

WOLKITE UNIVERSITY
COLLEGE OF SOCIAL SCIENCE AND HUMANITY
DEPARTMENT OF GOVERNANCE AND DEVELOPMENT



**EXPLORING THE IMPACT OF PUBLIC INVESTMENT ON PRIVATE
INVESTMENT: IN CASE OF ABESHIGE WOREDA.**

BY:

1. DAGIM BIZUNEH
2. MEHUBA BEDIRU
3. JAMAL HAJI

Advisor: - Mr. Alex. B

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WOLKITE, ETHIOPIA

DECLARATION

WE, Dagim Bizuneh, Mehuba Bedru and Jamal Haji declare that this work titled the exploring the impact of public investment on private investment in case of Abeshige woreda is our own effort and study and that all sources of materials used for the study have been duly acknowledged. We have produced it independently except for the guidance and suggestion of the research advisor.

This research proposal has not been submitted for any degree in this university or any other university. It is offered for the partial fulfilment of the BA degree in Governance and Development studies.

Name: Dagim Bizuneh Signature: _____ Date of Submission June, 2019

Mehuba Bedru Signature: _____

Jemal Haji Signature: _____

Place: Wolkite University, Wolkite

Mr. Alex Birhanu _____

Advisor	Signature	Date
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ABSTRACT

Investment is very essential to mobilize human and natural resource to more productive efficient and effective utilization of available resource by allocating them in investment activity. So the government of Ethiopia has given much concern to this activity. However, this activity is in its low level in the country and in one of the Abeshige woreda. For this reason, the purpose of this research paper is to explore the impact of public investment on private investment in Abeshige woreda. The source of data includes both primary and secondary method of data collection. Primary data obtained by questionnaire on private investment in the woreda and oral questions for the manger of investment. To conduct the questions on time 17 respondents have been selected by simple random sampling method. The questions include information about the contribution of government to investment, quality of infrastructure supply; tax level on investment economic role of investment, problems faced investors and possible solutions to alleviate problems in the future. The secondary data collected from written materials available in woreda administration.

Finally, the data obtained from primary and secondary source analyzed, through mixed methods.

ACRONYM

AWA = Abeshige Woreda Administration

ADR = American Depository Receipt

CD = Certificates of Deposits

EIA = Ethiopia Investment Authority

FDI = Foreign Direct Investment

GDP = Gross Domestic Product

IMF = International Monetary Fund

MAI = Multilateral Agreement on Investment

NGO = Non-Governmental Organization

OLS = Ordinary Lease Square

SNNPR = South Nation Nationalities and Peoples Region

UN = United Nation

UNECA = United Nation Economic Commission of Africa

WB = World Bank

Contents

DECLARATION	i
ACKNOWLEDGEMENT	ii
ABSTRACT	iii
ACRONYM	iv
CHAPTER ONE	1
INTRODUCTION	1
1.1 Back Ground of the Study.....	1
1.2 Statement of the Problem.....	2
1.3 Objective of the Study	3
1.3.1 General Objective of the Study	3
1.3.2 Specific Objectives of the Study.....	3
1.4 Research Questions.....	3
1.5 Significance of the Study	3
1.6 Scope of the Study	4
1.7 Limitations of the Study.....	4
CHAPTER TWO	5
LITERATURE REVIEW	5
2.1 CONCEPTUAL FRAME WORK	5
2.2 Public Investment.....	5
2.3 Private Investment	6
2.4 Types of Investment	6
2.5 Factors affect private investment	8
2.5.1. Quality of Administration (QA).....	8
2.5.2 Public Investment.....	9
2.5.3 Access to credit and Interest rate	9
2.5.4 Infrastructure facilities	9
2.5.5 Human Capital	10
2.6 Impact of public Investment on Private Investment	10
2.7 ECONOMIC THEORY OF INVESTMENT.....	10
2.7.1 Classical economic theory	10

2.7.2 Dependency theory	11
2.7.3 Middle path theory	12
2.7.4 Liberal consensus	12
2.8 Incentives in general	13
CHAPTER THREE	15
METHODOLOGY OF THE STUDY	15
3.1 Description of the study area	15
3.2 Selection of study area	15
3.3 General description of approaches	16
3.4 Research Design.....	16
3.5 Source of data	16
3.6 Sampling techniques	16
3.7 Sample size	17
3.8 Method of data analysis	17
CHAPTER FOUR.....	19
DATA ANALYSIS AND INTERPRETATION	19
4.1 Characteristics of Respondents	19
Table, 1 Source: primary, 2019	19
4.1.1 Sex distribution of respondents.....	19
4.1.2 Age distribution of respondents	20
4.1.3 Educational level distribution of respondents.....	20
4.1.4 Marital status distribution of respondents.....	20
4.2 Performance of private investment in Abeshige Woreda.....	20
4.3 Infrastructural problems in investment activity	21
4.4 Factors that affect investment activity in Abeshige woreda	24
4.4.1 Problem Of Land Permission Policy.....	24
4.4.2 Problem of policy of investment.....	25
4.5 Investment and Economic Development	25
CHAPTER FIVE	27
CONCLUSION AND RECOMMENDATION.....	27
5.1 CONCLUSION.....	27
5.2 RECOMMENDATION.....	28

