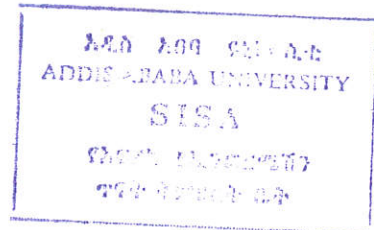
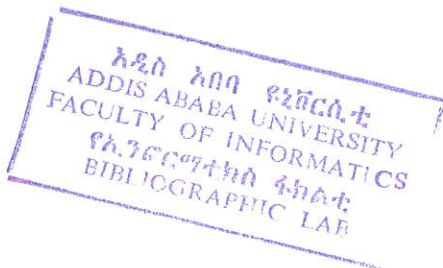


**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**SCHOOL OF INFORMATION STUDIES FOR AFRICA**



**PROMOTING THE INVESTMENT INFORMATION SERVICES OF THE  
ETHIOPIAN INVESTMENT AUTHORITY**



**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN  
INFORMATION SCIENCE**

**BY**  
**ASMAMAW ATNAFU**  
**MAY, 1999**

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
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**ASMAMAW ATNAFU MENGISTUE**

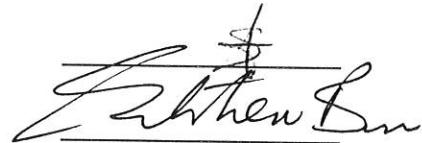
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**Ato Sisay Fissaha, Chairman, Examining Board**

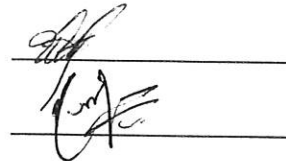
**Ato Getachew Birru, Advisor**

**Ato Worku Alemu, Advisor**

**Prof. A. Neelameghan, External Examiner**



A handwritten signature in black ink, appearing to read 'Sisay Fissaha', written over a horizontal line.



A handwritten signature in black ink, appearing to read 'Getachew Birru', written over a horizontal line.

## **DEDICATION**

**To Jesus Christ and his Mother Saint Virgin Mary.**

## ACKNOWLEDGMENT

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## ABSTRACT

*Investment is one of the mechanisms by which countries can move to a higher economic, technological and better way of life. More specifically, investment particularly, the private one contributes a lot in developing the national market, creating wide employment opportunities for the nation, maximizing the inflow of foreign capital, accelerating the transfer and adoption of needed foreign technology and know-how, saving and generating foreign exchange through import substitution, production or export promotion strategies and in bringing a strong intersectoral links.*

*Due to these advantages countries place increasing emphasis to attract private investors to make them involved in their economy. In facilitating this, particularly to attract foreign investors host countries promote the investment opportunities and their resource potential by providing accurate, relevant and timely information.*

*As one of these host countries, Ethiopia is encouraging the private sector participation in all spheres of economic activities. Particularly, to attract foreign investors, the government has setup the Ethiopian Investment Authority (EIA) to promote, co-ordinate, and follow-up and monitor investment proposals. Though the government, in order to increase the participation of private investors, has created favorable conditions in terms of investment policies, procedures, incentives, guarantees and others, the number of projects and the initial investment capital is still not as much as expected. The number of foreign investment projects that started operations are insignificant, which is less than two percent of the total.*

*In this study, the information needs of investors, the role of investment information promotion to increase the inflow of foreign capital, investment information promotion planning process, strategies of investment information promotional programs and the role of information technology for investment information promotion have been discussed. The study has also assessed the information needs of investors, the existing investment promotional mechanisms used to attract foreign investors and, the problems in promoting the investment information to foreign investors. Based on the assessment made, the information handling and investment*

*information promotion activity of the EIA is found to be inadequate. The study has also concluded that this inadequate service can be taken as a constraint for the inflow of foreign investment. In order to alleviate the problems sited, the study has recommended measures that must be taken by the EIA. It also demonstrates how to promote investment information on the World Wide Web by developing the Web site of the Ethiopian Investment Authority.*

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## List of Abbreviation

BOI -	Board of Investors
COMESA-	Common Market for Eastern and Southern Africa
EIA --	The Ethiopian Investment Authority
FDI-	Foreign Direct Investment
FDRE -	Federal Democratic Republic of Ethiopia
FIAS-	Foreign Investment Advisory Service
GDP -	Gross Domestic Product
GNP-	Gross National Product
IPS-	Investment Promotion Service
IT-	Information Technology
MIGA -	Multilateral Investment Guarantee Agency
OAU-	Organization Of African Unity
PR –	Public Relations
RIB -	Regional Investment Bureau
UN –	United Nations
UNCTAD-	United Nations Conference on Trade And Development
UNDP-	United Nations Development Program
UNECA -	United Nations-Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization.
WIPA-	World Investment Promotion Agencies

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# CHAPTER ONE

## INTRODUCTION

### ***1.1 Background of the Problem***

Economic development is the means of transforming the lives of millions of people throughout the developing world. The character of this development, its direction and pace and the way people share in its benefits are largely determined by how a country manages its investment resources (Belot & Weigel, 1992).

The process of investment in developing countries more than others can play an important role in all aspects of development by channeling scarce external capital to their economics, and as a vehicle for the transfer of technology, information and managerial expertise particularly to their economic sectors (DECD, 1978).

Therefore, in order to attract foreign and domestic investment, governments place increasing emphasis on the provision of effective services to the prospective and existing investors. These days, most governments believe that effective service will create happy investors and those happy investors will bring more investment (Wells & Alvine, 1991).

Provision of timely, accurate and relevant information, advice, and assistance of a general nature is one type of these services countries may offer to prospective domestic and foreign investors.

Most of the time investors require information, among others, on country's or region's economy, political condition, business practices, investment incentives and opportunities, country's resources and trade laws. Developing countries, by providing accurate information on the main parameters of their economy, cost factors, the legal framework of investment and the bureaucratic process required, can greatly reduce the perception of risk in the mind of potential investors. Even in less favorable circumstances, the perception of having accurate information will help decision-makers from overestimating risks (Belot & Weigel, 1992).

In this respect, the best host country investment information promotion programs need to place great stress on providing potential investors with accurate information. As UNECA (1982) indicated, good investment information promotion activities assist developing countries in obtaining financial, technical and managerial expertise as well as in gaining more access to information on product markets and trends in different economic sectors with a view of arriving at a joint ventures between entrepreneurs in developed world and interested parties in the third world. Therefore, developing countries must give much emphasis on the collection, processing, storage and promotion of information.

As one of the developing countries, Ethiopia since 1991 is practicing a new economic policy to encourage the private sector participation in all spheres of economic development activities. The Ethiopian government has analyzed the major causes of economic decline of the previous regime which was a system that denied individuals to

own and manage economic activities and the wrong policies that were persuade generally, discouraged private investors from engaging in productive activities. It has changed the investment policy to promote private capital participation.

In order to facilitate the private investment activities, particularly to attract foreign investors, the government has set up the Ethiopian Investment Authority (here after EIA) which acts as a local organization to promote, co-ordinate, follow-up and monitor investment proposals. It was established to act as a one-stop service to investors, including issuance of investment certificates, information provision, and related legal powers (Kumar, 1994). As it was stated in Negarit Gazeta Proclamation No. 37/1996, EIA is required to collect, compile, analyze and disseminate information on the resource potential of the country, the investment opportunities it offers and promote concrete investment projects.

### ***1.2 Review of a Previously Done Related work***

Different governmental and non-governmental organizations as well as individuals have made various studies on the Ethiopian investment problems and prospects. Most of these studies have identified the basic problems for the poor performance of the Ethiopian investment activities and recommended various measures to be undertaken. One of these recommendations is about the handling of investment information database which is complete and accurate and the dissemination of this information to be accessed easily by

its users (Kumar 1994, EIA 1997, and Worku 1998).

Worku Gedlie, a 1998 graduate of SISA, has made a study on the Ethiopian potential investment projects. In his study, Worku has found that, in the EIA there was no complete data on the potential investment projects. Even the available information is not easily accessible, not regularly consistent, not completely accurate, current and perfectly relevant.

As a solution for the problems identified, Worku has recommended that, the EIA should make a detailed study and identification of potential investors information requirements and develop a multimedia database for the potential investment projects. In addition to this, Worku has recommended the importance of promoting information about the investment potential of the country and the use of multimedia database and to load its free part of information through the Internet or World Wide Web Page.

Though, Worku has designed a database on object oriented approach to handle investment information, due to constraints of time and other resources, he did not discuss how this information can be accessed easily by potential and existing foreign and domestic investors and promoted using different techniques and methods in order to motivate investors for action.

### **1.3 Statement of the Problem**

As mentioned above, Ethiopia has created a conducive environment to the private investment. In this respect the private investment (both domestic and foreign) is encouraged to invest in all sectors of the economy except very few areas (fully or partially) reserved exclusively for the government (EIA, 1997).

To facilitate the involvement of the private sector in the over all endeavor of developing the countries economy, Ethiopia has provided various guarantees and incentives. (MIGA).

Even though, Ethiopia has provided such incentives and guarantees, as the Policy Research and Information Department of EIA (1997) stated, the total number of investors (both domestic and foreign) and their initial capital invested on approved projects is not as much as expected. Particularly, the inflow of foreign capital is very less.

Some of the constraints observed include, lack of organized information and poor investment information promotion capacity, the inadequacy of infrastructure facilities and long and tedious bureaucratic procedures are the major ones (EIA, 1997). Of these constraints, the activities of handling well organized, timely and accurate information to investors and the activity of promoting information about the private investment opportunities is not satisfactory. Concerning this the policy Research and Information Department of EIA (1997) stated that,

*one of the major factors that contributes for effective generation of new investment is availing concrete and detailed information on investment opportunities and resource potential of the country. However, the capacity of availing such information is in its early stages. Information is scattered and is not readily available ( p. 12).*

As a solution, both EIA and Worku as mentioned above, believed that data and information which is complete, accurate and timely must be maintained about investment opportunities and resource potential of the country.

But the availability of well-organized and accurate information is not enough. This information should have to be aggressively promoted. Unless it has to be promoted, how the existing and potential investors can know the existence of this complete service and become the participants in the private sector. The providers of this information need not wait until they are being requested. They have to knock the door of the potential investors. It must be accessible to everyone at everywhere without delay and with less expense.

As the preliminary survey made at the EIA showed, in addition to the problem of maintaining a well-organized, complete and accurate investment information, there is also a problem of promoting this information. The EIA is playing a role, which is more of regulatory than pro-active and promotional. It seems that, the EIA has not recognized the present world of stiff competition, the needs of special skills in marketing and communication technologies.

Concerning the problem of investment information promotion, Tsegaye (1992) stated that:

*Ethiopia has a tremendous economic potentials for investment in all sectors of the economy, but this calls for bringing about a change in the image of the country and the people which has so far that discourages private investment. By concentrating on the 'credits' of the country, image building and investment information promotion campaigns should be mounted as soon as possible (P. 38)*

This is true that Ethiopia's image internationally has been hampered due to the inappropriate economic policies of the previous regime, the protracted war and the severe drought which affected the country. As a result, few foreign investors have information and expect that Ethiopia is a very good destination for investment.

Partly, this assumption is due to lack of appropriate and timely information about the countries existing situation. Currently, most of these obstacles are avoided if not minimized remarkably.

As we can understand from the above, to facilitate the involvement of the private sector especially to attract foreign investors in the overall endeavor of developing the country's economy the task of image building and promotional activities have to be strengthened. Therefore, appropriate, accurate and timely information must be collected, organized and promoted about the existing situation of the country in general and investment opportunities and resource potential of the country in particular. This study tries to

investigate the major problems for the poor performance of investment information promotion activities, which were made to attract foreign investment by the EIA. In this respect the researcher has formulated the following basic questions that are to be answered in the process of data analysis.

1. What are the existing tools and methods of promotion, which are used to attract foreign investors?
2. What type of information should be promoted?
3. What are the best methods and techniques to promote or which technology is appropriate?
4. Who are the specific users of the investment information being promoted other than investors?
5. What type of data and information in what form do both potential and existing foreign investors require to invest?
6. What are the existing specific problems encountered in the activity of investment information promotion?

#### ***1.4 JUSTIFICATION OF THE STUDY***

After years of continuous deterioration in economy and infrastructure, war and suppression of private initiative, Ethiopia is on its course to reconstruction and rehabilitation. In this process, the involvement and the role played by the foreign

investment in the economy is mandatory. Though, Ethiopia's endeavor to attract foreign investment into the desired channels faces a stiff global competition, still the activity of marketing the investment opportunities and resources of the country is very essential.

In this respect, the EIA should act as a promotion oriented institution which operate from the premise that this service can give the organization some competitive advantage in its attempts to market the country as a destination for foreign investment. Investment information promotion relies heavily on designing the county's investment opportunities, resources, legal aspects and other related information in terms of the target markets' needs and desires and using effective communication, and dissemination tool to inform, motivate and service the market (Kotler, 1985). In other words, Wood (1988) in Demick (1995) stated that, the purpose of investment information promotion is to arouse the attention of potential investors to have positive feeling about the investment opportunities of the country, and finally influencing them for action- that is, to invest in the various sectors of the economy .

In general, it is hypothesized that if accurate and timely investment information is gathered, compiled and promoted to the targeted user population without delay and too much expenses, the number of foreign investors attracted will be increased and government and others can make sound decisions.

## **1.5. OBJECTIVES OF THE STUDY**

### **1.5.1 General Objective**

The general objective of this study is to assess the existing problems of investment information promotion activities of the EIA in order to attract foreign investors and to propose an effective and efficient methods and techniques and to recommend their adoption by the EIA.

### **1.5.2 Specific Objectives**

In order to achieve the general objectives of the study the following specific objectives were drawn.

1. To review the existing and potential users of investment information services.
2. To review the type and form of information which is required by foreign investors.
3. To review the activities of the information service center of the EIA.
4. To assess the existing tools and techniques of investment information promotion, which are used to attract foreign investors.
5. To propose best tools and methods for promotional activity, which can overcome or minimize the stated problems.

## **1.6 Scope and Limitation of the study**

The study focuses only on the major problems for the poor performance of investment information promotion activities, which were made to attract foreign investment by the EIA. Therefore, this study doesn't include the investment information promotion activities of Regional States Investment Bureaus (RIBs).

In addition to this, due to time and financial resource constraints, the prototype Web site designed doesn't include complete information, which is required by foreign investors and the hardware and software requirement and cost estimations for the prototype implementation. The Web page was not also tested online for quality assurance, browse capability, bug, etc.

## **1.7 METHODOLOGY**

### **1.7.1 Research Method**

In order to have a clear picture of the existing problems and to attain the objectives stated, it is found appropriate to use survey of a descriptive method for this study. The survey of a descriptive method is appropriate because of the diversified kinds of instruments - interview, questionnaire, observation, and documentary analysis which could be difficult to be refined and to be handled through other methods.

### **1.7.2 Data Sources**

The data for this study was collected from the existing foreign investors who have commenced operation, different officers of the EIA and related literatures (books, journals, documents, etc.)

### 1.7.3 Data Gathering Tools

In this study, four types of data collection tools were used. These were:

#### 1.7.3.1 Questionnaire

In order to gather data from those foreign investors who have commenced operation in different investment sectors questionnaire were prepared. The questionnaire with 17 items (both open and closed ended questions) was divided into three sections. (Appendix A). The questionnaire was designed so as to get the basic data and information about:

- The type and form of information that foreign investors need to invest;
- The completeness, timeliness, relevancy and accuracy of data and information that foreign investors have got from the EIA;
- The problems encountered by foreign investors in relation to getting appropriate data and information;
- The extent to which foreign investors have utilized the available data and information in the EIA; and
- The existing condition` of promotional mechanisms.

Before its final distribution, there was a pilot survey in order to evaluate the validity of questions and changes were made on some of these items.

The questionnaire was distributed to twenty-one foreign investment projects that have commenced operations in various investment sectors. The reasons why these projects selected were:

1. In the first place the activity of promoting the investment opportunities of the country to foreign investors is the responsibility of the EIA. The RIBs of each regional state deals with every activity in relation to domestic investors;
2. These investors are the one who have passed all the ups and downs of investment procedures(i.e. starting from application to implementation) and know the existing problems better than others;
3. The total numbers of foreign investment projects that have commenced operations were these 21 projects. (Quarterly Report of the EIA, 1999).

With regard to their specific activity that they engaged in, 11 projects (52.3 percent) of them were in the secondary sector, 7 projects (33.3 percent) in the tertiary sector and the rest 3 projects (14.2 percent) were in the primary sector.

#### **1.7.3.2 Interview**

To get further data and information and to ensure the validity of collected data through questionnaire, interviews were conducted with different officers in the EIA. There were two sets of interviews (both structured and unstructured) which were presented to seven individuals who

are division heads and experts in the Investment Promotion Division and Policy Research and Information Division of the EIA. (Appendix B and C).

