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Challenges and Opportunities of Investment in Tourism:

A Case Study of Addis Ababa, Ethiopia

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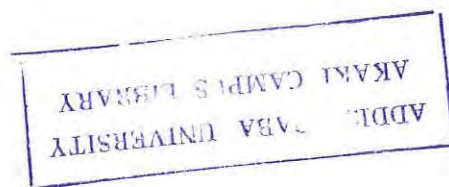
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ABSTRACT

CHALLENGES AND OPPORTUNITIES OF INVESTMENT IN TOURISM:

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Addis Ababa University, 2012

Addis Ababa has potential for attracting tourists because it's the center of international conferences and the city is the entry point for most of international tourists. Although the city has also much to offer, investment is not sufficient for upgrading its attractions and tourist service providing institutions. The main purpose of this study is to present specifically a situation of tourism investment in Addis Ababa. The study has assessed challenges and opportunities of investment in tourism sector in the city. The design of the study is descriptive and has employed both quantitative and qualitative research approaches. The researcher used instruments such as interview, questionnaire, focus group discussion and existing secondary sources for data gathering. 128 questionnaires were distributed to investors selected from licensed star hotels and tour operators. But only about 102 questionnaires were returned and analyzed. Interview has also been conducted with different governmental and non-governmental bodies found in Addis Ababa. The data was analyzed by triangulating both quantitative and qualitative methods. The finding of the study shows many challenges and opportunities of tourism investment in Addis Ababa. The main challenges include bureaucratic problem, insufficiency of basic infrastructures, low promotion in the sector, macroeconomic instability and problem of implementation capacity. According to this study general opportunities of tourism investment include good attention of government, large market size, and mixed market economy, existence of ample resources and availability of trainable man power. The sectors of investment opportunities include public infrastructures such as transportation, telecommunication, water supply, electricity etc and tourist infrastructures such as hotels, restaurants, tour operation, conference centers, recreation centers etc. In general, even if the city has many opportunities of tourism investment, the performance of investment was found to be at low level.

Key words: Tourism, Investment, Challenges, Opportunities, Addis Ababa

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ABBREVIATIONS AND ACRONYMS

AAIA	Addis Ababa Investment Agency
AACGLA	Addis Ababa City Government Land Administration
AACTB	Addis Ababa Culture and Tourism Bureau
ASEAN	Association of Southeast Asian Nations
ATA	African Travel Association
CSA	Central Statistics Agency
EIA	Ethiopian Investment Agency
EPA	Ethiopian Privatization Agency
ERCA	Ethiopian Revenue and Custom Authority
ESTDP	Ethiopian Sustainable Tourism Development Project
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GOs	Governmental Organizations
GTP	Growth and Transformation Plan
MoCT	Ministry of Culture and Tourism
MoFA	Ministry Foreign Affairs
NBE	National Bank of Ethiopia
NEBDCF	National Economic and Business Diplomacy Coordination Forum
NGOs	Non-Governmental Organizations
OECD	Organization for Economic Co-operation and Development
SMEs	Small and Medium Enterprises
SSA	Sub Saharan Africa

UNCC	United Nations Conference center
UNECA	United Nations Economic Commission for Africa
UNCTAD	United Nations Conference on Trade and Development
US\$	United States Dollar
VAT	Value Added Tax
WTTC:	World Travel and Tourism Council

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Tourism has emerged as an important industry almost everywhere in the world. It has occupied a significant position and enjoyed priority over the years (Bishnu, 200: 20).

In recent years, tourism has been increasingly recognized for its economic potential to contribute to the reduction of poverty in developing countries. Its geographical expansion and labor-intensive nature supports employment and can be particularly relevant in remote and rural areas, where three quarters of the two billion people under extreme poverty conditions live in the world.

Thanks to numerous positive trends of development, tourism has become one of the most dynamic and most propulsive branches of economy, with multiple effects. Many developing countries are also looking to tourism as a potentially promising avenue for economic and human development. For example, Tourism is one of the main priority sectors for ASEAN economic integration (ASEAN, 2008). According to Nair and Velde (2005) tourism has become increasingly important for the Caribbean countries in their diversification process away from commodities. This is a relatively new position for some countries, and reflects the rapid increase in tourism in terms of both numbers of arrivals and revenues for several economies in recent years (UNCTAD, 2008).

Tourism drives significant investments. Small percentages of investment for a greener sector results in very significant increases in investment flows. Furthermore, much new investment flow is directed towards developing countries, where increased investment could have greater impact on green outcomes. Indeed, global investment in tourism has fluctuated between eight per cent and ten per cent of total world investment over the last twenty years. In developing countries, such as in the Caribbean region, this figure could be as high as fifty per cent (WTTC, 2010). In OECD countries, investment in hotels, travel agencies and restaurants ranges from six



per cent of national gross value added in Germany to thirty two per cent in Portugal (OECD, 2010).

Foreign Direct Investment (FDI) is an important source of world tourism investment. The stock of outward and inward FDI in the “hotels and restaurants” sector reported by UNCTAD (2009) accounts for almost one per cent of total FDI stock. This figure, however, does not take into account other tourism-related elements in other sectors, such as construction, transport or business activities. There is a growing focus on tourism as a generator of FDI in developing countries, where it is a priority of many Investment Promotion Agencies.

In many countries investment operations may encounter plenty of challenges. For example, in developing countries the problem ranges from the countries’ unstable economy to many specific institutional problems. Therefore, potential investors may be discouraged by the difficulty of dealing with some government agencies, inadequate infrastructure, the difficulties of tackling the complex land tenure system, and insufficient investment incentives (Jameison, 2008).

The countries are expected to diversify the means of tourism investment. This demands well organized facilitation, encouragement of local businesses in addition to attracting foreign investment in tourism. The private tourism sector, which consists of both foreign and domestic enterprises, has a crucial role in tourism development through its investment, production, employment and marketing decisions (Ashe, 2005). Ashe adds that public-private partnerships could also be used, for example, to provide finances and benefits for NGOs to enable them to participate in various activities aimed at the skill development of local people, or promote investments in the production of essential goods, supplies and equipments to support tourism activities; and to provide services to help reduce imports.

In most developing countries, which are characterized by scarcity of domestic funds and a private sector with minimal tourism expertise, government is the main source of investment resources and a guaranty of favorable investing ‘climate’ or ambience (Jenkins, 1982).

At the national level, governments need to implement policies that will encourage the domestic tourism industry and attract foreign direct investment and relevant technologies. Those policies

should ensure that tourism is properly planned and managed so as to minimize its adverse economic, social, cultural and environmental impacts. Therefore, appropriate attention and priority should be attached to the integration of tourism policies with the policies of other government agencies so that tourism develops in harmony with overall economic, social and environmental goals.

The Government of the Federal Democratic Republic of Ethiopia has placed emphasis on the tourism sector in view of its potential as a promising industry in the new millennium. According to Tourism Development Policy of Ethiopia (2009), the government has included the development of the tourism sector among its top priority policies, establishing as Ministry of Culture and Tourism under Proclamation Number 471/2005, enacted to redefine the powers and duties of the organs of the Federal Government.

In tourism sector, investments have already been made by many tour operators, restaurants and hotels groups (Hilton, Sheraton, Intercontinental and others) particularly in Addis Ababa and the number of international tourist arrivals is growing each year. The government is keen to attract other major international hotel chains to the country to address the shortage of high-quality hotel facilities currently available.

Addis Ababa, the seat of African union (AU) and many international organizations, has many investment opportunities in tourism. But still the city is not in a position to entertain well all guests who come to visit and for other purposes such as diplomatic and business purposes. The inquiry here is how Addis Ababa can increase the number of tourism investors to provide maximum service in different sectors of tourism? In this thesis, the researcher has conducted a study with regard to the *challenges and opportunities of tourism investment in Addis Ababa*.

1.2 Statement of the Problem

Addis Ababa, as the seat of African Union, United Nations Economic commission for Africa (UNECA) and many other international organizations and embassies is the fourth most important center of international organizations next to Washington, New York and London (interview with foreign affairs). Especially after the construction of the United Nations Conference Center (UNCC) in 1998, Addis Ababa has succeeded to attract more conventions and many international conferences and summits. Therefore, the city has many opportunities to get remarkable number of tourists and guests to visit its tourist attractions. This implies the need of planning and establishing internationally standardized public and tourist infrastructures, accommodations and facilities to provide expected and possibly best services.

However, even if Addis Ababa is better than other regional cities in its public and tourist infrastructures and facilities, the city has not sufficient infrastructures and facilities even as compared to other SSA cities. For example, the city has not more than three five-star hotels unlike its neighboring city Nairobi which has ten five-star hotels. In addition, Addis Ababa hosts only about three hundred tour operators unlike to Nairobi which has more than one thousand three hundred tour operators (Mizra and Barrowclough, 2008). The number of classified restaurants and other tourist related service giving institutions are not sufficient in number. Furthermore, according to literatures, the room and bed capacity of the city until 2009 was about 2000 and nearly 3000 respectively (Fantu, 2009). As a result, the infrastructural capacity of the city does not enable to accommodate its customers coming to the city.

The city has many worthwhile natural and man-made attractions to offer, but much has not been done to preserve and upgrade both natural and man-made tourist attractions of the city and attractions around the city (which can be excursion destinations for tourists). This demands encouraging investment projects to make the attractions well accessed and ready for visit. In general, the city has investment potential in the areas of tourist infrastructures and businesses, promotion, tourist attractions development, tourism education etc. According to Addis ababa investment Agency, From 1992-2008 there are only 336 registered domestic investors in the sector of tourism with the total capital of 4.7 billion Birr which has created 20,109 permanent and 10,375 temporary jobs. This shows that level tourism investment in the city is at enfant stage

because this amount of investment does not proportionate with the investment demand of the city.

The previous studies such as preparation of destination development plan for Addis Ababa and its environs (Fantu, 2009) and the study conducted by Addis Ababa investment Agency entitled as Tourism Resource Potential Assessment have tried to identify tourism resources of Addis Ababa. But there are no studies that clearly show the situation of tourism investment, particularly, related with its challenges and opportunities. Therefore, this study tries to fill the gap of knowledge in relation to challenges and opportunities of tourism investment in Addis Ababa.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study is to assess the challenges and opportunities of tourism investment in Addis Ababa.

1.3.2 Specific Objectives

- To assess the current status of performance of tourism investment in Addis Ababa
- To assess and describe the types of incentives provided for investors.
- To identify the main tourism investment constraints and challenges in Addis Ababa
- To examine tourism investment opportunities in Addis Ababa

1.4 Research Questions

1. What are the opportunities of tourism investment in Addis Ababa?
2. What are the main challenges and constraints that are affecting tourism investment in Addis Ababa?
3. What are the types of investment incentives provided by the government for investors?
4. What are the mechanisms of increasing tourism investment in Addis Ababa

1.5 Significance of the Study

Tourism is one of the leading and fast growing economic sectors in the world. Particularly, in developing countries, it is supposed to help in tackling poverty. According to the tourism policy of Ethiopia, one of the Country's objectives is to build a tourism industry that makes important contribution to earn and conserve foreign exchange, and integrates this into the economic growth of the country. This study has also shown the need of substantial amount of investment to achieve the objective put by the government for the development of tourism. It has pointed out the main challenges and opportunities for tourism investment in Addis Ababa. Therefore, this thesis has the following significances:

- ❖ It provides information for all concerned bodies of tourism investment such as policy makers, investors, local communities, etc. It also clearly puts main investment opportunities in the city.
- ❖ Particularly it helps the public sector to review its efforts dedicated for the sector in relation to rules and regulations/institutional framework, types of incentives it provides to investors.
- ❖ It will give direction for further researches in Addis Ababa and researches to be conducted in other regional towns and tourist attraction areas.

1.6 Scope of the Study

The extent of the study is confined only to the tourism investment in Addis Ababa. It investigates the challenges and opportunities of tourism investment. The study was conducted only on the investors under operation. The researcher has taken samples from very few and main areas of investment sectors as discussed in the methodology part. The study has also included investment areas which need public investment in addition to private investment sectors.

1.7 Limitations of the Study

With regard to data gathering instrument, indeed, there may be the sort of bias and subjectivity. Since, the research was conducted mainly by using interview and questionnaires and by using few selected respondents geographically located in Addis Ababa. Due to time and budget



constraints, the study has focused only few sectors of tourism, particularly to investigate the challenges of investment and to indicate investment opportunities in the city.

1.8 Organization of the Thesis

This thesis is organized into five chapters. In the first chapter, background of the research area, followed by the problem discussion, research questions and objectives to be achieved, significance, scope and limitation of the study are presented. In chapter two, literature related to the study and the frame work of the study are presented and thoroughly discussed.

The third chapter presents, and draws the methodological process of sampling, data collection and analysis. Chapter four presents descriptive summary of the empirical data collected together with detailed analysis, results and discussion. Finally, chapter five contains conclusion and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

2.1 The Definition and Concept of Tourism Investment

Investment is, without doubt, one of the primary engines of growth in all economies (UNCTAD, 2002). The term investment is a thing worth buying because it may be profitable or useful in the future. According to the definition of investment in the Turkey-Netherlands BIT is broader and follows the typical formulation. Article 2(b) of the Turkey-Netherlands BIT provides (Malik, 2009):

(b) "investment" means every kind of asset such as equity, debt, claims and service and investment contracts and includes:

- i. Tangible and intangible property, including rights such as mortgages, liens and pledges;*
- ii. Shares of stock or other interests in a company or interests in the assets thereof;*
- iii. A claim to money or a claim to performance having economic value and associated with an investment;*
- iv. Industrial property rights, including rights with respect to patents, trademark, trade names, industrial designs and know-how and goodwill and copyrights;*
- v. Any right conferred by law or contract, and any licenses and permits pursuant to law.*

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

2.2 The Importance of Tourism Investment

Tourism is now the largest industry in the world. The 800 million arrivals recorded for 2005 represented a 5.2% growth rate from 2004 and an estimated value of US\$ 655 billion in worldwide tourism receipts. Tourist arrivals and associated revenues have grown steadily (WTTC Regional Report, 2002, as cited in Mann, 2006). For instance, in SSA during this period (consistently at 7% per annum for the region as a whole) and offer a significant opportunity by contributing to a reduction of macroeconomic vulnerability that comes from the regions' high degree of commodity dependence. As Investment is critical for further development of the tourism sector, it is important to understand what drives investment (Velde and Nair, 2005).

In the productive industries or agro-based industries, several investments have been made. The results have shown that returns on investments in those industries may be reasonable but never lucrative. The tourism industry is however, an avenue of investment that can ensure a better and lucrative return, thus contributing more to the national economy (Kim et al., 2001). There are many benefits from well-targeted and timely tourism investment, including:

- ***Generating positive spillovers to other industries*** — tourism is defined by what tourists spend money on. Tourists spend money on a range of goods and services that reside in other sectors of the economy (retail, hospitality, transport, entertainment etc.). Short-term accommodation receives less than 30 per cent of visitor expenditure (TTF, 2010).
- ***Stimulating visitor demand*** — tourism investment has the proven ability to bring about an increase in demand for travel to a particular destination. The right types of tourism investment attract visitors who would not otherwise visit a particular location or region. When a location enhances its tourist offerings with the right investment, it will attract more visitors. The reason for low tourist flow in developing countries is not mainly due to lack of resources but it is due to underperformance of tourism investment for improving tourist facilities.
- ***Creating employment opportunities*** — tourism is labor intensive, consequently, tourism investment has the potential to generate a relatively high number of jobs relative to the level of investment. On average, every 10 accommodation rooms directly generate 4.9 jobs. When

jobs created indirectly are included, the total employment effect on average is 18.2 jobs per 10 hotel rooms (Urbis, 2010).

- *Diversifying the regional economic base* — tourism can broaden the economic base of regions that have traditionally been reliant on a small number of employers or industries. This makes these regions more economically self-reliant and less dependent on government support. It also softens the impact of industry decline or a particularly bad year.
- *Directly contributing to community development* — tourism investment can lead to the establishment of new activities and events. Such events can attract many visitors and provide an opportunity to raise the economic dynamics of a region by bringing the community together and enhancing the social vibrancy of a city or town (NLTTS Steering Committee 2009). Hosting cultural and artistic events can enrich communities and generate tourist expenditure. Despite these benefits, tourism investments are at a disadvantage compared with other forms of investment. Consequently, government needs to show leadership if tourism investments are to succeed and the benefits of these investments are to be realized (Allen consulting group, 2011: pp.18)

2.3 Investment Opportunities in Tourism

2.3.1 Investment in Tourism Infrastructure

According to United Nations Conference on Trade and Development report, Some countries in sub-Saharan region have much older tourism industries (e.g. Kenya, Mauritius and South Africa) and others have younger tourism industries (e.g. Botswana, Uganda and the United Republic of Tanzania). Some countries can offer diversified tourism attractions such as wildlife and experiences (Kenya and South Africa), while others have limited tourist attractions: either a beach (Mauritius) or wildlife (Botswana and Uganda). Botswana, Mauritius and South Africa have higher levels of development compared to, Kenya, Uganda and the United Republic of Tanzania (which also belong to the same regional economic grouping) (Barrowclough and Mirza, 2008). Regardless of the potential of the countries' resource potential, the level of investment on the infrastructures has significant impact on the difference in tourism development. Since, among the controlling factors for the nature and magnitude of tourism development are infrastructures and facilities. Tourism infrastructures include:

- Public infrastructures such as transportation, water supply, energy and power, waste disposal, and post and telecommunication, etc
- Facilities and service infrastructure such as accommodation, travel and tour services, shopping, entertainment, health services, emergency and safety services, financial services etc.

In tourism development; the public infrastructure development precedes the installation of tourist facilities (Jamieson, 2001). According to Jamieson, this may mean that the installation of the infrastructure becomes a public sector responsibility, with some escalation of the cost for development as a contribution to the overall costs of tourism development. A rationale for the infrastructure services being a public sector responsibility includes consideration of the following factors:

- The network of services is most likely available to both tourists and residents of the area;
- Achievement of consistency in standards is desirable;
- The construction of an integrated system may facilitate non-tourism development within the region;
- network will facilitate development that contributes to the economic welfare of the resort or region;
- The network will need to be maintained by public agencies to ensure that prescribed standards are met.

But the source of finance whether for infrastructure or other tourism investments may be budget allocation of the government, foreign aid and loan disbursement, the lending of banks and other financial institutions as well as foreign direct investment (Bishnu, 2007).

The other investment areas of tourism in infrastructural development are facilities and service infrastructures. These types of infrastructures are predominantly used for tourism industry unlike that of public infrastructures which are commonly used by the general public. According to Jameison, the nature of the facilities and services infrastructure that are available to the tourist is vital requirement for sustainable tourism development. It is convenient to examine these aspects in three groups:

- (a) Primary tourist facilities and services (accommodation/hotels, restaurants, and travel and tour services);
- (b) Secondary tourist facilities and services (shopping, recreation, entertainment and visitor information services);
- (c) Tertiary tourist facilities and services (health services and care, emergency and safety services, financial services and personal services).

2.3.1.1 Infrastructure Financing Possibilities

Tourism is a service sector but its development is highly dependent on development of infrastructures common for other sectors or specific to the sector. In addition, it needs investment on the destination development; be it natural resource or man-made attractions. Consequently, it creates huge investment opportunities. Jameison in his study implied the significance of potential investment with the maintenance and additional increasing interest of investment opportunities in tourism in Pacific Asia region. According to him, this potential is often facilitated and encouraged by deliberate policies of governments in the region (Jameison, 2008). In addition to general opportunities for investment and development, the range of opportunities comprises two types. First, there are infrastructure needs and opportunities in already established tourism destinations or in new, less-developed destinations. Second, opportunities exist to invest in:

- (a) Accommodation (from major hotels and integrated resorts to small, modest and low-cost accommodation, and accommodation with indigenous communities);
- (b) Ancillary services (restaurants, bars, entertainment, shopping and transport);
- (c) Support services (travel brokering, visitor advice and professional services);
- (d) Tourism enterprises (diving, snorkeling, fishing, sailing and visits to historical sites).

Public infrastructures remain crucial for sustainable development of tourism in destinations. Obviously in many countries investment operations may encounter plenty of challenges. For example, in developing countries the problems range from the countries' unstable economy to many specific institutional problems. Therefore, potential investors may be discouraged by the difficulty of dealing with some government agencies, inadequate infrastructure, the difficulties of tackling the complex land tenure system, and insufficient investment incentives.

Governments are striving to address the challenges of realizing the economic significance of tourism, because particularly developing countries are taking tourism as one of the means for poverty alleviation. Unless the economic benefits of their countries may be at risk. Most conspicuously, many governments have introduced investment promotion incentives, investment legislation, and trade and business directories.

Basically, local investment encouragement is very vital in various forms of tourism management through the use of low interest loans by governmental financial institutions, and to private business organizations that support implementation of pro-poor tourism development. As an added incentive, the private sector could be encouraged to contribute a certain percentage of their profits to community improvement projects and developing infrastructure in ways that profit not only for private sector tourism development but provide for the needs of the larger community. For example the development of a sewage treatment plant meets the needs of the surrounding community and provides clean water.

Lack of an adequate tourism infrastructure is a serious obstacle to tourism development in developing countries (Ashe, 2005). Therefore, foreign direct investment and technologies should also be encouraged in developing tourism infrastructure even though it needs precaution regarding the negative impacts of FDI through efficient plan and management.

In general, to finance the full range of tourism infrastructure needs, several strategies and sources may be tapped. Among these sources are domestic private investment, public-private investment, foreign private investment sources, and foreign aid (international or government sources) (Jamieson, 2001).

2.3.2 Investment in Tourist Attraction Developments

Investment in sustainable tourism offers a wide range of opportunities, notably in the areas of water, energy, waste and biodiversity, which can generate significant returns (United Nations Environment Programme, 2011). Indeed, attraction development can't be effective without consideration of developing tourist facilities and infrastructures. According to Lawrence Pratt et.al.(2011), Private and public investment in tourism includes infrastructure

(roads, airports, national parks, private reserves, hospitality installations and other sites and facilities); environmental conservation (natural attractions, beaches, mountains, rivers, biodiversity, natural barriers and endemic species); education (labor-force skills, including the “greening” of the skills base); capacity building; and technology improvements (cleaner production, sustainable management). This shows the need of integration of different sectors for attraction development.

Governments have given attention for investing in attraction development as important component of tourism development. For example, republic of Korea developed eight sites, with significant amount of budget half of which was provided by central government and other half by each local authority (Won Kim and Kwan Kim, 2001).

2.4 Factors that Affect Tourism Investment

There are different types of factors that affect tourism investment. According to Driml(2010) the factors include: profitability, variable demand (especially seasonality), costs of materials and services in remote areas, costs of training and retaining skilled labor, lack of high end accommodation and attractions ability to charge higher prices, taxation levels, the complexity and length of project assessment processes, particularly in areas of high environmental, cultural and/or historic value, the need for local transport infrastructure and lack of, or uncertainty about, supply of land in some locations. In addition, key challenges must be addressed if peace-enhancing benefits from tourism industry are to be realized. These include investments in infrastructure and human capacity, the development of comprehensive national strategies, the adoption of robust regulatory frameworks, mechanisms to maximize in-country foreign currency earnings, and efforts to reduce crime and corruption (Honey and Gilpin, 2009).

