

JIMMA UNIVERSITY  
FACJLTY OF BUSINESS  
DEPARTMENT OF MANAGEMENT

**Topic:** - INVESTMENT AND ECONOMIC DEVELOPMENT:

An assessment of the factor (S) that limit level of investment;  
(The case of West Wallagga zone, Oromia Regional state.)

**Thesis Paper on the fulfillment of the course Research in Management  
to acquire Bachelor of Arts (BA) Degree award in Business Management.**

**BY**

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*God*

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## **Abbreviations and Operational definition**

### **Abbreviations**

IOE	Investment Office of Ethiopia
RSO	Regional State of Oromia
CSA	Central Statistical Authority
W.W.	West Wallagga
COMESA	Common Market for Eastern and Southern Africa
SAP	Structural Adjustment Program
FDRE	Federal Democratic Republic of Ethiopia
Vol.	Volume
BA	Bachelor of Arts
BTIT	Bureau of Trade, Industry and Tourism
Dev't	Development
Gov't	Government
Inv't	Investment
OLF	Oromo Liberation Front ( <u>ጠያፍ</u> )
Edn.	Edition
No.	Number
EC	Ethiopian Calendar

## Terms

**"Rogue- party"** Opponent party; a party who is against another party in the country. "mischievous parties"  
Usually used by political authorities

## **Operational Definition**

Investment (capital investment) is the change in the capital stock over a period, normally a year for accounting purposes. It is often called capital investment goods and different from consumption goods in that they yield a flow of services over a period of time, and these services do not directly satisfy consumer wants but facilitate the production of goods and services, or consumer goods.

**Adam and Jessica Kuper.**  
**The Social Science Encyclopedia**  
Second Edn. **1996**

3-1  
6-3

**A**bstract. This paper will investigate the factor (s) that limit the level of investment activity and the impact on economic development of west wallagga Administrative zone, Oromia Regional state. The under-lying factors why this research is made are the complete absence of any engineering Industry, non existence of higher educational institution in the zone, inadequate social service sectors and lack other development indicators. Thus, the key theme of this paper is to assess the factors that limit the level of investment and its Impact on economic development of the zone and to recommend solution. Using purposeful and deliberate Quota sampling method, respondents will be selected from zonal and federal branch offices found in the zone to answer structured questionnaire designed to gather data and information and also some investors will be interviewed. Moreover, published and unpublished documents will be used. It is expected that the study will identify the areas of the problem(s)that contributed to the level of the activity up to this extent and propose effective remedies and Managerial recommendation to foster the development of investment activity. In addition, it will show the different potential opportunities for further investment in the future in some of the development sectors in the zone.

## Table of contents

page

Acknowledgement-----	i
Abbreviations-----	ii
Terms and operational definition-----	iii
Abstract-----	iv
Table of contents-----	v

### **Chapter one**

#### *Introduction*

1.1. Background-----	1
1.2. Objective of the study-----	3
1.3. Statements of the problem-----	4
1.4. Significance of the study-----	6
1.5. Scope of the study-----	7
<i>Notes for further reading</i> -----	8

### **Chapter two**

#### *Review of literature*

2.1. Physical and socio economic features Of the zone-----	9
2.1.1 Main physical features-----	9
2.1.2. Economic features-----	10
2.1.3 Map of the zone-----	11
2.1.4. Basis for economic development-----	12
2.1.5. Investment policy and role the Government-----	12
2.2 Methodology-----	16
2.3 Limitations-----	18
<i>Notes for further reading</i> -----	19

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## Chapter three

### *Results and Discussion*

3.1. Results and data presentation-----	20
3.2. Discussion-----	23
3.3. Factors that limit level of investment activity-----	27
Notes for further reading-----	31

## Chapter Four

### *Conclusion and recommendation*

4.1. Conclusion-----	32
4.2. Recommendation-----	35
<i>References</i> -----	38

<i>Appendix</i> -----	41
-----------------------	----

Questionnaire-----	1-11
--------------------	------

# CHAPTER ONE

## INTRODUCTION

### *1.1. Background*

Investment is of paramount importance in the process of bringing rapid economic development of a nation. Different level of investment activities must be practiced if rapid economic development policies are to be correctly formulated; programs appropriately planned; and resources well managed, allocated, distributed and implemented.

While the country is endowed with vast natural and human resources, the misguided and in-appropriate economic policy and legislation thereof pursued by the defunct regime aggravated the under developed economy. Underlining this fact was that the condition of about 30 years of a protracted armed conflict, border dispute and a situation of recurrent drought in the history of the country in general.

To speed up the economic and social development of a nation (Region), through increasing the supply of goods and services is encouraging foreign and domestic investors to participate widely and constructively in the development of the investment sector. <sup>(1)</sup>

When new economic policy was formulated and issued some ten years ago (1992) it was meant to encourage both national and international investors to invest in all development activities. For an economy, especially a backward economy like ours, investment plays an important role. Hence, a sound land lease policy,



ownership right policy, and supply and facilitation of infrastructure policy, internal peace & stability, etc should be devised. To attract investors and enhance the level of investment activity. Unfortunately, the land lease policy and other infrastructure supply issue failed to lure investors as expected. Cumbersome and bureaucratic procedures to acquire land, exorbitant lease price, corruption and tribal conflict are said to have scared off would be investors. <sup>(2)</sup>

The underlying reason why this research is made are the absence of any factories, engineering industries, higher educational institutions, poor infrastructure like Transport, Communication, water supply etc except potential for energy. The zone being one of the top most export item providers of the country, i.e., coffee, has low investment pattern. Even if there is a wide market in many aspects the zone is still lagging behind in investment.

Although this study is primarily concerned with an assessment of the problems of limited level of investment activity and its impact on economic development, is not the only reason to bring about rapid economic growth and sustainable development of the zone.

Thus, government policy issue is also an important factor to be thoroughly seen. The study will be under taken to assess as exhaustively as possible, the factors limiting the level of investment activity, the potential for sustainable and rapid economic growth in the zone.

It is also aimed at identifying basic development factors and limitations and proposing effective remedies and managerial recommendation to foster the development of investment activity in this zone, West Wallagga

## 1.2. *Objective of the Study*

Research is not an activity performed just to keep one self-mental exercise. It is something done to contribute to solution sought to allocate a concrete social and/or economic problem or some how influence an existing policy or practice.

