A STUDY ON IMPACTS OF INVESTMENT POLICY OF ETHIOPIA ON RURAL EMPLOYMENT WITH PARTICULAR REFERENCE TO FLORICULTURE INDUSTRY

MASTERS OF ARTS THESIS

INDIRA GANDHI NATIONAL OPEN UNIVERSITY, IGNOU SCHOOL OF GRADUATE STUDIES IN RURAL DEVELOPMENT

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DECLARATION

I herby declare the thesis with title *IMPACTS OF INVESTMENT POLICY OF ETHIOPIA ON RURAL EMPLOYMENT WITH PARTICULAR REFERENCE TO FLORICULTURE INDUSTRY* submitted by me for the partial fulfillment of the MA in Rural Development to Indira Gandhi National Open University (IGNOU), New Delhi is my own work and has not been submitted earlier either to IGNOU or any other institution for the fulfillment of the requirement for any course of study. I also declare that no chapter of this manuscript in the whole or in part is taken and incorporated in this report from any earlier work done by me or others.

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DEDICATION

I dedicate this thesis manuscript to Meseret Ketema for her dedicated partnership in the success of my life, my daughter Yohannah and my son Nathaniel for their affection and love.

STATEMENT OF AUTHOR

First, I declare that this thesis is my original work and that all sources of materials used for it have been duly acknowledged. It has been submitted in partial fulfillment of the requirements for MA. Degree at the Indira Gandhi National Open University and is kept at the University Library to be made available to borrowers under rules and regulations of the Library. I solemnly declare that this Thesis is not submitted to any other institution anywhere for the award of any academic qualification.

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BIOGRAPHICAL SKETCH

The author was born on the 20th May 1977 at Harar town in Ethiopia. He attended his primary and secondary education at Sire Senior Secondary School and completed his secondary education in 1996. He joined Alemaya University in 1997 and graduated with B.Sc. Degree in Agricultural Economics in 2000.. Soon after his graduation he has been working with various international non-governmental organization in-country and at expatriate level where he has gained ample experiences under ranges of socio-economic, political and multi-cultural context of East Africa region for more than 12 years. He has been working at expert and management capacities in programming and management of food and livelihoods security, community based multi years' long-term development projects focused on agriculture, income generating activities, health, HIV/AIDS prevention, early warning systems, water, sanitation & hygiene promotion, education and humanitarian responses. In his career he is working in different countries of East and Horn of Africa comprising Ethiopia, South Sudan and Sudan with various international humanitarian and development organizations extending his immense experience in the filed.

He is also well acquainted with the whole project cycle management of development programmes, human resource management and coordination of operations of humanitarian responses under different settings working closely with all concerned parties comprising local authorities, communities, government structures at different levels. Furthermore, he has immense exposure of working with international aid agencies partnerships such as EU, ECHO, CIDA, USAID, DFID and various UN agencies. During his careen he has been working with TEARFUND, World Vision, and Compassion International, Food for the Hungry International, Caritas International, and Christian Aid.

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Above all, I want to take this opportunity to pass my heart felt thanks to my wife for her devotion in encouraging and support to achieve my dream.

ACRONYMS

CSA	Central Statistics Agency
EHDA	Ethiopia Horticulture Development Agency
EHPEA	Ethiopian Horticulture Producers and Exporters Association
EIA	Ethiopia Investment Agency
EMFA	Ethiopia Ministry of Foreign Affairs
EMSA	Ethiopia Ministry of Social Affairs
EMTI	Ethiopia Ministry of Trade and Industry
ETB	Ethiopia Birr
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
GDP	Gross Domestic Product
ha	Hectare
ICSID	International Convention of Settlement of Investment Disputes
ILO	International Labour Organization
ISCIC	International Standard & Classification of Industrial Code
ITC	International Trade Centre
LDCs	Less Developed Countries

MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
MNCs	Multinational Corporations
NBE	National Bank of Ethiopia
NGO	Non Governmental Organizations
NIC	New Industrialized Countries
OECD	Organization for Economic Co-operation and Development
PANUPS	Pesticide Action Network Update Service
PASDEP	Plan for Accelerated and Sustained Development to End Poverty’ (PASDEP)
RIOs	Regional Investment Offices
SNNPR	South Nations Nationalities Peoples Region
TGE	Transitional Government of Ethiopia
UNDESA	United Nations Department of Economic and Social Affairs
UNCTAD	United Nations Conference of Trade and Development
USA	United States of America
USD	United States Dollar
WB	World Bank

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ABSTRACT

Ethiopia has passed through a lot of changes for the last two decades in terms of economic reforms where by several policy proclamations and provisions had been taken up by the government. Since May 1991, the climate for foreign investment has improved dramatically. Private investment policies are more liberal, commercial performance standards have been applied to public enterprises, tax and tariffs have been reformed, and the currency has been devalued. In 1996, a revised investment proclamation was approved that created additional incentives for foreign investors. Major provisions included duty-free entry of most capital goods and a cut in the capital gains tax from 40 to 10%. In addition, the government opened a number of previously closed sectors of the economy to foreign investment, although financial services, large-scale power production, telecommunications, and other public utilities remain off limits. This study assesses the policy measures taken up by the government and how it impacts investment flow to the country's economy. Official figures indicate that as of from 1992 to 2011 out of a 55, 265 investment projects 6, foreign investors had been given licenses. In 1998, amendments to the 1996 investment proclamation allowed Ethiopian expatriates and permanent residents the ability to invest in industries that had previously been reserved for nationals only. The inflow of investment by domestic, foreign and public investors peaked in 2011 at $40billion. Investment projects launched between the period 2002 to 2011 creates job opportunity to 7.3million people of temporary and permanent employment.

Floriculture industry is an agro industry activity that experienced a dramatic boom in Ethiopia since 1992, particularly following the economic reform and investment policy provisions by the government that creates conducive investment climate and more stable economic environment. Attempt has made and detailed analysis got due attention to assess the impact of the investment policy and how it opens up the door for the emergence of floriculture industry and its economic impact, rural job creation.

Number of investment projects launched to undertake flower farming showed a sharp rise from 1992 where it reaches to peak at 351 in 2011 with highest number in 2008, in which 79 new flower farms are established. It creates a job opportunities for 386,074 personnel of both

skilled and unskilled labour for permanent and temporary employment during the mentioned period. This in turn resulted in improving the livelihood of the rural community where the flower farms are located. A total of USD184.1million foreign earning has been gained by the country in 2011 and it reaches to USD301million from 2000 to 2010. Furthermore, technology transfer and experience sharing from those expertises of other countries counts significantly and impacts the sector, undeniably, positively.

Although the sector is contributing to country's economy and being one of the sectors that contribute to the country's foreign earning, there are some concerns from different groups on its environmental and social impact particularly health and safety of workers on flower firms. It should be taken as centre of discussion among all concerned parties to minimize the negative implications and support the sector to maximize country's potential benefit from the industry.

CHAPTER ONE: INTRODUCTION

1.1 General background

Ethiopia is the second most populous country in Sub-Saharan Africa next to Nigeria with a population size of more than 84 million in 2011[1]. According to the medium variant of the national population projections, the population will pass the 100 million mark by the year 2017, implying an average growth rate of 2.43 percent (World Bank Report, 2012). Even under this favorable scenario that assumes a steep decline in fertility to 3.32 by 2030, the population growth will continue to exert serious pressure on the environment and the provision of basic social services will remain an enormous challenge to the country for the foreseeable future. With a per capita income of about US $400 per annum[2], Ethiopia is ranking the sixth poorest country in the world. The UNDESA 2011 Human Development Report ranks Ethiopia 174th out of 177 countries (UNDESA, 2011).

Agriculture is the main stay of Ethiopia's economy, which accounts 46.6% of the gross domestic product (GDP) and 85% of total employment. Service and industry sector are placed second and third with a share of 38.9% and 14.5% respectively. Ethiopia pursues a public sector-led growth strategy that focuses on promoting growth through high public investment supported partly by low nominal interest rates. While the strategy has contributed to robust economic growth in the past, recent developments indicate a buildup of vulnerabilities, which need to be addressed in order to sustain this economic growth. Growth prospects according to the International Monetary Fund (IMF) remain robust. While inflation is a continuing concern, real GDP growth is projected to remain relatively strong (at 6.5%) in subsequent years under the continuation of current policies.

Empirical evidence suggests that countries with high standards of living are those that have altered successfully their production structure from dependence on agriculture to a more diversified one, with manufacturing and services sectors as lead sectors. With regard to developing nations, development of agriculture is key sector to take off this process of change. Integral to the process of diversification and development is laid on a commitment to investment, both private and public. For African countries, a major challenge is how to provide an enabling environment for investments by the private sector, given the current development paradigm of making the private sector "the engine for growth". While a sizable

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[1] *World Bank Countries Economy Overview Report, September 2012* http://www.worldbank.org/en/country/ethiopia

[2] *World Bank Countries Economy Overview Report, September 2012*

number of firms in the private sector tend to be of small size, there is a possibility for some to grow into medium sizes over time.[3] Against this backdrop, this paper examines the investment policy proclamations and regulations issued by the government of Ethiopia and its implication on the rural employment creation in particular with reference of the newly emerging floriculture industry where a number of small, medium and large-sized enterprises have been involved.

As the economy of a given country grows, it is supposed to create sufficient earning opportunities for the masses by large. This is to happen through the expansion of private and public, formal and informal sectors where either the government or individuals invest on. Having conducive environment for small enterprises development of both on- farm and off-farm in the rural areas is inevitable to promote investment in each sector. In this regard, for a couple of times, the government of Ethiopia has issued policies and subsequent amendments on incentives and investment areas reserved for domestic investors. The post 1992 period is highly known for its economic liberalization measures compared to its predecessor government system and economic policy. Among the various structural changes in the economic sphere, in-placing new investment policy and instruments of implementation was among the major ones. Subsequent amendments and incentive packages are the salient feature s of this new policy undertaken to make the business environment conducive for investors. The first investment policy was proclaimed in 1992 labeled to be 'Investment Code No. 15/1992.Subsequent proclamations were made; Proclamation No. 37/1996 and Proclamation No 116/1998. Under these subsequent policy proclamations amendments and introduction of incentives packages, areas reserved for government and domestic investors, redefinition of statuses of different categories of investors i.e. domestic and foreign investors have been done. Furthermore, with the aim of making the environment more conducive re-enactment of the investment proclamation was carried out in 2002, Proclamation No. 280/2002; in 2003, Proclamation NO.373/2003; and in 2008, Regulation No.146/2008. Although there are different organs involved in the management of investment at different level and sectors, the Ethiopia Investment Agency is the apex government body instituted to administration of investment in the country.

Creating employment opportunities to citizens of a given nation is becoming one of the key responsibilities of countries regardless of its length of remaining in power. The agenda of

[3] *Defining small firms to be those employing 1-19 workers, the survey of private enterprises by the World Bank between 2002 and 2006 suggests that about 52% of firms in low-income countries in Africa could be regarded as small-sized firms. In the case of middle-income countries in Africa, 46% of the firms fall into the small-sized category.*

development and all associated efforts at all levels are to achieve better living condition for the people where creating gainful employment is the founding and key element of the process. About 86% of Ethiopia population is dwelling in the rural areas, ranging from rural-towns to very remote marginal lands with no infrastructural amenities[4]. Of the total active age group of the rural population, those employed as agricultural labourers and people engaged on small income generating occupations accounts for 45.5% and 45.1%, respectively. Generally, non-farm and on-farm enterprises provide income-earning opportunities to those lacking alternative options and supplementary income for farming households. Hence, examining the trend of investing on rural small enterprises and assessing its impact on rural masses in terms of creating employment opportunities has got paramount importance.

Following liberalization of the economy and provisions availed by the government to promote investment and protect private business ventures; the floriculture industry is one of the booming sectors that back the economic performance of the country at large. Both private domestic and foreign investors were attracted to this sector where more than 83 flower farms were came into operation between 2005 and 2011 The biggest and most direct impact of the emerging floriculture industry on Ethiopia is the employment creation, which is projected to be more than 100,000 jobs in 5 years[5] in the rural areas particularly. Not only the number of jobs but also the social impact of the job creation is huge extending to training of disadvantaged groups of the community and hiring them at farms and development of small rural villages to well structured towns.

Governments of both developing and developed nations outlined several policy instruments in this regard in which investment policies, regulations and proclamations are among those to feed to the wider macro and micro economic policy of the country depending on their socioeconomic context.

As the economy of a given country grows, it is supposed to create sufficient earning opportunities for the masses. This is to happen through the expansion of private and public, formal and informal sectors where either the government or individuals invest on. Having conducive business environment for small enterprises development of both on- farm and off-farm in the rural areas is inevitable to promote investment in each sector. In this regard, for a couple of times, the government of Ethiopia has issued policies and subsequent amendments on incentives and investment areas reserved for domestic investors.

[4] *FDRE CSA Report on National Labour Force Survey, May 2006.*

[5] *Ethiopian Horticulture Producers and Exporter s Association, Annual Report, May 2008*

About 86% of Ethiopia population is dwelling in the rural areas, ranging from rural-towns to very remote marginal lands with no infrastructural amenities[6]. Of the total active age group of the rural population, those employed as agricultural labourers and people engaged on small income generating occupations accounts for 45.5% and 45.1%, respectively. Generally, non-farm and on-farm enterprises provide income-earning opportunities to those lacking alternative options and supplementary income for farming households. Hence, examining the trend of investing on rural small enterprises and assessing its impact on rural masses in terms of creating employment opportunities has got paramount importance.

Rural areas are home and workplace to half of the world's population. Seventy five per cent of the poor and majority of the jobless and underemployed are residing in the rural set up. Ninety-five per cent of total rural population lives in developing countries.[7] Contexts are complex: modern, productive and high-return commercial agriculture and industries co-exist with widespread small-sized, traditional and survival-type rural activities. Some developing countries, mainly in Asia, have achieved rapid poverty reduction through increased agricultural productivity. Improved local processing, storage, transportation, and access to global markets, as well as better-enabled human resources, have also strengthened results.

The issue of creating employment to the citizens of a given nation is becoming one of the key responsibilities of countries regardless of its age-old duty of the incumbent government anywhere. The agenda of development and all associated efforts at all levels are to achieve better living condition for the people where creating gainful employment is the founding and key element of the process. Governments of both developing and developed nations outlined several policy instruments in this regard in which investment policies, regulations and proclamations are among those to feed to the wider macro and micro economic policy of the country depending on their socioeconomic context.

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[7] *The States World Population 2011, Population Division of the United Nations Department of Economic and Social Affairs*

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This study will answer the questions of how does policy provision, by the government of Ethiopia, in the last two decades to promote investment dictates investment by individuals, groups or companies particularly in floriculture industry and to what extent it impacts employment opportunity for the rural people.

1.2 Statement of the problem

For countries like Ethiopia where agriculture is the mainstay of the economy and more than three-fourth of the population residing in the rural areas, growth in agriculture is essential, and growth in the rural non-farm economy is especially important.

Policies aimed at the rural sector should be oriented towards providing incentives that stimulate the provision of rural agricultural and nonagricultural jobs, as well as the capacity of households to respond to such signals. In response to this, as part of its overall effort the Ethiopian Government has issued several proclamations and regulations for investment, particularly in the past two decades. The objective of these proclamations is to encourage and promote investment so as to accelerate the economic development of the country and to improve the living standards of its people. It also emphasizes that domestic investors are deemed essential to widen the scope of participation of foreign investors and to facilitate conditions. In this regard, the system of administration of investment needs to be transparent and efficient. Accordingly, the existing law on investment has been amended for a couple of times. In response to this, a number of domestic and foreign investors are engaged on a wide range of enterprises in general and rural enterprises in particular that creates employment for the rural people.

[8] FDRE CSA Report on National Labour Force Survey, May 2006.

Currently, agriculture is still the single largest source of employment in rural areas, though non-farm activities are becoming increasingly important. These comprise a highly diverse range of activities: from manufacturing, usually artisan, to trading, to the provision of services of some kinds. Combined with farming, itself diverse, this produces a wide variety of occupations. Despite the heterogeneity, some features of rural work are common across sectors and locations. Most rural workers are self-employed, whether it be on their own farms or in the small, often very small, enterprises typical of rural nonfarm activities. Following the investments undertaken by various entrepreneurs in the rural areas, wage labourers constitute a significant employment opportunity for the rural people, which are believed to experience an increasing trend over the past decades. The nature of the employment is temporary and seasonal, particularly in some sector, which is informal and casual. On the other hand, formal and contractual or permanent jobs in some areas are another feature of employment by enterprises in the rural area.

This study, therefore, will focus on the different policy measures undertaken by the Government of Ethiopia on investment in the past two consecutive decades and its particular impact on employment creation for the rural mass. Hence, enterprise establishment by private or company investors and their implication on job creation with particular reference to the floriculture industry of both products/goods and services are to be analyzed.

1.3 Objectives of the study

This descriptive and exploratory study aims at analyzing the effects of investment policy and amendments made on it, particularly from 1992 onward, by the Ethiopian Government on rural employment creation with particular reference to floriculture industry. In due course, it will try to summarize the impact on the living condition of the rural mass.

The specific objectives comprise:

- To examine investment policy provisions and its features with reference to development or promotion of rural enterprises.
- To study the growth of new and existing enterprises of floriculture industry initiated following the investment policy provision by the government.
- To analyze the trend and feature of employment created by enterprises of floriculture set up as a result of the investment policy in the rural areas.
- To recommend possible research questions for further studies.

1.4 Significance of the study

Several changes happening with regard to policies, strategies and social, political and economic structures in Ethiopia following the change of government in 1992, the growth and development focus of the country is experiencing different direction. The impact of policy changes, particularly economic liberalization policies in some sectors, brought the emergence of alternative and diversified business ventures with in the sector and revival the various sectors in the countries economy.

Ethiopian business climate and investment engagements are one of the areas significantly impacted following the changes since 1992. Scrutinizing and researching the status and performance of investment policy measures undertaken by the government is still an area need to be further assessed and studies as it is the key instrument playing the central role in terms of spinning both private and public sectors in the country. In light of this, the set up and the emergence of modern floriculture industry, which is encouraged by the policy changes and amendments undertaken in the economy sector, is only two decades old despite of its contribution to foreign earnings and employment creations in the country.

This study provides the picture how the different investment policy proclamations carried out by the government impacts the economy of the country and the lives of the rural people. Furthermore, it raises issues and concerns entangled the floriculture industry and potential fears in the sector that needs further investigation and due attention by concerned stakeholders.

1.5 Hypothesis of the study

Following the proclamation of investment policy and subsequent amendments by the government of Ethiopia, it is believed that individuals and companies are encouraged to invest in the rural areas. This, obviously, leads to growth in investment and a possible set up of new enterprises in the rural areas that resulted in creating an opportunity for the rural people to win employment opportunity on both on-farm and non-farm enterprises.

1.6 Scope and limitations of the study

The study is carried out at the national level with collaboration from the Ethiopian Investment Agency. The office facilitates review of the different investment policy proclamations, amendments undertaken, regulations and deliberations managed by the government of Ethiopia since 1991G.C. For the purpose of this study, enterprises or associations and agencies institutionalized by the government with the responsibility of operations of the floriculture industry has been contacted. On top of this, different flower farms/companies set up in the rural areas are visited as facilitated by EHDA and EHPEA and employment created by these enterprises is analyzed. In doing so, eight flower farms located in four .different locations, which are sampled from the whole, well assessed during the study. This farms or flower companies are located in four different directions of the rural areas and outskirts of Addis Ababa.

