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COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

EFFECT OF FOREIGN DIRECT INVESTMENT ON ETHIOPIAN ECONOMIC GROWTH

(INCASESTUDY OF NEGATIVE AND POSITIVE FLORICULTURAL EXTERNALITY IN OROMIA REGION)

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BY

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JANUARY 2018

ADDIS ABABA, ETHIOPIA

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
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STATEMENT OF DECLARATION

I, Amensisa Tafese Worku declare that the thesis entitled “The Impact of foreign direct investment in Ethiopia Economic development”: “in case of Negative and positive Floricultural externality in region’ is my original work. Besides, this study has not been presented for any other institutions or university and that all sources of material used have been acknowledged accordingly.

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ENDORSEMENT

This research project paper titled “the impact foreign direct investment in the Ethiopia Economic Growth: The Case of positive and negative Floricultural Externality in Oromia” has been submitted to Addis Ababa University College of Business and Economics, Department of Accounting and Finance, with my guidance and approval as a university advisor.

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LIST OF ABBREVIATIONS AND ACRONYMS

EIC	Ethiopia Investment Commission
EIA	Environmental Impact Assessment
EPA	Environmental Protection Authority
EPRDF	Ethiopian People’s Revolutionary Democratic Front
FAO	Food and Agriculture Organization
FDRE	Federal Democratic Republic of Ethiopia
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
GFCF	Gross Fixed Capital Formation
OIC	Oromia Investment Commission
EHPEA	Ethiopia Horticulture Production Export Association
EHLIA	Ethiopia Horticulture & Land Investment Authority
OECD	Organization for Economic Co-Corporation & Development
MNE	Multinational Enterprise
UNCTAD	United Nation Conference on Trade & Development
EPRDF	Ethiopia People’s Revolutionary Democratic Front
SAP	Structural Adjustment Program
EC	Ethiopia Colander
ESCR	International Network for Economic Social and Cultural Right

ABSTRACT

Scholars have long debated the impact of foreign investment on the economies of least developed countries. Many argue that foreign investment is beneficial for the investment receiving country (host). On the other hand, others argue that dependence on foreign capital is detrimental. The crucial role of FDI is presented in terms of enhancing capital formation, Export, linkage, technology transfer, growth and thereby curing development problems. This has led to the development of several theoretical and empirical literatures studies, and conversely, to the prevalence of mixed empirical evidence. With this in mind, this study attempts to add to the body of empirical evidence fueling the debate as to whether FDI in floriculture has positive influence on economic development or not. The objective of the study is to theoretically and empirically investigate and quantify the relationship between FDI and economic development. Economic development in this study is measured in terms of real GDP growth, export, and GFCF as FDI is said to affect economic development through these channels. The study employed causal research design. Is a design which attempts to identify the extent and nature of cause-and-effect relationships, the researcher used convenience sampling method to select the sample for the study. It is the Non-probability samples that are unrestricted. The analysis conducted provides evidence that there is a positive and significant relationship between FDI and real GDP growth, a moderate positive association between export performance and FDI, and a negative and insignificant association between FDI and technology transfer and GFCF in Ethiopia. However, investments entail negative impacts particularly on the local communities, who see their livelihood hampered by flower farm land acquisitions & small payment employee salary. Investment project has no significant social benefits to the local communities, as measured by technological transfer, employment opportunity, crop production and local infrastructure development.

CHAPTER ONE

INTRODUCTION

1.1. Background/Rationale of the Study

The impact of globalization on developing countries is a topic of debate among contemporary scholars. While some believe it plays a crucial role in poverty reduction and developmental efforts, others are of the opinion that its negative effect has outweighed the intended benefits, and is largely responsible for the ever increasing inequalities between the underdeveloped and developing countries (Agrawal, G., Khan, (2011)). The effect of globalization in Ethiopia demonstrates both positive and negative trends as the rest of the world as well.

The majority of developing countries are facing deficiencies of national savings to finance their investments. In an effort to counter, this phenomenon, they have been seeking foreign capital in forms of both direct and indirect investments. Initially, these states acquired loans from international commercial banks (Ngowi 2010). However, in the 1980s the drying-up of commercial banks resulting from the debt crises pushed these states to restructure their investment policies in an effort to appeal to more stable forms of foreign capital. Consequently, Foreign Direct Investments (FDI) have been considered as better means of accumulating foreign capital and eventually minimizing the risks related to the debt (**Ibid**). Accordingly, Ethiopia is the top to attract foreign direct investment. Countries like Ethiopia have gotten access to investment funds through an expanded availability of Foreign Direct Investment (FDI) (Getinet 2009). Given its largely unexploited fertile land and other natural resources, the country has caught the attention of foreign investors who have put large capital in its agricultural sector (Desallegn 2013).

The country underwent major economic and social reforms towards liberalization. The government further adopted successive policy frameworks and reform measures that have created conducive business environment for the private sector to flourish (Hirut 2009). The latest of these measures is the Growth and Transformation Plan (GTP) - I & II. In this two phased plan, the major issue that have received due emphasis is improved strengthening the participation of the private sector. The GTP aims to boost Ethiopia's engagement in international business by

giving specific care on foreign investment attraction in the agricultural and manufacturing sectors. (2016). Further, the country has taken extra measures and entered into a number of Bilateral Investment Treaties, Double Taxation Avoidance Treaties, for instance, to give assurance to foreigners that come to make an investment.

FDI has brought both opportunities and challenges to Ethiopia. Among the different the positive contributions, one is availing capital which is necessary to carryout medium and large-scale agricultural and industrial projects thereby diversifying country's export items. **Horticulture** is one notable example; Ethiopia has become the one of the top six flower exporters of the world and this has a great share in the country's GDP. Recognizing the importance of FDI in the development of its economy, Ethiopia has, since the early 1990s, taken significant steps towards liberalization of the economy and of private investment. Countries' supportive policies towards FDI base themselves on the assumption that FDI increases the country's output, productivity, produces externalities and technology transfer (Damooei et.al, 2006). Another advantage of FDI is that creation of job opportunities for the locals. The negative externality, on the other hand, range from workers' rights violations, to opening a door to state led "land grabbing", to evident land and water pollution. The role foreign direct investment has played in Ethiopia's economy should not be underestimated (Altaye2014).

1.2. Statement of the Problem

Investment in general is seen as one of the most important variables in driving economic growth and development. Hence, foreign direct investment is believed to serve as a strong mechanism for the encouragement and spread of business opportunities throughout developing and industrialized economies thereby enhancing economic development. This is particularly true where FDI brings in invisible financial resources and fills the gap between desired investment and domestically mobilized savings, when it facilitates technology, transfer higher employment rates and entry into export markets, as well as strengthens the export capabilities of the host country resulting in productivity gains (Caves, Ayanwale et al 2007). But, Strout (1966) argued that in long run foreign investor it reduces the growth rate due the reason, that foreign investors repatriate their investment by contracting the economic.

In 2002, OECD reports that countries with weaker economies consider FDI as the only source of growth and economic modernization. For this reason, many governments, particularly in developing countries, give special treatment to foreign capital (Carkovic and Levine, 2002). Recognizing the importance of FDI in the development of its economy, Ethiopia has, since the early 1990s, taken significant steps towards liberalization of the economy and private investment (Dheressa 2013). The GTP aims to boost Ethiopia's engagement in international business by giving specific care on foreign investment attraction in the agricultural and manufacturing sectors. One of this, according to EIC report land for agricultural investment is available from the government "Land Bank" & 'idle' land that can better be managed by capitally bigger foreign investors without hampering the livelihoods of smallholders.

However, in reality, Horticulture company, in general, floricultures in particular is found surrounding the county capital city Addis Ababa where people densely populated. these lands have been used by local communities for generations for farming, grazing or settlement purposes. As a result, it is feared that the government's agricultural land investment policy could marginalize rural population by depriving them from their crucial asset for their livelihoods. Teref, (2016) in his study for masters said that "shift from small-scale farming to the production of export oriented; forced land eviction and resettlement programs contribute to food insecurity that negatively influencing the locals' access to food in market and means of production".

Many literatures evidenced that positive impact of FDI on economic development, but do not compare negative and positive impact of FDI in long run. Particularly, the growing presence of foreign investors in the floriculture industry will be direct and indirect implication on country economic growth & local population's. The purpose of this study is to examine the favorable developmental effects of FDI inflow in floriculture industry on economic growth measured in GDP, capital formation, and spillovers in this study. On the other hand, in this, researcher wants to address the socio-economic and environmental implication of floriculture industry in Ethiopia. FDI in floriculture industry is the case researcher under study due to ownership of foreign high than domestic business. Currently, there are 84 active export flower farm in Ethiopia. Farm ownership is made up of local investor, FDI, joint venture partnership & Diaspora.

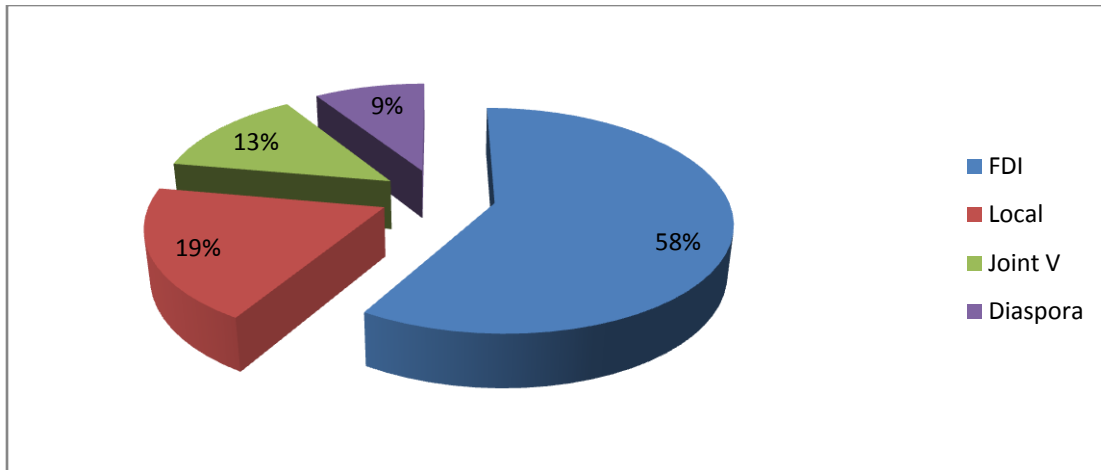


Figure 1.1: Ownership

Source: own computation from *EHPEA unpublished data, Septembers 2017*

1.3. Research Question

The study will seek to address the following questions:

1. To what extent do FDI inflows in floriculture influence economic growth in gross domestic product in Ethiopia?
2. In what way can Labour force and employment be affected by the growth of foreign investors in floriculture?
3. What are the social-economic and environmental impacts of horticulture on local communities' means of living?

1.4. Objective of the Study

1.4.1. General Objective of the Study

The general objective of this study was assessing the effect of foreign direct investment in floriculture in the Ethiopian economic growth and to investigate the developmental effects of FDI inflow in floriculture measured through export performance, and capital formation, as well as real GDP growth and/or, more precisely: attempts to examine the socio-economic and environmental impacts of FDI in case of floriculture industry on local communities' livelihoods, & economic growth Ethiopia.

1.4.2. Specific Objective of the Study

The specific objectives of the study included;

- To ascertain the extent at which FDI in floriculture inflows influence economic growth in Ethiopia
- To find out how labour force and employment be affected by the growth of foreign investors in floriculture
- To identify social-economic and environmental effect of horticulture on local communities' means of living.

1.5. Significance of the Study

The study was intended to provide information as to what extent FDI in floriculture influences the economic growth of our country. Also the study is useful to Ethiopia investment authority because it is provide information whether FDI inflows in this sector requires improvement. This will help them in reviewing their policies and regulations so as to create conducive environment for attracting more FDI in this sector. Additionally, the study is important as it was contribute to the generation of knowledge and the effect of flower farming on livelihood of community and workers in the region. Lastly the study was enabled the researcher to meet the requirements to be awarded a degree of masters of Science in accounting and finance. Since there is no consensus on the degree of the effects of FDI on Economic growth the study was focused of contributing to the platform of comparing the findings with other studies as the basis of establishing conventional measures of the effects of FDI on growth.

1.6. Scope of the Study

The study intends to explore the effects of FDI inflow in in floriculture on economic growth in Ethiopia in case of Oromia region. This study was conducted on Oromia regional state, because this regional are among the earliest and the highest contribution in FDI inflow into the region among all region because of its location in the country. According to EHLIA bullet report (2016) 87% of active exporter in floriculture industry is the Oromia region The impacts of FDI inflow in flower industry were studied by looking at a range of factors such as its contribution to economy growth, in terms of Export, capital formation and the industry effect on socio- economy of local community and environment effect.

1.7. Limitation of the Study

As the study focused only in the Oromia region but due to the nature of foreign investor they take their licenses same from the Federal government and same from the Oromia investment commission this was ban the researcher not to get arranged data. The assessment of FDI inflow in floriculture impacts depends on many factors, conditions and determinants. FDI can influence recipient countries in many levels, various ways can be identified and classified to measure FDI inflow impacts. The dimension of the impacts could be on growth, capital formation, poverty alleviation, industry structure, environment etc. The intentionality of the impact can be distinguished as direct job creation, export, investment, & indirect (linkage between the foreign firm and the local firm and spill-over effects externalities from the presence of foreign firms that arises on local firm. Nevertheless, due to limitation of space, time, Finance and especially data availability, this paper mainly focuses on influence of FDI inflow in floriculture on economic growth, export performance and capital formation.

1.8. Organization of the Study

Chapter one of the study contains introduction, giving a background of the study while putting the topic of study in perspective. It gives the statement of the problem and the research questions. This chapter also outlines the objectives, scope, and Organization of the study.

Chapter two gives scholars' work on the effects of flower farming on worker's life. It critically looks at the economic perspectives, environmental factors, social issues and infrastructural effects of flower farming on worker's livelihood. It also outlines the theoretical framework as well as the conceptual framework of the study.

Chapter three consists of research methodology which will be used in the study. It covers the study size and population, research design, sampling design, data collection, data analysis techniques, and ethical considerations.

The fourth chapter is namely the presentation, analysis and interpretation, it is carefully diagnosed the data collected through questionnaire. The fifth chapter is dedicated to summary of findings, conclusions and recommendations by the researcher based on the outcomes the overall study. References will be at the end of the paper.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Review

It is often argued that there is no “unique established theory of FDI. Instead, there are various hypotheses emphasizing different macro-economic and micro-economic factor that are likely to have an effect on foreign direct investment”. Thus, there are several factors influencing FDI and any effort to discuss conceptual issues on FDI must beware of sweeping generalizations (Khan 1990:282) and (Ekpo 1997:62) for the purpose of this study, I shall highlight on various economic theories that critically explain the underlying impact of FDI.

