Opportunities and Challenges of Investment in Ethiopia: A case of North Shoa Zone of Amhara Regional State

Girmachew Kahsay *, Gashaw Belete

Lecturer, Debre Berhan University, Dept. of Accounting & Finance,
College of Business and Economics, Ethiopia
*corresponding author: girmachewkahsay@yahoo.com

DOI: 10.23862/kiit-parikalpana/2018/v14/i2/177862

ABSTRACT

This study has examined the opportunities and challenges of investment in North Shoa Zone of Amhara Regional state of Ethiopia. The study adopts a qualitative type of research design. Specifically the study surveys 50 investment projects conveniently (ten percent of the total population of more than 490 investment projects). Also out of the 27 districts found in North Shoa Zone, 8 districts (Weredas) were selected as a sample purposively. The findings of the study revealed that North Shoa Zone is becoming one of the best investor destinations in Ethiopia in general and in Amhara Region in particular. The main reason for this is that; the Zone has so many investment opportunities in all sectors, favorable weather condition, availability of industry zone in Debre Berhan town, nearness to the capital of the country and port Djibouti, better bureaucracy, favorable investment policy, supply of land free of tender for industry sector, better infrastructures, better supply of raw materials, nearness to the market, availability of labor, Customs duty payment exemption on capital goods and construction materials, Income tax exemption from two to seven years, etc. even though the aforementioned factors attract investors to the Zone, there are also some challenges that hinder the investment activities of existing and potential investors. These are; elongated bureaucracy in some offices, lack of decision making capability by some officers, shortage of sufficient loan supply, contentious power interruption, shortage of foreign currency, unfair tax assessment, limited supply of qualified labor in some fields, road and transportation shortage in some districts, less government supervision, incentive, and follow-up, shortage of raw-materials, lack of quality on some raw materials supplied locally, limited market linkage.

1. Back Ground of the study

The notion that raising the investment rate is key to long run growth that has been at the heart of growth. The strong association between investment and long term growth performance is a well-established empirical fact (Kuznets, 1973). Investment constitutes an important macroeconomic component that matters for economic growth (Collier and Gunning, 1999). According to Barton (2005), definitions of investment tend to be broad and open-ended, with a list of specific types of

covered investments which are indicative rather than definitive. Mertonson (2010) noted that, the term 'Investment' is typically ambiguous. Parker (2010) notes that, Economists usually reserve the term investment for transactions that increase the magnitude of real aggregate wealth in the economy. This includes mainly the purchase (or production) of new real durable assets such as factories and machines.

Many developing countries (LDCs) particularly in Sub Saharan African (SSA) have relied on private investment to solve their economic problems. Specifically; private investment increases employment opportunities; attracts foreign investors living and working abroad to invest in the country and increases new technology in the country.

According to the Investment Proclamation No. 769/2012, the investment objectives of the Federal Democratic Republic of Ethiopia are designed to improve the living standards of the people of the country through the realization of sustainable economic and social development. To understand the implications for business and investment opportunities of the changes in Ethiopia's business landscape that the GTP promises, a closer look at sector level developments is required. Henok et al (2013) point out a number of key sectors, taking into account each sector's role in the Ethiopian economy, the factors driving growth and development in the sector. As to the researchers knowledge the challenges and opportunities of investment in North Shoa has not been investigated in a scientific manner. Thus, the purpose of this study is to identify the challenges and opportunities of investment in North Shoa zone.

1.1. Statement of the problem

Private investment is one of the major contributors to economic growth and development in both developed and developing countries. This is because through investment, new technology can be adopted, employment opportunities can be created, incomes can grow and living conditions of the people can improve thus, ultimately leading to alleviation of poverty (Matwanga, 2000).

A good investment climate provides opportunities and incentives for firms to invest profitably, create jobs and expand output, thereby increasing private investment and growth. That is why the better the investment climate the higher the levels of private investment are likely to be (World Bank, 2010; Simon, 2005). However, in the poorest developing countries, businesses frequently operate in investment climates that undermine their incentive to invest and grow. Ignacio and Sunil (2011) highlighted seven investment climate constraints that affect the rate of private investment and the survival and growth of firms which are elaborated in literature review part:

To understand the implications for business and investment opportunities of the changes in Ethiopia's business landscape that the GTP promises, a closer look at sector level

developments is required. Henok et al (2013) point out a number of key sectors, taking into account each sector's role in the Ethiopian economy, the factors driving growth and development in the sector. As to the researchers knowledge the challenges and opportunities of investment in North Shoa has not been investigated in a scientific manner. Thus, the purpose of this study is to identify the challenges and opportunities of investment in North Shoa zone.

Industry, agriculture, construction, tourism, and service are the major sectors of investment that this study was focused to identify the challenges and opportunities. This study also tried to study the challenges and opportunities of investment in the Zone. There are 27 districts in North Shoa zone. Among these, 5 are town administrations and 22 are district administrations.

