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The Role of Tourism Investment Incentives for the Tourism
Development in Ethiopia: The Case of Addis Ababa

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THE ROLE OF TOURISM INVESTMENT INCENTIVES FOR THE
TOURISM DEVELOPMENT IN ETHIOPIA: THE CASE OF ADDIS
ABABA

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This is to certify that this thesis prepared by Samson Aynachew; entitled “The Role of Tourism Investment Incentive for the Tourism Development in Ethiopia: The case of Addis Ababa” submitted in partial fulfillment of the requirements of the degree of Master of Arts in Tourism Development and Management complies with the rule and regulations of the university and meets the accepted standards with respect to originality and quality.

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Abstract

A study was conducted to assess the role of tourism investment incentive for the tourism development in Ethiopia: The case of Addis Ababa, using selected agencies from Addis Ababa City Administration. The study employed both qualitative and quantitative methods and used questionnaires, interview and document review for data collection. A total of 236 stars rated hotels and tour operators and travel agents have participated through questionnaires and 5 key informant interviews from Addis Ababa. Ethiopia introduced tourism investment incentive system in 2002, with the proclamation no.280/2002 in which exemption from customs import duties (tax incentive) granted. The present study findings indicated that there is strong relationship between tourism investment incentive and tourism development (at a correlation coefficient of $r=0.6$, $p=0.0$). The study participants echoed the increase in number of employee in the sector, flow tourists and increase income earnings due to increasing of tourist service both in quantity and quality as a result of the incentives. About 78.4% of the respondents have responded by saying that the incentive has served as driving factor for investment in the tourism sector. The limited kind and amount of incentive offered and the bureaucratic hurdle to obtain the incentives were mentioned as major challenges. To promote sustainable tourism development and associate sectors, diversifying incentive types, employing the incentive for small tourism firms, take the experience of other competing countries like South Africa, Egypt, Kenya etc and the government should be considered for the way forward.

Key words: *Investment Incentive, Tourism, Sustainable Tourism Development*

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List of Acronyms

AACTB: Addis Ababa Culture Arts and Tourism Bureau

ASEAN: Association of South East Asian Nations

BOFED: Bureau of Finance Economics and Development

ECCU: Eastern Caribbean Currency Union

ETO: Ethiopian Tourist Office

ETC: Ethiopian Tourism Commission

EU: European Union

FDI: Foreign Direct Investment

GDP: Gross Domestic Product

ICCA: International Congress and Convention Association

ICT: Information Communication Technology

IDB: InterDevelopment Bank

IMF: International Monetary Fund

MNE: Multinational Enterprise

OECD: Organization for Economic Co-operation and Development

SAARC: South Asian Association for Regional Co-operation

SADC: Southern African Development Community

SME: Small and Medium Enterprise

SPSS: Statistical Package for Social Science

UNCTAD: United Nations Conference on Trade and Development

UNWTO: United Nation world Tourism Organization

WTTC: World Travel and Tourism Council

Appendices

Annex 1: Survey questionnaires

Annex 2: Interview questionnaires

CHAPTER ONE

INTRODUCTION

1.1 Background

Tourism is one of the largest and fastest growing industries in today's global economy, due partly to increasing globalization and disposable income (UNCTAD, 2013). In 2018, the tourism industry generated 10.3% of Global Gross Domestic Product and accounts for 28.3% of global services exports and 4.3% of total investment (WTTC, 2019). Both in developed and developing countries, the tourism industry significantly contributes to growth (Seetarah, 2011), poverty alleviation (Klychnikova and Dorosh, 2013), human development (Jiang et al., 2011) and job creation. The same holds true for developed countries. According to UK Office for National Statistics (2019) report, about 3.3 million people work in tourism-related businesses in UK, of which 1.5 million was employed as a redirect result of expenditure by tourists. Benefits from tourism activities can have spill-over effect to other related sectors (like transportation, construction and commerce) and ultimately to the rest of the economy through multiplier effects (WTTC, 2012; ILO, 2013; Klychnikova and Dorosh, 2013).

Similarly, the tourism sector in Africa including Ethiopia has received increased attention in recent years. The sector is viewed as one of the fast growing and considered a potentially substantial provider of employment at all skills levels for many people. According to UNWTO (2014), the African region was seen as the fastest growing tourist destinations in the world. In 2018 tourism directly generated 8.5% of GDP and 24.3 million employees in the sector, a figure which represented 6.7% of the total employment in the continent (WTTC, 2019). In Ethiopia the tourism sector employed 1.5 million employees as of 2018, a figure which represented 8.3% of the total employment in the country and contributed 6.1% of the country's GDP (WTTC, 2018).

As a result, governments in developing countries have been paying increasing attention to the development of the sector and implementing various support policies with the expectation that it will enhance economic growth, employment, and higher income, thereby contributes to poverty reduction (UNCTAD, 2013). According to Inter American Development Bank (2015), in recent decades, a significant number of developing countries in Africa and other continent have implemented fiscal incentives programs (e.g. custom duty exemptions, income tax exemptions)

for the tourism industry as part of their regional development policies. The main objective of these programs is to increase local investment and employment, as tourism activities are labor intensive. For example, fiscal incentives of various kinds have been granted in low and medium income countries to support the construction or remodeling of hotels, restaurants, and services catering to visitors for incentivizing tourism development (IDB, 2014).

Similarly, in (2002), Ethiopia has issued investment proclamation no.280/2002 and introduced and implemented fiscal incentives programs (Custom duty, income tax exemptions) for manufacturing, agriculture and hotel and tourism sector. Income tax exemptions are employed for investors exporting products or services. For the tourism sector exemption from customs import duties have been employed. Investment proclamation no. 769/2004 and the current working investment proclamation no.1180/2020 have the same approach for the sector.

The effectiveness of tax incentives to attract investment tourism in developing countries is however inconclusive (OECD; et.al.; 2013). Van Parys and James (2010) identified the effects of changes in taxation on tourism-related foreign direct investment (FDI) at the country level in the Caribbean region. Accounting for other factors driving tourism FDI in this region, the study find that tourism investment in Antigua and Barbuda after 2003 increased significantly more than investment in the other six ECCU countries due to the tourism tax incentives reform.

According to Ethiopia Investment Laws, investment proclamation No.1180/2020; investment means expenditure of capital in cash or in kind or both by an investor to establish a new enterprise, or to acquire, in whole or in part, or to expand or upgrade an existing enterprise. The objective is to improve the living standard of the peoples of Ethiopia by realizing a rapid, inclusive and sustainable economic and social development. In the proclamation Article 13 and 14 mentioned that investors will engage in the tourism sector should benefit exemption of custom duty.

Thus, this study is conducted to assess the role of tourism investment incentive for tourism development in Addis Ababa City Administration as case study. The study employed agencies that are permitted to use investment incentive such as star designated hotel and resort, motel, lodges and restaurants and tour operators.

1.2 Problem Statement

In recent years, investment in tourism by both the private and public sectors has grown rapidly and kept pace with the growth of total investment. The global tourism-related investment was nearly \$290 billion in 2000. However, within 15 years, the figures almost tripled, and reaching \$775 billion in 2015. Which was 4.3% increase per year during 2000 to 2015 and expected to reach \$1,254 billion by 2026, which will be 4.7 % of total investment (WTTC, 2016). These statistics high light the importance of tourism sector in global economy development.

Ethiopian government offers limited incentives for tourism investors which is less satisfactory as compared to other African countries. For instance, South Africa, Egypt, Morocco, Tunisia and Nigeria are notably the only countries in Africa that offer cash grants in addition to tax incentives (Africa Incentive Survey, 2017). In Ethiopia, incentives are given only for star designated hotels and resort, motel, lodges and restaurants and tour operation services. According to the current Ethiopian investment proclamation no. 1180/2020 and investment regulation no.474/2020 to the tourism sector exemption of capital goods and construction materials and motor vehicles are offered from custom duties.

However, few studies (e.g. Tadesse, 2012) have assessed challenges and opportunities of tourism investment in Ethiopia. The study found that previous negative image related with civil war, drought and famine once inculcated in the minds of foreigners has still a negative impact not only on the tourism investment, but also on the general investment of the country. Another obstacle for investors is bureaucratic problems in the service providing offices of government; additionally the current status of tourism investment is very fragile; this was witnessed by the low development of tourist attractions and below standard tourist facilities, low quality tourism education, and others.

Meron (2016) and Mistris (2014) assessed the effect of tax incentive on domestic investment of the manufacturing sector and effectiveness of the tax incentive in promoting investment respectively. According to Meron (2016), Tax incentives can play a useful role in encouraging both domestic and foreign investment and tax incentives are a major influent component of the decisions of investors. Similarly Mistris (2014) assessment showed that granting tax incentives have increased inflows of FDI, created employment opportunities and technological transfer

effect to domestic firms. But the fact shows that non tax determinants factors have more influence on promoting investments than tax factors including tax incentives. However, the studies ignored the role of tourism investment incentives for tourism development.

There are many studies that were carried out focusing on different areas of tourism but they did not indicate the role of tourism investment incentive.

Despite its significance, the issue has received very little attention from tourism researchers. To our knowledge, there is no empirical study that has examined the role of tourism investment incentives on tourism development.

Therefore, this study examined the role of investment incentives for tourism development in Addis Ababa City Administration. The study mainly focused on those sectors which are investment incentives has permitted i.e. star designated hotel and resort, motel, lodges and restaurants and tour operation services by scrutinizing the pre-post implementation of tourism investment incentive. According to Ministry of Culture and Tourism (2020), nearly 142 star rated hotels are in Addis Ababa and a total of 532 tour operators are found in the city that is passed through investment incentives, but the impact of the incentive is not well researched.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to assess the role of tourism investment incentives for tourism development in Ethiopia.

1.3.2 Specific Objectives

The specific objectives of the study are:-

- 1) To identify the types and mechanisms of incentives given to tourism investors.
- 2) To examine the contribution of investment incentives for tourism development.
- 3) To examine the trend of tourism development before and after the implementation of investment incentive proclamation.
- 4) To suggest future opportunities for tourism development.

1.4 Research questions

The research questions were answered the following questions.

1. What kinds of incentives are given to investors?
2. What are the contributions of investment incentive for tourism development?
3. How is the trend of tourism development look-like before and after implementation of investment incentive proclamation?
4. Does it have a relationship between investment incentive and tourism development?

1.5 Significance of the Study

Tourism is one of the leading and fast growing economic sectors in the world. Particularly, in developing countries, it is supposed to help in tackling poverty. According to the tourism policy of Ethiopia, one of the country's objectives is to build a tourism industry that makes important contribution to earn and conserve foreign exchange, and integrates this into the economic growth of the country.

Therefore, the result of this research has the following significances for policy makers, the community/investors and the academia. For policy makers it helps as an input for formulation and revision of rules, regulations, directives and policies related to tourism investment incentive and helpful for the researcher/academia to use as a stepping stone to conduct further research on the area and to use as a reference. For the community/investors the study will be helpful and clearly put the kind of incentive and the mechanism how to own the incentive and may draw new investors to invest in the tourism industry.

1.6 Scope of the Study

The extent of the study was confined only to the tourism investment incentive in Addis Ababa. It assessed the role of investment incentives for tourism development. The study was conducted on those sectors that are permitted to use tourism investment incentive these are star designated hotel and resort, motel, lodges and restaurants and tour operation services. Additional samples were taken from Ethiopian Investment commission, Ministry of Culture and tourism, Addis Ababa Culture, Arts and Tourism Bureau and Addis Ababa Revenues and Custom Authority.

