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COLLEGE OF DEVELOPMENTAL STUDIES
TOURISM DEVELOPMENT AND MANAGEMENT UNIT

ASSESSMENT OF INSTITUTIONAL RULES AND REGULATIONS FOR LICENSING OF HOTELS IN ADDIS ABABA, ETHIOPIA

By: Abinet Woldetensae

Advisor: ShiferawMuleta (Dr.)

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This is to certify that the thesis prepared by Abinet Woldetensae, entitled Assessment of Institutional Rules and Regulations for Licensing of Hotels in Addis Ababa, Ethiopia and submitted in partial fulfillment of the requirements for the Degree of Master of Arts in Tourism and Development complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Signed by the Examining Committee:

External Examiner Ephrem Assefa Signature _____ Date _____

Internal Examiner _____ Signature _____ Date _____

Advisor _____ Signature _____ Date 06/07/03

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Abbreviations and Acronyms

AAIA…….Addis Ababa Investment Agency

COC……Certificate of competence

CSA……Central Statistical Authority

CSA……Central Statistics Agency

ECTT'T……European Council on Tourism and Trade's

ETDP……Ethiopian Sustainable Tourism Development Project

GTP…….Growth and transformation plan

ILO……...International Labor Organization

MCT ……Ministry of Culture and Tourism

MOCT……Ministry of Culture and Tourism

NGOs……Non-Governmental Organization

SMEs…… Small and Medium Enterprises

SSA……Sub Saharan Africa

TMPS……Tourism Master Plan Strategy

UNCC……United Nations Conference center

US$……Unite State Dollar

VAT……Value Added Tax

WTO……..World Tourism Organization

WTTC……World Travel and Tourism Council

Abstract

Despite officials' disinterest in realizing the essential role tourism may play in this regard, Ethiopia still needs extraordinary growth and development to meet the country's development needs. Because it is the center of international conferences and the entry point for the majority of international tourists, Addis Ababa can attract visitors. Despite the city's many attractions and tourism service providers, investment is insufficient to upgrade them. The major goal of this research is to examine the opportunities and challenges of institutional policy and regulation of tourism business development in Ethiopia by focusing on hotel licensing in Addis Ababa as a case study. The study is descriptive, with both quantitative and qualitative research methods applied. Interviews, questionnaires, focus group discussions, and available secondary sources were employed to collect data by the researcher. Participants were chosen from licensed star hotels and tour operators. Various governmental and non-governmental organizations in Addis Ababa were also interviewed. The study's findings reveal numerous obstacles and potential for tourism investment in Addis Ababa. Bureaucratic issues, a lack of basic infrastructure, a lack of promotion in the sector, macroeconomic uncertainty, and a problem with implementation capability are among the major hurdles. The potential for tourism and investment, according to this study, includes good government attention, a huge market size, a mixed market economy, adequate resources, and the availability of a trainable workforce. Public infrastructure, such as transportation, telecommunications, water supply, and energy, as well as tourist infrastructures, such as hotels, restaurants, tour operations, conference centers, and recreation facilities, are among the investment potential. In general, despite the city's abundance of tourism investment potential, investment performance was determined to be poor. The institutional framework of the government offices should be upgraded to address investment barriers in Addis Ababa, such as adequate taxation, rivalry from adjacent cities, low promotion, and a shortage of qualified people.

Keywords: *Tourism Development; Tourism Strategy; Tourism Policy; Challenge, Opportunity*

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Tourism is one of the largest and rapidly growing industries in the world. Travel and tourism is the largest service industry globally in terms of gross revenue and foreign exchange earnings. It is also one of the largest employment generators in the world. Tourism is both cause and consequence of economic development. It has the potential to stimulate other sectors in the economy owing to cross-synergistic benefits and its backward and forward linkages (Africa Travel Association, 2010).

Tourism is an important component of the service economy and incorporates such services as entertainment, hotels and leisure. As the world's largest industry, tourism brings the tourist and service provider together and produces an experience for both. Urry (2002) has introduced the concept of the 'tourist gaze' to signify "the experience gained by the tourist in encountering scenes and landscapes that are distinctive from those associated with everyday life". Hunter and Green (1995) have identified four purposes of travel by tourists, namely: pleasure, visiting friends or relatives, work-related business (conferences) and personal business.

Successive Ethiopian governments have promoted tourism during their tenures. The monarchy that mediated politics, economics, culture, environment and technology for most of the 20th century initiated the promotion, marketing and development of tourism as an integral part of the overall dynamics of national development. Ethiopia's existence as an independent country for thousands of years and the diversity of its ecology and culture were images that captivated foreigners for a long time. The promotional logo of 'Thirteen months of Sunshine" was interjected by an imaginary of a proud and cultured people professing the two major universal religions of the world-Christianity and Islam and an ethnic religion of Felasha Jew. The magnificent material iconographies of Ethiopian culture were relayed to the visitor through the timeless architectural wonders of Axum's stele, Lalibela's rock-hewn churches, Gondar's Castles, Harar's medieval walled city and archeological sites that traced the origin of homo-sapiens to the Rift valley where the skeletal remains of Dinkinesh (Lucy) and Selam were discovered (Kidane-Mariam, 2015).

While tourism has potential to contribute to the economic and social development of a destination, there are characteristics of the industry, which limit its potential as a

development tool. The emerging global power structures of the tourism industry can take control out of the hands of the destination leaving only the localélites and multinational corporations to benefit. Some scholars also argued that tourists themselves are more generally interested in themselves and their needs as opposed to altering their form of consumption to maximize the benefits of tourism for the destination. Though the Ethiopian government drafted the tourism development policy in order to maximize benefit and accelerate Ethiopian tourism industry from its low stage (Kidane-Mariam, 2015).

Tourism Business operators, such as hotels, play important role in developing tourism industry in Ethiopia. They promote tourism and provide accommodation to tourists during their visit in Ethiopia. Besides that, tourism Business operators also generate government revenue through paying taxes and create employment among the Ethiopian youth in particular. Despite the benefits they render, there are challenges which hindering development of these hotel operators. The hotel industry in Ethiopia seems to be not well growing while some of them are failing miserably compared to the larger hotels which are owned and operated by foreigners. Among others, such challenges are often related to institutional rules and regulations. For instance, studies show that issuing hotel business license has been marked with unwanted bureaucratic challenges (Kidane-Mariam, 2015). Therefore, this study will critically examine and identify the opportunities and challenges of institutional rules and regulations for tourism business development in Ethiopia.

1.2 Statement of the Problem

The hotel is the base of tourism industry since it is a significant element of the tourism industry. Tourists require hotel where they can stay during their holidays within a tourism destination (Cooper, 2008).

The success of tourism industry depends on their ability to satisfy the clients. There are some studies conducted in a context of developing countries about the challenges tourism SMEs face. The study carried out by Chan and Quan (2008) in Malaysia claimed that the major challenges faced by tourism business are related to competition, financial issues, human resource, government regulation and policies, customer services and satisfaction and marketing. Similarly, the study by Reynolds (1994) revealed that among the problems faced by small and medium sized business in the tourism sector are financial management and liquidity, management inexperience and incompetence, limited adoption of technology, poor or non- existent of books and records, and failure to seek and use expert advice. The finding

of study by Shikuri and Chepkwonyi (2013) in Kenya, suggested that the accommodation sector in Kenya, especially small and medium sized hotel business faced a number of challenges such as competition, insecurity, lark of working capital and power interruptions. These challenges faced among tourism SMEs in other countries may also be pervasive in an Ethiopian context. A study conducted by Bekele, T. (2012) stated that tourism investment in Addis Ababa is challenged by many factors such as lack of good integration among different stakeholders, bureaucratic problems, insufficient and low standardized infrastructures and tourist facilities, macro-economic situation of the country etc. Other hindering factors of tourism investment in the city such as the general image problem of the country, competition from neighboring capital cities, insufficient promotion and lack of trained man power were also stated in the study. However, as to the researcher's knowledge, there is no study conducted on assessment of licensing hotels in Addis Ababa. Hence, it is imperative to examine the challenges hotel businesses in Ethiopia face with regard to licensing and the opportunities of tourism investment in the country.

As competition in the hospitality industry is in an international setting, the Licensing Policy and Regulation of Hotels in other countries makes the issue more important for the state of tourism for the country as a whole. Countries compete with each other for tourist by offering what is at their disposal in the form of natural attractions, culture and so on (Kidane-Mariam, 2015).

This study assesses how the existing rules and regulations (licensing processes) affect tourism development in Addis Ababa. This is a burning issue that needs thorough investigation, but overlooked to date. Therefore, this study contributes to tourism field by conducting a study on the opportunities, challenges and prospects of Institutional Policy and Regulation of tourism Business development in Ethiopia with hotel industry in Addis Ababa as a case study.

1.3 Research Questions

1. What institutional policy and regulations exist in licensing tourism businesses in Addis Ababa?

2. What are the policy and institutional opportunities for tourism businesses development?

3. What are the policy and institutional challenges of tourism businesses development?

4. What are the measures to overcome the problems faced tourism businesses development?

1.4 Objectives of the Study

1.4.1 General objective of the study

The general objective of the study is to examine the opportunities and challenges of institutional policy and regulation of tourism business development by focusing on hotel business in Addis Ababa, Ethiopia.

1.4.2 Specific objective of the study

The specific objectives of the study are:

I. To review the existing institutional policy and regulations in licensing hotels in general in Addis Ababa

II. To identify the policy and institutional opportunities for tourism businesses development

III. To analyze the policy and institutional challenges of hotel businesses development

IV. To state the prospects of tourism and hospitality business developments in AA by comparing different scenarios

1.5 Significance of the Study

The present study explores the policy and institutional opportunities and challenges of tourism businesses development, thus contribute to the so far scant empirical literature in the zone in particular and in general in Ethiopia. This will help hotel operators and owners as decision makers to understand how to deal with challenges facing their hotels in order to achieve the expected objectives. Furthermore, the information on this study will be useful to tourism planners and police makers, particularly governments through ministry of hotel and tourism for Ethiopia. Moreover, the paper will be a ground literature for other potential researchers who have the interest to conduct a further study in the sector.

