

Draft---Not for Quotation

**The Delivery of Public Goods in Rapidly Expanding Cities in Africa: Financing and
Implementing Water and Sanitation Policies in Addis Ababa, Ethiopia^{*}**

ABSTRACT

A common challenge faced by countries in the developing world is the provision of public goods to rapidly expanding and poor populations in both rural and urban areas. In cities this is a particularly acute problem when the process of governing is accompanied by unplanned growth, rural to urban migration and the displacement of the urban poor pursuing market-oriented strategies of development without proper safety nets for the poor. The issue of the delivery of urban water and sanitation services in African countries is a matter in urgent need of attention. The purpose of this essay, focusing on the capital of Ethiopia, Addis Ababa, is to critically analyze the nature and implications of that city's recent growth spurt on the ability of local government to meet the basic needs of all its citizens, particularly as that relates to water and sanitation services. The study finds that while financing water and sanitation services is a major problem, problems of infrastructure and management are of equal if not more importance. In the short-term this will continue to be a problem, as the rate of urbanization proceeds organically and simultaneously with the planning of the authorities. This represents a classical principal-agent problem. Planners and managers might devise well-thought out and logical plans for the future development of a market-based urban economy and of infrastructural capacity, but the realities of population growth and new, unplanned settlement thwart the best of planning.

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Introduction

A common challenge faced by countries in the developing world is the provision of public goods to rapidly expanding and poor populations in both rural and urban areas. In cities this is a particularly acute problem when the process of governing is accompanied by unplanned population growth, rural to urban migration and the displacement of the urban poor while pursuing market- oriented strategies of development without proper safety nets for the poor. Rapid urban growth in this context generally brings with it a number of problems such as unemployment, underemployment, inadequate health care, deteriorating and poor infrastructure in the housing sector, environmental degradation and an inability of the urban governments responsible for providing public goods such as adequate housing, water and sanitation to deliver such services in a predictable, efficient and effective manner. Fantu Cheru has described this as “urbanization without development” (Cheru 2005, 3-4).

In contrast to what are termed “private goods” which are provided in an exclusive way to those who can afford to pay for particular services or by some other exclusionary criterion, “public goods” in the context of urban communities are supposed to be available to all (Samuelson 1954; E. Ostrom 2009, 409), even those who are unable to pay for services. Such services as water and sanitation may not be “free” to all, but they are expected to be available to all. In developing countries where the urban poor are numerous, in efforts to reduce poverty, governments in some cases introduce what they claim to be “pro-poor” policies designed to improve the living conditions of the impoverished.

Under ideal circumstances, certain individuals and households who can afford to pay according to some commonly understood pay scale or are not excluded based on some categorical definition, are charged accordingly. However, the poor should pay (if at all) a lesser rate. The challenge then for those who govern is still to find efficient and effective ways to provide such services to all. Often times in developing countries this is not the case. At a very fundamental level the cause of this shortcoming relates to poor urban governance. Rondenelli has found that despite inadequate financial resources available for the delivery of such services as water and sanitation, the most serious problems for urban governments in developing countries are administrative (Rondenelli 1990, 48). The lack of local financial resources is often due to the fact that local governments do not have the capacity to collect all the revenues that they are legally allowed to collect and to manage expenditures. Moreover, their revenue generating powers are most often limited by the central government. Despite the fact that there may be well thought out plans for urban development and service provision these objectives are often poorly realized if at all. Cities in developing countries are expected to provide basic services but suffer from low institutional, technical and infrastructural capacity and meager finances.

Finding solutions to this situation has consumed those interested in identifying appropriate development strategies for urban governance in counties of Asia, Africa and Latin America. The solution is often assumed to be administrative decentralization, the proverbial “magic bullet”, which is expected to transfers responsibilities for providing urban service delivery to sub-national entities, particularly local governments.[†] Urban governments are then expected to not only deliver such services but also to be self-financing in this activity. However,

[†] Alam (2010) has noted that, “... 84% of the developing countries have introduced some form of decentralization over the past decade...local governments now have greater responsibility for service delivery...”

in many cases urban authorities do not have the kind of fiscal autonomy or tax base needed for them to independently finance social services.

