

**LIMITATIONS OF ETHIOPIAN PUBLIC ADMINISTRATION'S BUREAUCRACY
FOR ESTABLISHING A SMALL BUSINESS: THE CASE OF BREAD BAKING AND
DISTRIBUTION BUSINESSES IN ADDIS ABABA, ETHIOPIA**

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ABSTRACT

LIMITATIONS OF ETHIOPIAN PUBLIC ADMINISTRATION FOR ESTABLISHING A SMALL BUSINESS: THE CASE OF BREAD BAKING AND DISTRIBUTION BUSINESSES IN ADDIS ABABA, ETHIOPIA

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The research study identifies and analyzes the elements that facilitate or prevent the establishment of small businesses in Ethiopia from the perspective of neoliberal thoughts of economic development and its application in non-western context. In order to study the bread baking and distribution business sector in Addis Ababa, this research used a mixed methods approach which included both quantitative and qualitative data collection and analysis. While the quantitative technique was used to assess the establishment experience of bread baking businesses in relation with public administration, the qualitative technique addressed public officials' issues and concerns about the Ethiopian constraints to the development of the private sector. Despite the improvements seen in public administrations' overall delivery of services brought by consecutive reforms, the findings indicate that bureaucratic constraints continue to limit the establishment of small businesses in Ethiopia. Constraints such as information delivery, lack of communication and coordination within public bureaus, lack of management capacity and corruption are important factors that affect the private sector development. In addition, the thesis findings present the groundwork for further research about the Ethiopian bureaucracy and

private sector development. Moreover, the thesis includes macro and micro level recommendations considered necessary to improve the investment climate for Addis Ababa bakeries.

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1.0 Introduction

The purpose of development is to offer people more options. One of their options is to access income not as an end in itself but as a means to acquiring human-well-being.
UNDP Human Development Report, 1990, p iii

Despite the gap that exists between the richest nations in the world and the poorest countries, development theories and policies have been a subject of interest for many living in and outside of developing countries. The basis of this interest is the extreme poverty affecting the lives and livelihoods of millions of people living in today's globalised world. "Overall, the proportion of people living in extreme poverty increased between 1990 and 2001 in more than 40 of 100 developing and transition countries for which there are data, and in which about 900 million people live" (2004 Annual Review of Development Effectiveness, 2005:14).

The literature, reviews, volumes, and journal articles on International Development address issues varying from poverty to the expression of fundamental human rights. The literatures on International Development and the discussions on the very concept of development have been the subject of debates, analysis, approvals, criticism and cynicism. The historical construction of the concept of development, and the ambiguous denotation it carries today, suggest the complexity of the notion and the differences that exist in perspectives. For example, an economist would understand development in terms of a country's augmentation of its gross and net national product by using its scarce resources (Heady, 1996). It is also understood and measured mainly in aggregated terms such as the country's GDP, access to trade, exports, and enrollment in education. In contrast to the economist's view, the political perspective of development includes various meanings such as modernization. In this sense political modernization is linked with westernization and others would speak of "a developed political system" (Heady, 1996: 119) where the emphasis is on the ability of the country's political system

to meet the challenges posed by “international events, domestic society and political elites within the political systems itself” (Heady, 1996: 119). A cultural perspective however, focuses on an interpretive approach to what constitutes development in different contexts and settings by examining how culture, language, symbols and objects are interpreted in research (Heady, 1996).

Despite the discussions around international development, the question of how to attain a certain level of economic development in response to meet basic human needs such as, adequate water, food, shelter and education, remains a problem. While the query on the appropriate strategy of development remains, it also becomes important to ask if the particular country has the capacity to execute an economic development policy to meet these needs. In other words, is the country well equipped to meet the objectives of the policy? For instance, a model of development strategy may work for one country, on a particular sector but cannot be used for all developing countries as a prescribed strategy. The context under which the model of economic development policy is applied matters. The characteristics and dynamics of developing countries’ politics, economies, and cultures vary from one geographic location to another. Consequently, their development levels and experiences also are distinct. Therefore, the application of a generalized model for economic development is not appropriate.

In addition to questioning the suitability of development policies and strategies, the role of public administration in implementing development strategies is central to the success or failure of development policies. The efficient and effective service deliveries of public administrations rely heavily on the management capacity of public administrations and its relationship with authority. This includes the political, economic and cultural context under which various public bureaus coexist. The New Public Management (NPM) paradigm is a philosophy developed since the 1980’s to modernize the public sector (Batley and Larbi, 2004). Having identified

government expenditure as a problem in public spending, the new public management thinking takes a market oriented approach to address the issues of effective and efficient bureaucracy for better management in western public administrations. However, this approach has received criticism when applied in a non-western context.

Despite the improved services in some developing countries public sector, the NPM remains an idea created within the context of western countries in response to the experiences faced during the seventies and throughout the 1990's (Larbi G. 2006). Therefore, its application is questioned when applied generally to developing countries that have differing experiences in terms of their political, economic, technological and cultural advancement. For example, after the events of decolonization, public administrations in Africa adopted the Weberian concept of an administration model where bureaucracy for organizing public administration systems evolved around rules and regulations, and hierarchical structures. Moreover, the effective and efficient functioning of the administration relied on the autonomy, rationality and neutrality of public administration in the execution and implementation of commands. However, this type of model was also questioned because the power relations that described authority and bureaucracy in the African context were partial, lineate towards the government stance, and dependent on the ruling party in government. As a result, the efficiency and effectiveness of bureaucracy in Africa depended on the particularities of the country. Weber (2006) and Riggs's (2008) analysis of the relationship between bureaucracy and the type of government further explains why bureaucracy is a concern in non-western countries.

The current hegemony of neoliberalism in development theories and practices has placed widely differing emphasis on the roles that the government and private sector play in growth and development (Filho and Johnston, 2005). Over the last two decades there has been an emphasis

on reducing the role of government and on reforming public management by adopting aspects of private sector practice in the advanced countries (*Batley and Larbi, 2004*). Moreover, themes such as privatization, free market economy, deregulation, democratization, property rights and export led growth are ideas that are disseminated in developing poor countries through the Washington consensus (*Filho and Johnston, 2005*). Consequently, reform is what has been highlighted in current economic development strategies. However, the notion of reducing the role of the state and reforming public administration for better management is questioned when prescribed by way of economic adjustments to developing countries. When negotiating a loan with the International Monetary Fund or the World Bank, countries have to accept the principal elements of Structural Adjustment Programs. These elements are characterised by the ideas of decreasing public expenditure, diversifying public enterprise, having a floating exchange rate and restraints on money supply (*Batley and Larbi, 2004*).

Considering the level of political and economic stability, and the favourable institutional conditions of advanced capitalist countries, the management capacity of public administration in developing countries may be poorly equipped to adopt unfamiliar approaches for improved service delivery. For example, taking Ethiopia as a case study, this research is focused on exploring the relationship between public administration and the establishment of small bakeries. It questions whether or not public administration bureaucracies facilitate or hinder the establishment of small businesses such as bakeries, in light of the 1996 civil service reform. In doing so, the study assesses whether or not imposed development models are in line with the particularities of the Ethiopian context. It must be recognized that development frameworks or strategies arise from distinct historical, geographical, cultural and religious settings. The context for business development in Africa functions differently than that of the western world as a

consequence of its historical development. This may create problems when western developed solutions are imposed upon developing countries.

1.1 Problem Statement

Business, trade and investment are essential pillars for prosperity and peace (UN Global Compact Organization).

This quotation describes the basis for economic growth in western context (Committee on International Relations House of Representatives, 2006). The belief that business, particularly that small businesses are the engine of growth is a widespread accepted principle developed and applied in western countries. As such, this development strategy is imposed upon developing countries by way of Structural Adjustment Programs. These programs, in addition to proposing models and strategies for economic growth in developing countries, intend to create a western-like business friendly environment through reforming public administrations, amending legal systems and promoting good governance. While these models of development are suitable in the western context, the problem is that there is a good reason to believe that the models imposed upon developing countries are inappropriate given their unique development trajectory. The Ethiopian context provides the case to explore this particular problem.

Recognized as one of the poorest countries in the world with a rank of 169th out of 177 countries (HDI Report, 2007/2008), Ethiopia is a country with an independent political and economic history that dates as far back as 1000 B.C. Throughout its 3000 year old history, the country has been defined by an internal and external struggle to claiming power and divergent development preoccupations. The period is characterized by the development of trade and monetary coins, the building of churches and most recently the development of modern institutions and public administrations. While the development agendas reflected the

preoccupation of the time and its leaders, the political and economic situation within the last fifty years saw a shift between three types of administrative structures under a traditional, military and democratic regime, consequently affecting business development today.

Personal experience in opening and operating a small bakery business in Ethiopia led to identifying the key bureaucratic elements such as public administrations' information service delivery system, its inter-civil service communication (ie: the communication among civil servants), its management capacity and the practice of corruption. Moreover, the literature reviews about entrepreneurship in the African context illustrated some additional bureaucratic elements such as property rights, political and economic stability, institutional capacity and the informal sector integration to the formal sector of the economy as a necessity for economic growth.

1.2 Goal

The goal of this study is to identify and analyze elements that facilitate or prevent the establishment of small bread baking and distribution business in relation to Ethiopian public administrations' bureaucracy.

1.3 Objectives

The objectives of the research are:

- To assess the strengths, weaknesses, opportunities and threats of the Ethiopian bureaucracy in relation to the establishment of small bread baking and distribution businesses.
- To identify the challenges faced by bakeries in establishing their small business.

- To identify the factors that facilitates the establishment of small bread baking businesses as identified by small bakery owners.

1.4 Significance of the Study

The research study is important and significant to the field of international development for the reason that a gap between development theory and practice exists. This study provides information to close that gap with reference to the Ethiopian case. Moreover, this study is significant because a pattern for applying a model of development strategies for developing countries can be detected notwithstanding the fact that countries differ in their levels or degree of economic development. The management capacity of Ethiopian public administration in setting up small businesses is an example of how a policy is affected when implemented; detecting any progress in the delivery of its services while at the same time, examining any concerns raised by the full realization of reforms. The lack of sufficient study in the management of Ethiopian public administration suggests that this study makes a significant contribution to the field as it provides new data, information and confidently provides a new way of looking at the relationship of public administration with small business entrepreneurialism in Ethiopia. This may have implications for other developing countries, especially those in Africa.

1.5 Methodology

The research methodology for assessing the management capacity of Ethiopian public administration for small bakeries business establishment is the pragmatic approach of using both qualitative and quantitative technique. In order to assess the elements that prevent and/or facilitate the establishment of bakeries with regards to public administration, 40 self administered survey questionnaires were conducted among the sample frame of 250 bakery

owners. Moreover, to assess the strengths, weaknesses, opportunities and threats of Ethiopian public administrations, semi structured interviews among two officials from the Ministry of Trade and Industry, and the Quality and Standard Authority of Ethiopia have been conducted. The interviews, in addition to providing details on Ethiopian public administration, present additional information about the role of government in an open economy in the context of development. Furthermore, the research included the triangulation method of data analysis whereby the integration of both quantitative and qualitative methodologies has been used to cross examine results. This method of cross validation consists of the transcription and coding of semi structured interviews, and the use of the Statistical Package for Social Science (SPSS) software for analyzing results. Despite the intent of incorporating both, bakeries and government officials' perceptions of public administration in small business establishment, the study has various limitations.

1.6 Limitations of the Study

In Ethiopia, tallying the total number of small bread baking businesses in order to administer the survey questionnaire was difficult. In this instance, the study was limited in terms of making an assumption about the number of small bread baking businesses that exist in Addis Ababa. This assumption raises the concerns of representation in the sample. This uncertainty limits the chances of making generalized statements. Furthermore, the accuracy of the survey technique may be questioned because once the study selected a sample frame and the number of surveys to undertake, a snowball technique was used as opposed to simple random, systemic or stratified sampling techniques. This is because there was not an accessible list of bread baking businesses and their addresses to refer to from a municipality. By using the snowball technique, the research was able to get the addresses and the business owners' names.

In addition to this limitation, there is the question of generalization in the qualitative interviews conducted with the two high ranking officials from the Ministry of Trade and Industry in Ethiopia and the Quality and Standard Authority of Ethiopia. The information gathered from both interviews information, though useful to understand the Ethiopian government perspectives on public administration and small business development, is limited as a generalization can not be made from only two qualitative interviews.

1.7 Overview of the Study

Small businesses in Ethiopia or any country are considered to be the key to economic development (Brainard, 2006) and the role of public administration is critical to implementing policies which facilitate small business endeavors. This research is fundamentally focused on analyzing the bureaucracy prevalent in the public administration of Ethiopia and its role in the formation of small business establishments such as the bread baking and distribution businesses in Ethiopia. To this end, the overall thesis seeks to identify and analyze the elements that facilitate and hinder the establishment of bread baking distribution businesses as the result of the Ethiopian bureaucracy. In order to understand the relationship between Ethiopian public administrations' bureaucracy and small business establishment, the study used the mixed method approach whereby quantitative and qualitative research techniques are used among bread bakeries and high ranking civil service officials.

The thesis is divided into seven chapters. Chapter two is a presentation of the thesis literature review. It illustrates a macro level discussion and analysis about neoliberalism in economic development and its effect on African entrepreneurship. Given the lack of information in comparative public administration structures, behaviors and entrepreneurship, this section

focused on basing its discussion on De Soto's (2000) thesis about the role of property rights in economic development and the bureaucratic limitations of property rights to entrepreneurship. In addition to being the base for discussion and analysis, De Soto's thesis was used to present and explain neoliberalism in economic and public management matters. Chapter three presents the Ethiopian context and presents an in-depth illustration and analysis of bureaucracy and the development agenda found in Ethiopian history. The Ethiopian context reveals the relationship of bureaucracy and authority with the development preoccupations of the time. In addition to presenting the current administrative structure and behavior, this section draws an analysis of the last two types of administrative structures and behavior and their impact on the current administration and behavior. By way of looking at the analysis, this section focuses on the relationship between the distinct types of bureaucracies and the foundation of small business climate as a central theme of discussion.

Chapter four describes the methodology of the study. This section outlines the epistemology, data collection and data analysis of the research methodology to assess the elements that facilitate or limit Ethiopian public administrations' bureaucracy for establishing a small business like bread baking and distribution businesses. In doing so this section illustrates summaries of tables and diagrams of research methodology. Chapter five constitutes the results and analysis of the study. In addition to presenting the results of the surveys and interviews, this chapter includes the possible explanation and discussion of the findings. Chapter six is the discussion section which considers the findings in relation to the literature review. Finally, chapter seven is dedicated to the overall summaries, major conclusion and recommendations of the study.

2.0 Literature Reviews

2.1 Introduction

Not much has been written on Ethiopian public administration and its bureaucracy to small business development, particularly the establishment of bread baking businesses. The absence of adequate information about the subject matter and the ambiguous conception of bureaucracy in relevant studies is a major handicap for research and for having access to reliable information. Heady's (1996) comparative perspective about public administration clearly affirms the lack and inadequacy of reliable information on bureaucratic structures and behaviors in a large number of countries today. This makes it difficult to have access to valuable work and discover that "too little systematically organized cross-national research has been carried through to completion"(Heady, 1996: 472)

The purpose of this research study is to explore and describe public administration's bureaucracy in the formation of small businesses in Ethiopia. It seeks to illustrate the kind and the nature of Ethiopian bureaucracy and its role for small business development. Small business development is central to economic development and public administration's structure and behavior play a critical role in the implementation process of economic development policies. Mengistu and Vogel (2003) describe bureaucracy as the central and shared operating element to the successful implementation of policy and continuity of governance for all governing structures. As a result, this section of the research paper will review the literature on bureaucracy, neoliberalism and its effect on African entrepreneurship, and the idea of the New Public Management.

First, a summary outlining Weber's and Riggs' perspective about bureaucracy will be presented. The importance to discussing the Weberian perspective of bureaucracy is to illustrate

the characteristics of current Ethiopian bureaucratic public administration and its relationship with authority. Moreover, Riggs notion of bureaucracy in prismatic societies is presented so as to help understand bureaucracies in the developing countries context. Second, realizing that the role of bureaucracy is to execute the commands or decision of its leaders, and the contemporary dominance of neoliberal ideology, the following section discusses neoliberalism in economic development. By way of presenting Hernando De Soto's (2000) book *The mystery of capital: why capitalism triumphs in the west and fails everywhere else*, this section illustrates key neoliberal arguments seen in mainstream development and opens the door for discussing the current dominance of neoliberal thought in economic development. In addition to outlining the key neoliberal principles that guide and govern economic matters in western countries as well as developing countries, this section illustrates the important role that entrepreneurship occupies in fulfilling, and in meeting the objectives of neoliberal economic development goals.

Third, while entrepreneurship is embraced as a backbone to economic development, this section will also present the internal and external challenges of entrepreneurship in the African context. The main neoliberal arguments of creating the right climate for sustainable entrepreneurship in Africa are then illustrated through the imposition and application of Structural Adjustment Programs (SAP) by the IMF and the World Bank. However, the frustration and tension accompanying the implementation of such policies raises the concerns about effectiveness and efficiency of bureaucracy. Despite the attempt of African countries to adopt the characteristics of western bureaucracies, the questioning of the role of government in western politics has brought new management practices into public administration. As a result, the following section illustrates discussions of this new concept of management and its impact on public administration's bureaucracy in the African context. While the review of literature

discussed bureaucracy, neoliberalism and the new public management, the final section is a presentation of the conceptual framework of the thesis. The significance of the conceptual framework is that it presents key concepts as points of analysis for assessing the elements that facilitate or hinder the establishment of small businesses in Ethiopia.

2.2 Weber and Riggs Approach to Bureaucracy

Essential themes such as authority, neutrality and rationality in bureaucracy are important for studying public administration's bureaucracy and entrepreneurships. Morrison's (2006) account of Weber's analysis of power and authority in different situations that have existed throughout history is a good source for discussing the effective functioning of public administration or bureaucracy. Weber defined power as the ability to act despite opposition to that action (Morrison, 2006). According to Morrison (2006), Weber's comparative study regarding the different situations of domination/oppression is critical to understanding how power relations function respectively. Weber states that historically each system has its own kind of relationship between those who have power or are part of the "apparatus of authority" (Morrison, 2006:363) and those who are subordinates "administrative apparatus" (Morrison, 2006:363). Moreover, this relationship is characterized by its own type of domination. The type of domination varies according to the system of power/authority that existed historically. These include i) Charismatic, ii) traditional and iii) legal rational system of authority/power (Morrison, 2006). Distinguishing the difference in the type of domination will help in identifying how power is exercised, the type of obedience required, and the type of command that is executed.

First, from the charismatic perspective, charismatic leaders "are believed to have capabilities which are not accessible to ordinary individuals, and their powers 'are regarded as

having a divine origin, and on this basis they come to hold power and are treated by others as leaders' ” (Morrison, 2006: 364). The type of obedience in charismatic legitimacy is seen in two levels of beliefs. The first level is the belief that “the leader is to be followed” (Morrison, 2006: 365) because of his extraordinary capacity and the second level being the notion of “felt duty” (Morrison, 2006: 365), which means that the people feel that they have the duty to put into action the leader’s vision. In this sense, there is an inner commitment and connection to the leader. However, Morrison (2006) explains that in the charismatic system of domination there is no hierarchy of offices and the administrative staff or officials are not trained or appointed but the leader “personally selects disciples or followers who commit themselves to ‘serve’ the leader because of their beliefs in the leader’s powers” (Morrison, 2006: 369). Decision making is the leader’s responsibility and compliance is observed in followers. Therefore, the charismatic perspective resists the tendency to bureaucratic administration which is based on rational authority seen in modern administration.

Second, in the traditional form of legitimacy or system of domination by the State, authority is based on tradition and customs and on the “sanctity of age old rules and powers” (Morrison, 2006: 369). In this system of legitimacy, obedience is owed to sets of traditional frameworks of obligation where individuals are joined to the ruler by personal loyalties. In this system, obeying a command comes from the traditional status of the ruler. Obtaining power is an inherited right and is seen as legitimate. This type of system is seen in Monarchies and as a result, this system resists the tendency to bureaucratic administration because it does not comply with the objective systems of legal rules but “to the person who occupies the position of authority” (Morrison, 2006: 370).

Finally, there is the rational legal system of domination where legitimacy rests on “rational ground” (Morrison, 2006: 372) and that authority is obtained through credentials not ascribed as seen in past systems of legitimacy. The rational legal system of domination is furthermore explained by Gould (1999) when he summarizes Max Weber’s attempt to explain the development of western civilization and capitalism in past centuries, including his own which led to Weber’s belief that the distinct feature of western civilization is the application of rationality in organizations. According to Gould (1999), Weber believed that authority in organizations previously drew its legitimacy from tradition or the charisma of the leader. However, the new meaning attributed to bureaucracy is “the new form of organization that was founded on rational authority” (Gould, 1999:1). For Weber, in modern societies authority in administration or organization draws its legitimacy from legal authority where administrative acts revolve around rules, regulations and procedures and are centered by legal domination, hence making administrative acts rational (Morrison, 2006).

However, in “administratively oriented feudal households of traditional societies....all administrative acts were the private prerogative of the master and were carried out on the basis of personal authority of the master” (Morrison, 2006: 376). According to Gould (1999), Weber believed that the rational authority of modern day bureaucracy is considered to be a leap forward towards economic progress and believed that bureaucracy and capitalism facilitated each other’s development. However, the integration of rationality in organization has its cost too. Gould (1999) explains that rational authority in organizations tends to bring negative regard between people in bringing workers into a hierarchical system of division of labor and subjecting them to a “mathematical scrutiny” with the only preoccupation of moving forward in the system. Just as much as the hierarchical system can preclude inappropriate behavior, the “systems of calculation

and analysis (formal rationality) can easily dominate over the purpose and intended outcome of the organization” (Gould, 1999: 1)

This distinct feature of western civilization based on rational authority in organizations is the corner stone for comparing administrative structures and behaviors in different settings. Weber explains that with the rise of modern industrial societies came a new form of administration where new principles and concepts evolved. For instance, the administrative seat where administrative tasks were executed shifted from households in traditional societies to the office in modern industrial societies bringing the new principle of office management and the hierarchical development and distribution of authority. Moreover, the technical qualification of employees was emphasized as opposed to personal loyalty to the head of the household, and recruitment was based on the prerogative associated with title and position. Also the implementation of rules in bureaucracy is universal. The context under which bureaucracy develops is important to understanding the effectiveness of bureaucracy in different settings. In this regard, Riggs would argue that “until one understands the dynamics of change in any society and takes them into account, one cannot expect to succeed in efforts to import rules and practices based on the experiences of other countries” (Fredrikson 2008: 977).

Weber’s association of bureaucratic development with the development of modern industrial society resonate with Fredrickson’s (2008) detail of Riggs’s caution about exporting public administration and democratic government ideas to non western countries. According to Frederickson (2008), Riggs found that bureaucracies are important in pris-matic societies because they might help to explain why they could not function effectively. His attempt of comparing modern and pre-modern countries resulted in the formation of new concept to refer to traditional, pre-modern states and modern states and to the creation of new states characterized

by both pre-modern and modern states. The term “agrarian” is used to mean traditional and pre-modern states, “industria” to mean modern states and “prismatic” to mean a combination of both states. The identification, distinction and classification of countries as such in Riggs work is relevant for comparative work because in societies that are developing, both characteristics of societies exists and bureaucracy functions differently than in modern countries.

The relationship between the government and bureaucracy as seen by Morrison’s (2006) account of Weber and Fredrickson’s (2008) details of Riggs indicate that bureaucracies are not new and that they are part of the administrative processes of the state. According to Bainbridge et al. (2000:6), “public administrations” are “government departments” that function within the framework of organizations, and organizations are “groups of individuals bound by some common purpose to achieve specific objectives. Organizations operate within the framework – rules and constraints – set by institutions” (Bainbridge et al, 2000: 6). When implementing a development policy or policies, governments assign the responsibility of applying the policy through the appropriate bureau. Bureaucracy is then the rational tool or instrument for executing the commands of elected leaders. Olsen (2006) writes that bureaucracy is also an organizational apparatus for getting things done and is then assessed on its efficiency and effectiveness. The term can also be seen as an institution “with a *raison d’etre* and organizational and normative principles of its own” (Olsen, 2006:4). However, in a period when the role of the state is questioned and reviewed, when all countries are interconnected through the global economy and when the neoliberal paradigm dominates the field of economic development, the role of public administration and its bureaucratic efficiency and effectiveness also becomes an issue.

2.3 Neoliberalism

2.3.1 De Soto's Approach to Economic Development

Just as questioned in the title of his book *The Mysetery of Capital: why capitalism triumphs in the west and fails everywhere else*, Hernando De Soto (2000) attempts to explains that the stumbling block to ex-communist and developing countries to achieve capitalism is their inability to produce capital. For De Soto, “capitalism is the force that raises the productivity of labor and creates wealth of nations” (De Soto, 2000: 5). His main thesis can be summed up in two lines of arguments. The first is the discussion about the need for private ownership and the second is the bureaucratic limitations towards private ownership hindering the economy. First, De Soto (2000) argues that ex-communist and developing countries have the assets and the natural entrepreneurial spirit needed to produce capital. However the problem is that they lack property rights to represent their assets for generating capital. He explains that while these countries' economies are mainly built on the informal economic sector, the lack of a system that formally represents the processes built in this sector is a dilemma. To this, De Soto (2000) proposes the entitlement program within the informal sector through the introduction of property rights. The reasoning is that these programs would facilitate the climate for generating capital in a broader context or scale, such as using a house as collateral for the establishment of a business.

Second, De Soto's attribution to the government's bureaucracy stifling the economy is also important to note. In his book, De Soto (2000) demonstrates the difficulty in creating legal property rights in developing countries. He argues that the government bureaucracies' attitudes towards ownership rights contribute to the continuous growing of the informal sector. The lack of institutional capacity in the formal sector, such as the recognition of property rights and the

absence of a legal reform, contributes to the growth of the informal sector. For example, De Soto (2000) explains that 50 percent of Russia's and Ukraine's GDP is accounted for by the informal sector. Similarly, 62 percent of Georgia's GDP is produced by its informal sector. He states that in the informal sector, businesses do business activities only with the people they trust and know. To this he says "such informal, ad hoc business arrangements do not work very well. The wider the market, as Adam Smith pointed out, the more minute the division of labor can be" (De Soto, 2000:71). As a result, integrating the informal sector with the formal economy through property rights and entitlement programs is necessary to generating economic growth.

Furthermore, De Soto (2000) argues that the inability to integrate the informal sector with the formal sector of the economy discourages entrepreneurs' opportunity to grow and produce more, consequently hindering development. The lack of institutional capacity to integrate the businesses of the informal sector is seen in the bureaucratic limitations such as red tape, delays to opening a business, and the costs associated to becoming a legitimate business. For example, in Peru it took his research team six hours a day of work towards registering the business and 289 days to complete the registration process. Also, for operating a business in the informal sector includes paying 10 to 15 percent of its income in bribes and commission to authorities not to mention the stress and hassle in getting things done. Additionally, the businesses are not able to declare liabilities or insurance coverage, and most importantly use their house as collateral for getting credit to expand their business. To this, De Soto (2000) says that an essential step towards starting or growing a business in advanced countries is access to credit. Up to 70 percent of the credit that new businesses receive in the US comes from using mortgages as collateral which requires property rights.

For De Soto (2000), the lack of institutional capacity to integrate the informal sector to the legal sphere is problematic for the governments of developing and ex- communist countries because they are not aware that they need to incorporate the informal sector to the formal sector of their economy. He notes that these governments are caught up in “political blindness” (De Soto, 2000: 73). To this De Soto (2000) suggests that one way of restructuring the legal order is to admit or recognize that the growth of the informal sector seen in their major cities is because of the market revolution movement globally. He says that instead of focusing on the negative impact of the market, governments need to create the necessary system that allows the government to adapt to continual change. By this, De Soto (2000) suggests reforming the formal system or legal order to include private property rights and law.

2.3.2 Critics and Support for De Soto:

While De Soto’s ideas on property rights has won the Cato Institute second biennial Milton Friedman’s Prize for advancing Liberty, (Cato Institute, April: 2004), De Soto’s work has also gained international recognition from Margaret Thatcher. Thatcher thought that “The Mystery of Capital” could start “a new, enormously beneficial revolution, for it addresses...the lack of a rule of law that upholds private property and provides a framework for enterprise” (The Heritage Foundation Leadership of America, 2006). According to Clift (2003), De Soto’s populist approach has won many world leaders converts like Russia’s President Vladimir Putin, Thai Prime Minister Thaksin Shinawatra, Mexican President Vicente Fox and Afgan President Hamid Karzai. Moreover, his extensive work experience includes working for the General Agreement on Tariffs and Trade (GATT), serving as the president of the Intergovernmental Council for Copper Exporting Countries, and as a governor of Peru’s central bank. In addition, this Peruvian economist is the founder of the Institute for Liberty and Democracy (ILD) located

in Lima which specializes in documenting the informal sector and assists countries like Haiti, Egypt, Mexico, the Philippines, Ghana and Honduras set up a system of titling.