This study is limited to the assessment of the general impact of different investment policy measures undertaken by the government of Ethiopia and its outcome on floriculture industry in employment creation. The different issues and concerns rising in association with the emergency of the industry is not covered under this study.

1.7 Structure of the thesis

The thesis is organized in six chapters excluding the already covered chapter one. Chapter two deals with review of literature that includes theoretical frameworks of investment policy and employment, overview of investment policies of Ethiopia and empirical studies made in the country and elsewhere in the world. Chapter three presents description of the methodology while chapter four deals with results obtained and discussions. Chapter five presents summary and conclusions of the study with chapter six detailed profile of references.

CHAPTER TWO: LITERATURE REVIEW

2.1 Conceptual framework and definitions

Investment:

The very essence of investment is seen differently by different ventures. In general terms, it is about the use of money in the hope of making more money. This commitment of money to gain profitable returns in different forms, is deferring consumption. Investment is involved in many areas of the economy where rural areas are among the potential targets that have significant impact on the livelihoods of the rural mass.

Rural Employment creation:

Employment is getting someone engaged on activities or occupation where she or he gains income (source). FAO Rural Employment Strategy[9] (I did not understand the super script. What is it? Is it a source to be placed in the reference?) defines rural employment as, any activity, occupation, work, business or service performed by rural people for remuneration, profit, social or family gain, in cash or kind, including under a contract of hire, written or oral, expressed or implied, and without regard to whether the service is performed on a self-directed, part-time, full-time or casual basis. For the purpose of this study emphasis will be given to both self employed and wage–earning employment of full-time or part-time on various on-farm and non-farm activities initiated by ongoing or new investment due to the investment policy of Ethiopia.

Investment-in light of Foreign Direct Investment:

The very essence of investment is seen differently by different ventures. In general terms, it is about the use of money in the hope of making more money. This commitment of money to gain profitable returns in different forms, is deferring consumption. Investment is involved in many areas of the economy where rural areas are among the potential targets that have significant impact on the livelihoods of the rural mass.

Similarly, the main concepts and definitions of FDI as it is vital constituent of the whole concept of investment, foreign direct investment is not just a capital movement. In addition to

[9] FAO Rural Employment Strategy, “Productive, Fair and Just Employment for Rural Development & Food Security” – 2009

capital, a controlled subsidiary often receives direct input of managerial skills, technology and other tangible and intangible assets. Unlike portfolio investors, direct foreign investors have substantial control over the management of foreign subsidiary. In fact, "balance of payment accountants define FDI as any flow of lending to, or purchase of ownership in, a foreign enterprise that is largely owned by the residents (usually firms) of the investing country" (Thomas and Peter 2000). According to the IMF (1993) balance of payment manual, an investment by a foreign investor is regarded as FDI if the direct investor holds at least 10 percent of the ordinary share or voting power of a firm. There are different types of FDI. These include Greenfield investment, cross border merger and acquisition, and reinvested earnings. Greenfield investment refers to the establishment of a new firm that in turn enables to create productive assets in a host country. Usually, it is financed by capital coming from the investor's country. A transfer of ownership of local productive assets to a foreign investor is referred as international or cross border merger and acquisition. Reinvested earnings refer part or all of the profit that is not repatriated to the investor's country but reinvested in the host country (UNCTAD, 1998). FDI can also be classified into market-seeking, export- oriented and government initiated FDI. A market-seeking FDI is highly determined by the growth potential and the size of national market, reliable business and investment environment, access to regional & global markets and country-specific consumer preferences. When a foreign firm produces raw materials, intermediate and final goods and sells these products for non-local market, this FDI is referred as export-oriented FDI. An investment is called government initiated FDI, when governments of developing countries invite and give incentives to direct foreign investors to invest in specific sectors and industries with a view to addressing socio-economic problems like unemployment, regional disparities and deficits in the balance of payment (Accolley et al, 1997). In a similar vein, again based on the primary motives of the direct foreign investors, FDI can also be classified into the following three groups: Market seeking, resource/asset-seeking and efficiency seeking (UNCTAD, 2007). A resource/asset seeking FDI is attracted by availability of low-cost unskilled & skilled labour, strategic natural resources and raw materials. An efficiency-seeking FDI is significantly determined by productivity of labour resource, costs of inputs and intermediate goods (UNCTAD, 1998).

Understanding the benefits and the drawbacks of FDI is imperative to formulate a sound policy. Even if, in recent times, the policy that favours FDI dominates, there are two opposing views as to the role of FDI in developing economies. On the one hand, it is argued that FDI benefits the host country, for instance by creating employment opportunities and bringing new technologies. In contrast, the other group argues that the adverse effects of FDI outweigh its benefits. Pro-FDI views underscores economic growth depends on the rate of investment which in turn largely depends on savings. However, gross domestic savings are too low in the least developed countries (LDCs). Foreign direct investment is an alternative source to fill the gap between savings and the required investment. Foreign firms bring not only financial capital but also managerial techniques as well as, entrepreneurial and technological skills that lack in LDCs and these skills can be transferred to domestic firms through different channels. The government's budget deficits can also be filled by profit-tax may be collected from transnational companies (Todaro, 1992). FDI can also play important role by creating employment opportunities and by integrating the host-country economy in to the world economy (OECD, 2002). Anti-FDI views advocate that there is a group of scholars that strongly disagrees with the positive view on FDI that has been explained above. The first counter argument says that Multinational Corporations (MNCs) increase income for low income groups, which have low propensity to save. If individuals do not save enough, the gap between savings and investments cannot be closed. Besides, foreign firms may also fail to reinvest the profit they generate in the host country; hamper the growth of domestic enterprises and domestic investment by importing the input and intermediate product from their subsidiaries in other countries. FDI might also inhibit the development of indigenous skills as the result of multinational companies' dominance over local enterprises (Todaro, 1992). Certainly, initial investment of foreign firms improves the current and the capital account of the host country. However, in the long run, substantial import of intermediate and capital goods, repatriation of profit, interest, royalties and management fees may harmfully affect the foreign exchange position of the host country (OECD, 2002). However, governments often enter in to exclusive agreements with foreign firms and provide tax holidays, tariff protections, and investment allowances. Due to these reasons, the taxes that can be collected become quite small. Moreover, these firms can avoid local taxation by transfer pricing techniques -a method used to reduce local profit level by paying artificially inflated prices to the intermediate products purchased from abroad subsidiaries (Thomas A. and Peter. 2000).

This study will answer the questions of how does policy provision, by the government of Ethiopia, in the last two decades to promote investment impacts investment by individuals, groups or companies particularly in floriculture industry, and to what extent it impacts employment opportunity for the rural people.

2.2 Theory of investment

The theory of investment goes back to Keynes (1936) ‘General Theory’, who first called attention to the existence of an independent investment decision function in the economy. He observed investment depends on the prospective marginal efficiency of capital relative to some interest rate that is reflective of the opportunity cost of the invested funds. He further pointed out that because the rational assessment of the return on investment is bound to be uncertainty, the ‘animal sprits’ of private investors would be the main driving forces in investment decision

After Keynes, the accelerator principle was the dominant theory of investment behaviour during the 1950 and early 1960s. The accelerator theory postulated a linear relationship between investment and output. According to the theory, given an incremental capital/output ration, it is easy to compute the investments associated with a given target for output growth. .Hence there is a constant ratio of desired K stock to output. The theory has several limitations as it disregards expectations, profitability and cost of capital as determinants of investment. Some of the limitations are not removed by the modified version of the theory, i.e. the flexible accelerator model.

The flexible accelerator model based on the optimal accumulation of capital associated with Jorgensen(1907) and Hall & Jorgensen(1971) assumes investment is function of the level of output and the user cost of capital(which in turn depends on the price of capital goods, the real interest rate and depreciation rate). The theory has some limitations with regard to its inconsistent assumption of perfect competitive and exogenously determined output. The theory also disregards dynamic expectations in regard to further price interest rates and output.

Tobin (1969) postulated that investment decisions are the function of the ratio the addition to the value of the firm due to an extra unit of capital installed to its replacement cost. If this ratio, called Tobin’s q, is greater(less) than unity firms would want to increase or decrease their capital stock.

As result of the poor empirical performance of the flexible accelerator model and later Tobin’s Q-theory, recent work on investment broadly falls in to two categories i.e. the first is studies on ‘investment, irreversibility and uncertainty’ and the second one is the work that has attempted to relate investment to measures of political and country risk. The later branch of the literature is especially relevant to the determinates of in developing countries, since it tends to emphasizes those macroeconomic and institutional features that are specific to developing counties such as vulnerability to external shocks, large external debt positions, credit rationing ,complementarities between public and private investment, and shifts in income distribution.[10]

As stated above neoclassical argued that investment depends on the rate of interest and the level of income. The theory that investment depends on the rate of interest focus heavenly on the cost of finance as the key variable, all the costs (including the availability of finance, economic infrastructure, source of capital, policy, etc) being assumed unimportant or given. However, private investment behaviour in developing courtiers cannot be directly explained by using the standard approach based on the theory of the firm (Jansen, 1992). This is because, it has been generally hard to test this model in developing countries like Ethiopia, as key assumption (such as perfect capital market and little government investment) are not applicable and data for certain variables like capital stock ,real wages and real financing rates for debt and equity) are either unavailable or inadequate .Hence the empirical literature on private investment behaviour in developing countries focusing instead on testing several hypothesis advanced to explain variations in private investment. Accordingly in order to overcome the limitations of the neoclassical flexible accelerator model research which has proceeded in several directions in the process, indentifying number of variables that might be expected to reflect the institutional and structural characteristics of developing countries such as lack infrastructure , finance , unreliable investment or business environment as well as political factors. The inclusion of such variables has often resulted in electric and ad hoc equations, constructed for econometric convenience, without a strong and convincing theoretical basis. All these show the attempts made by researchers to improve the theoretical basis of the macroeconomic determinants of investment environment in developing countries. Determinants of investment policies:

Macroeconomic determinates (factors): Theoretical consideration and empirical findings suggest that many microeconomic variables affect investment. Investment in developing countries ,as reviewed by Greene and Villanueva (1991) and others like Oshikoya(1994), is determined by the real interest rate, availability of finance ,economic growth public investment ,macroeconomic stability(as proxy by the rate of inflation),income per capital,

[10] Jespersen Frederick, 1995. Trends in private investment in Developing countries statistics for 1970-94 .The World Bank

the size of debt service burdens, availability of foreign exchange, changes of the exchange rate (devaluation), change in terms of trade and uncertainly .

Availability of finance: The rates of interest charged by lending institutions do not always change when others rates change, so they do not represent the cost of credit to the private sector. The period of loan given by banking institutions is usually short term, and then the cost of bank credit is not very relevant to long-term investment decision. It seems rational to take into account the availability of finance represented by the proportion of credit dispersed to private investors, as a determining factors rather than the interest rate. Because the real interest rate does not change much and is not high, the availability of finance is rather important because of scarcity of fiancé. The expected sign is positive because as the availability of finance increase people can have the finance and investment which increase the rate of private investment (Harvey, 1985). The direct positive impact of credit availability on positive investment in confirmed in the studies by Blejer and Khan (1984).

The Real per capital growth rate: A balanced expansion of aggregate demand is critical to the success of investment led growth strategy, since without an increase in demand, firms have no reason to expand capacity .It has been hypothesized that positive investment is positively related to the growth of real output. Studies also suggest that the rate of growth of real out put (real GDP) per capital should be positive related to the positive investment rate, as is common in industrialized countries (Blejer and Khan, 1984)..

Public investment: The application of the neoclassical model to developing countries has led to identification of the public investment rate (the ratio of public investment to GDP) has a factor affecting the rate of private investment in these countries (Blejer and Khan 1984). However the theoretical level of the effect of public sector investment is ambiguous Serven & Solimano (1992), Greene and Villanueva (1991), and Blejer & Khan (1984) found a complementary relationship between public sector investment and private investment activities. On the one hand, public investment in developing countries can be hypothesized as crowding-out private investment because;

1. Public investment displaces private investors from profitable project opportunities
2. Domestics funding of public investment reduces credit support to the private sector.
3. Funding by monetary expansion causes inflation and business uncertainty and;

4. Funding by external debt increase the perceived risk by foreign and domestic investors.

On the other hand public investment activity may be complementary to and thus support private investment, particularly where public investment involves useful infrastructure-transportation systems, schools, and water and sewerage system and so on. Projects in this area tends raise the expected rate of on private investment lead to faster aggregate out put inducing higher private investment demand increase exports, providing foreign exchange for capital goods imports and aggregate increased private savings as real income rises.

Uncertainty is key for investors first there is uncertainty in relation to future benefits and costs. Second investors can control the timing of investment, waiting for relevant information and reliable business environment that may reduce investment uncertainty. Once the capital stock is installed, it cannot be put to new uses without incurring a substantial economic cost which is the irreversibility of investment decisions (Dixit and Pindyck, 1994). In this context, private investors both domestic and foreigners, will be reluctant to commit large expenditures on fixed investment when they are uncertain about the future political, social and economic environment changes uncertainty, usually associated with unpredictability, instability of the incentive structure as well as lack of sustainability and imperfect credibility of macro economic policy reforms can have a very significant impact on private investment. This leads to new thinking (options approach) which sees an investment opportunity as an option to buy an asset at different points in time, balancing the value of waiting with the opportunity cost of post panning investment decisions. The option approach shows that the standard net-present value rules of investment (invest when the purchase and installation cost equals the expected return) must be modified. The correct rule is that the anticipated return on the new investment project must exceed the purchase and installation cost by an amount equal to the value of keeping the investment option alive (Schmidt, Serven and Solimano, 1996).

The economic process of a country and in particular the inflow of FDI into a country can be disrupted by unsettled, implicit or explicit, internal or external political disputes and crises. Without stable political conditions, whatever the economic environment may be, a county's effort to create a more hospitable environment for overseas investors cannot be fruitful. Political instabilities can delay FDI until the storm weathers away or diverts away for good (Birhanu and Kibre, 2003).

While stable, transparent and reliable legal and regulatory frameworks promote both domestic and foreign investment, an inefficient and ineffective legal system is an impediment to enforce laws and contacts. (Birhanu and Kibre, 2003). However, UNCTAD (1999) indicated that an efficient and transparent legal system, and in particular LDCs, does not automatically make a country more attractive for FDI.

Privatization provides a concrete vehicle for TNCS to invest in a country. It has generated substantial amounts of FDI in many developing economies. Sound privatization programs have three main characteristics: political commitment, business orientation, and transparency. Large-scale privatization programs send a signal to foreign investors that a government is taking steps to create a climate conducive to FDI. Thus, FDI in privatization of infrastructure enterprises (e.g. telecommunications) and industrial enterprises would have great impact on other FDI flows (IFC & FIAS, 1997).

Investment incentives are FDI policy instruments used to attract foreign investors. These include tax reductions & exemptions, special tax allowances, financial incentives such as low interest loans, subsidies as well as grants. Investment guarantees (e.g. guarantees for repatriation of capital and transfer of profits, and guarantees for provision of foreign currencies) can also be seen as an incentive to attract TNCs. Bilateral and multilateral investment treaties are also an incentive to increase investment, through creating a predictable investment climate, thereby improving direct foreign investors confidence (Birhanu and Kibre, 2003). However, investment incentives are not substitutes for other determinants like infrastructure and market size. This clearly indicates that the effectiveness of investment incentives is highly determined by the host country's level of development (UNCTAD, 2000). As regards investment promotion, "some economists argue that, and if countries would only get their investment policies right, investors would search out all worthwhile investment opportunities" (IFC & FIAS, 1997:49). In reality, not all prospective investors search for opportunities; as a result, investment promotion is vital particularly in least developed countries (LDCs). Image building, investment generation and investors servicing are the three main elements of successful investment promotion. Investment promotion agencies can help the investment process if they indentify sectors and clusters of activities where comparative advantages exist and where new ones can be developed (IFC & FIAS, 1997).

2.3 Overview of Ethiopian floriculture industry:

In recent decades, the global demand for cut flowers has grown considerably. This growth in market demands and its diversification value has attracted increasing numbers of developing countries to the global fresh flower trade. These reasons seem to make Ethiopia come in to the picture of this business. But some people say that Ethiopia gives attention for this sector because the European production cost skyrocketed. European cut flower growers (especially Netherlands) have been looking to other continuities for more affordable conditions as experienced other East African countries like Kenya, Tanzania and Uganda (Laws, 2006).

Though floriculture development in Ethiopia blooming in recent years, it started for commercial purpose in 1980/81 which is now twenty six years ago. The first fresh cut flowers production was commenced in 1981 /82. The Derge regime had established Horticulture development corporations where government was responsible both for regulation and production even for marketing of horticultural products including flowers. During that time the production and export of cut flowers in Ethiopia was not established with well planned and aiming of profit seeking but foreign exchange earnings (Ethiopian Horticultural Strategy, 2007 p. 10).

As a result of this, the industry was one of the highly subsidized sub-sectors during the Derge regime (Habte, 2001). Floriculture was started to show modest increase in 1990s by 2-3 % from the agricultural output of the country. In 2001 it contributed $ 4.7 million to the country’s foreign currency earnings. But it was not as such significant enough to say it was important sector to develop the country’s economy. In five years the total export earnings increased at least five times that figure. (Ethiopian Horticultural Strategy, 2007 p.10).

Because of the Government of Ethiopia gave more attention for favorable investment condition and a more enabling atmosphere for private sector development the floriculture sector started to grow fastly in the last few years. The first private floriculture producer started around 1997, a second in 1999. From 2001 onwards, other growers started coming in and according to Ministry of Trade and Industry, floriculture industries under production reached 65 in the year 2006 (ibid.). Government’s allocation of a substantial amount of finance for investors who would like to engage in the sector and special loans are provided through the Development Bank of Ethiopia.

Table 1: Ethiopian government support to export-horticulture

Ethiopia's Investment Law	o According to the revised investment law, a foreign investor can invest on his/her own or jointly with a domestic investor. o The Investment law guarantees capital repatriation and remittance of dividends. o The Investment law provides investment guarantee. o Investment guarantee and protection; in Ethiopia both the Constitution and o The Investment Code protect private property
Investment Incentives	o A package of incentives under regulation No.84/2003 developed o Incentives are available both to foreign and domestic investors. o No discrimination between a foreign and domestic investor.
Types of Incentives	o Customs duty exemption o Income tax exemption o Loss carry forward o Remittance of fund o Land availability for investment on leasehold basis Utilities: electricity, telephone, water and road

Source: Ministry of Trade & Industry (2006)

These government support initiatives attract more and more foreign and local invertors to the country to participate in the floriculture development. According to Ministry of Trade and Industry totally in the Horticulture sector, most of them are floriculture investors there are 235 licensed projects with an aggregate capital of 7.5 Billion Eth. birr, out of which foreign investors owned projects of 171 with capital of 5.3 Billion Eth. birr and local investors owned projects of 64 with aggregate capital of 2 Billion Eth. birr (Ethiopian Horticultural Strategy, 2007).

These high level support not only attract more and more investors and it helps Ethiopia has better comparative advantage as compared to other production countries in the region together with near to ideal agro climatic condition , proximity to EU market and relatively cheap labour. Hence the sector is growing dramatically, in 2006 Ethiopia was the second largest exporter of large roses to the Dutch auctions (after Kenya) and the third largest supplier for small roses (after Kenya and Uganda) (Ethiopian Horticultural Strategy, 2007).