2.4.1 Availability of Tourist Attractions

Support or create or revitalization of tourist attractions and sites was one of the reason for attracting tourism investment in Ontario (tourism development fund application guide, 2011). Since, one of the determinant factors for the amount of investment in one destination is the availability of resources. Worthwhile attractions are crucial for driving the attention of investors. From a developer’s perspective, it is clear that governments and private sector entities investing

in the T&T sector need to ensure that the fundamentals of their development such as attractions and infrastructure plans are in place. Inherited, Created and Supporting Resources provide various characteristics of a destination that make it attractive to visit (Omerzel, 2006). Countries like Ethiopia with numerous types of attractions have a power of attracting investment in the sector of tourism. East Africa is a natural destination for tourists, boasting the richest and most varied concentration of wildlife on the continent (Honey and Gilpin, 2009). Mere existence of attractions may not help to achieve the goal of right investment. For example, countries like Mauritius are well known for being a high quality tourist destination. This has not been a natural, chance occurrence but the result of deliberate efforts (Barrowclough and Mirza, 2008).

2.4.2 Infrastructure

Successful tourism destination development is dependent on all parts of the supply chain, e.g. attractions, accommodation, transport, provided by public and private sector investment (Driml, 2009). According to Ontario Tourism Investment Attraction Research Study (2009), Infrastructure including transportation is very crucial for proliferation of tourism development. In existing tourism destinations and fledging or developing areas a greater concern will be the sufficiency of transportation and access infrastructure. In addition, Jamieson also mentions the types of infrastructures that need investment for facilitating tourism development. According to him, the infrastructures are classified into two: public infrastructures (transportation, energy, water supply, waste disposal system etc) and tourist infrastructures and facilities (accommodation, restaurants, travel and tour services, shopping, recreations, health facilities etc). In the developing countries like Ethiopia among some of the reasons for lagging behind of tourism are lack of up to standard public and tourism infrastructure and facilities.

2.4.3 Market

If markets are segmented and there are markets that offer higher profit margins, then firms will move into these markets (Moosa, 2000). Market-area population (and visitation), income and demographics as with all consumer products, the success of a tourism product necessitates ready access to a base of consumers. The demographic (e.g., income levels, age, family status) and buying profiles (e.g., interests) of these consumers as well as the marketing and promotion efforts of the product determine patronage and revenue levels.

Tourism products are unique however, in that their “base” market is comprised of both the residents and visitors within any given geography. In some geographies visitors largely outnumber residents (e.g., Niagara Falls) while in others the economic potential of the resident market can be far greater than that of the visitor (e.g., a major metropolitan area such as Toronto). In contrary, in Ethiopia, the economic potential of residents is very low as compared to visitors. Therefore, attracting international tourists may create better market power for investors.

Some products are considered successful “tourism products” even though a majority of the visitors are resident based (e.g., Canada’s Wonderland). While still comprising part of the tourism offering, these “tourism products” would not be viable in the same form if not for the resident population base. Other products are much more dependent on visitors (e.g., CN Tower); in these cases residents provide only a small portion of visitation. The examples used above (i.e., Canada’s Wonderland, CN Tower) are attractions but the same principle applies to lodging, events, retail, food and beverage and all manner of other tourism products.

In addition to the quantum of residents and visitors other factors will also be taken into account such as:

- Demographic trends—the degree to which the current population profile will change over time and how these changes will affect the patronage of specific products.
- Repeat potential—some products will be more likely to generate repeat visitation from the same audience, suggesting a heavier weighting towards a resident market (as opposed to visitor market) base.
- Seasonality—Resident market potential is more stable throughout the year than the visitor base (at least in most markets, including Ontario).

2.4.4 Political Stability

Travelers are risk averse and do not wish to spend their vacation feeling anxious about their personal safety, mindful of their belongings, and wary of being ripped off (Honey et al, 2009). Political stability is one of the factors that can affect tourism investment in one country (Ontario Tourism Investment Attraction Research Study, 2009). In first world countries such as Canada, economic and political stability issues are much less of a concern than when attempting to secure

tourism investment in jurisdictions without modern. Newly stabilized governments may still be on shaky political ground. Unclear or incomplete laws on property ownership may obscure the profit picture (Fawaz, 2011). East Africa is known for its long history of instability. Specifically Somalia has lost its central government and has become center of violence for Al-Qaeda. But Ethiopia on its part has now ensured its stability and considered to the safest east African country for investors except for some upheavals that occur due to a discontent with Eritrea and rebellions of the country move around the border areas.

2.4.5 Policy Environment

Tourism policy/support

According to national tourism policy of Kenya (2006), Implementation of the tourism policies and strategy shall involve streamlining the tourism policy with wildlife, land-use and other cross-cutting policies, and setting up the necessary legal instruments for providing resources to facilitate development. In Ontario, the degree to which tourism is recognized as an integral component of the economic base of the region is demonstrated through policies that support tourism development/operation and the “welcome” afforded potential tourism investors (Jamison, 2009). The host government (government at all levels, not just provincial but almost more importantly at the local level) must embrace tourism and demonstrate its support in marketing, infrastructure and all other policies affecting the ease and profitability of doing business in the jurisdiction political, investment and economic structures (e.g., Caribbean, Eastern Europe and parts of Asia...although the market potential in some of these developing jurisdictions provides such a compelling opportunity that stability issues may be overlooked). In Canada and Ontario, the focus is most likely to be on taxation policies, tariffs, interest and inflation rates, currency exchange and the cost/compliance requirements of new policy initiatives (e.g., environmental or labor issues).

2.4.6 Investment Incentives

Realization of private investment may encounter various constraints and limitations, such as general lack of capital, fear for low profitability of invested capital, lack of infrastructure in the destination, absence of social services and skilled labor. It's precisely these difficulties that a state has to remove or counterbalance in order to support private investment initiatives in specific

geographical areas, through investment incentives (*George, Amelia, Dimitris, 2004*). Then investor will have good operating environment and can generate substantial amount of return from the investment. This again enhances the development of investment in one country. A wide range of incentives exist for governments to attract investment. These incentives, which can be utilized for tourism or a range of other investment types, can be generally classified into the following (*Ontario tourism investment attraction Research study, 2009*):

- Fiscal Incentives, which include special tax exemptions, deductions or allowances as well as customs duty exceptions.
- Financial Incentives, which include direct subsidies/grants as well as low-interest loans.

The effectiveness of incentives, specifically fiscal (tax) incentive, in attracting investment is the subject of much debate. Empirical evidence suggests incentives are not relevant to investors at the initial stage of the investment decision process. Low returns and the high cost of labor and capital in the tourism industry were key factors behind low investment (*tourism investment in Australia, 2011*). However, incentives do become more important when investors compare and assess the pros and cons between jurisdictions.

In Kenya the Government believes that it shall continue to offer tax and other incentives to investors to encourage upgrading of existing tourist accommodation facilities and investment in new facilities. As it has included in its final draft of national tourism policy of the country, Incentives, whether tax-related or otherwise, shall not be limited to the accommodation sector but shall include operators of other tourism services. In Kenya, tourism incentive schemes shall be in accordance with overall government policy in this regard, and may include special tax reliefs on hotel construction; provision of long-term and soft loans; VAT exemption for small hotels and restaurants; accelerated depreciation; waiver of import duties for buildings related to hotel services; etc (*tourism policy of Kenya, 2006*). Ethiopia has also similar policy of incentives with Kenya with the exception of tax relief/tax holiday on hotel construction. According to Ethiopian investment agency, hotels, specialized restaurants and tour operators have special incentives. But the government does not provide tax holiday (represent a temporary reduction or the elimination of corporate income tax for qualifying newly established projects) for tourism investment. Developing countries in east Africa have almost similar tourism incentive policy. Here below is incentive for tourism investors by government of Malawi (*Malawi Ministry of Tourism, Wildlife and Culture, 2008*):

- Buses with seating capacity of more than 45 people (this includes motor coaches)
- All building materials
- Industrial catering equipment
- Motor boats, jet skis, kayaks, windsurfers and pedals
- Linen, cutlery and similar goods for hotel use indelibly marked with hotel name

The Current law provides that hotels, lodges and inns should acquire the following types of vehicles:

- One passenger carrying vehicle

les of Tariff heading 87:02 under Customs Procedure Code 437, where 10% import duty and 17.5% VAT applies in every five years

- Three goods carrying motor vehicles of Tariff heading 87.00 under Customs Procedure Code 438, where 10% import duty only apply every five years for the use of hotels, lodges and inns licensed under the tourism and Hotels Act.

2.4.7 Location

Location has a remarkable impact on investment flow. For example, the location of Ethiopia being located at the cross road to Europe, Middle East, and Asia has made the country accessible for investors from those countries (EIA, 2011). On the other hand, the countries being land locked has its own limitation on the perception of investors about the market size of their business. The source of fear is that land locked countries have not more likelihood of developing beach tourism. Moreover, absence of sea outlet indicates that a region has not more alternatives of entry points of tourist. So that this has a negative impact on flow of investment.

Rwanda has among the lowest FDI inflows in Africa (OECD, 2006), since it is a landlocked country with a poor image internationally, especially where security is concerned, and has poor infrastructure and high transaction costs, particularly in the transport and energy sectors. Domestic investors are still the main source of investment in the hotel sector.

Active investment attraction efforts should focus on high-probability investment destinations (“Key Locations”) offering existing critical mass of tourism infrastructure, Product and visitation in determining how to identify “Key Locations” for investment attraction efforts. Consideration was given to several must have criteria, including:

- Significant resident or visitor population base, or both.
- Transportation infrastructure including road, air and rail offering reasonable access.
- A defined contiguous area.
- Unique attributes either already exploited for tourism purposes or future potential.
- An existing image as a tourism or recreational destination.
- A destination marketing organization.

2.4.8 Availability of Labor

The presence of sufficient labor (i.e., full-time, part-time, seasonal) at a reasonable cost is a key criterion as it is the availability of education and training. Tourism businesses are relatively labor-intensive and therefore labor costs make up the largest Proportion of operating costs for many tourism businesses (*Sally Driml, 2010*). Tourism is also a labor-intensive industry (Jayewardene, 2002)⁸. So that low skill levels in the sector and occupational structure affect the productivity of the sector (key sector report of Scottish government, 2009). Investors are curious to make sure the availability of manpower. Tourism competitiveness therefore will directly depend on labor market conditions in the destination country. Factors such as real wage levels, ease of hiring and firing workers, labor regulations and quality of human resources will affect the destination cost competitiveness. Competitiveness of the labor market is accounted for by entering an employment index measuring rigidity in the labor market in the regression equation (Economic Commission for Latin America and the Caribbean, 2009).

2.5 Foreign Direct Investment and Domestic Tourism Investment

2.5.1 Foreign Direct Tourism Investment

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

In developing countries FDI in tourism has very great significance, since developing countries have no capacity to achieve remarkably in their tourism service provision and infrastructural development. According to Zhan et al. (2010), Shortage of capital is a major obstacle for tourism development, and many countries – especially in the developing world – increasingly look to foreign investors to provide capital that will help development of their tourism industries. Therefore, despite of the leakage the countries suffer from, attracting FDI becomes best alternative for their capacity building. For example, foreign direct investment (FDI) is thought to have played a major role in Kenya's tourism sector. Foreign operators such as United Touring Company (United Kingdom), Express Travel (United States), Abercrombie and Kent (United Kingdom) and Pullmans (Germany) dominate this industry in Kenya. However, the largest projects are the establishment of hotels and lodges for coastal and safari tourism. A number of the major international hotel chains are present, including Hilton, Intercontinental, Serena Hotels, Block Hotels and Holiday Inn (UNCTAD, 2005; 2008). However, its proliferation as compared to other sectors is minimal and described as follows:

FDI is one of the routes through which developing countries can carry out tourism, but the dynamics of FDI in this dynamic sector, and its implications, have been relatively little studied. There is very little empirical information about the extent of tourism-related FDI in the global economy or its overall impact. Because tourism is an industry that needs to be managed carefully, with or without FDI and because FDI poses special challenges and concerns (Barrowclough and Mirza, 2008: pp, 17)

2.5.2 Domestic Tourism Investment

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

Governments should also consult widely with host communities and concerned major groups to ensure that as broad a range of views as possible is incorporated into the planning process of

tourism development (Ashe, 2005). Given the importance of small and medium enterprises (SMEs) in the tourism industry, it is crucial to target this source of entrepreneurial potential. For example, policies should be implemented to promote the access of such enterprises to finance and to strengthen the provision of support services. Moreover, investment policies should encourage linkages among small and medium enterprises.

The vulnerability of domestic investments to external forces could be reduced by a number of internal strategies, such as:

- (a) Revision of subsistence strategies, so that even without large injections of capital, surplus production in rural areas can be accessed by tourism resorts (“subsistence affluence”);
- (b) Involvement of indigenous communities in low technology and low environmental impact projects, especially to meet the preference of some tourists for authentic experiences;
- (c) Creation by government of a tourism development fund (to be operated within the framework of the national development bank).

The creation of a national tourism development fund specifically to assist local entrepreneurs could be considered as an imperative strategy for generally low level of reserves of domestic private capital.

2.6 The FDI Regulatory Framework in Ethiopia

The present regulatory regime governing FDI in Ethiopia is based on a series of Investment Proclamations issued between 1996 and 1998, principally Proclamations 7/1996, 37/1996, 35/1998, 36/1998 and 116/1998. In combination, these have established the financial limits and requirements; the monitoring and reporting requirements; and the financial incentives that are available. It is worth briefly summarizing the main features of the present regulatory regime in each of the above areas (UNCTAD, 2002).

In Ethiopia foreign investors are encouraged to invest in all economic sectors. Indeed, according to the government’s proclamation, some investment areas are reserved for the state investment and domestic investors including foreign nationals who are permanent residents in Ethiopia. For instance, in tourism, foreign investors are allowed to invest in star hotels and tour operation and

travel agencies, international restaurants, infrastructures such as road and bridge constructions. On the other hand, Hotels other than star designated; motels, tearooms, coffee shops, bars, night clubs and restaurants excluding international and specialized restaurants; tour and travel operators; car-hire, taxis and commercial road and water transport are reserved for domestic investors.

According to the report, Sectors reserved for Government at the end of 1999 included air transport (where passenger seating exceeds 20 or cargo exceeds 2.7 tones); rail transport services; and postal services and telecommunications (excluding courier services) (UNCTAD, 2008). The government has indicated that it will continue to reduce investment exclusions for foreign investors. Some sectors which were reserved for domestic investor, such as air transport, travel operations and other services are advised to be open to increase the financial and trading skills to stimulate domestic investors.

2.7 Conceptual Frame Work

Tourism development involves many issues to take into account to attract investors in the sector. The study rotates around core concepts which can be challenges or opportunities for tourism investment. There are different variables that directly or indirectly affect tourism investment. These include: legal and institutional frameworks of the government, tourist attractions (areas of investment opportunities), basic infrastructure, market size, location, political and economic stability, and the general image/perception of investors for the area (the issue of stability and perception for investment policy) particularly for foreign investors. These core concepts are discussed in detail in other sections of the literature review. The relationship between these parent-concepts is shown in the diagram of the conceptual framework below.

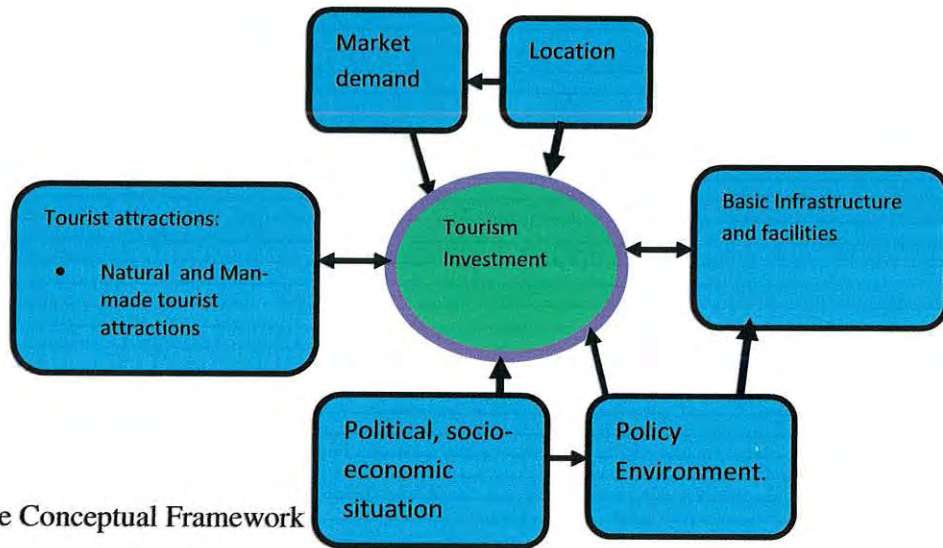


Fig2.1. The Conceptual Framework

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Description of the Research Area

In the process undertaken to modernize Ethiopia, the city of Addis Ababa was founded in 1887 as the cultural, political, judicial and commercial hub of the country. Unlike many other African cities, it is a city built entirely by Ethiopians. Even though it is young compared to the cities of Axum, Lalibela, Gondar and Harar, the role it has played in transferring technologies to the other parts of the country has been remarkable.

In 1889, Emperor Menelik encamped at Entoto. The place was selected for its strategic value; its hilly topography facilitated patrolling the surrounding lands. Entoto was considered as an ideal place for military headquarters. It was Empress Taytu who played the greatest role in founding Addis Ababa. Taytu requested the Emperor to build houses around the Filwoha area, and the Empress came down to the Filwoha area and began to live there and oversee construction work.

Addis Ababa has an area of 540 square kilometers with the population of 3.3 million. The city is not only political capital, but also commercial, and socio-culture of the country; it is nerve center for the country's nations and nationalities (Addis Ababa Millennium, 2008).

The city lies between 2120 meters (Aqaqi sub-city) and 3200 meters (Entoto mountain- Gulele sub-city) above sea level, which makes it the third highest capital in the world next to Lapaz and Quito of Latin America. The absolute location of the city is 9° N latitude and 38° E longitudes. Even though the city is located in tropical region, due to its high altitude, the city has very convenient climatic condition with average temperature of 16°c and the average mean annual rainfall of 1,160 mm which falls between June and September.

Addis Ababa is the capital of Ethiopia, the seat of the African Union, and the headquarters of the United Nations Economic Commission for Africa and many international organizations. It is increasingly becoming the diplomatic center of Africa and its prime conference venue.

Highlight about Tourist Attractions of Addis Ababa

Addis Ababa hosts numerous tourist attractions and it is a meaningful city for visitors. The city has plenty of both natural and man-made tourism resources.

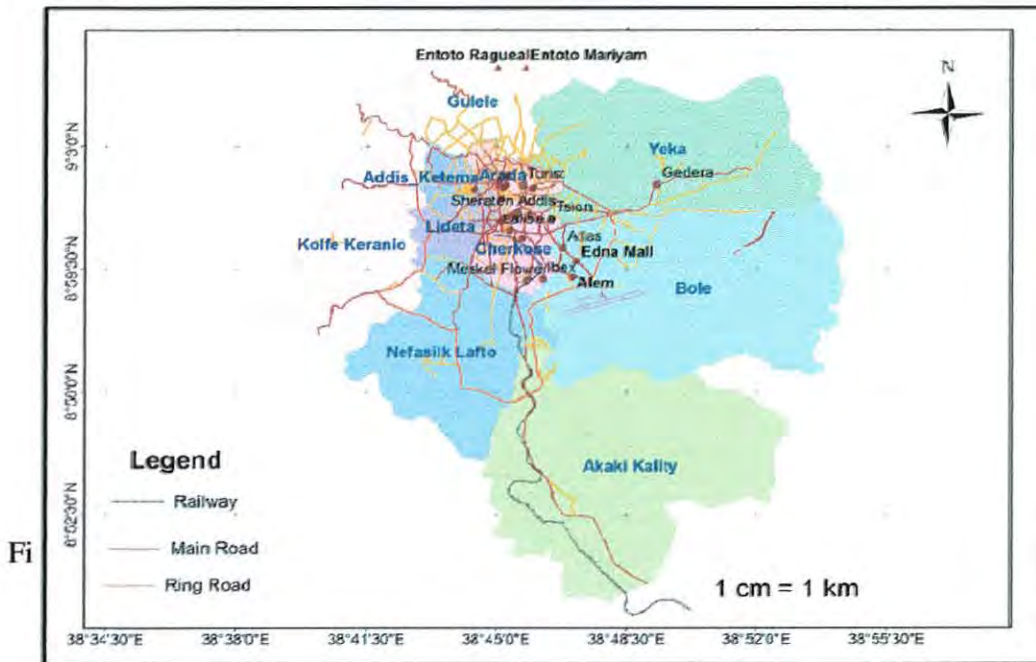
Natural tourist attractions of Addis Ababa include:

- Fauna or animals i.e. lot of bird experts have identified more than two hundred and fifty (250) **species of birds** in the Addis Ababa City Administration; animals such as lions with cubs, tortoises, baboons, monkey, apes, rabbits, and, ducks as well as some black and red fish can also be visited in the Lions' Zoo park in Addis Ababa.
- Flora (vegetation), which may be traced within religious premises, inside the various city parks or zoos etc. Government- run city parks are hoped to serve in the future also for foreign tourists because of their abundant bird life and indigenous trees as well as limited number of mammals. *Hagenia Abyssinica* (Amharic Kosso), *Olea Africana* (Amharic Weyra), *Millettia ferruginea* (Am. Birbira), *Juniperus Procea* (Am. Tsid), are among indigenous plants found in different parks found in the city. In general Addis Ababa is rich in different species of flowers and other kinds of vegetations.
- Hydrographic elements or water bodies such as hot springs (Filwuha), reservoirs (Gafarsa and legedadi), and to certain extent rivers (e.g. Kebena and Akaki) can be mentioned as water based attractions of Addis Ababa.

Man-made tourist attractions

Man – made tourism attractions of Addis Ababa city administration involve the historical, cultural and traditional resources, which are the most significant factors for international and domestic tourists or visitors. In its nearly one hundred and twenty five years journey Addis Ababa has been amassing abundant man – made tourism resources. A great deal of these attractions denotes the historical and cultural progress of the entire country, while few of them are only related with the foundation and growth of the Capital City. In order to create convenient conditions for all visiting communities or other purpose, major man made tourist attractions of Addis Ababa are arranged into: Government Palaces, Places of worship such as churches, mosques and cathedrals, Monuments of different historical background erected on various famous squares, Museums of historical, cultural, anthropological, archaeological, natural, ethnological, religious etc., old historical buildings and houses, religious and other event festivals together with annual ceremonies, market and shopping centers, and other traditional and cultural activities.

A little bit detail about tourist attractions of Addis Ababa has been explained in discussion part and list of some tourist attractions can be seen in appendix part.



3.2 Research Design and Sources of Data

In research design both quantitative and qualitative approaches were used. Since, the research describes the existing (reality) situation of tourism investment in Addis Ababa; particularly it describes the challenges and opportunities for the tourism investment of the city. The data were gathered from both primary and secondary sources. Primary data were collected through the research instruments designed. In addition, the researcher has participated in different public discussions and trade fairs conducted in Addis Ababa in relation to tourism. The data were also gathered from different secondary data sources such as books, journals, magazines, brochures, folders, CDs, internet etc.