2.1.1. Product Cycle Hypothesis

This theory is otherwise known as macro-economic development theory or model. It is an integrated theory of trade and foreign direct investment developed by Ramond Vernon in 1966 and further reviewed in 1974. It links FDI with trade and locational factors. Its earlier version says that overseas investment is an out-growth of the stages of development and marketing of new products. For instance at the initial stage, growth is promoted by export expansion into overseas market, making use of technological capability among countries and industries. The new market are developed and expanded by the international demonstration effects of the rich countries. It maintains that once the firm has standardized its production process, it looks overseas for lower cost location and new market through price reduction (in the case of Oligopoly). Here FDI is regarded as a response to changes in national comparative advantage (Salisu1996).

However, this theory fails to explain why multinational corporations choose to use FDI rather than license their technology to foreign firms. According to Nyong, 2005, this is due to various reasons, first, Access to potential and generally unavailable technology team spirit, management skills, economics of scale and possession of brand names. Also lack of control of the technology may increase the possibility of the leakage of the technology to competitors.

2.1.2. Neoclassical capital Arbitrage Theory

The neoclassical growth theory in contrast with Rostow (1995), assign an important role to FDI as a growth-enhancing factor to developing countries. This theory states that ,due to the shortage of and relatively high expense Labor in developed nations , they tend to transfer production facility to poor, labor intensive poor country .a like the traditional macro –economic theory ,it is also state capital flows from capital intensive counties to capital poor county ,as firm strive to increase overall profit ;which may be possible through mere exportation of production Coutwell(2000,p13) has identified a numbers of flows of this theory According to this theory, economic growth comes from two sources, factor accumulation, and total factor productivity growth. Likewise, in the neoclassical growth models FDI promotes economic growth by increasing the volume of investment and/or efficiency but FDI affects growth only in the short run because of diminishing returns to capital in the long-run (Lucas, 1990).the drawback of this theory is that it cannot proof why multinational company(MNE)go abroad.

2.1.3. Flow Theory of Capital Movement (FTCM)

The flow theory of capital movement states that in a two country world, domestic and foreign or developing and developed, an increase in domestic interest rate relatives to foreign interest rate would lead to an increase in capital flow from foreign (developed) country to domestic (developing) country to take advantage of the higher differential in returns between the two countries, ceteris paribus (OLooDero2015). This, capital flow is an increasing function of foreign interest rate. In other words, an increase in foreign interest rate relative to domestic interest rate may lead to foreign capital outflow (Nape 2012). This theory has been criticized as being too simplistic because it recognizes interest rate as the only dominant determinant of foreign capital flows. In other words, it neglects other important determinants of such flows, such as exchange rate, political stability, high and strong economic growth, macro-economic stability, etc. The omission of these important determinants weakens the accuracy of this theory for policy purposes.

2.1.4. The Two-Gap Theory

The two-gap model, otherwise called savings and foreign exchange theory, was developed by Mckinnon in 1964. It identifies two gaps that may exist, namely, the savings gap arises because,

with low income, there would be low level of saving, which will lag behind a targeted level of saving necessary to match the required level of investment in an economy. On the other hand, the foreign exchange gap arises because, given the import dependency of most developing countries, their high debt burden and their dependency on primary exports characterized by price and/or quantity instability, these countries do not have enough foreign exchange to pay for their imports (Kokko A 1996). To have these gaps, there is the need to allow the inflow of foreign resources, probably through FDI.

2.1.5. Market Power Theory

This theory which was developed by Nocke and Yeaple in the early 1960s focused on the structural imperfections, which are called the brain-type advantages. Here the firm specific asset power of the company is enhanced through scale economics, knowledge advantages, distribution networks, product diversification, and credit advantage and through superior management. These factors enable the multinational enterprises to create impediments to market entrance and thus increase their own market power. Therefore, FDI is mostly undertaken by certain type of monopolistically competitive companies. These firms won't invest unless through some monopoly advantages such that they can earn higher profits than host country firms in the same industry. However, the theory fails to explain why firms use FDI instead of some other alternative methods of entry (Voutilainen, 2005) in (Udoka & Anyingang, 2010).

2.1.6. Dunning's Electric Theory

This theory was developed by Dunning in 1977. It is an attempt to integrate the various theories of FDI to offer a complete explanation of the determinants of FDI. The theory is usually referred to as OLI paradigm, where

O = Ownership advantages

L = Location considerations

I = Internalization gains. Which are the enabling conditions that must exist before a firm will be a lost or source of FDI.

Ownership advantages include advantages in technology and management skills, size and diversification, as well as access to and control of raw materials. Other includes access to finance on favorable terms and ability to call on the support of their government.

Locational advantages encompass transport cost, raw materials, import restrictions as well as the ease with which the firm may operate in another country. Other consideration includes profitability, tax policies in both source and host countries and political stability in the host countries. Internalization gains deal with factors that promote profitable transactions within the firm than on the external markets. Such gains arise from eliminating market imperfections (uncertainty, scale economics), control problem as well as the undesirability of providing full information to a prospective purchaser. The most important consideration in electric theory is that all the three enabling environments are necessary and must be present before FDI may be significantly attracted No one of them is sufficient.

Generally, Dunning (1993) identified three possible motives for FDI to take place.

- First, **Market seeking** FDI that refers to the purpose of serving local and regional markets, host countries characteristics that can attract this kind of FDI are the size of per capita income, GDP growth and the growth potential of the market.
- Second, **resource/asset seeking** FDI refers to FDI for acquiring resources that are not available in the home country. Resources might for instance be like natural resources, raw material, and availability of skilled and unskilled labor.
- Finally, **efficiency seeking** FDI, this type of FDI occurs when a firm can gain from the common governance of geographically dispersed activities, epically in the presence of economics of scale and scope, and diversification of risk.

2.2. Empirical Studies

2.2.1. Capital Transfer Inflow

As far as capital is concern, multinational enterprises (MNEs) invest in long-term projects, taking risks and repatriating profits only when the projects yield returns. The free flow of capital across nations is likely to be favoured by many economists since it allows capital to seek out the highest rate of return Jenkins C. (2002). Many MNEs, by virtue of their large size and financial strength, have access to financial resources not available to host country firms. These funds may be available from internal company sources, or, because of their reputation, large MNEs may find it easier to borrow money from capital markets than host-county firms would (Hill, 2000).

Jenkins and Thomas (2002) argue that FDI can contribute to economic growth not only by providing foreign capital but also by crowding in additional domestic investment; so it increases the total growth effect of FDI. Bosworth and Collins (1999) provide evidence on the effect of capital inflows on domestic investment for developing countries between 1978-95. They distinguish among three types of inflows: FDI, portfolio investment, and other financial flows (primarily bank loans). They found that about half of each dollar of capital inflow translates into an increase in domestic investment. According to them an increase of a dollar in capital inflows is associated with an increase in domestic investment of about 50 cents. (Both capital inflows and domestic investment are expressed as percentages of GDP. UNCTAD, (2006)

Borensztein et al (1998) found some evidence of a “crowding-in” effect, i.e., that FDI is complementary to domestic investment. A one dollar increase in FDI inflows is associated with an increase in total investment in the host economy of more than one dollar.

Feldstein (2000) emphasized a number of advantages that are related to unrestricted capital flows, such as:

- International flows of capital reduce the risk faced by owners of capital by allowing them to diversify their lending and investment.
- The global integration of capital markets can contribute to the spread of best practices of corporate governance, accounting rules, and legal traditions.
- The global mobility of capital limits the ability of governments to pursue bad policies.

2.2.2. Technology Transfer Effect

The crucial role played by the technological progress in the economic growth is now widely accepted Romer (1994). Technology can stimulate economic development and industrialization. It can take two forms, both of which are valuable. Technology can be incorporated in a production process (e.g., the technology for discovering, extracting and refining oil) or it can be incorporated in a product (e.g., personal computers) (Hill, 2000). However, many countries lack the research and development resources and skills required to develop their own native product and process technology. This is particularly true of the world's less developed nations. Evidence provides that the vast majority of economic studies dealing with the relationship between FDI on the one hand and productivity and/or economic growth on the other hand, have found that

technology transfer via FDI has contributed positively to productivity and economic growth in host countries (OECD, 1991).

Moreover, positive externalities have been observed where local imitation, employment turnover and supply-chain requirements led to more general environmental improvements in the host economy Romer, (1994).

2.2.3. Management Skill Acquisition

By transferring knowledge, FDI will increase the existing stock of knowledge in the host country through labour training, transfer of skills, and the transfer of new managerial and organizational practice. Foreign management skills acquired through FDI may also produce important benefits for the host countries. Beneficial spin-off effect arise when local personnel who are trained to occupy managerial, financial and technical posts in the subsidiary of a foreign MNE leave the firm and help to establish local firms. Similar benefits may arise if the superior management skills of a foreign MNE stimulate local suppliers, distributors and competitors to improve their own management skills World Bank (2002).

Workers gain new skills through explicit and implicit training. In particular, training in foreign firms may be of a higher quality given that only the most productive firms trade. Workers take these skills with them when they re-enter the domestic labour market. Training received by foreign companies sometimes may be considered under the general heading of ‘organization and management’, meaning that the host country will benefit from the ‘managerial superiority’ of MNCs. Lall and Streeten (1977) emphasize three kinds of managerial benefits:

- Managerial efficiency in operations arising from better training and higher standards;
- Entrepreneurial capability in seeking out investment opportunities;
- Externalities arising from training received by employees (such as technical, executive, accounting and so on) (Dunning, 1993).

2.2.4. Balance of Payments Effects

FDI’s effect on a country’s balance of payment accounts is an important policy issue for most host governments. There are three potential balance of payments consequences of FDI. First, when an MNE establishes a foreign subsidiary, the capital account of the host country benefits from the initial capital inflow. However, this is a one-time only effect. Second, if the FDI is a

substitute for imports of goods or services, it can improve the current account of the host country's balance of payment Graham E.M (1995). Much of the FDI by Japanese automobile companies in the US and UK, can be seen as substitute for imports from Japan. A third potential benefit to the host country's balance of payment arises when MNE uses a foreign subsidiary to export goods and services to other countries Feldstein M (2002). The evidence based on empirical research on the balance of payments effect of FDI, indicates that there is a difference between developed and developing countries, especially with respect to investment in the manufacturing industries. Dunning (1961, 1969) while assessing the impact of the US FDI in Britain, he estimated a positive effect of around 15 percent of the total capital invested. Nevertheless, his research only dealt with the direct effect of FDI, which results in noticeable flows in the balance of payments. The indirect effects, on the other hand arising from the changes in the income of residents, or changes in consumption patterns were not considered.

2.2.5. International Trade

The impact of FDI on host country international trade will differ, depending on its motive—Whether it is efficiency-seeking, market-seeking, resource-seeking or strategic assetseeking. FDI can have a great contribution to economic growth in developing countries by supporting export growth of the countries Dunning (1993). Output resulting from efficiency-seeking FDI is typically intended for export, and therefore the impact of such FDI is likely to be an increase in exports from the host country. If local firms provide inputs to affiliates producing goods for exports, the local content of value added exports would be much greater. In cases where intermediate goods are imported from outside the host economy, efficiency-seeking FDI will increase export as well as imports Collins S. (1999). Nevertheless, since certain value-adding processes take place within the host economy, the overall impact will be an improvement in the trade balance in the long run. In the literature, export growth is often associated with trade liberalization, although it also means more imports.

Balasubramanyam et al (1996) tested the hypothesis that export-promoting (EP) countries enjoy greater efficiency from FDI using a production function in which FDI is considered an additional input to domestic capital and labour. They disagreed that, in view of the fact that it is a prime source of human capital and new technology for developing countries, the FDI variable captures the externalities, learning by watching, and spillover effects. The outcome suggested that FDI is a

vital engine for export growth in developing countries. Blomstrom and Kokko (1996) analyzed empirical evidence on host country effects of FDI, and found that global companies played an important role in export growth in their host countries, but the precise nature of the impact of FDI varies between industries and countries.

According to (Markusen, Venables, 1999). Beyond the standard gains from trade, FDI inflows can provide dynamic gains from technology transfer and skill-building. These benefits are especially important in developing countries where foreign technology and managerial expertise are lacking.

2.2.6. Effect on Competition

According to an OECD report (OECD 2002,) the presence of foreign enterprises may greatly assist economic development by spurring domestic competition and thereby leading eventually to higher productivity, lower prices and more efficient resource allocation. Increased competition tends to stimulate capital investments by firms in plant, equipment and R&D as they struggle to gain an edge over their rivals. FDI's impact on competition in domestic markets may be particularly important in the case of services, such as telecommunication, retailing and many financial services, where exporting is often not an option because the service has to be produced where it is delivered. Julius (1990) for example, writes that: "As with trade, increased international flows of FDI should be encouraged because they bring both global and national benefits. They stimulate growth through more efficient production and they lower prices through greater competition". And according to an OECD study, "Like trade, foreign direct investment acts as a powerful spur to competition and innovation, encouraging domestic firms to reduce costs and enhance their competitiveness" (OECD, 1998).

2.3. Negative Externality FDI to Host Country's Economy

The net benefits from FDI do not accrue automatically, and their importance differs according to host country and condition. Recognition of the economic benefits afforded by freedom of capital movements sometimes clash with concerns about loss of national sovereignty and other possible adverse consequences Ngowi (2012). FDI, even more than other types of capital flows, has historically given rise to these conflicting views, because FDI involves a controlling stake by often large MNEs over which domestic governments, it is feared, have little power. The

controversies have mostly focused on inward FDI, due to sensitivity about foreign control over domestic industry

As we mentioned earlier, this paper will not be focused only on the positive effect of FDI but it will address concerns about the potential negative aspect of host economies, both economic and non-economic according to Pritchard (1996). In small economies, large foreign companies can and often do, abuse their dominant market positions. Based on the literature, it is eminent that FDI is not always in the host county's best interest and therefore it should be controlled. Countries facing increased inflows of FDI have often experienced unease. Many developing countries have until recently been wary of inward FDI. Even in the United States, the surge of Japanese FDI in the 1980s led to widespread concerns about excessive foreign control and adverse effects on national security, as expressed in the popular press, and in legislative action. Critics of inward FDI argue that there are adverse economic and political effects on the host country. The alleged economic effects include balance of payments deficits, reduced domestic research and development, diminished competition, crowding-out of domestic firms and lower employment, the potentially harmful environment impact of FDI, especially in the heavy industries and the effects on competition in national markets. Economic analysis has shown that most of the alleged economic drawbacks of FDI are of little merit (Graham, E.M; Krugman, P.R, 1995). Moreover, sometimes some estimated benefits may prove elusive if the host economy, in its current state of economic development, is not able to take advantage of the technologies or know-how transferred through FDI.