Government of Ethiopia formulated a comprehensive development strategy for the period 2005/06 – 2009/10 called ‘Plan for Accelerated and Sustained Development to End Poverty’ (PASDEP) to attain the Millennium Development Goals (MDGs) by 2015. Under this PASDEP it set program target an intensification of the recently initiated flower production in areas with altitude between 1,600 – 2,600 meters above sea-level. Accordingly out of the total of 2,031 ha of land leased to investors, the land covered by greenhouses is expected to reach 1,600 ha; an additional 400 ha of land will be put under green house shelter. The area under flower production (roses, cuttings, summer flowers) would thus increase from 519 ha in 2005/06 to 2,000 ha in 2009/10. In terms of employment generation the policy objectives is to increase the number of employees from well over 21,000 in 2005 (64.4% female workers) to a total of 70,000 in 2009/10 (Ethiopian Horticultural Strategy, 2007).

The recently initiated flower production areas are mainly around Addis Ababa, Upper Awash valley and Lake Ziway. Addis Ababa, the capital, with its altitude elevated about 2000 meters is the most suitable place for the production of high quality roses. Besides its suitable weather, all the infrastructures like roads, power, telecommunication and water have been availed for the investors in floriculture sector. Most of foreign and domestic investors on flower production have started their production on this area. It is also practically witnessed that Ethiopian highlands provide “Near Ideal” growing condition for roses. In the Upper Awash Valley with an altitude spanning from the range of 1200 to 1400 meters and the farms are located along the length of the River Awash with in 149 – 220 km away from the capital. Lake Ziway which is located in the southern region of the country (165 km from Addis Ababa) the farms situated between Lake Ziway and the main highway with altitude ranges between 1600–1700 m above sea level(http://www.ethiopiaemb.org.cn/investpolicy.htm) .

Among the resources which make Ethiopia favorable for floriculture development is water and irrigable land resources which the country has and the flower needs in abundant. Ethiopia has 122 billion cubic meter surface water, 2.6 billion cubic meter ground water, 12 river basins, 18 natural lakes including the rift valley lakes and a potential of 3.7 million hectares irrigable land (http://www.ethiopiaemb.org.cn/investpolicy.htm). About 80 – 90 percent of these resources are located in the west and south west of the country where close to 40 percent of the Ethiopian population lives and 10 – 20 percent of these resources are located in the east and central part where most of the population has settled. But the above principal production sites are located within the low resource available and highly populated areas (http://www.ethiopiaemb.org.cn/investpolicy.htm). Most of the Floriculture farms are largely confined around the vicinity of Addis Ababa. Most farms are located in West *Shewa* particularly located in *Holleta, Sebeta* and *Addis Alem* while the rest are more or less evenly distributed in the Rift Valley and the Awash River Basin systems (Laws, 2006).

The fact of the matter is that Ethiopia is still in the beginning stages of floriculture industry and there are a number of challenges that must be resolved to continue the development of the sector with the present rapid speed. Among the challenges include social and environmental impacts of the sector which can create pressure on the sustainability and market acceptability of flower industries. According to recommendation given on the "Development strategy for the export-oriented horticulture in Ethiopia" based on the stakeholders discussions at the workshop on February 9th, 2007, Ethiopia needs development of a conducive legislative framework and pesticide registration system which is felt under responsibility of Government especially Ministry of Trade and Industry and Ministry of Agriculture and Rural Development as well as development of a Code of Conduct at sectoral level to demonstrate compliance with general standards (environment, workers' welfare, etc) with responsibilities of Ethiopian Horticultural Producers and Exporters Association (Ethiopian Horticultural Strategy, 2007).

EHPEA currently take the initiative of developing a Code of Conduct for the Ethiopian export horticulture with support from the Dutch partnership program. This is very timely and relevant. Having a certified code of conduct is often seen as a way to lower transaction costs and improve market access and customer loyalty. Exporting countries with no code of conduct have a rather low level of export growth. In addition the first groups of Ethiopian growers are in the process of obtaining MPS-certification. A Code of Conduct for the export horticultural sector is very important to secure market access for the sector in general. The certification for quality standards such as MPS will be beneficial, particularly at the individual company level. It contributes to the improved reputation of the suppliers and as such lead to greater customer loyalty (Ethiopian Horticultural Strategy, 2007).

2.4 Socio-economic significance of floriculture in developing countries

For many developing countries, declining revenues from traditional commodities and the opportunities of a globalized market have led to the adoption of high-value agricultural exports to diversify production and achieve national growth and development. Over the last decade, these exports have generated significant amounts of foreign exchange, contributed to upgrade agricultural production skills, and created substantial opportunities for waged employment and self-employment. In many countries, diversification into high-value agricultural exports has become a key means of linking the world's developing nations to global product markets. Women in particular have been able to profit from these new labor market opportunities both as smallholders and as wage employees. (Dolan and Sorby, 2003).

From these high value agriculture productions floriculture industries are the major one. Most developing nations which have geographic advantage take it as a solution to achieve rapid economic growth. Cut flowers are often taken by national governments and international development agencies like World Bank as alternatives to tropical crops like coffee, bananas, and palm oil. Flowers need good light for at least 10 hours per day, possibly all year around. The temperature should be between 10-25 oC. In addition to these it needs water, land and labour (Frank & Cruz, 2001). Most developing nation especially tropical countries can offer in abundance all these resources.

Indeed, the emerging floriculture industries benefited the economy of developing nations. Today, nearly one-third of cut-flower trade on the world market originates in the developing nations where flower production started only 35 years ago. From 20.8 % in 1990 the market share increased according to the international trade Centre of United Nation Conference on Trade and Development (UNCTAD) to an estimated 28.4% in 1995. Although at a lower level, this tendency is continuing. In 1999 the percentage of the South of world wide export of cut-flower had exceeded 30%. Generally, developing countries' share in world exports has been risen an average annual growth rate of 7 percent (ITC, 2001) and they have increased their income with an average growth rate of 32 percent per year (PANUPS, 2002). If one takes into account that the majority of the products from the third world are roses and carnations; in these segments the percentage of the developing nations especially in winter times is much higher. According to international trade center in the US and in many European countries form December to April at least every second rose is coming from Africa or Latin America (ITC, 2001).

World demand for cut flowers also increased substantially .The world market was 4 billion in 1998 since then it is constantly growing by about 15% every five years since the early eighties. The industrialized North, the consumption of cut flowers is highest amounting to a total of approximately 30 Billion US-Dollar per year (Frank & Cruz, 2001).

In terms of social development the flower industry is important since it’s creating many jobs due to the labour intensive production pattern. It accommodates 10-25 or even 30 workers per hectare and is more than any other agro-industry offers. Approximately 190,000 people in developing countries are employed in the cut flower business, mainly women (PANUPS, 2002). This figure is possibly between 20-30 % more for indirect jobs in transport, plastic, construction, commercial,etc. sectors (David, 2002).

Some literatures like Frank and Cruzl (2001) see this job opportunity creation with its shortcomings. Even if the floriculture industry which created many jobs during the last 30 years in developing countries, the industry is an element of the international partition of labour with economic advantages for the North, and social and environmental disadvantage for the South , but important gains in the generation of employment.

2.5 Socio-economic and environment view of floriculture industry in Ethiopia

Since the industry is at its infancy stage and the government as well as optimistic society of the country were very pleased at the beginning observing that it will increase the nation's foreign exchange and give a work opportunity of many jobless society. More than hundred thousands of citizens got a job directly or indirectly from the sector and most importantly women accounted for 70% of the total work force mainly located at rural areas (Gudeta Dejiyitinu, 2011-2012). Due to the fact that women within such a developing country have some difficulties of having their own job it is turn out to be an important source of income and one way escaping from being dependant on their husband or family's shoulder. However, through time the initial reputation of the industry challenged after some concerned political figures and press actors disseminates information explaining the industry has a negative impact on social and environmental aspect quoting as experiences of other countries like Kenyans flower industry.

2.6 Review of previous empirical studies

Globally, many empirical studies were conducted to identify the factors that influence the inflow of investment including FDI. Nevertheless, the variables which were identified as determinants of FDI vary from study to study and from country to country. Therefore, in reviewing these studies it is difficult to drive one list of determinants of FDI, especially as some have gained or lost importance over time (UNCTAD, 1998). This review focuses on the empirical studies conducted on determinants of FDI in developing countries and Arica. Batra et al (2003) argue that the determinants of FDI to Africa are different from the determinants

to the other parts of the world. Asiedu (2004) agrees with this argument and states that the lessons from East Asia and Latin America countries do not apply to African countries.
Blegier & Khan (1984) examined the impact of government economic policy on private investment in 24 developing countries. This study received that the level of private investment activity positive related to the change real GDP, negative to excess productive capacity and positive to the availability of funds for the positive investment. The study also found the level of positive sector investment was a positive function of the trend level of government investment which was taken as representing investment infrastructure , but not of the deviations from that trend .This finding suggested that there is a long-run complementarily of private and public sector investment ,but short-term substitutability, in the since that short-run increase in public sector investment appear to crowd out private sector investment

Green and Villenve (1991) conductors study in 23 developing countries and found that the rate of private investment is related positively to real GDP growth and negatively to real interest rates, domestic inflation, the debt service ration, and the ratio debt to GDP.

A World Bank Report (1991) indicated that there is and apparent relationship between higher levels of private investment and higher GDP growth rate for developing countries as confirmed by econometric analysis. The report showed that as the share of public investment to total investment increase, its contribution to growth decline.

According to the World Development Report (1991), countries that have kept inflation low and real interest rates moderate, and that have allowed sufficient credit to flow to the private sector have been more likely to have high levels of private investment as a share of GDP. A large external debt and wide policy swings raises the variability of output and the real exchange rate which determines private investment. The report added that macroeconomic stability increase confidence and there by fosters private investment.

Based on recent literature which emphasize measures of political risk and external linkages as determinants of investment in developing countries, Jaspersons, Fredersit, et al (1995) found that having high growth rates, access to sources of finance and low international risk measured by either international liquidity (reserves to imports ratio) or the institutional investors index-aged proxy for the external debt to GDP ratio. High inflation rates and large government deficits were found to be insignificant. High private sector investment rates also tend to occur in countries with relatively open economies and reformed investment and business macroeconomic policies.

As with economic liberalization and reform, investment liberalization should also take into consideration what impact (positive and negative) would have on the enterprises development of any scale and any sector. Theoretically, investment liberalization affects firms and investors in a number of ways. On the positive side, a better investment environment generates many new firms or/and encourage existing firms including private agricultural investment projects to expand their production capacities. In most literature FDIs have been claimed as positive factors for developing countries firms for breaking entry-barriers into export markets. Several studies have appeared to examine the export-spillovers effect of FDI on domestic firms and this often take place through subcontracting arrangements (Pradhan *et al*. (2006). FDI is an important source of technology transfer to local firms in developing countries[11]. Based on his study on the role of FDI in the so-called Newly Industrializing Countries (NICs) such as South Korea, Taiwan, Hong Kong, and Singapore, and the upcoming developing countries in Africa Soesastro (1998) states the following : there is no doubt that FDI plays an important role in cross-border flows, transfers and the diffusion of technology. The story of technology flows in the Asia-Pacific region has centered on the dramatic surge in FDI, particularly in the developing economies. It is generally believed that FDI brings in more advanced technologies than alternative channels. This is particularly the case with modern agricultural investment projects, because they play a dominant role in the generation of foreign earnings and promotion of improved production technologies (Soesastro,FDI,page 312)

A country's investment climate is key specifically to the promotion of private sector activity. The quality of the investment climate is determined by the risks and transaction costs of investing in and operating a business, which in turn are primarily determined by the legal and regulatory framework, barriers to entry and exit, and conditions in markets for labour, finance, information, infrastructure services, and other productive inputs. Governments influence the quality of their country's investment climates through policies, institutions, and their relationship with the private sector. The quality of the investment climate is linked to

[11] *Kim (1997), Marcotte and Niosi, 2005), Yusuf (2003) and Saggi (2002)*

poverty reduction by the impact of better investment climates on private sector activity, and thus on economic growth and employment.[12]

Investment climate refers to the opportunities and incentives for firms to invest productively, create jobs, and expand (World Bank, 2004a). Among others, the investment climate includes factors that are incentives or disincentives for starting and running a business, including financial services, infrastructure, governance, regulations, taxes, labour, and conflict resolution. The investment climate is recognized as important to improve output, employment, and enterprise productivity (Dollar and others, 2005), all of which hold the potential to stimulate employment growth and reduce poverty. Micro entrepreneurs in rural areas create jobs needed to increase income. They provide goods and services and often pay taxes needed to (partly) fund local investments, but the size of their contribution largely depends on the environment in which private business can operate. Both risks and barriers can undermine rural entrepreneurship, hence, it is important to understand the conditions necessary to develop rural nonfarm enterprises.

The Ethiopia Rural Investment Climate Assessment (RICA) is among the first to take a comprehensive look at the business environment in rural areas.[13] Rural areas have lower population densities, making infrastructure and many services costly to maintain. Transaction costs are high, there are relatively more market failures, and the rural economy has distinct seasonality and employment patterns. The most important issues is that the rural population typically works on farms or in micro-enterprises. In Ethiopia, where some 85 percent of employment is in the rural areas, it is thus essential to conduct comparable analyses in rural areas.

The macro economic measures taken by a government and availability and provision of policy packages contributed significantly in the growth of sectors. Following the policy reform in investment made the business environment conducive and attracts investors where rapid growth in the cut flower industry is among the major ones. The rapid development of this sector is originally due to the attempts by several private cut flower farms which began operation in the early 1990s (Gebreeyesus and Iizuka, 2010). These farms included both foreign and domestic farms. Following the initial successes, the government realized the importance of this sector and began providing sector-specific supports from the end of 2002.

[12] *Ethiopia: Diversifying the Rural Economy. An Assessment of the Investment Climate for Small and Informal Enterprises Leoning, Josef and Mikael Imru, Lakech, World bank , 06 October 2009.*

[13] *Ethiopia: Diversifying the Rural Economy. An Assessment of the Investment Climate for Small and Informal Enterprises Leoning, Josef and Mikael Imru, Lakech, World bank , 06 October 2009.*

Thereafter, the sector has expanded rapidly as seen in the annual growth rate of this sector of 444% in 2008 (NBE report cited in Gebreeyesus and Iizuka, 2010). Huge investment capital inflow and generation of employment generation mainly for the rural poor are among the main features of this industry. Studies prove that the existing reports point out that Ethiopia has an agro-climatic condition that is well-suited for flower cultivation (Gebreeyesus and Iizuka, 2010). Apart from the agro-climatic suitability of the country, the strong initiative of the Ethiopian government has also contributed to the development of the cut flower industry. The government exempted taxes for inputs, revised the investment law for foreign investors, leased land with basic utilities at low prices, and provided special loans through the Development Bank of Ethiopia. As a result, the investment climate in Ethiopia has drastically improved over the past few years, which has led to a huge capital inflow into the Ethiopian cut flower industry.Observing the production practice in Ethiopia, the cut flower industry can be said both capital-using and labour-using. Due to the high sensitivity and vulnerability to climatic conditions such as temperature, sun-shines, wind, and rain, flowers are grown under centrally-controlled greenhouses equipped with air-conditioning units and refrigerated storehouses. Similarly it employs a huge labour force where efficient flower production requires at least 20 to 30 workers per hectare in Africa (Whitaker and Kolavalli, 2006).

Historical Perspective of Investment Policy in Ethiopia:

Imperial Era (1930 – 1974): this period refers to reign of the last emperor, Emperor Hailesilassie I (1920 – 1974). It was only between 1950 and 1960; the imperial government enacted legislation and implemented a new policy to encourage foreign investment in the Ethiopian economy. This new policy provided investor benefits in the form of tax exemptions, remittances of foreign exchange, import and export duty relief, tax exemptions on dividends, and the provision of financing through the Ethiopian Investment Corporation and the Development Bank of Ethiopia. In 1966, the Ethiopian government enacted Proclamation No. 242, which elevated the Investment Committee's status as an advisory council to that of an authorized body empowered to make independent investment decisions. Thus, by the early 1970s, Ethiopia's industrialization policy included a range of fiscal incentives, direct government investment, and equity participation in private enterprises.[14]

The government's policy attracted considerable foreign investment to the industrial sector. For instance, in 1971/72 the share of foreign capital in manufacturing industries amounted to

[14] *Industrial Development Policy of Ethiopia, http://en.wikipedia.org/wiki/Industrial_development_policy_of_Ethiopia*

41 percent of the total paid-up capital. Many foreign enterprises operated as private limited companies, usually as a branch or subsidiary of multinational corporations. The Dutch had a major investment (close to 80 percent) in the sugar industry. Italian and Japanese investors participated in textiles; and Greeks maintained an interest in shoes and beverages. Italian investors also worked in building, construction, and agricultural industries.

Dergue Regime (1974 – 1991): this covers the time that the military came to power with a socialist ideaology where the government took the lion share to run the the business in the economy. In 1983, the government issues a Proclamation No. 235 (the Joint Venture Proclamation) signaled Ethiopia's renewed interest in attracting foreign capital. The proclamation offered incentives such as a five-year period of income tax relief for new projects, import and export duty relief, tariff protection, and repatriation of profits and capital. It limited foreign holdings to a maximum of 49 percent and the duration of any joint venture to twenty-five years. Although the proclamation protected investors' interests from expropriation, the government reserved the right to purchase all shares in a joint venture "for reasons of national interest." In 1989, the government issued Special Decree No. 11, a revision of the 1983 proclamation. The decree allowed majority foreign ownership in many sectors, except in those related to public utilities, banking and finance, trade, transportation, and communications, where joint ventures were not allowed. The decree also removed all restrictions on profit repatriation and attempted to provide more extensive legal protection of investors than had the 1983 proclamation.

This study differs from the above studies cited in:

a. It expends the works mentioned by extending assessment to provide further analysis by emphasizing the macroeconomic policy change which favored investment particularly private investment;

b. It detailed the impact of this macro economic policy particularly the investment policy in employment;

c. Most importantly the study complements other studies on private investment by assessing the business environment (investment policy climate) through document review and interviewing investors on the entry, operational and expansion constraints they face. The idea of this study comes from the belief that liberalization and investment policy reform is affecting the business expansion, particularly in agriculture, and generation of employment for the rural poor.

But it is also by the business environment in which they operate in. The main elements of what might be labeled as the business environment are the degree of certainty about government polices and the legal and regulatory frame work.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Sampling design and sample size

Both deductive and inductive approaches of research were employed as each of them deemed necessary. To achieve the very purpose of this study purposive sampling technique was deployed. Hence, the floriculture enterprises or farms clustered into four groups based on their directional–location from Addis Ababa as most of them are set up around the capital and on the major outlets from the capital to different parts of the country following highway road infrastructure. Therefore, four clusters of flower farms were identified comprising:

A. cluster one comprises those farms established along West of the capital Addis Ababa (on the way to Holeta town);
B. 2nd cluster covers those to the east of Addis Ababa (on the way to Nazareth out of the capital);
C. 3rd cluster covers those to the north of Addis Ababa (on the way to Sululta); and
D. 4th cluster comprises those floriculture enterprises situated South-West of Addis Ababa (on the way to Wolisso town from the capital).

