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Foreign Direct Investment in Ethiopia and its Contribution to the Socioeconomic Status

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Abstract:
This study examined the inflow of foreign direct investment (FDI) to Ethiopia and its comparative enhancement and contribution for the socioeconomic growth and development from 1992 to 2016. It reviews the overall FDI prospects and several major impacts towards the socioeconomic issue. In addition, it explains and analyzes Ethiopia's current business situations, investment incentives, the behaviour of investment market, the reasons why FDI would be cancelled, the reasons why Ethiopia is preferable than other African countries for FDI and the socioeconomic reactions with the environment of FDI. It also briefs the facts of historical and current whereabouts of FDI in the country and it greatly improves the investment practitioners' decision-making, pointing them to a possible solution for their business goals and helps to settle the investor's psychological influences on the investment sectors. FDI is advantageous of picking up the economic development to the maximum limit for the developing countries and Ethiopia as a developing country its economic boom starts with the flow of FDI into the country's different regions in different investment sectors. This study utilizes primary data were gotten through interviews, discussions and questionnaires and secondary data were obtained from journals, magazines, newspapers, textbooks and internet.

Keywords: *Foreign direct investment (FDI), socioeconomic status, investment incentives, domestic investment, psychological influences*

1. Introduction

Foreign Direct Investment[1] in short FDI refers to an investment made by a foreign entity (company) to obtain 'lasting interest'[2] in businesses conducting outside of the investors' economy (Duce, 2003; Patterson et al., 2004; Ridgeway, 2004). As the name indicates, the FDI is a direct investment[3], which could be a group of entities or a foreign person who is trying to obtain a significant effect and to control over the foreign company (OECD, 2008). On the other hand, FDI refers to investors in a country naturally or legally conduct a cross-border capital investment or other factors of production/service to obtain the corresponding control of the business as the core and to earn profits and scarce raw materials for different purposes (Razin & Sadka, 2016). FDI also known as an International Direct Investment, it is one of the main forms of modern internationalization or cosmopolitan of capital (Solnik, 1991). According to the IMF definition of FDI refers to a country's investors used in business or production operations in other countries, and to direct certain management control of the investment behaviour (IMF, 2009; Root, 2003).

There is a major belief among the developing countries that FDI is an economic multiplier for their country (Chaudhuri & Mukhopadhyay, 2014; Davidson & Sahli, 2015). However, (Thomas, 2010) suggested that, this is only true that depending on the country's economy, trade policy, political stability, facilities and infrastructures, domestic market and investments incentives, and level of human capitals. The Ethiopian government is trying to attract and encourage FDI with exceptional incentives and for the expected beneficial effects on technology transfer, socioeconomic growth, employment opportunities and balance of payments (Assefa et al., 2013). Incentives may have different forms including tax holydays, exemption from custom duty and/or other kind of investment incentive forms, however what so ever form it has, most governments are using these investment-incentives as a means of attracting investors (Easson, 2004; James et al., 2010; Oman et al., 2003; Shah, 2004; Tavares-Lehmann et al., 2016; Thomas, 2010). Ethiopia is a home to a growing consumer market and geographically situated to provide a good access to African, European, Middle Eastern and Asian markets. Ethiopia has a land area of 1.14 million square kilometres and 45% of which is arable land (approximately twice the size of the UK). Ethiopia is a politically secure and stable environment for the investors and the country has considered as

[1] See OECD Benchmark Definition of Foreign Direct Investment (Adopted by the Council at its 1175th session on 22 May 2008).
[2] This 'lasting-interest' means a far-reaching interest, which is the economic relation between the investor and the foreign investment enterprise.
[3] See "direct investment" Duce, 2003 pp:2-5; Patterson et al., 2004 pp: 1-3.