Despite his fame, critics like Ahiakpor (2008) and Culpeper (2002) point out De Soto's thesis on property rights misdiagnoses the barriers to economic development in third world countries. Culpeper (2002) points to De Soto's unsteady foundations in his thesis which questions his analysis of western historical experience of property titling, its success in the west and its implication if applied in third world countries. He argues that establishing this system in poor countries is contested given its negative implication such as the potential justification for land invasion, intellectual property rights products disadvantaging the poor from using such products (like HIV/AIDS medications). He also argues that De Soto's work is inherently biased against the landless and property less tenants, implying that not all informal sector properties are owned by the poor. Also, that each step seen in a formal titling program has its setbacks as well as opportunities which may result from assets being transferred from the poor to its creditors. Moreover, Culpeper states that De Soto's overall analysis on why some countries have become wealthy and others remain poor, does not include a broad range of factors, including geographic, historic, natural and cultural features.

For Ahiakpor (2008), another critic of De Soto, the real barrier to economic development of ex-communist and third world countries is not in the lack of property titles but the inadequacy of these countries domestic savings to finance investment. In other words, he argues that the poor don't have the assets and that whatever they formally own is not enough to get credit. He points out to the misconception of De Soto's analysis of what capital is and how it is formed to state that the community savings are what creates the capital and not the process buried in the formal property system that created capital in the west. As a result, De Soto's analysis is limited. In

addition, to some common grounds of criticism depicted by Culpeper (2002) about the historical process of property titling and the misconception that most poor people have properties, Ahiakpor (2008) cautions readers to the limitations to De Soto's titling program mainly because of the misconception of what is capital and what is needed to generate capital.

2.3.3 Neoliberalism in Economic Development

The relevance of De Soto's work in the undertaken study about public administration's limitations for small business establishment in Ethiopia is in the breakthrough and impact of this book in the field of international development, particularly in economic development (Mitchell, 2006). Having understood that the main preoccupations of international development has been to understand the causes of underdevelopment and propose development strategies, De Soto's work about capitalism is based on a series of arguments and thoughts found in neoliberal economic theories of development. These theories of development are seen in the strategies or policies proposed for third world development. Mitchell (2006:1119) writes that the popularity of De Soto's research can be attributed to the fact that it seems to affirm the doctrine of neoliberal economics that "the right of private property is the fundamental requirement for the economic development, and the citizens of the third world are natural entrepreneurs, held in poverty by an overbureaucratized state that fails to establish the simple rule that make possible the generation of wealth". Although this doctrine goes as far back to the 1950's with the work of Freidrich Hayek and Peter Bauer, Mitchell (2006) says that it is in the process by which these ideas were confirmed that is interesting. According to Mitchell (2006:1120):

Economic facts were established in a world that was organized, through specific projects such as De Soto's property titling program, to enable economic knowledge to be made. These projects occupy quite closely defined spaces – specific neighbourhoods in particular cities of Peru, the local offices of a development organization and a think tank, the text of a survey questionnaire and its administrators, the offices of a parent organization in Washington that provides the funds.

In other words, Mitchell (2006) argues that De Soto is the outcome of the neoliberal movement, discovered by Hayek in 1979 on his trip to Lima (Peru). According to Mitchell, De Soto reflected the neo liberal paradigm in his work and was given the funds to create his “own neo liberal policy organization in Lima, out of which the property titling program was first organized” (Mitchell, 2006:1120). Moreover, his post as the chief advisor to the Fujimori government in the 1990’s allowed him to establish the economic measurement mechanisms that made his later findings possible. For Mitchell, it is the connections of “interlocking networks” seen in the founders of neoliberal movements such as Hayek and others, their organization in the 1950’s through schools, institutes and foundations that created a narrow perspective where economic facts are produced, re-circulated, republished as “findings” by De Soto, think tanks and the World Bank. He explains that the success of economic explanation in the realm of the neoliberal paradigm is upon its narrowness not its comprehensive explanation of events which includes other kinds of facts and connections. For Mitchell (2006:1120) rethinking economy “is better seen as a project or a series of competing projects, of rival attempts to establish metrological regimes, based upon new technologies of organization, measurement, calculation, and representation”.

According to Stier, et al. (2008), Neoliberalism is a hegemonic economic doctrine which became the widespread approach to solving complex social problems. In their article entitled “Neo Liberalism: Bottom up counter-narratives”, the authors attempt to test some of the most common neo liberal assumptions with families living in poverty in Israel. The most common assumptions seen in neoliberal discourse is mainly geared towards the market economy and free trade. For the authors, the central principles of neoliberalism are beliefs in the autonomy of the

market, the limitation of fiscal policy, reducing the role of government in economics and promoting the work ethic of its population. The reasoning in neoliberal thought is that the market forces will serve as a method to ensure the allocation of good and services for society with the condition that the elements needed for the successful implementation of market forces are met. These elements are property rights, free trade, a reduction of government intervention and the observance of market conditions.

The widespread hegemonic economic stance is furthermore supported by Filho and Johnston (2005) who clearly state in their introduction that the lives and the livelihoods of billions of people is influenced by neoliberal thought in economics and international relations. Different from being classified as a theory, neoliberalism is a line of thought which brings out the insights of various sources found in economic theories, such as Adam Smith's division of labor, neoclassical economic theories of supply and demand, income distribution and the critical approach to Keynesian interventionist theory. Neoliberalism emerged in response to the interventionist Keynesian policies- the welfare state after the post WWII world order. The neoliberal paradigm dominated international economic for the past 25 years.

The rise of neoliberalism in public policy was further advanced and imposed by Margaret Thatcher and Ronald Regan in the 1980's (Filho and Johnston, 2005). The high percentage of unemployment in the UK and the economic conditions of the US since the 1960's throughout the 1970's that started off with balance of trade deficit, created the conditions for the new disciplining of labour seen in neoliberal thoughts. In fact, Filho and Johnston (2005) say that the 25 years since Ronald Regans' election in 1980 and Margaret Thatcher's in 1979, neoliberal policy and ideas have been expanding and applied within the economies of both developed and

developing countries. The authors explain that in advanced countries the economic discourse has been dominated by policies reflecting the 'US model' which includes:

deregulations of financial markets, privatization, weakening of institutions of social protection, weakening of labor unions and labor market protections, shrinking of government, cutting off top tax rates, opening up of international goods and capital markets, and abandonment of full employment under the guise of the natural rate (Filho and Johnston, 2005:23)

However, for international development, neoliberal thought focused on the 'Washington consensus' which promoted "privatization, free trade, export led growth, financial capital mobility, deregulated labour markets, and policies of macroeconomic austerity" (Filho and Johnston,2005:23). For example, in contrast to the welfare state approach, the market centric approach to economics is seen in Thatcher's governance where neoliberal ideas of free market and entrepreneurialism were the visions set for economic development. During her time in power (1979-1990), Margaret Thatcher's idea of economic development was expressed in her entrepreneurial approach to local leadership (Haughton G. and While, A., 1999). For instance, she declared policies which focused on stimulating the private sector through reducing inflation by controlling money supply and cutting income tax (Seldon and Collings, 2000). Moreover, Thatcher took steps to reforming trade unions and established policies for dealing with strikes. According to Heffer (2008), the period known as Thatcherism sought fundamental changes that are currently at work which include the changes brought in the control of money at times of an economic downturns, the end of subsidies and the initiation of privatization, and the idea of engaging millions to become shareholders. Moreover, the idea of property rights expanded to allow government housing to be sold to its tenants. To this, Heffer (2008:1) says that "by the late 1980s the notion of entrepreneurialism became embedded in British culture for the first time since the 19th century, and there, despite some severe trials, it remains".

2.4 Entrepreneurship in Africa

2.4.1 Challenges of African Entrepreneurship

The idea of economic development through entrepreneurs advanced by De Soto and other neoliberal supporters has disseminated the ideas of property rights, institutional/ legal reform and the idea that the poor are natural entrepreneurs in policies and strategies of development for third world countries. In the hearing of the US sub-committee on Africa, Global Human Rights and International Relations (Committee on International Relations House of Representatives, 2006), the discussions from members of the Committee on International Relations House of Representatives and their Sub-committee members were about how to continue removing the barriers for African Entrepreneurs. According to the discussions, the African Growth and Opportunity Act (AGOA) established in 2000 with the Clinton administration and advanced by the Bush administration sought to promote growth in African economies through creating a “business friendly regulatory environment” and reducing trade barriers (Committee on International Relations House of Representatives, 2006:1). The Chairman of the sub committee, Christopher Smith from New Jersey, indicated that the trade between both African countries and the US increased 115 per cent as a result of the AGOA.

While the results showed that African imports in oil trade from other African countries increased, the aim of the AGOA was to create a multi-sector trade increase but it did not meet its goal completely despite the increase in non oil trade materials seen in various sectors. Recognizing that the role of small and medium businesses in economic growth was crucial in industrial countries, Chairman Smith pointed at the high percentage of businesses (about 66 percent) that exist in the informal sector of African economies. To this, he expressed his concern that entrepreneurs may not be fully benefiting from the advantages that AGOA dispose. He says

that in the large informal sector, and mostly where businesses are women led, there is a lack of government services and adequate financing from bank, and consequently entrepreneurs are not able to generate capital. Moreover the barriers outlined by Chairman Smith include the lack of appropriate infrastructure and economic policy to support or facilitate access to government service or finance. In addition, he mentioned that corruption is as much a dilemma for economic development as being economically weak.

The proposed solution for Chairman Smith is to introduce legislation to address these concerns. The legislation (HR 4319) sought to address capacity concerns like technical assistance for African Banks to assist small and medium businesses, addressing property rights and intellectual property rights protection, assisting countries in their food and safety standards to meet that of US, and protecting labor rights. Moreover, acknowledging the skills and ability of the African entrepreneurs, Chairman Smith states that given the right climate, the Africans are diligent and talented in doing business. The discussion amongst members of the sub-committee include the idea of introducing property rights, capacity building, creating a business friendly climate, enabling the current infrastructure and finance mechanisms in the informal sector and taking steps towards reducing corruption.

Manuel Rosales who is the appointed Assistant Administrator for the US small business administrations' office on International Trade in October 2001, said that while the office offered training managers for Business Information Centers in Africa, there are problems in African climate for businesses. Amongst the problems not mentioned above, Rosales points at the governments' failure to develop business centers, areas where they are concentrated that are critical to economic development. He also pointed to the lack of Information Communications Technology for marketing and e-commerce activities. Moreover, he says that ineffective

governance at the State, national and local level is weak because it lacks qualified human capital for implementing effective services. Last but not least, the need to promote small businesses growth in Africa is also lacking.

As exemplified by the hearing, the discussion about the need for improving African countries' capacities to create a friendly business environment is furthermore illustrated by Elkan's (1988) who argued that the central authority of the government, the various regulations, the licensing and control of the government in the business sector, and in some cases forcing farmers to reduce prices are barriers for private sector development. Although Elkan's article was published more than more than 20 years ago, the author's suggestion of privatization, deregulation, and change in policies to create the business friendly environments is still a concern to De Soto, other neoliberal economists and the members in the Hearing of the Subcommittee. Elkan (1988) says that the attitudes of African governments differ from country to country. Some discourage the entrance of the private sector and that is seen in the nationalization process of foreign owned businesses after the independence and their command and management structure is modeled by bureaucracies and central authority once it has been nationalised. However, the governments who welcome the idea of private sector growth are seen through the policies that promote entrepreneurships.

What makes Elkan's article interesting is the layout of African entrepreneurs' characteristics to explain why literature about entrepreneurship in Africa is mostly negative. The lack of positive literature reviews of African entrepreneurship is expressed in the inability to distinguish pure entrepreneurship from business administration. Elkan (1988) explains that there are three attitudes needed for a successful entrepreneur and they are: (1) the ability to perceive potential market, (2) the willingness to act and (3) organizational ability. While the three

attitudes can not be applied for all countries in Africa, the entrepreneurs are common in terms of belonging to a social and religious minority group and that they mostly remain small for a number of reasons. By way of assessing the case study of Nigerian firms, he lays out the general characteristics of indigenous entrepreneurs in Africa and explains why they remain small.

Elkan (1988) states that entrepreneurship has a very level low of efficiency. This is seen through firms lacking supervision, quality of products, layout and organization. He also states that there is lack of financial management and control. He gives the examples of lack of accounting systems, or casual and careless disregard for documents, and a lack of knowledge in economic terms like depreciation. Moreover, the author states that the businesses are “one man operations” (Elkan, 1988:172). When the business grows the owner is often not able to assert control how the business is run by being present at all times. When businesses expand there is usually a problem because of the lack in delegated responsibility and authority to people. In most cases, there is also shortage of capable people to do the work.

Despite the internal and external challenges of entrepreneurship in Africa, the solution to solving or addressing the issues of economic poverty in Africa is through the creation of a sustainable climate for doing business. To this, the neoliberal paradigm of economic development through the emphasis on creating the right conditions for entrepreneurship suggests institutional reform, effective governance, the introduction of property rights, liberalization of trade, deregulation and privatization processes. By following these recommendations, it is suggested that developing countries will benefit from economic growth and will solve their problems of poverty. The best reflection of neoliberal ideas in policies and strategies that promote the above development is seen in the IMF and World Bank’s Structural Adjustment

Programs (SAP), later on known as Poverty Reduction Strategy Papers (PRSP) introduced in 1999 (Bartoli, 2000).

2.4.2 Structural Adjustment Programs

As a result of the debt crisis faced by developing countries from the 1970's through the 1990's, Structural Adjustment Programs (SAPs) came into being for the purpose of relieving the debt problems and alleviating poverty in developing countries (Bartoli, 2000). Bartoli (2000) indicates that the total foreign indebtedness of developing countries was USD \$100 billion in 1970 and by 1992 it reached USD \$ 1 500 billion. Moreover, he says that between 1980 and 1996, the indebtedness increased from USD \$ 110 billion to \$ 435 to \$ 1 656. As a result development thinking focused on structural reform processes which centered on the promotion of economic openness through trade liberalization. Such has been the core principle of the Structural Adjustment Programs (SAP's). The programs were developed and imposed by the International Monetary Fund (IMF) and the World Bank in the 1980's and 1990's, first to Latin American and African countries, and then to countries of Eastern Europe and the former Soviet Union. The SAP's are economic policies which countries have to follow in order to qualify for new IMF and World Bank loans that in turn enable them to make debt repayment to commercial banks, governments and the World Bank. Although SAP's have been designed for individual countries, the distinctiveness of these policies are characterised by deregulation of prices, and privatization and liberalization policies that countries must follow. Accordingly, the programs were supposed to improve economic management and thereby raise the standard of living of the population in the medium term.

However, since its development and implementation in developing countries as a way out of poverty by means of economic growth, Third World countries have been reported to be facing a continuous development crisis. For instance, from the time it was implemented in Latin America during the 1980's and 1992, the number of people in poverty increased from 139 million to 266 million in Latin America (which means that the number of poor people of the region increased from 41% to 62 %). In the case of Africa, the average per capita income dropped to the level of income in the 60's and the average annual growth rate declined from 3.2 % to 1.1% (Haque, 1999).

Various debates have occurred and critics have addressed SAP's and their impact on rural livelihoods, not to mention on the overall economies. For one, in response to the overriding principle of economic management, Kwabena Donkor writes “exacting maximum economic efficiency from macro economy has been the implicit goal of Adjustment Programs in Africa. This is where the structural conflict between social provision (which in itself can be a stimulus to increase productivity) and the short-term economic goal is manifested” (quoted in Haque, 1999:198). From this perspective, Donkor explains that in the short term, economic goals such as per capita increases as well as GDP/ GNP growth rate are dominant factors, however in the long run, other factors such as investing in education, health, and innovations are also crucial to long term development.

The continuous critics of SAP's ravages and the on-going studies of its impact in developing countries led to negative connotations, and consequently its reform. In response to the growing criticism and the rising demand for poverty reduction amongst governments, international organizations and the public (for example 150 public demonstrations, riots or disturbances against structural adjustment programs from 1976 and 1992) (Seabrook:2003) the

World Bank and the IMF developed and adopted the Poverty Reduction Strategy Papers (PRSP) in September 1999. The papers are supposed to enable countries to prepare poverty reduction papers in consultation with their own people in order to access the aid and the debt relief program.

This new device has five core principles underlying the development of poverty reduction strategies. The first one is 'country driven' and allows individual countries to involve participation of civil society and the private sector in all operational steps. Second, this strategy has to be 'result oriented', particularly in its emphasis and focus on outcomes that would benefit the poor. Third, the strategy has to be comprehensive in recognizing the multidimensional nature of poverty. Fourth, it has to be partnership oriented. This allows the participation and coordination with other development actors such as international organizations. The last principle underlying the development of poverty reduction strategies is its inclusion of a long term based focus on poverty reduction (Bretton Woods Projects, 2005).

As opposed to SAP's, these papers differ in ending to follow SAP's identical growth policy imposed upon every country, irrespective of local conditions. However, when looking at the core principles of this new device, similar principles such as the SAP's are observed. Aside from its five core principles, the new program still has to adopt the ideology of economic growth through liberalisation, privatization, and international market as the only prescription for poverty reduction.

In this regard Seabrook comments that the IMF and the World Bank's preoccupation of appearance in terms of their focus in eradicating poverty haven't offered an alternative solution. Instead, the ways out of poverty mainly remain focused on economic growth as its only condition. Moreover, this re-named SAP's continues to exasperate developing countries

resources and economies. As a result, its impacts are mainly on the worlds rural 'poor'. He notes, "by means of impersonal 'free' economic forces the war on poverty becomes a war on the poor" (Seabrook, 2003:78)

Despite the PRSP idea of a country driven development strategy agenda, the neoliberal ideas of De Soto and other neo liberal economists is founded, disseminated and imposed through these strategies. An important element in regards to economic growth through entrepreneurship is the implementation aspect of such policies that neo liberals agree upon as stated by De Soto. This implementation aspect seen in De Soto's argument of bureaucratic limitations and its hindrance to economic development is also a concern shared by many development thinkers.

2.5 The New Public Management

An important element most often talked about when speaking of creating a sustainable climate for private sector development, consequently the development of entrepreneurship, is the effective and efficient bureaucracy. According to the World Economic Forum in Africa web report (2006), addressing the business and investment climate in Africa is critical for increasing growth. To this end, there are some areas that need attention. These include excessive bureaucracy and regulations, offering pragmatic micro finance institutions, enhancing customs and tax administrations, addressing property rights and addressing crime and corruptions issues. Also, one of the key elements mentioned in the report is efficient logistics and bureaucracy in response to Africa's problem of infrastructure. As a result, in order to create the foundation for successful entrepreneurship climate "government must perform a range of functions including the development of infrastructure, the removal of obstacles, the elimination of bureaucracy and investment in education" (Barclays Wealth, 2008:17).

Governments and bureaucracies are closely linked. As explained by Webber and Riggs, bureaucracy occupies an important role to the execution of commands. They state that the type of execution depends on the type of regime or authority and indicate the characteristics of what constitutes modern day bureaucracy. Moreover, Riggs detailed discussion about bureaucracies in 'pris-matic' societies explains the ineffectiveness of modern day bureaucracies in countries where both traditional and modern societies cohabit. In addition, the significance to distinguishing the types of bureaucracies in different regimes is the understanding or insights gained in order to assess current limitations seen in developing countries context.

Mengistu and Vogel (2003) write that bureaucracies are the central and shared operating element to the successful implementation of policy and continuity of governance for all governing structures. However, in a period when the role of the state is questioned and when the effective and efficient bureaucracy is a central issue of concern in western democratic countries, the Weberian model of administration is questioned. According to Batley and Larbi (2004), the Weberian model of bureaucracy for organizing public administration systems and passed on to newly independent countries in Africa has characteristic elements of being rational, autonomic, neutral, meritocratic and professional, in addition to being stable and predictable. However, this public administration was seen as ineffective and suffering from "bureaupathologies – characterized by waste, inflexibility, the impenetrability of hierarchy, the rigidity of dense internal rules and unresponsiveness to service users" (Batley and Larbi, 2004:39). Consequently, the question of improving service and meeting the demands of the public services and the demands of the global economy became an issue for many western countries. A new approach to public administration and management was needed and the idea of reforming the public sector

was already on the agenda of western countries in the late 1970's through the 1980's, which later on provide the foundation for the New Public Management.

First termed by Christopher Hood in an article entitled “ A public Management for All Seasons” published in 1991, the New Public Management (NPM) is a set of administrative doctrines based on public administration reform agendas by the member countries of the Organization for Economic Cooperation and Development (OECD) in the 1980's (Batley and Larbi, 2004). The public administration reforms of the OECD member countries sought to have their administration management systems and methods closer to that of the business. The notions of better management and reform found in the NPM and its emphasis on market and competition sought to eliminate excessive bureaucracy, addressing government expenditure, meeting the demands of the public services and the demands of politicians. In contrast to the elements constituting the Weberian type of administration, the elements that constitute the NPM are efficiency as opposed to rules and regulations, the precedence of effectiveness as opposed to legality, the preference of flexibility and adaptive as opposed to predictable and responsible, the lean towards the idea of having the private sector to deliver public services as opposed to government monopoly and bureaucracy (Batley and Larbi, 2004).

The relevance of this new approach in entrepreneurship is its potential ability to meet the demand of entrepreneurs and the demands of the global economy. Moreover, the market centric approach to management is highly performance oriented and it is supposed to meet efficient and effective delivery of services, consequently contributing to the improvement of the business climate. According to Borins (2000), professor of public management, (University of Toronto), the NPM is a global paradigm that is not so far implemented everywhere in the world but underway and discussed globally. Borins (2000) outlines the major characteristics of NPM:

- providing high-quality services that citizens value;
- demanding, measuring, and rewarding improved organizational and individual performance;
- advocating managerial autonomy, particularly by reducing central agency controls;
- recognizing the importance of providing the human technological resources managers need to meet their performance targets; and
- maintaining receptiveness to competition and open-mindedness about which public purposes should be performed by public servants as opposed to the private sector or non governmental organizations”. (Borins, 2000:3)

According to Borins (2000), the idea of NPM emerged from the fundamental changes that occurred globally. These changes are the development of the global economy, the end of cold war and the rapid and widespread adoption of information technology. He notes that these events and changes have been transforming societies all over the world with the public sector not being an exception. For Borins (2000) the factors operating the NPM are economic pressure, high-level of political commitment to change and a set of ideas to shape change. He explains that these factors are what brought reform in the UK and New Zealand known for their successful implementation of NPM. For example, the UK illustrated how Thatcher’s political commitment to changing the economic and social pressure that the UK faced in the 1980’s, along with her neoliberal set of ideas shaped change in the UK. Considering the level of political commitment to change and the institutional and economic capacity, resources, legal effectiveness, political and economic stability of western democratic countries, the notion of NPM is questioned when applied within the context of developing countries (Batley and Larbi, 2004). Most developing countries’ settings are characterized by political fragility, economic poverty, lack of institutional and resources capacity, along with absence of legal authority or legal effectiveness.

According to Larbi (2006), there has been a widespread emphasis of exporting NPM to developing countries for bringing about change in their public administration. Despite their

widely differing governance, economic and institutional climate, the NPM approach is being adopted by many developing countries and as a result, public administration reforms are underway. While the idea of the NPM is to improve the efficiency and effectiveness of public administration in developing countries through the initiation of performance incentives and the business method of management, the NPM application in developing countries context illustrated some benefits as well as limitations.

While the benefits of NPM addressed the concerns of service delivery, efficiency, accountability, responsibility and transparency through ideas such as performance based management, decentralized management and the contracting out method of management in some sectors of developing countries economy, the limitations of NPM illustrate mainly institutional constraints and capacity when applied. Some of the limitations mentioned by Larbi (2006) are the concern of political and economic stability of developing countries, the cultural change of values brought by a market type of management, access to services to the majority poor, the increase in inequality and social exclusion, biases of any sorts, and the increase practice of corruption that results from the idea of contracting out public services. The concern for ethical standards in public life, greed, favoritism and conflicting interests are issues where the accountability, transparency and responsibility mechanisms are weak in developing countries. As a result, Larbi (2006) argues that while NPM practices may bring some benefits, the public sector reforms based on NPM principles need to be rethought and reorganized to suit the widely differing institutional conditions and capacity of developing countries public administration and sector.

Despite the positive intent of the NPM paradigm to enhance the administrative and management capacity through efficient and effective public administration, the successful

implementation of NPM in a developing country depends on its internal political, economic, institutional and social dynamics. Therefore, to assess the bureaucratic limitations to entrepreneurship in the African context requires a thorough understanding on how neoliberal agendas of economic development are disseminated through entrepreneurship and the reasons why these failed to materialize in African context.

2.6 Conceptual Framework

The above reviews of literature paved the way to develop the conceptual framework by which the analysis and assessment of Ethiopian public administrations' bureaucracy for small business establishment is made. The significance of having a conceptual framework is the ability that the framework provides to identify and illustrate key concepts as points of analysis. The following diagram presents the conceptual framework by which neoliberal ideas are to be implemented for sustainable economic growth through private sector development, and consequently small business establishments.

Climate for Effective Bureaucracy and Entrepreneurship

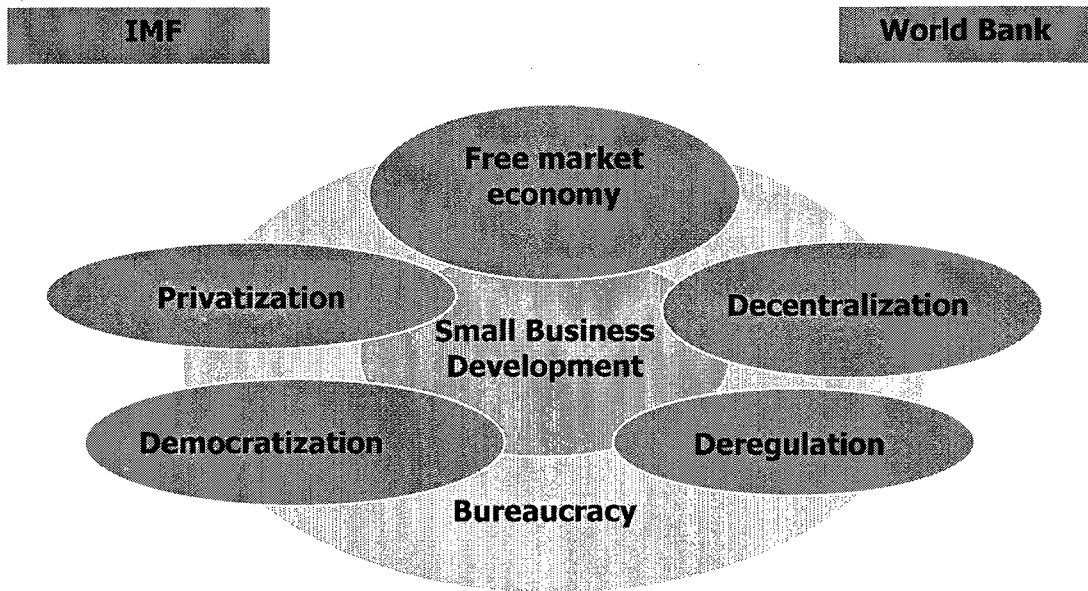


Figure 1: Climate for Effective Bureaucracy and Entrepreneurship

Figure 1 illustrates the climate needed for effective bureaucracy and small business development seen in the mainstream development paradigm. At the center of the diagram is the important role that small businesses occupy for economic growth. The boxes at the top left and right hand side of the diagram are the two major international development funding organizations: the IMF and the World Bank. The significance of having to display these organizations is to illustrate the guiding principles of economic growth founded in these organizations and prescribed for developing countries' growth strategies. The very light circle represents the interaction of bureaucracy not only with small business development but also the elements needed to create the conditions for effective bureaucracy and small business development. The elements needed for effective bureaucracy and small business development

are illustrated in the dark circles. These are neoliberal ideas such as decentralization, deregulation, privatization, democratization and free market economy necessary for generating growth, and also imposed by the IMF and the World Bank to developing countries.

While these ideas may be usefully and successfully implemented in western democratic countries and some Asian countries, the concern of prescribing and imposing these ideas to developing countries' problems of solving poverty is that they are not bringing about the desired change. The climate under which bureaucracy and entrepreneurships function in the west, is different from developing countries' climate. As seen in the reviews of literature, the African context under which bureaucracy and entrepreneurship cohabit is characterized by capacity concerns such as the lack of financial, human and technical resources. Moreover, the political and economic dynamics of African countries are also not the same as the western democratic countries. In the African context, there is the central authority of the government, the lack of private sector participation, the regulations in market activities and the practice of corruption. As a result, applying these ideas is questionable in developing countries.

It is important to note that the conceptual framework presented above relates to the discussion and methodology section of the research. First, with regards to the discussion section, the conceptual framework is used as the base for arguments describing the relationship between public administration and small business establishment in the Ethiopian context. In addition, the framework opens the door to discussing key neoliberal assumptions of economic development and the possible explanations why prescribed and imposed strategies may not bring the desired change in the Ethiopian context.

Second, with regards to the research methodology, the framework helps the methodology by laying the foundation for analyzing the Ethiopian context. By way of presenting and illustrating

the guiding principles of mainstream development paradigm, the conceptual framework facilitates the research methodology of using both qualitative and quantitative techniques to collecting and analyzing data. In using both techniques, the conceptual framework contributes in the design and analysis of survey questionnaires and semi structured interviews.

2.7 Literature Reviews Summary

In conclusion, the review of literature illustrated discussions about the dominance of neoliberalism in economic development and the role of entrepreneurship and public administration in the context of Africa. First, De Soto's (2000) thoughts about the reason why capitalism triumphs in the west and fails in developing countries opened the debate for current neoliberal arguments of privatization, deregulation, democratization, and free market ideas. Moreover, De Soto's argument about the need for private property in development and the bureaucratic barriers to private ownership outlined the significant role that the informal sector played in developing countries economies and the need for integration of that sector into the formal economy. By way of explaining the informal sector activities in developing countries, De Soto suggested the need to restructure the formal sector in order to meet the needs of the informal sector. This was to be realized by introducing titling programs where the poor would be able to use their assets as collateral in order to create capital.