1.6 Scope of the Study

This study focuses on assessing the institutional policy and regulation of tourism business development with special consideration of hotel business in Addis Ababa, Ethiopia. The researcher collected data from selected licensed and star hotels and experts from different

governmental offices. It is expected that, tourism planners and police makers through this study not only will understand the challenges facing hotel operators, but also will see how to develop hotels business thorough recommendations.

1.7 Limitation of the Research

This study is limited to investigating the policy and institutional challenges and opportunities of tourism business in Addis Ababa. Due to time and economic constraints, the study only focused on the case of a few selected hotels in Addis Ababa, Ethiopia.

1.8 Definition of Key Terms

Tourism development: Planning and implementation of strategies, infrastructure or other projects with the objective to develop the tourism sector to increase the attractiveness of a destination and thereby attract more tourists.

Tourism Policy: A set of discourses, decisions, and practices driven by governments, sometimes in collaboration with private or social actors, with the intention to achieve diverse objectives related to tourism (Regulation No.54/2013).

1.9 Structure of the Thesis

The paper is organized in to five chapters. Chapter one contains introduction, statement of the problem, objectives of the study, research question, significance of the study, scope of the study, and limitation of the study. Chapter two contains literature review. Chapter three methodology under it including research design, research approach, target population and sampling design, sampling techniques, sampling procedure, and data analysis methods. Chapter four focuses on data presentation and analysis. Finally, chapter five presents the conclusion and recommendations.

CHAPTER TWO: LITERATURE REVIEW

This section examines the main issues of policy and institutional environment of small business enterprises. The review is literature related to tourism businesses development. It presents definitions of key concepts used in this study, theoretical literature review and empirical literature review.

2.1 Review of Conceptual Literature

2.1.1 Business Development

The term ‘Develop’ is defined in the Oxford Advanced Learner's Dictionary of Current English as "to start or cause something to start to exist and then become greater." Penrose (1959) conceptualizes the ‘development' of a firm as an increase in its size or an improvement in its quality. Likewise, defining a process as progression or the order and sequence of events in an organizational entity’s existence over time and change as the difference in form, quality, or state over time in an organizational entity, Van de Ven and Poole (1995) describe development as a change process – a progression of change events unfolding during the existence of a business.

Further, Kind and zuKnyphausen-Aufseß (2007) define business development as all activities intended to "creating value and revenue potentials for the company, developing products and technologies so that they can be commercialized, building relationships with potential partners, customers and other stakeholders, and maintaining and enhancing those relations in the interest of the company.” This definition connotes conscious human actions and decisions. Accordingly, the discussions in this dissertation deal with conscious activities, actions, and decisions in the process of developing new businesses.

Therefore, in this study the term ‘developing’ incorporates both the activities and actions of the agents which is in line with Kind and zuKnyphausen-Aufseß’s (2007) conceptualization and the progress of change in a firm as conceptualized by Penrose (1959) and Van de Ven and Poole (1995). Thus, the definition of developing used in this dissertation is developing is increasing a firm’s size and improving its quality over time as a result of initiating and improving an offer; building, maintaining and enhancing relationships with potential stakeholders; and acquiring the necessary resources.

2.1.2 Overview of the hospitality industry

The hospitality industry is one of the major components of the tourism sector of an economy. It refers to hotels, resorts and other accommodation service giving businesses within the tourism sector where its economic reach is uncommonly broad. Hotels also provide a forum for business meetings, trade shows and conventions that are an important catalyst of economic growth (ILO, 2010). Hospitality is a major global growth industry. There are now some 12.7 million hotel rooms around the world and the number of new rooms planned or under development (1.3 million) equates to more than 7% of the existing worldwide, while in the Middle East and Africa which together are responsible for almost half of the new rooms under construction the share is more than 20% (Africa Travel Association, 2010).

According to the Ethiopian Ministry of Culture and Tourism, the number of hotels in the country has significantly increased particularly over the last few years. Just a decade ago there were only 50 to 60 standard hotels while there are currently some 350 (about 100 of them in Addis) that are expected to fall under five-star to basic rating categories that can provide services ranging from highly rated to the basic ones. These hotels are expected to accommodate 20,000 to 30,000 guests where the presence of lodges and guests houses will increase that number (The Ethiopian Tourism bulletin, 2012).

2.1.3Historical Development of Tourism in Ethiopia

According to the ministry of tourism and culture, tourism as one of the economic sector came into being in Ethiopia very recently. It was around 1960, that the potential of tourism drew the attention of the imperial government authorities. The first tourism office was established in 1962. However, a setback in international tourism demand had been seen during the military regime

From 1974 for two decades the industry was suffering from various adverse effects such as prolonged civil war, recurrent drought and restrictions on entry and free movement of tourists (World Bank, 2006). Though the sector is still at its infant stage, it has been keep growing since 2001. The total receipt from the industry in 2008 was around 204.9 million USD. As of 2008, international tourists' arrivals were reached to 383,399. However, the sector's share to GDP is remains very small (0.77% in 2008).

2.2 Theoretical Literature Review

2.2.1The roles of state level institutions and policy measures

Currently there are eleven regional cultural and tourism bureaus in Ethiopia, which are accountable for the Ministry of Culture and Tourism (MCT). Apart from the Ministry, these regional bureaus have also their own five-year strategic plan. However, their independent initiatives lack coordination with other stakeholders including the Ministry.

Regarding policy issues since 2005, the government's initiation to promote tourism has been increasing. Starting from public statements issued by the Prime Minister supporting tourism there are indications that the government is opening a committed dialogue on tourism. The first tourism development policy of the country was enacted in August, 2010. Lessening the aforementioned challenges was the origin for this policy initiative.

2.2.2 National tourism development strategy

Based on the findings of the 2006 World Bank study, a strategic framework for the development and management of a sustainable and productive tourism sector was elaborated using following four fundamental and interlocking issues: sector management and governance; enabling environment; tourism enterprises cluster and the resource base. The five year tourism development plan had incorporated human resources development, strengthening information and management capacity, mage reconstruction strategy, improvement of services, infrastructure development and the promotion of domestic tourism as priority areas. The key generic tools to translate the strategies into actions included well developed sector strategies and policies; a strong public investment program; public-private partnerships; strong community involvement; reliable and timely information; strong coordination among sectors and strong public promotion campaigns(World Bank 2006).

Ethiopia was recently reported as launching a major revamp of the tourism sector. Based on a recent study under the title of "Economic Growth and Tourism Sector in Ethiopia", the government indicated that the lack of skilled manpower, poor infrastructure, lackluster marketing, weak financial system and poor government support were the key obstacles for the under-exploitation of the rich and diverse tourism potential of the country. The new tourism development policy that came out in 2010 encouraged the more vigorous participation of the private sector in tourism development. According to the National Growth and transformation plan, the tourism industry will be expected to garner an annual revenue of

$US 3 billion beginning 2015. It also envisaged the creation of 1.5 million jobs in the sector (60% of the 3 million new jobs to be created) [10]. In a March, 2014 statement, the Minister of Culture and Tourism indicated that government support for tourism was visible. The recent establishment of the Ethiopian Tourism Transformation Council headed by the prime minister was a clear demonstration of the priority attention that the sector was getting from the government. The establishment of the Ethiopian Tourism Organization (ETO) was cited as another important strategic move in promoting destination development and marketing.

2.2.3 The need for tourism policy

Since Ethiopia endowed with enormous manmade and natural tourist attraction area, having uniform tourism policy is unquestionable. Seventeen years of neglect "After the overthrow of the imperial government in the 1960s and the coming to power of the socialist government in 1970, our country had a military government whose relations with tourist generating countries in Europe and America were bad", she explained. "For seventeen years, tourism was sorely neglected in our country by considering its sociopolitical, economic and cultural advantage, the current government launched tourism development policy in2009. Ethiopia whose share of tourist flow to the East African Region of seventeen countries was at less than one percent in 2009 launched its first tourism development policy to reverse the situation.

The arrival of a new government in 1991brought the first change, with greater emphasis on afree-market economy, improving infrastructure and the construction of new roads, highways and airports. "Our present government considers tourism to be an industry with great potential for our country", says Dalacho, ministry of culture and tourism. "That´s why the ministry of culture and tourism was formed to replace the tourism commission."As head of this ministry, recently finished drafting a new tourism policy for the government. Its main focal points include the following:

- Develop existing and new destinations with Ethiopia;
- Diversify the sector ;
- Improve infrastructure and tourism facilities;
- Create an enabling environment for private investors;
- Develop new and broader educational programmers' for the sector so as to create a larger and more qualified labor force.

The government also aims to establish ‘Tourism development Fund’ with the key aim of mobilizing resources and capabilities of actors in the implementation of the policy. The establishment and application of the fund will be determined by a study and supported by law, according to the Policy launched at the Sheraton Addis in August 30, 2019. The new tourism policy of Ethiopia among other, aims to integrate/connect the development of the country’s tourism with agricultural, industrial, foreign policies and strategies of the country.

2.2.4 Challenges of Ethiopian tourism

Observably in most developed countries, the smokeless industry has the lion's share in the overall economic growth and development of a country. The tourism sector has now become a major source of income for various stakeholders engaged in the sector. In this regard, despite Ethiopia's endowment with various natural and manmade heritages, it had not benefited much from the sector for years due to various factors. Currently, Ethiopia's tourism sector is booming in bike with its fast economic growth. It is also basking under stable peace and security as compared with other African countries. And that is why Ethiopia enjoyed the limelight as this year’s ' Top Destination In The World For Tourists' by the European Council on Tourism and Trade (ECTT) because of excellent preservation of humanity landmarks. However, in the eyes of actors in the service sector and lessons got during the course of the last five years, this sector has its own prospects and challenges.

