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RESEARCH ARTICLE

ASSESSMENT OF PRIVATE INVESTMENT IN TIGRAY, NORTHERN ETHIOPIA: CHALLENGES AND OPPORTUNITIES IN THE CASE OF MANUFACTURING SECTOR

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ABSTRACT

This study aims to assess and analyze the extent of the investment challenges and opportunities in Tigray one of the regions in Ethiopia; with a particular emphasis to the manufacturing sector. Unlike other studies conducted in the region, this study has extracted out the main challenges that the manufacturing sector is facing; and has also come with more investment potential opportunities of the sector. The study has used both primary and secondary data sources for gathering relevant information. The target populations of the study were investors that are involved in the manufacturing sector, government offices, and focus group discussions in the study area. Out of the total 46 woredas (districts) in the region, 26% (12 woredas) were taken as a sample with the interest of the researchers because they are large towns and potentials of manufacturing of the region. Selection of the samples were made by two stage stratified sampling techniques, where the first stage units were manufacturing investment areas and the second stage units were the investors. After stratifying investment areas, sample respondents were selected using systematic random sampling techniques. Government officials and participants of focus group discussions were selected using purposive sampling method. Then for gathering relevant data, self administered questionnaire, in-depth interview, field observation and participatory rural appraisal were used. The study has found out that even though investment environment in the manufacturing sector is improving, there are still problems and bottlenecks in the areas of financial access, marketing, infrastructures facilities, incentive provision, land provision process and getting required land size, and bureaucracy. The abovementioned problems have identified in the woredas even though the degree of the problem differs from woreda to woreda.

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1. INTRODUCTION

1.1. Background of the Study

Investment plays a very important role in a country's overall economic growth by increasing the productive capacity of the economy, creating employment opportunity and promoting technical progress through the introduction of new production techniques. It also plays an important role in enhancing the long-run productive capacity of the economy through accumulating new capital goods (Anyanwu, 2012). Private investment is a powerful means for innovation, economic growth and poverty reduction. Countries with wider and deeper private-sector, private investment demonstrates accelerated growth. As it creates more job opportunities, generate more revenue and increase income of the poor, it is very important for an economy to increase its investment in private sector especially the manufacturing sector. Increasing total investment, promoting private-sector development and

increasing its share of total investment are important for long-term growth. But in many developing countries, investment rates are too low, incentives for innovative are insufficient and even returns on investment are not so predictable which is the major cause of slow growth of a developing economy (Muhammad Tariq Majeed and Saniya Khan, 2008).

Investment project is a long term allocation of funds to carry out an investment idea through its stable income generation stage. Viable investment project aims at achieving a profitable return that ensures timely payment of interest and principal, attractive return on the invested capital and positive and consistent cash flow (Soysa, 2003). The present state of industrial development in Tigray region is at a low level despite the availability of raw materials and market of industrial products. However, it should be noted that there are still abundant opportunities for investors to consider the investment (Tigray Investment Office, 2011/12 Annual performance Report). Though, 4,347 projects took investment license from the region; there are some projects which transferred from planning to implementation and operation.

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In the investment of Tigray region, possible sectors were selected based on their feasibility and potential impact. The feasibility was assessed by gauging how easily the investment can be implemented given Tigray's resource, demand and competition from other suppliers. Economic and social impact of investment was considered in light of potential contribution to Tigray's long term development. (Tigray Investment Office, 2011/12 Annual Performance Report, 2012). The investment office (which has 24 branches in the region) has the authority and responsible to give investment license for different projects in the region. (Millenium Cities Initiative, Investment Opportunities for development: UNIDO's Contribution to MDGs Mekelle, Ethiopia, 2009). The projects are at different stage, some go to the operation while others fail. Why do the projects fail or run properly? The main objective of the study was to assess the challenges and opportunities of private investment projects specifically the manufacturing sector.

The government of Tigray was prepared well developed industry zones in nine parts of the region with full infrastructure, implement business reengineering process to improve the service provision and facilitation service to investors to get service with in short period of time in addition to the incentives given by the federal government such as duty free and tax exemption. However, the actual status of the licensed projects in manufacturing sector is far beyond the expected (KPMG International, 2010).