The issue of the delivery of urban water and sanitation services in African countries is a matter in urgent need of attention. This is true in all regions of the continent, particularly in mega cities and in cities that have recently been characterized by accelerated urbanization. Lagos, Nigeria, being situated in the most populous country in Africa with more than 150 million citizens, has long been acknowledged as a mega city. Presently its population stands at 8 million. Across the continent, Addis Ababa, Ethiopia is the main city in Africa's second most populous country (80 million), and its population is just over 3.5 million. At the same time, Ethiopia is one of the least urbanized countries in Africa with its urban population standing at less than twenty percent. However, since 1991 Addis Ababa has been characterized by rapid urban growth in part due to the government's market-oriented development strategy.

The purpose of this essay is to critically analyze the nature and implications of Addis Ababa's recent growth spurt on the ability of local government to meet the basic needs of all its citizens. Rather than focus on a whole range of issues such as housing, health and hygiene, waste disposal, water and sanitation, the discussion concentrates on the provision of water and sanitation as public goods in Addis Ababa. Water and sanitation services are arguably the most underdeveloped areas of urban governance in the city. Ideally this essay would rely upon empirical data gathered from field research, but due to the inaccessibility of operational data I rely on primary documents such as reports from governmental and non-governmental organizations, and on secondary information from books and academic articles. This is important to note since much of what goes on in terms of the delivery of water and sanitation services in the city is non-transparent, and information is hard to acquire.

The discussion that follows is divided into four sections and a conclusion. Part Two sketches the broad contours of the development of Addis Ababa and its recent rapid expansion. Issues of poverty alleviation, migration, population relocation, housing, transportation, and unemployment are addressed. Part Three deals with city government's role in the delivery of water and sanitation services, and the impact on the provision of such services. This will all be placed in a proper context. Part Three deals with Ethiopia's urban development strategy for Addis Ababa in the area of water and sanitation. Part Four focuses attention on problems of implementing this strategy, financing and the implications given the context in which governance must operate.

The Addis Ababa Context

The city of Addis Ababa is more than one hundred years old, having been founded by Emperor Menelik II in 1886. For most of its history the development of the city was unplanned. It grew in a spontaneous and unstructured way (Zewde 2005; Crampton 2005). The center of the city was the royal camp. It was surrounded by homesteads occupied by higher ranking officers in the imperial army. The design of a logical street system in the city was neglected and the territory was characterized by agriculture and livestock cultivation. Needless to say, travelling from one part of the city to a more remote area was difficult. In addition, the city became characterized by human settlements in which the rich and the poor lived among one another instead of being segregated into different class-based quarters. In many ways, Menelik II was a modernizer, but not when it came to the rational development of the country's cities.

By the time of the Italian Fascist invasion and occupation of Ethiopia in the mid-1930s, Addis Ababa had a population of 300,000. However, since the overthrow of the Marxist regime in 1991, the city's growth has dramatically escalated (Zewde 2005, 132-35). According to the

Central Statistical Office, by 2020 Ethiopia is expected to have an urban population of around 30 per cent (Ministry of Finance and Economic Development 2002, 125). Most of this growth will take place in the capital, Addis Ababa. As dramatic as urban growth has been, it has paled in comparison to the improvements in the countryside. In part this is due to the government's explicit pursuit of an agriculturally-based development strategy. Despite these growth trends the per capital GNI has remained steady at about \$330 (UNICEF 2009; UN-HABITAT 2007, 3).

In order to understand the situation in Addis Ababa today one has to understand the impact that the Marxist regime which ruled from 1974 to 1991 had on the destruction of the old order (Keller 1988). During this period, Ethiopia was transformed from a semi-feudal society to one based on a particular version of "scientific socialism". One aspect of this change was the elimination of all private property and the nationalization of both urban and rural land. There was a serious attempt to level society and to uplift the impoverished. Also, in the process there was the first attempt to begin urban planning in the city, the Addis Ababa Master Plan (Addis Ababa City Government 2002). This was done in collaboration with the Italian government. New boundaries for the city were drawn, but significantly the plan was not approved until 1994, three years after the current government headed by the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) came to power.

