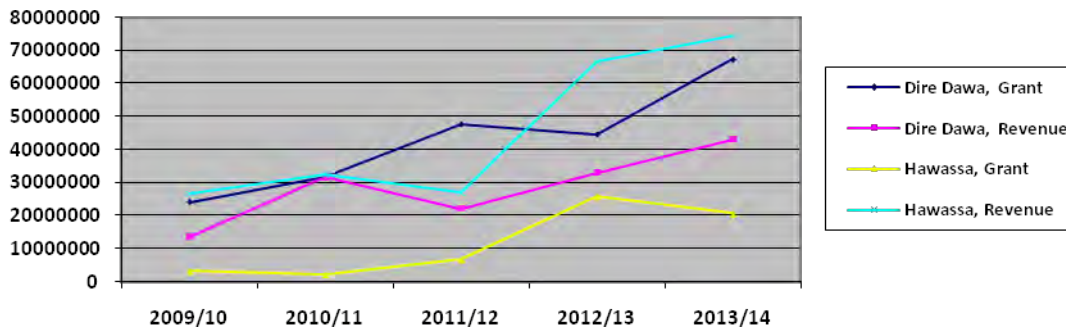
Figure 10: Federal/Regional Grants as percentage of total expenditure for 2012/13 to 2014/15, Dire Dawa and Hawassa



As indicated in Figure 9, the Dire Dawa city administration has received more grants from the federal government than the Hawassa city administration that has received grants from the regional government. This is because of Dire Dawa city were being a part of federal government and it has equal status as regional states.

In other words, the higher shares of grant to expenditure mean that the city administration is more dependent on the higher levels of government. Hence, the city of Dire Dawa is more dependents to the Federal government for providing services that are relevant for urban development, such as social services and infrastructure.

Figure 11: Dire Dawa and Hawassa City Administration the budget Grants along with its own revenue, 2008/09-2013/14



As discussed above, the vertical power division and collaboration in terms of determining the tax rate would rest more power in the hand of the higher levels of government (i.e. Federal and Regional state). The implication of the concentrated fiscal power of the vertical relationship between the higher and the lower would be hierarchical. This supports the idea of government rather than supports governance in which governance is usually referred to as less *hierarchical* than government in policy making. Here, power distribution within state actors does not mean that the lines of authority totally absent, but rather, since cities are the product of all actors who are involved in the entire socioeconomic dynamics a governing system should not be a mold of a single dominant actor that affects the notions that embraced in governance.

In line with this, the urban regime approach suggests that the power in the urban governance system that does not rest primarily on social control, hierarchy, and dominance, but rather on the ability to tie and merge resource and knowledge so as to pursue the common goals more effectively (Stoker, 1997). To give practical examples, in both cities the policies, strategies, and plans for urban development, industry, SMEs, determining the tax rate, licensing and registration of foreign direct investments etc. are mainly in the hands of the federal government.

Thus, the functional autonomy is the other important variable that used to analyze the intergovernmental relationship and the level of urban government autonomy in the provisions of urban services. The functional autonomy of the urban governments can be analyzed in terms of legal basis, the performances of selected urban services and the percentage share of public spending for basic urban services.

This is because the urban governments are not simply established in a form or structure, but for purposes. As indicated in the charter, the city administration has the power to regulate and the power to provide both municipal and state functions. Institutional structure, therefore, is an important instrument to achieve better urban governance (Nallathiga, 2008). In addition to institutional structure, it is clear that the existence of mechanisms for integrating the efforts of different levels of government in the pursuit of competitiveness would be crucial.

The urban governments in both cities have well-structured institutions that manage the state and municipal functions (see appendix 5 & 6). Hence, all institutions that were established in cities have impacts on cities' competitiveness by providing adequate services that the residents and private sectors have needed, though the extent of influences of urban services in city competitiveness would be varied. For example, the police and justice institutions are responsible to keep the peace and security of the cities. Peace and security is not only the precondition but also a sufficient condition for attracting both the domestic and foreign investments.

The power and responsibilities of different actors who engaged in delivering urban services would be stated in the charter of Dire Dawa city administration and the revised proclamation of cities in SNNPRS. According to these laws, the urban governments of cities are responsible to perform both state functions and municipal services regardless of the degree of discretion that the cities have.

The State functions include health, education, agricultural services, and peace and security, while the Municipal service of the city administration includes services related to water and sewerage, road construction, fire and emergency, civil status record operations, Land development and management, city sanitation and beautification and other services to be designated as such by the City government.

As noted earlier, the self-government and autonomous power are critical factors for urban government to be responsive to the demands of the residents and to increase effectiveness and efficiency in the provision of urban services. Because of legal provision, the city administrations have the authority to exercise self-government over their jurisdiction and to adopt and manage institutions responsible for local police, education, health, trade and investments, municipal services, sanitary and infrastructure development.

The legislation, also known as the members of the city council to play both the legislative and constituency role, while the executive and the administrative structures are responsible to carry out both the state functions and municipal services. These laws allow the city administrations to establish the municipal and non-municipal bodies, including public enterprises within a city. Hence, these critical factors can improve the city's competitiveness capacity. For this reason, health, education, and other urban services are an indispensable prerequisite for the success of developmental endeavors. For instance, there are numbers of students in the secondary schools and technical and vocational training colleges who are considered as the potential for labor forces in both cities. Like education, the health factors, including poor state of general health lead to labor market inefficiency and under utilization of potential human resources. These have impacts on direct costs and local taxation on business and households (Boddy as cited in Beg, 2002).

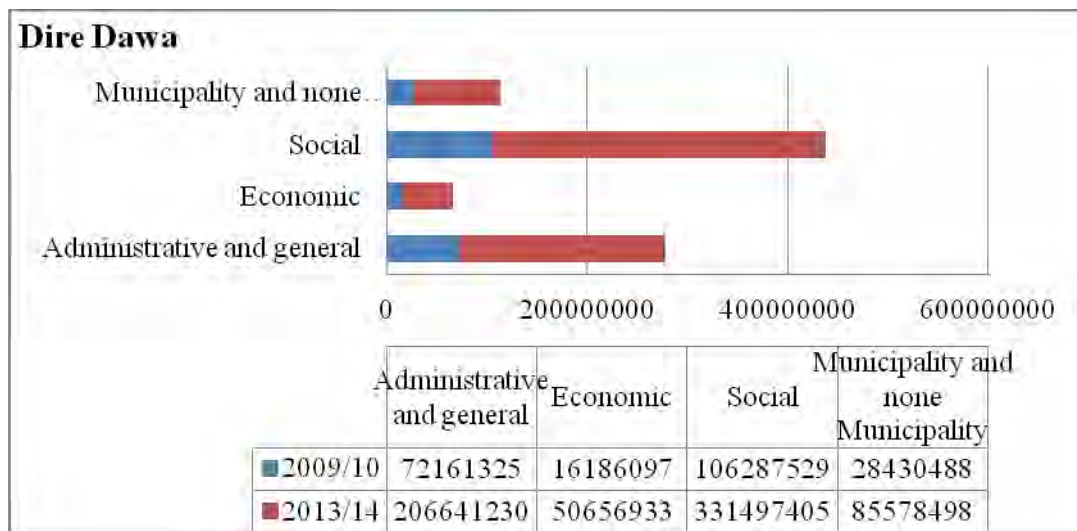
As noted earlier, the urban governments in both cities have centrally defined powers and responsibilities to carry out both the state and municipal functions. Administratively, the city charter of Dire Dawa indicates that the city has power to administer educational services starting from kindergarten to TVET, from a primary health care to regional hospitals as well as land management and administration. However, in the case of Hawassa, the power to provide educational services is limited to first cycle secondary education, and the health services are limited to zonal hospitals; whereas the regional state is responsible to provide the second cycle of the secondary education, TVETs and referral hospitals. Therefore, there are differences between the two cities on the power of service provisions.

With regard to the functional autonomy of the city administrations, the performance of basic urban services as the share of public spending to the total public expenditure has shown increments in terms of state functions, for example, health and educational coverage, gross and net enrolment, the public spending. In addition, the involvements of the NSAs in the provision of social services would be better than economic sectors. In line with this, the performances of social services in both cities have significantly changed. For instance, the educational and health services in terms of potential coverage in both cities have reached 100% at the end of 2013/14 fiscal year.

According to the report of Dire Dawa education bureau (2013/14), the gross enrollment rates of the primary and secondary education in Dire Dawa have been 91.3 % and 29.7 % respectively. In contrast, these indicators in Hawassa were 99.4% and 60.06 %, respectively,

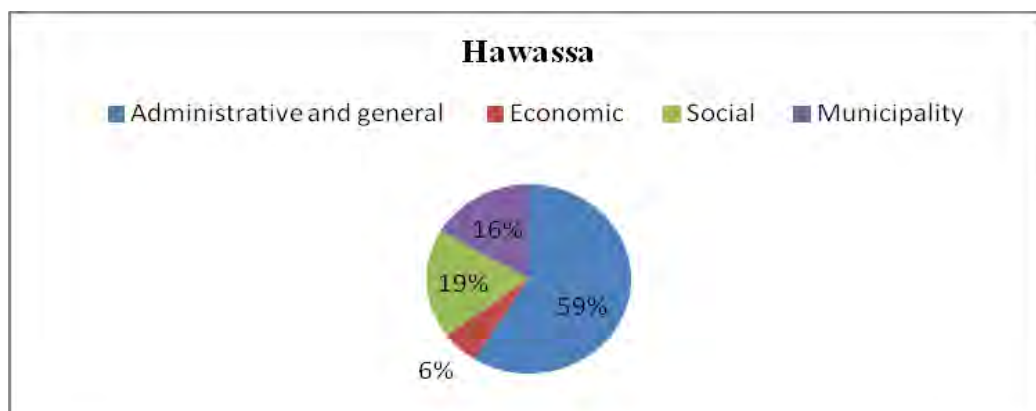
which are better performances as compared to the national averages (Hawassa city administration department of education, 2013/14). Moreover, as indicated in Figure 11 and 12 below, the amount of public spending for urban services has increased over time. For example, in 2013/14, Dire Dawa city administration has allocated on average 14.2 % for health, 18.6 % for education, and 13 % for infrastructure development out of the total expenditure (see Figure 11).

Figure 12: The budget allocated to urban basic services for the year 2009/10 to 2013/14, Dire Dawa



Source: BoFED of Dire Dawa city Administration, 2013/14

Figure 13: The budget allocated for basic urban services for 2009/10 to 2013/14, Hawassa



Indeed, the Ethiopian constitution divides the powers and functions of urban services between the federal and regional states. The city administrations have essentially provided

social and economic services and allocated budgets for basic urban services within the general framework of the federal and regional plans and policies. As a result, the city administrations have spent the major share of the total budget for social and economic services that have impacts on the cities' competitiveness capacity. For instance, at the end of the GTP 1 (i.e. 2013/14), Dire Dawa city has spent over 55 % of the total budget for social and economic services, whereas Hawassa has spent 59 % of the total budget for municipal and none municipal services particularly for infrastructure development.

The other important factors with respect to functional autonomy of the urban governments are the role and power of the higher-level government in urban services. The higher levels of governments have powers of regulating and controlling the functions of cities, which are specifically granted to urban governments through various mechanisms, for example, land utilization and distribution, the number of job opportunities created by SMEs.

The functional powers that are not designated for city administration would be within the jurisdiction of the regional or federal governments. Especially, services that have the nature of high scale of production and profitable business enterprises, including water production, energy supply, telecommunication and internet services and higher education and so on are the functional power of the federal and regional governments. As will be explained in chapter five, these services are relatively important to enhance cities' competitiveness. However, their performances were very low when compared to the services rendered by the urban governments. For instance, the health and educational coverage in both cities have been reached 100 %, which are provided by the urban government, whereas the coverage of water supply in which produced by the federal government would be 67 and 76 % in Dire Dawa and Hawassa respectively. Similarly, the supply of energy lies under the responsibility of the federal government, as a result the Electricity supply in Dire Dawa and Hawassa would be 53 and 92 % respectively (see Table 15) regardless of the problems of an interruption of electric power.

Table 15: Electricity Coverage of Dire Dawa and Hawassa Cities

	Dire Dawa (m ²)	Hawassa
Total Built up Area	41856005.75	52021439.97
Electricity Coverage	22320271.70	4161715.198
Percentage	53.33	92

Source: The city administration of Dire Dawa and Hawassa (2014)

This implied that the provision of urban services at the local level more effective than providing at the higher level, therefore, the functional autonomy at the lower units of governments is important in improving cities competitiveness. As noted above, local autonomy is one of the major pillars of urban governance. In order to improve the capacity of cities' competitiveness, it is important to have sufficient local autonomy in terms of legal-administrative, fiscal and functional autonomy.

In particular, high level of autonomy enables the urban governments to improve cities' competitiveness, including the availability of capital, space, labor force, and quality of urban service, infrastructure, energy, telecommunication and other services. In line with this, the federal government has provided different incentives in order to promote both the domestic and foreign investments, create job opportunities, improve urban services, and empower the urban governments and so on through laws and policies.

The power divisions among state actors have taken place based on the constitution and legal provisions that were provided by the federal and regional governments as well as the urban state actors have discharged their responsibilities and functions based on the legal framework irrespective of the problems associated with its practices. However, the realities would be the gravitational force of power or the power equilibrium the urban governing system would be inclined to the executive organ of the city administration and to the upper echelon of the government.

As shown below in Table 16, the power of determining tax rate, making policies and strategies, licensing and registration of FDI, investment laws, including incentives for investors was concentrated in the hand of the federal government. However, the implementation of the goals of various plans and policies related to urban development such as poverty reduction plan, provision of urban services, urban infrastructure development lies on the urban jurisdiction.

The empirical study confirmed that, there was no statistical difference in the power division among state actors in both cities except in some cases. For instance, there was a statistical difference in the power of city council to incorporate the interest of their constituents during the formulation of short and long range plans between the two cities, Dire Dawa ($M=2.07$, $SD=.267$) and Hawassa ($M=1.3$, $SD=.381$), at $(49)=2.638$, $P<0.05$.

Table 16: Selected examples of City-Federal/Regional Government Cooperation

	Federal /Regional Power	City Administration power	Amalgamation (concurrent)	Source
Tax	Levied and collect custom duties, income tax from federal employee, income tax from air, sea, and rail transport, Tax rate	Collect income tax from city administrations employee, profit and sales tax on individual traders, profit, sales, excise tax ,Tax base	Jointly levy and collect on the profits of company, enterprise, large scale mining	FDRE Constitutions and tax proclamation
Budget	Transfer and Federal grant	Both Revenue and Expenditure Responsibilities		
Investment licensing and registration	Foreign direct investment,	Domestic investors	Incentives to promote investments	Investment law
Land related policies and laws	Land policy and laws including tenure policy,	Land valuation, Land provision through lease or freely		
Infrastructure	Telecom service, Electric power, Railway transport	Roads, water supply, Transportation	Water supply	
Finance Institutions	Licensing and registration	Land supply		
City plan	General principle, guide lines, standard and parameters to prepare city plan, to check and verify the legality of the plan, The consent of the federal or regional state before implementation	Preparation and implementation of city plan	City-rural nexus	

Source: Arranged from the constitution of FDRE, City’s charter of Dire Dawa, the SNNPRS revised cities proclamation no. 103/2006, and investment laws

4.4. The Power Relation between State and Non-State Actors (NSAs)

“No single actor can solve a problem or make the best of an opportunity on its own. Further, no single actor can be so dominant that it can force someone else to act in a certain way or bear the costs for a social problem from which the actor can profit (Kooiman, 1994:258)”.

In the preceded sections, the urban governing system, the power distribution within state actors, the actual power of urban governments in line with the constitution and cities' charter, and the intergovernmental relationship between the urban government and the higher tiers of government have been described and analyzed. Hence, this section is concerned with the power division between the state and non-state actors in order to understand the direct or indirect influences of NSAs in policy formulation and implementation in the urban governing system of the case study areas.

The importance of the coalition between the state and non-state actors have been explained in the literature part of this study (Ch. 2). For instance, the above quotation by Kooiman suggests how the involvements of the various actors are crucial in order to solve urban social problems. According to Kooiman (1994), the persistent and pervasive urban problems could be solved through the cooperation and partnership between state and non-state actors rather than dominating in a single actor to control the socioeconomic activities on the expense of others.

As Stone (1993:7) has also noted, government authority is inadequate for governing, therefore, the cooperation and participation of nongovernmental actors become essential for managing cities. In line with this, the pluralist and the elite theories are forwarded various approaches how to examine the power division between state and non-state actors (NSAs).

As noted above, the political pluralists were conceived power as dispersed among interest groups, while the elitist theory was claimed that the urban political power was concentrated and highly stratified (See Hunter 1953). Both theories share an idea of power that can be described as the orientation of hierarchy and domination. With regard to power distribution, useful conceptual frameworks are provided by the urban regime theory. As noted in the literature part of this paper (ch. 2), urban regime theory emphasizes on the interdependence of state and non-state forces in meeting economic and social challenges focuses attention upon

the problem of cooperation and coordination between governmental and nongovernmental actors.

From the points of view of pluralist theories, the central theme of the notions of governance comprises the diversification and proliferation of policy-making coalitions that only in part consist of representatives of the state, as well as, in the process of urban development, the coalition should imply a mutual dependency of a group of actors.

In addition to governance theories, the power relationship between the state and non-state actor were examined from the dimensions of institutions and the constitutional arrangement (or legal frameworks) that facilitates the non state actor's roles and involvement in urban development and political arena in the case study areas. These enable us to examine governance as a process that involves both the state and non-state actors towards the common goals as well as the activities are coordinated through formal and informal rules and regulations. Hence, the non-state actors should possess a power to make economic and social decisions on urban matters.

Power, therefore, in this context is not used to take control over another group, but is used to combine public and private resources to achieve social ends (Reese and Rosenfeld, 2002; Mossberger and Stoker, 2001; Dowding et al, 1999). The key to this argument is that cooperation between state and the non-state actor does not imply consensus over values and beliefs, but participation to realize 'small opportunities' (Stone in Mossberger and Stoker 2001: 813).

Currently, the traditional views on *government* has changed towards the perspectives of *governance* in which a governing arrangement where one or non state actors directly engage in a collective decision-making process that is formal, consensus-oriented, and deliberative, and that aims to make or implement public policy or manage public programs or assets (Ansell and Gash, 2007).

In relation to this, Savitch and Vogel (2000) argue that, the main discourse of *governance* is more likely to involve existing institutions, using incentives to engage stakeholders and emphasizing decentralization, where as *government* is characterized by formal institutions using coercive power in a more centralized way. In both cases, there are numbers of non-state actors that have been involved in socioeconomic and political affairs of the cities. These include association that was established with the support of government (e.g. Women and

Youth Association, Community Organizations), NGOs, Political Parties, Interest organizations (e.g. Chamber of commerce, Teachers associations). However, for the purpose of this study, the private sector and the charities and societies are considered as the non-state actors due to their size, influence, and contribution of the urban governance system.

Moreover, the private sectors and the civic societies are the main driver of the economic development process in creating job opportunities. Especially, the private sectors contribute the lion's share of the government's revenue. The government has also considered the private sectors and NGOs as the potential partners for urban development and in making cities' competitive. These actors do not stand opposed to the state actors on the development agenda like the opposition political parties. The private sectors have also played a decisive role in urban economic development and they are capable to inject huge amounts of capital in economic activities. In parallel, NGOs headed by educated elites and with ties to donors to mobilize resources, are increasing in number from time to time in both cities. Due to these factors, the study has incorporated these two groups as the NSAs. On one hand, the executive (members of cities' cabinets), legislative (i.e. City councils), and the federal or regional tier of government is categorized under the state actors. On the other hand, the private sectors and NGOs are categorized as the NSAs. This is because the two categories of actors can establish an urban governing coalition to enhance the socioeconomic development efforts in the urban areas.

However, the governing coalition cannot be formed haphazardly, but rather both the state and non-state actors have their own rationales of promoting self-interest to form a coalition. For instance, the private sectors have an innate self-interest in the economic development of the urban centers this is because of the urban growth has a direct impact on the growth of the private sectors. The state actors have also demands the coalition between NSAs in order to stay on the political power for a longer period. In the same context, the civil societies are independent and autonomous entities and the government considers them as policy interlocutors and intermediaries. Moreover, they have the advantage of promoting civic participation and representation of minorities and disadvantaged groups in decision-making processes (UNDP, 2000). In order to influence their interest on policy decisions, they become parts of the governing coalition in the urban regime.

Thus, for their mutual concern the state and non-state actors enter into coalition around common urban agenda, for example, provision of urban basic service. In addition, they have

promoted urban development as solutions for the multifaceted nature of urban problems and in improving the well-being of the residents. As a result, the governing coalition and power structure should be emerged to influence how cities are governed by influencing the policy agendas. Hence, institutional arrangements and legal frameworks should be required to facilitate the state- non-state actor relationship in the urban regimes and the non-state actors to express their preferences.

However, the main important point here is not only describing the institutional arrangements and legal frameworks that the NSAs have operated in urban governance system but also to examine the extents that the NSAs preferences are represented in urban governance system in existing institutional arrangements and legal frameworks. Hence, the power relationship, formal authorities, and their overt or covert political roles have gained more emphasis here.

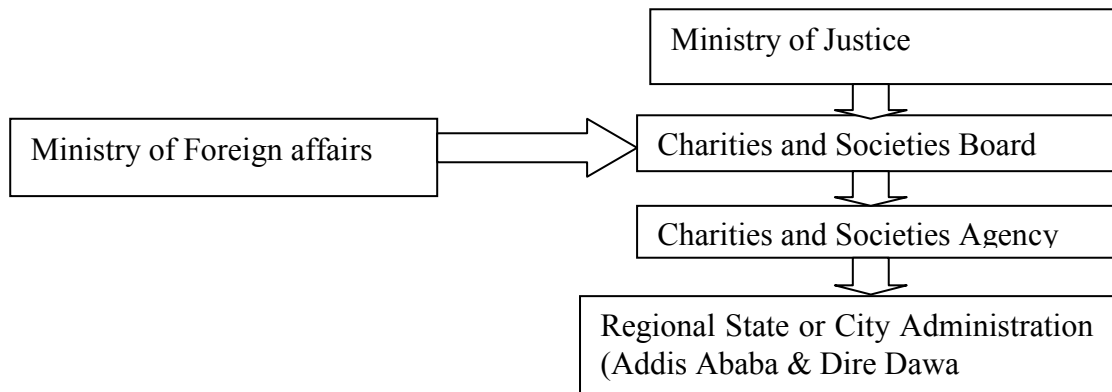
Theoretically, institutional arrangements is used as a vehicle through which the basic purpose and values of a society wishes to pursue through local governments are carried out (Harold Wolman, 1998:35). By institutions and institutional structure mean not only the internal structure of local government (i.e. City council, executive arrangements, departments and bureau and their relationship to each other, and etc.), but also the external one's that facilitated the roles, relationships and operating practices of the NSAs.

In this context, for longer periods the state-non state actor's relationships were not governed in an organized and structured way rather the role and functions of the non state actors, particularly the CSOs had been governed by various public agencies, for example, by the during emperor Haileselassie by the Ministry of Justice and during the Derg regime by disaster prevention and protection commission. As a result, the nature of the relationship between the state and NSAs would be changed along with the changes of government. Since 2009, the FDRE has established an *agency* at the national, and departments at the local level in order to facilitate and regulate the role and functions of CSOs on behalf of the federal government.

As indicated in Figure 13, various institutions would be involved starting on the process of registration and licensing with the implementation of individual projects of charities and societies. For instance, the highest level in the hierarchies of the structural arrangement is the ministry of justice in which responsible to nominate individual members to be the board of the charities and societies. Besides, the ministry has the power to make the final decisions as proposed by the board. Next to the ministry of justice, the charities and society's board is

responsible to deliberate on and to make recommendations to the ministry on policy related issues. The ministry of foreign affairs grants letters of recommendation to foreign charities in order to register in the country. The third tier of the structure is the Charities and Societies Agency in which its main power and function is to facilitate the day-to-day administrative activities of the CSOs on behalf of the federal government.

Figure 14: The institutional structure of the government-NGOs relationship



Source: Arranged by author, 2015

In the case study areas, external resource mobilization department under the Bureau of finance and economic development and department of finance and economic development in Dire Dawa and Hawassa respectively coordinate those activities related to civil society organizations.

The responsibilities of the department of external resource mobilization in both cities would be to facilitate the contractual agreements on behalf of the urban government and CSOs. The department has the power to regulate the overall activities of the CSOs, approving different projects, and facilitating the process of contractual agreements between the CSOs and the respective public sectors. For instance, if a given CSOs needs to engage in educational activities, they must be signed an agreement with the urban government. This makes the CSOs legitimate to undertake different activities within urban jurisdiction.

In the case study areas, there were no independent institutions like the federal agency that are responsible to facilitate the collaboration between the two actors in making and implementing urban development policies. Thus, the government-civil society relationship has a form of hierarchical relationship rather than a matrix form to enable them to share responsibilities. The hierarchical structure was arranged based on the extent of power and autonomy that each

institution has (see Figure 13), that is, the ministry of justice has more power over CSOs. In addition to the existence of institutional arrangements, laws and regulations should be crucial to govern the relationship between the two actors.

In Ethiopia, several laws had been formulated to regulate and govern the actions of CSOs and the private sectors. However, for the purpose of this study it is only emphasized on the current laws and regulation that are related to the chamber of commerce and the charities and societies. Since 2009, the FDRE has enacted a Proclamation and regulations to provide for the registration and regulation of charities and societies in the country. The House of Peoples' Representative (HoPR), the legislative organ of the country, had promulgated the 'Charities and Societies Proclamation No.621/2009'. Within this legal framework, the council of ministers has also ratified the regulation number 168/2009.

Hence, the CSOs are obliged to operate their activities in line with the proclamation (i.e. Proclamation No.621/2009) and regulation (i.e. Regulation number 168/2009). These laws constitute different principles that frame the relationship between civil society and the government. As noted above, the charities and society agency at the national level were established based on these laws. In addition, these laws have clearly specified the areas where CSOs should be involved.

Based on these laws, CSOs should be involved in the areas related to women, children and youth, health, education, social (disability and aged), agriculture, food security and environment. These activities are more focused on the social and economic aspects. These laws (i.e. Proclamation No.621/2009 and regulation number 168/2009) have made the NSAs not to involve in the entire political affairs, particularly the most sensitive areas, that have impacted on the interests of the government or regarded as susceptible for manipulating many social groups against the government.

Because of these laws, the involvement of the non-state actors was bound to only on the areas of economic and social issues irrespective of political involvements. As has been explained above, one of the non-state actors that form governing coalition in urban regime would be the private sectors. The private sector by its nature spread across urban areas and has difficulty to influence governments to protect its interest. As a result, they are forced to form an institution that represents their interests in an organized way. The chamber of commerce,

therefore, acts as a voice on behalf of the private sector in order to promote and protect common interests of the business community.

Similar to the laws that limit the acts of CSOs, the government has also promulgated a law that binds the role of the chamber of commerce and sectoral associations within the context of the country and free market policy. The action of the chamber of commerce and sectoral association should be governed by the proclamation number 341/2003. From the context of this legal framework, the Ethiopian chamber of commerce and sectoral associations represent the interests of the private sectors at both the national and cities' administration level. Moreover, in both cases the chamber of commerce has operated in cooperation with the local administration regarding their common interest.

As discussed above, there are institutions and legal provision that regulates the overall activities of CSOs at the national level and local level. Beside the existence of institutions and legal framework, the institutions and laws should aim to promote and facilitate the involvements of the NSAs in the decision making process through creating favorable condition for cooperation and coordination towards the common agenda. In this regard, the empirical results obtained from the respondents in both cities confirmed that there were no acts or regulations that promote the NSAs engagements in the decision-making process (see Table 17).

Table 17: Is there any regulation or acts that encourage the private sector and CSOs to involve in the decision making process of urban government

	Response (Yes/No)	
	Dire Dawa	Hawassa
The chamber of commerce	No	No
The Secretary/D/spokes person of the city council	No	No
The resource center for civil society	No	No

Source: Interview with deputy mayor and speakers of the council

However, in both cities, the cooperation between the urban government and NSAs were under taken through agreements or Memorandum of Understanding (MoU). This enables to bring together the state and non-state actors to form coalition and mobilizes resources to financing different development projects. For example, in the case of Hawassa, the urban government and the private sectors have agreements in the form of MoU to settle dispute between the government and the private sectors in relation to tax laws and good governance.

The private sector, through their chamber of commerce, had bargained with state actors regarding their interests. However, their bargaining power is too weak to alter laws that negatively affect their interests due to the political commitments of the city administration. Still the chamber of commerce had not been accepted the current tax rate, the land lease system, and other laws. Conversely, the government more often uses the chamber as a device to mobilize financial resources of the private sectors for large projects at the national (e.g. Renaissance dam) and cities' level (e.g. Road construction) without allowing the chamber to influence the state to protect the interest of the private sectors.

The chamber of commerce in Hawassa has played a better role than that of Dire Dawa. For example, there is an established public-private forum that chaired by the city's mayor. The aim of the established public-private council has been to serve as a bridge between the public and the private sector. Particularly the city administration uses the forum to identify problems related to good governance and the formulated policies and strategies of the government. Moreover, the forum uses to solve the problems related to tax burden and administration on the private sectors. Hence, the role and power of the chamber of commerce and sectoral association in Hawassa were relatively stronger than the chamber in Dire Dawa.

As explained above, the absence of institutions and legal frameworks are serious impediments to the involvement of NSAs in the decision making process formally. However, from the perspectives of urban regime theory and the notions that underpin governance have promoted the informal relationship between the state and non-state actors in the decision making process. In this regard, Nico (2008), has noted that *'beyond the formal'* institutions, namely the coalition of publicly elected politicians and the administrative apparatus belonging to them multifarious coalition of state and non-state actors have become increasingly important protagonists making political decisions for cities'. In other words, the political decision has never been an exclusive prerogative of state actors as the government has turned from commanding authorities.

From this context, it is crucial to analyze the political dimension, especially the power relationship between the state and non-state actors from the context of politics. In order to encourage the NSAs involvement in the holistic policy and political process it requires creating political alliances between state and non-state actors. As explained above, the charities and societies proclamation No.621/2009 has clearly limited the areas where the CSOs should be engaged in, especially bounded in the areas of social economic activities.

However, this law under article 4/j stated that the charities and societies should be involved in the advancement of the human and democratic rights.

In the context of this study, political alignment refers to the extent of non-state actor's involvement and the complex interdependencies between state and non-state actors in both policy preparation and implementation. As has been described above in many places of this refers urban policy is not a product of a single actor, but it is a product of the power relationship between different interest groups that constitute a particular social formation (Geyer, 2009). These include the states (i.e. Federal, regional, and local), private and civil society. Literally urban policy is about “meeting needs” (Blackman, 1995) in this regard the policy has paid attention to the needs of the resident, for instance, the housing need, social services, infrastructure development, good governance and democracy. This may enable the urban governments to design their short and long-range plans towards the needs of the residents in general and to make their cities competitive.

An important aspect of policy development is that the citizens should know about the content and the direction of different development policies. This approach inspires the participants towards the vision and the implementation of the policies. A wide spectrum of organizations, ranging from state to private, CSOs and community-based organizations are central to the evolution of urban policies. The credibility and legitimacy of that policy can only be enhanced through such an approach. This can be done by changing the urban governance system of ‘urban government’ to ‘urban governance’ in the cities.

As noted above, the notion that under the pin urban governance not only can promote the vertical linkages between city administration, regional, and federal tiers of governments; but also horizontal linkages between urban government and non state actors in making and implementing urban development policies. Specifically, the horizontal linkages between the state and the non-state actors are essential to bargaining and coalition building in order to realize of urban competitiveness. Hence, in order to improve cities' competitiveness and to solve the persistent urban problems that faced cities in the country, it is important to bring all the states and non-state actors together in the process of policy making. The non-state actor engagement in the process of plans or policies is advantageous to state actors to mobilize and utilize resources efficiently, and has impact on in implementing the policies.

The nature of the policy process is a complex and an iterative process. For instance, the cycle of policy making can pass five to six phases- from putting a policy on the agenda, through, policy formulation, legitimating and implementing a policy, to evaluating and deciding whether to continue or terminate the implementation. However, the involvement of each actor in each phase of designing policies may vary based on the powers as stated in the constitutions or related laws. Hence, this section looks briefly at the way the role and power of actors on plans or policymaking process in the context of urban governance in which to look upon it from the points of view of urban regime and elite theories. These enable to illustrate the extent of influence each actor has and the interrelationships between actors on planning or policy process.