3.3 Target Population

The purpose of this study is to assess the challenges and opportunities of tourism investment in Addis Ababa. Therefore, the researcher has selected the respondents from directly or indirectly concerned bodies with regard to tourism investment in Addis Ababa. There are different stakeholders of investment in Addis Ababa; specifically the researcher has collected data from the following sectors:

- Domestic and foreign tourism investors in Addis Ababa (licensed and star hotels and tour operation and travel agencies)
- Ethiopian Investment Agency
- Ethiopian Revenue and Custom Authority
- Addis Ababa city Administration Investment Agency
- Addis Ababa city- Land Administration
- Ethiopian Ministry of Culture and Tourism
- Addis Ababa Culture and Tourism Bureau
- Experts from different governmental and non-governmental offices.

The researcher has prepared questionnaires and interview for the subjects accordingly. The reason for selection of the above mentioned subjects is that they are directly or indirectly involved in tourism investment and/or responsible for tourism investment in Addis Ababa.

3.4 Instruments of Data Collection

The types of research instruments that were employed for data collection are questionnaire, interview and checklists. As much as possible, document analysis was also used for data gathering.

Questionnaire: Both close-ended and open-ended questionnaires were distributed for the research subjects, particularly, hotels and tour operators. Essentially, the types of questionnaires that were designed are different based on the backgrounds/ of respondents. The questionnaires designed for both foreign and domestic investors were similar with slight difference. Close ended questions were prepared in different styles/types like likert scale, yes/No. In addition, open-ended questions have been developed to get detail view points of respondents.

Interview: The researcher has conducted semi-structured and non-directive interviews with the representatives of different concerned government and non-government bodies to get their views about their services; and tourism experts and economists who can forward their professional views about the performance of tourism investment. Interview was also conducted with Key informants from Ethiopian Development Bank, Ministry of Culture and Tourism and Ethiopian Investment Agency.

Focus Group Discussion (FGD): The researcher has arranged focus group discussion among the subjects of the research. Even though this is very vital type of data collection instrument, it was not easy to organize focus group discussion. The researcher has organized focus group discussion from tourism experts from Lion Ethiopia Tourism and Hotel College. The discussion was conducted by the researcher as a moderator. And the discussion comprised of about seven members. A group of FGD has opened the room for the respondents to discuss on the challenges and opportunities of tourism investment in Addis Ababa.

3.5 Sample Size and Its Techniques

The researcher employed both probability and non-probability sampling types necessarily.

Probability Sampling

In the research, simple random sampling was used to choose respondents from licensed investors. Particularly, the researcher has taken sample from the two main investment areas of tourism industry in Addis Ababa; Hotels and tour operators and travel agencies. Each group of investor was basically, stratified into two, namely: domestic/local investors and foreign investors. But finding foreign investors was too tough because they are small in number. Due to this very few foreign investors were included in the study. The reasons for selecting hotels and tour operators as sampling frame are:

- These are the areas where substantial amount of investment is carried out and need the requirement of investment license from Ethiopian investment Agency. They are also the sectors which foreign investment is allowed.
- These are the main service providers of tourism industry and are industries that highly affect tourism activity.

Then after, simple random sampling technique was employed to select respondents from each group. The researcher's knowledge about the background of investors is similar and this compels to use simple random sampling. The sample was decided based on the estimate of a dichotomous variable in population with sampling error approximate to $\pm 5\%$, almost 95% right (Gomm, 2008). Thus:

$n = \frac{N}{1 + N(\alpha^2)}$ where, n = expected sample size, N = population size, and α = level of confidence interval (0.05)

From each group, data was taken based on the Groves formula (2004) calculated as:

$n_i \approx \frac{N_i}{N}n$, where n_i = sample size of each stratum, N_i = population size of the each stratum, N = population size of the study, and n = the sample size of the whole population

According to the information from Addis Ababa City Culture And Tourism Bureau, currently in Addis Ababa there are about 87 licensed star designated hotels and 103 tour operations and travel agencies (according to EIA) totaling 190 and from these, using the formula, 128 sample size was calculated and questionnaire was distributed for these respondents as shown below. The detail about the sampling technique is shown as follows:

Table 3.1 Sampling

No.	Type of subject/population	Number of Population/investors	Sample size	Sample technique
I	Investors			
	Investors of Hotel	87	59	Simple random
	Investors of Tour operators/travel agencies	103	69	Simple random
	Total	190	128	

Non-Probability Sampling

On the other hand, purposive sampling was used for selecting respondents for interview from different offices listed below. The same method was used for selecting experts. These are purposely selected because the researcher plans to get detail information based on their exposure and day to day experience regarding tourism investment in Addis Ababa.

Government bodies

Respondents were purposely selected from governmental offices including:

Ministry of Culture and Tourism, Addis Ababa City Culture and Tourism Bureau, Ethiopian Investment Agency, Addis Ababa Investment Agency, Ethiopian Revenue and Custom Authority/ Addis Ababa office, Addis ababa city Government Land Administration, Ministry of Foreign Affairs.

Experts

Experts were purposely selected from both governmental and non-governmental organs and from private associations including Ethiopian Tourism Professionals Association, Ethiopian Hotel Professionals Association, Development Bank of Ethiopia, National Bank of Ethiopia and Ministry of Finance and Economic Development.

3.6 Data Gathering Procedures

The data were gathered through the proposed research instruments screened and commented by the adviser. Questionnaires containing the popular categories of design (likert scale, Yes/No and check list) were distributed among the investors. The distributed questionnaires were collected by the researcher personally. The researcher has also conducted interview with different government bodies and experts who work in Addis Ababa. In addition, the researcher has taken data from secondary sources.

3.7 Data Analysis Methods

The researcher has used both quantitative and qualitative data analysis methods for analysis and interpretation. Ideas and abstract concepts of the research were analyzed by using the steps of qualitative data analysis (organization, description and finally interpretation). Data collected through interview, FGD and qualitative taken from documents were also used to substantiate quantitative data. In addition, the researcher has employed quantitative methods predominantly descriptive statistics such as percentage, frequency and mean average to analyze data gathered by distribution of questionnaires. Graphic representations such as line graph, and bar graph were also other methods of the research analysis employed to analyze numerical data collected from documents.

CHAPTER FOUR

PRESENTATION AND DATA ANALYSIS

As it has been discussed in the objective part, the main objective of the study is to assess the challenges and opportunities of tourism investment in Addis Ababa. In this chapter, an attempt has been made to offer detailed presentations and discussions of the data collected through questionnaire, interview, focus group discussion, observation, and document analysis. In this chapter, the two main objectives have been dealt in detail, namely, the challenges and opportunities of tourism investment. This analysis also covers about the current level of tourism investment in Addis Ababa and some investment incentives were identified.

4.1 The Background of Respondents

4.1.1 Characteristics of Sampled Respondents

The total number of the questionnaire respondents participated in this study are 128. The respondents were selected from different sectors of tourism industry. Questionnaire was distributed among 128 investors engaged in tourism sector; the sample was selected particularly from hotels and tour operators that are based in Addis Ababa. But only about 102(80%) questionnaires were filled and returned. Interview was conducted among respondents from government offices, different experts, conference centers, restaurants and car renting organizations.

Table 4.1: characteristics sampled of respondents

Sex	Number	%	Type of investor	number	%	Type of business	number	%
Male	72	70.6	Foreign	14	13.7	Hotel	8	7.8
						Tour operators	6	5.9
			Domestic	56	54.9	Hotel	22	21.5
						Tour operators	34	33.3
Female	30	29.4	Foreign	2	1.96	Hotel	2	1.96
						Tour operators	-	-
			Domestic	30	29.4	Hotel	10	9.8
						Tour operators	20	19.6
Total	102	100	Total	102	100	Total	102	100

As it can be observed from the table 4.1, 70.6% of the respondents are males and the rest 29.4% are females. With regard to the type of business, the researcher has selected sample from licensed star designated hotels and tour operators which are very significant service providers of tourism. In Addis Ababa most of the owners of these businesses are Ethiopians and very few hotels and tour operation companies are in fact owned by foreign citizens. Based on this criterion the researcher took 15.7% respondents from foreign companies and 84.3% from domestic companies as it can be calculated from the above table. These companies were also stratified into hotels and tour operators; finally simple random sampling technique was applied to draw respondents from both sectors. For selecting the respondents, accessibility was taken as important priority for securing the response rate. Out of 102 respondents who properly filled the questionnaire, 42(41%) are hotels and 60(59%) are tour operators. More than 95% of questions were common for both groups. Therefore, more than 95% of the responses were treated together. The remaining 5% were discussed independently for foreign and domestic investors (respondents). Here, one would not expect the investors to answer all the questions they are asked, as that depends on their personal willingness and understanding of the question. Yet, missing values could still have their own meanings and hence incomplete responses would not be rejected.

Most part of the questionnaire was designed by using a five point likert type scale for rating the response by options of strongly disagree (SD), Disagree (DA), neutral (N), Agree (AG) and Strongly Agree (SA). Each response options have a value 1, 2, 3, 4, 5 respectively. For decision to be made the mean of the scaling point was computed as;

$$\frac{5+4+3+2+1}{5} = 3$$

Therefore, responses with means 3 and above are regarded as agree while mean less than 3 would be disagree.

In general, the data collected by questionnaire (quantitative) were analyzed using simple descriptive statistics: frequency, percentage, the mean average and representation of figures/pictures. The data collected by interview, focus group discussion and document analysis (mostly qualitative) were also used to substantiate quantitative data during analysis.

4.1.2 Characteristics of Interviewed Respondents

The second most important data gathering instrument was interview made with different respondents drawn from different government offices and experts from different governmental and non-governmental offices. In addition, the researcher has conducted non-directive interview with the owners of 2 restaurants, 2 car rentals, and an expert of conference center, film industries, handicraft men, government run projects, taxi drivers and tour guides in Addis Ababa (see detail on the table4.2 below).

Table 4.2: Interviewed Respondents

Interviewees	Categories of interviewees	Number of interviewed individuals=23
Respondents from government offices	Ethiopian Investment Agency	1
	Addis Ababa Investment Agency	1
	Ministry of Culture and Tourism	3
	Addis Ababa Culture and Tourism Bureau	2
	Ministry of Foreign Affairs	1
	Ethiopian Revenues and Custom Authority	3
	Addis Ababa City Government Land Administration	1
	Total	12
Experts	NBE	2
	Ethiopian Tour Operators Association	1
	Ethiopian Hotel Professionals Association	1
	Development Bank of Ethiopia	1
	Addis Ababa Cinema Houses Administration	1
	Total	6
Others	Restaurants	2
	Conference Centers	2
	Car Rentals	1
	Total	5

Focus group discussion was conducted with different tourism experts in Lion Ethiopia Tourism and Hotel College with members not less than seven for about 40 minutes.

4.2 The Current Status of Tourism Investment in Addis Ababa

Addis Ababa has multitude of investment opportunities in tourism, but it has not significant investment in the sector. Indeed, the city has a potential for attracting investors in the following sector, particularly in conference tourism, health tourism and other cultural tourism sectors. Since, it is a center of culture for all nations and nationalities of the country and contains many museums showing different cultural values of the country. About 14 museums reflecting the general background of the country are located in Addis Ababa. For example, National museum of the country which is believed to be among the best collections in sub-Saharan Africa is located in the city. Big religious festivals of Ethiopian Orthodox Tewahido church and Islam are also motivating factors for tourism investors because even the peak season of tourist flow in the country is during celebration of these festivities. Particularly, **Meskel** is among the most colorful festivals of Orthodox Church and it is proposed to be registered as a world Heritage. The city hosts many international organizations which make it one of the famous conference centers in the world. However, the level and standard of infrastructures and facility in the city indicates that there is a great need of investment in this sector for meeting the required service for customers.

In this part of the study, the researcher has assessed the current level of tourism investment in Addis Ababa. The core areas of the assessment were the elements of tourism such as infrastructures and facilities, tourism education and the level of awareness creation, attraction development and promotional activities. Hence, these are vital elements for tourism development and need more investment for competitiveness of the sector. The respondents are supposed to have good views about the extent of investment on those areas because their usual activities give them an exposure to understand the condition of infrastructures, tourism education, and awareness of local people about tourism, and tourist attraction developments and promotional activities in the city. Indeed, the researcher has used different related documents to assess the current status of tourism investment.

Table 4.3: Attitude of respondents about adequacy of tourism investment in Addis Ababa

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
Tourism investment in Addis Ababa is high enough to satisfy the need of tourists	12	11.8	14	13.7	6	5.9	44	43.1	24	23.5	2.25

SA=Strongly Agree, AG=Agree, N= Neutral, DA=Disagree, SD=Strongly Disagree, MA=Mean Average

As table 4.3 depicts the majority of respondents (66.4%) recognize that tourism investment in Addis Ababa is not sufficient to provide satisfactory service for customers. On the other hand, 25.5% the respondents agree that the level of investment in Addis Ababa is enough for existing tourists' entertainment. The remaining 5.9% of the respondents have no idea to judge on the performance of tourism investment. But the mean average (2.25) reveals that the level of investment is insufficient. Though Addis Ababa has much more to offer, the amount of investment or the status of facilities don't enable to offer the optimum amount of service for its customers. To reveal the level of investment in the city, specific areas of tourism investment have been discussed below in detail.

4.2.1 Status of Tourist Infrastructures and Facilities

According to the perception of tourism experts, Addis Ababa has a potential to be one of the famous tourist destinations in the world, since, the city has many opportunities for booming tourism, particularly, event/festival tourism and conference tourism. But the development of the sector is hampered due to lack of standardized infrastructures and tourist facilities.

Table 4.4: the current status of tourist infrastructure

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
The current level of overall tourist infrastructure in Addis Ababa is sufficient	4	3.9	20	19.6	10	9.8	46	45	22	21.6	2.34
Addis Ababa has sufficient number of classified hotels and other accommodation services for tourists	-	-	12	11.8	24	23.5	44	43.1	22	21.6	2.21
Addis Ababa has adequate number and quality service providing tour operators and travel agencies	4	3.9	20	19.6	20	19.6	42	41.1	16	15.6	2.49

Source: compiled from primary data

From table 4.4 we can understand that most of the respondents (66.6%) understand that tourist's infrastructure in Addis Ababa is at low level indicating that the high demand of investment in the sector. 23.2% of the respondents are against the above idea that they understand that tourist infrastructures are adequate. Indeed, mean average (2.34) shows most of the respondents disagree that existing tourist infrastructures are not adequate for better service provision. Interviewees indicated that the city is still lacking in the following public and tourist infrastructures (discussed in detail on table 4.14).

- Higher designated hotels and restaurants
- Other ancillary tourist service provider
- sufficient water supply and electricity
- efficient waste disposal system
- Broadband Internet access is not available in some hotels
- Telecommunication is not free enough particularly for international calls.
- Sufficient Transportation etc

The researcher has gone through some specific types of tourist infrastructures to take the view points of respondents regarding the status of infrastructures.

As table 4.4 shows the majority of the respondents (64.7%) disagree on the idea that Addis Ababa has sufficient number of classified hotels and other accommodation services of tourist. However, 11.8% of the respondents agree with the above statement. The remaining 23.5% of respondents are neutral to decide on the sufficiency of classified hotels and other tourist accommodation in Addis Ababa. In general the mean average (2.21) indicates that Addis Ababa has no sufficient number of classified hotels and other tourist accommodation services. Particularly, high standard hotels such as four and five star hotels are very few in number. Due this, the city could not accommodate its guests during peak season of tourist flow and when big international meetings are held. Even existing hotels are criticized for their customer service problem, sanitation and lack of necessary facilities.

The figure 4.1 below shows the trend of year on year total capital of hotel industry investment projects under operation in Ethiopia (1992-2010): much of this investment sector has been undertaken in Addis Ababa. Even though the total capital stock of hotel investment is increasing, as the figure indicates the total capital per year is highly fluctuating overtime. As it can be seen from the figure, in the year 2002, there was no investment project of hotel industry which started operation. In general, there is no trend of sustainable increment of investment flow in the sector due to lack of strong institutional framework like national tourism board which can play a central role for facilitating consistent investment in the sector. Hence, in Ethiopia tourism has not strong and broad based development plan supported by research even to provide concrete information for policy makers and other stakeholders to ensure an integrated development. As a result, this and other factors have contributed for fluctuation of investment in the sector.

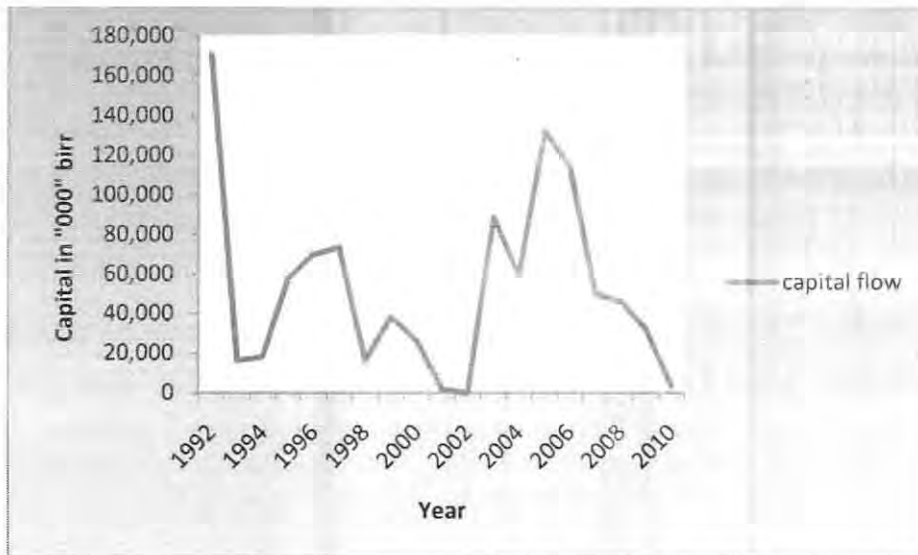


Fig 4.1 the trend of total investment capital in hotel industry ever year (1992-2010)

In relation to tour operation and travel agency, similarly more than half of respondents (56.7%) disagree to say that there are no adequate number of tour operators and travel agencies providing quality services. On the other hand, 23.5% of the respondents agree that the city has sufficient number of tour operators and travel agencies providing quality tourist services. The rest 19.6% of respondents are neutral with the idea. But the mean average (2.49) enables us to ensure that tour operators and travel agencies that can provide quality service are inadequate in Addis Ababa as compared to its neighboring cities like Nairobi hosting thousands of tour operators. According to EIA, throughout the Ethiopia the number of tour operators under operation are 103(as it was shown in summary of licensed tour operators from 1992-2011). On the other hand, MOCT has not well compiled summary of data but it believes that there are around 300 tour operators under operation. According to the viewpoints taken from tourism professionals, the tour operators that base in Addis Ababa are ground handlers that have not international brand. But it is important for the city's tourism development that foreign ownership is encouraged as it will raise the sector both in terms of price competition and innovation. The figure 4.2 below depicts the year on year total capital on investment of tour operation and travel agency industries in Addis Ababa. Figure 4.3 on the other hand shows the created permanent and temporary job. As it can be understood from the figures, although the capital flow in tour operation business is fluctuating like the trend in the case of hotels, it is creating significant job opportunities in the city.

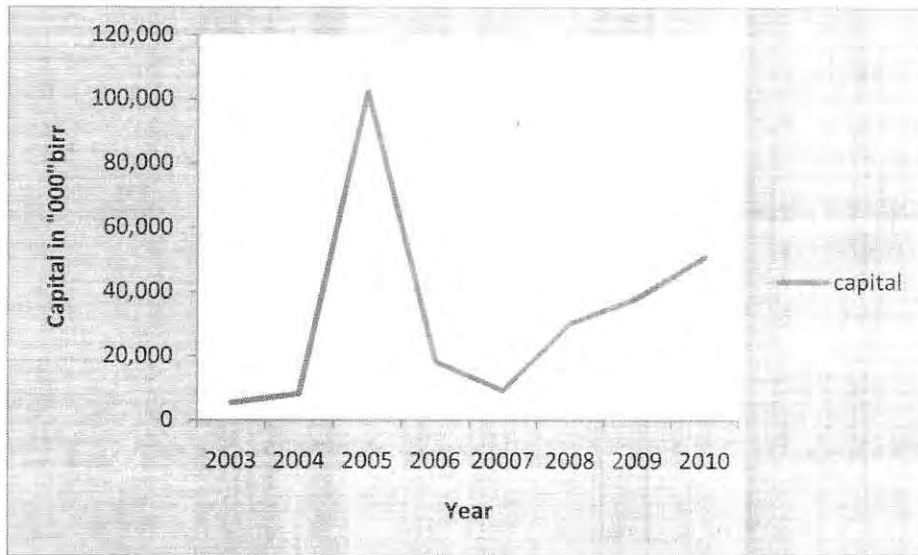


Fig4.2 The trend of total investment capital flow in tour operation and travel agency industry every year (2003-2010)

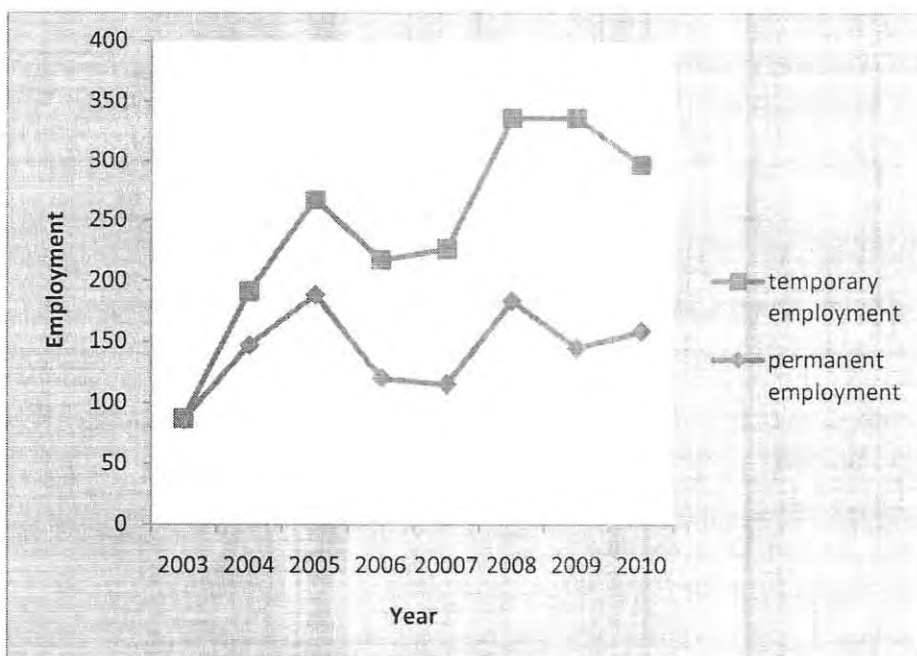


Fig4.3. trend of employment opportunity in tour operation and travel agency (2003-2010)

Similarly, the city lacks other ancillary facilities of tourism and hospitality. Even though the city is strategic for conference tourism, according to the result of interview with Addis Ababa Culture and Tourism Bureau, the city has only about 10% capacity for conference tourism as compared

to its potential. By its nature conference tourism demands ranges from small ancillary services to large tourist infrastructures such as accommodation, transportation, conference centers and other utilities. However, Addis Ababa has no adequate of the above mentioned facilities. Further, conference tourists need luxurious service. But quality is common problem in our city.