Likewise, representative samples were selected by taking in to account the homogeneity of the business and nature of the venture regardless of its location of set up. Thus, two floriculture farms from each group/cluster were selected randomly that makes up a total of 8 farms to be interviewed. From each selected farm a total of 10 staffs that constitutes two management persons, two professional or technical staffs and 6 workers of any employment contract type have been interviewed. With this, a total of eighty persons participated from all the eight samples selected from the four clusters.

In addition to this, three staffs (one management and 4 technical personnel) from Ethiopian Horticultural Producers Association and Ethiopia Horticultural Development Agency were contacted and gave their opinion to look into the different aspects and prospects of the floriculture enterprise in light of rural employment creation.

The required data or information was also gathered from government and private institutional sources where concerned government line offices, entrepreneurs and employees of the floriculture enterprises were the major ones. Hence, government bodies such as Ethiopian Investment Agency, Oromiya Investment Agency and relevant departments of the Ministry of Agriculture and Rural Development (MoARD) and Ministry of Labour and Social Affairs (MLSA) contacted. Three staff members from each ministerial and agency offices, one from higher management team member and another two department or programme level staff or experts will be interviewed.

3.2 Data type and data collected

Combination of tools was employed for data collection to get more relevant information to meet the overall objectives of the study and to triangulate gathered data. This covers both primary and secondary data gathering techniques from both primary and secondary sources.

Interview scheduled using structured and semi-structured questionnaires and direct observation were the two main data collection tools adopted for this project as a primary source of information. The interviews using structured questionnaire mostly contain close-ended queries whilst the respondents were also given a chance to explain their opinion unlimitedly as provided in the questionnaire as adhered during the data collection. However, interviews using semi-structured questionnaire that consists of both open-ended queries and close-ended questions utilized to collect information from interviewees in all the three categories i.e. management, technical staff and employees or local community members. The interview questionnaire is developed by taking in to account the very objective and hypothesis of the project. It is pre-tested and then standardized after incorporating feedbacks from the field pre-test. Please see Annex 7 and 8 for the interview questionnaire to be employed to the rural community employed by the companies and the technical staff working in the companies either at the headquarters or central office base and field level operation. Moreover, open-ended questions were used while discussing with concerned staff from targeted government line ministries and agencies particular from Ethiopian Investment Authority and Ethiopian Horticultural Development Agency (EHDA).

Based upon the nature of the study and time horizon, many of the data used for the research were secondary in nature. Typically, they are of the following type:

- Documentary or document review – written or non-written (media based) materials.
- Multiple sources – region specific journals or compiled time series data.

Generally, these types of secondary information on investment and employment creation are available in policy proclamations by the government, books, journal articles, magazines, conference papers proceedings, archives, and electronic database.

3.3 Data analysis and interpretation of findings

The data obtained using the various tools discussed under 3.3 above are both quantitative and qualitative. The raw data, particularly from primary sources collected through interviews, is summarized and coded in to three main categories of management; technical staff and communities for accommodate the different opinions and perspectives hanging around the sector, and to validate the information so as to maintain its quality to its level best.

Since the nature of the study is more of deductive and interpretive to some extent statistical tools like descriptive statistics and averages/means are used frequently during the data analysis.

3.3.1 Quantitative Analysis

Taking in to account the nature of the study and the purpose aimed to attaint, the analysis carried out is more of secondary and exploratory or descriptive in nature. Summarizing data in the form of charts, tables, percentages and averages forms the major part of the analysis. In the event that the survey is carried out, the data obtained is also represented in terms of frequency.

3.3.2 Qualitative Analysis

Generally, non-quantifying method is used throughout the data analysis and interpretation process. This involved categorization, ‘unitizing’ data, recognizing relationships and making arguments to test hypotheses so as to reach conclusion.

CHAPTER 4: RESULT AND DISCUSSION

For the purpose of this study the historical perspective of investment development in Ethiopia is seen under three distinctive periods with a detailed account for the period 1992 onward. The period from 1942 to end of Italian occupation to 1974 (the overthrow of the Monarchy) may be referred to as the Imperial Era, followed by the Dergue Era (1975-1991), and the post 1991 period.

4.1 Development of the investment policy since 1992:

Following the ascent of the current government in Ethiopia in to power several actions has been undertaken to make the investment environment conducive fro investors. Ethiopia was ranking 7th in terms of investors' protection out of 2o countries in Africa (Source: World Economic Forum and Harvard Institute for International Development, The Africa Competitiveness Report, 1998). In May 1992, the Transitional Government of Ethiopia (TGE) issued Investment Proclamation No. 15/1992 with a view to encourage, expand and coordinate investment in the country. Based on the information gathered from publication by the Ethiopia Investment Agency and Ethiopia Trade and Industry Ministry, under this Code areas eligible for investment incentives were restricted to broad sectional categories such as agricultural development and agro-processing; manufacturing; large scale capital-intensive road and building construction; the development, protection and preservation of natural resources; rural transportation; as well as support machinery and services. The incentives provided were 100% duty exemption for imported capital goods and equipment including spare-parts worth up to 15% of the value of the capital goods imported and exemption from the payment of income tax for periods ranging from 3-8 years depending on the type and location of investment.

Proclamation No. 15/1992 was enforced for duration of four years (July 1992-June 1996). Later, it was found necessary to issue a new proclamation to overcome the shortcomings identified in the course of the four years. As a result, Investment Proclamation No. 37/1996 was issued in June 1996. The main changes introduced include:

Areas eligible for incentives were clearly specified based on the ISCIC Code and were classified into two categories (Pioneer and promoted activities) reflecting their importance to the development of the national economy;

- Education, health, tourism, engineering and technical consultancy as well as construction contracting below grade 1, were included in the incentive scheme;
- Many small-scale agricultural and manufacturing activities each with an investment capital of less than Birr 250,000 hitherto excluded from incentives were exempted from the payment of import customs duty on capital goods;
- Some areas of investment that were reserved for government were allowed for the participation of private investors (e.g. large-scale hydropower generation above 25 MW for all private investors);
- The minimum capital required of a foreign investor investing jointly with domestic investor(s) was reduced from US$500,000 to US$300,000, and the minimum investment capital required of a foreign investor investing in engineering or other technical consultancy services was lowered to US$100,000;
- The requirement for foreign investors to deposit in a blocked account US$ 125,000 was removed.

Further, Proclamation No. 37/1996 was amended in June 1998 by Proclamation No. 116/1998 in order, mainly, to redefine domestic investors so as to include foreign nationals who were Ethiopian by birth, to allow private investors to invest jointly with the Government in defense industries and telecommunication services. In addition to this, with the approval of the council of Ministers, to enable the Federal Investment Board grant additional incentives other than what is provided under the Investment Incentive Regulations. In connection with this Proclamation, Regulation No. 7/1996 was also amended by the Regulation No. 36/1998 in June 1998 in order to grant additional incentives to selected activities in the education and health sectors and to investments in telecommunication services, defense industries and industrial estates.

4.1.1 Entry and ownership laws

Through these years, Ethiopian government has realized the importance of foreign investment for the development of the national economy. Foreign investors are, therefore, welcome to invest in most sectors of the economy except in the following areas, which are reserved for domestic investors (the Government of Ethiopians, foreign nationals who are Ethiopian by birth and wish to be treated as domestic investors as well as foreign nationals permanently residing in Ethiopia):

- Excluding generation of electricity from hydro-power; generation transmission and supply of electricity;
- Air transport services
- Banking and insurance business
- Rail transport services Postal services with the exception of courier services; and
- Areas reserved for domestic investors as shown in the Council of Ministers Regulation No.35/1998. These are mostly small-scale manufacturing and trading activities. Examples include retail trade, wholesale trade (Excluding supply of petroleum and its by-products as well as wholesale by foreign investors of their products, locally produced), import trade, and export trade of raw coffee, oilseeds, pulses, hides and skin and live sheep, goats, and cattle not raised or fattened on own farm.

Foreign investors wishing to invest in defense industries and telecommunication services can do so only in joint venture with the Government. Foreign investors may also acquire existing local firms in sectors open for foreign investment. A foreign investor can invest in a project on his own, holding a 100 percent equity capital ownership or jointly with local partner(s).

A foreign investor intending to invest on his own is required to allocate a minimum capital of US$500,000 for a single investment project. However, the capital required of a foreign investor investing in engineering, architectural or other technical consultancy services; in accounting and audit services; in project studies or business and management consultancy services is only US$100,000 per project. In case a foreign investor intends to invest jointly with local partner(s), the minimum capital required of him is US$300,000 per project. However, the equity share capital of the domestic partner(s) in a joint-venture investment should by no means be less than 27%.

There is no local content requirement, although investors are encouraged to use domestic resources in their manufacturing processes as much as possible. Moreover, investors are not obliged to sell their products in the domestic market.

4.1.2 Investment incentives

In order to encourage and promote private investment and the inflow of capital and technology to the country, the Investment Code provides packages of fiscal incentives for both foreign and domestic investors engaged in new enterprises and expansions.

The investment incentives include:

- *All investors investing in areas eligible for incentives are granted 100% exemption from the payment of import customs duties and other taxes levied on all capital goods including plant, machinery and equipment as well as spare 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 1-5 years is granted to investors engaged in new enterprises;*
- *Business enterprises that incur losses during the tax holiday period are allowed to carry forward such losses, following the expiry of the income tax holiday period, from 3-5 years depending on the location and type of investment;*
- *Depending up on the choice of the investor either a straight line or an accelerated method can be employed in the calculation of depreciation allowances.*

Furthermore, any investor, foreign or local, is entitled to have deduction of expenses incurred for research, improvement studies or training from his taxable income. Any remittance made by a foreign investor from the proceeds of the sale or transfer of shares or assets upon liquidation or winding up of an enterprise is exempted from the payment of any tax.

4.1.3 Labour laws

According to the Investment Code, employment of expatriates is permitted without any restriction for key management posts of an investment project, including those of general manager, finance controller, technical manager and marketing manager.

Expatriates may also be employed for non-management positions. However, before employing the expatriates, the employer must ascertain, by way of making a proper announcement, that Ethiopians with comparable qualifications are not available. In case of planned employment of expatriates, a statement on the time schedule for their replacement by Ethiopians and the training program designed for such replacement should be submitted to the EIA for approval.

4.1.4 Immigration, rules and work permits

Any foreign national with the exception of nationals of Kenya and Djibouti, who comes to Ethiopia to establish private business or industries or to engage in other independent enterprises within Ethiopia or to be employed by private business enterprise, is required to have an entry visa issued by diplomatic and consular missions of Ethiopia abroad or by the Ministry of Foreign Affairs (EMFA).

Any foreigner who enters Ethiopia under an entry visa is required to be registered by the Immigration and Nationality Affairs Main Department within 30 days of the date of his arrival. A foreign national who has completed his registration will be issued with a residence permit valid for a period of one year form the date of his registration. The residence permit is renewable provided that the foreigner presents the required documents such as renewed investment license work permit, etc.

Dependents of a foreign national who has already secured a residence permit can also be issued with entry visas and are entitled to residence permits.

A multiple business visa is issued on request by the immigration and Nationality Affairs Main Department for a foreign national residing in Ethiopia for duration not exceeding the validity periods of his residence permits.

The diplomatic and consular missions of Ethiopia abroad also issue a multiple business visa for a foreign national who wishes to enter Ethiopia for a duration to be determined by the purpose of entry.

The EIA is delegated, under the one-stop shop arrangement, by the Ministry of Labor and Social Affairs (EMLSA) to provide work permits for all types of expatriates to be employed by a private investor. A work permit for a foreign employee is issued for a maximum period of three years. However, this can be extended for a period of another three years provided that the Ethiopian national assigned to replace the foreign employee is not yet capable of doing the job or the foreign employee is believed to be indispensable to the job he is doing and that the job is found to be continuous. A work permit is renewable annually upon presentation of a written justification to the EIA. If the justification submitted by a foreign employee is found to be inadequate, the EIA can reject his application for renewal.

The process of acquiring work permit from the EIA and its renewal is fairly simple and unbureaucratic and the time it takes is less than 5 days if al the required documents are submitted.

4.1.5 Settlement of disputes

According to Investment Proclamation No. 37/1996, when an investment dispute arises between a foreign investor and the Government, all the necessary efforts will be made to reach an amicable settlement through mutual discussions. A dispute which can not be settled amicably may be submitted to the competent court of the country or to international arbitration within the framework of any bilateral or multilateral agreement to which the Government and the country of which the foreign investor is a national are contracting parties.

To facilitate the settlement of any dispute that may arise between the Government and foreign investors, Ethiopia has signed Bilateral Investment Promotion and Protection Agreements with Italy, Kuwait, Switzerland, the Netherlands, China, Malaysia, Russia, Sudan, Turkey and Yemen. Ethiopia has also signed the Convention on Settlement of Investment Disputes between States and Nationals of other States (ICSID).

4.1.6 Guarantee and protection

The Investment Code provides adequate guarantee and protection for foreign investors. Accordingly, no private investment may be nationalized or expropriated except when required by public interest and only in strict compliance with the requirements of the law. In case of expropriation or nationalization of an investment for public interest, adequate compensation, corresponding to the prevailing market value, will be paid without any delay. A foreign investor has also the right to remit compensation paid to him, out of Ethiopia in convertible foreign currency. The constitution also provides adequate protection for foreign investment. As discussed above, Ethiopia has also signed bilateral investment promotion and protection agreements with several countries. Above all, Ethiopia is a signatory of the Multilateral Investment Guarantee Agency (MIGA); a World Bank (WB) affiliated organization, which provides guarantee for non-commercial risks such as expropriation, convertibility of local currency, etc.

Capital repatriation and remittance of dividends and interest is guaranteed to foreign investors under the investment Code. Any foreign investor has the right, in respect of an approved investment, to make the following remittances out of Ethiopia in convertible currency at the prevailing rate of exchange on the date of remittance:

Remittance allowed to be made out of Ethiopia:

- *Profits and dividends accruing from investment;*
- *Principal and interest payments on external loans;*
- *Payments related to technology transfer or management agreements;*
- *Proceeds from the sale or liquidation of an enterprise;*
- *Proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor*

4.1.7 Investment administration

For the administration of private investment in the country, investment Proclamation No. 37/1996 has established the Federal Investment Board, the Ethiopian Investment Authority (EIA) and the Regional Investment Offices (RIOs). The Federal Investment Board consists of 8 members with the Prime Minister being its chairman. The General Manager of the EIA is a member of the Board along with 6 other members designated by the Prime Minister. The Board has its own secretariat.

The function of the Federal Investment Board is mainly supervisory and decision making on key policy issues related to private investment.

The EIA is the principal government organ responsible for promoting, coordinating and facilitating foreign investment in Ethiopia. The EIA is accountable to the Federal Investment Board. The EIA, as a one-stop-shop for foreign investment in Ethiopia, provides all required information to foreign investors; processes investment applications and issues investment permits to foreign investors; provides registration services to newly incorporated business organizations; approves expatriate posts in approved investments and issues work permits to foreign employees; issues trade and operating licenses to approved foreign investment; and provides match making services for joint-venture investment.

Besides, the EIA is also entrusted by the council of Ministers Regulation NO. 6/1996 with the responsibility to approve duty exemption of capital goods necessary for development projects undertaken by governmental and non-governmental organizations.

On the other hand, the RIOs are responsible for the promotion, expansion and facilitation of domestic investments in their respective regions. There is a strong linkage between the EIA and RIOs with respect to the exchange of information and the facilitation of investment activities.

4.1.8 Access to land

In Ethiopia, land is public property. Both rural and urban lands are made available to investors on a lease hold basis. Leaseholders have the right of use over urban land for periods ranging from 50 to 99 years. With respect to rural land, the rental value and the lease period are fixed by land lease regulations of each regional state. Lease right over land can be transferred with on-built facilities.

On the other hand, according to Urban Land Lease Holding Proclamation NO. 80/1993, the Government may grant freely or without public tendering urban land, which is to be utilized for investment that the government encourages.

The EIA, in cooperation with the concerned regional government organs, facilitates and follows up the allocation of land for approved foreign investment.

4.2 Trend of investment performance post 1992

4.2.1 Status of projects launched

Measures undertaken by the government to create conducive investment climate and promote the business environment was generally perceived spearheading to open up the years old creeping practice of investment and private business in the country in many aspects. Investors of various origins i.e. domestic and foreign investors and public investment have been overarching across the country with in short period of time.

It is clear from Table (1) that until February 2012 around 48,750 projects were picked by domestic private investors where as 6392 enterprises are taken up by private foreign investors. Similarly, the government implements the 123 public investment projects. Sector diversity of investment projects by all three investment sources or groups ranges from agriculture to manufacturing industries and service sectors where ordinary agricultural ventures, medium level manufacturing, hotels and real estate are the main activities carried out by the domestic investors. Foreign investors are mainly attracted to invest in consultancy, modern agriculture, electricity and manufacturing, where as infrastructure including communication and electricity, and manufacturing are among the main public investments done by the government. (Please refer Annex 3). No annex

Table 2: Amount of investment capital in flow and number of projects launched by origin of investors, 2002 to February 2011

Type of investment by Origin of investors	No. of Projects	% share of investment projects launched	Capital in '000'Birr	% share of Capital Invested
Domestic private	48,750	88.2%	436,995,611	40%
Foreign	6,392	11.6%	365,420,068	33%
Public	123	0.2%	290,073,422	27%
Grand Total	***55,265***	***100%***	***1,092,489,101***	***100%***

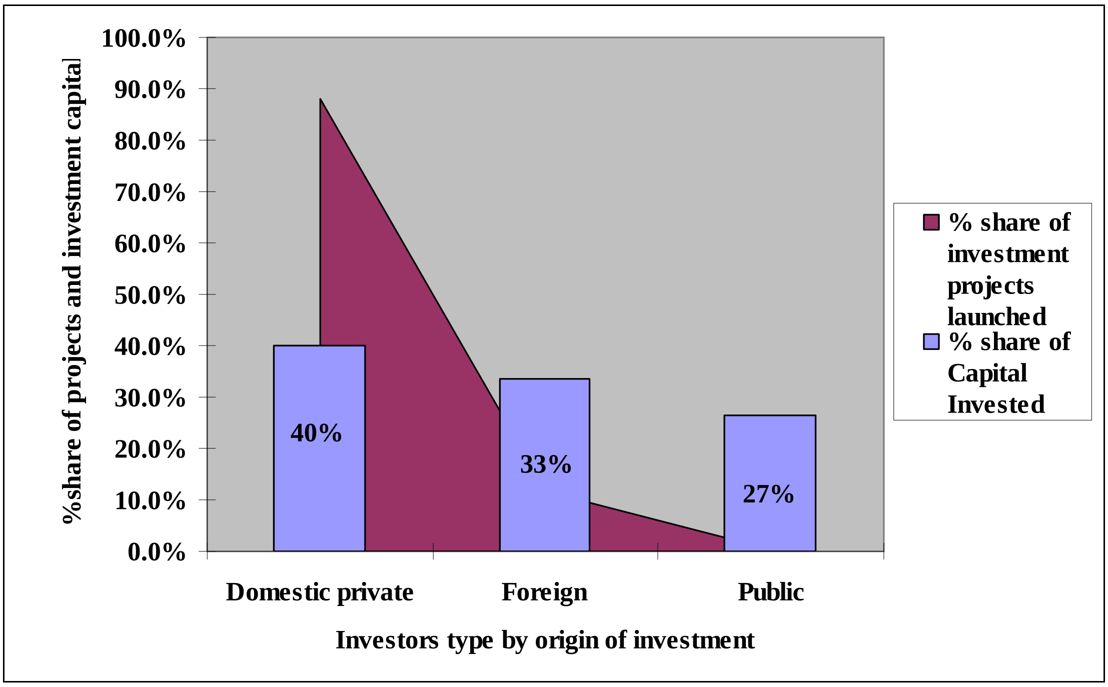
Source: EIA, 2012

Amount of investment capital flowed to the different sectors reached to around USD87,750,128,594[15]by the end of the year 2011 that is shared among domestic investors which accounts for 40%, foreign investors 33% and public investment 27%. Still the capital investment done by domestic investors is taking the lion share, but one can see the value of the investment projects take up by foreign investors is relatively high. Ratios calculated from the information on the number of investment projects carried out given in Table (1) revealed that the ratio of number of projects owned by domestic owners to private foreign investors is rounded to 1:7 i.e. for every one investment project picked by a foreign investor there are seven projects undertaken by domestic investors. However, the ratio of investment capital between domestic and foreign investors is rounded to 1:1, which validated the value of the investment projects taken by foreign private investors have reasonably high value in terms of capital. Also Figure 1 shows that the amount of

[15] *Average exchange rate from 1/1/2007 to 28/2/2011 for USD1=ETB12.45, Commercial Bank of Ethiopia, www.combanketh.com/home.php?id=49*

investment capital correlates directly with the number of projects in the case of Ethiopia from 1992 – 2011.