After the change of the unitary state in 1991, the incumbent government has undertaken various reforms starting from the federal form of government at the national level of decentralizing power to the local or cities' administration level. The intention of federalism or decentralization is mainly concerned with the idea of a shift from the traditional *government* to *governance*. Where by the former is a state actor is regarded as a dominant actor in the policy arena and a clear hierarchy of authority governing a top down hierarchical process, while the latter are more actors involved and the boundaries between state and non-state actors have become blurred (Nico, 2008). Various scholars have argued the importance of the shift from *government* to *governance* in which the non-governmental actors brought closer to the center of policy making and policy delivery, including both private-sector actors and civil society organizations (See Haughton and Counsell, 2004:33 in Rhodes 1997; Pierre and John 2000; Newman 2001). This is because *government* is characterized by formal institutions using coercive power in a more centralized way, whereas 'governance' is more likely to involve existing institutions, using incentives to engage stakeholders (Savitch and Vogel, 2000) and emphasizing power distribution.

In order to measure the non-state actor's involvement in the development process of planning and policies a 5-point an ordinal rating scale and an independent samples T- test and a one way ANOVA would be employed to analyze the data that obtained from sampled respondents (see the justification in Ch. 3). As explained in the previous section, the constitution and the city's charter have clearly defined the role and power of state actors in the policy making process. For instance, the 1995 constitution of the federal democratic republic of Ethiopia (FDRE) has determined the power and functions of the executive and the

legislature in the policy making process at the national level. However, in both cities they did not have legal provisions and formal mechanisms that allow the involvements of non-state actors in the process of making policies and planning. This does not mean that in order to promote the participation of non-state actors in development activities laws should be necessary. In addition, the absence of a formal mechanism for the involvement of NSAs does not mean that the NSAs have no role in the entire development process or the role and power of NSAs are a zero sum game. In practice, in both cities there are numbers of civic society organization and private sectors that invested their capital in city's development regardless of the extent of their influence to shape plans and policies. The involvement of NSAs has no a specific points where it starts whether in the policy initiation or implementation, rather it is a dynamic process that they involve from the creation of vision for cities in to the reality. The empirical analysis of the involvement of non-state actors will be presented below.

Table 18: The Role and Power of NSAs in making Plans and Policies

Group Statistics				
	The study area	N	Mean	Std. Deviation
The NSAs participation during the articulation of the cities' vision statements	Dire Dawa	200	1.75	.819
	Hawassa	169	1.70	.541
The extent to which the NSAs are involved in making a policy	Dire Dawa	194	1.70	.640
	Hawassa	168	1.62	.664
The extent to which the NSAs are involved in planning process (i.e. annual or the five yr plan)	Dire Dawa	193	1.56	.566
	Hawassa	172	1.78	.671
The commitment of urban government in promoting the NSAs involvement	Dire Dawa	199	3.30	1.524
	Hawassa	172	2.29	1.341
The degree to which the policy or plans that have adopted in cities reflect the preferences of NSAs	Dire Dawa	197	3.33	1.525
	Hawassa	172	2.42	1.372
The willingness of the governments including the federal to accept changes that forwarded by NSAs	Dire Dawa	200	1.63	.705
	Hawassa	171	1.91	2.494
The extent to which the NSAs involved on effected laws or policies	Dire Dawa	197	3.47	1.239
	Hawassa	170	3.56	1.037
The willingness and commitment of NSAs to involve in making plans or policies	Dire Dawa	200	2.34	.958
	Hawassa	171	2.00	1.188
The policy enactment accommodates the interests of the non state actors	Dire Dawa	200	1.73	.843
	Hawassa	172	1.69	.820
The magnitude of the NSAs to influence the government	Dire Dawa	200	1.82	.714
	Hawassa	172	1.76	.871
The NSAs involvement in the implementation of urban development plan	Dire Dawa	200	3.70	1.307
	Hawassa	172	3.81	1.098
The cooperation between state and private sector	Dire Dawa	200	4.24	.968
	Hawassa	168	4.27	.912

As discussed above, from the perspective of governance theories the non-state actors should be expected to involve starting from the creation of cities' vision to the implementation and evaluation of development plans and policies. However, as indicated above in Table 18, the involvements of non-state actors during the articulation of the vision statements in both cases would be lower and there was no statically difference between the two cities, in which the average score for Dire Dawa ($M=1.75, SD=.819$) and for Hawassa ($M=1.77, SD=.541$), at (367) =-.208.

However, the vision statements of the cities are recognizing the role and contribution of the non-state actors. For instance, the vision of Dire Dawa is *we aspire to see an attractive*

comfy and globally competitive Dire Dawa, which is endowed with governance and strong, sustainable economy specializing in trade, industry, and service sector.”While the vision of Hawassa →we aspire to see in 2020 Hawassa would be livable and conducive for investment and the city would ensure good governance, democracy, and sustainable development and attain the middle income society.”

The existence of vision statement by itself indicates the political commitment and aspiration of the local authorities to make their cities competitive. However, it can be attained and reached if all actors have participated in the process of vision formulation. Interview with the Deputy Mayor of Dire Dawa and the secretariat office of Hawassa confirmed that the cities’ vision statement was created by cities’ administration with the help of experts and with less consultation with the business and civic society.

As a result, in the case of Dire Dawa 35.6 % of respondent’s their level of understanding about their city's vision statement would be low while 46.1 % of respondents didn’t have adequate information about the city's vision but they know that the city has a vision statement (see Table 20). Similarly, in Hawassa more than 70 % of respondents have a low level of understanding of their cities’ vision. Even the deputy mayor replied that the aspiration of the urban government will become Hawassa as a tourist city, but the vision statement emphasizes on to become Hawassa as the center for trade and investment.

Table 19: The level of understanding of the private sector on city's vision

				Very Low	Low	Medium	High	Total
The Study area	Dire Dawa	Count		11	16	35	14	76
		% within The Study area		14.5%	21.1%	46.1%	18.4%	100.0%
	Hawassa	Count		19	28	17	3	67
		% within The Study area		28.4%	41.8%	25.4%	4.5%	100.0%
Total	Count			30	44	52	17	143
	% within The Study area			21.0%	30.8%	36.4%	11.9%	100.0%

This implied that the cooperation between the state and the non-state towards achieving the visions of the cities would be less. Moreover, the vision statements of the cities would not serve as a framework for the preparation of the short and long-range development plan. On the other hand, incorporating the issues of governance and city's competitiveness on their vision statement would be the strength side of the urban government. Next to the articulation of the vision statements of the cities, it is important to develop plans, policies, and strategies in order to attain the vision of the cities. All policies and strategies that have been adopted in cities in one or the other way affect the interests of different social groups either positively or negatively. Therefore, the importance of the NSAs involvement in the process of planning would be unquestionable.

Since 2006, the national urban development policy has been started to be implemented in Ethiopian cities together with various strategies and policies related to industries and MSEs. For example, the current urban development policy has initiated and formulated by the federal government. This can be evidenced by the document of the policy. According to the policy, the federal government has prepared the existing urban development policy document in order to bring the desired results in terms of urban development and good governance (FDRE, 2010) in Ethiopian cities. The Ministry of Urban Development and Housing Construction (MoUDHC) has taken the responsibility to implement the policy on behalf of the federal government and the regional states and the cities' administration would be responsible to put the policy in to practice.

As explained above, the constitution and the city's charter has granted a power for urban governments to make their own policies and laws while in practice the formulation and

implementation process of policies in the case study areas would be hierarchical in which the power to formulate policies lies on the responsibilities of the Federal or Regional government.

As indicated in Figure 14, in Ethiopia, the initiation and formulation of urban development policy and the long range plans rested on the power of the Federal government. In other words, the Federal government has initiated and formulated various policies and strategies, and then provides for discussions down to the regional states and to the smallest units of governments as well as for different social groups. Based on the information that was obtained during the discussion and orientation with the higher-level officials, the urban governments would prepare the one to five year plans within the framework of the national plan. However, the higher level of government lacks willingness and commitments to accommodate the interests of various interest groups the smallest units of government implement the policies and plans within their jurisdictions.

Figure 15: Urban planning and policy making process in Dire Dawa and Hawassa



Source: Personal Communication, September and December 2014, Dire Dawa and Hawassa, In the case study areas, for example, in Dire Dawa the planning process has passed two stages, in which the city administration has adopted the federal plan in their context with minor modifications, while in Hawassa case, the planning process has passed through three stages these includes the Federal, Regional, and the urban government.

However, the role and power of the non-state actors in the planning and policy making process would be low. As indicated in Table 19, the main results of the NSAs involvement in the policy making process would be lower and there was no statistical difference between the two cities in which the mean result for Dire Dawa ($M= 1.70, SD=. 640$) and for Hawassa ($M= 1.62, SD=. 644$), at $(360) =1. 119, p>0.05$.

With regard to the involvement of NSAs, the officials of urban governments have different opinions. For example, one of the interviewees in Dire Dawa replied that, all the plans and policies adopted in cities were intended to address the urban problems that raised by the

residents at the time of various discussions held in each Kebele. In other words, the business community and members of civic society as a resident reflects their opinions during different public discussions and the urban government was facilitated different discussions with civic and business communities on urban matters (personal communication, September 2014). However, in reality, the governments, including the higher level, they were not willing and committed to accept and to change the policies or plans based on the suggestions that were provided by different interest groups during the discussions. In this regard, the empirical data showed that in Dire Dawa ($M=1.63$, $SD=.705$) and Hawassa ($M=1.91$, $SD=2.494$), $t(369) = 3.006$, $P < 0.003$ (see Table 18). Here, there was a significant difference between Dire Dawa and Hawassa to accept changes and incorporate the interest of NSAs in urban development plans.

Contrary to these, the NSAs were involved in effected policies and plans, after a year of implementing, for instance, the urban governments have invited different social groups such as elders, representatives from women, youth, religious institutions, intellectuals and the state actors for discussion on the Growth and Transformation Plan one (GTP 1) after a year of implementation.

The extent of NSAs involvement in effecting laws and policies looks better when compared to their levels of participation in the process of formulating plans and policies in both cities. In this regard, the surveyed result showed that, for Dire Dawa ($M=3.47$, $SD= 1.239$) and for Hawassa ($M=3.56$, $SD= 1.037$), $t(365) = -.81$, $P > 0.05$. Nevertheless, there was no significant difference between the two cities in the participation of the NSAs on effected plans and laws (see Table 18).

However, the city councils in both cities invited guests and the representatives of the NSAs to participate in the sessions organized by the standing committees of the council or the secretary of the council. For instance, the city council of Dire Dawa has invited individuals who have concern on the council's agenda through media (i.e. FM Radios and regional printings outputs) to attend the meetings of the council or hearings. However, there were no significant numbers of participants in all sessions. As a result, the roles of the NSAs in influencing the planning and policy process were lower in both cities.

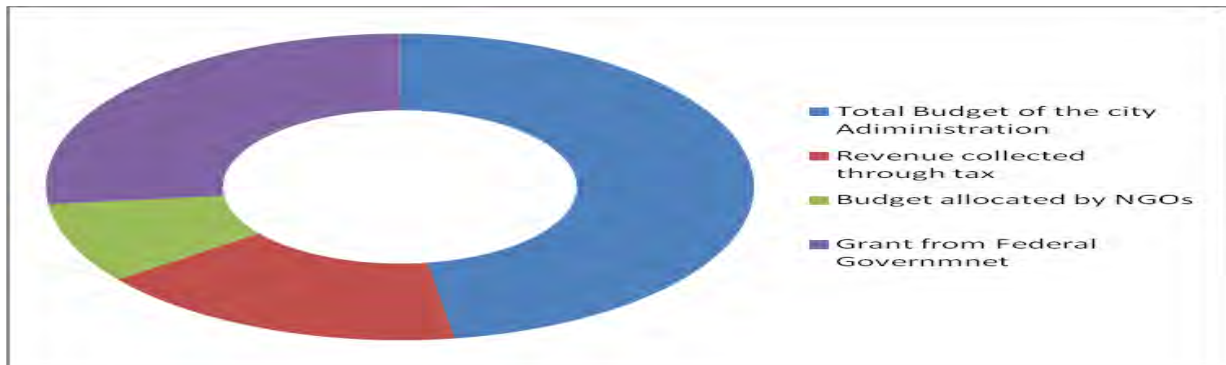
In addition to the analysis of the role and involvements of the non-state actors in the formulation of vision statement, plans and policies it is also important to investigate the

contribution of the NSAs in the implementation process of urban policies and plans in relation to the socioeconomic development of cities. This is because the laws that govern the actions of CSOs mainly limited their participation in making laws, plans or policies, but rather promotes to engage in socioeconomic activities that carried out in cities. In practice, the private sector, being the backbone of the economic activities in the cities, provides employment opportunities for huge number of residents particularly for unemployed youth.

Similarly, Civic Organizations are one of the crucial partners in any development interventions especially in social sectors. CSOs in both cities have been involved in socioeconomic development within the bounded spaces, while they have allocated huge amounts of financial resources to carry out various socioeconomic activities. The NSAs, therefore, being near and working with the community, they have played a decisive role in mobilizing local resources and implementing the urban development.

In this regard, both the secondary and primary source of data have assures the non-state actors were involved the implementation phases of planning and policies. This can be investigated in terms of the contribution of NSAs to the total budget of the city administration. In the case of Dire Dawa in 2013/14 fiscal year, the Dire Dawa city administration has allocated the 1.1 billion Birr for capital and expenditure budget, of which 36.09 percents accounts for taxes that were collected from private sectors (see Figure 15). In addition to the private sectors, 17.93 percent of the total budget of the city administration of Dire Dawa was contributed by civic societies through the government's account in order to improve the quality of education, urban services, food security, and infrastructure development.

Figure 16: The share of NSAs on the total budget of the city administration, Dire Dawa



Source: The annual report by the City administration of Dire Dawa and Hawassa (June, 2014)

As shown in the Figure 15, for the last three consecutive years (i.e. 2011/12 to 2013/14, on average, 53.2 % of the total budget were collected from private sectors through taxes, and about the 31.9 % share of the total budget was allocated by the CSOs for different social economic development that were planned by the urban government. In other words, about 85.1 % of the government's total expenditure was collected from the NSAs. This implied that the NSAs would be involved to implement the urban development plans that were initiated and formulated by the state actors with little participation of the NSAs.

So far, the NSAs involvement in the articulation of the city's vision statement, formulation and implementation of plans and policies of urban development was analyzed based on the specific results of the surveyed data. While it is also important to analyze the extent of NSAs involvements in making plans or policies based on the aggregate results. Therefore, in order to make comparison between the study areas and within actors and to conclude about the role and power of the NSAs over the plans and policies an independent sample test was employed.

The respondents from both cities were believed that, the involvement of the NSAs on the implementation of different urban development plans and policies would be better. In this regard, there was no significant difference between the two cities, Dire Dawa ($M= 3.70$, $SD= 1.307$) and Hawassa ($M=3.81$, $SD=1.090$), at (370), $P>0.05$.

The problems associated with the involvement of the NSAs on different phases of urban development processes derived from not only due to absence of institutional mechanisms and lack of the commitment of urban government but also derived from the side of the NSs. For

instance, the non-state actors perceived making a plan or policy as prerogative rights of the state. In addition, they were assumed that the state actors were the most powerful in making a decision and they could easily conclude that as discussed above, the government would not be willing to accept any changes suggested by NSAs. Therefore, the challenges have been derived from both sides of the state and non-state actors.

In spite of the above facts, the non-state actors, both the private and the civic societies in both cases have different perception, whether the plans and policies that were adopted in their cities reflects their preference or not. The result obtained from Dire Dawa confirmed that, the plans and policies of the government could be reflect the interest of the NSAs with the value of ($M=3.33$, $SD=1.525$), while for Hawassa ($M=2.42$, $SD=1.372$), at $(367)=5.961$, $P<0.05$. Hence, there was a statistical difference in the content of the plans and policies between the two cities.

As mentioned elsewhere in this paper, the involvement of the NSAs in the process of making plans and policies was low. As a result the urban regime dominated by the state actors and the NSAs did not have a room to influence the decision making process that is relevant to urban economic development. In other words, the urban government has more power in the decision making process and the scope of NSAs to influence the state actors becomes narrow. Finally, from the above analysis one can understand that the state actors, including the federal, regional and local government have played a leading role in local economic development, competitiveness strategies and plans.

The power to make plans and policies are concentrated in the hands of the governments and the institutional dynamics associated with policymaking placed at higher levels of government, while the burden of realizing these policies would be laid on the shoulder of the urban government and NSAs. To sum up, the NSAs participation in making policies and plans would be constrained by different factors that derived from the sides of state actors and NSAs. One of the major factors that affected the NSAs participation in the formal decision making process in both cases would be the absence of a legal framework and institutional arrangements that facilitates the cooperation between the state and NSAs.

The existence of institutional and legal frameworks is important to impose the state actors to involve the NSAs in formal decision-making process. The absence of formal mechanism that

facilitates the relationship between the state and non-state actors are the result of lack of political commitment and willingness of the state actors. In addition, the state actors perceived themselves as a governor of the cities and they assume that all plans or policies that were adopted in their cities were the product of existing urban problems (Personal communication, 2014) in which reflects the interests of the entire societies.

4.5. The Effectiveness and Responsiveness of Cities Administration to Pursue Cities'

Competitiveness

The capacity of cities' competitiveness is heavily relying on the effectiveness and the responsiveness of the local government or city's administrations. In order to enhance the local economic competitiveness, the city administration should provide adequate infrastructure in line with the demands of the private sectors. One of the characteristics of competent cities could be implementing various socioeconomic plans and policies by their own revenues and efforts.

In this regard, various international and academic institutions used various variables and indicators to measure the effectiveness and responsiveness of the local government. Among these the UN-HABITAT has identified indicators that used widely in different researches and institutions to measure the effectiveness of government these include *a ratio of mandated to the actual tax collection, Local government revenue per capita, the ratio of actual recurrent and capital budget, local government revenue transfers* (UN-HABITAT, 2006).

Using this framework, the institutional capacity and the effectiveness of the city administration in collecting taxes, the ratio of revenues of the city administrations to federal or regional transfer, and the ratio of actual recurrent to capital budget are used as an indicator to measure the effectiveness of the city administration. On the other hand, the responsiveness of the city administration are measured based on the ratio of capital to recurrent budget and infrastructure indicators. This is because most projects in cities including infrastructures have been measured by the capital budgets allocated to them.

As noted above, one of the variables to measure the effectiveness of governance is the revenue in terms of tax-based indicators. In line with this one of the tax-based indicators are the Relative Political Extraction (RPE) developed by Kugler and his co-authors (Organski and Kugler 1980; Arbetman and Kugler 1997). RPE is a measure of the actual taxation

compared to the amount of tax cities are expected to collect based on the structure of its economy. This measure of capacity is very useful to make a comparative analysis between the two cities.

In addition, income tax divided by the total tax and revenue per capita (3 years average) measure how much tax the city administration collected per working person, on Average. This is because of collecting large proportion of revenue would provide solid evidences on the ability of the cities' administration to collect taxes and the outputs of the city's economy that are produced within their jurisdictions. Hence, as indicated below in table 20 and 21, the Square of the Pearson product moment correlation coefficient of the actual taxation of planned revenues is 0.98 and 0.97 percent for Dire Dawa and Hawassa respectively. The results suggest that the Dire Dawa city administration is relatively more capable than Hawassa city administration in collecting its revenue as per the plan.

Table 20: The correlation between the actual revenue against the plan for the year 2008/09 to 2013/14, Dire Dawa

Correlations			
		Plan	Actual
Plan	Pearson Correlation	1	.989**
	Sig. (2-tailed)		.000
	N	6	6
Actual	Pearson Correlation	.989**	1
	Sig. (2-tailed)	.000	
	N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 21: The correlation between the actual revenue against the plan for the year 2008/09 to 2013/14, Dire Dawa

Correlations			
		Planned	Actual
Planned	Pearson Correlation	1	.969**
	Sig. (2-tailed)		.001
	N	6	6
Actual	Pearson Correlation	.969**	1
	Sig. (2-tailed)	.001	
	N	6	6

** . Correlation is significant at the 0.01 level (2-tailed).

However, relative political extraction could not measure the effectiveness of the city administration; rather it is important to complement by alternative measures of effectiveness of the urban governments. In this regard, the most widely used measures of the government's capacity to collect taxes would be the total income tax divided by the total tax revenue (three years average).

Table 22: The Ratio of Income Tax to Total Tax Revenue for the Year 2011/12 to 2013/14, (Birr in Millions)

	Income Tax	Total Tax	Ratio
National	112,837.89	376,123.7	0.29
Dire Dawa	329.2	758.5	0.43
Hawassa	485.7	1,092	0.44

Source: MoFED, BoFED of Addis Ababa & Dire Dawa, Department of economic development and finance, Hawassa, 2013/14

As shown in Table 20 above, the proportion of income tax (i.e. Direct tax) to total tax revenue (the total of direct, indirect, and non tax revenue) is a major indicator of the institutional capacities of the cities in gathering information and enforces laws as well as tests the private sector cooperation with city administration (Chaudhry, 1997).

In the Ethiopian context, the proportion of income tax to total tax measures not only institutional capacity in terms of gathering information and enforcements of laws, but also measures the capacity of the city administration in collecting their own sources of income from business firms and employees working in their jurisdictions.

In line with this, the income as percent of the total tax revenues at the national level for the year 2011/12 to 2013/14 was 29 %, while in the cases of Dire Dawa and Hawassa, the percentage shares of income taxes from the total tax revenues were 44% and 43% respectively. Hence, the urban government of Dire Dawa and Hawassa are more effective in generating revenues from businesses and employees as compared to the national. In addition to the ratio of income tax to total revenue, the revenue per capita (i.e. Total revenue over employed person) is also used as an indicator of the capacity of urban government. It indicates how much tax that the city government can collect per working person; the extent of productivity of the active population and the effectiveness of the city administration in generating revenues from the employed persons.

Table 23: The Average of the Revenue per Capital of 2012 to 2014 (Total Revenue/Employed Person)

Country level	1428.905
Dire Dawa	3473.04
Hawassa	1582.95

As shown in the table 23, the city of Dire Dawa has collected more revenue from employing individuals than the national average. The city administration of Hawassa is also better than the national average. This implies both Dire Dawa and Hawassa have collected taxes from employing persons better than at country's average.

The ratio of total capital budget to total budget is an important indicator of the effectiveness of the local government. The capital budget can ensure the adequacy of public infrastructure and its quality and helps the cities to improve the economic development, because they rely heavily on building new and upgrading the existing infrastructure and facilities to attract new business. Thus, the proportion of recurrent and capital expenditures measures the extent of the capacity and effectiveness of city administrations. Particularly, Capital expenditure is usually seen as expenditure that create future benefits, though it has some lags between the capital incurred in the initial year and when it takes effect on the economy.

Recurrent expenditure, on the other hand, refers to expenditure on purchase of goods and services, wages and salaries, operations as well as current grants and subsidies (usually classified as transfer payments). Recurrent expenditure, excluding transfer payments, is also referred to as government final consumption expenditure. Therefore, the larger share of the

capital budget to the total budget indicates that, the government's commitment to the infrastructure development.

As indicated in Table 24, in 2009/10 the share of the capital budget to total budget 59 %, while in 2013/14 would become 58 %. In the case of Dire Dawa, in 2009/10 the share of capital budget were 40 %, while in 2013/14 increases to 46 %, in Hawassa case in 2009/10 the only 14 % of the total budget allocated for only capital budget, but it increased to 35 % in 2013/14 fiscal year.

In general, the trends in the growth of a capital budget in the cities indicate the improvements of the urban government of effectiveness. This implied that, the government's investment in capital assets has shown a progress.

Table 24: Ratio of Capital Budget to Total budget

	2009/10		2013/14		Ratio
	Actual	Capital	Actual	Capital	
Federal Government	21176	30598	51445	72971.3	
Dire Dawa	239.06	159.38	609.94	523	
Hawassa	393.5	69.01	1200	664	

Source: MoFED, BOFED of Dire Dawa and Hawassa (2009/10 - 2013/14)

4.6. The Shift from 'Government' to 'Governance'

In the preceding section, the mode of governance was analyzed in terms of different dimensions such as the institutional arrangements, legal framework, and the power distribution among urban actors, the role and power of the state and NSAs of making an urban development plan and policies in relation to governance theory. In this section, it is important to examine governance features of the study area from the context of 'government' and 'governance' along with urban politics and governance theories. This is because, as mentioned above, governance is crucial in order to create competitive cities and enhance the capacity of urban government.

In recent years, many analysts have begun to emphasize the difference between 'government' and 'governance'. The basic distinction lies on the question to what extent cities have involved NSAs actively in shaping policy agenda, and supporting the urban development apart from paying taxes.

The notions of 'governance' emphasize that the boundaries concerning the responsibilities of the State and NSAs have become permeable in which the political decisions have never been an exclusive prerogative of elected representatives and their administrative apparatus (Kearns and Paddison 2000 cited in Nico, 2008). In governance system, the roles of government are to enable interactions, encourage many and varied arrangements for coping with policy, to ensure equitable distribution of services between actors through self- and co-regulation and to create public-private partnerships, or what Kooiman call 'types of societal interactions' and 'modes and orders of governance'.

The term government usually includes formal institutions of the state, which are characterized by monopoly of legitimate power and structure of command. In other words, given the nature of government, making policies on urban development process by default has become the sphere of state actors rather than based on horizontal coalition building.

Given these contextual frameworks, it is important that the urban government requires a shift from government to governance characterized by greater local autonomy, the involvement of NSAs in the planning and policy making process. Simply a shift from 'urban government' to 'urban governance' a transition from hierarchical and concentrated power to network based forms of decision making and distribution of power among actors within urban governance system. In order to understand the urban governance system of the case study areas, it is important to highlight the major theories of urban governance and politics as discussed in the literature part of this dissertation, i.e. the elite and urban regime governance theories were discussed in relation to the urban governance systems.

In line with this, the classical theories particularly the proponents of the elite model argue that all representations of decision making as democratic were false, and they built on the notion of the 'the iron law of oligarchy' which contended that all organization and bureaucracies (especially political parties) concentrate authority at the top of the decision making tree. While the voters and the regular member's members of the organization play an essentially supporting role (Aristotle cited in Parker 2004).

Contrary to the elite theory, urban regime theory takes from pluralism the idea that no one group monopolizes power at local level, but it also backs elitist accounts of urban power by pointing to the existence of tight-knit coalitions of urban 'movers and shakers'. Thus, URT has given more emphasis on the coalitions between state and non-state actors, whose

members discuss, prepare, and implement political decisions. This theory suggests that the urban governance system is made up of coalitions from mutually dependent components. These include the groups of actors that are *actually* part of the policymaking process that define urban regimes in a much broader sense and how constitutions, governmental regulations and interventions shape the pathways of urban politics and policies that URT often pays too little attention (MacLeod and Goodwin in Nico, 1999).

Having these theories in mind, the trends of the shift from government to governance in both cities were examined and analyzed based on the theoretical and empirical data that were analyzed in the previous sections. Since cities are considered as an urban government, it refers to an autonomous to the extent that it can be pursuing its interest without substantial interference by the national government.

As noted above, the extent of power and autonomy that have cities' administrations are measured from different angles, however, for the purpose of this section the mode of intervention was utilized. With respect to the mode of intervention, Cochrane and Peck (1996) could identify four modes of intervention. The first is termed *directive*, where national (and state) governments are extensively involved in determining, administering, or monitoring local policy and programs. The second mode of intervention could be termed *permissive*, an approach that allows greater local discretion in local policy administration and financial support for programmatic initiatives. The third approach could be termed *withdrawal*, in which national (or state) governments substantially retracts or eliminate support for local policies and programs. An emerging fourth mode can be termed *competitive*, in which cities compete against each other for limited national (or state) government resources. National governments still establish the rules of the game for grant competitions, however, thereby restricting local discretion in crucial ways.

In these contexts, given the nature of the federal forms of government in Ethiopia, the mode of intervention would be permissive in which the constitution and the city's charter allow greater local discretion to cities' administration in order to make policy and plans within their jurisdiction, and the Federal and the regional government grants budget based on the determined formula. However, in practice, the federal government and the regional governments have taken a more direct role in Dire Dawa and Hawassa respectively. For instance, as discussed above, many development policies and plans undertaken in both cities were the hybrid plans and policies of the federal and the cities' administration. The federal

government makes policies and strategies, but the cities' administration implements within the framework of the Federal government goals and objectives.

As a result, the urban government had little autonomy to set urban policy and investment laws. The autonomy of the city administrations is severely restricted in implementing policies and laws that were designed by the federal government. In addition to the power distribution to downwards to urban government, an inward distribution of power has also necessary conditions for the existence of governance. In this regard, the formal power division within state actors, more power was concentrated in the hands of the executive. The executive (i.e. Cities' cabinet) in both cities has autonomous power to make any decisions without having the vote of the city councils.

In line with the horizontal power distribution, not only the state actors, but also the CSOs will take more responsibility for their own welfare and the local policy processes that shape their lives and the places in which they live. This is because policy processes are to an increasing extent seen as a process of cooperation and coalition. However, in both cases there is no formal power sharing mechanism, policies and institutional arrangements that facilitate the involvements of NSAs throughout the urban development process. From these discussions, the one can estimate the nature of the urban governance system that exhibits in the case study areas would be a traditional government or not. Nevertheless, it requires examining further from the theoretical perspectives of urban politics and governance.

In this context, the community power debate pitted political pluralists (see Dahl 1961), who conceived of power as dispersed among interest groups, against elite theorists, who claimed that urban political power was concentrated and highly stratified (see Hunter 1953). Among various pluralist theories, the urban regime analysis views power as fragmented and regimes as the collaborative arrangements through which local governments and NSAs assemble the capacity to govern. In our context, the Federal government has shared powers and responsibilities between governments through the constitution and various laws. Conceptually power division between governments is a decentralization process.

Nevertheless, the decentralization process by itself is a part of governance process. Hence, as Giersig (2008) pointed out, governance has paid much emphasis on a transition from highly institutionalized, centralized, hierarchical and comprehensive planning to a more improvisational, dispersed, co-operative and temporary project-oriented style of political

decision-making. In this sense, as described a lot in the above discussion, the cities' administration is a legitimate entity to make decisions over resources.

However, the federal government exercise control over the cities' administration through the arm of the political parties and the appointments of Mayors who remain accountable to the Federal or Regional governments. Since the Federal government or Regional governments in Dire Dawa and Hawassa respectively, have a directive role in cities' administration, the urban governance system has inclined more to the nature of government rather than governance. Hence, the practice contrasts what urban regime theory argues, in which without the cooperation of both business and nonprofit actors the elected officials lack sufficient resources to accomplish their policy goals, while the organizations and their resources concurrently shape those objectives.

In order to be the NSAs a part of urban governance system, as the urban regime approach suggests a power that does not rest primarily on social control, hierarchy and dominance, but rather on the ability to tie and merge resources and knowledge so as to be able to pursue common goals more effectively. Hence, it requires the 'horizontal' cooperation of different groups of actors, who thereby acquire the shared *power* to solve certain problems or realize particular projects (Digaetano and Klemanski 1999). From this point of view, the relationship between the state and NSAs in the study area would govern based on the principles of laws in which the state actors are considered themselves as a regulatory agency who have a power over rather than a power to common urban problems. For instance, the CSOs were responsible to formulate plans within the framework of laws and should submit for the respective sectors for approval, and finally they are obliged to submit their performance report to state representatives for evaluation. In other words, the state actors have a capacity and instrument to exert power over CSOs.

Like the state-CSOs relationship, the relationship state with private sectors were hierarchical, in which the urban governments create laws or policies either to promote private sectors to invest their capital or enforce laws to collect taxes from the private sectors. In order to understand more about the power relationship between state and non-state actors, Clarence stone (1998), has identified the social control and social production model. According to Clarence stone, comprehensive hegemonic social control in modern governance is practically impossible due to the increased societal complexity (Stone, 1989). Hence, the power struggle concerns, not control and resistance, but gaining and fusing a capacity to act—*power*

to, not *power over*” (Stone, 1989). That is, power is structured and exercised in an effort to produce certain kinds of outcomes or results through cooperative efforts, not to gain dominion or control over the actions of others.