Based on the 2014 data obtained from North Shoa Zone investment Office, the total 584 investment projects that are found in North Shoa zone which found at different stages of completion. Some are fully operating, some are operating partially, others are at the preparation stages to start operation, and several are still at the early stage of construction. Therefore, this study focused to identify challenges facing investment projects that are found at different levels of operation. In addition, this study tried to identify the opportunities available for potential private investors in general at the Zone level and specifically by district level.

1.2. Research Questions

The main research questions that this study answered were;

1. What are the challenges and opportunities of private investment in North Shoa zone in general?
2. What are the challenges of investment in North Shoa zone that faces existing private investors?
3. What are the challenges of investment in North Shoa zone that faced by existing and potential private investors?
4. What are the opportunities of investment in North Shoa zone in each district city administration of North Shoa Zone?
5. What are the opportunities of investment in North Shoa zone for existing private investors?
6. What are the opportunities of investment in North Shoa zone for potential private investors?

1.3 Specific Objectives

1. To identify the challenges facing the existing and potential private investors
2. To explore investment opportunities in each district and City Administrations found in North Shoa Zone that could attract existing and potential investors.
3. To study the investment opportunities available at the Zone level in general.
4. To study the investment opportunities available at the Zone at each district.
5. To improve the Zone's investment flow by forwarding the results of the study

and the recommendation to policy makers.

2. LITERATURE REVIEW

Investment is a crucial pre-requisite for economic growth of a given country, since it allows entrepreneurs to set economic activity in action by bringing resources together to produce goods and services, and making the growth process more socially and geographically inclusive, which expands the opportunities for poor people to participate in and benefit from growth.

Therefore, every government ensures that its policies promote investments and growth. Investment raises the productive capacity of the economy and promotes technological progress through use of new techniques. A study of literature shows that there are mixed views on public and private investments and the matter is not yet settled. Some takes a positive view of public investment and states that public investment stimulates private sector activity through the provision of education, infrastructure, health etc and in this way crowds in private investments. Others however argue that public investments actually crowd out private investment and hinder economic growth.

There are many types of investment. To simplify, one can start by drawing a line between public and private investments, depending on whether the source of the investment is the government or the private sector. A distinction should be made between public entities that operate as state entities and those that act on a commercial basis, operating like any business and competing with private sector entities. To simplify a complex status, which differs across controls, we will note here that the activities of the commercial "public" entities are often regarded and treated as private investment.

Private investment is one of the major contributors to economic growth and development in both developed and developing countries. This is because through investment, new technology can be adopted, employment opportunities can be created, incomes can grow and living conditions of the people can improve thus, ultimately leading to alleviation of poverty (Matwanga, 2000). The private sector is the main engine of growth in market economies. It flourishes and delivers sustained growth when a number of factors combine to produce a conducive environment for the private sector to develop. Private investment is a decisive pre-requisite for economic growth because it allows entrepreneurs to set economic activity in motion by bringing resources together to produce goods and services.

A good investment climate provides opportunities and incentives for firms to invest profitably, create jobs and expand output, thereby increasing private investment and growth. The literature shows that the better the investment climate the higher the levels of private investment are likely to be (World Bank, 2010; Simon, 2005).

However, in the poorest developing countries, businesses frequently operate in

investment climates that undermine their incentive to invest and grow. Businesses seek to maximize the risk adjusted rate of return to investment after tax. Investment climate constraints serve to depress the potential rate of return on investment, increase risk and/or prevent the entrepreneur from capturing the returns on offer. Nebil,et at (2010) states domestic private sector in Ethiopia is still at an early stage of growth due to the legacy of a command economy.

Although some larger private companies are now run by professional managers and boards of directors, most private businesses are family or individual owned. Private sector has remained small because of various obstacles impeding its growth. Medium and large scale private investment as a share of GDP has declined from around 8% in 2004/05 to around 6% in 2006/0714. While registered investments are relatively high, actual investment owns are much lower, since many registered investments fail to materialize or do so very slowly (Nebil, et at, 2010).

A good investment climate not only benefits the private sector, but also society as a whole. It can play a significant role in reducing unemployment by enabling enterprises to grow and increase their profitability. Ignacio and Sunil (2011) highlighted seven investment climate constraints that affect the rate of private investment and the survival and growth of firms: these are Macro level instability, Crime and corruption, Business regulation and licensing, Institutions and the legal system, Taxation, Financial Constraints, Infrastructure.

3. Methods and Measures

3.1 Research Design

The researchers used qualitative type of research design since qualitative research is a system of inquiry which seeks to build a holistic, largely narrative, description to inform the researchers understanding of a social or cultural phenomenon. Under this qualitative research design the researchers applied Survey research a research method involving the use of standardized questionnaires or interviews to collect data about people and their preferences, thoughts, and behaviors in a systematic manner. Other units of analysis, such as groups, organizations or dyads (pairs of organizations, such as buyers and sellers), are also studied using surveys, such studies often use a specific person from each unit as a "key informant" or a "proxy" for that unit if the informant chosen does have adequate knowledge or has a unbiased opinion about the phenomenon of interest (Anol, 2012).