In 1998 Addis Ababa introduced a new "5-Year Action Plan" (Ibid). The most recent plan for the city's development was inaugurated in 2001. However, to date its most notable achievements have been in infrastructure such as a ring road and a new dam. It is important to note that such large infrastructure projects, although located in the city, were largely designed and implemented at the federal level. The national government claims that its main objective is to pursue an agriculturally-based development strategy. At the same time, it claims to be is just

as committed to achieving national urban development (Ministry of Finance and Economic Development 2002, 20). In order for this to happen, it would require a reduction in urban unemployment which would in turn lead to a reduction in poverty levels by increasing urban income levels and income equity, and the creation of urban based employment particularly where this compliments rural development.

Evidence of Addis Ababa's current rapid economic growth can be clearly seen in terms of the urban construction industry (Addis Ababa Chamber of Commerce 2011). New roads, hotels, condominiums, high-rise apartment buildings, and office towers have sprung up in the past six years as never before. Much of the capital for this expansion is being provided by foreign investors from China, Korea, India and elsewhere, but some of it is also provided by investors from the Ethiopian diaspora who see the opportunity to make significant financial gains (Newland and Tanaka 2010; Weissleder 2010). While this urban expansion gives the impression of rapid modernization and development, cities such as Addis Ababa suffer from serious problems including rising unemployment and poverty, and poor governance. Moreover, overcrowding and sub-standard housing construction are more the rule than the exception (Tolon2008, 17).

The stated objective of the city's leaders is to make Addis Ababa a truly international city (Mayor Arkebe Oqubay 2010). While employment for construction and service workers is being created, the urban poor and even the not-so-poor are being displaced to make room for new construction projects (Belaineh 2011). How has the city gone about doing this? Has there been a rational plan for relocating displaced families or to accommodate those who migrate to the city in search of work and a better life?

Rapid Urbanization. Population Displacement and Governance. Ethiopia is one of the poorest countries in the world, ranking 179 out of 194 countries in terms of GDP per capita (\$1, 015), but many people live on just over \$1 per day. Around 40 % of the urban population of the country lives below the poverty line. Moreover, more than 70% of the urban population lives in slums. However, slums are widely dispersed throughout cities like Addis Ababa, and most often include residents from middle and lower class levels (Federal Democratic Republic of Ethiopia 2007, 4). Among the poor in these slums, more than 40 percent live in homes with no more than one room, 42 percent of these homes lack toilet facilities and 39 percent are without kitchens (Belaineh 2011, 1).

Despite the fact that the Government of Ethiopia sees urban transformation as central to its overall development strategy through sustained economic growth and empowerment opportunities for the poor, it does not seem that planners took into account the unintended consequences of this approach. This could clearly be seen in the new urban sprawl that has resulted in expanding the edges of poverty and poor housing accommodations as low-income households are being pushed to the periphery of the Addis Ababa (Yntiso 2008, 53). Another problem grows from the rural to urban migration of people either being pushed out of their rural communities due to abject poverty and poor economic opportunities, and the lure of the economic opportunities that seem to be in the offing by the new urban expansion.

The dynamic growth of the market in Addis Ababa creates a demand for laborers in the construction and service industries; but, many more people find it impossible to secure employment in a very competitive labor market (Tadele 2007, 22). Unemployment hovers close to 50 percent. In order to eke out an existence, those who find themselves unemployed and in poverty most often turn to self-employment as day laborers or petty trading of the lowest variety.

In other cases, the poor are pushed to the periphery far from jobs and suffer from poor transportation service which hinders their mobility from the places where they live to the city center (Belaineh 2011, 3).

The EPRDF regime, rather than, scrapping the urban housing policy of its Marxist predecessor, simply adapted them to its own purposes. When it came to power, the Marxist regime nationalized all rural and urban property. The idea was to eliminate social inequalities that were a product of the imperial era, and to improve the plight of the poor through socialist policies (Tolon 2008, 18-21). The short-term effect was the construction of some simple but more functional showcase homes on the outskirts of the city on land that had been the property of members of the royal family and nobility. However, these were not well constructed and hardly adequate to meet the demand. Moreover, rather than alleviating the poor urban housing shortage, their situation became worse. With land belonging to no one, squatters moved onto what had now become state urban land. Presently, individuals can get legal access for land use on the basis of 99 year leases, but they cannot have deeds of ownership. Where squatters are involved, they have no legal claim to the land, but often continue to occupy land with the knowledge of local government offices or *kebeles* (Werner 2007, 9).