Power from government’ perspective can be seen as likely to respond to groups on the basis of their electoral power of the intensity of their preference, rather from governance angle are driven to cooperate with those who hold resources essential to achieving a range of policy goals. From this points of view, the urban power structure in both cities in Weberian terms as a matter of dominance and the local election process that under taken every 5 years are about the legitimacy of forms of social control.

Table 25: Urban Power Structure

Type of power	Urban power structure	Mode of decision making
Dominating	Rival factions	Conflict
Bargaining	Coalitions	Contingent cooperation
Systemic	Positional	Accommodation
Pre-emptive	Regimes	Enduring Cooperation

Source: Digaetano and Klemanski (1999)

The political power can also explained from different distinct types of political power, as indicated in the second chapter of this paper four types of political power were identified by Digaetano and Klemanski (1999). In the context of this study, the type of power that constitute in both cities would be the systemic in which the state actor has a positional power to alter laws and policies to employ the resources that have on the private sector hands. For instance, the investment laws, various incentives, and urban service provisions are the part of retaining and attracting investments. While, from governance context, the bargaining power is more appropriate which enables to build a coalition between the state and NSAs (Stone, 1988).

This is because the state actor is responsible to solve urban problems such as urban poverty, unemployment, inadequate urban services and so on. These problems could not be solved only on state’s capacity rather it needs the coalition with NSAs. On the other hand, the private sector and CSOs have the financial resources and skills that invest in urban centers. As a result, both the state and NSAs move toward a more cooperative relationship of negotiation in order to compromise because their relationship were built on give and take principles of urban politics. The empirical data in both cities were depicted that the elite

groups who have formed the state on the basis of political affiliation and ethnic background have prerogative rights to initiate and formulate urban development plans and policies, rather than that the economic forces determine the policies. From the perspective of policy theory, designing the plans or policy depends on the nature of the state who design the policy, and the approach or models that involves, how the policy operates, and who controls or dominates the process and who benefits from it (Mehret, un published handout for MPA).

As mentioned above, all urban development plans, laws, and policies adopted in both cities were the product of the state actors, which constitutes the preferences of the state actor who dominates the process. To put simply, the NSAs are recipients of the actions of distant policy makers. Yet, clearly, there are many situations that the state actor promulgates laws or policies to affect the interests of the NSAs and ordinary citizens. For instance, the land lease policy and the charities and societies laws are witnessed how power elite dominated the policy or law making process.

Table 26: The most powerful actors in making decision related to urban development plans, policies or strategies

	The Study Area		Total
	Dire Dawa	Hawassa	
City's Council	41	31	113
City's Cabinet	70	69	139
The Mayor	2	14	16
The Private Sectors	2	8	10
The Federal/Regional Government	68	45	72
Don't know	17	2	19
Total	200	169	369

As shown in Table 26, the urban government or the state actor in both cities were more powerful than CSOs and organized business sectors. From these points of view, the elite model, therefore, describes the urban governance system in the study area more than the urban regime theory. In principle and based on the constitution, the city council could be more powerful than the executive or the cities' cabinets in their jurisdiction. However, in both cases, the data obtained from various respondents, the members of city council confirmed that policymaking, and implementation as well as making budget decisions (Table 27) is the prerogative power of the mayor and the city's cabinets (Table 27). Although the

city council is legally the most powerful institution in the city's administration, just a few councilors make a difference individually.

Table 27: The most influential State Actors

		The Study areas	
		Dire Dawa	Hawassa
		Count	Count
The most influential state actors In making budget decisions	Cabinet	20	13
	Mayor	4	6
	City council	3	5
	Private sector	0	0
	Federal Government	0	0
	Regional Government	0	0

To sum up, the urban governance system that exists in both cities would be the traditional Form of government in which the system was unable to accommodate the state and NSAs preferences in decision-making process equally and the local autonomy and the self-governing power of the urban government were limited to make their own plans and policies. Finally, the next chapter will presented the determinant factor of the cities' competitiveness and the economic performance of the two cities in relation to urban governance.

CHAPTER FIVE: COMPETITIVENESS IN DIRE DAWA AND HAWASSA

5.1. Introduction

The previous chapter describes and analyses the urban governance system of the case study areas in terms of governing coalition, the power structure, and the governing agenda. As has been discussed in the last section of chapter 4, the urban governance system in both cities were not shifted from *government* to *governance* in which the federal and regional government has a strong power over the matters of urban government. As a result, the power structure within the state actors, the higher level of government, particularly the federal government has dominated the power to make policies, while the power within the urban government system were dominated by the cities' cabinets to set the priorities of the development (governing agenda). With regard to the power structure between the state and non-state actors, the state actors have played crucial role in making and implementing urban development policies that are relevant to cities' competitiveness.

This chapter is intended to examine the relative competitiveness of the two cities, Dire Dawa and Hawassa, focusing on the Porter's model to analyses the determinant factor of competitiveness and the economic performances of the cities. These enable to understand the factors that are constrained the cities' competitiveness and the relative status of the case study areas in terms of different indicators.

The determinant factors were analyzed based on the Porter's diamond framework of competitive advantage specifically in relation to the governance system. This dissertation argues that urban governance and urban competitiveness are intermingled and the status of cities' competitiveness will be determined by the preference of the actors who have played decisive role in the urban governance system.

As stated in the literature part of this dissertation there are different arguments regarding the concept of cities' competitiveness. For instance, Krugman (1996) has questioned the extent to which it is meaningful to even apply the term "competitiveness" to entities other than firms. It is true that cities do not compete with each other as private businesses do; in fact, in most cases, the wealth of cities is created by the private sector, and it is private businesses that need to compete, locally, nationally, and globally. Conversely, these days, the cities' competitiveness has conceived a prominent place in academic arena in which the particular

areas to enhance their locational advantage manipulates some of the attributes which contribute to their area's value as a location for various activities (see Gordon and Cheshire, 1998).

In practice, in Ethiopia, some cities perform better than others do as far as the income and employment generated within their boundaries exceeds that of others. As a result, cities in Ethiopia have found in different urban hierarchy in which some cities characterized by the large number of population and concentrations of business firms and the other may be recreational center or tourist city. This indicated that the capacity of cities' competitiveness is shaped by the interplay between the attributes of cities as locations and the strengths and weaknesses of the urban players (i.e. The state and non-state actors). Therefore, the determinant factors and the economic performance of the cities that influence the urban competitiveness will be presented below sequentially.

5.2. The Determinant Factors of Cities Competitiveness

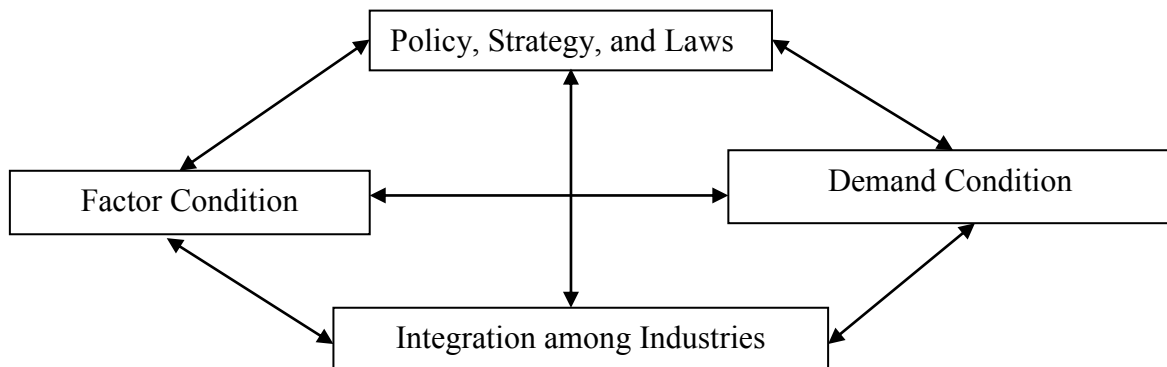
As Porter (1991) argues, there are different factors that determine the economic performance of cities specifically the competitiveness of cities. These include locations in which some cities provide better location than other cities for private business to be more competitive do. Cities capable to provide a better business environment are likely to have a more competitive environment (WB, 2010). Cities thus compete against each other in the sense that on the influences of urban or city competitiveness. Begg (1999) writes that the capacity of a city to compete is determined by the interplay of factors such as location, strengths and weaknesses of firms and other economic agents situated in a city.

According to governance theories, the cooperation and participation of the non-state actors in the formulation and implementation of policies as well as adequate self-government and autonomous power become essential to make cities competitive. The urban government, therefore, can influence each of the four determinants of competitiveness.

Thus, Porter's theory would be applied to identify the determinant factors of cities' competitiveness in the case study areas. The determinant factors were explained in terms of the urban plan, policy, strategy, and investment laws that were adopted in the case study areas, the location factors, and quality of infrastructure that include land transportation, the

supply of electricity, water, and telephone. Moreover, the linkage between SMEs and medium and large industries, as well as the linkage among industries were analyzed as the determinant factor of cities' competitiveness. Finally, the presence of the local market was analyzed as factor conditions.

Figure 17: The determinant factors of cities' competitiveness in the case study area



Source: Adapted from Porter's diamond Model (1990)

5.2.1. Strategies and Policies for cities Competitiveness

The cities' competitiveness depends on the national and regional political, economic and business environments. On the national side, the FDRE has formulated various strategies and policies to promote the domestic and foreign investments (see the rural development policy and strategy, industrial development strategy and other sectoral policies and strategies). On the other hand, cities have their own relative competitive advantage in every dimension that could influence investments. Thus, it is needed to initiate specific policies and implementation measures based on the context of cities.

As indicated above in the figure 16, the strategies and policies that were adopted in cities would be considered as the one of the determinant factors that promotes or constrained the competitiveness of the cities. This is because a good policy can equip cities to adapt and foster a dynamic economic environment. In contrary to this poor policy can deter investments and trigger cumulative forces that lead to cities more competitive relative to others. Here, it does not mean that a good policy or plans by itself can bring the desired results; rather it heavily depends on the effectiveness and capacity of urban governance that processed the

input into the desired outputs. The success or failure of cities can be valued on its yields in terms of investments that hosts in cities or new firm formation, the trends of growth of urbanization, and employment opportunities that were created in the case study areas.

In the previous chapter (i.e. Ch. 4) the issues of policies were analyzed with respect to the involvements of different actors who have played a crucial role in the decision making process, whereas, this section is investigated the influences of different policy instruments adopted in the case study areas specifically that intended to promote the issues of urban governance and competitiveness. The discussion begins by outlining the main tenets and attainments of the policy at the macro level. However, the list of plans, policies and laws discussed here is not exhaustive as the number of programs and interventions that focus, or have an impact on urban competitiveness and governance. Instead, the objective is to illustrate with examples how the federal, regional and local government addresses urban problems and intended to answer a question ‘_how and to what extent do the adopted plans, policies and strategies take into consideration issues of governance and competitiveness’.

Since the newly developed urban development policy in 2010, national plans such as SDPRP, PASDEP, and currently GTP 1 and 2 guided the development of urban centers. In principle plans, be it short or long range can be considered as a policy, where the intention of the governments has expressed. However, the policy is a device that used as a framework or guideline for the formulation of urban development plans. The absence of urban development policy has retarded the overall development in general and cities’ competitiveness in particular. That is why most Ethiopian cities have boosted in investments after 2005 (1997 E.C) that the government has paid keen attention to the development and implementation of urban development, industry, micro and small enterprises polices and strategies. As per my experience, those urban problems, especially urban unemployment, housing problems, inadequate urban infrastructure service have gained much emphasis after the 2005 national election in which the ruling party has lost votes from urban electorates.

As a result, the government has designed various tools for the last ten years in order to enhance urban development and related polices (e.g. urban development policy (2010), urban land development and management (2012), Ethiopian construction industry development, MSE development strategies (2012), a strategic framework for urban housing provisions (2012)).

As described above, before the 2010 has newly developed urban development policy, the urban development was guided by national plan. These include the sustainable development and poverty reduction program (SDPRP) which covers from 2002/03 to 2004/05. The SDPRP has four thematic areas: including enhanced rapid economic growth, improved human development, democratization and governance, and improving the public sector institutionalized performance. During this period, the government has registered some prominent successes in the designing the urban development policy, promulgated the land lease administration laws, and introducing public sector reform. However, during the SDPRP period, the urban problems related to governance and city's competitiveness were severe; the detail discussion will be provided in the following sections.

After the completion of SDPRP three-year period (2002/03-2004/05), the federal government has introduced a Plan for Accelerated and Sustainable Development to End Poverty (PASDEP). The PASDEP represents the second phase of the poverty reduction strategy program (PRSP) process, which has begun under the sustainable development and poverty reduction (PASDEP, 2006). The center of the PASDEP with respect to urban development had been to attain the goals of the national urban development policy in which improving urban service and creating job opportunities. The four pillars of the PASDEP that set out as a strategy where the city administrations should support MSEs, integrate housing development, improving urban service and promoting urban-rural, urban-urban linkage. One of the basic points that the PASDEP has made a difference from the previous plans was that the issue of urban governance was considered as a component of the PASDEP (PASDEP, 2005/06-2009/10, Vol I, p.184). According to this plan, urban governance is viewed from the angle of making the local authorities more transparent, accountable, and efficient for the needs of the residents. Moreover, strengthening the policy, legal, regulatory, constitutional frameworks, a capacity-building program to urban management, and to implement the result-oriented approach would be the part of urban governance issues.

During the implementation period of PASDEP, the urban government in both cases has learnt lessons, how the urban government has solved urban problems that faced many cities in the country. Nevertheless, the goals that were attained at the national level during the PSDEP period was only 53.6 % houses were constructed and 43.06 % of micro and small enterprises (MSEs) established. From the total target, 88 % of job opportunities were created through the housing development and SMEs. The urban poverty has reduced from 29.5 to 28.3 %, and the

trend unemployment rate from 32.5 to 30.2 %. In the same vein the trends of invested capital has grown at the rate of 46.89 % annually during the period of PASDEP (GTP I, 2010, p.17).

After the completion of the PASDEP, the federal government has developed a plan for growth and transformation (GTP) that covers from 2010/11 to 2014/15. The GTP like the previous plans has continued the issues related to urban development. The focus of the plan has created job opportunities through housing development and expansion of micro and small enterprises in urban centers as well as ensuring the provision of quality urban services, and creating conducive environment for trade and investments.

The GTP is different from SDPRP and PASDEP because not only it is an ambitious plan, but also it has made much emphasis for manufacturing industries, trade and investment that make cities more competitive. As noted above, the SDPRP and PASDEP were given much emphasis for immediate solution in which reducing urban poverty and unemployment through various government interventions like housing development and promoting SMEs. The housing development and the expansion of micro and small enterprises were seen as a temporary solution for immediate housing and unemployment problems. Conversely, the GTP has paid much emphasis for urban-based economies such as expansion of large and medium industries, maintaining and attracting foreign and domestic investments, and transferring the micro and small enterprises to medium and large industries.

The SDPRP and PASDEP were acknowledging the severity of urban problems, especially urban poverty and unemployment. The recognition of urban problems by itself could be a basis for making policies and strategies by the federal government. That is why one of the objectives of the FDRE in its SDPRP was to formulate urban development policy and strategy during SDPRP's period.

From the urban governance and competitiveness points of view, the main problem with the national plans (e.g. PSDEP and SDPRP) were strengthening the hierarchical or vertical relationship between urban government and the federal or regional government rather than empowering the urban government and the non state actors at the local level. For example, there was no a single statement on both plans that was intended to promote the public-private partnership in the provision of urban services and development. In addition, not all the planned activities that were undertaken during the SDPRP and PASDEP period were targeted to bring sustainable urban development that improves the cities' competitiveness.

As noted above, designing urban development policy was one of the planned activities of SDPRP and PASDEP. According to the schedule of the government, the FDRE has developed the first urban development policy in 2010.

In this regard, Ethiopia has a long history in settlements of urbanization specifically after the 1935 Italian invasion in which the rate of urbanization was growing slowly (CIA World fact book, 2004), however, the country has no a comprehensive urban development policy since 2010 in which the national urban policy has developed along with different packages. The packages include the strategic framework for urban houses' provision, a strategy for urban planning, design and implementation, a strategy for micro and small enterprises, Ethiopian construction industry development policy, a policy for urban land development and management, and the strategy for integrated urban infrastructure provisions and so on.

The urban development policy has aimed to make cities the center of rural and national economic development, to empower the residents in *political power*, and benefited from urban development. The document in general acknowledges the urban problems that are related to development, democratization and good governance. The principles and the strategies of the 2010 urban development policy were designed to address these problems. The main principles of the policy are promoting urban-rural and urban-urban linkage, bringing balanced economic development among cities, poverty reduction, partnership with developmental private sectors, and decentralization and autonomous city government.

In addition to urban development policies, the federal government has ratified different investment laws to boost the urban economy and improve the cities' competitiveness. This is because investment laws are used as an instrument to attract both the domestic and the foreign investments. From the perspective of city's competitiveness, the flow of investment is used as one of the variable that measures the city's competitiveness. Hence, it is important to provide the overview of investment laws that have been implemented at the national and city level. This enables the researcher to examine whether the laws are promoted or hampered the flow of investments in cities.

With regard to investment laws, the first attempt to create rules to govern the conduct of foreign investment was made by a UN conference held in Havana after World War II. In the case of Ethiopia, proclamations No. 60/1944 and 107/1949 were enacted to promote foreign investments in Ethiopia during the reign of the emperor. In 1956, the income decree, which

provide for income tax exemption to encourage investment, was promulgated. During the Dergue regime, the 1974 revolution gets rid of the concept of private property including private investments. During this period, it was only the state that invests. After the fall of the Dergue, the transitional government of Ethiopia (TGE) that was established in 1991 adopted an economic and investment policy. The policy emphasized the role of private investments in the development of the Ethiopian economy. The TGE enacted investment proclamation No. 15/1992 as to open the door to private investment. The proclamation provided for incentives to attract and promote investments. In line with this, the investment office was established by proclamation to regulate and supervise investment activities (Tesfaye, 2012). Since the first enactment 15/1992, various amendments have been made to the investment laws.

Currently, investment proclamation No. 769/2012 is used as a legal framework in facilitating investments at the national level. The federal government and the regional states, including Dire Dawa city administration, have ratified various investment laws in order to promote and attract domestic and foreign investments to their cities. According to the proclamation No. 769/2012 and its amendments 894/2014, the objectives of investment laws are designed to improve the living standards of the people of Ethiopia through the realization of sustainable economic and social development.

In order to encourage the private investment and to stimulate the inflow of foreign direct investments, the cities' administrations have provided various investment incentive schemes in terms of fiscal and non-fiscal incentives. For instance, investment incentives and investment areas reserved for domestic investors council of ministers' regulation No. 270/2012 has provided various incentives to promote investments in terms of capital requirement, exemption from import custom duty, the payment of income tax, and land through lease and freely and investment guarantees to foreign and domestic investors engaged in new enterprise development and expansion. Moreover, investment loans for investors engaged in the agriculture and agro-processing sector, which export 75% of their product, are entitled to loans. The loans could be obtained if investors could cover 30% of their initial cost. Accordingly, the Development Bank of Ethiopia could extend loans for the remaining 70% of the investment cost. In addition to the provision of loans, the government has offered fiscal incentives to encourage investments. A fiscal incentive involves a minimum capital requirement for foreign investors, exemption from income tax for 5 to 7 years and from the payment of custom duty. However, fiscal incentives were granted to both

foreign and domestic investors when they are engaged in agro processing industries and export at least 50 % to 75 % of their products or in the form of intermediate products. Exemptions are also provided to import duty-free capital goods and construction materials necessary for the establishment of a new enterprise or for the expansion or upgrading of an existing enterprise.

In accordance with the investment incentives and investment areas reserved for Domestic Investors Council of Ministers Regulations No. 84/2003, more than 18 areas that are exclusively reserved for the domestic investors, including banks and insurance, this law has intentions to favor the domestic investments while it discourage the foreign investment. In addition to investment laws, the urban governments have an administrative power to promote manufacturing industries especially the export oriented and the job opportunities could be high by providing energy and water services prior to other investments.

Land is another important determinant factor for both domestic and foreign investments. Given its nature, the land is playing a unique dual role of serving as inputs into production activities in agriculture, industry, and services as well as consumption by households and commercial entities of residential and commercial real estate and infrastructural services (Chamber of Commerce, 2009). That is why the Dergue and the EPRDF regime had made laws that the ownership of the right of land should be the property of the State. For instance, under article 40 of the constitution of FDRE states that the land is the property of the state and the peoples of Ethiopia.

Hence, the authority to make laws and policies on land management and distribution is the prerogative right of the Federal government while the power of cities' administration would be to determine the benchmark lease price for every plot of urban land. Thus, the cost of land and the condition of land grants have become a policy tool to compete among cities' to attract both domestic and foreign investments. With regard to land grant, the urban governments have authority to determine the lease period within the legal frameworks that were provided by the federal government.

As indicated in Table 28, Dire Dawa city administration has provided 10% down payment and 3 to 4 years grace period for businesses engaged in agro processing industries and social sectors. Similarly, the city administration of Hawassa, in collaboration with the regional state is providing incentives in terms of fiscal, land and infrastructure developments in order to

attract both foreign and domestic investors (Interview, Hawassa, and November 2015). For instance, for investments related to manufacturing industries the city administration of Hawassa has provided 1-year grace period income tax exemption, and less cost developed land in the areas of industrial parks as incentives.

Table 28: Tax exemption to attract investments, Dire Dawa

Sector	Grace period	Down payment	Land lease period	Land lease
Agro processing industry	4	10 %	30 years	-----
Education	3	10 %	30 years	-----
University	3	10 %	30 years	
Health	3	10 %	30 years	
4 star and above hotels	3	15 %	30 years	

Source: Bureau of trade, investment and industry of Dire Dawa city Administration, 2014

As mentioned above, literally the provision of investment incentives encourage investors to engage in a given sector, but it should have a power to create intercity competition. However, the investment laws and the package of incentives that have been reserved for foreign and domestic investors are similar across the country. As a result, the contribution of the incentive packages in creating competitive advantages for cities would be insignificant. That is why self governing and autonomous urban governments in making laws and policies are required.

Table 29: Incentives to promote investments in the study area

Condition for eligibility	Incentives	Country level	Addis Ababa	Dire Dawa	Hawassa
An investor engaged in a new manufacturing, agro-industry, ICT or agriculture	Income tax exemption				
Exports at least 50% of the products or services		5 years	5 years	5 years	5 years
Supplies at least 75% of the products or services, to an exporter, as a production or service input. Under special circumstance the Board may grant		5 years Up to 7 years	5 years Up to 7 years	5 years Up to 7 years	5 years Up to 7 years
Exports less than 50% of products or services, or supplies only to the domestic market -under special circumstance the Board may grant		2 Up to 5 years	2 Up to 5 years	2 Up to 5 years	2 Up to 5 years
Exports at least 50% of products or services and increases, in value his production or services by over 25% through the expansion or upgrading of an existing enterprise		2 years	2 years	2 years	2 years
An investor should be allowed to import duty-free capital goods and construction materials necessary for the establishment of a new enterprise or for the expansion or upgrading of an existing enterprise.	<i>Exemption from the Payment of Customs Duty</i>				

Source: Investment laws of FDRE, Addis Ababa, Dire Dawa and SNNPRS, 2014

Thus, all policies and investment proclamation that promote and maintain investments were uniformly implemented throughout the country except the relatively under developed Regions (i.e. Gambela, Benshangul, Afar and the Somali regions, and South Omo) (Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Ministers Regulations No. 84/2003 under Article 2/7). Because of the uniformity of the inward investment, strategy adopted in the case areas have played insignificant role in maintaining and attracting investments as well as it is difficult to create competition among cities by providing different incentives through policies and laws. However, this does not mean that the policies or strategies that were adopted in cities do not contribute to city's competitiveness entirely.

The absence of unique policies or laws that used to promote investment in cities were derived from the problems that the urban governments have no autonomous power to make laws and policies that used to promote investments. In practice, as explained in chapter 4, the federal government sets economic goals; determine various incentives to promote investments, the land lease policy and the initial land lease prices and the tax rate and custom tariffs were lying in the power of the federal government. In addition, the laws and policies related to FDI and determine the distribution of FDI in the country would be the power of the federal government.

Thus, laws, strategies and policies that are relevant to cities' economic development didn't use as a device to encourage competition among cities to attract investment and to utilize their competitive advantage effectively. Rather, the rationale of the federal government behind centralizing policies and strategies would be to enhance and promote the equitable distribution of investments and to encourage balanced development among regions and cities (see Investment Proclamation No. 769/2012 under article 5/5). However, in practice, contrary to this more than 93 % of investments were concentrated in Addis Ababa and its surrounding.

5.2.2. Condition or Locational Factors

As noted in the literature part of this study, the theories of location deals with the organization of human activity on geographical space and attempt to pinpoint different factors that influence location decisions and the location pattern that emerges under different sets of conditions (Blackwell, 2010). This theory provides the factors most likely to affect an investment decision.

In general, theories of location have different categories of theories such as the least cost, the central place and the interdependence theories. The least cost location theory analyses the location of individual firms under condition of perfect competition. They explore the relative attraction of labor and raw materials. The other category of location theory is the central place theory, which studies at industry level, under condition of imperfect competition, and zero raw material costs. The interdependence models of theory analyses only a few firms and is more concerned with individual decision-making. However, for the purpose of this study, we need to analyze only the general factors that influence both the domestic and foreign investments. Because cities' competitiveness capacity is shaped or constrained on the factors or conditions that exist within urban jurisdiction. Hence, the locational factors, including the infrastructure development, availability of labor, capital, the natural endowments such as the

availability of raw materials and nearness to the market were analyzed as factors in making cities competitive.

The quality and cost of infrastructure- roads, electricity, water and telecommunications are important components of competitiveness because they affect the cost of doing business. According to World Economic Forum (2014), extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is an important factor to determine the location of economic activity. Infrastructure, therefore, is the unequivocal crucial factor that has an impact on the overall competitiveness of the city's economy. A well-developed transport and communications infrastructure network is a prerequisite to make cities competitive in attracting investments and in improving the cost efficiency of businesses. For instance, the study report that was revealed by the economist (OECD, 2015), the majority of city leaders considers attracting multinational companies as a top priority. Over 75% of the city leaders asserted that the availability and quality of their infrastructure affect what destination multinational companies choose to invest in. As noted above, the quality and availability of infrastructure development have directly related to the responsiveness of urban governance. That is why investments and industries have concentrated in cities that have better infrastructure.

Overall, the quality of infrastructure or access to transport infrastructure is measured in terms of either the land area or population per 1,000 km². In addition to the numeric value of the road density from secondary sources, questionnaires were distributed to respondents, particularly for manufacturing industries to examine in what criteria that the industries were selected their destination or a given location e.g. Dire Dawa or Hawassa. With regard to the development of road infrastructure, the federal government has gained more emphasis in the development of the highways or trans-regional roads, while networking the urban centers are lying on the responsibility of the cities' administrations.

Table 30: An overview road infrastructure in 2013/14, Dire Dawa and Hawassa

	Dire Dawa			Hawassa		
	Length/ Km	By area (Km/10 00km ²)	By population Km/thousands)	Length/Km	By area (Km/100 0km ²)	By population (Km/thousands)
Asphalt	46.8			132.3		
Coble stone	78.8			154		
Gravel	15.64			325		
Earth road/Red ash	160			176.63		
Total	301.24	29.2376	1.12	787.93	52.021	2.75

Source: Report on the Dire Dawa city's administration Municipality and the city profile of Hawassa, 2014

As shown in the Table 30, the city administration of Dire Dawa has constructed a total of 301 km of various grades of roads to link the main urban centers to each other. The road network coverage in 2014 has reached 29.2 %, which is better than Addis Ababa that have 17.5 percent, while in terms of population in Dire Dawa is 1.12 km/1000 persons which is less than Addis Ababa that have 1.2km/1000 persons.

So the road network of the city is found to be in a good condition and properly accessible to support the desired economic and social activities of the city. In relation to this, in order to assess the impacts of the land transportation respondents filled system on the overall activities of the manufacturing industries open-ended questionnaire. The result indicated that 55 (or 96.4 %) manufacturing industries have satisfied with the quality of road infrastructure development, as shown in Table 31 the results of the survey has also confirmed that the quality of the road infrastructure that connects Dire Dawa with other cities (e.g. Addis Ababa, Djibouti) would be high ($M= 3.20$, $SD=1.123$, $N=121$).

However, those manufacturing industries that export to abroad and deliver their products to the central market have complained that not on the quality of road infrastructure rather on the modes of transportation system. The modalities of the transport system (i.e. 100 %), depending on the land transportation system, as a result, the frequencies of transportation have made the transportation costs would be high. In Hawassa cases, the road network coverage within the cities is better than both Addis Ababa and Dire Dawa. As shown above

in the Table 30, the road density in terms of land area or population is 52 km per 1000km² or 2.75 km per 1000 persons.

However, the cost of land transportation to import or export inputs and outputs through the Djibouti port would be high. According to the deputy mayor, the numbers of exported oriented industries in Hawassa city are insignificant, but there are some flower growers in the city due to the absence of international flight from Hawassa, they export their products by using land transportation to Addis Ababa then through the bole airport (Interview, Sept 2014).

Table 31: The mean score for business environment and quality of infrastructure

	The Study Areas	N	Mean	Std. Deviation	Std. Error
The supply of power is reliable	Dire Dawa	121	1.53	.518	.047
	Hawassa	95	1.48	.502	.052
The overall quality of the road system is high	Dire Dawa	121	3.20	1.123	.102
	Hawassa	95	3.67	.831	.085
The quality of the Telephone system is high	Dire Dawa	119	1.53	.518	.047
	Hawassa	94	1.54	.562	.058
The supply of water is sufficient	Dire Dawa	124	1.66	.774	.070
	Hawassa	96	1.95	.999	.102
The supply of skilled labor is ample	Dire Dawa	117	1.56	1.170	.108
	Hawassa	72	1.43	.552	.065
The supply of unskilled labor is ample	Dire Dawa	120	4.13	.693	.063
	Hawassa	74	4.72	4.446	.517

Due to the absence of air flight from Hawassa, the investment in the city concentrated on service sectors or consumption goods for local market rather than export-oriented firms or manufacturing industries. However, the respondents were satisfied with the overall quality of the land the transportation system ($M=3.67, SD=.831$) (Table 30) in Hawassa.

On the other hand, the accessibilities, sustainability and coverage of water in both cities were surveyed. The availability of reliable water supply is one of the criteria for the competitiveness of cities to establish new industry. Coping with the growing needs of water and sanitation services within cities is one of the pressing issues for both local and national governments.

In this regard, according to the report of water construction and the design bureau of Dire Dawa city administration (2013), there is 20-30 m³ potential of ground water. However, as indicated above in Table 31, the business firms were not satisfied with the current water supplied by urban government due to inefficient and inadequate distribution of water system ($M=1.66$, $SD=.774$, $N=124$). For instance, in 2013/14 about 67.3 per cent of the urban population has access to potable water in Dire Dawa (Dire Dawa, 2014).

According to the report of the Hawassa City Administration (June 2014), the potential water in Hawassa city, the coverage reaches 76% in which relatively better than Dire Dawa (63.7 %) and Addis Ababa (52 %). However, like Dire Dawa, the city administration in Hawassa could not supply adequate water to both residents and organizations ($M= 1.95$, $SD=.999$, $N=96$). From these points of view, one can understand that in both cities the urban government would not be responsive to deliver adequate water for both residents and industries. Hence, directly or indirectly inadequate access of water supply affects cities economy negatively. The state actor and the less involvement of the NSAs in the water sector have created this problem due to the monopolies of both production and distributions of water. In this regard, in both cases, the state actors have played major role in the production and distributions of water services. According to the annual report of the city, administration of Hawassa in 2013/14 fiscal year the city administration has collected more than Birr 61.8 million from water and related activities, which is 14 % of the city's total income (official report of the city administration, 2014). Hence, the urban governments consider the water sectors as a profitable business with less overhead cost once invested.

As has been discussed in chapter 4 under the headings of the power division between the state and non -state actors, there were no legal and institutional mechanisms that facilitate the involvement of the non-state actors in the provision of basic urban services such as water, road construction, even in the telecom and energy sectors. As a result, the basic urban services that were mentioned above would be ineffective due to the monopoly of government or the state actors. Contrary to these, the theories of governance and the neoclassical economic theory and recent theories of state failure, advocate competitive market mechanisms is essential on the grounds of efficiency. It is argued that, by comparison, non-competitive provision leads to (a) allocative inefficiency: services allocated do not correspond to consumers' preferences and/or are charged at prices (excessive or subsidized)

that do not reflect producers' real costs; and (b) productive (sometimes known as internal or technical) inefficiency (WB, 2001).