3.2 Target Population

All investment projects in all Weredas and in all city administration as well as all Wereda and town administration investment office employees / 27 Weredas and 492 projects were taken as populations for this study.

3.3 Sample and Sampling Techniques

Because this research studies the challenges of investment at zone level,

samples were taken mostly from different sectors and from 8 different sample Weredas. Our sample size was 10 % (50 Projects) of the total more than 500 population. The reason why 10 % of the population was taken as a sample is to get enough representatives to conclude for the whole population. The other reason was to reduce the effect of the possible non-response rate on the outcome of the research. Then researchers were selected these 50 sample projects from 8 districts out of 27.

The researchers selected Sample districts by using purposive sampling. Researchers used purposive sampling due to the different numbers of investment projects found in each district and the geographical distribution of districts from the zone capital, Debre Berhan. In addition, the researchers selected participant investors /investment projects/ by using convenience sampling technique.

3. 4 Sources of Data

The researchers used both Primary and secondary data sources. Primary data were collected using questionnaires (a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner); interviews and observations (involves systematically selecting, watching and recording the constraints and opportunities of investing in the selected district) from officials of the investment office, investors and beneficiaries. The researchers also used Secondary data obtained from reviewing of documents from North Shoa Zone investment office.

3.5 Data Collection Instrument

The necessary data were collected by using questionnaires, interviews and observations as well as by reviewing secondary data sources documents. Questionnaires were used to collect data from investment office employees of sample districts and from investment project Managers or owners of sample projects. Both open-ended and closed-ended questionnaires were used. Interview also used to collect data from Investment office officials of sample districts and from Managers or supervisors or owners of sample projects to crosscheck the data that is collected by using questionnaire. Furthermore, observation of sample projects and districts were conducted by the researchers to see the visible parts of the opportunities and challenges of investment such as land, infrastructure, whether condition, topography, altitude, raw material availability, etc.

3.6 Data Analysis Procedure

Data in this research that were collected by using questionnaire analyzed by using tabulation while the data that were collected by using interviews analyzed qualitatively . The emphasis is on the stated experiences of the participants and on the stated meanings they attach to themselves, to other people, and to their environment. In addition, the data that was collected by using observation and by reviewing

different secondary documents were also analyzed qualitatively.

4. Results and Discussion

Table 1: Sex of Respondents

		Male	Female	Total
1. sex of respondents	#	41	9	50
	%	**82%**	**18%**	**100%**

Table 1 reveals the age of the respondents. As it is revealed 82% of the respondents were male respondents and the rest 18% were female respondents.

Based on Table 2, 4% of the respondents age found to be in the range 18-25 years, 38% in 25-35 years, 50% in 35-50 years and the rest 8% in more than 50 years old.

Table 2 : Age of the Respondents

		18-25	25-35	35-50	>50	Total
2. Age of Respondents	#	2	19	25	4	50
	%	**4%**	**38%**	**50%**	**8%**	**100%**

Table 3: Respondents' Sector of investment

		Agriculture	Industry	Construction	Service	Tourism	Total
3. Respondents' Sector of Investment	#	4	8	14	4	20	50
	%	**8%**	**16%**	**28%**	**8%**	**40%**	**100%**

As Table 3 depicts the majority of respondents 20(40%) were from tourism sector. The rest 28%, 16%, 8%, and 8% were from construction, industry agriculture and service sector respectively.

Table 4: Investment Projects' Stage of Implementation

4. At what level of implementation does your project found?		
	# of respondents	Percentage (%)
Fully Starts operation	22	44%
Partially starts operation	16	32%
Implementation	5	10%
Pre-implementation	7	14%
Total	50	100%

The study result in Table 4 revealed that 44% of the respondents said that their investment project started a full operation. Whereas 32% of the respondents replied that, their investment project started a partial operation. Respondents who said their investment projects at implementation stage were 10%, while the rest (14%) said their projects were at pre-implementation stage.

Table 5(a): The year in which investors acquire investment license & start implementation

	Year	# of resp.	%age	Year	# of resp.	%age
5. In which year do you obtain investment Permit?(E.C)	1995	2	**4%**			
	1996	2	**4%**	2001	7	**14%**
	1997	4	**8%**	2002	2	**4%**
	1998	7	**14%**	2003	4	**8%**
	1999	2	**4%**	2004	4	**8%**
	2000	14	**26%**	2005	2	**4%**

As table 5 reveals most projects (26%) acquired investment license during the year 2000 e.c /by the time the country celebrated the Millennium year/. During the Millennium year the country in general and North Shoa Zone in particular attracted many local, foreign and Diaspora investors. 14% of the respondents replied that they acquired investment license in 1998 e.c, before the Millennium and the same percentage of respondents replied that they acquired license in 2001 e.c. the rest of the respondents acquired license in the year 1995, 1996, 1999, 2002, and 2005.