The factors that hold back the full benefits of FDI in some developing countries include the level of general education and health, the technological level of host-country enterprises, insufficient openness to trade, weak competition and inadequate regulatory frameworks. On the other hand, a level of technological, educational and infrastructure achievement in a developing country does, other things being equal, equip it better to benefit from a foreign presence in its markets World Bank (2013).

2.3.1. Adverse Effects on Employment

Sceptics about FDI note that not all the 'new jobs' created by FDI represent net additions in employment. In the case of FDI by Japanese auto companies in the US, some argue that the jobs

created by this investment have been more than offset by the jobs lost in US owned auto companies, which have lost market share to their Japanese competitors. As a consequence of such substitution effects, the net number of new jobs created by FDI may not be as great as initially claimed by an MNE (Hill, 2000).

In the case of Republic of Macedonia the high unemployment represents the biggest economic problem and it has a direct effect on low economic growth and the small number of newly opened work places. The restructuring process of the enterprises in the course of transition resulted in increased unemployment in the short run. As expected, the former FDI in the Republic of Macedonia could not significantly influence the employment in the country, neither in scope, nor in quality (Ibid).

2.3.2. Adverse Effects on Competition

Although in the previous section we outlined how FDI can boost competition, host governments sometimes worry that the subsidiaries of foreign MNEs may have greater economic power than local competitors UNCTAD (2011). If it is a part of large international organization, the foreign MNEs may be able to draw on funds generated elsewhere to subsidize its costs in the host market, which could drive local companies out of business and allow the firm to monopolize the market. This concern tends to be greater in countries that have few large firm of their own (i.e. less developed countries) or minor concern in most advanced industrialized nations Hunya G (2002).

2.3.3. Non-Economic Drawbacks – Environmental Impact and Sweatshops

Another major concern regarding FDI is its environmental impact. Local enforcement of environmental protection legislation that is negligent or weak in relation to foreign firms has led to disastrous consequences in many parts of the world Rahmeto (2011). However, in the global competition among developing country governments to attract FDI, there is often a race to the bottom, which leads countries to offer more relaxed regulations in order to attract foreign investment Alfaro L. Chand (2014).

The working conditions of workers in firms sponsored by FDI have also been a concern. The presence of sweatshops in some countries, which subject labourers, who are sometimes child labourers, to dangerous, sub-human working conditions, often in violation of local workplace

regulations, is a serious issue Bende-Nebede.(2002) The race to the bottom phenomenon is also present here, as governments minimize the enforcement of workplace regulations in order to attract FDI. Although multinationals pay their workers more than their competitors, many people have complained that multinationals abuse their workers in sweatshop conditions, and have demanded that products from these sweatshops be banned from markets (Brown, Deardorff and Stern, 2004).

2.4. Development FDI in Ethiopia

Among the benefits of a globalized economy, one is the free movement of factors of production such as capital, labor and raw materials used as an input. Countries like Ethiopia have gotten access to investment funds through an expanded availability of Foreign Direct Investment (FDI). Given its largely unexploited fertile land and other natural resources, the country has caught the attention of foreign investors who have put large capital in its agricultural sector. After the downfall of the “Derg regime” in 1991, the Ethiopian People’s Revolutionary improved the sector according to Selamawit (2015) on her unpublished thesis effect of FDI in on Ethiopia Economic development.

Democratic Front (EPRDF) adopted a Structural Adjustment Program (SAP). This program aimed at transforming the country from the previous regime’s centralized administration to a market system economy. As part of the SAP, the country underwent major economic and social reforms towards liberalization. The government further adopted successive policy frameworks and reform measures that have created a conducive business environment for the private sector to flourish Getinet and Hirut (2006). The latest of these measures is the Growth and Transformation Plan (GTP) - I & II. In this two-phased plan, the major issue that has received due emphasis is improved strengthening the participation of the private sector. The GTP aims to boost Ethiopia’s engagement in international business by giving specific care on foreign investment attraction in the agricultural and manufacturing sectors. The policy stand is being given effect through legislative measures. Further, the country has taken extra measures and entered into a number of Bilateral Investment Treaties, Double Taxation Avoidance Treaties, for instance, to give assurance to foreigners that come to make an investment Dheressa (2013).

The aggregate of these factors, the government claims, has succeeded in attracting an increasing share of FDI. For example, from 1992-2014 more than 15% of the investment made in the country came through FDI. Countries such as China, Korea, Turkey, Saudi Arabia, the United Kingdom and Israel are the major sources of the foreign investment kebede (2011). But, Critics of the current leadership, on the other hand, say that the private sector in Ethiopia is largely facing unfriendly business environment and emphasize that the country falls at the bottom end of World Bank's in ranking of states based on the ease of doing business (ibid). They claim that those businesses that operate in the country are under direct or indirect control of those in power. Leaving its development aside, on the ground, FDI has brought both opportunities and challenges to Ethiopia. Among the different the positive contributions, one is availing capital which is necessary to carryout medium and large-scale agricultural and industrial projects.

The role foreign direct investment has played in Ethiopia's economy should not be underestimated. It is vital to the country's race to attaining sustainable. However, if left unregulated, it may leave the intended beneficiaries in a far much worse position than they are currently. The real challenge, therefore, is to minimize the adverse effects that come with it. Of a particular interest to the writer is regulating the environmental pollution caused by the horti/floriculture farming to protect Ethiopian's right to food Altaye (2015).

2.4.1. Incentives to attract FDI in Ethiopia

Incentives available to attract FDI including the horti/floriculture sector Countries adopt reforms measure and incentives to create a friendly business environment and attract foreign investment. On this account, beyond the gradual reforms, Ethiopia has adopted both fiscal and non-fiscal investment incentives. Some of the incentives included under the two major federal investment laws which apply to investments in the horti/floriculture industry are as follows FDRE (2003a).

A. Income Tax Exemption: Article 5(1) of the investment incentive regulation states: 'Any investor who invests to establish a new enterprise shall be entitled to income tax exemption as provided for in the schedules. For foreigners who want to start a flower farm in Addis Ababa or surrounding Oromia Region, for example, as provided under the agricultural crop production section of the Appendix, he/she is entitled to a 'three years' tax exemption period. The period extends to four years when the operation is in another part of the country and a

further long-term benefit is attached for investing in the comparatively underdeveloped regions of the country. The law also gives considerate incentives for those investors that are engaged in the expansion of an already existing enterprise.

- B. Exemption of capital goods from customs duty:** Article 13(1) of the regulation provides that investors engaged in the areas of investment specified under the law can import capital goods and construction materials duty free if the purpose is to establish a new business or expand an existing Proclamation No. 280/2002 and Council of Ministers Regulation one. Investors in the horti/floriculture sector are beneficiaries of this arrangement when establishing a new farm or expanding an existing one.
- C. Net Operating Losses:** The loss carry forward scheme helps businesses that have been experiencing losses during the business income tax exemption periods. This arrangement will relieve business of their tax liability for a specified tax year in consideration to the losses they have sustained during the previous years. Under the current Ethiopian investment laws, an investor can carry a loss up to half of the income tax holiday period. This can be compared with other countries experiences. In Botswana, for example, the net operating loss can be carried forward for up to five years with no time-limitation in the case of farming and mining.
- D. Export Incentives:** this benefit is particularly relevant to the horti/floriculture industry as the production is basically targeting the international market. The government specifically adopted incentives to encourage investors engaged in export trade besides the tax exemption benefits available for eligible start-ups. Article 7 of Reg. No. 270/2012 states that those investors who export at least 60% of their products are allowed to two more years of tax holiday period; in addition to the above mentioned one.
- E. Remittance of Capital:** this arrangement is a protection available for foreign investors against the tight financial transfer regulation of Ethiopia. Foreign investors are allowed to make remittances, with regard to payable dividends, external loans, and other payments due out of the country. This outlet is very crucial to every foreign investor, including those engaged in the Investment Incentive Regulation (n 64), Article 13(1) 70 Ibid, Article 12(1) 71 Ibid Miria **Pigato**, ‘The Foreign Direct Investment Environment in horti/floriculture

industry, because they need to a guarantee that they would be able to take the profit made with them when leaving the host state.

F. Protection against unlawful expropriation: this also applies to every foreign investor. The law provides that expropriation may only be carried out in accordance with the law when the public interest requires doing so. In such occasions, the government will pay adequate compensation considering the prevailing market value according to EDRE (2008). Despite the fact that this industry is growing and comes with multiple benefits, there are some critics attached to the negative consequences it has brought. The first claim is associated with the industry's intensive need for land and water resources which in turn threatens the food security of Ethiopians in general due to the strong bond between agriculture and the nation .an additional problem with similar tune is soil and water pollution arising from an excessive use of fertilizers and pesticides. According to one researcher, quite a large number of the flower farm projects on the ground start operation without first undertaking the required environmental impact assessment study FDRE (2003b),Environmental impact assessment proclamation.

2.5. Impact of Floricultural Industry

FDI in Floriculture sector has emerged as one of the country's important source of foreign exchange earnings in recent years. Ethiopia is among the top three flower exporting countries in Africa and her major trading partners are European countries. Agro-products like flowers, and mango, banana, and avocado are being grown vastly. Coffee widely grows in the country's highland areas of the Southwestern parts and remains to be among the top export commodity of Ethiopia. Sugar cane plantation also has a long history and it has been practiced for several decades as sited in Terefe (2015).

The growing presence of foreign investors in the horti/floriculture industry has direct and indirect implication on the local populations. Instances of a shift from small-scale farming to the production of export oriented, and forced land eviction and resettlement programs contribute to food insecurity by negatively influencing the locals' access to food market and means of production, respectively. Similarly, pollution arising from agricultural investment, soil and water

contamination, amounts to a denial of means of food production as more than half of Ethiopians' livelihood depends on subsistence farming of staple foods (ibid).

2.5.1. Export diversification

FDI diversifying country's export items; Horticulture is one notable example; Ethiopia has become the one of the top six flower exporters of the world and this has a great share in the country's GDP. In 2013, Ethiopia's gross domestic product accounted for \$47.5 billion of which floriculture export contributed up to \$346 million. This level of export is comparable to the performance of the country's competitive top African flower producer, Kenya. In the same year, Kenya earned \$507 million in foreign exchange from horticulture Getnet and Hirut (2006).

Foreign exchange According to the National Bank of Ethiopia (NBE), Ethiopia does not fully benefit, as the selling price reported by exporters is below the price which Ethiopian flowers actually fetch in export markets. As a result, the country loses significant amounts of foreign exchange revenue.

The cultivation of Ethiopia flowers was initiated because export and generate hard currency for decades the production and export of Ethiopia flowers have experienced phenomenal growth rates. Floriculture is today the fastest-growing sector of the Ethiopia economy and is after coffee the second largest source of foreign exchange generating more than \$250 million a year (DFID 2007). The overwhelming majority of Ethiopia flower exports are destined for the European Union and same part of Asian (Hale 2005).

2.5.2. Labour Force and Employment effect

Another advantage of the FDI is creation of job opportunities for the locals. FDI in agricultural as well as manufacturing sectors employed a large number of unskilled workers. With respect of the creation of job opportunity for the native people, the expanding floriculture industry accommodates a high number of local workers. Based on a report from the Ethiopian Flower Producers Association; the segment shelters as high as 50,000 youth more than half of which are women.

However, the vulnerability of temporary workers in the horticulture industry is highlighted by several authors and studies. Barrientos et al. (2005) point out that insecure workers in the

horticultural industry are highly vulnerable to poverty, a feature which is especially salient for temporary female labor which often has to combine productive and reproductive roles. Smith et al. (2004) provide figures which showed that 65 percent of the workforce in the Ethiopia flower industry is temporary, seasonal or casual. One factor which could explain the high prevalence of temporary work arrangements is the seasonality of the flower business with annual peaks of production around Christmas, Valentine's Day, Easter and Mother's Day. Ethiopia has attracted substantial investment in floriculture for a number of key reasons: its ideal weather and natural of expertise and years of experience in fresh produce exports, and increasingly favored access to European markets and stability in the horn of Africa.

In a study of Kenya, Uganda, Tanzania, Ethiopia and Zambia by Women Working Worldwide (WWW, 2007) found out that in Tanzania and Kenya, the use of non-permanent labour has reduced significantly in recent years. However in Uganda and Zambia the problem remains serious. In Uganda research interviewees were sampled at random – only 33% were on permanent contracts (lack of access to the farms makes it hard to ascertain the figure for workers as a whole). In Zambia only 26% of workers had permanent contracts on the farms studied

In all countries, many non-permanent workers were found to be suffering from similar difficulties: Lack of employment benefits including sick leave, annual leave, medical benefits, housing allowances; Lack of opportunity for promotion; Low income levels. In Zambia and Tanzania there were cases found where some casual workers were being paid less than permanent workers for the same work; With the exception of Zambia, non-permanent workers were not unionized on the horticulture farms In Tanzania and Uganda, some non-permanent workers were not given proper protective equipment; Lack of maternity leave meant that many non-permanent workers could not afford to have a baby and unfair dismissal (WWW, 2007).

Salary levels in all countries were found to be much lower than was necessary to sustain a decent standard of living for workers. The lowest monthly salary was approx. 24 United State Dollars (USD) and the highest was 54USD. Many workers complained of being unable to finance basic needs such as medical costs, clothing and a decent house (WWW, 2007).

Permanent status did not necessarily mean that all rights and entitlements were being granted. In Ethiopia it is thought that lack or payment for sick leave, lack of union representation; since

majority of employees not hired by flowers-culture farm owners rather by agency that take their salary without any cost employee complain to the agency roll because there right not protected and access to child care are problems that are affecting all workers, regardless of their employment status. Many workers were also not receiving contracts that stipulated their benefits. (WWW, 2007)

2.5.3. Effects of flower farming to the larger community

This is because FDI can benefit the recipient countries both by increasing their foreign exchange reserves and enhancing their development ‘through providing local economic spillovers, trade benefits and access to new markets’ (Ibid). They also argue that since developing countries’ governments cannot fulfill the much needed investment in rural agriculture due to limited financial capacity, FDI investors is seen as an opportunity for increased investment in agriculture Meitzen-Dick (2009). Proponents also argue that rural poor would benefit from foreign direct investments in agriculture through, among other things, creating on farm and off- farm jobs, development of rural infrastructure and construction of schools and health centers provided that negotiations are carried out transparently, existing land rights are respected, and benefits are shared between local communities and foreign investors (**Daniel and Mittal 2009:**).