In line with this, the urban regime theory has argued that, in order to improve the allocative inefficiency and to be effective, government is must blend their capacities with those of non-state actors (Stone, 1993) through systemic power in which the state actors form alliance with non-state actors, make their decision and plan their future in a context in which strategically important to enhance city competitiveness. However, the urban governance system in both cities dominated by the state actors and the involvement of the non-state actors in both decision-making process and in the provision of basic urban services would be low (see Ch. 4 sec 4.4).

As noted above, electrical power and access to telecommunication services are important components of urban competitiveness. It is clear that the manufacturing industries or the service sectors have heavily relied on these services. Therefore, it has a direct impact on the capacity of cities' competitiveness. In the Ethiopian context, the provision, distribution and development of electric power and telecommunication services rely on the responsibility of the federal government. However, the respondents in both cities were not satisfied on the supply of electric power and telecommunication services. Here, the frequent interruption of electric power is the most pressing problems in manufacturing industries. As indicated in Table 31, the mean score of the respondents for the supply of energy would be in Dire Dawa ($M=1.53, SD=.518, N=121$) and Hawassa ($M=1.48, SD=.502, N=95$).

According to the surveyed result, 29 % and 44 % of the manufacturing industries located in Dire Dawa and Hawassa respectively, were unable to operate fully due to the frequent interruption of electric power (among other things). On the other side, the urban governments admitted the problems, but they are bouncing the problems with the federal government. The main point here is not only to describe the situations of infrastructure development in the case study areas, but also important to analyze with respect to the underpinning notions of urban governance.

From the perspectives of governance, the urban governments are not the sole provider of urban infrastructure services. Rather, the engagement of the non-state actors, particularly the community and the private sector are needed to participate in both distribution and

developments of urban infrastructure such as energy, water production, network service and so on.

However, the results that obtained through interviews and the survey results confirmed that the nature of the problem emanates from both sides of the state and the non-state actors. The officials in both cities believe in the importance of the private sector involvements to improve urban infrastructure and services. While the cities' administrations do not have legal and policy frameworks how to involve the private sectors in infrastructure development either independently or in the form of partnership. However, in the study areas there are various community organizations in each Kebele in order to mobilize 15 to 20 percents of the total costs of the cobble stone constructions and for other development activities.

However, the 75.7 % of respondents in Dire Dawa replied that the government should work with the private sectors to improve urban infrastructure and services (Table 29). In relation to this, a large number of private sectors in Dire Dawa and Hawassa think that the city administrations or the public sectors should be responsible to provide urban infrastructure and services. The only 16 % and 19 % of the respondents from the private sectors in Dire Dawa and in Hawassa believed that urban infrastructure service (Table 32) could be provided through public-private partnership.

Table 32: The attitude of private sectors towards the provision of urban infrastructure services

		The Study area		Total
		Dire Dawa	Hawassa	
Public Sector	Count	56	42	98
	% within The Study area	75.7%	66.7%	71.5%
Private sector	Count	6	9	15
	% within The Study area	8.1%	14.3%	10.9%
Both private and public sectors	Count	12	12	24
	% within The Study area	16.2%	19.0%	17.5%
Total	Count	74	63	137
	% within The Study area	100.0%	100.0%	100 %

This indicates that the cities' administrations are a dominant actor in the process of urban infrastructure development. The private sectors also think that infrastructure development as the mandate of the government. This implies that there is no coalition between state and private sectors towards the common goals of urban development. As has been noted above, the urban infrastructure, particularly networking the main urban centers through road

infrastructure and water supply was provided by the city administrations. However, the role of the non-state actors (NSA) in the provision of urban infrastructure was not clearly defined by law except the areas where the CSOs have involved. There are divisions of power between the urban government and federal/regional government in the development of infrastructure.

The federal government is responsible to provide electric and telecommunication services, while water and road construction are lying under the power of the local government or cities' administration. Given the nature of the scale of production of the development of energy and telecom service, it is important to deliver by the federal government, while there is a room to devolve the management of this sector in urban government. The surveyed results indicated that the provision of water supply and road infrastructure have less influence on cities' competitiveness than the supply of energy and telecommunication services. However, all types of infrastructure were regarded as equally important to attract and maintain business firms and investments. Hence, the ability of city's competitiveness does not only depend on the effectiveness and responsiveness of the urban government, but also on the higher tier of government.

Labor force assessment is one of the most important issues that are used for assessing the role of the population in the economic and social development process, particularly for the industrial development in the urban centers. It indicates the size of available and unutilized human resources to be absorbed by the manufacturing industries to contribute to the economic well being of the population. According to the central statistical agency of Ethiopia, economically active population comprises people with ages between 15 and 64 that are capable to supply labor for the production of goods and services. It includes both the employed and the unemployed (CSA, 2012). The availability of labor force can be measured in terms of the size of economically active population. The high economically active population rate implies the existence of huge potential human resources that can be used for fostering urban economic development.

Table 33: The rate of economically active population to urban population, 2009 to 2014

Year	Dire Dawa			Hawassa		
	Urban Population	Economically Active	Activity Rate	Urban Population	Economically Active	Activity Rate
2009	184911	110939	0.59	131383	82640	0.62
2010	175076	102028	0.58	122430	68721	0.56
2011	179561	109048	0.60	127209	78586	0.61
2012	204530	131820	0.64	232077	148173	0.63
2014	221502	137792	0.62	222183	135445	0.60
M=			.62			.52

Source: CSA-Urban Employment & Unemployment Survey for the year (2009 -2014)

As can be seen in Table 33, the proportion rate of an active population or productive forces to the total population have the highest share. For instance, in Dire Dawa 62 % and in Hawassa 52 % percent of the population of the respective cities has been economically active population, which is a potential labor force.

The cities' capacity of competitiveness heavily relies on the availability of skilled workers. The experience of different cities indicated that human capital supports competitive advantage through an array of mechanism (World Bank, 2010). For instance, the Silicon Valley in eastern California receives large inflow of FDI due to, in part, the quality of its human capital (OECD, 2006). Hence, human capital is one of the major drivers of city competitiveness given the above-mentioned fact that FDI flows have grown at twice the rate of world trade (and, therefore, at four times the rate of world income). However, the main challenges faced in the manufacturing and the service sector in both cities would be the availability of skilled human resource.

The service and manufacturing sectors by its nature demands qualified and trained human resources. The federal government has acknowledged the importance of skilled labor for emerging industries. That is why the federal government could be committed to expanding higher education throughout the country. However, in practice, the service and manufacturing industries in the case study areas suffered on the shortage of skilled labor and high turnover rate of employees.

As shown in Table 31, an independent sample t-test indicated that the availability of skilled human resource in Dire Dawa ($M=1.56$, $SD=.1.17$, $N=117$) and in Hawassa ($M=1.46$, $SD=.552$, $N=72$). The mean score of the respondents represents the existence of the

shortages of skilled labor, particularly in the private health sector, star hotels, and medium tech manufacturing industries. This acute shortage of skilled labor has made the firms less competitive in terms of quality and price. On the other hand, an independent t-test depicted that the supply of unskilled labor is not a problem for industries in Dire Dawa ($M= 4.13$, $SD=.693$, $N=120$) and in Hawassa ($M= 4.72$, $SD=. 763$, $N=74$) (see Table 31). Thus, the availability of adequate unskilled labor would be an opportunity for the cities.

From the perspective of urban governance, it is better to create public-private-civic society partnership to fill the gap between the numbers of skilled human resource to satisfy the demand of an economic sector. In addition to the availability of labor, the raw materials have also the one of the determining factors of cities' competitiveness. In the Ethiopia, the resources, especially raw materials that are used in manufacturing industries have not uniform characteristics due to ecological and geological nature of the regions. Thus, the availability of raw materials determines the decisions of firms or investors where they can locate their investments. From this context, the urban government should attract firms or investments based on the raw materials that are relatively available and unique to their jurisdiction than other cities.

In this regard, the survey questionnaires were distributed to sample manufacturing industries in order to analyze the impact of raw materials on cities' competitiveness and the integration between micro, medium and large-scale industries/enterprises. The large proportions of the surveyed firms used raw materials from the local market. 69 % and 79 % of manufacturing industries in Dire Dawa and in Hawassa respectively use raw materials from the local market. This indicates that manufacturing enterprises utilize the resources that are found in their locality.

Table 34: The scale of production of the firm in Dire Dawa & Hawassa

		Which best describes the scale of production of your firm		Total
		Fully operational	Operated partially	
The Study Area	Dire Dawa	10	26	36
	Hawassa	22	37	59
Total		32	63	95

Source: Survey, Question, 2015

As can be shown in table 34 above, a substantial proportion of the surveyed industries are not operating at full scale of production. For example, 72 % and 62.8 % of industries in Dire

Dawa and Hawassa respectively, are partially operating due to the shortage of raw material, skilled labor, and energy respectively. Moreover, the survey also identified that the most pressing problems facing firms.

Table 35: The most pressing problems facing the Manufacturing industries

The most pressing problems facing the Manufacturing industries		The Study area		Total
		Dire Dawa	Hawassa	
The shortage of raw materials	Count	9	17	26
	% within The Study area	25.0%	29.3%	27.7%
The interruption of energy	Count	10	16	26
	% within The Study area	27.8%	27.6%	27.7%
The availability of skilled manpower	Count	11	12	23
	% within The Study area	30.6%	20.7%	24.5%
Marketing problems	Count	4	7	11
	% within The Study area	11.1%	12.1%	11.7%
High turnover rate of employees	Count	2	6	8
	% within The Study area	5.6%	10.3%	8.5%
Total	Count	36	58	94
	% within The Study area	100.0%	100.0%	100.0%

Source: Survey

Respondents were asked to identify the first to fifth most pressing problems that faced the industries. So, as it discernible from Table 35, the availability of skilled manpower (30.6 %), an interruption of energy (27.8 %), and the shortage of raw materials (25 %) were the most pressing problems that faced industries that are found in Dire Dawa. In the case of Hawassa, the shortage of raw materials (29.3 %), an interruption of energy (27.6 %), and the availability of skilled manpower (20.7 %) have significantly impacted the productivity of industries. All these mentioned problems might be solved with the collaboration between the state and non-state actors.

The other factor condition that determined the cities' competitiveness is the availability of capital to financing different projects in cities. This is because businesses need finance for investment, growth and spread of risk. The sources of financing can be both internal (shares) and loans from the financial institutions. In this regard, one of the problems of business firms is the shortage of finances and inadequate financial institutions. However, both cities have adequate public and private financial institutions. In 2015, there are 12 banks and nine insurance companies in the Dire Dawa City, out of them three banks and insurance companies are state owned while the remaining are private banks and insurance institutions.

All state-owned banks (National Bank, Commercial Bank, Construction and Business Bank and Development Bank) have regional offices in the Dire Dawa City.

In Hawassa, there are 22 banks and 9 insurance companies. About ownership, nine branches and one insurance company are state owned, whereas 14 branches and 8 insurance companies are privately owned. The existence of different types of banks or financial institutions makes the cities competitive to attract investments. In parallel, their existence creates opportunities for business firms to finance their investments and to grow more quickly as well as to disperse risks. Here, a one way between subjects ANOVA was conducted to compare the significance level between the financial conditions. This is because there are adequate numbers of financial institution in both cities. While as indicated in the analysis of variance (Table 36), the accessibility of loans from financial institutions would be somewhat easy in spite of the fact that there is a significant difference between the two cities regarding the availability of finance. However, the bureaucracy or slow responsiveness of financial institutions and the cost of borrowing are the main challenges that business firms face to finance their projects. The government wanting to use banks as a part of achieving the urban development objectives will therefore to think of policies towards encouraging the financial sector. In this context, the availability of adequate number of public and private banks implied that, the government policy has promoted the financial sector, whereas, the internal system of banks or the financial sector has affecting the city's competitiveness.

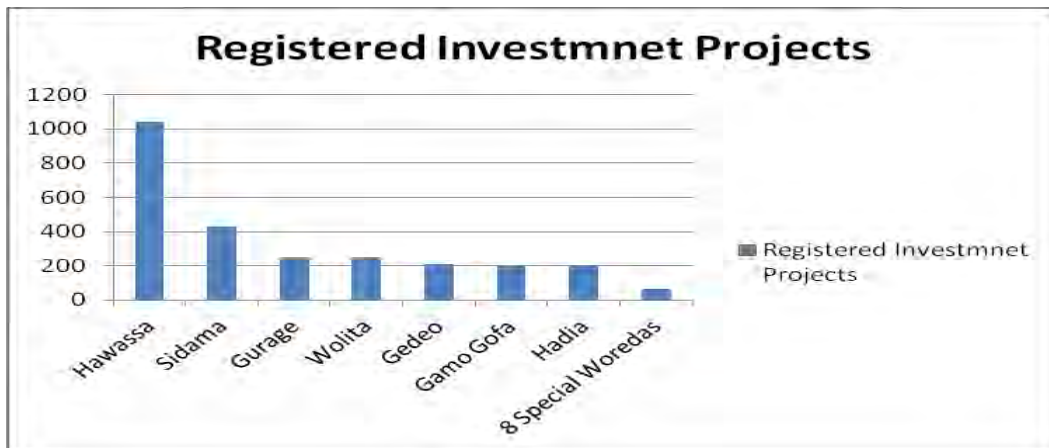
Table 36: The ANOVA of the accessibility of finance						
		Sum of Squares	Df	Mean Square	F	Sig.
It is not difficult for a good project to get financing (accessible)	Between Groups	7.567	1	7.567	6.777	.010
	Within Groups	245.645	220	1.117		
	Total	253.212	221			
Banks are responsive to firms' demand	Between Groups	.353	1	.353	.535	.465
	Within Groups	140.605	213	.660		
	Total	140.958	214			
The total costs of borrowing money (including interest and informal fees) from banks are reasonable	Between Groups	1.407	1	1.407	2.994	.085
	Within Groups	96.781	206	.470		
	Total	98.188	207			

In general, the main physical resources that grant a competitive advantage for the city of Dire Dawa is its nearness to the port of Djibouti and Somali land. The city of Dire Dawa is located 313 km away from the port Djibouti and 304.68 km from port Berbera of the Somali land. Because of the road network, transport services for foreign trade from the Dire Dawa City to Djibouti or of Somaliland are available daily (Personal communication, October 2014). For instance, an average freight cost per quintal from Addis Ababa to Dire Dawa is 61birr (i.e. Base year 2013/14), while from Dire Dawa to port Djibouti the average freight cost has decreased by 62 % when compared to Addis Ababa regardless of the time value and maintenance cost. In addition, the existence of a dry port service plays a crucial role by enhancing the competitiveness of their products in the international market; thereby benefiting the exporter, transistors, importers and more importantly the city.

Similarly, the availability of land and its related costs has impacts on the productivity of firms and regarded as a potential for investment. The City Administration has developed a new land grade and a benchmark price with a price range of Birr 19.33 to 619.44 per m² in order to improve the land marketing situation of the city. The benchmark land price by itself makes Dire Dawa competent in manufacturing industries, especially that engaged in export products. In the same year, the average land lease price per square meter in Addis Ababa lies within the range of Birr 161 to 3612. Hence, literally with the high cost of the land in Addis Ababa would make investors to prefer Dire Dawa. The other important things in line with factor conditions is the flow of inward investments can also determine by the investors who was born in a given city.

In the case of Dire Dawa respondents, who engaged in investments, especially the Diasporas replied that they choose to invest in Dire Dawa due to their place of birth and aims to develop their localities (አካባቢያችንን ለማልማት). Hence, becoming a native city exerts significant influences on the attraction of investments when compared to other fiscal incentives (Personal communication, October 2014). The above factor conditions can also explain the case of Hawassa. However, as indicated in Figure 24, for the last ten years (2004/05 to 2013/14) the city of Hawassa has received larger shares of investments than registered and licensed investments in different zones and special Woreda of the region.

Figure 18: Distribution of registered investment among different zones and special Woreda of SNNPRS (2004/05 to 2013/14)



Source: Bureau of trade, urban development and Investment of SNNPRS, 2014

According to the report of the bureau of trade, industry and investment (2014) and the responses of the interviewee, the major driving forces that make the city of Hawassa more competitive when compared to other cities in the region is its being the economic, political, and administrative center of the region and its location on the highway from Addis Ababa to Kenya. In addition, the existence of Lake Hawassa has been the main reason for the attraction of tourists and consequently for booming the Hotel industry.

Figure 19: Photo Lake Hawassa



Source: Culture and Tourism office of the Hawassa City Administration (Lake Hawassa)

Figure 20: The trends of the growth of Tourists in Hawassa

	2005/06	2013/14	% growth rate
Ethiopian	45,212	163,323	
Foreigners	8,674	4080	
Total	53,886	163,403	

Source: The City Administration of Hawassa, 2015

According to the D/Mayor of the city of Hawassa, one of the targets of the city administration is to make the city a ‘Tourist City’ rather than the center of industries (Personal communication, December 2014), but rather the vision statement of Hawassa would be given emphasis being the city a seat for manufacturing industries. The land escapes of the city, the availability of the hotel services, and the existence of the lake Hawassa along with its nearness to Addis Ababa have granted a competitive advantage for the city. As a result, the flow of investment and tourists has grown rapidly between 2004/05 to 2013/14 (Figure 17). For instance, during the GTP 1 periods, the growth rate of both foreign and Ethiopian tourists has been at the rate of 40.6 % annually. In line with this, the number of bedrooms that are considered as tourist standard has grown threefold (Table 37).

Table 37: The trends of the number of major Hotels and Pensions growth with their facilities

	Number of Hotels and Pension	Number of Bed Rooms	
		With private showers	Without Private shower
2005/06	30	687	141
2013/14	41	2021	1539
% growth rate	0.03	0.19	.98

Source: Hawassa City Administration, 2014

The trends of the growing number of Hotels and Tourists implied that, both the federal and the regional governments have planned and prioritized the city of Hawassa will become the center of manufacturing industry (see section 4.3). The real context, therefore, gears the city of Hawassa towards to the tourist and hotel industries rather than making the city as the manufacturing industries. These findings signify that, the factor conditions (or location

factors) such as the availability of natural resource (e.g. the lake and the land escape), proxy to Addis Ababa, and being the seat for political and administration of the government have granted the competitive advantages for the city of Hawassa. The other Porter's determinant factors such as the presence of the local market and favorable policies and laws to attract business, the extent of linkage among industries has less impact on competitiveness of the city.

5.2.3. Local Market

According to Porter's diamond model, the third broad determinants of cities' competitive advantages in an industry are home demand conditions for the industry's product or services (Porter, 1985). In line with this Porter has identified the three significant attributes of home demand such as the composition (or nature of buyer needs) of home demand, the size and pattern of growth in home demand, the mechanism by which a nation's domestic preference is transmitted to foreign market. From the context of this study, the first two features of the home demand were employed to analyze the competitive advantage of the cities in terms of the local market. This is because the demand condition of any industry depends on the size of home demand in which the presence of a number of local buyers for industrial product that are produced in their area.

From this theoretical point of view, the home demands of the case study areas were analyzed based on the pattern and the growth rate of the population that are considered as influential areas. The influential areas were selected based on their nearness to Dire Dawa Hawassa as well as the social and economic linkage in the case areas. As presented in the previous sections, the city has been the home of people from all ethnic groups in the country (CSA, 2007). Due to its cultural and ethnic diversity, the residents of the city are known for their unique culture of tolerance and peaceful coexistence.

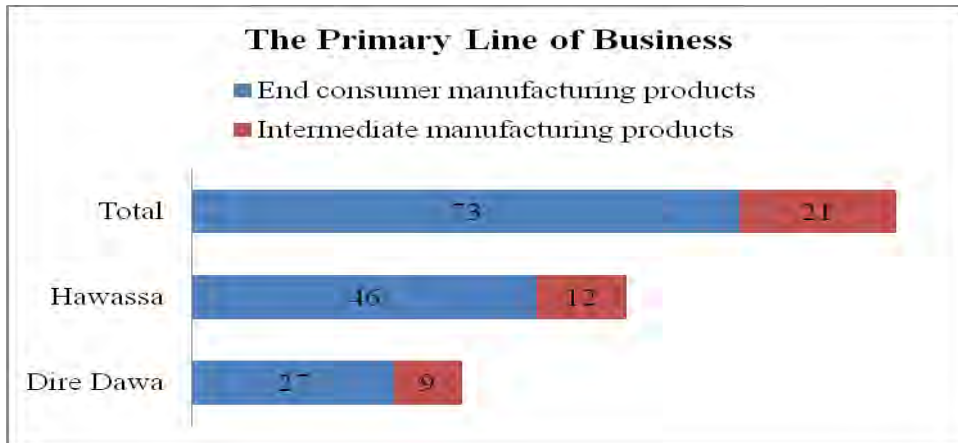
As explained in chapter 4, in Dire Dawa cases, the administrative and the political structure have been composed of the two indigenous nations, which are the Oromo and the Somali peoples. However, the city is the center for political and administrative seats in urban government. This provides the city with an opportunity of being administered by federal government instead of regional states. That is why the city has more attention from the federal governments next to the capital city of Addis Ababa in terms of fiscal transfer and public and private investments.

Despite these facts, the city has become the center of trade and industry for the eastern part of the country. As a result, the city has gained competitive and comparative advantages in terms of home based or local demand. In addition, the population size of the surrounding areas of the city could be considered as competitive advantages in terms of ‘home market’. For instance, the city has a social and economic linkage with the peoples of Somali NRS, Harari NRS, east and west Hararghe, Bale and Arsi zone of ONRS. That is why the federal government has chosen the city as the eastern industrial corridor of the country (Dire Dawa administration trade, industry and investment bureau, resource potential assessment of manufacturing, service, agriculture and mining sectors, Vol. I-V, 2013). In addition, due to the effort of the federal government and ONRS, the areas around the city have good transportation networks with one the other. Hence, these areas have good potential for industrial products and services.

According to the projected results of the central statistical agency of Ethiopia (2013), the total population of this area is estimated more than 7.2 million out of which the urban population is estimated to be 1.1 million. The level of urbanization of this area in 2013 was 14.2 %, which is near to the urbanization rate of the national average (i.e. 16.75 %). In addition to the size of the population, the presences of distributors in the cities are advantages for the growth of industries. For instance, in Dire Dawa there are 18,572 active retail and wholesale business enterprises that have business licenses (from database administrative officer of the Dire Dawa city administration trade, industry and investment bureau, Sep 2014). Similarly, according to the guideline on investment, opportunities that were prepared by the SNNPRS trade, industry and investment bureau (2013), the city of Hawassa is considered as the industrial corridor in the southern region of the country due its competitive and comparative advantages when compared to the cities that are found in the region. Beside its natural and physical endowment, the rapid growth of urban population helps the city of Hawassa to have a competitive advantage in terms of ‘local demand’. For instance, based on the population projection of CSA in 2014, for the last 21 years (1994 to 2014) the urban population of the Hawassa city is growing an annual rate of 14.1 %, which is the fastest growth rate when compared to the national, Addis Ababa, and Dire Dawa averages of 5.8, 2.53 and 2.9 % respectively. Moreover, the city has social, political, economic and cultural linkage with different zones and cities of the region such as Alaba special Woreda, South Omo, Wolaita, Gedeo, Kambata, Hadya, and Gurage zones. These cities and zones constitute more than 11.4 million people out of which 16.1 % are urban population (CSA, 2014). Hence, the size of the

population that is surrounding both cities could be considered as ‘home demand’ for the industries product or services.

Figure 21: The Primary line of business



As indicated in Figure 26 above, the largest shares of manufacturing industries are constituted the food and beverage groups. The food and beverage products by their nature, it is consumable that require adequate channels of distribution. In this regard, there are more than 4600 retailers and wholesalers (i.e. Traders) in the city of Hawassa, which are adequate distributors in the city to distribute the products to the ultimate consumers.

5.2.4. The linkage between SMEs and Medium and Large Industries

From the Porter’s diamond model, the third broad determinant of national advantages in an industry is the presence of national supplier industries or related industries that are internationally competitive (Porter, 1990). Thus, in the context of the study, the Porter’s idea can be regarded as the linkage the presence between micro and small enterprises and medium/large industries as well as integration among industries themselves. This is because federal and urban governments have paid more attention to micro and small enterprises as well as to their vertical and horizontal integrations.

In this regard, Michael Porter (1998) argues that a region will be more competitive if it has capable locally-based suppliers and supporting industries, such as leather for shoe making, or textiles for garments. As noted in the literature part of this dissertation, an important aspect of the clustering or agglomerations of economic activity is the linkages that exist between firms found in different cities. In cluster development, all economic activities in the supply chain

are clustered in the same area because of their economic linkages to each other. For instance, as Pitelis (2006:20) explains, clusters are agglomeration of firms in a particular activity, usually with geographical dimension, with horizontal and vertical intra and inter-sectoral linkages in the context of facilitating social-institutional settings. In this context, MSEs should be linked to the medium and large-scale industries in terms of market or supplies of raw materials. These clusters will improve the capacities of both MSEs and large and medium industries.

Thus, in order to make firms productive as well as to enhance cities' competitiveness, the government is responsible to create an enabling environment for inter-industry and industry to link with universities or technical school. In line with this, the federal government has given much emphasis to the development of SMEs, and the cities' administration used SMEs as a policy tool to generate employment for the urban youth. In order to promote the development of MSEs the federal government has issued the MSEs development & promotion strategies for the first time in 1997 & it was reviewed in 2011; and the strategies are not only developed with the considerations of the country's dynamic economic development, but also by incorporating program feedbacks and experiences of other countries (MoTI, 1997, 2011). The government further showed its commitment through the inclusion of MSEs Support Program as a strategic agenda in the five-year national developmental plans of the country, i.e. PRSDP (2002/03-2004/05), PASDEP (2005/06-2009/10) and GTP I (2010/11-2014/15). The Program Package has elements such as enabling legal framework and streamlining regulatory conditions, and specific support services (financial and business development services). According to the strategy the responsibility of support service provision falls upon the government, NGOs, community based organizations, development and business associations, private institutions and foreign donor agencies (MoFED, 2011). This implies that the state alone is not responsible for the development of MSEs but also the non-state actors should be involved in the process.

Moreover, the industrial development strategy focused on strengthening micro and small scale manufacturing enterprises. Accordingly, MSEs are considered as the foundation for the establishment and expansion of medium and large-scale industries, and the MSEs being a supplier of inputs for Medium and Large industries (FDRE, 2011). However, as indicated in Table 37 below, one micro and small enterprise in Dire Dawa and two micro and small enterprises in Hawassa have created a linkage with medium and large industries in supplying

inputs. Hence, in both cities the linkages between micro and small enterprises and medium and large industries were weak.

Table 38: An integration between Micro and Small enterprises and LEMMIs

The Study area	Does your firm has a vertical integration with SMEs		Total
	Yes	No	
Dire Dawa	1	35	36
Hawassa	2	56	58
Total	3	91	94

Source: Survey

In order to investigate the inter industry linkage, particularly, the linkage between MSEs and medium and large industries it is better to understand the input output linkage or value chain among local industries. According to the survey report of CSA (2013), in Dire Dawa city administration, 351 enterprises were recorded. Of the total surveyed enterprises, 39.3 % were engaged in food production, 23.07 % in grain mill services, 13.96 % in furniture production, 9.6 % in fabricating metals and not elsewhere classified, and 7.97% in publishing and printings. The remaining 10.28 % accounted for the producers of textiles, wood and non-metal production, and industrial branches (Table 39). On the other hand, out of the total medium and large scale industries in Dire Dawa, 55.7 % manufacture food products and beverages, 17 % manufacture other non-metallic mineral products and the remaining 27.3 % manufacture fabricated metal products, furniture's, paper and so on (Table 39). The important points to mention here is to analyze the extents to which the industries have integrated with one another in terms of value in the supply chain.

According to the survey report, central statistics agency of Ethiopia (2014), all manufacturing industrial groups spent over 10 % of their total raw material cost was on imported raw materials, except food and wood products manufacturing establishments. In the same report, paper and paper products manufacturing, printing, wearing apparel manufacturing, textile manufacturing, metal manufacturing establishments are heavily dependent on imported raw materials, as they spent more than half of their raw materials expenses on imported ones. In this regard, the paper and paper products (i.e. 95.4 % of raw materials), printing manufacturing (54.8 %), metal industries (51.9 %), and furniture industries (30.9 %) of their raw materials were imported from abroad. Moreover, the footwear manufacturers also more than the 25 % of their raw materials depended on imported raw materials. Hence,

manufacturing industries that were found in the case areas more than 50% of raw materials were imported from foreign market.

Table 39: Number of MSEs and LMMIs, Dire Dawa

No	Industrial group	Dire Dawa		Hawassa	
		Number of MLIs	Number of SMEs	Number of MLIs	Number of SMEs
1	Manufacture of food products and beverages	39	138	39	Not Available
2	Manufacture of textiles	1	18	4	
3	Manufacture of wearing apparel, except fur apparel	1	0	1	
4	Manufacture of paper, paper products and printing	3	62	9	
5	Manufacture of chemicals and chemical products	1	0	1	
6	Manufacture of rubber and plastic products	3	0	3	
7	Manufacture of other non-metallic mineral products	12	14	2	
8	Manufacture of basic iron and steel	2	0	13	
9	Manufacture of fabricated metal products except machinery and equipment	4	88	-	
10	Manufacture of furniture; manufacturing n.e.c	4	48	9	
12	Grain mill services		81		
	Total	70	449	81	

Source: CSA Survey 2014

As noted above, there are policies and different programs to promote and support MSEs as well as to create an enabling environment for manufacturing industries. However, the urban governments in both cities have failed to promote the inter industry linkage. From cluster perspective, the linkage between firms creates positive externalities or shared benefits. This approach to economic development generates significant benefits by enabling cities to gain comparative advantage from the increasing *economies of scale* of businesses that collocate and collaborate in knowledge transfer, investment opportunities, and industry development (World Bank, 2103). For instance, if the medium and large industries purchase intermediate products from MSEs, then they are better able to take advantage of markets. In turn, the large and medium industries promote specialization and diversification. With regard to specialized

economies in urban centers, there are contrasting views. For instance, the classical economic theories suggest that cities will ultimately achieve the best outcomes if they specialize in areas of their comparative advantages. On the other hand, some argue that a diversified economy is plainly less vulnerable to the vagaries of individual industries.

From these points, both cities articulated their specialization areas, For instance, the Dire Dawa city aspires being specialized areas in both trade and industry in eastern Ethiopia, whereas tourism is a specialized area for Hawassa city. However, the practices in both cities have shown that there are industrial zones for cluster development. For instance, in the case of Hawassa, the city administration has tried the cluster of the micro and small enterprises in four groups that include the manufacture of construction materials, food processing, textile, and metal products in different corners of the city. These enable the MSEs to share infrastructure and experiences to promote innovation as well as to provide the products to consumers in the same area. However, not all firms in the cluster would be interdependent rather they produce similar type of products that increase competition in the same cluster areas.

In the case of Dire Dawa, the City Administration has already established the industrial village with the necessary infrastructure to make Dire Dawa the commercial and industrial center of eastern Ethiopia. The total areas of the existing & the newly proposed industrial village have a land size of 140 & 3200 hectares respectively. The industrial village aims to comprise the food & beverage, construction material, plastic & paper, and textile manufacturing industries. From the perspective of cluster theories, the relative importance of local cluster is for creation of vertical and horizontal linkage that include intra cluster organization and the production linkages along with external linkages to other firms and customers. However, the practices in both cities have shown that the MSEs and medium and large industries were engaged in producing similar type of products, the differences are only the scales of production between the medium and large industries. However, there are potentials for inter and intra firm linkages in both cities, for instance, if the urban government promotes and support the MSEs who engaged in food products and beverages to supply intermediate products that are used as inputs for manufactures of food and beverage medium and large industries. On the other hand, it reduces inter firm competition for resources and creates a market for MSEs within their localities.

In this regard, there is a prominent example in respect to vertical linkages between wood suppliers and chip wood factory in Hawassa. The MSEs engaged in wood supplies has provided woods for chip wood, office, and house furniture factories. As a result, the enterprise that supplies wood for wood processing industries has gained marketing opportunities and its total income has grown on average at the rate of 17 % per annum for the last 4 years (i.e. 2011/12-214/15). At the same time, the chip wood factory has secured the supply of raw materials and has signed an agreement with other wood supplier (Personal communication, Hawassa, December 2014). This is a good example how the industry linkage creates shared benefits for both suppliers and producers. However, its contribution to the entire city's economy is insignificant, unless the large number of firms becomes interdependent to each other vertically and horizontally.