Thus the key theme of this paper is to assess the problems of limited level of investment activity and its impact on economic development of West Wallaga zone, Oromia Regional State.

### **The Specific Objective of the Study are:**

1. To investigate (show) reasons as to why investment activity is limited (almost non-existence in this zone)
2. To show major development problems resulted due to the limited level of investment activity in this zone.
3. To identify and show the different development potential (resources) and opportunities available for investment that can be invested up on if certain preconditions are fulfilled.
4. To show if there is gap between the theoretical (government policy) and practical activity about investment in the zone.
5. To indicate what could be done to enhance the investment activity in the zone.
6. To make available base line data and information about opportunities for investors, and further researchers of the future.

### 1.3 *Statement of the Problem*

Basically, economic growth can be achieved only through well-distributed development of all sectors of the economy. Investment activities that are supposed to bring this development have been adopted as a policy in the Federal Context in the country.

For example out of investment certificate award to 365 projects only in the first 6 months of the 1996/97 fiscal year which assume an initial capital of Birr 2.29 Billion, 29% of the total licensed projects is the share of Oromia region. Next to region 14 with 31% of the project and also sectorally, 54% of the licensed agricultural projects and about 60% the estimated investment for the sector are directed to Oromiya Regional state. And in the manufacturing sector too, Oromiya Region had 27 and 37% share in terms of numbers of projects and initial capital. Region 14, whose share in the sector was 38 and 50%, again only exceeds it: for the project (manufacturing sector) and initial capital successively, too. <sup>(3)</sup>

Even though, theoretically allocation is made at regional level, west Wallaga being one of the top most export item provider of the country and rich in its natural and human resource is still under going many development problems: UN-employment; poverty; the complete absence of factories; high educational institutions and facing poor infrastructure problems like transport problem where one can not see any asphalt road, unimproved communication facilities. <sup>(4)</sup>

We have a "Free market economy" as a policy and West Wallaga is a zone characterized by high potential for investment, especially agriculture and Industrial Sector. <sup>(5)</sup> But the level of investment activity is so limited; especially the industrial sector is bound to small

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scale industries. It is true that Oromia is one of the region predominantly agricultural economies and it is evident that agriculture is playing a major role in the economic development by providing agricultural raw material for other industrial sectors. However, since the country practices traditional farming system, and growth of the sector does not correspond with the population growth, people are living in dire condition. <sup>(6)</sup>

It has been said time to time that investment is very limited and weak in this zone, West Wallaga. But without a reasonable background and predetermined conditions suitable for the investor, the activity cannot be flourish and continue. Thus, in order for investment to flourish and continue, it is first desirable to identify the areas (reasons) that seem to be hindering it to this extent. Though it is not an easy task to investigate and show all the factors (reasons) contributing to this problem in a single paper like this one but calls for extensive research, attempts will be made to investigate and identify these areas of problems and only after that we could then proceed in showing up feasible solutions and map strategies to prepare favorable ground for investment activity, and hence insure self-reliant and rapid economic development of the zone. That is what this paper is aimed at.

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#### 1.4 *Significance of the Study*

The need to explore the magnitude of limited level of investment activity and its impact on economic development should not be overlooked. This is because, it is a base line to determine resource allocation, policy formulation and decision making to assess the development level of economy of a given area or region.

The reason for limited investment activity and the extent of its impact on economic development has not yet been sufficiently investigated in the area. Due to this, there are no significance efforts made to solve the problem in the zone.

As a result, West Wallaga zone is facing many development problems such as lack of transportation facility, in adequate social service i.e., the zone being very large and wide with about 17 districts (woredas) have only three hospitals, completely absence of higher educational institution, large engineering industries and problems of un employment and other. So far, no research has been conducted in the area about investment Thus, the significance of this study is to collect and document valuable data and information for further researchers, policy makers and to indicate investors the available opportunities for investment in the zone

### 1.5 *Scope of the study*

West Wallaga Zone which is one of the 13 (including Kamise) zones of Oromia Region is selected because among the zones of the region and even from the country having abundant human and natural resource base favorable for every kind of development sector is undergoing uncountable development problem. However, the study will mainly focus on investigating the problem(s) that limited the level of investment activity and the impact resulted on economic development of the zone.

## Notes For further reading

1. IOE (Sept 1992); *Ethiopia, a guide to investment* page. 1-2
2. *From the private press (Saturday 29 Dec.2001): The Ethiopian Herald*
3. *Ministry of Economic Development and Cooperation (March 1996). Report on Macro Economic Development. Report No.29 Page. 17*
4. *The (RSO) Bureau of Planning and Economic Development of statistical pocket book (1997) page. 62,72. Finfinne*
5. *C.S.A. (1994) Population and Housing Census. Report on Education and Economic Activity. Result for Oromiya Region. Vol.I part 2.*
6. *The Regional State of Oromiya. Bureau of Trade, Industry and Tourism*

## **CHAPTER TWO**

### **REVIEW OF LITERATURE**

#### **2.1 Physical and Socio-economic features of the zone**

##### *2.1.1 Main Physical Features*

The West Wallaga administrative zone of Oromia is bound by Dhidhessa River in the East, the boundaries with Region six in the north, the Sudan in the West, Region 12 (Gambella) and Ilu abba bora administrative zone in the South West.

The zone is divided into seventeen (17) districts, which form the lowest administrative level.

The zone's elevation generally ranges between about 500 meters above sea level in the low lands and peaks of over 3000 meters above sea level in the highland. The zone is generally divided into three climatic zones traditionally known in Afaan Oromo as Badda (high lands or alpine), Badda Dare (semi-highland or mid-lands or temperate) and Gammojji (low lands or tropical) corresponding to variations in altitude.

Land configuration in the high land is generally rugged with rivers and streams cutting deep into the terrain forming a network of mountains terrain, plateaus, deep gorges and valleys.



### 2.1.2 *Economic features of the zone*

Agriculture forms the economy of the zone with over 90% of the population residing in the rural areas.

#### **a) The Rural Economy**

The rural economy is predominantly made up of traditional and fragmented peasant farming. The peasantries generally practice mixed farming i.e., a mix of crop farming and animal husbandry.