Figure 1: Status of number of investment projects of all sectors by origin of investment, numbers of projects launched and capital invested, 1992 - 2012



Source: EIA, 2012

Record review and data from different sources indicates the number of investment projects and capital flow increased drastically over the years. On one hand this points out the new investment policy creates conducive investment climate in the country and investors both from homeland and abroad feels secured to invest their capital and attracted to devote in various sectors regardless of some constraints, which needs further study.

The number of investment projects increased from 849 in the year 2002 to 4412 in 2011 that reached its maximum number in the year 2008 (Table 2 and Figure 2). Data from EIA shows a total of 55,265 investment projects have been officially licensed and started operation in Ethiopia with a total outlay of 1,092,489,100.00 between 2002 to Feb 2012. Number of investment projects increased year after year and experienced a sharp rise with an average of 31% from 2002 – 2007. However, the number falls slightly with an annually average of 17% for the second four years, 2008 – 2011, reaching to 136 projects in the first two months of 2012. Similarly, employment creation experienced a general trend of increment over the years from 2002 to 2008, and face a reduction from 2009 – 2011 as numbers of investment projects were also declining.(See Figure 2 below).

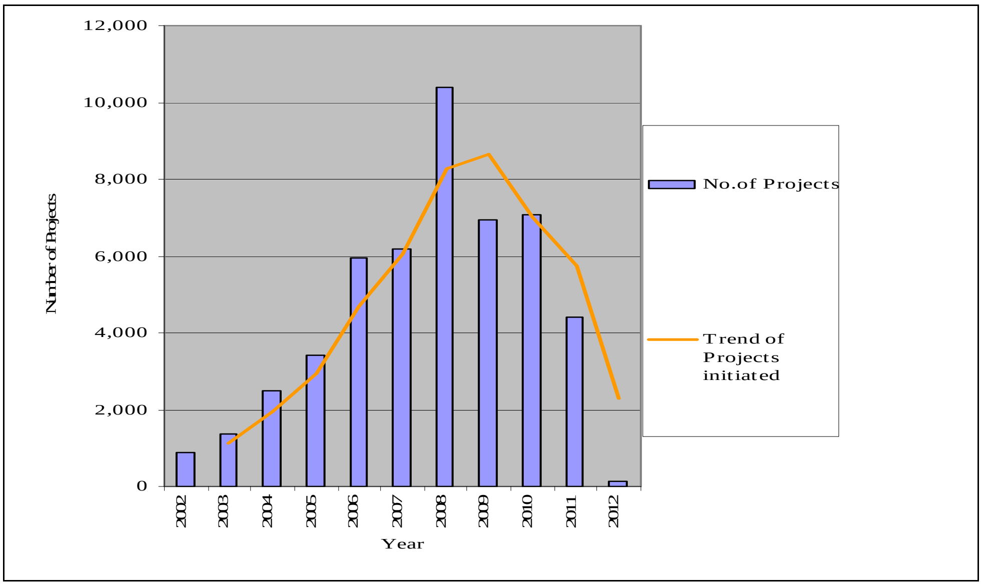
Table 3: Number of investment projects initiated, capital and employment opportunity generated from 1992 - 2012

Year of Investment	No. of Projects undertaken	Investment Capital '000' Birr	Employment Generated(Permanent & Temporary)
2002	894	10,233,397	51,449
2003	1,368	12,378,394	148,967
2004	2,500	33,955,051	255,019
2005	3,408	47,203,129	716,926
2006	5,956	84,567,685	540,966
2007	6,178	83,694,751	958,478
2008	10,395	157,834,029	1,573,672
2009	6,936	229,728,590	934,216
2010	7,089	122,375,283	754,745
2011	4,412	244,566,821	623,803
2012*	136	2,967,284	13,983
Grand Total	***55,265***	***1,092,489,100***	***7,256,576***

Source: Ethiopia Investment Agency, 2012

**The data for the year 2012 is covering only 2 months of the year (January and February).*

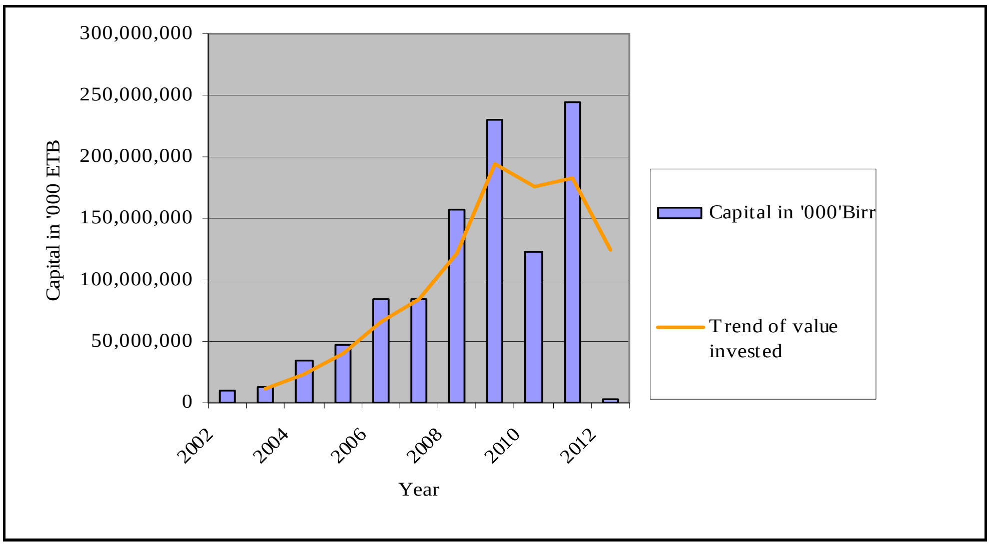
Figure 2: Number of all Investment Projects Initiated, 2002 - 2012



Source: EIA,2012

In a similar manner, the value of projects inflow through the investment projects over ten years of 2002 – 2012 experienced a general trend of increment over the years. There was an average increase of investment capital with an annual average increment of 21% from 2002 to 2011 where by the increment trend reached to an average of 38% during the first four years period of 2003 – 2006. According to the information fro EIA and EMTI, the total value of investment projects operationalized in the country valued for about ETB1.1trillion between the years 2002 – 2012. The capital inflow experienced a sharp rise from 2002 to 2009 from ETB10, 233,397(‘000) to ETB229, 728,590(‘000). (See Table 2 above and Figure 3 below).

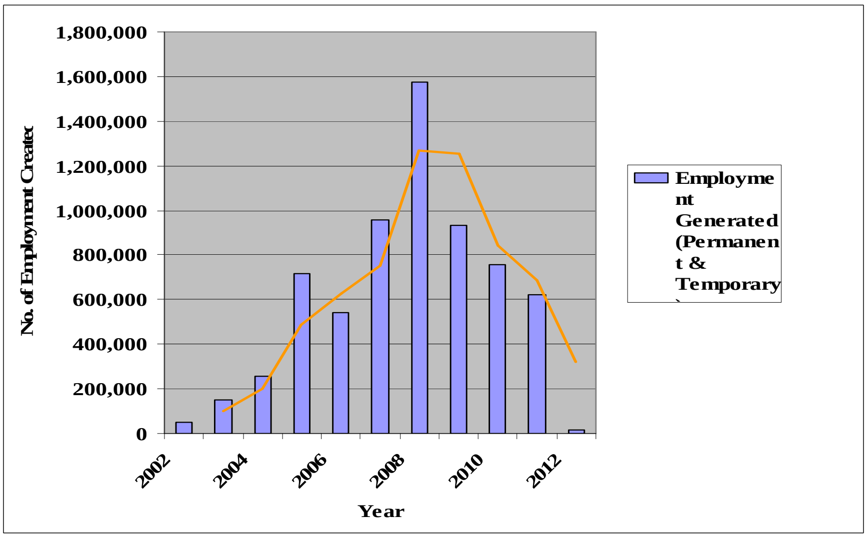
Figure 3: Capital investment for the projects, 2002 - 2012



Source: EIA, 2012

Generally, employment opportunity generated as a result of investment projects observed very much encouraging over the years under review where millions of people recruited on permanent and temporary job. Data from EIA revealed that a total of 7,256,576 jobs have been created both for skilled and unskilled personnel by all investment projects launched in all sectors of the country by private and public investment projects. It has been observed that there was an average of 57% increment of job opportunity every year between 1002 – 2004 and jobs generated in 2008 increased by 32% compared to 2006. (See Table 2 above and Figure 4 below)

Figure 4: Employment generated, both permanent and temporary, 2002 - 2012



Source: EIA, 2012

Combined growth trend analysis of investment projects, capital and employment opportunity created indicates that there is a general sharp increase over the past decade with particular rise at an increasing rate especially during 2002 to 2008. The presentation in in the above figures tells us that there were some fluctuations of performance over the years. Increase at an increasing rate has been observed from 2002 to 2007, which quickly turned out to a sharp rise in 2008 and 2009. During the period of 2009 – 2011 it experienced a notable fluctuation ended up with a spiky woke up at the end of 2011.

4.3 Rural employment and emergence of floriculture enterprises in Ethiopia

4.3.1 General overview of rural employment in Ethiopia

According to the information from FDRE CSA rural employment of Ethiopia, both paid and unpaid employment, accounts for only 7% of the total employment of the country where males make up 4.2% and females 2.2%. This status or form of employment is classified as an employer, paid employee, self-employed, unpaid family worker, and member of producers' cooperative, apprentice, and 'other' categories. Paid employees comprise government employees, government prostate employees, private organization employees, NGO employees, domestic employees and other paid employees. (Please see table 4 below)

Table 4: Distribution of employed rural population aged ten years and above by sex and employment status, 2005

Sex	Employed population	Total paid employee (%)	Employment Status									
			Paid employees						Self employed (%)	Unpaid family workers (%)	Employers (%)	Apprentice and others (%)
			Government employees (%)	Government prostate (%)	Private organizations employees (%)	NGOs employees (%)	Domestic employees (%)	Other employees (%)				
Male	**15,021,951**	**4.7**	**1.1**	**0.4**	**2.2**	**0.4**	**0.5**	**0.1**	**56.7**	**37.3**	**0.9**	**0.2**
Female	**12,967,065**	**2.3**	**0.6**	**0.4**	**0.5**	**0.3**	**0.4**	**0.1**	**22.7**	**74.7**	**0.2**	**0.2**
Total population employed		***27,989,016***										

Source: FDRE Central Statistical Agency Report on the 2005 National Labour Force Surve

The rural employment is typically characterized by its low rate of paid employment. As indicated in the table above, it is only 4.7% of men and 2.3% of women are paid employees either by government/public, private, or NGO out of the total paid employment both for men and women respectively. Hence, the remaining 95.7% of men and 97.7% of women are earning their income from self-employment, unpaid family work, as an employer, and apprentice and other activities.

Gender segregated data in the above table revealed that women are still the most disadvantaged groups in the rural employment. Males dominate gainful, formal and paid employments where as women's contribution to the unpaid family work out of the employed women remains very high, 74.7%.

Employment status of both paid and unpaid of the rural population is found to be at its meager condition. According to the information from FDRE central Statistical Agency report, in rural areas the percentages of the unpaid family workers make up 54.6%, which is more than half of the employed population. This is followed by a sizable number of self-employed persons (41%) and small proportion of paid employees (3.6%). The picture in urban areas is, however, different. Here, the proportion of unpaid family workers is relatively lower (about 15.0 percent), while the proportion of paid employees is considerably high (42.8 percent). In terms of gender composition, the majority of females in rural areas working as unpaid family worker are 74.7%, where as rural males were dominant in self employment, 56.7%. (Please refer Table 4 above)

Rural employment in Ethiopia is mix of various occupational groups including professional and traditional field. Although farming or agricultural activities are spearing the source of income and food and remained major economic and social activity, there are few areas of opportunities practiced by different professionals in different parts of rural areas in the country.

	Total Employed Person	Major Occupational Group								
		Legislators and Senior Offiers	Professional Managers	Technician and Associate Professionals	Clerks	Service, School teachers and market sales workers	Skilled agricultural and Fishery work	Crafts and related trade works	Machine operators and assemblers	Elemery Occupon
Male	15,021,951	19,194	23,010	84,408	11,684	296,659	9,188,572	343,157	23,390	5,026,1
Female	12,967,065	4,844	11,369	38,508	6,684	952,772	3,255,617	1,077,330	28,129	7,589,1
Total	27,989,016	24,038	34,379	122,916	18,368	1,249,431	12,444,189	1,420,487	51,519	12,6150
% share of occupational group to total employed persons	100.00%	0.09%	0.12%	0.44%	0.07%	4.46%	44.46%	5.08%	0.18%	45.07%
% share for male by occupational group to total employed male		0.13%	0.15%	0.56%	0.08%	1.97%	61.17%	2.28%	0.16%	33.46%
% for women by occupational group to total employed women		0.04%	0.09%	0.30%	0.05%	7.35%	25.11%	8.31%	0.22%	58.53%
% share of male to a particular occupational group to a total employed person for the same		79.85%	66.93%	68.67%	63.61%	23.74%	73.84%	24.16%	45.40%	39.84%

occupational group									
% share of female to a particular occupational group to a total employed person for the same occupational group	20.15%	33.07%	31.33%	36.39 %	76.26%	26.16%	75.84%	54.60%	60.16%

Source: FDRE Central Statistical Agency Report on the 2005 National Labour Force Survey

Table 5: Distribution of employed rural population aged ten years and above by sex and major occupational group, 2005

4.3.2 Establishment of EHPEA

The Ethiopian Horticulture Producers and Exporters Association (EHPEA) is established in September 2002 with the mission to promote and safeguard the competitive position of the Ethiopian horticulture sector within the global market. Its members are registered businesses engaged in production of flowers and other horticultural crops. Although five companies engaged in horticultural business found it, member enterprises grew to ninety by the end of 2011, which is estimated to be 73% of the companies producing and exporting horticulture in Ethiopia. Out of the ninety member enterprises 83 are engaged in flower farming. Safeguarding the overall rights and benefits of members, representing sector's and members' interests, facilitating market access and business linkage, supporting promotion of socially and environmentally responsible production practices, organizing and supporting capacity building measures for members and relevant partners, and initiating partnership building and networking among stakeholders in the sector are among the major features of the work by EHPEA.

4.3.3 Floriculture industry and job creation

Generally, the existing flower farms in Ethiopia are categorized in to three based on the types of flowers planted. This comprises rose flower farms, summer flower farms and cutting flower farms. Figures from EHDA revealed that total of 1,335.2ha of land is covered by flower plantation until end of 2011, out of which rose flower are cultivated on 1093.55ha and summer flower farms operating on 148.15ha where as cutting flower covers around 93.15ha See Table3 below.

Table 6: Landholding and area covered under flower plantation by types of flowers produced in Ethiopia

Type of flower farms	Total Land Holding	Area covered by Green House	% of the holding cultivated
Rose flower farms	**2431.2**	**1093.55**	**45%**
Summer flower cutting	**270**	**148.15**	**55%**
Cutting flower farms	**323**	**93.5**	**29%**
Grand Total	***3024.2***	***1335.2***	***44%***

Source: Ethiopia Horticulture Development Agency, 2012

Out of the total 3024.2ha of land granted for flower plantation managed by eighty three officially licensed companies until the end of 2011, only 1335.2ha is covered by green house cultivation, which accounts for 44% of the total commissioned by the government. This constitutes 45% of rose flowers farms, 55% by summer flowers farms, and 29% by cutting flower farms.

Information from EIA and analysis of relevant data indicate a total of 351 projects carried out throughout the country particularly in Administrations except Somali region. Regional distribution of flower farms is concentrated to Oromia Region, 68%, which is mainly attributed to the favourable geographical set of the region and access to road and air transportation infrastructure. Amhara, Addis Ababa and SNNPR are regions in order of importance in terms of number of flower farms operationalized since 1992 following the proclamation of the new investment policy by the government of Ethiopia. Please refer Table7 below.

Table 7: Summary of liecensed floriculture investment projects by region, October 06, 1992 - September 26, 2011

Region where the investment is done	Number of project	% share of total projects
Addis Ababa	**30**	**9%**
Afar	**1**	**0%**
Amhara	**38**	**11%**
Gambella	**1**	**0%**
Multiregional	**19**	**5%**
Oromia	**237**	**68%**
SNNPR	**23**	**7%**
Tigray	**2**	**1%**
Grand Total	***351***	***100%***

Source: EIA, 2012

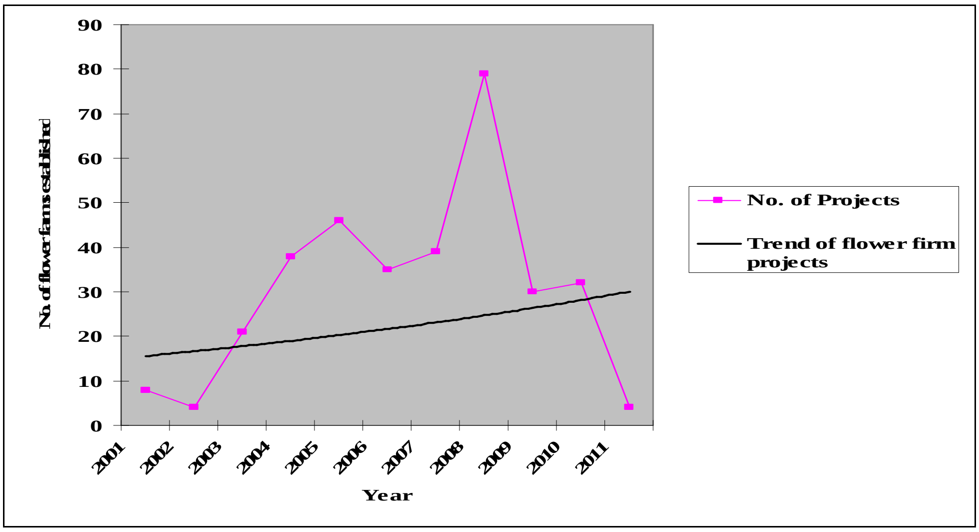
Investments in floriculture industry were passing through an increasing trend over the years following the issuance of investment policy in the country. Based on the information from EIA revealed that there was a sharp rise of investment from the year from 2003 to 2005 and did the same from the year 2006 to 2008. There was a general trend of increasing over the mentioned period. It reached to a rise of 51% in year 2008 as compared to the achievement of the year 2007. Different amendments done, ranges of policy provisions presented by the government and promotional efforts accomplished by the government were key moves triggered this drastic achievement in the floriculture industry. Please see Table 8 and Figure 5 below for further information.