#### **1.7.4.3 Document Analysis**

Data and information were also collected from different reports, research documents, books, periodicals, statistical reports and other related to the problem and analyzed. In order to get these materials the libraries of the AAU, British Council, The Ethiopian Investment Authority, ECA and the UNDP were visited.

#### **1.7.3.4 Observation**

To get a clear idea about the existing conditions of investment information handling system and the activities of investment information promotion, repeated physical observations were made at the Policy Research and Information and the Investment promotion Divisions of the authority. In addition to this, there were visits at trade fairs and expos, which were prepared by the EIA Investment Promotion Division for investors.

The data and information collected through all the above techniques were analyzed using different statistical tables and percentages.

#### **1.7.4 Problems Encountered During the Data Collection Process.**

Though, there were material and financial constraints as well as shortage of time to conduct the study in detail, there were also problems in distributing and collecting the questionnaires. In this process the two basic problems faced by the researcher were:

1. Most of the foreign investment projects head office addresses were not known clearly. Finding their correct address, distributing and collecting the questionnaires were time consuming.
2. After the distribution of questionnaires, some of these offices were not cooperating in spending time to respond the questionnaire. Therefore, it was necessary to remind them personally and using telephone calls several times.

#### **1.7.5 Facilities and Tools used for the Prototype Development**

For the purpose of developing the prototype the following facilities were used.

1. The network facility available at the School of Information Studies for Africa (SISA) and Addis Ababa Commercial College; and
2. Stone's Web Writer
3. Allaire Cold fusion Web interface
4. Microsoft Access

## ***1.8 Organization of the Study***

The study is divided into six chapters. Chapter one discusses about the background of the problem, statement of the problem, justification, objectives and methodology. Chapter two is a literature review. In this review, the role of private investment, the major constraints of private investment, the information needs of investors and the planning and strategies of investment information promotion program are briefly presented. The third chapter discusses about the Ethiopian Investment Authority: the economy, the status of private investment in the three historical periods of the country and the duties and responsibilities of the EIA. In the fourth chapter, the survey of findings, which focuses on the activities on the investment information handling and promotion in order to attract foreign investors by the EIA. In this survey the type and forms of information, which is needed by foreign investors, is also discussed. Chapter five presents the role of World Wide Web and a prototype Web site developed for the EIA. Finally, chapter six presents the conclusions and recommendations of the study.

## CHAPTER TWO

### LITRATURE REVIEW

#### **2.0 Introduction**

Investment is a crucial economic variable in the endeavor to achieve fast economic growth and development. Due to its advantages, most countries are struggling to attract investors using different mechanisms. Particularly, in order to attract foreign investment most host countries have attempted to promote information about their investment opportunities in one form or another.

Investment information promotion efforts are the result of competition by governments in the effort to attract private investment. In this competition some countries are doing very well while others are on the verge of loosing the game. Poor investment promotion activity, as one of the constraints for the expansion of private investment, needs a special attention by the responsible government bodies. Therefore, the national investment agency must plan and implement a strategy in order to promote aggressively to attract investors. Here under, the role of investment for the national economic development, constraints of investment, and topics related to investment information promotion are briefly presented.

#### ***2.1 The Role of Private Investment for National Economic Development***

Investment is an economic activity, which indicates all types of public and private spending which is not primarily directed towards the immediate satisfaction of short term needs but which is intended to get a rewarding return, to improve or to avoid deterioration of development or

development conditions in the future (UN Center for Human Settlement, 1989).

According to Christy and Clendenin (1978), the term investment is defined as “ any asset or property right held for the primary purpose of conserving wealth or earning an income”. Investment as stated above, is any form of asset, applied in any form of economic activity for the purpose of gaining an income or other forms of advantages in the future by one or more parties.

Investment is a key economic factor in the endeavor to achieve economic growth and development of a nation. Some of the major contributions of investment are:

- 1 To develop the national market;
- 2 To create wide employment opportunities for the nation;
- 3 To encourage the expansion, the quantity and quality of the export items of a country;
- 4 To maximize the inflow of foreign capital and to encourage foreign investors to play an effective role in the economic mobilization of the country;
- 5 To accelerate the transfer, adoption and absorption of needed foreign technology and know-how, including the upgrading of skills;
- 6 To the intensification of the extraction, conversion, and utilization of country's natural resources, including the mobilization of its human and natural resources for the economic activities;
- 7 To save and generate foreign exchange through import substitution, production or export promotion strategies; and
- 8 To bring about strong inter sectoral and inter regional links. (Tsegaye,1992 and Kumar, 1994)

As can be understood from the above, investment paves the way for large-scale production and

technical progress, increases specialization, create employment opportunities, helps to have more diversified economy etc. Hence, it can be considered as a source and mechanism for bringing about economic and social development.

These days, the role of private investment in an attempt to develop the economy of a given country is becoming increasingly important. Particularly, the international investment process plays a significant role in the economic development of developing countries both in channeling scarce external capital to their economies, and as a vehicle for the transfer of technology and managerial expertise (Organization for Economic Co-operation and Development, 1978).

## ***2.2 Major Constraints of Private Investment***

In order to make investment, most of the times private investors are faced with various obstacles. The major categories of these obstacles are explained below.

### **2.2.1 Lack of Information and Poor Information Promotion Effort**

The availability of huge natural resources, the arrangements of conducive investment policies or the existence of local market etc. are not the only conditions, which can attract investors. Data and information should be gathered and organized systematically, and disseminated to the targeted investor group and other users.

The lack of accurate and timely data and information on various aspects of investment can be taken as a barrier for investment. As Iida (1996) stated, the information, which is relevant for investment, is found in different governmental organizations. Yet, this information held within

the government is so fragmented and not systematically handled. As a result, private investors and others are confronted with a huge information barrier. If an investor or a consultant needs to make decision on investment he/she has to spend much of his/her time in searching for relevant data and information by wondering from one governmental organization to the other. Another investor or consultant repeats the same effort. Because of such poor way of handling information and deficiencies in the ability of governments to promote their investment opportunities effectively, millions of dollars and time are wasted.

### **2.2.2 Access to Credit**

It is argued that one of the factors limiting the actual implementation of approved private investments is the access and condition of bank credit. In most cases, investors are confronted with a problem of getting adequate credit facilities from domestic banks. In addition to this, the relatively high collateral requirements (more than 100%) of the banks has a stifling effect on domestic investments. (Hussien, 1993)

### **2.2.3 Lack of Domestic Entrepreneurship Skill**

In most developing countries, there is a problem of managing business firms systematically. Most local entrepreneurs lack modern managerial, technical and marketing skills and do not identify new business opportunities and take calculated business risks to enter into new areas of activities. As a result of this, most entrepreneurs engaged in the already known and low risk businesses.

#### **2.2.4 Inadequacy of Infrastructure Facilities**

One of the major factors that can accelerate economic development in general is the availability of economic and social infrastructure such as power, roads, communication facilities, water supply, health and education. Investors pay great attention to the availability of adequate infrastructure as one of their requirement for investment decision. Unless and other wise investors ensure the availability of such major infrastructure facilities, they cannot take decision on investment.

#### **2.2.5 Bureaucratic Procedures and Formalities**

The other major constraint of private investment is related to bureaucracy. Long and tedious bureaucratic procedures and practices are the major obstacles for the development of investment, and discourage private business initiatives. Governmental officials, particularly those in investment agencies must understand the role of private investment for the economic development of a country and develop a positive attitude towards private investors. Mechanisms, which can shorten the long and tedious bureaucratic procedures, should be designed.

### ***2.3 The Information Needs of Investors***

Most of the time businesses or individuals to make decision on investment need to get and examine information on the economic, financial, political, environmental, etc., aspects of the country or the region. More specifically, investors need information on:

- trade and investment;
- local commerce, specially the distribution system;
- the environment( political, governmental, economical, cultural, etc.); and
- infrastructure (power, water, roads, sea/air transport and future expansion plan of a country).

In addition to this, market related information should be available with respect to:

- ◆ the size of the existing market;
- ◆ the demographic composition of the population;
- ◆ availability of skilled labour;
- ◆ welfare costs which the private sector should share with the local or federal authorities, etc., (Iida, 1996).

In this case, investors expect information which is complete, accurate, timely and relevant from the information system of the responsible organization. Investors information satisfaction has been widely accepted as a surrogate measure of information systems. It has been suggested that user satisfaction is a product of three conditions: information satisfaction, system satisfaction and support satisfaction. Here, information satisfaction states the quality of information provided by a system in terms of accuracy, timeliness, and relevancy. System satisfaction relates to easy of accessing, learning and using the system, user control, flexibility, robustness and so on. Supporting group satisfaction on the other hand refers to the quality of technical support provided to the users who are requiring information. This includes technical competence, attitude, responsiveness, and services of the supporting team. (Lee, 1996)

Generally, the kind of information service provided and the promotional activity done by an investment organization may be grouped as pre-approval and post-approval services. During the pre-approval service, the organization should provide information, advice and assistance of a general nature to prospective investors. These activities include the provision of relevant data and information about investment opportunities, policies, procedures, etc. and arranging for foreign investors to visit the country. In these services, emphasis is given to investment information promotion rather than screening investments.

In the post-approval service the effort is to assist investors after they have decided to invest and after their application for entry or incentives have been approved. This is assistance to investors in implementing their projects by helping them in acquiring all the necessary permits and approvals required at the beginning of operation. (Wells, et. al, 1991).

## ***2.4 The Role of Investment Information Promotion***

### **2.4.1 Promotion as a Marketing Concept**

The central idea of any marketing activity is to match the organization's capabilities with the needs of the users in order to achieve the objectives of both parties. If this matching process is to be achieved, the organization has to develop strengths, either from the nature of the service it offers or the way it exploits these services, in order to provide user satisfaction. In this matching process, marketing refers to a program, which is designed to bring about voluntary exchange of values with target markets for the purpose of achieving organizational objectives. It relies heavily on designing the organization's offering in terms of the target market's needs and desires,

and on using effective pricing, promotion, placing (distribution), and motivation to serve the market.

Promotion, which is one of the marketing mix (product, price, place and promotion) is communication about an organization and its products that is intended to inform, persuade, or remind target members. The role of promotion is to facilitate exchanges directly or indirectly by informing individuals, groups or organizations and influencing them to accept the specific organization's products or services. To expedite exchanges directly, marketers convey information about the organization's goods, services or ideas to a specific market segment. To bring exchanges directly or indirectly marketer's address information to groups, regulatory agencies and the general public concerning the organization and its services and products. In general, the broader role of promotion, therefore, is a communication to maintain positive relationships between the organization and its products and services and the various groups in the marketing environment (McDonald & Adrain, 1996).

#### **2.4.2 Investment Information Promotion**

Countries design and implement various techniques of attracting private investment. These techniques may be broadly classified into two categories. (Wells and Wint, 1990).

The first technique is investment promotion which encompasses the building of investment image of a country and providing information and other services to potential investors while the second is the provision of incentives which comprises of tax holidays, investment grants, subsidies, and tariff protection to investors. In this process the overall objectives of investment attraction

program are:

- ◆ To increase the inflow of foreign investment;
- ◆ To build or improve the investment image of the country;
- ◆ To increase the quality of incoming investment directly and indirectly by targeting specific sectors and/or investors; and
- ◆ To increase the number of potential investors competing for a project and this improving the country's negotiating strength (Tessema, 1994).

As a marketing concept investment information promotion refers to a set of marketing activities through which governments try to attract direct investment by introducing the investment potentials of their country and other related information to groups of potential investors.

Most developing countries because of their large markets or significant reserves of natural resources did not think it necessary to compete for foreign investment. They don't employ additional efforts to promote the country's investment opportunities to win the competition among host countries for investment.

In the investment market where too many host countries are trying to attract foreign investment, whose supply is finite, intensive effort need to be exerted to attract some investment. Therefore, a country must plan and adopt marketing strategies.

According to (Wells and Wint, 1990), organizations seeking to develop competitive strategies for

marketing activities can, to some extent, manipulate three variables in their overall marketing programs. These are:

1. **The product:** or if the marketer is a country, the intrinsic advantages and disadvantages of the investment;
2. **The Price:** or the cost to the investor for locating and operating with in the investment site. For governments, this usually means tax incentives, grants, tariff protection, and similar price mechanisms; and
3. **Promotion:** or activities that disseminate information about, or attempt to create an image of the investment site and provide investment services for the prospective investor.

An optimum program to attract foreign investment would allocate resources to each of the marketing activities up to the point which the marginal return on more resources devoted to each activity would be just less than could be obtained from allocating the resources to other activities that also attract foreign investment. Like industrial marketing mix, a well designed program to attract foreign investment, promotion, incentives (prices), and policies designed to improve the climate of investment site should also complement each other.

### ***2.5 Investment Information Promotion Planning Process***

Planning plays a fundamental role in the development and implementation of an effective investment promotional program. Promotional plan provides the framework for developing, implementing and controlling the country's investment promotional program and activities.

Investment promotional program is best viewed as a dynamic process, as it generally evolves over a period of time and requires the interactions among country's investment policies and regulations as well as with external parties (such as competitors, investors, etc.).

As mentioned above, the major objectives of the investment promotional program is to develop an effective program of communication that will help a country to achieve its investment marketing goals. In order to achieve these goals, the investment promotion planners must make decisions regarding the role and function of the specific elements of the promotional mix, developing strategies of investment promotion programs, and implement the plan (Tessema, 1994).

### **2.5.1 Review the Investment Marketing Plan of a Country**

Before developing an investment promotional plan, it is important to analyze the country's past performance, its current position in the investment market, currently what it intends to achieve, and how it plans to achieve the intended objectives. In this respect, an investment-marketing plan should describe the overall marketing strategy and programs developed for a country. This investment-marketing plan, like any industrial marketing plan, should include situation analysis, communication objectives, budget, development of promotional mix, and evaluation of the marketing program. (Belch& Belch 1990, Tessema 1994, and Pride et, al. 1999).

## 2.5.2 Elements in Investment Information Promotional Planning

### 2.5.2.1 Situation Analysis

The focus of situation analysis in the investment promotional planning process is on the factors that influence or are relevant to the development of promotional strategy. Planners should give attention to factors such as the country's investment climate, the status of investment information services, the target markets, the specific promotional strengths and weaknesses, the marketing objectives, and decision regarding market positioning and the marketing mix. This situation analysis includes:

1. **Internal Analysis:** which assesses the relevant areas concerning the country's investment policies, incentives, and investment guarantees. In this assessment more attention should be given to factors such as:

- the capability of a country specifically the responsible governmental organization to develop and implement a successful promotional program;
- the image of a country as a destination for investment;
- an examination of the previous investment information promotional techniques and strategies and their results; and
- an evaluation of investment policies, procedures and other related matters.

2. **External Analysis:** are factors which are out of the control of a country's investment

promotion program such as:

- the attitude of investors towards the country and its investment areas;
- the status and characteristics of competing countries ;and
- the international investment marketing environment.

### **2.5.2.2 Specifying Investment Information Promotional Objectives**

The promotional objectives refers to what a country seeks to accomplish with its investment promotional program and often these objectives are stated in terms of the nature of the information to be communicated or what is to be accomplished in terms of communication efforts.

Promotional objectives should be the guiding forces for the development of the overall investment promotional strategy and will also guide the development of objectives for each promotional mix areas.

Investment information promotion activities are based on the following three basic objectives:

1. to improve the country's image with in the investment community as a favorable site for investment;
2. to generate investment directly; and
3. to provide information and other services to prospective and current investors.

### **2.5.2.3 Budget Determination**

In order to achieve the stated promotional objectives effectively, the required budget should be allocated for each type of promotional strategy.

### **2.5.2.4 Developing Promotional Mix Strategy**

Each and every promotional mix elements (such as advertising, personal selling, public relations, etc.) have certain advantages and limitations and will assume a different role in the attainment of marketing and communication objectives. As a result, decision has to be made regarding the role and their co-ordination one with the other. Decision must be made and the necessary activities should be performed to implement the investment promotional programs and procedures developed for monitoring and evaluating performance and making any necessary change and adjustments.

### **2.3.2.5 Evaluating the Investment information Promotion Programs**

A continuous evaluation of an investment information promotional program is an important step that attention and efforts be given to determine how well the program is doing with respect to meeting its objectives. Evaluations are also important in justifying budgets to the government. Investment promotion evaluation is important not only to know how the promotional program is doing but also why is faring well or poorly. This stage is designed to provide managers with continual feedback concerning the effectiveness of the promotional program, which in turn can

be used as input in the planning process. Evaluation of promotional programs can be approached differently according to whether the agency, which is responsible for the program, was emphasizing on image building, investment generation, or investment service.

## ***2.6 Strategies of Investment Information Promotional Programs***

Investment information promotion program strategies of a country varies according to the previous or the current status of investment performance. As mentioned above, based on the existing investment activity, strategies are designed in order to achieve the three objectives of investment information promotional program. More clearly these objectives and strategies are explained below.