Under the coverage of community benefits, the sector suffers from unreasonable interference in most tourist destination areas by the local hotels, tour guides and the like. As compared to other African countries, travelling to tourist destinations proves a very costly adventure discouraging tourists from coming to Ethiopia. In some places, local residents want to sponge on tourists. Hence, the government, especially the Ministry of Culture and Tourism, should seriously take the responsibility of creating awareness among the community. Moreover, the number of graduates is increasing both from public and private institutions; there is still a shortage of skilled and capable human power. Thus, the Ministry needs to offer ultra-modern training to professionals and practical policy.

2.3 Empirical Literature Review

2.3.1 Difficulties facing tourism business

There has been rapid growth of small and medium sized hotels globally, particularly in developing countries. However, researchers reported many challenges which hinder the

development of these small and medium sized hotels. The results of study carried out by Kim and Chan (2008) in Malaysia reported the following key challenges faced by the hotel operators, especially small and medium sized hotel operators; (1) mushrooming of new hotels, (2) human resource issues, (3) government regulations and policies, (4) season demand issues and (5) operational issues. The study further claimed that, the major challenges faced by small and medium sized hotel operators are related to competition, financial issues, human resource, government regulation and policies, customer services and satisfaction and marketing.

The study by Reynolds (1994) revealed that among the problems faced by small and medium sized business in tourism sector are financial management and liquidity, management inexperience and incompetence, limited adoption of technology, poor or non- existent of books and records, and failure to seek and use expert advice, Saayman and Slabbert (2003) stated that small business in tourism sector face financial problem such as shortage of funds and luck of knowledge on how to approach financing institution.

The findings of study by Shikuri and Chepkwonyi (2013) in Kenya, suggested that the accommodation sector in Kenya, especially small and medium sized accommodation business faced many challenges such as competition, insecurity, lack of working capital, government policies and power interruptions. In Tanzania, according to Tourism Master Plan (2002), the hotel sector and other tourism related sectors such as transportation, food and beverage were mostly characterized by unskilled staff. However, to encourage entrepreneurship, particularly for small and medium sized enterprises, Tourism Master Plan (2002, 110) suggested reduction of the burden of taxation and financing facility for the start up and existing small and medium sized enterprises.

2.3.2 The Importance of Trained and Qualified Staff in Hotel Industry

Training is the process that provides employees with the knowledge and the skills required to operate within the system and standards set by management (Sommerville, 2007). Training in the most simplistic definition, is an activity that changes people's behaviour (Maccleland, 2007). Furthermore, training defined as a systematic approach of learning and development to improve individual, team, and organizational effectiveness (Goldstein and Ford, 2002).

Staff training is a crucial aspect particularly in tourism business due to fact that tourism is a service provision oriented industry. In hotel business; it is all about competence in people,

especially the staff's qualities. The level of service quality depends on the qualities of the staff.

The qualities are about knowledge, skills and thoughts which lead to hotel's survival and development. Therefore, staff training is important in many ways; it increases productivity while employees are armed with professional knowledge, experienced skills and valid thoughts. Staff training also motivates and inspires workers by providing employees all needed information on work as well as helping them to recognize how important their jobs are (Wang, 2008). Training and development can be seen as a key instrument in the implementation of Human Management Recourse practices and policies. Successful hotels always include staff training as their important development strategy (Nickson, 2007).

Staff training is an important part as well as the key function of Human Resource Management and development; it is the crucial part of motivation and increasing employee productivity in the business (Macclelland, 2002). Because of the development of technologies and the entire business environment, employees are required to be skilled and qualified, nevertheless they are good. The employee might be out of the system if they don't keep studying. Companies need staff training frequently if they want to be competitive among others (Wang, 2008). Employee training is the key strategy to help everybody in the firm to be more united. The organization could hire experienced employees or train them to be skilled. When firm trains their own staff, by providing and forming harmonious atmosphere, accurate work specification and the passion of work, team spirit will be built between employee and management team within the process.

2.3.3 Informal economic activities in the Ethiopian economy

The terms informal business and informal enterprise are used interchangeably. The concept informal business is used in this dissertation to designate firms operating outside government regulations (Nelson & De Bruijn, 2005) which do not register their trade, issue invoices, or pay income tax (Fransen& Van Dijk, 2008; Nelson & De Bruijn, 2005). Informal business activities are actions performed by both formal and informal enterprises when they do not act in compliance with government rules and regulations (International Labour Office, 2000). Informal business activities also connote intra-firm activities performed not in accordance with internal rules and regulations (Godfrey, 2011; Kok&Berrios, 2019).

In general, informal economic activities make a significant contribution to many economies. For example, Kok and Berrios (2019) indicates that informal economic activities constituted up to 60 percent of the total employment across the 99 countries sampled, ranging from less than 5 percent in several high-income countries to more than 90 percent in several low-income countries. Moreover, scholars like Fransen and Van Dijk (2008) show the prevalence of informal business activities in the Ethiopia economy. Most economic activities like bicycle repairs at the corner of the street, many small traders along the roads, and all kinds of small-scale transportation are informal in Ethiopia (Fransen& Van Dijk, 2008).

The Central Statistical Agency of Ethiopia characterizes informal business activities as those having no books of accounts and having no licenses, but making products / services for the market (CSA, 2013). In this context, formality signifies the practices of starting and operating businesses according to trade laws and regulations; the other businesses are considered informal businesses. Formalization of a business involves trade registration and making required payments like paying the income tax. A review of the SMEs development policy and strategy document and interviews with government officers show that the Ethiopian economy has a significant number of informal new businesses, along with the formal ones. From the interviews, I learned that many entrepreneurs prefer to operate informally, avoiding the costs and controls related to becoming formal entities but they get money from the production of legal goods and services. These make the businesses competitive as compared to the formal ones. However, some businesses operate as informal businesses as they cannot afford the costs of running formal businesses. This condition is recognized by the Ethiopian government and it provides support to these businesses.

2.3.4 Formal institutions and formal entrepreneurial activity

Formal institutions are those which are officially codified in written documents (Lauth, 2015). For North (1990), formal rules include political rules, economic rules and contracts. Formal institutions are mainly related to the establishment of property rights and enforcement of contracts (North, 1990). Empirical works carried out in recent decades by authors such as Knack and Keefer (1995) and Acemoglu et al. (2001), among others, have confirmed the positive impact of institutions on economic development. At the same time, the empirical results suggest that institutional factors dominate other economic factors that have traditionally been considered as the fundamental causes of economic growth, such as

investment and human capital (Romer, 1986) or factors such as geography and even from an older tradition such as culture (Landes, 1998).

If we follow the general definition of institutions from North (1990), institutions are the rules of the game in society. The evidence in the field of comparative economics suggests a diversity of legal frameworks among countries (Djankov et al., 2003), determined in part by its legal tradition (La Porta et al., 1998). Therefore, each legal framework will produce certain types of economic incentives. Some of these incentives will be aligned with the kind of entrepreneurial activity consistent with economic growth while others will not be (Boettke and Coyne, 2003; Stenholm et al., 2013).

Property rights have been identified as a critical element that captures the essence of the quality of economic institutions. In those societies where property rights are well defined and contracts are enforced, individuals will have incentives to invest in physical or human capital or adopt improved technologies (Acemoglu et al., 2005). Likewise, in societies with a firm rule of law, the incentives that individuals obtain for participating in the formal sector, such as access to courts to resolve commercial disputes or the availability of credit in the official financial market, will offset the various costs associated with formality such as taxation or labor regulation (La Porta and Shleifer, 2008; Desai, 2011). On the other hand, in societies with a weak enforcement of contracts it is more likely that entrepreneurs operate outside the radar of the government authorities (Almeida and Carneiro, 2012).

In summary, the presence of secure property rights improves the exploitation of entrepreneurial opportunities, because this reduces the risk of expropriation from the Government and elites (Acemoglu et al., 2005) and the transaction costs in the economy (North, 1990). For instance, the existence of an impartial justice system facilitates the resolution of commercial disputes and minimizes the risks of opportunism in business (La Porta and Shleifer, 2008). The above, in turn, creates incentives for a higher number of people to engage in economic transactions, and furthermore, they can make long-term investments, mainly in high-productivity sectors such as industry (Knack and Keefer, 1995).

Regarding labor regulation, Scarpetta et al. (2002), in a study for the OECD countries, found that labor market regulations are negatively correlated with the number of new small and medium-sized companies. This same relationship was observed by Klapper et al. (2006) in labor-intensive industries in Western and Eastern Europe. Meanwhile, Van Stel et al. (2007), using data from the GEM for the period 2002–2005 and 39 countries, found that labor market

rigidity hurts nascent entrepreneurship rates. In the same vein, JEPPMcMullen et al. (2008) found a positive relationship between labor flexibility and opportunity entrepreneurship. However, Klapper et al. (2010) and Djankov et al. (2010) did not find a significant association in the case of newly registered firms from The WBGES database.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research methodologies that were employed to address the study's objectives are described in this chapter. With the goal of Opportunities and Challenges of Institutional Policy and Regulation of Tourism Business Development in Ethiopia, it covers the following topics: study area, research design, population under investigation, sample size and sampling methodologies, data collecting, and data analysis.

3.2 Research Design

The researcher employed a descriptive research strategy because of the nature of the investigation. The descriptive research design was chosen since this study is precise in that it identifies what was assessed and has concentrated on a specific problem as indicated in the general and specific objectives in chapter one.

3.3 Research Approach

The researcher was able to gain a complete picture of the scenario and collect data on respondents' perceptions using the qualitative research approach, which was employed as the major research approach. Through extensive interviews and documentary studies, this method was utilized to identify and comprehend the issues faced by the tourism industry. A qualitative research approach was also employed to obtain more detailed information on the measures adopted to overcome the obstacles faced by hoteliers in Addis Ababa regarding their issuance of business license. In addition quantitative approach was used to know respondents attitude on services of government offices.

3.4 Data types and Sources

3.4.1 Data types

Because no statistical or numerical analysis was employed to establish the association, the study used qualitative data rather than quantitative data. The qualitative method was chosen to collect empirical data to obtain the most accurate and reliable information.