The widely growing of coffee in the zone made it the major cash crop growing zonal unit of Oromia.(7)

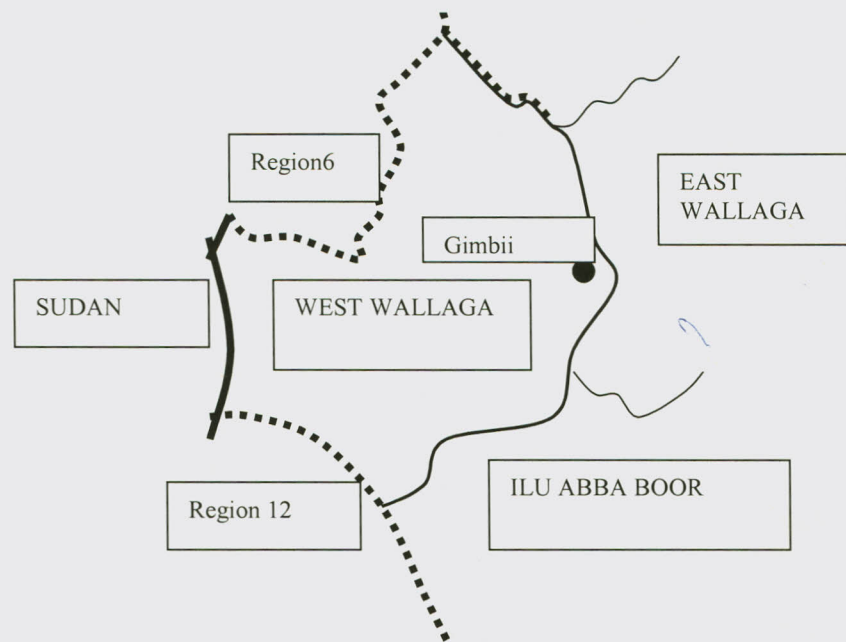
According to data and information from the zonal planning & economic development and the zonal agricultural development bureaus, the only non-farm activities are handcrafts and artesian works practiced mainly as supplementary activities to the main occupation of farming in the rural sector

The magnitude and performance of these activities could not be measured for lack of data. Their relative significance is, however, negligible.

#### **b. The Urban Economy**

The urban economic activities in the zone is mainly trading and handicrafts. In general, however, trading activities appear to be the dominant urban economic activity.

### 2.1.3. Map of the Zone



#### KEY

- International Boundary
- Regional Boundary
- Zonal Boundary
- Zonal Capital



**Source:** The regional state of Oromia Bureau of Trade, Industry & Tourism. An assessment of the potential for industrial development in Oromia.

Volume (A)

Western sub-region

August 1995

Finfinne

Fig. 3.2 the Western sub-region of Oromia pp.13

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#### **2.1.4. *Basis for economic development***

Self-reliant development depends, among other things on the availability of resources like manpower, agricultural resources, Industrial minerals, hydroelectric power etc.

The financial and technical capacity to tap such resources and the designing and implementation of an efficient resource mobilization system are also remain important as the availability of resource. A nation (region) may thus remain underdeveloped (and poor) for lack of the capacity to tap its resources effectively. <sup>(7)</sup>

The aim of an investment activity development effort, as is well known, is the development of economy, that is, the development of the human person and improvement of the quality of life. And human development means the attainments of the most basic needs such as food, shelter, education and health care. Poverty therefore, is no more than the inability to satisfy those basic needs.

#### **2.1.5. *Investment Policy and the role of Government***

True, we have a national investment authority, whose objective is distinctly insuring the development of investment activity, by way of implementing the economic policy proclamation number 15/1992 for the encouragement, expansion and coordination of investment in Ethiopia, which is issued on 25<sup>th</sup> may 1992 to meet the basic needs of the population and that of the economy.

Proclamation number 15/1992 envisages the speeding up of the economy and social development of the country, through increase in

the supply of goods and services; encouraging domestic capital particularly in the direct productive sectors in order to ensure linkages and sustainable developments; and thereby promoting the mutual benefits of the country and that of the investor.

If investment were to be encouraged, promotional and procedural facilities for new investment would be provided. The promotional measures for mobilizing and developing private sector investment in Ethiopia have created a favorable climate for the inflow of foreign investments and technology. In case of economic liberalization, since the launching of the new market oriented economic policy in 1992, a number of policy measures and reforms have been undertaken to change the structure of the national economy and to bring about rapid economic development.

Among the reforms made promulgation of a " liberalized investment laws" for promotion and encouragement of private investors both foreign and local has been under taken.

Since mid 1992 a structural adjustment program has been in place, which aims to stabilize the economy (macro) and de-generate economic activity. However, the reform is an on-going process and seems likely that further changes will occur in the next few years, still the nation in general is experiencing an improved economic life. <sup>(8)</sup>

Much has been said and planed to ensure economic development in different regimes in the past. It is also impossible to bring about rapid economic change over night either on nations (Regions) and even zones economic development without assessing the limiting factor that the different economic development basis are facing and without deep investigation of the development policies for effective resources

mobilization and utilization, peace and harmony, cooperation and coordination between the development policy makers and implementers. <sup>(9)</sup>

The very crucial problem that backward regions like Oromia are experiencing is in fact not lack of natural and human resources and also not lack of paper plans. But problems of efficiency and effectiveness in the mobilization of the human and natural resources and inability in leading and coordinating the different development sectors to true development site to ensure the desired rapid economic development.

The role of government, the participation of the private sector (investors) and the enthusiastic role of the population at large is as Musgave and Musgave (1990) defined is economic development; allocation and distribution of resource and stabilization <sup>(10)</sup>.

For countries like Ethiopia that is a member of the Common Market for Eastern and Southern Africa (COMESA) and following a market oriented economic development strategy, all forms of market based activities like Trade, Industry and in general investment reforms have to be introduced <sup>(11)</sup>.

Oromia has rich resources endowments, which if properly managed and mobilized can provide an effective base for sustainable development.

A large human resource, vast and rich arable land for all kind of investment activity, large water resources and Industrial Minerals are available. However, Oromia in general and West Wallaga in prticular

are still predominantly agricultural and backward and face many development problems.

Economic development has been seriously hindered by lack of the capability and effective system for mobilizing human as well as the potentialities and limitations of the resources base of Oromia exists as data relating to resources are very scanty <sup>(12)</sup>

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## **2.2. Methodology**

### *Study Design*

This study is about the problems of the limited level of investment activity and its impact on the economic development of West Wallagga zone. That will be under taken at Gimbi Town. Western Wallagga zone, Oromia Regional State that is located at the extreme western part of Oromia about 450 kms from the capital.