1. **Image Building:** In industrial marketing, the first step of a promotional activity is to create awareness of a product or service by prospective users (Seaz, 1993). Likewise, countries in order to attract investment start with the creation of favorable image of investment. As the study made by Wells and Wint showed, a country with a particular bad image for its investment climate would do better to start its investment information promotion with the creation of positive image of a country in general, and the investment environment in particular.

In the investment information promotion program, as a first step the target potential investors to be attracted should be identified. Then data and information about what image of a country these investors have should be collected and analyzed. If these investors are found with positive image, the organization that is responsible for

promotion can push them for action. However, if their image is negative, different image building techniques with the objective of changing the image of the country as a place for investment should be used.

2. **Investment Generation:** Investment information promotion organizations should begin by putting efforts actively to generate investment after evaluating the image building activity and at least certain groups of target investors have favorable images of the country and willing to consider a country as a possible investment site.

The organization at the time of investment generation activity should also consider the image building task. Because there could be significant changes in country's investment climate that would make the prevailing images of investor obsolete. If there is such a change the organization should engage in the rebuilding of positive image activities (Tessema, 1994).

3. **Investment Services:** The major emphasis of investment organizations here is to give investment service activities in order to hold already invested investors, those committed to invest, and to induce firms to invest.

In general, investment information promotion activity largely starts with image building and then moved to focus on investment generation. But, if a country already have a favorable image among investors there should be no need to devote significant resources to image building. Further, if a country has a particularly reputation for the intractability of its bureaucracy, for example, and that reputation indeed reflects the facts, then the investment promotion efforts

might begin with service activities.

According to Wells and Wint (1990), in all these case investors before committing the capital of their firm, are likely to scan the environment for information about the investment climate of a particular project or country. Therefore, promotional organizations should provide an information which is accurate relevant and timely.

## ***2.7 Mechanisms of Investment Information Promotion***

Countries tend to engage or focus in any of the three objectives of promotion with the ultimate goal of attracting investors. As a result, investment information promotion mechanisms, which will be used by the responsible organization, are influenced by various factors.

In the first place, the existing investment situation of a country should be studied. If a country's investment policy was changed to encourage investors or if it has bad image the promotional organization must be focused on image building with the objective of advising the investment community about the government's new attitude toward investment and its interest in attracting various investors. On the other hand, if the promotional organization felt that an appropriate image had been formed in the minds of prospective investors, the focus of the information to be promoted shifted to investment generation. In this case for each objective one or the combination of two or more techniques can be selected.

The other factors which influences the promotional techniques to be used are:

- ◆ The coverage and type of the targeted investors;
- ◆ The promotional mechanisms and resources (such as financial, material, skilled human power, technology etc) available;
- ◆ The type of information to be communicated (is it to draw attention, provide information, persuasion or to push for action);
- ◆ The frequency;
- ◆ The evaluation result of previously used information promotion techniques (Kotler 1985, Wells & Wint 1990, Saez 1993, and Kotler & Armstrong 1996).

In industrial marketing process a buyer must be taken through series of steps in order to push him to buy. The market forces which move people to a buying action (such as advertising, personal selling, publicity, the product design, price, user recommendation etc.) should pass serious of stages (such as Unawareness => Awareness => Interest => Desire => Action) by resisting the countervailing forces (such as competition, sales resistance, market attrition, etc.). The stronger the market force the more quickly will the prospective buyer be moved towards the decision. Conversely, the strength of the countervailing forces will move him further from the decision (Kotler, 1985 and Irons, 1997). Similarly, in order to expedite the investment decision of the investors the responsible organization must take them through series of investment decision stages using various information promotional techniques by resisting different countervailing forces (such as competition).

Based on these facts, promotional organizations can use different investment information promotional techniques for each objective. According to the study of Wells and Wint (1990),

different countries' investment promotional agencies use different techniques for the specific objectives as shown in the following table.

Focus of investment Promotion	Stages of Investment Decision	Promotional Techniques	Promotional Media
1. Image building	<input type="checkbox"/> Awareness <input type="checkbox"/> Interest	<ul style="list-style-type: none"> <li>◆ Advertising</li> <li>◆ Investment exhibitions</li> <li>◆ General investment mission from the source to the host country or vice versa</li> <li>◆ General information seminars on investment opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Newspapers, magazines, television, radio, Internet etc.</li> <li>▪ Exhibition</li> <li>▪ Group personal delivery</li> <li>▪ Seminars</li> </ul>
2. Investment generation	<input type="checkbox"/> Evaluation <input type="checkbox"/> Trial <input type="checkbox"/> Adoption	<ul style="list-style-type: none"> <li>◆ Engaging in direct mail or telemarketing campaign</li> <li>◆ Sector specific investment mission from source to host country or vice versa</li> <li>◆ Sector specific seminars</li> <li>◆ Engaging in firm specific research followed by 'sales' presentations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Direct mail</li> <li>▪ Telemarketing</li> <li>▪ Group personal delivery</li> <li>▪ Seminars</li> <li>▪ Research presentations</li> </ul>
3. investment Services	<input type="checkbox"/> Implementation	<ul style="list-style-type: none"> <li>◆ Providing investment counseling services</li> <li>◆ Expediting the processing of applications and permits</li> <li>◆ Providing post-investment services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Personal contact</li> </ul>

**Table 2.1 Different Investment Promotion Mechanisms**

As depicted in the above table, each stage of investment decision processes requires and becomes effective with different promotional techniques and media. During the initial stage the more effective promotional techniques are impersonal ones, such as advertising. In the final stages, the more effective techniques involve personal contacts from the investment information marketers.

Marketers must carefully plan, implement and co-ordinate different promotional techniques to make the best use of them. The effectiveness of promotional activities depends greatly on the quality and the quantity of information available to targeted investors about the country's investment opportunities. If an investment promotional organization wants to influence investors for action, it must know who these investors are likely to be; how they can be convinced and which technique or combination of techniques should be used.

Based on these assumptions in relation to industrial marketing an organization, which promotes investment information, can use the following major techniques or possible ingredients of promotion mix.

### **2.7.1 Advertisement**

Advertising is defined as 'any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor' (Kotler and Armstrong, 1996). Advertising is a flexible promotional mechanism, which can reach to a very large target group and used to create image for a particular country, organization or its services. Although, advertising reaches many people quickly, it is impersonal and cannot be as

persuasive as personal contact. In most part, advertising can carry on only a one way communication with the audience, and the audience does not feel that it has to pay attention or response. Advertising can be very costly.

Depending on its purpose and message, the type of advertisement might be selective (which is used to promote a particular investment sector, such as agriculture, industry, etc.), organizational (which is designed to enhance a country or an investment organization's image and reputation), or primary-demand advertising (which is aimed at increasing the demand for all types of investment sectors of a country).

In advertising a country's investment opportunities to a target group, an investment organization can use different media. The selection and use of advertising media depends up on the following three major factors. (Kotler, 1985).

1. **Reach factor:** Which is a measure of the percentage of people in the target market who are exposed to the advertisement campaign during a given period of time. In other words, how much of the targeted investors can get the information disseminated with a particular media.
2. **Frequency factor:** Is the number of times the average person in the targeted investment group is exposed to an advertising message during a given period.
3. **Media impact:** The qualitative value of a message exposure through a given medium (sound, image, text, etc).

Investment related information could be advertised using one or more of the following advertising media (Kotler and Armstrong, 1996, Pride, Hughes & Kapoor, 1999).

No.	Medium	Advantages	Disadvantages
1.	◆ Newspapers	<ul style="list-style-type: none"> <li>▪ Flexibility, timeliness, more useful for domestic marketing, and broad acceptance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Short life span, poor reproduction quality, small passes along the audience.</li> </ul>
2.	◆ Magazines	<ul style="list-style-type: none"> <li>▪ High geographic and demographic selectivity, credibility and prestige, high quality reproduction, long life span, good-pass along readership.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No guarantee of position</li> </ul>
3.	◆ Radio	<ul style="list-style-type: none"> <li>▪ Mass use, high geographic and demographic selectivity, low cost.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audio presentations only, lower attention than television.</li> </ul>
4.	◆ Television	<ul style="list-style-type: none"> <li>▪ Combines sight, sound, and motion appealing the senses, high attention, high reach.</li> </ul>	<ul style="list-style-type: none"> <li>▪ High absolute cost, high clutter, less audience selectivity.</li> </ul>
5.	◆ Internet	<ul style="list-style-type: none"> <li>▪ To add animation and interactive capacities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There is no hard evidence that Net browsers pay more attention to Internet advertisement than featured in the traditional media.</li> </ul>

**Table 2.2 Advertising Media**

### **2.7.2 Personal Selling**

In industrial marketing personal selling is one of the promotion mix aimed at informing customers and persuading them to buy a firm's product or service or to act up on an idea (Belch and Belch, 1990). Personal selling is more useful at certain stages of investment decisions, particularly in investors evaluation, convictions and actions. Unlike advertising, personal selling involves direct contact between marketers and the targeted investors, either face to face or other means, such as some form of telecommunications. This promotional technique becomes more important to present any investment-related information in the way or form that the investors like and according to the situation. In addition to this, the impact of a presentation can be assessed from the reactions of an investor and if there is unfavorable feedback a presenter can modify or change the way or form of presentation.

### **2.7.3 Public Relations**

Public relations (PR), according to the United Kingdom's Institute of Public Relations, is defined as: 'The deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics'. (Seaz, 1993). Odi (1996) stated that, public relation (PR), is both a concept and a process. In his explanation, PR as a concept refers to informing through news release, speeches, radio broadcasts and by other related media influencing people by presenting information and arguments to support one or more points of view, and measuring opinions and attitudes to evaluate promotional program results and impact of policies. On the other hand, PR, is a process (or as an element of administration), consists of communicating ideas, informing others, learning from others, being sensitive to how others feel about the services, and measuring how people feel.

Publicity is one of the most important communication techniques used in public relations which consists of the systematic efforts of a person, a group of people or an organization to gain attention for itself, its ideas and its programs by disseminating information in various forms (Odi, 1996). The various techniques, which are used to gain publicity, include news release, press conferences, photographs, films, etc. Most of the time, publicity is less skeptical toward favorable information about investment opportunities when it comes from a source they perceive to be unbiased and objective (Belch & Belch, 1990).

## **2.8 THE ROLE OF INFORMATION TECHNOLOGY FOR INVESTMENT**

### **PROMOTION**

These days information technology (IT) is changing at a rapid pace and given the growing strategic input of IT, the need to manage it successfully is felt with urgency. Due to this change the role of IT has developed from its traditional use for the purpose of office information processing into the business world in which organizations perform their operations and design and market their products and services.

Information Technology is defined as: 'Technologies dedicated to the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by microelectronics-based combination of computing and telecommunications.(Longley and Micheal,1982). Here, IT focuses on the computer hardware and software, computer accessories, and telecommunication equipment that transform the raw data to useful information, and adding new value in the process.

The role of IT has changed to a more persuasive and proactive one to assist organizations to gain competitive advantage in a quest for greater efficiency of business. George A. Moor in Gascoyne (1997) stated that ‘ these days you can’t simply generate a high margin product or service that doesn’t have a significant IT component. To out-customize your competitors, you have to beat them on IT’.

Particularly, a tremendous growth of the Internet has created high level of exchange and is becoming a huge market place for business and public organizations. The Internet (a satellite support of network of networks) is considered not only an information highway, but also the world’s largest market place. Today, various governmental and private businesses prepared their own home page on Internet in order to provide information, which is needed by their own target users. Using their Internet home page they can introduce their products, services, policies, procedures and other related information. In relation to this Iidea (1996), stated that ‘The present age is the age of Internet. Without being part of this information exchange through Internet, you will be handicapped in your business, whether public or private’.

Investment promotion organizations like any public and business firms can create their own home page in order to provide information to investors both domestic, foreign and others. Using their home page they can disseminate an accurate, timely and complete information about the investment opportunities, policies, procedures, political situation, economic and financial statistic, information on labour, infrastructure, market condition etc. of a country. On the other hand investors can get every information they need without too much cost and effort. In addition to the provision of such information, these organizations can exchange information with investors using e-mail facilities of the Internet.

## CHAPTER THREE

### THE ETHIOPIAN INVESTMENT AUTHORITY

#### **3.0 Introduction**

In order to facilitate the inflow of foreign capital countries try to follow the 'one-stop-shop' approach. The major objective of the 'one-stop-shop' approach is the establishment of a single investment organization in a country, which has a responsibility for conducting, or co-ordinating various matters related to the entry or supervision of both foreign and domestic investment. Thus, a would-be foreign and domestic investor would have to deal with this organization to obtain all permits needed to invest in the country (Wells, et. al, 1991).

The establishment of a single investment organization helps a country to achieve several goals. In its evaluation of proposed investment projects, such an organization could weigh rationally all the advantages and disadvantages for a proposed investment because of its broad perspective and ability to assemble expertise on variety of matters in one place. In addition to this, such an organization could reach decision relatively quick and predictably because only one entity would be involved. The establishment of 'one-stop-shop' organization is also important in promoting the country's investment potentials, to study and propose policies, and to monitor investment projects.

With this intention, the Ethiopian government after the fall of the military regime has established the Ethiopian Investment Authority (EIA). EIA, as a 'one-stop-shop', is

expected to promote and facilitate foreign investment activities in Ethiopia. In its effort to provide efficient services to foreign investors and to eliminate cumbersome administrative procedures, the EIA is also expected to create an investor-friendly environment and encourage them to do business smoothly in Ethiopia. On the following pages the country's profile, the status of investment in the three historical periods and information on the Ethiopian Investment Authority are presented.

### **3.1. Country Profile**

#### **3.1.1. The Country**

Ethiopia covers a land over 1.14 million square km., and strategically located in the \horn of Africa. The Sudan on the West, Somalia and Djibouti on the east, Eritrea on the north and Kenya on the south border Ethiopia.

Ethiopia is encompassing huge rugged mountains, flat-topped plateaus, marked by deep gorges, rivers and rolling plains. The Great Rift Valley divides the country into western and Eastern Highlands. Ethiopia's climate is varying from cold to temperate and from subtropical to tropical depending on the landscapes.

In Ethiopia, there are about eighty different languages spoken by the people. Of which Amahric is the working language of the Federal Government and English is a medium of instruction in Secondary high schools and higher education institutions. Most Ethiopians are adhere to the Christian (largely Orthodox) and Islamic faiths. Addis Ababa is the

capital city of the country, located at an altitude of 2500 meters. It is the headquarters of the Organization of African Unity (OAU) and the United Nations Economic Commission for African (UNECA).

### **3.1.2. The People**

The population of Ethiopia is about 57 million, which is the third in Africa (next to Nigeria and Egypt). Ethiopia represents a melting pot of ancient Middle Eastern and African cultures, clearly evident in the religion, ethnic and language composition; namely Semitic, Cushitic, Omotic and Nilotic people. Currently the annual population growth is about 3 percent. Approximately 85 percent of the population live in the rural area.

### **3.1.3. The Present Government**

After the fall of the Socialist regime, Ethiopia adopted a new constitution that established the Federal Democratic Republic of Ethiopia (FDRE) in 1995. The Federal Government handles the nations defense, foreign relations and general policy of common interest and benefits. Under the Federal State there are nine autonomous states, with powers of self-administration. The FDRE has a bicameral parliament, with the Council of Peoples' Representatives being the highest authority of the Federal Government, while the Federal Council represents the common interest of the nations, nationalities and peoples of the states.

The Federal State is headed by a constitutional president and the Federal Government by an executive Prime Minister, who is accountable to the Council of Peoples Representatives. Each autonomous state is headed by a state president elected by the state council in the FDRE. The judiciary is constitutionally independent.

## **3.2. The Economy**

### **3.2.1. Economic Background of the Country**

In spite of enormous potential for the development of agriculture, agro-processing, mining etc, Ethiopia is one of the Least Developed Countries of the world. The Ethiopian economy is dominated by agriculture, which accounts for about 50 percent of the Ethiopia's Gross Domestic Product (GDP), 65 percent of total exports and 85 percent of employment. Agriculture is supplemented by manufacturing, mining, trade, tourism, construction, services etc, which accounts for about 50 percent of the GDP.

Ethiopia's export trade is dominated by primary commodities. The principal export item is Coffee followed by hides and skins and pulses. Ethiopia principally, imports machinery and transport equipment, chemicals, iron and steel.

Industry is at its early stage of development, which contributes about eleven percent to GDP. It supplies important consumer goods such as textiles, foodstuffs, tobacco, beverage, leather products, plastic and tires both to the domestic and international markets.