While his work about the necessity of private ownership and property rights has been acclaimed by neoliberal economists, critics have questioned the foundation of his thesis. They argue that De Soto has misconceived the idea of capital and consequently how capital is generated. Also, for critics De Soto is wrong to believe that the poor in developing countries have assets but that all they lack is titling program to make their assets formal so as to create capital through credit. Moreover, for critics, De Soto's historical account of property right and

capitalism in western countries is also misdiagnosed because there is a lack of thorough contextual, geographic, historical and political analysis.

Despite his distinct work and its critique, De Soto's work meets the general consensus of the neoliberal paradigm of economic development. The idea of property rights, the recognition of bureaucratic barriers to development and the role of entrepreneurship in alleviating economic burdens is disseminated through neoliberalism for domestic and international economic development. The Washington consensus prescribed for developing countries illustrate neoliberal themes such as free trade, market friendly governance and liberal approach to economic development. The consensus has the belief that these themes will enhance the private sector development, consequently entrepreneurial activities. However, the challenges of African entrepreneurship illustrated bureaucratic burdens and lack of institutional, technological, political and economic capacity for harboring the prescribed and imposed strategy of development.

Moreover, the bureaucratic limitations towards African entrepreneurship also raised the discussion about the Weberian model of bureaucracy and its current pressure to pursue market friendly management systems in African public administrations context. The belief to changing from Weberian type of bureaucracy to that, that focuses on market approach management comes from western countries concern to meet the demands their societies, change of the global economic order and pressure. Consequently, the type of management known as the New Public Management has been applied in some African countries so as to uplift the burdens of bureaucratic limitations in the business and economic climate. However, the shift from Weberian model of bureaucracy to NPM is also questioned when applied in Africa or developing countries. The main argument for questioning this shift of management paradigm is the concern over the lack of capacity in African diverging economic and political management systems, resources,

and technological advancement, not to mention human resources, and most importantly culture. Finally, the last section illustrated a framework diagram which helps to show how the Ethiopian bureaucracy and small business establishments like bakeries can be analyzed and assessed.

3.0 The Ethiopian Context

3.1 Introduction: Public Administration and Development

Understanding the relationship between public administration and development is critical to assess the twin goal of development which is nation building and socio- economic development (Heady, 1996: 291). When thinking of public administration and development in Africa, words such as corruption, central authority, dictatorship, social injustice, and poverty just to name few are used to describe African situations and modalities. Dibie writes that while the government was supposed to “render social stability, regulate market, make laws, determine tax structure, create infrastructure, dominate key industrial sectors and deliver goods and services to its citizens, the situation is, however, not so in many African nations” (2008:27). The author says that while the current day public administration atmosphere in Africa can be described as inhabiting a spirit of malpractice, corruption, lack of integrity and dishonesty, the difference of values, beliefs, religion and culture of African societies has led to “different forms of administrative and accountability styles” (Dibie, 2008:27).

In addition to the negative climate of public administrations in Africa, Dibie writes that the problems faced by public administrations in several African countries made it very difficult for governments of these countries to rely on their public administrations for achieving development agendas or goals (Dibie, 2008). The problems which are characteristic of African public administration are:

“(1) irregular payment of civil service, (2) lack of office supply and equipment to effectively function, (3) rapid turnover of governments and political systems, (4) incompatible socio-cultural practices, (5) volatile economic performance, (6) too rapid change in the nature, size and complexity of task, (7) high rates of population and rapid urbanization, (8) government functions are often dispersed among an excessive number of ministries, authorities and agencies, and this results in inadequate leadership within the government for policy formulation, planning, and implementation, and (9) various public

administrations and agencies do not have the sufficient competence to develop solid plans and projects for its citizens” (Dibie, 2008: 28).

The idea that economic development is critical to achieving development for alleviating poverty in developing countries, particularly in Africa, is a disseminated paradigm of many mainstream theories of development. Kofi and Desta write that half of the sub-Saharan African population (about 340 million people) enter the 21st century living on less than 1\$US a day. In the 2006 Global Monitoring Report of the World Bank, over 10 million children die each year from treatable causes. Only 25% of rural households have access to improved sanitation as opposed to 60% in urban areas (accessed Jan 09, 2009: 3pm). There are many proposed recommendations to reducing poverty in the Millennium Development Goals (MDG) by 2015 and small business development plays a critical role in the development of a country, particularly in generating sustainable growth. According to Brainard (2006) the private sector is believed to be the engine of growth with the assumption that it will generate jobs, promote opportunities and tax revenues for the government, along with an entrepreneurial spirit that will bring a sense of internal empowerment making development of the private sector in Africa its main priority. (Brainard, 2006).

The World Bank development Report (2006) states that targeted domestic growth environment policies are encouraged in the Millennium Development Goals. The MDG agenda puts greater emphasis on households and businesses to have access to basic infrastructure such as “equal access to opportunities, education, health, financial system, political process” (*World Bank Development Report, 2006: 29*). However, the Bank’s investment climate surveys show that poor countries place a greater burden on entrepreneurs and have the least reformed business regulations (*World Bank Development Report, 2006*).

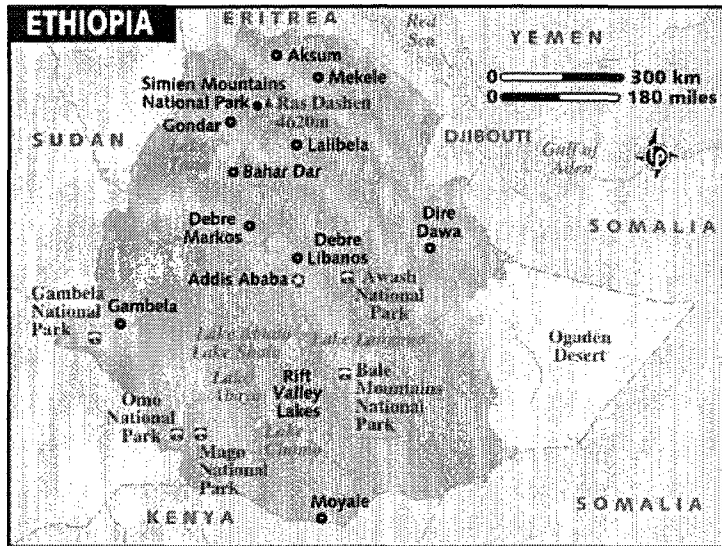
Brainard (2006) write that improving the climate for private enterprise is important for fighting poverty. The author explains that one of the roles of the government in small business development should be to establish sound macro economic policies, and create a “market friendly framework” to shape the investment climate (Brainard, 2006:5). In describing the concerns felt by firms in developing countries in aggregated number, 28% account for policy uncertainty, 23% for macro economic instability, 19% in taxes, 10% in regulation, 10% in corruption, 4% in finance, 2% in electricity, 2% in skills and 2% in crime (Brainard, 2006:33). Since the agenda of an entrepreneur is to make profit, there are risk-gain associations to any decision that he or she makes and the investment climate is one of them. Consequently, reducing these risks, barriers and costs to competition are important to the small businesses and the overall development agenda of the country. Moreover, a common challenge faced by SME’s is that of Financial constrains (Brainard, 2006). Developing countries entrepreneurs have to heavily rely on developing their business entirely on their limited personal assets. The author gives an ironic situation where Apple Computer, Microsoft or Fed Ex had been forced to finance their early growth with “ the short term, collateralized, high interest loans currently available in developing countries, they would not even have gotten off the ground” (Brainard, 2006:11). As a result, strengthening private investments in poor countries is recommended.

This section closely looks at the relationship between public administration and development in the Ethiopian context. In order to assess this relationship, the section places an emphasis on the types of administrative structures that existed in Ethiopia and their impact on small business development today. The section starts by briefly describing the geographic location, population and administrative structure describing Ethiopia. Second, the section focuses on the political and economic history of Ethiopia highlighting the relationship between

the development agenda and administrative structure during each significant period in time. Finally, the third section illustrates the three distinct types of administrative structures within the last fifty years and their development agenda. In this section, the climate of business development will be the subject of discussion.

3.2 The Ethiopian Situation

3.2.1 Ethiopian Geographic Location, its Administrative Regions, and Population



Ethiopia is geographically located in the eastern part of Africa, west of Somalia in the horn of Africa, neighboring Djibouti, Eritrea, Sudan, and Kenya. It is composed of over seventy ethnic groups and subdivided into nine administrative regions and zones by ethnicity “based on settlement pattern, identity, language and consent of the people” (Marcus, 2002:242)

Figure 2: Map of Ethiopia

Administrative Zones and Regions by Ethnicity

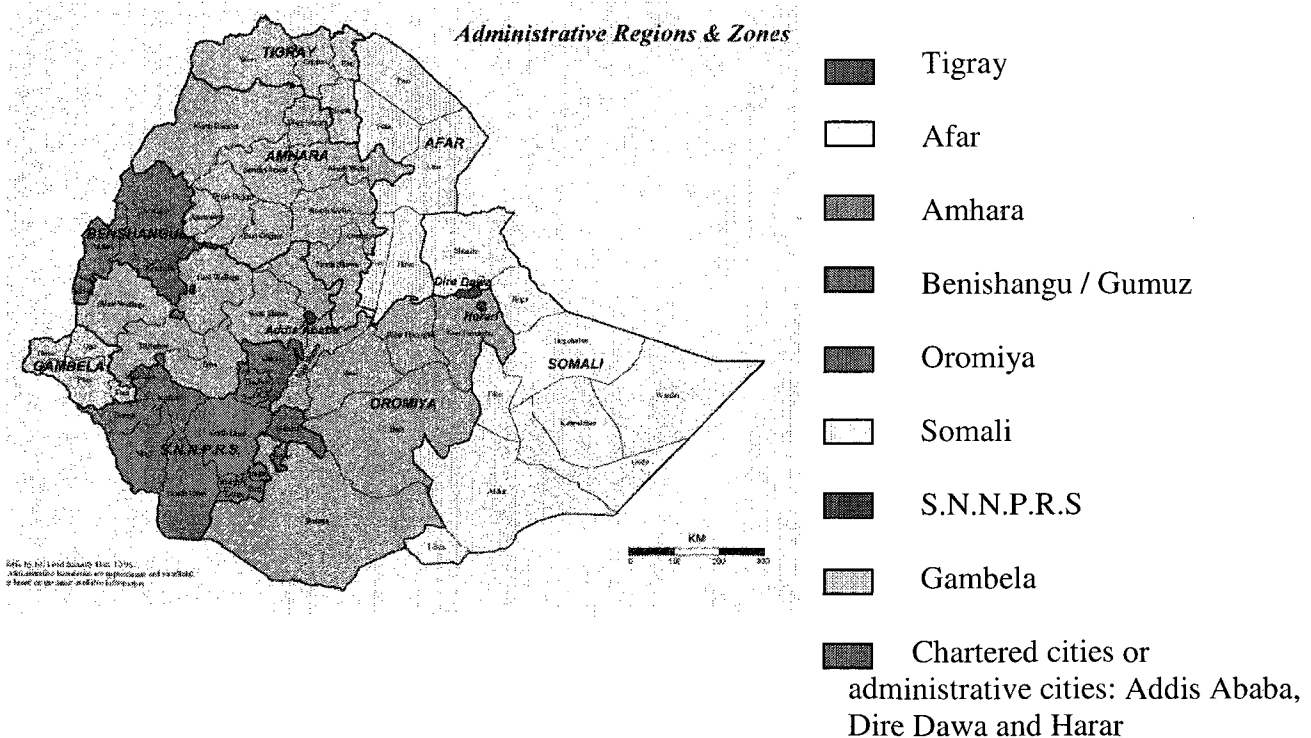


Figure 3: Administrative Regions and Zones. http://www.bodov.org/files/ethiopia_map.jpg

As illustrated in Figure 3, the country is subdivided into 9 administrative regions and zones including three chartered or self administered cities: Addis Ababa (the capital of Ethiopia), Dire Dawa and Harar. According to the United States department of state, bureau of African Affairs statistic outline of Ethiopian population, the major ethnic group is the Oromo population which accounts for 40%, the Amhara 25%, Tigray 7%, the Sidamo 9%, Wolaita 4%, the Shankella 6% which are located in the western part of the region, the Somalie 6%, Afar 4%, Gurage 2%, and the other 1% of the population include Southern Nations, Nationalities and Peoples, which comprises about 41 ethnic groups (US department of State January 30, 2009: 12:26 pm). Although local languages are spoken the national language in Ethiopia is Amharic and major international languages such as English are taught in schools (CIA fact book June 26, 2009).

3.2.2 Brief Overview of Ethiopian Political and Economic History

The political and economic situation of Ethiopia can be described as one of continuity and discontinuity, of constant conflict and resistance to domination. The rich political and economic history of Ethiopia dates as far back to the tenth century BC with Queen Makeda's travel to Jerusalem as King Solomon's apprentice, her love affair, the birth of Menelik 1st and the establishment of Solomonic dynasty in Ethiopia by Menelik 1st. The historic lines of power in Ethiopia is marked by constant conflicts, resistances, domination, repression, expansion, and changing powers to claiming the Solomonic line and for some to rejecting that line of power. According to Marcus (2002:19), crown and church were "inextricably linked" until the late twentieth century. The book of Kebra Negast (the glory of the kings) is a forty four chapter story of legends written in the 14th century. This book attempts to restore the ascendance of Emperors and Solomonic line. For Marcus, the book is "a national epic that glorifies a particular

monarchical line and tradition and also indelibly associates Ethiopia with Judeo Christian tradition” (Marcus, 2002:18). Moreover, the author notes that this epic sought to “arouse patriotic feelings of uniqueness, to glorify Ethiopia and to provide a proud identity” (Marcus, 2002:19). Although resistance, rebellions and wars against the line of powers existed throughout the region, the periods following the Kebra Negast marked the expansion and continuity of the empirical line of Solomon with Amharic and Christianity as its core element of unification.

With the expansion and control of territories, so came the rise and fall of Solomonic dynasty, its restoration in 1314 by Amda Seyon and its fall again in 1500 AD. In between these periods and onwards, other dynasties and empires marked the époque. With the rise and fall of dynasties and territorial control came the rise and fall of the economic and bureaucratic expansion of Ethiopia. According to Pankhurst (1998) the Axumite empire (from 300 – (800-1000)) had the geographic location advantage for economic expansion by trade through maritime exporting and trading gold, ivory, tortoise shell, rhinoceros horn and slaves. The trading route would go up to the Middle East, India and Rome. The Auxmite imported Adilus, Egyptian textile, glasswear from Thebes, brass, iron for spears, ready made weapons and so forth (Pankhurst: 1998). The development agenda and preoccupation of this early part of Ethiopian history sought the establishment of monuments marking the Axumite civilization, the development of Christianity making Ethiopia the first Christian country in Africa, the development of Ethiopian literature (Ge-z) and arts and the first monetary currency .

However, the fall of Axumite Empire had its consequences in the succeeding dynasty: the Zagwe Dynasty (1137-1270 AD). The flourishing development agenda was disrupted because the Zagwean dynasties period has been described as an obscure moment where rulers did not produce coins, or inscribe literature. The period illustrated a shift in development preoccupation

from its predecessor to that of building churches. The period was known for three of its members of the dynasties, Yemrahana Krestos, Lalibela, and Na'akweto who managed to build churches, particularly King Lalibela's rock hewn churches that "are unique, not so much for their beauty and architectural distinction, remarkable as this is, but because they were located in close proximity to each other" (Pankhurst,1998: 49).

The decline of the Zagwe dynasty and the restoration of Solomonic dynasty by Yekuna Amlak to the throne were expressed in the *Kebre Negast* literature (Glory of Kings) which dominated for 500 years. The development preoccupation of the period illustrated in the book of *Kebre Negast* was the legitimization and divine authority of the Solomonic line of power (Marcus: 2002). This was done by the establishment of the country's first series of royal chronicles "which were written for Solomonic emperors down to modern times" (Pankhurst,1998: 57) and also the first legal code: *Feta Nagast* which means law of the kings. These laws essentially gave kings a divine right and the right to own slaves. Moreover, this code was used by Monarchs for giving judgments and was used until early 20th century (Pankhurst: 1998).

Like the Axumite, the Zagwean and the *Kebre Negast* period in history, the bureaucratic administration structure of the successive monarchs was similar to its predecessor. The administration structure was the monarchical type which was described as pragmatic and also varied depending upon the strength of the emperors and the supremacy of its reign. At the center or top of the bureaucratic hierarchy, there would be the king of kings and the emperor of the emperors. However, the bureaucratic hierarchy at times was contested by the overthrow of the central throne, the enthronement of another, the constant conflicts and civil wars that existed

internally between the kings and emperors. Adejumobi (2007:55) describes the Zemene Mesafint era or “the Era of Prince” (1769 - 1855) as a brief but turbulent era.

Similarly, the land tenure system varied depending upon the strength and supremacy of the monarchs. In traditional Ethiopia, power and access to land were intimately intertwined. Referring to the strength and supremacy of the monarchs, Pankurst (1998:65) writes “when strong, extended far into the area of land tenure and taxation”. The kings or emperors would own sizeable piece of lands and would assign it to Gults Lords or fiefs that are considered worthy followers. The Gults Lords had total power of administrating their assigned region under the watchfull eyes of the regions’ king garrison by collecting taxes (Marcus 2002). However, Pankhurst (1998) writes that what made the successive times (Medieval Ethiopia) different from its earlier times is that the Axumite coin was not used any more and there was no longer a stationary capital like Axum or Lalibela but the feature of ‘instant’ capitals which were often used as military camps.

Also, while kings, emperors and kingdoms flourished in different parts of the regions so did religious (that is, Islam and Christianity) and ethnic tensions (the Semitic descents and Omotic descents). According to the historical dictionary of Ethiopia (Shinn, D.H. and Ofcansky, T.P., 2004) the religious conflict between the Muslims and the Christians reached its peak in the first half of 16th century and the last major threat occurred in 1888 when Islamite forces led by Mahdi in the Sudan came into Gondar and burned churches. However, the ethnic tension between the Semitic and Omotic people continues to be an issue until today. The main concern of the Oromo people is that while they represent the largest ethnic group of Ethiopia, they have never ruled all of Ethiopia, a fact that contributes to today’s Oromo nationalism or liberation movement. Nonetheless, what is interesting in the confrontation of the latter is the distinct

feature of bureaucratic administrations in both groups. While the Semetic relied on a monarchical bureaucratic administration, the Omotic or Cushitic society was based on age group or “the so – called gada-system” (Pankhurst 1998: 96).

The development agenda or preoccupation was also affected in the consecutive periods of war and conflicts illustrated in the Zemana Mesafent: the Era of Prince (1769 - 1855). During this era, there was no real central authority or power. The country constituting the period was divided into three distinctly independent states: the Tigray, the Amharas, and the Shewa. With the distinct political and regional independence so came the distinct commercial venues. While the Tigrays controlled the trade route to the red sea port of Missawa, they imported firearms and sold amoles or bars of salt considered to be its source of wealth. The Amharas region’s source of wealth is the foreign trade in gold, ivory, civet and slaves through maritime access of Massawa and Sudan. In parallel, the Shewa, through the gulf of Adien port of Tadjoura, also had positive economic potential (Pankhurst, 1998:132) with coffee and trade.

However, the development agenda or preoccupation at the national level resumed when Tewdros II (1855-1868) came into power on February 11th 1855. He was known to be the country’s unifier and modernizer. There are four important events described in Adejumobi (2007)’s account of Tewdros II, that relate to his reputation. He reunified the divided country and fragmented the development agenda by first restoring central authority under his kingship. Second, he reformed the traditional monarchical administrative hierarchy divided in small kingdoms where kings and emperors from the previous regimes had total authority over their region to strengthening his imperial rule by removing the local currency and kings of their bases of power. He did this by assigning worthy officials or trusted persons to key administrative positions. Third, he created “a disciplined, professional state army equipped with modern

firearms and artillery who drew regular salaries, cloth, and equipment for the first time” (Adejumobi, 2007: 26). Fourth is the economic and military element whereby Tewdros II engaged in the initiation of road constructions and the taking over of Missawa (in today’s Eritrea), a strategic economic place for accessing the port to the Red Sea, as well as the development of a strong military force. Fifth is the element of foreign relations. This époque sought the initiation of diplomatic relations with England, the contact with Catholic and Protestant missionaries. The Adejumobi, (2007:27) writes “the reign of Tewdros II” was “widely recognized as the precursor to the foundation of modern Ethiopia”. Despite his suicidal death in 1868 at the hand of the British troops for continuously capturing and killing British counsel, convoy, and aid people, centralized political authority and development goals continued with successive monarch under Yohanness IV (1872-1889), Menelik II of Shoa (1889-1914) and Haile Selassie (1930-1974).

Last but not least, the consecutive imperial monarchs marked Ethiopian history in their development goal of modernization and their continuous effort of keeping the country’s political unity and sovereignty. The important historical event of the battle of Adwa (1896) where Italians are defeated by Ethiopians under Menelik II is an unforgettable moment in Ethiopian history. Moreover, events such as the entrance of Ethiopia in the League of Nations in 1923 under the reign of Zawditu (daughter of Menelik II) and the creation of a formal education system illustrates part of Ethiopian modernization. Also, the creation and establishment of the Organization of African Unity in 1963 are events that marked the continuous Ethiopian effort to and of keeping sovereignty and continuing the work of developing or ‘modernizing Ethiopia’. However, what is interesting is that within the last fifty years, the country sought the shifts of three distinct bureaucratic structures which consequently disrupted the modernization agenda

that preceding monarchies undertook. These are a monarchial type, a social communist type and its current democratic type of structure and consequently affect the developmental agenda of the country, and thus small business development.

3.3 Administrative and Political Shift and its Impact on Development in Ethiopia

The brief historical overview of Ethiopia's political and economic activities highlighted important events which illustrates the monarchs' similarities in the type of bureaucratic administration and their difference in their development preoccupations. Ultimately, the political strife to gaining power, resistance to domination, the civil and ethnic war, along with the religious wars affected the subsequent leaders' development preoccupation. As a consequence, the economic situation of the country deteriorated. Similarly, the country's political and economic situation within the last fifty years illustrates three types of administration under three types of regime which consequently affects the climate needed for small business development today.

3.3.1 Bureaucracy and Development during the Imperial Regime of Haile Selassie I (1930-1974)

By the time Haile Selassie took control over Ethiopia in 1930, the development of public institutions had already been underway during the reign of Menelik II. However, Ethiopia's political situation, fragility and openness to the international system during Haile Selassie's reign interrupted the progress of the country's quests for modernization and of political mobility, resulting in Italy's occupation of Ethiopia in 1936. The interruption resumed in 1941 upon the return of the Emperor from exile.

According to Mengesha and Common (2007:368), the Ethiopian Civil service was first established in 1907 during the reign of Menelik II (1844-1913) with the “aim of ensuring orderly and efficient arrangements for the workings of government”. However, Menelik’s continuous illness and his death in 1913 halted the modernization process until Haile Selassie (also known as Ras Tafari Mekonen a name used before his coronation as emperor in 1930) succeeded Menelik’s daughter Zawditu in 1930. In his period of reign, the Emperor undertook a series of institutionalization and reforming measures for effective and efficient public service.

Moreover, to illustrate the effort shown by both consecutive regimes, Henz (1998) states that it was not until the 20th century that the Ethiopian political and social system ceased to live under conditions comparable to that of medieval Europe. The author says that the last two great Emperors (referring to Menelik II and Haile Selassie) brought Ethiopia “to the threshold of the modern world” (Henz, 1998: 42), by introducing two successive constitutions, establishing a parliament, expanding education, and encouraging economic development.

However, the quest for modernization was brutally and briefly interrupted after Italy’s decision to occupy Ethiopia from 1936 to 1941, despite Ethiopia’s entrance to the League of Nations in 1923 for ensuring a collective security as a member of a sovereign state. In fact, Pankhurst’s (2002) account of the autobiographical draft written by Percy Arnold illustrates Haile Selassie’s narrative of the Italian occupation and the League of Nations’ debate to apply sanctions measures against Italy for occupying Ethiopia. In it, Haile Selassie states that “what people who professed to believe in the League of Nations, but now held different views, did not sufficiently realize was that Italy’s war was not only with Ethiopia, but with the members of the League of Nations as a whole” (Pankhurst’s 2002:27).

The failure of the League of Nations to sanction Italy against external aggression and the illegal use of mustard gas eventually led to the League's failure to ensure international peace and security and to the inevitable coming of World War II. Despite its failure, the British alliance with Ethiopian resistance helped to end Italian invasion/occupation in 1941. As a result, Haile Selassie was able once again to continue his quest for modernization. Gudina writes that Haile Selassie's preoccupation after the war was to consolidate his power base and to "resume his prewar centralization drive" (North East African Studies, 2003:147) and the establishment of modern bureaucracy. Conscious of the fact that resistance grew amongst the traditional elites against him, Haile Selassie kept his eyes on two elements that were critical to his bureaucratic institutionalization: absolute power and loyalty. Gudina (North East African Studies, 2003:147) writes that to fulfill the quest for modern loyal bureaucracy, the emperor sought the establishments of schools and military training centers, the creation of higher education nationally and giving out students scholarships to study abroad, all these to fill the shortage in staffing for the new bureaucracy.

However, with all the efforts of bringing about the development of many institutions in Ethiopia, the autocratic nature of Haile Selassie's centralized power prevented his administration from doing much about nation building and development. Mengesha and Common (2007:368) write that the series of institutionalization and restructuring measures with the aim of bringing about an effective and efficient civil service governed by uniform rules and procedures failed because of the high regard to political loyalty in allocating civil service posts and the political interference affecting standard operating procedures.

Having seen that the development preoccupation during this era focused on institutionalizing Ethiopia and establishing modern state bureaucratic apparatus and hierarchy

with central authority held by Haile Selassie, one can argue that the context of the political and bureaucratic situation did not allow the development of small business climate as understood today. The climate needed for business development as promulgated by the World Bank and the IMF and as portrayed in the conceptual framework diagram needs a democratic government where central authority is rejected and elements such as privatization and deregulation go hand in hand with the democratization process. The neutrality and rationality of bureaucratic structures in democratic government bodies are important elements for the effective and efficient service delivery of public administrations (Gormley and Balla, 2004). For instance, legislators in the US congress, when assigning the Consumer Product and Safety Commission agency with its independent regulatory task for reducing the risk of injury and death associated with consumer products, structured the agency in a way that is protected from presidential control. Although it ended up working under the Justice department for legal sanction measures, the justice department instituted numerous requirements to make the commission work effectively (Gormley and Balla, 2004). However, if Haile Selassie's regime had continuity in its imperial capitalist agenda and leaned more towards a democratic stance, the development of businesses could have flourished. This is very much supported by Haberson (1998) who states that Haile Selassie developed the symbols of democratic political development and economic modernization. However, the emperor avoided setting in place a real motion or process of change or establishing democratic practices that would address the socio economic and politically inegalitarian traditions that he perpetuated (Haberson, 1998).

Moreover, in addition to Haile Selassie's ineffective bureaucracy, the land policy which was linked to the traditional political order of gults partly remained and became more centralized during Haile Sleassie's regime. The authority that the princes and nobles had in their

administrative regions was questioned and removed to limited power bases. Referencing to the traditional semi-independent administrative structure or government, Clapham (James et al., 2002:13) writes:

the level of autonomy open to the formerly semi-independent enclaves was greatly reduced, and although some deference was paid, notably in Wellega, to former traditions of indirect rule, the periphery as a whole was incorporated into a uniform structure of provincial government through *teklay gizat* (regions) and *awraja* (province).

The people who ruled these regions and provinces were political affiliates of the emperor, relatives or family members and or marriage affiliates. The land tenure system was quasi-feudal in nature and as his critics would argue that emperor fragmented the economic development in a way that “left Ethiopia’s rural mired in quasi-feudal land tenure relationship” (Haberson, 1998:65). As a result of a central authority that has been challenged by a changing environment within the country, imperial rule ended in 1974.

3.3.2 Bureaucracy and Small Business Development during the DERG Regime of Mengistu Haile Mariam (1974-1991)

The Derg regime was originally established by a group of lower class officers who organized themselves secretly under a committee and, strategically overthrew Haile Selassie from power in 1974 and took control of the country (Henz, 2000). At that time, many opposition forces were at work. Gudina (Northeast African Studies, 2003:148) writes that some were fighting to defend the interests of the peasants, some to promote national and regional interests, others the working class. The Eritrean separatist movements was also underway, and all were fighting the same enemy: “the ancient regime”. However, for Gudina the most serious problem of these forces of opposition is that all had an ideological origination that was nationalist but got transformed to radical Marxism with a contradictory political agenda.