6. REFERENCE	29
7. APPENDIX	32

CHAPTER ONE

INTRODUCTION

1.1 Back Ground of the Study

The term investment defines as an act of current spending for expected future return. This positive rate of return is a profit gained from the commitment of the fund (Ambachew. M, 2010). Investment is capital formation-the acquisition or creation of resources to be used in production. Private investment is necessary for economic progress, and an important but unsettled question is how public policy affects private investment. Public investment in infrastructure is widely believed to exert a positive impact on private investment (Erden, 2002). Investment promotion is one key instrument and primary engine of economic growth (Mustefa, 2014). As a result due attention has been given to development of private sector in developing countries particularly for developing countries in Africa continent to increase economic growth for the reduction of poverty (Ouattara, 2004). According to the United Nation (2005), a good investment climate can be explained as access to basic physical infrastructure such as electricity, telephone, water and roads; access to information and advisory services; higher labor productivity; efficient tax administration and tax rates; access to finance; availability and affordability of urban land; business regulations and trade facilitation services. In line with this environment, Ethiopian investors complain about poor infrastructure, particularly power shortages; poor transport; poor telecom connectivity of business locations and lack of efficient tax administration (Mima and David, 2012; World Bank, 2004). However, Ethiopia is a country endowed with favorable and enormous natural resource with sufficient human resource, enough and relatively young working force (EIA, 2001). Like other parts of Ethiopia, Abeshige woreda is endowed with different natural resources and working man power. However, the distribution of public investment such as electricity, telephone, water and roads; communication technologies is not adequate to attract private investors in the woreda. Thus, these situations initiated us to explore the impacts of public investment on the development and spread of private investors in the study area.

1.2 Statement of the Problem

Public investment is crucial for the growth and spread of private investment. Public investments such as electric power, road, advanced communication technologies and different infrastructures have a direct impact on private investors. As Development Institution including the IMF (2004), World Bank (1994), UNECA (2011) and the Commission on Growth and Development (2008) argue that the increased public sector investment should have a lot of positive effect on private investment. As they believed the decline of public investment should have the opposite effects on the private investments. As we get information from Abeshige Woreda administration the public investments that attract the private investors are very low by low level supply of infrastructure. Thus, it is important to increase the number of private investments through the alleviation of the above constraints. In the study area there is no previously conducted study on the impacts of public investment on private investment. However there is some study done in this kind of problem in different world part. Firstly, Drger, Christian.et al(2015) explore the impact of public investment on private investment in the Euro area; concluded that, the lack of public capital as a result of weak public investment might have restricted private investment and GDP growth in the Euro area. Secondly, Lutfi. E (2005) examines that question using a sample of nineteen developing economies from various part of the world and compares that sample of developing economies with a group of twelve developed economies to look for similarities and differences in the impact of public investment on private investment, the empirical results suggest that public investment has a positive impact on private investment in developing economies and for developed economies has negative impact on private investment. So, in their study they do not search result with only developing economy information and also they conclude that, comparing the relative effect of developing economies impact of public investment on private investment with the effect of developed economy impact of public investment on private investment. In case of Abeshige woreda public investment have positive impact on private investment when government invest on supply of better infrastructure and encourage private investment in their policy. Therefore, above stated result cannot answer what the impact of public investment on private investment in the study area. Thus, this study fills the information gap regarding the exact impacts of public investment on private investment.

1.3 Objective of the Study

1.3.1 General Objective of the Study

The general objective of the study aimed to explore the impact of public investment on private investment in Abeshige Woreda.

1.3.2 Specific Objectives of the Study

The study sought to answer the following specific questions

- ❖ To identify the investment potential of private investment in Abeshige Woreda.
- ❖ To assess economic role of private investment in Abeshige Woreda.
- ❖ To suggest some measures that should be taken to enhance the private investment in Abeshige Woreda

1.4 Research Questions

The study would have conducted to answer the following basic questions

- ❖ What is the investment opportunities provided for private investment in Abeshige Woreda?
- ❖ What are the economic roles of the private investment in study area?
- ❖ What measures are required to enhance the number of private investors by increasing the level of public investment in Abeshige woreda?

1.5 Significance of the Study

The study might be significant in identifying the impacts of public investment on private investment in the study area. So it enable the Investment office, Private Investors and the workers of the private firms can strengthen their positive achievements and mitigate the weakness in their daily activities by answering the stated question and by filling the gap. The study plays its own role in identifying the impact of private investment on the local economy in terms of employment, market stability, and income generation. And as the result for the purpose of further investment as well as it may also serve as a starting point for many researchers who want to make research in the same area of the study.

The result of the study would also provide recent information on the impact of private investment to the authorized bodies such as the Regional and Zonal Bureaus of Investment, NGOs, and the Investors themselves. And also the findings of the study have importance for Abeshige Woreda policy implementer to support and control private investors through understand the impact of public investment on private investment.

1.6 Scope of the Study

The study would focus on exploring the impact of public investment on private investment in Abeshige woreda. Geographically, Abeshige woreda is found in South Nation Nationalities and People's Region in Gurage Zone. It is bordered on the south by Wabe Rivers which separates it from Chaha Woreda in the west and on the north by the Oromia region. The participants of this study are employees that work in public offices and private investors who invest in Abeshige Woreda.

1.7 Limitations of the Study

The study would be constrained by different factors like, misunderstanding of questions by respondent, unwilling of respondents to give information, finance and unavailability of written material related to study. However, we strive to accomplish the study through finding financial sponsors to mitigate financial problems. And by telling about significance of study and approaching politely and respectfully to respondents we alleviate constraints.