Even though, the mining sector currently contributes less than one percent to GDP, there are reserves of industrial minerals and precious metals such as gold, platinum, tantalum, nickel, iron ore, coal, marble, potash, copper etc. Ethiopia has possibilities of enormous petroleum reserves. It is believed to have similar geological formation as other Middle Eastern countries. Strong possibilities exist for commercially exploitation oil and gas

deposits particularly in the South-Eastern and South-Western region of the country (EIA, 1998).

### **3.2.2 The New Economic Policy**

Analyzing the major causes of economic crisis during the previous regime, the Transitional Government of Ethiopia proclaimed a new market oriented economic policy in 1992. As a result of this policy, various measures and reforms have been undertaken to change the structure of the economy and bring about rapid economic growth and development. Some of the major short-term economic stabilization and structural adjustment measures are listed as follows (EIA, 1997).

- Promulgation of liberalized investment law for the promotion and encouragement of private investments both domestic and foreign;
- Deregulation of domestic prices;
- Abolition of all export taxes (except coffee) and subsidies;
- Liberalization of foreign trade;
- Reduction of inflation through budgetary and monetary controls;
- Devaluation of national currency, the Birr, to reflect its market value;
- Privatization of public enterprises;
- Issuance of a new labor law; and
- Liberalization of foreign exchange regime

As the result of the liberalization, as can be seen in the table below there is a steady growth in the GDP of the country. The inflation rate, on the other hand, dropped from its level of 21 percent in 1991/92 to less than zero percent in 1997.

Key Macro-Economic Indicators	Year					
	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
1. Gross Domestic Product at current market price (in Billion Birr)	20.8	26.7	28.3	33.9	37.9	41.1
2. Annual growth rate of GDP (in percent) (Constant factor cost)	3.2	12.0	1.7	5.4	7.6	8.4
3. Gross Domestic Investment (in percentage of GDP)	9.4	12.2	15.1	15.7	21.0	20.3
4. Gross domestic Saving (percentage of GDP)	3.0	5.6	5.0	6.7	6.6	9.4
5. Balance of Trade (In Million Dollar)						
▪ Exports	154.1	222.4	279.6	410.2	410.2	604.3
▪ Imports	874.9	1052.8	914.6	11063.0	1412.9	1341.8
▪ Balance	-720.8	-829.4	-633.8	-607.9	-1002.7	-737.5
6. Inflation rate	21.0	10.9	1.2	13.4	0.9	-6.4

Source: 1) World Bank and the Government of Ethiopia

2) Ministry of Economic Development and Cooperation.

**Table 3.1 Key Macro-Economic Indicators**

### **3.3 The Status of Private Investment in Ethiopia**

#### **3.3.1 Investment During the Imperial Regime**

In Ethiopia before the 1950's, there was no clear investment decree or specific institution responsible to facilitate investment activities. The first investment legislation was drawn in 1950, which focused on private foreign capital and was selective in the sense that it attempted to promote only those investments, which were deemed to be beneficial to Ethiopia. In this legislation there were no clear investment incentives. Later the Investment Decree No. 51 of 1963 was issued at a time when various infrastructure developments were

taking place at a rapid pace. Private investment was picking up and significant progress also made in the area of commercialization of agriculture, education and health fields.

The 1963 investment decree provided for the establishment of Investment Committee (consisting of Ministers of Commerce and Industry, Finance, Agriculture, the Governor of National Bank of Ethiopia and the General Secretary of Planning Board) which is responsible for the task of evaluating and recommending investment applications to the relevant decision making authorities. This committee was re-established by Proclamation No. 242/1966 as a Permanent Investment Committee (consisting of Ministry of the Foreign Affairs, Agriculture, Industry and Mining & Energy). (Negarit Gazeta, No. 50/1950 and NO. 24/1966).

In general, when we see the overall performance of the private investment sector, both domestic and foreign, during the Imperial era, there was a significant development.

### **3.3.2 Investment During the Military Regime**

After the overthrow of the Imperial government in 1974, the sluggish economic growth performance has started. This poor economic growth was due to policies, which changed the structure of the production in favour of the public sector by narrowing the involvement of the private sector.

Among the major policies which prevented the participation of the private sector in the economy during the military regime (1974-1991) include:

- Extensive nationalization of medium and large scale private enterprises;
- Issuing of legislation which bared out private investments in all sectors beyond small scale ventures in industry and trade as well as restricting their operation to a single line activity; and
- Prohibition of private commercial ventures in agriculture and finance. (Ministry of Planning and Economic Development, 1997).

Due to this reform the share of the private sector in the economy fell from two thirds of the aggregate fixed capital formation to fifteen percent, while the public sector grew from thirty percent to eighty-five percent.

During this period there were a limited number of institutions assigned and established for the implementation of investment activities. One of them was The National Revolutionary Development Campaign and Central Planning Supreme Council which was responsible for the implementation of joint venture proclamation No. 235/1983 which allowed the joint involvement of government and foreign capital in the economy. By 1990, another office called Office of Investment and Joint Ventures was established after the government proclaimed a mixed economic policy, which removed most restrictions imposed on both domestic and foreign investment legislation. The office was responsible to receive investment applications, evaluate the applications and submits its recommendations to the Investment Committee. (Workie, 1997).

As Workie stated, generally, during this period the private investment performance was very low (the average rate of private investment to GDP was 2.85 percent only).

### **3.3.3 Investment After the Fall of the Military Regime**

After the fall of the Military Regime in May 1991, by analyzing the major causes of economic crisis of the country during the previous regime, the Transitional Government of Ethiopia attempts to bring growth and development in the country by issuing new policies. One of the policies was the promulgation of liberalized investment law, which helps to promote and encourage private investment.

In order to accelerate private investment and promote efficiency and effectiveness in resource utilization, the government has taken two important measures.

1. The first measure aimed at changing the structure of investment through rationalizing the role of the state in the economy and allowing the private sector to play a significant role in the economy. The specific set of measures associated with this include:
  - Minimizing the involvement of the state in the production and provision of services through privatization;
  - The transfer of public enterprises to the private sector ; and
  - Correcting all types of regulatory barriers, which limit the private investment.
  
2. The second set of measures is intended to create enabling environment for the private sector development. The specific measures include the reforms associated with monetary and fiscal policies, improving the trade regime and the establishment of the EIA as a one-stop-shop (Ministry of Planning and Economic Development, 1995).

### **3.4 The Ethiopian Investment Authority**

#### **3.4.1 Establishment**

The Ethiopian Investment Authority, previously called The Ethiopian Investment Office, was established under the investment proclamation No. 15/1992. The execution of the powers and duties of the EIA is monitored and supervised by the Board of Investment (BOI). The Board is accountable to the Council of Ministers, which is chaired by the Prime Minister. As it is indicated in article No. 30 of this proclamation, the major duties and responsibilities of the Board consists of dealing with subjects in policy, co-ordination and supervision of the EIA, approval of an annual work program and budget of the EIA, and approval of investment made by the government.

The EIA is the principal government organ responsible for promoting, co-ordinating and facilitating foreign investment in Ethiopia. It is also responsible for the issuance of investment certificates, the approval of contractual agreements and for granting incentives, and concessions. The EIA arranges also for the assistance, as may be required by potential foreign investors, at various stages of planning and implementation of investment projects. As indicated in article No. 32 of the investment proclamation, the major objectives of the EIA are:

1. To guide, promote and co-ordinate investment programs;
2. To receive, review, screen and decide on applications for the establishment or expansion of enterprises;
3. To approve the purchase or holding of shares in existing enterprises or the expansion

of shares by foreign investors;

4. To approve benefits from incentive schemes;
5. To prepare regulations and directives; and
6. Organize seminar, workshops, etc.

### **3.4.2 Power, Duties and Responsibilities of the EIA**

The EIA is responsible to carry out the following specific duties and responsibilities (EIA, 1992):

1. To promote the inflow of foreign investment, and to receive and process applications for investments in various sectors of the economy;
2. To assist and co-ordinate the establishment of business organizations involving foreign investment;
3. To issue certificates of approval with regard to foreign investors;
4. To assist foreign investors in selecting local partners in proposed projects;
5. To monitor implementations of foreign investment proposals and projects through periodic reports and analysis;
6. To examine and approve proposals for major expansion of enterprises involving foreign investors; and
7. To facilitate administrative and support services required by foreign investors.

Regional Investment Bureaus (RIBs) have also been established to promote and handle

domestic investments in their respective regions. There is a linkage between the EIA and RIBs with respect to the exchange of information and providing investment facilities.

### 3.4.3 Guarantees Provided to Investors

Investment can be attracted by providing guarantees, incentives and through promotion.

The Ethiopian government has provided the following guarantees for investors.

1. **Repatriation capital and profits:** capital repatriation and remittance of dividends and interest is guaranteed to foreign investors under the investment proclamation.
2. **Guarantees against expropriation:** The investment proclamation also provides investment guarantees against measures of expropriation and nationalization, which only may occur either for the public interest and compliance with requirement of the law. In such expropriation, the government guarantees to provide adequate compensation corresponding to the prevailing market value of the property.

In addition to these guarantees, Ethiopia is the member of the World Bank-Affiliated Multilateral Investment Guarantee Agency (MIGA) which issues guarantees against non-commercial risks to enterprises, which invest in signatory countries. Ethiopia has also signed the World Bank treaty "the convention on settlement of investment disputes between states and nationals of other states" (EIA, 1997).

### 3.4.4 The Major Investment Incentives

In order to encourage and promote private investment and to increase the inflow of foreign capital and technology into the country, the investment code issued provides the following incentives to both foreign and domestic investors engaged in new enterprises and expansions.

- All investors investing in areas eligible for incentives are guaranteed 100% exemption from the payment of import custom duties and other taxes levied on imports of all capital goods including plant, machinery and equipment as well as separate parts worth up to 15% of the value of imported capital goods;
- Depending on the location and type of investment, an income tax holiday ranging from one to five years is granted to investors engaged in new enterprises;
- All Ethiopian products (except coffee) and services destined for export are exempted from the payment of export and other taxes levied on exports;
- Business enterprises that incur losses during the tax holiday period will be allowed to carry forward such losses, following the expiry of the income tax holiday period, from three to five years depending on the location and type of investment;
- Depending on the choice of the investor either a straight line or accelerated method can be employed for the calculation of depreciation allowances;

- Any investor (both domestic and foreign), is entitled to have deduction of expenses incurred for research improvement studies and training from his taxable income;
- Any remittance made by a foreign investor from the proceeds of the sale or transfer of share or assets up on liquidation or winding up of an enterprise is exempted from the payment of tax.(EIA, 1998 and Bekele & Markos, 1998).

### 3.4.5 Investment Opportunities in Ethiopia

As mentioned above, Ethiopia is endowed with vast natural resources that can ensure rewarding returns to potential investors in various economic sectors. Out of its huge natural resource potentials, one can say that a little more than a drop in the ocean has so far been utilized. (Bekele and Markos, 1998).

To mention some of the major economic investment sectors:

1. **Agriculture:** It contributes about half of the GDP and three-fourth of the total exports of the country. Endowed with a wide range of agro-ecological zones and diversified resources, all types of cereals, oil seeds, fruits and vegetable etc are grown. Under this sector there are investment opportunities in food crops, beverage crops, cotton production, horticulture, livestock, fishery, forestry, agricultural service, and others.
2. **Manufacturing:** It is a sector, which is in its early stage of development. The existing manufacturing industry engaged mainly in food, beverages, tobacco, textile, leather

items, mineral products, cement and chemicals. The government has set an industry policy, with the strategy of 'Agricultural Development Led to Industrialization (ADLI), which aims at the gradual structural transformation of the economy from agricultural to industrial development using the country's natural and human resources. The major manufacturing opportunities of investment include food and beverage, leather and textile, chemical and paper, electrical and electronics, building materials, and non-metallic mineral and metallic industrial sectors.

**3. Mining:** Ethiopia is rich in various mineral resources. Of these gold, tantalum, platinum, nickel, potash, construction and industrial minerals such as marble, granite, , magnificent limestone, etc and oil and gas are found in large amount.

**4. Tourism:** Ethiopia has unique cultural heritage scenery, pleasant climate, rich flora and fauna, important archaeological sites and hospitable people which can attract tourists. Despite the enormous potential, the tourism industry has not developed sufficiently to make significant contribution to the economy.

**5.Services:** There are various investment opportunities in the service sector such as exporting the country's products, construction activities, social services (as health and education) and others.

In addition to these investment opportunities, Ethiopia has vast domestic market potential due to the large population size (around 57 million). Moreover, Ethiopia is a member of the Common Market for Eastern and Southern Africa (COMESA), composed of 23

countries. Export and import with member countries enjoy preferential tariff rates. Ethiopia export products to European Union countries are entitled to duty reduction and exemptions and freedom from all quota restrictions under the Lome Convention. Ethiopia has signed Bilateral Investment Promotion and Protection treaties with different countries and with the aim of facilitating investment and building up confidence to do business in Ethiopia.

## CHAPTER FOUR

### ANALYSIS OF INFORMATION HANDLING AND INVESTMENT INFORMATION PROMOTION ACTIVITIES OF THE EIA

#### **4.1 FOREIGN INVESTMENT TRENDS IN ETHIOPIA**

The Ethiopian government, in order to bring a rapid economic development, has undertaken a new economic reform program and successive policy initiatives. Though, the result is not as expected, the overall performance trend is not that much discouraging. Private investment, as one of these reforms has shown a little progress. According to the statistical reports of the EIA, which cover the period from July 1992 to July, 1998, the overall investment trend is shown as follows.

Description	Domestic Investment			Foreign Investment			Grand Total
	New	Exp.	Total	New	Exp.	Total	
Number of Projects	1,031	132	1,163	17	4	21	1,184
Investment Capital in million Birr	4,373.79	1,188.36	5,562.15	2,942.4	226.57	3,169.41	8,731.56
Permanent Job	48,973	8,900	57,873	4,636	1,694	6,330	64,203
Temporary	247,86	18,420	266,285	34,896	-	34,896	301,180

**Table 4.1: Number of Foreign and Domestic Investment Projects Which Have Started Operation**

As can be seen in the above table, within the past six years, the total number of foreign and domestic investment projects started operation are around 1,048 new and 136 expansion with a capital of Birr 8,731.56 Million. Of these approved projects 98.2 percent (1,163 projects) are owned by domestic investors, while the rest 1.8 percent (21 projects) are wholly owned by foreign investors or in joint venture form.

From this table one can understand that the inflow of foreign investment as compared to the domestic one is very low.

When we see the number and investment capital of foreign investment projects on sectoral basis, which have commenced operation during this period, 11 projects with a capital of Birr 523.71 million are secondary sector, such as beverages, tanneries, chemical products, metal products, electric products, etc. Seven projects with a capital of Birr 1,435.20 million are tertiary sector, such as construction, hotel, tourism, etc. and the rest 3 projects with capital of Birr 1,210.50 million are in the primary sector like mining and quarrying, food crop farming etc.

On the other hand, the regional distribution of those foreign investment projects which started operation indicates that, out of those 21 projects the majority of them which is 71.4 percent (15 projects) with a capital of Birr 1,744.72 million are found in Addis Ababa. 14.3 percent (3 projects) with a capital of 31 million, are in Oromia, 9.5 percent (2 projects) with a capital of Birr 1,349.24 million in Amhara and 4.8 percent (1 project) with a capital of Birr 44.45 million is in the Afar Region. As just indicated out of ten regional states foreign investors have commenced operation only in these four regions.

With regard to employment creation of these foreign investment projects, which have commenced operation, the data indicates that a total number of 6,330 people got permanent employment while 34,896 people got temporary employment opportunities. Of these number of temporary and permanent employment opportunities the share of each regional states was found to be, Addis Ababa 4,546 and 64, Oromia 94 and 290, Amhara 1,591 and 34,542, and Afar 99 and zero respectively.

#### **4.2 Analysis of the Questionnaire Collected**

As mentioned in Chapter one, in order to collect relevant data for the study 21 questionnaires were distributed. See Appendix A for the questions. It was to be filled by the owner(s) and/or representative(s) of those new and expansion foreign investment projects (both wholly foreign and joint ventures) which have commenced operation after the establishment of the EIA. Out of these questionnaires distributed 17 (81 percent) were filled and returned. The respondents' specific investment activity they are engaged in and the regions they are operating are presented in the following table.