To the contrary, critics point out that floricultural land farm has rather devastating consequences on local livelihoods and ecological sustainability. First, land-lease agreements are often in favor of foreign investors than local communities, because foreign firms hold greater bargaining power in negotiating these agreements especially when the host government and local elites support the investment Meitzen-Dick (2009). Second, is that smallholder will be displaced from their lands and the promised job and local development may not be fulfilled. It is argued that the transfer of land to investors not only denies local communities their entitlements to land, but also violates their rights to use it Boche et al. (2012). Around 105,000 workers, mainly young women, are directly employed in the industry, while 2 million workers indirectly depend on the flower industry for their livelihoods. Those were mostly growing maize, teff and rearing cattle and goats on their land.

2.5.4. Minimal Compensation

In Ethiopia land acquisition on small scale has been carried out since 1995, although only few of the projects launched went operational until now. The acquisition of large tracts of land by foreign investors is a recent phenomenon, but these too have not begun full-scale operations. Nevertheless, few of the investors have started clearing land and planting crops on small plots of their land to test the suitability of seed varieties and their response to different inputs and technologies. Thus it is expected that it will take many years before a given investment project becomes fully operational. This makes it difficult to determine the various impacts of floriculture farm (economic, social, technology transfer, employment, food security, etc) Getnet (2012).

Investment in commercial farming is part of the government's overall plan to promote agricultural products destined for export and to supply local industries with raw materials (Deininger, Byerlee et al. 2011). The government firmly believes that large scale land investment, particularly foreign investment, will bring in the much needed technology, capital & foreign exchange earnings, **Lavers (2014)**.

Data from Ministry of Agriculture and Rural Development (MoARD) shows that between the late 1990s and end of 2008, land transfers to both domestic and foreign investors totaled approximately 3.5 million hectares Rahmato(2011). Documents also show that between 2003 and 2009, about 500 foreign investors were granted about one million hectares of land either on their own or as joint ventures with local businesses Rahmato (2011). The government believes that these resources are 'unused' by peasants, herders or others that they will not threaten any livelihood (Getnet 2012). However, lands transferred for investment purpose are not always idle or unused as claimed by the government. In fact, the term 'unused' land defined as insufficiently productive Lavers (2014). Thus such 'unused' land is given out to investors with the expectations that they will turn them into 'productive land' (Ibid)

However, Long-term effects of floriculture land farm is not fully evident, there are instances of likely impacts which are already creating tension within local communities.

- Those are, competition for scarce resources between the project and local communities has been apparent over key resources. This is particularly observed in the competition for water resources, since most projects monopolize water resources and force local communities to

seek water from sources far away from their village (Ibid). In many areas of projects, the majority of rural people do not have access to piped water and hence exclusively depend on natural streams, rivers, and springs in their locality.

- The so called resettlement program is also another source of conflict between the project and local communities. In regions where investors have acquired extensive land, particularly in Benishangul Gumuz and Gambella, because of the resettlement program, now renamed ‘villagisation’, local communities are relocated away from their areas (Ibid). The main justification given by the regions and the federal government for this is that the program ‘will enable local authorities to provide essential services such as education, health, clean water, etc’ (Ibid: 23). However, local communities unanimously opposed the relocation program for it is solely aimed at giving investors unlimited access to land and other resources (Ibid).
- Opening a door to state led “land grabbing”, to evident them, from land and minimum compensation that bring limited benefit to local population ;resulting massive destruction of livelihood and making millions of local dependent on food handouts Oakland Institute (2013)

2.5.5. Food in Security of People

Although Ethiopia has attracted some foreign dollars through these export-based flower and tea industries, a majority of Ethiopia remain mired in poverty (**Dheressa, 20013**). It is quite true that most workers don't eat flowers. But they are an important source of food security because of the income they bring to thousands of workers most of them women are still remain poor. “The right to adequate standard of living”; this is an umbrella right with two important pillars; the right to food and water, and the right to housing and clothing. The committee on Economic, Social and Cultural Rights acknowledged that the challenges of right food, the right to have regular, permanent and free access, either directly or by means of financial purchases .the committee has identified the following elements as essential components of the right: availability, accessibility and adequacy of food.

1. Availability of food

This refers to the existing means of obtaining and securing food. It encompasses securing the means, such as land, to grow or produce crops for consumption or, alternatively, the existence of a market or a distribution system which allows individuals to possess necessary goods. There is a misconception of equating the right to food to the right to be fed. The committee's intention is not creating increased dependency, but rather, states have a reasonable obligation to develop a conducive environment that lets their citizens to produce or acquire food using their skills and expertise.

1. **Accessibility of food:** i.e. economic and physical accessibility Economic accessibility refers to affordability of the cost associated with obtaining food for a satisfactory diet. The committee on ESCR emphasizes that the cost of acquiring it should not be unreasonably burdensome to lead to a compromise. It further stated that countries should devise mechanisms and programs to attend to the needs of special vulnerable groups. The physical accessibility of food is about the bodily capability of acquiring food items. It refers to having material access to distributors and the market at large. In this case as well, states should pay special attention to groups that require care like the disabled and the elderly. The Right to Food: Factsheet No. 34' (2010) OHCHR and FAO (Factsheet N3).

2. Adequacy of food

The third element of the right to food, i.e. adequacy, should be understood taking different variables into account. This includes age, living conditions, health, occupation, sex, and culture. The dietary need of an individual varies greatly depending on his/her age and health condition. Moreover, food has a cultural feature. For example, what is acceptable in China may not be tolerable in Ethiopia and vis-versa. A sensitive issue that arises in relation to this is indigenous people's right to food. Often times, the livelihood of these groups of people depends on their ancestral land and surrounding natural resources. In disregard to this fact, nonetheless, they would be subjected to displacement and expropriation plans without their consent. This intrusion in the free enjoyment of their right to food puts the population at a higher risk of hunger and malnutrition Fact Sheet FAO (No. 34.)

2.5.6. Facilities and Services

Farm infrastructure for workers according to Ndlela (1999) includes housing, water provision, sanitation, and health, educational and recreational facilities. Although clinics, housing and schools can be found on nearly all commercial farms in Zimbabwe and are therefore not a result of cut-flower production, flowers provide farmers with ready cash to develop infrastructure. Ndlela asserts that on all the farms in Zimbabwe, several improvements had been made since the rose project began. While some of these improvements were essential to satisfy labeling requirements, others such as recreational facilities were voluntary changes that farmers made to improve workers' way of life (Ndlela 1999).

In Kenya, the farmers utilize high levels of technology, for example, computerized drip irrigation and fustigation systems, computerized greenhouses ventilation systems, net shading, pre-cooling and cold storage facilities, grading and banqueting, fertilizer recycling systems to prevent wastage, wetlands for waste water treatment, artificial lighting to increase day length, grading/packaging sheds, and refrigerated trucks have been adopted (Ngige, 2010).

There is a need to provide institutional infrastructure through which the funds could flow back to the basin and be used in environmental protection, watershed management, support of farmers to improve their water management and community development. Fair-trade organizations can be instrumental in making sure that funds rose at the consumer end flow back to the watershed for the support of local programmers for improved watershed management and support to farmers to reduce their water footprint (Ngige, 2010).

2.6. Conceptual Framework of the Study

It has been argued by different scholars that foreign direct investment can affect economic development directly and indirectly. FDI in floriculture can be assumed to directly affect growth through capital accumulation, export, & also influence local community, and indirectly via the incorporation of new inputs and foreign technologies into the production function of the host country (spillovers). The relative importance of these impacts however depends on the nature of FDI, the host country's level of economic development, government policies, industrial characteristics, etc. (Alfaro, 2003).

Independent Variable

Dependent variable

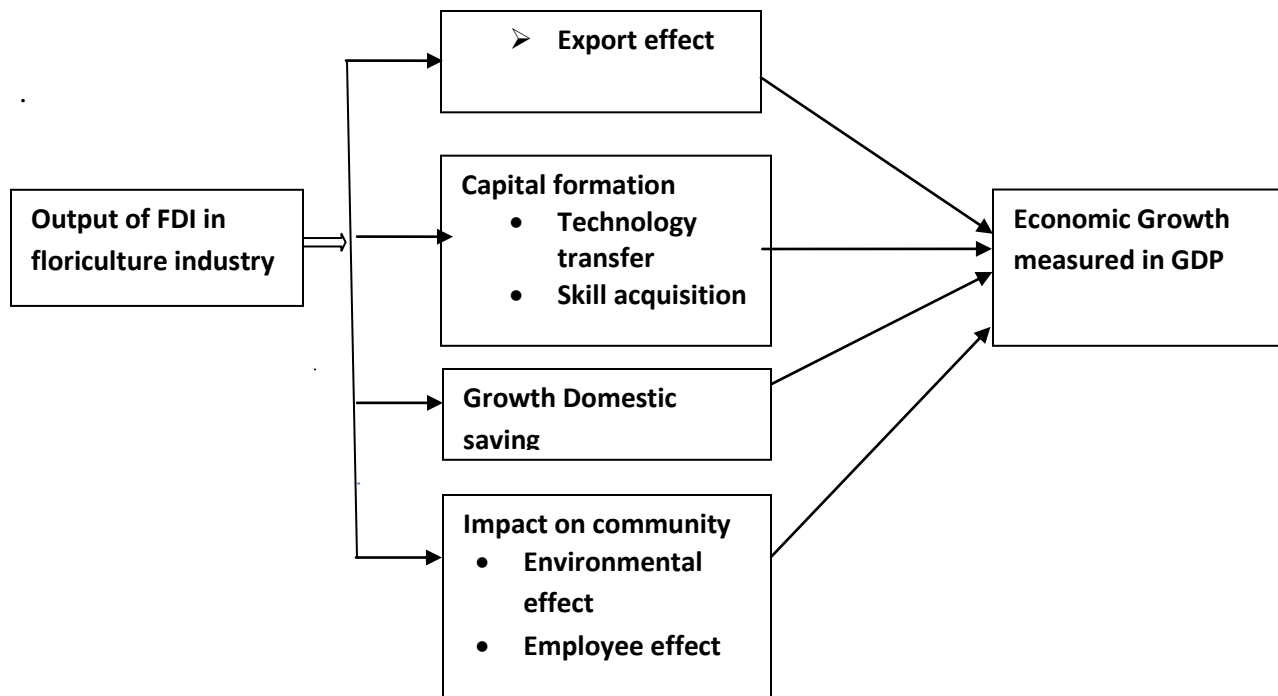


Figure 2.1: Conceptual Framework

Source: The figure above depicts the analytical framework of the Capital formation, impact on the community, Employee, and spillover nexus developed from the literature.

The empirical section of this thesis will apply methods from the neoclassical thoughts. It is the relevant method, which exist to focus on and evaluate the growth of factor inputs, as it is easier to quantify. In this paper, the relationships in the nexus are divided into four main impacts such capital formation, Community effect, employees; and spillovers (i.e. export). These are the four measurements for economic development in this thesis and FDI in floriculture is said to impact economic development in Ethiopia through these channels. Development level and economic policy are exogenous variables, i.e. they will not be tested in this model. The study used independent and dependent variables in order to put the study into practice. These dependent and independent variables are shown in the conceptual framework. Therefore the independent variables in this research are the Spillover effect, capital formation, and impact on community. The dependent variable is Economic growth of Ethiopia.

Economic Growth of Gross Domestic Product: Economic growth result from accumulation of factors of production or improvement in technology. According to MacDougall (1960) ,standard theory of international trade. It involves a partial equilibrium comparative-static approach put in place to examine how marginal increments in investment from abroad are distributed. From this approach, it is believed that inflows of foreign capital will raise the marginal product of labour and reduce the marginal product of capital in the host country. There is a consensus among economists that a country's growth rate would have positive impact on foreign direct investment. The higher the growth rate of the GDP, the better is the nation's economic health and the brighter are the prospect that foreign direct investment will be profitable.

Levels of community participation: This is the magnitude of community member's engagement in interaction with flower farms. Community's members are rich source knowledge about their community and of energy and commitment to that community. When professionals envision a program to address community issues in a particular community, tapping into the community's expertise and enthusiasm is frequently an essential issue. Genuine participation by community members, including youth, is the key.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

The study employed causal research design which is a design which attempts to identify the extent and nature of cause-and-effect relationships. Causal research can be conducted in order to assess impacts of specific changes on existing norms, various processes etc. (Sekaran, 2003). Causal studies focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables. often by creating a profile of a group of problems, people or events, through the collection of data and tabulation of frequencies on research variables or their interaction as indicated by Zikmund, W.G., Babin, J., Carr, J. & Griffin, M. (2012). Thus this approach is appropriate for the study as it will help to identify the “impact of foreign direct investment on Ethiopian Economy”.

3.2. Target Population

The term population is an entire group of individuals, events or objects that have a common observable characteristic Kothari (2004). It refers to all elements that meet certain criteria for inclusion in a given universe. The populations, from which representative sample were taken; is Oromia regional state Oromia is influx of many investors in the area which includes around 55 flower farms in the area. As compared to other flower farms in Ethiopia, Oromia among the oldest floricultural industry is growing in the county; hence, drawing the attention and interest of the researcher to determine the effects of flower farming on community, & economic growth in county. Even though location those investments is in Oromia Many foreign investor taken their investment license from EIC &the product is export oriented NBE was under consideration to get macroeconomic variables. On the other hand, two field study among the floriculture business to assess its impact the socio-economic and environmental implication of floriculture industry. One of the field study area were Holeta towns, the five Oromia special Zones & Bishoftu town.

In Holeta 9 flower farm only five are on the operation with employee total 578 data from Holeta investment office (2009 EC) & in Bishoftu four flower farms with total employees 1,324 Bishoftu Investments Office (2009 EC).

3.3. Sampling Technique and Sample Size

In all forms of research, it would be ideal to test the entire population, but in most cases, the population is just too large that it is impossible to include every individual. This is the reason why most researchers rely on sampling techniques like convenience sampling, the most common of all sampling techniques (Saunders, M., Lewis, P. & Thornhill, A, 2012). Thus, the researcher used convenience sampling method to select the sample for the study. Convenience sampling a statistical method of drawing representative data by selecting people because of the ease of their volunteering or selecting unit because of their availability or easy access .the advantage of their this type of sampling are the availability and quickness with which data can be gathered. It is the Non-probability samples that are unrestricted. Since, the researcher have the sole freedom to choose whomever they find, include the opinion of people and also this method is extremely speedy, easy and cost effective., normally, the cheapest and easiest to conduct.