3.4.2 Data sources

Primary and secondary data sources are the two types of information available. Primary data was gathered directly from the study area, while secondary data was gathered from various

sources such as prior research, official statistics, and government reports. The researcher employed both primary and secondary data in this study, with primary data coming from respondents in the study region and secondary data coming from prior studies and documented sources like thesis, books, records, and reports from Ethiopia's Ministry of Culture and Tourism.

3.4.3 Data Collection Methods

Questionnaires, interviews, in-depth interviews, observations, and case studies have all been highlighted as viable ways of collecting information (McLeod, 2008). The data for this study was collected via a questionnaire, an interview, and a documentary review.

The questionnaire was utilized to obtain statistical data from hotel owners and managers, and government office representatives in Addis Ababa for this study. The questionnaires were distributed to various tourist destinations in Addis Ababa, specifically Global Hotel, Sidra Hotel Embilta Hotel, Jupiter International Hotel, Harmony Hotel, Golden Tulip Hotel, Ellele International Hotel.

An interview is a conversation between two or more persons during which the interviewer asks questions. Hotel owners and managers were questioned for this study. To determine whether hotels have qualified employees, a thorough interview was conducted. The conversation also yielded information on the challenges affecting tourism growth and how they were addressed.

The Documentary Literature Review was a method of gathering information from written or recorded sources. The documentary review was used as a data collection tool in this study. It was a systematic review of materials to look into specific facts or a topic (Jacobs and Razavieh, 1996). The documentary review was employed to gather data from hotel operator papers such as hotel journals, flyers, periodicals, and brochures in this study. The information gathered from the documents comprises the service and facilities provided to visitors by small and medium-sized hotel operators.

3.5 Study Population

Three star, four star and five star hotels in Addis Ababa were among the study's participants. Owners and operators of three star, four star and five star hotels in Addis Ababa were the study's target group. Addis Ababa has 63 three star, four star and five star hotels. Seven hotels were chosen using a purposive sampling strategy. 3 three star hotels (Global Hotel,

Sidra Hotel and Embilta Hotel), 2 four star hotels (Jupiter International Hotel and Harmony Hotel) and 2 five star hotels (Golden Tulip Hotel and Ellele International Hotel) were the hotels that were visited. The researcher selected these hotels because he had prior contact with the owners and managers in his career.

In addition to the star hotels, the researcher has collected data from experts from different governmental offices such as the Ethiopian Investment Authority, Addis Ababa City Administration Investment Commission, Addis Ababa City Land Administration, Ethiopian Ministry of Tourism, Addis Ababa Culture, Arts and Tourism Bureau, Addis Ababa Customs Authority, and Addis Ababa Trade Bureau.

3.6 Sampling Techniques and Sample Size

The sample for this study was collected from a targeted group, with three star, four star and five star hotels in Addis Ababa being chosen. The purposive sampling technique was used to pick the respondents. Therefore, according to their positions which isrelated with licensing, owners, managers, human resource managers, marketing managers, and front desk managers from each of the seven hotels were chosen to engage in a questionnaire and interview using a purposive sampling technique. Purposive sampling has also been done to select respondents from the above mentioned government offices. Accordingly, a team of workers of respective offices, who has direct relation with issuance of license were selected to participate in the study. The study included a total of 100 participants.

3.7 Method of Data Analysis

The descriptive approach of data analysis was used to evaluate and interpret the data collected from various sources during the analysis section. Based on the findings of the investigation, generalizations were formed. Background information was gathered, terminologies were defined, project issues were clarified, and research priorities were set.

For the analysis, three main methodologies were used: literature review, questionnaire, and interviewing subject experts; where the narrations method was used for the reformulation of stories presented by respondents, taking into account the context of each case and the different experiences of each respondent; and content analysis, which was promising for rigorous exploration of many important but difficult-to-study issues.

3.8 Validity and Reliability

The constancy of measurement is referred to as reliability. Consistency is measured in three ways by psychologists: across time (test-retest reliability), across items (internal consistency), and researchers (interrater reliability). The validity, on the other hand, was the degree to which the scores from a measure accurately represented the variable for which they were designed. But how did researchers arrive at this conclusion? We've previously discussed one factor: they take reliability into account. Researchers should be more confident that the results represent what they were supposed to when a measure has strong test-retest reliability and internal consistency. However, there must be more to it, because a measure can be exceedingly reliable but have little validity.

The Cronbach alpha measure was used in this investigation as a result, Cronbach's alpha is a measure of internal consistency, or how closely a group of objects is related. It was regarded as a scale-reliability indicator. The presence of a high alpha value did not necessarily mean that the measure was one-dimensional.

3.9 Ethical Consideration

Ethics are rules that regulate a person's actions or the way they conduct themselves. Morrison (1993) claims that obtaining study clearance, obtaining consent from respondents, and maintaining the confidentiality of respondents' information are all ethical standards in the conduct of research. The protection of study participants' rights and welfare, as well as the protection of the larger society or community within the research being undertaken, are among the reasons for a researcher to follow research ethics when conducting research. In light of the foregoing, the researcher approached the director for permission and authorization before beginning the study. In addition, questionnaires and interview guides used in research feature an introduction section that asks for the respondent's help in supplying the necessary information and assures them that the information will be kept confidential.

CHAPTER FOUR: RESULTS AND DISCUSSION

This chapter describes and analyzes the data collected through survey questionnaires, interviews, and documentary analysis. The chapter mainly deals with the policy and institutional potential for tourism business development, as well as examining the policy and institutional constraints of tourism company development.

4.1 Background of Respondents

4.1.1 Respondents from the Hotels

From a pool of 63 three, four and five star hotels, the researcher selected 7 hotels namely, Global Hotel, Sidra Hotel and Embilta Hotel (3-star), Jupiter International Hotel and Harmony Hotel (4-star), Golden Tulip Hotel and Ellele International Hotel5-star). Owner, manager, human resource manager, marketing manager, and front desk manager of each hotel participated in the questionnaire and interview. Interviewees from the hotels were coded as R01-R35.

Table 4.1 Demographic characteristics of respondents from the hotels

	Sex		**Position**					**Educational Back-ground**		**Experience in Years**	
	M	F	Owner	Manager	Human Resource Manager	Marketing Manager	Front Desk Manager	First Degree	Second Degree	5-10	>10
NO. Of Personnel	27	8	1	1	1	1	1	26	9	15	20
Total	*35*										

Table 4.2 Demographic characteristics of respondents from the hotels

	Global Hotel	Sidra Hotel	Embilta Hotel	Jupiter Hotel	Harmony Hotel	Golden Tulip	Ellele Hotel
Interview Codes	R01-R05	R06-R10	R11-R15	R16-R20	R21-R25	R26-R30	R31-R35

4.1.2 Respondents from Government Offices

As presented in the table below, a team of experts from government offices, who have direct relation with issuance of license, participated in the study. Respondents were coded as R36-R100.

Table 4.3 Demographic characteristics of respondents from government offices

Government Organization	No. Of Experts by Sex		Interview Codes
	Male	Female	
Ethiopian Investment Authority	5	1	R36-R41
Addis Ababa Investment Commission	6	2	R42-R49
Addis Ababa Land Administration	5	3	R50-R57
Ministry of Tourism	7	1	R58-R65
Addis Ababa Culture, Arts & Tourism Bureau	9	2	R66-R76
Addis Ababa Trade Bureau	10	5	R77-R91
Addis Ababa Customs Authority	6	3	R92-R100
Total	*48*	*17*	*65*

4.2 The Institutional Policy and Regulations in Licensing Tourism Businesses

4.2.1 Status of Tourist Infrastructures and Facilities

According to tourism experts, Addis Ababa has the potential to become one of the world's most well-known tourist destinations, as the city offers numerous prospects for thriving tourism, notably conference tourism (Interview conducted withR69). However, the absence of standardized infrastructure and tourist facilities is impeding the sector's development.Table 4.3 below presents the perception of respondents about the tourism infrastructure and facilities in Addis Ababa city.

Table 4.4 The Current Status of Tourist Infrastructures in Addis Ababa as rated by respondents

Statement	Mean score	St. Dev.
The current level of overall tourist infrastructure in Addis Ababa is enough	2.34	2.16
Addis Ababa has a sufficient number of classified hotels and other accommodation services for tourists	2.21	1.93
Addis Ababa has adequate number and quality service providing tour operators and travel agencies	2.49	2.28

Aggregated by the researcher based on field data

The table above shows that the majority of respondents 66.6% believe Addis Ababa's tourist infrastructure is inadequate, indicating a high desire for improvement in the sector. 23.2 %of respondents disagree with the aforementioned statement, claiming that tourist infrastructure is enough. Indeed, the mean average (M=2.34, Std. dev=2.16) indicates that the majority of respondents disagree that existing tourism facilities are insufficient to provide improved service.

In general, Addis Ababa lacks an adequate number of categorized hotels and other tourist lodging services, as evidenced by the mean average (M=2.21, Std. dev=1.93).High-end hotels, such as four and five-star hotels are particularly scarce. The city was unable to function as a result of this.

The respondents did not agree about the adequacy of the number of tour operators which provide quality service (M=2.49, Std. dev=2.28). This implies that the city needs professionally adequate tour operators that satisfy the tourist population.

4.1.2 Incentives for Tourism and Hospitality Businesses

Star-designated hotels, like other service providers, can import duty-free the sorts of equipment and furniture that are directly related to their service supply, according to Ethiopian Revenue and Customs Authority (R97).

A vehicle with a capacity of 45 seats or two city buses with a capacity of 12 seats can also be imported by star-designated hotels with 45-50 employees. Hotels with more than 50 employees are allowed to bring in two buses or three mini-busses. Hotels with one and two stars can only import one pick-up car, while hotels with three or more stars can import two pick-up cars. Importing construction materials, such as construction and building materials, computers, and other items, may also be exempted for hotels. Importing capital goods is also exempted for specialized restaurants.

In addition, interview with experts from Culture, Arts, and Tourism Bureau (R72) incentives to tour operators is allowed such as custom free cars based on the level of the operators.