Sector or Sub-sectors	Number of Projects	Percent	Regions
<b><u>Primary Sector</u></b>			
Food and Crops	2	11.8	Amhara and Oromia
Mining and Query	1	5.9	Afar
<b>Subtotal</b>	<b>3</b>	<b>17.6</b>	
<b><u>Secondary Sector</u></b>			
• Beverages	2	11.8	Amhara and Addis
• Tanneries	1	5.9	Ababa
• paper products and Printing	1	5.9	Oromia
• Chemical Products	2	11.8	Addis Ababa
• Metal Products	3	17.6	Addis Ababa
• Electrical Machinery & Apparatus	1	5.9	Addis Ababa Addis Ababa
<b>Subtotal</b>	<b>10</b>	<b>58.8</b>	
<b><u>Tertiary Sector</u></b>			
• Construction	3	17.6	Addis Ababa
• Hotel	1	5.9	Addis Ababa
<b>Subtotal</b>	<b>4</b>	<b>23.5</b>	
<b>Total</b>	<b>17</b>	<b>100%</b>	

**Table 4.2: The Total Number of Respondents by Sector and Region**

As can be seen in tables 4.2 above, 10 of the respondents were from the secondary sector, 4 were in the tertiary sector and the remaining 3 were from the primary sector. With regard to their regional distribution, the majority of them (12 respondents) were in

Addis Ababa and the rest two were in Oromia, two in Amhara and one in Afar. Based on the data collected from these respondents, their response is presented and analyzed here under. The responses were grouped into three sections. The first section discusses the categories of information required by foreign investors and the sources. The second section discusses the activities of investment information promotion of the EIA and finally, the structure and status of facilities of the information center in the respondent's organization are briefly presented.

### **2.2.1 The Categories of Information Required by Foreign Investors and Their Sources.**

The first question forwarded to those targeted respondents was about the categories of investment related information which are required for various investment decisions and to rank according to their importance. The response of the question is presented in Table 4.3.

Though each category of information is important at different levels, the first five categories of information which are more frequently needed by these respondents according to their rank (the most important first, then second and so on) are listed below.

- Information on potential investment areas, such as agriculture, manufacturing, tourism, services, etc. of the country.
- Marketing conditions in different sectors and areas.
- Information on investment procedures
- Data and information on economic performance of the country, such as GDP, GNP, NNP, inflation rate etc.

- Information on taxation policy

In addition to these listed categories of information, some of the respondents have indicated that they need clear information about land ownership policy and the availability of domestic partners for joint venture investment.

Category of Information	Rank												
	1	2	3	4	5	6	7	8	9	10	11	12	13
Investment Procedures	1	3	7	3	1	-	-	1	-	-	-	-	-
Taxation Policy	-	-	1	4	7	3	1	-	-	-	-	-	-
Potential Investment Areas ↗	14	2	1	-	-	-	-	-	-	-	-	-	-
Export & Import regulations	-	-	-	-	-	2	3	4	3	2	-	-	1
Financial Institutions	-	-	-	-	-	-	-	2	2	5	2	4	1
Economic data and report	-	3	4	8	2	-	-	-	-	-	-	-	-
Demographic Data	-	-	-	-	-	-	-	1	2	3	3	5	1
Geographic Data	-	-	-	-	-	-	-	1	1	2	2	3	4
Governmental and Political	-	-	-	-	1	5	3	-	-	-	-	-	3
Marketing Conditions ↗	2	<u>9</u>	2	1	2	1	-	-	-	-	-	-	-
Professionals	-	-	1	1	1	2	5	2	-	-	-	-	1
Supporting Agencies	-	-	-	-	2	2	1	4	3	1	1	1	-
Labour cost	-	-	-	-	-	1	2	2	4	1	1	1	1
Competitors	-	-	1	-	1	1	2	-	2	2	1	2	2
Total	17	17	17	17	17	17	17	15*	15*	16*	10*	16*	14*

\*There were respondents who gave the same rank to two or more categories of information and didn't give rank totally.

**Table 4.3: The Categories of Data and Information Required by Foreign Investors**

Respondents were asked about the completeness, relevancy, timeliness and accuracy of the available data and information in the EIA. Their response is depicted in the Table 4.4.

Nature of Data and Information	Response					
	Yes		No		Total	
	Num. Resp.	Percent	Num. Resp.	Percent	Num. Resp.	Percent
• Complete	2	11.8	14	82.3	16*	94.1
• Relevant	12	70.6	5	29.4	17	100
• Timely	3	17.6	12	70.6	15*	88.2
• Accurate	2	11.8	15	88.2	17	100

\*Num. Resp.= Number of Respondents

\* Indicate that there are respondents who didn't say either 'Yes' or 'No' for unknown reason.

**Table 4.4: The Completeness, Relevance, Timeliness and Accuracy of the Available Data and Information in EIA**

As can be seen in the above table, the majority of respondents indicated that the data and information which is provided by the EIA is not complete, not timely and inaccurate. On the other hand most of the respondents have agreed on its relevancy.

On the other hand, for the question that in what form investors need data and information from the EIA, the majority of them, which is 9 respondents (52.9 percent), of them prefer through

Internet followed by in printed forms. This suggests that the EIA must provide every required data and information to its target users through the Internet.

They were also asked whether they have got relevant data and information from other sources. Twelve respondents (70.6 percent) of them said 'No'. This indicates that majority of the foreign investors rely on the data and information they got from the EIA.

Those respondents who said 'Yes' indicated that, three respondents (60 percent) of them got data and information largely from government institutions, such as Ministry of Agriculture, Industry, Regional Administrative Bureaus, etc. The rest of them got from individuals and other non-governmental institutions.

With regard to the utilization of data and information that they got from the EIA, the majority of the respondents, which is 47.1 percent, said that they use it partially. The rest 23.5 percent, 23.5 percent, and 5.9 percent of them said that it is highly utilized, rarely utilized and not utilized respectively. Those who utilize rarely and not utilize completely indicated their reasons as due to the incomplete, inaccurate and not timely nature of the data and information of the EIA. It can be inferred that, if the EIA maintains data and information which is accurate, complete and provide it on time, the level of utilizing it by investors will be increased.

#### 4.2.2 The Investment Information Promotion Activities of the EIA

The second section of the questionnaire was about the activity of investment related information promotion of the EIA in order to attract foreign investors. In this section the first question which was forwarded to respondents was how they were encouraged to invest in Ethiopia and their response is shown in the following table.

Promotional Mechanisms	Rank of Promotional Mechanisms							
	1		2		3		4	
	No. of Res.	%	No. Of Res.	%	No. of Res.	%	No. of Res.	%
By participating in investment related conferences, seminars, visits etc.	2	12.5	2	11.76	9	52.9	4	23.05
After reading publications (like newspapers, investment guides etc.)	3	18.75	10	58.8	4	23.75	-	-
Advertisement through TV, radio, etc. on investment	1	-	1	5.9	3	17.6	13	76.5
By Individuals	11	68.75	4	23.5	1	5.9		
<b>Total</b>	16*	100	17	100	17	100	17	100

\*No. of Res. = Number of respondents

\* One respondent didn't select the first rank.

**Table 4.5 Promotional Mechanisms in Ranked Order**

The above table in the previous page shows that most of the foreign investors (68.75%) were encouraged to invest as a result of the information they got from different individuals. Next to individuals, the second promotional mechanism, which gave idea for them were the different publications about the Ethiopian investment (like magazines, newspapers, pamphlets, investment guides, etc.).

On the third and fourth level, foreign investors were encouraged by participating in investment related conferences, seminars, trade fairs, visits etc. and advertisements made through TV, radio etc.

This suggests that most of the foreign investors came to Ethiopia to invest after they have got investment-related information largely from different individuals. This also indicates that to what extent the other methods and mechanisms of promotion were not exploited.

With regard to the effectiveness of the investment information promotion mechanisms, which were used by the EIA in order to attract foreign investors, 76.5 percent of the respondents indicated they were not effective. In order to improve these promotional mechanisms they have suggested various alternatives. Some of the basic measures to be undertaken by the government, particularly by the EIA were:

- In addition to the existing promotional mechanisms every investment related information, such as the existing investment opportunities, investment related policies, procedures, etc. must be uploaded on the Internet so that investors can get the most basic

information they need easily,

- Exploiting the available promotional mechanisms and methods, such as the use of mail contacts, publications, visits, the role played by Ethiopian diplomatic missions, international investment promotion organizations, etc. intensively and aggressively;
- Officers in the EIA, particularly those who are responsible for investment promotion should get training and share experience with the same organizations in different host countries; and
- EIA should use Ethiopian missions and diplomats abroad as a point of investment promotion to the outside world.

The last item asked in this section was about the status of the investment information promotion activity of the EIA as compared to other host countries where respondents have had exposures. Of the 17 respondents 13 of them explained their experiences as follows.

In their response, 69.2 percent (9 respondents) explained almost the same idea. That is, most of the time host countries establish an investment agency, which acts as a one-stop-shop where every investment procedure starts and ends. In these agencies every relevant data is collected, organized and provided to any user when requested.

In addition to this, in order to win the competition among host countries investment information is promoted aggressively using every possible mechanism.

Whereas in Ethiopia, the activity of investment information promotion is weak, particularly to attract foreign investors. Most of the time individuals who know Ethiopia and those Ethiopians who live abroad promote their country better than the EIA. Respondents stated that Ethiopia has endowed with huge natural resources, which can attract many foreign investors. However, due to the lack of clear information, foreign investors do not think the country as a favorable destination for investment. Furthermore, respondents also stated that information is scattered in different governmental ministries and as a result investors incur unnecessary cost, labor and time for data collection.

Two of the investors stated that, officers in the EIA and other governmental institutions should develop a positive attitude towards foreign investors. There were also two respondents who said the activity of investment information promotion of the EIA is not bad although, there are things that need to be improved.

#### **4.2.3 Facilities in the Information Centers of Foreign Investment Projects**

In this section four basic questions were asked about the required facilities for information collection, processing, storage, and skilled manpower to manage these activities. Their responses are presented as follows.

The first question was about Internet connections. Fifteen of the respondents indicated that they have an Internet connection while one said 'No' and the other one didn't answer the question.

With regard to the information they search from the Internet, the majority of them said that they

need information on:

- Different market situation of the world;
- World investment situations;
- International politics; and
- Technology.

In addition to these, some of them indicated that they need specific information, such as on weather conditions, raw materials, training etc. Further more, they also use other Internet facilities such as e-mail.

In relation to the information technology items which are used to collect and process data and information, they indicated that the majority of them have five to nine computers, one to four printers, and one to four telephones with different brands. They also indicated that they have at least one photocopy machine and one fax machine.

The last item in this section was about the qualification and number of employees to handle information about their investment project. According to their response, each project has five to nine employees with the qualification of university degree, college diploma and certificates in different fields of studies (such as management, finance, marketing, statistics, computer science, computer applications, etc.).

### **4.3 Analysis and Interpretation of the Interview**

As discussed above, the responses of owners and/ or representatives of foreign investment projects which were collected through questionnaire were analyzed. In addition to this, in order to get further data and information interviews were conducted with seven important officers in the EIA.

There were two sets of interviews. The first set was presented to three experts of the Investment Policy Research and Information Division while the second was to the head and other three experts of the Information Promotion Division.

In the first set of interview, the questions were focused on the sources, organization, processing, and storage of data, human and material facilities and problems encountered in the overall data and information handling system of the EIA. In the second set of interview, questions were presented on the activities of investment information promotion. On the following paragraphs the analysis of these sets of interview are presented briefly.

#### **4.3.1 The Data and Information Handling System of the EIA**

In the EIA, the Investment Policy Research and Information Division performs the data and information handling activity. More specifically this division is responsible to:

- Study investment trends and policies;
- Identifying investment constraints and recommending solutions;
- Operation of database and computer services;
- Library and documentation services;

- Providing data and information to different departments of the EIA, investors and to other information users.

With regard to the activity of data collection and handling system particularly, this division gathers data on :

- Potential investment projects;
- Economic data and reports of the country;
- Investment performances of regional states; and
- Other investment related items;

The major sources of data include the internal divisions of the EIA, RIBs, governmental organizations and other local and international organizations.

After collecting all the relevant data, this division organizes and prepares reports using computers and database programs.

During the interview, respondents were asked about the completeness, accuracy, timeliness and relevancy of the available data in their department. According to their response, their data is relevant both for internal and external users but not complete, not timely and inaccurate basically due to:

- Low level utilization of IT and manual nature of the

information handling system of RIBs;

- Delay of data and information from RIBs;
- Lack of basic resources such as budget, trained manpower and IT;
- Lack of complete and relevant data which are not directly related to investment policy from other sources or institutions; and
- The inaccurate and incomplete nature of the data collected (for example, the potential investment areas of the country are largely estimated)

As to the major users of the data and information which is processed by this division, they stated that largely there are three groups of users:

- Potential and existing investors (mostly foreign investors);
- Different departments of the EIA and RIBs; and
- Other governmental organizations.

In addition to these users, data and information is provided to consultants, non-governmental institutions and to other international organizations like IMF, World Bank, Multilateral Investment Guarantee Agency (MIGA), etc. According to their explanation, they provide the required data in printed form only up on request.

Since the establishment of the authority, this division has not conducted a study on the needs and requirements of its information users in order to evaluate the effectiveness of the data and

information it has provided. This is largely due to the problem of budget, materials and trained human resources.

With regard to the available information technology items which are used for investment data handling activities, the Head of the computer and database subsection listed out them as indicated in Table 4.5 below.

Item	Quantity	Description
Computers	13	386,486, Pentium
Printers	4	Dot Matrix, LaserJet, HPd
Video deck	1	-
TV set	1	-
Photo Camera	1	-
Fax Machine	1	-
Telephones	5	-
Overhead Projector	1	-

**Table 4.6: Facilities of the Available Information Technology in the Policy Research and Information Division**

In this department, as can be seen in Table 4.6 there are seven qualified employees who are assigned for each specific activity in different subsections.

Field of study	Qualification	Number	Job Position
Information Science	M.Sc.	1	Audiovisual Division head
Statistics	B.Sc.	3	Team leader, Senior statistician & Statistician
Electronic and communication	B.Sc.	1	Senior Expert
Library Science	Diploma	1	Librarian
Computer Application	Certificate	1	Operator

**Table 4.7: Qualified Employees in the Policy Research and Information Division**

Finally, interviewees of this division were asked to suggest measures that need to be taken by the authority in order to improve the existing information handling systems. According to their suggestion:

- There should be enough and high level information technology;
- Employees must get additional training on how to handle data and information;
- Potential investment areas must be studied and complete data should be collected;
- There should be a systematic way of data gathering system network throughout the country, particularly with RIBs; and
- There must be enough budget for the division.

### 4.3.2 The Activities of Investment Information Promotion

As mentioned above, the second set of interview was conducted with four individuals from the Investment Promotion Division. This Division is responsible to promote the country's investment opportunities and resources in order to attract investors particularly those of foreign using different methods and techniques. More specifically, the major duties and responsibilities of this division are:

- to popularize and promote private investment including joint ventures in the country;
- to introduce the economic potentials of the country to all the would be investors in general and potential foreign investors in particular; and
- to familiarize both the investment frame work and investment regulations to domestic and foreign investors through reachable media and venues to enlighten them on a viable economic sectors and the generous incentive packages offered.

In this discussion, interviewees explained that their division is mainly responsible to deal with foreign investors. However, in order to assist RIB's conditionally they also promote investment opportunities to domestic investors.

In carrying out its activities, this division collects the necessary data and information from different sections of EIA, mostly from the Policy Research and Information Division, RIBs, and from other sources. In its effort to attract foreign investors, it uses the following promotional methods and techniques:

- Through Ethiopian Embassies and Diplomatic missions abroad, which had been delegated with the duties and responsibilities of carrying out trade and investment promotion activities as one of their major undertakings by the Federal government
- UNIDO's missions for investment promotion activities in different countries and
- Mail contacts

Of these methods and techniques mail contact is used most frequently. In addition to this, to promote investment information to local investors they use leaflets, brochures, notice board, and quarterly newspaper, expo's, exhibitions and trade fairs.

Internet plays a significant role to promote a country's investment information, particularly for the purpose of image building. However, EIA didn't use this opportunity. During the discussion, officers of this division have indicated that the authority has a plan to have its own Web site and to promote the investment opportunities and resource potential of the country.

With regard to the effectiveness of the existing investment information promotional activities, generally respondents believed that the activities were not up to their expectation. The total number of investment projects approved and commenced operation both domestic and foreign are few in numbers as compared to the country's investment potential. Though, there are other constraints, the poor performance of investment information promotion has contributed a lot for the low level of private investment, particularly foreign investors participation.

As it has been explained in Chapter Two above, the activity of investment information promotion is based on three objectives; image building, investment generation and investment services. In

order to achieve these objectives different countries design different strategies.

In this case, they were asked on which strategy they have been focusing on. In their response, they indicated that, at this time they are exercising the three strategies simultaneously. However, a great emphasis has been given to image building. This is because the world had a very bad image of Ethiopia, such as a land of drought and famine, protracted war and dictatorship. It takes long and zealous publicity campaign to show the real picture of the country, its natural endowment, hard working people and the conducive investment environment.

Concerning their contacts with other international investment promotional organizations, the EIA's Investment Promotion Division has relations with:

- MIGA - Multilateral Investment Guarantee Agency
- Foreign Investment Advisory Service (FIAS)
- UNIDO - IPS - Investment Promotional Service
- UNCTAD (United Nations Conference on Trade and Development ) and
- WIPA ( World Investment Promotion Agencies)

About the required information technology facilities, they explained that their division has only three computers, two printers, one fax machine and one audio-visual equipment and which are generally insufficient for the activities of promotion. Further more, there are only four qualified employees (three of them have a Bachelor's degree in language and one Bachelor's degree in Economics). The staff is thus inadequate to conduct effective investment information promotion.