one of the most peaceful African countries. The country's investment climate (cheap labour, cheap electric power, vast land), investment policy, arrival visas, ideal weather and infrastructures (highways, light train and high-speed train[4]) makes the country preferable than most of Sub-Saharan African countries ("Cheap Labor," 2016; Equity et al., 2016). Ethiopia has a large population and thus potentially one of the largest domestic markets in Africa. Beyond the domestic market, by virtue of its membership of the Common Market for Eastern and Southern Africa (COMESA) embracing 19 countries with a population of more than 400 million (Buthelezi, 2006; Eken et al., 1982; Murinde, 2001; Mutai, 2007; Rojid, 2006; Shacinda, 2001; Subramanian, 2000), Ethiopia enjoys preferential market access to these countries. In addition, Ethiopia's being closer to the Middle East countries provides an access to import-export possibilities, a promising business opportunities and it has a number of unexploited and untapped opportunities, especially in the investment sector and not only the policy makers, but also the society of the country believes that FDI generates the positive yielding influence towards the socio-economy. In effect, countries like Ethiopia have recently commenced questing significant policies towards attracting foreign direct investment (James et al., 2010; Oman et al., 2003; Tavares-Lehmann et al., 2016; Thomas, 2010; Tsegaye, 2014). Naturally, there are two kinds of investment, which are foreign direct investment (wholly owned or joint venture) and Domestic investments, and according to the Ethiopian investment policy, there is no discrimination between the two investments and there is only one investment law for both to treat them equally. In accordance with the relevant laws, the Ethiopian investment commission provides the One-Stop Shop[5] service for investors such as investment permits, work permits, visa applications, etc.

The major benefits of FDI for the host countries like Ethiopia are the adoption of the technical knowledge and skill to the society, the transformation of foreign technology and facilitate improvements in human capital are some of the community capacity building segment ('Cheap Labor', 2016; Devi, 2014; Fauzel, 2012). Furthermore, on the economic segment FDI is the income source of foreign currency, initiate entrepreneur, act as catalyst for the economic growth, enhance the organizational arrangements and institutional quality, and stimulates domestic investments (Dine, 2014; Hofmann, 2013). FDI can exist in the host countries via the investment licensing agreements, introduction of new technology, imitation, innovation, employee training, wholesale products of a foreign organizations or via a means of joint venture/ domestic and foreign firms. These different kinds of means of FDI existence considered as a fundamental benefit for the host countries. These fundamental benefits, plus the direct capital financing supplies, imitate that FDI can play a significant role in modernizing a socio-economy and promoting economic growth and development for the developing countries like Ethiopia (Chaudhuri & Mukhopadhyay, 2014; Salorio & Brewer, 1998).

2. Data Collection and Methods

The evidence and survey has been derived with an open ended strategy which entails seeking of comments and information from the grass root level specially, pertaining to the application of the government development strategy and the investment policy to all the stages of FDI projects right from the pre-implementation to the operational phase of the firm production process or service. The methodology applied for conducting the survey would be a blend of electronic mail, phone calls and postal mediums to gather comments and information from the recipients belonging to all the process relevant to the study. A thorough insight into the incumbent practical, positive impacts and problems being face by the FDI projects in particular and country socioeconomic in general was strongly required. Therefore, quantitative and qualitative analysis has adopted only due to the reason that optimal inputs of all the segments of the FDI firms are incorporate in making this exercise a wholesome and fruitful effort.

3. Results and Discussion

3.1. Successful FDI Firms in Ethiopia

The Ethiopian Investment Commission (EIC) should provide a tactical investment promotional strategy to introduce the country's investment environment, to encourage FDI inflow into the country and to build the confidence of the investors on the positive elements of investing in the country in alignment with other determinants. In fact, a complex and various sets of factors determine the quality, quantity, the scale and timing of investment inflow to the country, however, tracing out other determinants of FDI inflows and identifying appropriate policy response is necessary in order to design an effective investment promotion strategy. The investors also should give a serious of attention for the socially responsible investment (SRI)[6], analyze their positive and negative perspective viewpoints and come up with the most outstanding investment decision which they and the host country can obtain mutual benefit without leaving the negative impact to the social environment (Ackert & Church, 2006; Cianci, 2008; Williams, 2007). The current government of Ethiopia introduced new socioeconomic and political sphere reforms[7] which benefit the foreign investors thus the number of large multi-national firms have invested in and enjoying success in the country ('Cheap Labor', 2016; Department Of State. The Office of Website Management, 2015; USA, 2002). For instance, the following table shows that some of FDI firms in the country which has been succeeded and yet they are contributing different opportunities towards the nation.

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[4] See "Ethiopia's $865m rail finance part of $15bn rail projects" African Capital Markets News, October 31st, 2014 by Tom Minney. Addis Ababa-Djibouti the 800km electric train line will open fully in this year.

[5] The government or private company or an office in fixed location that could offer different kinds of services for their customers.