Led by Mengistu Haile Mariam, the main preoccupation of the Derg was the reconstruction of Ethiopia under Marxist/Leninist ideology at its center and socialist political structure. In contrast to the imperial lean towards capitalism as its core objective of development, the Marxist/Leninist ideology leaned towards a socialist government structure and socialist methods of economic development (Haile Selassie 1997:156). The economic development of socialist Ethiopia separated the economic activities into three groupings. These includes (1) the activities which were exclusively reserved for the State (for example the communications industry, drug and medicines industry, transportations industry, textile and leather industries, and electricity to name just a few); (2) areas where the State and foreign capital could participate (that is, mining, processing, manufacturing and tourism industries ect...); and (3) activities which were left for the private sector (for example, bakeries, small scale businesses, food processing, dairy ect..). According to Haile Selassie (1997), the socialist economic policy of Ethiopia was pragmatic in recognizing the role of the private sector and foreign capital in the economic development of the country. For the author, the policy was not confusing but clear. To illustrate its reluctance towards foreign and domestic investment, the government issued an additional policy that fixes a ceiling of 500 000; 300 000; 200 000 Birr for capital on industry, trade and retails amongst other restrictions around licenses to dissuade foreign and domestic investors. As a result, private sector development climate became unattractive.

Similarly, the private sector development was greatly affected by the 1975 land reform policy whereby rural and then urban lands were nationalized. With it came the nationalization of private industries and corporations, including unoccupied rental properties. Amongst these, banks and insurance companies, many foreign owned, were nationalized. Haile Selassie (1997:158) states that the socialist economic policy was supposed to be a mixed economy, but the indiscriminate

nationalization of companies scared both local and foreign investors. Although the land reform policy received great support by the public because of the long standing inequitable distribution under the monarchical regimes, it was not so well received by others who were affected by the change such as the elites. The use rights of lands were being allocated among local inhabitants by newly created peasant associations. Henze (2000:291) writes “each new “reform” brought others in its wake and generated controversy and resistance not only among the “broad masses”, in whose name the Derg claimed to rule, but within the Derg itself”.

In explaining the 1974 revolutionary situation and the control of the Derg military regime into power, Gudina (Northeast African Studies, 2003:150) writes that the 1974 revolutionary upheaval did not have a subjective factor. In other words there was no properly organized political parties that could give the necessary leadership to the revolution. The two political parties, the “All Ethiopian Socialist Movement (MEISON)” established in 1968 and the “Ethiopian Revolutionary Party (EPRP)” created in 1972, remained to function underground as they did originally. Gudina (North East African Studies, 2003:150) argues that when the revolution broke out, the Derg military regime assumed leadership by exploiting the fact that there was no organized civilian political party and wanted to lead “a revolution without the revolutionaries”.

The radical changes in government approaches to nation building and socio economic development created a climate of political instability and terror, consequently affecting private sector development. While resistance grew to early Mengistu Haile Mariam regime assumption of power, so did the regime’s militant approach to governance. According to Henz (2000), the early 1975-1977 period and the consecutive years of Mengistu’s reign which lasted in 1991 witnessed violent eruptions, shoot outs, assassinations and the marginalization of religion and

religious activities. Moreover, the period saw ethnic repression in policy frameworks consequently forming political parties like the Tigrean People Liberation Front (TPLF) formed by Addis Ababa University students in 1975. This political party is the center of the Ethiopian People Revolutionary Democratic Front (EPRDF) which has currently ruled Ethiopia since 1991.

In addition, the imprisonment and execution of Haile Selassie, his generals and some of his key persons, the continuous guerilla war within Ethiopia (Tigray, Eritrea and Oromia separatist groups), the war with Somalia in 1977 and the 1983-84 famine, to name few marked the époque as one of blood shed and terror. Referring to the separatist groups established during the internal conflict, Munro-Hay (2002:36) states that “it was the alliance of these groups that was able to defeat Mengistu’s forces and to end what must have been one of the most miserable periods in Ethiopia’s history”.

The international political and economic system played a critical role in the development endeavor of Ethiopia. The Derg military regime aligned itself and developed close ties with the Soviet Union during the Cold War era. Ethiopia’s development agenda shifted from what was the bureaucratization and institutionalization period of Haile Selassie to focusing on militarizing the country for addressing internal and external conflict. Moreover, the development agenda focused on adopting a socialist framework of development policies for addressing issues of poverty and social inequality (James et al., 2002). Amongst the socialist development policies were the Zemecha whereby urban students are forced to go into rural area to revolutionize the rural and to contribute for the lack of administrative hierarchy, enabling Derg’s policy implementation. Then programs such as forced resettlements and villagization moved people from different places to designated areas, a measure taken to address issues such as famine, overpopulation, drought, and plant diseases and for providing social services.

As development policies grew for addressing the country's issues so did the central authority of the administrative hierarchy. For example, the peasant association originally established to implement rules and regulations of the 1975 land reform previously discussed and its autonomy for its own means of production was later controlled by the state. For instance, whatever surplus production the peasants made under the *gebbar* system the surplus was appropriated by the state for maintaining Ethiopia and linking it to the global economic system (James et al.,2002:15).

In describing the Derg socialist system, Mengesha and Common (2007) write that the nationalization measures, along with the proliferation of new government institutions and corporations led to a tremendous expansion of the public sector. According to the authors the "coalition of military/ bureaucratic dictatorship" regime was characterized by a disorganized fusion of the institutions of party, state and government. This consequently encouraged the marginalization of parallel structures by appointing party functionaries to key decision making posts in the civil service (Mengesha and Common, 2007:368). As a result, the authors say that duplication and fragmentation of public functions and the downplaying of merits and professionalism became the order of the day.

In sum, while the Derg regime got approval for some of its policies and frameworks of development, its authoritarian, military, terrorizing governance structure did not create the necessary climate for business development. In contrast, the socialist government strategy for alleviating poverty dissuaded the establishment of an attractive investment climate for business development. For example, the process of licensing new businesses had many restrictions and was very bureaucratic. Mengesha and Common (2007) write that on average the workflow process for acquiring a business license would require fourteen steps to follow, consequently

taking an average wait time of eight days before the Civil Service Reform Program was introduced in 1996.

In addition to the restrictions for acquiring business licenses, the political instability (that is, internal and external conflict), the overall development policy reforms (that is, lands and nationalization of industries), the military type of regime and its centralized administration rules and procedure contributed to creating an unattractive climate for thinking or even doing business in Ethiopia. Moreover, what is important to know and understand is the psychological impact of the Derg regime not only for assessing private sector development but also for assessing Ethiopia's situations and modalities today. Public administration's shift from monarchical autocratic type of administration to military bureaucratic dictatorship administration illustrated a similarity in civil service functions and effectiveness. They both sought to appoint civil service posts to affiliated members of the communist party or monarchical regime and they both shared in autocratic centralized power. However, the Derg administrative structure, which used dictatorship and military presence to instill fear and terror on the public, sought an administrative structure which gave the political affiliates more power and the ability to manipulate the rights of individuals. As a result, there is a fragmentation of public service works and the downplaying of merit and professionalism in public functions. In fact, one of the indicators which illustrated the government's failure of administration is corruption. According to the World Bank's global monitoring report (2006), corruption is an indicator of government failure to govern. The report states "it is a consequence of the failure of any of a number of accountability relationships that characterize a national governance system from a failure of the citizen-politician relationship (which can lead to state capture) to a failure of bureaucratic and checks and balances institutions (which can lead to administrative corruption)" (Global monitoring report, 2006:124). And in

Ethiopia, the Derg authoritarian regime harbored corruption practices as a result of low civil service salary payments.

3.3.3 Bureaucracy and Small Business Development during the Democratic Regime of Meles Zenawi (1991-present)

The long desired end of Mengistu's regime was finally realized in 1991 when the Tigrayan People's Liberation Front (TPLF) and later on integrated into the Ethiopian People's Revolutionary Democratic Front (EPRDF) party, seized power from the Derg's regime (Mengesha and Common: 2007). Upon assuming its authority, the EPRDF regime set itself up as a transitional government and resumed reforming the military regime's government structure by first establishing the 1994 constitution which promulgated democracy and ethnic federalism as the foundation and base of Ethiopian politics.

The undertaken development strategy of an open market economy having as its core element the development of the private sector, particularly the investment sector generated macro economic policies for enabling and encouraging the business sector. For instance, one of the policies which sought to attract international investors looked at a particular group of investors: the Diaspora community. According to Brainard (2006:13), the Diaspora community can be mobilized to support the development endeavor of their country of origin and suggest that leaders of poor countries must make a difference by implementing effective policies and by achieving an attractive environment for private enterprise. To this end, the EPRDF established a policy directed to attract the Diaspora community.

According to the International Organization for Migration Research Series (2006: issue number 26), Ethiopia has 1.5 million expatriates. The EPRDF set up policies facilitating the

return of the Ethiopian community abroad for engaging in the socio economic endeavor of the country. According to the Ministry of Foreign Affairs, since its establishment the Ethiopian Expatriates Affairs has been working to strengthening its services to the Ethiopian Expatriates and improving their legal status in the country. To this end, rights such as the tax and customs duty free rights has been extended to returnees. Moreover, the issuance of land for the construction of residential building has been granted. Resident permits were also allowed for foreign nationals with Ethiopian origin. The permit allows foreign nationals of Ethiopian descent to return in Ethiopia and invest. The advantage to having a residence permit is that it allows returnees to be treated as domestic investors and to be employed in any field of practice with the exception of working on a regular base in the National Defense, Security, Foreign Affairs and other similar political establishments (International Organization for Migration, 2008:7).

However, the macro economic policy of creating a suitable climate for investment is questioned by the political and economic situation of the country which is a concern for entrepreneurs and investors. As briefly described in the introduction, businesses look to see if there is any policy uncertainty, macro economic instability, taxes, regulations, corruption, financing capacity, infrastructure like electricity and crime rate to decide whether or not to invest in the country (Brainard, 2006:33). These variables are related to the political and economic conditionality of the country in question.

In Ethiopia, since the EPRDF regime came to power in government, the political context can be described as being democratic in theory but fragile in practice. There are a few alarming political situations in Ethiopia that puts the government's governance practice in question and as a result discourages the establishment of a sustainable investment climate. In her article, Smith (2007) illustrates the various domestic issues impinging upon the government's pace to

democratize Ethiopia and points out that it is in a state of democratic uncertainty. Issues such as consecutive failure to embark on democratic elections in 1992, 1994, and 1995 are ones that have been blamed for not bringing about democratic change. The consecutive elections attempts were not realized because of the opposition party's refusal to participate in the election, citing the ruling party's domination of the media and the party registration process. Despite the opposition party's decision to form a coalition, the Coalition for Unity and Democracy (CUD), and to participate in the 2005 election, the election remains a contested event mostly because of the refusal of the opposition to take the seats it had won in parliament.

The failure of this election is blamed on the appeal of the National Electoral Board of Ethiopia (NEBE) (a body empowered to oversee the election process but criticized by many as biased) in the Federal High Court against the Organization for Social Justice Ethiopia's (OSJE: a coalition of thirty five Civil Service Organizations called the Ethiopian Observation Coalition) win to deploy local observers at polling stations. Consequently, the delay in appeal halted the process of deployment until two days before the election (Smith, 2007). Smith (2007:5) described the post election period as "a rapid deterioration in state-society relations". Moreover in the post election period Ethiopia detained opposition leaders, civil service organization workers, journalists and students. Smith (2007) explains that Human right concerns have grown since 2005 elections. She says that mass detentions and use of security forces have characterized the period. Moreover, the author (2007:9) states that "Human Rights Watch found that federal police, along with local officials and militias, had used various measures, from denial of fertilizers and seeds to detention and special courts, to suppress dissidents and punish rural communities that have voted for the opposition". Additional political pressure such as the religious dynamics, the ethnic dynamic and the regional conflict with Somalia and Eritrea also

describe the political fragility and instability of Ethiopia, consequently playing a critical role in business development or investment.

The establishment of sustainable investment climate is furthermore challenged by the ethnic federalism administrative structure. Henz (2003:190) writes that by the time the TPLF/ EPRDF took power in 1991, they realized that decentralization was desirable in Ethiopia. Therefore, they chose ethnicity as a framework for transferring authority to regional administration which is formalized in the 1995 constitution. However, the author cautions that the process has not been easy and that bureaucracy is still a problem in Ethiopia. Henz (2003:190) argues that the traditions and decades of past regimes where bureaucratic habits have accustomed the population to think that all initiative must come from central authority, the capacity for governance had to be created in the new regional states. The author explains that this capacity for governance is difficult because local authorities are often reluctant to authorize or initiate an activity without a higher authority approval. Henz (2003:190) says that they lack the confidence and willingness to take responsibility for the right things. The lack of capacity to govern on a regional basis is an additional constraint to creating a sustainable investment climate.

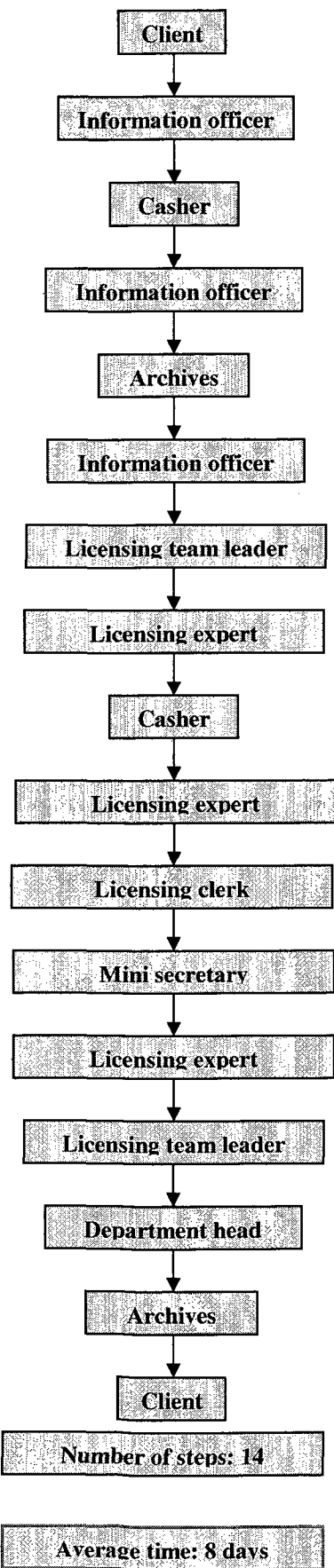
Referring to the investment climate Henz (2003) outlines the issue of corruption, the attitude of the civil servants and the layers of authority as a dissuading factor of development. He says what both domestic and foreign investors often complain about is the number of layers of authority they face and the lack of coordination that exists when implementing a project or activity. He states that bureaucrats tend to maximize their own satisfaction and self interest; as a result they tend to say no more than saying yes. The fact that they earn a little amount is also a contributing factor to breeding corruption as a result of opportunity to supplement their income. Moreover, Henz says that a communist system leaves a tolerant attitude in the population

towards corruption. Therefore, corruption is regarded as the only way to get things done and quickly. However, the author suggests that both the public and government bureaucrats' mentality must be changed.

However, the continuous external pressure and internal constraints to nation building and socio economic development in Ethiopia put the issue of effective bureaucracy to the forefront of the new government's agenda. According to Mengesha and Common (2007), the 1990's which witnessed the increased involvement of the International Financial Institutions (World Bank and IMF) sought the adoption of Structural Adjustment Programs. The SAP imposed conditions of focusing on two major areas of development (1. macro economic policy and 2. institutional reforms) as a precondition for receiving loans pushed the EPRDF to come up with its own institutional reform and introduced the 1996 Civil Service Reform Program (CSRP). Moreover, the CSRP was part of a wider program to changing the one party hegemony that existed previously to a multiparty system and changing the central economic structure to a market oriented variant.

The authors' research paper looks closely at the 1996 Civil Service Reform Program in two government departments: the Ministry of Trade and Industry and of the Ministry of Education. Their results indicate that service delivery in both administrations has greatly improved. To illustrate the improvement, the authors demonstrate a diagram which shows the number of steps taken to acquiring a license and the number of days it takes and as well as the number of steps needed to register a business. It also shows the total number of days it took before and after reform. Below is the diagram illustrating the results.

Workflow of licensing service before the reform



Workflow of licensing service after the reform

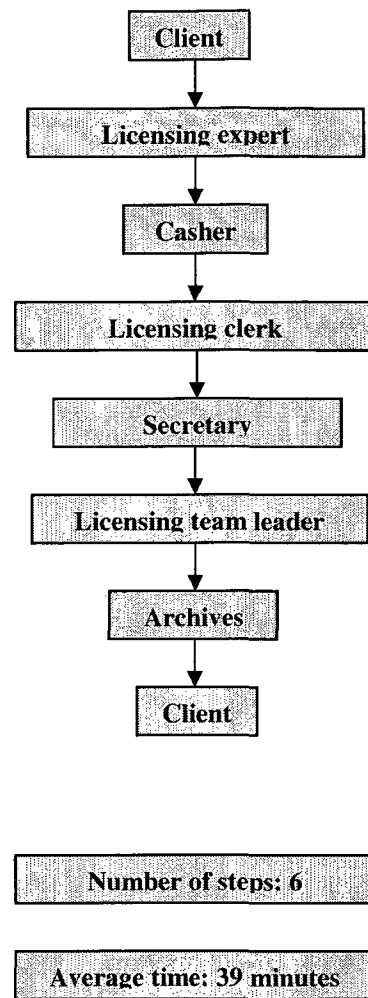


Figure 4: Workflow of Licensing Service
Source: Progress Report. Office of Civil Service Program Feb 2005

While it is important to show the positive change perhaps facilitating business development or creating an attractive business climate, it is also critical to illustrate, in addition to the political fragility, the economic condition of the country to assessing bureaucracy and business development. According to the World Bank Report country Brief last updated in January 2009, Ethiopia is one of the poorest countries in the world. With 76.9 million population in 2008, Ethiopia's per capita GDP (USD\$:200) is much lower than the average Sub Saharan Africa. Primary enrollment, access to clean water, child mortality rates have improved since 1991 and the Bank reports that the poverty headcount which stood at 46 percent in 1995/96 dropped to 44 percent in 2000/01 and 39 percent in 2005/06. However, the Bank also reported that Ethiopia is currently facing a macro economic downturn. High inflation and a difficult balance of payments situation is what characterize Ethiopia now.

When shedding some lights on the performance of the private sector in Ethiopia from 1992 to 2000, Tashu (2003:172) explains that 95 percent of the agricultural output and cultivated land are produced by private farms. Moreover, about 1,396 agricultural projects, worth 4, 571.8 million ETB birr (or 504 870.87 CAD dollars) in domestic private investment capital were approved during 1992/93-2000. Only 636 projects worth 1.704.5 million birr (or 188 230.54 CAD dollars) started to operate during the period. Also, domestic trade is the second largest economic activity in the private sector. The share of the private sector in the country's export trade was 16 percent of total exports in 1990/91 but increased to 74 percent in 1997/98 in addition to the increase of percentage in the manufacturing area from 9.5 percent in 1993/94 to 25.8 percent in 1997/98, the private sector is also involved in banking, insurances, and microfinance.

While, the IMF and World Bank's precondition to Ethiopia's receiving a loan encouraged the country to achieve the twin goal of macro economic policy adjustment and institutional reform is seen to be bringing about positive change for economic growth, the management capacity of public administration is questioned when implementing the changes brought forth by adjustment policies and institutional reforms. Batley and Larbi (2004) say that the new public management type of reform which stems from western countries' debate about whether or not to have state intervention, tend to ignore the specificities of poor countries sectors and institutional contexts. The specificities and institutional contexts of poor countries are often characterized by "dominance, weak market institutions, fiscal crises, poor incentives and political sensitivities" (Batley and Larbi, 2004:81). The following sub section illustrates the synergy of small business development in Ethiopia.

3.4 Synergy of Small Business Development

This sub section illustrates the synergy of the context under which bureaucracy and entrepreneurships cohabit. The diagram below illustrates that the climate for small business development, consequently entrepreneurship is founded under a system characterized by numerous problems such as the lack of political stability, economic poverty, lack of technical and human resources, along with issues such as corruption, and central authority of the government just to name few. Similarly, the diagram indicates that the environment of small business development is also constrained by bureaucratic sensitivity which is also a result of the aforementioned contextual problems.

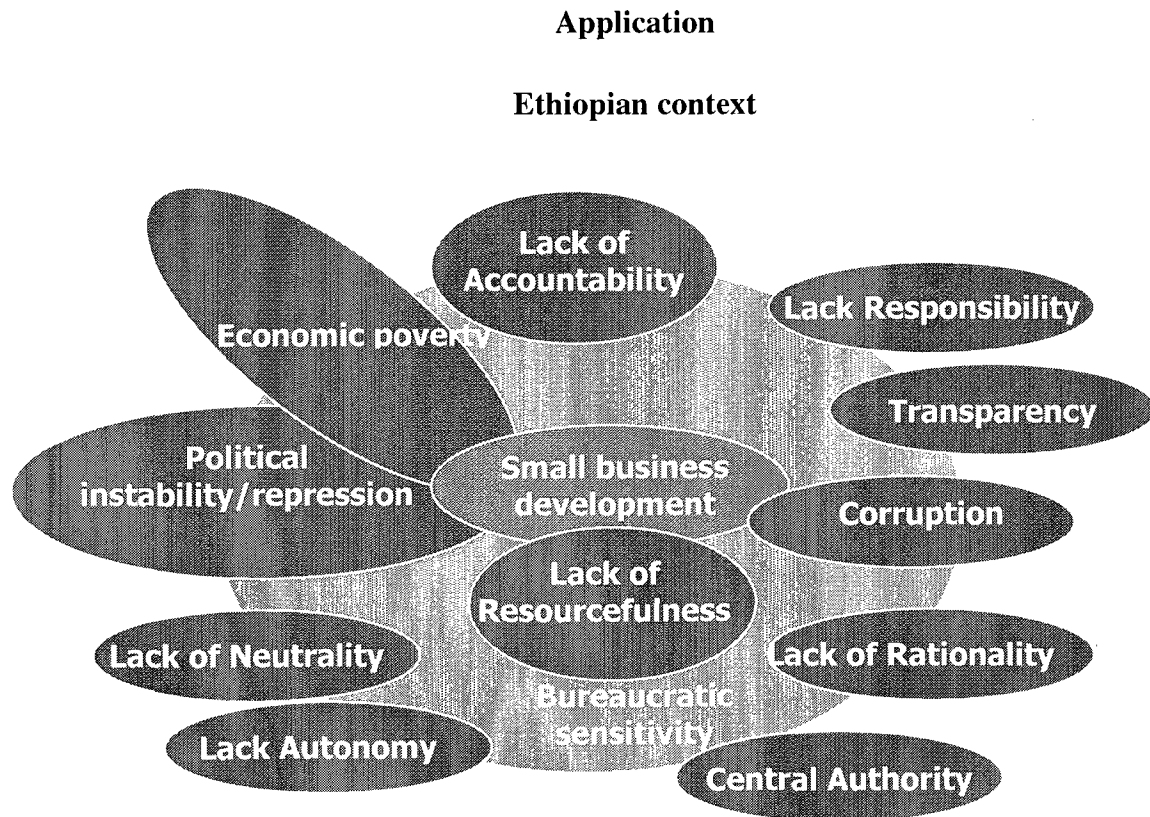


Figure 5: Climate for Small Business Development and Bureaucracy in Ethiopia

Figure 5 illustrates the Ethiopian setting for describing the interaction of small business development and bureaucracy. The diagram indicates that small business development is at the center of the climate and bureaucracy is sensitive to the conditions that disable its effectiveness. The dark circles describe the conditions that affect bureaucracy and small business development. These conditions are the presence of central authority in government structures, the lack of autonomy in administrative task, the lack of administrative neutrality, the lack of administration resourcefulness. Moreover, the conditions affecting bureaucracies are problems of accountability and transparency, along with the lack of bureaucratic rationality. Also, the strong presence of corruption, political instability/repression, and economic poverty are the conditions that limit the healthy functioning of bureaucracy and small business development. Under this context, the limitations that exist for a successful small business development are a handicap for effective development strategy.

3.5 Overall Summary

Overall, this section provided the historical context and development of public administrations in Ethiopia. The section illustrated the importance of small business development to economic growth and the critical role of effective bureaucracy in achieving development objectives. Moreover, this section showed that the relationship between bureaucracy and development priorities are not new phenomenon in the Ethiopian context. Although modern day bureaucracy did not describe Ethiopian bureaucracy for most part of its history, the attempt to imitate western style bureaucracy is seen partly during Menilik II reign to present day leadership.

The brief overview of the political and economic history of Ethiopia illustrated that the historic lines of power in Ethiopia is marked by constant struggle to claiming power and

authority, resistance to power, dominations, repressions and expansion of territories, resulting in religious and ethnic sensitivity. While the political context describes this division, the development agenda reflected the concerns and priorities of the distinct leaders. Therefore, the relationship between bureaucracy and development is characterized by the lack of continuity.

Moreover, the development agenda and its impact for small business development in the last fifty years have been distinct and difficult for the creation and sustainability of private sector climate. While Haile Selassie's effort to modernize Ethiopia created the institutions needed in the private sector, his autocratic and centralized authority did not facilitate the effective and efficient bureaucracy. Furthermore, the climate for small business development was hindered during the Mengistu's regime. The socialist/communist regime focus on the business development was practically non existent. Rules and regulations such as the government ownership of lands and private industries described the period. In additions, the red tape in public bureaus and quota regulations in administrations dissuaded domestic and foreign investors to establish private businesses. However, significant changes are seen in current day administration for small business establishment with Meles Zenawi's leadership. The civil service reform introduced in 1996 brought new concepts that contributed to effective service delivery of public administration in some sectors like the business licensing and registration sector. However, the establishment of businesses does not rely on the efficiency of some bureaucracies but on the whole Ethiopian bureaucratic climate. Therefore, the political and economic fragility of current day Ethiopia is critical to the development of private sector climate. By taking the bread baking distribution businesses as an example of small businesses, the next section describes the methodology used to assess the establishment of small businesses relationship with public administration.

4.0 Research Methodology

4.1 Introduction

This section focuses on the research methodology used to understand the relationship between public administration and the establishment of small business in Ethiopia. Taking the bread baking and distribution businesses in Ethiopia, the methodology of the research uses both qualitative and quantitative data collection methods, in addition to a realist pragmatic philosophical stance. This stance is beneficial and complementary to the mixed methodology.

Johnson and Onwuegbuzie (2004) state the mixed methodology approach in research is a complement to traditional quantitative and qualitative research. This methodology offers a third paradigm and uses pragmatism as a philosophical partner for using both techniques. Therefore, this section discusses the epistemology, data collection and data analysis of the research methodology undertaken to assess the factors that facilitate and/or limit Ethiopian bureaucracy for small bakeries business establishment. Moreover, the section illustrates a diagram and tables which indicates the summary of research methodology and a summary table showing the approach used for collecting data. Also, the sampling method diagram is also presented in this section so as to help disclose information on how data is assessed and analyzed. Below is the summary of the methodological approach to researching bureaucracy's limitation and small business development.

Summary of the research methodology applied for assessing the factors that facilitate or limit Ethiopian bureaucracy for small business establishment in Ethiopia

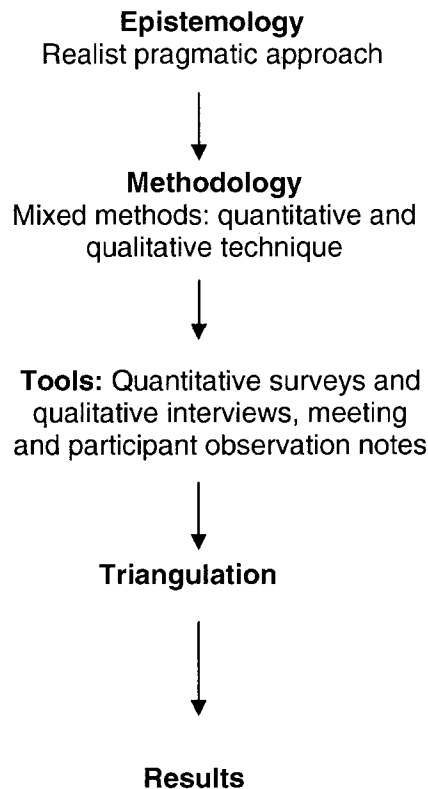


Figure 6: Summary of Research Methodology

4.2 Epistemology

The epistemology of the research is a realistic pragmatic approach where traditional quantitative and qualitative approaches are used. The focus of pragmatism as a philosophical stance puts at its center the experience and practical consequence of a belief or expression of

truth in research. Unlike the polarity that exists between traditional quantitative and qualitative stances, pragmatism is an approach and technique trying to use both traditional techniques into a workable situation (Johnson and Onwuegbuzie, 2004). In this respect the authors say that in pragmatic rule or method:

the current meaning, or instrumental or provisional truth value ... of an expression (e.g., “all reality has a material base” or “qualitative research is superior for uncovering humanistic research findings”) is to be determined by the experiences or practical consequences of belief in or use of the expression in the world (Johnson and Onwuegbuzie, 2004:16)

The advantage of using a pragmatic approach as a research methodology is that it helps to improve communication amongst researchers from different paradigms. Moreover, the approach allows researchers to look at the subject of study in various ways, consequently allowing them to use various research techniques. In addition to shedding some light on how research approaches and methods can be used fruitfully, pragmatism helps researchers consider the empirical and practical consequences when judging an idea. In the case of assessing the elements that facilitate or prevent Ethiopian bureaucracy in the establishment process of small businesses like bakeries, quantitative surveys amongst bakery owners or those who have assisted in the establishment of the business are self administered. The qualitative techniques include the semi-structured interviews among civil service servants working in two government ministries. The combination of the data collection methods is an addition to the research as it tries to find the communication gap between those who work with policy implementations and those that are receiving services. The response at both ends is therefore analyzed to create a bridge between policy and practice so as to identify and analyze the elements that facilitate or prevent the establishment of small businesses in Ethiopia. Moreover, the advantage of using the pragmatic approach to the mixed methods of data collection allows the researcher to find possible explanations to emerge from the

ground. This flexibility is made real by assigning working definitions while conducting the research.