1.7 Limitation of the Study

Some of the participants are not much willing to fill the questionnaires and to give necessary information openly and COVID 19 has also significant impact on the data collection process. Also, the researcher wasn't covered all agencies working on tourism. However, diverse methods and tools used by the researcher and by looking convenient timing, reliable data was collected.

1.8 Definition of key operational terms

Fiscal Incentive:-instruments such as tax reduction, incentives, grants and subsidies applied by the governments to support various activities of individuals and organizations (UNCTAD)

Incentive:-it s an offer given to someone or organization to motivates or encourages them to perform better (Oxford Dictionary)

Investment:-means expenditure of capital in cash or in kind or in both by an investor to establish a new enterprise or to acquire, in whole or in part, or to expand or upgrade an existing enterprise (Ethiopian investment proclamation no.280/2002)

Investment Incentive:-are measurable economic advantages that governments offer to specific/particular organizations or agencies of organizations, with the aim of steering investment in to favored sectors or areas or of influencing the character of such investment (Sebastian)

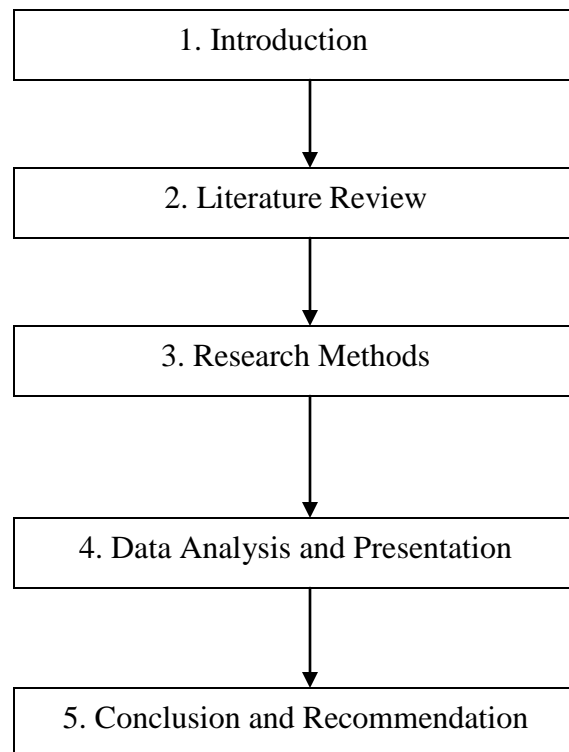
Non-Fiscal Incentive:-are those benefits that are simply ‘non- monetary’ value; which means not involving government funds and not related to financial matters. Rather focusing on regulations, policies, creating conducive environment etc (Collins English Dictionary)

Tourism Investment:-is the process of identifying and marketing to visitors travelling to or already with in a destination who may be potential investors in economic opportunities from buying a second home, to opening or relocating a business, to investing in major development or redevelopment projects(Carolyn J.Feimster)

Sustainable Tourism refers to tourism developed in a way that does not cause serious ecological or socio-cultural problems, preserving even improving the overall quality of the environment at tourism sites, while ensuring that tourists are completely satisfied and that all levels of society benefit from tourism (UNCTAD, 2010).

1.9 Organization of the Thesis

The thesis is organized into five chapters. The first chapter deals with background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study and limitation of the study. The second chapter addresses review of related literatures and conceptual framework. Third chapter presents description of the study area and methodology employed. The fourth and fifth chapter displays data presentation and analysis and conclusion and recommendation respectively.



CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Definitions and the Concepts

Tourism in its modern form is not the same as travels of the early periods of human history. Austrian economist Herman Van Scheullard (1910), defined “The sum total of operation mainly of economic nature which is directly related to entry, stay and movement of foreigner inside or outside a certain city or region is tourism.”

Mcintosh and Goeldner (1986), defined tourism " is a collection of activities, services and industries which deliver a travel experience comprising transportation, accommodation, eating and drinking establishments, retail shops, entertainment businesses and the hospitality services provided for individuals "

In order to prevent the disaccords to define” Tourism”, UNWTO defined it as indicated below;

"Tourism comprises the activities of persons traveling to and staying in laces outside their usual environment for not more than one consecutive year for leisure, business, and other purposes."

This definition includes the word ‘staying’ and suggests that tourists stay at least one night. Tourism is different from travel. In order for tourism to happen, there must be a displacement: an individual has to travel, using any type of means of transportation (he might even travel on foot: now a day, it is often the case for poorer societies, and happens even in more developed ones, and concerns pilgrims, hiking, etc.).Any travel for holidaying, business or professional trip becomes a part of tourism if it is temporary and is undertaken voluntarily, without an aim to earn any livelihood out of it. But, all travel is not tourism; rather travel is one of the important components of tourism.

Three criteria are used simultaneously in order to characterize a trip as belonging to tourism. The displacement must be such that: 1) it involves a displacement outside the usual environment.2) type of purpose: the travel must occur for any purpose different from being remunerated from within the place visited: the previous limits, where tourism was restricted to recreation and

visiting family and friends are now expanded to include a vast array of purposes.3) duration: only a maximal duration is mentioned, not a minimal. Tourism displacement can be with or without an overnight stay.

Similarly, Domestic tourism is residents visiting destinations within their own country's boundaries and travelling for tourism purposes (Middleton, et al, 2009).According to Horner and Swarbrooke (2005), domestic tourism means where the residents of a country take holidays wholly within their country of residence. Domestic tourism involves the activities of residents of the given country who travel only within this country (WTO, 1997).

An investment is an asset or item, acquired with the goal of generating income or appreciation. Appreciation refers to an increase in the value of an asset over time (Chen, 2020).Ethiopian Investment proclamation No.1180/2020 states investment as a means of expenditure of capital in cash or in kind or in both by an investor to establish a new enterprise, or to acquire, in whole or in part, or to expand or upgrade an existing enterprise.

Tourism investment refers to any investment that expands and upgrades a country's product, service and/or experience offered to tourists (Framework Guide to Facilitate Tourism Investment in Australia, 2011). It includes domestic and foreign private sector investment in infrastructure, products, services and experiences, used by, or related to the tourism activity. This investment can be in both private and public land (national and state parks, reserves, indigenous, cultural and historic sites), buildings, infrastructure, products, services and experiences. Investment is also considered to include issues at the development stage which would affect investment decisions. Example, the investment may relate to products and services that include: short-term accommodation (e.g. hotels, guesthouses, motels); tourist facilities (e.g. entertainment, recreation, centers and cultural activities); and other ancillary services (e.g. retail, food and beverage, transport and other services used by both visitors and residents) (The Allen consulting group, 2011).

Tourism investment is a critical component for sustainable tourism development (Franceschelli et.al.,2018).According to WTTC(2018),tourism investment includes accommodation development and maintenance of new buildings, furniture and equipment to renovate existing hotels, motels and holiday homes; tourist transportation such as buses, aircraft and cruise ships;

capital projects and restorations of renowned tourist places and sights; tourism-related information and communication technology (ICT) projects; and 'green' or sustainability-oriented investments. These investments not only ensure an economic return, but also generate an environmental return. The economic return includes tourism revenue, employment generation, skill development, higher wages and tax revenues. The environmental return includes improvement of energy efficiency, proper maintenance of water and waste, and protection of ecosystem and biodiversity. Thus, greater investment in the tourism industry will stimulate long-term tourism revenue, innovation and sustainable growth in the sector (Jackson et al., 2009).

Investment incentive means the grant of a specific advantage arising from public expenditure [a financial contribution] in connection with the establishment, acquisition, expansion, management, operation or conduct of an investment of a Contracting Party or a non-Contracting Party in its territory. The use of incentives to attract foreign investment is widespread, although there are myriad options available to the destination location. Investment Monitor explores the most popular and effective of them.

Incentives are often used to stimulate FDI and can hold more value than the capital committed initially, with longer-term benefits including raised employment, exports and tax revenue. They can also be used to boost specific sectors of interest for the host country, with the foreign investor frequently offering benefits such as training, local sourcing, improvements in research and development, and building up the target sector's presence. Investment incentives are typically offered by government bodies at national, regional and, in some cases, local level.

Tourism investment incentive is the Tourism Support Programme (TSP) targeted to incentive scheme to support the development of tourism enterprises that stimulate job creation, and encourage a geographic spread of tourism investment, and black economic empowerment.

2.2 Public and Private Investments and its Role in Tourism.

2.2.1 Public Investment and Tourism Growth

Petrescu (2011), claimed that the role of the state is central in supervising and controlling tourism activities and in some situations, even, facilitating it. Moreover, he declared that the public sector helps tourism growth by improving infrastructure development, encouraging

private investment in hotel construction, maintaining standards of quality and protecting tourists against any kind of insecurities. The actions taken by the state to create the best environment to stimulate the growth of overall production has a direct effect on tourism as well and government intervention is much needed in tourism industry (Ribariae, 2013). In this regard, the state has to make strategically targeted investment for creating conducive environment for better tourism performance.

The tourism investment from public sector can be made from different levels of governments such as the super national levels (For instance EU, ASEAN, SAARC etc) the national levels: for example, country central governments and the local governments of the cities and town (Petrescu, 2011)

Public investment in tourism is not only necessary and beneficial for the tourism sector, but also brings fruitful economic outcomes at the national level in the form of improved foreign exchange earnings, increased national income and economic growth, employment generation and improvement in the balance of payment.

Counter wise, a number of classical economist and development experts contended on the basis of economic inability of the public sector in measuring and responding properly to changes in market demand that government involvement in entrepreneurial activities should be minimal. Instead private sector can best perform these entrepreneurial activities. Consequently, the advocates of free-market economy, including the IMF and the World Bank, maintain that governments should detach itself, as much as possible, from economic activities and should primarily be concerned with the development of policies and laws that help in creating favorable legal and socio-political environments for the private sector to flourish and act in the best interest of the sector (Jenkins, 1994; Sinclair, 1990).

2.2.2 Private Investment and Tourism Growth

It is an admitted fact that private investment enhances sectoral as well as general growth in an economy. Wang and Xu (2011) claimed that private investment is a crucial determinant of growth and development of an economy and an industry as well. Petrescu (2011) asserted that the role of the state or public sector is fundamental in the development of the tourism infrastructure, while the entrepreneurial tourism activities are primarily sustained by the private

actors. The support services offered by the private sector in Tourism & Travel include finance services such as insurance or banking, tourist guiding services, marketing and promotion support services, publication of travel guides schedules, establishment of training centers, port services as well as private ports.

It is claimed by most of the economists and policy makers that the efficiency and productivity of private investment, in terms of contribution to growth, is higher as compared to public investment. Yet, this claim is supported by limited empirical evidence.

Petrescu (2011) found private capital investment as significant determinant in the growth of tourism demand and overall tourism sector. Likewise, Sharpley and Telfer (2014) stated that capital investments are imperative for the sustainability and growth of tourism.

Generally, it has been argued that public investment facilitates and stimulates private investment by providing infrastructural support, thereby increasing the productivity of the capital. Studies carried out by Hassan, Othman, and Karim (2011) who stated public investment expenditure provide public intermediate goods such as transport and water infrastructure. These inputs are essential for private sector investment as well as production. These types of public intermediate goods generate positive externality effects for the private sector by enhancing the productivity of private sector.