Finally, interviewees were asked what major problems were encountered in promoting investment information? Generally, there are three basic problems, which hinders them from promoting the country's investment opportunities. These are:

- Lack of training about investment information promotion and experience sharing exposures with the same organizations in successful host countries;
- Budgetary constraints to strengthen the department ; and
- Limited and inefficient information technology equipment.

In order to alleviate the problems cited and to carry out their activities effectively they have suggested that:

- government should allocate sufficient fund to enable the department build its capacity in both personal and material requirements; and
- seek external assistance for professional staff to be trained in highly successful countries in the field of investment information promotion.

## CHAPTER FIVE

### THE PROTOTYPE WEB PAGE OF THE ETHIOPIAN INVESTMENT AUTHORITY

#### ***5.1 Introduction***

In modern information society, information is the lifeblood of a society. Every individual, group, governmental organizations need information to operate effectively and efficiently. As a result, massive amount of information is generated and disseminated with in the society.

In this generation and dissemination of information the role of information technology is becoming an essential element. The advancement of this technology has enhanced the management, control and communication of the ever increasing information. Specially, Internet provides a great opportunity in today's information age, by representing the most inviting form of mass communication technology ever developed.

As mentioned in Chapter Two Section 2.8, Internet is a global network of linked networks that allows communication and the sharing of information among many types of computers.

It interconnects thousands of computer systems to transmit information at the global level. With this fact, Internet dissolves the dividing line among nations, such as language, geographical location, culture, history, and technology. Communication made through Internet from any distance is faster and cheaper than other forms of communications, such as mail, fax and telephone. Internet can carry more information than television, radio or other communication media. It also provides users a great freedom to select any valuable information.

Internet has various services, such as electronic mail, the World Wide Web (WWW), News Groups, Gopher, File Transfer Protocol (FTP), Remote Log-in and so on. Of all these services the World Wide Web is growing faster than others and becoming very important for marketing activities. Here under, what WWW is and the role of WWW are briefly presented. In addition to this the prototype of EIA's Web page is explained.

## **5.2 The World Wide Web**

The World Wide Web (simply the Web), is one of the Internet services which is a vast network of documents that are linked together; a set of protocols defining how the system works and transfers data; a set of conventions; and a body of software that make it work smoothly (Ellsworth and Ellsworth, 1995). It was developed by CERN (the European Laboratory for Particle Physics) in Geneva. Principally, the Web was initiated as a way of networking information for physicists, but has turned into a body of software, protocols and conventions joining participants around the world (Moody, 1996).

The Web is a client server architecture in which the user (a browser) can browse or fetch documents from remote network nodes by connecting to a server. In the Web the user can jump from topic to topic, document to document, and site to site all over the Web as it is a nonlinear design.

As it is indicated above, WWW is the fast growing Internet service. As Forta (1997) mentioned, more than 20 million people browse the Web with over 250,000 different Web sites on a regular

basis. It is also estimated that by the year 2000 the number of regular Web users will grow to 200 million. He also indicated that, in August 1991 there were 213 computers connected to the Internet. After five years, that is, by August 1996, the number had grown to over 12 million. The number of Web sites on the Internet has grown at the same alarming rate. There were less than 25,000 Internet Web sites in June 1995 and exactly one year later there were 230,000 sites.

The Web is becoming popular due to two basic reasons. The first one is its ease of use. Publishing information on the Web and browsing for information are relatively easy tasks. Secondly, it has large amount of content. With hundreds of Web pages to choose from, and thousands more being created each day, the user has a chance to get every information that he/she needs.

### ***5.3 The Role of world wide web***

This days private and governmental institutions are providing every required information to their users by setting up their own Web sites. They use the Web with its multimedia capabilities for various purposes. According to Ellisworth and Ellisworth (1997), some of the basic benefits that business and other institutions can get from the Web are discussed briefly below.

- 1. For Information Promotion:** The WWW's graphical user interface holds new opportunities for marketing on the Internet. Customers and other information users can read about the specific organization's products, services and other related procedures. Even using the available forms and the e-mail facility, users can send their message to the organization, which makes the Web a two-way communication.

Promoting on the Web can be relatively inexpensive compared to other media. As Teague (1995) indicated, a long term presence on the Web, one that involves graphics and detailed information about the variety of products services, and other necessary procedures can cost a few dollars a year – which is less than a single issue of a major trade publication.

Kotler and Armstrong (1996) have also indicated that, those new organizations to introduce themselves and others which need to build a positive image in the majority of its customers, the Web is an efficient mechanism. The Web offers access to more people around the globe than is usually possible in a trade publication.

- 2. For Internal and External Communications:** Organizations can use HTML and the WWW to create a smooth communication internally and externally. Of these numerous communication tasks, some of the most popular are to use the links, forms and annotation features to build a set of documents, to get feedback and input on proposals, to solve problems, and to coordinate ongoing projects.

For the purpose of creating a very complex linkage between documents, data and sound files, the hypertextual, multimedia characteristics of the Web are well suited. An individual can annotate a document with a verbal comment, a picture, or a link to another document or supporting information.

**3. For Information Management and Distribution:** Information is the forte of the Internet, and the Web browsers (which are programs that act as an interface between the user and the Internet) make hunting down every information much easier. These browsers facilitate the searching, locating and retrieval of information easier.

Web pages themselves can provide data and information in various forms such as textual, with pictures, sounds and easily performed links to other documents and resources. This form of provision of information makes communication smooth and interesting.

The hypertext linking abilities of the HTML/HTTP has created access to information supplied by others such as databases, directories, files, images, sound and other resources.

#### ***5.4 The Ethiopian Investment Authority Web Page***

The prototype Web page of EIA is designed based on the information needs of those foreign investors who have started operation in different economic sectors of the country. As it is indicated in Table 4.3, the target investors were asked to indicate the category of information, which are basic for their investment decision and showed in a ranked order. They were also suggested that more than other means, they need data and information which is investment related through Internet. Furthermore, officers of the EIA believed that designing their Web site and uploading every information that is required by investors is important. EIA has also a plan to have its own Web site to promote the country's investment opportunities.

Therefore, this Web page is designed by paying due consideration to the information needs of investors and the objective of the EIA as a mechanism for investment information promotion.

An officer who is responsible for the matter from the EIA, Faculty staff members, students and others, evaluated this Web page. From this evaluation important suggestions were given and some modifications were made accordingly. But due to shortage of time and materials the Web site has not been tested on-line. It is only tested by Netscape and Internet Explorer Web browsers.

#### **5.4.1 The EIA Home Page**

As can be seen in Diagram 5.1, the home page of the EIA is started by a 'Welcome' message that has a link to the main page. The main page is divided into three frames.

**Frame 1:** Contains contents which lead to different pages and other subsections. The contents, which are included in this frame are:

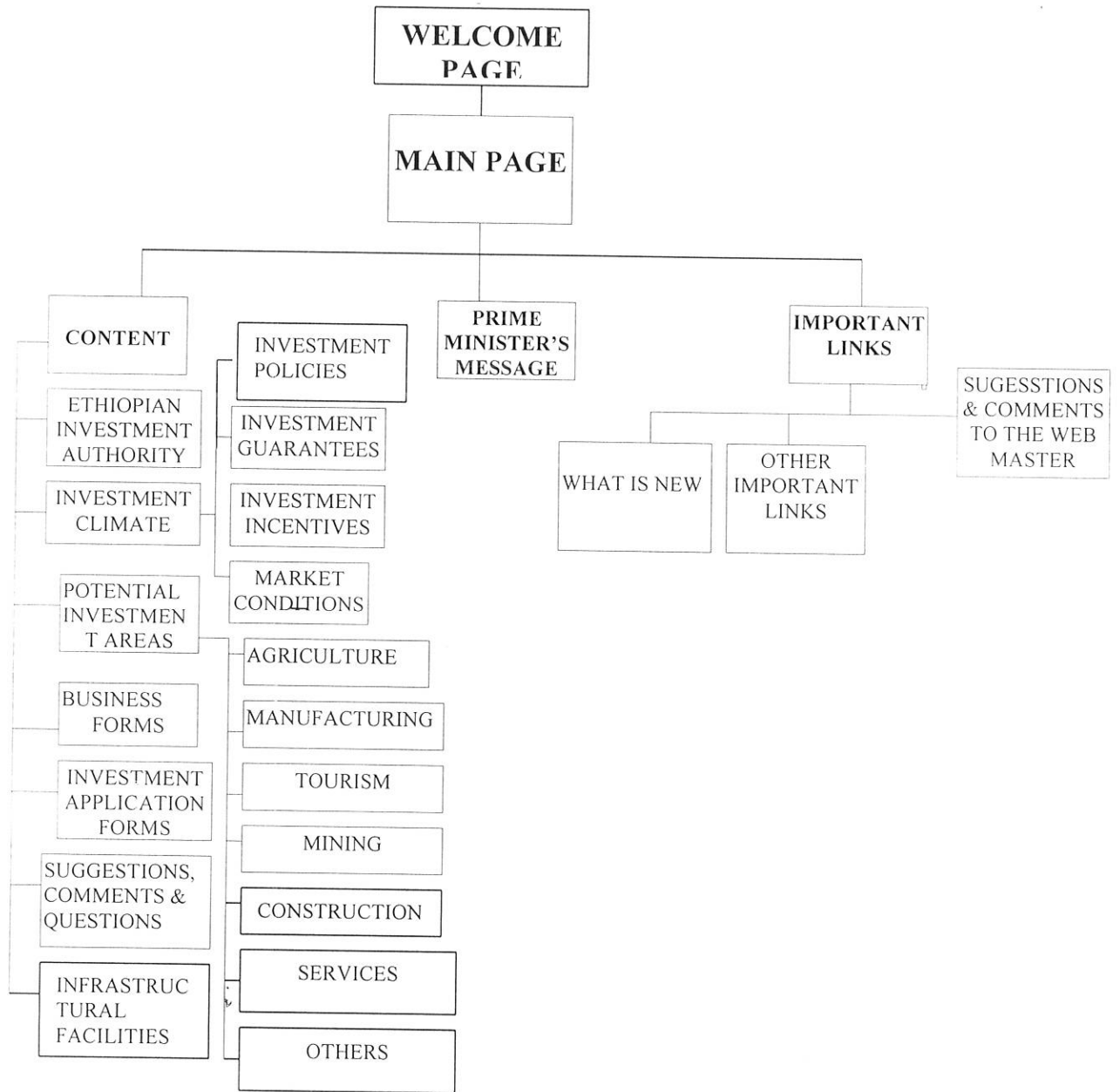
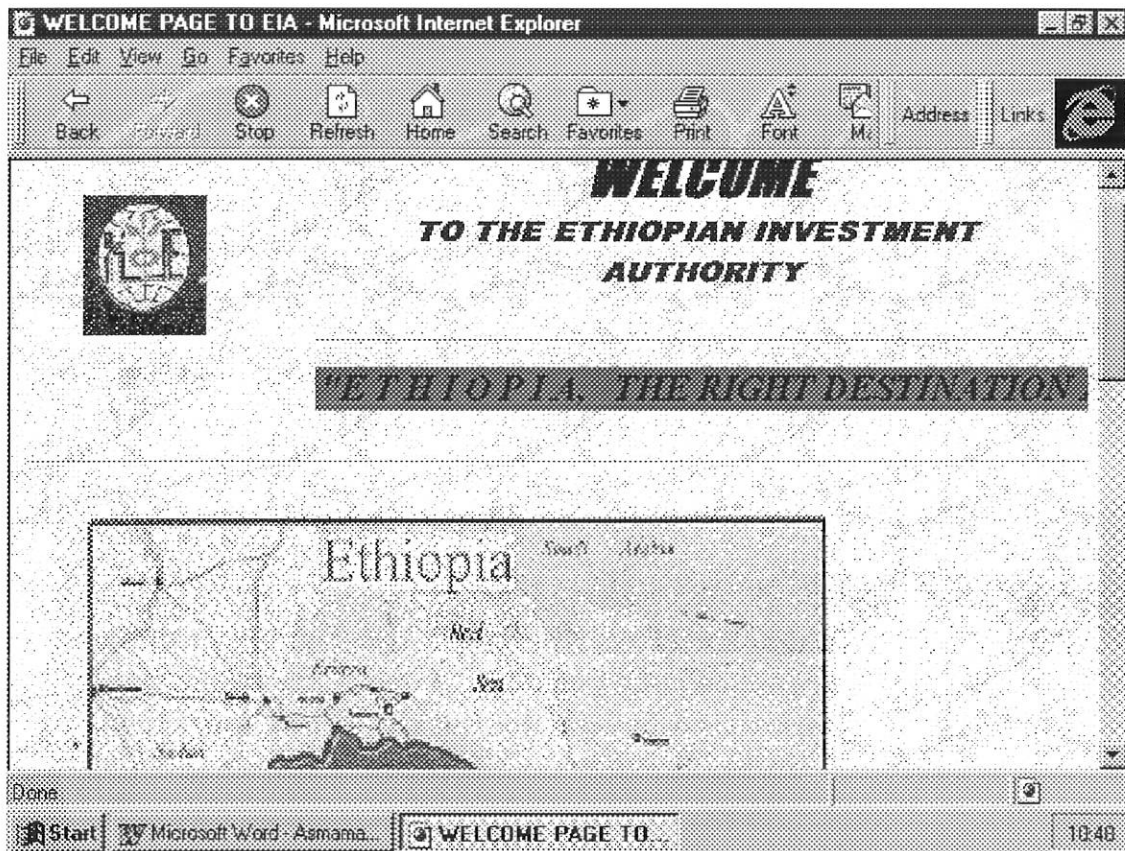


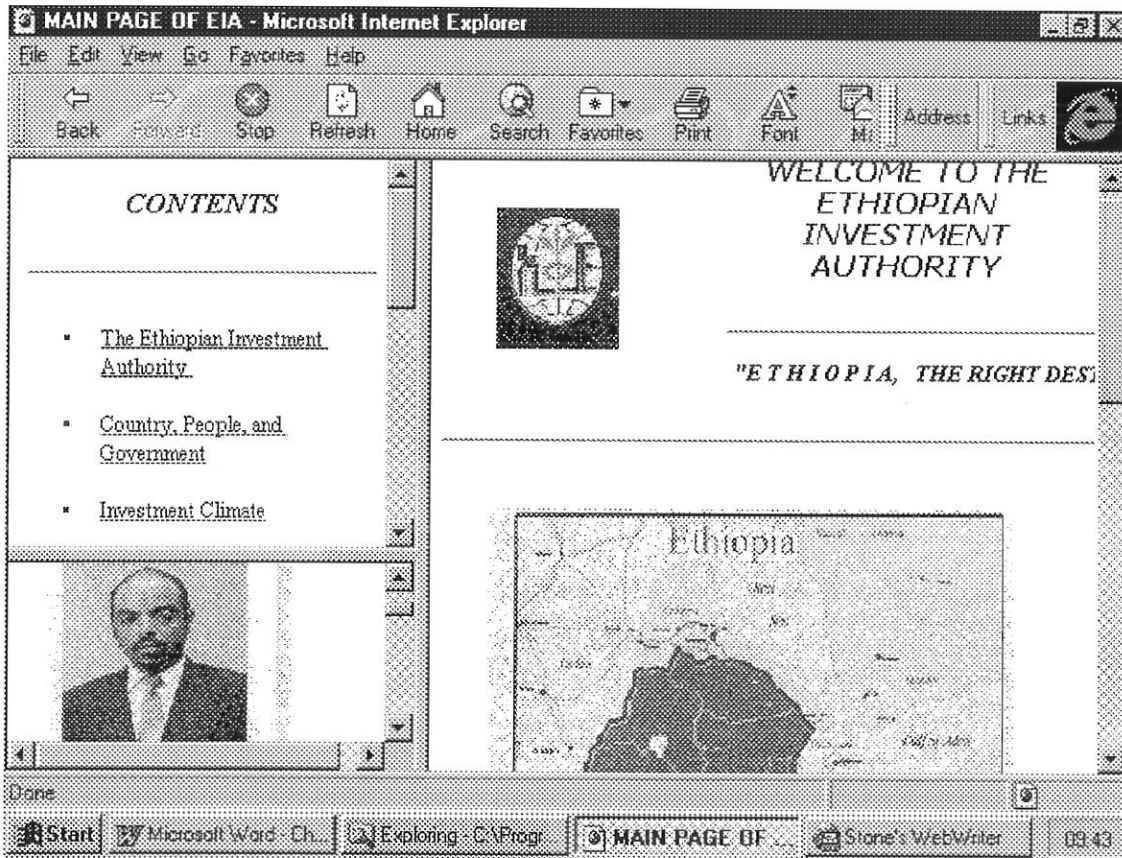
Figure 5.1 The Structure of Ethiopian Investment Authority Page



**Figure 5.2 The Welcome Page**

- 1 The Ethiopian Investment Authority
- 2 The Country, People and the Government
- 3 Investment Climate – which has
  - ◆ Investment Guarantees ✓
  - ◆ Investment Incentives ✓
  - ◆ Market Access and ✓
  - ◆ Investment Policy Pages under it. ✓
- 4 Investment Opportunities – which has
  - ◆ Agriculture
  - ◆ Manufacturing
  - ◆ Tourism

Figure 5.3 The Main Page of EIA



- ◆ Mining ✓
- ◆ Construction ✓
- ◆ Services and ✓
- ◆ Others page under it.