In order to open up more land in the city center, one of the approaches the government has used is the demolition of certain residential communities, many of which are inhabited by poor populations. Residents are then relocated to peripheral areas. Some of those relocated are granted replacement homes, but in order to be considered for such an opportunity residents had to have owned the homes that were demolished. Relocated populations could be placed in one of four categories: 1) owner-occupiers; 2) public tenants (those renting from the government); 3) sub-tenants; and tenants of privately own homes. The owner-occupiers are supposed to be

compensated for their demolished property and given land in the relocation area on which to construct new homes. Those classified as public tenants are supposed to be given access to comparable accommodations in the resettled area; but, sub-tenants and tenants of private premises are given no compensation at all (Yntiso 2008, 54-5). Consequently, the latter two categories represented simply a relocation of the housing problem from the center to the periphery as these displaced people most often become squatters. Moreover, the housing problem is further exacerbated.

The demolition approach to the economic expansion in the city has not been without negative consequences. The development of squatter settlements in Addis Ababa has emerged as a major challenge to urban managers. Squatting takes place not only in the periphery but also in the city proper as families who may not necessarily be classified as “poor”, seek out places to live that are close to where they might find gainful employment. Many of these are middle-class families who rely upon employment in government or the private sector (Melesse 2005, 22-3).

In 1998, faced with the mushrooming of squatter settlements, the city introduced Regulation #1. One of the main provisions of the regulation states that a housing plot that was not legally occupied between 1975 and 1996 would obtain legal status if it was within the master plan and not larger than 175 square meters. However, the public did not acquiesce to the conditionalities inherent in Regulation #1 which differentiated the criteria for those squatter settlements regarded as eligible for legal status. Consequently, the 1998 decree failed to halt squatter expansion and the government found itself in a quandary. The city administration, not wanting to evict new squatters was put in a position of having to simply accept this as a *fait accompli*. This in turn placed a heavy burden on the government to provide more and more services to these squatter communities, putting a strain not only in terms of management but also

in terms of infrastructure. In no case is this truer than in the delivery of water and sanitation services.

The Provision of Public Good and the Limits of Governance. Ethiopia is a federal republic, consisting of nine states (seven of which are largely ethnically homogeneous) and two special cities (Dire Dawa and Addis Ababa). The urban area is divided into ten sub-cities; and these are further divided into approximately one hundred *kebeles*, or neighborhood associations. Each kebele has between forty and fifty thousand residents. Kebeles are the lowest level of administration and are expected to provide the most basic social services in their jurisdiction, but their structures as well as functioning are often undeveloped. With limited financial resources at their disposal, kebeles can only meet predictable recurrent expenses, and can most often only monitor the water and sanitation situation in their communities.

The federal government controls most of the revenues and revenue generating capacity, but the states and special cities also have some revenue generating authority. The federal government issues block grants to help finance development in the states, but in terms of social services they are expected to be largely self-financing. This is equally true for cities such as Addis Ababa. However, the tax base of Addis is so narrow that this method of income generation has been problematic. Proclamation No. 3, issued in 1994, was intended in part to create a steady stream of revenue for urban authorities so that they might improve municipal services. In reality, however, the city government has not been able to generate the expected revenue mainly due to problems of implementation and tax collection (Cohen and Peterson 1999, 136). This is understandable given the horizontal, rapid expansion of the population and of

newly settled areas of the city over the past seventeen years. This problem is compounded by the ever increasing dire plight of the urban poor (UN-HABITAT 2007, pp 14-15).

Between 1900 and 1930 city residents had access to potable water free of charge. The first water meters were installed in the immediate aftermath of World War Two. The initial tariff applied to water services was 50 Ethiopian cents per cubic meter (Zenebe 2007) . It remained at that level until 2003, when a new tariff was introduced. Presently the tariff for domestic consumption (up to seven cubic meters a day) is 1.60 birr to 1.75 birr per cubic meter.