5.3. The Performance of Cities' Competitiveness

5.3.1. Urbanization Trends and Implications to cities' competitiveness

As described in the methodology part of the study, the performance of city's competitiveness or the output would be measured based on the growth rate of urbanization, the rate of new firm formation and the employment opportunities the firms create. As noted above, the rate of urbanization is used as an indicator of a city's competitiveness, a fast-growing population in a city shows its capacity to attract more people and business. Most studies confirmed that urbanization and economic development have long been regarded as interconnected processes (Kresl, 2006).

Table 40: Growth of urban population at the national, Addis Ababa, Dire Dawa and

Hawassa								
Year	National	Rate	Addis Ababa	Rate	Dire Dawa	Rate	Hawassa	Rate
1994	7,510,374		2,084,588		164,851		69,169	
2007	11,862,826	2.82	2,739,551	1.83	233,244	2.25	157,879	4.32
2014	16,675,000	4.12	3,194,999	2.03	268,000	1.85	285,785	6.39

Source: CSA, 1994, 2007, and 2014

As indicated in Table 40, the growth rate of urbanization between the two census periods from 1994 to 2007, the rate of urban population at the national level was 2.82 percent, while

from 2007 to 2014 urban population has grown at the rate of 4.12 percent. Addis Ababa has grown at the rate of 1.83 (1994 to 2007) and 2.03 (2007 to 2014) percent. In line with this, the growth rate of Dire Dawa is below the rate of the country and higher than Addis Ababa. From 1994 to 2014 the growth rate of Dire Dawa is below the rates of Addis Ababa and the National. In the case of Hawassa, the growth rate of population in both periods (1994 to 2007 and 1994 to 2014) was higher than the growth rates of the National and the two Federal Cities (Addis Ababa and Dire Dawa). The larger rate of population growth in cities indicates that the economic capacities of cities are attracting skilled or unskilled labor and the existence of specialized activities in manufacturing and the service industry. This is because greater population density and economies of scale gives cities enormous efficiency advantages that can attract business and provide markets in which a greater demand for products and services exist. For instance, if the urban governance system is efficient the population is a potential for labor instead of becoming a burden for a government.

5.3.2. Employment Growth Rate

Employment growth is another direct indicator of a city's competitiveness. Growth in the number of people employed in a city shows the effectiveness and capacities of urban governance in creating a favorable environment for business. In addition, it provides information on the ability of an economy to create employment. The employment growth rate is measured by the employment to population ratio (expressed in terms of percentage) which refers to as the proportion of an economy's working-age population that is employed. For Ethiopia, the Working-age population is taken as persons aged 10 and above. A higher employment-to-population ratio means that a large proportion of the working-age population is employed, while a low ratio indicates a smaller share of employment (CSA, 2014).

Table 41: Trends of employment ratio for the year 2009 to 2014, Dire Dawa and Hawassa

Year	Country level, Total population	Country level, Employed	Dire Dawa, Total Population	Dire Dawa, Employed	Hawassa, Total Population	Hawassa, Employed
2003	6,676,323	2,858,027	156,369	98,425		
2009	9,577,941	4,547,260	184,911	79,911	131,383	66,762
2010	9,961,607	4,798,467	175,076	71,251	122,430	58,043
2011	10,397,080	5,139,831	179,561	84,025	127,209	64,568
2012	11,110,653	5,726,116	204,530	101,204	232,077	127,071
2014	12,917,092	6,789,992	221,502	106,383	222,183	116,871

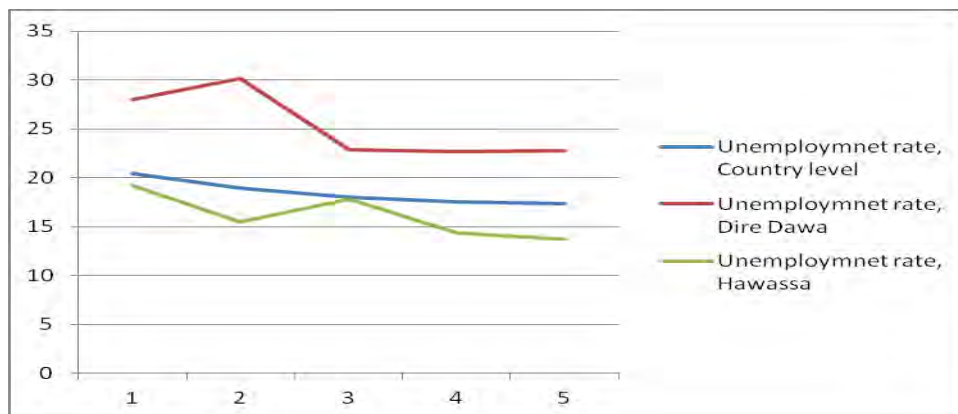
Source: CSA, 2009 to 2014

Table 41 above illustrates the employment rate for the year 2009 to 2014 at country, Dire Dawa, and Hawassa level have grown at the rates of 6.97, 6.6 and 15 percents respectively. The general trends of an increasing employment growth rate have shown that, the existence of economic sectors that create employment opportunities. However, in Hawassa, the employment rate has grown at a higher rate than at the national level and Dire Dawa. On the other hand, the performance of Dire Dawa is higher than below the national level.

5.3.3. Unemployment Rate

The unemployment rate is one of the core indicators for international comparisons of the labor market. Unemployment rates show the percentage of unemployed persons in the current labor force. It should be emphasized that it is the labor force or the economically active portion of the population that serves as the base for this statistic, not the total population. If there is, a high unemployment rate could be seen as a positive measure of competitiveness as it indicates as a labor surplus or a potential for newly established business firms. In the Ethiopian context, a high unemployment rate could be seen as a negative indicator of past performance and ineffectiveness of the city administration in terms of job creation and attracting investments.

Figure 22: The trends in unemployment rate for the year 2009 to 2014



Source: CSA

Between 2003 to 2014 (i.e. the period that CSA has surveyed the urban unemployment) would be, 18.2, 22.6, and 16.2 percent were unemployed at the country level, in Dire Dawa and Hawassa respectively. However, the trends of unemployment rate in all cases have been declining for the last five years.

From competitiveness points of view, economically active populations have increased by 8.7, 3.17, 4.82, and 12.7 percent at the country level, Addis Ababa, Dire Dawa and Hawassa respectively. In contrast, the unemployment rate has decreased at the rate of 0.08, 0.037 and 0.057 percent at the country level, Dire Dawa and Hawassa respectively (Figure 21). Hence, the performance of the study areas in reducing unemployment rate is better than the performances at the national level and Addis Ababa city level. This indicated that the effectiveness and capacity of the urban government have improved to undertake the overall socioeconomic activities of their cities regardless of the constraints that were mentioned in the previous sections.

5.3.4. The Economic Structure and the Performance of the Cities

Economic structure, particularly the role played to generate employment opportunities and its contribution to GDP is crucial to the competitiveness of a city. According to Kresl (1995), the contribution of the territory sector to GDP and the proportion of employees working in this sector will be larger if the city involves competitive economy. On the other hand, the rate of a new firm formation is often seen as a direct measure of competitiveness (DTI, 2000). This is because it can also be seen as an indicator of performance or outcomes of urban governance (Nick Bailey, Ian Docherty and Ivan Turok, 2004). This is because the new firm formations, specifically the trends of investment growth rates are influenced by pulling and pushing factors. Among these, the provision of various incentives, the quality of infrastructure and institutional capacity are considered as pushing factors, while the opposites of these are the pulling factors.

Moreover, making effective use of urban ‘assets’ requires complementarities and linkages of economic sectors. In turn, one of the major determinant factors of competitiveness capacity of cities is efficient utilization of those assets available in the urban system. In the context of the study, the available human resource, the location (or condition) factors that make cities unique than the other cities could be considered as an asset of the urban system.

In this section, the clustering development and the contribution of the manufacturing industries to Regional Gross Domestic Product (RGDP), in the creation of job opportunities, and its backward linkage to SMEs and forward linkages to the demand of the cities were examined as economic performance of the cities. The efficient utilization of assets that are available in the urban system heavily depends on the urban governance in which the

institutional and administrative capacities of the cities' administration. This study, therefore, is, focuses on the nature of the geographic concentrations and connections, which provides how the local government intended to integrate these industries in order to make cities competitive in general, and to improve the productivity of these industries in particular. Within this context, the percentage contribution of the main economic sectors to Regional Gross Domestic Product (RGDP) and to employment is used to examine the economic structure of the cities.

5.3.5. The Manufacturing Sector

In this study, the working definition of manufacturing industries is used as presented by the International Standards of Industrial Classifications (ISIC revision). The central statistics agency of FDRE has also used the definitions of ISIC as a working definition of manufacturing industries. Therefore, the manufacturing industry is defined as *“to change the physical objects or components into new products, whether the work is performed by power driven machines or by hand, whether it is done in the factory or in the worker's home and whether the product is also considered as a manufacturing activity”* (CSA, 2011). This definition, comprises for the micro and small enterprises and large and medium enterprises.

As indicated in Table 42, there were 2181 large and medium scale industries at the national level. The distribution of these industries based on the percentage share from the total number of large and medium industries 40.1 percent were concentrated in Addis Ababa, while Oromia and SNNPRS has taken the share of 20.6 and 13 %. In the case of Dire Dawa and Hawassa, 3.2 % and 3.98 % have the share from the total number of LEMMIS respectively.

However, the distribution of the large and medium industries in the southern region indicated that, the 29.7 % of manufacturing were concentrated in Hawassa when compared to the regional distribution of industries. This also implied that the city of Hawassa has more competitive advantage than the other cities that are found in a region. However, the area and population size could be the most reliable measurement of the concentration of industries than taking the percentage proportion. Based on the area and population size the majorities were concentrated in Addis Ababa (59.1%), Oromia (14%), and Amhara (8.2 %), in Dire Dawa 2.4%, in Hawassa 0.03% (Table 42).

Table 42: Number and percentage distributions of large-and Medium Scale Manufacturing Enterprises at National level, (2013/14)

Region	Enterprises (No)	Share (%)	Share on area and population size
Oromia	451	20.6	14
Amhara	232	10.6	8.2
BGRS	3	0.01	-
SNNPRS	292 (* 87)	13.3 (*29.7)	7.6
Tigray	199	9.12	5.7
Afar	14	0.64	0.6
Somali	13	0.59	0.5
Gambela	4	0.18	0.3
Harari	28	1.28	1.7
Dire Dawa	70	3.20	2.4
Addis Ababa	875	40.1	59.1
Total	2181	100	100

Source: Report on Large and Medium Scale Manufacturing and Electricity Industries Survey, CSA, 2010

As indicated below in Figure 28 and 29, the distribution of manufacturing industries, about 55 and 50 percent of percent of the large and medium scales manufacturing enterprises have been engaged in food processing and beverage industrial group in Dire Dawa and Hawassa respectively. While the remaining 17.4 % and 13 % of manufacturing industries were categorized under the non-metallic and mineral, and furniture industries respectively. Like Dire Dawa and Hawassa, the majority of manufacturing industries at the national level composed of the food products and beverages accounts 26.34 %, the furniture manufacturing industries have the share of 12.94 %, and the remaining industrial groups were below 10% (Figure 22).

Figure 23: The distribution of medium and large Manufacturing industries at the country level, 2014

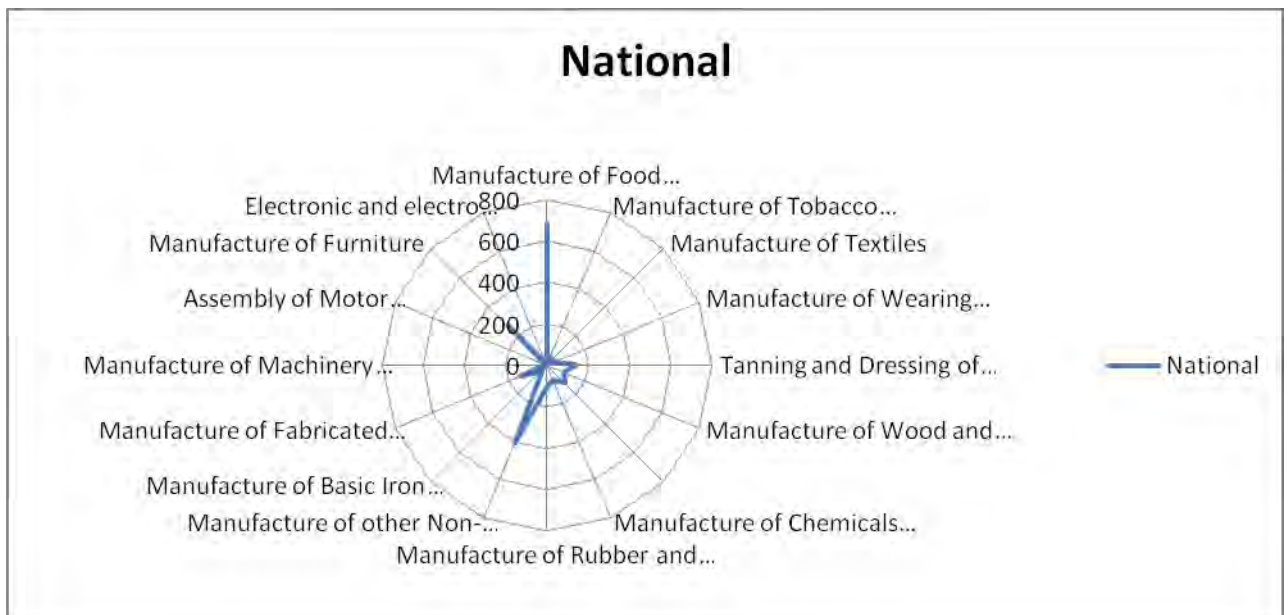
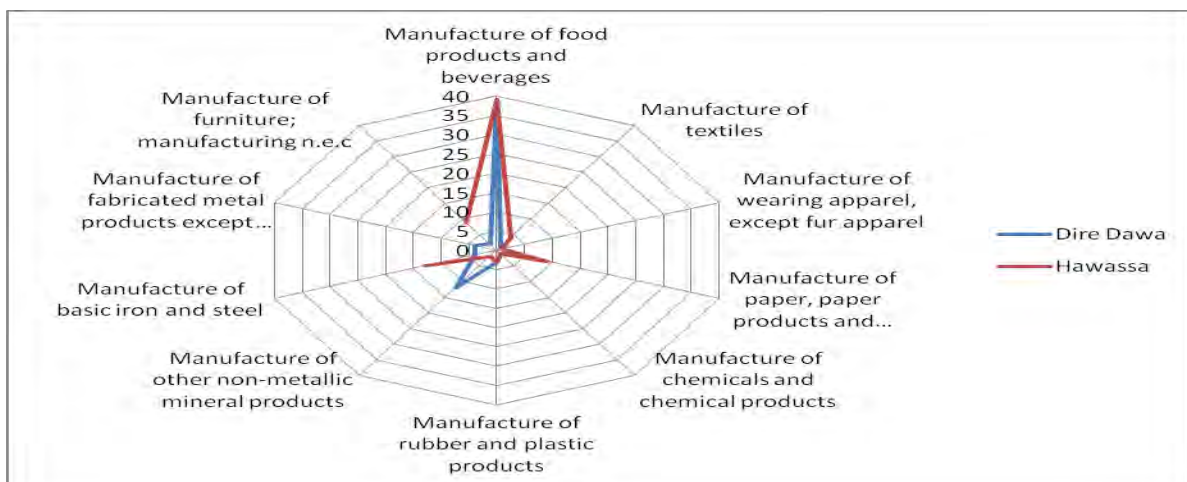


Figure 24: The distribution of medium and large Manufacturing industries in Dire Dawa and Hawassa, 2015



As indicated in figure 22 above, the majority numbers of firms are involved in food and beverage industries, and there are few industries that produce paper and paper products in Dire Dawa and other non-metallic products in Hawassa next to food and beverage products. These products have a home-based demand or local market. Among the selected samples in Dire Dawa 49 (or 90 %), firms supplied their products to the local market and only 5 (or 10 %) firms exported their products to international markets (official report prepared by Dire Dawa city administration trade, industry and investment bureau).

In general, the composition of the population in both cities is diversified in terms of ethnicity, culture, and religion. These dissimilarities have made industries to diversify their products or services based on the nearby needs; these make the industry to produce products that have a demand in their local market. These can be supported by the data obtained from the surveyed report on small, medium and large scale manufacturing industries, according to this report the large proportion of the manufacturing industry that host in both cities is producing consumer products (i.e. Food products and beverages) while only the 25 % in Dire Dawa and the 20.3 % in Hawassa produced an intermediate input (i.e. chemicals, basic iron and nonmetallic mineral products).

Figure 25: Cement factory (photo), Dire Dawa



Source: investment photo by Trade, Industry and Investment Bureau, Dire Dawa

Figure 26: Beer Brewery factory, Hawassa



Source: Hawassa City Administration

Another way to examine the dynamics of structural change in the manufacturing sector in the three cities is to group industries by the levels of their technological intensity. Based on the UNIDO technological classification for manufacturing industries (OECD 2001), we classify industries into four groups: **High-tech**, including two industries: TV-Radio-Telecommunication Products, and Medical & Precision Instruments/Watches & Clocks **Medium-high tech**, including three industries: Chemicals and Related products, Motor Vehicles, and Machinery-Office Equipment-Electric Apparatus **Medium-low tech**, including four industries: non-metallic Mineral Products, Products fabricated from Metals, Other transportation means (ships, wagons), Rubber and Plastic products. **Low-tech**, including ten industries: Textiles, Garments, Shoes and Leather Products, Basic Metals, Foodstuffs and Beverages, Tobacco, Paper and Related Products, Furniture, Wooden and Bamboo products, and Others. Based on this classification:

As shown in Table 43, the majorities of manufacturing industries in the country, specifically in both cities, are classified as low-tech industries. For instance, more than 65 % of manufacturing industries are low tech, while only 0.004 % of manufacturing industries are high tech. In the same vein, the manufacturing industries in both Dire Dawa (65.57 %) and Hawassa (80.45 %) are low tech. Hence, the manufacturing industries that are found in Ethiopia as well as in the case study areas are not globally competitive based on the technological intensity. These affect the effectiveness of the local governments in attracting high tech and knowledge based manufacturing industries to enhance city's competitiveness both globally and nationally.

Table 43: The percentage share of manufacturing industries based on the intensity of technology in the case areas in relation to the national level

Technological intensity	Country level	%	Dire Dawa	%	Hawassa	%
High Tech	1	0.004	0	0	0	0
Medium high Tech	91	4.1	4	5.7	14	16.09
Medium low tech	656	30.23	16	22.8	3	3.4
Low tech	1423	65.57	50	71.42	70	80.45
Total	2170		70	100	87	100

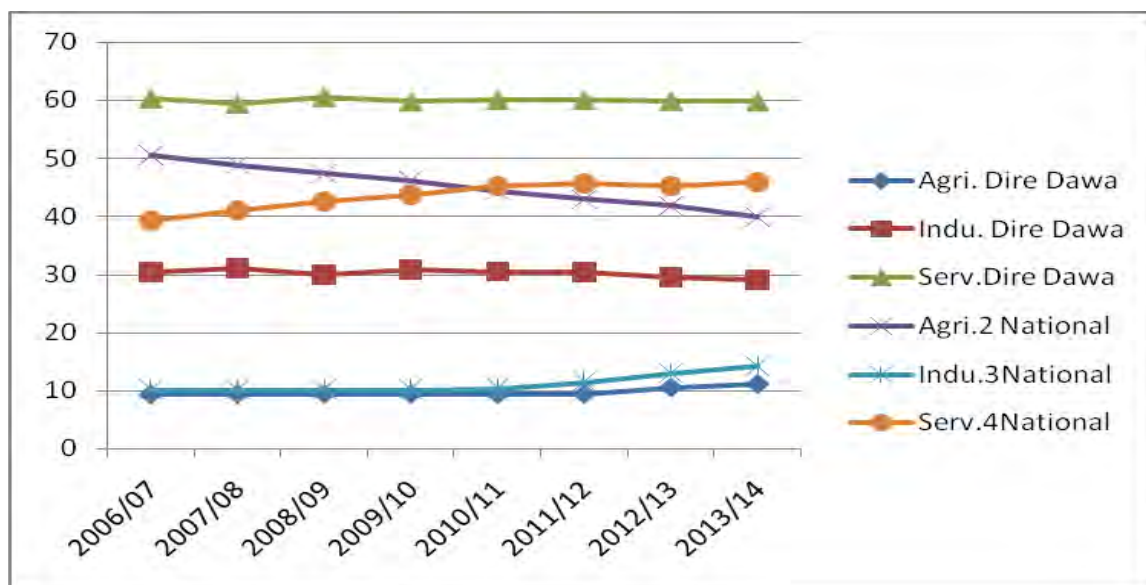
5.3.6. The Service Sector

The service sector (also known as the tertiary sector) is one of the three economic sectors, the others being the secondary (manufacturing) and the primary (agriculture). This sector is the soft part of the economy; it involves the provision of services to other business as well as final consumers. According to the U.S. Census Bureau, the service sector primarily consists of truck transportation, messenger services and warehousing; information sector services; securities, commodities and other financial investment services; rental and leasing services; professional, scientific and technical services; administrative and support services; waste management and remediation; health care and social assistance; and arts, entertainment and recreation services.

The central statistics agency of Ethiopia also classified the service sector as wholesale and retail trades; repair of motor vehicles and motorcycles; transportation and storage, accommodation and food service activities; Information and communication; Financial and insurance activities; Real estate activities; Administrative and support service activities; Education; Human health and social work activities; Arts, entertainment and recreation; Other activities. The survey of various literatures indicates that, the urban economies are based on the manufacturing and service sectors. However, due to the economic structure of the country either the manufacturing or the service sectors dominates or contributed more to the aggregate economies of the cities. Within these respects, at the national level the service sector next to the agriculture sector has played the major role to the national GDP.

As indicated below in Figure 26, the percentage contribution of the service sector to GDP at the national level for the year 1999 to 2011 was 41.9 %, while the Agriculture and the Industry accounts 46.3 and 12.8 % respectively. In the case of Dire Dawa, the percentage contribution of the service sector to RGDP were 59.9 %; while the percentage shares of the industry and the agriculture sector for RGDP on for 2004/5 to 2012/13 were 28.2 and 8.1 % respectively. In the case of Hawassa, the data on the GDP at the cities and regional level was not available, though; the bureau of finance and economic development of the region have planned to collect data related to macroeconomic indicators in 2014.

Figure 27: The Percentage distribution of main economic sectors to GDP, National and Dire Dawa



Source: National Bank of Ethiopia and Bureau of finance and economic development of Dire Dawa city Administration, 2013/14

5.3.7. New Firm Formation

In the context of this study, the trend of the registered investments is often seen as a direct measure of cities' competitiveness (for example DTI, 2000). It can also be seen as an indicator of performance or outcomes of various policies. As explained above, the rising the rate of investments is an important policy objective that is why the Federal governments have provided various incentives through policies and investment laws in order to attract investments including land, cluster development, and fiscal incentives. The coverage of investments in cities was examined based on the registered projects per 10,000 people and the contribution of the invested capital to the creation of job opportunities by using the linear regression model.

Table 44: The registered projects for the year 2008/09 to 2013/14

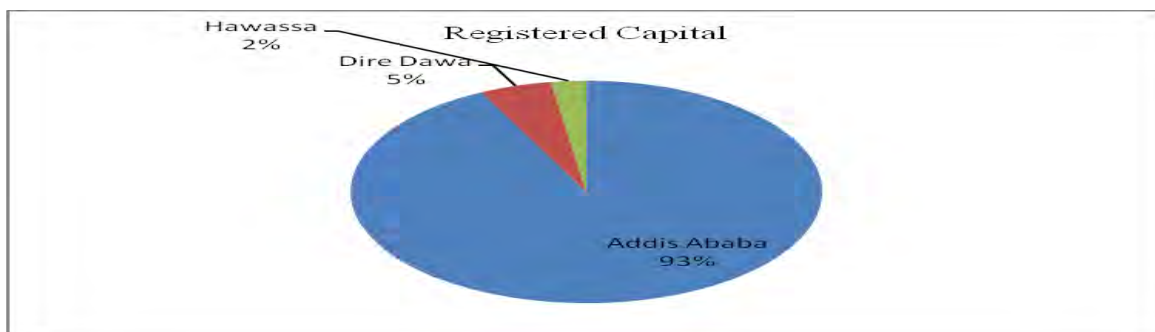
Item	Number of registered firms	Rate per 10,000 people
National	19857	
Addis Ababa	18,275	1.82
Dire Dawa	982	0.098
Hawassa	263	0.026

Source: National Bank of Ethiopia, Addis Ababa BoFED, Dire Dawa BoTIE, and Hawassa Department of Trade, Industry and Investment, 2014

According to the report of the national bank of Ethiopia, out of the total 163 operational investment projects licensed in 2013/14; about 101 (62 percent) with investment capital of Birr 5.3 billion were established in Addis Ababa. Other regions which attracted more investment projects were Amhara, Tigray, Oromia and SNNPR (NBE, 2013/14). In the year 2008/09 to 2013/14, the rate of registered investments in Dire Dawa and Hawassa would be low when compared to Addis Ababa and the National average. For the same year, on average, 1.8 firms were established per 10,000 people in Addis Ababa, while in Dire Dawa and Hawassa the rate of firm formation would be less than one.

The invested capital for the last five years (i.e. 2009/10 to 2013/14), the performance of the two cities had been much lower than that of Addis Ababa. As shown in Figure 27, the percentage share of the total capital (for the three cities) that was registered in Dire Dawa and Hawassa were 5% and 2%, respectively, while the lion's share of 93% of the registered capital has been in Addis Ababa.

Figure 28: The percentage share of investing capital and number of projects of Dire Dawa and Hawassa against Addis Ababa, 2008/09 to 2013/14



Source: National bank of Ethiopia annual report (2013/14), Addis Ababa

Here, as mentioned in the methodology part of the study, Addis Ababa would not be used as a benchmark, but rather simply indicates the distribution the areas where investments were concentrated. Since Addis Ababa is a capital city of the country and the seat for an international organization, it has a comparative advantage irrespective of the other condition or location factors.

Figure 29: The Trends of Manufacturing industries, Dire Dawa

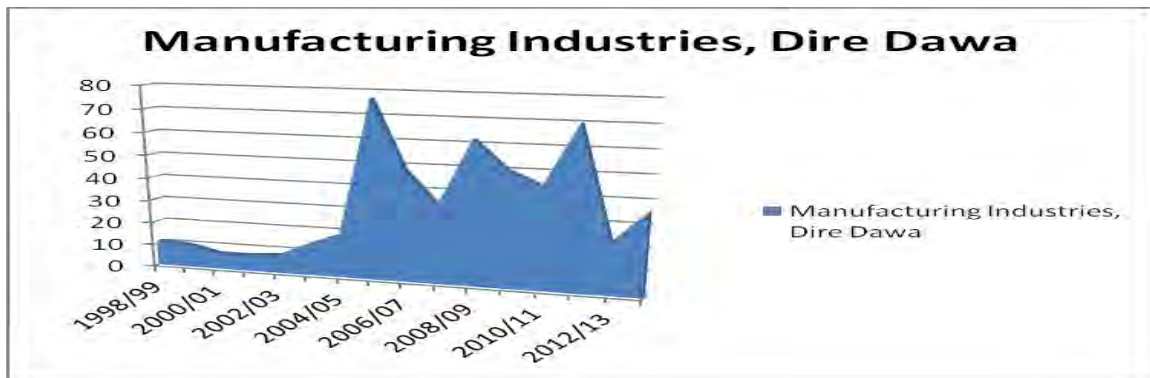
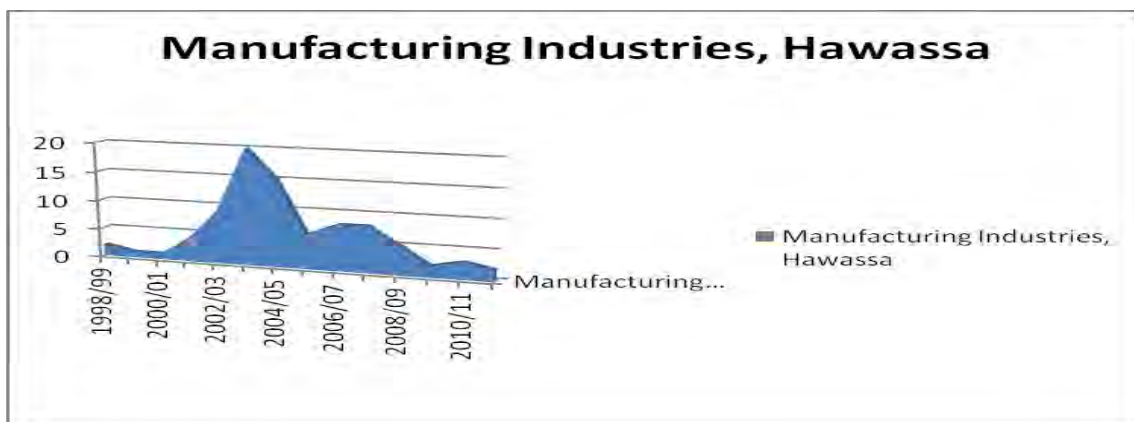


Figure 30: The Trends of Manufacturing industries, Hawassa



Source: The bureau of trade, investment, and industry, Hawassa

The growth rate of firm formation by major economic sector would also be used as indicators of cities' competitiveness capacity and enable to measure the contribution to the outputs of competitiveness. This is because not all, major economic sectors such as service, industry, and urban agriculture would have equal contribution to the GDP and in the creation of employment opportunities. In this regard, there are ongoing debates on the type of sectors that contribute more to the cities' growth and job opportunities. The experience of different countries indicates that the most competitive cities in the world are with clusters of firms in strong value adding activities (Fagerberg Verspagen, 1999, 2002); Timer and De Veries, 2007). This does not mean that the service sectors could not make cities' competitive or add value for growth and jobs.

According to the World Bank (a concept paper by Pariag, 2009), the cities that are found in developing countries, for instance, cities in East Asian countries are globalized through manufacturing industries, while the cities in India appear to be intentionally avoiding the traditional path by globalizing through service led activities.

Hence, the characteristics of cities and the strategies adopted at the national level may determine the sectors that the city administrations more emphasizing on. Hence, the policy makers or the urban government should be responsible to promote in the areas where the strong value added activities, especially that create more job opportunities, because as stated in the statements of the problem one of the major problems in Ethiopian urban centres would be the high unemployment rate.

In line with this, at the national level the government has set policy directions that follow the traditional development path from agriculture to manufacturing and only later to service. However, given the nature of cities, the economic structure could be either service or manufacturing. The main points here are to identify which sectors are contributing more to cities' competitiveness in terms of job creation. In this regard, as shown below in the Figure 30, in case of Dire Dawa for the year 2004/5 to 2013/14 the agricultural, Industry, and service sectors on average 16, 39, and 89 have been grown respectively. While in the case of Hawassa in the same year the agriculture, Industry, and Service sector have grown on average 8, 12, and 47 % respectively.