Table 8: Summary of licensed flower firms from 2001 - 2011

Year	Number of flower farms launched	Year	Number of flower farms launched	Year	Number of flower farms launched
2001	**8**	**2005**	**46**	**2009**	**30**
2002	**4**	**2006**	**35**	**2010**	**32**
2003	**21**	**2007**	**39**	**2011**	**4**
2004	**38**	**2008**	**79**		

Source: Ethiopia Investment Agency, 2012

Figure 5: Trend of flower farms operationalized in different parts of Ethiopia from 2001 – 2011



Analysis of Impact of Floriculture Enterprises on Job Creation to the Rural People

Employment

Wide job opportunity creation of the floriculture industry was a predominant positive social concern and perception of almost all authors writing on the sector. The creation of wide job opportunity especially for unskilled labour was mentioned by different authors. Most authors agreed that the sector created job opportunity for both skilled and unskilled labours for the local as well as the surrounding rural community.

Based on study by PANUPS (2002), in terms of social development, the flower industry is important since it's creating many jobs due to the labour intensive production pattern of the sector. In addition to the direct job creation, the sector also creates indirect jobs through the spillover effects of the development (small local cafes, tea rooms, home rental etc. were established around the floriculture farms which give services for directly hired workers and also create indirect job opportunity for business owners). Approximately 190,000 people in developing countries are employed in the cut flower business, mainly women. This figure is possibly between 20-30 % more for indirect jobs in transport, plastic, construction, commercial, etc. sectors (David, 2002).

The rural employment opportunity generated by the floriculture industry is of paramount in the country. A total of 386,074 rural people were employed on temporary and permanent basis from 2000 – 2011. It grew up persistently from year after year. It rises sharply from 2002 – 2007 with the employment figure reached to 194,025. The available employment from the industry experienced some fluctuation from 2008 onwards where only 840 people got employed in the year 2011.

Table 9: Employment opportunity created over the years by the floriculture industry, 2000 - 2011

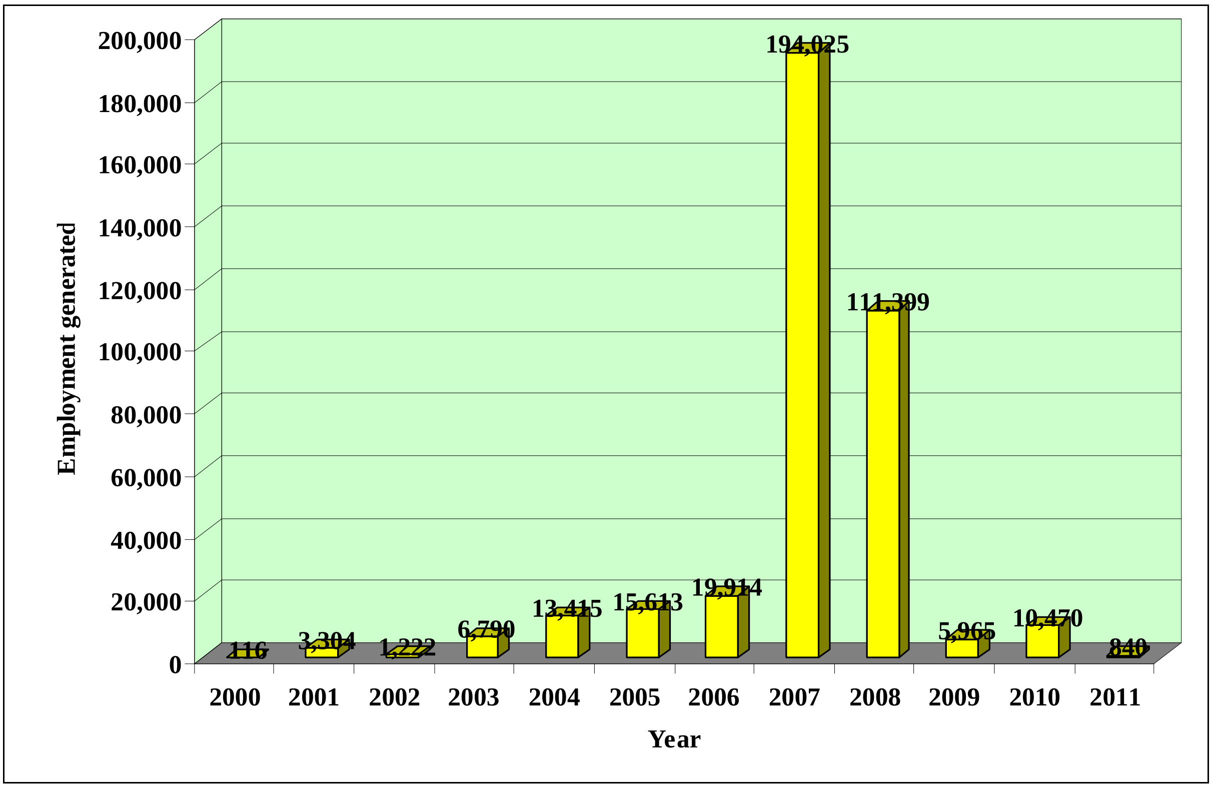
Year	Employment Generated	Year	Employment Generated
1992 - 1999	**3,001**	**2006**	**19,914**
2000	**116**		
2001	**3,304**	**2007**	**194,025**
2002	**1,222**	**2008**	**111,399**

2003	**6,790**	**2009**	**5,965**
2004	**13,415**	**2010**	**10,470**
2005	**15,613**	**2011**	**840**
Total Employment Created			***386,074***

Source: EIA, 2012

As one can see from the figure below(Figure 6), the trend of rural employment opportunity generated experienced a general rise over the years. Unlike other years, the number of people employed drastically increased in the year 2007 following the opening of several flower farms in the country. As mentioned above, during the last three years of 2009, 2010 and 2011 oscillates between 5965, 10470 and 840 respectively.

Figure 6: Trend of employment generated through flower farming over the period of 2000 – 2011



The status of rural employment created by the flower farms is mainly categorized in to permanent and temporary employment. Temporary employment, which is also called seasonal employments, refers to casual jobs staying for short period contracts most of the time 1week to three months and has seasonal nature. Where as permanent employments is done on permanent basis mostly their contract lasting for sometime logger than a year. In most cases, temporary jobs are given to low-skilled labour compared to permanent employment. However, discussions with farms management team revealed that, recently most of the companies are urged to review their labour strategy from the use of low-skilled workers on repeated short-term contracts with minimal benefits to a more stable workforce on permanent and seasonal contracts. This change has been driven by a combination of factors such as pressures exerted by civil society organizations and code provisions that discourage the use of temporary labour, the quality imperatives of the European market that necessitate somewhat more skilled, trained workforce to perform value added processing (e.g., bunching, sleeving, labeling and mixed bouquets), and year round production with less seasonality in production cycles.

Table 10: Employment opportunity created by floriculture production by status of employment, 2000 - 2011

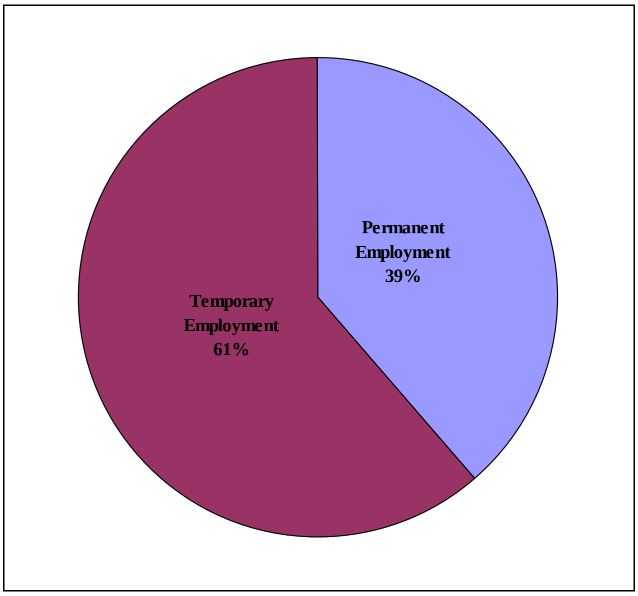
Employment type	No. of rural people employed	% share
Permanent	**147,915**	**39%**
Temporary	**235,042**	**61%**
Total	***382,957***	***100%***

Source: EIA, 2012

Out of the total employed 382,957 people in the flower farms in the last ten years, 235,042 got their earnings from temporary employment on the farm which accounts for 61% of the job available due to the flower farms. On the other hand, 147,915 people from the rural areas have been employed permanently in the same sector, which accounts for 39% of the total job generated by the sector during the past decade. (Please see Table 7 above and figure 5 below)

The ratio between permanent and temporary or seasonal employment or labour varies from farms to farms. While this may reflect the fact that some farms experience greater fluctuations in labour requirements (due to less consistent orders, for example), it also reflects differing attitudes towards the role that labour stability plays in overall company competitiveness.

Figure 7: Employment status of rural people employed by flower farms, 2000 – 2011



Marketing

The market destination of flowers exported from Ethiopia reaches almost all the continents of the globe. Europe, Asia, Middle East, Far East, South and Central America, and different Africa countries are the final destinations of the products of the flower farms. Europe takes the lion share of the total markets, which accounts for 94.17% where as countries of South and Central America picks the numbers, 0.04%. Please see Table 11below.

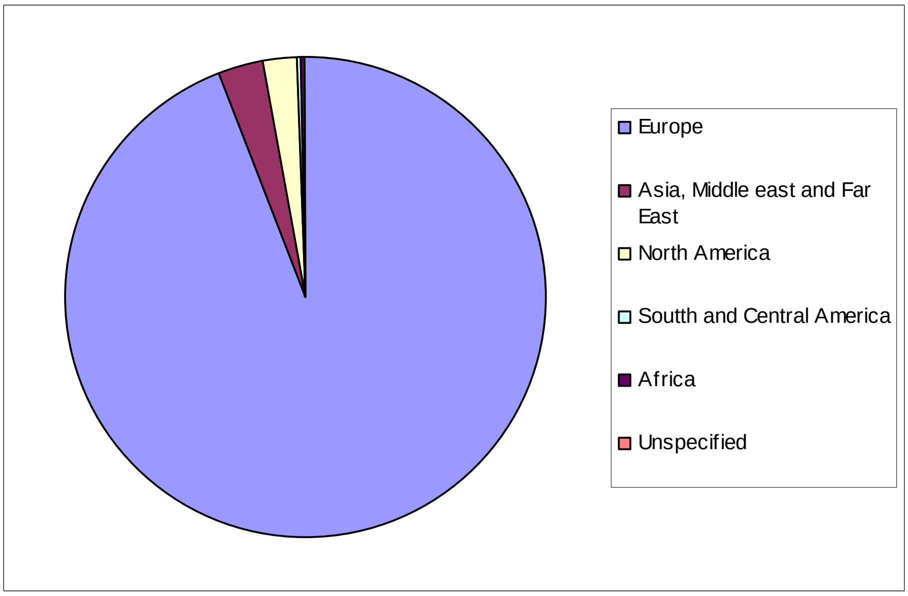
Table 11: Market destination of flowers and export quantity, 2008 - 2011

Market Destination	Total exported in number of stems	%Share
Europe	***5,416,643,606***	***94.17%***
Asia, Middle east and Far East	***173,552,101***	***3.02%***
North America	***137,098,282***	***2.38%***
South and Central America	***2,468,087***	***0.04%***
Africa	***22,218,455***	***0.39%***
Grand Total	***5,751,980,531***	***100.00%***

Source: Ethiopia Horticulture Development Agency, 2012

Asia, Middle East and Far East countries altogether takes 3.02% of the total market share where as North America and Africa countries accounts for only 2.38% and 0.39% respectively. For details of market destination to Ethiopian flowers by countries, please refer Appendix 3.

Figure 8: Share of market destination for flowers exported from Ethiopia, 2012



Information from Ethiopia Horticulture Development Agency revealed that the market volume of flowers particularly exported out of the country experienced a general increase over the past four years in almost all market destinations of different countries. The amount exported to the different countries, which is measured in number of stems, is increased with an average of 20% and 22% in 2009 and 2010 respectively taking the amount exported in 2008 as a base figure. Similarly, the market volume in 2011 was also raised by 9%. The amount exported approximately reached to 1.8billion stems of all kinds of flowers in 2011, which was growing successively from 1billion in 2008 to 1.3, and 1.6 billion in 2009 and 2010 respectively.

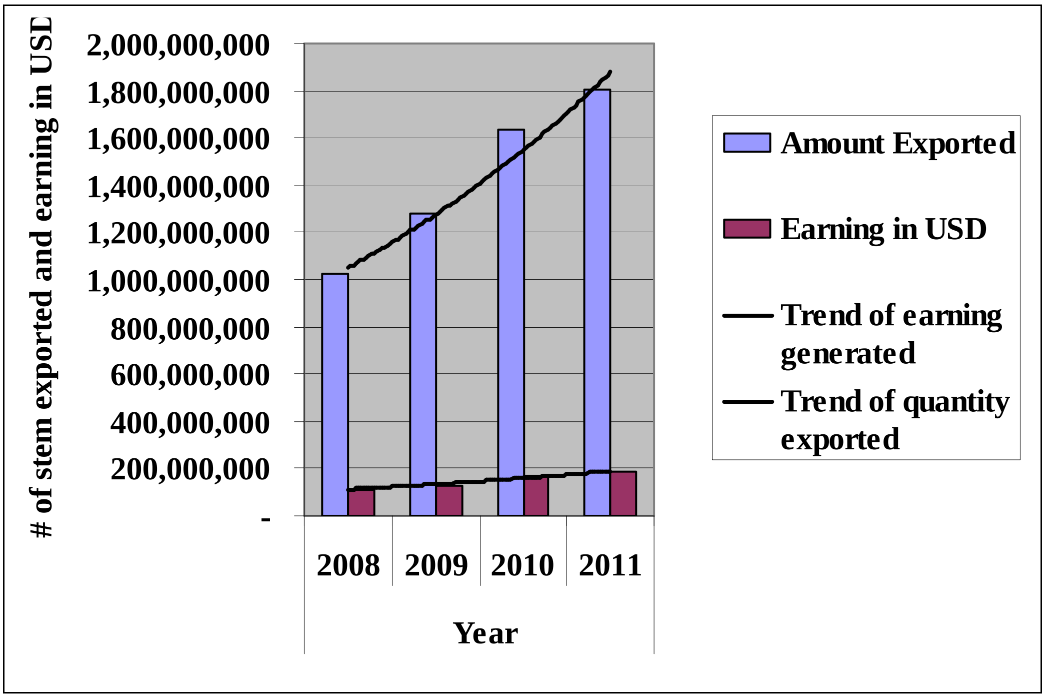
In the same manner foreign earning had experienced a trend of increase over the year, 2008 – 2011. According to the information from EHDA, there was 8% - 23% annual increase of foreign earning over the years between 2008 and 2011 that reached to USD184.1million of annual earning in 2011. Please see Table 9 and Figure 9 below.

Table 12: A summary of amount of flower stems exported and corresponding value, 2008 - 2011

Market Destination	Budget Year							
	2008		2009		2010		2011	
	Quantity(Stem)	Value(USD)	Quantity(Stem)	Value(USD)	Quantity(Stem)	Value(USD)	Quantity(Stem)	Value(USD)
Europe	**936,629,357**	**103,438,748.69**	**1,207,980,978**	**120,861,890.00**	**1,556,497,819**	**149,849,434.29**	**1,715,535,452**	**166,442,189.10**
Asia, Middle east and Far East	**29,762,164**	**4,445,703.02**	**36,246,246**	**4,807,380.71**	**48,618,845**	**5,508,563.70**	**58,924,846**	**6,302,648.06**
North America	**56,768,947**	**4,347,782.17**	**35,982,951**	**3,026,301.00**	**26,525,699**	**2,406,887.84**	**17,820,685**	**1,442,616.03**
South and Central America	**568,844**	**85,736.84**	**89,040**	**15,669.00**	**213,797**	**19,651.00**	**1,596,406**	**176,683.49**
Africa	**2,943,794**	**380,632.85**	**3,257,342**	**362,201.00**	**5,016,941**	**406,761.69**	**11,000,378**	**971,821.42**
Unspecified				**1,626,558.29**		**12,038,641.48**		**8,715,278.48**
Grand Total	***1,026,673,106***	***112,698,603.58***	***1,283,556,557***	***130,700,000.00***	***1,636,873,101***	***170,229,939.99***	***1,804,877,767***	***184,051,236.58***

Source: Ethiopia Horticulture Development Agency, 2012

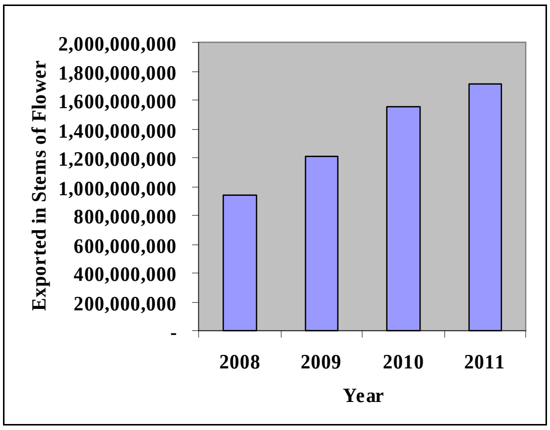
Figure 9: Trend of flower exported to different market destinations and respective earning value, 2008 - 2011



Source: EHDA, 2012

Comparison among the different market destinations across the globe shows amounts reaching to Europe market are relatively high and expands ever more. The market volume of Europe widen progressively during the period of 2008 to 2011.There was a general increasing trend of the market volume 22% in 2009 and 2010 and also 9% in 2011. The amount exported to different Europe markets take over with a record volume of 1.8billion stems in 2011 that expands consecutively from 936million stems in 2008 to 1.2 and 1.6billion in 2009 and 2010 respectively. Please see Figure 10 below.