The study population will include Bureau of zonal planning and economic, Trade, Industry and Tourism, Agricultural Development, Coffee and Tea Development, Environmental and Natural Resource Protection, Mines and Energy, Agro-mechanization, Education, Zonal Administration and Urban Development and Chamber of Commerce and Investors found in the zone.

Data will be gathered through structured questionnaire and interview for the main data collection purpose. Furthermore, document analysis will be made on some Federal Branch Offices like Road Authority, Telecommunication, Electric Power Corporation and statistical reports to substantiate and compare primary data.

A purposeful Quota sampling technique will be employed to select respondents to each questionnaire and interview.

Accordingly, a minimum of 8 person each including officials, department and section heads and/or unit heads of the above 10 Bureaus, and 30 people who are engaged in the activity of investment out of which 10 are among people who stopped the activity since 2000 will be selected to answer the structured questionnaire and interview

to gather data and information about the availability of investment opportunity with the potential resource background, the level and prevailing problem of investment activity, the overall condition of the infrastructure facility supporting economic development and the factor (s) contributing to the limited level of investment activity in the zone. Aggregating the above sample a minimum of 110 people will be interviewed from different groups and subgroups using purposive quota sampling technique.

- The reason why I preferred quota method is that considering the short time given for data collection, speeding up of the activity, its being low cost and for the convenience of the data.

The data will be collected as of Feb.2002. For the main data collection purpose 5 (five) persons who have completed at least high school, capable to read and write 'Afaan Oromoo' will be chosen as enumerators. They will be introduced the objective of study, content of the instrument and method of data collection. The data collected by different ways will be classified, coded and all of the descriptive data will be organized in tables, & percentages. Moreover, document analysis will be applied.

*Afaan oromoo*

The analysis will be interpreted as they relate to each type of question. The report will include different sets of tables showing the resource base for investment, and opportunities (areas) of future investment. Further more the areas of problems that is/are contributing to the limited level of investment activity, the economic development problem and resulted due to the limited level of investment are also considered. Finally conclusion and recommendation will be made based on the data and information to be gathered.



### **2.3 Limitations of the study**

It is important to acknowledge the weakness of the study. First with the assumption that there will be ten (10) Bureaus and about Eight (8) persons each including department, section and or unit heads from these respective Bureaus. Most of the Bureaus do not have much number of department and, sections or units, which was assumed, at proposal level. Hence, I could not get a total number respondents assumed. Some of the Bureaus like the Zonal Administration, the chamber of commerce and the Zonal Urban development offices were not polite to give information and data required. The other weakness stem from the fact that it was not possible to interview all the parts/individuals that are engaged in the activity and those Bureaus having direct responsibility concerning. Investment activity, its promotion and economic development due to shortage of time and Finance mainly. Moreover, the respondents were mostly political elects. It was not always possible to attain the views of such officials and intern the analysis here is subjected to data and information from the subsidiary level, published and unpublished documents.

Notes for further reading

7. *Aug.1995) An Assessment of the Potential for industrial development in Oromia. Final report, western sub region. Vol.I(A) page 1,2,5-23.*
8. *IOE (Sept.1992) Ethiopia a guide to investment. AA part 1-2.*
9. *The Ethiopian Herald (Tuesday 23 Dec. 2001) Page.3*
10. *The Role of Development countries government in business after privatization: the case of Uganda. Makerre Journal of Business page. 127 by Samuel Jejjaka.*
11. *Ethiopia; Investment Climate update. (Sept 1992)*
12. *The same as no.6 & 7 above and*

## **CHAPTER THREE**

### **RESULTS AND DISCUSSION**

#### **3.1. *Results and data presentation***

This section reports the findings of the researcher. In particular, it looks at factor (s) that is (are) limiting investment level in the zone; the potential recourse basis of the zone; the economic development problem(s) resulted due to the limited level of the activity.

Eight (8) zonal and federal branch offices are surveyed. Out of which maximum of six (6) persons each has responded to the questionnaire designed to gather data and information about the general economic position and resource background of west wallaga zone the problem(s) that is/are contributing to the limited level of investment activity; and about nineteen (19) persons who are engaged in the activity of investment and ten (10) persons who stopped their activity since 2000 are also contacted and interviewed about the present condition and status of the activity in the zone, the support provided by government, the infrastructure facility, and the prevailing market condition and attitude of the society towards investment. Aggregating the above respondents a minimum of 65 persons each have responded from different groups and sub-groups.

The responses were grouped in to five (5) categories for the sack of simplicity.

The categories are No.1question **1A- 2.4A** asked on the availability of the opportunity of investment in agriculture, mining, manufacturing, forestry, social service sectors and others,

Category **No.2 question 3B-3.5B** asked: is there natural and human resource available for investment activity;

Category **No.3: from question 1C-4C** asked: Is there infrastructure facility suitable for investment activity like: - Transportation service, health care, Bank/Loan facility, power supply, star hotels),

Category: **No. 4 question No. 4** asked: is there any support/incentive provided by government for investors? Like lease free land, exemption from tax, reduced lease fee) and

Category **No.5 question No.5** asked: what is/are the factor (s) contributing to the limited level of investment activity in the zone.

The purpose of the questions are to assess the general physical feature of the zone, the socio-economic development, the resource background that will help improve the level of the activity, level of investment in the zone, the economic problem resulted due to lack of investment, to see if there is gap between investment policy and the practical condition prevailing in the zone and identifying the factor(s) that is /are contributing to the low level of the activity and finally to indicate further investment opportunities in the zone.

Accordingly, 80%, 76.6%, 60% and 60% of the respondents underlined that there is investment opportunity in agriculture, mining, forestry, social service sector and 60% in Tourism industry respectively. As resources are the means with which development activities are carried out, a nation's region and/ or zone's strength for attaining sustainable economic growth, especially at the initial stage of the development process, depends largely on its resource endowments.

Thus, in the sections follow, the resource base for the development of investment activity and further areas of investment in West Wallaga zone of Oromia will be assessed as thoroughly as possible.

## 3.2 Discussion

### *A. Agriculture*

Crop production: - the zone as indicated in **Chapter two** has a very diverse geographical and varied climate that makes it naturally suitable for cultivation of many types of crops. The middle to high elevation areas grows cereals, pulses, oil seeds and coffee. The low lands, on the other hand, are suitable for cultivation of mid, low land pulses and other crop of higher industrial importance including cotton, sugar cane, sisal, fruits and vegetables, etc.