To get a representative sample from the population the following sample technique will be utilized.

$$n = \frac{Z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + Z^2 \cdot p \cdot q}$$

Where

P = sample proportion, q = 1-p;

Z = value on standardized normal distribution curve corresponding to the level of significance.

The level is usually 5% and the corresponding Z value is 1.96.

N = number of total population of Holeta and Bishoftu towns flower farm;

n = sample size required;

Source: C.R. Kothari (2004)

A 95% confidence level is used to select the appropriate sample size and the value of Z is 1.96.

e = 0.05 which is acceptable sample error;

p = 0.5, where q is 1-p;

N = 7,246

$$n = \frac{(1.96)^2(0.5)(0.5)(1902)}{(0.05)^2(1902 - 1) + (1.96)^2(0.5)(0.5)} \quad \underline{n \approx 320}$$

Based on the above information, the sample size (n) is calculated for the target population of 1,902 and it is 320.

By using the sample size obtained from the above formula, the proportion or the strata sample size is determined for each kebele. The strata sample size is determined based the below mentioned equation:

$$nh = \left(\frac{Nh}{N} \right) \times n$$

Where;

nh is the sample size for stratum h;

Nh the population size for stratum h;

N is the total population size;

n is the total sample size.

Table 3.1: Sample Size Determination

	Targets population	Sample size
Holeta town		
DireHighland Flower	160	41
Dream flower PLC	73	11
EthioDream flower PLC	177	23
EthioAgro Ceftplc	135	12
A Flowers PLC	33	9
Bishoftu Town		
Ever green farm PLC	166	27
Joytechplc	713	175
Roshanar Rose PLC	274	5
Yasim General Business	171	17
Total	1902	320

3.4. Types and Instruments of Data Collection

3.4.1. Sources of Data

Primary data: - is new data gathered to help solve the problem at hand and collected by the researchers through Questioner & interview. The Key Informant Interviews were held with focal persons such as Towns investment bureaus, employees of the company team leaders & Proportional samples of 20% of the households were selected for the interviews from residence around the flower farm using convenience sampling method technique. Interview need a flexible approach to the interview process, where key concepts are devised and a number of suggested questions that relate to the key concepts are drafted (Kvale & Brinkmann, 2009). Questioners & Interviews are used in two ways: 1) To back up findings from the economic regression analysis and 2) to discuss my findings, and attempt to see practitioners' understandings of how FDI in floriculture interacts community. All interviews have been conducted by respondent language.

Secondary data:-Initially, the data used in this study is a time series/historical data collected from different sources such as Oromia investment commission, National bank of Ethiopia, Ethiopia horticulture & land investment Authority Ethiopia investment commission, & Ethiopia horticulture production exports association. Yearly time series data on the different variables under investigation ranges from 2006-2016. The length of sample period is limited by the availability of data for some of the variables. This means the period over which data is available for all of the variables, is taken to be the sample period of analysis in this paper. Secondary data is also the main source of information on the theoretical part of this study. For data on macroeconomic variables, and country profile, the internet, and CBE library database are used to review relevant articles and books. All data used in manipulated for use in terms of levels or growth rates in empirical and descriptive analysis.

3.4.2. Instruments of Data Collection

According to Johnson & Christensen (2008), qualitative research is used to understand and interpret social interaction whereas quantitative research will enable us to test hypotheses, look at cause and effect, and make predictions (Johnson and Christensen 2008). Qualitative researches have an advantage of recognizing the inherently subjective

The primary data that will be collected through questionnaires and interview schedules Data will be gathered through structured and semi-structured household interviews; and also interviews will administer to the selected employees and interview guides to the key informants. Whereas Questioners was distributed to all sample selected who write and read, Direct Observation and Field Notes. In addition, secondary data was also obtained from review of documents and published works, including government legislations and policy documents as well as works produced by international agencies (such as the World Bank, IFPRI and FAO). Online sites of international activist organizations, media outlets and other web sources have also been accessed for more secondary data.

3.5. Data Analysis and Interpretation

With regard to data analysis, the study was carried out using descriptive and inferential statistics. The Statistical Package for Social Scientists (SPSS) version 21.0 was used in performing data analysis. The descriptive statistics includes frequencies, percentages, means and standard deviation. The researcher will use a time series data from 2002 to 2016 in the analysis. The study uses a linear regression approach in determining the influence and relationship which Foreign Direct Investment has on Ethiopia economic growth. It was look at FDI (in floriculture) and economic growth. The statistical methods that used include the Ordinary Least Square Method (OLS).

Theoretically, FDI in the neoclassical growth model promote economic growth by increasing the volume of investment, in the endogenous growth model, FDI raises economic growth by generating technological diffusion from developed countries to developing countries where lack of appropriate technologies and financial resource is hampering development (Borensztein et.al., 1998).

In this section, we start from the standard production function and extend to include our variable of interest in order to test to what extent FDI explains economic growth in Ethiopia. In order to test this, a standard production function is used given by: $Y = f(K, L)$, where output is a function of capital and labor. In order to capture the impact of FDI on growth, This effect/ impact were assessed using linear regression model consisting of three independent variables; Export, Growth

Domestic saving, Growth Fixed capital formation and FDI inflows in Floriculture and one dependent variable which is Growth will be measured by GDP.

$$Growth = f(\text{Export, GDS, GFCFper GDP, FDI Inflow in Flori})$$

From the above linear regression modal, the following equation summarizes the empirical model for investigating the potential impact that FDI In floriculture might have on Ethiopia economic growth.

$$Growth = \beta_0 + \beta_1 \text{Export} + \beta_2 \text{GDS} + \beta_3 \text{GFCFper GDP} + \beta_4 \text{FDI Inflow in Flori} + \hat{U}_t$$

Where *Growth* = Economic growth of a country measured by GDP

FDI inflow Floriculture = FDI inflows in Floriculture industry

GDS = Gross Domestic Savings as percentage of GDP

GFCF = Gross fixed capital formation proportion to GDP(GFCF/GDF)

β_0 = Intercept\constant tetm

$\beta_1, \beta_2, \beta_3, \beta_4$ = slope\coefficients to be estimayed \hat{U}_t

= Stochastic error term with zero mean and constant variance

Therefore, based on the above model estimations, the causality among the study variable is examined empirically latter in the chapter 4.

3.6. Definitions Variable

- **Real Gross Domestic Product (RGDP):** Real GDP is included to capture the performance of the economy. It is the main outcome variable in this study. Economic growth is conventionally measured as percent rate increase in real GDP.
- **Gross fixed capital formation:** this includes land improvement, construction of roads, pure water, schools, and embodying product such as machinery, equipment and tools (Aseidu, 2004).that measured in terms of GDP

- **Gross Domestic Investment:** Domestic Investment pertains to the contribution of Government of the country towards its economy growth Kowalski, (2000). The literature purports a positive relationship between gross domestic investment and the economic growth Kogid 2010. The proxy used for this variable is Gross Domestic Savings as percentage of GDP.

- **Technology transfer Dummy (TTD):** A dummy variable is used to control for the potential effects of technology transfer often instigated by foreign direct investment which change the growth rate or level of one or more variable and alters the relationship. According to the literature, there are four channels through which these packages of technology transferred by FDI can be diffused in the host country. These include: (a) FDI establishing linkages with domestic enterprises as suppliers (backward linkage) or users (forward linkage). (b) Skills transfer through training, learning by doing, learning by interacting, and job mobility, (c) demonstration effects as local firms copy or adapt new technologies, market channels and management techniques introduced by foreign investors.

The study used independent and dependent variables in order to put the study into practice. These dependent and independent variables are shown in the conceptual framework. Therefore the independent variables are export, fixed capital formation per GDP, Growth domestic saving per GDP , and FDI in floriculture, and Economic growth were taken as the dependent variable for the study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter deals with the presentation of data, analysis and interpretation. Based on information gathered from OIC, NBE, ERCA, EHCLIA different journal articles, books and in the form of questioners, websites of organizations and catalogues in floriculture development, to identify its impact on economic development and set of criteria to evaluate the floriculture activities from the social and environmental perspective.

4.1. Model Specification

4.1.1. Model Diagnosis

Model Diagnosis -before directly pitching to into interpretation, all the post –estimation model diagnostic test were conducted for the regression to be discussed subsequently.

Table 4.1: Summary of ANOVA^a statement

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	663769097541.398	5	132753819508.280	1393.218	.000 ^b
	Residual	857571451.662	9	95285716.851		
	Total	664626668993.060	14			

a. Dependent Variable: Economic GrowthinGDP

b. Predictors: (Constant), TT Dummy, Export, Gross fixedcapitalformationperGDP, Growth Domestic saving, FD Inflow inflower investment.

ANOVA statement shows that the model fits the expectation since the F statistic is less than p value of 0.01 at the 99% confidence interval. The R-squared ratio of 0.999 indicates that the independent variables included in the model explain the dependent variable and remaining change in economic growth may be accounted for variables other than the variables included in this study

Table 4.2: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.999 ^a	.999	.998	9761.4403	.999	1393.218	5	9	.000	1.702

The residual were **normally distributed** and the histograms bell –shaped which confirm the validity of test statistics of the model attached at appendix of the research. Under the table 4.2 model summary DW closer to 2 autocorrelation is in evident (*zero autocorrelation* auto correlated)& addition the graphic plot method were employed for autocorrelation test.

.Table 4.3: Collinearity diagnostics

model	Dimension	Eigenvalue	Condition index	Constant	Export	FDI inflow	Growth Domestic saving	GFCF per GDP	TT dummy
1	1	5.029	1.000	.00	.00	.00	.00	.00	.01
	2	.508	3.147	.00	.02	.00	.00	.00	.72
	3	.304	4.066	.01	.00	.00	.03	.09	.03
	4	.104	6.963	.02	.55	.00	.01	.00	.13
	5	.053	9.755	.07	.08	.00	.03	.87	.02
	6	.002	27.376	.91	.35	1.00	.93	.04	.09

NB; **condition index** greater than 15 indicates a possible problem. But an index greater than 30 suggests a serious problem with collinearity. In addition to this, according to table 4.5 the variance inflation factor (VIF) test showed that there is no considerable **multi-co-linearity** among the explanatory variable.

$$\text{Growth} = f(\text{Export, GDS, GFCFper GDP, FDI Inflow in Flori})$$

From the above linear regression modal, the following equation summarizes the empirical model for investigating the potential impact that FDI In floriculture might have on Ethiopia economic growth.

$$\text{Growth} = \beta_0 + \beta_1\text{Export} + \beta_2\text{GDS} + \beta_3\text{GFCFper GDP} + \beta_4\text{FDI Inflow in Flori} + \text{U}_t$$

Where *Growth* = Economic growth of a country measured by GDP

FDI inflow Floriculture = FDI inflows in Floriculture industry

GDS = Gross Domestic Savings as percentage of GDP

GFCF = Gross fixed capital formation proportion to GDP(GFCF/GDF)

β_0 = Intercept\constant term

$\beta_1, \beta_2, \beta_3, \beta_4$ = slope\coefficients to be estimated

= Stochastic error term with zero mean and constant variance

4.2. The extent at which FDI inflows in Floriculture Industry Influence Economic Growth in Ethiopia

The table 4.4 shows the summary statistics of variables included in the regression Analysis model. Statistics include mean, & standard deviation

Table 4.4: Descriptive Statistics

	Mean	Std. Deviation	N
Economic Growth in GDP(In million)	495876.850	217883.7614	15
Export	13326.819	76844763.7948	15
FDI in flow flower investment	5665.022	1792.8253	15
GDS	6026.567	4906.6504	15
GFCF per GDP	10.059	3.6765	15
TT Dummy variable	.47	.516	15

4.2.1. GDP Growth

Table 4.4 reports some descriptive statistics for the variables incorporated in this study (2002-2016/7). It appears that the mean of FDI in floriculture business as a ratio of GDP is 5665.02 over the period; the mean of real GDP is 495,876.85 in million; the mean of ratio of export to GDP ratio is 13,326.812; the mean of GDS over the period is 6,026.57; the mean of gross fixed capital formation as percentage of GDP is 10.059; and technology transfer over the period is 47%. The lowest mean were observed for GFCF and technology transfer is implies that FDI inflow inadequate in technology transfer. According to table 4.2 above the findings show that GDP

growth reveals an impressive pattern with the larger standard deviation of 217883.7614 which reflects normal distribution. The a maximum growth can be linked to the increased FDI in all variable under the study except for the technology transfer and gross fixed capital formation per GDP in which FDI had declined respectively.

From the table 4.4 above the findings show that FDI inflow in floriculture recorded the lowest FDI inflow of with Std. Deviation1792.83 in the period under review, resemblances' with domestic investment relatively with Std. Deviation 4906.65 .but, the findings imply that FDI in floriculture significantly growing relative to other variable. On the other hand, Gross fixed capital formation per GDP shows a smallest standard deviation of 3.6765. This indicates that gross fixed capital formation the lowest contribution to GDP.