Assigning operational definitions for the research topic is necessary in a realist pragmatic approach because the working definitions effectively test the objectives of the research. It is also consistent with the mixed methodology approach for coming to a mutual understanding of what is meant by certain variables (Babbie and Benaquisto, 2002). The operational definitions are constructed definitions of concepts that are analyzed.

Moreover, as mentioned earlier, the mixed method approach is an excellent technique of data acquisition because it applies quantitative and qualitative research methods. In studying social phenomenon, the quantitative techniques will emphasize objectifying and detaching the self from the object of study. However, the qualitative methods emphasize the subjectivity of the research study (Johnson and Onwuegbuzie, 2004). Both methods describe their data, construct explanatory arguments for it and speculate as to why what they observed happened as it did.

4.3 Data collection

4.3.1 Introduction

This sub section of the research looks at the various ways that information has been used to collect data. According to Wellington and Szczerbinski (2007:34) the process of integrating a multi-method approach for collecting data, supporting details and information and facts is called “triangulation”. Moreover, the authors say that the triangulation can be used to “map out or explain more fully, the richness and complexity of human behavior by studying it from more than one standpoint and in so doing by making use of both quantitative and qualitative data” (Wellington and Szczerbinski, 2007:35). This section illustrates both techniques as primary

methods of the collection of data. First, the self administered survey questionnaire is the quantitative research method which focuses on the bakery owner or on the people who have been in the process of establishing the business. It is important to note that a small size has been used for the self administered survey questionnaires because of the field work and time limitations of this research. Consequently, the findings may not be significant. Second, the qualitative technique used to retract information from high position civil service servants are semi structured interviews. Though unrepresentative in number, the qualitative interview is used to link central themes and discussions to the overall analysis of the research study. Last but not least, the participant observation method is also an integrated element in the triangular data collection method of the research. The section also discusses issues regarding the type of research techniques and applied tools, the size of the sample and the average time consumed when undertaking the research methods. Below is a summary table of the mixed method approach for collection data.

Summary of mixed method approach for collecting data

Type of Method	Sampling frame	Applied tools	Average time consumption
Quantitative surveys technique includes Pre-testing survey questionnaire by three bakeries	Sampling frame consisted of 230 bakeries among which forty bakery owners or people who have been in the process of establishing the business have been surveyed	Self administered	35-45 minutes
Qualitative interview	Two public administration officials from the Ministry of Trade and Industry and Quality and Standards Authority of Ethiopia	Semi structured interview	1.5 to 2 hours taped interviews
Participant observation	The researcher	Assisted in the establishment of a small bread baking and distribution business and a previous co-owner of the business; Formulated research question, Overseeing the running of the business; Attended a one day meetings organized by the Standardization Authority;	8 months to establish the business; 8-12 months of research question speculations, 3 months of Field research travel, Overall two years of study on the research.

Table 1: Mixed Methodology Approach

4.3.2 Self Administered Survey Questionnaires

As an integrative element of both a pragmatist approach and mixed method research, the study uses both traditional quantitative and qualitative methods. The first one is the self administered survey technique used to collect data from small bakery owners or the people in charge of the business and who have helped establish the business. The design and construction of the self administered survey questionnaires was developed based on two important elements. The first is the key assumptions found in the reviews of literatures about entrepreneurship and bureaucracy in the African context. In order to assess the elements that facilitate and hinder the development of small businesses, the reviews of literatures about the subject helped design the questions necessary to ask bakeries. It contributed in creating questions by identifying the elements that may limit the establishment of businesses in Ethiopia as a result of bureaucracy. The second element is the researcher's previous involvement experience in establishing a bakery in Ethiopia. This experience also contributed in the design of survey questions by recognizing some of the limiting factors to establish a small business in Ethiopia. Both, the reviews of literature and researcher's personal experience assumptions contributed to the biased survey questionnaire that highlights more the elements that limit public administrations for establishing small businesses rather than illustrate the elements that may facilitate their establishments.

In order to pre-test survey questionnaires, three bakery owners were asked to assist in the amendments of the draft sample of the survey questionnaire and were asked to suggest additional questions if necessary. In the appendix section, the complete amended version of the questionnaire is presented. As a result of the pre-tested questionnaires, question 7 and 8 in

reference to the list of bread types sold by the bakeries and the average type of bread sold each day have been amended.

Forty self administered survey questionnaires were conducted from a sample frame of 230 bakeries. Though the questionnaires were self administered, the researcher's presence and research assistant contributed in the clarification of operational definitions.

The descriptive purpose of the research requires working definitions or operational definitions. In operationalizing the concept of Ethiopian bureaucracy's advantage and or limitations for establishing a small business, it is important to be clear on the range of variation that exists between concepts. Concepts such as bureaucracy, factors that are considered to be limitations as well as facilitations to small business establishment need to be clarified. It is critical to explain what is meant by the variables such as: 'public administration's limitations or advantages for delivering its services' and 'the establishment of small businesses'. Moreover, the attributes that comprise both variables are also important for the degree of precision and purpose in describing a statement and for data acquisition or methodology of the research. For example, the attributes composing both variables assisted in the process of designing self administered survey questionnaires. The self administered questionnaires surveyed small business owners' attitudes towards public administrations role in setting up their small business. In this aspect, examining how people feel about the indicators identified as possible limiting factors to the Ethiopian public administration is suitable. The considered limiting factors indicators mainly come from the reviews of literature and from the researcher's personal experience in establishing a bakery. These are inadequate information delivery, lack of communication and coordination within the employees and public bureaus departments, lack of management capacity in public administration, and corruption. To examine the attitudes of small business owners towards the

four indicators, the self administered survey questionnaire is designed with variables that compose attributes that are exhaustive and mutually exclusive. For this particular research forty surveys were found to be enough for analysis although generalizations cannot be made because of the lack of representation of bread baking and distribution businesses.

The diagram below presents the strategy that is used to make the choice between probability sampling methods.

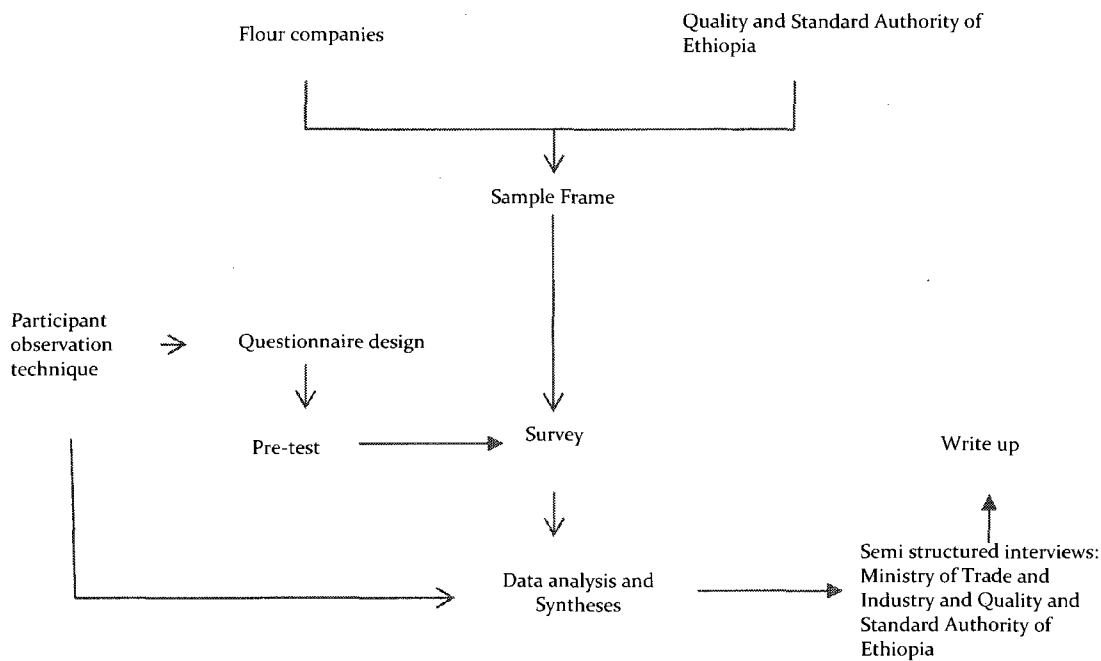


Figure 7: Sampling Method Diagram

As mentioned in the introduction, the sample size was a small number of 40 bread baking businesses. There were two ways used to get the sample frame of bakeries. The first strategy used to get bakeries involved in the study is to approach a flour company whom the researcher knew personally. The second method used is a public meeting gathering for retrieving bakery listserves. The Quality and Standard Authority of Ethiopia organized a public meeting about the

quality and standards of bakeries to regulate the minimum size of small breads sold in the market. This meeting was organized in response to answering the national hike in food prices and consequently the increase in bread prices. The Authority invited bread baking businesses to inform them and the public about the regulations, and to ask the businesses to form an association for communicating their concerns about government intervention rules and regulations and its impact on bakeries. All listings of bakeries contacts from both sources were a total of 230 bakeries amongst which 40 respondents agreed to participate in the study. A snowball technique has been used to get the consent of 40 respondents to participate in this research. However, assuming that the total number of bread baking establishments in Addis Ababa would have been 500, then a randomly selected sample size of 217 participants would have been represented the overall bread baking and distribution businesses in Addis Ababa with a sampling error of about +/- 5% of the total bread baking population in the city.

4.3.3 In depth Interviews

The second integrative element of both a pragmatist approach and mixed method research, was the use of qualitative and observation techniques in the collection of data. In this research, the qualitative primary sources of collecting data included interviews and observation techniques. The interview consisted of a semi-structured interview of two representatives working in public administration bureau: the director at the Ministry of Trade and Industry and the general director of the Quality and Standard Authority of Ethiopia. The design of the semi structured interviews was developed based on the literature reviews about entrepreneurship and bureaucracy in the African context. The problem of entrepreneurship in African context and the limitation of bureaucracies to develop a sustainable business climate helped design semi

structured interviews. The semi structured interviews particularly contribute to determine the elements that facilitate bureaucracies for small business establishment. A table highlighting the content discussed with both representatives is presented in the annex section of the research under table number 2.

The research questions were designed to answer the objectives of the research. Here are the research questions:

- What are the strengths, weaknesses, opportunities and threats of the Ethiopian public administration in relation to small business development?
- What is the relationship between policy and practice within the Ethiopian public administration's role in the business sector and the private sector?
- What are the limitations of the Public Administration in Ethiopia for setting up a small business?

The advantage of doing qualitative interviews is that the method allows the researcher to investigate and prompt things that were not observable. Moreover, the researcher could probe the thoughts, values, perceptions, feelings and perspectives of the interviewee (Wellington and Szczerbinski: 2007). In addition, the strengths of conducting a semi structured interviews are the simple and efficient ways of constructing a structured data set.

The information collected from the interviewees not only assisted in eliciting the respondents' side of the story but in understanding the components and socio-economic elements of public administrations to verify whether consistency exists between what small bakery owners say and what the public official say about public administration role in facilitating the effective service delivery for small business development in Ethiopia.

4.3.4 Participant Observation

The third element of the research methodology is the participant observation. Wellington and Szczerbinski (2007) illustrate a spectrum of Observation. Below is the diagram that the authors show to demonstrate the degree of involvement of the researcher.

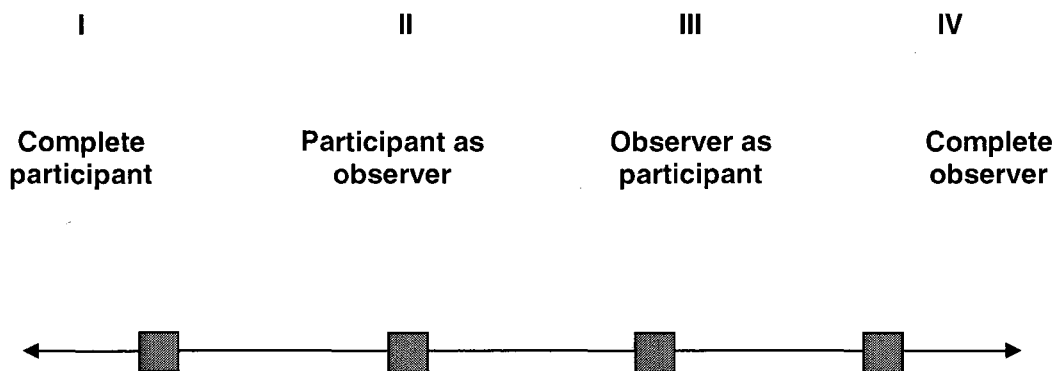


Figure 8: Spectrum of Observation (Wellington and Szczerbinski, 2007)

In identifying the degree of involvement, the authors state that the different kinds of observation from this spectrum may be possible in different situations. In the case of the bread baking and distribution business in Ethiopia, the researcher was at some point in time a complete participant but not during the period of the research. Prior to the engaging in the research, the researcher established the bread baking business in Ethiopia. However, after assuming to undertake the study, the researcher became a participant observer by direct observation, informal interviews and discussions with few bakeries, some public servants and few entrepreneurs. The participant observation method also included the information gathered from the researcher's attempt to manage her mother's bakery during the field research.

The strength of participant observation prior to and while undertaking the research study is the advantage it has in not only studying groups but also in its phenomenology. The role of participant observer increases the validity of the study as the observation allowed the researcher

to have a better understanding of the context and phenomenon of the study. Moreover, after exploring the components of socio-economic, political elements of the Ethiopian public administration, this method supports the description of the phenomenon. Also, as a participant observer the researcher's notes and vivid memories of personal experience helped to detect areas of concern in the management capacity of public administration (Babbie and Benaquisto, 2002). However, the fact of being a participant observer has the limitation of being biased. As a business shareholder, the researcher is tempted to assume or make arguments based on personal experience. This aspect may have hindered the overall research study somewhat.

4.4 Research Limitations

So while the research used a combination of quantitative and qualitative methods combined with a limited form of triangulation, the limitations of this research are primarily in the form of (a) a small snowball sample of bakery respondents, (b) only two in-depth interviews with Ethiopian Government administrators and (c) some participant observation which began prior to the formal data collection period. In this sense the research analysis and results below, suffer from being purely exploratory, however, the study does provide a solid basis for future research on bakery entrepreneurialism in Ethiopia and the bureaucratic restrictions encountered by those attempting to set up and manage successful bakeries in the country

4.5 Data Analysis

In the mixed methods approach, the method used for data analysis is the triangulation technique. The information gathered from the reviews of literature and from the researcher's personal experience contributed to the construction and design of the survey questionnaires. Once the survey was then pre-tested among bakeries and the amendments to the draft questionnaire were made, it was then formally administered. Upon finishing the surveys, semi-

structured interviews were conducted among two officials in two ministries. Transcribing both interviews allowed the researcher to identify public administration official concern of the private sector development and what they are doing to improve the climate for entrepreneurs. In addition, the interview helped the researcher to undertake a Strengths, Weaknesses, Opportunities and Threats analysis. Also, this triangulation method improved the reliability and validity of the results and the researcher was able to verify information and apply corrections where necessary by using the cross reference techniques.

Moreover, the Statistical Package for Social Science (SPSS) was the software used to analyze the survey questionnaires. Among the SPSS data analysis, frequency distribution and cross tabulation were used to analyze the data. After the recording and analysis of semi structured interviews, the recorded tapes and transcribed information were saved in a box for future reference, along with the collected surveys.

4.5 Summary

In sum, the quality of the mixed methods analytic approach is the flexibility it provides from using qualitative to quantitative data acquisition methods. In doing so, the mixed methods analytical approach provides stronger evidence by converging and supporting findings. The mixed methods analytical approach is effective as it attempts to create a third learning paradigm (Johnson and Onwuegbuzie, 2004). In social science, research studies often tend to be quantitative or qualitative. The mixed methods approach attempts to move beyond merely a qualitative or a quantitative method since it uses both constructively. The goal of the mixed methods approach is not to replace, but to draw upon strengths of quantitative and qualitative techniques. In doing so, the mixed methods approach attempts to minimize the weakness of both techniques in a single research study or across studies (Johnson and Onwuegbuzie, 2004).

5.0 Results

5.1 Introduction

The previous section described the methodology for assessing the bureaucracy in the Public Administration agencies of Ethiopia in the establishment of bread baking and distribution businesses. This section looks at the results of the self administered survey questionnaires as well as those from the semi-structured interviews. The first part consists of the results and analysis of the bread baking and distribution businesses obtained through the self administered survey questionnaires. The second part presents the results and analysis of the qualitative interviews conducted among government officials working in two ministries. The interviews were conducted with the high ranking official from the Ministry of Trade and Industry and the Director of Quality and Standard Authority of Ethiopia.

5.2 Quantitative Findings

5.2.1 Introduction

This sub-section looks at the results and presents an analysis of bread baking and distribution businesses, obtained through the self administered survey questionnaires. This includes information about the sample of bakeries, the period of business establishment, the size of the bakeries, information about the bread baking business market, the type of products sold, as well as the length of time and the factors required to establish bakeries. Moreover, the results take into consideration the entrepreneurs' overall perception of public administration. The key indicators surveyed include the role of public administration for setting up business; the efficient service delivery of information; the management capacity of public administration for establishing the business; and an evaluation of whether public administration facilitates or hinders the establishment of bakeries. Additionally, the opinions and viewpoints of entrepreneurs

on corruption practices have been presented and analyzed, along with their perceived challenges and recommendations.

5.2.2 Bakeries Sample Information

Forty self administered survey questionnaires were retrieved and conducted from the sample frame that consisted of 230 bread baking and distribution businesses. In order to highlight information about the respondents in the sample, this sub-section presents the results and an analysis of the respondents' demographic data such as gender, business management description, age, education level and ethnicity. The results of the survey provide information about the respondents' background and the various types of people who are in the bread baking and distribution business. It also provides some information the business climate in Ethiopia.

Table 2: Respondent Demographics

Gender	Frequency	Percent
Male	27	67.5
Female	13	32.5
Total	40	100.0

As illustrated in table two, most respondents are male. This indicates the lack of women in the bread baking and distribution business industry.

Table 3: Respondent Ownership / Management Role

Type of Management	Frequency	Percent
Business owner	26	65.0
Manager of the business	5	12.5
Son/daughter of Owner	7	17.5
Brother/sister of Owner	1	2.5
A close relative of the Owner	1	2.5
Total	40	100.0

Table 3 shows that 65.0 percent are the business owners and that 12.5 percent of bakeries are run by managers. Also the table illustrates that 17.5 percent of bakeries are run by the sons/daughters. This suggests that bakeries are predominantly family run businesses.

Moreover, respondents' demographics in terms of age provide additional information about the business climate and the types of people who run the bread baking industry. Table 4 shows the results of three important age groups in bread baking and distribution activities.

Table 4: Respondent Age

Age Category	Frequency	Percent
Less than 30	12	30.0
31-40	13	32.5
41-50	12	30.0
Above 50	3	7.5
Total	40	100.0

The fact that most respondents are between the ages of 26-40 and account for 62.5 percent indicates that respondents are young¹.

When looking at the frequency distribution in regards to ethnicity and level of education, Table 5 indicates that the largest numbers of people in the bread baking businesses are of the Gurages ethnic background which includes the Silts tribe.

¹ For the purpose of the research, young is defined in terms of people who are 40 years of age or less.

Table 5: Respondent Ethnic Background

Ethnicity	Frequency	Percent
Oromo	4	10.0
Amhara	7	17.5
Tigray	6	15.0
Silts	10	25.0
Gurages	9	22.5
Ethiopian ²	1	2.5
Other	3	7.5
Total	40	100.0

Table 5 shows that the Gurages (22.5 percent) and the Silts (25.0 percent) represent the largest ethnic groups in the business. The Silts are a tribe officially considered to be part of the 2 percent Gurage population but have more recently identified themselves as a distinct ethnic population. This information reinforces the reputation of the Gurages as business oriented people.

Table 6: Respondent Education Level

Respondents education level	Frequency	Percent
Some high school education or less	9	22.5
High school diploma and some college education	18	45.0
College diploma	7	17.5
Some university education and higher degree	6	15.0
Total	40	100.0

Table 6 shows over 75 percent of the respondents to have at least a high school diploma or a higher level of education. The table shows 22.5 percent to have some high school or less level of education. This suggests that close to all respondents are literate and should be able to evaluate information. The significance of having a higher level of education than that of the

² One person classified himself 'Ethiopian'. This is because some people don't believe in ethnic divisions. They consider themselves as belonging to all ethnic backgrounds and call themselves Ethiopian.

primary level is in its impact on assessing information for the establishment of the business in relation with public administration's bureaucracy. This means that respondents' ability to read, write and assess information facilitates the communication between the respondent's inquiries and public administration's delivery of its services.

Thus the respondents in the sample are most likely educated and this implies that they are able to assess information and communicate their inquiries to civil servants in public administration offices. Moreover, the fact that most respondents in the sample are from the Gurages ethnic group confirmed their reputation for having a business oriented spirit. Also, the fact that most respondents are between the ages of 26-40 shows that most respondents are young. However, the sizes of bakeries and their products illustrate additional information about bakery businesses and the internal and external factors affecting the production and distribution of bread, consequently threatening bakeries continuity.

5.2.3 Bakeries' Size³ and Product Information:

In order to determine the size of their businesses, respondents were asked various questions such as the number of their employees, the number of their store locations and whether or not they distribute bread from their own locations only or to other different shops. The amount of kilograms produced each day is also used as an indicator of the size of the business.

³ Size of bakery refers to the number of employees, number of bakery locations, whether or not bakeries distribute bread, and the amount of flour in KG produced each day.

Table 7: Number of Employees in Each Bakery

Number of employees working in each bakery	Frequency	Percent
Fewer than 5 employees	1	2.5
5-10 employees	21	52.5
More than 10 employees ⁴	18	45.0
Total	40	100.0

Table 7 indicates that the slight majority (55 percent) of bakeries have up to 10 employees and that the remaining 45 percent have more than 10 employees. This shows that a slight majority of bakeries in the sample are small scale businesses while a good number are medium scale industries. This suggests that bakeries may start small with the possibility of expanding to a medium type of industry.

Table 8: Number of Bakery Locations

Number of locations	Frequency	Percent
One location	16	40.0
2-4 locations	21	52.5
5 or more	3	7.5
Total	40	100

Comparatively, the results on table 8 and 9 provide further information as to the number of locations owned by each bakery and also about the size and nature of their bread distribution centers.

⁴ For the purpose of the research, bakeries that have more than 10 employees are considered to be medium scale.

Table 9: Bread Distribution and Type of Outlet

Whether or not respondents distribute bread and the type of Outlet	Frequency	Percent
Doesn't distribute bread	18	45.0
Does distribute bread (unspecified)	1	2.5
Distributes to bread shops	19	47.5
Distributes to groceries and supermarkets	1	2.5
Distributes to restaurants and cafés	1	2.5
Total	40	100.0

Table 8 and 9 shows that most bakeries have more than two locations (60 percent) and distribute bread to bread shops, grocery stores, supermarkets, restaurants and cafes. Table 10 shows that close to all bakeries produce at least more than 200 kg of flour per day to make bread. This information implies that having one location and not distributing bread can be equivalent in terms of size with those that have more than two locations and are distributing breads: both are producing at least 200 kg of flour per day for making bread, suggesting that the size of the business is not necessarily dependent on the number of bakeries locations.

Table 10: Daily Consumption of Flour Used in Bread Production

Flour production per day	Frequency	Percent
100-150kg per day	1	2.5
151-200kg per day	3	7.5
More than 200kg per day ⁵	36	90.0
Total	40	100.0

⁵ For the purpose of the research, 200 kg of flour to bread production per day is the minimum amount of bread production set to engage in the bread baking and distribution business.

However, when looking at the types of bread sold in the market, Table 11 indicates that bakeries face internal and external pressures affecting their production and survival in the industry.

Table 11: Type of Bread Sold (Weight of Loaves)

Type of Bread Sold	Frequency	Percent
50g Loaves	27	67.5
50-100g Loaves	31	77.5
100-200g Loaves	39	97.5
200-300g Loaves	33	82.5
A Range of bread Types	25	62.5
All of the above	18	45.0

Table 11 shows a variation in percentage results with regards to the weight of Loaves that describe the different kinds of bread sold in the market. The table shows an increase between respondents who produce the 50g of Loaves of bread (67.5 percent) and those who produce the 100-200g of Loaves (97.5 percent). However, when looking at the respondents who produce the 200-300g of Loaves of bread, there is a decrease in percentage results (82.5 percent). The increase from producing 50 g of Loaves to the decrease in the production of 200-300g of Loaves type of breads suggests that the 50g of Loaves of bread may be demanded or may inform about the possible pressures affecting bakeries in the market such as profit making, management capacity, government intervention and the economic crisis in Ethiopia which consequently affect the bakery market.

With regards to the 50g of Loaves type of bread, there is an internal pressure of making profit in selling these types of bread in the market. The cost associated to producing these types of bread in terms of time is often a lot more than its return. The study of bread baking

distribution businesses undertaken by the Quality and Standard Authority of Ethiopia (2008) illustrates that most bakeries do not have the appropriate equipment to produce breads such as the oven, the bread slicer, dividing machines, bread molder and appropriate scale for measurements. Not having such machinery implies that most bakeries produce their breads manually which is labor intensive (Quality and Standard Authority of Ethiopia: 2008). The reasoning is that the labor intensive cost associated to producing the 50 g breads becomes an issue when sold at a very low unit price. Since the idea of producing and distributing bread is to generate profit by selling a lot of bread, spending time to produce bread that does not produce a good return is not reasonable.

Also, another factor which may contribute to a lower production of the 50 g type of bread is due to the external pressures faced by bakeries. The pressures of managing a business under the current political and economic climate are critical to the type of bread produced. The political condition of government intervention to price control and the economic crisis impact on food prices and the food supplies⁶ may have affected bakeries to produce the 50 g type of bread. For instance, the price of flour increased from 400 birr / 100kg in August 2007 to 950 birr in June 2008 when the survey was administered.

The shortage of wheat production and the increase in food prices such as flour, oil, salt, sugar, and other raw materials needed to produce bread forced bakeries to increase the price of their breads and decreased the gram input for small bread production. As a consequence, people were dissatisfied with bakeries and some small scale riots occurred in the city of Addis Ababa. During the time the research was undertaken, the Quality and Standard Authority of Ethiopia

⁶ The increase in the prices of food is the result of the current inflation in Ethiopia. Moreover, the shortage in the supply of food is seen in the crisis of wheat production in Ethiopia today. According to White et.al, (2001), Ethiopia is the second largest producer of wheat in Sub Saharan Africa. However, the annual production of wheat is insufficient to meet its domestic demand, consequently forcing the country to import 30% to 50% of its wheat from abroad.

undertook bakery research and informed bakers in a meeting that the minimum scale for small bread should be 50g and no less. Although the Authority did not mention at what price the bread needed to be sold, it did however, emphasize that the sale of that type of bread should be restricted to “a reasonable price”, keeping in mind those who can not afford the bigger size bread. As illustrated in the table, the decrease in the production of 200-300g of Loaves may relate to the information that bigger sizes of bread are less affordable for all Ethiopians to consume it.

The following results and analysis of the bakery market forces illustrate more information regarding the difficulties faced by bakeries in running a business under such conditions.

5.2.4 Results of the Bread Baking Market Forces

Respondents were asked to rate statements regarding the market’s profitability, their perception of bakeries potential for success, the ease of management experience, the bakery market competition.

Table 12: Respondent View of Bakery Business Profitability

Bakery Business is Profitable	Frequency	Percent
Strongly agree	3	7.5
Agree	25	62.5
Don't know	2	5.0
Disagree	10	25.0
Strongly disagree	0	0.0
Total	40	100.0

Tables 12-15 describe information about the market forces of the bread baking industry. The tables indicate that most respondents (70 percent) thought that the bakery business is profitable. However, when asked if there is potential to succeed when opening a bread baking and distribution business the majority (60 percent) thought that there is no potential to succeed. This

is because at the time when the survey was administered, bakeries were under the pressure of government's intervention for controlling the price increase of bread. The direct impact of the inflation on the food sector and the shortage of wheat production created the lack of flour availability in the market. The combination of all three elements explains why most bakeries thought that the potential to succeed in the market is small.

Table 13: Respondent's Perception of Bakeries' Potential to Succeed

A Bakery Business has the Potential to Succeed	Frequency	Percent
Strongly agree	4	10.0
Agree	8	20.0
Don't know	3	7.5
Disagree	24	60.0
Strongly disagree	0	0.0
No Response	1	2.5
Total	40	100

When asked if the market is more competitive than it used to be, Table 14 below indicates that 90 percent of respondents agreed that it was. This suggests the competitive nature of the bakery industry.

Table 14: Respondents' Views about the Competitiveness of the Bakery Market

The Bakery Market is Becoming More Competitive	Frequency	Percent
Strongly agree	4	10.0
Agree	32	80.0
Disagree	4	10.0
Strongly disagree	0	0.0
Total	40	100

However, the results of the market forces on table 15 indicate that there is difficulty in managing bread baking and distribution businesses and question bakeries potential to succeed.