The two main river mainly Qexoo and Dilla basines in the zone with the hotter climate of Dhaatii river climate have potential of irrigation for production of the above crops.

### *B. Livestock*

Livestock is the source of milk, meat, draught power, cash income, manure for fertilizer, hides and skin. The size of the livestock population of the zone as data obtained from zonal agricultural development office and the livestock and poultry section is indicated in table.

**Table.1.** Size of livestock population of the zone

S/N	Type of Livestock	Size ('000 heads)
1	Cattle	1,278
2	Sheep	280,663
3	Goats	126,480
4	Pack-animals	72
5	Poultry	787,230

**source:-** compiled by the researcher .may 2002

Despite the practices of breeding being traditional, West Wallaga zone has a livestock population of over 2,538, 245 heads mainly consisting of cattle, sheep, goats, pack animals and hens.

The livestock population has favored good supply of hides and skins from west wallagga zone. The zone also serves as an outlet for suppliers from neighboring Regions (Benishangul Gumuz and Gambela partially) to the center. Therefore, the volume of this commodity leaving the zone far exceeds, the estimate from the cattle livestock resource. This is another credible area of enterprise in this zone.

### *C. Mineral Resource*

Many minerals - both metallic and non-metallic and quarry materials occur in the zone. These include Gold, platinum, Phosphate, Iron ore, copper, zinc, coal and marble.

According to the data and information obtained, only gold, platinum and marble are exploited. However, due to limited investigation their size of deposits is not yet known. Some of these are industrial and energy minerals of high potential importance and this is also another potential resource to increase the level of investment in mining industry.

The names and locations of the available but almost uninvestigated occurrences of the industrial minerals are presented in the following table.

**Table. 2. Some of the commonly available minerals in the zone**

S/N	Name of mineral	Location/areas of occurrence	Industrial applications	Status
1	Gold	Najjo/Tullu kopi	- Ornamental (Aesthetic) - dentistry etc..	Being exploited
2	Platinum	-Yudo/Birbissa valley - Tullu Dimtu	-For manufacture -Resistors, conductors..etc	Exploited
3	Phosphate	- Gimbi (Biqilaal/	- Fertilizer	Not exploited
4	Iron ore	- Gimbi/Biqilaal - Yubdo - Aira Gulliso	-Agricultural materials - Wide application in all economic sectors	- Not exploited

**Source:** - compiled by the researcher .may 2002

In addition to industrial minerals, the zone has abundant quantities of various construction minerals. Among these are the high quality marble with a proven reserve of 50,000,000m<sup>3</sup> at Dalatti as to the information obtained from mines and energy bureaus of the zone. Though the size of deposits of these construction minerals is not known, basalt and sand are apparently abundant.

#### ***D. Active Labor Force***

The human resource constitutes the most decisive resource in economic development. The capability of the human resource to acquire/develop and exploit new and advanced technologies determine the level and efficiency of utilization of all other resources and thus determines the pace of progress in level of economic development.



The active population (labor force) defined in this study includes the age group from 15-59 years age <sup>(13)</sup>. The estimated size of the active labor force in the zone is 763,736. As far as the human resource is concerned, the active population can be considered as large enough in terms of size. However, its actual significance as a resource base for higher economic development is limiting owing to qualitative (special labor skills) limitations.

### *E. Tourism Industry*

Tourism industry is a major income-generating sector of the time. Its share in generating the major share of national wealth is being of felt in most countries around the world.

West Wallaga administrative zone is rich in rivers. The rivers are commonly accompanied with falls. Beautiful scenarios and waterfalls along some of the local rivers are Dilla, Qexoo, Qilee, and Dhaatii. There are natural dense forests, cone-shaped hills and green valleys around most of the waterfalls. But all most all of these are unaccess able. The natural dense forests of Abba Hoolaa, Qaxxisa, Koyyan and Tullu shimala, Dhaga Walbata in Gawo Dalle warada Gara, Ma'o in Soyyo warada and Birbir forests replenish the mental desire of new arrivals with their fresh air and undisturbed environment and diversified species of wild life.

### **3.3 Limiting factors for the investment activity in the zone.**

#### **1. *Political Problems:***

Bureaucratic authorities and attachment of "rogue" parties like **OLF** to the potential investors. They are most of the time suspected, questioned and poisoned for supporting such group and are not able to invest their capital freely. The bureaucracy or red tape within the administration offices is also one important and significant investment activity development-limiting factor.

#### **2. *Lack of Infrastructure Facilities***

##### **A. *Transportation facility.***

The absence of conducive environment for investment opportunities made the local and foreign potential investors usually to prefer to make an investment in the other parts of the country like Finfinne, because of its better infrastructure facilities, relatively lower radtapism.

There are five- (5) different high ways leading to Finfinne, the capital city of the country. In addition, it is known that Finfinne is the main market and economic center of the country.

One of this high -ways is the road that passes through this zone. Unfortunately, this highway is a gravel road for its all distance within the zone. The people are usually forced to pay for 100km three times, what it takes in other asphalt road areas. Example Finfinne to Adama. Even if one of the country's main exports

item i.e., Coffee is highly produced in the zone the road is still poorly developed. The air service is also not sufficient.

## **B. Communication**

The Telecommunication Corporation of Ethiopia has recently digitized the zone's telephone service. Although, such a great work has been done the lines permitted to come in or going out of the zone are still very limited. It, some times, needs a person to try for more than an hour to get on line to or out of the zone. Like anywhere in the country, the speed of postal delivery is very slow. It takes more than two weeks to receive a mail.

## **C. Power Supply**

The two bigger towns of the zone, Gimbi and Dambi Dollo have a sustainable power supply. However, the lines that carry the electric power do not pass the towns. Therefore, the other smaller towns and the majority of the people still do not have adequate power supply. Smaller towns do not have an electric supply of any type.

## **D. Banking/Loan Facility**

Similar to the other parts of the country fraudulent actions during loan processing is widely observed in the zone. This directly or indirectly influences the business of the investor. The absence of follow up advice to a borrower by financial institutions greatly affects the borrower.

## **E. Health Care**

It is a known maxim that the health services of a country have direct relationship with the economic level and Education State of the people.