1.2. Justification of the Problem

Promoting private investment in manufacturing sector has a significant benefit in enhancing innovation, accelerating economic growth and reducing poverty. It creates more job opportunities, generates more revenue and increase income of the poor; and it eventually ensures long-term socio-economic development (Fietas and Sinha, 2011). To this end, therefore, knowing the challenges and opportunities of private investment in the manufacturing sector has a crucial role to play in facilitating all the requirements necessitate for establishing a manufacturing firm and beginning operations. According to the data found from Ethiopian Investment Agency, there are 50,107 registered private investment projects in manufacturing sector, of which only 10.78 percent are operational, and the rest 89.12 percent are in pre-implementation and implementation stage (EIA, 2012). Similarly, the present state of private investment in manufacturing sector development of Tigray Regional State has remained low down though it should be noted that there are still ample opportunities for investors in which they invest and enlarge their business projects. Since the establishment of the Regional Investment Office, within 2012/13, a total of 3,347 projects, which had registered 31.4 billion Birr capital, had gotten investment licenses to invest in manufacturing economic sectors. However, only 121 are operational while the rest, 2,562 are in pre-implementation and 664 are in implementation stages. When we see the case of Mekelle city, a total of 1,579 investment projects, which were expected to generate new employment opportunity for about 148,559 people on permanent and temporary bases, had gotten license within the same years. However, only 208 are operational and the rest, 1,085 and 286 are in pre-implementation and in implementation stages, respectively.

Generally, the actual operational projects are only 25.8 percent of the total registered projects in the City (TIO, 2012).

This result implies that there is an acute need for addressing the challenges and opportunities of private investment (manufacturing sector). Failure to do so, competitiveness of the region with regard to private investment might be remained at its minimal. This in turn will impair the efforts made by the Regional Government to reduce poverty through assessing the challenges and opportunities of private investment (manufacturing sector). Furthermore, this will give solution the attempts made at national level to realize the Growth and Transformation Plan (GTP, 2010) and the government's endeavor to reach middle level income. Despite these challenges and opportunities, there is no research done about assessing the challenges and opportunities of private investment (manufacturing sector), particularly, in the study area, so far. Thus, there is limited empirical basis for the well-functioning of the Office. Hence, this fact has triggered to deal with this specific topic. Thus, this research was conducted with an aim of filling the aforementioned gap and contributes to the development of the sector by pinpointing the challenges and opportunities of the sector. Specifically, it looks at assessing the challenges and opportunities of private investment by focusing to the manufacturing sector.

1.3. Objective of the Study

The general objective of the study is to investigate the challenges and opportunities of private investment (manufacturing sector) in Tigray region.

More specifically, this research is aimed at:

- Pinpointing the challenges and opportunities that the private investment in general and the manufacturing sector in particular, faces in the region.
- investigating the trends of Private Investment in Tigray, with a specific emphasis to the manufacturing sector.

2. MATERIALS AND METHODS

In this study both qualitative and quantitative research methods were used. Qualitative research methods were applied to explain the challenges and opportunities and to obtain systematic sequence of information to get into the depth of research problems. On the other hand, quantitative research methods were used to provide numerical measurement and analysis of the magnitude and extent of the problem. The sources of data for this study were both primary and secondary sources. Among the tools to collect primary sources are interviews, field observation, survey questionnaires and Participatory Rural Appraisal (PRA) with the appropriate stakeholders including key informants from households and officials. Besides, the study has also used secondary data sources that are expected to support the analysis. These include the investment office reports and cooperative promotion office reports. In addition, magazines, investment guidelines and other research papers, leaflets, national and regional Negarit Gazeta, journals, and other electronic and print media were reviewed as supporting documents.

The target populations for this study were licensed investors that are involved in the manufacturing sector, key informants and concerned government offices across all the selected woredas (districts) of the region. To establish the sample frame, lists of woredas with investment potentials in different sectors were considered. The study has used multiple types of sampling techniques. First, out of the total 46 woredas in the region, 12 woredas (town woreda) of them were selected by the researcher because they are potential. Next, selection of the sample was made. Sample respondents were selected using systematic random sampling techniques. Government officials and participants of focus group discussions/participatory rural appraisal were selected using purposive sampling method because they are already known. Further, investors who are involved in the manufacturing sector were selected from operational and implementation phases. Then sample of investors were taken from each of the cluster in every woreda proportionally and 142 samples were taken from operational investors who are involved in the manufacturing sector.

In addition to the 142 investors, a focus group discussion was also conducted with a group of eight persons that were purposely selected from each woreda. In the focus group discussion, elders, chair persons of different associations (youth association and women association), people from the government and an investor were included. An in-depth interview was also conducted with the investors and the heads of the investment offices of the respective woredas.