[6]See SRI is a socially responsible investment because of the nature of the business that the company conduct.

[7]See "Ethiopia: Poverty Reduction Strategy Paper" IMF Country Report No. 11/304 October 2011and the Investment Proclamation: No. 769/2012, which replaced the 2002 investment proclamation.

Project Name	Function	Investment Sector
HEINEKEN	Brewery	Agro processing
CASTLE	Brewery	Agro processing
Salini	Construction	Service
Radisson	Hotel	Service
DANGOTE	Cement	Chemicals and Chemical products (Manufacturing)
AYKA ADDIS	Textile and Garment	Textile and clothing (Manufacturing)

Table 1: Some examples of successful FDI firms in Ethiopia
Source: Authors' investigation

There are many and different investment firms which are enjoying the investment success in Ethiopia currently and the above table illustrate the top best well known firms such as: HEINEKEN is the third largest brewer in the world and establishes factory in the capital city of Ethiopia at a cost of 36.2 million US$. CASTLE is France's largest beverage producer and established a winery factory in Ethiopia at a cost of 15.5 million US$. Salini construction is the Italian construction firm, currently working the largest dam in Africa which is called the Grand Ethiopian Renaissance Dam (GERD)[8] with the cost of € 3,377.05 million. The Radisson is the Rezidor Hotel Group, based in Brussels, introduces the Radisson Blue brand in Ethiopia, established in 2012 with an estimated cost of 25 million US$ constructed a 5-star hotel in the capital city. DANGOTE industries PLC a subsidiary of the Lagos/Nigerian conglomerate the Dangote Group established in 2008. The company is developing a new 2.5 million metric tonnes of cement plant per annual and it established with more than 600 million US$ and AYKA ADDIS is a Turkish textile and garment PLC established operations in 2010 with an estimated 67.2 million US$.

3.2. The category of FDI inflow to Ethiopia

Owing the business firm in the foreign country has many significant benefits and the article bellow classifies the inflow of FDI to Ethiopia in to two parts which are the total number of foreign investment projects and the total amount of capitals.

3.2.1. FDI Inflow to Ethiopia Sorted by the Total Number of Foreign Investment Projects

Figure 1 describes that the inflow of FDI to Ethiopia from different countries which has been licensed however, may not be started yet, or on the way to start or already on operational stage. According to the Ethiopian Investment Commission (EIC) the inflow of FDI to the country consistently increases from time to time ('Cheap Labor', 2016; Tsegaye, 2014), among the number of FDI inflow to the country the following figure shows that the top 15 FDI firm from different country participating investment in Ethiopia sorted by the total number of projects from 1992 to 2016.