CHAPTER TWO

LITERATURE REVIEW

2.1 CONCEPTUAL FRAME WORK

Many scholars defined investment in different way. Investment is, without doubts, one of primary engine of growth in all countries (UN, 2002). Its effectiveness rests on strong complementarities with other elements in the growth process, most notably technological progress, skill acquisition and the development of innovative capability (Ibid). Investment is expenditure to acquire property or assets to produce revenue (Tesfaye, 2009). Fisher and Jordan define investment as commitment of funds made in the expectation of some positive rate of return (Ibid). According to them, the return will commensurate with the risk the investor assumes if the investment is properly undertaken. We observe from this definition that investment is a commitment of funds. Thus, a person would commit fund on something. In addition, the commitment is made with the expectation of some positive rate of return. This positive rate of return is a profit gained from the commitment of the fund (Ibid). Under a bilateral investment treaty to which Ethiopia is a party, investment is defined as: Any kind of asset and any direct or indirect contribution in cash, in kind or in services, invested or reinvested in any sector of economic activity (Ibid).

2.2 Public Investment

Public investment is defined as gross fixed capital formation by the government. These gross investments are the balance of fixed assets acquired and sold by the federal government, social security, the communities and regions, or the local government. Fixed assets may include buildings, construction works, means of transport, IT or telecommunication infrastructure, armaments, etc. (P. Crevits et al, 2017). Public investment could also include the investment grants paid by the government to various entities in the nonprofit sector (hospitals, nursing homes, etc.) which fulfill a public interest role. These entities are not part of the public sector in the strict sense, as defined in the national accounts.

However, they often receive transfers from the government sector to finance their investments. Although these contributions are not sufficient to fully finance the investment of these entities, they are nevertheless a good approximation. Not only does this give an idea of public investment in the strict sense, but also of public investment in the broad sense (Ibid). Public investment may not only spur economic growth directly but also indirectly promote private investment (Lutfi, 2005).

2.3 Private Investment

Private investment is one of the mainsprings of economic growth (Tigist.W and Mekonnen.B, 2018). Importance is attached with investment activity for overall economic performance of countries in long run perspectives, endogenous growth theory gives more emphasizes for investment activities for long run economic performances. Moreover, empirical evidences confirmed that the relevance of investment for better economic achievements. It creates an employment opportunities, enhances technical progress and introduces new techniques of production and facilitates economic growth (Esubalew.T 2014). Private sector investment plays a vital role in economic growth via promoting innovations, job creations, and generating more revenues and improves the wellbeing of the poor. More of private investment rates facilitate the convergence rate than public investment (Ibid). Private investment is thus a powerful catalyst for economic growth and innovation as well as a poverty reduction facilitator and hence its role is important both in terms of its contribution to GDP and its ability to allocate and employ resources efficiently (Brhane.T, 2017).

2.4 Types of Investment

Its ability to allocate and employ resources efficiently investment may be categorized differently. From the standpoint of an individual, two types of investment may be distinguished: investment in the means of production, and purely financial investment. Both types may provide a monetary return to the investor. However, from the standpoint of the entire economy, purely financial investments appear only as title transfers, and do not constitute an addition to productive capacity. Investment may also be grouped into foreign (international) and local (domestic) investment.

The classification of investment into foreign and domestic depends on the identity of the investor because the identity of the investor would attract several legal consequences. The identity of the investor poses different policy considerations, and this in turn attracts several legal manifestations. Foreign investment is an investment by a foreign investor while a domestic investment is an investment by a domestic investor (Tesfaye, 2009).

Foreign investment involves the transfer of tangible or intangible assets from one country into another for the purpose of use in that country to generate wealth under the total or partial control of the owner of the assets. That transfer of intangible asset is an essential element. Intangible assets include intellectual property rights, such as patents, copyrights, know how etc. In addition, foreign investment also includes transfer of tangible assets. The purpose of transferring tangible and intangible assets to another country is to generate wealth. Generating wealth indicates that foreign investment is profitable. Foreign investment is a transfer of funds or materials from one country (called the capital exporting country) to another country (called the host country) in return for a direct or indirect participation in the earnings of that enterprise. The first essential point with regard to this definition is that it involves transfer of funds or materials. Fund denotes the sum of money or other liquid assets established for the purpose of investment in another country. The foreign investor will transfer this fund from his/her country to another (Ibid).

Foreign Direct investment (FDI) is investment that is made to acquire a lasting interest the investor's purpose being to have an effective choice in the management of the enterprise. To be more specific, a foreign direct investment is ownership of assets by foreign residents for the purpose of controlling the use of these assets. In case of foreign direct investment, the foreign investor directly controls his/her assets that are made on investment in host country (Ibid). Foreign direct investments are made largely by multinational corporations. Multinational corporations are large business organizations so the sum of money invested is large. Further, those multinational corporations will implement a global strategy in making foreign investment. Consequently, controlling is essential for the implementation of the global strategy. It is necessary for the investor to be present physically in the host state.

The foreign investment has to be held in the host economy since it operates there. This will create the conducive environment for the investor to be active participant in the economic and political process of the host state (Ibid). In foreign direct investment, there is a movement of people and property from one state to another and such movement has potential for conflict between the two states. The investor needs to keep secret the competitive advantages of that state to maximize the profit. Similarly, the host state requires to acquire a lot out of the investment such competitive interests require the protection of both the interest of the investor and the host state. Personnel attract diplomatic protection while the property requires equal protection. Thus, it is argued that the right of alien can be extended to the protection of foreign investment. At this juncture, it is important to note that the roles of international law on foreign investment lie in the effort to extend diplomatic protection to the assets of the alien (Ibid). Portfolio Investment is a movement of money for the purpose of buying shares in a company formed or functioning in another country. The World Bank defines portfolio flows as consisting of bonds, equity (comprising direct stock market purchases, American Depository Receipts (ADRs), and country funds), and money market instruments (such as certificates of deposits (CDs) and commercial paper. As we can see from these definitions, in portfolio investment, the investor purchases shares from the host country business organization. The nature of portfolio investment does not offer the opportunity to control the business organization. In other words, in portfolio investment, there is a divorce between management and control of the company and the share ownership in it (Ibid).