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Addis Ababa has always suffered from an insufficient supply of potable water, and very poor sanitation infrastructure. The poorest parts of the city are the most under-served (Tolon 2008, 35-6; Pierce 2009). Although the Addis Ababa Water and Sanitation Authority is the city's main supplier of potable water, its piping system tends to be most developed in the heart of the city where the well-to-do, along with foreigners, reside. Slums, squatter areas, and the rapidly expanding poor communities on the outskirts are poorly served if served at all. A 2007 UN-HABITAT survey found that only 21% of the homes in the city have access to what is termed "improved water provision", that is, "a reasonable access to safe water supplies via household connections, public standpipes, bore holes, protected dug wells or a protected spring or rain collection sites "(UN-HABITAT 2007). Twenty-three percent of the city's residents have access through their own taps, sixty-four percent via public taps, and about 5 percent have access to good water from protected well springs. Almost 8 percent have access only to unsafe water (Tolon 2008, 11). The situation of urban sanitation is much worse. Only about 9 percent of the households have their own flush toilets. Seventy one percent have access to pit latrines, but almost 20 per cent must relieve themselves in fields or other vacant open spaces.

‡ One US dollar is the equivalent of 17 Ethiopian birr.

Even in those areas that have recently been developed under the auspices of the government, and in spite of serious attempts to plan for adequate water and sanitation services, the gap between carefully laid out plans and the situation on the ground remains wide. For example, in a 2008 study Yntiso found that the residents of a new community in Gurara reported a serious drinking water shortage. In the communities where they were relocated from, residents either had tap water access in their homes or were within a 15 a minute round-trip walking distance from a standpipe. In the new community, 75 percent have tap water in their homes or are in a reasonable walking distance or a taxi ride from a standpipe. The remaining 26 percent had to travel a good distance to get water, and many of these people reported having to draw water from rivers and streams. In the entire resettlement area there are only two water connection points joined to the city's pipeline. Moreover, water is available only once a week, or every two weeks, and in some cases only once a month (Yntiso 2008, 70).

A 2005 WaterAid survey found that the number of hours per day that functioning water taps are open is generally short. Throughout the city there are more than 1400 public taps. Eighty-two percent were functioning at the time of the survey. Sixty-eight percent of the taps were being managed by kebeles and the remainder were managed by private vendors. Significantly, 53 percent of the taps served between 10 and 30 households; 16 percent served less than 10 households and 10 percent served more than 60 households (Howard 2005). Only about 59% of the taps are open up to four hours per day, but almost a quarter of these taps are open for one hour or less a day.

Most often, the poor living in squatter communities or slums must get potable water from public standpipes. This comes at a price. For those who control many of these water points this serves as a business (Pierce 2009). Private water tap operators are provided with water at a

wholesale price, at a rate of about US1 cent per cubic meter. Even this low price is expensive for poor households and many are not able to afford an adequate amount of water per day. Since the water points are not uniformly regulated, water tap operators can mark up the cost of water according to their own whims. It is not unusual for those who must buy water from these sources to pay more than eight times the buying price (Howard 2005, 3).

Finance, Implementation and Implications

The EPRDF regime has devised a capacity building strategy for urban development and municipal governance. The aims of this strategy are to strengthen and improve urban governance. This includes more careful attention to urban planning than ever before; the mobilization and efficient management of financial resources and improvements in the regulation of the delivery of urban services (Ministry of Finance and Economic Development 202, 126). Since 1991, the regime has been faced with serious challenges in making urban areas an integral part of the overall poverty reduction and development strategy. These challenges have included inadequate financial resources that can be devoted to urban service delivery; dire shortages in competent and well-trained urban government administrators; a severe shortage of skilled labor that could be employed in the expansion of needed infrastructure in areas such as water and sanitation services. Even where skilled and trained administrators are available, the wages paid by city governments to such employees are often not competitive with private sector employers (UN-HABITAT 2007, 9).

The national government claims that it is committed to having government get closer to the people and in the process empowering even the poorest in the population. This is the idea behind federalism and decentralization. However, with decentralized management comes a requirement that the lower levels of authority acquire more responsibilities in financing their

own services. The problem in the case of Addis Ababa is, as in the case of other decentralizing administrations (Alma 2010, 1; Rondenelli 1990, 44) that even though the city accounts for more than one third of all the revenues generated by the states, its own finances have most often not been sufficient to allow for expanded services, innovation and capital improvements (Keller 2002, 2003; Werner 2007,6; Cohen and Peterson 1999, 136)).

Most of the taxing authority in Ethiopia rests with the national government, and lower levels of government are characterized by increasingly lower levels of revenue generating capacity. Moreover, urban governments like Addis Ababa are prohibited from borrowing from private sources for the purpose of delivering local services.