The process of data analysis was assisted by making use of the computer aided software available, mainly for analyzing the quantitative data. The relevant computer software [SPSS Ver. 16] was used as a tool to help manage the quantitative data and the textual data (after they are coded and then quantified) as regards the processing, storage and retrieval of the information, as well as for the other functions that these programs offer. In terms of the data analysis, the researchers utilized various descriptive statistics such as the measures of averages (mean, median and mode), measures of variability, correlation, percentages, tables, graphs, etc.

3. RESULTS AND DISCUSSION

3.1. Drivers of investment in the manufacturing sector

As the survey shows there were different expectations for investors to be initiated for participating in manufacturing investment activities in the woredas of the study. Indeed, the reasons are different from sector to sector and woreda to woreda. Meanwhile, to reveal what motivated them to invest in the manufacturing sector, the study has identified some of the following reasons. For the majority of respondents, the common factors to invest includes expectations of the high demand for the product to be produced, the intention of investors to contribute for local economy, availability of high potential resources, access to infrastructures, cheap labor force etc. particularly, many investors look for investment areas which are new with low competition for skimming the market and increasing profit. Some other investors have invested intentionally to create job opportunity and benefit local communities through contribution for local economy.

In addition to the above reasons; Interest of investors for gaining experience in the manufacturing sector, Government policy: Conducive investment policy attracts investors to invest in the manufacturing sector and direct invitation by government to invest in the area, Favorable environmental condition for investment in the manufacturing sector, Initiated by other successful investors, and an intention to introduce new technology are among the reasons.

Although these are among factors to invest, the above mentioned opportunities are not really sufficiently available in some parts of the study area and some factors like level of infrastructure and shortage of skilled manpower and market problem for some sectors are still existing and dissatisfying. Another deriving force for the investors to get involved in the manufacturing sector is to have an access to land. Accordingly, the following results from Table 3.1 were obtained.

Table 3.1. Land acquisition process

S.No.	Description	Response	
		No.	%
1	Have you encountered problems in receiving land for your investment?		
	Yes	85	60
	No	44	31
	I haven't requested for land	13	9
Total		142	100
2	Have you obtained the amount of land as per your request?	76	
	Yes		54
	No	42	29
	Not applicable	24	16
Total		142	100

Source: Own survey, 2014

The study result in Table 3.1 revealed that 60 percent of the respondents have obtained land for their investment without any problem, whereas 31 percent of the respondents have encountered problems in getting of the land for their investment. Investors who did not request land for their investment account 9 percent out of total respondents. As the finding also shows, there are some specific problems related with land acquisition. In some woreda local communities oppose the investment. Especially in the investment extracts stones and this degrades landscape. Thus, conflict has happened between employees of investors and local communities. In addition to this, local authorities violate decisions made by higher authorities to be implemented in the investment area. Government is endeavoring to improve the bottlenecks of land provision and other issues related with investment. For instance investment forum has been established in some woredas and intra-face and interface communications are conducted to bring immediate solutions to the problems of investment.

In fact, government officials also admit that investors may encounter the above mentioned problems for getting land but according to them, problems are not as severe as the views of investors. Since, investors expect fully problem free service provision and they don't consider the local reality. For example, investors are interested to get land without bidding. But according the government policy, land reserved for industrial zone can only be given without bidding. Therefore, the procedure of land provision or the policy of government is

considered as a challenge. Since, the investors don't clearly understand where the weakness of government service. This indicates that government should consider these issues as inputs of policy formulation and give awareness for investors about the regulations and policies of investment to deduce their confusion.

As it is also indicated in Table 3.1, Out of the total respondents, 54 percent of the respondents have obtained the amount of land as per their demand while the remaining investors 29 percent did not acquire the amount of land as per their request. According the interview conducted with officials, most of land is provided by bidding except land reserved in the industrial zone and investors may not get the size of land they request because the size of land that is exposed for bidding is already limited. Therefore, the size of land may not satisfy the interest of investors. Thus, it can generally be said that there is a good government intervention in supplying the needed land for the manufacturing sector.