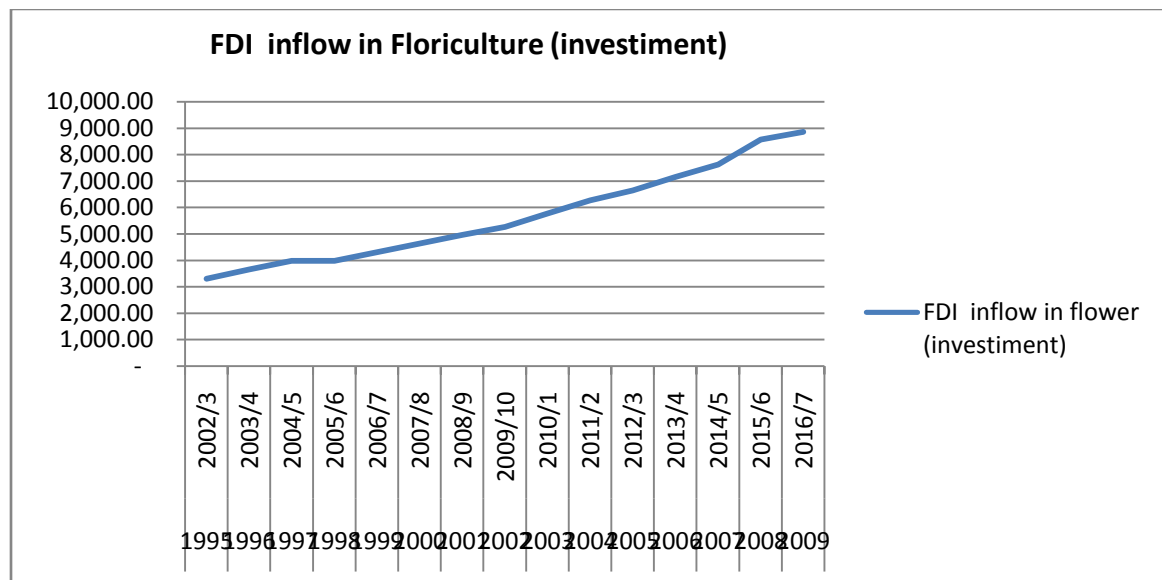


Figure 4.1: FDI inflow in flower investment in Ethiopia, 2002/3-2016/7

Source: *own computation from OIC unpublished data, Septembers 2017*

Figure 4.1 above illustrates the trend of FDI inflow into Ethiopia from 2002/3to 2006/7. It shows the low levels of the inflows during the early 2000’s during which time the Structural Adjustment Programs (SAPs) were implemented to counter the trend. There is a spike between 2009/10 and 2013/4then the country embraced regional stability. The pattern thereafter is erratic with the lowest figure being recorded. Culminating in a peak value at the end of the duration

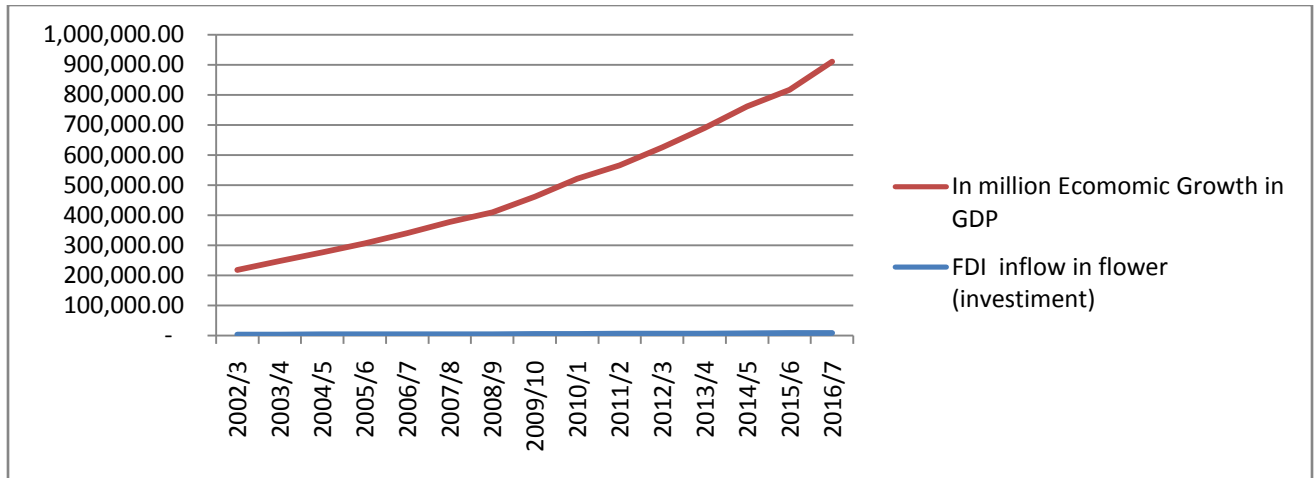


Figure 4.2: GDP Growth and FDI

Source: own computation from OIC & NBE unpublished data, Septembers 2017

Figure 4.2 shows that the figure for GDP increases steadily for the 15 year period since 2002/3 then experiencing a steady but high upward trend in the subsequent years. A passing glance at the graphical depiction of the two variables also indicates that they have a positive direct relationship over the period.

4.2.2. Export Performance

According to Table 4.4 Export performance in Ethiopia has been steadily improving, Exporting allows firms in developing countries to enlarge their markets and benefits from economies of scale. The contribution of floriculture export is highly significant to the economic growth with the highest Std. Deviation 76,844763.79.

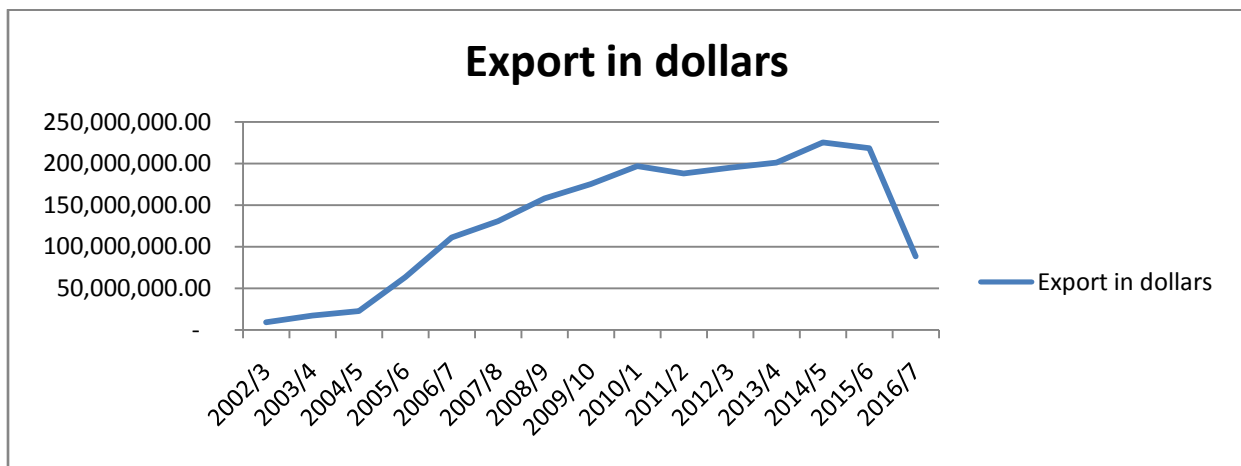


Figure 4.3: Export per Year

Source: Ethiopia revenue and customs authority (ERCA).

Additionally in the past fifteen years the contribution of foreign direct investment in terms of generating foreign exchange through export has been from the graph above, despite the dips in the year 2002/2 to 2004/5 then experiencing a steady but slow upward trend from 2010/1 up to 2013/4 in the subsequent years then culminating in a peak value at the end 2013/4

Table 4.5: Pearson Correlation Coefficients by bivariate

Independent	Dependent	Pearson correlation	N	p -value
Export		0.683	15	.002
FDI in inflow Floriculture		0.998	15	.000
Gross Domestic saving	Economic Growth	0.97	15	.000
GFCF per GDP		0.065	15	.049
TT dummy		0.111	15	.347

Source: SPSS correlations analysis result based on questionnaire survey, 2017

Pearson correlation statistic was used to test correlation among the study variable. Accordingly from the above table it can be observed that export is positively and significantly related with economic growth. This means that exporting will have a corresponding change on the economic growth performance significant at 1%. Similarly, FDI in floriculture is highly positively related with economic growth significant at 1%. All variables are positively related and significant at 1% and 5% except the technology transfer.

Regression Analysis Regression

A regression is a technique that can be used to investigate the effect/impacts of one or more predictor variables on an outcome variable and it also allows us to make statements about how well one or more independent variables will predict the value of a dependent variable **Cooper and Schindler** (2003). Therefore, all variables under FDI were entered into regression analysis to determine their relative impact on Economic growth in Ethiopia. Regression Analysis is used to ascertain the extent of FDI in flows (Export, FDI in floriculture, GDS, GFCF per GDP and Technology transfer) and explains the dependent variable (Economic growth). Therefore, the last hypothesis was tested using the regression output.

Table 4.6: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-107112.460	23925.242		-4.477	.002		
Export	.012	.000	.051	2.538	.004	.362	2.766
FDI inflow in flower invest	94.005	7.479	.774	12.569	.000	.038	7.417
GDS	8.735	2.455	.197	3.558	.005	.047	9.321
GFCF per GDP	-548.782	798.985	-.009	-.687	.509	.789	1.268
TT Dummy	5.879	5565.222	.021	1.627	.138	.824	1.213

a. Dependent Variable: Economic Growth in GDP

Figures in parenthesis denote p-values, *significant at 1 percent, **significant at 5 percent

FDI inflow in floriculture of the host country was found to be significant in promoting economic growth in Ethiopia positively, sign with .774 beta coefficient. Given other thing constant, a 1 increase change in FDI in inflow of the host country causes economic growth increase approximately 94. This finding may put forward evidence that the Ethiopia government attract investor to invest in Ethiopia with providing incentive the motive of searching low cost input and exporting it to other countries as a raw material, semi-processed product, and processed product. Looking at the areas which Ethiopian Investment Agencies prioritize for foreign investors might as well be proof of this.

Another finding from the estimation is that the relative importance of other independent variables in contributing to the Economic growth was explained by the standardized Beta coefficient. The beta values of the independent variables, Export, and gross domestic saving, 0.51, & 0.197 respectively. So, result obtained from the regression analysis displays that export and gross domestic saving are more significant and statistically meaningful in terms of improving Economic Growth. This implies that, a 1% increase or decrease on the Export and gross domestic saving will increase or decrease Economic growth by 2.1 percent and 8.74 percent respectively. However, the result GFCF per GDP of the host country is negatively related to economic growth, and the variable is insignificant. Similarly, technology transfer for Economic growth in host country are statistically insignificant but positively related to FDI.

4.3. Data Analysis to Identify Social-Economic and Environmental Impacts of Horticulture on Local Communities' Means of Living

The following tables will reveal opinion towards the influence of floriculture industry on community and environment. The first table discusses about impact of flower industry on the employees response.

Demographic Profile of Respondents

Table 4.7: Gender and Ages of Respondents

Variable	Category	Frequency	Percent
Genders	Male	84	41.8
	Female	117	58.2
	Total	201	100.0
Ages	<25	80	39.8
	26-35	55	27.4
	36-45	45	22.4
	above 46	21	10.4
	Total	201	100.0

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

As shown in the above table, of the respondents 41.8% (84) were male and the remaining 58.2% (117) were females. This indicates that the number of proportions between male and female employees in the concerned in the flower farm is not proportional numbers of the female is high. With regard to respondents` age category, 80(39.8%) of the respondents fall under the age category of less than 25. The next higher groups were 55(27.4%) and 45(22%) fall under age categories of 26-35 and 36-45 respectively. The remaining group 21 (10.4 %), was under the age categories of 46 and above years. This implies that 67.2% of employees of the are relatively younger employee`s composition less than age 35.

Table 4.8: Marital Status and Educational Attainment of Respondents

variable	Category	Frequency	percent
Marital status of the respondent	Single	113	56.2
	Married	71	35.3
	Divorced	15	7.5
	Windowed	2	1.0
	Total	201	100.0
Educational attainment the respondent	Grade<8	14	7.0
	Grade9-10	87	43.3
	Grade11-12	38	18.9
	Certificates	43	21.4
	Higher education	19	9.5
	Total	201	100.0

Source: SPSS descriptive analysis result based on questionnaire survey, **2017**

The above table demonstrates that of the total respondents 113 (56.2%) were single, 71(35.3%) and 15(7.5%) was married and divorced respectively. The remaining 2(1%) were windowed. This indicates that most of the respondents are single, therefore the in the flower industry is said to have an employee’s mobility problem due to singles are more sensitive to mobility than Job Security. Accordingly, 14(7%) of respondent was less than Grade 8 educational qualification & 87 (43.3%) of the total respondents were Grade 9-10 the wide base in the flower farm 38 (18.9) Grade 11-12 certificate the second highest in this field of work 43(21.4) &19 (9.5) holders of first degree.

Table 4.9: Table 4 Year of service and current position of respondents

variable	category	Frequency	percent
current position	team leader	11	5.5
	Non- team leaders	190	94.5
	Total	201	100.0
year of service in Floriculture industry	<3	98	48.8
	3-7	72	35.8
	above 7	31	15.4
	Total	201	100.0

Source: SPSS descriptive analysis result based on questionnaire survey, **2017**

Regarding the position of respondents 11 (5.5%) of them were working as the team leader position and the remaining 190 (94.5%) fall under the category of non-team leader. Out of 201 respondents, 98(48.8%) had worked a year less than three years in the industry followed by 72(35.8%) of employed that had been service for a period between 3-7, while 31(15.4%) of employees above 7 years work experience.

Table 4.10: Descriptive Statistics of items that measure employee’s response on the effect of flower farm.

Item		Yes	No	Total
Did floriculture create employment opportunity?	No.	127	74	201
	%	63.2	36.8	100.0
Did worker have collective bargaining power?	No.	89	112	201
	%	44.3	55.7	100
Did wage or salary they earn from the floriculture business, sufficient enough to run their way of living?	No.	52	149	201
	%	25.9	74.1	100.0
Did workers receive annual bonus from the flower farm?	No..	76	125	201
	%	37.8	62.2	100

Source: SPSS descriptive analysis result based on questionnaire survey, **2017**

In the above table item No. 1earlier claims made by the investor to provide significant employment opportunity for the local people, according to OIC report. In this study from total of 201 respondent 127 (63.2%) said they benefited from job opportunity in the industry but 74(36.8%) respondent indicating that that they not benefited from job opportunity; according to Rahamato (2011) there is a tendency to bring workers from other areas than hiring the ones in the local community; most of the workers who carry out the skilled jobs came from urban areas of the country and from original investor came.

ItemNo.2 Even though organizing themselves is very fundamental issue for floriculture industry workers to keep their rights, unfortunately it is highly detested by almost all flower farms employers Because as 112(55.7%) said that worker have not collective bargaining power.

As depicted in the above table, 74.1% of the respondents said No with the statement about Did wage or salary they earn from the floriculture business, sufficient enough to run their way of living?; however, about 52(25.9%) of the respondents are said sufficient enough to run their way of living

With regard to, the question did workers receive annual bonus from the flower farm? , 76(37.8 %) said yes and 125(62.2%) of the respondents replying no this indicating that the providing of the bonus to the employee different among the flower farm.

Table 4.11: Descriptive Statistics of items that measure employee’s on the response effect on the community.

Item	strongly disagree		Disagree	Neutral	agree	strongly disagree	Total
	No						
Many workers have lost their land to flower farm owners without adequate compensation for the plantations	No	115	35	10	23	18	201
	%	57.2	17.4	5	11.4	9	100
Flower farms contribute to the eradication of poverty since it offers different opportunity	No	72	40	-	51	38	201
	%	35.3	36.3	-	15.4	12.9	100
The expansion of floriculture industry contribute for the development of small enterprise in area	No	17	62	7	91	24	201
	%	8.5	30.8	3.5	45.3	11.9	100
Product from the industry create forward linkage opportunity for the community	No.	26	81	9	67	18	201
	%	12.9	40.3	4.5	33.3	9	100

Source: SPSS descriptive analysis result based on questionnaire survey, **2017**

The results in the Table 4.11 above show that 57.2%(115) of the respondents were indecisive as many workers have not lost their land to flower farm owners without adequate compensation for the plantations as a result of flower farming in the area. 17.2% (35) &5 %(10) respondents were disagreeing & neither agreed nor disagreed respectively.11.4 %(23) respondent &9 %(18) were agreed & strongly agree respectively. This leading to the two different conclusions; one the flower farm paid the adequate compensation for the worker that lost their land due to project or the employee in this commercial farm not hiring from local community.