As in other part of the country, the economic of West Wallaga administrative zone had stayed stifled by overtly centralized bureaucratic apparatus of different regimes. Education had remained at low ebb. Therefore, the population in the zone stands low in nutritional status and poor in hygiene, with the majority exposed to communicable diseases.

There are currently 86 clinics, 6 health centers and there is no referral level hospital in West Wallaga zone. Even there is only one governmental hospital under construction i.e. at Najjoo. Missionaries built all the other 3 hospitals. The clinics health centers and hospitals are said to be not adequate to the whole population of the zone. As to the information from zonal planning and economic development bureau the budget to the health centers is made based on the population census seven years back, 1987 EC

The statistics for professional staff is 289 health assistants, 87 nurses and 23 medical doctors. The ratio between existing health institutions and the total population in West Wallaga Administrative zone indicates much discrepancy. The same is true for the ratio between professional staff and health institutions. This indicates the standard of health services in

the zone is below the expected national standard, and this creates additional problem because the zone's population is increasing at an alarming rate <sup>(14)</sup>.

In sum, all the above and other not mentioned problems have an enormous influence on the investment activity of the zone. Most of the problems are also part of the problem of the country as a whole. However, according to my data some are highly pronounced in this zone. My study couldn't analyze the whole problems that affect an investment activity of the zone due to shortage of time, finance and qualification. However, the above-mentioned are the major ones.

## Notes for further reading.

13. *Wandafaraw Mulugeta (2002) Active labor force (working age) the Ethiopian Economy.. JIMMAA*
14. *The 1994 Population and housing census of Ethiopia Result for Oromia. vol.. Part 1 population size of waradas by sex and age group, urban and rural. Page 42. AA*

## **CHAPTER FOUR**

### **CONCLUSION AND RECOMMENDATIONS**

#### ***4.1. Conclusion***

The West Wallagga administrative zone of Oromia is endowed with a large amount of human and natural resources, which, if effectively developed and mobilized, can provide a sound base for economic development.

The zone has a rich potential for the development of agriculture (crop farming and animal husbandry), mining and forestry. Moreover, forests of Abba Hoolaa, Warabboo, Tulluu shimalaa and the Birbir and Garjeeda forests are the main natural and dense forests in the zone. The Diillaa and Qilee waterfalls which replenish the mental desire of new arrivals with their fresh air, undisturbed environment and abundant wild lives of different species make the zone one of the potentially strong areas for tourism industry. Thus, the zone has a promising potential for expansion and development of the tourism industry. The capacity and administrative system to develop manage and utilize the human and material resources and as well, attraction of potential investors is very low at present.

Evidence from the research suggests that the main constraints to effective resource mobilization include: low technical capacity, lack of adequate knowledge in attracting investors through investment promotion activities, emphasis on political activities than on social or economic development activities, lack of basic infrastructure facilities, centralized and bureaucratic administration and etc. Thus, in spite of its endowment with different types of resources, which are suitable for

many investment activities, the zone is predominantly agricultural (which is primitive) and back ward.

The active population can be considered as large enough in terms of size. However, its actual significance as a resource base for sound economic development is limited owing to serious qualitative (lack of special labor skill) factors.

The structures (approach) of the educational system and the distribution of its services have not been commensurate with the existing needs except the distribution of elementary schools. The local population residing in cash – crop localities and urban centers has strong desires for expanded school opportunities and quality instructors. Thus, the investment opportunities in the education sector call for the participation of private investors in the establishment of Kindergartens for pre-school and higher educational institution for post-secondary students from the view large size population, high demand, and the non existence of such facility around.

Although, Electric power, especially the one from HYDRO is a decisive input in any economic development, the smaller towns and the majority of the people still do not have adequate power supply.

This study also revealed that there is a fraudulent action during loan processing and absence of follow up advice to a borrower by financial institutions is widely observed in the zone.

The industrial sector is not only very small but also characterized by many problems. While the structure of the sector is dominated by food processing activities (mainly grain miles and coffee processing), its technological base performance is very low. Consequently, the sector's



overall contribution to employment and out put is very low due to the factors that are discussed under **section 3:3** of chapter three.

Agriculture provides the main resource as well as market base, and will continue to do so for the seeable future. It is also important for expansion of industry and other non-farm activities.

The research also underlined that investment activity is very much limited and there are different social and economic problems resulted due to the limited level of investment such as poor standard of living, unemployment and general economic stagnation in the zone.

#### 4.2. *Recommendation*

Many measures need to be taken to stimulate the improvement of the level of investment activity in West Wallaga Administrative Zone.

Having potential resources only by it does not mean that the level of investment can be expanded and developed. Therefore, the West Wallagga Administrative zone of Oromia, in order to improve the level of investment in the zone must create the right investor friendly climate for both domestic and foreign investors. The researcher strongly recommends the concerned authorities of the zone: -

1. To improve all centralized, bureaucratic and radtopism bottlenecks.
2. Since infrastructure facilities play significant role in promoting development, their important is unquestionable. For instance,

##### *Transportation*

- a. Providing spatial interconnections that facilitate fast and cheap movement of goods and labor mobility between regions (zones) as well as economic units,
- b. Providing access to resources and market opportunities that would remain inaccessible without transportation system and

The communication net works also plays important role by rapid dissemination of information relating to resource, market technology, with

*Mir*

the maximum possible speed and accuracy and any other type of infrastructure facility should be made available by the government.

3. Significant improvement with respect to professional capability and material capacity is needed in government departments dealing with private investors (domestic or foreign) at all levels of the administrative structures. Specifically, measures have to be taken to equip the Trade, Industry and Tourism Bureau of the zone with the skills and means necessary for carrying out full and effective promotional activities.

The bureaus and offices of the zone concerned with economic development, natural resource protection and, the zonal administration with better budgetary allocation and material support, help for Research & Development and deep investigation of the potential resource base for economic development.

4. The industrial sector has to be diversified and its technological base has to be improved. i.e. New and appropriate technologies should be introduced.
5. The irrigation, fisheries and hydroelectric power potentials of the zone's water resources have to be fully assessed.
6. The zone needs to carefully look at its tourism potentials such as the natural resources, cultural and historical sites. These must be preserved and supported: an appropriate policy measure has to be made to attract local and foreign tourists. Nevertheless, this cannot be realized in isolation from the development of other branches related to it.