Figure 31: The Trends of Registered investments, Dire Dawa

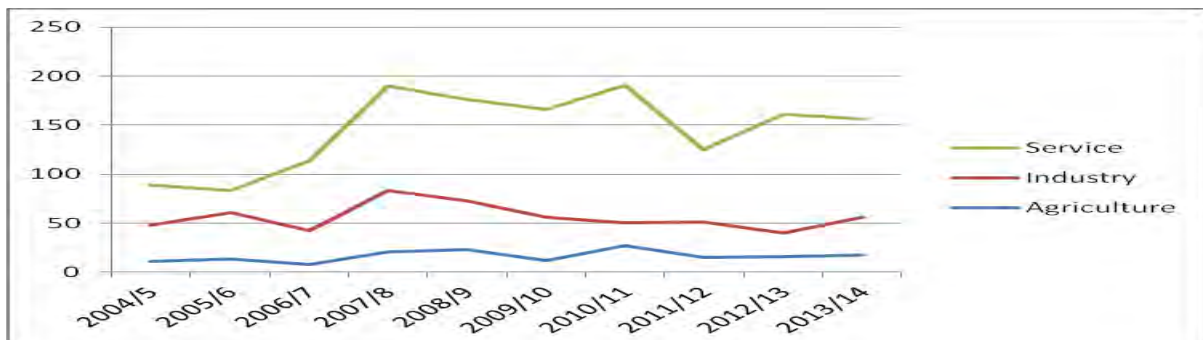


Table 45: The Average growth of firms for 2004/5 to 2013/14, Dire Dawa

	N	Minimum	Maximum	Mean	Std. Deviation
Agriculture	10	8	27	16.30	5.870
Industry	10	23.00	62.00	39.7000	11.87949
Service	10	22.00	141.00	89.1000	36.69226
Valid N (list wise)	10				

Figure 32: The Trends of Registered Investments, Hawassa

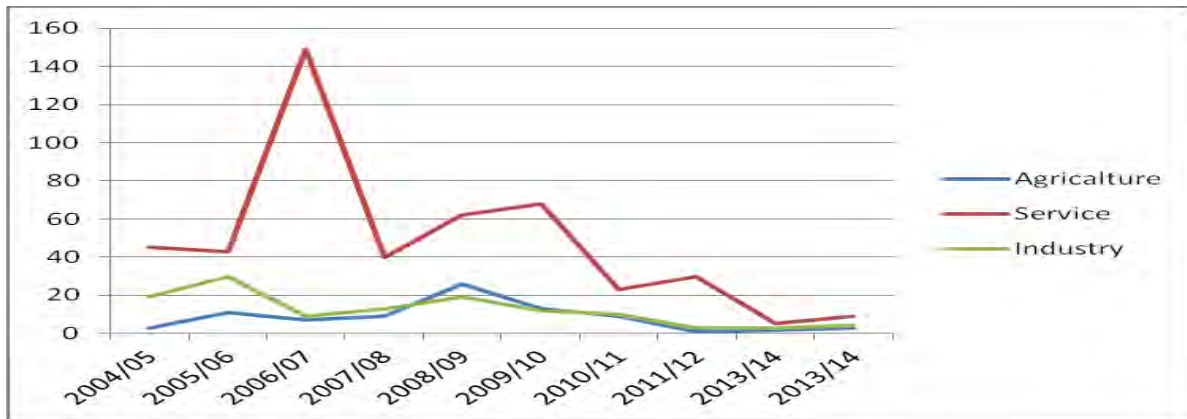


Table 46: The Average growth of firms for 2003/5 to 2013/14, Hawassa

	N	Minimum	Maximum	Mean	Std. Deviation
Agriculture	10	1	26	8.40	7.412
Service	10	5	149	47.40	41.110
Industry	10	3	30	12.20	8.574
Valid N (list wise)	10				

N=Year

From these points of view, the economic structure in both cities have dominated by the service sectors, in which the highest rate of new firms was established in the service sectors, while the industry and urban agriculture sector would be following the service sectors.

Hence, it is important to examine the contribution of each sector in creating employment opportunities, it is one of the indicators of the outputs of the cities' competitiveness. This can be examined by simple linear regression or bivariate correlation analysis because it tests the degree of association between the invested capital (independent variable) in major economic sectors and the jobs that were created (dependent variable) by each sector. The data would be used the time series for 21 years (for the year 1993 to 2013/14), while in Hawassa's case the jobs that were created by each sectors didn't completed.

As shown below in Table 49, the capital invested in agriculture is at 79.8 % associated with the jobs created by the sector and it is statistically significant ($P < 0.05$). In addition, the r^2 (.638) or the variation on the jobs could be explained by the invested capital in agriculture. Hence, with a given units of changes in investing capital in agriculture would create more job opportunities when compared to the manufacturing industry and service sectors. This is because the service sector needs huge amount of capital to invest in a given place, while

given its nature the job opportunities that were created by this sector would be less than the agriculture and manufacturing industries. Contrary to this, the agriculture sector would require a small amount of capital to finance investment projects and the opportunities that were created by this sector would be better than the service sector. On the other hand, the invested capital and the jobs created in the manufacturing industry, is positively associated at 63.3 %, and the r^2 is .453, which is the variation on the created jobs by invested capital in the manufacturing industry sectors, and it is also statistically significant ($p < 0.01$).

Table 47: The relationship between the invested capital and the jobs created by manufacturing industry between 1993/94 to 2013/14, Dire Dawa

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	711.078	181.245		3.923	.001
	Invested Capital in Industry	1.438E-006	.000	.673	3.968	.001

a. Dependent Variable: Job Opportunity by Industry

Table 48: The relationship between the invested capital and the jobs created by service sector between 1993/94 to 2013/14, Dire Dawa

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2181.109	561.231		3.886	.001
	Invested capital in service sector	2.005E-007	.000	.086	.376	.711

a. Dependent Variable: The Created Job by service sector

Conversely, the service sector is statistically insignificant (i.e. $p > 0.05$) and the degree of association between the invested capital with jobs created by the sector would be too low. Hence, a change in investing capital of the service sectors brings insignificant change in job opportunities. As mentioned above, the service sectors have their own contribution to the aggregate GDP as well as for social capital, both at the national and city level, while, the

contribution in the creation of jobs would be low when compared to the huge amounts of capital that were invested in the sectors.

Table 49: The relationship between the invested capital and the jobs created by urban agriculture between 1993/94 to 2013/14, Dire Dawa

Table 5.29 Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	134.373	55.133		2.437	.025
	Invested Capital in Agriculture sector	8.868E-006	.000	.798	5.781	.000

a. Dependent Variable: The Job created by Agriculture sectors

Hence, as discussed above the urban economy was dominated by the service sectors, while the manufacturing industries particularly the medium and high tech would be too low. Hence, the economic structures of both Dire Dawa and Hawassa are established based on the service sectors; while after the implementation of the GTP I the manufacturing sectors have gained much emphasis by the policy makers and urban governments (see GTP I and II).

5.4. Conclusion

This chapter has examined and analyzed the status of the competitiveness of the case study areas (i.e. Dire Dawa and Hawassa) by using the input-outcome factors based on the identified dimensions of urban competitiveness.

The Porter's diamond models of the determinant factors of the nation's competitive advantage were applied as a framework to investigate the determinant factors of competitiveness of the two cities, while the economic performance (i.e. output factors) of measured in terms of the growth rate of urban population, employment rate and the trends of the growth of investments.

In the dimension of laws, policies and strategies, the empirical finding of this study showed that, the urban governments of Dire Dawa and Hawassa have a legal power to make laws and policies. While in practice, all policies and laws that were related to urban economic development were formulated at the center. As a result, laws and policies did not serve as a device to attract investments towards their territories and did not created competition among

the cities, despite of this, 93 percent of investments were concentrated in Addis Ababa and its surrounding. Hence, lack of autonomous power and the centralized nature of urban governance are increasingly problematic in tackling the challenges of cities' competitiveness. In the dimension of locational (or condition) factors, the findings of this study confirmed that, in the areas where the non-state actors were involved and the basic services that rendered by urban government, they perform considerably well, for instance, the road infrastructure within cities, the coverage of health and educational services which have reached 100 %. On the contrary, the areas that the involvement of the NSAs would be less and the services that delineated to higher levels of government such as, the supply of power, network service, and water production are increasingly challenged to retain investments, especially the manufacturing industries which creates more job opportunities and capital to cities.

As a result, the interruption of electric power and networks, inadequate water supply and skilled man powers were constrained the economic performance of the cities. Due to these, the large and medium industries in which 72 percent in Dire Dawa and 62 percent in Hawassa would not be operated at the scale of full production, where as the urban government have played a major role in constructing road infrastructure with in cities boundary and social services with the aim of attracting investments and creating employment.

In addition to the provision of urban basic services, both cities have their own unique competitive advantage. For instance, in the case of Dire Dawa, the city has been under the arrangement of the federal government, as a result, the city has received grants directly from the federal government in order to finance its expenditure as well as the city has located near to the sea ports that found in Djibouti and Somali land and Somalia. This has made the city to attract more investments when compared to Hawassa (see Table 43). On the other hand, the city of Hawassa has competitive advantage that being the political and administrative center of the SNNPRS and near to Addis Ababa. Despite of these facts, the federal government has taken a committmnet to construct modern the industrial park and the private sectors has engaged in the sector of Hotels.

In the dimension of the accessibility of market, the federal governmnat has played a major role in connecting cities to cities through road networking. The evidence from this study demonstrates that the large local market would be an opportunity for cities to promote their economies. However, there was policy and institutional barrier that reflects on the integration of the demands of the market and the products and services that have been produced in the

city. For instance, the sectoral pattern of growth in both cities have indicated that the service sector in which the less contribution to local market would be dominated, even the food and beverage industries has strong forward linkage, where as the back ward linkage, especially with the agriculture sector would be weaker.

The final dimension of competitiveness is the linkage between industries and among the major economic sectors. This dimension would be an important determinant factor the influences the competitiveness of the cities. In this regard, the finding of this study signifies that, the forward and backward linkage between SMEs and large and medium industries would be weak. In both cities, the 95.4 percent of paper and paper products, 54.8 percents of printing manufacturer, 30.9 percent of furniture manufacturer, and 10 percent of beverage and food industries were imported their raw materials from abroad. Thus, the SMEs did not support the medium and large industries by creating the supply chain and vice versa. The policy implication that emerges from competitiveness rhetoric is the industries should integrate themselves in both backward and forward directions.

The dimensions of urban governance and cities' competitiveness would have a positive and negative impact on the economic performance of cities. The urban economy of the two cities were established based on the service sectors, between 2005/06 to 2013/14 in Dire Dawa the percentage share of the service, manufacturing industries, and agriculture sectors to the total invested capital would be 66, 23, and 11 percents. However, the magnitude of the service sector to create a single job would be low. For instance, the service sector needs Br. 2181 to create a single job, while the manufacturing industries and urban agriculture requires Br. 711 and 134 to create a single job respectively. The same is true for the case of Hawassa.

In general, the urban governance system should be necessitating changing from urban government to urban governance in order to improve the self-governing and autonomous power of the urban government and the involvements of the non-state actors. This is because the cities' competitiveness would be depending on the governance system of the cities.

CHAPTER SIX: CONCLUSION AND POLICY IMPLICATION

6.1. CONCLUSION

The study was set out to examine and analyze the urban governance system in relation to urban competitiveness in selected cities in which one of the Federal cities (i.e. Dire Dawa) and the other from Regional cities (i.e. Hawassa).

From the context of this dissertation, the notions that underpin urban governance refers to the exercise of authority through formal and informal mechanisms to enhance the cities' competitiveness, thus encompassing the power distribution among different state actors (i.e. Federal, regional and urban governments), and between the state and non state actors (i.e. Business and civic society organization), the autonomy of urban government to formulate and implement urban development policies and render basic urban services. The other segment of this dissertation is the competitiveness of cities, the working definition of cities' competitiveness in the context of this study refers to the degree to which cities are able to attract both the domestic and foreign investments, creates jobs and the extents of utilization of the competitive advantages of cities to enhance competitiveness at the national and local level. Thus, to enhance cities' competitiveness, the state actors could be one of a number of partners, rather than the exertion of political power should be remain the prerogative of the formal institution of the state. Within this context, mainly the study was aims to answer how the urban governance system in the case study areas has operated to make the cities competitive.

The urban governance system constitutes of the questions of how and who of governing cities in the case study area. The urban governance system in general refers to the urban the power structure how and the governing coalition who govern cities and in what basis (objectives).

The explanatory frame of reference of urban governance system in the context of this study constitutes different components these include the institutional arrangements, the constitutional and legal basis of urban government, the power division among state actors and between state and non-state actors, the extent to which the urban government in the study area represents a shift towards a governance arrangements characterized by the involvement

of actors crucially the private sector and Civic Society Organization (CSOs), and the way in which they contribute to formulation and implementation of urban policies that are relevant to cities competitiveness.

With respect to the urban governance system in the case study areas, the empirical findings were explained in chapter four of this dissertation. The urban government of Dire Dawa and Hawassa has been emerged based on the Federal forms of the country. Under the federal system of government, the power and responsibilities can be divided among different level of government through the constitution and legal provision. The federal system in Ethiopia has two governmental levels, such as the federal government and regional states, each of which derives its powers directly from the people and each of which can act directly on the people within its jurisdiction without permission from any other authority (FDRE, 1995). Thus, the constitution divides powers between the Central government and Regional government. However, the urban government in Ethiopia did not have constitutional status; rather they are the creature of the Federal and Regional governments. As a result, they possess no inherent sovereignty and constitutional guarantee against any arbitrary elimination of the Federal and Regional governments (See the city charter of Dire Dawa 416/2004 and the revised city's proclamation no. 103/2006).

Since the urban governments were created by the highest levels of government, they have a formal hierarchical relationship between different levels of governments that are called Intergovernmental Relation (IGR). By definition, IGR means a relationship between different government organs that involves officials, non officials, citizens and members of civic societies (WB, 2007 on Boadway and Shah Eds), in the context of this study the intergovernmental relation (IGR) is an interactions occurring between urban government and Central/Regional Government) within urban governance system.

The study identifies that the intergovernmental relation particularly the Urban-Federal/Regional government relation has clearly defined by law. According to the city charter of Dire Dawa the proclamation No.416 /2004 and the SNNPRS revised cities proclamation No. 103/2006, the urban government of Dire Dawa is accountable to the Federal government, whereas, the city of Hawassa is directly responsible to the SNNPRS.

With regard to the power division between the urban government and federal/regional government, the urban governments have powers and responsibility to render both the state and municipal functions within their jurisdiction regardless of their autonomous power.

These powers have made urban governments effective in providing basic urban services including health, education, and road infrastructure developments etc.

However, the actual self-governing and autonomous power of the urban governments was constrained by various determinant factors. First, the intergovernmental relations between the urban government and the federal and regional government would be hierarchical in which the federal and regional government has unlimited authority over the city government of Dire Dawa and Hawassa until the dissolution of the city administration respectively.

Second, the city charter (416/2004) and the revised city's proclamation (103/2006) grants adequate power to urban government to make their own plans, policies and laws, however, the study confirms that the policy issues relevant to urban development, such as urban development policy, strategy for micro and small enterprises, land lease and investment laws mainly the initiation, formulation of policy option or strategies were decided by the federal government. However, the urban government was involved at the stage of policy implementation and with less frequency; there would be a consultation with the members of city councils and cabinets. Third, determining the tax rate and bases would be rests the power of the federal government except deciding the rate of revenues related to municipal services. Conversely, the urban governments have discretionary powers to allocate their budgets for municipal and state functions without requesting the higher level of government. This has made the urban governments to improve basic urban services such as education, health, road infrastructure etc. However, the services (i.e. Energy, telecom service and water production) that have provided, by the regional and federal government have impacts on the economic performance of the cities.

In line with the power division among various levels of government, the study identifies that the mode of intervention of the federal government on the matters of urban government would be directive in which the federal governments set development goals and determine policy options as well as uses the formal authority to dominating its power over urban governments.

Despite of these facts, the power division between urban government and federal and regional government would be dominated by the higher level of government and the urban government did have less power over setting priorities and making policy. Thus, the intergovernmental relationship has formed on the basis of lines of authority in which the mode of intervention of the central government used a directive role rather than permissive in which the urban government should be exercising its power with greater discretion in decision making process that are relevant to development policies and plans as stated by law.

The other issues raised in the chapter are the basis for the formation of the urban government and the power division between city councils and city's cabinets. As has been discussed in chapter four under the heading of power division within state actors, the structure of the urban government has the mayor-council form of government. The city council is an elected governing body, has policy making authority, it is the source of executive power and legislative power. The mayor and the city's cabinets are the executive bodies of the city. The Mayor is elected from the members of the city council of which the mayor would be a member. If the mayor is elected from the members of city council, in theory, the form of urban government would be weak-mayor-council structure, but in the case of the study in the form of urban government would be strong-mayor-council structure.

Here, one of the most noteworthy issues to consider here is the basis of the formation of urban government. Both Dire Dawa and Hawassa cities have been seats for diverse nation and nationalities as well as they are an exemplary for different harmonious religion and culture. However, the urban government structure has been formed based on the competition between major ethnic groups, for example, in Dire Dawa, there are a competition between the Oromo and Somali, specifically they are aspiring elite for political power and resource.

Similarly, in Hawassa city, ethnic identity served as the basis for the establishment of urban government. Elite groups who were from similar indigenous ethnic groups, therefore, have formed the urban governance systems in both cities. As a result, the elected officials would favor members of their own ethnic groups in the distribution of patronage benefits, voters would seek to better their lot by electing members of their own ethnic groups to positions of political power.

The other important areas of the power distribution within state actors is the power division between city council and city's cabinets, it's used as would also an explanatory variable to examine the characteristics of urban governance system.

The city's charter of Dire Dawa and the revised cities' proclamation of SNNPRS have granted more power to cities' council over the executives to exert influence and control. The study identifies that in practice the mayor and city's cabinet have great influence in the decision-making process that are related to setting priorities in budget and planning activities. The coalition between state and non-state actors has been an important area of the study. In chapter, four under the heading of the power relation between the state and the non-state actors were analyzed from the elitist and a regime theory perspective. The main argument of the study was the urban governance system today is characterized by the complex pattern of interdependence among different actors; in the context of the study, there are three sets of institutions that are key to enhance city competitiveness such as the government, the private sector or business community, and civic society organization. Thus, the decision mechanisms in urban governance system are mainly based on consensus and the decision are not rule binding, but they would be implemented only due to the interest interdependence between the state and non-state actors.

However, in practice the coalition between the state and the non-state actors in the case study areas are characterized by highly institutionalized, centralized, and hierarchical structure of the decision-making process. The decisions that determine the lives and choices of the mass people specifically related to urban development policies and the political actors, which are a dominant or hegemonic party, decided strategies. As a result, the solution to solve urban problems through policies and strategies were provided only from the preference of the state actors, problem solving in these circumstances is not likely to be the benefit of residents because desirable alternative for non-state actors have not explored.

Thus, the urban competitiveness of the cities would also the reflection of the urban governance system. In line with this, this study argues that urban governance is a precondition to make cities' competitive. In other words, the goals of city's competitiveness could not be achieved without the coalition and cooperation between the state and non-state actors.

Urban competitiveness is an elusive concept to define and to apply in the Ethiopian context. This is because it might be defined and applied as the success with which the cities compete with one another in some way. However, in Ethiopia the cities did not compete with each other based on their promising potentials and unique competitive advantages. Thus, in the context of this study, it is better to use the term economic performance of the cities instead of the concept of urban competitiveness. The economic performances of cities in Ethiopia specifically in Dire Dawa and Hawassa have been influenced by different determinant factors.

First, the presence of laws and policies for cities should be crucial. In order to enhance the competitiveness of cities, it should be required comprehensive urban development policies and strategies at the national and local level. However, in Ethiopia did not have a comprehensive urban development policies and strategies since 2010 in which the current urban development policies were adopted. Instead of the comprehensive urban development policies, the economic developments of the cities, particularly urban competitiveness has guided by the annual and the five year plans without having the comprehensive policy framework. Nevertheless, the politician and the policy makers used the term city competitiveness and urban governance in their speeches about its importance (e.g. The Minister of urban and Housing Development in cities' form that held in Adama and Dire Dawa, 2013, 2014).

The study has also identified that the urban government and the non-state actors have a great influence in the implementation phases of policies and plans, but they have a minimal role in the setting of priorities and selection of the preferable policies. Moreover, the cities in Ethiopia did not have autonomous power to design their own policies and strategies that intended to promote investments, but rather the federal government with less participation of the urban government and non-state actors would create the investment laws and regulations that adopted in all cities. In addition, results in the cities did not use laws and policies as an instrument to promote investments and to create competition among cities.

Despite of the absence of comprehensive urban development policy, there are high discrepancies between the cities on their economic performance of the cities. The growth of economic performances of the cities would be inconsistent within a given range of times and among the cities in terms of output factors (i.e. Growth in population, the trends of

investments and the creation of jobs). For instance, in Dire Dawa, the registered investment in 2005/06 and 2006/07 would be high, while between 2007/08 and 2010/11 would become decline, again between 2012/13 and 2013/14 would be raised (see the graph in a page). In addition, the concentration of investments is specific areas for example, in Addis Ababa is the results of the absence of policies that directs the distribution of investments across the country.

Second, the location and condition factors have also influenced the economic performance of the cities. The cities should make themselves attractive to outsiders who are thinking about where to locate. The economic performance of the cities is determined by the ability to nurture investments within the city through creating an economic climate that encourages both the existing and inward investments. In this regard, the availability of unskilled labor, road infrastructure and the cost of land transportation, have insignificant influence on the economic performances of cities. While, the mode of transportation system, the excess of water supply, the interruptions of electric power and telephone networks, the availability of skilled manpower and raw materials have greater influences on the cities' economic performance. In addition, Port Djibouti and Barbara in Somalia were near to Dire Dawa and the Ports that have been found in Kenya would be neighborly to Hawassa when compared to Addis Ababa. While, more than 93 percents of investments concentrated in Addis Ababa and its surrounding. Hence, proximity to the port in Ethiopian cities did not have an impact on the economic performance of cities. Contrary to this, being an administrative and political center for countries and regions has played a crucial role to host industries and investments, Addis Ababa and Hawassa witness the idea.

Third, the interdependence of industries has made cities competitive, the higher level of industrial integration means; industries provides markets for one another. The interdependence of industries in the context of this study supports the idea of Porter's "Cluster" concept in which the competitive advantage of regions derives from the presence and dynamic of clustered activities. Regarding the interdependence of industries in both cities would be failed, though; the federal and regional governments have developed the strategies and policies of small and micro enterprises with the intention of the linkages between the SMEs and large industries. The SMEs that was found in both cities imported more than 50 percents of raw materials rather than creating value chains among the SMEs. In

the case study areas, the large and medium manufacturing industries did not use the products manufactured by SMEs as a raw material.

Even, in Hawassa, the government has tried to cluster SMEs that has produced different products, but those clustered enterprises did not have any backward or forward linkage except sharing infrastructures (e.g. Electric power). At the national level and in the case study areas, the large number of SMEs and the large-scale industries are the manufacturer of food and beverage groups, but not has linkages to each other.

Fourth, the local market itself represents the most important determinant factor of the economic performance of cities. As pointed out by Porter analysis, the presence of the local market or demand can help cities create competitive advantages. The evidence from the study showed that, the two case study areas have their own competitive advantage. However, the presence of diverse ethnic groups and the large numbers of the population within the cities and its surrounding characterize both cities. More than 7.2 and 11.4 million peoples who have lived in the surrounding (or influential area) of Dire Dawa and Hawassa respectively, these people have linked to the cities economically and through transportation routes. In addition, the levels of urbanization have grown at the rate of 14.2 and 16.1 percent in the influential areas of Dire Dawa and Hawassa respectively. This creates a competitive advantage for the cities. Hence, the social, cultural dynamics of the people and the presence of a large number of populations in the surrounding of the cities would be considered as the potential of a market.

Finally, the outputs that were produced by the two cities were also different in terms of measuring variables for instance, between 2007 and 2014 the urban population at the national level is growing at the rate of 4.1 percent, in the same period the urban populations in Dire Dawa and Hawassa have grown at the rate of 1.85 and 6.39 percent respectively. In Hawassa's case, the urban population is growing at the fastest rate while Dire Dawa is too slow when compared to Hawassa and the national average, even in Addis Ababa the population growing at the rate of 2.3 percent.

From the competitiveness context, as a fast-growing population in a city shows its capacity to attract people and business. On one hand, an economically active population growing at the rate of 8.7, 4.8 and 12.7 percent at the national, Dire Dawa and Hawassa respectively; on the other hand, the employment rate has grown at the rate of 6.9, 6.6, and 15 percent annually

between 2009 and 2014 sequentially as stated previously. Growth in the number of people employed in a city shows its capacity to attract to create jobs and opportunities for both people and businesses. Hence, the city of Hawassa (15 %) experienced the highest rate of employment growth.

6.2. Recommendation

The debate on urban governance and urban competitiveness are extensive and multifaceted, even in the developed world. To investigate these issues, there is a need for more case studies at the national level to suggest on the dimensions of the subject. However, this study has provided the following recommendations based on the empirical findings that were obtained from the two case study areas.

As economies have grown, the structure of the economy transforms from primary (Agriculture) to secondary (manufacturing) and tertiary (service) industry. The secondary and the tertiary sectors emerged in urban areas, because these areas are perceived to provide better infrastructure and market. In addition, cities in Ethiopia are made up of diverse communities' interest, ethnic and social groups, as well as political views. It is, therefore, necessary to change the mode of governance system of 'urban government' to 'urban governance'. The nature of urban governance acknowledges and facilitates the power distribution across the levels of government, private sectors and civic society organizations.

Thus, urban governance should be important as a pattern of power sharing among different actors and ensures the collaboration and coordination between the state and non-state actors.

One of the main factors that affect the existence of urban governance of the cities is a mode of intervention of the higher level of government and the absence of constitutional recognition for the smallest units of government including the cities' administration.

In pursuit of urban governance, the urban government needs adequate autonomous and self-governing power that derives from the constitution rather than from statutory laws and with minimum interventions of the federal and regional government. In addition, the urban government should require actual powers to make laws, plans and policies within their contexts.

In line with this, within the urban government the power equilibrium between the legislative (city council) and the executive (city's cabinets) should be balanced. Since, the legislators are the representatives of the residents (constituencies), it is important to have the adequate institutional capacity in terms of financial, material and technically capable human resources. Moreover, the legislative should require unrestricted power to make policies, laws, and over budgets.

The central points of this study were focused on the power and role of the non-state actors in the process of urban development, since cities are the place where the diverse interest, it is therefore, the non-state actors should have bargained powers over the formulation and implementation of policies that are relevant to enhancing cities' competitiveness, these because no single actors can solve the persistent and pervasive urban problems.

Given the importance of urban governance and urban competitiveness in increasing economic growth and development, the urban government should place on comprehensive urban development policies and strategies that focus on utilizing the competitive advantages of the cities; this is because the sum of the many individual plans is less than the whole.

Despite the complexity and dynamics of the cities, the state and non-state actors should be proactive and responsive towards utilizing the external opportunities that have created by the federal government and globalization.

Both the federal and local governments have engaged in the creation and expansion of manufacturing industries, while more attention needs to be paid to create linkages between the SMEs and large industries, among manufacturing industries themselves, and the major economic sectors to each other.

The last but not the least, in the policy arena, the hierarchal government approach would become a traditional way to solve urban problems. Hence, it will be crucial that the urban governance and urban competitiveness will be an important part of the urban development agenda.

Since, urban governance, and cities' competitiveness are the major pillar of urban development it needs further researches. The following statement represents new knowledge uncovered by the study.

As explained in chapter 4 of this study, the urban government in the case study areas has formed on the basis of ethnic machines, as a result the coalition between state and non state actors were deeply eroded due to the absence of legal and institutional mechanisms that aims to promote the involvement of the NSAs in making policy and laws as well as the role of non indigenous ethnic groups have been excluded from political decision making process. Moreover, the state actor in general and the executive dominates the policy making process starting from setting the agenda for implementing plans and policy, meaning the NSAs is powerless and the system of policy development would be hierarchical (i.e. Top to bottom approach). Ethnic based political arrangements may benefit either the society or the government or both, but it might be required further investigation of the impact of ethnic based politics on the values of the residents within the framework of policy. Because, the finding of this study confirmed that the urban governance system in both cases dominated by one or two dominant major ethnic groups. This has made the cities' incompetent to attract investments across the board.

The lesson can be learnt from the findings of Dire Dawa and Hawassa. The cities' have undergone a series of structural change in terms of economic, social and political. However, it will be important to put forward an appropriate model of urban governance and different policy approach in the context of each individual city. There are varied explanations for why individual cities have done good or bad, but it might be required to investigate further why the disparity has created between Addis Ababa and other major cities like Hawassa, Dire Dawa, Mekelle, Bahir Dar and etc in attracting and retaining investments. These might be issues for further research.

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Appendix 1: Questionnaire translated into Amharic



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እኔ እንዳለ ሀይሌ በአዲስ አበባ ዩኒቨርሲቲ በ Public Policy and management የ3ኛ ዲግሪ (PhD) ተማሪ ስሆን የ3ኛ ዲግሪዬን ለማጠናቀቅ የድግሪ ማሟያ ዕሉፊሬን (dissertation) " Urban Governance and cities' Competiveness in Ethiopia: the case of Dire Dawa and Hawassa cities' administration "በሚል ርዕስ በድሬዳዋና በሀዋሳ የከተማ አስተዳደሮች ላይ በመሥራት ላይ እገኛለሁ።

በመሆኑም ይህን ጥናት የተመላ ለማድረግ ከሁለቱም ከተሞች መረጃ ማሰባሰብ ግድ ይላል ስለዚህ በሁለቱም የከተማ አስተዳደሮች ከተለያዩ መ/ቤቶችና የህብረተሰብ ክፍሎች ይህን መጠይቅ በመሙላት ትብብራችሁን እየጠየቅሁ ለሚደረግልኝ ትብብር ሁሉ ምስጋናዬ ላቅ ያለ ነው።

ይህ መጠይቅ በተለያዩ ክፍሎች ማለትም በመንግስት፣ መንግስታዊ ባልሆኑ ተዋናዎች ማለትም መያድ፣ የግሉ ዘርፍ፣ እና ልዩ ልዩ የህብረተሰብ ክፍሎች በከተማው ኢኮኖሚዊ እድገት (ልማት) ላይ ያላቸውን ሚና እና ከተማሞች በሀገር ውስጥም ይሁን በአለም አቀፍ ደረጃ ተወዳዳሪ በሚያደርጋቸው ከባቢያዊ ሀብቶች (location factors) ዙሪያ ማዕከል ያደረገ ነው። መጠይቁ በአጠቃላይ _____ ጥያቄዎችን የያዘ ሲሆን እርስዎ ካለዎት ልምድና እውቀት በመነሳት ትክክለኛውን መለኪያ መስፈርት (rating scale) በተቀመጠው ትዕዛዝ መሠረት ይሞሉልኝ ዘንድ በድጋሚ በአክብሮት እየጠየቅሁ በመጠይቁ ላይ ለሚኖረዎት ማናቸውም ጥያቄ በ 0911897232 መልሰው ቢደውሉሉኝ አፋጣኝ ምላሽ ለመስጠት ዝግጁ ነኝ።

እንዳለ ሀይሌ
አመሰግናለሁ !