4.2 Policy and institutional challenges related to Tourism Investment in Addis Ababa

The challenges of tourism investment in Addis Ababa have indeed been described in this section by the researcher based on interview results. The interviews were asked to identify the main challenges tourism businesses in Addis Ababa often face regarding their new investment. A respondent from Addis Ababa Culture and Tourism Bureau (R67) highlighted that the tourisminvestor face political and economic challenges. These include challenges such as political and economic conditions, administrative inefficiency/bureaucracy, infrastructure, and other issues have all been thoroughly investigated. Addis Ababa, as the country's capital and the site of international conferences, is expected to be well-equipped with public and tourist infrastructure. In the city, a tourist attraction is still in its early stages

of development. The city, in particular, is devoid of star-rated hotels, as compared with other African countries which are essential for international visitors. In addition, other tourist service providers are poorly organized and integrated.

Even if improvements are being made, some areas of the city's road transportation are still not up to standards. Rail connections exist between the capital cities of numerous African countries. Addis Ababa, Ethiopia's and Africa's capital city, does not has enoughof a railway connection. Addis Ababa has a lot of potential for conference tourism because of its relevance to international events. Customers can get a lot from the city. It features numerous cultural, historical, and natural tourist assets that, if exploited as tourism products, might provide a positive experience for visitors. Those resources, on the other hand, are not effectively protected/preserved, advertised, or packaged as tourist products to make them ready and open for customers.

4.2.1 Institutional Framework and Bureaucracy

For rapid and effective customer service, investment environments such as all events on administrative regulations, efficient support for information materials, a one-stop service, and so on are critical. In addition, activities such as relevant research, policy evaluation to prepare for effective strategies and the establishment of a simple and transparent legal framework is critical. The majority of the respondents think that there is a lack of coordination among government agencies as a result of a lack of clear and consistent regulations that are acknowledged by all departments and employees. Furthermore, the response's mean average (M=3.73, Std. dev=3.55) implies that investors have established coordination. Table 4.5 shows the perception of respondents with regard to administrative issues.

Table 4.5 Challenges related to administrative inefficiency

Statement	Mean score	Std. Dev.
Because of the lack of clear and consistent regulations, I realize that there is friction amongst government department	3.73	3.55
According to my understanding, there is no cooperation between government agencies and commercial organizations in Addis Ababa to boost tourism investment.	3.59	3.37
I am aware that the government's capacity to implement tourism investment is insufficient.	3.59	3.41

Aggregated by the researcher based on field data

This can be shown in the fact that personnel, including managers, are unaware of what is going on in other departments within the same institution or with other government agencies. Changes in the laws and regulations of government offices, according to the responder, have exacerbated the problem of a common understanding among employees of various government entities. Furthermore, there are no regular meetings or discussions among the many government bodies interested in integrating their services. According to the respondents, the most common and long-standing issue is a lack of integration across various government agencies.

In general, the mean average (M=3.59, Std. dev=3.41) suggests that the government and the business sector are not working together well to increase tourism investment. In contrast, an interview with experts revealed that, in addition to the loss of coordination between the public and private sectors, collaboration and coordination between local communities and the business sector remains rudimentary. Traditional Addis Ababa handicrafts, for example, have a little interface with the modern world.

This suggests that the government isn't doing a good job of connecting local tourism product manufacturers with large suppliers like tour operators and hotels. It may have been a good chance and input for huge investors to provide competitive service if the link was good. Because it allows investors to combine Handicrafts, other local creative items, performing arts, and entertainment services, it has the potential to encourage producers to be more creative and innovative.

Different government projects, such as Ethiopian Sustainable Tourism Development Projects (ESTOP) and GebetaLesheger, are now making progress in improving the link between tourism industries and traditional handcraft men to enhance the economy outside of Addis Ababa in regional states (primarily in the southern, Oromia, and Amhara regions).Indeed, Addis Ababa's weaving industry has a lot of potential for recruiting investors because its products attract tourists.

The mean average (M=3.59, Std. dev=3.41) shows that the government has a lot of trouble following through on its commitments. The government's implementation challenge is exacerbated by a shortage of well-trained, instability, and motivated people as well as a low budget allocation for the sector. Several educational and promotional activities are available.

4.2.2 Government Offices

The researcher picked certain government offices and asked visitors questions, as well as interviewed them, to study administrative inefficiency and bureaucratic difficulties. Investors were polled on their satisfaction with GO services, as shown in table 4.6.

Table 4.6 Whether respondents are satisfied by services of government offices

Government Offices	Response					
	Yes		No		NA	
	F	%	F	%	F	%
Are you happy with the Ethiopian Investment Agency's service?	30	29.4	42	41.2	30	29.4
Are you pleased with the Ethiopian Customs Authority's services?	24	23.53	48	47.1	30	29.4
Are you satisfied with the Ministry of Culture and Tourism's services?	38	37.3	44	43.1	22	21.5
Are you satisfied with the Addis Ababa city Government Land Administration	16	38.1	24	57.1	1	2.4

Aggregated by the researcher based on field data

The service given by the agency is particularly unsatisfactory for overseas investors. "There is a dearth of information regarding which method to follow and no facility for foreigners," according to one of the foreign travel providers. "The agency's services, on the other hand, are well received by other investors, notably domestic investors. Others have stated that service provision is progressing well. Indeed, one of the domestic investors has expressed his admirable point of view as follows:

> *"The office cooperates in providing information about all investment prospects without causing any inconvenience." (R28)*

The second domestic tour operator, on the other hand, has lodged the following complaint:

> *"The government's inducement is insufficient. Three modern 4WD and bus vehicles have been permitted. The automobiles, on the other hand, are only permitted for use in tour operations. Even though the execution is dubious, this is an overly restrictive policy." (R22)*

According to an interview with the investment firm (R16), the firm believes that service could be better. For example, it has been shown that there is no support center for certain

investment industries such as tourism within the Ethiopian Investment Agency. The Department of Agriculture and Service Sectors, a general service center, provides service.

Due to a paucity of manpower in the sector, the Addis Ababa Investment Agency recognized that it was unable to provide adequate and timely follow-up. A delay in servicing was also a source of investor dissatisfaction. The time it will take to deliver a given service has been determined, according to EIA's client. For example, it takes four hours to issue a new investment license and one hour to renew an existing license. Many investors concur with the timeframe mentioned above. Nonetheless, other respondents claimed that the time it took to receive the aforementioned services was excessively long, ranging from three months to six months. This suggests that there is room for improvement.

We can conclude that the agency has improved its performance regardless of some pitfalls. But foreign investors' response indicates that the quality of service is low. This may be as compared to services provided by vestment commissions of other countries where not only efficient administration but also sufficient incentives are provided to draw the attention of investors. Most investors have expressed their unhappiness with services provided by the Ethiopian Revenue and Customs Authority (47.1%).

According to several responders, the service delivery procedure is outdated and inefficient. As a result, the office should work to improve the service process for clients. One of the replies has written the entire response:

> *"The custom duty service provision procedure is not well organized and computerized, thus it takes longer for a check-up and proper work."(R18)*

The example above demonstrates how long it takes to obtain customs duty service. Clearing imported items with the customs authority, for example, may take more than a month. The reason for the delay in service, according to the expert from this office, is that, despite a solid start, the office is not adequately networked for sharing information with other personnel and offering fast and efficient service to consumers.

What we've concluded is that bureaucratic red tape with insufficient incentives can exacerbate investor unhappiness and impede investment in general. Another commenter adds:

> *"I'm not thrilled with the way the company handles customer service; the relationship between its personnel and consumers resembles that of a police officer and a thief. As a result, we were unable to work together with the office."(R11)*

As we can understand from the above response, there is no good customer care service which shows a lack of good professional ethics among the employees.

The Ministry of Culture, Arts, and Tourism is another government agency that offers an essential service. According to Table 4.3, 43.1% of respondents say the Ministry of Culture, Arts, and Tourism service is not good for them. The service was rated as satisfactory by 37.3 percent of respondents. The remaining two-and-a-half percent of respondents did not respond. Even though the style of service delivery has improved, the respondents believe there are still many aspects that can be improved in the future.

According to a foreign tour operator, the Ministry Culture, Arts, and Tourism do not fund promotional initiatives. The result of a conversation with a key informant from the ministry corroborated this theory: tour companies cannot afford to attend international trade fairs. However, the Ministry should include travel operators in international trade shows so that they can promote the country and themselves.

The Ministry of Tourism, Sport and Culture, according to the respondents, has a lot of work to do to give a quality service to its clients. For example, the office was unable to complete standardization for hotel classification into star and other levels. As a result, it was unable to distinguish between hotels that performed better and those that performed worse. Hotels that perform well and deserve a high classification quality complain about the ministry's inability to complete tasks on schedule.

The Addis Ababa City Government Land Administration was the last official agency to which investors were questioned. Only hotels are addressed in this question. After all, tour operators do not require land administration services for their investments because most tour operators in Ethiopia do not now have a large enough business to require land for construction. Commenting on this office's service does not have to be speculative.According to the responses, it is the poorest office in Addis Ababa for service quality. The land administration office's bureaucracy has been heavily criticized by investors. One of the respondents said:

> "*Why is the Office of Land Administration the most problematic government agency? By example, one supervisor may postpone a customer's first contract for at least a week, despite the fact that he or she may be in a conference or somewhere else when the customer arrives on time*."*(R34)*

As a result, land purchase is difficult in Addis Ababa, and investors are wary of the office. Poor service quality (particularly delays) might have both external and internal causes, according to an interview with the office.

Internally, the implementation of mega projects (such as three star, four star and five star hotels) that are allowed to take land by initial negotiating cost may take longer because it is depending on investor interest and proposal. Unfortunately, the land of interest, for example, may not be ready to be delivered to the investors directly. As a result, an environmental impact assessment is conducted to determine whether the project has an influence on local residents' living conditions and the suitability of the location for investment. Locals may need to be relocated if the land offered for investment is populated by locals. As a result, there is no time limit for acquiring land in this scenario, and getting land could take a long period. The distribution of land at no cost at the outset is intended to attract large enterprises, however the bureaucratic process has detracted from the office's goal. Smaller enterprises (for example, hotels with three stars or less) can, on the other hand, quickly fill land that has already been reserved through bidding.