On the other hand, Phetsavong and Ichihashi (2012) supported the view of crowding out effect of public investment. They contended that crowding out effect can appear if public sector invests on the cost of increased interest rates and taxes, or if the public sector directly competes with the private sector with additional investment spending. Additionally, if public sector utilizes resources both financial and physical, which would otherwise be available to the private sector, can also crowd out private investments.

Phetsavong and Ichihashi (2012) further added that the size of crowding out effect will be higher, the higher the public sector distortion. Therefore, for financing increased public sector capital investment, the governments need additional financing sources generating higher interest rates, thereby, reducing the private sector access to money market. As a result, there will be a declining growth due to reduced private investment i.e. crowding out effect.

2.2.3 The Relationship between Public and Private Investments and its Role in Tourism.

Tourism investment, based on its source, can be classified into two major groups: public (or government) investment and private investment. Public investment usually includes bulk investment on tourism-related infrastructural development, including government-funded airports; utilities such as water, sanitation and electricity supply; ICT-based infrastructure; and the construction of the resorts, visitor centers and tourist information offices. However, public tourism investments do not cover investments spent in multi-use infrastructure such as roads or public transport, although these may be partially used for tourism purposes. On the other hand, private investments are small and medium undertakings usually made for commercial purpose and mostly driven by profit motives. Therefore, private investment in tourism focuses on commercial accommodation and transport services such as vacation houses, hotels, convention centers, aircrafts, cruise ships and buses. It also includes tourism-related products such as food and beverage services, entertainment and other recreational services, cultural services, tourist guide and tour operator services (WTTC, 2015).

Public and private investment can help in stimulating and restructuring economic activities for achieving higher economic growth rates. Investment activities can be made either by the public or private sector and the outcomes are usually determined by the domestic social, political and economic structure. From the economic perspective, public investment is rationalized when private sector fails to produce an efficient amount or the case where private sector is hesitant to invest. The investment by the public sector reduces the risks to the private sector and helps to ensure profitability (Rosentraub et.al; 2009)

2.3 Classification of Investment Incentives

Incentives are frequently used as a policy instrument to attract foreign direct investment (FDI) and to benefit more from it. Governments use three main categories of investment incentives to attract FGI and to benefit more from it. These are financial incentives, fiscal incentives and other incentives (including regulatory incentive, subsidized services, market privileges and foreign exchange privileges) (UNCTAD, 2004).

Incentives can be used for attracting new FDI to a particular host country (locational incentives) or for making foreign affiliates in a country undertake functions regarded as desirable such as

training, local sourcing, research and development or exporting (behavioral incentives). Most incentives do not discriminate between domestic and foreign investors, but they sometimes target one of the two. In some countries, such as Ireland, the entire incentive scheme was geared to FDI for a long period. Incentives may also favour small firms over large, or vice versa. They are offered by national, regional and local governments (UNCTAD, 2004)

Among the broad range of possible incentives, financial and fiscal incentives are the ones most frequently employed. Developing countries often prefer fiscal instruments, such as tax holidays, concessionary tax rates, accelerated depreciation allowances, duty drawbacks and exemptions, whereas developed countries mainly use financial incentives, including cash grants (exceeding sometimes 50% of the investment costs) and interest-free or subsidized loans. This may be seen as reflecting differences in wealth, as developed countries can afford to use up-front subsidies for inward investment whereas developing countries can, at best, afford to ease the tax burden *ex post*.

Financial incentives that is investment grants: “direct subsidies” to cover (part of) capital, production or marketing costs in relation to an investment project. Subsidized credits and credit guarantees: subsidized loans/ loan guarantees/ guaranteed export credits. Government insurance at preferential rates/ publicly funded venture capital participating in investments involving high commercial risks. Government insurance at preferential rates, usually available to cover certain types of risks such as exchange rate volatility, currency devaluation, or non-commercial risks such as expropriation and political turmoil (often provided through an international agency).

Fiscal incentives; a good tax system ensures predictable revenue for government, presents a reasonable tax burden to investors, is stable, and minimizes distortions in investment decisions. In the past tax issues were not determining factors for businesses to decide whether to invest in one country over another. Some studies showed that “the statistical determinants of the location of investment are market size, labor cost, infrastructure quality, growth of industrialization, level of foreign investment, growing domestic markets, and stable international relations. However, according to more recent studies, tax issues are becoming a more important factor in the decision-making process; “globalization has dramatically reduced the importance of these factors, and elevated the role of tax incentives” (Margalioth, 2003).

Tax incentives can be defined as any incentives that reduce the tax burden of enterprises in order to induce them to invest in particular projects or sectors. They are exceptions to the general tax regime. According to (Clark, cebriero & Bohmer, 2007) tax incentives are chosen by governments to attract investment in developing countries are mainly because they are much easier to provide than to correct deficiencies in, for example, infrastructure or skilled labor, implementing economic reforms, do not require an actual expenditure of funds or cash subsidies to investors and politically easier to provide than funds.

Regulatory incentives which include lowering of environmental, health, safety or labour standards, temporary or permanent exemption from compliance with applicable standards and stabilization clauses guaranteeing that existing regulations will not be amended to the detriment of investors.

Subsidized services, including assistance in identifying sources of finance, implementing and managing projects, carrying out pre-investment studies, information on markets, availability of raw materials and supply of infrastructure, advice on production processes and marketing techniques, assistance with training and retraining, technical facilities for developing know-how or improving quality control and subsidized dedicated infrastructure i.e. electricity, water, telecommunication, transportation/ designated infrastructure at less than commercial price.

Market Privileges which is preferential government contracts and closing the market to further entry or the granting of monopoly rights; protection from import competition.

Foreign exchange privileges is special treatment with respect to foreign exchange, including special exchange rates, special foreign debt-to-equity conversion rates, elimination of exchange risks on foreign loans, concessions of foreign exchange credits for export earnings, and special concessions on the repatriation of earnings and capital (UNCTAD, 2004).

The difference between financial and fiscal incentive is that financial is related to finances such as various grants and loans while fiscal is related to the treasury of a country, company, region or city, particularly to government spending and revenue such as tax holidays and reduced tax rates.

2.4 History of Tourism Investment Policies and strategies in Ethiopia

Recognizing that Ethiopia is the cradle of a human civilization, the country has a long history of travel. Ethiopia's entry in to League of Nations in to 1923(Pankhurst, 1998) can be taken as a precursor for Ethiopia's tourism regarding the creation of awareness and recognition of the country at the global level. The establishment of Ethiopian airlines in 1946, and the establishment of the headquarters of both the United Nations Economic Commission for Africa and the African Union in 1958 and 1963(Pankhurst,1998) respectively were step-change developments that have contributed to development of tourism in the country.

However, despite such developments, tourism as a component of Ethiopia's political economy is a phenomenon of the early 1960's,a period in which policy making, institution building, and implementation of tourism development really began, The development of tourism in Ethiopia since the 1960's through to the current period can be divided in to three phases of policy development based on the three different government regimes over this time i.e. Imperial government, Derg government and the Ethiopian People's Revolutionary Democratic Front (Ayalew, 2009).The nature of tourism in each phase is marked by sector has been conceptualized as a part of Ethiopia's overall development priorities and by extension its relevance to food security.

The Imperial government recognized the tourism sector as a part of the 'modern economy'. Interest and involvement in tourism development was justified through a "'macroeconomic lens"' in terms of its capacity to generate foreign exchange (Ayalew,2009).The imperial government's commitment to a tourism economy was evidenced with the launching of the three five-year development plans that spanned from1957-1962,1963-1968 and 1968-1973(Ayalew,2009).The first plan targeted industry and infrastructure. The second and the third five-year development plans explicitly mentioned tourism as a focal point for creating a modern economy. The second plan included the significant step of the establishment of the Ethiopian Tourist Office (ETO) in 1964 (Ayalew, 2009).This marked the institutional beginning of state led tourism development in Ethiopia.

To further expand the tourism sector's role in the national economy, the third five year development plan encouraged participation of the private sector through developing investment

plans and organization. Accordingly, in 1970 the Ethiopian Tourism and Hotel Investment Corporation (ETHIC) were established. The roles and responsibilities of the ETHIC were to take over the governments' investments in hotels and to promote, assist and make a direct investment in the development of hotels and other tourism facilities. In addition to the private sector development, the third plan prioritized the human resource-training requirement of the tourism sector. In 1969, the Catering and Tourism Training Institute (CTTI) was established to solve the acute shortage of trained personnel in the sector (Ayalew, 2009)

Such development in the tourism sector resulted in significant tourism growth between 1961 and 1973, growing four-fold to 73,662 visitors over this period (Ethiopian Tourist Commission, 1987). However, the tourism sector development during this imperial period was carried out based on donor economic prescriptions (e.g. World Bank) with little apparent interest in improving the livelihoods of the population through the tourism sector.

In 1974, the military governments came in to power and declared the country a socialist state. The Derg government through its 1975 economic Policy outlined the importance of international, inter-Africa and domestic tourism, and the need for taking steps to halt the destruction of natural and cultural resources (Ayalew,2009).In addition, the importance of tourism, particularly for the promotion of understanding and friendship among peoples in the world, as well as among Ethiopian's was acknowledged. One of the first steps taken was the upgrading of the then ETO into the Ethiopian Tourism Commission (ETC) in 1979.The ETC was mandated to develop and promote tourism, to make the necessary efforts for the maintenance and development of the natural and historical resources of the country with a view to attracting tourists.

The key aspect of tourism development focus during the Derg regime was the stronger emphasis given to domestic tourism. This was operationalized through the establishment of a Domestic Tourism Department under the ETC, provision of policy instruments such as reduced rail and airfares, as well as hotel tariffs, and mobilization programmes under the motto'' Know your country'' (Ayalew, 2009).The progress in international tourism growth during the imperial regime declined during this period because of the adverse effects of restrictions on entry and free movement of tourists. Moreover, the overall development philosophy was suppressive to the private sector because of the nationalization of private properties and restrictions on the amount of private investment that had constrained tourism sector growth.

Ethiopia shifted to a free-market economic policy (National planning commission, 2016). Following this change in economic policy, the relative significance of tourism was recognized as one of the priority development agenda. Reforms of institutional and governance structure have taken place, the most prominent of which is the upgrading of tourism sector governance from a tourism commission in to a fully-fledged ministry with in Ministry of Culture and Tourism in 2005 (MoCT, 2009). But despite the vast and diverse potential both in cultural and natural resources for tourism development, the level and contribution of tourism to Ethiopia's economy is still in the infancy stage but with an encouraging growth rate. Currently, an objective of the government is to become one of the top five tourist destinations in Africa by 2025 through the development of Ethiopia's cultural wealth and national attractions (MoCT, 2012)

Regarding tourism policy and enabling conditions that capture specific policies or strategic aspects that influence the tourism sector more directly, the country underperforms, globally and by SSA standards. According to the (WEF), Travel and Tourism Competitiveness Index, Ethiopia ranked 116 in tourism policy and enabling conditions.

2.5 Foreign and Domestic Tourism Investments

2.5.1 Foreign Direct Tourism Investment

FDI is defined as a "process whereby residents of one country (the source country) acquire ownership of assets for the purpose of controlling the production, distribution and the activities of a firm in another country (the host country)". International monetary fund also defines FDI as 'an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise' (Moosa, 2000; Duce, 2003).