2.5 Factors affect private investment

2.5.1. Quality of Administration (QA)

Corruption is often described as one of the major constraints facing enterprises in the developing world (World Bank 2005). For private investors, corruption raises the costs of investment and of operation. Corruption also increases uncertainties about the timing and effects of the application of government regulations. Besides, corruption augments the costs of public enterprises and in turn leads to insufficient and low quality infrastructure Ahmet.F (cited in Tanzi and Davooli, 1997). Corruption lowers the quality of public investment, and this poor quality public investment is associated with lower private investment.

The result is that if a highly corrupt country raises the level of public investment, the productivity of the new public investment put in place is low, and private investment falls. It also appears from the data that as this poor quality public investment is put in place, private investors are able to discern the difference and react by reducing their investment (Stephen.K and Mariusz.A.S, 2001).

2.5.2 Public Investment

Public Investment expenditure is also another influential variable that determines affecting private investment. The role of public investment is seen from two aspects. On one hand public investment, in the form basic infrastructures, is a complement to private investment and hence promote private sector expansion and development. On the other hand, public expenditure is a competitor of private sector and hence, reduces the amount of money available for them.

2.5.3 Access to credit and Interest rate

Gizachew.Y.G (Cited in Ambaye, Berhanu and Abera's 2014) study on the determinants of domestic private investment in Ethiopia identified that domestic credit given to the private sector reduces domestic private investment because the credit may be diverted to nonproductive activities. The study further identifies that the appreciation of the real exchange rate discourages domestic private investment and vice versa. In short, the high value of local currency constrains domestic investment.

2.5.4 Infrastructure facilities

Gizachew.Y.G (Cited in Adugna, 2013) undertook a study covering the period 1981-2010 using Ordinary Least Square (OLS) regression to model the determinants of private investment in Ethiopia. Findings from the study showed that public investments in basic infrastructures and social overheads are essential for private investment. In addition, the rising real per-capital income of the people has a crucial positive effect on private investment by way of increasing market demand for goods and services. These in turn trigger private investment.

2.5.5 Human Capital

Human capital is a complementary factor of physical capital. Here, we assume health and education as part of the human capital index. Human capital stimulates private capital formation by raising the profitability of investment. Human capital can also be at the origin of positive externalities. Because skilled workers are better in dealing with changes, a skilled work force is essential for firms to adopt new and more productive technologies. Besides, new technologies generally require significant organizational changes, which are handled better by a skilled labor force. Human capital gives also the opportunity to the enterprises to expand or enter into new markets (Ahmet.F, 2007)

2.6 Impact of public Investment on Private Investment

Public investment has been treated as one of the most important factors contributing economic growth. On the one hand, public investment may facilitate and stimulate private investment through the provision of infrastructural support. As a result, this can raise the productivity of capital, and expand the overall resource availability by increasing output. On the other hand, public investment may crowd out private investment. This occurs when additional public investment requires raising future tax and domestic interest rate, or if the public sector produces investment goods that directly compete with private goods (Phetsavong.K and Ichihashi.M, 2012).

2.7 ECONOMIC THEORY OF INVESTMENT

2.7.1 Classical economic theory

According to the classical economic theory, foreign investment is wholly beneficial to the host economy. In other words, pursuant to the classical economic theory, it is the economy where the investment is made that benefited wholly from the investment. Classical economic theory is based. Firstly, capital inflow the first reason for the classical theory is that foreign investment makes available capital in the host state that flows from capital sending country. The proponents of classical economic theory argue that foreign investment is beneficial to developing countries by making available capital. The capital, then, is used to promote the development of the economy of the host state. Secondly, transfer of technology is the second reason on which the classical economic theory bases its justification.

The proponents of the classical economic theory propagate that foreign investment transfer's technology which is not available in the host state. They further argue that investment is beneficial to the host state since it diffuses the transferred technology to the host economy. Foreign investment will help the workers who are the citizens of the host state to learn how to run the technology the investment uses. They will use their technological knowledge and skill in a similar field in their country. Thirdly, creation of employment it is argued that foreign investment creates new employment opportunities. Accordingly, the unemployment problem that exists in a host state will be solved. No doubt that foreign investment creates a new job. However, the fact that it creates a new job opportunity should not be taken as a benefit only to the host state. The foreign investor is highly beneficial from the creation of employment because labor is usually not expensive. Rather, the workers will not be fully paid, or the rate of wages is very low that is not commensurate with the service rendered by the workers. Fourth, transfer of managerial skills foreign investment transfers managerial skills to the host state, particularly skills in management of large projects. The foreign investor may recruit local experts in higher managerial positions. For example, the local employees could be assistants to foreigners in structure in the business organization, marketing the product of the business organization, administration of employees etc. Hence, the proponents of classical economic theory argue that foreign investment will result in transfer of managerial skills from the foreign investor to the local professions. Therefore, they conclude that foreign investment is beneficial to host states. Fifth, building infrastructure it is also argued that foreign investment makes sure the building of infrastructure in a host country. Fundamentally, the state builds necessary infrastructures in areas where foreign investment is made. For example, health, and education facilities are delivered by the state. The investor may also built infrastructure facilities in host countries. Therefore, proponents of classical economic theory on foreign investment argue that it is beneficial to the host state (M.Sornarajah, 1996).

2.7.2 Dependency theory

The dependency theory redefines development as requiring not wealth transfer to the host state, but the development of the people of a state as a whole. It is popular among Latin American economists.