Therefore, in order for the tourism potential of the zone to mature the following three major components are recommended to be developed by the Federal and /or Regional government of Oromia. There are: -

- 1.The development of infrastructure reaching tourist destinations
- 2.The level of promotion and publicity of tourist attractions
- 3.The development of standard tourist facilities

Since investment in human capital, which requires careful planning, continuous evaluation and adjustment to changing needs, does not produce immediate and direct financial benefits, the responsibility for developing the facilities at this early stage of the development process falls mainly on the government.

Finally, I recommend this subject/topic/ for further researches to fully vitalize all what I had tried to investigate.

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## *Appendix*

This questionnaire is designed to collect data and information regarding investment activity in West Wellega Zone, Oromia Regional state to write thesis paper on the partial fulfillment of the course Research in Management to acquire bachelor of Arts (BA) degree award in Business Management.

Please respond genuinely to the extent possible.

Procedures for answering (filling) the questions.

1. Read the statements carefully and try to be objective to the extent possible.
2. For yes, or no questions make "✓" mark on the space provided
3. For description questions try to be clear as possible.
4. If the space provided is not sufficient, use the back of each page as a supplement specifying the question number it is relating to it.

With Best Regards,  
Endalew Ro sha



## Category 1A.

① Is there investment opportunity in the zone

Yes \_\_\_\_\_

No \_\_\_\_\_

2. If yes, No.1 above in which areas?

2.1 Agricultural and agro-processing like

2.1.a Production and processing of crops

Oil bearing crops \_\_\_\_\_

Cotton \_\_\_\_\_

And other agricultural products (specify)

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

2.1.b Production of industrial crops such as

- Coffee \_\_\_\_\_

- Tea \_\_\_\_\_

- Tobacco \_\_\_\_\_

- Others (specify) \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

2.1.c Production and Processing of

- Fruits \_\_\_\_\_

- Vegetables \_\_\_\_\_

- Flowers \_\_\_\_\_

- Horticulture's \_\_\_\_\_

- Others (specify) \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

2.1.d Production and processing of livestock like

- Cattle \_\_\_\_\_

- Sheep \_\_\_\_\_

- Goat \_\_\_\_\_

- Pack animal \_\_\_\_\_

- Others (Specify) \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

2.1.e

- Poultry \_\_\_\_\_

2.1.f Production and processing of Forestry

- Wood work \_\_\_\_\_

- Lumbering \_\_\_\_\_

2.1.g. Mining

- Mineral exploration and development \_\_\_\_\_

- Petroleum and gas exploration and development \_\_\_\_\_

\_\_\_\_\_

- Others (specify)

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2.2 Manufacturing

2.2.1 Food and beverage industries \_\_\_\_\_

2.2.2 Textiles and textile products and garments \_\_\_\_\_

2.2.3 Leather and leather products \_\_\_\_\_

2.2.4 Fertilizers \_\_\_\_\_

2.2.5 Paper and products \_\_\_\_\_

2.2.6 Others (Specify)

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2.3 Opportunity to invest in social service sectors like

- Higher educational institution \_\_\_\_\_

- Medium and large scale construction \_\_\_\_\_

- Hotels and Tourism Developments \_\_\_\_\_

- Others (specify) \_\_\_\_\_

---

2.4 If your answer to No.1 is No, Why, Describe

---



---

## Category 2B

\* The following questions are aimed at gathering as much as possible specific opportunities for investment

3. Is there land available for exploitation

Yes \_\_\_\_\_

No \_\_\_\_\_

3.1 If yes, suitable for what? For:

- Production of cereal crops like

- Wheat & Barley \_\_\_\_\_

- For Industrial crops \_\_\_\_\_

- For Livestock Development \_\_\_\_\_

- Others (Specify)

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3.2 If No, Why ? (Describe)

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3.3 Is there mineral resource in the zone?

Yes \_\_\_\_\_

No \_\_\_\_\_

3.3.1 If your answer to No.3.3 is yes list

Name Of Mineral	Areas Of Occurrence	QUALITY	Industrial Value	Status		Owner	
				Exploited	Not exploited	Private	Government

3.4 Are there Medium and Large Size Rivers in the zone?

Yes \_\_\_\_\_, No \_\_\_\_\_

If yes, No.3.4

No.	Name of River	On/across channel districts	Annual Run-off	Catchment s area	Potential for Irrigation

3.4.2 Do we find lake, dams/water fall in the zone?

Yes \_\_\_\_\_

No \_\_\_\_\_

3.4.2a If yes what are they? (List)

\_\_\_\_\_

\_\_\_\_\_

3.4.3 What type of animals (domestic & wild) are found in the zone?

- Cattle \_\_\_\_\_
- Sheep \_\_\_\_\_
- Goat \_\_\_\_\_
- Lion \_\_\_\_\_
- List others as much as possible

\_\_\_\_\_

\_\_\_\_\_

Location (where) they are densely found \_\_\_\_\_

\_\_\_\_\_

3.4.4 Do we find Natural dense forest in West Wallagga zone?

Yes \_\_\_\_\_

No \_\_\_\_\_

3.4.4a If yes, location \_\_\_\_\_

District/Woreda \_\_\_\_\_

3.5 Is there any tourist attractive site in the zone?

Yes \_\_\_\_\_

No \_\_\_\_\_

3.5a. If yes, list them

No.	Type of attraction	Site location Woreda	Distance in Kms from A.A.	Conditions and size in m <sup>2</sup> or km <sup>2</sup>

## Category 3C

\* The following questions are designed together data and information about infrastructure facilities and services.

1. Is there tourist transportation service?

Yes \_\_\_\_\_

No \_\_\_\_\_

2. If yes, which one?

- a) air and land route \_\_\_\_\_  
 duration, air, - daily \_\_\_\_\_  
 - weakly \_\_\_\_\_  
 - None \_\_\_\_\_ Why? (describe)

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

b. Telephone & Postal service \_\_\_\_\_, \_\_\_\_\_

c. Health (adequate) or availability of (hospitals)

- Poorly \_\_\_\_\_

- Fair \_\_\_\_\_

d. Banking/loan service \_\_\_\_\_

e. Star hotels \_\_\_\_\_ If there is

List \_\_\_\_\_ Location \_\_\_\_\_

\_\_\_\_\_ " \_\_\_\_\_

\_\_\_\_\_ " \_\_\_\_\_

3. Power supply (Potential)

- Poor \_\_\_\_\_

- Fair \_\_\_\_\_

- Good \_\_\_\_\_

4. Do we find areas open for foreign and/or private domestic investment ? Yes, \_\_\_\_\_ No \_\_\_\_\_

4.1 If yes, No.4 List

\_\_\_\_\_

4.2 If No, No.4 what Describe

\_\_\_\_\_

The following questions are to gather general information and data about level of investment activity in the zone. (West Wallagga).