In developing countries FDI in tourism has very great significance, since developing countries have no capacity to achieve remarkably in their tourism service provision and infrastructural development. According to (Zhan et al.;2010), Shortage of capital is a major obstacle for tourism development, and many countries - especially in the developing world - increasingly look to foreign investors to provide capital that will help development of their tourism industries, Therefore, despite the leakage the countries suffer from, attracting FDI becomes best alternative for their capacity building. For instance, Kenya's tourism is the one which benefited

from Foreign Direct Investment. Foreign operators of the United Kingdom, United States, and Germany dominate the tourism industry in Kenya .However, the establishment of large projects in hotels and lodges in the country. This is exhibited by the presence of major international hotel chains, including Hilton, Intercontinental, Serena Hotels, Block Hotels and Holiday International (UNCTAD, 2005; 2008).

2.5.2 Domestic Tourism Investment

Despite the lack of an adequate local capital base for major projects, domestic investment is better alternative for multiplier effect of local economy. Tourism is one of the economic sectors with many options of local investment. According to Jameison (2001), there are opportunities for the involvement of local communities and indigenous entrepreneurs through joint ventures, land for equity exchanges, employment, and training schemes to achieve the necessary entrepreneurial, managerial and operational skills.

Governments should also consult widely with host communities and concerned major groups to ensure that as broad a range of views as possible is incorporated into the planning process of tourism development (Ashe, 2005). Given the importance of small and medium enterprises (SMEs) in the tourism industry, it is crucial to target this source of entrepreneurial potential. For example, policies should be implemented to promote the access of such enterprises to finance and to strengthen the provision of support services. Moreover, investment policies should encourage linkages among small and medium enterprises.

3. Theoretical Arguments for Introducing Tax Incentives

3.1 Early theoretical arguments for introduction of tax incentives

3.1.1 The Capital Arbitrage Theory

The theory identifies a strong causal link between tax incentives and FDI location. The theory established that capital will move from capital-rich countries to capital-scarce countries in search of higher returns and the process will continue until the returns on capital are equalized between jurisdictions. The capital arbitrage theory is used to explain the location of Multinational Corporations (MNCs) in developing countries where capital is scarce. Normally capital-scarce locations have high unemployment rates and thus provide cheap labour which further enhances the profits from locating capital in such regions (Journal of economic theory, 1976).

3.1.2 The Neoclassical Investment Theory

Jorgenson (1963) introduced the neoclassical investment theory which suggests that firms will continue to accumulate capital as long as the costs of doing so are less than the benefits. Since firms experience decreasing returns from additional capital, they will stop when the present value of returns from capital equals the present value of costs. Since the before-tax rate of return on capital is viewed as a cost of capital, lower tax rates reduce the cost of capital and increase the investment in more capital stock (Van Parys & James, 2010). The neoclassical investment theory thus suggests that tax incentives encourage growth of established firms through reinvestments and also lures new investments since it reduces the cost of capital.

3.1.3 The Ownership, Location and Internalization (OLI) Theory

Dunning (1988) developed the OLI theory also termed the 'eclectic paradigm of investment'. The theory explains how firms choose foreign markets to establish their businesses. The study concludes that firms choose locational destinations based on three factors: ownership (O), location (L) and internalization (I). Tavares-Lehmann, Coelho, & Lehmann (2012) classify tax incentives under the locational advantages of a host nation in attraction of FDI. Hence tax incentives increase the host country's attractiveness to investment if they lower tax rates below the investor's home country tax rates or if they lower tax rates below those of other competing destinations.

3.1.4 Intangible Assets Theory

Devereux (2006) in Tavares-Lehmann et al. (2012) conducted a study on the analysis of empirical evidence on the effects of taxation on investment location decisions of MNEs and concludes that taxation plays a role in affecting MNEs' choices; however, taxes were found not to be equally important in all MNEs' locational decisions. Efficiency-seeking FDI was found to be more responsive to tax incentives than resource-seeking FDI.

3.2 Modern Theoretical Arguments for Tax Incentives

Earlier theories on the justification of tax incentives were probed and the conclusions deemed the arguments to be inappropriate (Yelapaala, 1985). However, tax incentives remain a key policy tool used by governments to lure investment and policy makers have based their justifications on factors that are different from the earlier theories. The new arguments will form the modern theoretical arguments

3.2.1 New Economic Geography (NEG) Theory

The NEG theory was built on the neoclassical investment theory which concludes that there is a direct positive relationship between lowered tax rates and increased investment (Van Parys & James, 2010). The model introduces the concept of core-periphery. This concept suggests that business concentration reinforces itself and thus the world is left with a core region that attracts the most FDI. NEG models emphasize the role of business concentration that is self-reinforcing leaving the world with a core region. Devereux, Griffith, & Simpson (2007) support the theory with their findings that lower tax rates are more effective in regions that already have more investment. This model has however, also been used to discourage FDI attraction through lowering tax rates in regions outside the core region. This is because FDI will locate in regions where they find many other firms even if those regions have higher tax rates.

4. Empirical Literatures

Klemm and Van Parys (2009) sought to establish the effectiveness of tax incentives in attracting FDI and whether tax incentives are used in competing for FDI. They used data on tax incentives from 40 Latin American, Caribbean and African countries for the period 1985-2004. They applied panel econometric techniques in their study and concluded that lower tax rates are important in FDI attraction. Their use of spatial panel econometrics aided their second finding that tax holidays as well as lower corporate taxes are used in tax competition for FDI. Biggs (2007) surveyed twenty-one developing countries from across the world. The study concludes that given a well-structured tax policy, tax incentives can be effective in attracting foreign mobile capital. The study probes the fiscal regimes in developing countries and concludes that developing countries use the wrong tax incentives like tax holidays and accelerated depreciation which does not work in their economies. The study also recommends that policy makers focus their incentives on small domestic corporate players which are more responsive to incentives than large multinational corporations which require other non-tax incentives.

Šimović and Žaja (2010) performed a review of tax incentives used in Western Balkan countries, that is, in Slovenia, Croatia, Serbia, Montenegro, Macedonia and Albania. The survey-based study concluded that like other transitional economies, the Western Balkan countries use tax incentives in under developed regions to attract investment and to develop the regions. Kinda (2014) used firm-level data from 30 Sub-Saharan Africa (SSA) countries. The review revealed that infrastructure, human capital, and institutions, are influential in attracting FDI and taxes are not. Taxes were found to be ineffective in attracting both vertical FDI (that is export sector FDI) and horizontal FDI (where foreign firms will be producing for the host market).

Bolnick (2004) in a SADC technical report suggests that evidence from other developing nations including those in the SADC show that tax incentives are not enough to convince foreign investors to choose their locations. The study cites Mauritius, Costa Rica, Ireland and Malaysia as economies that have successfully used non-tax incentives to lure FDI. These countries implemented successful economic reforms, ensured political stability, educated their work-force, built good infrastructure and instituted investment promotions to increase their appeal to investors.

Kransdorff (2010) in a study on the effectiveness of tax incentives on FDI attraction in South Africa concludes that taxation is important in attracting efficiency-seeking FDI. In the study Kransdorff reckons that given the effectiveness of taxation in attracting FDI, the low FDI flows in South Africa are due to a poor tax incentive structure. The study thus recommends that there is need for tax incentive regime reform in South Africa if the economy wishes to attract meaningful FDI.

5. Conceptual Framework

Tourism development involves many issues to take in to account to attract investors in the sector and to make the industry sustainable. Sustainability is perceived as a term embracing all aspects of economic, socio-cultural, political and environmental matters; sustainability should be the cornerstone of the development of the tourism industry.

According to ILO (2012), fiscal incentives can be used with the aim of reaching specific employment objectives, so that the creation of employment is not an indirect consequence of the incentive measure, but a requirement needed in order to qualify for the incentives. Fiscal incentives directly linked to employment generation. Employment-related fiscal incentives are used in some developing countries. In some cases, employment and training of local employees is included among the eligibility requirements to enjoy fiscal investment incentives. For instance, in Botswana and Rwanda to get incentive it should provide employment and training to the citizen. In Nigeria Tax credits 15% for 1,000 or more employees,7% for 200 employees,6% for 100 employees and so on to get fiscal incentive. In other countries, employment-related fiscal incentives are reserved to labor-intensive productive activities by fixing by law a maximum capital-labor ratio for the eligibility to the tax discount. This is the case of Nigeria and the Philippines.

Oshari p. (2011), Incentives have included agreements to purchase electricity from renewable sources, subsidies for the use of greener building materials, tenders giving preference to suppliers with a track record on environmental management and corporate social responsibility. China employs a range of such incentives to ensure continued up-skilling and technology transfer and is imposing increasingly stringent requirements on technology transfer and patent sharing in most of its development zones. India's state of Karnataka employs such incentives to encourage green infrastructure and environmental impact mitigation in the development and maintenance of its industrial parks. Investment incentives should reward sustainable enterprise. If incentives can be linked to environmental protection, rural development, skills building, and initiatives to improve social cohesion, and these incentives are coupled with transparent investment and concession agreements, it will be on the path to a sustainable future.

Also Ethiopian investment proclamation No.1180/2020 Part two No.5 clearly stated the objective of the investment incentive. As of the regulation, the investment objective of the Federal Democratic Republic of Ethiopia is to improve the living standard of the peoples of Ethiopia by realizing a rapid, inclusive and sustainable economic and social development. The particulars of the objective includes to create more and better employment opportunity for Ethiopians and advance the transfer of knowledge, skills and technology required for the development of the country, to augment the role of the private sector in the country’s economic development, to encourage socially and environmentally responsible investments and so on.

Thus, this study aimed to assess the role of investment incentives for tourism development. So, the conceptual model used in this study shown the role of investment incentives for the tourism development from different perspective.