4.2.2 Investment for Development of Tourist Attractions

Attractions are the main pull/push factors and that is why tourists come to visit destinations. Addis Ababa has many types of tourist attractions. The city has potential in its much diversified attractions. Tourist attractions of the city identified by Addis Ababa city Culture and Tourism Bureau are the following (see detail from appendix2): these include, monuments, holiday celebrations, museums, churches and mosques, major historical houses and palaces, recreation parks, hot springs.

Addis Ababa is also surrounded by many natural and cultural tourist attractions (see detail from appendix2) that can be used as an excursion sites for a tourist who has not a plan for travelling to other popular tourist sites of the country.

Regardless of the diversity of tourist attractions, product development has not done significantly in the city. The attractions are not well organized for visit. According to the interview result with different experts from governmental and non-governmental offices in Addis Ababa, stake holders have no good awareness about tourism business. The government has not good implementation capacity for developing attractions. On contrary, the ancient heritages (old houses) are being destroyed by government projects. Moreover, there are no committed private sectors that can support the conservation and preservation of attractions. Local communities don't understand even what tourism is. This needs great dedication for increasing the commitment of all stakeholders for exploiting the huge of potential tourism business in the city.

In this part, the researcher has discussed the current level of protection, development and promotion of tourist attractions in Addis Ababa.

Table 4.5: development of tourist attractions

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
I agree tourist attractions in Addis Ababa are well-protected and developed	4	3.9	12	11.8	18	17.6	54	52.9	14	13.7	2.34

Source: compiled from primary data

As table 4.5 shows 66.6% of the respondents see those tourist attractions of Addis Ababa are not protected and developed for improving development. Only about 15.7% of respondents argue that the attractions are protected and developed. In fact, the rest 17.6% of the respondents could not decide whether the attractions are developed or not. The mean average (2.34) shows that the attractions are underdeveloped.

Study conducted by Fantu (2009) indicates that tourist attractions are not well protected and preserved. Even if the city is rich in its historical and cultural tourist attractions, they are not well organized for visit. For example, the number of museums is not enough for display of all resources worthwhile for visit. The heritages stored in the national museum are numerous in number. But many of heritages, particularly, archaeological findings are not well organized, except few and famous ones. This implies the need of building additional museums for preservation and display of these heritages. Indeed, there are proposed projects such as establishment of All Ethiopia Village, Folkloric Activity Center, Athletic and Patriotic Museums, Permanent Handicrafts Display and Sales Center, City Park Development, African Village foundation, Adwa(African victory) Park, tourist information center, Out-Skirts Lodges and Hot Spring (Filwuha) Extension Project. The projects are the implications of the bright future of tourism in Addis Ababa. But implementation of these projects is not as fast as needed.

Tourist attractions found in the environs of Addis Ababa are accessed by gravel roads and are not supplied by good tourist facilities such as hotels, restaurants, pavements and walkways, drainage system, organized security and protection system, institutions for supporting the destination areas etc.

Table 4.6: promotion of tourist attractions

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
Tourist attractions of Addis Ababa are well-promoted internationally	8	7.8	4	3.9	12	11.8	52	50.9	32	31.4	2.23

Source: compiled from primary data

Table 4.6 tells that the majority (82.3%) disagree with the idea of describing tourist attractions of Addis Ababa are not well-promoted. On the other hand, about 11.7% of the respondents have positive view points about level of promotion of tourist attractions. The rest 11.8% of the respondents did not notice at all. As the mean average (2.23) depicts that tourism in Addis Ababa is not promoted well internationally.

There are many reasons for low promotion of tourism in Addis Ababa:

- ❖ Low commitment and effort of government for promoting tourism; this is in turn implied by the following indicators:
 - Low budget is allocated for tourism promotion:
 - The government could not use variety of electronic media such as international broadcasting media.
 - According to experts, the only means of international promotion tool is international trade fair.
 - Until recently the promotion is unilingual. Still the sector lacks well-trained and multilingual manpower.
- ❖ Limitation of capacity: the government lacks capacity to cover the necessary development sectors. It gives priorities for basic social and economic issues such as education, health and agriculture.

Low promotional effort has resulted in relatively low tourist flow into the city. This in turn is a threat for investors who engage in service provision. Since, one of the determinant factors for development of investment in one destination is the extent of customer or market size.

4.2.3 Investment for Tourism Education

Obviously government is once again primarily the most responsible for financing or at least organizing investment in these sectors. Formal tourism education for professionals and informal or awareness creations for all stakeholders are among the means of enhancing competitive tourism investment.

Table 4.7: tourism education and awareness creation level

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
I understand that Addis Ababa has ample and quality institutions of tourism education	4	3.9	8	7.8	14	13.7	46	45	30	29.4	2.06
In Addis Ababa awareness creation about tourism for people is done well.	2	1.9	8	7.8	16	15.6	60	58.8	16	15.6	2.15

Source: compiled from primary data

Therefore, it needs a full hearted attention of the government for investment directly or by encouraging private organizations.

Table 4.7 above contains questions about institutions of tourism education and level of awareness creation about tourism business in Addis Ababa. As the table shows, with regard to institutions of tourism education, 74.4% of the respondents have showed their disagreement that Addis Ababa has not qualified tourism education institutions. In contrast, only few respondents (11.7%) agree that the tourism education in the city is quality. The remaining 13.7% of the respondents are neutral to decide. Indeed, as we can understand from the mean average (2.06), the quality education in the city is at the low standard. The number of institutions is now increasing and at the same pace, the number of graduates is increasing. But the skill and knowledge of students does not qualify them to be the right people for the industry. As the interview with teachers indicates, the institutions lack in facilities for practical learning, So that the competition of the investment in the sector seems only for profit that can be generated.

Similar thing was realized regarding to the level of awareness of local peoples about tourism business. Table 4.7 reveals that 74.4% of the respondents disagree with the question asked about the awareness level. Some other 9.7% respondents answered by agree. Of course, Government not only needs to raise awareness of tourism investment facilitation — it also needs to explain why the investment facilitation available will work, so as to convince industry to use it (The Allen Consulting Group, 2011). As interview results indicated, the effort of government awareness creation is not really sounding to instigate the local people and the industry so as to have confidence of investing and operating in tourism sector.

4.2.4 Foreign Direct Investment in Tourism in Addis Ababa

In the sector of tourism, foreign direct investment is welcomed. But primarily the local government encourages domestic investors. Foreign investors are invited if local investors are not capable to do in the sector. However, still government knows the fact that domestic investors cannot provide competitive service. For instance, domestic tour operators are criticized that they can't give much variety of services based on the interest and demand of customers due to capacity limitation.

Foreign investors are allowed to engage in star designated hotels, special restaurants, lodges and tour operation services. On the other hand, still the following sectors are reserved for domestic investment.

1. Hotels other than star-designated hotels, motels, pensions, tearooms, coffee shops, bars, nightclubs and restaurants (excluding international and specialized restaurants).
2. Travel agency, commission agency and ticket offices.
3. Museums, theatres and cinema hall operations
4. Car hire and taxicab transport

Table 4.8: the number of investment projects under operation (1992-2010)

Sector	Type of investment		Total
	Domestic	Foreign	
Hotel	207	13	220
Tour operation and travel agency	72	31	103

Source: summary of EIA

As it is shown on the table 4.8, the involvement of foreign direct investors in the sector of tourism is low. What is funny is that the concerned bodies did not identify the foreign investors in their name. As it is shown on the table, for example according to EIA, the number of foreign projects in hotel under operation is supposed to be about 13. However, even Ministry of Culture and Tourism has no summary of the list of these hotels. Similarly, the numbers of foreign tour operators are reported to be 31. But not more than eleven tour operators are known by the ministry. This clearly shows that there is a high problem of coordination and cooperative work among the government organs.

4.3 Investment Incentives

Ethiopia has no investment policy developed exclusively for tourism sector. The investment in the sector is run according to the general investment policy. The current/operational policy of the country was first ratified in 1992 under proclamation number of 15/1992. The policy has been amended two times: the first amendment was made in 1996 under proclamation number 37/1996 and the second was made in 2002 under proclamation number 280/2002. Amendment made late in 2003 has not been changed in to operation. The investment policy of the country does not provide sufficient incentives in tourism sector. Very few of incentives provided for this sector are discussed below.

4.3.1 Types Incentives for Tourism Investment

Table 4.9: level of incentive in tourism investment

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
I recognize that there is no sufficient incentives for tourism investors in Addis Ababa	18	17.6	42	41.2	10	9.8	20	19.6	12	11.8	3.26

Source: compiled from primary data

Table 4.9 shows that more than half of respondents (58.8%) agree as the amount of incentive provided by government is not satisfactory. On the other hand, 31.4% of respondents answered by disagree. The remaining 9.8% of respondents have not recognized whether the incentive is sufficient or not. The mean average (3.26) also shows the insufficiency of the incentive provided by government.

Ethiopian government provides better investment incentives for exporting industries such as agro-processing and manufacturing. For example, the 5 year tax holiday is given only for the sectors of manufacturing or agro-industries which can export about 50% of their products and can supply 75% of the products for investors who export products as raw materials. Therefore, there is no incentive of tax holiday for tourism investors. But according to tourism experts, tourism should be considered as exporting economic sector and investor of the sector should be given incentive of tax holiday like other sectors which export their product. Other developing countries of Africa such as Kenya and Malawi provide tax holiday/relief for tourism investors because the governments of these countries have nonetheless recognized the significance of tourism development. For example, Clear policy of tourism promotion has been spelt out in the Malawi Growth and Development Strategy that the long term goal is to “increase the contribution of tourism to GDP from 1.8 percent to 8.0 percent by 2011. Kenya has also given a due attention for development of the sector and performing better in East Africa.

According to different primary sources star designated hotels, specialized restaurants and tour operators are the only sectors of tourism that are given investment incentives.

I. Star Designated Hotels and Specialized Restaurants

According to Ethiopian revenues and customs authority, star-designated hotels like other service providers can import the equipments and furniture which have direct relation with their service provision duty free. The types of equipments and furniture are the following:

- A. PBX, cables and bed room phone crane.
- B. Bed and mattress based on the numbers of rooms
- C. Other facilities of bed room such as television, refrigerator (single), boxes, lockers, sofa (single or double), lighting facilities.
- D. Facilities of reception room such as sofas, tables(based on the number of customers entertained)

E. Chairs and tables for kitchen room(per the number of customers entertained)

F. Tents and umbrellas used around swimming pools

In addition, star designated hotels which have employees of 45-50 can import a bus with the capacity of 45 seats or two minibuses with the capacity of 12 seats. Hotels which have more than 50 employees can import two buses or 3 minibuses. Based on the level of star one and two star hotels can import only one pick up and hotels above two stars can import two pick up cars.

Hotels can also be exempted to import construction materials such as construction and building materials, computers and other. Specialized restaurants are exempted to import capital goods too.

II. Tour Operators

Tour operators are exempted to import cars duty free (up to three). In this sector, investors can import 3 station land cruisers but they should import the cars by one or two shipments.

In general investors are not satisfied with the type of incentives and the regulation with regard to incentives. For example tour operators are restricted to use their cars only for tourism purpose. In addition, the requirement for opening tour operation business is not easy for many investors because to start tour operation business one should have three 4WD or other cars that can be used for tour purpose.

Other sectors of tourism investment in Addis Ababa are not given any type of incentives. Tourism sectors rather than star hotels, specialized restaurants and tour operators can get investment license from Addis Ababa Investment Agency.

4.3.2 Subsidy and Aid for Domestic Investors

Table 4.10: Government subsidy for domestic investors

statement	Response							
	Yes		No		NA		Total	
	F	%	F	%	F	%		%
Have you got any subsidy from government to start business	49	57	37	43	0	0	84	100

Source: compiled from primary data

In relation to any subsidy provided by government for local investors the study reveals that majority of respondents (57%) have got financial incentive for their start-up business. Indeed,

development bank gives long term loan which can be extended 15-20 years at moderate interest rate (8.5%) which is lower than interest rates of other commercial banks in the country which ranges 9.5% to 11.5%. the loan service is given for some sectors of tourism such as classified hotels, lodges, resorts, restaurants and tour operators. Further, experts from development bank give technical support in the areas of record keeping, developing organizational structure, market research and promotion etc.

To sum up, the amount of subsidy and aid of government for local investors is not satisfactory. Indeed, additional facilities are needed for diversifying the types of services that can be provided for customers. Tourism experts recommend that government should coordinate support for establishment of additional galleries, exhibition centers, museums, shopping centers, recreational parks, libraries, film industries and other service providers and entertainments.

According to experts of the profession, film industry has huge contribution for attracting tourists in the destinations. In the case of Addis Ababa there is no significant investment in this industry. The producers are not well organized in their profession. Moreover, films are produced mostly by local language with the exception of some sub-titled films. The interviewee has underlined that in Ethiopia film production is not knowledge based due to lack of film schools in the city. But giving support for professionals and driving the attention of investors may enhance film industry in the country generally and in Addis Ababa specifically.

4.4 Challenges of Tourism Investment in Addis Ababa

In this part the researcher has discussed the challenges of tourism investment in Addis Ababa. Specifically, challenges related with political and economic conditions, administrative inefficiency/bureaucracy, and infrastructural and other problems have been analyzed in detail.

As Addis Ababa is the capital of the country and center for international conferences, it is expected to be outfitted with the necessary public and tourist infrastructures and facilities. A tourist facility in the city is still at its infant stage. Particularly, the city lacks star-designated hotels which are very important for international tourists. Moreover, other service providers of tourist facilities are not well organized and integrated.

In some part of the city, road transportation is not still up to standard even though it is underway of improvement. Capital cities of many African countries are networked by rail transportation. Addis Ababa, a capital city not only for Ethiopia but also for Africa has not rail way access.

Because of its significance for international meetings, Addis Ababa bears remarkable potential of conference tourism. The city has also much to give for its customers. Since, it has many cultural, historical and natural tourist attractions that can give good experience of visitors if they are developed as tourism products. However, those resources are not well protected/preserved, promoted and are not bundled well as tourist products to make them ready and open for customers.

Administrative structure of tourism in the city is too late to make the sector institutionally strong for sounding achievement. For example, let alone Addis Ababa, Ethiopia is one of few countries in the world that has not Tourism Board. Due to this the development of tourism is too stagnant. Addis Ababa was also compelled to taste this fate, not having strong institution for exploitation of tourism business.

4.4.1 Impact of Regional Political Condition

Table 4.11: Impact of Regional Political condition for tourism investment in Addis Ababa

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
In my view, Ethiopia is not politically stable country for tourism investment	16	15.6	8	7.8	8	7.8	40	39.2	30	29.4	2.40
I believe that instability in the horn of East Africa has affected tourism investment in Addis Ababa	8	7.8	24	23.5	14	13.7	40	39.2	16	15.6	2.62

Source: compiled from primary data

Since, on one hand, realization of private investment may encounter various constraints and limitations, such as general lack of capital, fear for low profitability of invested capital, fear for political instability, lack of infrastructure in the destination, absence of social services and skilled

labor (Dimitris, Aimilia and George, 2005). On the other hand, the public sector by itself may lack capacity to raise funds for investment/or and may give a margin of its attention for investment.

Table 4.11 consists of two questions with regard to the environment of political condition in Ethiopian and East Africa and its impact on tourism investment in Addis Ababa. As it can be seen from the table, 39.2% of respondents disagree with an idea Ethiopia to be politically unstable country for tourism investment. Similarly, 29.4% of respondents strongly disagree with the same idea. On the other hand, 15.6% the respondents strongly agree and 7.8% of the respondents agree with the above statement. The rest 7.8% of the respondents have no idea whether Ethiopia is politically stable or not. The mean value of the response (2.40) shows that really Ethiopia is politically stable country. Many of interviewees confirm that now Ethiopia is the country in the East Africa with better political stability and becoming among top destinations of investors in Africa. But the respondents have indicated that some reports in the border areas with Eritrea and Somali can develop suspicion on the views of investors, specifically foreign investors are sensitive for this situation. Indeed, due to the nature of the sector even domestic investors have fear about the impact of any image problem of the country on their business.

On the other hand, with regard to the effect of political instability in the horn of Africa, majority of respondents (54.8%) disagree with the idea that states political instability in the horn of Africa has affected tourism investment in Addis Ababa. On the other hand 31.3% of the respondents agree that the instability in the horn has an effect on the flow of tourism investment in the city. The rest about 13.7% of the respondents did not totally notice the effect of instability on tourism investment of Addis Ababa. Indeed, the mean average (2.62) shows that instability in the horn of Africa does not significantly affect tourism investment in the city.

As interview result indicates that in East Africa there is political instability. Ethio-Eritrea discontent and the movement of Al-shabab, the wing of Al-Qaeda are the main threats of stability in the horn of Africa. But these are not remarkable enough to affect investment in Addis Ababa specifically, and in Ethiopia at large. Indeed, the Horn of Africa is still seen as a region of instability and terrorism.

To sum up, the current political situation of the country internally and instability in the Horn of Africa is not a major threat for Ethiopian tourism investment. According to their views, the

investors have a confidence on the government's tight control of any upheavals. But the scar of previous negative image once inculcated in the minds of foreigners has still a negative impact not only on the tourism investment, but also on the general investment of the country.

4.4.2 Institutional Framework and Bureaucracy

Investment environments such as the alleviation of administrative regulations, efficient support for information materials, a one-stop service etc are very important for fast and efficient customer service. In addition, activities such as related research, preparation for effective strategies through policy evaluation and establishing simple and transparent legal framework are also crucial.

Table 4.12 depicts that 68.6% of respondents agree that there is lack of coordination among the government bodies due to lack of clear and standardized regulations accepted by all departments and staff members. Only about 17.6% of respondents disagree with the above idea. 11.8% of investors are indifferent to recognize coordination problem. Further, the mean average of the response (3.73) indicates that investors have realized coordination problem among the departments of government offices.

Table 4.12: Challenges related with administrative inefficiency

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
I understand that there is conflict between government departments due to lack of clear and standardized regulations	40	39.2	30	29.4	12	11.8	14	13.7	4	3.9	3.73
I understand that in Addis Ababa there is no coordination between government offices & private organizations to enhance tourism investment	24	23.5	46	45	12	11.8	16	15.6	2	1.9	3.59
I know that the government's implementation capacity is inadequate for tourism investment	32	31.4	28	27.4	28	27.4	8	7.8	4	3.9	3.59

Source: compiled from primary data

This was witnessed by the fact that employees and even heads don't have full information about what is being done in other department within the same institution or with other governmental organizations. According to respondent's view, changes on the rules and regulation of the government offices have aggravated the problem of confusion to a common understanding among the employees of different government bodies. Moreover, different concerned government bodies have not regular meetings and discussions for harmonizing their services. The most common and chronic problem according to the respondents is that loose or no integration among different government institutions.

Table 4.12 also reveals that majority of investors (69.5%) agree that the government has no good coordination with private sectors in tourism industry. Paradoxically, some 17.5% of the respondents disagree to say government has no coordination with private sector. Some other 11.8% of the respondents could not decide on the absence of coordination. In general, the mean average (3.59) reveals that government has no good coordination with private sectors for enhancing tourism investment. On the other hand, interview with experts shows that in addition to lose coordination between government and privates sectors, the cooperation and coordination between local communities(handicraft producers) and private sectors is still superficial. For example, traditional handicrafts in Addis Ababa have no good contact with mega-projects such as hotels and tour operators. This in turn indicates that the government is not effectively doing on linking local tourism product producers with large suppliers such as tour operators and hotels. If the link was good, it could have been a good opportunity and input for big investors for providing competitive service. Since, it gives a chance for the investors to bundle Handicrafts, other local creative products, performing arts and entertainment services, which could have helped to make producers creative and innovative.

Now there is a good start by different government projects such as Ethiopian Sustainable Tourism Development Projects (ESTDP) mostly working outside of Addis Ababa in regional states (mainly in southern region, Tigray and Amhara regions) in improving the link between tourism industries and traditional handcraft men for enhancing investment on local resources. The ESTDP also gives training for local communities about community based ecotourism. Addis Ababa has also many opportunities to enhance local investment. But even ESTDP and other



government run projects are mainly working in regional states and there are no well organized activities to facilitate local small enterprises and handicraftsmen. As an interview result with weaving industries in Shiromeda indicates that the government's role for linking the industries with NGOs is not encouraging. Indeed, weaving industries in Addis Ababa have great potential for attracting investors as their product (different traditional clothes) attract tourists in the city.

In relation to the implementation capacity of government, 50.9% of respondents agree that the government has inadequate capacity for implementation in the operation of tourism investment. On the other hand, (11.7%) of the respondents disagree with the statement. The rest 27.4% of respondents could not decide on the implementation capacity of the government. Further, the mean average (3.59) depicts that the government has high problem of implementing its promises. The implementation problem of government is affected by allocation of low budget for the sector and lack of well trained and motivated manpower. Many training programs and promotional activities are suspended due to lack of financial constraints. Experts view indicates that for example the budget allocated for tourism cannot ensure competitiveness of the sector as compared to other good performing African countries such as Kenya and Egypt. The government plans to make Ethiopia one of the top five tourist destinations in Africa in 2020. But the implementation capacity of the government does not commensurate with its plan.

4.4.2.1 Government Offices

To investigate the administrative inefficiency and bureaucratic problems, the researcher has selected some government offices and raised questions for investors and interviewed as well. As it is illustrated on table 4.13, investors were asked about their feedback whether they are satisfied by the services provided by GOs.

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Table 4.13: whether respondents are satisfied by services of government offices

Organizations	Response						Total	
	Yes		No		NA			
	F	%	F	%	F	%		%
Are you satisfied by the service of Ethiopian Investment Agency	30	29.4	42	41.2	30	29.4	102	100
Are you satisfied by services of Ethiopian Custom Authority	24	23.5	48	47.1	30	29.4	102	100
Are you satisfied by services of Ministry of Culture and Tourism	38	37.3	44	43.1	22	21.5	102	100
Are you satisfied by the Addis Ababa city Government Land Administration	16	38.1	24	57.1	1	2.4	42	100

Source: compiled from primary data

As table 4.13 shows, 29.4% of respondents are satisfied by the service of Ethiopian Investment Agency. The other 41.2% of respondents answered that they are not satisfied by services provided. The rest 29.4% have no idea on the quality of service provided by the office. Particularly the foreign investors are not satisfied with the service provided by the agency.

One of foreign tour operators has put the following statement:

“There is lack of information about which process to follow and there is no facility for foreigners.”

On the other hand, the other investors, particularly domestic investors have good impression for the agency’s services. Others have also pointed out as there is a good progress on the service provision. Indeed, one of the domestic investors has put his beautiful view point as follows:

“The office cooperates for giving information about all the investment opportunities without any hassle.”

On the other hand, the other domestic tour operator has put his complaint as follows:

“The incentive given by the agency is not enough. In fact it has allowed three modern 4WD and Bus vehicles. But the cars are allowed only for tour operation activity. This is too restrictive regulation even though the implementation is doubtful again.”

An interview conducted with the investment agency shows that the agency by itself believes that there is a need for improvement of service. For example, it has confessed that under Ethiopian Investment Agency, there is no support center of service for specific investment sectors like tourism. Service is given by general service center named as department of agriculture and service sectors. Addis Ababa Investment Agency has also admitted that the agency could not undertake effective and well-timed follow up due to lack of manpower in the sector.