Table 15: Respondents View of the Difficulty of Bakery Management

Managing a Bakery is Difficult	Frequency	Percent
Strongly agree	2	5.0
Agree	33	82.5
Disagree	4	10.0
Strongly disagree	1	2.5
Total	40	100

The fact that bakeries operate in a competitive market and are difficult to run refers to the conditions under which bakeries are established and run. As previously mentioned, these conditions are characterized by a sudden increase in food prices, the government's intervention to deal with the purchasing power of its citizens and the lack of flour availability in the market place. The high percentage of respondents who viewed bakeries as difficult to manage may be referring also to their internal struggle in administering their business in terms of making profit, expanding the business, dealing with the competition brought on by the increased number of bakeries, finding capable persons to manage the business, and the aforementioned external problems. As a result, the potential to succeed in the bakery business is questioned.

However, when looking at the results of the period of business establishment, the analysis points to the accessibility of the business climate for establishing bakeries under the current EPRDF regime, but cautions about the impact of the current economic conditions on the Ethiopian diet.

5.2.5 Results of the Period of Business Establishment of the Bakeries

In order to determine the time of establishment, respondents were asked the establishment year of their businesses.

Table 16: Period of Establishment of the Bakery Business

Period of business establishment	Frequency	Percent
Haile Selassie 1930-1974	1	2.8
DERG 1974-1991	5	14.0
EPRDF 1991-1995: 1 st stage of reform	3	8.4
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	9	25.2
EPRDF 2001 – current: 3 rd stage of reform with Public Sector Capacity Building Support Program under the new capacity building ministry	18	50.0
Total	36	100.8 ⁷
Missing	4	

A high percentage of respondents indicated that they had opened their businesses since the second stage of the EPRDF's reform less than twelve years ago, particularly during the third phase of reform. This has two important implications for bakeries with regards to the Ethiopian context. The first relates to three stages of reform under the current EPRDF regime which have consequently facilitated the investment climate. The second implication relates to the impact of economic conditions on local diet such as Ethiopian bread (enjera). As explained in the chapter which establishes the context of Ethiopia, during the socialist/communist regime, the investment climate along with business development was allowed. Nevertheless, mechanisms were put in place to dissuade people from investing. For example, the dissuading strategy was manifested in the process and time it took for entrepreneurs or investors to acquire a license and get their businesses registered. However, when looking at the current regime's approach to economic development, three stages of reform can be identified and consequently encouraged private sector development.

⁷ Percentage calculation include the sum of rounded decimals

Taube and Pätz (2008) write that the first phase of reform in Ethiopian government took place in 1991-1996 when the EPRDF party consolidated its power and focused on structural adjustments, economic liberalization and some structural reforms in the public sector as advised by the World Bank and the IMF. Recognizing the constraints of the legal and civil service framework of the DERG regime to poverty reduction and development, the EPRDF introduced the second phase of reform (Mengesha and Common, 2007). The 1996 Civil Service Reform Program (CSRP) sought to address effective and efficient public administration at all levels of government. This reform included some concepts of the new public management approach to managing public administrations in Ethiopia. To this, Mengesha and Common (2007:6) write:

...the CSRP sought to build a fair, transparent, efficient, effective and ethical civil service primarily enabling legislation, developing operating systems and training staff in five key area: (i) Expenditure Control and Management, (ii) Human Resources Management, (iii) Service Delivery, (iv) Top Management Systems, (v) Ethics.

The third phase of reform took place in 2001, when the government created a new federal ministry, the Ministry of Capacity Building which had the responsibility to fully implement and revive the 1996 CSRP at all levels of government and to coordinate and guide consecutive reforms and special programs. The Public Sector Capacity Building Support Program (PSCAP) which was launched in 2003 and in operation since 2005, is the umbrella encompassing consecutive programs after the introduction of the 1996 CSRP. This support program has the objective of improving the government's capacity for effective and responsive public service delivery. In addition to reinforcing and reviving the 1996 CSRP, the PSCAP focuses on institutional transformation in five areas other than civil service reform: District-Level Decentralization, Urban Management Capacity Building, Tax Systems Reform, Justice System Reform, and Information Communications and Technology (World Bank, 2004).

As table 16 indicates, 25 percent of the respondents opened their businesses during the second phase of reform in Ethiopian government (1996-2001). This period saw the introduction and operation of the 1996 Civil Service Reform Program. During this time, the service delivery of Ethiopian administration in the business sector saw reduced times in obtaining business licenses and getting businesses registered. Also, the table indicates that for 50 percent of respondents, their businesses established in the third phase of reform. From 2001 to the present time, the Ethiopian administration saw various reforms and special programs such as the Performance and Service Delivery Improvement Policy which was designed to promote Business Processing and Reengineering (BPR) as important management initiatives (Mengesha and Common, 2007). These programs improved the public administration's bureaucracy for establishing bakeries.

The second implication for bakeries relates to the economic context of Ethiopia. There is a high demand for bread in Ethiopia instead of Enjera (the traditional bread made out of Teff). The substitution of Enjera by bread in the Ethiopian diet is explained by the consequences of current inflation in Ethiopia and the food shortages facing the country. The increase in the price of raw materials such as the price of flour, wheat, oil, salts and teff, just to name a few of its important ingredients, affected the purchasing power of the people, consequently forcing people to switch from making traditional bread at home to buying flour bread produced by bakers. Furthermore, the lack of availability of teff⁸, has forced citizens to eat bread made out of flour instead of their traditional bread consequently increasing the demand of bread in the market.

⁸ Teff is a crop used to making the Ethiopian bread called Enjera. According to Piccinin (2002) from the Department and Food services Harborview Medical Center, the demand of teff is high because of its nutritious content and its rising popularity in the US for alternative crop. Also, because of the limited environment needed to produce Enjera, the demand of teff and its availability is limited because of it requires labor intensive harvesting and processing technique.

The information above indicated that the current government’s approach and reform initiatives towards private sector development have facilitated the establishment of bakeries. It also illustrated that the current economic conditions of Ethiopia described by inflation, created high the demand for bread in the bakery industry as a result of the increase of teff prices and lack of its availability. However, regarding the length of time and factors required to establish bakeries, the results and analysis indicate that there are fewer bureaucratic concerns for establishing bakeries during the third stage of public sector reforms but identifies capital as a constraining factor limiting the establishment of new bakeries in Ethiopia today.

5.2.6 Results of the Length of Time and factors to Establishing Bakeries

In order to assess the overall process and the length of time required to establishing the business, respondents were asked questions relating to the length of time and factors required to establish a bakery.

Table 17: Respondent View of Time Required to Open the Business

	Frequency	Percent
Time Required to Open the Business		
Business did not take a long time to be established	20	54.1
Establishment took between 2-4 months	3	8.1
Establishment took between 4-8 months	10	27.0
Establishment took more than eight months	4	10.8
Total	37	100.0
Missing	3	

When asked whether or not the business took a long time to establish, slightly more than half of the respondents (54.1 percent) did not think that their businesses took a long time to establish while the remaining 45.9 percent thought otherwise. This information refers to the experiences of respondents when establishing their businesses. It suggests that while slightly

more than half of the respondents did not perceive that their businesses took a long time to establish, a good number thought that it did.

Table 18: Comparison of the Length of Time to Establish the Bakeries and the Period of Establishment

Period of business establishment	Length of time for Bakery to be Established									
	Bakery did not take a long time to be established		Between 2-4 months		Between 4-8 months		More than 8 months		Total	
	#	%	#	%	#	%	#	%	#	%
Haile Selassie 1930-1974	1	2.9	0	0.0	0	0.0	0	0.0	1	2.9
DERG 1974-1991	3	8.8	1	2.9	1	2.9	0	0.0	5	14.7
EPRDF 1991-1995: 1 st stage of reform	1	2.9	0	0.0	2	5.9	0	0.0	3	8.8
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	2	5.9	0	0.0	4	11.8	3	8.8	9	26.5
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	13	38.2	1	2.9	1	2.9	1	2.9	16	47.1
Total	20	58.8	2	5.9	8	23.5	4	11.8	34	100.0

The results in table 18 indicate that the majority of respondents who stated that their businesses did not take a long time to establish opened their businesses during the third phase of reform. The establishment of a new ministry (the Ministry of Capacity Building) and the PSCAP facilitated the establishment of bakeries. Reforms and special programs like the Performance and Service Delivery Improvement Policy were applied in all sectors of government, and improved

the service delivery of public administrations, particularly in the business licensing and registration sector from the Ministry of Trade and Industry.

However, table 18 also indicates the disparity among the respondents who stated that their businesses took a long time to establish and opened their businesses during the second phase of EPRDF's reform and those who opened their business after 2001. While 21 percent of the respondents stated that their businesses took more than four months to establish in the second stage of reform, only 6 percent described that their businesses took more than four months to establish during the period of the third phase of reform. This indicates that the delay to opening bakeries has decreased in the third stage of the EPRDF's reform. This refers again to the implementation of public sector reforms, and capacity building reforms and its impact on the business sector which consequently helped establish bakeries in Ethiopia. Despite improvements, the following tables indicate that there are still concerns about public administrations in establishing a business, consequently questioning the full realization of the reforms.

5.2.7 Results of Overall Perception towards Public Administration in Establishing Bakeries

In order to assess the overall relationship of public administration with small business establishments, bakeries were asked various questions about their perception of public administration. Respondents were asked to rate statements describing their overall perception of public administration for establishing their businesses, along with its role in relation to their business establishment. Moreover, they were asked to rate statements describing public administration's service delivery of information and its management capacity. Respondents were also asked to rate statements about bribery, the lack of communication among the employees of public administration and about files being lost.

Table 19: Respondents' Perception of the Contribution of Public Administration to Business Establishment

Public Administration Role	Frequency	Percent
Very good	4	10.0
Good	17	42.5
Not very good	14	35.0
Poor	5	12.5
Total	40	100.0

The perception of the role of public administration in facilitating the establishment of businesses shows a close divide in the number of those who thought that the role of public administration was good and those who thought otherwise. The results in table 19 show that most respondents (52.5 percent) have a positive perception about the role of public administration but nearly half of respondents (47.5 percent) have a negative perception. The information refers to the overall public administration improvements brought by the second phase of government reform through the 1996 Civil Service Reform Program and the third phase of consecutive reforms through the PSCAP for effective and responsive government. These phases of government reforms enhanced not only the public administration's business sector delivery of services such as licensing and registration but also with respect to personal documents needs such as birth certificates, marriage certificates, power of attorney and other documents services. However, the fact that their perception of the role of public administration is negative for a good percentage of people implies that there are still problems in the full success of the reforms for opening a bakery. The following table gives a cross tabulation of the perception of public administration's role with period of establishment.

Table 20: Comparison of Public Administration’s Role in Business Establishment with Period Establishment

Period of business establishment	Perception of public administration’s role in setting up business									
	Very good		Good		Not very good		Poor		Total	
	#	%	#	%	#	%	#	%	#	%
Haile Selassie 1930-1974	0	0.0	1	2.8	0	0.0	0	0.0	1	2.8
DERG 1974-1991	0	0.0	1	2.8	2	5.6	2	5.6	5	13.9
EPRDF 1991-1995: 1 st stage of reform	0	0.0	0	0.0	3	8.3	0	0.0	3	8.3
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	0	0.0	3	8.3	4	11.1	2	5.6	9	25.0
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	4	11.1	9	25.0	4	11.1	1	2.8	18	50.0
Total	4	11.1	14	38.9	13	36.1	5	13.9	36	100.0

The data on table 20 indicates that for most respondents (31 percent) who opened their businesses during the third stage of the EPRDF’s reform, the role of public administration in setting up their businesses have been positive while it remains negative for close to 14 percent of the respondents in that same period. The high positive response to public administration’s role for establishing businesses refers to the consecutive focus of government initiatives towards reforms since 1996, and particularly since 2001. However, the fact that few people have a negative perception of the role of public administration in their business establishment suggests a discrepancy in the implementation of reform policies.

Taube and Pätz (2008) stress that Ethiopia saw fifteen years of progress in tackling weaknesses from the political system of the past regimes and improving the current system by addressing the capacity to implement new government programs. Moreover, concerns over the service delivery, transparency and accountability of the civil service have been improved. However, the authors point to the many challenges that await Ethiopia in the next few years such as the behavior and conduct of some 300,000 civil servants which might result in the poor performance of public administration. According to a survey of managers, the poor performance seen in the conduct and behavior of civil servants is because they “lack the soft skills required to deal with uncertainties and conflicting interests constructively and to enable them to shape change processes“ (Taube and Pätz, 2008: 1).

The following tables from 21-23 illustrate respondents’ overall perception of public administration, its service delivery of information and management capacity with the period of business establishments.

Table 21: Perception of Public Administration’s Role in Business Establishment in Relation to Period of Establishment

Period of business establishment	Overall perception of the Ethiopian public administration in setting up small business									
	Very good		Good		Not very good		Poor		Total	
	#	%	#	%	#	%	#	%	#	%
Haile Selassie 1930-1974	0	0.0	1	2.8	0	0.0	0	0.0	1	2.8
DERG 1974-1991	0	0.0	1	2.8	3	8.3	1	2.8	5	13.9
EPRDF 1991-1995: 1 st stage of reform	0	0.0	0	0.0	2	5.6	1	2.8	3	8.3
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	0	0.0	2	5.6	3	8.3	4	11.1	9	25.0
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	5	13.9	7	19.4	4	11.1	2	5.6	18	50.0
Total	5	13.9	11	30.6	12	33.3	8	22.2	36	100.0

Table 21 illustrates that 33.3 percent of respondents whose businesses opened during the third stage of EPRDF’s government reform initiatives have a positive overall perception of public administration for establishing their businesses as opposed to those who opened their businesses during the second stage of reform (5.6 percent). This indicates a likely improvement

in the effectiveness and efficiency of the bureaucracy. Still, about one-third of the respondents' perception of public administration in their business establishment is negative. Although the positive result in the table referred to the impact of reforms in the business sector, the negative response also indicates discrepancy in the full implementation of the reforms, suggesting a continued concern for effective and efficient bureaucracy.

Table 22: Comparison of Public Sector Information Provision with Period of Establishment of the Business

Period of establishment	Public Administration information provision for setting up a business											
	Excellent		Very good		Good		Not very good		Poor		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Haile Selassie 1930-1974	1	2.8	0	0.0	0	0.0	0	0.0	0	0.0	1	2.8
DERG 1974-1991	0	0.0	0	0.0	1	2.8	3	8.3	1	2.8	5	13.9
EPRDF 1991-1995: 1 st stage of reform	0	0.0	0	0.0	0	0.0	2	5.6	1	2.8	3	8.3
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	0	0.0	1	2.8	1	2.8	3	8.3	4	11.1	9	25.0
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	1	2.7	3	8.3	9	25.5	4	11.1	1	2.8	18	50.0
Total	2	5.6	4	11.1	11	30.6	12	33.3	7	19.4	36	100.0

Thus, most respondents who opened their businesses during the third stage of the EPRDF's government reform initiatives perceived the information service delivery of public administration to be positive in the establishment of their businesses. However, a few

respondents who opened their businesses recently thought otherwise. Clearly, there are still concerns over information service delivery for some trying to establish a business.

Table 23: Comparison of Public Service Management Capacity with Time of Establishment of Business

Characteristics of time of establishment	Overall perception of the Ethiopian public administration management capacity											
	Excellent		Very good		good		Not very good		Poor		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Haile Selassie 1930-1974	0	0.0	0	0.0	1	2.9	0	0.0	0	0.0	1	2.9
DERG 1974-1991	0	0.0	0	0.0	1	2.9	3	8.6	1	2.9	5	14.3
EPRDF 1991-1995: 1 st stage of reform	0	0.0	0	0.0	0	0.0	1	2.9	2	5.7	3	8.6
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	0	0.0	0	0.0	2	5.7	1	2.9	5	14.3	8	22.9
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	1	2.9	5	14.3	6	17.1	4	11.4	2	5.7	18	51.4
Total	1	2.9	5	14.3	10	28.6	9	25.7	10	28.6	35	100.0

Table 23 illustrates that during the second phase of reform, the perception of public administration’s management capacity in the establishment of bakeries for most respondents was negative. However, this perception changed for most respondents during the third stage of reform because of the impact of consecutive reforms and programs after 2001. Despite reported reform, the perception of a few respondents in regards with the management capacity of public administration remains unchanged. This raises questions about the accuracy of the reform

initiatives and their implementation process. This information implies that despite the success of the reform initiatives and implementation to some degree, there is a discrepancy in the full realization of the reforms that have been implemented since 1996.

The results from those who opened their businesses during the third stage of reform show that there is a difference between the majority of respondents who think that public administration facilitated the establishment of their businesses and those who thought otherwise. For most respondents in that period of establishment, public administration facilitated their business establishment, indicating the success of public administration reforms. However, the fact that there is still a concern over efficient and effective bureaucracy for establishing a bakery for some respondents who opened their businesses during the third stage of reform raises some questions about the full realization of the goals and objectives of the reforms.

Key elements affecting bureaucracies have been assessed and the following table presents the results and analysis of respondents' perception of public administration in relation to bribery, the lack of communication among civil servants and files being lost.

Table 24: Respondent Perception of Public Administration with Respect to Bribery, Lack of Internal Communication between Employees and Loss of files.

Statement of descriptions	There is a high degree of bribery in the administration		There is a lack of communication among the employees of public administration		Files are lost	
	#	%	#	%	#	%
Strongly agree	4	10.0	3	7.5	4	10.0
Agree	10	25.0	16	40.0	13	32.5
Disagree	5	12.5	7	17.5	9	22.5
Strongly disagree	1	2.5	1	2.5	-	-
No opinion	20	50.0	13	32.5	14	35.0
Total	40	100	40	100	40	100

In terms of the lack of communication among civil servants and files being lost, the results indicate a high percentage of respondents as not having an opinion on all these questions. This is alarming because it suggests to the researcher that the respondents are hiding something in which they have an opinion. When asked about bribery 50 percent of respondents answered that they did not have an opinion. This suggests two situations. The first may be that respondents have paid bribes and simply don't want to say that they paid someone in public office to get things done. The second relates to a lack of trust on the part of the respondents regarding how the information collected might be used. The lack of trust towards providing information about public administration might also be illustrated by the respondents' choice not to participate in giving their opinion about the specific and subsequent question about public administration. Respondents' lack of trust or their preference to not participate in answering such questions leads

to two inferences about the political context of Ethiopia. The first is the fear of current government and the second is the impact of the previous military bureaucratic regime in current day views of public administration.

The fear towards Meles's regime which promulgates democratic values can be understood as a result of political fragility and instability. This is characterized by the failure of consecutive elections, detentions of opposition leaders, exclusion of opposition parties, the increase of ethnic tensions, detention of civil society organization leaders, journalists and students, among other abuses of power. Moreover, the government's strict measure of detention for corruption activities contributes to the fear of the government and the possible consequences for those who express views to the contrary.

Second, the high percentage of respondents who expressed that they don't have an opinion to all three sets of questions suggests information about the impact of the previous military bureaucratic regime in current day views of public administration. The military bureaucratic regime of Mengistu Haile Mariam (1974-1991) and his authoritarian administration, his dictator style of leadership, and the oppressive and terrorizing government functions instilled in people a critical and suspicious way of looking at information and how it is used. The reluctance to give out information with regards to corruption, and certain aspects relating to the issue of corruption implies that people know more than they say but refuse to share that information for fear of persecution. This suggests that whether there is a real change or not in current day administration in terms of corruption, the individuals who have experienced Mengistu's regime during most of their adult life question the intention, integrity, procedure and activities of the current day Meles' regime.

Despite the significant numbers of those not having an opinion on all three questions, the table indicates that almost half agreed that there is lack of communication among employees of public administration. Also, 42.5 percent stated that files are being lost within public administrations. Thus there is a lack of coordination amongst civil servants for improved service delivery of information and a lack of organization of documents in public administrations. These elements affect the overall efficiency and effectiveness of the Ethiopian bureaucracy. The result indicates that despite recent reforms, concerns over bribery, the lack of communication among civil servants and the problem of files being lost continue to be the issues that some entrepreneurs face when establishing bakeries.

Table 25: Comparison of Degree of Public Administration Bribery with Period of Business Establishment

Characteristics of time of Establishment	There is a high degree of bribery in the administration											
	Strongly agree		Agree		Disagree		Strongly disagree		No opinion		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Haile Selassie 1930-1974	0	0.0	1	2.8	0	0.0	0	0.0	0	0.0	1	2.8
DERG 1974-1991	0	0.0	1	2.8	0	0.0	0	0.0	4	11.1	5	13.9
EPRDF 1991-1995: 1 st stage of reform	0	0.0	0	0.0	0	0.0	0	0.0	3	8.3	3	8.3
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	0	0.0	4	11.1	0	0.0	0	0.0	5	13.9	9	25.0
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	3	8.3	2	5.6	4	11.1	1	2.8	8	22.2	18	50.0
Total	3	8.3	8	22.2	4	11.1	1	2.8	20	55.6	36	100.0

This table shows that close to 15 percent of the respondents thought that there is high degree of bribery in public administration during the third phase of reform though close to 22 percent had no opinion on this matter.

Table 26: Comparison of Degree of Communication Between Civil servants and Period of Business Establishment

Characteristics of time of establishment	There is a lack of communication among the employees of public administration										Total	
	Strongly agree		Agree		Disagree		Strongly disagree		No opinion			
	#	%	#	%	#	%	#	%	#	%	#	%
Haile Selassie 1930-1974	0	0.0	1	2.8	0	0.0	0	0.0	0	0.0	1	2.8
DERG 1974-1991	0	0.0	2	5.6	0	0.0	0	0.0	3	8.3	5	13.9
EPRDF 1991-1995: 1 st stage of reform	0	0.0	2	5.6	0	0.0	0	0.0	1	2.8	3	8.3
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	0	0.0	5	13.9	1	2.8	1	2.8	2	5.6	9	25.0
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	2	5.6	3	8.3	6	16.7	0	0.0	7	19.4	18	50.0
Total	2	5.6	13	36.1	7	19.4	1	2.8	13	36.1	36	100.0

Thus some are concerned about how effective and efficient Ethiopia's bureaucracy is today.

Table 27: Comparison of Perception of File Loss by Public Administration with Period of Business Establishment

Characteristics of time of Establishment	Files are lost											
	Strongly agree		Agree		Disagree		Strongly disagree		No opinion		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Haile Selassie 1930-1974	0	0.0	0	0.0	1	2.8	0	0.0	0	0.0	1	2.8
DERG 1974-1991	0	0.0	2	5.6	1	2.8	0	0.0	2	5.6	5	13.9
EPRDF 1991-1995: 1 st stage of reform	0	0.0	3	8.3	0	0.0	0	0.0	0	0.0	3	8.6
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	0	0.0	6	16.7	1	2.8	0	0.0	2	5.6	9	25.0
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	3	8.3	2	5.6	4	11.1	0	0.0	9	25.0	18	50.0
Total	3	8.3	13	36.1	7	19.4	0	0.0	13	36.1	36	100.0

While many replied that they had no opinion, the table implies from respondents that reform initiatives since 1996 have not been fully realized, despite some progress.

5.2.8 Results of Corruption and Public Administration Affiliations

In order to assess corrupt activities in public administration, respondents were asked to rate statements indicating direct corruption activities such as paying someone to get things done or using someone they know in public administration to assist them in establishing their business.

Table 28: Indicators of Corruption in the Process of Bakery Establishment

Statement of descriptions	Response statements			
	Yes		No	
	#	%	#	%
Whether or not paid someone working in the administration was paid to assist	17	44.7	21	55.3
Whether or not the entrepreneur knew anyone working in the field of public administration	10	26.3	28	73.7
Whether or not the entrepreneur asked someone whom they knew personally working in the administration to assist with the establishment of the business	8	20.0	32	80.0
Whether or not entrepreneur asked a third party who personally knew someone working in the administration to assist in the business establishment	9	22.5	31	77.5

Table 28 illustrates two points. The first one relates to the number of people who did not report paying bribes in getting things done for their business establishment and the second one is directly concerned with the practice of corruption. Regarding the first issue, the numbers in the table indicate that most respondents did not pay someone in the administration to help them assist in the establishment of their businesses. The table also shows that most respondents did not know people working in the administration or asked anyone whom they knew personally working in the field of public administration to assist them towards establishing their businesses. They also did not ask someone whom they knew personally and who knows someone who is working in the administration to assist them with the establishment of their businesses. This

suggests that respondents think there is some degree of effectiveness within today's public administration.

Most respondents don't likely know the person working in the administration when paying bribes. In this case, the practice of bribery or corruption is informal, indirect, intangible, secretive and difficult to prove. The practice of corruption is not formally administered; it also does not require a person to directly ask or give money to get something done in order for corruption to be occurring. Close to half stated that they have paid someone in the administration to get things done even though few people had close affiliations with administrative staff. The following tables give a detailed account of corruption activities and its relation with periods of business establishment.

Table 29: Comparison of Whether Respondent Paid Someone to Get Things Done for Business Establishment with the Period of Business Establishment.

Characteristics of time of establishment	Whether or not paid someone working in the administration to assist in any kind of way		
	Yes	No	Total
Haile Selassie 1930-1974	0	1	1
DERG 1974-1991	2	3	5
EPRDF 1991-1995: 1 st stage of reform	1	2	3
EPRDF 1996- 2000 : 2 nd stage of reform with the introduction of Civil Service Reform Program	7	2	9
EPRDF 2001 –current: 3 rd stage of reform with Public Sector Capacity Building Support Program (PSCAP) under the new capacity building ministry	5	12	17
Total	15	20	35

Table 29 indicates that while the majority of respondents paid bribes to public officials to getting things done during the second phase of reform, the numbers of businesses established during the third phase of reform illustrate that most respondents did not pay bribes to get things done. This indicates improvements in the reduction of corruptive activities. This result also implies the impact of reforms on the issue in decreasing corruption. However, the fact that 5 respondents out of 17 managed to pay someone in the administration to getting things done also indicate some discrepancy in the implementation and accuracy of the reforms. The continued existence of corruption loopholes in public administrations and the malpractice of entrepreneurs and civil servants is still a concern despite 12 years of progress.

Thus despite continuous reforms, the findings indicated that corruption activities remain a concern within the Ethiopian public administration from the perspective of entrepreneurs. Additional constraints affecting the business climate through the work of public administration is further shown in the following tables illustrating the types of difficulties experienced by bakeries, the challenges faced by public administrations in Ethiopia from the bakeries point of view and their recommendations.

5.2.9 Results of Difficulties, Challenges and Recommendations

In order to further assess the relationship between public administration and the establishment of bakeries in Ethiopia, respondents were asked to answer whether or not they have experienced difficulties with public administration for opening their bakeries. Moreover, respondents were asked to state the type of difficulties faced and to also describe the types of challenges they think that public administrations face. In addition to describing the challenges, respondents were asked to give recommendations for public administration to facilitate the establishment of bakeries.

Table 30: Frequency of Respondent Difficulties with Public Administration

Whether or not experienced difficulties with public administration	Frequency	Percent
Yes	20	51.3
No	19	48.7
Total	39	100
Missing	1	
	40	

Just over half of the respondents said they experienced difficulties with the public administration. This may be the reason why respondents have an overall negative perception of public administration. Also, with regard to the people who said that they did not have any difficulties with the administration in establishing their business, these people probably have a positive perception of the government.

Having a positive attitude towards the government may suggest a political affiliation or a genuine belief of change that is seen in government practice. An example of such practice is the civil service reform introduced in 1996 and the consecutive reforms afterwards. The Civil Service Reform decreased the process in terms of time and the bureaucratic steps required for licensing businesses, from 14 steps and 8 days to 6 steps and 39 minutes among other improvement related to similar services. The consecutive reforms after 2001 brought new concepts of service delivery and public management reforms and policies. In addition, the creation of the Capacity Building Ministry as well as the umbrella of reforms under PSCAP has also had an impact on the efficiency and effectiveness of bureaucracy in Ethiopia today.

However when asked to list the types of difficulties, 6 people listed red tape bureaucracy and one person cited corruption, while 13 people did not answer the question. Thus red tape is

still a concern to entrepreneurs. The lack of communication among the employees of public administration, 'red tape', the lack of management capacity of public administration and corruption still limit small business development in Ethiopia.

In order to improve the business climate in Ethiopia, building management capacity has been mentioned by respondents and is obviously needed. Also, building knowledge and increasing the communication among civil servants along with their information service delivery strategy has been recommended. This suggests the need for improving civil service bureaucracy and civil servants competence.

5.2.10 Summary of Survey Results

Overall the results of the self administered survey questionnaires reflect the close gap between those who have a positive and negative perception of public administration and its relationship to the establishment of their business. It also indicates that there has been significant improvement in the degree of efficiency and effectiveness of public administration throughout the three phases of reforms that represent the periods of business establishment in Ethiopia. Furthermore, the findings show that the approach of the current EPRDF regime to business development and its initiative to reform the public sector helped increase the number of bakeries in recent years. The business climate improvement is not only seen in public administration reforms but also in the desire of people to engage in the bakery industry. However, the climate for business development also becomes a concern when there is tension between economic policy initiatives and the contextual reality that describes the Ethiopian situation. Currently, the Ethiopian economy is suffering from significant inflation and poverty. Furthermore, the Ethiopian economy functions under political instability and social unrest, consequently raising tension in establishing and running a bakery business. Moreover, the business climate is also

constrained by the continued concerns of effective and efficient public administrations despite 12 years of reform. The findings indicate that constraints such as 'red tape' and civil service incompetence limit the establishment of bakeries.