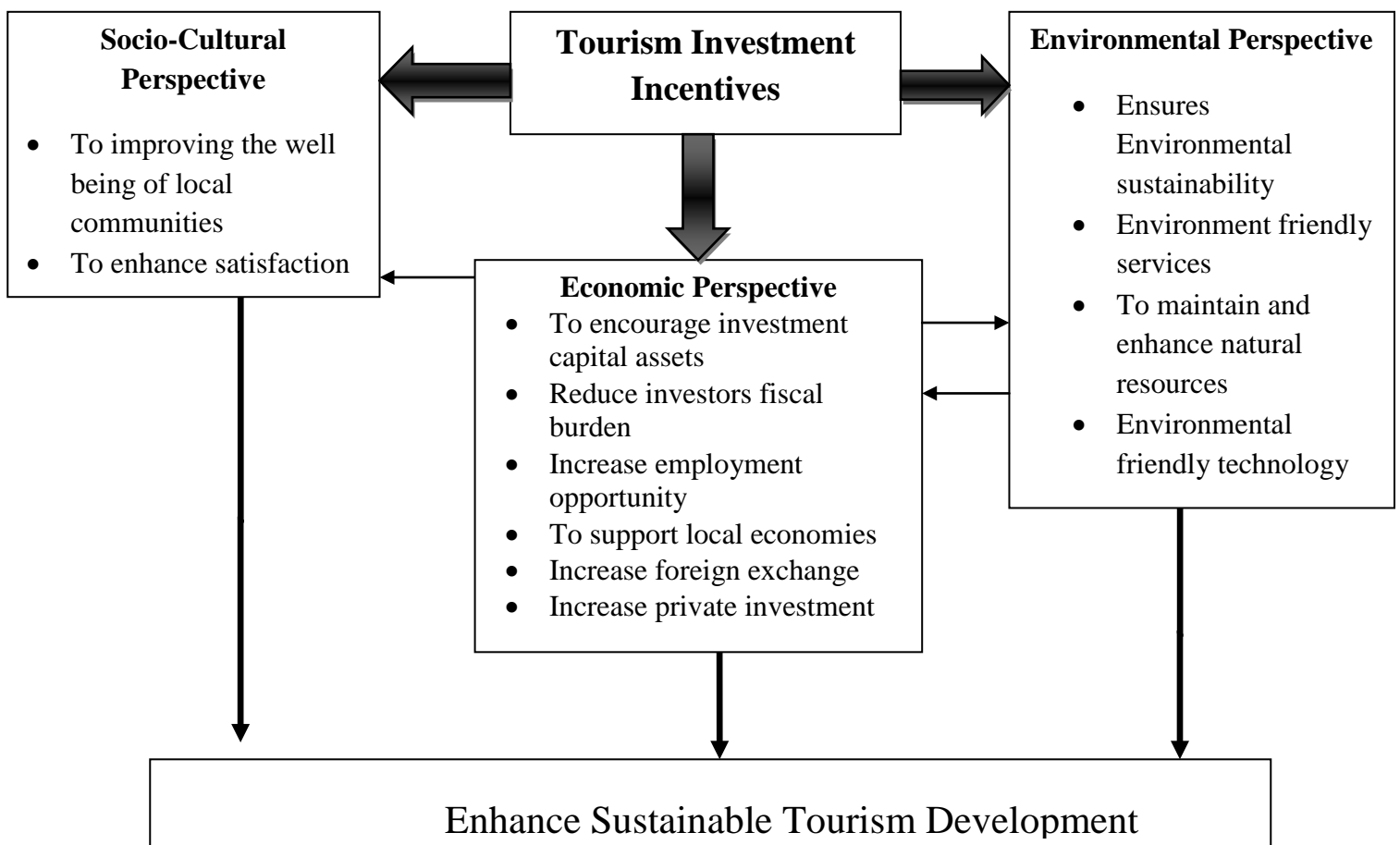


Figure 1: Conceptual Framework (Own)

CHAPTER THREE

3-Description of the Study Area and the Research Methods

3.1 Study Area

Addis Ababa was founded in 1887. The city has an area of 527km² and geographically it lies 9°2' N and 38°45' E. The city has 11 sub-cities and 117 administrative units, commonly known as woreda's and with a population of more than 4 million (UN, World Bank, 2017).

Addis Ababa possesses various tourist attractions features that include natural, cultural, historical, architectural, aesthetic, economic, spiritual, and symbolic values. The cultural resources includes; historical buildings, monuments, educational institutions, squares in the city; museums (including National Museum of Ethiopia, The Institute of Ethiopian Studies (IES) Museum, Entoto Saint Mary Church Museum, Addis Ababa Museum, Holy Trinity Cathedral Museum, Entoto St. Mariam Church Museum, Entoto St. Raguel Church Museum), festivals, historical places, galleries, caves and open markets. (AACTB, 2016). The natural resources include parks, endemic plant species, hot springs and its mosaic landscape.

Addis Ababa is also a hub to the largest diplomatic mission in the world, next to New York and Brussels. The city is ranked 4th and 73rd in Africa and globally respectively in the MICE industry (Meeting, Incentive, Convention and Exhibition), (ICCA, 2017). This shows the city has the potential to become a successful MICE destination. Generally, the city's tangible and intangible heritages and natural and cultural resources prove the city's potential to attract international and domestic tourists from different origins.

Target Population

The purpose of this study was to assess the role of investment incentive for tourism development in the study area. Therefore, the researcher selected the respondents/target group directly or indirectly benefited from the system and those who formulate and implement the policy in the study area. So, data were collected from the following subjects:-Ministry of Culture and Tourism, Ethiopian Investment Commission, Addis Ababa Culture, Arts and Tourism Bureau, Addis Ababa Revenues and Custom Authority, Star rated Hotels Owners and Tour Operators.

3.2 Study Approach

A study employed descriptive correlational research design. Both qualitative and quantitative data collection approaches were employed to generate data. The reason for using this approach is to compare the results from two different perspectives as relying on quantitative methods alone can hide important facts obtained from qualitative methods.

3.3 Source of Data

For this study both primary and secondary data source were employed from various sources. The primary data were obtained from Ethiopian Investment Commission, Ministry of Culture and Tourism, Addis Ababa Culture, Arts and Tourism Bureau, Addis Ababa Revenues and Custom Authority, Star rated Hotel Owners and Tour Operators. Secondary data related to government policies, regulations, standards and guidelines to investment incentives, reports, different Articles, thesis and dissertations was used to explain the general issue related to the role of investment incentives to ensure the accuracy and relevance of the data.

3.4 Sample size and method of sampling

The study employed Kothari (2014) formula to draw a representative sample size from the target population. The sample size refers to the number of items to be selected from the universe to constitute a sample. The researcher selected respondents from hotel owners and tour operator association by using simple random sampling. To determine the sample size the following statistical formula were employed:-

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

Where: n=number of sample size

N=number of total targeted population

e= Margin error at 5 % (0.05) and at 95% confidence level

The target populations of the study were 674 star rated hotel owners and tour operators in Addis Ababa.

According to the sample formula, the representative sample size for this study was 251 selected individuals from star rated hotel owners/employees and tour operator's. Questionnaires were distributed randomly for these respondents.

On the other hand, from the non probability sampling the researcher was employed purposive sampling to select respondents for interview (Table1).

Table 1: Distribution of the participants for key informants' interview

| No. | Participants | Number of interviewees | Sampling Technique |
|-----|--|------------------------|--------------------|
| 1 | Ministry of culture and tourism | 2 | Purposively |
| 2 | Ethiopian investment commission | 1 | Purposively |
| 3 | Addis Ababa culture, Arts and Tourism Bureau | 1 | Purposively |
| 4 | Addis Ababa Revenues and Custom Authority | 1 | Purposively |
| | Total | 5 | |

3.5 Methods of Data Collection

Questionnaire surveys, semi-structured interview and document review were used to generate primary data.

Questionnaires Survey

The quantitative data were collected using survey questionnaires. A questionnaire composed of closed and open ended questions were prepared and then distributed to 251 selected respondents from star rated hotel owners/employees and tour operators.

Key informant interview

Key informant interview was conducted with 5(five) government officials and experts to get detail and meaningful information on the issue being studied.

3.6 Pilot Test

A pilot study was conducted before the actual data collection. The questionnaires were checked to determine whether the questionnaires were able to collect the required data as expected by the researcher. The test was conducted mainly to assess whether the questionnaire was easy to understand as well as whether the questionnaires contained any ambiguous and confusing questions. For this 28 respondents were selected from hotel owners and tour operator association. The reliability test of the questionnaire to tourism investment incentive and tourism development was 0.773(Cronbach Alpha).

3.7 Method of Data Analysis

The researcher were employed both quantitative and qualitative data analysis methods for analysis and interpretation. After the data collected the analysis session was started and the data were filled in the SPSS, version 20. Frequencies and percentages were used in analyzing the selected demographic data and respondents' responses to tourism investment incentive and tourism development. In addition qualitative data were collected through interview and document review was used to substantiate quantitative data. Pearson's coefficient of correlation (r) used to show the association of tourism investment incentive and tourism development.

RELIABILITY

The study used Cronbach's alpha coefficient in order to test the internal consistency of variables in the research scale. The closer Cronbach's alpha is to 1, the higher the internal consistency reliability (Sekaran, 2003). Overall, the internal reliability coefficients for the entire constructs are very strong as all alpha coefficients are 0.84. In conclusion; the relationships among the items are reliable.

3.8 Ethical Consideration

The researcher received permission from hotel owners and Ethiopian tour operators and travel agent association before beginning data collection. The research objective was clarified to the respondents who were not compelled to give their response, encouraged to participate in the study voluntarily. The explanation of objective for clarity purpose on the direction of the study was done in this research before undertaking. For respondents confidentiality of their response

has been assured by safeguarding responses and by telling them the information mainly used for academic purposes only. The researcher's objectives were articulated verbally and, written permission to proceed with the study as articulated received from the informant, and the informant rights and interests were considered. The researcher was attempted to ignore the personal accounts of the participants to collect information devoid of intervening factors that may be hampered the reliability of the findings. The researcher was acknowledged and cited the references for the sake of avoiding plagiarism.

CHAPTER FOUR

Data Analysis, Presentation and Discussion

4.1 Characteristics of the Respondents

Table 2 presents the characteristics of the respondents that include sex, position (status), type of investment, field of business, form of business and nationality. Accordingly, 70.3% of the respondents were male and the remaining 29.7% were female. The majority of the respondents were employee and owner of the company. All of the respondents were domestic investors. On the other hand 71.8% of the respondents were tour operators and travel agents and the remaining 28.2% were star rated hotels. From the total 72.6% of the respondents were sole proprietorship and the remaining 27.4% respondents were PLC.

Table 2: Characteristics of the respondents

| Variables | Categories | Frequency | Percent |
|-------------------|----------------------------------|-----------|---------|
| Sex | Male | 178 | 70.9 |
| | Female | 73 | 29.1 |
| Position | Employee | 134 | 53.3 |
| | Owner | 110 | 43.8 |
| | Other | 7 | 2.9 |
| Investment Type | Domestic Investment | 251 | 100 |
| | Foreign Investment | - | |
| Field of Business | Star Rated Hotels | 65 | 25.9 |
| | Tour Operators and Travel agents | 186 | 74.1 |
| Form of Business | Sole proprietorship | 180 | 72.6 |
| | PLC | 71 | 27.4 |
| Nationality | Ethiopian | 251 | 100 |

Source: Own survey (2021)

4.2 Types and Mechanisms of Tourism Investment Incentive.

Ethiopia introduced tourism investment incentive system in 2002, with the proclamation no.280/2002 in which tax incentives granted for customs import duties. A follow-up of this proclamation, Ethiopian investment proclamation no. 1180/2020 and investment incentive regulation no.474/2020 to the tourism sector made exemption of capital goods and construction materials and motor vehicles for custom duties. On top of this, incentives are given only for star designated hotels and resort, motel, lodges and restaurants and tour operation services and don't grant other service providers.

According to the regulation, part two; section one; article 5 to 7 has described, any investor who invests in Manufacturing(Food industry, Beverage industry, Textile and textile products industry, Leather and Leather Products Industry, Wood Products Industry, Paper and Paper Products Industry, Chemical and Chemical Products Industry, Basic Pharmaceutical products and Pharmaceutical Preparations Industry, Rubber and Plastics Products Industry, Other Non-Metallic Mineral Products Industry, Basic Metals Industry(Excluding mining of the mineral).Fabricated Metal Products Industry(Excluding Machinery and Equipment),Computer, Electronic and Optical Products Industry, Electrical Products Industry, Machinery/Equipment Industry, Vehicles, Trailers and Semi-Trailers Industry),Agriculture(Crop Production, Animal Production)to establish a new enterprise shall be entitled to income tax exemption from 1 year to 9 years depending on the sector and area of investment..

Any investor who exports or supplies to an exporter as production or service input, at least 60% of his products or services shall be entitled to income tax exemption for two years in addition to the exemption provided before.

As of the regulation, section two article 13 and 14 has described, any investor engaged in Hotel and Tourism, Construction Contracting, Education and Training ,Health services, Architectural and Engineering works, Technical Testing and Analysis, Capital Goods Leasing, Excluding Leasing of Motor Vehicles, Import Trade and one of the areas of investment specified above except Real Estate Development, Publishing, Export Trade and whole Sale Trade may import duty-free capital goods and construction materials necessary for the establishment of a new enterprise or the expansion or upgrading of an existing enterprise.