Externally, the land provision procedure is not complete within the authority of the land administration. The Land Development and Administration Board should consider it for approval. This procedure may take a long time to complete. Another external impediment to service provision could come from the investors themselves. Many consumers, for example, do not have the required paperwork (such as an investment license or a qualification) to obtain land.

The Ethiopian government does not provide free land to investors; instead, land is provided on a leasehold basis that can be extended for 50 to 99 years. As a result, investors are discouraged by Addis Ababa's land lease policy, which is regarded as exorbitant. Furthermore, banks do not accept leases as collateral or security for loans. Another major source of dissatisfaction is that the plots of property handed to investors lack the infrastructure needed to launch a business, and even the office believes that it follows up on investors who have acquired land ineffectively. Investors will switch their attention to other nations as a result of the concerns described above.

Addis Ababa has a strategy in place. According to the Addis Ababa City Government Land Administration expert, the city's land area is divided into land earmarked for local development initiatives, land set aside for residential use and land set aside for industrial use.

However, no area has been set up expressly for tourism investment. In reality, tourism is one of the biggest investment areas in the city.

In general, the office is working on a new and modern land administration system to improve its service, although the new system was not implemented during this research.

The majority of foreign investors are dissatisfied with the services provided by the above-mentioned offices, and they have even expressed strong opinions about the bureaucracy problem, notably in terms of land administration service provision. Domestic investors, on the whole, have expressed satisfaction. This indicates that the service quality is not comparable to that of other countries. As a result, the city's investment flow suffers.

4.2.3 Other Hindering Factors of Tourism Investment in Addis Ababa

The researcher has put the following factors of tourism investment under this sub-title for convenience in this study. Competition, promotion issues, corruption, taxation, a dearth of educated people, and institutional infrastructure are among them.The following table presents other hindering factors of tourism investment in Addis Ababa.

Table 4.7 Other hindering factors of tourism investment in Addis Ababa

Statement	Mean score	St. Dev.
I know that the competition from neighboring counties' cities has affected tourism investment in Addis Ababa	2.85	2.59
I recognize that in Addis Ababa there is the problem of corruption in government offices that provide services for investors	3.42	3.14
I understand the image of Ethiopia with foreign investors is negative	3.15	2.95
Addis Ababa has no sufficient number of trained manpower	3.50	3.38
I believe that in Addis Ababa thegovernment tax is not appropriate for the investor	2.61	2.41

Aggregated by the researcher based on field data

The average mean value (M=2.85, Std. dev=2.59) shows that rivalry from nearby cities has little impact on tourism investment in Addis Ababa. According to an interview with EIA, the low promotion of the industry and the scar of the country's unfavorable image are the causes

behind Addis Ababa's tourism investment incompetence. Furthermore, the ineffectiveness of enticing inspiring locals to participate non tourism is due to the underperformance of government offices formed under proclamations and the loose integration of various government organs.

Many respondents say that Ethiopia has its own peculiarities for attracting tourism investors, according to the results of the interview. Because, among Addis Ababa's rival cities, both Nairobi and Dar Salam attract nature-loving travelers. Ethiopia, on the other hand, has a competitive advantage in paleontology, cultural tourism, and conference tourism. As a result, Ethiopia offers a unique attraction for investors. Addis Ababa has the most conference tourism potential of any city in Ethiopia. As a result, rivalry from adjacent cities is not a key factor in Addis Ababa's underdevelopment of tourism investment.

Local investors are favored even in the private sector. Hotels, for example, offer domestic operators first priority when reconfirming room reservations.

Concerning Ethiopia's image among international investors, Ethiopia is unfavorably seen by international investors.As shown in the table above, the mean average of replies (M=3.15, Std. dev=2.95) indicates that international investors continue to be skeptical of Ethiopia's reputation as a tourism investment destination. This indicates that the country's image has a detrimental impact on tourism investment flows to Addis Ababa. The image problem was listed in Ethiopia's tourist development policy (2009) as one of the external hurdles to Ethiopian tourism investment. Image issues, a relatively low tourist flow, and a lack of marketing of the industry are other obstacles for tourism investors in Addis Ababa, according to a top expert from the Ministry of Foreign Affairs. As a result, notwithstanding current improvements, the country's poor image remains a barrier to investment.

There is a need to improve the quality of manpower when we look at the availability of skilled manpower, just as there is in other infrastructures. In general, the mean average (M=3.50, Std. dev=3.38) indicates that the city faces a shortage of well-trained human resources. One of the interviewees (R32) stated the following about the city's labor qualifications:

> *"We hire graduates from Addis Ababa colleges. They, however, are unable to communicate in English. What is the use of employing these people if they are not trained in their language and other technical skills?"*

The given result suggests that Addis Ababa's tourism education is of poor quality. According to experts, colleges lack the required facilities for practical learning.

Multilingual tourism specialists are likewise lacking in Addis Ababa. The most major source of tourism to Ethiopia is Europe. With the exception of English, other European languages, such as Italian, German, and French, are extremely difficult to obtain speakers of. Therefore, one of the dangers facing tourism investors in Addis Ababa is a lack of well-trained employees. The mean average (M=2.61, Std. dev=2.41) indicates that the government tax is not excessive or that investors are unconcerned about the amount of tax imposed by the government. However, some investors may be unaware of how to negotiate taxation with government agencies. An enterprise, for example, may be compelled to collect VAT and pay income tax. However, some may view this as double taxation.

4.3 Policy and institutional Opportunities of Tourism Investment in Addis Ababa

The researcher has explored the tourist potential in Addis Ababa in this section. There are two types of opportunities: facilitating factors or general investment opportunities, and possible tourism investment sectors. The first set of circumstances encourages investors to invest in tourism. The latter are tourism industries that are underdeveloped and require extra investment.

4.3.1 General Investment Opportunities

The researcher has created scenarios that might be used to boost or attract tourism investment in the city because a favorable operational environment is essential for attracting tourism investment. As a result, governments should provide favorable conditions for investors. Indeed, there are both constructed and natural potential for tourism investment in this area. On the one hand, low-cost labor, access to natural resources, and a huge market size physical location of the region that draws investors are all natural opportunities that form favorable circumstances for tourism investment. Man-made investment prospects, on the other hand, include paying close attention to the city's administration, economy, and political significance.

There is a broad understanding that not all levels of government must take the lead in enabling tourism investment, which guides me (The All en Consulting Group, 2011).

Ethiopia's current administration has prioritized tourism development as one of the country's most important economic sectors. Tourism, for example, is one of four important economic sectors that receive a long-term loan from the country's Development Bank. Table 4.8 below shows the general investment opportunities in tourism.

Table 4.8 General investment opportunities in tourism

Statement	Mean score	St. Dev
I'm aware that Addis Ababa's tourism investment has been hampered by competition from other counties' cities.	2.95	2.83
I know that the government departments that provide services to investors in Addis Ababa have a problem with corruption.	3.34	3.04
I understand Ethiopia's image among foreign investors is bleak.	3.17	2.99
Addis Ababa does not have enough trained personnel.	3.63	3.42
The location of Addis Ababa is geographically strategic for tourism investment	3.50	3.30
I believe the government tax in Addis Ababa is inequitable to investors.	3.96	3.69

Aggregated by the researcher based on field data

As seen in table above, 55% of respondents believe the government has paid adequate attention to the sector. The respondents' mean average (M=2.95, Std. dev=2.83) further suggests that the governments are paying attention to the sector. However, many tourism professionals interviewed claim that the government's attention is merely that: attention, not action, in terms of promoting tourism growth.

57.8% of respondents agree that the government's economic system is beneficial to investors. Since 1992, when the government implemented a free-market economic system and increased privatization, the country has become more prosperous. Different tourist and other sectors are now available to private investors, providing a wonderful opportunity for private enterprises to invest. The new economic policy, which aspires to transform the command economy into a free-market economy and then reform it, has boosted private tourism investment (Ayalew, 2009).The country's major hotel businesses, which were previously owned by the government, have recently been transferred to private hands. The only government-owned tour operator, National Tour Operation and Travel Agency, has been privatized. No sector of

tourism is allocated for the public, according to Ethiopian investment policy. As a result, private investors can invest in any area.

The mean score (M=3.17, Std. dev=2.99) indicates that Addis Ababa has ample and inexpensive labor. Tourism is a labor-intensive economic sector, according to experts. As a result, the city's accessibility to a low-cost labor supply is advantageous to investors. Experts interviewed agreed that Addis Ababa has enough trainable workers in any area.

The scale of the market, which enhances the return on investment, is another important motivator for investors. The average rating (M=3.63, Std. dev=3.42) indicates that Addis Ababa has the potential to draw a considerable number of visitors.In addition, the city contains a large number of reasonably priced homes and individuals who could be potential consumers in tourist-oriented hotels, restaurants, and other service enterprises. More than 95% of international tourists enter the country through Bole International Air Port, making the city a hub for international tourism. As a result, a tourist planning to travel to any area of Ethiopia is a customer of Addis Ababa for at least two days from the time of arrival until the time of departure. Furthermore, the city is one of Africa's best conference centers, with demand exceeding the city's capacity. As a result, the combined consumer base of local and foreign travelers creates a large market for investment.

One of the determinants of investment is a country's geographical position. The proximity of a country to a developed country, where the majority of travelers originate, makes it the finest tourism and investment destination .Ethiopia is strategically situated at the intersection of Africa, the Middle East, and Asia (EIA, 2011). Table 4.5 shows that 64.8% of respondents believe Addis Ababa is in a favorable location for investors. The geographic location's convenience can be expressed in a variety of ways. Addis Ababa is the country's capital and geographic center.It is also the location of the country's most modern and greatest airport, which serves 95 percent to 99% of international travelers. It also serves as Africa's political and diplomatic hub, with over 120 international organizations and embassies based there. The African continent's capital, Addis Ababa, is the finest place for tourism investment, according to 84.4 percent of respondents. The average number (M=3.50, Std. dev=3.30) indicates that Addis Ababa is the country's capital, and Africa has had a significant role in attracting investment.