3.2. Employment Opportunities Created by the Manufacturing Investment

As it is shown in Table 3.2, out of the total respondents, 44.5 percent of the respondents have created employment opportunity as per their plan, whereas 55.5 percent investors did not create job opportunity as per their proposed plan. The main bottlenecks of investors not to create employment opportunity as per their proposed plan are; not operating in full capacity, Seasonality of the demand of the products, Movement of manpower among institutions (high turnover of the employees), Lack of foreign currency to import inputs/items and long time to import inputs, Absence of skilled human power in some specific areas of specialization, and Interruption of electric power and shortage of water supply.

Table 3.2. Employment Opportunities

Sample Description	No.	%
Is your actual Employment opportunity as per your proposed employment opportunity creation?	Yes	66 44.5
	No	76 55.5
Total	142	100

Source: Own Survey, 2014

3.3. Infrastructural facilities of the Manufacturing Sectors

Table 3.3 below shows the rank of infrastructure by the respondents that are involved in the manufacturing sector. In general, most of the infrastructures were ranked as satisfactory and good. For instance, telecommunication, health center and post office services were ranked as good. The rest infrastructures; water, electricity and road are ranked as satisfactory. With regard to the woredas, water supply was ranked as poor in Axum, Shire, mekele and sheraro, electricity was ranked as poor in Abiyi adi, Humera, and Adigrat. According to the respondents, electricity was ranked as poor due to inaccessibility and daily interruption.

As it is depicted in the Table 3.4, 74 percent of the respondents in the sector replied that they have problem of waste disposal. 11 percent replied that they have no problem of waste disposal whereas the rest (15 percent) not applied. According to the respondents the manufacturing sector has more problems in waste disposal since the amount of waste (solid and liquid) they produce is bulky and continuous. Unless there is efficient waste disposal system and vehicles, they face problems to dispose. Absence of system designed for liquid waste disposal, Shortage of vehicles for waste disposal, and unavailability of special area for waste disposal are problems pertinent to waste disposal listed by respondents.

Table 3.3. Rating the Infrastructural Facilities

Infrastructural facility	Very good	Good	Satisfactory	Poor	Total
Telecommunication	2	120	12	8	142
Electricity	0	54	85	3	142
Road	23	35	76	8	142
Water	4	44	80	24	142
Postal service	12	80	50	10	142
Health center	25	105	12	0	142

Source: Own survey, 2014

Table 3.4. Problems of waste disposal

Sample Description	No.	%
Have you faced any problem with regard to waste disposal?	Yes	105 74
	No	16 11
	NA	21 15
Total	142	100

Source: own survey 2014

3.4. Service of financial institutions

Table 3.5 shows 52 Percent of the respondents are satisfied with the service rendered by different financial institutions whereas, 48 Percent of the respondents are not satisfied with the service provided by the financial institutions. Very weak and time consuming banking service due to network interruption, Large number of customer but low number of staff specially at Commercial Bank of Ethiopia (CBE), Understating a high value collateral, Insufficient credit provision and absence of long term credit, Long process during loan grant particularly in the commercial and development banks, Unable to identify and provide sufficient credit to some profitable projects which can have good repayment capacity, Shortage of foreign currency during import of machineries, and Problem on the supply of credit and LC (letter of credit) is not opened immediately (it takes a number of months) are the reasons for their dissatisfaction mentioned by respondents.

3.5. Market accesses

This section, researchers investigate to evaluate the quality and price of inputs, whether investors acquire the required level of inputs, whether they are involved in exporting their products, the demand level for their products, and the profitability of their business. Table 3.6 reveals the quality and price of inputs. Accordingly, 26 Percent of respondents have replied that the quality of inputs they get from market is high. Another 66

Percent and 8 Percent of respondents have answered as the quality of inputs is medium and low respectively.

Table 3.5. Services of financial institutions

Sample Description	No.	%	
Are you satisfied with the service rendered by the financial institutions	Yes	74	52
	No	68	48
Total	142	100	
Do you have access to credit from financial institutions?	Yes	102	68.75
	No	40	31.25
Total	142	100	
If you have access to credit, have you got the loan as per your request	Yes	16	16
	No	86	84
Total	102	100	

Source: own survey 2014

Investors described their doubt whether the inputs are checked for their quality by specialized experts. Investors were also asked about the price of inputs they purchase for their operation. The price of inputs is expensive for most of respondents (38%) and according to them inflation worsens the increasing of price. On the other hand, the price increase is caused by wholesalers who store the products and sell the products above market price. When the products are stored, the supply decreases in the market and leads to price increase. This has limited the capacity of investors to purchase all necessary inputs to work in full capacity. Indeed, the price level of the raw materials of inputs differs from good to goods. According to the 3.6 table, very few investors (8%) have replied that the price of inputs is cheap. Seasonality is another problem for investors.