The proponents of the dependency theory analyze that the multinational corporations have their headquarters in developed countries and the branches they establish in developing countries work in the interest of their parent companies and their shareholders. Hence, development becomes impossible in developing countries since their economy is dependent to the developed countries. Thus, they propose that indigenization measures and efforts be made to control foreign investment. Because Attempts to permit foreign investments through joint ventures are seen as failure and the foreign investor defeated it through his/her alliance with the elite in the host state. According to the dependency theory foreign investment is a way for developed countries to gain power in developing countries. It influenced many nationalizations of foreign direct investment (Ibid).

2.7.3 Middle path theory

When communism proved to be unsuccessful, free market economy was accepted as a means to marshal economic development. Then, private economy was considered essential for the development of an economy. As a result, privatization of state companies took place in developed and developing countries. Accordingly, the ideological predisposition to foreign investment was shifted the view that. Multinational Corporation is a threat to the sovereignty of developing states has changed. Developing states have built up confidence in dealing with these multinational corporations. Multinational corporations, on their part, usually ceased to be instruments of the foreign policy of their home states. It was also observed that such corporations formed alliances with developing states. For example, foreign corporations in the petroleum sector formed alliance with oil exporting states to the determinant of oil importing developed states (Ibid).

2.7.4 Liberal consensus

Liberal economic theory is based on the premise that free market yields maximum productivity. In the eighteenth century, Adam Smith and David Ricardo came up with the liberal economic theory and challenged mercantilism. Mercantilism argues that extensive state regulation of the economic activity is necessary to promote the interest of a nation. In the period between the 16th to 18th centuries, mercantilism was a dominant political economic theory in Europe.

According to mercantilists, a national wealth may be equated with the quantity of gold held hold by the state. Hence, they sought to restrict imports and increase exports to increase the gold supply (Kenneth J. Vadervelde, 1998).

Exploring the impact of public investment on private investment in Abeshige woreda fits classical economic theory. Indeed country of Ethiopia is known by developing country which faced in different challenges; lack of capital, lack of technology and unemployment problem. Like that, also Abeshige woreda is a one part of country of Ethiopia also faced above listed challenges. For Abeshige woreda classical economic theory is better option to follow. This is what initiates the researchers to use classical economic theory to explore the impact of public investment on private investment.

2.8 Incentives in general

Governments, especially industrialized countries, offer considerable investment incentives to attract investment in general and FDI in particular; to steer investment into favored sectors, activities or regions; or to influence the character of an investment. Nowadays, most investment incentives are given to both domestic and foreign investors alike. Sometimes, incentives are geared towards large projects or specific foreign investors. There is no uniform definition for the term incentive it may be defined broadly covering any assistance offered by a country to investors. It may also be defined narrowly covering only specific types of assistance given to investors. Incentive is anonymous to subsidy when subsidy is granted to Investors (Tesfaye, 2009). The concept of Subsidiary includes financial contributions made by government and benefit is inferred. In short, subsidiary is an advantage given to investors and, therefore, it is an incentive. Incentives are any measurable economic advantages afforded to specific enterprises or categories of enterprises by a government in order to encourage them to behave in a certain manner (Ibid). Investment incentive is defined by Multilateral Agreement on Investment (MAI): as the grant of a specific advantage arising from public expenditure in connection with the establishment, acquisition, expansion, management, operation or conduct of an investment of constructing party or non-constructing party in its territory. Incentive is granting of public expenditure (Ibid).

That is a financial contribution to the investors. The main purpose of incentive is to attract investment in general. FDI may create jobs in a host country. Incentives may include measures either to increase the rate of return of a particular FDI undertaking, or to reduce its costs or risks. The following are the main types of incentives used. 1. Fiscal incentives may include reduction of the standard corporate income tax, tax rate, investment and reinvestment allowances, tax holiday, accelerated depreciation, exemptions from import duties. 2. Financial incentives include government grants, subsidized credits, government equity and participation (Ibid).

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 Description of the study area

Abeshige woreda is one of the 13 Woreda that are found in Gurage Zone. It lies between 8013'N-8028'N latitudes and 37029'E-37053' longitude. It is located 155 kilometers southwest of Addis Ababa and 419 kilometers from Hawassa, the capital city of SNNPR. The total area of the woreda is 389.99 square Kilometers. The woreda is divided into 26 kebele administrations and three town administrations, namely Darge, Walega and Nach Kulit. The Woreda is bordered in the south by the Wabe River that separates it from Cheha woreda; in the west and north by the Oromiya region, and in the east by Kebena Woreda (AWA, 2019).

According to the 2014, Population projection value (CSA, 2014) the total population of the study area is estimated 69,184. Out of this total population, 36,588 are male while 32,596 are female. The growth rate of the population is estimated 2.9% per annual and the crude population density is 177 people per square kilometers. The majority of the population worship Ethiopian Orthodox Christianity with 50.8% of the population, whereas the 31.96% are Muslims; 15.82% are protestant and 1.28% is Catholic Christian. The woreda constitute different ethnic groups namely Gurage, Kembata, Amhara, Oromo & others. The majority of the population of the Woreda speaks Guragigna as their first language; additionally the population of the Woreda speaks Amharic, Kemebatigna and Oromifa. The vast majority of the population (97%) live in rural areas and lead the livelihood by crop production and animal rearing; while the remaining (3%) is living in urban area involving in trade activities (AWA, 2019).

3.2 Selection of study area

This study would have conduct in Abeshige Woreda. The rationally behind intentionally we select Abeshige Woreda because of some convincing reasons. Place has investment, the absence of the study its spread is not wide currently. The researchers recognize this problem and make solution to this study area (Abeshige) to conduct study.