Another complaint of investors was about delay of service. According to the client chart of EIA, time to be taken for giving specific service has been fixed. For example, time to be taken for issuance of investment License (both new and expansion) is four hours and for issuance of renewal of license (both new and expansion) is one hour. Many investors agree with above time. Nevertheless, according to some respondents, the time taken for getting the above mentioned services was too long which delays up to three months. This indicates there is a need to improve much to provide fast and efficient service.

We can conclude that the agency has improved its performance regardless of some pitfalls. But foreign investors' response indicates that the quality of service is low. This may be as compared to services provided by investment commissions of other countries where not only efficient administration but also sufficient incentives are provided in order to draw attention of investors.

With regard to services provision of Ethiopian Revenue and Custom Authority (ERCA), investors have reflected their dissatisfaction (47.1%). On the other hand, 23.5% of the respondents were satisfied by the service. The rest 29.4% of the respondents are indifferent or could not decide up on the quality of the service.

Some respondents claim that the service provision process is not modern and efficient. Therefore, the office should improve the process that the customers pass through to get service. One of the respondents has put the following comment:

*“The service provision process of custom duty is **not** well organized and not computerized so much that they take more time for check up and proper work.”*

The suggestion above shows that the time taken for getting service from custom duty is long. For example, clearing imported goods from customs authority may take more than a month. According to the expert from this office, the cause for delay of service is that even though there

is a good start, the office is not well networked for accessing information with other staff and to provide fast and efficient service for customers.

What we conclude here is that the bureaucratic tape with insufficient incentive can worsen dissatisfaction of investors and may lead to hindering situation of investment in general.

Another respondent also suggests that

"I am not happy with the approach of custom duty towards customers; the relation between its employees and customers seems the relation between police and thief. As a result we could not do in cooperation with the office."

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

Another governmental body that provides very crucial service is Ministry of Culture and Tourism (MoCT). As table 4.5 reveals 43.1% of the respondents claim that the service in the Ministry of Culture and Tourism was not good for them. 37.3% of the respondents were satisfied by the service. The remaining 21.5% of the respondents have not given their answer. Even though there is an improvement on the style of service provision, according to the respondents, there are many things to be improved through time.

A foreign tour operator has said that MoCT does not give support for promotional activities. This idea was confirmed by interview result of key informant from the ministry itself; tour operators cannot afford to participate in international trade fairs. But the Ministry must involve tour operators in international trade fairs; thereby operators can get an opportunity for promoting the country and themselves.

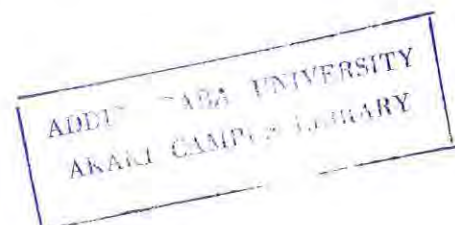
The respondents have also pointed out that Ministry of Culture and Tourism has to do a lot to provide a satisfactory service for its customers. For example, the office could not complete standardization for classification of hotels into star and other levels. Due to this it could not identify hotels with better and/or worst performance. Hotels with better performance and which deserve high standard of classification have grievance on the inability of the ministry to do things on time. During the time of this study, indeed, the hotel classification process was underway.

The last governmental body about which investors were asked about was Addis Ababa city Government Land Administration (AACGLA). This question concerns only hotels because tour operators don't need to get service of land administration for their investment because currently most tour operators in Ethiopia have not that much expanded business for taking land for construction. As it can be recognized from the table 4.5, 38.1% of respondents answered as they were satisfied by the service of Addis Ababa City Government Land Administration. On contrary, majority of respondents (57.1%) have answered no for the question raised. Really, it does not need to be doubtful to comment the service of this office. The respondents have expressed it as the worst office in Addis Ababa in its service quality. Investors extremely criticize the bureaucracy of the land administration office. One of the respondents has given the following comment

“The office of land administration is the most problematic governmental office; why? for example, one boss postpones a first contact of customer at least for a week, the worst thing is that he/she may be at a meeting or wherever else when the customer comes on appointment.”

So that land acquisition process in Addis Ababa is problematic and the investors have not good attitude towards the office. According to interview conducted with the office, the reason for low quality (particularly delay) of service provision can be divided into two: namely, internal and external.

Internally: particularly for mega projects (such as hotels with four stars and above) which are allowed to take land by initial negotiating cost, implementation may take time because it is implemented based interest and proposal of investors. For example, unfortunately the land of interest may not be ready to be given directly to the investors. This in turn leads to conducting environmental impact assessment to ensure whether it affects the living condition of local people; appropriateness of the place for investment. If the land proposed for investment is occupied by local dwellers, it may need to relocate locals to another place. Therefore, in this case, there is no time specified for land acquisition and it may take long time for getting land. This provision of land at initial cost without bidding is given as an incentive to encourage big projects but the complicated process has diminished the objective of the office. On the other hand, relatively small projects (for example, hotels with three stars and below) can get land already reserved through bidding within short period of time.



Externally: the process of land provision is not completed under the authority of land administration. It should be dealt by Land Development and Administration Board for approval. The completion of this process may take a lot of time. Another external hindering factor of service provision may be created from the side of investors themselves. For example, many customers don't fulfill the necessary documents (i.e. investment license, qualification) which are prerequisites for getting land.

Ethiopian government's policy does not allow land free of charge for investors; land provision is on the lease hold basis which can be extended 50-99 years. Consequently, this is another discouraging factor for investors because investors have complaint on the land lease policy of Addis Ababa: the lease rate of Addis Ababa is considered to be high. Furthermore, banks don't accept lease as security/collateral for loan provision. Another main source of complain is the plot of land given for investors lacks infrastructures for starting business and even the office by itself believes that the office undertakes weak follow-up on the investors that have taken land. Due to the problems mentioned above particularly foreign investors will turn their face to other countries with better land administration policy.

Addis Ababa has its own master plan. According to an expert from AACGLA, the land area of the city is divided into: the land reserved for local development projects, land for residence and the land reserved for industry. But there is no land specifically reserved for tourism investment. In fact, in the city tourism is one of the major investment sectors.

In general, the office is developing new and modern system of land administration for improving its service but during this study the new system was not applied.

What the researcher could understand from survey is that most of foreign investors are not satisfied by the services they get from the abovementioned offices and even they gave extreme criticism on the problem of bureaucracy, particularly on service provision of land administration. Relatively, domestic investors have reflected that they are satisfied. This implies that the level of service quality is not competitive as compared to other countries. This in turn has a negative impact the investment flow into the city.

4.4.3 Public and Tourist Infrastructures

Among the specific internal economic challenges and constraints that were identified by private investors during the field mission to Ethiopia (UNCTD, 2002) is the comparatively poor infrastructure in many parts of the country, especially in relation to transportation, power and telecommunications.

One of the characteristics of tourism investment is its dependence on supporting infrastructures (such as railway, roads, air and sea ports, electricity, water supply communication etc) (The Allen Consulting Group, 2011).

Table 4.14 Constraints-related with public and tourist infrastructures and facilities

The following infrastructures are not sufficient in Addis Ababa	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
Road	32	31.4	60	58.8	-	-	2	1.9	2	1.9	3.88
Rail way	48	47.1	44	43.1	3	2.9	-	-	1	0.98	4.09
Air port	14	13.7	18	17.7	16	15.6	48	47.1	24	23.5	2.98
Electricity and Water supply	44	43.1	44	43.1	7	6.9	3	2.9	2	1.9	4.08
Communication(telephone , fax, internet, radio and TV etc)	43	42.2	30	29.4	10	9.8	12	11.8	2	1.9	3.75
Tourist information center	50	49	37.3	35.3	6	5.9	4	3.9	4	3.9	4.10
Financial facilities(bank \$ insurance, microfinance	32	31.4	36	35.3	12	11.8	16	15.6	4	3.9	3.49
Health and security service	16	15.6	32	31.4	14	13.7	30	29.4	10	9.8	3.05

Source: compiled from primary data

Yet, the investment in developing or upgrading such infrastructure is outside the control of tourism operators, such infrastructure does not solely support tourism and tourism may not be the most commercially attractive market that the infrastructure serves. But because of their decisiveness, the researcher has included in this study.

Table 4.14 shows the constraints of infrastructures. Addis Ababa has not many alternatives of road transportation. Buses and taxis are the dominant modes of road transportation mainly used by residents of the city. As it can be seen from the table majority (90.2%) of respondents agree that in Addis Ababa there is problem of road infrastructure. Only 3.8% of respondents disagree with the idea that Addis Ababa has road constraint for enjoyable tourist service. Generally, the mean average (3.88) reveals that investors perceive that road transportation is not sufficient for operation of tourism business. Indeed, this not something to be surprised because Addis Ababa is a hub of transportation in the country. Even though there is expansion of roads in the city, due to rapid increase of vehicles, roads are too crowded in the center of the city. The quality of roads is relatively better in the region of inner city. Roads that link to expansion areas and tourist attraction around the city are not up to the standard. The poor integration between designs of waste disposal system and road construction has created high problem of sanitation in the city. Tourists suffer from bad smell and in some parts of the city by overcrowding of pedestrians during walk. Even though in the city walking is the main means of transportation, there are no walkways over a large length of road network (Mintesnot and Takano, 2007). In some parts of the city drivers are obliged stop for long time due to high overcrowding especially around kasanchis, Piazza, Mexico, Qera and Kality resulted from narrowness of the roads (observation). What will happen if fleet of cars increase above this? The city has no sufficient number of tourist taxis; there are about 121 tourist taxis in the city more than 98% of which serve in Bole sub-city. Due to this, independent tourists suffer from impolite approach and inappropriate cost of local taxi drivers. Bicycling is not also widely used in the city due to difficult topographic structure of the city. Many drivers of the city don't go in line with traffic regulation which indicates that irregular actions of drivers have worsened the problem. However, relatively, overcrowding is common in capital cities in the world even in developed countries as well. Addis Ababa is also experiencing the same situation. The good news is that now in the city road construction is rapidly expanding and construction of many standardized roads is underway. Therefore, improvements are expected to be met in the near future.

With regard to rail way, similarly, 90.2% of respondents agree that absence of rail way transportation in Addis Ababa has contributed for low performance of tourism investment. Surprisingly, only about 0.98% of respondents answered by disagree. The mean average (4.01)

represents that the need for rail way construction in Addis Ababa is highly demanded. According to tourism experts, the city needs rail way network to connect the city with main tourist sites of the country. Lack of optional transportation like railway has affected both domestic and international tourism of the country.

The table also depicts that the city faces the constraint of water supply and electric. 86.2% of respondents agree that there is insufficiency of water supply and power. Especially, hotel owners complain as they face recurrent cut of power and they are obliged to spend additional expense of purchasing generator and other sources of energy for their food preparation. According to recent studies, regardless of the potential of the city for water supply, the average water supply coverage of the city is found to be 16.65/liter/person/day which is much lower as compared with money other developing cities (Welday, 2005).

In relation to the level of communication, 71.6% of respondents answered by agree to indicate that communication service in the city is poor. About 13.7% of respondents answered by disagree. The rest 9.8% of respondents are neutral. But the mean average (3.75) points out that Addis Ababa is constrained by communication facilities. For example, among communication sectors, the telecommunication service is not sufficient for fast and many international calls. Since, the country has among lowest telephone mainlines per 1000 people in African standard. Likewise, the internet access even in the capital city is ineffective enough and which is time consuming. In fact Ethiopia has one of the poorest internet accesses in the world. A constant grievance heard in Addis Ababa has been the persistent problems experienced with internet connectivity. According to experts, Customers of the sole internet provider Ethio Telecom often complain about various elements of internet service in the country including the slow speed of the connection, constant breaks in service, and ineffective customer service. Not only is the connection speed very slow, but Ethio Telecom does not provide the speed of connection subscribed for.

Another area of high constraint of tourist facility in Addis Ababa is lack of tourist information center. As we can see from table 4.7, 86.3% of the respondents agree that Addis Ababa lacks tourist information centers. Only about 7.8% answered by disagree. The rest 5.9% of respondents are neutral. Indeed, the mean average (4.10) depicts that Addis Ababa lacks tourist information centers. The city has only one tourist information center which makes that it is at low

performance when it is compared with its contemporary cities Nairobi with 50 tourist information centers and London 700 tourist information centers (interview result).

Other facilities that are essential and which are used for enhancing tourism investment are financial facilities. Table 4.14 shows that 66.7% of the respondents agree that Addis Ababa has not sufficient financial institutions. However, about 19.5% of the respondents disagree. The rest 11.8% are neutral to decide on the sufficiency of financial facilities. The mean value (3.49) ensures that Addis Ababa has not sufficient financial facilities. Indeed, according to government sources fundamental reforms have been implemented in the financial sector and in monetary policy. Private sector financial institutions are now permitted to operate, although the sector is still closed to foreign investors. Now there are four government banks, eleven private banks and eleven private insurance companies in the country.

The study also shows that the need of more effort on improving the health and security service in the city. 47% of the respondents agreed for the need of increasing the facilities of health and security. Unlike for other facilities and infrastructures, in this case substantial proportion of respondents (39.2%) answered by disagree. The remaining 13.7% of the respondents are neutral. Anyways the mean value (3.05) indicates that health and security facilities are insufficient to provide quality services. But here, the researcher has gotten that the average answer of respondents contrasts when compared with the result of observation and views of interviewees about the reality of the city in relation to safety. Many experts believe that Addis Ababa is one of the safest cities in Africa. Government also claims that there is a comparatively safe and less corrupt business and social environment which stands out in stark contrast to many other countries and a generally friendly and helpful attitude to foreigners. Indeed, Health facilities in Addis Ababa are limited and are generally inadequate outside the capital. There is a shortage of physicians, emergency assistance. Psychiatric services and medications are practically nonexistent (atlas international, 2011).

4.4.4 The Macroeconomic Situation in the Country

The situation of macro economy has influence on the trend of investment. Pursuing sound macroeconomic policies geared to sustain high economic growth and employment, price stability

and sustainable external accounts is used to improve the climate of investment (Vicini, 2005). Ethiopian government claims that it is on the right track of achieving good macroeconomic success (Investing in Ethiopia, 2011). The report states as

Ethiopia qualifies as a durable African success story, thanks to sound macroeconomic fundamentals and a government that prioritizes broad-based development. Since the mid-2000s, it has ranked among the five fastest growing economies in the world. This impressive expansion – primarily the result of good planning – is expected to continue over the coming years, thus providing healthy returns to prospective investors.

The government is taking concrete measures to shift the economy towards an even higher growth trajectory by further integrating all federated states into the development process through sound social and economic policies, as well as encouraging mega investments in the coming years.

But the reality of macroeconomic situation of Ethiopia is not that much stable for investment regardless of the government's dedication to handle the problem of instability. According to experts interviewed (economists), macroeconomic situation may become uncontrollable for governments. This is what is happening in Ethiopia currently; foreign exchange, inflation and salary of employees are not in a stabilized manner. Tourism investment in Addis Ababa could not escape this situation. This has been observed by the following evidences:

Inflation: While the overall inflation rate had closed at 40.1% in September 2011, there was a volatile trend over 2011/12, with falling to close at 17.7% in January 2011, then rising to 32% in January 2012.

Although some factors responsible for this volatility may have been beyond the economy's control, such as increases in price of imported oil, there are many factors which could have been arrested, such as increases in salaries of teachers and other civil servants. If the current situation of inflation could not be stabilized, it will have an influence on the trend of private sector investment.

Table 4.15: The influence of the current inflation problem on tourism investment

Statement	SA		AG		N		DA		SD		MA
	F	%	F	%	F	%	F	%	F	%	
In my view, the current inflation problem has a negative effect on tourism investment in Addis Ababa	10	9.8	38	37.3	32	31.4	20	19.6	-	-	3.24

Source: compiled from primary data

As it is depicted on table 4.15, 47.1% of the respondents agree that the current price inflation problem in Addis Ababa has affected tourism investment. On contrary, only about 19.6% of the respondents disagree that the price inflation has an effect on tourism investment. The rest 31.4% the respondents are neutral with regard to effect of price inflation on investment. The mean of the responses (3.24) generally shows that really, inflation has affected tourism investment in Addis Ababa. To assess the current situation of inflation, the researcher has conducted interview with restaurant owners with regard to effect of the current inflation on their businesses. According to them, the oscillation of price particularly on food products has made their business unpredictable. Moreover, according to the report of Central Statistics Agency (CSA), predominantly the reviewed report of CSA indicates that with a little oscillation, both food and non-food inflation is continuously rising.

According to the report of the agency, the September 2011 general year on year inflation has increased by 40.1% as compared to the one observed in January 2010. The year on year food inflation has increased by 51.3% in September 2011 as compared to the one observed in September 2010. Indeed, the rate of food inflation in Addis (23.1%) is relatively low as compared to the country level.

According to the report of the agency, the January 2012 general year on year inflation has increased by 32.0% as compared to the one observed in January 2011. Similarly the year on year food inflation has increased by 41.4% in September 2012 as compared to the one observed in September 2011. The rate of food inflation in Addis Ababa has increased by 29.7%.

As the report above indicates the rate of inflation year on year is increasing at decreasing rate. For example, the rate of annual inflation in 2011 was 40.1% but the rate has decreased to 32.0%

in 2012. But still it has become a threat for investors and other small enterprises to develop confidence on their business operation.

The trend of general price indices in Addis Ababa on monthly base and yearly base has been revealed on figure 4.4 and figure 4.5 respectively. As it can be seen from the figures, the price of goods and services increases continuously but may be the rate is increasing at decreasing rate. This has made that future is uncertain for investors.

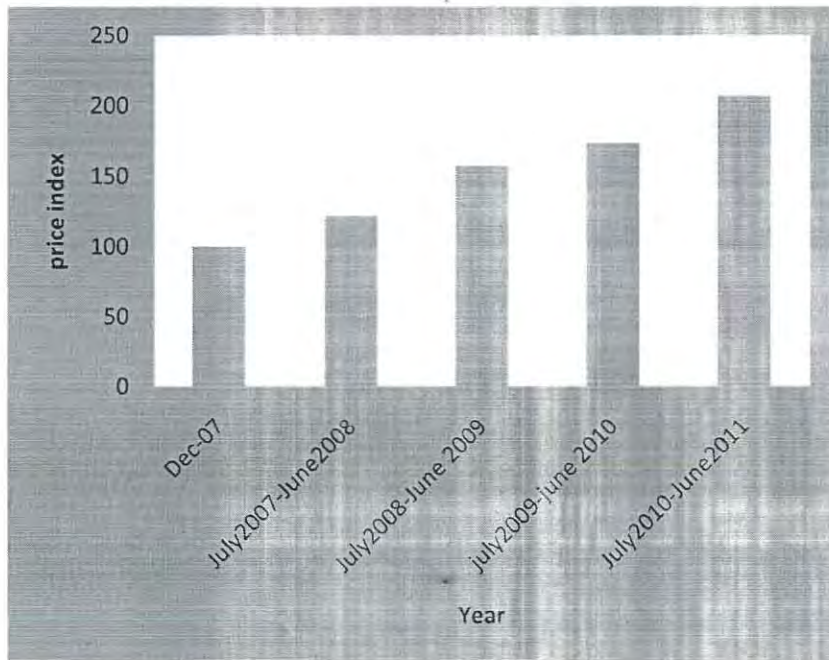


Fig4.4. Trend of general price index in Addis Ababa on yearly base (2007-2011)

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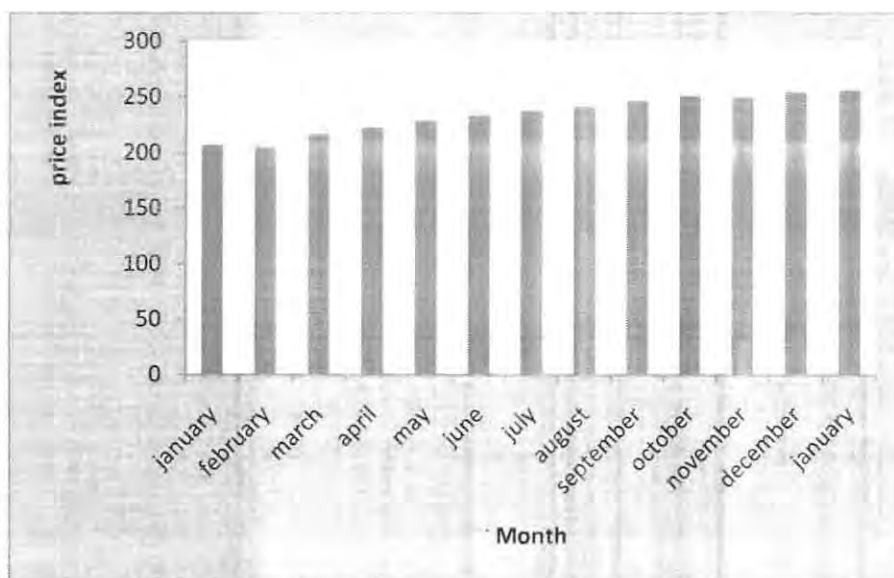


Fig4.5. The trend of general price index in Addis Ababa on monthly base (2011/12)

Interest rate: rate of lending interest provided by Development Bank of Ethiopia (DBE) is considered to be very soft for investors. According to an interviewee expert, Ethiopia is lending for investors at low interest rate as compared to the rate of other countries. The development bank gives long term loan at rate of 8.5%. So that it is not threatening for investors. Other banks of the country provide loan at rate of 9.5%-11.5% in the short term period. From tourism industry, star designated hotels, specialized restaurants and tour operators get long term loan from development bank. Therefore, the situation of interest rate is not significant for current problem of investors.

Exchange rate: Overtime, the Ethiopian Birr has depreciated relative to international currencies, from 8.5 to the US\$ in 2008 to about 17.43 to the dollar over 2012. The exchange rate is continuously rising and this encourages foreign investors to come to Ethiopia. However, this continuous rising and instability of exchange rate hits local investors. Since, the devaluation of Birr has aggravated inflation and made the price of raw materials unpredictable for investors. It is therefore, necessary for the Government to maintain good relations with international lenders in order to arrest the instability of Birr.

GDP percapita income: according to the economics experts, Ethiopia is one of the poorest countries in the world where majority of citizens can't afford for recreational activities (travel). Similarly, majority of residents of Addis Ababa are under poverty line. Despite the large

population, local residents of Addis Ababa have no power to afford for recreational activities and cannot be potential customers in standard hotels and restaurants. The rising of inflation rate in the city has also diminished the purchasing power of residents. Therefore, the contribution of local community for tourism investment is too low.

4.4.5 Other Hindering Factors of Tourism Investment in Addis Ababa

For convenience in this study the researcher has included the following factors of tourism investment under this sub-title. These include: competition, promotional problem, corruption, taxation and shortage of trained manpower/institutional infrastructure.