Table 3.6. Quality and price of inputs

S.No.	Sample description	No.	%
1	High	35	26
	Moderate	94	66
	Low	13	8
Total		142	100
2	Expensive	54	38
	Moderate	54	38
	Cheep	11	8
	Seasonal	23	16
Total		142	100

As we can see from Table 3.7 which is about access to inputs and their involvement in exporting, 54 Percent of the respondents get all inputs as per their demand. Other substantial numbers of respondents (39%) replied as they get all needed inputs occasionally. And 7 Percent they did not get as per their demand. Since, some goods for factories are supplied by government based on specific quota; investors can't get this product in large quantity as per their demand. On the other hand, there are few investors which export more of their products.

Table 3.7 also shows that most of investors (67%) in the study area don't export their products, and 32 Percent of the

respondents have not answered the questions. Only 1 percent of them have responded as they export their products. Even few of those who export their products can't supply sustainably for international market. As per the respondents, the main reasons for not exporting their products are; low production and products are not standardized to become internationally competent. In addition, some investors have not awareness about international marketing; especially in the sector usage of outdated technology and lack of sufficient capital make them internationally incompetent.

Table 3.7. Access to inputs and involvement in export

S.No.	Sample description	Response		
		No.	%	
1	Have you got all inputs as per your demand?	Yes	78	54
		Sometimes	56	39
		No	10	7
Total		142	100	
2	Do you export your product/s?	Yes	2	1
		No	96	67
		NA	44	32
Total		142	100	

Source: own survey 2014

As depicted in Table 3.8 dominating number of respondents (57%) replied that there is high demand for their products/services; about 28 percent of the respondents have answered as the demand for their output is medium. On the other hand, the products of few investors have low demand due to problems such as unfair competition and seasonality. As the table 3.8 depicts, 79 percent of the respondents said the market chain is moderate, and 14 percent of the respondents replied that the nature of market chain is smooth. Still there are investors (7%) for whom market chain is complex.

Table 3.8. Demand for the products

S.No.	Sample description	Response		
		No.	%	
1	How do you evaluate the demand for your product?	High	82	57
		Medium	40	28
		Low	20	15
Total		142	100	
2	How do you evaluate market chain during selling of your products?	Smooth	20	14
		Moderate	112	79
		Complex	10	7
		Total	142	100

Source: own survey (2014)

Regarding the profitability of the investment of the respondents as shown in the Table 3.9, 54 percent of the respondents are profitable, while 24 percent do not get any profit, and 22 percent they say nothing on the question, when the level of profitability is seen, no one from the respondents have generated high profit and about 71 percent and 29 percent have generated medium and not answer respectively. From the total sample respondents about of the investors which are engaged in the sector, the problems for not to be profitable, are lack of

adequate information to penetrate international market, problem of supply chain management, lack of skilled manpower to run the machineries, expensive cost of inputs, high competition in the market and their products are new and need promotion.

Table 3.9. Profitability

S.No.	Sample description	Response		
		No.	%	
1	Is your business profitable?	Yes	78	54
		No	30	24
		NA	34	22
	Total	142	100	
2	If profitable, how do you evaluate?	High	0	0
		Medium	59	71
		NA	19	29
Total	78	100		

Source: own survey (2014)

3.6. Service delivery from the government

According to Table 3.10, the respondents tried to evaluate the service delivery process of the different governmental offices related to investment activities. Out of the total respondents, 14 percent, 34 percent, 40.8 percent, 7.7 percent, and 2.8 percent of respondents replied the service delivery process of government investment offices as very long, long, medium, short, and very short process respectively.