Another advantage of Addis Ababa's location is its pleasant climate. Despite its tropical location, Addis Ababa enjoys moderate climate conditions throughout the year due to its high

altitude. Addis Ababa is the world's third tallest capital. The Entoto mountain chains are located at a height of 2120-3200 meters above sea level. Addis Ababa has a pleasant climate with an average temperature of 16 degrees Celsius. This generates a significant market for investors looking to run a sustainable tourism business, since a pleasant climate combined with other worthwhile tourist attractions attracts a large number of vacationers.

4.3.2 Sectors of Tourism Investment Opportunities in Addis Ababa

By opportunities, we imply possible 'areas of services and goods that require investment in order to increase customer service offering. Attractions that are yet to be developed may be included in the sectors. Infrastructures for public or tourist use, institutional infrastructure (education), and other facilities. The following table presents attractions for investment.

Table 4.9 Attractions for investment

Statement	Mean score	St. Dev.
I know that the competition from neighboring counties' cities has affected tourism investment in Addis Ababa	3.06	2.99
I recognize that in Addis Ababa there is the problem of corruption in government offices that provide services for investors	3.38	3.66
I understand the image of Ethiopia with foreign investors is negative	4.06	3.79

Aggregated by the researcher based on field data

Because the government must conserve present natural and artificial tourist attractions in order to improve tourism investment, it plays an important role in the development of tourism products. Since the preservation of tourist sites and resources is one of the first steps for tourism growth. In Addis Ababa, there are various tourist attractions worth viewing. Tourist attractions, on the other hand, are commonly acknowledged to be undeveloped. The most continuous threat to the future of tourism development, according to an interview with a foreign operator, is the degradation of tourist sites. As a result, financing for tourism attraction development should be increased.

Addis Ababa has a substantial sort of natural attraction that attracts the attention of tourist stakeholders for investment, as evidenced by the mean average value of (M=3.09, Std. dev=2.99).

Addis Ababa has several manmade tourism attractions that should be kept and protected for diversified resources, according to the majority of respondents Table 4.9 (86.3%). Furthermore, the mean value (M=3.84, Std. dev=3.66) demonstrates that Addis Ababa has a plethora of man-made attractions that require further investment. However, the majority of the attractions are poorly maintained and unfit for visitors. As a result, there is a need for more money to upgrade the attractions.

4.4 Growth of Tourism and Hospitality Business Investment in Addis Ababa

Investing solely in tourist infrastructure will not result in effective tourism business operations unless public/basic infrastructures are also created concurrently. In fact, public infrastructure is one of the most important determinants of tourism investment. Ethiopia is classified as one of the least developed countries due to its lack of public and tourist facilities. The public sector is primarily responsible for the development of essential infrastructure such as transportation, power, water supply, telecommunications, and waste disposal systems (Jameson, 2001). In this section, we will look at the gap between tourist infrastructure and facilities and the need for investment in basic infrastructure. Table 4.10 presents the perception of the respondents concerning the growth of tourism and hospitality business investment in Addis Ababa.

Table 4.10 The need for investment in public and tourism infrastructure

Statement	Mean score	St. Dev.
In Addis Ababa Large investment should be made in the following areas		
Road	4.01	3.67
Real way	4.34	4.03
Airport	3.68	3.45
Electricity and water supply	4.26	3.91
Hotel and restaurants	3.78	3.64
Tour operation and travel	4.16	3.79
Tourism education	3.89	3.62
The micro and small enterprise that supply service for tourist	3.98	3.67

Aggregated by the researcher based on field data

Tourism investment is in high demand across all types of public and tourist infrastructures, as shown in the above table. However, the mean average (M=4.01, Std. dev=3.67) indicates that more investment is required to improve road quality. More investment should be made to improve the standard of roads in Addis Ababa and roads that connect Addis Ababa to tourist destinations in the surrounding area, as we can see from the analysis

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Ethiopia's government is working hard to achieve a tourism boom. However, due to the public's poor implementation capacity, the nature of progress remains stagnant. Although Addis Ababa has significant tourism growth potential, compared to its surrounding cities like as Nairobi, the amount of investment in the sector is insignificant.

Addis Ababa's tourism investment has been beset by a slew of issues, including financial limits and obstacles. The obstacles and limits identified are divided into the following sections for the sake of this study's convenience.

Ethiopian tourism investment is threatened by the country's current political environment and insecurity in the Horn of Africa. Investors have faith in the government's ability to keep any disruptions under tight control. However, the scars left by prior bad impressions of civil war, drought, and starvation instilled in the minds of outsiders continue to have a detrimental impact not only on tourism investment but also on the country's overall investment.

The city's inadequate service supply is due to a lack of good integration among government organs, the commercial sector, local communities, and other civic organizations. Poor communication for integrated work of multiple stakeholders in the sector has come from a lack of regular interactions among governmental and non-governmental organizations, the government's insufficient coordination effort, and the constant modification and adaptations of rules and regulations. Clearly, there is no professional staff with sufficient capacity in government agencies. The employees do not share a common understanding or are acquainted with one another.

Another roadblock for investors is procedural issues in government service delivery departments. Even though there are some changes for providing rapid service, the performance methods are too time-consuming and inefficient. Customers complain about the time they spent and the forceful manner of the workers at the Addis Ababa land administration agency, which is bureaucratic and corrupt.

Regardless of its being the capital of the country, the seat for the African Union and United Nations Economic Commission for Africa, and many other international organizations, Addis Ababa lacks sufficient and standardized infrastructures. Roads in some parts of the city are not up to standard. Furthermore, the design of roads is not well integrated with other sectors

such as waste disposal systems and lacks walkways that the dominant number of the residents uses for walking.

Investors' future confidence has been harmed by the country's macroeconomic position. Local businesses, in particular, are being impacted by the city's and country's ongoing rise in inflation. As a result, customers' purchasing power, especially that of local customers, is dwindling. The high cost of airline tickets, as well as the high cost of hotel rooms, is well known. Other hurdles for investors in Addis Ababa include constant pay increases, depreciation of the Birr against the dollar, and a low GDP per capita. Domestic investors, in particular, have been harmed by macroeconomic volatility.

Other obstacles that impede tourism investment in the city include the country's overall image problem, rivalry from neighboring capital cities, insufficient production, and a shortage of trained staff. Investors confront a number of hurdles, including a shortage of skilled labor and a lack of tourism promotion in Addis Ababa. As a result, the city's attractions aren't well-known internationally, and the city's tourism businesses lack well-trained personnel to run their operations efficiently and effectively.

Ethiopia, although having a comparative advantage over African tourist attractions and the potential to be one of the continent's top destinations, has not aggressively promoted its tourism resources. International tourists are not informed about the attractions. Residents of Addis Ababa, let alone international tourists, are unaware of the tourist destination and its surroundings. In Ethiopia, multilingual attraction advertising is not well-practiced; as a result, one of the issues is the information gap.

5.2 Recommendations

Many problems and limits have been identified as impediments for tourism investment development in Addis Ababa as a result of this study. Although some difficulties may be beyond the capacity of local government, appropriate efforts should be done to address the issue.

According to the findings of the survey, government units are providing better service to investors. However, there are some unsatisfactory customer service issues and bureaucratic issues. As a result, the institutional framework of the offices should be upgraded and followed up on in order to provide investors with better and faster entertainment. Specifically, different government bodies are unaware of one other's services, making it difficult to provide a consistent service to investors. This means that government agencies

must hold regular meetings and talks in order to provide good coordination and problem-solving among themselves, as well as take action in the event of a service breakdown. They must also allow clients to comment on the status and quality of their services.

Addis Ababa's infrastructure and amenities, both public and tourist-related, are insufficient to provide competitive service. Customers' perceptions of the city are deteriorating as public infrastructures such as railways, communication, health facilities, water supply, and electricity are inadequately supplied. As a result, given that Addis Ababa is a far more prominent city in the globe, investment in its infrastructure should be increased. Similarly, increasing the quality and diversity of tourism amenities such as star-rated hotels, tour operators, restaurants, conference centers, and other ancillary services for tourists should be prioritized.

The steady rise in costs across the country, notably in Addis Ababa, has eroded residents' purchasing power. Investors' faith in their companies' operations has been weakened. The lack of stability in the exchange rate, employee salaries, and other factors has harmed investors' aspirations. So, despite the difficulty of controlling these issues, the government must devise a comprehensive plan to address them. Furthermore, all interested parties should work together to address additional investment barriers in Addis Ababa, such as adequate taxation, rivalry from adjacent cities, low promotion, and a shortage of qualified people.

In comparison to its neighboring cities, Addis Ababa's tourism investment is still in its infancy. The level of infrastructure in all sectors is quite low, as stated in the difficult section. Furthermore, while Addis Ababa has a wide range of tourism attractions and resources, they have not been transformed into products, are poorly structured, and are not ready for visitors. Museums, churches, mosques, monuments, old mansions and castles, colorful religious festivals, and other attractions are among the city's principal tourist attractions. Therefore:

- The government should support private investment in the development of tourist attractions. It should also set aside money for the preservation and conservation of attractions, as well as the preparation of them for visitors.
- The city administration of Addis Ababa and the Oromia regional state government should collaborate to develop and access tourist sites in the Addis Ababa area.
- There are only a few tourist and hospitality colleges in Addis Ababa at the moment. However, these institutions do not produce people who are more practical and vocal in

their knowledge. As a result, the city administration, in collaboration with other concerned government bodies, should ensure the quality of education provided, and institutions should either be encouraged to invest in order to improve their performance, or other investors should be invited to upgrade the quality of education by providing well-trained manpower for hotels, tour operators, government offices, and other related institutions.