3.3 General description of approaches

There are two different research approaches. Firstly qualitative research approach explores the attitudes, behavior and experiences through such methods as interviews or focus groups. It attempts to get an in-depth opinion from participants (Catherine, 2007). As it is attitudes behavior and experiences which are important, fewer people take part in the research, but the contact with these people tends to last a lot longer. Secondly, quantitative research approach generates statistics through the use of large scale survey research using methods such as questionnaires or structured interviews. This type of research reaches many more people, but the contact with those people is much quicker than it is in qualitative research (Ibid).

3.4 Research Design

Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money (Kothari, 2004). In this regard, this research chiefly relied on cross sectional (one shoot) design which means meeting respondents once to get information on specified time. Therefore, we would be used this for efficient management of our time, money and effort.

3.5 Source of data

For this, obtain the necessary data from concerned party, the researchers used both primary and secondary data. The primary sources include informants such as private investor; employers in private investment, with regard to the secondary sources included published and unpublished materials.

3.6 Sampling techniques

Selection of appropriate samples was depend on the sampling procedures followed. To this, researchers used simple random sampling techniques. In case of investors invest on homogeneous sector in Abeshige Woreda.

3.7 Sample size

In order to achieve the objectives of study, the researchers would be used simple random sampling techniques to select 17 investments from 22 investments in the Abeshige Woreda in case of limited time and finance based on the following formula developed by Kothari, 2004.

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

Where N= Total population

Z= Confidence level

n= Sample size

q= proportion of failure

p= proportion of success

E= margin of error

Given N=22 p=0.5 q=0.5 E=0.1 Z=1.64

Solution

$$n = \frac{(1.64)^2 * 0.5(0.5) * 22}{(0.1)^2 * (22-1) + (1.64)^2 * 0.5(0.5)}$$
$$n = 16.7642792384$$
$$n \approx 17$$

3.8 Method of data analysis

It is apparent that in a given data collection is indispensable. Researcher has responsibility of analyzing data to meet his/her objectives as well as make the finding ready for scholarly assumption. Therefore based on this certainty in this study we would analyzed and interpreted the raw data collected through interview and questionnaire and key informants to answer the research questions and to achieve the stated objectives. In analysis part, we would use mixed approach. Firstly, when we analysis interview data we used qualitative approach because during interview respondents talk about their attitudes, views as well as their recommendation on the issues. Thus, need to analysis qualitative approach. Secondly, when we analysis questionnaires data we used quantitative approach which follow statical formula. Therefore, we were used frequency and percentage with table to analysis the attitudes of respondents.

3.9 Ethical consideration

It is true that ethical consideration as crucial as other aspects in the process of conducting a research for it significantly affects the success of study. In this regard, we considered the socio-cultural norm of the host people and treating participants through respect as well as encountering awkward situations which disturb participants (respondents) and informing about the aim of study and significance of the study.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Characteristics of Respondents

Below shown table, 1 is appropriate to know back ground information about respondents. Their profile and characteristics in terms of sex, age, education level and marital status are summarized as following.

Variables	Item	N.O of respondent	Percentage
Sex	Male	14	82.4
	Female	3	17.6
	Total	17	100
Age	Below 25	4	23.5
	25-30	6	35.3
	31-40	5	29.4
	41-50	2	11.8
	Above 50	0	0
	Total	17	100
Education level	Elementary (1-8)	2	11.8
	Secondary (9-12)	3	17.8
	Diploma	2	11.8
	Degree	9	53.0
	Master and above	1	5.9
	Total	17	100
Marital status	Single	4	23.5
	Married	13	76.5
	Divorce	0	0
	Widower	0	0
	Total	17	100

Table, 1 Source: primary, 2019

4.1.1 Sex distribution of respondents

In table, 1 shown that 82.4% of respondents are male and 17.6% of respondents are female. This shows that number of female in work place is very low. This implies that, the participation of female is very low and there is some factors that marginalize them.

4.1.2 Age distribution of respondents

The respondent's age is other demographic information considering their categories, 23.5% are below 25 years 35.3% of them are range between 25-30 years, 29.5% of them are range between 31-40 years, and 11.8% of them are range between 41-50 years and none of above 50 years. This indicates that the employees of work process are in productive age group. This helps to high production.

4.1.3 Educational level distribution of respondents

In terms of level of education out of total employees 11.8% of them are at elementary level, 17.6% of them are at secondary level, 11.8% of them are diploma holders, 53.0% of them are degree holders and 5.9% of them are masters and above. This imply that, majority of employees are literate. However, it is insignificant in the manner of present competition.

4.1.4 Marital status distribution of respondents

In terms marital status out of total employees 23.5% of them are single, 76.5% of them are married, none of them are divorced and widowers. This imply that, most of them have their own family and houses.

4.2 Performance of private investment in Abeshige Woreda

The general policy frame work of the current government and specific measures implemented after words aim at the private sector the upper hand production and distribution and to decrease the role of the state strategic activities. A program of economic reform and structural adjustment for getting establishing a market friendly economy that necessities increasing partnership of private sector in the economy. Accordingly a number of stabilization policies and structural reforms have been practiced as a result which the sector performance responded in some way. In what follows we observe have the private sector respond to investment policy reforms of the current government. Public investment has been treated as one of the most important factors contributing economic growth.

In other hand, public investment may facilitate and stimulate private investment through the provision of infrastructural support. As a result, this can raise the productivity of capital, and expand the overall resource availability by increasing output.

4.3 Infrastructural problems in investment activity

Abeshige woreda has better infrastructure facilities like transportation service; finances service (private and governmental) telephone, social service (education and health centers). But the currently available infrastructure service does not correspond to the exact supply and demand condition to facilitate business activity in general and for investment activity in particular due to poor quality and quantity of these services. With regard to this issue the following data has been obtained from questionnaire.