Table 4.16: Other hindering factors of tourism investment in Addis Ababa

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
I know that the competition from neighboring counties' cities has affected tourism investment in Addis Ababa	13	12.7	19	18.6	20	19.6	37	36.3	17	16.7	2.85
I recognize that in Addis Ababa there is problem of corruption in government offices that provide services for investors	20	19.6	30	29.4	36	35.3	12	11.8	4	3.9	3.42
I understand the image of Ethiopia with foreign investors is negative	16	15.6	34	33.5	20	19.6	20	19.6	14	11.7	3.15
Addis Ababa has no sufficient number of trained manpower	26	25.5	46	39.2	16	15.6	12	11.8	4	3.9	3.50
I believe that in Addis Ababa the government tax is not appropriate for investor	10	9.8	8	7.8	32	31.4	46	45	4	3.9	2.61

Source: compiled from primary data

As table 4.16 illustrates a little bit more than half of the respondents (53%) disagree that the competition of other cities is not the main problem for enhancing tourism investment in Addis Ababa. However, about 31.3% of the respondents answered by agree. The remaining 19.6% of respondents are neutral. Further, the average mean value (2.85) depicts that competition from neighboring cities does not significantly affect tourism investment in Addis Ababa. According to interview with EIA, the reasons for tourism investment incompetency of Addis Ababa are low promotion of the sector and the scar of negative image of the country. Moreover, underperformance of governmental offices established under proclamations and loose integration of these government organs has led to inefficiency of attracting foreign investors or inspiring locals to engage in tourism investment.

Interview result also confirms the above result that many respondents argue that Ethiopia has its own specialties for attracting tourism investors. Since, specifically among competitor cities of Addis Ababa, both Nairobi and Dar Salam attract tourists which are more of nature lovers. On the other hand, Ethiopia has its own comparative advantage on paleontological, cultural and conference tourism. Therefore, Ethiopia has its own special pull factor of investors. Of all types of tourism in the country, Addis Ababa has huge potential in conference tourism. So that competition from neighboring cities is not the major problem for underdevelopment of tourism investment in Addis Ababa.

With regard to corruption problem in government offices, 49% of the respondents agree that there is corruption in governmental offices for getting services. On the other hand, about 15.7% of investors have not recognized the problem of corruption. 35.3% of the respondents have no idea for deciding whether there is a corruption problem or not. In fact, the mean average (3.42) indicates that investors have encountered the problem of corruption. For instance, foreign investors have a complaint on the partiality of government offices for local investors. This is witnessed by the following speech of a foreign investor:

"In government offices and agencies, the corruption I recognize is not in cash but I see a biased action for domestic investors."

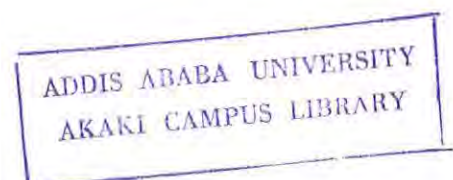
Even private sectors favor for local investors. For example, hotels give a priority of reconfirming room reservation for domestic operators.

However, in general corruption is not a major problem that investors suffer from. Since, the Ethiopian government is striving to tackle the problem of corruption. Furthermore, it claims that it has controlled the problem of corruption and puts less corruption as an opportunity for enhancing investment.

In relation to image of Ethiopia in the eyes of foreign investors, 31.4% of respondents agree that Ethiopia is negatively perceived by foreign investors. 15.6% of the respondents also strongly agree with the same idea. However, 19.6% and 11.7% of the respondents disagree and strongly disagree with the above idea respectively. The rest 19.6% of the respondents are neutral to say that foreign investors have negative perception for the image of Ethiopia. But as we can see from the table above the mean average of response (3.15) shows that still foreign investors are doubtful with regard to Ethiopian image for tourism investment. This points out that the image of the country has negative outcome on the flow of tourism investment to Addis Ababa. In fact the tourism development policy (2009) of Ethiopia has also mentioned image problem as one of the external challenges of Ethiopian tourism investment. A senior expert of Ministry Foreign Affairs also mentions image problem, relatively low tourist flow and low promotion of the sector as challenges for tourism investors in Addis Ababa. As result, negative image of the country is still hindering factor for investment even though currently things are improving.

When we see the availability of trained man power, like to other infrastructures, there is a need for improving quality of manpower. As table 4.16 shows, 64.7% of the respondents agree on the insufficiency of trained manpower. However, 15.7% of the respondents disagree. The remaining 15.6% could not decide on the status of tourism manpower in Addis Ababa. In general the mean average (3.50) points out that the city has problem of availability of well-trained human resources. One of the interviewees has given the following statement about qualification of manpower in the city:

“We recruit employees from the graduates of colleges in Addis Ababa. But they can't speak English. Therefore, what is the value of employing these people; unless the students are trained in their language and other technical skills, they will get unemployed.”



The above response indicates that the quality of tourism education in Addis Ababa is very low. Experts view indicates that the colleges are not well- equipped with necessary facilities for practical learning.

Addis Ababa also lacks multilingual tourism professionals. Europe is the most important generating country of tourists to Ethiopia. But except, English, it is so difficult to get speakers of other European languages such as Italian, German and French. Therefore, shortage of well trained manpower in the sector is one of threats for tourism investors in Addis Ababa.

According to table 4.16, 48.9% of the respondents disagree with a statement that says government tax is not appropriate for investors. On the other hand, 17.6% of the respondents agree with that government tax imposed on their business is inappropriate. Surprisingly substantial proportions of respondents (31.4%) are neutral with regard to the tax imposed by government. The mean average (2.61) shows that the government tax is not that much inappropriate or investors don't embitter the amount of tax imposed by the government. In fact, as an interview with foreign investor indicates that they suffer from double taxation. Government officials argue that there is no practice of double taxation on investors. But some investors may lack knowledge how to negotiate about taxation with concerned government bodies. For example, an enterprise may be required to collect VAT and pay its income tax. But some people may consider this as double taxation.

4.4.6 Challenges of Tourism Investment Exclusive to Foreign Investors

In addition to the common questions for both domestic and foreign investors, the researcher has conducted an interview with foreign tourism investors to treat the points that are special to them. According to the interview result, the cultural shock is one of the challenges they face when they start business. Foreign investors sometimes face the problem of adapting the local culture. Another problem is related with language barrier. Foreign tour operators, most of the times attract tourists of their origin country. But they lack multilingual tour guides who can speak the languages of respective countries.

Investors also have perceived bureaucracy of getting work permit and visa and delay of money transfer to and/or foreign banks. According to an interview result conducted with expert in

MoFA, foreign investors who are selected and invited by the ministry never face any problem for getting their business visa because before inviting investor, necessary conditions are prepared in advance by MoFA. However, investors who come for investment through the information they get from friends or from websites may face a little bit problems in getting their business visa. Since, business visa can't be delivered up on arrival like that of tourist visa. Therefore, they need to make a contact with the embassies of Ethiopia in their origin country. If there is no any Ethiopian embassy or agent in their home country, they need to deal with Ethiopian embassies or agents in any nearby countries. Then if they are proved to be really genuine investors, the embassies can provide business visa and facilitate to come to Ethiopia. Therefore, in this case, getting business visa may take long time. Foreign investors also argue that the service of money transfer service is not fast enough and does not enable to operate their business on the time planned.

4.5 Tourism Investment Opportunities in Addis Ababa

In this part, the researcher has discussed investment opportunities of tourism in Addis Ababa. The opportunities are classified into two as facilitating factors or general investment opportunities and potential sectors for tourism investment. The former ones are conditions which encourage investors to engage in tourism investment. The latter ones are sectors of tourism which are not developed well and need additional investment.

4.5.1 General Investment Opportunities

Here the researcher has identified situations that are used for enhancing or attracting tourism investment in the city. Since, good operating environment is very crucial for encouraging tourism investment. Therefore, governments should create good conditions for investors. Indeed, here general opportunities of tourism investment may be manmade or natural. For instance, on one hand, availability of trainable labor force at low cost, accessibility of natural resources, large market size geographical location of the region that attracts the attention of investors are among natural opportunities that make good conditions for tourism investment. On the other hand, good attention of government, economic system and political significance of the city are among man made investment opportunities.

There is widespread recognition that government at all levels must take a leading role in facilitating tourism investment (The Allen Consulting Group, 2011). The current government of Ethiopia has given a due attention for development of tourism sector as one of the priority sectors of economy. For example, tourism is one of the four major areas of economy which gets a long term loan from the Development Bank of the country.

Table 4.17: General investment opportunities in tourism

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
The current government of Ethiopia has good attention for tourism investment	6	5.9	48	47.1	6	5.9	34	33.3	6	5.9	2.95
The economic system of Ethiopian government is convenient for investors	10	9.8	50	49	18	17.6	20	19.6	4	3.9	3.34
Labor cost in Addis Ababa is very low for tourism sector	14	13.7	40	39.2	20	19.6	20	19.6	8	7.8	3.17
I agree that Addis Ababa has large market size for tourism investors	34	33.3	36	35.3	8	7.8	16	15.6	8	7.8	3.63
The location of Addis Ababa is geographically strategic for tourism investment	28	27.5	38	37.3	12	11.8	12	11.8	1 2	11.8	3.50
I believe that Addis Ababa, being the capital of Africa creates more opportunities of tourism investment	38	37.3	48	47.1	8	7.8	2	1.9	6	5.9	3.96

Source: compiled from primary data

As table 4.17 shows 55% of the respondents agree that government has given good attention for the sector. The mean average (2.95) of the respondents also confirms that the governments' attention for the sector is good. But on the other hand, many tourism professional interviewees argue that the governments' attention is only a mere attention not ensured by practical implementation on improving tourism development.

But government bodies argue that the government has given a due attention for tourism as one of the priority sectors. According to interview result conducted with experts of Federal democratic Republic of Ethiopia Ministry Foreign Affairs (MoFA), government has formed a committee called as National Economic and Business Diplomacy Coordination Forum (NEBDCF) coordinated by the MoFA. The committee consists of the following five sub-committees: Investor Selection and Development Committee, Foreign Trade Development committee, Tourism Development committee, Infrastructure, Industry and Technical Transfer Development committee, Technical and Development Support Remittance Development committee. The committees are established for better performance of economy under each sector. Here the government has taken tourism as one of the five major areas of development. Tourism development committee is now coordinated by Ministry of Culture and Tourism (MoCT). The committee has members from different government sectors and private associations. The members are representatives of the following sectors:

- Ministry of Culture and Tourism- chairman
- Ministry of Foreign Affairs- secretary

Members

- Ministry of Science and Technology
- National Bank of Ethiopia
- Revenue and Custom Authority
- Ethiopian Investment Agency
- Immigration and Nationality Affairs
- Air Port Enterprise
- Ethiopian Airline
- Communication and Information Technology
- Addis ababa Region Culture And Tourism Bureau
- Hotels and Restaurants Owners' Association



- Ethiopian Tour Operators Association

The main objective of establishing the committee is to tackle the problems of the sector under each sector that gives tourism related services. The members have a meeting twice a month and they report with regard to issues related with tourism in their respective offices. The sector is also one of the government's priority sectors and the government gives long term loan and incentives of duty import of goods even though the incentive is not more satisfactory. Therefore, it is possible to conclude that the government is starting to turn its face to the sector because of the sector's role at the battle of poverty reduction.

Government has also developed code of ethics for tourism industry in this year (January, 2012). This is a good opportunity for the sector's development and it is implication of government's attention given for the sector.

Addis Ababa city Government culture and tourism Bureau has also established Tourism Council under regulation No. 35/2011. The council consists 88 members selected from different stakeholders such as governmental and non-governmental organizations, civic societies, professional associations, religious institutions etc. the council is authorized with many powers and duties. The following activities are among its main powers and duties:

- ❖ Providing assistance to increase the participation of private/investors and particularly the role of micro and small enterprises in the tourism sector
- ❖ Undertaking awareness creative programs to develop industry and encourage domestic tourism
- ❖ Taking part in seminars, workshops, festivals and exhibitions organized by the bureau within and outside the country.
- ❖ Facilitating the conditions to promote tourist attractions of the city of Addis Ababa.
- ❖ Designing the means of promoting services necessary for tourists, support their implementation and facilitates conditions whereby concerned sector office work together.

To conclude, all of the above progressive activities of government are indicators of good attention of it for tourism sector. This is also a promoting factor for tourism expansion of investment in the city.

In relation to economic system of government, 57.8% of the respondents agree that it is convenient for investors. Since, the government has introduced free-market economic system since 1992 and has enhanced privatization in the country. Different sectors in tourism and in other sectors are now open for private investors and this has given good opportunity for private companies to engage in the investment. The new economic policy, which aims at changing the command economic system into free market economy and the subsequent reform, has stipulated private investment in the tourism sector (Ayalew, 2009). Major hotel chains of the country which were under government ownership are now changed into private ownership. National Tour Operation and Travel Agency which was the only government owned tour operator has been changed into private enterprise. According to Ethiopian investment policy, in tourism there is no sector that is reserved for public. Therefore, all of the sectors in are open for private investors.

With regard to labor cost, similarly, majority of respondents (53%) recognize that labor cost in Addis Ababa is very cheap. On the other hand, about 27.4% of the respondents don't see that there is cheap manpower in Addis Ababa for tourism sector. But the mean average value (3.17) reveals that Addis Ababa has sufficient and cheap manpower. Scholars agree that tourism is a labor intensive economic sector. Therefore, the availability of cheap labor force makes the city convenient for investors. Interviewed experts agree that Addis Ababa has sufficient trainable man power in any sector.

Another crucial motivating factor that encourages investors for coming into investment is the size of the market which increases the return of investment. As table 4.17 illustrates most of the respondents (68.6%) recognize that Addis Ababa has large size for tourism investors. On the other hand, about 23.4% of the respondents do not agree with this idea. The rest 7.8% of the respondents are neutral with regard to the size of tourism market in Addis Ababa. But the mean value (3.63) shows that Addis Ababa has a potential to attract large number of tourists. The city has also relatively many affordable households and individuals that can be potential customers in tourist standard hotels, restaurants and other service providing establishments. The city is a hub of international travelers because more than 95% of international tourists enter into the country through Bole International Air Port. As a result, a tourist that plans to travel any part of the country is a customer for Addis Ababa at least for two days from arrival to departure date. Furthermore, the city is also one of the best conference centers in Africa and this is even

becoming beyond the carrying capacity of the city. Therefore, the combined customers from local and international tourists create big market size for investors.

Geographical location of one country is one of a determinant factor for investment. Proximity of a country to developed country where the origin of most travelers makes a country best destination for tourists and investors (other factors remaining constant). Ethiopia has a strategic location at the cross roads between Africa, the Middle East, and Asia (EIA, 2011). Table 4.17 illustrates that about 64.8% of the respondents have recognized that Addis Ababa is located in a lucrative place for investors. The convenience of the geographic location can be expressed through different ways. Since, Addis Ababa is the capital and geographically center of the country. It is also a city where modern and best air port of the country through which 95%-99% of international tourists enter into the country is located. Furthermore, it is political and diplomatic center of Africa and it hosts more than 120 international organizations and embassies. 84.4% of respondents agree that Addis Ababa as a capital of African continent is best destination for tourism investors. The mean value (3.50) shows that Addis Ababa, being capital of the country and Africa has contributed a lot to get the attention of investors.

Another opportunity related with the location of Addis Ababa is its impressive climate. Even though it is located in tropical region, due to its high altitude, Addis Ababa has moderate climatic condition throughout the year. Addis Ababa is the third highest capital in the world. With an altitude of 2120-3200 meters above sea level including the Entoto chains of Mountains. Addis Ababa enjoys a mild climate with an average temperature of 16c⁰. This creates large market for investors to operate tourism business sustainably because good climate with other worthwhile tourist attractions draws the attention of many vacation tourists. According to key informant from ministry of culture and tourism, the topographic position of the city is convenient for practicing paragliding tourism.

4.5.2 Sectors of Tourism Investment Opportunities in Addis Ababa

Here by opportunities we mean potential areas of services and products that need investment for further improvement of service provision for customers. The sectors may include attractions to

be developed, public or tourists infrastructures of facilities, institutional infrastructure (education) and other facilities.

4.5.2.1 Investment for Development of Tourism Products

Table 4.18: Attractions for investment

Statement	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
I agree that Addis Ababa has abundance of natural tourist attractions that need additional investment	20	19.6	34	33.3	8	7.8	22	21.6	18	17.6	3.09
I agree that Addis Ababa has abundance of manmade tourist attractions that need additional investment	40	39.2	42	41.2	4	3.9	6	5.9	8	7.8	3.84
I suppose that conference tourism has great potential for attracting investors in Addis Ababa	48	47.1	40	39.2	2	1.9	6	5.9	6	5.9	4.06

Source: compiled from primary data

The government has significant role for tourism product development because to enhance tourism investment government should conserve existing natural and manmade tourist attractions. Since, conservation and preservation of tourist sites/resources is among the pioneer activities for tourism development. Addis Ababa has plenty of tourist attractions worthwhile to visit. But it is clearly known that attractions are underdeveloped. As an interview with a foreign operator indicates, of all challenges deterioration of tourist sites is the most chronic threat affecting the future of tourism development. Therefore, investment should be enhanced for developing tourist attraction sites.

As table 4.18 depicts many of respondents (52.9%) believe that Addis Ababa has abundance of natural tourist attractions but need to be developed. Some others understand (39.2%) that there

are not sufficient tourist attractions in Addis Ababa. The remaining 7.8% of respondents are indifferent about the abundance of natural tourist attractions in the city. In fact the mean average with the value of (3.09) reveals that Addis Ababa has significant type of natural attraction that draws attention of tourism stakeholders for investment.

Addis Ababa City Government Investment Agency (AACGIA) Resource and Opportunity Study report lists the following natural tourist attractions which have recreational aesthetic; curiosity and attractive characteristics for convenience of tourist.

1. Fauna or animals: mammals and birds were identified by the aid of certain documents from the Ethiopian Natural and wildlife Society and other pertinent organization. According to Ethiopian wild life and natural history society, there are about 250 species of birds in Addis Ababa city administration. The majority of birds are identified in river Akaki and other sites such as embassy compounds, churches, parks and rivers. Different species of animals can also be visited in the Lion's Zoo Park. In the park it is possible to visit animals such as lions which are among the rare and endemic species of Ethiopia (their scientific name is *Leopantels Abyssinica*), tortoise, baboons, nyala, apes, rabbits and different bird species.
2. Flora (vegetation) in the city parks and other places in Addis Ababa. Addis Ababa has about sixteen parks which are rich in different species of flowers and vegetation. The city administration hopes these parks will be attraction sites for both local and international tourists. But currently the parks are not supplied by standard facilities and infrastructure.
3. Hydrographic elements or water bodies such as hot springs, reservoirs, and to certain extent rivers: In Addis Ababa, water based attraction of tourism are only thermal springs and the surrounding manmade lakes or water reservoirs built for the purpose of supplying potable water to the inhabitants of the capital. Therefore, water based attractions can be developed in Hot spring/Filwuha and reservoirs of Legedadi and Gafarsa.

Here we can conclude that almost all of the above mentioned natural tourist sites are not well developed. To make them ready for tourists visit, it needs huge investment project. This indicates that Addis Ababa has many untapped opportunities of investment in this area.

According to most of the respondents (81.2%) (Table 4.18), Addis Ababa has many manmade tourist attractions (see appendix2) that should be preserved and protected for diversifying

resources because; the city hosts plenty of cultural and historical tourist attractions. Further, the mean value (3.84) authenticates that Addis Ababa has many manmade attractions that need additional investment. But most of the attractions are not well protected and are not ready for visit. Therefore, this shows that there is a demand for additional fund of investment for upgrading the attractions.

The investment authority has also identified main manmade tourist attraction in Addis Ababa: These manmade elements involve the historical, cultural and traditional tourist attraction resources of Addis Ababa, which are the most significant factors for international and domestic tourists or visitors.

In order to create convenient conditions for all visiting communities or other purpose, the study of the authority has arranged the major tourism potentials of Addis Ababa into:

1. Government Palaces;
2. Places of worship such as churches, mosques and cathedrals;
3. Monuments of different historical background erected on various famous squares;
4. Museums of historical, cultural, anthropological, archaeological, natural, ethnological, religious, etc.
5. Old historical buildings or houses; religious and other event festivals together with annual ceremonies;
6. Markets and shopping centers;
7. Other traditional and cultural activities.

As indicated in the table 4.18(86.3%), the other potential resource for tourism investment in Addis Ababa is the need for developing facilities for conference tourism. On the other hand, only about 11.2% of respondents argue that Addis Ababa has no potential for conference tourism and for further investment. The remaining 1.9% of respondents has no idea about conference tourism in Addis Ababa. But the mean average with a value (4.06) reveals that the city could be the center of conference tourism. Respondents confirm that the city is becoming the center of international conferences because the city hosts headquarters many international organizations. In addition, the continuous economic development of the country has also contributed for enhancing conference tourism.

4.5.2.2 Potential Sectors of Tourism Investment in Addis Ababa

According to experts the city has many other alternatives for diversifying tourist attractions. Such as:

Health tourism: Filwuha has a potential for developing health tourism in Addis Ababa. Hot springs of Filwuha has been used for years. At the beginning hot spring was used by the royal family and later, as public bath, for local people. Currently the spring water/Filwuha is supplied with some infrastructures such as hotels (Filwuha hotel and Finfine Adarash) with bathrooms and showers, restaurants, thicket offices, supervisor and control office.

According tourism experts, it is possible to develop spa center/physiotherapy center that can be used for different health issues such as nervous and skin health. But still these attraction sites are not promoted for international tourists. It is used only by residents. In fact, the site lacks standardized facilities (park and recreation centers, concert halls, theatres) to entertain international tourists.

Paragliding: According to tourism experts, the topographic structure of Addis Ababa is convenient for recreation of paragliding. Addis Ababa with its peak above 3000 m above sea level combined with beautiful scenery of thick canopy of eucalyptus trees and other attractions is a right place for practice of paragliding.



Fig4.5 The practice of paragliding: it was taken from internet

According to key informant from MOCT, the practice of paragliding can be practiced in Addis Ababa starting from chain of Entoto Mountain to Bishoftu and it can even be extended up to

Adama. And this practice is expected to increase the experience and diversification of tourism activities in the city. This practice is also a new innovation for the country.

Once again the challenge for this activity is fulfilling necessary facilities. Since, starting from training pilots to arranging the origin and arrival points of the practice are the future assignments of different stakeholders to bring this enthusiastic activity into reality. This is another call for great investment in the sector of tourism.

Ecotourism: Eco tourism is belonging to natural beauty & diversity. It is relatively new segment (Muthe, 2010). Addis Ababa has sites convenient for ecotourism or geotourism development. Its topographic structure combined with different cultural values (religious and handicraft centers, culture shows) enables to involve local communities in tourism activities of the city.

Conference tourism: this is one of the sectors which are underexploited due to lack of necessary facilities to accommodate conference tourists. In the city, there are only three government owned and three private owned conference centers (as shown in the table below) and two conference organizers (Shebelle-Ethiopia Conference Services, Noble Conference Plc) in the city. According to Addis Ababa city administration culture and tourism bureau, conference organizers have no trained man power on the sector and they have also lack of conference logistics. However, they are still working to organize different conferences.

There is only one Exhibition center in Addis Ababa namely Addis Ababa Exhibition center. The center conducts different types of events like that of trade, vocational association and educational. Most of the time these exhibitions are conducted once a year and during holidays and events. It can accommodate about 2000 and above people at the same time. In general, the facility capacity of the city is too insufficient that needs encouragement of many investors.