ለድሬዳዋ/ሀዋሳ የንግድ ም/ቤት፤ የማምረቻና አገልግሎት ሰጭ ተቋማት የተዘጋጀ መጠይቅ

ትዕዛዝ

የሚከተሉትን ጥያቄዎች ከተቀመጡት አማራጮች ውስጥ በትክክል የእርስዎን ሃሳብ (opinion) የከተማዎን አጠቃላይ ሁኔታ ይገልጻል። የሚሉትን ምልክት በማድረግ ይምረጡ። ከተቀመጡት አማራጮች ለምሳሌ ቁጥር 1 ላይ የተቀመጠው " በጣም አልሰማም " የሚለው አማራጭ ከእርስዎ ከተማ እውነታ ጋር በጣም የተራራቀ ሲሆን በአንፃሩ ደግሞ " ቁጥር 5 ላይ የተቀመጠው " በጣም እስማማለሁ" የሚለው የእርስዎን ከተማ ከ90-100% በትክክል የሚገልጽ ከሆነ ሆኖም ግን ጥያቄው ከእርስዎ ጋር ምንም ግንኙነት ከሌለው ወይም ጥያቄው ካልተመቸደ "እኔ አላውቀውም" የሚለውን ይምረጡ።

አጠቃላይ መረጃ

ድርጅትዎ የተመሰረተበት ዓ/ም

- ከ1983 በፊት ከ1983-1990 ከ1991-2002 ከ2003

በድርጅቱ ውስጥ የእርስዎ የሥራ ድርሻ

- ሥራ አስኪያጅ (General Manager) የክፍል ኃላፊ (Department Head)

ሌላ _____

የትምህርት ደረጃ

- PhD MA/SC BA/SC Diploma TVET

እድሜ

- 18-30 31-40 41-50 51-60 > 60

በዚህ ድርጅት ውስጥ ለምን ያህል ጊዜ ሠርተዋል

- < 2 ዓመት 3-5 ዓመት 6-10 ዓመት

2. የመንግስትና (state) መንግስታዊ ያልሆኑ አጋር አካላትን (non-state) መሰተጋብር በተመለከተ የቀረቡ ጥያቄዎች (urban governance)

ጥያቄ	መለኪያ መስፈርት
1 የከተማ አስተዳደሩ ግልፅ ራዕይና ተልእኮ አለው	በጣም አልሰማም
	አልሰማም
	ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ
	እስማማለሁ
	በጣም እስማማለሁ
2 የከተማ አስተዳደሩ ሁሉንም የቢዝነስ ተቋማት ባለቤትነታቸውን ከግምት ሳያስገባ በእኩል ሁኔታ ያስተናግዳል	በጣም አልሰማም
	አልሰማም
	ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ
	እስማማለሁ
	በጣም እስማማለሁ
3 የከተማ አስተዳደሩ ኢንቨስትመንት የመሳብ አቅም አለው	በጣም አልሰማም
	አልሰማም
	ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ
	እስማማለሁ
	በጣም እስማማለሁ
4 የከተማ አስተዳደሩ የመንግስት ተቋማት	አልሰማም
	በጣም አልሰማም

	/ቅበራቸሽስ ስቃቋስቁቅቁሽቁስ/ ድርጅቶች/ን ታክስ በመቀነስ ወይም ሌላ ማበረታቻ (ሽቃቋስቃቋሽቁስ) በመስጠት ያበረታታቸዋል	በጣም አልስማማም አልስማማም ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ እስማማለሁ በጣም እስማማለሁ አላውቅም
5	ከእርስዎ ልምድ በመነሳት በከተማ አስተዳደሩ ውስጥ በሚወጡ ህጎች ወይም ፖሊሲዎች ላይ ከፍተኛ ሥልጣን ያለው ማነው? (ከአንድ በላይ አማራጭ መምረጥ ይቻላል)	ካቢኔው የከተማው ም/ቤት የግል ሴክተሩ የፌደራል መንግስቱ ከንቲባው መንግስታዊ ያልሆኑ ድርጅቶች ህ/ሰቡን ጨምሮ ሌላ
6	በከተማ አስተዳደሩ የኢንቨስትመንት ፈቃድ በማውጣት ሂደት ውስጥ ያለውን የሙስና ሁኔታን እንዴት ይገልፁታል	በጣም ዝቅተኛ ዝቅተኛ መካከለኛ ከፍተኛ በጣም ከፍተኛ አላውቅም

3. በፖሊሲ አወጣጥና አፈፃፀም ላይ የግል ሴክተሩ ሚና

	ጥያቄ	አማራጭ መልሶች	
1	የከተማውን ሁለንተናዊ ልማት በማፋጠን ረገድ የግል ሴክተሩና የመንግስትን የትብብር (Cooperation) ሁኔታ እንዴት ይገልፁታል ?	በጣም ዝቅተኛ ዝቅተኛ መካከለኛ ከፍተኛ በጣም ከፍተኛ አላውቅም	
2	የግል ሴክተሩን የፖሊሲ ወይም በእቅድ መሳተፍ የሚያስችለው የህግ ማዕቀፍ ወይም ፖሊሲ አለ?	አለ የለም አላውቅም	
3	በእርስዎ ግንዛቤ የግል ሴክተሩ የከተማውን ራዕይ ምን ያህል ተገንዝበውታል?	በጣም ዝቅተኛ ዝቅተኛ መካከለኛ ከፍተኛ በጣም ከፍተኛ አላውቅም	
4	በከተማዎ እየተተገበረ ያለው እቅድ ወይም ፖሊሲ የግልን ሴክተር ወይም የህዝቡን ፍላጎት (Interest) አካቶ የተቀረፀ ነው?	በጣም አልስማማም አልስማማም ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ እስማማለሁ በጣም እስማማለሁ	

		አላውቅም	
5	የከተማው አስተዳደር የግሉ ሴክተር በከተማው ሁለንተናዊ የልማት እንቅስቃሴ ውስጥ በንቃት እንዲሳተፉ ያበረታታል?	በጣም አልስማማም	
		አልስማማም	
		ለመስማማትምሆነ ላለመስማማት እቸገራለሁ	
		እስማማለሁ	
		በጣም እስማማለሁ	
		አላውቅም	
6	የግሉ ሴክተር ከከተማው አስተዳደር ጋር በመሰረታዊ አገልግሎቶች አቅርቦት (ለምሳሌ መሰረተ ልማት) በአጋርነት (Partership የመሥራት ሁኔታው ምን ያህል ነው?	በጣም ዝቅተኛ	
		ዝቅተኛ	
		መካከለኛ	
		ከፍተኛ	
		በጣም ከፍተኛ	
		አላውቅም	
7	የግሉ ሴክተሩና የከተማ አስተዳደሩ ፖለቲካዊ አጋርነት (political alignment) አላቸው?	አለው	
		የለውም	
		አላውቅም	
8	የከተማውን አስተዳደር ፖሊሲ በማውጣትና በመፈፀም ረገድ ያለውን እንዴት ይገመገሙታል?	በጣም ዝቅተኛ	
		ዝቅተኛ	
		መካከለኛ	
9	የግሉ ሴክተሩን ፍላጎት በከተማው ዕቅድ ጸደቀው ወይም ፖሊሲዎች ውስጥ መካተት የሚያስችል ስምምነት (Memorandum of Undersanding) አለ?	አለው	
		የለውም	
		አላውቅም	
10	የግሉ ሴክተሩም ይሁን ህብረተሰቡ በፖሊሲ ወይም በህጎች ውስጥ እንዲካተቱለት ወይም እንዲለወጡ ቢፈልግ የከተማውን አስተዳደር ለመለወጥ ወይም ለመቀበል ፈቃደኛና ቁርጠኛ ነው ?	በጣም አልስማማም	
		አልስማማም	
		ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ	
		እስማማለሁ	
		በጣም እስማማለሁ	
		አላውቅም	
11	የግሉ ሴክተሩ በከተማው ልማት እቅድ አወጣጥ ይሁን አፈፃፀም ላይ ንቁ ተሳታፊ ነው?	አለው	
		የለውም	
		አላውቅም	

4.ድሬዳዋ/ ከተማ ለቢዝነስ ወይም ለንግድ ስራ ያላት ከባቢያዊ ምቹነት/ Business Climate/

	ጥያቄ	መለኪያ መስፈርት	
1	የኢንቨስትመንት ህጎችና ፖሊሲዎች አበረታች ናቸው?	በጣም አልስማማም	
		አልስማማም	
		ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ	
		እስማማለሁ	
		በጣም እስማማለሁ	
		አላውቅም	

2	በእርስዎ አመለካከት ለኢንቨስትመንት መሬት ለማግኘት ያለው ሂደት?	በጣም አስቸጋሪ ነው	
		አስቸጋሪ ነው	
		አስቸጋሪም ቀላልም አይደለም	
		ቀላል ነው	
		በጣም ቀላል ነው	
		አላውቅም	
3	የድሬዳዋ ከተማ ለንግድ ወይም ለኢንቨስትመንት ምን ያህል ምቹና ተስማሚ ናት?	በጣም ተስማሚ አይደለችም	
		ተስማሚ አይደለችም	
		መካከለኛ ናት	
		ተስማሚ ናት	
		በጣም ተስማሚ ናት	
		አላውቅም	
4	የከተማ አስተዳደሩ ያመጣቸውን ህጎች ወደ ተግባር ከመለወጣቸው በፊት የንግድ ህብረተሰቡን ያወያያል?	ያወያያል	
		አያወያይም	
		አላውቅም	
5	የከተማ አስተዳደሩ ኢንቨስትመንትን ለመሳብም ይሁን የንግድ እን/ሴውን ለማበረታታት አበረታች ፖሊሲዎችና ህጎችን አውጥቶ ተግባራዊ አድርጋል	በጣም አልስማማም	
		አልስማማም	
		ለመስማማትም ሆነ ላለመስማማት እችላለሁ	
		እስማማለሁ	
		በጣም እስማማለሁ	
አላውቅም			

5. በአካባቢው ያሉ ሀብቶች/ Location Factor Condition/

ትዕዛዝ:- የሚከተሉትን ጥያቄዎች ከዚህ በታች በተዘረዘረው መለኪያ መስፈርት መሠረት ይሙሉ::

- 1 ማለት "በጣም አልስማማም"
- 2-ማለት "እስማማለሁ"
- 3 ማለት "ልስማማም ላልስማማም እችላለሁ"
- 4-ማለት "እስማማለሁ"
- 5 ማለት "በጣም እስማማለሁ"

	ጥያቄዎች	መለኪያ መስፈርት				
		1	2	3	4	5
5.1.	ያልሰለጠነ የሰው ሃይል/ ጉልበት/ በበቂ ሁኔታ አለ?					
5.2.	የሰለጠነ የሰው ሃይል በበቂ ሁኔታ አለ ?					
5.3.	ድሬዳዋ የተሻለ ተስጥኦ (talent) ያላቸውን ሰዎች ለመሳብም ይሁን ለማቆየት ምቹ ናት?					
5.4.	የኑሮ ውድነቱ ከሌሎች አካባቢዎች በአንፃራዊነት ሲታይ ድሬዳዋ ዝቅተኛ ነው ?					
5.6.	ለኢንቨስትመንት የተዘጋጀ በቂ መሠረተ ልማት በከተማችን አለ ?					

5.7.	ብድር አዋጭ ለሆኑ ነገረጃክቶች በቀላሉ ማግኘት ይቻላል?						
5.8.	ባንኮች የብድር ጥያቄን በተገቢው መንገድ ምላሽ ይሰጣሉ?						
5.9.	ከባንክ ለብድር የሚከፈለው ክፍያ የወለድ ምጣኔን ጨምሮ ምክንያታዊ ወይም አሳማኝ ነው?						
5.10.	የታክስ ህጉ የውጭንም ይሁን የሀገር ውስጥ ባለሀብትን ለመሳብ አበረታች ነው?						
5.11.	የጥሬ እቃ አቅርቦት ከአባባቢው ባሉ አቅራቢዎች በበቂ ሁኔታ ይቀርባል?						

የመሠረተ ልማት አቅርቦት ሁኔታ

ተ.ቁ	ጥያቄ	1	2	3	4	5	6
6.1.	አስተማማኝ የኤሌክትሪክ ሁኔታ አቅርቦት አለ ?						
6.2.	የየብስ ትራንስፖርት አስተማማኝ ነው?						
6.3.	የቴሌፎን ጥራቱ ከፍተኛ ነው?						
6.4.	በቂ የውሃ አቅርቦት አለ?						

7-ልቅ ጥያቄዎች (open ended)

7. በመንግስት የወጡ የንግድ እንቅስቃሴን የሚገዙ የተ ይሁን ሌሎች ህጎች አሉን? ካሉ ቢዘረዘሩ?

8. ለግሉ ሴክተር ዕድገት ማነቆ የሆኑ ችግሮች ምንድን ናቸው ? _____

9. በአጠቃላይ ድሬዳዋን ከሌሎች ከተሞች ተወዳዳሪና የተሻለ ሊያደርጓት የሚችል ልዩ ባህሪያት ምንድን ናቸው ? _____

መንግስታዊ ላልሆኑ ተቋማት የተዘጋጀ ቃለ-መጠይቅ

ትዕዛዝ

የሚከተሉትን ጥያቄዎች ከተቀመጡት አማራጮች ውስጥ በትክክል የእርስዎን ሃሳብ (opinion) የከተማዎን አጠቃላይ ሁኔታ ይገልጻል። የሚሉትን ምልክት በማድረግ ይምረጡ። ከተቀመጡት አማራጮች ለምሳሌ ቁጥር 1 ላይ የተቀመጠው " በጣም አልሰማም " የሚለው አማራጭ ከእርስዎ ከተማ እውነታ ጋር በጣም የተራራቀ ሲሆን በአንፃሩ ደግሞ " ቁጥር 5 ላይ የተቀመጠው " በጣም እስማማለሁ" የሚለው የእርስዎን ከተማ ከ90-100% በትክክል የሚገልጽ ከሆነ ሆኖም ግን ጥያቄው ከእርስዎ ጋር ምንም ግንኙነት ከሌለው ወይም ጥያቄው ካልተመቸው "እኔ አላውቀውም" የሚለውን ይምረጡ።

1. አጠቃላይ መረጃ

- 1.1. ድርጅትዎ የተሰማራበት የሥራ መስክ -----
- 1.2. በድርጅቱ ውስጥ ያሉ ቋሚና ጊዜያዊ ሠራተኞች ብዛት -----
- 1.3. በድርጅቱ ውስጥ ያለዎት ኃላፊነት -----
- 1.4. ያታ ሆነው
- 1.5. ዕድሜ 30 31-40 41-50 51-60 >60
- 1.6. የትምህርት ዝግጅት PhD MA/Sc BA/Sc Diploma TVET

2. የመንግስትና (state) መንግስታዊ ያልሆኑ አጋር አካላትን (non state) መሰተጋብር በተመለከተ የቀረቡ ጥያቄዎች (urban governance)

ተ.ቁ	ጥያቄ	መለኪያ መስፈርት
2.1	በድሬደዋ ከተማ አስተዳደር መንግስታዊ ያልሆኑ ድርጅቶች በከተማው የኢኮኖሚ ልማት ለመሳተፍ ምቹ ሁኔታ አለ	በጣም አልሰማም
		አልሰማም
		ለመሰማማትም ሆነ ላለመሰማማት እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
2.2	መንግስታዊ ያልሆኑ አጋር አካላት በከተማቸው ጉዳይ ዙሪያ ላይ ወሳኔ መወሰን የሚያስችላቸው ህጋዊ ማዕቀፍ አለው ወይ?	አለ
		የለም
		አላውቅም
2.3	መያድ ፍላጎታቸውን በህጎችና በፖሊሲዎች እንዲካተትላቸው የሚያስገድድ በመንግስትና በመያድ መካከል የተፈረመ የመግባቢያ ሰነድ አለ ወይ?	አለ
		የለም
		አላውቅም
2.4	በከተማ አስተዳደሩ ውስጥ በውሳኔ ሰጭነት የበለጠ ሥልጣን (power) አለው ብለው የሚገምቱት የትኛውን የመንግስት አካል ነው (ከአንድ በላይ መልስ መስጠት ይቻላል)	የፌደራል መንግስት
		የከተማው ምክርቤት
		ካቢኔው
		ከንቲባው
		መያድ
		የግል ሴክተር
		አላውቅም
ሌላ ካለ ይግለጹ		
2.5	የከተማውን ሁለንተናዊ የልማት እንቅስቃሴ ለማፋጠን የከተማው አስተዳደር ብቃት (competency or efficiency) እንዴት ይመዘኑታል	በጣም ደካማ ነው
		ደካማ ነው
		መካከለኛ
		ጥሩ ነው
		በጣም ጥሩ ነው

		አላውቅም
2.6	የከተማው አስተዳደር ለከተማው መሰረታዊ ችግሮች ፈጣን ምላሽ (Responsive) ይሰጣል?	በጣም አልሰማማም
		አልሰማማም
		ለመሰማማትም ሆነ
		ላለመሰማማት እቸግራለሁ እስማማለሁ
		በጣም እስማማለሁ
		አላውቅም
2.7	መያድ ወይም ሲቪክ ማህበራት በመንግስት በጀት አዘገጃጀት ሂደት ተሳትፎ ያደርጋሉን?	አዎ ተሳትፎ ያደርጋሉ
		ተሳትፎ አያደርጉም
		አላውቅም
2.8	በከተማ አስተዳደሩ ያለውን የሙስና ሁኔታ እንዴት ይገልፁታል?	በጣም ከፍተኛ
		ከፍተኛ
		መካከለኛ
		ዝቅተኛ
		በጣም ዝቅተኛ
		አላውቅም

3. በፖሊሲና በዕቅድ አወጣጥ ዙሪያ መንግስታዊ ያልሆኑ /መያድ ፣ የግል ሴክተር ፣ ህ/ሰቡ/ አጋር አካላት ሚና

ጥያቄ	መለኪያ መስፈርት	
3.1 መንግስታዊ ያልሆኑ ፣ የአጋር አካላት በፖሊሲና በዕቅድ አወጣጥ ሂደት ውስጥ በከፍተኛ ሁኔታ ይሳተፋሉ	አልሰማማም	
	በጣም አልሰማማም	
	ለመሰማማትም ሆነ	
	ላለመሰማማት እቸግራለሁ	
	እስማማለሁ	
	በጣም እስማማለሁ	
	አላውቅም	
3.2 የመንግስት የከተማ ልማት ፖሊሲ ወይም የመያድ ፍላጎት ያንፀባርቃል	በጣም አልሰማማም	
	አልሰማማም	
	ለመሰማማትም ሆነ	
	ላለመሰማማት እቸግራለሁ	
	እስማማለሁ	
	በጣም እስማማለሁ	
	አላውቅም	
3.3 የከተማ አስተዳደሩ ፖሊሲዎችና ዕቅዶችን የማውጣትና የመፈፀም አቅም (capacity) አቅም አለው (ምሳሌ፡-በስለጠነ የሠው ሃይልም ይሁን የፋይናንስ)	በጣም አልሰማማም	
	አልሰማማም	
	ለመሰማማትም ሆነ	
	ላለመሰማማት እቸግራለሁ	
	እስማማለሁ	
	በጣም እስማማለሁ	
	አላውቅም	
3.4 መንግስታዊ ያልሆኑ የአጋር አካላት በከተማው ሁለንተናዊ ኢኮኖሚያዊ ዕድገት	በጣም ዝቅተኛ	
	ዝቅተኛ	

	ውስጥ ያላቸውን ሚና እንዴት ይመዘኑታል	መካከለኛ		
		ከፍተኛ		
		በጣም ከፍተኛ		
		አላውቅም		
3.5	የከተማውን የኢኮኖሚ ልማት ለማፋጠን በመንግስትና በመያድ መካከል የአጋርነት /partnership/ ስምምነት አለ?	በጣም አልስማማም		
		አልስማማም		
		ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ		
		እስማማለሁ		
		በጣም እስማማለሁ		
		አላውቅም		
3.6	በመንግስትና በመያድ መካከል ፖለቲካዊ አጋርነት (political alignment) አለ?	አለ		
		የለም		
		አላውቅም		
3.7	መያድ በከተማው መሠረታዊ አገልግሎቶች አቅርቦት (basic urban service) ዙሪያ መሳተፍ የሚያስችለው ህጋዊ ማዕቀፍ አለ?	አለ		
		የለም		
		አላውቅም		
3.8	በዕቅድ ፣ በፖሊሲ ወይም ሌሎች ህጎች ሲዘጋጁ መያድ የሚያቀርቧቸውን የማሻሻያ ሃሳቦች ለመቀበል ያለው ፈቃድኝነትን እንዴት ይመዘኑታል፡፡	በጣም ፈቃደኛ አይደለም		
		ፈቃደኛ አይደለም		
		መካከለኛ		
		ፈቃደኛ ነው		
		በጣም ፈቃደኛ ነው		
		አላውቅም		
3.9	መንግስት ያወጣቸውን ህጎችና ፖሊሲዎች ወደ ተግባር ከማስገባቱ በፊት መያድ እንዲሰፋበት ያደርጋል	በጣም አልስማማም		
		አልስማማም		
		ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ		
		እስማማለሁ		
		በጣም እስማማለሁ		
		አላውቅም		
3.10	የሲቪክ ማህበራት ወይም መያድ በከተማው የልማት ዕቅድ አዘገጃጀትና አፈፃፀም ላይ ንቁ ተሳትፎ(active participant) ናቸው	በጣም አልስማማም		
		አልስማማም		
		ለመስማማትም ሆነ ላለመስማማት እቸገራለሁ		
		እስማማለሁ		
		በጣም እስማማለሁ		
		አላውቅም		
3.11	ከዚህ በታች ከተዘረዘሩት ተግባራት ውስጥ በየትኛው የእርስዎ ድርጅት ተሳትፎ አደርጎ ያውቃል	አዎ	አያውቅም	እኔ አላውቅም
1	የከተማውን ተልዕኮና ራዕይ ሲቀረፅ			
2	በከተማው አስተዳደር ዓመታዊ የልማት ዕቅድ ዝግጅት ወቅት			
3	በከተማው የ5 ዓመት የልማት ዕቅድ ዝግጅት			

	ወቅት			
4	ልዩ ልዩ የከተማ ልማት ፖሊሲዎችና ስትራቴጂዎች ሲቀረፁ			
5	በዓመቱ መጨረሻ በሚደረግ የልማት ዕቅድ ግምገማ			
6	በተለያዩ ጊዜያት በሚከናወኑ የልማት ሥራዎች ግምገማ			

4. ልቅ ጥያቄዎች (open ended)

- 4.1. የከተማው አስተዳደር የናንተን ድጋፍ በበለጠ የሚፈልግባቸው የሥራ ዘርፎች ምን ምን ናቸው? _____
- 4.2. የከተማውን ሁለንተናዊ ኢኮኖሚያዊ ዕድገት ለማፋጠን የሚገቡት ዋና ዋና ችግሮች? _____
- 4.3. የከተማው አስተዳደር የከተማውን ተወዳዳሪነት በአለምም ይሁን በሀገር አቀፍ ደረጃ ለማሳደግ ምን መስራት አለበት ብለው ያስባሉ? _____

ለከተማ ምክር ቤት አባላትና ለከንቲና(ም/ከንቲና) የተዘጋጀ ቃለ መጠይቅ

ት ዕ ዛ ዝ

የሚከተሉትን ጥያቄዎች ከተቀመጡት አማራጮች ውስጥ በትክክል የእርስዎን ሃሳብና (opinion) የከተማዎን አጠቃላይ ሁኔታ ይገልጻል። የሚሉትን ምልክት በማድረግ ይምረጡ :: ከተቀመጡት አማራጮች ለምሳሌ ቁጥር 1 ላይ የተቀመጠው " በጣም አልስማማም " የሚለው አማራጭ ከእርስዎ ከተማ እውነታ ጋር በጣም የተራራቀ ሲሆን በአንፃሩ ደግሞ " ቁጥር 5 ላይ የተቀመጠው " በጣም እስማማለሁ" የሚለው የእርስዎን ከተማ ከ90-100% በትክክል የሚገልጽ ከሆነ ሆኖም ግን ጥያቄው ከእርስዎ ጋር ምንም ግንኙነት ከሌለው ወይም ጥያቄው ካልተመቸው "እኔ አላውቀውም" የሚለውን ይምረጡ::

1. አጠቃላይ መረጃ

1.1. የተወከሉበት የፖለቲካ ፖርቲ/ድርጅት

- አህዴድ/አህአዴግ ሶህዴፖ ከተቃዋሚ ፖርቲ የግል
 ሌላ ካለ ይግለጹ

2. የሚሰሩበት መ/ቤት የግል ተቋም የመንግስት ተቋም መያድ
 ሌላ ካለ ይግለጹ

3. ለምን ያህል ጊዜ በም/ቤት አባልነት ተመርጠዋል?
 1 2 3

4. የም/ቤት አባላት በፖሊሲ አወጣጥና አተገባበር ላይ ያላቸው (role and power)

ጥያቄ	መለኪያ መስፈርት (Rating scale)
4.1. የም/ቤቱ አባላት የወከሉበትን ህዝብ ፍላጎትና ጥቅም በሚወጡ ህጎችና /ፖሊሲዎች ላይ ያንጸባርቃሉ?	በጣም አልስማማም
	አልስማማም
	ለመስማማትም ላለመስማማትም እቸገራለሁ
	እስማማለሁ
	በጣም እስማማለሁ
4.2. የም/ቤቱ አባላት በዓመታዊም ይሁን በረጅም ጊዜ ዕቅድ ላይ የህዝብ ሮች በቅድሚያ እንዲካተቱ ማድረግ ይችላሉ?	በጣም አልስማማም
	አልስማማም
	ለመስማማትም ላለመስማማትም እቸገራለሁ
	እስማማለሁ
	በጣም እስማማለሁ
4.3. የም/ቤቱ አባላት ከየተወከሉበት የህ/ሰብ ክፍል መረጃ ማሰባሰብ የሚያስችላቸው ቋሚ እና መደበኛ ዘዴ አላቸውን?	አዎ/አለው
	የላቸውም
	አላውቅም
4.4. የም/ቤቱ አባላት በፖሊሲ እና በህግ ማወጣት ረገድ ተገቢውን ሚና መጫወት ችለዋል?	በጣም አልስማማም
	አልስማማም
	ለመስማማትም ላለመስማማትም እቸገራለሁ
	እስማማለሁ
	በጣም እስማማለሁ
4.5. የ5 ዓመቱ የዕድገትና ትራንስፎርሜሽን ዕቅድ ሲወጣ እንደ ም/ቤት አባል በተገቢው መንገድ መሳተፍ ችለዋል?	በጣም አልስማማም
	አልስማማም
	ለመስማማትም ላለመስማማትም እቸገራለሁ
	እስማማለሁ
	በጣም እስማማለሁ
አላውቅም	

4.6.	የም/ቤት አባላትም ይሁን ም/ቤቱ እንደ ተቋም አጠቃላይ የከተማውን ዘላቂ የልማት አቅጣጫ (directions) የመቀየስ ፖለቲካዊ አቅምና ብቃት አላቸው?	በጣም ብቃት የለውም
		ብቃት የለውም
		አይታወቅም
		ብቃት አለው
		በጣም ብቃት አለው
		መረጃ የለኝም
4.7.	የከተማው የልማት ፖሊሲ የህብረተሰቡን ፍላጎትና ጥቅም ያንፀባረቅ ነው?	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
አላውቅም		

5. የከተማዉ ም/ቤት ስልጣን (power and authorit

5.1.	የም/ቤቱ ወይም የህግ አውጭውን የስራ አስፈጻሚውን ግንኙነት እንዴት ይመዘኑታል?	በጣም ጥሩ አይደለም
		ጥሩ አይደለም
		መካከለኛ
		ጥሩ ነው
		በጣም ጥሩ ነው
5.2.	ም/ቤቱ የከተማውን ከንቲባ በስራ አፈፃፀም ወይም በስነ-ምግባር አመኔታ ባጣበት ሰዓት የወከለውን የፖለቲካ ፖርቲ ወይም የፌዴራል መንግስቱን ሳያማክር የማንሳት ስልጣን አለው?	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
አላውቅም		
5.3.	የም/ቤቱ አባላት ስራ አስፈጻሚው ያዘጋጀውን በጀት የመለወጥ ወይም የማሻሻል ህጋዊ ማእቀፍ አለው?	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
አላውቅም		
5.4.	የም/ቤቱ መደበኛ ስብሰባዎች የህ/ሰቡን መሰረታዊ ችግሮች ትኩረት የሚሰጡና በቂ መፍትሔ ማቅረብ ያስቻሉ ነበር?	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
አላውቅም		
5.5.	ሁብትን ለልዩ ልዩ ልዩ የልማት ተግባራት የመመደብ ከፍተኛ ስልጣን ያለው ማነው?	ህግ አውጭው
		ስራ አስፈጻሚው
		የግል ሴክተር
		መያድ
		የፌዴራል መንግስት
አይታወቅም		

5.6.	የከተማው ም/ቤትና ህዝቡ የከተማውን ኢኮኖሚያዊ ዕድገት በማፋጠን ረገድ ያላቸው ግንኙነትን እንዴት ይመዘኑታል?	በጣም ዝቅተኛ
		ዝቅተኛ
		መካከለኛ
		ከፍተኛ
		በጣም ከፍተኛ
5.7.	በፖሊሲ ወይም ህግ ማውጣት ረገድ ም/ቤቱ ያለውን ስልጣን /Power/ እንዴት ይመዘኑታል?	በጣም ዝቅተኛ
		ዝቅተኛ
		መካከለኛ
		ከፍተኛ
		በጣም ከፍተኛ
5.8.	በእርሶዎ አመለካከት የከተማውን ሁለንተናዊ ልማት በማፈጠን ረገድ የከተማውን ህ/ሰብ አስተዋጾኦ እንዴት ይመዘኑታል?	በጣም ዝቅተኛ
		ዝቅተኛ
		መካከለኛ
		ከፍተኛ
		በጣም ከፍተኛ
5.9.	ም/ቤቱ የሚያቀርባቸውን ሃሳቦች ወይም ወሳኔዎች ስራ አስፈፃሚው ወይም ከንቲባው በግብአትነት በተገቢው መንገድ ይጠቀሙባቸዋል	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም ስማማለሁ
5.10.	የከተማው ም/ቤት ከህ/ሰቡም ይሁን ከግል ሴክተሩ የሚነሱ ሃሳቦችን በማሰባሰብ ስራ አስፈፃሚው / ካቢኔው በግብአትነት ለወሳኔ እንዲጠቀምባቸው በበቂ ሁኔታ ያቀርባል?	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
5.11.	የከተማው ም/ቤት በቂ አማካሪና የቴክኒክ ድጋፍ የሚሰጥ የሰው ሀይል አለውን?	አለው
		የለውም
		አላውቅም
5.12.	የከተማው ም/ቤት በበጀት ዝግጅት ወቅት በቂ ተግትፎ ያደርጋል	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
5.13.	የከተማው ም/ቤት ህ/መንግስቱ የሰጠው ስልጣን በበጀት ወሳኔም ይሁን በሌሎች ፖለቲካዊ ወሳኔዎች ላይ ምን ያህል በብቃት(effectively) ተጠቅሞበታል(utilized)	በጣም ዝቅተኛ
		ዝቅተኛ
		መካከለኛ
		ከፍተኛ
		በጣም ከፍተኛ

5.14.	ም/ቤቱ በስራ አስፈፃሚው የሚቀረበውን በጀት የወጪም ይሁን የገቢ ዕቅድ በመለወጥ /መቀየር/ ወይም በማሻሻል ረገድ ያለውን ስልጣን እንዴት ይለኩታል?	በጣም ዝቅተኛ
		ዝቅተኛ
		መካከለኛ
		ከፍተኛ
		በጣም ከፍተኛ
5.15.	የ5 አመቱ የዕድገትና ትራንስፎርሜሽን ዕቅድ ከፌደራል መንግስቱ የከተማ ልማት ፖሊሲ ጋር የተጣጣመ ነው	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
5.16.	የም/ቤት አባላት የከተማውን አመታዊ የልማት ዕቅድ ከመፅደቁ በፊት ከወከላቸው ህዝብ ጋር ይመክሩበታል	በጣም አልስማማም
		አልስማማም
		ለመስማማትም ላለመስማማትም እቸገራለሁ
		እስማማለሁ
		በጣም እስማማለሁ
5.17.	ለም/ቤቱ በየአመቱ የሚመደበው በጀት ም/ቤቱ የተሰጠውን ተልዕኮና ሃላፊነት በአግባቡ ለመወጣት ምን ያህል በቂ ነው ብለው ያምናሉ;	በጣም ዝቅተኛ ነው
		ዝቅተኛ ነው
		መካከለኛ
		በቂ ነው
		በጣም በቂ ነው
5.18.	ስራ አስፈፃሚው በስራ አፈፃፀም ድክመት ባሳየ ወቅት ወይም የስነ ምግባር ችግር ባሳየ ወቅት ለማንሣት የሚያስችለው ህጋዊ ማዕቀፍ አለን?	ህጋዊ ማእቀፍ አለ
		ህጋዊ ማእቀፍ የለም
		አላውቅም

6. መንግስታዊ ያልሆኑ አጋር አካላት (Non State Actors) (i.e. መያድ፣ የግል ሴክተር እና ህ/ሰቡ) በከተማዉ ልማት ላይ ያላቸዉን ሚና በም/ቤት አባላት እይታ

	ጥያቄ	መለኪያ መስፈርት
6.1	የግል ሴክተር መ/ያ/ድ በከተማው ልማት ያላቸውን አስተዋጾኦ እንዴት ይመዝኑታል?	በጣም ዝቅተኛ መካከለኛ ከፍተኛ በጣም ከፍተኛ አላውቅም
6.2	በም/ቤቱ የሚወጡ ህጎችና ፖሊሲዎች መንግስታዊ ያልሆኑ አጋር አካላትን ፍላጎት ያነፀባርቃል?	በጣም አልስማማም አልስማማም ለመስማማትም ላለመስማማትም እቸገራለሁ እስማማለሁ በጣም እስማማለሁ አላውቅም
6.3	የመንግስትንና መንግስታዊ ያልሆኑ አጋር አካላትን ግንኙነትና መስተጋብር እንዴት ይመዝኑታል?	በጣም ዝቅተኛ ዝቅተኛ መካከለኛ ከፍተኛ በጣም ከፍተኛ አላውቅም
6.4	መንግስታዊ ያልሆኑ አጋር አካላት (non-state actors) በሚወጡ የመንግስት ፖሊሲዎችና ስራ-ትቴጂዎች ላይ ተፅዕኖ የማሰደር አቅማቸዉን (capacity) እንዴት ይመዝኑታል?	በጣም ዝቅተኛ ዝቅተኛ መካከለኛ ከፍተኛ በጣም ከፍተኛ አላውቅም
6.5	በከተማው አስተዳዳር /አስፈፃሚ ያለውን የሙስና ወይም የስነ-ምግባር ችግር እንዴት ገመገሙት?	በጣም ዝቅተኛ ዝቅተኛ መካከለኛ ከፍተኛ በጣም ከፍተኛ አላውቅም
6.6	የከተማው አስተዳደር መንግስታዊ ያልሆኑ አጋር አካላትን (non state actors) በከተማዉ ልማት በአጋርነት (partnership) እንዲሰሩ በማድረግ በብቃት እየሰራ ነው	በጣም አልስማማም አልስማማም ለመስማማትም ላለመስማማትም እቸገራለሁ እስማማለሁ በጣም እስማማለሁ አላውቅም

Appendix 2: Questionnaire English versions

Addis Ababa University
College of Business and Economics, Department of Public Administration and
Development Management, PhD Program in Public Management and policy

My name is Endale Haile and I am a PhD candidate in public policy and Management at Addis Ababa University. The aim of this survey is to analyze the impacts of the interaction between state and non-state actors on urban economic development, especially focusing on Cities' competitiveness in the two major Ethiopian Cities i.e. Dire Dawa and Hawassa.