SS of infrastructure	Respondent	Percentage
High	1	5.9
Medium	10	58.8
Low	6	35.3

Table, 2 Source: - primary data, 2019

From the total of seventeen (17) respondents ten (10) of them has answered that the supply of infrastructure is medium and six (6) of them has answered that the supply of infrastructure is low while one (1) of them has answered that the supply of infrastructure is high.

A. TRANSPORT SERVICES

Transport has major contribution during pre-investment and post-investment. The pre-investment contribution of transport for investment is its serve as pull factors of investors in to environment which leads to spread of investment. Also the post-investment contribution of transport is to transporting products from place where produced to market place. Investment becomes profitable when product meet with a good market. Therefore, product should have supply in the time of customers need.

To do all this function, transport service is very essential. The different modes of transport that give transport that give transport services in the woreda include horse drawn cart, taxi, mote bicycle and bicycle. Taxi there is large number of the passenger along from Abeshige to zonal city of wolkite. However, the existing numbers of taxis are not adequate. The major problems observed on the road condition of the town include.

Deteriorated and lack of proper maintenance of roads, sharing of the same route by different modes of transport (by foot and by different types of vehicles) which caused overcrowding.

B. HEALTH AND EDUCATION SERVICE

Health services: - Environment and human being health is very important thing to do anything. When we say environment health environment degraded by manmade and natural disaster it become very difficult to do anything. Also human physical health is essential. Environment affected by communicable disease and when it cannot control labor force can ended as well as environment can become null. The existing health facilities in the woreda include some clinic and pharmacies (drug stores). The burden on the health institutions located in Abeshige woreda is high as the woreda serve. So, there is a need to construct additional health institutions in the area to relieve the burden on the health institutions. The social and physiological decay the illness and community break down has made relative impact on development devoirs.

Educational services: - Education is a core center for skilled man power supply. Educated and trained man power innovate new technology and create better way of production as well as trained man power utilize and organize natural and human resource to production. This leads to better achievement for investment and long sighted about future. And also skilled man power allows resources, effort, time and finance. The availability of higher education and training institutional has a potential role in development activities of private sector. Despite the fact that the educational access has risen, it has faced with high quality problem. The existing schools are facing problems like poor physical state of buildings, shortage of furniture, shortage of classroom, low level of teaching process and absence of capable teachers are among few problems to be mentioned.

C. WATER AND ELECTRICITY SUPPLY

Water supply: - Water is very essential element for investment activities. In factory water serves for recycling inputs in manufacturing and for different cleaning purposes. All investment in Abeshige woreda invested on agriculture to this in Abeshige woreda different project built investors become more productive.

Until recently Abeshige woreda water supply has been obtained from ground water source the existing water supply situation does not reflect the exact supply demand conditions.

Electricity supply: - Electricity is also very essential element for production. Now a day machines drive with electricity power to functioning its process. To this, electricity power supplied without interruption with enough power lead to done more work and also production continues without interruption which leads to more earning. There are transformers that step down the higher power in to low voltages for household consumption. But there is shortage of electricity for private consumers. Besides, there is no light for roads and it is difficult for movement at night.

The Abeshige woreda is very suitable for agricultural production due to presence of fertile soil also its geographical location also the presence of medium level infrastructure leads to attract investors to invest on agriculture. However, there is no industrial activities and service sectors. Even if Abeshige woreda land is fertile, land cannot expand or cannot increase its area. In case of all investors invest on agriculture leads to piece of land problem because agriculture works need very wide and suitable or fertile land for production. Therefore most of investors face by the problem of piece of land. In the absence of Investment leads high level of unemployment and which downwards the economy of society up to country level. Therefore, issues related with investment land are serious problem in the environment. Currently the major constraints, which hinder the development of the investment activities in the woreda, can be categorized in to institutional, economical and infrastructural problem.

Institutional problems include lack of advisory and consultation services or information related to service, lack of promotional activities and incentives and administrative problem (low level of qualified workers in offices) and problem which is related to shortage of land.

Economic problem include lack of capital and low level of market activity due to lack of diversity.

Infrastructural problem include transport service, health service, educational service, water supply, telephone, electricity limited to recreational centers, It is very important to analyze these problem to understand their impact on investment activity in Abeshige woreda.

4.4 Factors that affect investment activity in Abeshige woreda

Different factors affect investment activity in the Abeshige woreda as we get information from respondents through questionnaire. We get information as the following for the question of what is the challenge that faces during investment starting.

Challenge	Respondent	Percentage
Capital	4	23.5
Piece of land	6	35.3
Police of investment	7	41.2

Table, 3 Source: primary data, 2019

From the total of respondents 23.5% of them has answered that the challenge that faces during investment starting is shortage of capital and 35.3% of them has answered that the challenge that faces during investment starting is piece of land for investment while 41.2% of them has answered that the challenge that faces during investment starting is policy of Investment.

4.4.1 Problem Of Land Permission Policy

Land permission policy has a major impact on investment activity in the woreda. Due to high competition among investors to get land for agricultural production purpose, currently a small plate of land has high amount of price. The questionnaire conducted on private investor's show that among seventeen (17) respondents 35.3% of investors replied that land permission policy as a major cause on investment activity. As it is also suggested by Abeshige woreda revenue bureau workers, land permission policy is the major problem which affects the investment activity negatively. Abeshige woreda administration has power to give land for necessary business activity cooperating with zonal administration; land is acquired on lease hold bases in the form of auction agreement depending on the type of project submitted.

An investor, who wants lands for production purpose, has to submit a proposal about his production activity in the first case. Then the authority of land for production will be presented for auction among many investors. During this time there will be high competition

on the price of given plot land. At present time, price of a given plot of land is expensive. This has negative impact on investment activity in the woreda. Due to this fact an investor who submits his/her proposal in order to get land may not get land and incur losses. The land permission policy has also some problems related with longer time to get land for business activity and an investor cannot facilitate time value of money.