Table 4.19 Conference centers in Addis Ababa

No.	Name of conference center	Ownership		Number of meeting hall	Conference capacity
		Governmental	Private		
1	United Nations Conference Center	✓		8	1,500
2	African Union Hall	✓		1	657
3	Ethiopia's meeting Center	✓		1	1,500
4	Millennium Hall		✓	1	40,000
5	Panorama Cinema		✓	1	175
6	Sebastopol cinema		✓	2	

Source: Addis Ababa city Culture and Tourism Bureau (AACCTB)

4.5.2.3 Specific Areas of Public and Tourism Infrastructures Requiring Investment

Table 4.20 the need of investment for public and tourism infrastructure

In Addis Ababa Large investment should be made in the following areas	Relative agreement										MA
	SA		AG		NE		DA		SD		
	F	%	F	%	F	%	F	%	F	%	
Road	36	35.3	46	45.1	14	13.7	6	5.9	-	-	4.01
Rail way	70	68.6	18	17.6	4	3.9	8	7.8	2	1.9	4.34
Air port	32	31.4	40	39.2	12	11.8	10	9.8	8	7.8	3.68
Electricity and water supply	50	49	44	43.1	4	3.9	2	1.9	2	1.9	4.26
Communication (telephone, fax, internet, radio and TV etc)	44	43.1	34	33.5	6	5.9	2	1.9	14	13.7	3.78
Hotel and restaurants	42	41.2	46	45.1	10	9.8	4	3.9	-	-	4.16
Tour operation and travel agencies	42	41.2	32	31.4	16	15.6	8	7.8	4	3.9	3.89
Tourism education	72	70.6	30	29.4	-	-	-	-	-	-	4.61
Other small and micro enterprises that supply services for tourists	40	39.2	40	39.2	12	11.8	8	7.8	2	1.9	3.98

Source: compiled from primary data

Investing only on tourist infrastructure cannot make tourism business operation effective unless public/basic infrastructures are also developed side by side. Public infrastructures are in fact among the most important determinant factors which influence tourism investment. Ethiopia is of one of the least developed countries in its low level of public and tourist infrastructures. Public sector is the most responsible for developing basic infrastructures such as transportation, electricity, water supply, telecommunication, waste disposal system etc (Jameson, 2001). In this part in addition to tourist infrastructure and facilities, we will also see the gap that shows the need for investment for improvement of basic infrastructures.

As table 4.20 shows tourism investment is highly demanded in all types of public and tourist infrastructures. With related to road transportation, 80.4% of the respondents insist that in Addis Ababa road transport is not sufficient. However, few respondents (5.9%) indicated that road does not need additional investment. The remaining 13.7% of respondents did not notice at all. But the mean average (4.01) shows that there is a need of expansion of investment for improving the standard of the roads. As we could understand from the analysis of this paper (see from table 4.14) more investment should be launched to improve the standard of roads in Addis Ababa and roads that link Addis Ababa with tourist attractions in environ of Addis Ababa. Indeed, during the time of study, most roads in Addis Ababa were under construction. High overcrowding and congestion was observed and delays were common.

As far as rail way is concerned the majority (86.2%) of respondents recognize the need for developing rail way transportation in Addis Ababa which can help to connect the city with major tourist attraction areas outside of the city. Among these, 68.6% of the respondents strongly agree with this idea. On their side the rest 9.7% respondents indicated the rail way construction is not necessary in the city. Some other 3.9% of the respondents are neutral with this idea. However, the mean average (4.34) reveals that rail way construction is vital for tourism development. It is reality that in Addis Ababa the rail way Addis Ababa to Djibouti which was constructed during the reign of Emperor Menelik has interrupted during 1990s. According to government bodies, in its growth and transformation plan the government has taken railway construction as one of its focus. The plan entails the addition of massive railway construction of 2,400km. Rail is high on the agenda and work has begun on a five-year engineering and design project. The Ethiopian Railway Corporation supervised a feasibility study using satellite mapping technology for three

rail corridors stretching 2,395km, estimated at a cost of US\$2mn- US\$3mn per kilometer. This includes remaking the Addis Ababa-Djibouti rail to the international border as well as rail lines heading north and south-west. Eighteen companies are contracted for studies including socioeconomic and environmental studies. The government estimates that over 5,000 engineers and 25,000 technical and vocational school graduates will be needed for the construction. The construction is estimated to create about 300,000 total job opportunity for the country.

The rail network could eventually grow to 5,000km of lines radiating from Addis Ababa and linking to neighboring countries. The system will be constructed in two phases, the first phase involving building five lines. The government of Ethiopia has allocated Birr 62.82bn for the railway sector development during the GTP period. The government is also investigating a mass transit system for Addis Ababa to ease congestion. The target is 36.5km of light railway along two corridors crossing the city from east to west and north to south, with up to 50 companies designing and building the network and more than 20 companies manufacturing spare parts and providing metal engineering and electro-mechanical services. New roads to the city centre from the south and east suburbs of Addis Ababa centre were built with wide central reservations, enough to accommodate rail.

This increases the opportunity of the country to enhance tourist flow into the country via different entry points through surface transportation. Currently about 95%-99% international tourists enter into the country only via Bole International Air port.

In relation to air port, substantial proportion of respondents (70.6%) support investment for air port construction in Addis Ababa. In fact, about 17.6% of the respondents are not in line with the need of expansion air port construction. The rest 11.8% of the respondents didn't notice whether additional air port construction is necessary or not. But we can understand from the mean value (3.68) that investment for air port construction is needed. Investors have suggested that the current capacity of Bole International Air Port may be sufficient as compared the numbers of travelers that come to Ethiopia. But the future prospect of conference tourism in Addis Ababa and the general horizon of Ethiopian tourism expansion may necessitate construction of additional air port in the city.

Another crucial public infrastructure that investors recommend to be improved is electricity and water supply. As we can understand from table 4.20, 82.8% respondents agree that the infrastructure of electricity and water supply should be expanded more. Only 3.8% of respondents answered by disagree. The other 3.9% are neutral towards the idea. The mean average (4.26) depicts that additional investment should be undertaken for increasing an electric power and water supply.

With regard to communication, again 86.6% of the respondents answered by agree for the need of more investment in communication. About 15.6% answered by disagree. The remaining 5.9% are neutral. To conclude, the mean average (4.21) shows it is necessary to invest in communication. Main areas of communication that should be improved according to interview result are: internet access, telephone service, TV and radio broad cast.

In addition to public infrastructure, tourist facilities are other important sectors of tourism investment. The researcher has also assessed the current level of tourist facilities in Addis Ababa. According to table 4.20, majorities (86.3%) of the respondents agree with increasing investment for expansion of hotel and restaurants in the city. Only 3.9% of the respondents disagree. The rest 9.8% of the respondents are neutral regarding to the above idea. The respondents answer shows that there is great demand for increasing additional hotels with better standard as depicted by the mean average (4.16). Investors have views that the potential for attracting the more affluent tourists (both leisure and business) can be proved with the opening of the luxury hotels such as Sheraton Hotel in Addis which is in league with other quality hotels in developed countries. According to statistics of 2010 compiled by Addis Ababa city culture and tourism bureau, Addis Ababa has about 3,307 rooms and 4009 beds in the hotels with conference facility which is less than the conference capacity one hotel in the developed countries with capacity of 3000-6000 bed rooms (Bikat, 2010).

As the same table reveals, substantial proportion of respondents (73.6%) agree that Addis Ababa should improve its service in tour operation and travel agencies. However, very few respondents (11.7%) answered by disagree. The rest 11.8% are neutral with the idea. But the mean average (3.89) reveals that additional investment should be encouraged to enhance the business of tour

operation and travel agency. Tour operators are critical link in the tourism supply chain and for long haul Emerging destinations such as Ethiopia, tour operators based in source markets are the major driver of business (Shaun, 2006). But majority of tour operators are owned by native Ethiopians, many of them are ground handlers. Due to this we have no remarkable number of tour operators that base in source countries. Even though government of Ethiopia has allowed foreign investment in this sector, still the number of foreign operators is few. But these foreign tour operators play an important role in constantly modifying and diversifying the product base, and, marketing the destination. According to Ethiopian investment agency Summary of Licensed Tour operation and Travel Agency Investment projects (Since August 23, 1992- October 12, 2011 G.C), among 103 tour operators and travel agencies under operation, 31 tour operation and travel agency projects are owned by joint venture or foreign citizens. This seems a good start. But the problem as the researcher faced during field study is that the so-called foreign owned tour operators are partially owned by Ethiopians. Others are totally owned by native Ethiopians. Operators and those who do visit often find that hotels, guest houses and restaurants even in Addis Ababa require inputs of investment and modern management.

Tourism business can't be effective without developing ancillary tourists' services (souvenir shop, recreation parks and entertainment facilities such as cinema and theatres, traditional crafts etc) in addition to the primary tourist facilities (such as hotels, motels, restaurants, tour operators and travel agencies). Table 4.13 shows again the need of additional fund for upgrading the development and coordination of micro and small enterprises in Addis Ababa. The tourism sector at destinations is mainly organized through micro- and small-scale enterprises (Sterren MA, 2008).

Tourism education is found to be the most basic component of tourism investment in Addis Ababa. As table 4.20 shows all of the respondents (100%) agree to support the improvement of tourism education in quality and quantity in Addis Ababa. In Addis Ababa there are about five private tourism colleges and one government run training institute. In general the institutions are well equipped by necessary facilities and the following limitations are common for all of institutions

- They lack sufficient facilities for practical education
- Insufficiency of rooms of demonstration and lecture

- Lack of resources in their library
- There is no development program and other incentives for teachers
- Lack of strategic plans for development

According to the views of tourism experts, to tackle the above shortcomings and to provide quality education, additional investment should be encouraged and existing institutions should be given support and guidelines for improving their operation.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Ethiopian government is striving to achieve the boom of tourism development in the country. But the nature of development is still stagnant due to low implementation capacity of the public. Although Addis Ababa has remarkable potential of tourism development, the amount of investment for the sector is negligible as compared to its neighboring cities like Nairobi.

Tourism investment in Addis Ababa has faced multifaceted problems; constraints and challenges for attracting investment. For the convenience of this study, the challenges and constraints identified are classified into the following parts.

The current political situation of the country internally and instability in the Horn of Africa is not a major threat for Ethiopian tourism investment. The investors have a confidence on the government's tight control of any upheavals. But the scar of previous negative image related with civil war, drought and famine once inculcated in the minds of foreigners has still a negative impact not only on the tourism investment, but also on the general investment of the country.

Lack of good integration among the government organs, private sectors, local communities and other civic societies has resulted in poor service provision in the city. Lack of regular discussions among governmental and non-governmental organizations, weak coordinating effort of government and nonstop change and adjustments of rules and regulations have resulted in poor communication for integrated work of different stakeholders in the sector. Particularly, government organizations have not professional staff with good capacity. The staff members have not common understanding and acquaintance with one another.

Another obstacle for investors is bureaucratic problems in the service providing offices of government. The procedures of performance are too time consuming and inefficient even though there are some improvements for giving fast service. Particularly Addis Ababa land

administration bureau is bureaucratic and corruptive by which customers embitter about the time they spent and aggressive approach of the staff.

Regardless of its being capital of the country, the seat for African union and United Nations Economic Commission for Africa and many other international organizations, Addis Ababa lacks sufficient and standardized infrastructures. Roads in some part of the city are not up to standard. Furthermore, the design of roads is not well integrated with other sectors such as waste disposal systems and lacking walk ways where dominant number of the residents use for walking. The city has no railway transportation. This has its own negative impact on an opportunity of expanding the tourism market size of the city. Similarly, respondents view indicates that the carrying capacity of air port is not sufficient to accommodate arrivals projected to come to Ethiopia in the long run plan of the country. In fact, currently there is a rapid change and expansion of road infrastructures and air port in the city and government has huge project for railway construction.

With regard to communication service, investors have indicated that there should be improvement. According to them, for instance, telephone call and internet access in city are not still satisfactory. Even some tourist classified hotels have not internet café for their customers. Even though better in Addis Ababa there is no radio communication service among different tourist sites. This could have increased the guarantee of security for customers traveling to regional tourist sites. Financial facilities are not still effective enough from which foreign investors are suffering from delay of their money transfer from/to other countries. Addis Ababa has only one information center. However, information centers are very crucial for easing access of information for customers. In general, the standard of tourists and public related infrastructure in the city does not commensurate with what should be done for quality provision of service.

The macro economic situation of the country has overshadowed the future confidence of investors. Particularly local suppliers are being hit by the constant rise of inflation in the city and in the country as a whole as well. Due to this the purchasing power of customers, particularly local customers is decreasing time to time. High rate of air ticket and in some extent high room rates are recognized. Similarly continuous increment of salary, devaluation of Birr against dollar,

and low GDP percapita are other challenges for investors in Addis Ababa. Specifically, domestic investors are victims of the macroeconomic instability.

There are also other hindering factors of tourism investment in the city such as the general image problem of the country, competition from neighboring capital cities, insufficient promotion and lack of trained man power. Basically weak promotion of tourism in Addis Ababa and lack of trained man power are very crucial elements of challenges that investors face. Given that, the attractions of the city are not well promoted internationally and tourism establishments in the city have not well trained man power for effective and outstanding performance of their business.

Ethiopia with a comparative advantage of tourist attractions in Africa and with a remarkable potential to be one of the top destinations in the continent has not undertaken aggressive promotion about its tourism resources. The attractions are not promoted for international tourists. Let alone international tourists, residents of Addis Ababa don't know tourist attraction in and its environs. Multilingual promotion of attractions is not well practiced in Ethiopia; therefore, information gap is one of the problems.

The current status of tourism investment in Addis Ababa is very fragile. This was witnessed by the low development of tourist attractions and below standard tourist facilities, low quality tourism education, and others. The city has countless number of tourist attractions. The problem with regard to tourist attractions is not insufficiency but they are not well organized to be visited. Regardless of its significant potential, guests who are limited to Addis Ababa are not satisfied during visit because very few of the attractions mainly museums and some churches are ready for visit and well organized. Many of the other attractions are not developed into products as worthwhile sites for visitors (domestic and international). Particularly historical resources such as old houses and tourist attractions around the city (such as Tiya, Wonchi Creator Lake, Adadi Maryam church, Awash Melka Kunture and others) are not well promoted and not supplied with necessary facilities. Moreover, the city has potential to develop health tourism (from Filwuha/hot springs), ecotourism, and paragliding and conference tourism. However, there is no significant investment to develop these sectors.

Investment on tourist facilities is again underperformed. In addition to insufficiency of basic infrastructures such as public related(roads, rail way, electricity, and water supply) and tourist infrastructures(hotels, tour operation and travel agencies and car rentals etc), the city lacks other ancillary facilities, such as entertainment centers(theatre and cinemas for international tourists), recreation parks, galleries, museums, well organized handicraft centers. This shows how the development of tourism investment is at the infant stage and not really competitive.

On the other hand, Addis Ababa has many promoting factors for tourism investment. These include: good attention of government for the sector except for its limitation of implementation capacity, large market size, good geographic location and the significance of the city for international conferences, plenty of resources(natural and manmade), mixed economy and privatization policy, and cheap trainable man power.

The city has also plenty of investment sectors in the areas of public related infrastructures and tourist facilities, and attraction development. The source of fund may be public, private-public partnership and private sectors.

Ethiopian government gives very limited incentives for tourism investors which is less satisfactory as compared to other African countries. Incentives are given only for hotels, special restaurants, lodges and tour operators. Investors are not satisfied by the types of incentives provided.

5.2 Recommendation

This study has revealed many challenges and constraints that are bottle necks for tourism investment development in Addis Ababa. Although some challenges may be even beyond the capacity of local government, possible actions should be undertaken for rectifying the problem.

- According to the study result, there is improvement on service provision of government organs for investors. But still there are some dissatisfactory customer care services faults and bureaucratic problems. Therefore, the institutional frame work of the offices should

be improved and followed up for better and fast entertainment of investors. Specifically, different government bodies have no good awareness about services of others for providing coherent service for investors. This indicates that the government offices need to have regular meetings and discussions to offer good coordination and problem solving among themselves and take measures on any failure in efficiency of service provision. Further, they have to give opportunities for their customers to comment on the status quality of their services.

- Both public related and tourist infrastructures and facilities of Addis Ababa are not sufficient to provide competitive service. Public related infrastructures such as rail way, communication, health facilities, water supply and electricity are not supplied sufficiently indicating that customers' perception for the city erodes. Therefore, as Addis Ababa is much pronounced city in the world, investment should be enhanced to improve the status of infrastructures. Similarly, focus should be given to improve quality and diversification of tourists' facilities such as star designated hotels, tour operators, restaurants, conference centers and other ancillary services of tourists.
- Even if the country has achieved double digit economic development for the consecutive years, the current macroeconomic situation of Ethiopia is not stable in general. Constant rising of price in the country including Addis Ababa has depreciated the purchasing power of residents. Confidence of investors for their business operations has been eroded. Lack of stability on exchange rate, salary of employees and other factors have affected the ambition of investors. So that even though it is difficult to totally control these problems, the government must design strategic plan to tackle these problems. Moreover, all concerned stakeholders should work hand in hand to tackle other hindering factors of investment in Addis Ababa such as appropriateness of taxation, competition from neighboring cities, low promotion, lack of trained manpower etc.

The current status of tourism investment in Addis Ababa is at its infant stage as compared to its neighboring cities. As it was discussed in challenge part, the level of infrastructure in all sectors is very low. Furthermore, even if Addis Ababa has very diversified type of

tourist attractions/resources, they are not developed into products and they are not organized well and not ready for visitor. The main tourist attractions in and around the city are museums, churches, mosques, monuments, old houses and palaces, colorful religious festivals and others. Therefore:

- Government should encourage private sectors to invest for development of attractions. It should also allocate public finance for preservation and conservation of attractions and for preparing them for visit.
- Addis Ababa city administration and Oromia regional state governments should work together to develop and access tourist attractions around Addis Ababa.
- Addis Ababa has also other innovative and potential tourist attractions which have a power for booming tourism in the city such as conference tourism, health tourism/spa treatment, paragliding and ecotourism. But once again there is no aggressive promotion of these sectors for development. So that government should give special emphasis for these sectors to increase the competitiveness of tourism development. Particularly, AACTB in collaboration with Ministry of Culture and Tourism should undertake promotion and development of tourist attractions in Addis Ababa and its environs.
- In Addis Ababa currently there are handful tourism and hotel colleges. But these institutions are not producing people with more practical and expressive knowledge. Therefore, the city administration in collaboration with other concerned government bodies should ensure the quality of education being provided and the institutions should either be encouraged to invest to increase their performance or other investors should be invited to upgrade quality of education for supplying well trained manpower for hotels, tour operators, government offices and other related institutions.
- Stake holders of tourism have complaint on the organizational structure of tourism industry in Ethiopia. In the country, there are no strong independent institutions that can play a central role of development. To support this, the government should establish tourism board, which can have independent power and organizational

structure for better performance in the sector by coordinating the rest stakeholders of tourism.

- Even though sometimes it is debating, Provision of incentives for investors has its own positive impact on investment flow. The study shows that in Ethiopia, in the sector of tourism amount and types of incentives provided are insufficient. Therefore, government should expand the horizon of incentives to make the sector competitive enough.
- Inherently, tourism is vulnerable to any happening of instability in and around destinations. In the case of Ethiopia the problem of political instability is not a major problem, the country needs to take precaution with regard to actions of terrorists in east Africa; threat of peace globally. Therefore, government should be conscious to turn away these troubles before affecting destination image. It should enhance its effort of working with neighboring countries against actions of terrorists. In fact we do have better experience and contribution in east Africa for fighting against the problem of terrorism.

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Appendix 1

Addis Ababa
University
(Since 1950)



Addis Ababa University

College of Development Studies

Department of Tourism and Development

The objective of the study

The purpose of this questionnaire is to study The Challenges and Opportunities of Investment in Tourism in Addis Ababa. The information you provide will be used as part of a Master thesis research being conducted by Tadesse Bekele supervised by Dr. Mulugeta Fesseha (Asso. Prof.), College of Development Studies, Addis Ababa University. Dear respondents you are kindly requested to provide genuine information you know already, since the successful completion of this study is dependent on your humble cooperation for provision of information. The information gathered will be used only for academic purpose and the information you provide is highly confidential. Your cooperation would be greatly appreciated and is of great importance.

General personal information

Sex: Male Female

Type of investment: Domestic Foreign

Type of business: Hotel Tour Operatio

Nationality _____

Thank you in advance!

Part one: In this part you will fill the table below based on the following guideline: using a scale from 1-5, represented as follows: **1-Strongly Agree, 2-Agree, 3- Neutral, 4-Disagree, 5- Strongly**

Disagree. Please choose your suitable answer and put “X” on the spaces parallel to numbers provided for each statement in the table below. For example if you **strongly agree**, put “X” on number “5”

No.	Challenges of tourism investment in Addis Ababa	1	2	3	4	5
1	In my view, Ethiopia is not politically stable country for tourism investment					
2	I believe that Instability in the horn of Africa has affected tourism investment in Ethiopia at large and in Addis Ababa particularly					
3	I know that the un fair competition from neighboring countries' cities affects tourism investment in addis ababa(like Nairobi, Dare Salam)					
4	I understand that the image of Ethiopia with Foreign investors is still negative					
5	In my perspective, there is no consistent investment policy in Ethiopia					
6	I believe that in Addis Ababa government tax is not appropriate for investors					
7	I understand that there is conflict among government departments due to lack of clear and standardized regulations					
8	I recognize that there is no sufficient incentive for tourism investment in Ethiopia					
9	in my understanding there is no adequate financial institutions for investors in Addis Ababa					
10	I observe that In Addis Ababa there is no sufficient number of trained man power for tourism sector					
11	I recognize that In Addis Ababa there is high problem of corruption in government offices that provide service for investors					
12	In my opinion, The current inflation problem has a negative effect on tourism investment					
13	I understand that in Addis Ababa there is no coordination between government and private organizations for tourism investment?					
14	I know that the government's implementation capacity of tourism investment is inadequate in Addis Ababa					
15	Government has not sufficient infrastructure in the following areas					
	Road					
	Rail road					
	Air port					
	Electricity and water supply					
	Communication (telephone, fax, internet, radio and TV etc...					
	Information centers					
	Bank and insurance services					
	Health and security services					

Part two

In this part you will give the reason for your reason based on the nature of the question.

1. Did you have knowledge about Ethiopian tourism industry before you started investing in Addis Ababa?
A. No B. Yes
2. Where did you get information about tourism investment opportunities in Addis Ababa for the first time?
A. From media(internet, news paper, radio and TV)
B. When I came to Ethiopia for visit
C. From embassy of Ethiopia in my country
D. From international trade fair
E. if it is from other sources, please specify_____
3. Have you encountered any problem when you got your multiple entry visas? A. Yes B. No

If “yes”, what problems have you faced? Please, explain it-----

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

5. Are you satisfied with the services of Ethiopian Investment Agency?

- A. Yes B. No

If your answer is “yes” why? please explain it clearly-----

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

6. How long it takes you to get the following services from Ethiopian Investment Agency(hint: please, describe in hours, days, months etc):

- A. investment license _____
- B. if any, renewal of your investment license _____
- C. residential house _____

7. Are you satisfied with the service provision of Ministry of Culture and Tourism?
A. yes B. No

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

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

8. Are you satisfied with the services of Ethiopian custom authority? A. yes B. no

If your answer is “yes”, why? Please explain it clearly-----

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

9. Are you satisfied with the Addis Ababa city government land administration?

A. Yes B. No

If your answer is “No”, please specify the problems you faced during you get the service-----

10. Have you got any incentive from government?

A. Yes B. no

If your answer is “yes”, please give answer for the following questions:

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

9.2 How do you rate the incentives provided by government of Ethiopia?

A. Excellent B. very good C. good D. satisfactory E. poor

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

11. Have you got any chance to comment on the tourism investment policy of Ethiopia and quality of service provision of governmental offices?