Table 5 (b) : The year in which investors start project implementation /E.C/

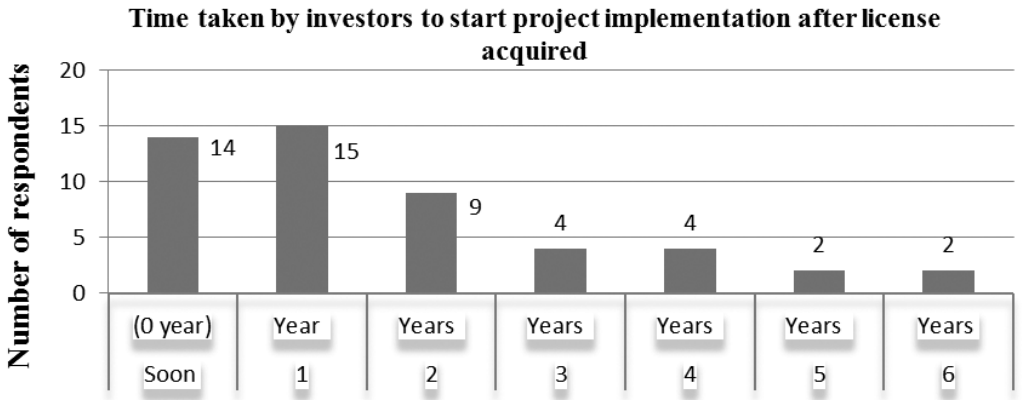
	Year	#	%age	Year	#	%age
6. In which year do you Start Implementing your Project? (E.C)	1996	-	-	2001	10	20%
	1997	3	6%	2002	3	6%
	1998	3	6%	2003	2	4%
	1999	-	-	2004	4	8%
	2000	11	22%	2005	6	12%
				2006	8	16%

Table 5 (b) discloses the year in which investors started project implementation after the acquisition of investment license. As it is seen above the majority of the projects (22 & 20%) started implementation in the year 2000 & 2001 e.c, during the millennium and immediately one year after the millennium. This was because most projects acquired license in the millennium year, 2000 e.c. The rest of the respondents 16%, 12%, 8%, 6% (3x), and 4% started implementation the year 2006, 2005, 2004, 2002, 1998, 1997, and 2003 e.c.

Table 6: Time taken by investors to start project implementation after license acquired

Years investors take before stating implementation.	Soon (0 year)	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	Total
Number of respondents	14	15	9	4	4	2	2	50
Percentage (%)	28%	30%	18%	8%	8%	4%	4%	100%

The information presented in the above table 6 is presented using the chart below.



As shown in the above figure & table 6, the majority of the respondents (30%) replied that it took them 1 year to start project implementation after acquiring the investment license. The second highest number of investors (28%) started project implementation immediately in the year they acquired the investment license. The third highest number of respondents (18%) took 2 years to start project implementation. In addition, some of the respondents took 3 years (8% of them) and 4 years (the same 8%). Lastly, few of them took 5 and 6 years 2% each. Graphically, it is presented below. From these it is clear that investors didn't start implementation on time as they proposed on their project plan.

Table 7: Land Acquisition Process for Investment

7. How do you evaluate the time taken to Acquire land for your investment project?		Short	Moderate	Long	Very long	Total
	#	6	29	6	9	50
	%	**12%**	**58%**	**12%**	**18%**	**100%**

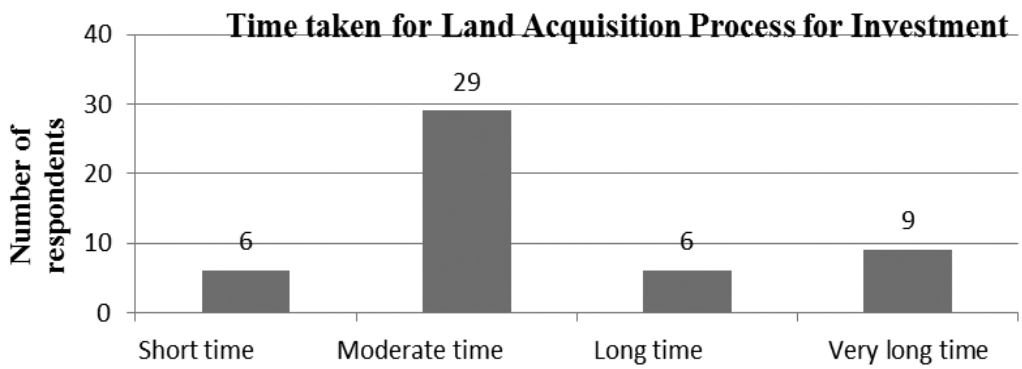


Table 7 shows 12% of the respondents replied that it took them a short time to acquire land for their investment projects, while the majority of them (58%) said that it took them a moderate time. On the other hand, 12% of the respondents responded that it took them a long time to acquire land for their investment and 18% of them said it took them a very long time. As respondents responded to the open-ended part of the questionnaire, there were some problems they faced while trying to get land for their investment. The first obstacle they faced was elongated bureaucracy. Some concerned officers and employees showed the lack of making decisions and taking a long time to make a decision.