5.3 Qualitative Findings

5.3.1 Introduction

This section presents the results and analysis of the qualitative interviews conducted amongst civil service officials. The interviews were semi-structured and sought to determine the perception and views of public administration bureaucrats in respect to their department's role for small business development and the private sector development. Macro level questions in regards to the economic development policy and strategy and its role to small business development have been asked. Also questions about public administration reform and its impact on the private sector have been discussed. Furthermore, questions relating to the notion of reducing the role of the state in public management and its impact on small businesses like bread baking and distribution have been entertained. Along with this set of questions came the discussion of the idea of state intervention in a free economy. Issues such as corruption, service delivery, capacity of administration to management and some aspects of its limitations were central themes of the discussions. Moreover some recommendations for improving bureaucracy have also been raised. By way of determining public administration officers' view and perception of small business development, the research undertook a Strength Weakness Opportunity and Thread (SWOT) analysis to verify and address the limiting or facilitating factor of public administration's effective delivery of services in the establishment of small businesses like bakeries.

The first part of this section illustrates the summary of responses of the official for Quality and Standards Authority of Ethiopia and the second part shows a summary of responses to key questions asked to the Ministry of Trade and Industry official. The summary responses

with both officials discuss the macro level themes about the role of economic development policy in Ethiopia and its impact on the private sector. The third part of this section includes the results of the SWOT analysis gathered from both public servants. The last section presents the summary of the qualitative interviews results.

5.3.2 Summary of Responses from the Official of Quality and Standard Authority of Ethiopia

When asked about the type of economic development policy Ethiopia undertook and its relationship with Quality and Standard Authority of Ethiopia, the official responded that the idea of quality and choice works well in a free market economy. However, when applied in Ethiopia, the role of the government is critical to regulate the market because of the lack in private sector participation in the line of work such as inspections, testing, simplifications and more. Although the department recognizes the important role of the private sector participation in the work of quality and standards, the members of the department are waiting for the Prime minister's office to decide the entrance of the private sector because currently, the government bodies do all inspections.

When asked about reducing the role of the state and increasing the private sector involvement, the official stressed that in the Ethiopian context, the central role of the government is to regulate market activities and will only cease to regulate when it finds the private sector fit to do its work in quality and standards. Also, the official said that the private sector climate in quality and standards is not yet developed. In this respect, the official gives the example of the lack of rules and sanctions measures on the part of the government in face with its own regulatory power or system and suggests the need for developing a system and changing

modalities. One way of doing this is to find people in the public sector like regulators or inspectors who won't get into bribery. Creating a system of accreditations and rewards is viewed as a way of making the system flexible towards positive outcome. Should there be a difficulty in finding qualified professionals to work in administrations in Ethiopia the decision to recruit from the Diaspora community is believed to be an option. Moreover, the official points out that the idea of growth or development comes when there is change of culture or in a way people think. When referring to developing a system, the official gave the example of the legal authority in countries like the US and Canada. He suggested that the legal authority in Ethiopian modalities will come as the beliefs systems of people towards the law changes.

However, when asked about importing ideas of development and its application in Ethiopia the official pointed out the complex nature of applying foreign ideas to different contexts and gave the example of local health clinics. The official said that the clinics would have to be shut down if they were to follow international guidelines and traditional practices won't have a place. The solution is to give people the choice. For the official, those who have money will go to the places that are certified and those who don't will find other places. As a result, the official emphasizes that importing rules and regulations won't work in Ethiopia and that the Ethiopian context and conditions illustrates that some have money and the majority don't. As growth comes so will the context and conditions for change. To this end, balance and understanding that process and time are needed to bring about change is important. Also, the official mentioned that with this process of change come the ideas of responsibility and accountability seen in developed countries. He stated that "the European and American models of development implementation is strategic, not a quick fix in the Ethiopian context and condition".

When asked about his perspectives towards corruption issues, he stressed that corruption in the Ethiopian context has to change. This will come when there is change in the beliefs system that says “Education and working for the country does not pay”. He explained that corruption activities are tolerated and appreciated when it comes down to getting things done in business. He reasoned that a generation ago becoming a public servant was viewed as good and was an end in itself. Issues of corruption were not heard of. Today becoming a business man is respected because of the potential for becoming rich. The solution is to create a reward system for working in the government. This will be something people can show off, that will entice the next generation of people to want to work for the government. Another solution is to also increase the living standard.

With regard to whether or not the country has the capacity to implement the strategies of development, the official did not hesitate to answer that the country has the capacity but the problem that the country has is being able to control or manage the finances with reference to government expenditure. If there were adequate financial management in the public sectors, the civil service servants would be well paid. Also, finding ethical people who work hard is one of the major dilemmas in public administration. He suggests that the solution is to create an award system which instills the notion of being a hero and replacing the idea of being dishonest with a sense of honesty, integrity and loyalty. Also, creating ambitious, dedicated and committed types of people and multiplying them is thought to be another solution. For this to happen, the official says that this generation has to sacrifice for a better future. The sacrifices are the change of the belief system which says that “it is not worth working for the government”, “that the government is corrupted and people are corrupted” and that “education and school does not pay...only

business does”. For this official, a better Ethiopia would be comprised of hard working, ethical people and civil servants.

5.3.3 Summary of Responses from the Official from the Ministry of Trade and Industry

The first question asked of the official of the Ministry of Trade and Industry was to describe the economic policy of Ethiopia and the role of small business in that economy. To this end, the official confirmed that the economic policy undertaken by Ethiopia is the free market economy and the role of small business development has gained momentum in current day administration. Programs such as capacity building work, association and training programs, in addition to financial assistance have been government initiatives to sustain and promote the private sector development. Moreover, Business processing and reengineering programs and quick win concepts (arrows which shows information of where to go and for what purpose, the person in charge) have also been viewed as critical to effective bureaucracy. The results of the government’s leadership and commitment in encouraging the establishment of small businesses is seen in the improvements in policies for investments and the business licenses and requirements sector.

However, when asked to comment on the overall service of public administration and not only the business sector, the official underlined that all departments needed to change with regard to their overall perspective or outlook towards the government. He further commented that previous regimes’ ideas of government were present and considered these ideas to limit effective delivery of services. Assuming that an efficient bureaucracy is needed for small business establishment, restructuring all government bureaus is necessary. In this regard, the

official commented on the effort of the government to dismiss employees who were corrupt but due to the political instability, the efforts did not succeed.

Moreover, the political instability and service delivery discussion with the official highlighted the 1997 election failure and the lack of ownership in continuing the civil service reform which started in 1996. For the official the lack in ownership was also a reason for corruption. However, the problem of implementation of development policies was mainly associated with employees' lack of commitment to do their work, change in perception and inadequate human resource knowledge and management knowledge skills or both. Also, when asked about the lack of communication among the employees of public administration, the official explained that this is due to the hierarchical infrastructure of public administration bureaus and their increased numbers in the current regime. For example, he explained that one municipality may have 10 sub-municipalities which oversee and run the work of other 10 area institutions. The mode of communication is only done through a meeting. The lack of information technology is a limitation to effective service delivery of bureaucracies, creating a gap of information between administrations and the public.

Also, the official recognized that the issue of bribery is also considered to be a limitation for effective bureaucracy in Ethiopia. To this end, the official said that the perception of civil servants and the people has to change. Also the perception that the civil servant is the only one with authority has to change as well, consequently the idea that the government works for the public needs to be instilled.

When asked about growth in the Ethiopian context, the official sustained his argument about growth working in parallel with the economic conditions in Ethiopia underlining that the country can not afford a lot of things. The notion of engaging in a balanced manner when doing

public work was often mentioned by the official. The role of the government intervention importance in a poor economy was also highlighted. The example of the role of the private sector in health care was given to illustrate the gap between those who can afford and those who can not afford to go to private clinics.

Finally when asked about whether or not the government has the capacity to execute its development policy, the official confidently answered that it does. What is needed is dedication and commitment of its employees, and human resources. The solution for improving the service sector is to create a condition for people to be motivated, dedicated and committed.

5.3.4 Strengths, Weakness, Opportunities and Threats Analysis (SWOT) in Relation to Small business Development

This section discusses a summary of the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis intended to verify and address the limiting or facilitating factors of public administration in Ethiopia. According to the analysis, the strength of Ethiopian bureaucracy in relation to the establishment of small businesses or the private sector development, are the desires within the culture to engage in a business and to work for one's self in today's generation⁹. The people in today's generation are more eager and quick to engage in business activities. Moreover, the establishment of capacity building programs and the ministry is considered to be a strength of the public sector. The role of government departments such as the *Kebela* and *Kefleketema* (municipalities and sub municipalities) illustrates the diversification of central authority through these departments. In addition, civil service reform was attempted to promote the concepts of change agents and client service. The idea of having change agents and the concept of the client service is to encourage better service delivery for the public by treating

⁹ Today's generation is referred to the young people that are between 18-35 years old.

them like clients. Also, concepts such as assigning people with a number for service delivery and the current implementation of the Business Processing and Reengineering program which focuses on increasing efficiency by cutting the number of processes and procedures and increasing the tasks of an employee, are new to the Ethiopian bureaucracy. These agents are believed to bring about change in the improvement of service delivery of public bureaus.

Also, an economic development policy emphasis on small business development and their importance to economic growth rather than focusing on big business development are considered to be strength of the government. To this end, administrations are currently sharing notes, exchanging ideas, researching and having improved human resources. The small scale and micro businesses that the government supports is a strength. This will generate jobs, support the economy and engage young people to getting them into work in different areas and businesses.

However, the weaknesses of public administrations are many. Public administrations not being responsive, accountable and transparent are inherent weaknesses. Also, the lack of communication among its employees, lack of training of its employees, low work ethic, corruption, management capacity, and information delivery are also weaknesses felt by Ethiopian bureaucracies. Lack of education, technology, economic poverty, political instability and lack in human resources are additional weaknesses.

Moreover, the weaknesses of the public sector include the failure of the public sector in not believing that the private sector or small businesses are an engine of growth. This consequently impacts the type of programs that need to be created to improve and support the business climate. Also, the fact that the public sector looks at itself as a detached entity irrespective of the problem of the private sector continues to be a weakness. Last but not least,

the high expectation of entrepreneurs and lack of understanding the economic situation and capacity of the country is a weakness of the Ethiopian bureaucracies.

When looking at the opportunities of the Ethiopian bureaucracies, the analysis found that one of the opportunities is the mandatory integration of new concepts and notions like Business Processing and Reengineering (BPR) in all public offices. Embracing new concepts and ideas for the past few years have been the opportunities of the public sector. Moreover, the fact that the government took leadership in the role of improving the public administrations through reforms is recognized to be an opportunity.

In addition, globalization is an opportunity because it requires an openness and transparency. This will create a climate conducive to more opportunities for foreign and domestic investments in Ethiopia. The very nature of aspiring to become like the competitor is an opportunity. Consequently, the existence and emergence of globalization is making the public service better.

The threats that are foreseen in Ethiopian public administration for small business development is the ineffective bureaucracy of the Ethiopian public administration. Moreover, the free market economy in an underdeveloped country is a threat because of poor economy, lack of resources to compete in an international trade, and lack of technology. Additionally, the political and economic conditions of the country are considered to be threats to effective delivery and small business establishments. The international pressures for loan conditions were mentioned as a threat. With regard to globalization, the competition that globalization brings is also classified as a threat. For instance, being part of the World Trade Organization and other global entities is looked on a threat because other countries have better technologies to produce better and faster. They also have highly skilled employees.

5.4 Summary and Analysis of Qualitative Findings

The overall summaries and analysis gathered from the officials of public administration is that the economic development policy that Ethiopia has undertaken since the EPRDF seized power in 1991 is the free market economy which is supposed to emphasize the reduced role of the state, privatization, deregulation and to let the “invisible hand” of the market dictate the direct economic development. The idea to have the private sector doing the work of the public sector is questionable in a very poor economy. In a developing country like Ethiopia with a very poor economy applying a free market development policy with little or without government intervention is debatable because the majority of poor people can not afford the services rendered by the private sector. Both officials give the example of the current health care system which allows private sector involvement and say that the majority of poor can not afford to go to these clinics and hospitals because they are very expensive. In addition, there are issues of qualifications, capacity and morality in the private sector that needs to be addressed. The modalities and conditions of the government for private sector entrance to be doing public work needs to be developed and changed. For example, developing a system for changing the modalities and conditions within the government is creating a rewarding and motivating system within government, creating the notion of ‘the rule of law’ for changing people’s attitudes towards the law, creating a circle of quality of people to reflect upon other employees the notion of dedication and commitment in regards to working, and creating a system of people in leadership that are qualified and professional.

Moreover and in particular, when speaking about involving the private sector in the management of public administration for improved service delivery, one of the officials stated that the idea was good. In fact the involvement of the private sector will raise the question of

liability and force the business to be responsible and accountable. However, the economic condition of the country and the people can not afford to have private sector run the administration for effective service delivery. In this regard, both officials, while recognising public administration's limitations in terms of corruption, malpractice, employee's work ethic and lack of rewarding system in the administration, suggest that change in the administration will come in time and that it is a process not an end in itself. The officials mentioned the above conditions to create a better system in the administration. They wanted a rewarding system, along with committed and dedicated individuals to be leaders in the system and to be the role models so as to increase their numbers in the administration. The rule of law, professionalism and qualification have also been illustrated and highlighted. Also the officials suggested that changing people's perception about working for the government and changing their perceptions about corruption and being ethical.

Moreover, in addition to the idea of reducing the role of the state by letting the private sector manage the work of public administration, the officials emphasise that the government has to regulate policies and control prices by intervening in accordance with the need for economic growth. For instance, the official from Quality and Standard Authority of Ethiopia mentioned the desire of the department to have the private sector in their line of work do what the public sector is currently doing. However, the private sector is weak and does not participate yet. The official questions whether or not the private sector is capable of undertaking the role of inspecting and giving accreditation to businesses. Moreover, the official questions if the private sector has the knowledge, equipment and capacity to undertake this line of work.

On the same note, the official from Quality and Standard Authority not only questioned the capacity of the private sector to do the line of work that the department currently does but

expressed his own difficulty and inability to give accreditations and certifications to the informal market that the majority of Ethiopian people go to for provisions. The issue about policy regulation and intervention strategy declining in accordance to the economic growth and the emphasis of balance in regulation and intervention is expressed by both officials. Referring to the difference in perspective of what constitutes of good quality of oil in the perspective of the majority of Ethiopian and in the departments' view, the official states that rules and regulations need to be flexible and the government needs to be working in a balanced way. In this respect, the government is facing difficulty certifying businesses of oil because closing them down is asking people to change their diet and disallowing them to use their freedom to shop (in this case most can not afford to shop in a certified store should there be one because it will be more expensive). The solution to the kinds of problem about difference in values and perspectives is thought to be solved in time and in education and raising awareness.

In addition to the discussion of the role of the private sector in being involved in the public sector and the management of the public administration, is the critical role of public administration in implementing development policies and its impact on small businesses. When speaking of strategies of development policies and implementing them the role of the public administration in execution and implementation is crucial. The bureaucratic factors that constitute the Ethiopian public administration sector are many. Factors mentioned by bakeries such as management capacity of the administration, the lack of knowledge of the employees, lack of communication among the employees of the administration, corruption, bureaucracy and red tape are elements that are recognised to be problems by both public officials, and are necessary elements to be addressed in order to improve the public administrations infrastructure for effective and efficient service delivery. In this respect, the official from the Ministry of Trade

and Industry explained about the complexity in information delivery within the administration because of the hierarchical organization of the administration and the fact that there are numerous sub-administrations making the delivery of information from one end to another difficult and delayed. The official also explained about the political impact of the opposition party election win refusal to govern Addis Ababa in 1997 on service delivery. The opposition won seats to govern Addis Ababa in the Federal 1997 election. However, the party refused to do so because it believed that the government manipulated the overall federal election. As a result, the official suggested that the party's refusal created a lack of ownership in changing civil service.

Also the official from the Ministry and Trade Industry suggested the government took leadership roles to improve these limiting factors by introducing the 1996 Civil Service Reform which allowed new concepts such as the concept of client service, the quick win notion and the introduction to Business Processing and Reengineering programs. Issues such as corruption have also been and continue to be addressed by the intolerance and strict measures of detentions approach of the government. For example, in public administration bureaus, there are now posters on the walls to inform the public about corruption and an anonymous reporting method. Also, sometimes civil servant peers are arrested and detained from where they work. They are not released until they are shown to be innocent and until they get a court date; their sentencing is a long wait. As a result, the civil servants are more aware and conscious of the consequences and strict measures of being corrupt. Moreover, the public is informed of corruption measures through television news and other communication method of the consequences of being corrupt.

In the micro businesses, the Ministry of Trade and Industry has training workshops, discussion platforms, and micro finance assistance. It encourages businesses to form associations

for raising their concerns and issues. Also both officials refer to the change in administration for licensing and registration. When asked if the public administration had the capacity to execute its development policies, though weakness is recognized both officials answer that it does. All they need is to create the condition to have dedicated and committed people to do the work.

The qualitative interviews also illustrated what the Strengths, Weaknesses Opportunities and Threats are of the Ethiopian public administration. The element of desire of engaging in business is becoming part of the majority of Ethiopian culture and is considered as an opportunity. The establishment of capacity building programs and the diversification of government central authority in sub-administrations are considered to be an opportunity for public administration in regards to small businesses. Moreover, civil service reform programs and the business reengineering programs are also opportunities along with the government focus on small business establishments to name a few. The weaknesses of the government are many. Public administration is not very responsive. There is a lack of communication among its employees, lack in training its employees (suggesting lack of knowledge and information delivery of employees), lack of management capacity (for example, lack in human resources' dedication and commitment of employees), issues of corruption and economic poverty. Moreover, the element of public administration's failure to take the role of small businesses as key to economic development and considering itself as a separate entity from the private sector is considered to be a weakness. Public administration needs to interact with the private sector to improve its service constantly. In addition, the lack of a feedback mechanism in public administration service delivery and impatience of the civil service sector are also considered to be a weakness.

However, the opportunities of the public sector mentioned are the integration of the new concepts mentioned above and the fact that government took leadership in reforming the civil service in 1996. Moreover, the idea that globalization through the notion of being open will force the work of the public sector to be more effective and transparent. The very nature of aspiring to become like the west is an opportunity. But when looking at the threats, globalization becomes one if Ethiopia gets into the World Trade Organization or any other trade organizations because of the competition it will have with other countries. Ethiopia's lack of technology and knowledge will become a threat. The very aspect of free market economy in a poor country is also considered to be a threat. Poverty, the economic and political conditions of Ethiopia are also threats to public administration and small business development.

The overall analysis of the qualitative interviews of the officials illustrated the gap between theory and practice and the difficulty in implementing undertaken development strategy of free market economy in the Ethiopian context. Though faithful and hopeful, the officials' constant remark about the west and becoming like the west is their number one priority and preoccupation. Their frustration and acknowledgement of Ethiopian situations and modalities to adopting western notions of free market economy as a development strategy is apparent when speaking of implementing such policies to the Ethiopian context. The slow process and move towards change is often highlighted and suggests the same route undertaken by the western countries in their early development stage. Moreover, the officials, though desiring to completely see Ethiopia become like the west, understand that the context and conditions of Ethiopia are not the same as the west. There is a constant referral to western values being given as examples such as work ethic, accountability, transparency and responsibility.

However, what is not mentioned by the officials when speaking of values such as transparency, accountability and responsibility is that even in the west the same issues do exist but on a different level and different size. The association of western ideas or values to development reflects the confusion that exists in implementing development policies through public administration bureaus. The gap between foreign ideas and local priorities and values are manifested in the obvious conflicting perspectives of how government sees things and through what lenses and how the people see things and through what lenses. Change of culture often mentioned and highlighted as a way out of poverty and a parallel effort to implanting current development strategy is sought as a solution. As a result not only is Ethiopia trying to catch up in terms of its economy with the west, but it is also trying to catch up in values that are sought to be good.

6.0 Discussion and Conclusions

6.1 Introduction

The discussion part of the research presents the general principles found in the results of public administrations and the establishment of bakeries. This section also presents discussions about the relationships and generalizations that come out of the results and attempts to interpret these to see how they agree or disagree with previous works. Moreover, this section includes a discussion about theoretical implications and practical applications of the results. Therefore, this section is dedicated to discussing Ethiopian bureaucracy based on the interpretation of the quantitative and qualitative findings, the analysis of the literature reviews, and of subjective information gathered from living, working towards establishing a bakery and informal interviews held with people in Addis Ababa so as to lay the foundation for conclusions and recommendations.

6.2 Discussion of Ethiopian Public Administrations' Bureaucracy and Entrepreneurship in Neoliberal Economic Development Policy

In the findings section, we have seen that neoliberal reforms have not been fully met despite 12 years of progress. The neoliberal ideas that privatization, deregulation, democratization, free market policy, property rights, and decentralization will generate economic growth through public administration reforms have indicated some progress in some sector and constraints in others. The quantitative findings indicate that the 1996 and consecutive reforms have facilitated the establishment of bakeries in Ethiopia, particularly through the improvements in the licensing and registration of businesses. There are more bakeries today than twelve years ago when the CSR was introduced in 1996. Moreover, the establishment of the Ministry of Capacity Building in charge of facilitating government departments and ministries to meet the

objectives of institutional reforms in Ethiopia contributed to the overall progress seen in the public administrations efficiency and effectiveness for service delivery today. As a result, one could suggest that the institutional reforms imposed by the IMF and the World Bank to meet the objectives of an open economy have had some positive impact on the business sector in Ethiopia. However, the result suggests that despite progress, the reforms have not been consistent because some bakeries continue to face bureaucratic hurdles when establishing their businesses. Moreover, the contextual problems such as the macro economic crisis in Ethiopia, the political tension, the lack of appropriate infrastructure, corruption concerns, the issue of access to services for the majority, the concerns about social exclusion and inequality and the change of values and culture are challenges that may prevent the full realization of neoliberal objectives.

With regards to the bureaucratic factors, there are those that relate to the complex and/or inadequate processes and procedures and those with regard to civil servant competence as the main concern for establishing their businesses. The first type of bureaucratic factors include red tape, running from office to office, the number of steps needed to get a document and conscious and unconscious extent of appointments, and unnecessary demands. The second type are the lack of management capacity of public administration, its lack of service delivery of information, its lack of communication among the employees of an administration, lack of knowledge of civil servants and corruption.

The findings about Ethiopian bureaucracies in the establishment process of small bakeries questioned the application of development policies in contexts different than that of Western countries. In Western settings, small business development is considered to be one of the engines of growth. One of the conditions necessary for entrepreneurship in developed

countries is effective and efficient bureaucracies. The attempt of the Ethiopian government to create an effective and efficient bureaucracy through the 1996 Civil service reform and through consecutive reforms under the Ministry of Capacity Building in 2001 indicated improvement in the service delivery of public administrations in different periods of bakery establishments.

The fact that consecutive reforms in Ethiopia have had some inconsistencies supports the literature about the bureaucratic limitations to the implementation of neoliberal policies in the African context. While the Weberian legal / rational approach of public administration and management is currently questioned in Western democratic countries, its application in the developing countries context has always been an issue of discussion. Riggs' perspective of bureaucracy in "prismatic" societies explains the deficiency or ineffectiveness of bureaucracy when applied in a developing country context where there is a mixture of traditional and modern types of governance systems and administrations. In "prismatic" societies, the imported models of economic development policies and strategies fail to be fully realized because they do not fit the realities of developing countries characteristics (McCurdy, 1999). The realities of "prismatic" states are the fusion of many activities seen in traditional and modern societies. In these types of societies, both the tradition and the modern cohabit. According to McCurdy (1999), Riggs's most important feature in a "prismatic" state is the idea of formalism where government leaders of "prismatic" states adopt structures of administration from western world with the hope of reaping material benefit but these systems fail to be fully realized because old traditions and distinct cultures remain and are maintained. For McCurdy's (1999:1) "this is the essence of administration in a "prismatic" society. Excessive façade and procedures exist, but they are not expected to work in practice". This is what is seen in Ethiopia. The contextual settings found in "prismatic" societies do not allow the full realization of neoliberal reforms.

The legal/ rational bureaucracy of modern states as illustrated by Weber is neutral, rational and has autonomy in its relationship with government authority. However, when applied in the Ethiopian context where both traditional and modern societies and administrative systems are fused, its neutrality, rationality, its autonomy and effectiveness is questioned. This is not only because of the power relations with the government and the bureaucrats in Ethiopia but because of the climate or condition under which Weberian bureaucracy exists. This climate is characterized by economic poverty, lack of political stability, and lack of the institutional capacity. This resonates with Riggs' argument that local realities are different that western conditions. Consequently bureaucracy's functioning is different than from developed countries.

Referring to the findings of the study, bakeries had an overall positive perception of the role of public administration in the establishment of their businesses. The analysis suggested that this may be due to the consecutive reforms in progress since 1996. Despite positive perceptions of the public administration's role, bakeries' recommendations for public administration to facilitate the establishment of businesses are building management capacity in administration, building knowledge of civil servants, increasing communication and information delivery within the employees of public administration and to decrease corruption. The introduction and application of New Public Management concepts found in aforementioned reforms for efficient and effective bureaucracy indicated partial success in the establishment of bakeries. Public administrations reside in poor economic settings. As illustrated by Larbi (2006), the limitations of NPM in a non-western context include institutional constraints, capacity concern, political and economic stability brought about by a market type of approach to management. When addressing the problems and weaknesses of public administrations, the officials of Quality and Standard Authority and the Ministry of Trade and Industry highlighted economic constraints to

effective bureaucracy. These are the lack of education in the country, the lack of human resources, the lack of information technology, and poverty.

Moreover, public administrations live under a setting where there is political instability. The findings of the respondent's perception of public administration with respect to bribery, lack of internal communication between employees and the loss of files illustrated a high percentage in having no opinion. The analysis suggested the continued practice of bribery by civil servants and the fear towards Mele's regime. This is characterized by political tension, ethnic problems, failure of past elections, some exclusion of opposition parties and detentions of journalists and activists. As a result, the political fragility affects the neutral authority, legal rationality and autonomy of public administrations and bureaucrats. The success of doing business in Ethiopia depends on these elements of bureaucracy.

Moreover, the discussions held with local people, observers of politics, some entrepreneurs, and government opponents revealed that politics and bureaucracy work hand in hand to serve the interest of the very few. One of the strongest arguments that emerged while engaged in discussions with the above mentioned people about government reform initiatives for improved service delivery was the strong presence of political affiliation and the abuse of power in administration. Political affiliation and abuse of power is manifested in highly corrupted individuals at all levels of government bureaus and this makes the bureaucracy inefficient.

For opponents of the government, the fact that the current regime seized power means that it is no less a dictatorship than the previous regime. Their reasoning is that the improvements that this government tries to make will not be successful because the system is superficially built. This resonates with Riggs' argument of excessive façade and procedures in administrations but not fully implemented or applied. The general administration system of most if not all public

offices and the private sector in western democracies is laid out hierarchically and decision making is made accordingly. Executive decision making and authority, along with responsibility and accountability of those in authority is disseminated in a decentralised fashion from the top down. Although the same model is built in modern day public bureaus in Ethiopia, its functioning accordingly may be contested.

The Weberian bureaucratic model of Western countries is structured and hierarchical. It is also rational, mostly neutral and has autonomy from the political party that governs the country. The administration revolves around rules and regulations. In the Ethiopian context, though the apparatus of the Weberian type of public administration and management is present, however, its functioning is different. As McCurdy's account of Riggs' (1999) theory of public administration in "prismatic" societies, public bureaus in these types of states are places where both, traditional functions such as cultural norms, values and beliefs systems of the society and business functions are applied concurrently. For example, the traditional value of a civil servant prioritizing social functions may conflict with the business function of availability for service delivery. The conflict between traditional functions and business functions may also be noticed in the relationship between authority and bureaucracy.

When speaking about the relationship of bureaucracy and authority in Ethiopia, the civil servant who has power and authority in public offices is the person who has strong ties and political affiliations to the current regime. This civil servant may or may not have a high hierarchical position in the administration. Consequently, the context under which businesses function overall required an understanding of the local context under which business is done. To establish or get something done, it is important to distinguish and understand who the "real"

decision maker is in the office as opposed to who has the “label” of having the power to execute such decisions.

Having the “label” and making “real” decisions is crucial for effective and efficient public administration. The person who has the “label” of making decisions is limited when it comes down to executing his responsibility or tasks for fear of displeasing one of his superiors who is affiliated to the EPRDF regime. The reasoning is that if the entrepreneur is not getting what he or she needs and they know who the influential person is, they can go directly to that person instead of going to “labelled” decision maker to “strike a deal” or “get things done”. This scenario facilitates the entrepreneur and the political affiliate or “real” decision maker, not only to engage in corrupt activities, but to normalise and accept the activity.

In the occurrence that the “labelled” decision maker resists making a decision in favour of the business person’s request because it is unethical or against the law, the fear of losing the post, being forced to quit or being thrown into prison on corruption allegations is strongly present. In most cases labelled civil servants or officers have to comply with the request given in the words of whomever the influential person is. He or she can be his superior or not in the hierarchy. As a result only to a certain extent can this “labelled” officer carry out his or her duties. If they agree to comply they are breaking the law and are not carrying out their fullest responsibility which needs their judgement. Their judgement is influenced by their fear. Their action is influenced by their judgement. This is why people argue that the system is superficial.