The total or partial exemptions of motor vehicles from customs duties shall be determined by directive to be issued by the Board based on the types and nature of investment projects.

Table 3 presents respondents perception about types and mechanisms of incentive. Most respondents (n=213; 85%) believed that the investment incentives are highly relevant and encourage investment although some respondents (n=78; 31.1%) highlighted the inadequacy of incentives. High number of respondents (n=205; 82%) strongly agreed that investment incentive is important for tourism development. Some respondents (n=103, 41%) disagree for the presence of conducive environment to engage in tourism. Other respondents (n=120, 47.8%) and (n=111, 44.2%) agreed that difficulty to get investment incentive easily and the process is time consuming respectively.

Overall, in Ethiopia the kind of incentive offered for tourism investors seems inadequate, the sector is only eligible for custom duty, small tourism firms are not treated in the incentive package and the process to get the incentive is time consuming and bureaucratic.

The investment incentive helps the investor to engage in the tourism and hospitality sector and can support tourism development. The neoclassical investment theory suggests that tax incentive encourage growth of established firms through reinvestment and also lures new investment since it reduces the cost of capital. This model originally presented by Jorgenson (1963), Jorgenson's findings are that sustained tax cuts raise the amount of equipment available to firms, thereby improving their investment capabilities.

Investment incentive can improve tourism development and can mitigate the negative impacts of investment and maximize opportunity in economic, social and environment. According to Meron (2016) study, tax incentive is an important variable that influences the decision of new investment. According to Samuel (2015) fiscal incentive shows a positive sign and indicates a significant relationship with investment.

Most of the empirical studies concluded that though tax incentives might be important in attracting investment but more effective when combined with other non-tax factors. According to Zurika (2017), macroeconomic conditions, infrastructure and strong institutions were found to be important non-tax factors that improve the attractiveness of an economy to investment.

According to Bolnick (2004) technical report from developing nations including those in the SADC, tax incentives are not enough to convince investors to choose their locations. The study cites Mauritius, Costa Rica, Ireland and Malaysia as economies that have successfully used non-tax incentives to lure investment. These countries implemented successful economic reforms, ensured political stability, educated their work-force, built good infrastructure and instituted investment promotions to increase their appeal to investors.

Zimbabwe provides investment incentives with six objectives in mind: employment creation; small business development; industrial development; export promotion; spatial development; and “upliftment” of the disadvantaged. Tax holidays apply to other activities as well. Tourism operators in approved tourist development zones benefit from a 5 year tax holiday, followed by a 15 percent tax rate (Tourism and Development, 2007).

Similarly, the aim of Tanzania’s tax incentive programs is to attract productive investment, create employment and enhance exports. The investment regime distinguishes two main categories of beneficiaries: lead sectors and priority sectors. Lead sectors include agriculture, minerals, economic infrastructure, tourism, and petroleum and gas, while priority sectors are manufacturing, natural resources such as fisheries and forestry, aviation, commercial building, financial services, transport, broadcasting, human resource development, and exports. Incentives apply equally to qualifying domestic and foreign investors. Lead sectors qualify for a 50 percent capital allowance; with accelerated write-off of the remainder, and a reduced 10 percent withholding tax on dividends. They also get zero import duty and a VAT deferment or exemption on imported capital goods. Similar benefits apply to companies in the priority sectors.

In addition, James (2009) who argues that countries typically pursue growth-related reforms by using a combination of approaches, including macroeconomic policies, investment climate improvements, and policy change including investment incentives and if such reforms have led to growth, it is difficult to attribute it solely to tax incentives.

Therefore, it should diversify the incentive types in addition to fiscal incentive, financial incentive and other regulatory incentive should be incorporate in the investment incentive proclamation and regulation, because the industry has an infant stage and also should make the incentive process more transparent.

Table 3: Respondents perception of the types and mechanisms of investment incentive

| No. | Statement | Strongly Disagree (%) | Disagree (%) | Neutral (%) | Agree (%) | Strongly Agree (%) |
|-----|---|-----------------------|--------------|-------------|-----------|--------------------|
| 1 | Investment incentive is important | 13(5.0) | - | - | 25(10) | 213(85) |
| 2 | The kind of incentive offered for investors i.e custom duty is adequate | 39(15.5) | 78(31.1) | 64(25.5) | 54(21.5) | 16(6.4) |
| 3 | Investment incentive is important for tourism development | 15(6) | - | - | 31(12) | 205(82) |
| 4 | The investment incentive helps you to engage in the tourism sector | 40(16) | - | 38(15) | 76(30) | 97(39) |
| 5 | There is conducive environment to engage in tourism investment | 14(5.5) | 103(41) | 56(22.4) | 70(27.9) | 8(3.2) |
| 6 | It is easy to get investment incentive | 53(21.1) | 120(47.8) | 32(12.8) | 46(18.3) | - |
| 7 | The investment incentive shall continue | 24(9.7) | - | 8(3.2) | 38(15) | 181(72.1) |
| 8 | The investment incentive allowed for investors is adequate | 48(19.1) | 86(34.3) | 47(18.7) | 46(18.3) | 24(9.6) |
| 9 | To get investment incentive the process is not time consuming | 111(44.2) | 80(31.9) | 8(3.2) | 30(11.9) | 22(8.8) |

Source: Own Survey (2021)

4.3 Contribution of Investment Incentive for Tourism Development

Table 4 presents respondents perception about the contribution of investment incentive for Tourism Development. Accordingly, some respondents (n=103;, 41.1%) agreed that investment incentive can improve tourism development. Some respondents (n=125;, 49.8%) believed that the incentive has important contribution to motivate investors to engage in tourism sector. Out of the total respondents (n=84;, 33.5%) agreed that the incentive reduces financial burden of the investor. Some respondents (n=191;, 76.1%) strongly agreed that incentive helps for job creation and others (n=167,66.5%) of the respondents strongly agreed that incentive helps for engagement in tourism sector.

Table 4: Respondents opinion about the Contribution of Investment Incentive for Tourism Development

| No. | Statement | Strongly Disagree (%) | Disagree (%) | Neutral (%) | Agree (%) | Strongly Agree (%) |
|-----|---|-----------------------|--------------|-------------|-----------|--------------------|
| 1 | Investment incentive helps for tourism Development | 20(7.9) | 24(9.6) | 20(7.9) | 103(41.1) | 84(33.5) |
| 2 | Investment incentive has contribution to engage in tourism business | 15(6) | - | 32(12.7) | 79(31.5) | 125(49.8) |
| 3 | Investment incentive reduces financial burden of the investor | - | 16(6.4) | 71(28.3) | 84(33.5) | 80(31.8) |
| 4 | Investment incentive helps to participate in community work | 16(6.4) | - | 72(28.7) | 75(29.9) | 88(35) |
| 5 | Investment incentive helps for job creation | 14(5.6) | - | - | 46(18.3) | 191(76.1) |
| 6 | Investment incentive helps to engage in the tourism sector | - | - | - | 84(33.5) | 167(66.5) |

Source: Own survey (2021)

A case study from Malawi’s Tourism Sector demonstrated; the impacts of “competitive” investment incentives, available to investors in the tourism sector, felt at two levels: the macro or national level and the micro or sub-national level (Nelson and Sheila, 2009). At the former level, tourism is expected to foster sustainable economic growth through foreign exchange earnings and an increase in state revenue (VAT, tax on profits and other taxes). For instance, arrivals of visitors doubled between 1990 and 2000, and tripled six years later. It can be estimated that revenues (derived from the expenditure of visitors) increased by nearly 30 per cent in the same period, as reflected in the level of economic activity. At micro level, the impact was observable through an improvement in people’s wellbeing in the areas of job creation, revenue or income distribution, and regional development.

Similarly, since the formulation of tourism policy, there has been a major change in the tourism sector in Kenya. Generating 8.8% of the country’s GDP, worth USD 7.9 billion in 2018. This

represents a growth of 5.6%, which was greater than the global average of 3.9% and the Sub-Saharan Africa average of 3.3%. Moreover, the sector accounts for over 10% of total employment (Ministry of Tourism and Wildlife of Kenya, 2020)

Similar, results have showed the contribution of investment incentive for the tourism development in the present study area.

“...Various activities were performed to develop the tourism investment and tourism services in quantity and quality. To enhance the sector different investment incentives approaches were employed” (MoCT, 2013-2022)

“The tourism investment incentive has contribution to the tourism service development. This contribution is figure-out by increasing the flow of tourists and income from, job creation, increasing of number of star rated hotels, tour operators...”.

In general, the contribution of the incentive is not deniable. This is exhibited by increase tourism investment levels in hotels and tour operation services since the investment incentive policy was issued. According to the Ministry of Culture and tourism report (2012) there were standardized 353 hotels, 70 lodges, 300 restaurants and 600 tour guides. These sectors contributed to the increasing flow of tourists to the country.

Similar results have showed the contribution of investment incentive for the tourism development in the present study area..According to WTTC (2018) in the country direct job is created for 1.5million (8.3% shares with other sectors) individuals in the tourism sector and contributes 6.1% for the country’s GDP. The flow of international tourists were reached 910,128(2010) and \$3.1 billion income were earned (2011).According to Culture, Arts and Tourism Bureau Gross Transformation Report(2008-2012),indicates for 35,590 individuals direct job created in tourism, the flow of domestic tourists reached 33,801,233 and foreign tourists and income from the reached 3,350,324 and 158.9 billion birr respectively

Furthermore, the interviewee replied that the contribution of incentive for tourism development explained in different ways that is by job creation, increasing .So, the incentive has significant contribution for the tourism and hospitality industry.

4.4 Investment Policy and Tourism Development

Table 5 highlights respondent's opinion about the contribution of investment policy visa-vise on tourism development. Some respondents (n=95, 37.9%) disagree the betterment of incentive proclamation when it compares to other African countries. Some respondents (n=87, 34.7%) agreed tourism development has improved as compared to before the incentive is employed.

The presence of the tourism investment proclamation is an indicator for the attention given by the government. But when it compares to other African countries it lacks some opportunities for the investor. For instance, South Africa, Egypt, Morocco, Tunisia and Nigeria are notably countries in Africa that offer cash grants in addition to tax incentives (Africa Incentive Survey, 2017).

Therefore, there are options besides the fiscal incentive providing regulatory incentive, deliver subsidize services (which is subsidized dedicated infrastructure that are electricity, water, telecommunication, transportation/ designated infrastructure at less than commercial price) and financial incentive.

For instance Custom duty is applicable to both domestic and foreign investors engaged in eligible new enterprises or expansion projects in manufacturing, agriculture, agro-industries, generation, transmission and supply of electrical energy, Information and Communication Technology Development (ICT), tourism, construction contracting, education and training, star designated hotel, specialized restaurant, architectural and engineering consultancy works, technical testing and analysis, capital goods leasing and importation of LPG and bitumen. But additional income tax exemption incentives are allowed for investors engaged in manufacturing, agri-business, generation; transmission and supply of electrical energy; and ICT for a period ranging between 1 and 9 years, not in the tourism sector. So, it is highly required to treat the tourism sector like other export oriented sector by giving loan with low interest, by subsidies and applying other regulatory incentive because tourism is service export oriented sector.