1. Is there any place, which has been served as political and/or cultural center in the zone?

- Yes \_\_\_\_\_
- No \_\_\_\_\_
- If yes, specify

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2. Is there Museum (with material goods and artifacts)?

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3. According to some statistical reports there is no large scale industry, no higher educational institution like College, University.....) and limited level of investment activity,

- What factors do you think have contributed to this?
- Social \_\_\_\_\_, Political \_\_\_\_\_
- Environmental \_\_\_\_\_ Natural \_\_\_\_\_  
(Please describe. If there is any other)

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4. What do you think could be the solution to enhance the level of the activity? Describe your answer.

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Address: If any  
 Tele. \_\_\_\_\_  
 P.O.Box \_\_\_\_\_  
 Fax: \_\_\_\_\_

**Category 4**

- To be answered by people who are engaged in the activity.

1. What is your investment type? & product/service to be produced?

- 
- Agriculture \_\_\_\_\_
  - Manufacturing \_\_\_\_\_
  - Mining \_\_\_\_\_
  - Investment in Social Service Sector \_\_\_\_\_
  - Forestry \_\_\_\_\_
  - Others (specify) \_\_\_\_\_
  -

2. What is /are the source of your raw material  
List \_\_\_\_\_

3. Is there any restriction the source of your raw material?

Yes \_\_\_\_\_, No, \_\_\_\_\_ If yes,  
Why? \_\_\_\_\_  
and by whom? \_\_\_\_\_

4. What is your intention (are you happy) in your engagement in this zone? \_\_\_\_\_

5. If you are not comfortable with your engagement in this zone (West Wollaga) describe factors contributed for that?

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

6. Have you ever faced major problems (in this zone) during your engagement?

Yes \_\_\_\_\_, No \_\_\_\_\_  
If yes, describe

\_\_\_\_\_

- Social problem
- \_\_\_\_\_  
Governmental (political) (being suspected of supporting) ex-party? \_\_\_\_\_
- Lack of market \_\_\_\_\_, Material \_\_\_\_\_  
(Others specify) \_\_\_\_\_

7. Is there any support (incentive) given to you from government?  
 Yes \_\_\_\_\_. No \_\_\_\_\_

If yes, which of the following? \_\_\_\_\_

- Loan from the bank \_\_\_\_\_
- Free land (without lease) \_\_\_\_\_
- Exemption from tax \_\_\_\_\_
- Market for your good or service \_\_\_\_\_
- Others (specify)

8. Attitude of the society towards investment (in your view)

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

9. Give any suggestion that you think can contribute to initiate potential investors and activate the level of investment activity in this zone (W:W)

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

Name of the investor \_\_\_\_\_

1. Ethnicity \_\_\_\_\_
2. Type of investment \_\_\_\_\_
3. Product or service (output) \_\_\_\_\_
4. No. of Employee under it \_\_\_\_\_
  - Professionals \_\_\_\_\_
  - Semi-professionals (12+2/3) \_\_\_\_\_
5. Duration of time in the activity



1. What is the role of your Bureau in investment?  
(Gaheen Waajjira Keessanii "Investmentii hirmaachisuu fi babal' isu irratti maal?)

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2. What were the major investment activity achieved in the past 5 to 10 years in this zone? (Hojiilee "Investmentii" gurguddoon) Waggoota kurnan darban keessa Godiina kana keessatti raawa tamummaa malfaa dha?)

- Water supply

- Power generation

- Construction of large scale engineering industries

- Construction of factories

- Others (specify)

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3. According to Central Statistical Authority report there is no large level of investment in the areas of manufacturing industries, higher educational institutions and other social service sectors. Is there problem resulted due to lack of these?

(Akka gabaasa adda addaatti walumaa gala Oromyaa keessatti, keessumattuu ammoo godiina wallaggaa Dhihaa keessatti investmentiin boodatti haffaa dha. Dhiibbaan inni guddina dinagdee fi jireenya hawwaasa irraan gahe ni jiraa? (malfaa dha)? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes what are they ? (describe)

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**Category 5**

4. What are the major factors that contributed to the level of investment in West Wallagga to this extent?

(Sababootn gurguddoon guddina "Investmentii" Godiina kanaa hangan miidhan, xiqqeessan maal faa dha?)

- Lack of resource \_\_\_\_\_
- Climatic factors \_\_\_\_\_
- Political factors \_\_\_\_\_
- Lack of awareness (because the society/people in the zone do not like investment) \_\_\_\_\_

If your answer is lack of investors, describe Why?

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5. What are the major changes considered in towards the zone's economic development strategy following the recent political and economic reformation process?

(Yeroo dhihoo asitti mootummaan gama siyaasaa fi dinagdee biyyaa ilaalchisee haaromsa godheera jedha. Kun guddinaa fi dinagdee godiina kanaa fooyyessuu irratti hagama xiyyeeffatee jira?)

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6. Is there any support/Incentive you provide to the investors?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes what are they? (specify)

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7. Do you conducted any feasibility study about investment?

("Investmentii ilaalchisee Godiina kana keessatti Qorannon godhame yoo jiraate maal?)

Yes \_\_\_\_\_, No \_\_\_\_\_

8. If yes, what are the feasible areas of investment in the zone?

List them.

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9. If No, Why? Describe

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10. The level of investment activity is so limited in this zone.  
What do you think can contribute to initiate potential investors  
and activate the level of investment activity in this zone (W.W.)?  
(Haala amma irra jiru kan irra fooya'ee guddina fi dinagdee  
Godiina kanaa saffisiisuuf investmentii akka babal'atuuf  
maaltu ta'u ~~goba~~ jetta?)
- 
- 
- 

11. What are public investment areas being under taken to enhance  
economic growth of the zone? (Mootummaan guddinaa fi  
dinagdee ummata Godiina kanaa foo yyessuf maal-maal irratti  
maallaqa isaa investii godha?)

List \_\_\_\_\_

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