Item No.2 more than half the respondent means 35.3% (72) & 36.3% (40) said strongly disagreed and disagreed respectively as flower farms not contribute to the eradication of poverty even it offers employment opportunity. According to **Dheressa** (2013) in his master thesis It is quite true that most workers don't eat flowers. But they are an important source of food security because of the income they bring to thousands of workers most of them women are still remain poor. 15.4% (51) & 12.9% (38) agreed and strongly agreed respectively.

Item No.3 one of key importance is that whether the investor is local or foreign following their footprint the development small enterprise. Therefore, out of the total respondent 8.5% (17) and 30.8% (62) strongly disagree and disagree with the statement 'the expansion of floriculture industry contribute for the development of small enterprise in area' respectively. 3.5% (7) respondent was neutral; majority of the respondent **40.3%** (81) agree with the statement and 16.9% (34) strongly agree. This implies that expansion of floriculture business contribute to the development of the small enterprise.

Concerning to the last that product from the industry create forward linkage opportunity for the community, 23.9% (48) and 52.7% (106) of the respondents strongly disagree and disagreed with this statement; however, 2% (4) of respondents were neutral. Whereas 13.4% (27) of the respondents agreed with the statement. This implies that the concerned the industry product is not creating the forward linkage opportunity for the community.

Table 4.12: Descriptive Statistics on the effect of the floriculture industry on facility and service

Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Total
Flowers farming in the area has improved the of physical infrastructures such as road, bridges	No.	111	29	9	36	16	201
	%	55.2	14.4	4.5	17.9	8	100
Housing sector has expanded since the introduction of flower farmers in the area	No.	47	121	3	20	10	201
	%	23.4	60.2	1.5	10	5	100
public facilities like health center water pup line school have benefited from the farming business in the area	No.	51	108	-	32	10	201
	%	25.4	53.7	-	15.9	5	100
Transport is provided by the flower farms	No.	17	22	9	125	28	201
	%	8.5	10.9	4.5	62.2	13.9	100

Source: SPSS descriptive analysis result based on questionnaire survey, **2017**

The results in the Table 4.12 above show that 55.2% (111) of the respondents strongly disagreed & 14.4% 29 respondent disagree that flower farming in the area has not improved the state of physical infrastructures such as roads, bridges in the area. 4.5% (9) of respondent was neutral. 17.9% (36) & 8% (16) strongly agreed and agreed with statement respectively

Item No. 2. 23.4% (47) & 60.2% (121) of the respondents strongly disagree and disagreed that housing sector has not expanded since the introduction of flower farming in the area. 1.5% (3) of the respondents was neutral. Few respondent 10% and 5% were agreed & strongly agreed with statement respectively. . While 53.8% of the respondents disagreed public facilities like health center water pup line school have benefited from the farming business in the area. 25.4% of respondent strongly disagreed with the statement. Generally, this implies that the contribution of flower farm to public facility such as water and school small in area.

On the other, Transport is provided by the flower farms to ensure its competitiveness, 17(8.5%), 22(10.9%), 9(4.5%) 4.5% (9) and 13.9%(28) of respondents strongly disagreed, disagreed, neutral, and strongly agreed with the statement respectively. In this statement 62.2%(125) of the respondent agreed that flower farm business provided Transport service to the employees.

Table 4.13: Descriptive Statistics of flower farm on the environmental impact

Item	Strongly disagree		Disagree	Neutral	Agree	strongly agree	Total
	No.	%					
The flowers farm industry impacts waters resources by causing a noticeable drop in the water table	No.	9	15	1	116	60	201
	%	4.5	7.5	0.5	57.7	29.9	100
Some large-scale flower hothouses discharge their pesticide residues directly into natural waterways	No.	9	15	10	157	11	201
	%	4.5	7.5	5	78.6	5.5	100
People & animals have alternative drinking water even eve flower farm discharge pesticide residual	No.	32	100	4	46	19	201
	%	15.9	49.8	2	22.9	9.5	100
Flower farms let too much inorganic fertilizer into soil so that the soil develops salinity	No.	29	47	17	77	31	100
	%	14.4	23.4	8.5	38.3	15.4	100
Even if flower farm chemical containers are sealed and then buried, deep in to soil, we used for cultivation important seed after the investor sabbatical. no future environmental catastrophe	No.	45	34	22	40	60	201
	%	22.4	16.9	10.9	19.9	29.9	100

Source: SPSS descriptive analysis result based on questionnaire survey, **2017**

The results in the Table 4.13 above show that 9(4.5%) and 15(7.5%) of the respondents strongly disagreed and disagreed respectively with the statement about The flowers farm industry impacts waters resources by causing a noticeable drop in the water table; however, about 1(.5%) of the respondents are neutral. Whereas, 116 (57.7%) and 60 (29.9%) of the respondents strongly agreed and agreed with the statement. This indicates that the majority of employees believe that flower farm industry impacts water resources by causing a noticeable drop in the water table.

With regard to some large-scale flower hothouses discharge their pesticide residues directly into natural waterways, 9(4.5%) and 14(7%) of the respondents were strongly disagreed and disagreed with this statement; however 10(5%) of the sample respondents remains neutral. whereas 157(78.1%) of the respondents agreed with the statement. This indicated that large-scale flower hothouses discharge their pesticide residues directly into natural waterways.

On the other hand People & animals have alternative drinking water even eve flower farm discharge pesticide residual, 32 (15.9%), 100(49.8%), 4 (.2%) ,46 (22.9%) 19 (9.5%) of

respondents strongly disagreed, disagreed, neutral, and agreed with the statement respectively. We understand that from this sample questioner People & animals has not alternative drinking water even eve flower farm discharge pesticide residual.

With regard to the last environmental effect, 29(14.4%)& 47 (23.4%) of the respondents strongly disagreed &disagreed with statement respectively; however 17(8.5%) of the respondents neutral whereas 77(38.3%) and 31(15.4%) of the respondents agreed and strongly agreed with the statement. This implies that the Flower farms let too much inorganic fertilizer into soil so that the soil develops salinity.

Summary of respondent's perception whether they believe that even if flower farm chemical containers are sealed and then buried, deep in to soil, it used for cultivation important seed after the investor sabbatical, 45(22.4%), 34(16.9%), 22(10.9%), 40(19.9%) and 60(29.9%) of respondents strongly disagree, disagrees, neutral, agree and strongly disagree with the statement respectively. According to major respondent from the total sample Even if flower farm chemical containers are sealed and then buried, deep in to soil, we used for cultivation important seed after the investor sabbatical no future environmental catastrophe.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents summary of the major findings, the conclusions and recommendations that were drawn from the previous chapters of this study.

5.1. Summary of Major Findings

By undertaking a detailed and thorough analysis on the impact of FDI in floriculture industry on economic growth, the results of the study findings are summarized as follows;

- ❖ The demographic result of the study indicates that 41.8% were male and the remaining 58.2% were females. Concerning the respondents` age group, 39.8% fall under the age category of <25 While the next higher groups 27.4 % and 22% fall under age categories of 26.35 and 36.45 respectively. The remaining 10.4% were above 46 years.
- ❖ The marital status of respondents shows that out of total respondents 56.2% of respondents were single and the remaining 35.3% and 7.5% were married and divorced respectively.
- ❖ The study also indicates the educational attainment of the respondents. Accordingly, 14(7%) of respondent was less than Grade 8 educational qualification & 87 (43.3%) of the total respondents were Grade 9-10 the wide base in the flower farm 38 (18.9) Grade 11-12 certificate the second highest in this field of work 43(21.4) & 19 (9.5) holders of first degree.
- ❖ The other result detected from the study was the service year of the respondents, 98(48.8%) had worked a year less three years in the industry followed by 72(35.8%) of employed that had been service for a period between 3-7, while 31(15.4%) of employees above 7 years work experience
- ❖ Descriptive statistics were used to indicate the means for FDI in floriculture business as a ratio of GDP is 5665.02 over the period; the mean of real GDP is 495,876.85 in million;

the mean of ratio of export to GDP ratio is 13,326.812; the mean of GDS over the period is 6,026.57; the mean of gross fixed capital formation as percentage of GDP is 10.059; and technology transfer over the period is 47%. The lowest mean were observed for GFCF and technology transfer is implies that FDI inflow inadequate in technology transfer

- ❖ Pearson correlation coefficients were computed for the purpose of determining the relationship between the independent variables (FDI) and the dependent variable (Economic growth). Thus, there was a positive and significant relationship between the variables stated above. Export $r=0.683$, FDI $r=0.993$, GDS $r=0.97$, GFCF $r=0.065$, technology transfer $r=0.111$. This implies that all independent variables have a positive and significant relationship with Economic growth.
- ❖ The regression analyses were conducted to determine the relative impact of independent variables on economic growth the value of the R-squared ratio of 0.999 indicates that the independent variables included in the model explain the dependent variable and remaining change in economic growth may be accounted for variables other than the variables included in this study.
- ❖ FDI inflow in floriculture of the host country was found to be significant in promoting economic growth in Ethiopia positively with .774 beta coefficient. Given other thing constant, a 1 increase change in FDI in inflow of the host country causes economic growth increase approximately 94. The beta values of the independent variables, Export, and gross domestic saving, 0.51, & 0.197 respectively. So, result obtained from the regression analysis displays that export and gross domestic saving are more significant and statistically meaningful in terms of improving Economic Growth. This implies that, a 1% increase or decrease on the Export and gross domestic saving will increase or decrease Economic growth by 1.2 percent and 8.74 respectively .However, the result GFCF per GDP of the host country is negatively related to economic growth, and the variable is insignificant .similarly, technology transfer for Economic growth in host country are statistically insignificant but positively related to FDI.

- ❖ Finally this study examined the socio-economic and environmental impacts of the FDI in floriculture on local community and employees on the case of field study two area in Oromia Holeta and Bishoftu using questioner and interviews Descriptive Statistics on effect of flower farm on employees the investor to provide significant employment opportunity for the local people, according to OIC report. In this study from total of 201 respondent 127 (63.2%) said they benefited from job opportunity in the industry but 74(36.8%) respondent indicating that that they not benefited from job opportunity. 74.4% not satisfied with wage or salary they earn from the floriculture business.62.2% of respondent said not to statement they not receive other benefits like annually bonus.
- ❖ Descriptive Statistics on effect of flower farm on local community 57.2% of the respondent decisive as many local communities have lost their land to flower farm owners without adequate compensation for the plantations as a result of flower farming. More than half the respondent means 71.3% said disagreed as flower farms not contributes to the eradication of poverty. 52.7% of respondent disagree that product did not created forward linkage opportunity for the local community.
- ❖ Descriptive Statistics on the effect of the floriculture industry on facility and environment 69.6% (111) of the respondents s disagreed that flower farming in the area has not improved the state of physical infrastructures such as roads, bridges and 60.2%of the respondents disagreed public facilities like health center water pup line school have benefited from the farming business. Finally 57.7%this indicates that the majority of employees believe that flower farm industry impacts water resources by causing a noticeable drop in the water table.65.7%this sample questioner indicated that People & animals has not alternative drinking water even eve flower farm discharge pesticide residual.

5.2. Conclusion

In the empirical analysis, the impacts of foreign direct investment on economic development in Ethiopia were investigated. In this thesis, economic development is measured in terms of real GDP growth, export performance, GDS, GFCF per GDP, and technology transfers. FDI in floriculture is assumed to affect economic development through these four channels as outlined in the analytical framework. The growth analysis applied a standardized production function, in line with the modernization school of thought, based on neoclassical and endogenous growth models. The model was extended to include FDI and other controlled variables to capture the impact. The analysis found that inflow of FDI in floriculture is positively associated with economic growth and statistically significant at the 1 percent level of significance. The analysis also found a positive and significant relationship between domestic saving and economic growth. This could further be argued the possibility of a “crowding in” effect from FDI. This could mean that FDI and domestic saving in Ethiopia complement each other instead of FDI being a substitute for domestic investment.

To investigate the relationship between export performance and FDI inflow floriculture in Ethiopia, this thesis applied a correlation test based econometric/statistical analysis. The result shows that there is a positive association between FDI and export growth in Ethiopia, though the coefficient value is moderate, i.e. the relationship is not a strong one. Export performance enhancing effects of FDI in Ethiopia were more or less promising but did not provide a satisfying result perhaps due to lack of foreign investment in major export sectors of the country.

This paper also investigated the effects of FDI on GFCF in Ethiopia .The regression analysis found a statistically insignificant and negative relationship between FDI and gross fixed capital formation in Ethiopia. However, CFCF correlation analysis indicated positive relationship between productivity and foreign investment in Ethiopia. Similarly paper investigate effect FDI in floriculture in terms of technology transfers insignificant

Finally this study examined the socio-economic and environmental impacts of the FDI in floriculture on local community and employees on the case of field study two area in Oromia in Holeta and Bishoftu using questioner and interviews. Even though, significant contribution to nation economic growth. But, floriculture project has negative economic impacts on the local

livelihoods. Local community in loss of vital livelihood resources These include loss of grazing land, crop land, grass land, firewood, water resources and residence areas it is first economic impact of FDI in floriculture. The loss of crop land of the local communities, on which they had been growing crops both for household consumption and sale result, some households are forced to buy crops from the market to compensate for the loss and this incurs them additional cost there is no significant increase in crop production and supply in the study area as a result of the project. In fact, the company's productivity has not been satisfactory as determined by subsequent crop failure. Even if crop production is significant, the expected benefit to the local people is going to be negligible as the company intends to export much of it.

Secondly, there is no significant job opportunity to the local communities as a result of the investment project, since the company employed only a couple of workers who came from urban areas or abroad even got chance to employed in this FDI project there is no satisfactory income they generate. Finally, there was also no significant infrastructural expansion in the study area as a result of the project. The only infrastructure built by the company was road linking the district to the main road, but this too was intended to connect the project site to the main road and hence was not intended to benefit for local communities.