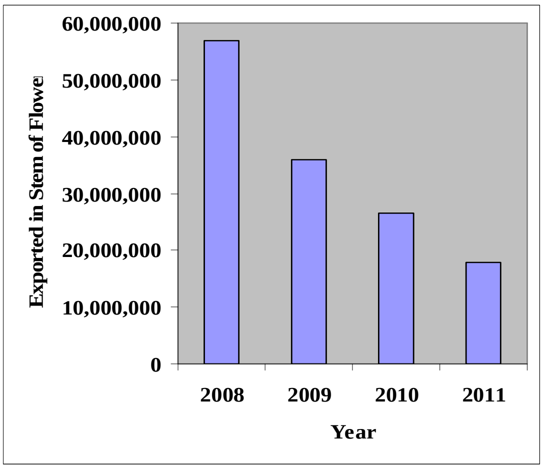
Figure 10: Trend of Flower Market to Europe, 2008 – 2011



Source: Ethiopia Horticulture Development Agency, 2012

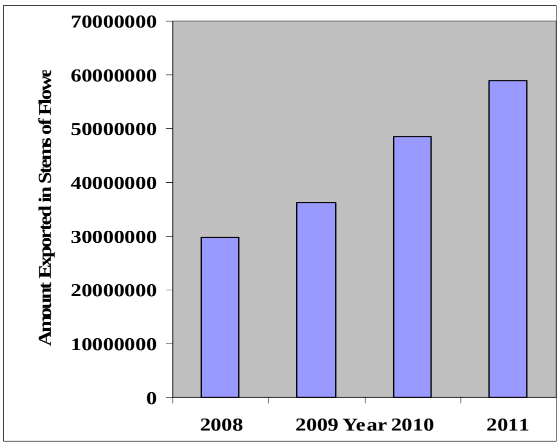
Markets of North America countries particularly USA and Canada shrink over a period. In 2009, it fell by 58% of the previous year export. In 2010 the export further shrink by 36% from the total amount reached USA and Canada markets in 2009. In the year 2011 it was only 49% less amount of flower stems were able to export to these two markets of North America. Data EHDA shows that the market volume in 2008 was around 57million that falls to 36million in 2009, 27 million stems in 2010 and 18 million in 2011.See Figures 11 below.

Figure 11: Market trend of flower to North America Countries, 2008 – 2011



Source: EHDA, 2012

Figure 12: Market trend of flowers exported to Asia and Far East Countries

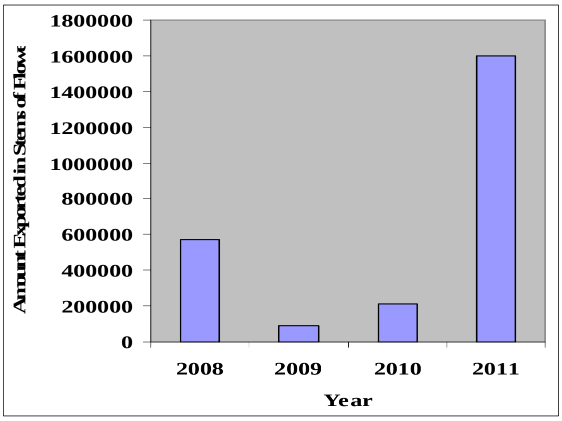


Source: EHDA, 2012

Asia (especially Middle East) and Far East countries were the second market destinations for flowers from Ethiopia following Europe. The market volume was expanded by 18% in 2009 from 2008 export. This growth was keeping grow with 25% and 17% in 2010 and 2011 respectively. Around 30million flower stems were exported to these countries in 2008. This amount further grows following the expansion of market destinations in the following years.

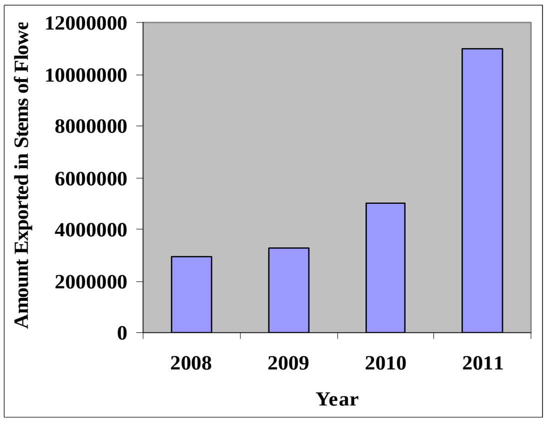
A total of 36million, 49 million an 59million stems have been destined to these Asia and Far East markets in the years of 2009, 2010 and 2011 respectively. (Please see Figure 12 above). Unlike Europe and Asia markets, export of flowers to South and Central America countries shows some fluctuations. The amount of flower stems sent to these countries drastically falls to 0.09million in 2009 from 0.6million of 2008. But the market revived suddenly and around 0.2million stems have been exported in 2010, which is expend by 58% compared to the previous year export to these countries. Similarly, the market further expanded and a total of 1.6million flower stems supplied to Latin American countries market in 2011 that boosted by 87% of the 2010 export. Please refer Figures 13 hereunder.

Figure 13: Market trend of flowers exported to South & Central America Countries, 2008 – 2011



Source: EHDA. 2012

Figure 14: Market Trend of Flowers Exported to Africa Countries, 2008 - 2011



Source: EHDA, 2012

Different African countries are also the market destination of flowers from Ethiopia. A general expansion of market volume has been observed for the last couple of years in these countries. In the year 2008, 2.9million stems of flowers have been exported followed by 3.3million and 5million in 2009 and 2010 respectively. This export was reached to 11million in 2011. This shows that there was a 10% export rise in 2009 compared to 2008, and similarly 35% and 54% in the year 2010 and 2011 correspondingly. (Please see Figure 14 above).

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary and conclusion

The government of Ethiopia, particularly after 1992, has undertaken several measures to improve the performance of the countries economy where by promotion of investment was picked as one of the key economic activity. Hence, the government issued several policies and amendments among which declaration of new investment policies, subsequent amendments, proclamations and regulations of investment and re-instituting management and administration of investment were among the major ones. This and associated efforts by the government to create conducive investment climate and opportunities impacts various sectors of the economy positively and ranges of economic activities were boomed all of a sudden at an alarming rate. Apart from the measures exercised such as macro-economic policy reform and stability, legal framework for private investment was re-frames. The first Investment Code No. 15/1992 was released in 1992, and two investment proclamations were adjourned in 1996 and 1998 – Proclamation No.37/1996 and Proclamation No.116/1998.The first proclamation issued in 1992 was emphasizing on incentive packages provided for broad sectors of agriculture, manufacturing and natural resource development. Proclamation No. 37/1996 is an amendment of the previous policy provision that specifies areas eligible for incentives, inclusion of other sectors under the incentive package such as health, education, tourism and consultancy services; rationalization of minimum entry capital; removal of the requirement of foreign investors to deposit required USD prior to operation; and exemption from payment of customsduty for small scale investment activities. Proclamation No. 116/1998 further extends new provisions including redefinition of domestic investors, allowing private-government joint investment in defense and telecommunications, and opening up hydropower generation to local and foreign investment.

The floriculture industry is one of the newly emerging industries with a new spirit in Ethiopia. Since its modest beginning in the early 1990s, it has created employment opportunities for a large section of the population. Realizing its capacity to generate employment, foreign exchange and the country’s geography advantage, the government is also encouraging investments in the sector regardless of some of the concerns by different groups in regard to the prons-and-cons of the industry. The industry is booming across the country and received a much bigger appreciations by many, undeniably, and is able to get a frontline due attention in a very short period of time as it performs commendably in particular in generating jobs for significant number of the rural poor and hunting foreign earnings instantly unlike other sectors of the economy.

In order to evaluate the impact of floriculture industry in the country this study has set up a scenario to scrutinize and analyze the policy provisions given by the government to create conducive investment environment, investment projects initiated and their profile, capital inflow to the sector, market destination, foreign earnings, and most importantly rurual employment creation. Number of investment projects initiated to undertake flower plantation both by domestic and foreign private investors had experienced a sharp rise for a couple of years.

It has been clearly observed that investors established promising level of confidence to invest, and relatively reliable macro economic environment in the country resulted in a number of investment projects to be launched. Hence, this number increased from for more than a decade continuously where by a sharp rise of flower farms launched experienced more than 51% rise between 2007 and 2008 with an average annual increase of 28% from 2003-2008.

Lastly, foreign earning the country generates from the floriculture industry apart from supplying to the in-country demand for flower, and technology transfer due to the in flow of technical and managerial personnel and experience, undoubtedly, benefits to a greater deal.

5.2. Recommendations

Based on the discussions, findings of the analysis and experience of other countries producing floriculture products, the following recommendations are stated to sustain the floriculture industries with its economic benefits in the country and minimize some of the suspicion over the sector i.e. social and environmental impacts.

- Encourage investors engaged in floriculture industry through providing more incentive packages and ensure that the investment environment is conducive, and socio political situation is stable and well stabilised economic sector operatives are in placed.
- Ensure that the government bureaucracy and administration of investment need to give particular attention and provisions to different investment sectors in general and to sectors that are booming in the country and contributing to the economy significantly in particular.

- As environmental and social impact of the industry is so controversial, initiate and promote floriculture farm owners by giving incentives to exercise integrated pest management (IPM) practices and use of environmental friendly agro-chemicals will help to address the issue. The government must take the responsibilities of facilitating any sort of possible incentives.
- Improving health and safety concerns of workers, and debates around the industry in this regard need to get due attention where by government, farm owners and workers can jointly work out.
- Promote and create awareness for floriculture farms to certify international and the newly developed local code of practices. The promotions and awareness creation job should be made by socially and environmentally responsible government organizations, concerned civil societies and organizations and/or by floriculture farm owners associations in their line of operation.
- Allow workers to establish their own associations, which can represent them in matters dealing with the management and their work security and safety.
- Setting national minimum labour wage (including day labour) for all development works, including floriculture industries is vital.

Taking these points into consideration, it is possible to run the floriculture industry in a sustainable manner keeping the balance of its economic advantages without or with minimal negative social and environmental impact because of flower farming practices in the country.

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6.2 APPENDICES

Appendix 1: Summary of Licensed Investment Projects of all Sectors by Year & Status of operation, January 01, 1992 – February 24, 2012

Year	Implementation				Operation				Pre-Implementation				Total			
	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
1992	14	306,477	2,584	23	54	323,841	4,595	60	122	457,848	5,759	482	190	1,088,165	12,938	565
1993	63	543,149	3,093	490	140	1,750,033	11,502	3,598	364	1,952,362	14,674	6,628	567	4,245,544	29,269	10,716
1994	41	246,161	1,523	182	169	1,567,771	10,999	61,584	166	1,717,786	13,466	6,348	376	3,531,717	25,988	68,114
1995	90	637,865	4,776	207	404	2,764,589	17,509	131,324	250	1,676,332	10,077	3,509	744	5,078,786	32,362	135,040
1996	117	1,003,842	5,446	6,312	404	3,238,345	14,016	49,053	269	1,936,356	10,204	36,460	790	6,178,544	29,666	91,825
1997	128	893,51	5,818	301	366	3,356,	11,405	13,528	239	2,057,	11,766	3,231	733	6,307,	28,989	17,060

Year	Implementation				Operation				Pre-Implementation				Total			
	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
		3				237				935				685		
1998	147	1,582,011	7,883	10,193	359	4,156,764	11,872	17,704	290	2,324,701	11,431	3,166	796	8,063,476	31,186	31,063
1999	109	6,430,918	5,669	4,183	192	3,427,035	7,242	4,936	222	2,401,585	9,063	11,600	523	12,259,538	21,974	20,719
2000	118	1,646,231	6,161	3,069	177	1,827,052	10,365	9,632	328	2,966,520	13,756	2,191	623	6,439,803	30,282	14,892
2001	79	1,683,739	5,382	1,362	147	3,023,204	8,975	7,800	425	5,084,486	17,034	11,151	651	9,791,428	31,391	20,313
2002	63	633,729	2,431	192	121	2,133,787	6,259	5,619	710	7,465,881	27,663	9,285	894	10,233,397	36,353	15,096
2003	102	1,365,270	6,075	53,188	282	2,854,079	18,318	12,869	984	8,159,044	41,447	17,070	1,368	12,378,394	65,840	83,127
2004	230	3,936,	25,881	13,163	432	4,959,	24,008	35,726	1,838	25,058	84,646	71,595	2,50	33,955	134,53	120,48

Year	Implementation				Operation				Pre-Implementation				Total			
	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
		773				624				,655			0	,051	5	4
2005	246	4,420,226	10,715	22,168	657	4,210,468	16,116	49,746	2,505	38,572,436	78,927	539,254	3,408	47,203,129	105,758	611,168
2006	301	39,073,838	24,827	21,080	745	4,374,115	22,498	26,291	4,910	41,119,732	194,175	252,095	5,956	84,567,685	241,500	299,466
2007	255	8,808,974	20,724	60,276	367	3,780,363	15,409	39,329	5,556	71,105,414	273,112	549,628	6,178	83,694,751	309,245	649,233
2008	442	29,342,299	36,355	108,386	349	5,035,389	28,999	41,713	9,604	123,456,340	415,132	943,087	10,395	157,834,029	480,486	1,093,186
2009	325	8,408,644	28,099	26,952	312	8,949,362	15,451	113,949	6,299	212,370,583	231,931	517,834	6,936	229,728,590	275,481	658,735
2010	215	15,537,839	15,079	24,475	187	2,301,580	4,013	19,611	6,687	104,535,865	217,502	474,065	7,089	122,375,283	236,594	518,151
2011	40	4,714,	2,636	3,483	48	375,05	2,413	3,499	4,324	239,47	145,27	466,49	4,41	244,56	150,32	473,47

Year	Implementation				Operation				Pre-Implementation				Total			
	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
		897				7				6,867	5	7	2	6,821	4	9
2012					2	3,649	13	12	134	2,963,635	5,692	8,266	136	2,967,284	5,705	8,278
Grand Total	3,125	131,216,394	221,157	359,685	5,914	64,412,344	261,977	647,583	46,226	896,860,363	1,832,732	3,933,442	55,265	1,092,489,100	2,315,866	4,940,710

Source: Ethiopia Investment Agency, February 2012

Appendix 2: Summary of all Investment projects by Region and Status of Operation, January 1992 - February 2012

Region	Implementation	Operation	Pre-Implementation	Total

	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
Addis Ababa	1,094	13,278,183	56,017	28,694	2,144	19,894,004	86,200	48,081	21,262	321,447,140	636,923	935,471	24,500	354,619,327	779,140	1,012,246
Afar	25	6,908,877	10,851	7,873	29	448,400	1,602	6,611	196	4,220,755	8,523	80,143	250	11,578,032	20,976	94,627
Amhara	401	19,312,953	15,588	18,574	766	4,494,094	32,391	105,994	4,876	83,326,053	229,392	721,639	6,043	107,133,100	277,371	846,207
Benishangul Gumze	168	647,269	3,907	24,157	174	1,052,237	7,277	25,044	322	83,634,980	9,380	69,600	664	85,334,486	20,564	118,801
Dire Dawa	63	1,200,631	3,574	1,807	48	255,934	1,275	477	1,463	32,059,185	43,365	46,307	1,574	33,515,750	48,214	48,591
Gambella	5	4,013,563	2,277	7,850	14	835,745	2,678	5,610	229	9,143,022	15,106	123,794	248	13,992,330	20,061	137,254
Harari	70	132,100	1,881	212	25	75,091	832	5	452	1,536,757	9,036	6,700	547	1,743,948	11,749	6,917
Multiregional	107	14,789,160	33,487	42,997	144	7,884,348	12,401	91,938	606	66,019,866	191,311	248,851	857	88,693,373	237,199	383,786

Region	Implementation				Operation				Pre-Implementation				Total			
	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
Oromia	388	51,984,206	58,022	52,089	1,010	19,361,666	65,611	69,261	11,109	191,420,553	470,831	978,158	12,507	262,766,424	594,464	1,099,508
South Nations & Nationalities People Region	330	10,212,105	17,480	93,095	847	4,664,629	24,021	60,606	3,528	66,573,587	140,652	534,427	4,705	81,450,320	182,153	688,128
Somali	6	28,225	454	100	22	139,646	923	444	321	4,475,392	15,292	18,351	349	4,643,263	16,669	18,895
Tigray	468	8,709,123	17,619	82,237	691	5,306,551	26,766	233,512	1,862	33,003,073	62,921	170,001	3,021	47,018,747	107,306	485,750
Grand Total	3,125	131,216,394	221,157	359,685	5,914	64,412,344	261,977	647,583	46,226	896,860,363	1,832,732	3,933,442	55,265	1,092,489,100	2,315,866	4,940,710

Source: EIA, 2012

Appendix 3: Amount of investment capital, number of projects launched and employment opportunity created by sector and origin of investors, 1992 - 2012

Type of investment by Origin of investors	Sector	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
Domestic	Agriculture, hunting and forestry	8,769	71,539,686	315,668	2,065,205
	Fishing	16	30,481	847	568
	Manufacturing	11,636	125,729,679	543,196	435,016
	Mining and quarrying	166	1,748,414	7,107	3,916
	Education	2,085	17,879,239	98,117	43,702
	Health and social work	949	10,620,269	42,170	21,057
	Hotels (Including Resort Hotels, Motels and Lodges) and Restaurants	4,843	47,178,830	158,120	155,541
	Tour Operation, Transport and Communication	1,493	8,194,865	23,975	16,248
	Real estate, Machinery and *Equipment* Rental and Consultancy Service	12,192	105,228,547	238,175	216,329
	Construction Contracting Including Water Well Drilling	4,616	33,164,025	141,464	431,909

Type of investment by Origin of investors	Sector	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
	Electricity (Generation, Transmission and Distribution)	24	5,226,559	294	584
	Other community, social and personal service activities	654	3,872,824	18,870	16,894
	Wholesale, retail trade & repair service	1,307	6,582,193	29,251	23,534
	Domestic Total	*48,750*	*436,995,611*	*1,617,254*	*3,430,503*
Foreign	Agriculture	1,442	101,747,217	315,054	831,009
	Manufacturing	2,048	177,527,464	190,161	159,925
	Mining	46	969,318	2,062	2,897
	Education	162	1,831,742	7,300	5,719
	Health	127	4,741,060	9,418	3,327
	Hotels (Including Resort Hotels, Motels and Lodges) and Restaurants	370	13,020,848	17,607	10,812
	Tour Operation, Transport and Communication	264	980,442	3,209	4,259
	Real estate, Machinery and *Equipment* Rental and	1,418	32,648,002	75,616	77,936

Type of investment by Origin of investors	Sector	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
	Consultancy Service				
	Construction Contracting Including Water Well Drilling	381	30,129,783	33,011	65,904
	Electricity (Generation, Transmission and Distribution)	5	472,849	230	455
	Others*	129	1,351,344	3,819	7,252
	Foreign Total	*6,392*	*365,420,068*	*657,487*	*1,169,495*
Public	Agriculture, hunting and forestry	7	68,111,723	15,883	176,745
	Manufacturing	45	3,426,065	5,733	1,493
	Mining and quarrying	1	6,351	5	0
	Education	1	212	6	0
	Hotels (Including Resort Hotels, Motels and Lodges) and Restaurants	1	2,000	10	65
	Tour Operation, Transport and Communication	1	2,205,000	2,225	0
	Real estate, Machinery and *Equipment* Rental and	1	41,400	20	0

Type of investment by Origin of investors	Sector	No. of Projects	Capital in '000'Birr	Permanent Employment	Temporary Employment
	Consultancy Service				
	Construction Contracting Including Water Well Drilling	4	75,916,943	15,608	150,007
	Electricity (Generation, Transmission and Distribution)	61	140,357,228	1,622	12,377
	Wholesale, retail trade & repair service	1	6,500	13	25
	Public Total	*123*	*290,073,422*	*41,125*	*340,712*
Grand Total		*55,265*	*1,092,489,100*	*2,315,866*	*4,940,710*