Table 5: Number of Star rated hotels and tour operators in Addis Ababa

| Region | Number of star rated hotels | | Number of tour operators | |
|-------------|-----------------------------|-------|--------------------------|-------|
| | Before | After | Before | After |
| Addis Ababa | 30 | 142 | 59 | 474 |

Addis Ababa Culture & Tourism Bureau (Statistical Report, 2003)

From the table the researcher concluded that the number of star rated hotels more than tripled since the formulation of tourism investment proclamation. Similarly the number of tour operators has shown progress. Generally, investment and financing is an essential part of sustainable tourism.

Table 6: Respondents perception of the contribution of investment proclamation for

Tourism development

| No. | Statement | Strongly Disagree (%) | Disagree (%) | Neutral (%) | Agree (%) | Strongly Agree (%) |
|-----|---|-----------------------|--------------|-------------|-----------|--------------------|
| 1 | The investment policy is briefed for tourism investors | 24(9.6) | 32(12.7) | 117(46.6) | 62(24.7) | 16(6.4) |
| 2 | The government give special attention for the tourism sector | 8(3.2) | 61(24.3) | 48(19.2) | 104(41.4) | 30(11.9) |
| 3 | The investment incentive proclamation is better when it compares the neighboring countries | 46(18.3) | 95(37.9) | 62(24.7) | 48(19.1) | - |
| 4 | The tourism investment incentive proclamation has contribution for tourism sector. | 14(5.6) | 8(3.2) | 100(39.8) | 73(29.1) | 56(22.3) |
| 5 | Currently, the tourism development is better stage when it compares to before the investment incentive proclamation is issued | - | 10(3.9) | 95(37.9) | 87(34.7) | 59(23.5) |

Source: Own survey (2021)

4.5 The Relationship between Tourism Investment Incentive and Tourism Development

According to Cohen (1988), suggested that if the significance level is in between $r=0.5$ to 1.0 large correlation between the two variables. Therefore, the table result showed that there is a strong relationship between tourism investment incentive and tourism development at a correlation coefficients of ($r=0.6$, $p=0.0$). So, this implies that the tourism investment incentive package is an engine for tourism service development ending with improving the well being of local community, to support local economies and sustainable environment.

Table 6: The correlation coefficient b/n respondent's response of tourism investment incentive and tourism development.

| Variables | | Tourism Investment Incentive | Tourism Development |
|------------------------------|---------------------|------------------------------|---------------------|
| Tourism Investment Incentive | Pearson correlation | 1 | 0.6 ^{**} |
| | Sig. (2-tailed) | | 0.0 |
| | N | 259 | 259 |
| Tourism Development | Pearson correlation | 0.6 ^{**} | 1 |
| | Sig. (2-tailed) | 0.0 | |
| | N | 259 | 259 |

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

Source: Own survey (2021)

CHAPTER FIVE

Conclusions and Recommendations

5.1 Conclusion

The main objective of the study was to examine the role of tourism investment incentive for tourism development with a particular emphasis of star designated hotels and tour operators and travel agents in Addis Ababa and Oromia. To assess the types and mechanisms of the incentives given to tourism investors, to examine the contribution of investment incentives for tourism development and to examine the trend of tourism development before and after the implementation of investment incentive policy was the specific objectives of the study. In this study a total of 259 stars rated hotels and tour operators and travel agents have participated through questionnaires and 7 key informant interviews participated. The study found that tourism investment incentive has significant contribution for the tourism and hospitality industry.

The study identified investment incentive has significant contribution for tourism development. This is exhibited by increased number of employee in the tourism and hospitality sector, tourist service delivery institutions increased and also individuals who are engaged in tour operation services become increasing.

Since the tourism investment incentive is operated the trend of tourism service sectors have shown progressive development while it compared to before the implementation of the tourism investment incentive package. This is described by increase private investment and reduction of investor's fiscal burden, increasing of employment opportunity and support local economy with improving of the well being of local community. Accordingly, but not yet employed financing tourism firms with environmental criteria.

The study also identified incentive is one factor for the increasing number of tourist flow and income earnings from due to increasing of tourist service by both in number and quality. The contribution of the sector to the country's GDP becomes also significant too.

Despite the willingness and interest of the investors, the findings of the study showed that the incentive has a driving factor that the investors to invest in tourism and hospitality sector.

However, the incentive has positive contribution to the sector, the study found that the kind of incentive offered for investors are not adequate. For instance, other investment areas have exemption of income tax incentive (manufacturing, agriculture etc) but the tourism sector doesn't have. When it compares the investment incentive to other African countries the country offers few, for instance in Morocco zero corporate tax rates offered and other African Countries offer cash grants and tax holiday in addition to fiscal incentive.

Also, the process is long and complex and the conduct of government agencies involved in administering investment incentive is not what investors expect i.e more bureaucratic.

The study also found that tourism investment incentive provides to all investors, there is no difference of tourism investment incentive provision from region to region and domestic to foreign investors. All tourism investors have privileged the same incentive packages.

5.2 Recommendations

Based on the findings of the study and conclusions, the researcher came up with some important recommendations that are important to the tourism and hospitality industry regarding with tourism investment incentive. Therefore, the following recommendations are suggested:

- Diversify the incentive types in addition to fiscal incentive, financial incentive and other regulatory incentive should incorporate in the investment incentive proclamation and regulation, because the industry has an infant stage.
- When tourism investment incentives are offered we should be more selective. It may be necessary to refuse to incentive aid to a potential investor and focusing on small tourism firms.
- Incentivise climate resilient investments and encourage more responsible business practices in tourism to ensure sustainable tourism.
- Investment incentive on offer should be widely and energetically advertised and the service should be customer oriented.
- The institution those to offer investment incentive should assess the effectiveness of the service from their institutional perspective and should review the operation of the incentive legislation on a regular basis.
- The government should study the type of investment incentive offered by other competing countries. Because, it is useful to remember that incentives are offered to international investors too who have a wide choice of potential locations for their funds.
- Incorporate those components excluded from the tourism investment incentive, subsidizing by infrastructure development, offer income tax exemption for the limited period, offer cash grants and provide loan with small or zero interest.
- The government needs to devote more time and attention to the evaluation of incentives, both ex ante and ex post, including the calculation of tax expenditures. This will help improve the chances that any future incentive will be both effective and efficient.

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Addis Ababa University

College of Development Studies

Program of Tourism Development and Management

Annex:1

The objective of the study

The purpose of this questioner survey is to study The Role of Investment Incentive for Tourism Development in Ethiopia. The information you provide will be used as part of a Master Thesis research. Dear respondents you are kindly requested to provide genuine information you know already, since the successful completion of this study is dependent on your co-operation for provision of information. The information you provide will be used for only academic purpose and highly confidential. I kindly request you to take some time to fill the survey questionnaire. Thank you in advance for your co-operation.

E-mail: - samsson755@gmail.com

General Personal Information

1. Sex: Male Female
2. Position: Owner Employee Other _____
3. Type of Investment: Domestic Foreign
4. Field of Business: Hotel Tour Operation and Travel Agent
5. Form of Business: Sole Proprietorship PLC
6. Region: _____
7. Nationality: _____

Part One: The survey questionnaires of this part is to assess types of tourism incentive,

Contribution of investment incentive for tourism development and policy issue.

1. In this part you will fill the table below based on the following guideline :using a scale from 1-5 which represented the following:1=Strongly Disagree,2= Disagree,3= Not Applicable,4= Agree, 5= Strongly Agree

| |
|----------------------|
| 1= Strongly Disagree |
| 2= Disagree |
| 3= NA |
| 4= Agree |
| 5= Strongly Agree |

Please choose your suitable answer and put (✓) the spaces parallel to numbers provided for each statement in the table below. For example if you strongly agree put (✓) on number 5.

| No. | 1) Types and Mechanisms of Investment Incentive | Level of responses | | | | |
|-----|--|--------------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | Investment incentive is important | | | | | |
| 2 | The kind of incentive offered for investors i.e. custom duty is adequate | | | | | |
| 3 | Investment incentive is important for tourism development | | | | | |
| 4 | The investment incentive helps you to engage in the tourism sector | | | | | |
| 5 | There is conducive environment to engage in tourism investment | | | | | |
| 6 | It is easy to get investment incentive | | | | | |
| 7 | The investment incentive shall continue | | | | | |
| 8 | The investment incentive allowed for investors is adequate | | | | | |
| 9 | To get investment incentive the process is not time consuming | | | | | |

| No. | 2) Contribution of Investment Incentive for Tourism Development | Level of responses | | | | |
|-----|---|--------------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | Investment incentive helps for tourism development | | | | | |
| 2 | Investment incentive has contribution to engage in tourism business | | | | | |
| 3 | Investment Incentive reduces financial burden of the investor | | | | | |
| 4 | Investment Incentive helps to participate in community work | | | | | |
| 5 | Investment incentive helps for job creation | | | | | |
| 6 | Investment helps to engage in the tourism sector | | | | | |

| No. | 3) The contribution of investment proclamation for tourism development | Level of responses | | | | |
|-----|---|--------------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | The investment policy is briefed for tourism investors | | | | | |
| 2 | The government give special attention for the tourism sector | | | | | |
| 3 | The investment incentive proclamation is better when it compares the neighboring countries | | | | | |
| 4 | The tourism investment incentive proclamation has contribution for tourism sector | | | | | |
| 5 | Currently, the tourism development is better stage when it compares to before the investment incentive proclamation is issued | | | | | |

Part Two: In this part of the survey questionnaires issues related with service delivery is treated well.

You will give the reason for your answer based on the nature of the question.

1. Do you get investment incentive either in money/kind while to begin investment in tourism?

A) Yes

B) No

If your answer is "Yes" for question no.1 list the type of investment incentive you deserved/get_

_____ ::

2. Do you think the investment incentive you get/offered is enough in kind and amount?

A) Yes

B) No

If your answer for question no.2 is "No" what would you suggest about the incentive system__

_____ ::

3. If you think that things in the incentive system should not be included but you think that there is things should be included in the tourism investment incentive. Please list out _____

4. Do you think the investment incentive has contribution you to invest in tourism?

A) Yes

B) No

5. What are the driving factors to invest in tourism other than the investment incentive?_____

6. To invest in tourism the service delivery is satisfying?

A) Yes

B) No

If your answer is 'No' what is your source of dissatisfaction_____

7. Do you think is there tourism development in the region after the issuing of tourism investment policy?

A) Yes

B) No

If your answer for question no.7 is 'Yes' would you list out the tourism development progress:_____

8. Generally how to explain the contribution of tourism investment incentive proclamation for the tourism development in the region_____