Table 8 : Investment License Acquisition Process

8. How do you evaluate the time taken to Get an investment permit?		Short	Moderate	Long	Very long	Total
	#	29	15	4	2	50
	%	58%	30%	8%	4%	100%

Table 8 shows the rank of the time it took investors to acquire an investment license. In general, most of the respondents (58%) said that they acquired an investment license in short time, while 30% of them said they acquired investment licenses in moderate time. On the other hand, few of the respondents (8%) replied that they acquired the investment license by long time process and the rest very few of them (4%) said it took them a very long time to acquire an investment license.

Table 9: Loan Supply Process for investment by Financial Institutions

9. What problems you faced while trying to get a financial loan from financial Institutions?		
	#	%
Unable to get enough amount of loan	19	38%
Unable to get the loan in short time	22	44%
Shortage collateral assets	9	18%
Total	50	100%

Table 9 shows 38% of the respondents said that they didn't get the required amount of loan from financial institutions. The majority of them (44%) said they did not get the loan in short time, even though they get the required amount. The rest of the respondents (18%) said that they faced a shortage of collateral assets required to obtain the loan from financial institutions.

Table 10: Trade License Acquisition Process

10. Have you got trade license without any problem?		Yes	No	Total
	#	50	0	50
	%	**100%**	**0%**	**100%**

Table 10 shows all of the respondents (100%) replied they acquired a trade license without any problem. This shows that the office that provided or that processed the trade license was able to satisfy all its customers.

Table 11: Construction Permit Acquisition Process

11. Have you got construction permit Without any problem?		Yes	No	Total
	#	37	11	48
	%	**77%**	**33%**	**100%**

As shown in Table 11, the majority of the respondents (77%) replied that they had acquired construction permits for their investment construction works without any problem. On the other hand, 33% of the respondents replied they had encountered problems during the acquisition of the construction permit. There was a shortage of engineers in the offices that permitted the construction work. In addition, elongated bureaucracy or repetitive appointments to get the permit were facing investors.

Table 12: Investment License Renewal Service

12. Do you renew your investment Permit without any problem?		Yes	No	Total
	#	36	14	50
	%	**72%**	**28%**	**100%**

As Table 12 depicts the majority (72%) of the respondents replied that they did not face problems during the renewal of investment license. On the other hand, 28% of the respondents replied that they encountered problems during the investment license renewal process.

The most serious problem investors pointed out was that in case the deadline of the renewal of the investment permit was passed even by one day, it was not possible to renew it, which forced the project to be paused by one year. This was creating many problems to the investment projects and to the employees worked on the projects.

Table 13: Qualified Labor Availability Locally

13. Have you got sufficient and qualified labor/man power/ locally?		I get sufficient	I get partially	I can't get any	Total
	#	16	24	9	49
	%	32.7%	48.9%	18.4%	100%

Regarding the availability of qualified labor locally, Table 13 depicts that 32.7% of the respondents said they had gotten qualified labor sufficiently from locally. The majority of the respondents (48.9%) responded that they had gotten qualified labor moderately from locally. On the other hand, the rest of the respondents (18.4%) replied that they did not able to get the required qualified labor locally.

Most workers were working simply by experience not by getting formal skilled training. Only a few numbers of skilled labors were available locally. Specifically, skilled labor was unavailable in the following areas; aluminum work, glass-work, ceramic work, gypsum work, etc. Even in these areas, any technical colleges or universities did not give training. Asking high wage and showing low interest of working were also witnessed from workers. In districts, Hotels and Restaurants employed waiters and other workers from Addis Ababa as they could not found skilled waiters locally.

Table 14 : Electric Power Supply

14. How do you evaluate the amount of electric power you are getting for your project?		Sufficient	Moderate	Insufficient	Total
	#	8	35	7	50
	%	16%	70%	14%	100%

As Table 14 depicts, only a few of the respondents (16%) replied they were getting electric power sufficiently and the majority of the respondents (70%) replied they were getting electric power moderately. On the other hand, 14% of the respondents replied they were getting insufficient power for their investment projects.

Most respondents pointed out that there was a continuous electric power interruption. This was creating serious problems for the whole sector in general and manufacturing in particular. This extended power interruption was causing some projects to extend their implementation period beyond their plan. Some said the shortage of transformers, caused the interruption. Even some said the problem was not only power interruption but also the power had less power when available. Furthermore, there was a limitation on the distribution of power to project sites on time due to low service provided by the Ethiopian Electric Power office. Especially, the Electric office took a long time to install power transformers in the Industry Zones.