An opponent called this “duplicate decision making”. The problem with having two people making the decision of one person is that it has two outcomes or consequences that hinder the economic development of the country and it makes public administration ineffective. For one, having duplication of decision making contributes to the existing problem of government

expenditure and hence directly affects the economy and also makes bureaucracy inefficient. Moreover, the personal security and professional freedom of the “labelled decision maker” is affected in various ways. According to opponents, it is necessary to question why the government would allow or continue to have such a method in place in the current bureaucracy. The reasoning of the opponents is that the second person with the “real decision making” is politically affiliated with the ruling regime. The problem the secondary person having the real decision- making power is that it creates loop-holes for corruption and enforces dictatorships which entirely contradict the democratic values the government undertook when it seized power. In addition to the acceptance and tolerant view towards corrupt activity, the impact of corruption affects the professional freedom and security of the “labelled decision maker”. This person is not only intimidated in his or her professional freedom to make accurate decisions but is also indirectly influenced by the fear of being dismissed, or being accused of corruption. For example, when a decision is made by the “labelled decision maker”, many signature and stamps are required from different departments to verify and approve of the decision. This structure is not only time consuming and extensive in labor, but is fragile to the personal security of the “labelled decision maker”. This person is open to being wrongly accused by the political affiliated person who influenced the decision making of the labelled person either in words or by simply being present as an apparatus of the government. This consequently affects his or her security because the signatures are on file to prove that the labelled person is corrupt and deserves a jail sentence.

Moreover, this long and extensive structure demonstrates the bureaucracies’ lack of trust, issues of power and lack of communication among its employees. Having to go back and forth to verify and approve a decision as opposed to having one person who will be accountable,

responsible, and transparent whether it is an appointee or a professional bureaucrat is an indication of the inefficiency of the bureaucracy and the way it undertakes government expenditure.

For opponents of the government, Ethiopia is not democratic but only works to give the image of democracy contrary to its constitution and funding purposes. The perception of the people towards the government is critical to the effective delivery of services. The political failure of past elections clearly illustrated the resentment of people towards the government. Peaceful rallies often turn into brutal arrests. The imprisonment of opposition leaders, civil service organization leaders and journalists happens often. The opposition party's refusal to govern the city of Addis Ababa is a response to inappropriate or manipulative election results. As a result, the gap between the people in the city and the government has widened.

The fact that the government is dictatorial and is a separate entity from the people needs to be changed. The perception that the government is illicit, corrupt, brutal, in-human, dictatorial, and works in favour of the Tigrays (who are the minority political leaders that constitute the EPRDF) needs to be addressed. The arguments made by supporters of the current regime in saying that the government is not corrupt are questioned. The reasoning of the opponents is that what constitute the government are its leaders and the people that work in the various government bodies. If leadership, sensibility, accountability and responsibility is not portrayed or given as examples then there is a disconnect with people who have experienced a brutal past with the previous regime. If the bureaucrats are not respecting the law how can one expect others to do the same? If there is a reorganization of the judicial system but the judges are affiliates to one group or another and judge accordingly, what difference has the reorganization of the judicial system brought but a waste of time and money and the ruin of democracy?

In addition to the political settings affecting bureaucracy in Ethiopia is the lack of institutional capacity of the country. This does not help the efficiency and effectiveness of bureaucracy for enhancing the climate for private sector development. The institutional capacity referred to are the legal competence, the justice system's effectiveness, the good governance and the sound macroeconomic policies. The result of the bakeries' establishment study in Ethiopia indicated that the climate to establish a business has improved, particularly in the licensing and registration sector. More bakeries opened recently than a decade ago. The macroeconomic approach of open economy and the applications of reforms for the last 17 years since the EPRDF seized power in 1991 indicated improvement in the business sector. The literature on the Ethiopian context illustrated the improved performance of the private sector in areas such as agriculture, domestic and international trade. However, there are concerns over the macro economic downturn and its impact on private sector development in Ethiopia today. McCurdy's (1999) detail of Riggs analysis of economic activities in "prismatic" states may explain some aspects of the macro economic downturn in Ethiopia. According to McCurdy (1999:1), the economic activities might imitate the market structures but they don't function accordingly. He says:

...prices in a prismatic society would respond to the reciprocal power of the trading partners as well as the more impersonal relationship between supply and demand. In bazzars, prices fluctuate as people strike bargains based on their status, negotiating skill and ability to deceive. In a Canteen, special privileges are reserved for a select group of military and civil officials.

With these economic activities in mind, bakeries indicated that the potential to succeed in the bakery market is slim. The analysis of this finding pointed to the internal and external factors affecting the success of bakeries in Ethiopia. Internally, bakeries lack financial, technical and human resources to expand their businesses. Externally bakeries face the macro economic crisis

of high inflation and the government intervention to deal with this crisis, consequently hindering their expansion, thus the development of private sector.

The lack of institutional capacity is an important element affecting the success of entrepreneurship in Ethiopia. The results of both quantitative and qualitative findings suggest the lack of institutional capacity is a constraint for Ethiopia's success in achieving development through an open economy. The international pressure for applying loan conditions in a weak economy is one aspect of the inadequate institutions in Ethiopia. The implementation process of applying the concepts of liberalization, privatization, deregulation, decentralization and democratization are slow. The results showed the pressure that bakeries and government official are faced with to implement these ideas. For the government officials, private sector participation is lacking in Ethiopian modalities. Although policies to facilitate privatization in Ethiopia have been in place, the participation and development of the private sector is time consuming. The idea of deregulation is also challenged in Ethiopian contexts. According to the officials, the government role in regulating the market is important because of the inability of the poor to have access to services. The majority of the poor may not have the economic means to get the services offered by the private sector. Moreover, the idea of decentralization and democratization is also contested because of the central authority of the governing party and the sensitive ethnic climate.

For bakeries, the findings suggested that the lack of institutional capacity to establish and run bakeries is described by government intervention in price regulations and overall bureaucratic limitations faced by bakeries. From an entrepreneur's perspective, the fact that the government organized a meeting for bakeries to regulate the minimum size of bread sold in the market and to suggest bakeries sell these breads at a minimum cost is interfering in businesses administration. The report of bakeries experiencing sub- municipalities (Kebele's) civil servants verbally asking

bakeries not to increase the price of their breads is threatening. This behavior directly affects the success of the businesses. Also the bureaucratic limitations mentioned above by some bakeries are a concern not only for the business establishment but for the continued relationship of entrepreneurs and civil servants.

Throughout the last fifty years, Ethiopia sought distinct administrative structures where traditional, military and democratic structures of bureaucracy have existed. Similarly, bureaucracy and development agendas differed depending upon the type of leadership. The current neoliberal free market economy as a development strategy disseminates ideas of privatization, deregulation, democratization and decentralization. Also, these ideas are considered to be the conditions necessary for small business development climate and effective bureaucracy. However, the context under which these ideas are implemented matters in achieving the desired objective of reducing poverty. It must be recognized that these ideas are propagated in Riggs “prismatic” societies. Ethiopia has a distinct historical development trajectory that is different from Western countries.

The debate of whether or not imposed development policies are effective in developing countries settings like Ethiopia continues to be addressed in literature. The findings of the study indicated that despite reforms and progress, some bakeries continue to face bureaucratic concerns for establishing their businesses. The concern over the full realization of reforms in Ethiopia can be disputed by focusing on the aspect of time and government commitment needed to fully implement these strategies and policies of development. However, before imposing the development policies and strategies through loan conditions, it is important to assess the distinct features of Ethiopia and develop an indigenous economic development approach based on local conditions and tools. Also, it is important to develop and ensure the effective functioning of

democratic institutions necessary to uphold the indigenous policies. Part of the problem in achieving development in Ethiopia is the focus given to implement western development policies without addressing the effective democratic functioning of institutions. The Ethiopian democracy is only 17 years old as opposed to Western democracy. Its effectiveness and efficiency depends on the continued effort for change in both parties: the people of Ethiopia and the government of Ethiopia.

The study of Ethiopian bureaucracy in small bakeries establishment is a preliminary research that opens the door for future study of Ethiopian bureaucracy and the private sector development. However, the limitations of time, financial constraints and sample size require additional study. The generalizations, assumptions and suggestions included in this study would have been better supported with a better sample frame. Despite its limitations, the study contributes to knowledge because it established a new way of looking at the relationship of public administration with small business entrepreneurialism in Ethiopia.

6.3 Summary of the Overall Discussion

This discussion illustrates that neoliberal ideas of economic development through small business development and the New Public Management approach to bureaucracy is a complex matter when applied to the Ethiopian context. The neoliberal ideas of economic development and public management are unfamiliar approaches for the particularities of Ethiopian situation and modalities.

The ideas of privatization, deregulation, decentralization and democratization found in western democracies as a strategy of development enable the establishment and development of small businesses and are believed to be critical to economic growth. To this end, the role and

authority of bureaucracy as neutral, autonomous and rational is important. Moreover, the New Public Management approach to public administration and management is believed to enhance the business climate. However, these ideas are questioned when applied to Ethiopian democracy. This section showed that one of the reasons why ineffective bureaucracies are still a concern today for bakeries establishment is the economic and political context of Ethiopia. The Ethiopian setting is superficially built. There are policies and strategies of economic models intended to increase growth but the reality of Ethiopia is marked by economic poverty and political instability that does not uphold these intentions. Consequently, bureaucratic behaviours in Ethiopia are affected. Moreover, this section showed that the lack of institutional capacity is also a constraint to effective bureaucracy. By way of linking the findings to the contextual settings this section presented various ways that imposed development strategies may partially fail to achieve growth in Ethiopia. The emphasis on Riggs' features of "prismatic" societies helped explain why reforms for effective bureaucracies in Ethiopia are not fully met. However, because time and process are necessary for bringing about change, it is important to consider the partial success of imposed development policies and strategies in Ethiopia.

The purpose of the research study was to explore and describe the limitations of Ethiopian bureaucracy to small business establishments. To this end, the research sought to identify and analyze the elements that facilitate and/or prevent small business establishments in relation to public administration's bureaucracy. By way of looking at bread baking and distribution businesses in Ethiopia and their establishment process, the study questioned macro level neoliberal development policies and their application to different contexts and settings. Moreover, the study questions the impact of the neoliberal economic policies and public

management on African entrepreneurs suggesting to include the particularities of the country in their development agenda.

The research looked at the role of public administration's service delivery in the establishment of the bread baking businesses in Ethiopia and primarily identified four limiting variables to establishing these businesses. The limiting variables were the bureaucratic limitations with regards to the complex and or inadequate processes and procedures and the civil servant competence. These broad limitations include the lack of information delivery, lack of communication among the employees of public administration, the lack of management capacity and corruption and were factors that hindered the effective and efficient delivery of Ethiopian public administration.

Small businesses are the engine of growth and public administrations play a critical role in the establishment of small business in any country through the implementation of development policies and strategies. However, the prescriptions of neoliberal ideas of economic growth implemented through Structural Adjustment Programs which disseminated ideas of reducing the role of the state, liberalization, privatization, deregulation and democratization were questioned in the Ethiopian context. Ethiopia does not yet have the capacity to support micro enterprises either in the creation of new micro businesses or their expansions. Considering the level of political and economic stability, and the favorable institutional conditions of advanced capitalist countries, the management capacity of Ethiopian public administration is poorly equipped if not yet sufficiently developed to adopt unfamiliar approaches for improved service delivery. To this end, the objective of the research sought to assess the strengths, weaknesses, opportunities and threats of the Ethiopian bureaucracy in relation to the establishment of small bread baking and distribution businesses. Moreover, it sought to identify the challenges faced by bakeries when

establishing their businesses and to illustrate the factors that facilitate the establishment of their small businesses as identified by them in relation to the bureaucracy. In doing so the research objectives looked to answer whether or not the current public administration economic policies and reforms are suitable for the Ethiopian situation. Additionally it considered whether or not the management capacity of the Ethiopian public administration is equipped to execute its own development strategy.

6.4 Conclusions

Based on the results and analysis of the overall study, the bureaucratic structure for small business establishment in Ethiopia has greatly improved when compared to the previous socialist / communist regime. The climate for small business establishment is better than it was previously. People have access to information and the service delivery of public bureaus in terms of acquiring business licenses and registering businesses is moving. The location of administration bureaus, the condition under which civil servant work looks better than before. The coordination and communication within the employees of public administration offices seem to have improved. There are more decentralized offices to handle different tasks than there were previously. The one stop notion, quick wins concepts, business processing and reengineering programs are all in place for improved service delivery and effective bureaucracy. The management capacity of the administration seems to have assessed its weakness and have strategies in place to deal with the lack in human resources and work ethic. The issue around corruption is recognized and drastic punishment measures are in place to dissuade such activities. To this end, the continued commitment and leadership of the government in its current reform is critical and necessary for effective bureaucracy.

However, the limitations of Ethiopian bureaucracies for small business establishment are numerous. Although the aforementioned identified limitations have been addressed mainly through the 1996 Civil Service Reforms Programs, they nevertheless cease to exist when implemented in public offices. The application of western macroeconomic policy which suited the western capitalist democracies into the Ethiopian historical, economic and political context is contested. Moreover, the legitimacy and leadership of the current regime is questioned.

The case of small bread baking and distribution businesses is that the businesses live in the midst of the confusion between the attempt to implement neoliberal economic reforms and the contextual settings that prevent the full realization of such reforms. Riggs' idea of "prismatic" states best describes the Ethiopian context where the characteristics found in both traditional and modern states are combined. To this, the best conceivable solution would be to create an indigenous economic policy framework that considers the features found in "prismatic" societies with local tools that take account of local conditions.

7.0 Recommendations

7.1 Recommendations for the government macro level policy enhancement strategy

After having studied development policies and strategies applied in Ethiopia for many years, I am reluctant to give an alternative strategy or recommendations, mainly because the perspective by which I researched and analyzed findings is limited to the western philosophical and learning stance that is Eurocentric. And the major concern of giving recommendations is that I believe that the root to the confusion and difficulty in implementing development policies and strategies is the conflict in ideology between both western and local societies. Just like the values, systems of beliefs and priorities of western democracies arise from a series of internal factors and external factors that needed process and time so does the values, systems of beliefs and priorities of Ethiopian democracy needing to come out from its own internal and external struggle.

At the macro level, policy or development strategy that considers the particular historical, political and economic context of Ethiopia is recommended as opposed to having generalized development policies and strategies labeled for developing countries and applied by major international financial institutions.

For a sustainable economic development policy it is important to question if the country has the appropriate development policy and strategies that incorporates the beliefs systems and priorities of its population. For example a strategy of development from within or bottom up that takes into consideration the concerns and priorities of its people is necessary to bring about healthy growth in Ethiopia. To this end, growth which goes in accordance with the overall psychological adaptation of change of the society is important.

Moreover, the pattern in Ethiopian history illustrated power and authority in the hands of the very few. Malpractices, manipulation of power, abuse of authority, religious and ethnic tension and corruption described Ethiopian government and its high officials currently and historically. Consequently, these elements broke people's confidence, integrity and created a lack of trust in government agendas. To mend the broken relationship and establish trust, the government needs to work on its image by taking responsibility for authority and leadership, holding people in authority accountable and making its activities as transparent as possible. Also the government is required to be the example for running good governance, to promote and raise awareness of its vision, objectives, and agendas for the public. One critical way to exemplify genuine activity is to create and establish concepts of unity and the rule of legal authority.

7.2 Recommendations for Bakeries:

Entrepreneurs need to assess and understand the socio, political and economic structure of the country before deciding to invest because the limitations of Ethiopian bureaucracies are indirect and undesired costs in terms of time and money. Moreover, the improvements in public bureaus for effective service delivery have direction signs posted to relevant offices and information desks established. Following signs and going directly to speak with the representatives inside the information booth is recommended. If the assigned posts and information clerk is wrong or unclear, asking for the manager or responsible person to help is advised.

In some administrations, there are complaints and recommendations desks or boxes available. It is advised that entrepreneurs use this mechanism for improved results. Moreover, entrepreneurs need to believe that they are important participants and contributors to society.

Their patience and perseverance is very important regarding the ups and downs needed for getting something done. Withdrawing from corruption activities is counseled.

Some part of the problem for establishing bread baking businesses in Ethiopia is the lack of information delivery. Entrepreneurs are advised to follow local news and events for policy changes. They need to inquire about the updated or received information to relevant administration, until they get the correct information. This requires patience and persistence when facing a civil servant. The business person needs to take this into consideration in their business budget and timeline.

Another part of the problem for effective service delivery was the lack of attention and importance to the small scale business sector was mentioned by officials. To this end, the entrepreneurs need to take leadership in engaging in associations for raising their concerns. Moreover, their understanding of their civic right is also important. Although some entrepreneurs might be afraid to act aggressively or persistently to get something done in public administration for fear that the one in authority might delay something that they need to get done, or might use the power or authority to manipulate the business man or women for corruptive activity, the entrepreneurs need to understand that they have rights.

There are also the limitations of corrupt activities on the effectiveness of the bureaucracy. Entrepreneurs are greatly encouraged that the idea of 'doing business' through corrupt measures is a backlash against their future business endeavors. As a result, entrepreneurs are advised to avoid any corruption activity with public servants. They are also advised to report any bribery activities anonymously. Understanding that persistence is important in dealing with Ethiopian bureaucracy is counseled.

7.3 Recommendations for Effective Ethiopian Bureaucracies:

There were many limitations mentioned about Ethiopian bureaucracies for small business establishments. It is advised that each administrative department continue working towards creating a rewarding system in response to the lack of committed men/women and dedication from its employees.

Also the management capacity of the administration relies of its resources, whether it is physical, monetary or human. Increasing the capacity is recommended. By creating strategies to involve key grassroots level employees to participate in decision making is recommended. This may require an open dialogue between top level executives and bottom level employees.

As for the physical and monetary lack in resources, unifying strategy concepts are needed to enhance the sense of togetherness for the lack of resources so as to create solution mechanisms. After-work programs of socializing events can assist in raising discussion about the problems faced in administration.

In regard to the lack of communication and coordination between employees of public administrations, a continued effort in information technology investments is critical. This will improve the current ineffective communication strategy of calling out general meetings and is also good in terms of accountability (using written memos as opposed to verbal notices).

Moreover, the lack of knowledge and information delivery of public administration employees can improve by improving the communication method to include access to information technology such as the intranet. The increase in knowledge and clarification of information delivery can also be improved by establishing training sessions and programs.

Also, in regard to the perception of government officials and servants towards the small scale sector, it is recommended for the public administration to emphasize the importance of the

entrepreneur in their strategic development. Last but not least, corruption activities decrease when the existing effort in public administration to eradicate corruption continues.

7.4 Recommendations for International Organizations

Non Governmental Organizations (NGOs) play a critical role in developing country endeavor towards economic development ventures and alleviating poverty. These organizations can play an important role in assisting bakeries and overall entrepreneurs to create a platform for discussing ways that the public administration can enhance its service delivery strategies. This includes providing a platform for workshop and meetings. The platform can also help bakeries and other entrepreneurs form necessary associations to address their concerns with respect to the appropriate government bureaus.

7.5 Recommendations for a Future Research:

One important limitation of this research is the concern over the representation and generalization of the sample. Having forty respondents and two officials from two government ministries may not represent the bakeries' population in Addis Ababa, as well as the overall population of government officials. Consequently, a generalized statement could not be obtained. It is strongly recommended that future study on this topic be conducted with an expanded sample size of randomly selected bakery respondents and more qualitative interviews with government administrators. In this regard, a capacity building perspective should also be considered when undertaking the future research. This includes interviewing front line workers and engaging in focus groups with both bakery entrepreneurs and government officials to determine the full range of ways of improving service delivery of Ethiopian public administration's bureaucracies. The result of the study will contribute to incorporating priority settings of the values and belief systems for strategic planning for improving service delivery.

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Appendix



Table 1: Below is the self administered survey questionnaire.

Draft self administered questionnaire

Good day,

My name is Helena Kifle and I am a researcher from the University of Guelph in Canada, who is studying the relationship between the Ethiopian public administration and the establishment of small businesses. The purpose of this survey is to evaluate the performance of Ethiopian public administration in establishing a small business. Having had the experience of establishing a small bakery for my mother, the information gathered from this survey will possibly assist in the development of a desirable and improved public administration service delivery mechanism for small business development. I will ask questions ranging from personal information to information on your enterprise. The amount of time expected to fill out this questionnaire is approximately 35-45 minutes. You are also free to skip any questions that you would prefer not to answer.

You are free to participate or not, according to your own wishes. All information you provide will be confidential. You have the right to withdraw from the survey at any time with no consequences for yourself. Answering my questions will be taken as an indication that you have agreed to participate in this study. Your response will not affect your current or future activities.

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PART 1: BACKGROUND

Instruction: we are hoping to interview the owner of the business or the person who runs the business and is the main business decision maker.

1) Are you the owner of the business?

a. Yes ___

b. No ___

If NO, please answer question C

c. If No: what is your relationship to the business?

i. I am the manager of the business and make decisions regarding the business

ii. I am the son/daughter and make decisions regarding the business

iii. I am the brother/ sister and make decisions regarding the business

iv. I am a close relative (ie: cousin, family friend etc....) and make decisions regarding the business

2) How long ago has your bakery been open?

a. Less than < 2 years ago

b. Less than < 5 years ago

c. 5 < between > 10 years ago

d. 10 < between > 15 years ago

e. 15 < between > 20 years ago

f. More than > 20 years ago

3) What date did you open the business?

a. In: M/D/Y

4) How many people are employed in the business

- a. Fewer than < 5 employees
- b. Between 5 -10 employees
- c. More than 10 employees

If greater than 10 employees, the size of your business is considered medium size and will not qualify for this research. Thank you for your cooperation!

5) How many locations does your business have?

- a. 1
- b. 2-3
- c. 3-4
- d. 4-5
- e. More than < 5

6) Do you distribute bread?

- a. Yes
- b. No

If Yes please answer question C

- c. To bread shops
- d. To groceries and supermarkets
- e. To restaurants and cafés
- f. Other

PART TWO: MARKET FORCES

INSTRUCTION: Please tick which best describes the type of bread sold in your business.

7) What type of breads do you sell?

Type of breads	Check mark which bread is sold and distributed by your business
a. 50g	
b. 50-100g	
c. 100-200g	
d. 200-300g	

e. A range of bread types	
f. All of the above	

8) On average, how many different types of bread a day do you sell?

- a. Fewer than > 3
- b. 3 < between > 5
- c. 5 < between > 10
- d. More > 10

9) On average, how many KG of flower of bread do you spend on making bread a day?

- a. Fewer than > 50
- b. 50 < between > 100
- c. 100 < between > 150
- d. 150 < between > 200
- e. More >200

10) What is your total average earning PER YEAR? _____

11) Please rate the following statements where one 1 is that you strongly disagree with the statement and 5 describes that you do not have an opinion. Thinking about the business, how strongly do you feel that :

a. The bread baking and distribution business has a profitable market.

- 1. Strongly agree
- 2. Agree
- 3. Don't know
- 4. Disagree
- 5. Strongly disagree

b. The bread baking and distribution business is easily managed.

1. Strongly agree
2. Agree
3. Don't know
4. Disagree
5. Strongly disagree

c. The bread baking and distribution business is difficult to manage.

1. Strongly agree
2. Agree
3. Don't know
4. Disagree
5. Strongly disagree

d. I feel that the market is becoming more competitive since we started the business.

1. Strongly agree
2. Agree
3. Don't know
4. Disagree
5. Strongly disagree

e. I feel that the market is less competitive since we started the business.

1. Strongly agree
2. Agree

3. Don't know
4. Disagree
5. Strongly disagree

f. There is a great potential to opening bread baking and distribution business.

1. Strongly agree
2. Agree
3. Don't know
4. Disagree
5. Strongly disagree

PART THREE: PROCESS OF ESTABLISHING THE BAKERY

Thinking about the number of days, weeks, months and or years....

12) Would you say that your business took a long time to be established?

- a. Yes
- b. No

If Yes:

- c. How long the businesses take to open?
 - i. Fewer than 4 weeks
 - ii. Fewer than 2 months
 - iii. 2 months< between > 4 months
 - iv. 4 months< between > 8 months
 - v. 8 months< between > 12 months
 - vi. More than >12 months

13) Would you say that your business took less than anticipated time to open?

- a. Yes
- b. No

14) Amongst the following determinants, which factors best suit your response regarding the process of opening up the business?

- a. Capital to start off
- b. Dealing with the bureaucratic factors of opening up a business
- c. The location of the business
- d. Other: please specify _____

PART FOUR: PUBLIC ADMINISTRATION

15) How would you describe the role of the public administration in facilitating the opening up of your business?

- a. Excellent
- b. Very good
- c. Good
- d. Not very good
- e. Poor

16) How would you describe the public administration service delivery of information for setting up your business?

- a. Excellent
- b. Very good
- c. Good
- d. Not very good
- e. Poor

17) What is your overall perception of the Ethiopian public administration in setting up your small business?

- a. Excellent
- b. Very good
- c. Good
- d. Not very good

e. Poor

18) What is your overall perception of the Ethiopian public administration management capacity for delivering its services in establishing small businesses?

a. Excellent

b. Very good

c. Good

d. Not very good

e. Poor

19) Please rate the following statements where one 1 is that you strongly disagree with the statement and 5 describes that you do not have an opinion. Thinking about the public administration and the establishment of your business, how strongly do you feel that :

a. There is a high degree of bribery in the administration?

1. Strongly agree

2. Agree

3. Disagree

4. Strongly disagree

5. No opinion

b. There is a lack of communication within the employees of the particular administration?

1. Strongly agree

2. Agree

3. Disagree

4. Strongly disagree

5. No opinion

c. Files are lost?

1. Strongly agree

2. Agree

3. Disagree

4. Strongly disagree

5. No opinion

20) Have you ever paid someone working in the administration to assist you in any kind of way?

- a. Yes
- b. No

21) Do you know any one working in the field of public administration?

- a. Yes
- b. No

22) Have you ever asked someone whom you knew personally and who is working in the administration to assist you in the establishment of your business?

- a. Yes
- b. No

23) Have you ever asked someone whom you knew personally and who knows someone working directly or indirectly with the administration to assist you in the establishment of your business?

- a. Yes
- b. No

24) Have you ever experienced difficulties with the public administration in establishing your small business?

- a. Yes
- b. No

If Yes please answer question C

c. What type of difficulties did you experience?

25) Based on your experiences of the process of establishing your business, what are the challenges faced by the public administration in facilitating the establishment of small businesses?

26) Based on your experience of the process of establishing your business, what would you recommend the administration to do in order to facilitate the establishments of small businesses?

PART FIVE: ABOUT YOU

27) What is your gender?

- a. Male:_____
- b. Female:_____

28) What is your age?

- a. 18-21
- b. 22-25
- c. 26-30
- d. 31-40
- e. 41-50
- f. 51-60
- g. 61-70
- h. 71- or above

29) What is the highest level of education that you have completed?

- a. Less than Primary school education
- b. Finished Primary education
- c. Some High school education
- d. High school diploma
- e. Some College education

- f. College certificate or diploma
- g. Some university education
- h. University degree
- i. Higher than university degree

30) What is your ethnic background?

- a. Oromo
- b. Amhara
- c. Tigray
- d. Other: Please specify_____

THANK YOU FOR YOUR PARTICIPATION!

Table 2:

Below is a table highlighting the content discussed with the representatives of Quality and Standard Authority of Ethiopia and the Ministry of Trade and Industry. The semi-structured interview started by giving a background information and discussion topic about the subject under study. The questions were structured in possible themes of discussion withdrawn from the brief analysis of the bakeries survey responses.

1. Background information:

- State the role of small business in development,
- The role of public administration in delivery its services to entrepreneurs,
- The relationship between the public and the private sector,
- The development agenda of Ethiopia and strategy of development

- The role of bureaucracy in small business establishment
- The time frame for opening a business and its negative impact on development

2. Semi structured questionnaires:

- What is the economic policy that Ethiopia decided to undertake since the current regime ceased power in 1991? What was it before with the DERG regime?
- Has there been any changes to its development strategy until now? If so why? What were the challenges?
- When thinking of development and growth, the public sector and the private sector have a differing role to play in this endeavor. Over the last two decades there is an emphasis of reducing the role of the state and on reforming public management by adopting aspects of private sector. How do you perceive this statement?
- How does reducing the role of the state impact the establishment of small businesses in Ethiopia and their functioning? For example, the bread baking businesses at this moment would perhaps intimidate an entrepreneur not to open such business because of the current crisis in the rise of prices of raw materials and fuel. The government control over the increase in bread price would perhaps dissuade this entrepreneur not to invest in such business although he or she may think that it is a profitable market.
- “Business, trade and investment are essential pillars for prosperity and peace”. UN Global Compact Organization. Small businesses in any country are key aspects of economic development. What are the factors that promote private sector development and creation of enabling environment for small businesses in Ethiopia?

- 3. SWOT analysis:** When speaking of the creation of enabling environment for small business development in Ethiopia, public administration plays an important role in creating the desired environment.

- What are the strengths to the Ethiopian public administration in relation to small business development?
- What are the weaknesses to the Ethiopian public administration in relation to small business development?
- What are the opportunities to the Ethiopian public administration in relation to small business development?
- What are the threats to the Ethiopian public administration in relation to small business development? What are the factors that promote private sector development and creation of enabling environment for small businesses in Ethiopia?
- What do you think that are the limitations of the public administration with respect to *small business entrepreneurship in Ethiopia*?
- Do you think that the country has the capacity to execute the development policy it decided to undertake? In other words is the country equipped to deliver the objectives of the development policy?