The survey is structured around the major dimension of urban governance and cities' competitiveness, which are indicated in the following areas: mode of governance, the role of non-state actors (business sectors, community and Non Government organization (NGOs), economic and urban issues.

This survey is to be filled by various state and non state actors, including the Mayor, council members, professionals, civil society leaders and influential individuals in both Dire Dawa and Hawassa cities in order to make the study complete. The questionnaire consists of... questions and takes... minutes to complete. The sincerity and accuracy of your answers are critical to the success of my survey. The information given by your will be kept confidential. I greatly value your time and cooperation.

For any questions about this study, please do not hesitate to call 0911897232.

Sincerely yours

Endale H.

Questionnaire for the D/Mayor

Instruction: please indicate the most appropriate answers that explains your views on the provided questions

1. General Information

- 1.1. Sex Male Female
- 1.2. Age 18-30 31-40 41-50 51-60 >60
- 1.3. Please indicate the highest degree that you have achieved
PhD MA/MSc BA/BSc Diploma
- 1.4. Please indicate the number of years you have been living in Hawassa
Less than 1 year 1-5 year 6-10 year Greater than 10 year
- 1.5. Please indicate the number of years (tenure) you have been in your current position (i.e. Mayor or Cabinet member).
➤ Less than 1 year 1-5 year 6-10 year Greater than 10 year
- 1.6. What is the process of selecting the Mayor
Directly elected Elected amongst councilors Appointed by the Federal Government
- 1.7. Please indicate the political party that you are a member
SEPDM/EPRDF Opposition party Neutral

2. Urban Governance Syst

Instruction: Please indicate the appropriate rating scale, which best expresses, your opinion (based on your own experience) about the actual condition in your city.

N.B: Only indicate, –Don't know" if the question is **irrelevant** to the context of your city or **not comfortable** answering it.

	Questions	Rating scale	
2.1.	How do you rate your satisfaction being a D/Mayor of Hawassa in which the political and administrative center of SNNRS and the fastest growing city of the country	Very Dissatisfied	<input type="checkbox"/>
		Dissatisfied	<input type="checkbox"/>
		Neutral	<input type="checkbox"/>
		Satisfied	<input type="checkbox"/>
		Very Satisfied	<input type="checkbox"/>
		Don't Know	<input type="checkbox"/>
2.2.	How do you rate the severity of urban problems (e.g. unemployment, poor provision of basic services etc) in your city	Very low	<input type="checkbox"/>
		Low	<input type="checkbox"/>
		Medium/Average	<input type="checkbox"/>
		High	<input type="checkbox"/>
		Extremely high	<input type="checkbox"/>
		Don't know	<input type="checkbox"/>

2.3.	In your opinion, how effective is the city administration to respond to urban problems (e.g. unemployment, poverty) that face your city	Not effective at all	
		Not effective	
		Medium/Average	
		Effective	
		Very effective	
2.4.	The Municipality has an adequate power and authorities to respond to the problems of urban service	Don't know	
		Strongly disagree	
		Disagree	
		Neutral	
		Agree	
2.5.	The Municipality has adequate financial resource for the city to function effectively	Strongly agree	
		Disagree	
		Neutral	
		Strongly agree	
		Don't know	
2.6.	Does the Municipality has an adequate urban professionals (e.g. urban managers, planner/engineers, economist) are available for the city to function effectively	Yes	
		No	
		Don't know	
2.7.	The extent of the power of the city administration over the functions of the Municipality	Extremely high	
		High	
		Neither low nor high	
		Low	
		Extremely low	
2.8.	To what extent that the city administration intervene on the decisions of the Municipality (e.g. making a change on the decision of the Municipality)	Don't know	
		Extremely high	
		High	
		Neither low nor high	
		Low	
2.9.	Who has the dominating power or the final say-so, or in terms of proposing or vetoing policy changes, on a variety of issues <i>(you can indicate more than one answer)</i>	Extremely low	
		Don't know	
		The Mayor	
		The Executive/Cabinets	
		The Federal government	
		The legislator /City Council	
		The ruling party	
		The Regional Government	
		The community	
		The private sector	
Civic society/NGOs			
Don't know			

3. Urban Competitiveness

3.1. Overall, what are the competitive advantages, which are unique for Hawassa/Dire Dawa that act as a catalyst to attract potential or developmental investors?

3.2. What key strategies has your city adopted to improve its economic competitiveness?

3.3. From your experience, what can cities do to improve economic performance and create jobs? _____

3.4. Would you mention some benefits or advantages that cities can gain from annual city's forum (for instance the city's forum held in Dire Dawa)?

3.5. Are there any lessons that other cities could learn from your plans or policies on urban development of your city administration _____

Optional

Name of the Respondent _____

Phone Numbers (Office) _____

Questionnaire for Member's of city council

1. Background Information

1.1. Which of the following best identifies your political member Ship?

- SEPDM/EPRDF (Hawassa)
- SPDP (for Dire Dawa)
- Opposition party
- Individual representative Other

1.2. Which sector do you have experience with?

- Public Sector Private Sector NGOs Others

1.3. How many times you are elected for city's council members

- 1 2 3

2. The power division between city's council and Executive

		Rating scale
2.1.	How do you rate the relationship between the council and the executive(mayor and cabinets)	Very bad
		Bad
		Medium/Average
		Good
		Very Good
		Don't know
2.2.	How do you rate the extent of the power of the city council to remove or appoint the mayor without consulting the regional government or the ruling party?	Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
		Strongly disagree
2.3.	The council members have capacity to change the executive's proposed budget in practice.	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
2.4.	How do you rate the extent of the power of the city council in making policies	Very low
		Low
		Medium/Average
		High
		Very High
		Don't Know

2.5.	The cabinet/mayor is receptive to the councils input in the decision making process	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
2.6.	The city council has provide adequate inputs to the city's government regarding the needs of the residents or private sectors	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
2.7.	Does the city council has an adequate advisory and technical support to make laws and policies	Yes
		No
		Don't know
2.8.	Does the city council members have participated during the preparation of the annual budget effectively	Yes
		No
		Don't know
2.9.	The council member have played their constitutional power over the budget effectively	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
2.10.	To what extent that the city council utilize its power to make changes both in spending and revenue proposals in the budget document effectively	Very low
		Low
		Medium/average
		High
		Very high
		Don't know
2.11.	How do rate the financial resources that are allocated by executive to the city's council are sufficient	Insufficient
		Sufficient
		Neither insufficient nor Sufficient
		Sufficient
		Very sufficient
2.12.	Is there any framework to hold executive accountable for the failure of their performance and/or mal practices	Yes
		No
		Don't Know
2.13.	From your experience whom do you think the most powerful to make decision on policies adopted in your city? Rank them starting from 1, the most powerful, to 7, the least powerful	The cabinets
		The Mayor
		The City's council
		The Private sector
		The Federal Government
		The Regional Governments
		CSOs/NGOs
		Please Specify others

2.14.	Do you think that the city council has a power over the cabinets or executive	Yes
		No
		Don't Know
2.15.	Who has the dominating power to allocate resources and to influence decisions	The Council
		The Executive
		The Mayor
		The Bureaucracy
		Don't know
2.16.	The council meeting address the key issues facing the community	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
2.17.	The relationship between the council and the public is effective in enabling the city's economic development	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
2.18.	In your view, how do you rate the public support to enhance your city development	Very low
		Low
		Neither low nor high
		High
		Very High
		Don't Know
2.19.	The annual or 5 year plan explains how the proposed plan linked to federal government's urban development policy	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
2. 20	Does the council members inform their constituents about the annual plan	Yes
		No
		Don't know

3. The power of city's council in implementing and making a policy

	Survey Questions	Rating scale	
3.1.	The city council reflects the interests of their constituents in different urban policies and plans that have been adopted in your city	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
		Don't know	

3.2.	The council member have participated openly and independently in the priority setting stage of annual planning	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
3.3.	Does the council members have formal mechanism to collect information from residents that need solutions by government	Yes	
		No	
		Don't know	
3.4.	The council has played its crucial role in making policy decisions on behalf of the community	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
3.5.	Does the members of the city's council have participated during the preparation of the 5 year plan of the city	Yes	
		No	
		Don't know	
3.6.	How do you rate the effectiveness of the city council in setting the overall development directions of the city to attain the vision of the city	Highly ineffective	
		Ineffective	
		Effective	
		Neither ineffective nor effective	
		Effective	
		Highly effective	
3.7.	The urban development policy of your city reflects the interest of your constituencies	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
		Don't know	

4. The attitude of Member's of city council towards the power of Non state actors

	Questions	Rating Scale
4.1.	To what extent that you rate the involvement of private sector and NGOs in policy making process	Extremely low
		low
		Medium/average
		High
		Extremely High
4.2.	The policy enactments arising from the interest of the non state actors (i.e. community, private sector, and CSOs/NGOs)	Strongly Disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
4.3.	How do you rate the relation and interaction between city's government and private sectors	Very low
		Low
		Neither low nor high
		High
		Very high
4.4.	How do you rate the representation of the private sectors interests in city's development policy or plans	Very poor
		Poor
		Medium/average
		High
		Very high
4.5.	How do you rate the influence of the non state actors in political affairs or government policy	Very poor
		Poor
		Medium/average
		High
		Very high
4.6.	In your opinion, what is the extent of corruption in city administration in your city	Very high
		High
		Neither high nor low
		Low
		Very low
4.7.	In your opinion, how effective is the city administration been promoting public-private partnership to make your city competent in both national and global level	Ineffective at all
		Ineffective
		Medium/average
		Very effective
		Don't know

Open-ended question

5. *What are the key challenges facing your city in increasing its economic competitiveness?*

6. *As a member of city council, what you are suggesting to make your city competent in order to attract foreign and domestic investments*

Questionnaire for Chamber of Commerce

1. Background information

1.1. Which best describes your educational attainment?

- PhD MA/Sc BA/Sc Diploma TVET

1.2. Which best describes your age

- 31-40 41-50 51-60 >60

1.3. How long have you been working in Hawassa chamber of commerce?

- Less than two years 3 – 5 6-10 More than 10 years

2. The Governance dimension of City Administration

	Questions	Rating Scale	
2.1.	The local government has a clear vision and strategy for city's economic development	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
2.2.	The local government equally treats firms regardless of their type of ownership	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
2.3.	The government officials, in general, are competent to attract investments	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
2.4.	The city administration favors the <i>public enterprises</i> by applying low tax rate or other incentives	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
2.5.	From your experience whom do you think the most powerful to make decision on policies adopted in your city?	The Executive	
		The City Council	
		The Private Sector	

2.6.	Rank them starting from 1, the most powerful, to 7, the least powerful	The Federal G.	
		The Mayor	
		The Regional Gov	
		CSOs/NGOs	
		Plases specify other	
2.7.	What is your opinion on the extent of corruption in your city administration during licensing or registering for investment in your city?	Very low	
		Low	
		Medium/average	
		High	
		Very high	
		Don't know	

3. The Role of Private Sectors in the Policy Making Process

	Questions	Rating scale	
3.1.	Is there a council that provide a dialogue between the public and private sectors in your city (e.g. Competitiveness council or public- private forum)	Yes	
		No	
		Don't Know	
3.2.	How do you rate the cooperation between the private and public sectors to improve your city's economic development	Very low	
		low	
		Neither low nor high	
		High	
		Very high	
		Don't know	
3.3.	Is there any act or regulation that allow private sectors to involve in urban planning or policy decisions	Yes	
		No	
		Don't know	
3.4.	In your opinion what is the level of understanding of the private sectors about the vision statement of Hawassa	Very low	
		Low	
		Neither low nor high	
		High	
		Very high	
3.5.	The urban development plan or policy of your city has reflects the interest of the private sectors	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly disagree	
		Don't know	

3.6.	The city administration encourages the private sectors to involve in the process of urban development	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
3.7.	How do you rate the private sector involvement in the implementation of urban development plan in the form of partnership arrangements	Very low	
		Low	
		Neither low nor high	
		High	
		Very high	
3.8.	Is there any political alignment between the local government and the private sector	Yes	
		No	
		Don't know	
		Very low	
		Low	
3.9.	How do you rate the capacity of your city's government to formulate and implement sound policies	Neither low nor high	
		High	
		Very high	
		Don't know	
		Yes	
3.10.	Is there any memorandum of understanding between the private and public sectors in order to compromise the interest of the city's government	No	
		Don't know	
		Strongly Disagree	
3.11.	The city administration is willing to accept any changes on policies or laws that affect the business environment when suggested by private sector	Disagree	
		Neither disagrees nor agree	
		Agree	
		Strongly agree	
		Don't know	
3.12.	The private sectors are active participants in planning and implementation of urban development	Strongly disagree	
		Disagree	
		Neither disagrees nor agree	
		Agree	
		Strongly agree	
		Don't know	

4. The Business Climate

	Questions	Rating Scale	
4.1.	The investment law in your city encourages investment	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	

		Strongly agree	
		Don't know	
4.2.	In your opinion, how easy to acquire land for business purpose	Very difficult	
		Somewhat difficult	
		Neither difficult nor easy	
		Somewhat easy	
		Very easy	
4.3.	There is a favorable environment for private sectors in your city administration	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly Agree	
		Don't know	
4.4.	The city administration has promoted the private sectors before decisions are made on laws that affect the private sectors interest	Strongly disagree	
		Disagree	
		Agree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
4.5.	The city administration has adopted policies of low and simple taxation to attract investments	Strongly disagree	
		Disagree	
		Neither disagrees nor agree	
		Agree	
		Strongly agree	
		Don't know	

5. Open Ended Questions

5.1. Is there any policies or laws that promote the role of the private sectors in decision making proce _____

5.2. What are the factors that are major obstacles to firms' growth in your city from governance and policy perspective _____

5.3. Overall, what are the competitive advantages, which are unique for Hawassa, that are catalyzed the attraction of potential or developmental investors?

Questionnaire for Business firms

Instruction

Please indicate the appropriate rating scale, which best expresses, your opinion (based on your own experience) about the actual condition in your city. Please indicate, “Don't know” to answer a question, which is irrelevant to the context of your City/business.

1. Background Information

1.1. *When was your firm established?*

- Before 1991
- 1991- 2000
- 2001-2010
- After 2010

1.2. *Which best describes the ownership of the company?*

- Private
- State owned
- Foreign invested
- Joint venture
- please specify others _____

1.3. *What best describes the export of your company as a share of 2013/14 revenues?*

- Exports greater than 50 percents of revenue
- Exports less than 50 percents of revenue
- No export

1.4. *What best describes your company's number of employment?*

- More than 50
- 10-50
- Less than 10

1.5. *What best describes the growth of your company's revenues in 2010*

- Less than 50 percent
- 50-99 percents

- 100 percent
- >100

1.6. *Which best describes your position in your company?*

- General Manager
- Department Head
- Others

1.7. *Which best describes your educational attainment?*

- PhD
- MA/Sc
- BA/Sc
- Diploma
- TVET

1.8. *Which best describes your age?*

- 31-40
- 41-50
- 51-60
- >60

1.9. *How long have you been working in the organization you are currently working?*

- Less than two years
- 3 – 5
- 6-10
- More than 10 years

2. The Governance dimension of City Administration

	Questions	Rating Scale
2.1.	The local government has a clear vision and strategy for city's economic development	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
2.2.	The local government equally treats firms regardless of their type of ownership	Don't know
		Strongly disagree
		Disagree
		Neither disagree nor agree

		Agree
		Strongly agree
		Don't know
2.3.	The government officials, in general, are competent to attract investments	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
2.4.	The city administration favours the public enterprises by applying low tax rate or other incentives	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
2.5.	From your experience whom do you think the most powerful to make decision on policies adopted in your city? <i>(Please rank them starting from 1, for the most powerful, to 7, for the least powerful)</i>	The Executive
		The City Council
		The Private Sector
		The Federal G.
		The Mayor
		The Regional Gov
		CSOs/NGOs
		Plases specify others
2.6.	What is your opinion on the extent of corruption in your city administration during licensing or registering for investment in the city?	Very low
		Low
		Medium/average
		High
		Very high
		Don't know

3. The Role of Private Sectors in the Policy Making Process

	Questions	Rating scale
3.1.	How do you rate the cooperation between the private and public sectors to improve your city's economic development	Very low
		Low
		Neither low nor high
		High
		Very high
		Don't know
3.2.	Is there any act or regulation that allow private sectors to involve	Yes

	in urban planning or policy decisions from (from secondary source document)	No
		Don't know
3.3.	In your opinion what is the level of understanding of the private sectors about the vision statement of Hawassa	Very low
		Low
		Neither low nor high
		High
		Very high
3.4.	The urban development plan or policy of your city reflects the interest of the private sectors	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
3.5.	The city administration encourages the private sectors to involve in the process of urban development	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
3.6.	How do you rate the private sector involvement in the implementation of urban development plan in the form of partnership arrangements	Very low
		Low
		Neither low nor high
		High
		Very high
		Don't know
3.7.	Is there any political alignment between the local government and the private sectors	Yes
		No
		Don't know
3.8.	How do you rate the capacity of your city's government to formulate and implement sound policies	Very low
		Low
		Neither low nor high
		High
		Very high
		Don't know
3.9.	Is there any memorandum of understanding between the private and public sectors in order to compromise the interest of the city's government	Yes
		No
		Don't know
3.10.	The city administration is willing to accept any changes on policies or laws that affect the business environment when suggested by private sector	Strongly Disagree
		Disagree
		Neither disagrees nor agree
		Agree
		Strongly agree
		Don't know
3.11.	The private sectors are active participants in planning and implementation of urban development	Strongly disagree
		Disagree
		Neither disagrees nor agree
		Agree
		Strongly agree
		Don't know

4. The Business Climate

	Questions	Rating Scale
4.1.	The investment law in your city encourages investment	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree
		Don't know
4.2.	In your opinion, what is the possibility of acquiring land for business purpose?	Very difficult
		Somewhat difficult
		Neither difficult nor easy
		Somewhat easy
		Very easy
4.3.	There is a favorable environment for private sectors in your city administration	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly Agree
		Don't know
4.4.	The city administration involves the private sectors before decisions are made on laws that affect the private sectors interest	Strongly disagree
		Disagree
		Agree
		Neither disagree nor agree
		Agree
		Strongly agree
4.5.	The city administration has adopted policies of tax exemptions to attract investments	Strongly disagree
		Disagree
		Neither disagrees nor agree
		Agree
		Strongly agree
		Don't know

5. Quality of Infrastructure

	Questions	Rating Scale					
		1	2	3	4	5	6
5.1.	There is reliable supply of power in this city						
5.2.	The overall quality of the land transportation system is high						
5.3.	The quality of the telephone system is high						
5.4.	There is adequate supply of water						

6. Open Ended Questions

6.1. *Is there any policies or laws that affect your business or to raise the business cost?* _____

6.2. *What are the factors that are major obstacles to firms' growth in your city from governance perspective?* _____

6.3. *Overall, what are the competitive advantages, which are unique for Hawassa/Dire Dawa that are used to attract potential or developmental investors?* _____

Thank You!

Questionnaire for Manufacturing Industries

Instruction

Please indicate the appropriate rating scale, which best expresses, your opinion (based on your own experience) about the actual condition in your city. Please indicate, "Don't know" to answer a question, which is irrelevant to the context of your City/business.

1. Background Information

1.2. *When was your firm established?*

- Before 1982 E.C
- 1982- 1990
- 1991-2000
- After 2000

1.3. *Which best describes the ownership of the company?*

- Private
- State owned
- Foreign invested
- Joint venture
- please specify others _____

1.4. *Which best describes your position in your company?*

- General Manager
- Department Head
- others

1.5. *Which best describes your educational attainment?*

- PhD
- MA/Sc
- BA/Sc
- Diploma
- TVET

1.6. *Which best describes your age?*

- 18-30
- 31-40
- 41-50
- 51-60
- >60

1.7. *How long have you been working in the organization you are currently working?*

- Less than two years
- 3 – 5
- 6-10
- More than 10 years

2. Urban Governance System: The Role and Power of Private sector on city's economic development

	Survey Question	
2.1.	From your experience whom do you think the most powerful to make decision on policies adopted in your city? (Rank them starting from 1, the most powerful, to 7, the least powerful)	The Executive
		The City Council
		The Private Sector
		The Federal G.
		The Mayor
		The Regional Gov
		CSOs/NGOs
2.2.	Is there a council that provide a dialogue between the public and private sectors in your city (e.g. Competitiveness council or public- private forum)	Yes
		No
		Don't Know
2.3.	Is there any political alignment between the local government and the private sector	Yes
		No
		Don't know

3. The Power and the role of private sector in the designing and implementation of urban policy

	Questions	Rating Scale
3.1.	How do you rate the cooperation between the private and public sectors to improve your city's economic development	Very low
		Low
		Medium
		High
		Very high
		Don't know
3.2.	In your opinion what is the level of understanding of the private sectors about the vision statement of Dire Dawa/Hawassa	Very low
		Low
		Neither low nor high
		High
		Very high
3.3.	The urban development plan or policy of your city has reflects the interest of the private sectors	Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly Agree
3.4.	The city administration encourages the private sectors to involve in the preparation process of annual or the 5 years urban development plan	Don't know
		Strongly disagree
		Disagree
		Neither disagree nor agree
		Agree
		Strongly agree

3.5.	How do you rate the private sector involvement in the implementation of urban development plan in the form of partnership arrangements	Very low
		Low
		Medium
		High
		Very high
		Don't know
3.6.	The city administration is willing to accept any changes on policies or laws that affect the business environment when suggested by the private sector	Strongly Disagree
		Disagree
		Neither disagrees nor agree
		Agree
		Strongly agree
		Don't know
3.7.	In your city, the private sectors are active participants in the implementation of urban development	Strongly disagree
		Disagree
		Neither disagrees nor agree
		Agree
		Strongly agree
		Don't know

4. The Effectiveness and the capacity of local government

	Survey question	Rating Scale
4.1.	How do you rate the capacity of your city's government to formulate and implement sound policies	Very low
		Low
		Average
		High
		Very high
		Don't know
4.2.	The government officials, in general, are competent to attract investments	Strongly disagree
		Disagree
		Neither disagrees nor agree
		Agree
		Strongly agree
		Don't know
4.3.	The local government has a clear vision and strategy for city's economic development	Strongly Disagree
		Disagree
		Neither disagrees nor agree
		Agree
		Strongly agree
		Don't know

5. Cities' competitiveness

5.1. Which best describes your primary line of business?

- End consumer manufacturing products
- Intermediate manufacturing products
- Others

5.2. What best describes the export of your company as a share of 2013/14 revenues?

- Exports greater than 50 percents of revenue
- Exports less than 50 percents of revenue
- No export

5.3. What best describes your company's number of employment?

- Less than 10 persons
- 10-50 persons
- 51-100 persons
- 100-500 persons
- >500 persons

5.4. What best describes the growth of your company's revenues in 2013/14 (2006 E.C.)

- Less than 50 percent
- 50-99 percents
- 100 percent
- >100

5.5. What best describes the growth of your company's revenues for the year 2005/06 to 2013/14(as per the official report

	2009/10	2010/11	2011/12	2012/13	2013/14
Negative					
0-10%					
10-20%					
21-30%					
31-50%					
>50%					

5.6. Which describes best the level of technological intensity of your firm (only for manufacturing industry)

- High tech
- Medium tech
- Low tech

- 5.7. From where you get the inputs or raw materials that your factors is used
- local market
 - Imported
 - Both imported and local market
- 5.8. Would you mention the type of inputs or raw materials that your factory is used
-
- 5.9. Does your firm has a vertical integration with SMEs
- Yes
 - No
- 5.10. If 'yes' for above question, what is the percentage of Inputs or raw materials your firm purchased from SMEs in the year 2013/14

	<i>Zero</i>	
	<i>Less than 25%</i>	
	<i>25 – 50 %</i>	
	<i>50 – 75</i>	
	<i>More than 75 %</i>	

6. The factors that help to shape and constrain Cities competitiveness in relation To urban governance

- 6.1. Which describes best the scale of production of your firm
- Fully operational
 - Operated partially
 - Not operational
- 6.2. If the factory is not fully operational, would you mention some reasons
-
- 6.3. What type of support do you need from government to operate fully
-
- 6.4. Does your product is competitive in terms of quality with the same products that are produced by other factories? _____

7. Locational (condition) factors

	Questions	Rating Scale					
		1	2	3	4	5	6
7.1.	The supply of unskilled labor is adequate						
7.2.	There is adequate supply of skilled labor						
7.3.	The working environment in my city is attractive to talented people						
7.4.	The cost of living is low relative to the average rate in neighbouring cities						
7.5.	The process of acquiring a plot of land for building a new plant is simple.						
7.6.	There are cheap readily developed land in your city						
7.7.	It is not difficult for a good project to get financing						
7.8.	Banks are responsive to firms' demand						
7.9.	The total costs of borrowing money (including interest and informal fees) from banks are reasonable						
7.10.	The tax regulations or subsidies were provided by local and regional government to attract potential domestic and foreign investors						
7.11.	The local suppliers of raw materials are responsive to your firms' demand						

8. The Business Climate

	Questions	Rating Scale	
8.1.	The investment law in your city encourages investment	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
		Don't know	
8.2.	There is a favourable environment for private sectors in your city administration	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly Agree	
		Don't know	
8.3.	The city administration has promoted the private sectors before decisions are made on laws that affect the private sectors interest	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
		Don't know	

8.4.	The city administration has adopted policies of low and simple taxation to attract investments	Strongly disagree	
		Disagree	
		Neither disagrees nor agree	
		Agree	
		Strongly agree	
8.5.	The city administration favors the <i>public enterprises</i> by applying low tax rate or other incentives	Strongly disagree	
		Disagree	
		Neither disagree nor agree	
		Agree	
		Strongly agree	
8.6.	What is your opinion on the extent of corruption in your city administration during licensing or registering for investment in your city?	Very low	
		Low	
		Medium/average	
		High	
		Very high	
	Don't know		

9. Quality of Infrastructure

	Questions	Rating Scale					
		1	2	3	4	5	6
9.1.	There is reliable supply of power in this city						
9.2.	The overall quality of the land transportation system is high						
9.3.	The quality of the telephone system is high						
9.4.	There is adequate supply of water						

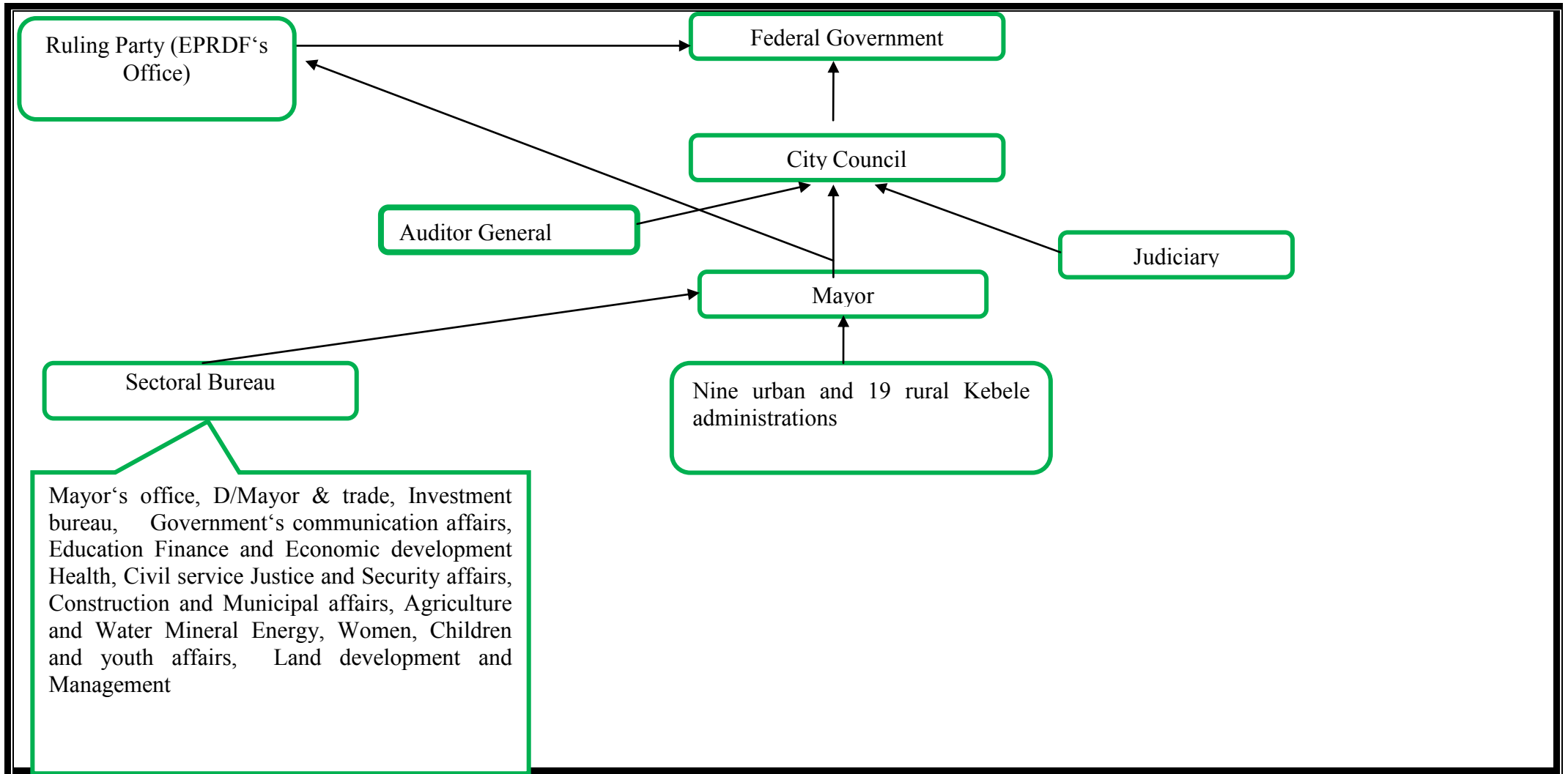
Appendix 3: An interview Schedule for Public officials and private sector representatives

1. Would you believe that the FDRE urban development policy has paid a keen attention to urban governance and cities competitiveness in Ethiopian context?
2. Would you believe that the non state actors (NGOs, Private Sector, and community) are involved effectively in urban development process
3. If not, what are the main challenges to non-state actors to involve in urban development process effectively?
4. In your opinion, what are the major problems that constrain city's competitiveness capacity at the national and global level
 - Related to urban development policies
 - Related to urban governance

Appendix 4: Questionnaire for SMEs

1. Name of the firm _____
2. Business location _____
3. Description of ownership
 - Sole proprietorship
 - Limited liability
 - Others
4. Total number of employees _____
5. Permanent Employees as Percentage of total persons _____
6. What are the major products produced _____
7. Forward and backward linkage
8. The percentage of raw materials supplied by local sources _____
9. The percentage of finished products
 - Sold to large manufacturing industries _____
 - Exported _____
10. What are the areas where the SMEs needs government's support

Appendix 5: Dire Dawa City Administrative Structure



Appendix 6: Hawassa City Administrative Structure