Table 3.10. Service delivery of Government

S.No.	Description	Response		
		No.	%	
1	How do you evaluate the service delivery process of the governmental investment offices?	Very long	20	14
		Long	49	34
		Short	11	7.7
		Very short	4	2.8
		Medium	58	40.8
Total		142	100	
2	How do you evaluate the services delivery process of Custom and Revenue Authority?	Very long	23	16
		Long	22	15
		Short	0	0
		Very short	0	0
		Medium	78	54
Total		142	100	

Source: own survey (2014)

Table 3.10 also shows majority (54%) of the respondents have replied that the service delivery process of custom and revenue authority takes medium time. On the other hand, 15 percent and 16 percent of the respondents have experienced long and very long time when they were entertained in the office. The remaining 15 percent of the respondents could not measure the efficiency of service delivery process of Custom and Revenue

office because they were not served by the office. The major reasons for taking lengthy time to offer different investment related service by investment concerned offices as per the explanation of the respondents include less responsibility, absence of integrity and lack decision making ability. Lengthy meetings of offices, low commitment and unfamiliarity of staff with rules regulation and guidelines of investment are other sources of hindrances for giving on time services in government offices. Moreover, some officials show corruptive approach and try to delay completion of service by taking unfruitful reasons as a pretext. Officials express that although the process of service provision is improving; the quality of service delivery may not be problem free because in concerned offices of government, there are staff without good awareness and those who have commitment to meet the objective the office they work for.

According to Table 3.11, 60 percent of the respondents replied that there is effort of government to minimize the problem of investment obstacles. However, as the response shows, 30 percent replied as there is no effort or initiation from the woreda government bodies to overcome investment obstacles. According to the respondents, there are efforts to minimize the investment obstacles such as; training for its employees about administration and service provision, reserving industrial zone and expanding infrastructural facilities, awareness creation among investors related to tax administration (VAT registration), creating market linkage for their products, some offices such as custom and revenue authority are improving their service and getting networked. Tax payers have been divided into their different levels which simplifies the process of payment.

Table 3.11. Minimizing obstacles by the government

Description	Response		
	No.	%	
Is there any effort of the government in minimizing of overall obstacles?	Yes	86	60
	Sometimes	22	30
	No	14	10
Total	142	142	

Source: own survey (2014)

3.7. Conduciveness of the existing policy investment

From Table 3.12, we can see that the majority of the sampled respondents (62.7%) have said the investment policy is conducive. However, they tried to reflect that there are some problems on the implementation of the investment policy. On the other hand, 29 percent of sampled respondents said the investment policy is not conducive. And other 7.7 percent replied that they didn't have knowledge on investment policy. From this we can understand that the investment policy is conducive for investment but there are problems on the implementation of it. The current policy of government has got good acceptance from the investors. However, the policies and strategies of the government are not appropriately implemented on the ground. In this study we have explored many obstacles of investment that show poor implementation of policy related

with the main points of land provision, access of loan, infrastructural development, taxation and incentive.

Table 3.12. Conduciveness of existing investment policy

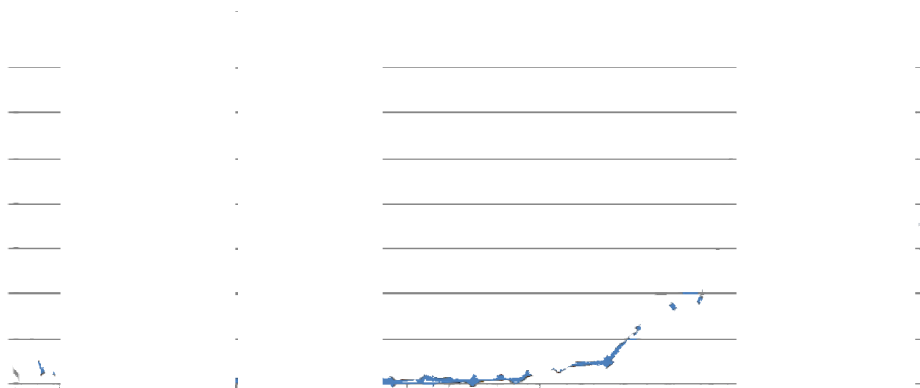
Sample Description	Response	
	No.	%
Do you believe the existing investment policy is conducive for investment?	Yes	89 62.7
	No	42 29.5
	I don't know	11 7.7
Total		142 100

3.8. Trend of investment in Tigray

As interview result of officials and secondary data, trend of the investment has increased in the last five years in the woredas. Moreover, as profile of investors registered shows, the number of registered investors is increasing in the region.

3.8.1. Trend of capital investment

Generally, Fig. 3.1 shows the trend of planned capital for investors in Tigray region from 1992 to 2013. From the figure it can understand that the trend of planned capital for investment in the region has stable figure from the year 1992 up to 2000. From the year 2001 up to 2003 the trend of planned capital for investment has shown an increasing trend. In the year 2004 the trend of planned capital for investment in the sector has decreased. From the year 2005 except the year 2006, the trend of planned capital for investment in the sector has shown significant incremental trends. This result which has obtained from secondary sources has fitted with information given from officials of the selected woredas.