5 Business forms ✓

6 Investment Application form of the EIA ✓

7 Question and suggestion form about the Ethiopian Investment and

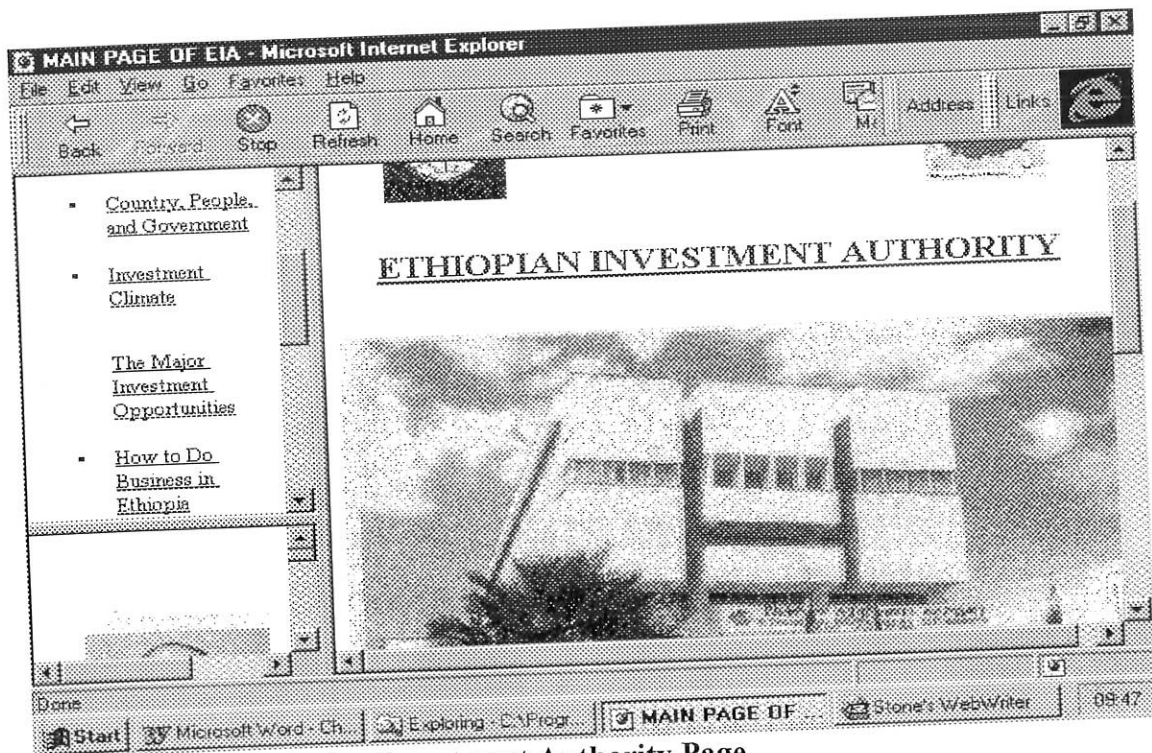
When a user clicks each of the content, pages are displayed on Frame 3.

**Frame 2:** Contains the message of the Prime Minister who is the Board Chairman of the EIA. In his message, he has invited all investors to join in a venture of business and economic growth in Ethiopia.

**Frame 3:** Contains the regional map of Ethiopia and rotating message which says “Ethiopia, the Right Destination for Investment”. In this frame there are links which lead to:

1. the page in which new information on the Ethiopian investment can be placed and
2. the page in which a user can send suggestions or comments to the Web master.

In this frame there are also other important links of other sites. These include, link to the Ethiopia Chamber of Commerce, MIGA, UNCTAD, FIAS, etc.



**Figure 5.4** The Ethiopian Investment Authority Page

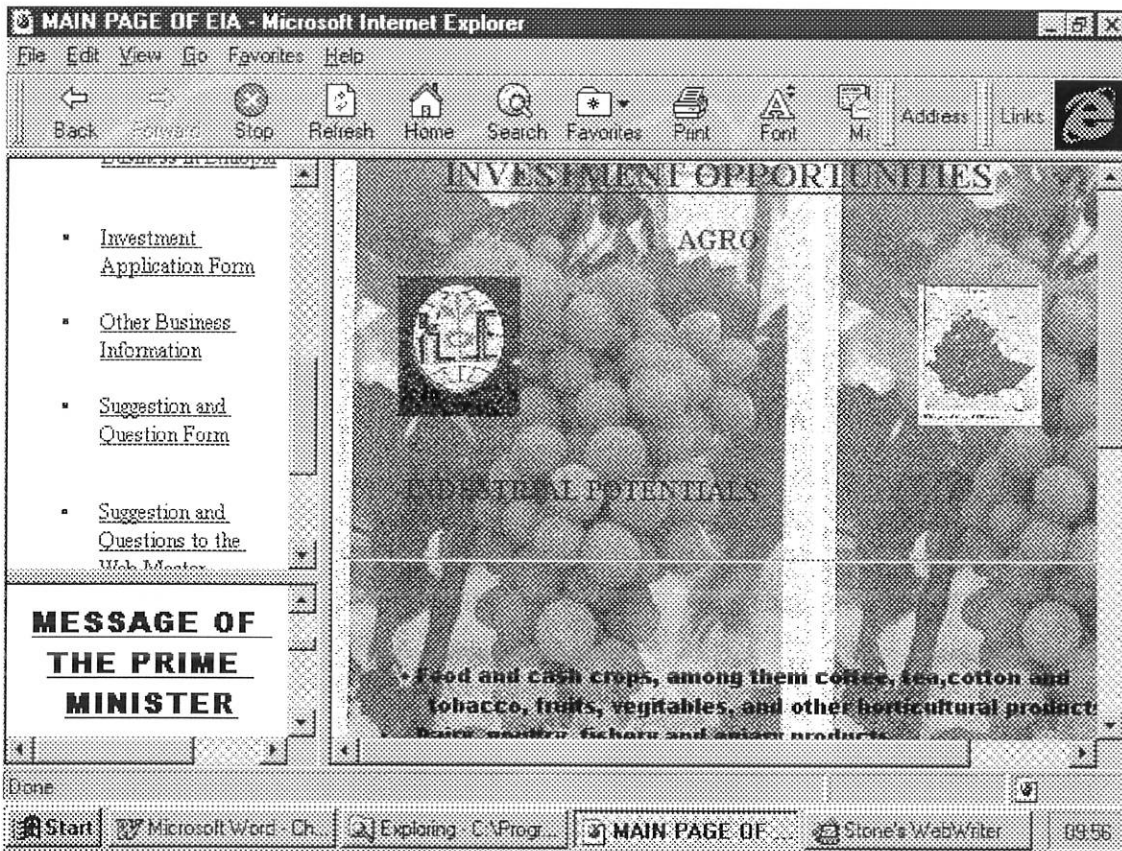
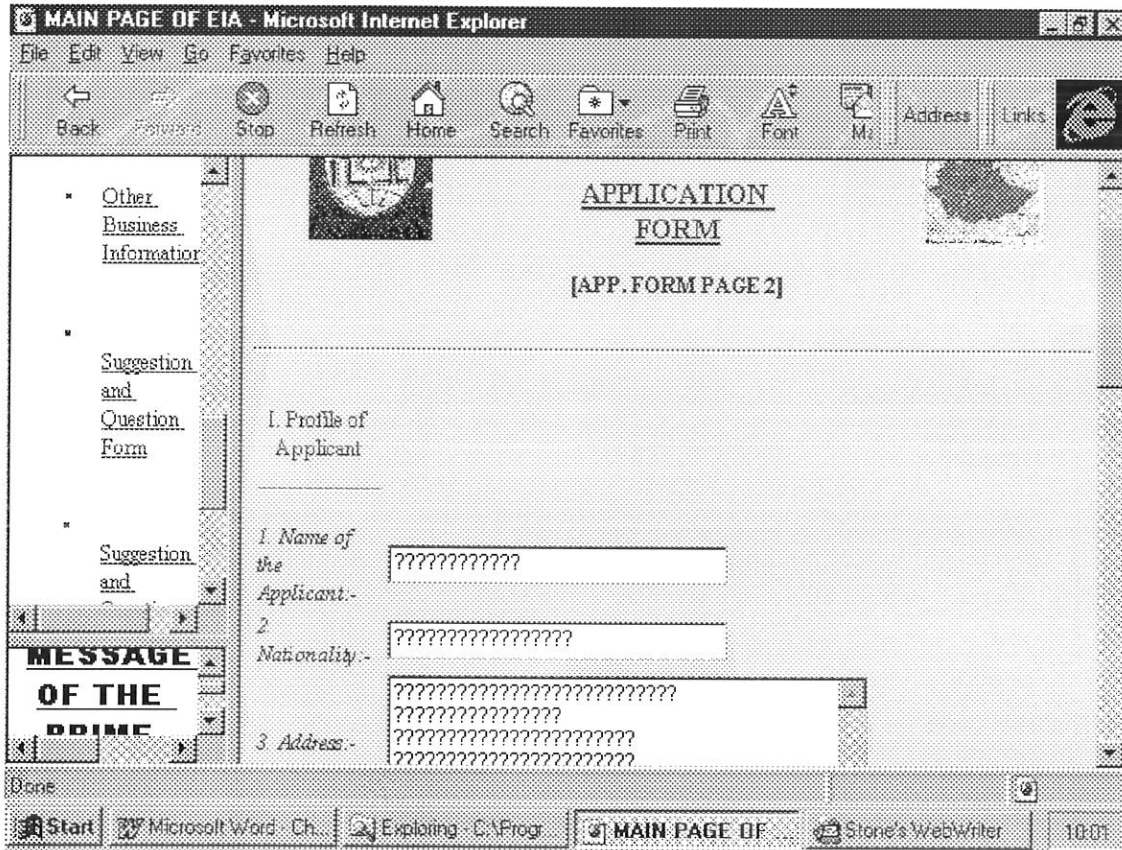


Figure 5.6 Agro-Industrial Potentials Page

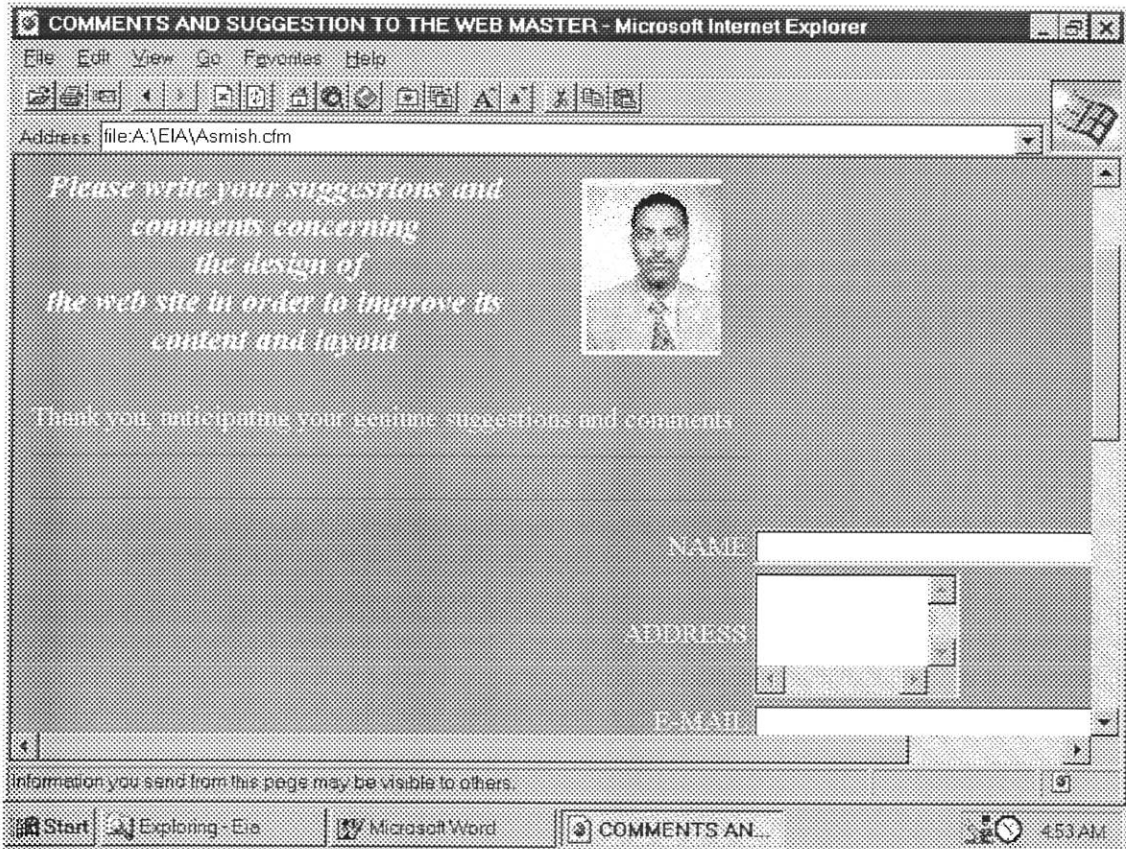
This page contains a short list of agro-industrial investment opportunities, such as food crops, beverage crops, cotton, horticulture, livestock, fishery etc. These lists give a chance to an investor to choose one or more agro-industrial sector to make decision on investment or to get further information on each sector.



**Figure 5.7 Investment Application Form**

The above form is designed using the Allaire Cold Fusion software, which is used as an interface between the Web and databases. This page contains some of the requirements that an investor should fulfil when applying for an investment. As an investor fills this form anywhere, the data will be entered in the database prepared using Microsoft Access. Therefore, the responsible officer can take the necessary action.





**Figure 5.9 Suggestions and Comments to the Web Master Page**

This page is designed for users to get information about the Web master and let them to send their comments or suggestions using the e-mail form of the page or by clicking the e-mail address which will display the formal e-mail format.

## CHAPTER SIX

### CONCLUSION AND RECOMMENDATION

#### 6.1 CONCLUSION

As indicated in Chapter One, the major objective of this study is to assess the existing problems of investment information promotion activities of the EIA in order to attract foreign investors. In this respect, a survey was conducted to assess the existing and potential users of investment information services, type and form of information which is required by foreign investors, to what extent the existing investment information service is adequate, the extent to which the existing investment information promotion mechanisms are efficient to attract foreign investors and finally, to investigate the existing problems in promoting investment information to attract foreign investors.

Based on the survey made, the result is concluded as follows.

1. In the first place, even though the data and information available in the authority is relevant, it is largely incomplete and not timely due to:
  - ◆ Low level utilization of IT and manual nature of the information handling system of RIBs;
  - ◆ Delay of data and information from RIBs;
  - ◆ Lack of basic resources such as finance, trained human power and IT items;

- ◆ The inaccurate and incomplete nature of the data collected as it is largely estimated rather than accurately studied; and
  - ◆ Absence of detailed study about the information needs and requirements of investors.
- From all these shortcomings, it is possible to conclude that investors are suffering from lack of accurate, timely and reliable information for their investment decision.
2. With regard to the categories of information required by potential and existing investors, it is found that in the first place they need information on potential investment areas, such as agriculture, manufacturing, mining, etc. Secondly they need information on the marketing conditions in different sectors and information on investment procedures. It is also found that more than other means investors need data and information through Internet followed by in printed forms. Here one can conclude that, due to its important to cover large number of investors population and significant for image building, the provision of relevant information to investors through Internet is very essential. The inability of EIA to provide this facility has created inconvenience up on investors in getting the required information.
  3. The investment information promotion activities of the EIA generally found to be inadequate. This is due to three basic problems. These are:
    1. Lack of training about investment information promotion and experience sharing exposures with similar successful organizations in other countries.
    2. Budgetary constraints to strengthen the department's human and material requirements; and
    3. Poor coordination among the authority, RIBs, and Ethiopian embassies and diplomatic missions abroad.