9. What is your opinion or suggestion on the tourism investment incentive?_____



አዲስ አበባ ዩኒቨርሲቲ

የሀገር ልማት ጥናት ኮሌጅ

የቱሪዝም ልማትና አስተዳደር የትምህርት ክፍል

የጥናቱ ዓላማ

የዚህ መጠይቅ ዋና ዓላማ የቱሪዝም ኢንቨስትመንት ማበረታቻ እንደ ሀገር ለቱሪዝም ዕድገት ያለውን ሚና ማጥናት ነው። እርሶ የሚሰጡት መረጃ በአዲስ አበባ ዩኒቨርሲቲ የሀገር ልማት ጥናት ኮሌጅ በቱሪዝም ልማትና አስተዳደር የትምህርት ክፍል የሁለተኛ ዲግሪ ማሟያ “የቱሪዝም ኢንቨስትመንት ማበረታቻ ለቱሪዝም ዕድገት ያለው ሚና” በሚል ርዕስ ጥናት ለማካሄድ ያገለግላል። ውድ የጥናቱ ተሳታፊዎች ለዚህ ጥናት መሳካት የእናንተ ምላሽ በጣም ጠቃሚ በመሆኑ ለጥያቄዎቹ መልስ በጥንቃቄ እና በቅንነት እንድትሰጡ በክብር እጠይቃለሁ። የምትሰጡት ምላሽ/መረጃ ለጥናትና ምርምር/አካዳሚክ አገልግሎት ብቻ የሚውል ሆኖ ሚስጥራዊነቱ የተጠበቀ ነው። ለዚህ ጥናት ስኬትም ትክክለኛ ምላሾዎን በመስጠት ይተባበሩ። መጠይቁን ለመሙላት ፈቃደኛ ስለሆኑ በቅድሚያ ክልብ አመሰግናለሁ።

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አጠቃላይ ግለሰባዊ መረጃ

- 1. ጾታ: ወንድ ሴት
- 2. ኃላፊነት: ባለቤት ሰራተኛ ሌላ _____
- 3. የኢንቨስትመንት አይነት: ሀገር በቀል የውጭ
- 4. የተሰማሩበት የስራ ዘርፍ: ሆቴል አስጎብኚና የጉዞ ወኪል
- 5. የስራ ዘርፉ ሁኔታ: የግል ኃ/የተ/የግል ማህበር

6.ክልል: _____

7.ዜግነት: _____

ክፍል አንድ:-በዚህ የመጠይቁ ክፍል የቱሪዝም ኢንቨስትመንት ማበረታቻ አይነቶች፣ የቱሪዝም

ማበረታቻ ለቱሪዝም ዕድገትና የፖሊሲ ጉዳዮችን ይዳስሳል

1. ከታች በሰንጠረዥ ውስጥ የተገለፁት ዓረፍተ ነገሮች የቱሪዝም ኢንቨስትመንት ማበረታቻ ለቱሪዝም ዕድገት ያለውን ሚና የሚያስረዱ ናቸው። ዓረፍተ ነገሮቹ የሚመዘኑባቸው አምስት መመዘኛ ነጥቦች እንደሚከተለው በቁጥር ተመልክተዋል።

| |
|---------------|
| 1= በጣም አልስማማም |
| 2= አልስማማም |
| 3= ሃሳብ የለኝም |
| 4= እስማማለሁ |
| 5= በጣም እስማማለሁ |

እባክዎ በሰንጠረዥ ለቀረበው ሃሳብ የሚስማማዎትን ቁጥር በመምረጥ ይህንን ምልክት (✓) ያድርጉ። ለምሳሌ:- በጣም እስማማለሁ ከሆነ ቁጥር 5 ላይ ይህንን ምልክት (✓) ያድርጉ።

| ተ.ቁ | 1) የቱሪዝም ኢንቨስትመንት ማበረታቻ አይነቶችን በተመለከተ | መመዘኛ ክብደት | | | | |
|-----|---|-----------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | የቱሪዝም ኢንቨስትመንት ማበረታቻ አስፈላጊ ነው። | | | | | |
| 2 | በማበረታቻው የተካተቱት የቱሪዝም ማበረታቻ አይነቶች ማለትም ከቀረጥ ነፃ በቂ ነው | | | | | |
| 3 | ማበረታቻው ለቱሪዝም እድገት ጠቃሚ ነው። | | | | | |

| | | | | | | | |
|---|--|--|--|--|--|--|--|
| 4 | የተደረገሎት ማበረታቻ በዘርፉ እንዲሰማሩ ጠቅሞታል። | | | | | | |
| 5 | ቡቱሪዝም ኢንቨስትመንት ለመሳተፍ ምቹ ሁኔታ አለ። | | | | | | |
| 6 | የቱሪዝም ማበረታቻ በቀላሉ ማግኘት ይቻላል። | | | | | | |
| 7 | ማበረታቻው መቀጠል አለበት | | | | | | |
| 8 | ለአልሚዎች የተፈቀደው ማበረታቻ በቂ ነው | | | | | | |
| 9 | የኢንቨስትመንት ማበረታቻ ለማግኘት ሂደቱ ግልፅና ቀልጣፋ ነው | | | | | | |

| ተ.ቁ | 2) የቱሪዝም ኢንቨስትመንት ማበረታቻ ቡቱሪዝም እድገት ያለው ሚና | መመዘኛ ክብደት | | | | |
|-----|--|-----------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | የቱሪዝም ኢንቨስትመንት ማበረታቻ መኖሩ የቱሪዝም ዘርፉን አሳድጎታል | | | | | |
| 2 | ቡቱሪዝም የስራ ዘርፍ ለመሰማራት ማበረታቻው አስተዋጽኦ አለው | | | | | |
| 3 | ማበረታቻው ኢንቨስተሩ ላይ ያለውን የፋይናንስ ጫና ይቀንሳል | | | | | |
| 4 | ማበረታቻ መኖሩ የማህበረሰብ ልማት ላይ ተሳታፊ ያደርጋል | | | | | |
| 5 | ማበረታቻ መኖሩ የስራ ዕድል ለመፍጠር ያግዛል | | | | | |
| 6 | ማበረታቻ መኖሩ በዘላቂ የቱሪዝም ልማት ላይ ለመሰማራት ያግዛል | | | | | |

| ተ.ቁ | 3) የቱሪዝም ኢንቨስትመንት ማበረታቻ አዋጅ ለዘርፉ እድገት ያለው አስተዋፅኦ | መመዘኛ ክብደት | | | | |
|-----|---|-----------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | የኢንቨስትመንት አዋጅ በዘርፉ ለሚሰማሩ አካላት ግልፅ ተደርጓል | | | | | |
| 2 | መንግስት ለቱሪዝም ዘርፍ በቂ ትኩረት ሰጥቷል። | | | | | |
| 3 | የኢንቨስትመንት ማበረታቻ አዋጅ ከጎረቤት ሀገር ጋር ሲነፃፀር የተሻለ ነው | | | | | |
| 4 | የቱሪዝም ኢንቨስትመንት ማበረታቻ አዋጅ ለዘርፉ እድገት አስተዋፅኦ አድርጓል | | | | | |
| 5 | የቱሪዝም ማበረታቻ አዋጅ ከወጣ በኋላ ያለው የቱሪዝም ዕድገት የቱሪዝም ማበረታቻ አዋጅ ከመውጣቱ ጋር ሲነፃፀር የተሻለ ነው | | | | | |

ክፍል ሁለት:-በዚህ በሁለተኛው የመጠይቁ ክፍል የቱሪዝም ማበረታቻ አገልግሎት አሰጣጥን

በተመለከተ ዳሰሳ ተደርጓል።

በዚህ ክፍል ለቀረበልዎት ጥያቄዎች መልስዎን ከመለሱ በኋላ እንደ አስፈላጊነቱ ተጨማሪ ማብራሪያ ይስጡ።

1. በቱሪዝም ዘርፍ ስራ ሲጀምሩ ከመንግስት በገንዘብ/በአይነት የኢንቨስትመንት ድጋፍ/ ማበረታቻ አግኝተዋል?

ሀ)አዎ

ለ)የለም

ለጥያቄ ቁጥር 1 መልስዎ አዎ ከሆነ ያገኙት የማበረታቻ/የድጋፍ አይነትና መጠን ቢዘረዝሩ_____

_____ ::

2. የተደረገሎት የኢንቨስትመንት ድጋፍ/ማበረታቻ አይነት በቂ ነው ብለው ያስባሉ?

ሀ)አዎ

ለ)የለም

ለጥያቄ ቁጥር 2 መልስዎ አይደለም ከሆነ በቀጣይነት የማበረታቻ ስርዓቱ ምን መሆን አለበት_

_____ ::

3. በማበረታቻ ስርዓት ውስጥ ያልተካተቱና በቀጣይ መካተት አሉባቸው የሚሏቸው ነገሮች ካሉ ቢጠቅሱ_

_____ ::

4. ማበረታቻ ስርዓቱ በቱሪዝም ዘርፍ እንዲሰማሩ አስተዋፅኦ አድርጎልኛል ብለው ያስባሉ?

ሀ)አዎ

ለ)የለም

5. በቱሪዝም ዘርፍ እንዲሰማሩ ያደረግኩ ገፊ ምክንያት ማበረታቻ መኖሩ ነው ወይስ ለሌላ ምክንያት አለት?_

_____ ::

6. ቡቱሪዝም ዘርፍ ለመሰማራት የማበረታቻ አገልግሎት አሰጣጡ ፈጣንና ቀልጣፋ ነው?

ሀ)አዎ

ለ)የለም

መልስዎ አይደለም ከሆነ ያልረኩበትን ምክንያት ቢያብራሩ፤ _____

_____ ::

7. የቱሪዝም ኢንቨስትመንት ማበረታቻ ፖሊሲው ከፀደቀ በኋላ በክልሉ የቱሪዝም ዘርፍ ላይ እድገት አለ ብለው ያስባሉ?

ሀ)አዎ

ለ)የለም

ለጥያቄ ቁጥር 7 መልስዎ አዎ ከሆነ የቱሪዝም እድገቱ መገለጫዎችን በዝርዝር ቢገልፁ፡ _____

_____ ::

8. በአጠቃላይ የቱሪዝም ኢንቨስትመንት ማበረታቻው አዋጅ በክልሉ ለቱሪዝም ዘርፍ ያደረገው አስተዋፅኦ በዝርዝር ቢገልጹልን _____

_____ ::

9. በቀጣይ የቴሪዝም ዘርፍ ማበረታቻ ስርዓቱ ምን መሆን አለበት? _____

_____ ::

Annex:2

Interview with Ministry of Culture and Tourism

1. What is your role in this organization?
2. What kinds of tourism incentives are offered by your institution?
3. Is there investment incentive difference between for Domestic investors and Foreign Investors?
4. Do you think the incentive contribute for tourism development?
5. How to evaluate the trend of tourism development look-like before and after implementation of investment incentive policy?

Interview with Ethiopian Investment Commission

1. What is your role in this organization?
2. What type of investment incentive is mostly used in Ethiopia? Financial incentive/Fiscal incentive/regulatory incentive
3. How to evaluate the tourism investment incentive with other African Countries?
4. How to evaluate the tourism investment incentive with other investment areas?
5. What feedbacks are given to your office regarding with the service?
6. Is there any difference between investment incentives given to region to region?

Interview with Addis Ababa Culture, Arts and Tourism Bureau

1. What is your role in this organization?
2. What is the role of the Bureau for tourism development?
3. Does the Bureau offer tourism investment incentive for investors? If no, Why?
4. What kinds of investment incentive are needed for tourism development?
5. What do you suggest to improve the tourism investment sectors?

Interview with Addis Ababa Revenues and Custom Authority

1. What is your role in this organization?
2. What investment incentives are given to investors by your office?
3. How to evaluate the contribution of investment incentive for tourism development?
4. Do you think the investors used the incentive for the intended goal?

DECLARATION

The thesis undersigned, I declare that this is my own original work and has not been presented in this or any other university, and all sources of materials used in this research has been fully acknowledged.

Student's Name: Samson Aynachew

Signature_____

Date_____

CONFIRMATION

This thesis has been submitted for examination with my approval as an institute advisor.

Advisor's Name: Dr. Feyera Senbeta

Signature_____

Date_____