The above analysis shows the impact of land permission policy on investment activity. Due to difficulty to obtain land for production and problems of affordability associated with the decline of woreda economy and the increasing cost of production.

4.4.2 Problem of policy of investment

As table, 3 shown that, out of seventeen (17) respondents 41.2% of them has answered that the challenge that faces during investment starting is policy of investment which include with about tax of investment. Due to high level of tax an investment activity or production activity in the woreda some investors have faces problem during their engagement. During taxation, tax collectors over valued their capital assets and they leave high amount of tax on the production. Even if during low level of profit due to low level production in case of variability of rain for grain and sometimes sudden seasonal diseases for grain which leads to low production and low market activities which affect earning capacity for investors. Sometimes this situation leads instability among society which decreases the attraction level of investment. As well as personnel (administration) who have responsibility on activity of investment does not give accurate feedback on time on occurred problem. This, this is a series problem to lower the level of investment in the woreda.

4.5 Investment and Economic Development

Investment activity is central to promotion of economic wellbeing because it is one of the most important economic activities that consumers, producers and business can undertake. Investment also has an important influence an employment and today determines economic activities of tomorrow by building up resource of capital that will be used to produce goods and services.

However, in Abeshige woreda there is low level role of investment on development. The following information show about the attitudes of society on gender issues on the question of who work in investment.

Worker in investment	Respondent	Percentage
Male	12	70.6
Female	0	0
Both	5	29.4

Table, 4 Source: primary data, 2019

From the total of seventeen (17) respondents 70.6% of them has answered that the workers in work of investment is male and 29.4% of them has answered that the workers in work of investment is both sex while there is no only female workers investment among the seventeen investment. As the information shown on the table, 4 participation of female in work of investment is very low. As respondents expression in the culture females are seen as inferior, weak and illiterate. Even if female learn, she cannot fulfill her work in better achievement. Also some people believe as agriculture work needs very strong energy to do. Therefore, agriculture work need male workers and marginalize females from job opportunities. However, development cannot achieve without female participation. Development is the overall growth in socially, economically and sustain of environment. So, development contains the issues of gender in social activity and it gives full empowerment on any activity. Thus, if there is no social welfare, development cannot achieve.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

Allocation of capital on different sectors of economic activity is essential to move the available resources in to more productive. To increase the development, allocation of human and natural resources in effective and efficient manner on investment activity is very crucial aspect. Without investment it is impossible to have any development rather it remains in poverty. This is mainly seen in developing countries like Ethiopia. If there is unemployment, there will be low productivity which results in low level of income, there is poverty. This research is conducted in Abeshige woreda to explore the impact of public investment on private investment. Data was collected through primary and secondary method. The data obtained was analyzed through mixed method. According to data obtained shows that the investment activity was found in its low level to activity due to various constraints. However, the woreda has good opportunity to become an important distribution center in Guraghe zone, owing to its land scape and fertile soil with almost medium supply of infrastructure from government. Yet the level of investment activity in the woreda is rather small particularly when compared with the level of investment in other part of the country that recently gained a higher administrative status. Bureaucratic system of land lease policy has a great impact on investment activity. Due to high competition among investors, a small unit of land has high price in the woreda and it is difficult to get land easily, economy, low quality level supply of infrastructure, policy of investment and society culture attitude on issue of gender and marginalization of female from job opportunity hindrances this activity in its low of stage in woreda.

In generally, public investment have positive impact on private investment when government invest on supply of better infrastructure, encourage private investment in its policy of investment, gives consultation and advisory services on different investment activities like; industrial, agricultural, service sector, discussing with society the issues of

land and awering society with gender issues.

5.2 RECOMMENDATION

To make positive impact of public investment on private investment in woreda, the following recommendations are suggested by researchers.

- The main constraint for production activity in woreda is the difficulty to easily obtain land for new investment. In this regard the land lease policy which is being used by the local authorities for implementation in the woreda should be handled in a manner that will contribute to the reification of local woreda economy.
- Development of infrastructure facilities plays a major role for the development of investment activities. In order to facilitate transportation service, deteriorated roads should be maintained, gravel surface roads should be asphalted and the construction of additional inner roads which can help for fast movement of goods and service with in the woreda.
- To diversify the business activities, it is essential to provide sufficient information to private investors about alternative investment opportunities. In this regard investors before starting their investment activities by seeing only others doing if should identify new investment activity in the woreda.
- The institution capacity of the woreda should strengthen to give advisory and consultation service for potential investors.
- Giving awareness on gender issues and training society on impact of gender issues on development.

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7. APPENDIX

WOLKITE UNIVERSITY

COLLEGE OF SOCIAL SCIENCE AND HUMANITY

Department of Governance and Development studies

Dear respondent:

First of all we would like to extend thanks to your cooperation and the time you spent to fill

6. Is there affection on profit in case of tax?

Yes

NO

How.....

C. Questionnaire to assess economic role of investment.

1. Investment gives employment opportunity for society?

Yes

No

2. Who work in investment?

Male

Female

Both

3. What is the contribution of investment for society

4. What investment refer to control environment pollution list them.....

5. What is the problem to expand investment?.....

6. Rent fee of investment Land is?

Heavy

Medium

less

If there is any justification please write.....

7. Which one is better to supply input of production?

Government

Society

Organization

Why.....

INTERVIEW QUESTION

1. What kind of challenge frequently faces investment during production?

2. What thing expects investment from Government?

3. What do you think about expansion of investment in Abeshige Woreda?