A. Yes B. No

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

12. Have you got an opportunity to discuss on the issue of tourism investment with stakeholders (Ethiopian Investment Agency, Ministry of Culture and Tourism, Ethiopian Custom Authority, Federal Inland Revenue authority, Addis Ababa city land Administration, private organizations and other experts)?

A. Yes B. No

13. If your answer for question number 11 is “yes” what were the decisions you passed by discussion implemented?

A. yes, they were implemented B. in some extent they were implemented C. they were not implemented

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

Interview with Ethiopian Investment Agency

1. When was the current investment policy of Ethiopia ratified and implemented?
2. Under your bureau is there tourism investment service center?
3. Where do investors get information about tourism investment in Addis Ababa?
4. What are the potential tourism investment opportunities in Addis Ababa
5. Do you think that tourism investment in Addis Ababa is enough to provide optimum tourist services?
6. What tourism investment opportunities have you created for investors (for both foreign and domestic)?
7. How do you see the competition from neighboring cities like Nairobi
8. How long does the process of giving the following services take for investors?
 - A. Investment license

B. Investment renewal

C. Residential house

9. Is there any special incentive that your office provides for tourism investors?
10. Is there any difference in incentives provided for foreign and local tourism investors?
11. What activities do you undertake to attract tourism investors?
12. How do you evaluate the image of Ethiopia for attracting investors?
13. Does the investment trend in tourism show increment year to year?
14. What do you think is hindering tourism investment in Addis Ababa?
15. What are the comments/complaints you receive from your customers with regard to your service?
16. What do you want to add regarding improving tourism investment in Addis Ababa?

Interview with Addis Ababa city government land Administration

1. Is there any land use classification system used for different sectors?
2. Is there any special incentive for tourism investors provided by your office?
3. Is there any land area reserved for tourism investment?
4. What are the types of tourism activities the land is reserved for?
5. How long does it take a tourism investor to take land for investment (both foreign and domestic)?
6. What are the internal and external hindrances that inhibit satisfying your customers?
7. Do you have any plan to improve land provision policy? If yes what are those?
8. What are the complaints you receive from your customers with regard to the services you provide?
9. Any discussion with other stakeholders?

Interview with Ministry of Foreign Affairs

1. What is the role of your office for tourism investment development?
2. Do you think that investors have good motivation to invest in tourism as compared to other investment areas?
3. How long does it take to issue multiple entry visas to customers?

4. What activities does your office do for attracting and to increase positive attitude of investors in tourism and other sectors in Addis Ababa?
5. What are the fears of investors to work in Addis Ababa (Security, Unprofitability...)?
6. Does your office have any forum of discussion with other stakeholders regarding tourism investment?
7. What do you think are the reasons for low performance of tourism investment in Addis Ababa?
8. What do you want to suggest improving tourism investment in Addis Ababa?

Interview with Ministry of Culture and Tourism/Addis Ababa Bureau/

1. What are the main investment opportunities in Addis Ababa (both in infrastructures and tourist attractions)?
2. Do you think that tourism investment in Addis Ababa contributes to achieve sustainable tourism development?
3. For which types of investors does your office give license of standardization and accreditation? Why?
4. How do you evaluate the level of tourism infrastructure, attraction development and promotion of tourism in Addis Ababa?
5. Which type of investors does your office encourage more (foreign or domestic)?
6. Does your office encourage small tourism enterprise in tourism investment; if yes in what specific areas are you encouraging?
7. What do you think are the challenges for tourism investment in Addis Ababa (Does your office believe that the challenges for both domestic and foreign investors are the same? If not what are the specific/major problems for each)?
8. What specific activities does Ministry of Culture and Tourism undertake to promote Addis Ababa as tourist destination and to enhance tourism investment?
9. What are the complaints of your customers regarding your service?
10. Is there any discussion with other stakeholders and offices on tourism investment?(EIA, NBE, Ministry of Finance, Ethiopian privatization agency, Ministry of Foreign Affairs, Addis Ababa city Land Administration, Federal Inland Revenue Authority etc).

Interview with Addis Ababa City Government Land Administration

1. What are the rules and regulations an investor should follow?
2. Is there any land use classification system used for different sectors?
3. Is there any special incentive for tourism investors provided by your office?
4. Is there any land area reserved for tourism investment?
5. What are the types of tourism activities the land is reserved for?
6. How long does it take a tourism investor to take land for investment (both foreign and domestic)?
7. What are the internal and external hindrances that inhibit satisfying your customers?
8. Do you have any plan to improve land provision policy? If yes what are those?
9. Does your office believe tourism investment in Addis Ababa is crucial?
10. What are the complaints you receive from your customers with regard to the services you provide?
11. Any discussion with other stakeholders?

Interview with Ministry of Foreign Affairs

1. What is the role of your office for tourism investment development?
2. Do you think that investors have good motivation to invest in tourism as compared to other investment areas?
3. How long does it take to issue multiple entry visas to customers?
4. As tourism is now one of the government's priority area, what special incentive does your office give for tourism investors?
5. What activities does your office do for attracting and to increase positive attitude of investors in tourism and other sectors in Addis Ababa?
6. What are the fears of investors to work in Addis Ababa?
7. Does your office have any forum of discussion with other stakeholders regarding tourism investment?
8. What do you think are the reasons for low performance of tourism investment in Addis Ababa?
9. What do you want to suggest improving tourism investment in Addis Ababa?

Interview with Restaurants and Car Rentals

1. How is tourism business in Addis Ababa?
2. What are other potential investment areas in addition to your current business?
3. How do you evaluate the bureaucratic situation of government offices?
4. What are the challenges of your business operation?
5. Do you have opportunities to discuss with government and other stakeholders regarding investment?
6. Have you got any incentive from government (both fiscal and financial incentives)?

Interview with Conference Centers

1. What makes Addis Ababa special for conference tourism?
2. What challenges have you faced in your business operation?
3. Is there any special incentive for investors in conference tourism?
4. How do you evaluate the image of Ethiopia as a tourist destination?
5. Do you believe that Ethiopia has potential for tourism investment
If yes, what are those potential investment areas?
If no, why?
6. How do you compare the potential of Addis Ababa in conference tourism as compared to other East African cities?
7. What do you think is the role of conference tourism development for other sub-sectors of tourism?
8. Did you have any chance to discuss on the issues of tourism investment with other stakeholders?

Interview with experts

1. How do you evaluate tourism investment in Ethiopia and in Addis Ababa specifically?
2. What are the tourism investment opportunities in Addis Ababa?
3. What type of public and tourist infrastructures do you think Addis Ababa lacks?
4. Do you think that the geographical position of Addis Ababa is lucrative for tourism investment?

5. Do you think that Addis Ababa has customer demand for attracting tourists?
6. How do you evaluate the potential of Addis Ababa for tourism development?
7. How about the political and economic condition of Ethiopia for tourism investment?
8. How do you evaluate the image of the country for attracting investors and tourists
9. What specific incentives do you suggest to be provided to tourism investors by government?
10. What are the bureaucratic constraints you see from Ethiopian investment policy?
11. How do you evaluate the coordination between government and private sectors in tourism investment?



አዲስ አበባ ዩኒቨርሲቲ

የሀገር ልማት ጥናት ኮሌጅ

የቴሪዝምና ልማት ዲፓርትመንት

የጥናቱ ዓላማ

የዚህ መጠይቅ ዋና ዓላማው በአዲስ አበባ የቴሪዝም ኢንቨስትመንት እንቅፋቶችንና ዕድሎችን ማጥናት ነው። እርሶ የሚሰጡት መረጃ በአዲስ አበባ ዩኒቨርሲቲ የሀገር ልማት ኮሌጅ ስር የሁለተኛ ዲግሪ ማሟያቸውን ለ ሚ ሰ ፋ ፋ ፋ ለ አ ቶ ታ ደሰ በቀለ እንደ ዋና ግብአት ያገለግላል። ውድ የጥናቱ ተሳታፊዎች ለዚህ ጥናት መሳካት እናንተ የምትሰጡት መረጃ በጣም ጠቃሚ በመሆኑ ለጥያቄዎቹ መልስ በጥንቃቄ እና በቅንነት እንድትሰጡ በክብር እጠይቃለሁ። መረጃው ለትምህርት እገልግሎት ብቻ የሚወልድ የእርሶ ማንነትና ሚስጥርዎም የማይባከን ሲሆን ለሚያደርጉት ትብብር ከልብ አመሰግናለሁ። አጠቃላይ ግለሰባዊ መረጃ

1. ስም: ወንድ ሴት
2. የኢንቨስትመንቱ ዓይነት: ሀገር በቀል የውጭ
3. የቢዝነሱ ዓይነት: ሆቴል አስጎብኚና የጉዞ ወኪል
4. ዜግነት: _____

ክፍል አንድ

1. ከዚህ በታች በሠንጠረዥ ውስጥ የሚገኙት ዐረፍተ ነገሮች በአዲስ አበባ ስላለው የኢንቨስትመንት ሁኔታ የሚያስረዱ ናቸው። ዐረፍተ ነገሮቹን የሚመዝኑባቸው አምስት መመዘኛ ነጥቦች እንደሚከተለው በቁጥር ተመልክተዋል።
 - 1=በጣም አልሰማማም
 - 2=አልሰማማም
 - 3=ሀሳብ የለኝም
 - 4= እስማማለሁ
 - 5= በጣም እስማማለሁ
- አባክዎ በሠንጠረዥ ለቀረበው ሀሳብ የሚሰማማዎትን ቁጥር በመምረጥ ይህንን ምልክት ያድርጉ(✓). ምሳሌ: በጣም እስማማለሁ የሚሉ ከሆነ በቁጥር 1 ላይ ተክ ያድርጉ(✓)።

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ተ.ቁ.	የቱሪዝም ኢንቨስትመንት ፈተናዎች	1	2	3	4	5
1	ኢትዮጵያ ለቱሪዝም ኢንቨስትመንት በፖሊቲካ የተረጋጋች ሀገር አይደለችም					
2	በአፍርካ ቀንድ ያለው ያለመረጋጋት በአዲስ አበባም ሆነ በኢትዮጵያ የቱሪዝም ኢንቨስትመንትን ፍላጎት ቀንሷል					
3	በጎረቤት ሀገሮች ዋና ከተሞች እንደነ ናይሮቢና ዳራሰላም ያለው ውድድር የአዲስ አበባን ቱሪዝም አንቨስትመንት ጎድቶታል					
4	በውጭ ሀገር ኢንቨስተሮች ዘንድ የኢትዮጵያ ገፅታ እስካሁን አሉታዊ ነው					
5	ኢትዮጵያ ቋሚ የሆነ የኢንቨስትመንት ፖሊሲ የላትም					
6	በአዲስ አበባ በቱሪዝም ኢንቨስተሮች ላይ የሚጣለው የመንግስት ግብር የተጋነነ ነው					
7	በአዲስ አበባ ለኢንቨስተሮች አገልግሎት የሚሰጡ የመንግስት መስሪያ ቤቶች ወጥ በሆነ አሰራር እጦት ርስበርስ ተናቦ ያለመሰራት ችግር ይታይባቸዋል					
8	በአዲስ አበባ ለቱሪዝም ኢንቨስተሮች በቂ የሆነ ድጋፍና ማበረታቻ እየተሰጠ አይደለም					
9	በአዲስ አበባ ለኢንቨስተሮች በቂ የሆኑ የገንዘብ ተቋማት አገልግሎት የለም					
10	በአዲስ አበባ በቱሪዝም ሴክተር በቂ የሆነ የሰለጠነ የሰው ኃይል አለ ማለት አይቻልም					
11	ለኢንቨስተሮች አገልግሎት በሚሰጡ የመንግስት መስሪያ ቤቶች ከፍተኛ የሆነ የሙስና ችግር አለ					
12	በአሁኑ ጊዜ በአዲስ አበባ የሚታዩው ከፍተኛ የሆነ የዋጋ ግሽበት የኢንቨስትመንት እንቅስቃሴን ጎድቶታል					
13	በአዲስ አበባ ውስጥ በቱሪዝም ሴክተር በመንግስትና በግል ዘርፎች ከፍተኛ የሆነ ተቀናጅቶ ያለመሰራት ችግር አለ					
14	መንግስት የቱሪዝም ኢንቨስትን ለማስፋፋት ያለው የአፈፃፀም አቅም ዝቅተኛ ነው					
15	አዲስ አበባ ለቱሪዝም ኢንቨስትመንት ሥራ በሚከተሉት ዘርፎች በቂ የሆነ መሰረተ ልማት የላትም:					
	መንገድ					
	የባቡር ሃይድ					
	አየር ማረፊያ					
	ሙበራትና የውሃ አቅርቦት					
	ኮሙኒኬሽን(ስልክ፤ ፋክስ፤ ኢንተርኔት፤ ሬዲዮ እና ቴሌቪዥን ወዘተ)					
	የመረጃ ማዕከላት					
	ባንክና ኢንሹራንስ					
	የጤናና ደህንነት አገልግሎት					

ተ.ቁ.	የቱሪዝም ኢንቨስትመንት ዕድሎች	1	2	3	4	5
	1. መልካም ሁኔታዎች					
1	የኢትዮጵያ መንግስት ለቱሪዝም ሴክተር ከፍተኛ የሆነ ትኩረት ሰጥቷል					
2	በአዲስ አበባ ለቱሪዝም ሴክተር በቂ የሰው ጉልበት በገብቶታል					
3	የኢትዮጵያ መንግስት ነፃ ገበያ ሥርዓት ለኢንቨስትመንት ምቹ ሁኔታን ፈጥሯል					
4	አዲስ አበባ ለቱሪዝም ኢንቨስተሮች ሰፊ ገበያ ያላት ከተማ ናት					
5	አዲስ አበባ በጆግራፊያዊ አቀማግጣጢ ለቱሪዝም ኢንቨስትመንት ስትራቴጂክ ያደርጋታል					
6	አዲስ አበባ የአፍሪካ ዋና ከተማ መሆን ከተማ ለኢንቨስተሮች ተመራጭ ያደርጋታል					
	2. የኢንቨስትመንት ዘርፎች					
7	በአዲስ አበባ ኢንቨስተሮችን ሊስቡ የሚችሉ በቂ የተፈጥሮ መስህቦች አሉ					
8	በአዲስ አበባ ኢንቨስተሮችን ሊስቡ የሚችሉ በቂ ባህላዊ እና ታሪካዊ መስህቦች አሉ					
9	አዲስ አበባ በኮንፈረንስ ቱሪዝም ኢንቨስተሮችን የመሳብ አቅም አላት					
10	አዲስ አበባ በሚከተሉት በህዝብና በቱሪዝም መሰረተ ልማቶች ተጨማሪ ኢንቨስትመንት ያስፈልጋታል፤ መንገድ የባቡር ሃዲድ አየር ማረፊያ መብራትና የውሃ አቅርቦት ኮሙኒኬሽን(ቴሌፎን ፋክስ ኢንተርኔት ሬዲዮ ወዘተ) ሆቴልና ሬስቶራንት አስጎብኚ ድርጅቶችና የጉዞ ወኪሎች የቱሪዝም ትምህርት ሌሎች የቱሪዝም አገልግሎት የሚሰጡ አነስተኛና ጥቃቅን ኢንዱስትሪዎችን ለማስፋፋት					
11	ለአዲስ አበባ ቱሪዝም ገበያ ጥናትና የኢንቨስትመንት ዕድሎችን ለማስተዋወቅ ተጨማሪ ከፍተኛ ገንዘብ ያስፈልጋል					

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3. በኢንቨስትመንት ኤጀንሲ በተደረገልዎት የአገልግሎት አሰጣጥ ረክተዋል? ሀ. አዎ ለ. የለም

መልስዎ አዎ ከሆነ የረክቡትን ምክንያት በዝርዝር ቢያብራሩ-----

መልስዎ የለም ከሆነ ያልረኩበትን ምክንያት ቢያብራሩ-----

4. ከታች የተዘረዘሩትን ጉዳዮች ለማስፈፀም የጨረሱበዎትን ሠዓት ቢገልፁልን(በሠዓት፤ በቀን፤ በወር ብለው ይግለፁ)

ሀ. የኢንቨስትመንት ፈቃድ ለማስወጣት-----

ለ. አሳድሰው ከሆነ ፈቃዱን ለማሳደስ-----

5. በባህልና ቱሪዝም ሚኒስቴር በተደረገልዎት የአገልግሎት አሰጣጥ ረክተዋል? ሀ. አዎ ለ. የለም

መልስዎ የለም ከሆነ ያልረኩበትን ምክንያት ቢያብራሩ-----

መልስዎ አዎ ከሆነ የረክቡትን ምክንያት በዝርዝር ቢያብራሩ-----

6. በኢትዮጵያ ጉምሩክ ባለስልጣን በተደረገልዎት የአገልግሎት አሰጣጥ ረክተዋል? ሀ. አዎ ለ. የለም

መልስዎ እዎ ከሆነ፤ የሰጡትን አስተያየት በዝርዝር ቢያብራሩ-----

11. ቱሪዝም ኢንቨስትመንትን በተመለከተ ከሌሎች ባለድርሻ አካላት(ምሳሌ ከኢትዮጵያ ኢንቨስትመንት ኤጀንሲ፤ ከባህልና ቱሪዝም ሚኒስቴር፤ ከኢትዮጵያ ገቢዎችና ጉምሩክ ባለስልጣን፤ አዲስ አበባ ከተማ መሬት አስተዳደር እና ከሌሎች የግል ድርጅቶች) ጋር የመወያየት ዕድል አግኝተው የውቃሉ? ሀ. አዎ ለ. የለም

መልስዎ እዎ ከሆነ በዓመት ስንት ጊዜ ተወያይተው ያውቃሉ-----

መልስዎ የለም ከሆነ፤ በእርሶ አረዳድ ለምን ይመስሎታል? -----

12. ከባለድርሻ አካላት ጋር ውይይት አድርገው ከሆነ በውይይት ያስተላለፋችኋቸው ውሳኔዎች በተግባር ላይ ውለዋል? ሀ. አዎ ለ. በተወሰነ ደረጃ በተግባር ላይ ውለዋል ሐ. በተግባር ላይ አልዋሉም

13. በአዲስ አበባ የቱሪዝም ኢንቨስትመንት አሁን ካለው በተሻለ ሁኔታ እንዲያድግ ምን መደረግ አለበት ይላሉ? ተጨማሪ ሀሳብ ካለዎት ቢያብራሩ-----

Appendix2: Tourist Attractions in and Around Addis Ababa

Monuments: in the city there are about twenty six monuments bult for memorial of different events, history, culture and famous individuals.

1. Abune Petros’s Monuments
2. Emperor Menelik’s Monument
3. The Statue of the Lion of Judah (Railway Station)
4. The Martyr’s /Yekatit 12 Monument(Sidist Kilo)

5. The Lion of Emperor Haileselassie (National Theatre)
6. Victory Monument /Miazia 27 Monument (Arat kilo)
7. Ras Mekonen Monument
8. The Korea marchers (Kagnew Memorial)Monument (Afencho Ber)
9. China-Africa Memorial Statue (in front of Bole international air port)
10. Sebastopol Monument(Tewodros Square)
11. 'Dilachen' Monument(in front of the main post office)
12. Menelik II Monument (in Menelik Hospital)
13. Karl Marx monument
14. Abune Petros
15. Menelik II
16. Ras Makonnen
17. Freedom (Miazia 28)
18. Menelik II (in Menelik Hospital)
19. Ethio China Square (Ethiopian Airlines)
20. Yekatit 12 (Sidist Kilo)
21. Dilachen (Black Lion)
22. Sebastopol (Tewodros Square)
23. Pushkin (Sar Bet)
24. Lion of Judah (Railway Station)
25. Kagnew Memorial Korea (Afincho Ber) and
26. The Lion of Judah (National Theatre)

Churches

- | | | |
|--------------------------------------|--|---|
| ➤ St. Kechene Medhane
Alem Church | ➤ Menebre Mengist
Kuskuam Maryam
Church | ➤ St. Rufael Church |
| ➤ St. Kidane Meheret
Church | ➤ St.Mezkaye Hizunan
Medhane Alem
Church | ➤ St. Bealewold Church |
| ➤ Menebere Leul St.
Markos Church | ➤ St. Raguel Church(
Entoto) | ➤ St. Gabriel Church |
| ➤ St. Mary Church
(Entoto) | | ➤ St. George/ Ghiorghis
Church |
| | | ➤ St. Mary Church |
| | | ➤ St. Selassie/ Holy
Trinity Cathedral |

- St. Taka Nigist Beata LeMariam Church
- St. Yohannes Church
- St. Kirkos Church
- St. Estifanos Church
- St. Lideta Mariam/ St. Medhane Alem Church
- St. Tekle Haimanot Church
- Yeka Mikael Church
- Keranyo Medhanialem Church
- Mekane hiwot Abune Gebremenfeskidus Church
- St. Hana Church
- Petros and Paulos Church
- St. Emmanuel Church
- St. Raquel Church
- Debre menkerat seel bet Kidane Meheret Church
- Debre Gelila Amanuel Church
- Genete Eyesus Church
- Debre Nazreth St. Yoseph Church
- Armenian Church
- Greek Orthodox Church
- Nativity Cathedral
- Qebena catholic kidanemeheret Church
- Ledeta catholic Church

Mosques

- The Grand Anwar Mosque,
- Nur Mosque and
- Wele Mohammed Mosque

Holiday celebrations

- Meskel festival/ The Finding of The True Cross
- Ramadan
- Timket festival
- Nations and Nationalities days

Major historical houses and places

- Amsala Genet Palace
- La Gare/ Ethio-Djibouti Railway Station
- Merkato
- Genete leul Palace
- Jan Hoy Meda
- Sheik Ojele Palace
- Arada Old Post Office /Cinema Ethiopia
- Addis Ababa University Building
- Meskel Square
- The National Palace
- The parliament
- Etege Taitu Hotel
- Menelik II Entoto Palace
- Leul Mekonen Palace
- Merha Tibebe Printing Press
- Menelik II School

- Menelik II Hospital
- Haile Selassie I School
- Empress Menen Girls' school
- Bank of Abyssinia
- Residence of the world Laureate Maitre Artist Afework Tekle
- Merha Tibebe Printing Press
- Finefine Hotel

Parks in Addis Ababa (source: AACTB and Addis Ababa Investment Agency report)

Sir. No.	Name of the park	Sub-city
1	Afencho ber Park	Gulele
2	Hamle 19 Park	Gulele
3	Sheger Park	Gulele
4	Lion Zoo Park	Arada
5	Africa	Kirkos

	park/Addis-Ethio-Africa Park	
6	Peacock Park	Kirkos
7	Ethio-Cuba Friendship Park	Lideta
8	Kolfe Park	Kolfe keranio
9	Millennium Park	Kolfe keranio
10	Mulugeta Abate memorial Park	Kolfe keranio
11	Bole Park	Bole
12	Bhere-tsege Park	Nifas silk Lafto
	Baldaras recreation center	Yeka
14	Ambassador Menafesha	Ambassador
15	Gola Menafesha	Lideta
16	French Menafesha	Gulele

Source: AACTB