Table 15 : Water Supply and Sewerage Services

15. How do you evaluate the extent of water and sewerage services you are getting for your project?		Sufficient	Moderate	Insufficient	Total
	#	35	9	5	49
	%	71.4%	18.4%	10.2%	100%

Table 15 shows the respondent's response on water supply and sewerage services for their investment projects. As shown, the majority of the respondents (71.4%) replied that they were getting water supply and sewerage services sufficiently. Some of the respondents (18.4%) replied they were getting water supply and sewerage services moderately. Few (10.2%) of the respondents replied that the supply of water and sewerage services they were getting is insufficient.

Sometimes the water became unavailable due to accidental damages on water lines and due to power interruption. In some districts, sewerage/waste water service was not convenient. Hotels and Restaurants dispose the wastewater by transporting a long distance by labor. This made their work more difficult. In some districts, the water itself was rarely available because the water projects run by the government sometimes took many years ahead of time to be completed.

Table 16: Telecommunication Services

16. How do you rate the quality of telecommunication services you are getting?		Very satisfactory	Satisfactory	Moderate	Unsatisfactory	Very unsatisfactory	Total
	#	5	14	12	7	11	49
	%	**10.2%**	**28.6%**	**24.5%**	**14.3%**	**22.4%**	**100%**

As shown in the above Table 16, 10.2% of the respondents replied that they were getting a very satisfactory telecommunication service, while the majority (28.6%) of them replied that they were getting satisfactory telecommunication service. In addition, 24.5% the respondents said they were getting moderate telecommunication service. On the other hand, the rest of the respondents, 14.3% and 22.4% replied that the telecommunication service they were getting was unsatisfactory and very unsatisfactory respectively.

Many time both mobile and line networks became out of service because of shortage of the network. In addition, there was a shortage of maintenance on short time from the Telecommunication office when the line telephones got out of service. Poor internet connection was also another problem observed.

But, currently researchers have witnessed that there is huge improvement in coverage and quality of telecommunication services due the expansion projects done by Ethio-telecom.

Summary of Findings

Even though, most investment projects are concentrated around and in Debre Berhan town, a significant number of investors have also invested in different districts of North Shoa zone. The main reason for the arrival many investors to the Zone are the nearness of the Zone to the capital the country Addis Ababa, availability of a better infrastructure, nearness of the Zone to port Djibouti, availability of conducive investment opportunities and conducive investment environment, attractive investment policy, supply of land free of tender to the industry sector, attractive incentives and government encouragement, attractive weather and environmental conditions, availability of raw materials, availability of trained and trainable manpower, well positioned to local and international market, etc. In general, at the zone level the investment opportunities are available for investors in

all sectors; agriculture, industry, construction, tourism, social sector & mining.

5. Conclusion

The number of investors coming to north Shoa zone of Amhara regional state is increasing time to time. Especially in recent years (after 2000 e.c) more and more investors actually make North Shoa their investment destination.

Land is the most important thing for the any investment project. As per the analysis of the questionnaire, out of the total 50 respondents, the majority of them 29 (58%) said that it takes them a moderate time to acquire land. The main problems facing investors regarding land are elongated bureaucracy, lack of decisions and taking a long time to make a decision by employees and officers, lack of collaboration among engineers or experts who work on the process of land supply, and problem of clearing the land on time from other party ownership.

Acquisition of Investment License is the first thing that investors get before starting the work. In this regard, most of the respondents 29 (58%) said that they acquired an investment license in short time, while 30% of them said they acquired investment licenses in moderate time. Some Investors faced elongated bureaucracy in the offices to get an investment license.

In the process of Trade License Acquisition, all 50 (100%) of the respondents replied they acquired a trade license without any problem. This shows that the office that provided or that processed the trade license were able to satisfy all its customers. In the process of Investment License Renewal Service, out of the total 50 respondents the majority 36 (72%) of the respondents replied that they had not faced problems during the renewal of investment license.

As respondents replied regarding the availability of qualified labor locally, 16 (32.7%) of the 50 respondents said they had gotten qualified labor sufficiently from locally. The majority of the respondents 24 (48.9%) responded that they had gotten qualified labor moderately from locally. On the other hand, the rest of the respondents (18.4%) replied that they did not able to get the required qualified labor locally. The challenge here was that most workers were working simply by experience not by getting formal skilled training.

Electric Power Supply is the blood of any investment projects. In this regard, only a few of the 50 respondents 8 (16%) replied they were getting electric power sufficiently and the majority of the respondents 35 (70%) replied they were getting electric power moderately. On the other hand, 7 (14%) of the respondents replied they were getting insufficient power for their investment projects.

In some districts, sewerage/waste water service was not convenient. Hotels and Restaurants dispose the wastewater by transporting a long distance by labor.