- Tourism industry stakeholders have expressed dissatisfaction with Ethiopia's organizational structure. There are no significant autonomous institutions in the country that can help the country develop. To help with this, the government should create a tourist board with independent powers and an organizational structure that can coordinate the rest of the tourism stakeholders for greater performance in the industry.
- Providing incentives for investors has a favorable impact on investment flow, even if it is occasionally contested. According to the study, the amount and types of incentives provided in Ethiopia's tourist sector are insufficient. As a result, the government should broaden the scope of incentives to make the sector more competitive.
- Tourism is inherently exposed to any form of insecurity that occurs in and around its destinations. The problem of political instability in Ethiopia is a big issue, and the country must take safeguards in light of terrorist activities in East Africa and the global threat to peace. As a result, the government should be vigilant in resolving these issues before they have a negative impact on the destination's reputation. It should step up its collaboration with neighboring countries to combat terrorist attacks. In the fight against terrorism, we have more experience and contributions in East Africa.

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Appendix A: Questionnaire

The objective of the study

The goal of this survey is to look into The Opportunities and Challenges of Institutional Rules and Regulations for Tourism Business Development in Ethiopia: A Case Study on Hotel Licensing in Addis Ababa. The information you provide will be used as part of Abinet Woldetensae's Master thesis research, which will be overseen by Dr. Shiferaw Muleta. Dear respondents, we respectfully request that you offer true information that you already know, as the success of this study is based on your humble participation in providing information. The information acquired will only be used for academic purposes, and the information you supply will be kept in strict confidence. Your assistance would be much appreciated and is valuable.

General personal information

Sex: Male Female

Type of investment: Domestic Foreign

Type of business: Hotel Tour Operation

Position

Experience in Years

Nationality _____

Thank you in advance!

Part one: In this part, you will fill the table below based on the following guideline: using a scale from 1-5, represented as follows: 1-Strongly Agree, 2-Agree, 3- Neutral, 4-Disagree, 5-Strongly disagree. Please choose your suitable answer and put "X" on the spaces parallel to the numbers provided for each statement in the table below.

No	Statement	1	2	3	4	5
	institutional policy and regulations					
	The current level of overall tourist infrastructure in Addis Ababa is enough					
	Addis Ababa has a sufficient number of classified hotels and other accommodation services for tourists					
	Addis Ababa has adequatenumber and quality service providing tour operators and travel agencies					
	Challenges of tourism investment					
1	Because of the lack of clear and consistent regulations, I realize that there is friction amongst government department					
2	According to my understanding, there is no cooperation between government agencies and commercial organizations in Addis Ababa to boost tourism investment.					
3	I am aware that the government's capacity to implement tourism investment is insufficient.					
4	I know that the competition from neighboring counties' cities has affected tourism investment in Addis Ababa					
	I recognize that in Addis Ababa there is the problem of corruption in government offices that provide services for investors					
1	I understand the image of Ethiopia with foreign investors is negative					
2	Addis Ababa has no sufficient number of trained manpower					
3	I believe that in Addis Ababa the government tax is not appropriate for the investor					
4	**Opportunity**					
	I'm aware that Addis Ababa's tourism investment has been hampered by competition from other counties' cities.					
1	I know that the government departments that provide services to investors in					

	Addis Ababa have a problem with corruption.					
2	I understand Ethiopia's image among foreign investors is bleak.					
3	Addis Ababa does not have enough trained personnel.					
4	The location of Addis Ababa is geographically strategic for tourism investment					
	I believe the government tax in Addis Ababa is inequitable to investors.					
1	**Growth opportunity for tourism**					
2	In Addis Ababa Large investment should be made in the following areas					
4	Road					
	Real way					
1	Airport					
2	Electricity and water supply					
3	Hotel and restaurants					
4	Tour operation and travel					
	Tourism education					
	The micro and small enterprise that supply service for tourist					

Part two: In this part, you will give the reason for your answer based on the nature of the question.

1. Did you know about the Ethiopian tourism industry before you started investing in Addis Ababa? A. No B.Yes

2. Where did you get information about tourism investment opportunities in Addis Ababa for the first time? A. From media (internet, newspaper, radio, and TV) B. When I came to Ethiopia to visit C.From Embassy of Ethiopia in my country D. From international trade fair E. if it is from other sources, please
specify_____

3. Have you encountered any problems when you got your multiple entry visas? A. Yes B. No, If "yes", what problems have you faced? Please, explain it----------

4. Which one was the challenge for you when you started business in add is Ababa (please encircle all that applies) A. Language problem B. Cultural shock C. Climate difference with your home country D. If it is other please specify----------

5. Are you satisfied with the services of the Ethiopian Investment Agency? A. Yes B. No, If your answer is "yes" why? please explain it clearly----------

If your answer is "No", what problems have you encountered during the service? Please specify and explain it ----------

6. How long it takes you to get the following services from Ethiopian Investment Agency(hint: please, describe in hours, days, months etc): A. investment license' _____B. if any, renewal of your investment license _____ C. residential house _____

7. Are you satisfied with the service provider of the Ministry of Culture and Tourism?

A. yes B. No, If your answer is "No", what problems have you encountered during the service? Pl ease specify and explain it ----------

If your answer is "yes", why?please explain it clearly----------

8. Are you satisfied with the services of the Ethiopian customs authority? A. yes B. no If your answer is "yes", why? Please explain it clearly----------

If your answer is "No", what problems have you encountered during the service? Please specify and explain it ----------

9. Are you satisfied with the Addis Ababa city government land administration? A. Yes B. No, If your answer is "No", please specify the problems you faced during you get the service-

10. Have you got any incentives from the government? A. Yes B. no If your answer is "yes", please answer the following questions:

10.1 What types of incentives did you get? ----------

10.2 How do you rate the incentives provided by the government of Ethiopia? A. Excellent B. very good C. good D. satisfactory E. poor

10.3 please, specify the offices from which you got incentives----------

11. Have you got any chance to comment on the tourism investment policy of Ethiopia and the quality of service provision of governmental offices? A. Yes B. No

If your answer is "yes", what comments have you given----------

12. Have you got an opportunity to discuss the issue of tourism investment with stakeholders (Ethiopian Investment Agency, Ministry of Culture and Tourism, Ethiopian Custom Authority, Federal Inland Revenue Authority, Addis Ababa city land Administration, private organizations, and other experts)? A. Yes B. No

13. If your answer to question number 11 is "yes" what were the decisions you passed by discussion implemented? A. yes, they were implemented B. in some extent they were implemented C. they were not implemented

14. What general opinions do you forward for the improvement of tourism investment in Addis Ababa? Please explain clearly----------

Appendix B: Interview

Interview with the Hotels

1. How is the tourism business in Addis Ababa?

2. What are other potential investment areas in addition to your current business?

3. How do you evaluate the bureaucratic situation of government offices?

4. What are the challenges of your business operation?

5. Do you have opportunities to discuss with the government and other stakeholders regarding investment? 6. Have you got any incentives from the government (both fiscal and financial incentives)?

Interview with Government Officials

A

1. When was the current investment policy of Ethiopia ratified and implemented?

2. Under your bureau is there a tourism investment service center?

3. Where do investors get information about tourism investment in Addis Ababa?

4. What are the potential tourism investment opportunities in Addis Ababa

5. Do you think that tourism investment in Addis Ababa is enough to provide optimum tourist services?

6. What tourism investment opportunities have you created for investors (both foreign and domestic)?

7. How do you see the competition from neighboring cities like Nairobi

8. How long does the process of giving the following services take for investors?

A. Investment license

B. Investment renewal

C. Residential house 9. Is there any special incentive that your office provides for tourism investors?

10. Is there any difference in incentives provided for foreign and local tourism investors?

11 . What activities do you undertake to attract tourism investors?

12. How do you evaluate the image of Ethiopia for attracting investors?

13. Does the investment trend in tourism show increment year to year?

14. What do you think is hindering tourism investment in Addis Ababa

15. What are the comments/complaints you receive from your customers concerning your service?

16. What do you want to add regarding improving tourism investment in Addis Ababa?

B

1. Is there any land use classification system used for different sectors?

2. Is there any special incentive for tourism for visitors provided by your office?

3. Is there any land area reserved for tourism investment?

4. What are the types of tourism activities the land is reserved for?

5. How long does it take a tourism investor to take land for investment (both foreign and domestic)?

6. What are the internal and external hindrances that inhibit satisfying your customers?

7. Do you have any plan to improve the land provision policy? If yes what are those?

8. What are the complaints you receive from your customers concerning the services you provide?

9. Any discussion with other stakeholders?

C

1. What are the main investment opportunities in Addis Ababa (both in infrastructures and tourist attractions)?

2. Do you think that tourism investment in Addis Ababa contributes to achieving sustainable tourism development?

3. For which types of investors do your office give license of standardization and accreditation? Why? 4. How do you evaluate the level of tourism infrastructure, attraction development, and promotion of tourism in Addis Ababa?

5. Which type of investors does your office encourage more (foreign or domestic)?

6. Does your office encourage small tourism enterprises in tourism investment; if yes in what specific areas are you encouraging?

7. What do you think are the challenges for tourism investment in Addis Ababa (Does your office believe that the challenges for both domestic and foreign investors are the same? If not what are the specific/major problems for each?

8. What specific activities does the Ministry of Culture and Tourism undertake to promote Addis Ababa as a tourist destination and to enhance tourism investment?

9. What are the complaints of your customers regarding your service?

10. Is there any discussion with other stakeholders and offices on tourism investment? (EIA, NBE, Ministry of Finance, Ethiopian privatization agency, Ministry of Foreign Affairs, Addis Ababa city Land Administration, Federal Inland Revenue Authority, etc).

D

I. How do you evaluate tourism investment in Ethiopia and Addis Ababa specifically?

2. What are the tourism investment opportunities in Addis Ababa?

3. What type of public and tourist infrastructures do you think Addis Ababa lacks?

4. Do you think that the geographical position of Addis Ababa is lucrative for tourism investment?

5. Do you think that Addis Ababa has customer demand for attracting tourists?

6. How do you evaluate the potential of Addis Ababa for tourism development?

7. How about the political and economic condition of Ethiopia for tourism investment?

8. How do you evaluate the image of the country for attracting investors and tourists?

9. What specific incentives do you suggest to be provided to tourism investors by the government?

10. What are the bureaucratic constraints you see from Ethiopian investment policy?

11. How do you evaluate the coordination between government and private sectors in tourism investment?

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