Source: Tigray investment office 2013

Figure 3.1. Trend of capital investment

According to Federal Democratic Republic of Ethiopia investment proclamation No.769/2012, under investment incentives section one, the main types of incentives provided are related with exemption of income tax, and under section two, the types of incentives are related with exemption from custom duty. Similarly, in the woredas of study area, the incentives are related with the abovementioned federal level incentives and other respective incentives of woredas. Almost all of the officials in each woreda have explained that their

respective offices implement different incentives for investors provided by government. The types of incentives are duty free for import of vehicles, machineries and related materials, tax holiday and tax exemption for some years for selected projects, like import substituting businesses (from 2 to 9 years), and Provision of land at initial lease cost.

The woredas also undertakes activities which encourage investors in their operation such as facilitate the bank loan especially for some prioritized sectors, accessing infrastructures such as electricity and water supply in the industrial areas and other potential areas of investment, professional and technical support, supervision and follow up services for the invested projects, aware people living around the investment site about the benefit of the investment for creating smooth communication among the people and the investors, giving professional advice, training, in most of the woredas consultation is given how to solve the expected challenges, and fast response for any investment related requests, like land request.

3.9. Weaknesses of Investors

Investors usually report as the trouble makers in investment is government. But it is not possible to conclude that the problems are emerged only from government. Based on the officials' investors have many problems such as; they don't start operation as per their proposed plan, changing of sector after obtaining of license, financial incapability, providing unreal deposit account, hiring non professionals (most of the investors manage their business by themselves), inappropriate land management inefficient utilization of natural resources, lower wage rate, illegal expansion of land, and using land for another purpose

4. Conclusion

The derivers why the investors are involved in such a sector were also studied and results have revealed that the conducive government policy and the favorable environmental conditions, among others are some of the reasons that motivated them to get involved in the sector. Land is an essential input for such an investment and investors need land to work on. Out of the 142 respondents 133 (91%) have requested for land to work on and

the remaining have not requested for land. Results have shown that 85 (60%) of the investors have succeeded in getting land (though delays were reported) and 44 (31%) have not succeeded in getting the land.

One main target why the government is encouraging the manufacturing sector is that the sector is expected to create employment opportunities and such a plan has to be included in the original document. Results have shown that 61 (44.5%) have reported that they have created employment opportunity as per their plan; and the remaining 81 (55.5%) have reported that they have created employment opportunities, but it is below what they planned. The main bottlenecks of the investors that are involved in the manufacturing sector; not to create employment opportunity as per their proposed plan are; seasonality of the demand to their production/service, financial problem, lack of foreign currency, and absence of skilled man power.

Some of the challenges that the investors faced during land acquisition process are; bureaucratic procedures, provision of land, access to loans, governance issues and availability of trained human resources. Problems in the application of technology are related with electric power problem, shortage of water, lack of skilled labor to run the technology, and lack of maintenance and accessories. The main factors for dissatisfaction of the investors that are included in the study with the service provisions of financial institutions are; very weak and time consuming banking service, insufficient credit provision and absence of long term credit, long process during loan provision particularly in the commercial and development banks, shortage of foreign currency, problem on the supply of credit and LC (letter of credit). Most of investors have got various incentives including duty free import, provision of land by initial lease price, tax incentive/holiday, credit provision and facilitation.

The major reasons for governmental offices' long and very long process service delivery include less responsibility, absence of integrity, low confidence of government officials to decide, lengthy meeting time of officials, unfamiliarity of staff with rules, regulation and guidelines, absence of integration within/among offices, inaccurate estimation of tax and tax collection is not periodical, lack of modern working system. Most of the investors responded as the investment policy of government is conducive for investment but its implementation is discouraging. Hindering factors for investors at implementation phase not to start on time are; lack of enough credit/loans and absence of timely credit provision, shortage of foreign currency, long time to import inputs, no timely response for land request, infrastructural problems, price increase on construction materials, and shortage of trained manpower to install/operate equipment.

Investors' weaknesses are late to start operation or construction, change of sector after obtaining of license, financial incapability, they do not use modern technology, lack of experience, they do not hire professionals, wage rate is very low, inefficient utilization of natural resources, and they expand their investment land illegally.

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