Source: EIA and Ethiopia Trade and Industry Ministry, 2012

N.B.:Others:Recreation, Gymnasium, Golf and Amusement Centre, Konfu Karate Training, Import of Chemicals for Leather Industry /Through Bonded Warehouse System/, Fuel Oil and LPG Depot ,Ethanol Blending and Used Oil Treatment Plant, etc.*

Appendix 4: Market Destination of flowers over the years, 2008 - 2011

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
Europe								
Belgium	56,032	5841.24	10834630	598902.00	16209480	1564808.00	21,554,145	1818975.71
Bulgaria	36,500	3382.22	165804	16726.00	165000	11011.03	150,510	11067.65
Cyprus	225,240	90550.38	250810	57903.00	19270	6208.00	21,300	2922.82
Czech Republic	24,000	1299.99			25080	3464.89	5,120	709.98
Finland	334456	25362.05	211620	16946.00	417160	66874.00	194,720	24779.44
France	4,656,381	423047.30	2382358	417254.00	8872253	1013266.99	18,652,322	1749811.83
Germany	129,805,024	13309283.03	135830689	12453629.00	151721366	12891525.86	126,556,449	10069740.54
Greece	69200	10916.61	69780	12252.00	54380	10610.36		15879.14

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
							108,670	
Hungary	697,560	108461.56	42323	3308.00			12,668,355	1158327.03
Italy	1,259,022	116925.12	3331868	264983.00	2595919	254886.42		
Latvia	18,000	1712.51						
Netherlands	773,664,782	85077624.17	1039900556	104888626.00	1352190515	131277424.19	1,504,570,829	148080571.95
Norway	3,516,310	463272.15	4840656	635364.00	13282348	1410184.53	19,358,244	2175341.30
Poland	136,400	9186.67	8000	640.00	4000	243.74	77,875	5207.13
Portugal	62,276	5451.75	40700	1962.00	1220	159.00		
Spain	664,580	67630.70	675005	46608.00	866200	50739.74	1,270,805	97236.15
Sweden	2,017,758	174846.60	495890	50934.00	141860	21963.96	164,674	21969.08

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
Switzerland	548,080	57797.35	369462	46364.00	1347702	117294.08	2,284,484	161909.74
United Kingdom	12,287,159	2328045.35	4756993	774081.00	6110268	787907.50	7,364,698	943512.58
Russian Federation	2,761,432	484124.94	3618759	556660.00	1946777	301139.00	430,350	92099.26
Austria	640	9.24						
Georgia	17,360	3856.58					32,832	4303.55
Ireland	3,744,865	666702.19						
Slovenia	26300	3419.00	53100	3792.00			40,470	5231.02
Bosnia			14150	1698.00	18430	2396.00		
Denmark			1035	207.00	34795	4254.00		
Ukraine			69460	8336.00				
Armenia			17330	4715.00				

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
Croatia					27940	4425.00		
Ireland					84400	7656.00		
Kazakistan					40966	6957.00	5,040	856.80
Kyrgyzstan					11340	1928.00	960	163.20
Romania					1050	142.00	22,600	1573.19
Uzbekistan					5520	1027.60		
Albania					52440	6974.00		
Andora					250140	23963.42		
Europe total	*936,629,357*	*103438748.69*	*1,207,980,978*	*120861890.00*	*1,556,497,819*	*149849434.29*	*1,715,535,452*	*166442189.10*
Asia, Middle East and Far East								
China	218300	31459.69	5475	427.00			541,828	8081.62
Hong Kong	88,100	12579.92	850	73.71	600	45.00		1288.60

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
							16,398	
Israel	5,661,509	885299.30	2036367	300389.00	1964369	307942.74	983,155	147473.21
Japan	7,457,299	1168680.78					21,022,634	1513986.94
Korea, Democratic People's Rep. of	3,000	280.40	4000	291.00			4,950	464.76
Bahrain	271,830	36605.52	125760	14703.00	75560	9506.00	36,560	4390.80
India	40080	6170.40			6601	4528.00	1,660	203.40
Iran	285,370	54373.96	129585	20988.00				
Jordan	25,760	5415.70	54480	7153.00	152340	17989.00	323,240	41261.59

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
Kuwait	188,090	26916.86					324,002	37735.58
Lebanon	455,137	79677.96	749749	113828.00	673781	84760.00	970,264	131848.47
Oman	285,740	43213.71	1195880	163621.00	1015100	135166.59	708,550	99952.85
Qatar	324,450	46557.68	466163	54986.00	308840	41355.62	397,360	46577.39
Singapore	77,648	10632.49			15090	1961.70	311,860	37182.78
Yemen	87,240	9904.36	266382	28348.00	635355	83463.70	684,950	75530.00
United Arab Emirates	8,684,226	1284613.15					11,634,262	1494708.43
Saudi Arabia	5,608,385	743321.13	8008671	1008501.00	13869228	1723126.81	20,051,338	2582934.86
Australia			636485	113452.00	61890	8044.17		47513.10

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
							354,964	
Indonesia			8293	660.00			3,140	408.20
Japan			14073409	1824912.00	18557584	1606212.09		
Kuwait			5300	644.00	84070	9248.00		
Malaysia			23609	355.00	52773	2296.00	277,619	6264.67
New Zealand			90	7.00				
Philippines			3000	579.00	10500	142.63	8,500	124.25
Sirilanka			9995	139.00			14,870	1739.38
Taiwan			1000	47.00				
Turkey			4640	1504.00	71030	26418.00	660	79.20
Turks and Caicos					2880	346.00		

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
Islands								
UAE			8437063	1151773.00	10979364	1440374.66		
Syrian Arab Republic					44340	4834.00	191,000	22012.79
Thailand					28550	411.00	60,722	849.19
Viet Nam					9000	392.00		
Pakistan							360	36.00
Asia, Middle east and Far East Total	*29762164*	*4445703.02*	*36246246*	*4807380.71*	*48618845*	*5508563.70*	*58924846*	*6302648.06*
North America								
Canada	9,069,500	780499.64	6279199	583731.00	8714329	791244.13	8,614,490	699429.65
United States	47,699,447	3567282.53	29703752	2442570.00	17811370	1615643.71	9,206,195	743186.38

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
NA Total	*56,768,947*	*4347782.17*	*35,982,951*	*3026301.00*	*26,525,699*	*2406887.84*	*17,820,685*	*1442616.03*
South & Central America								
Costa Rica	555,494	83046.04	87240	15556.00	13700	1823.00		
Brazil	4,790	1058.00						
Suriname	8,560	1632.81						
Guatemala			1800	113.00				
El Salvador					197670	17790.00	1,594,410	176424.01
Suriname					2427	38.00		
Nicaragua							1,996	259.48
S&C Total	*568,844*	*85736.84*	*89,040*	*15669.00*	*213,797*	*19651.00*	*1,596,406.00*	*176683.49*
Africa								
Kenya		256337.31	303060	28829.00	441247	53673.12		30925.37

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
	2,124,644						451,652	
Seychelles	14,300	1271.79						
Sierra Leone	33300	2677.49			87800	7902.00	36,405	2621.14
South Africa	447,862	61748.61	1616769	212797.00	1677540	147013.82	7,320,168	692474.36
Zimbabwe	22000	1845.10					52,227	5765.59
Angola	11520	2560.00						
Cote d'Ivoire	10,000	937.81	32000	3840.00	33050	3553.00	56,760	6300.81
Djibouti	37,628	16546.66	48892	24011.00	43646	20704.79	37,185	18350.54
Egypt	149420	22985.16	202398	26340.00	72410	8522.00	51,610	5764.20
Nigeria	9,330	1401.07			136035	40005.99	187,605	51236.58

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
Senegal	9,200	1760.36	16170	3215.00	2050	410.00	17,905	5074.12
Sudan	4,400	806.08	86720	9979.00	165959	17742.71	188,218	21144.25
Uganda	20,000	2000.00	614480	9052.00	1714560	26643.57	1,812,000	25823.82
United Republic of Tanzania	40860	6354.34			30600	675.67	180,768	7934.76
Swaziland			97080	8288.00	306960	20718.00	120,100	7614.65
Gabon			6000	1481.00	5410	1270.00	50,300	7843.59
Ghana			41255	4951.00	60120	7207.40	53,410	6444.90
Guinea			20960	3548.00	9860	1691.00	7,460	752.00

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD	Quantity in Stem	Value in USD)
Guinea Beasaw			19200	2496.00				
Libia			54100	7012.00	48290	6375.00	116,960	14035.20
Mouricius			4160	499.00				
Niger			2200	330.00	12600	1382.00		
Nigeria	9,330	1401.07	60298	8958.00	136035	40005.99	187,605	51236.58
Angola			31600	6575.00	1500	110.00	27,280	5800.32
Morocco					23874	352.63	10,050	143.24
Equatorial Guinea					1200	156.00	6,220	617.60
Burundi					2000	200.00		
Cameroon					3015	302.00	25,490	3510.20

Market Destination	Year							
	2008		2009		2010		2011	
	Quantity In Stem	**Value in USD**	**Quantity in Stem**	**Value in USD**	**Quantity in Stem**	**Value in USD**	**Quantity in Stem**	**Value in USD)**
Chad					540	81.00		
Congo					640	64.00	600	65.41
Togo							2,400	342.19
Africa Total	*2,943,794*	*380632.85*	*3,257,342*	*362201.00*	*5,016,941*	*406761.69*	*11,000,378*	*971821.42*
Unspecified				1626558.29		12038641.48		8715278.48
Grand Total	*1,026,673,106*	*112698603.58*	*1,283,556,557*	*130700000.00*	*1,636,873,101*	*170229939.99*	*1,804,877,767*	*184051236.58*

Source: Ethiopia Horticulture Development Agency, 2012

Appendix 5: Flower and other horticultural projects licensed by EIA at different phases of operation over the years, 1992 - 2011

Year	Implementation				Operation				Pre-Implementation				Total			
	No. of Project	Capital in '000' Birr	Permanent Employment	Temporary Employment	No. of Project	Capital in '000' Birr	Permanent Employment	Temporary Employment	No. of Project	Capital in '000' Birr	Permanent Employment	Temporary Employment	No. of Project	Capital in '000' Birr	Permanent Employment	Temp. Emp.
1992					1	4,329	326	0					1	4,329	326	0
1993					1	5,594	20	350					1	5,594	20	350
1994					1	4,845	96	600					1	4,845	96	600
1995					1	1,439	20	43	1	1,707	29	0	2	3,147	49	43
1996	1	2,914	29	0					3	37,866	457	0	4	40,780	486	0
1997					3	84,039	177	220					3	84,039	177	220
1998									1	20,733	230	0	1	20,733	230	0
1999					1	13,280	26	378					1	13,280	26	378

Year	Implementation				Operation				Pre-Implementation				Total			
	No. of Project	Capital in '000' Birr	Permanent Employment	Temporary Employment	No. of Project	Capital in '000' Birr	Permanent Employment	Temporary Employment	No. of Project	Capital in '000' Birr	Permanent Employment	Temporary Employment	No. of Project	Capital in '000' Birr	Permanent Employment	Temp. Emp.
2000									1	1,446	16	100	1	1,446	16	100
2001					5	340,703	1,086	1,768	3	47,840	425	25	8	388,543	1,511	1,793
2002					3	123,744	212	969	1	12,500	31	10	4	136,244	243	979
2003	3	241,004	1,382	695	13	472,997	2,059	1,316	5	211,141	488	850	21	925,142	3,929	2,861
2004	5	130,540	466	310	26	978,708	4,035	6,809	7	162,722	1,145	650	38	1,271,970	5,646	7,769
2005	14	561,624	1,672	4,257	20	507,628	1,516	5,761	12	406,653	677	1,730	46	1,475,905	3,865	11,748
2006	5	118,900	205	845	6	808,473	1,220	870	24	1,652,870	5,421	11,353	35	2,580,243	6,846	13,068
2007	5	78,385	510	690	5	131,668	863	520	29	1,135,611	83,999	107,443	39	1,345,664	85,372	108,653

Year	Implementation				Operation				Pre-Implementation				Total			
	No. of Project	**Capital in '000' Birr**	**Permanent Employment**	**Temporary Employment**	**No. of Project**	**Capital in '000' Birr**	**Permanent Employment**	**Temporary Employment**	**No. of Project**	**Capital in '000' Birr**	**Permanent Employment**	**Temporary Employment**	**No. of Project**	**Capital in '000' Birr**	**Permanent Employment**	**Temp. Emp.**
2008	5	641,125	5,650	10,700	9	863,361	10,710	6,560	65	6,454,036	18,027	59,752	79	7,958,522	34,387	77,012
2009	5	191,000	122	960	7	107,200	430	200	18	265,068	888	3,365	30	563,268	1,440	4,525
2010	6	962,068	1,270	3,407	1	7,000	180	40	25	172,007	3,016	2,557	32	1,141,075	4,466	6,004
2011	1	30,000	30	70					3	49,765	180	560	4	79,765	210	630
Grand Total	*50*	*2,957,560*	*11,336*	*21,934*	*103*	*4,455,010*	*22,976*	*26,404*	*198*	*10,631,964*	*115,029*	*188,395*	*351*	*18,044,534*	*149,341*	*236,733*

Source: Ethiopia Investment Authority, 2012

Appendix 6: Questionnaire for employees' interview from local community of flower farm location

Introduction:

This is a research study examining policy measures taken by the government of Ethiopia and its impact on the employment creation for the rural people through flower companies and how it affects the living condition of local people. All the opinion of the respondent given during this interview will remain confidential and by no means shall be passed to other parties without consultation of the individual respondent.

Instruction: The interviewer shall go through each questions sequentially one after the other as indicated in the questionnaire and the respondent will give his/her opinion accordingly. Unless some hint is given following to the specific question none from the list will be skipped and all the questions will be administered accordingly.

Dates should be put in Gregorian calendar.

A. Respondent's Identification Data

Date of the interview________________ Name of the interviewer______ _________________
Respondent number/Code ____________________
Name of the respondent_______________________________________
Name of the company employing the respondent_____________________________________
Zone _________________Woreda______________________Kebele______________________
Sex:

1. M
2. F

Marital Status

1. Married
2. Single
3. Divorced
4. Widow

Age:

1. Below 15 years
2. 15 – 25 years
3. 26 – 35 years
4. 36 – 45 years
5. 46 and above

Family size

1. 1 -4
2. 5 -9
3. 9 and above

Status in the household

1. Head of the house hold
2. Child
3. Breadwinner

B. Employment, Education, consumption & expenditure pattern

1. Are you member of this community
   a. Yes member
   b. Not member
2. How long have you been working for the company?
   a. Less than 3 months
   b. 3 – 6 mo0nths
   c. 1 year
   d. Above 1 year
3. What do you do before you employed by the company?
   a. Farming on own land
   b. Farming on rented land
   c. Daily labour
   d. Working for other agencies(government or private)
   e. Other(please specify) ________
4. Have you been working with any other company or organization other than this where you sourced your livelihood?
   a. Yes ☐
   b. No ☐
5. If 4 is yes which organization/s?
   a. Government
   b. Private company
   c. Cooperative/Self Help Group
   d. Other (please specify) ____________________________ __________________________
6. For how long are you working in a day?(please put in hours)
   a. Less than 8hours
   b. 8 hours
   c. More than 8 hours(please specify) ____________________
7. What is your term of employment with the company?

a. Daily labour/Daily wage

b. Temporary contract

i. Less than a month

ii. 1 – 3months

iii. 6 months and above

c. If Seasonal, which months/time of the year? ______________________________

8. Do you feel you have job security?

a. Yes

b. No

9. If not why? ____

10. ‘’Generally, there is a belief that setting up of such companies in the rural areas have played a great role in creating jobs for the local people’’. How do you feel with this statement?

a. Strongly agree

b. Agree

c. Disagree

d. Strongly disagree

e. Not sure

11. What is your education status?

a. Literate

b. Illiterate

12. If literate, what is your level of education?

a. Adult or informal education

b. 1st cycle complete

c. 2nd cycle complete

d. Other(please specify)______

C. Earning & Utilization

1. How much do you get on average?[16] ____

2. What other benefit packages do you receive from the company?

[16] Please refer question number 7 for terms of contract and put the figure here accordingly.

a. Provident fund

b. Medical/health insurance

c. Education

d. Paid leave

e. Unpaid leave

f. Others(please specify) ____________________________

3. What will you be eligible as a compensation fee up on termination or leaving of the company?

   a. Severance pay

   b. Other(please specify)____

4. Do you have any other source of income?

   a. Yes

   b. No

5. If yes, what is/are this/these source/s?

   a. Farming on own or rented land

   b. Daily labour

   c. Working for other company(private or government)

   d. Other(please specify)________________________________

6. If number 4 is yes, how much of your spending is estimated to be covered by your earning from the employing flower company? (Proportion in %)

7. Generally, do you feel the amount you gain is reasonably proportional to the amount of your work you do with the company?

   a. Yes   b. No

8. How do you utilize your income from the employment with the company?

   a. Home consumption   b. Saving

c. Other(please specify)

9. How do you proportionate utilization of your income from the employment of this company?

Expenditure item	% share
Food	
Clothing	
Education	
Health	
Save	
Other leisure activities/entertainment	

- Others(please specify)____

Thank you very much for your time to partake in the study!

Appendix 7: Questionnaire for technical staffs and management in the office

Dear Sir/Madam,

Currently, I am undertaking a research study examining policy measures taken by the government of Ethiopia and its impact on employment creation with particular reference to floriculture industry and how it affects the living condition of local people. In this regard, I am kindly requesting your unreserved cooperation to fill up this questionnaire and return to me at your earliest. All your opinion filled up here will remain confidential and by no means shall be passed to others and will be used only for the purpose of this study.

With kindest regards,

Ermias Tamiru

Name: ____
P.O.Box :______________________ Tel: Office/Residence_______________ Mobile___________
Name of the company you work for____

1. How long have you been working in this company?
    a. Less than 1 year
    b. 1- 2 years
    c. Above three years
2. Where have you been working before you employed by this company?
    a. Other agency(government or private)
    b. Other(Please specify)
3. What is your level of education
    a. Above bachelor degree
    b. Bachelor degree
    c. Diploma in related fields
    d. Certificate level
    e. Other(please specify)____
4. Do you receive any technical capacity building training/s by this company related to your work to improve your way of delivering roles/responsibilities?

a. Yes
b. No

5. What is your term of employment in this company?
   a. Daily wage
   b. Seasonal/Temporary contract
   c. Permanent employment
6. What do you earn based on your contract?[17] (hint: per week or per month or per term, etc depending on your term of contract) ____
7. What other benefit packages do you get from this company as an employee?
   a. Health insurance/medical benefit
   b. Educational support (could be in terms of paying your school/study fee or allowing you paid or unpaid leave for your schooling, foreign study, etc.)
   c. Provident fund
   d. Different types of leaves
   e. Others(please specify)____
8. How long do you work per day?
   a. Less than 8 hours
   b. 8 hours
   c. More than 8 hours(please specify)_______________________________________
9. Generally, how do you feel with the total hours you work for this company and the remuneration you received?
   a. Below satisfactory
   b. Satisfactory
   c. Good
   d. Very attractive
10. How do you will with the working environment in the company particularly at the field and office level? Please elaborate in terms of physical environment and job security.

____

____

Thank you in advance for taking part in the study and kindly mail filled questionnaire to me via the address below.

[17] *Please refer question number 5.*

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