Currently researchers have witnessed that there is huge improvement in coverage and quality of telecommunication services due the expansion projects done by Ethio-telecom.

5.2 Recommendation

Based on the finding of the study researchers forwarded the following recommendations.

Shortening the Bureaucracy in to "Short Time" to provide investors the following Services as the current bureaucracy is taking investors a "Moderate time" to acquire.

- Land
- Investment license
- Loan

In addition, educational institutions have to work together with the industries for technology transfer, experience & knowledge sharing. Furthermore, the local educational institutions are required to train those works that are currently working in the projects simply by experience without getting a formal training. Likewise, the investors and the managers of the investment projects need much training in the areas of management skill, accounting, computer, tax, etc. This will integrate the industries and educational institutions together to achieve a greater goal of development.

Improve the Electric Power Supply to investors; the existing trend of power supply is full of continuous interruption and blackouts. To improve this situation, it is better enhance the supply of power and the supply of Transformers.

Expand the market linkages for the goods produced and for the services provided by the investors

Improve decision making capacity of officers found in some offices. In addition the public sector and the private sector have to work in cooperation so as to solve problems together and so as to work things together.

Investors that don not start implementing projects as per their project plan have to start implementation as per their plan. Doing this has a dual benefit both to the investors themselves and to the country in general. Investors can skip the price change to material and raw materials and the projects can create job opportunities, can fill market gap, can generate tax revenue to the government, etc.

As stated in the analysis part, the most serious problem investors pointed out is that in case the deadline of the renewal of the investment license is passed even by one day, it is not possible to renew it, which forces the project to be paused by one year. Here researchers recommended that investment activities should not be posed for one year because of the deadline is passed. Rather it is more advantageous to renew the license on punishment even though the deadline day is over.

Investors have to solve their financial incapability so that they should have to use different financing mechanisms in addition to loan, and personal sources such as

creating joint partnership with foreign and local investors.

Investors should have to hire professionals to manage their businesses. Or if the investors themselves are managing their project, they should be professionally trained ones. Otherwise it is rare to see effectively profitable investment project.

Investors have to improve the inappropriate land management, illegal expansion of land, illegal use of land for another purpose, and the inefficient utilization of natural resources so as to make their business profitable and to use resources economically. In addition investors have to increase the lower wage rate they are currently paying to workers and employees. Doing this will attract professional and will motivate workers for better production and better performance.

Bibliography

Journals

Abel, A. B., and Blanchard, O. J**.** (1986): 'The Present Value of Profits and Cyclical Movements in Investment'*, Econometric,* 54(2), pp. 249-273.

Anol, B. (2012). Social Science Research: Principles, Methods, and Practices University of South Florida, USF Tampa Liberary Open Access Collection.

Ataklty Adugna Abadi et al. (2015): Assessment Of Private Investment In Tigray, Northern Ethiopia: Challenges &Opportunities In The Case Of Manufacturing Sector, International Journal of Current ResearchVol. 7, Issue, 01, pp.12210-12217

Bazoumana, O. (2005). Modeling the Long Run Determinants of Private Investment in Senegal. Centre for Research in Economic Development and International Trade, University of Nottingham., CREDIT Research Paper No. 04/05.

Bruhn, M., Karlan, D. & Schoar, A. (2010). What Capital Is Missing in Developing Countries? American Economic Review, 100, 629-33.

Calvin, M., Sylvia, R., Patrick, M., Nomathemba, M. (2010). Agricultural Investment Funds for Developing Countries. Food and Agriculture Organization of the United Nation.

Daniel, Z., (n.d). Determinants of private investment in Ethiopia. Addis Ababa University.

Djankov, S. (2009). The Regulation of Entry: A Survey. World Bank Research Observer, 24, 183-203.

Djankov, S., LA Porta, R., Lopez DE Silanes, F. & Shleifer, A. (2002). The Regulation of Entry. The Quarterly Journal of Economics, CXVII.

Ethiopian Investment Agency,.(2012). Investment Climate in Ethiopia, July, 2012.

Ethiopian Investment Agency (2012). Investment opportunity profile for the manufacturing of leather garments and articles in Ethiopia. Addis Abeba, Ethiopia.

First Floor, 99 South wark Street London

SE1 0JF, United Kingdom Exchequer Framework. Department of Public Expenditure and Reform.

Henok, A., Derk, B., & Dan, C. (2013). Ethiopia's Investment Prospects: A Sectoral Overview* Journal compilation ©2013 African Centre for Economics and Finance. Published by Print Services, Rhodes University, P.O. Box 94, Grahamstown, South Africa. African Review of Economics and Finance, Vol. 4, No.2.

Hummels, D. and Schaur, G. (2012), "Time as a trade barrier", NBER Working Paper, No. 17 758, January, National Bureau of Economic Research, Cambridge, MA.