Among others, the Investment Promotion Division of EIA relies on three information

promotional mechanisms: through mail contact, Ethiopian missions abroad and UNIDO's missions for investment promotion in different countries. On the other hand, investors have indicated that, most of the time individuals who visited Ethiopia and Ethiopians who live abroad promote the investment opportunities and resource potential of the country than the EIA. This suggests or indicates to what extent the EIA has not utilized other more useful promotional mechanisms. Here again one can conclude that, for a country like Ethiopia, which has a bad investment image the existing investment promotion mechanisms are not adequate.

## **6.2 RECOMMENDATIONS**

In order to overcome or minimize the problems sited in the activities of promoting the country's investment information, the following recommendations were given.

- 1. Improve the Data and Information Handling System of the Authority:** Before deciding to invest on a specific project investors require reliable and accurate data and information on the country's economy, political conditions, investment policies, opportunities, incentives, guarantees, etc. Therefore, in the first place there must be a detailed study on the investment information need of investors and others. Then the appropriate data should be collected, organized and disseminated to investors and other users. In addition to this, there must be a strong coordination in information sharing between EIA and RIBs. For this, RIBs must be equipped with the necessary human and material requirements.
- 2. Using Different Information Promotion Mechanisms:** In promoting the country's investment opportunities, the responsible organization must carefully plan, implement and

coordinate different promotional mechanisms to make the best use of them. For this, the focus of investment information promotion objective of a country must be identified. What is the objective of the investment information promotion program? Is it to build a positive image of the country, or for investment generation or investment services? Because each promotional objective at each stage of investment decision requires different promotional techniques and media.

As the result of the survey indicated, the major objective of promoting the country's investment opportunities by the EIA is to build a positive image of the country. For this purpose the promotional mechanism used were mail contacts, Ethiopian diplomats abroad and UNIDO's missions. But, according to Wells and Wint (1990), these promotional mechanisms are highly useful for investment generation than for image building.

Therefore, EIA in its investment information promotion program, particularly to build a positive image of the country, should place a great emphasis on promotional mechanisms such as:

- Advertising;
- Investment exhibitions;
- General investment mission from source countries to Ethiopia or vice versa; and
- General investment seminars on investment opportunities, using different promotional media, such as newspapers, magazines, Internet, television, radio, exhibitions, group personal delivery, seminars, etc.

Furthermore, there should be a special consideration on other promotional objectives: i.e. for investment generation and investment services.

Generally, the result of the survey has indicated that the promotional mechanism used by the EIA were not efficient to attract foreign investors. Therefore, EIA must employ different promotional mechanisms, with due consideration to the following:

- It must give much emphasis to those promotional mechanisms largely important for image building;
- There should be a strong coordination between EIA and Ethiopian embassies and diplomatic missions abroad. EIA should consider and use them as middlemen. They can disseminate the changing investment climate and the available investment opportunities in the country to individual investors, business associations, foreign direct investment offices of source countries, etc.
- EIA should communicate with residing abroad Ethiopians. As it is found through the survey made, most of the foreign investors were encouraged to invest by those individuals who visited Ethiopia and Ethiopians living abroad. Therefore, it is possible to invite them to invest in their country or to encourage others through their contacts.
- EIA must also use the existing investors, to bring others through their contact. For this the authority should improve its services and reduce unnecessary bureaucratic procedures.

**4. Allocating Sufficient Fund:** In order to strengthen and improve the effectiveness of the promotional program there should be sufficient fund:

- For the required information technology items of the Investment Promotion Division;
- To conduct further detailed information users study;
- To train the staff and to conduct experience sharing program with successful host countries;
- To prepare seminars, workshops, exhibitions, visits etc;
- To prepare advertisement publications such as journals, pamphlets, brochures, guides, etc.

**4. Develop Fully and Implement the Designed Prototype Web Site of the Authority:** As the result of the survey indicated, investors need much of investment related information through the Internet. Therefore, in order to cover the information need of the large number of potential investors, the prototype Web site of the authority must be developed fully and implemented.

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**APPENDIX A**

**QUESTIONNAIRE**

**To be filled by Foreign Investors/or Representatives of Foreign Investment Projects  
That Commenced Operation**

Date Feb. 24, 1999

This is being conducted as part of the research project entitled

**“PROMOTING THE INVESTMENT INFORMATION OF THE  
ETHIOPIAN INVESTMENT AUTHORITY”**

to assess the information requirement of foreign investors in relation to investment and to assess the existing information promotion mechanisms, in order to suggest a better way of promotional mechanism. Based on the results, a recommendation will be made for the improvement of investment information promotion activities of the authority.

As the success of this study depends on your cooperation, I am keen to receive your response at your earliest convenience. All your response will be handled in strict confidence.

Thank you, in anticipation of your kind cooperation.

Asmamaw Atnafu  
Addis Ababa University  
School of Information Studies for Africa  
P.O.Box 1176  
Addis Ababa

***This questionnaire is to be filled by owners or representatives of foreign investment projects' who have commenced operation in different sectors of the economy.***

**PART I IDENTIFICATION**

1  Identification Information

Region/ Zone \_\_\_\_\_

Town /Woreda \_\_\_\_\_

Type of project \_\_\_\_\_

3. What are the specific activities that your firm is engaged in? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**PART II. CATEGORY OF INFORMATION, SOURCES AND USERS**

3. Which category of information among the lists below do you require for various reasons? Please put the rank of the required information according to their relevance to you in the box(es) provided. The most important 1, the next 2, etc.

**Type of Information Required**

**Rank**

Investment Procedures

Taxation policy

Potential investment areas /Agriculture,

industry hotel and tourism etc.

<u>Type of Information Required</u>	<u>Rank</u>
□ Export and import regulations	<input type="checkbox"/>
□ Maritime rules and regulations	<input type="checkbox"/>
□ Financial institutions /banking & insurance/	<input type="checkbox"/>
□ Economic data and reports/ GDP, GNP, NNP etc.	<input type="checkbox"/>
□ Demographic data /population size, birth rate, death rate, etc	<input type="checkbox"/>
□ Geographic data /Altitude, longitude, temperature, rainfall, etc.	<input type="checkbox"/>
□ Political and governmental information	<input type="checkbox"/>
□ Marketing conditions in different sectors	<input type="checkbox"/>
Professional /Experts, engineers and managerial skills	<input type="checkbox"/>
□ Supporting agencies and organizations /Constancy, advertising	
agencies, etc.	<input type="checkbox"/>
□ Labour cost	<input type="checkbox"/>
□ Competitors	<input type="checkbox"/>
□ Other, please specify _____ _____	

**4. Is the available data and information that you get from the Ethiopian Investment Authority (EIA) and Regional Bureaus (RIB):**

	<u>YES</u>	<u>NO</u>
4.1 Complete?.....	<input type="checkbox"/>	<input type="checkbox"/>
4.2 Relevant? .....	<input type="checkbox"/>	<input type="checkbox"/>
4.3 Timely? .....	<input type="checkbox"/>	<input type="checkbox"/>
4.4 Accurate? .....	<input type="checkbox"/>	<input type="checkbox"/>

**5. In what form do you need data and information from investment offices?**

- On floppy disk
- Through Internet
- Printed form
- Audio/Video form
- Image (photograph, picture etc.,)

**6. Do you get data and information from other organizations?**

Yes

No

**7. If your answer to the above question is 'Yes', what are these organizations? Please put an 'X' mark in the box (es) against the organization(s) that you get data and information.**

Governmental institutions (Like Ministry of Trade, Ministry of Finance, Ministry of Economic Development and Cooperation Regional Administrative Bureaus, Ministry of Industry, Ministry of Agriculture, Ministry of Mining, etc.,)

Municipalities

Individuals

Regional administrative offices

Non-government organizations.

Others, please, specify \_\_\_\_\_

**8. How often does your project utilize the available data and Information that you get from investment offices?**

Highly utilized

Partially utilized

Rarely utilized

Not utilized

**9. If your answer to the above question is "Rarely utilized" or " Not utilized", what do you**

think are the reasons? Please rank the following possible reasons on a five-point scale, with number 1 is the highest.

<u>Reasons</u>	<u>Rank</u>
1. Absence of complete data and information.....	<input type="checkbox"/>
2. Absence of relevant data and information.....	<input type="checkbox"/>
3. Absence of timely data and information .....	<input type="checkbox"/>
4. Absence of accurate data and information .....	<input type="checkbox"/>
5. Low level of understanding about the role of information .....	<input type="checkbox"/>
Others, please specify _____	
_____	

**PART III INFORMATION PROMOTION**

10. How do you encouraged to invest in such project(s)? Please rank the following means of promotion by writing numbers in the box against each item, with 1 representing the highest.

<u>Promotional Mechanism</u>	<u>Rank</u>
1. After reading publications (like newspapers, pamphlets, guides, etc.,) about investment opportunities	<input type="checkbox"/>
2. Advertisements (through TV, radio, Internet, etc.,) about investment	<input type="checkbox"/>

3 By individuals

4. Others, please specify \_\_\_\_\_  
\_\_\_\_\_

**11. Do you think that the existing promotional mechanisms used by investment offices are effective in order to attract foreign investors?**

Yes

No

**12. If your answer in question No. 16 above is “No”, what do you suggest to improve the promotional activity?**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**13. How do you see the status of information promotion of EIA compared to other African countries? Please state**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**PART IV - FACILITIES IN THE INFORMATION CENTER**

**14. Does your organization have an Internet connection?**

Yes

No

**15. If your answer to the above question is ‘Yes’, what type of information do you search**

for?

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16. Which of the following information technology items are used to process and access investment information in your project. In each case, please indicate the quantity and description of the item.

<i>ITEM</i>	QUANTITY	DESCRIPTION
Computers		
Printers		
Scanner		
Photocopier		
Video camera		
Video Deck		
TV set		
Photo camera		
Audio tape recorders/players		
Fax machines		
Telephones		

17. What is the qualification and number of employee(s) in your project who is/are responsible to handle information about investment policies, procedures, sector related, etc.,?

Qualification

Field of Study

Position

Number

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

**APPENDIX B  
INTERVIEW I**

**AN INTERVIEW GUIDE FOR INVESTMENT OFFICERS AT THE  
ETHIOPIAN INVESTMENT AUTHORITY**

Date: \_\_\_\_\_

Place: \_\_\_\_\_

Interviewees (*Investment Promotion Department*)

1. What are the major duties and responsibilities of your department?
2. What are the existing mechanisms of investment promotion, which are used to attract foreign investors?
3. Which mechanism is frequently used?
  - ◆ Why?
4. Which promotional mechanism is more effective? Why?
5. Do you think that the existing investment promotion activity is adequate?
  - ◆ If not, why?
6. Is result of your investment promotion activity as expected? If not, why not?
7. Investment promotion program has three strategies: Image building, investment generation and investment service. On which strategy is your major emphasis? Why?
8. Internet is known by its function as a place for the world market. How do you see its importance as a mechanism of investment promotion?

9. Do you have relation with international investment promotion organizations?

- ◆ If yes, what are they? How do they support this activity?

- ◆ If no, why not?

10. Do you have the required information technology items in your department?

- ◆ If yes, what are they?

- ◆ What about skilled manpower in the field?

11. What are the major problems encountered by your department in promoting investment related information?

12. What do you suggest to improve the existing problems in investment information promotion?

**APPENDIX C**  
**INTERVIEW II**

**AN INTERVIEW GUIDE FOR INVESTMENT OFFICERS AT**  
**THE ETHIOPIAN INVESTMENT AUTHORITY**

Date : \_\_\_\_\_

Place: \_\_\_\_\_

Interviewees (*For Policy Research and Information Department*)

1. What are the major duties and responsibilities of your department?
  
2. What type(s) of data and information do you process?
  - What are the sources of your available data?
  
  - How do you organize, process and store data related to investment?
  
  - Do you have the required information technology and skilled manpower?
  
3. Is the available data in your department
  - Complete?
  - Accurate?
  - Timely?
  - Relevant?
  
4. Who are the major users of the data and information processed by your department?

- How do you disseminate information to these users?
- In what form do you disseminate (text, picture, audio or video)?

5. What are your major sources of data on investment related matters?

6. Did the authority conduct a study to identify users' information requirements and/or to evaluate the effectiveness of the information provision activity?

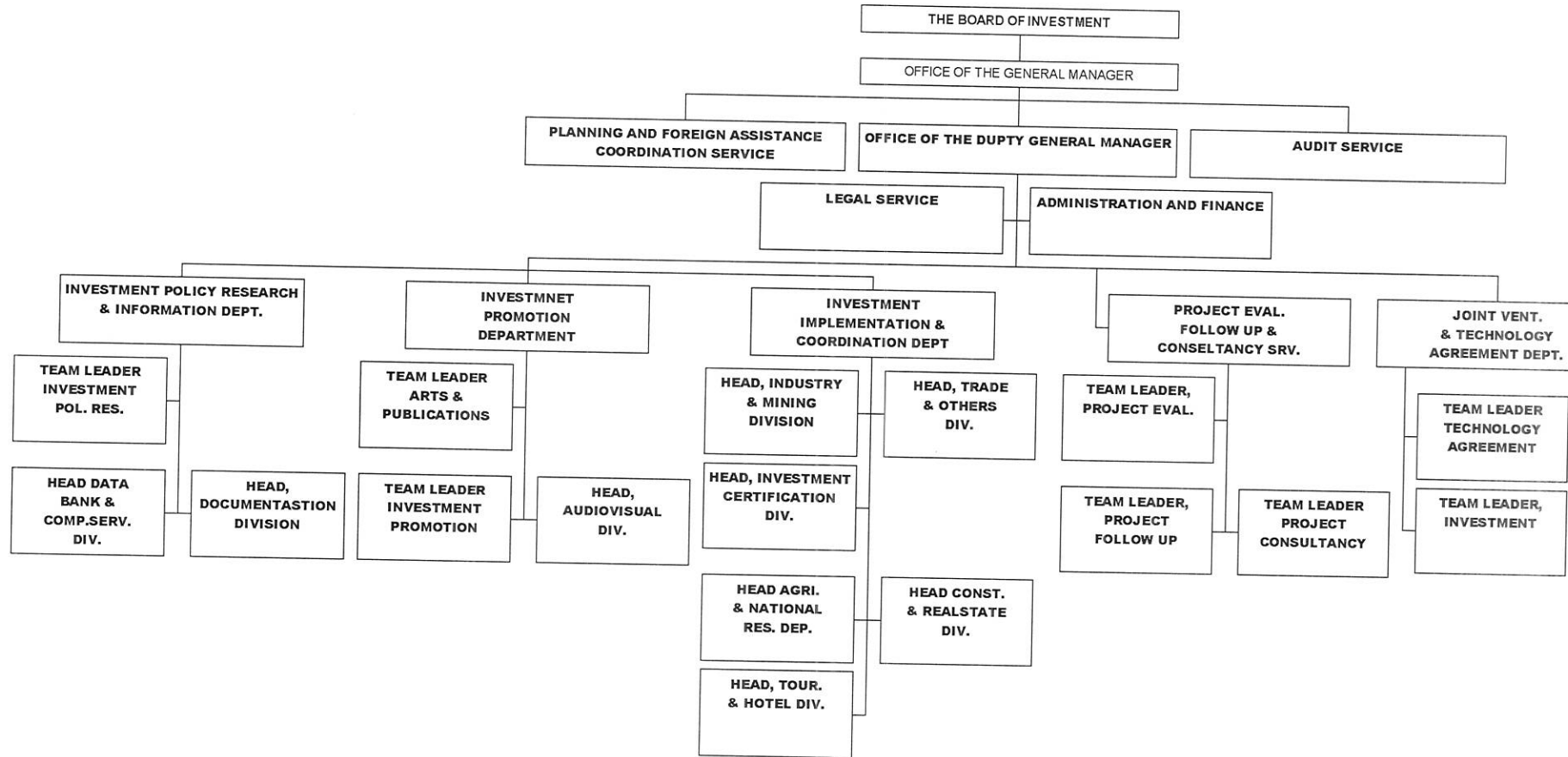
- If yes, what was the result?
- If no, why not?

7. What are the major problems encountered by your department in processing investment related data and information?

8. What do you suggest to improve the existing information handling system?

# APPENDIX E

ETHIOPIAN INVESTMENT AUTHORITY ORGANIZATIONAL STRUCTURE



## DECLARATION

The thesis is my original work and has not been presented for a degree in any other university.



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Asmamaw Atnafu

The thesis has been submitted for examination with my approval as university advisor.



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Getachew Birru



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Worku Alemu

May, 1999

**APPENDIX D**  
**LIST OF INTERVEIWed PERSONS**

**1. Policy Research and Information Division**

1. Ato Benti Tollessa.....Head of the Division
2. Ato Million Hillawi.....Head of the Computer and  
Database Subdivision
3. Ato Dereje Chibsa.....Expert

**2. Information Promotion Division**

1. Ato Fekadesilassie Fikire.....Head of the Division
2. Ato Abdi Hussien.....Expert
3. Ato Markos Bekele.....Expert
4. Ato Belete Haile.....Head of Publications