An option, albeit a limited one for the Addis Ababa government is to utilize revenues gained from the administration of urban land leases. As mentioned above, however, the income from this source has been much less than expected. In part this is due to the rapid expansion of squatter and other informal settlements. City managers are simply not able to keep up with the demands placed on them to arrange for the registration and taxing of the new communities in their jurisdiction (UN-HABITAT 2007, 14-15). Best estimates indicate that only about 50 percent of Addis Ababa residents are served by the city's water system. Related to this is the fact that the needs of poor communities tend to be ignored by city planners. It is clear that one of the reasons for this is that the poor do not represent a significant source of revenue for the government. Even if the delivery of water and sanitation services in the city were privatized, it is unlikely that this would improve. Slums do not offer much in the way of cost recovery for private investors (Budds 2003, 87, 111; Alam 2010, 2). Moreover, private enterprises are not always required to keep the public good at the forefront of their activities.

In recent years the city government has relied upon donor funding in order to increase its water and sanitation services. International NGOs are involved in providing expanded infrastructure for water and sanitation including pipelines, meters and water use monitoring systems (WaterAid 2009, 13). A 2009 WaterAid report stated that throughout the country non-governmental organizations invest as much as 64% of the capital expenditures in the provision of water and sanitation and local communities account for about 33 percent. Only 3 percent is provided by local government. Clearly then, this has helped somewhat in addressing the shortfall in financing this sector, but it is not nearly enough to be included as an integral part of a broad poverty reduction and development strategy.

To be sure, financing water and sanitation services is a major challenge for urban governments like Addis Ababa; however, as is the case with other governments in developing countries, at a very fundamental level this is as much a management problem as it is a financing problem (Rondenelli 1990, 44-48). Rules and regulations relating to the urban water and sanitation delivery services are currently in the nascent stages of development. Several agencies have overlapping jurisdictions in this area and there are customary coordination problems. In addition to the financial shortages, the city government is not able to implement its policies according to the letter of the law because of a lack of administrative capacity. Moreover, there are shortages of skilled personnel in terms of engineers, planners and technicians. In the short-term this will continue to be a problem, as the rate of urbanization proceeds organically and simultaneously with the planning of the authorities. This represents a classical principal-agent problem. Planners and managers might devise well-thought out and logical plans for the future development of a market-based urban economy and of infrastructural capacity, but the realities of population growth and new, unplanned settlement thwart the best of planning.

Conclusion

A fundamental challenge faced by urban governments in developing countries like those found in Africa is the effective and efficient provision of public goods, services that they are expected to provide even at a nominal cost. Such services would include among others adequate health care, shelter, food, water and sanitation services. This essay, focusing on the performance of the urban government of Addis Ababa in the delivery of water and sanitation services to the city's inhabitants, is particularly concerned with the meeting of the needs of the urban poor. Addis is a rapidly growing urban center, mainly because of the symbiotic relationship the Federal Government sees between its predominately agriculturally based development strategy and its commitment to a dynamic, urban, market-driven economy.

Cities are expected to design, implement, finance and manage their own social service systems. However, they invariably find themselves without enough dependable financial resources to support such systems at the same time they must deal with limitations in the areas of technical and administrative capacities. In the case of Addis Ababa, rules and regulations issued by the federal government limit both the revenue generating and taxing powers of city government, as well as its borrowing authority, and it is unable to finance much more than recurrent projects.

Given the fact that, by definition the poor cannot afford the expense of being substantially taxed in order to pay for urban services, local government must, with the support of the national and regional governments, encumber such costs. This sort of support is not possible given current relationships between the federal and Addis Ababa governments. Also, the poor find it difficult to acquire needed services on their own from the private sector. They simply

cannot afford this, and would-be investors are not willing to provide such services to them if there is no potential benefit to themselves.

Innovation and capital development projects are rarely possible and this inhibits improvements in the provision of water and sanitation services. Runaway urban expansion further exacerbates this problem. Challenges in the housing, transportation, health and education sectors all have ripple effects that bear upon local government's ability to meet other critical needs such as water and sanitation. In order for this situation to improve city governments are going to have their capacities to generate new revenues unleashed and thereby be put in a position to improve their technical and administrative capacities across the board, particularly in the water and sanitation services.

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