Ignacio, F,. & Sunil, S,. (2011). Constraints to private investment in the poorest developing countries. A review of the literature. Nathan Associates London Ltd.

IMF. (1993). Balance of Payments and International Investment Position Manual, Fifth edition.

Ingersoll, G. L., &Eberhard, D. (1999). Grants management skills keep funded projects on target. Nursing Economics, 17, 131-141.

Investment Proclamation No. 769/2012

Kathuria, V. (2000). Productivity spillovers from technology transfer to Indian manufacturing firms. Journal of International Development, 12, 334-369.

Loayza, N., Oviedo, A. & Serven, L. (2005). The impact of regulation on growth and informality - cross-country evidence. Policy Research Working Paper Series. The World Bank.

Matwang. A, Fredrick, L. (2000). Determinants and Constraints to private Investment: The Case of Kenya (Abstract)

McMillan, J. H. & Schumacher, S. (1993). Research in education: A conceptual understanding. New York: Haprer Collins.

Ministry Of Agriculture (MoA). (2013). Agricultural investment opportunities in Ethiopia

Nebil, K., Gezahegn, A., Hayat, Y.,(2010).Enabling the Private Sector to Contribute to the Reduction of Urban Youth Unemployment in Ethiopia. Produced and distributed by the Addis Ababa Chamber of Commerce and Sectoral Associations with nantonal support from the Swedish Agency for International Development Cooperation, Sida.

North Shoa Zone, (2013). North Shoa Zone Investment Directory.

OBG (2012), the Report: Nigeria 2012, Oxford Business Group, London.

OECD (Organisation for Economic Co-operation and Development). 1996. Benchmark Definition of Foreign Direct Investment. Third edition (reprinted 1999).

Oyelaran-Oyeyinka, G. Sampath. (2007). Innovation in African Development: Case Studies of Uganda, Tanzania and Kenya, Washington, D.C.: World Bank, study presented at "Innovation in the African

Context: A Forum for Policymakers" hosted by Irish Aid World Bank Institute, 6.–8. March 2007, Dublin.

Ping, H., and Donglin, L. (2012). What is a good investment measure? Investment Management and Financial Innovations, Volume 9, Issue 1, 2012.

Reinikka, R. & Svensson, J. (2002). Coping with Poor Public Capital. Journal of Development Economics, 69, 51-69.

Roinn, C., Phoiblii (2011). Infrastructure and Capital Investment 2012-16: Medium Term

Simon, W. (2005). Enhancing private investment for development. Policy guidance for development agencies Southern African IDEAS

Sinani, E. & Meyer, K. (2004). Spillovers of technology transfer from FDI: the case of Estonia. Journal of Comparative Economics, 32, 445-466.

The Organization for Security and Cooperation in Europe. (2006). Best practice guide for a positive business and investment climate. The Organization for Security and Cooperation in Europe (OSCE) ISBN-10: 3-95028-0-8 ISBN-13: 978-3-9502218-0-0.

Trebilcock, M.J. and M. Mota Prado (2011), What Makes Poor Countries Poor? Institutional Determinants of Development, Edward Elgar, Northampton, MA.

Tsegaye, T. (n.d). Investment Promotion and Incentives in Ethiopia. The Ethiopian Economy: Structure, Problems and Policy Issues.

UNIDO. (2008). Creating an Enabling Environment for Private Sector Development in sub-Saharan Africa United Nations Industrial Development Organization. Federal Ministry for Economic Cooperation and Development, Vienna, 2008.

World Bank, (2010). Investment Law Reform A Handbook for Development Practitioners. Investment Climate Advisory Services of the World Bank Group June 2010 in partnership. The World Bank Group 1818 H Street, NW Washington, DC 20433

World Bank. (2004). Doing Business in 2004: Understanding Regulation, Washington, DC.

World Bank. (2005). A Better Investment Climate for Everyone. World Development Report. Washington DC: The World Bank.

World Bank. (2007). World development report. Washington D.C.,

World Economic and Social Survey. (2013). Sustainable Development Challenges. Department of Economic and Social Affairs. E/2013/50/Rev. 1, ST/ESA/344.

Websites:

Ethiopian Investment Commission: http://www.investethiopia.gov.et

Ethiopian Investment Agency: http://ethioinvest.com

Embassy of Ethiopia Washington DC: http://www.ethiopianembassy.org.

OECD (2014), "Creating an environment for investment and sustainable development", in Development Co-operation Report 2014 Part II: Mobilizing Resources for Sustainable Development, OECD Publishing. http://dx.doi.org/10.1787/dcr-2014-16-en.

OECD (2013a), OECD Investment Policy Reviews: Malaysia 2013, OECD Publishing, Paris, http://dx.doi.org/10.1787/ 9789264194588-en.

OECD (2013b), OECD Investment Policy Reviews: Tanzania 2013, OECD Publishing, Paris, http://dx.doi.org/10.1787/ 9789264204348-en.

❑❑❑