5.3. Recommendations

Overall, FDI in floriculture has in general made a positive contribution to economic development in Ethiopia when it is measured in terms of real GDP growth. It is also clear, however, that FDI in floriculture could be leveraged to a much larger extent in the coming years and decades, if appropriate strategies and policies are put in place through the concerted and combined efforts of the Ethiopian government and with the active involvement of the private business sectors. FDI in floriculture limited, in same regional in distribution due to infrastructure facility. So, this must improve to equally distribute.

The lacked coordination between Ethiopia investment commission and regional investment bureau many investor take their license from Federal they never obey regional administration policy regional only for providing land of hector determine by ECI. The contribution of the FDI in for region is taking land only this must improve to region practice their right.

The incentive proved to the investor must be properly implemented to work to attract foreign investor. example instead of only providing tax haven for three or five years to companies they should also consider inducements like lowering taxes on imported parts like machines that are specifically going to be installed in various industries and infrastructures.

As we observed in the data analysis local community demand as they not benefit from the project of FDI in flow in floriculture rather to leave the crucial asset the land with minimal compensation from which they got their annually income .but, taken at once not nutrition their family even for one year. According to the FDRE Constitution, article 40/1995 all urban and rural land is the property of the state and the Ethiopian people. Accordingly, sale, exchange and mortgage of land are prohibited. So, researcher also recommended that rather than giving this minimal compensation at once making them share with value of their land in the industry.to get annually in come and accept the industry as his property unless this FDI inflow is face the bigger challenge from the surrounding community what we can see the people protest in Oromia and across the county for last three years.

5.4. The Negative Effects of FDI in Floriculture

- 1 Besides, positive contribution of FDI in floriculture to the economic growth .The investment project has negative economic and environmental impacts on local livelihoods and Employees
- 2 As we observed in the data analysis local community demand as they not benefit from the project of FDI in flow in floriculture rather to leave the crucial asset the land with minimal compensation from which they got their annually income. According to the FDRE Constitution, article 40/1995 all urban and rural land is the property of the state and the Ethiopian people.

Accordingly, sale, exchange and mortgage of land are prohibited. So, researcher also recommended that rather than giving this minimal compensation making them share with value of their land in the industry. In order to get, annually in come and accept the industry as his/her property. Unless this FDI inflow is face the bigger challenge from the surrounding community what we can see the people protest in Oromia and across the county for last three years.

5.5. Suggestions on the Direction for Future Study

Topics for further research in the case of Ethiopia could be to replace the methodology used in this study only impact of FDI in floriculture. For instance, it would be interesting to subdivide foreign direct investment into the manufacturing, agriculture and service sector and assess their impact on real GDP growth to conclusion more accurate. In a similar fashion, real GDP growth could be disaggregated into different sectors.

.Also in other countries where their primary economic activities are exports and imports of goods and services, a similar study could be done but including Merchandise Trade as an independent variable and growth as a dependent variable.

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APPENDIXES

Addis Ababa University
College of Business and Economics
Department of Accounting and Finance
Master in Accounting and Finance (MSc)

Dear respondents

Frist of all, I thank you very much in advance for your willingness to spend some of your valuable time to respond to this survey questionnaire. My name is Mr. Amensisa Tafese Worku, a graduate student of “ Accounting and finance” at the University Addis Ababa. The purpose of this Questioner is to collect data for his master’s thesis titled ‘**Impact of Foreign direct investment on Ethiopia Economy**’. ‘*In case of Negative and positive Floriculture externality in Holeta town*’ the information gathered in this Questioners will be used only for academic purpose and that you will not be prosecuted for whatever you respond. Your full name will not be written down anywhere and your identity is kept strictly confidential.

There is no direct benefit or money to be given to you for participating in this study. However, I hope that the study will benefit your community by helping the researcher understand the impacts of the investment project and recommending what should be done to minimize the negative impacts/ increase the benefits. Thank you in advance!

Part:-I General Information

This section of the questionnaires refers to general information about the respondents. The information will allow me to compare groups of respondent

1. Gender: - Male Female
2. Age (in Years) :- <25 26 -35 36 – 45 above 46
3. Marital Status: - Single Married Divorced Widowed
4. Current position:- _____
5. Yours work Experience: - 2-3 3-7 above7
6. Qualification: - Illiterate Grade 5-8 Grade 11-12 Higher Education
 Grade 1-4 Grades 9- 10 Certificates

Part II: Impacts of flower farm on household

This is an interview schedule for the key informants of Household in Holeta towns. It's expected to guide the researcher on the issues concerning the flower farms in Holeta the level of corporate responsibility for education purposes only. Kindly answer by indicate the most appropriate answer in the spaces provided.

1. How long did you live in this area?

1. Less than five years
2. Less than ten years (5-10 years)
3. More than ten years
4. Native to the area

2. Do you own land?

1. Yes
2. No

3. What major crops do you grow for home consumption and sale?

4. Have you lost any useful land due to the investment project?

1. Yes
2. No

5. Did you get any direct compensation for lost opportunities?

1. Yes
2. No

6. Did you get other benefit as result of floriculture expansion in the area?

1. Yes
2. No

7. Does the project have any direct effect on your means of living?

1. Yes
2. No

8. Have you or other members of your family got any employment opportunity in the project?

1. Yes
2. No

9. Has any infrastructure been provided by the investor in your village?

1. Yes
2. No. If yes, what kind? _____

10. Have you benefited from the project in the form of technology transfer?

1. Yes
2. No

11. How did you cope with the effects of the lost opportunity due to floriculture industry?

PART III: Effects of Flowers farming on Employees

1. Did floriculture create employee opportunity?

1 Yes 2 No if yes permanent or temporally

2. Did worker have collective bargaining power?

1. Yes 2. No if No Why?

3. Did wageor salary they earn from the floriculture business, sufficient enough to run their way of living?

1 Yes 2 No

4. Did worker receive annual bonus from the flower farm?

1. Yes 2 No if No why?

PART IV: Effects of flower farming on community

Using a Likert scale of 1-5, with **5** being ‘**strongly agree**’, **4** being ‘**agree**’, and **3** being ‘**neither Agree nor disagree**’, **2** being ‘**disagree**’ and **1** being ‘**strongly disagree**’, to what extent do you Concur with the following statements related to the effects of flower farming on welfare of Workers and community in Holeta towns

Community effects

	Effect under consideration	1	2	3	4	5
1	product from the industry create forward linkage opportunity for the community					
2	The expansions of floriculture industry contribute for the development of small enterprises in area.					
3	Seasonality does not affect small business open holding across the foot line of floriculture industry.					
4	Flower farms contribute to the eradication of poverty since it offers different opportunity.					

PART IV: Effects of floriculture industry on facilities and Service

Using a Likert scale of 1-5, with **5** being ‘strongly agree’, **4** being ‘agree’, **3** being ‘neither agree nor disagree’, **2** being ‘disagree’ and **1** being ‘strongly disagree’, to what extent do you concur with the following statements related to the effects of flower farming on community facilities and services of workers in Holeta towns

7 Facilities and Services

Effects under consideration	1	2	3	4	5
1 Flowers farming in the area has improved the of physical infrastructures such as roads, bridges					
2 Housing sector has expanded since the introduction of flowers farming in the area					
3 public facilities like health centers ,water pup line schools have benefited from the flower farming business in the area					
4					
5 Transport is provided by the flower farms					

8. In what ways has your life changed since you started working with flowers?

9. Environmental effects.

Using a Likert scale of 1-5, with **5** being ‘**strongly agree**’, **4** being ‘**agree**’, **3** being ‘**neither agree nor disagree**’, **2** being ‘**disagree**’ and **1** being ‘**strongly disagree**’, to what extent do you concur with the following statements related to the effects of flower farming on Environmental effects in Holeta towns

Environmental effects.

Effects under consideration	1	2	3	4	5
1 The flowers farm industry impacts waters resources by causing a noticeable drop in the water table					
2 Some large-scale flower hothouses discharge their pesticide residues directly into natural waterways					
3 People & animals have alternative drinking water even eve flower farm discharge pesticide residual					
4 Flower farms let too much inorganic fertilizer into soil so that the soil develops salinity					
5 Even if flower farm chemical containers are sealed and then buried, deep in to soil, we used for cultivation important seed after the investor sabbatical.no future environmental catastrophe.					

Thank you!

REGRESSION RESULT

Descriptive Statistics

	Mean	Std. Deviation	N
InmillionEconomicGrowthinGDP	495876.850	217883.7614	15
Export	133263946.819	76844763.7948	15
FDinflowinflowinvestment	5665.022	1792.8253	15
GrowthDomesticsaving	6026.567	4906.6504	15
GrowthfixedcapitalformationperGDP	10.059	3.6765	15
TT Dummy	.47	.516	15

Correlations

		InmillionEconomicGrowthinGDP	Export	FDinflowinflowinvestment	GrowthDomesticsaving	GrowthfixedcapitalformationperGDP	TT Dummy
Pearson Correlation	InmillionEconomicGrowthinGDP	1.000	.683	.998	.970	.065	.111
	Export	.683	1.000	.685	.543	.288	-.068
	FDinflowinflowinvestment	.998	.685	1.000	.959	.081	.078
	GrowthDomesticsaving	.970	.543	.959	1.000	-.025	.171
	GrowthfixedcapitalformationperGDP	.065	.288	.081	-.025	1.000	.104
	TT Dummy	.111	-.068	.078	.171	.104	1.000
Sig. (1-tailed)	InmillionEconomicGrowthinGDP	.002	.002	.000	.000	.409	.347
	Export	.002	.002	.002	.018	.149	.405
	FDinflowinflowinvestment	.000	.002	.000	.000	.387	.391
	GrowthDomesticsaving	.000	.018	.000	.000	.464	.271
	GrowthfixedcapitalformationperGDP	.409	.149	.387	.464	.000	.357
	TT Dummy	.347	.405	.391	.271	.357	.000
N	InmillionEconomicGrowthinGDP	15	15	15	15	15	15
	Export	15	15	15	15	15	15
	FDinflowinflowinvestment	15	15	15	15	15	15
	GrowthDomesticsaving	15	15	15	15	15	15
	GrowthfixedcapitalformationperGDP	15	15	15	15	15	15
	TT Dummy	15	15	15	15	15	15

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.999 ^a	.999	.998	9761.4403	.999	1393.218	5	9	.000	1.702

a. Predictors: (Constant), TT Dummy, Export, GrowthfixedcapitalformationperGDP, GrowthDomesticsaving, FDlinflowinflowinvestment

b. Dependent Variable: InmillionEconomicGrowthinGDP

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	663769097541.39	5	132753819508.	1393.2	.000 ^b
	Residual	857571451.662	9	95285716.851	18	
	Total	664626668993.06	14			

a. Dependent Variable: InmillionEconomicGrowthinGDP

b. Predictors: (Constant), TT Dummy, Export, GrowthfixedcapitalformationperGDP, GrowthDomesticsaving, FDlinflowinflowinvestment

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
		1	(Constant)	-107112.460						
	Export	.000	.000	.051	2.538	.032	.000	.000	.362	2.766
	FDlinflowinflowinvestment	94.005	7.479	.774	12.569	.000	77.086	110.924	.038	7.417
	GrowthDomesticsaving	8.735	2.455	.197	3.558	.006	3.181	14.289	.047	9.321
	GrowthfixedcapitalformationperGDP	-548.782	798.985	-.009	-.687	.509	-2356.211	1258.647	.789	1.268
	TT Dummy	9055.879	5565.222	.021	1.627	.138	-3533.528	21645.287	.824	1.213

a. Dependent Variable: InmillionEconomicGrowthinGDP

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions					
				(Constant)	Export	FDInflowinflow werinvestime nt	GrowthDomesti csaving	Growthfixedcapi talfornationper GDP	TT Dummy
1	1	5.029	1.000	.00	.00	.00	.00	.00	.01
	2	.508	3.147	.00	.02	.00	.00	.00	.72
	3	.304	4.066	.01	.00	.00	.03	.09	.03
	4	.104	6.963	.02	.55	.00	.01	.00	.13
	5	.053	9.755	.07	.08	.00	.03	.87	.02
	6	.002	27.376	.91	.35	1.00	.93	.04	.09

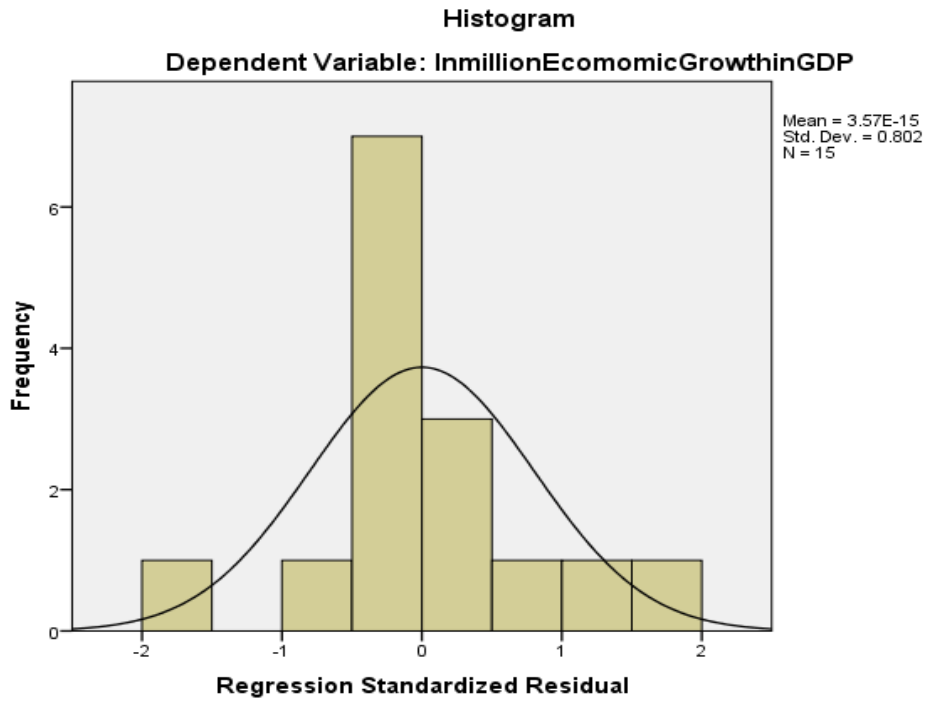
a. Dependent Variable: InmillionEcomomicGrowthinGDP

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	214607.297	891889.688	495876.850	217743.1478	15
Residual	-17832.0645	15297.0420	.0000	7826.5640	15
Std. Predicted Value	-1.292	1.819	.000	1.000	15
Std. Residual	-1.827	1.567	.000	.802	15

a. Dependent Variable: InmillionEcomomicGrowthinGDP

Notes



Notes