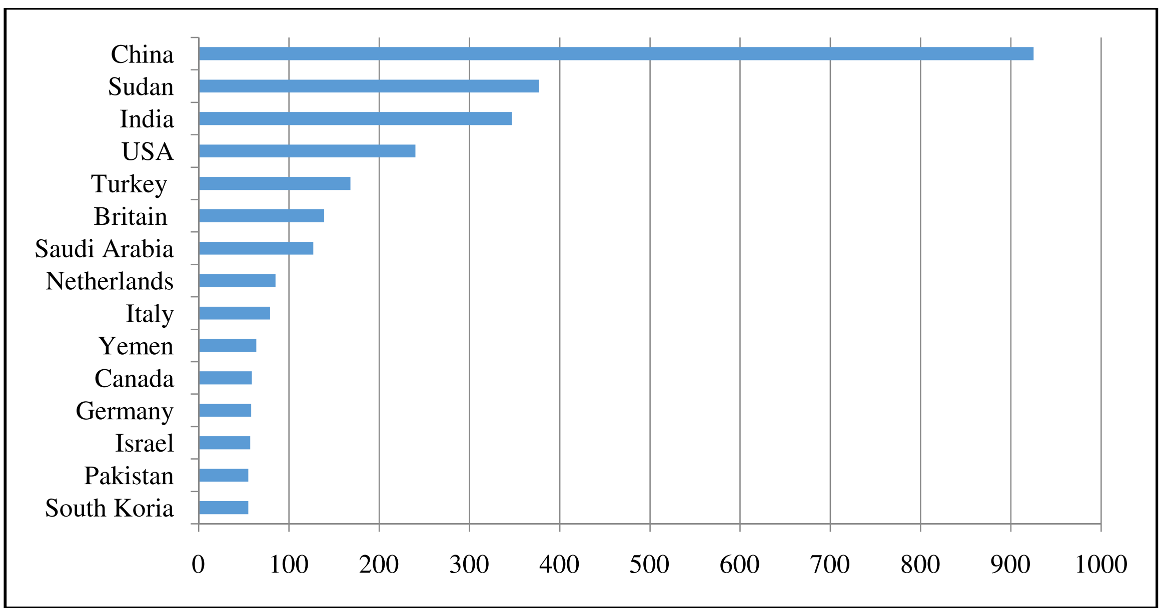

Figure 1: Summery of top 15 licencsed FDI projects in Ethiopia sorted by the total number of foreign investment projects scince Augest 22 1992 to May 11 2016
Source: Authors' calculation based on Ethiopian Investment Commission data (1992 - 2016)

The following figure (Figure 2) shows that the top 15 FDI projects from different countries flow their capital to Ethiopia. This figure gives a detailed information of the above figure (Figure 1) by classifying the total number of FDI projects into three parts which are:

[8]See "Grand Ethiopian Renaissance Dam Project " on salini impregino blog http://www.salini-impregilo.com/

- Pre-implementation: is the first and a normal phase which the project is licensed but not yet started because of the investor's own problem such as, working premises (land) or machine and working equipment are not yet imported (fulfilled) or lack of investor's working capital.
- Implementation: is the second and normal phase which the project has got the working premises (land) and factory equipment but still have some problems like supply of water or electric power bellow the limit or raw materials or machinery accessories not yet completed.
- Operational: this is the final phase which the project has been checked by authority technicians and experts depending on the licensed project with some requirements and criterias like quality assurance, trial production process, organizational structure, competency certificate and some others and after this qualification check up the project will obtain the business license and may start production or service immediately.

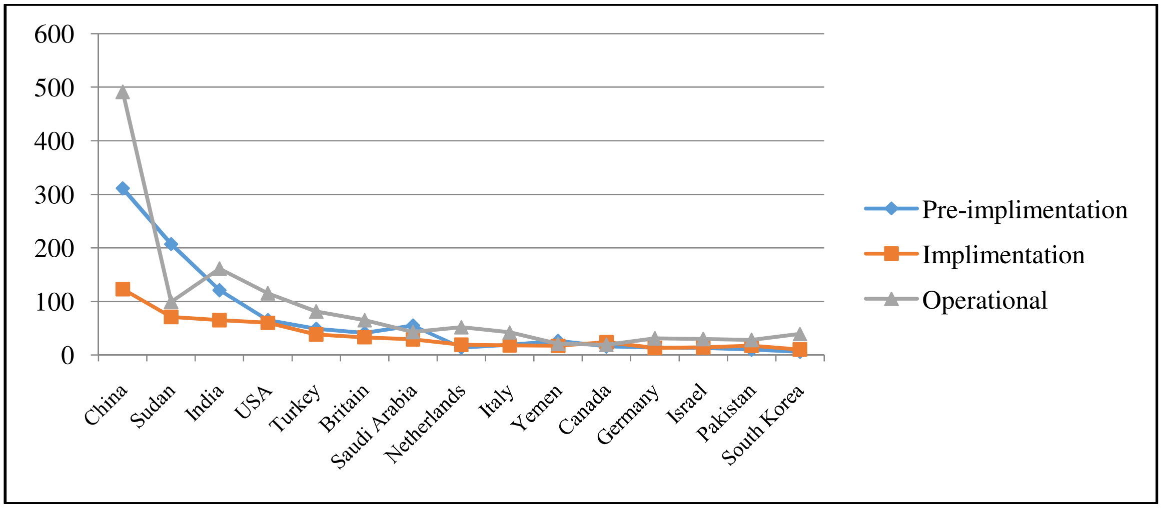

Figure 2: The total number of FDI projects in Ethiopia since August 22, 1992 to May 11, 2016
Source: Authors' calculation based on Ethiopian Investment Commission data (1992 – 2016).

3.2.2. FDI Inflow to Ethiopia Sorted by the Total Amount of Capital

The amount of the firm capital that has been funded to FDI project reflects that how the business is serious and the larger amount of firm capital benefit significantly more from investment incentives than firms with less funded capital. The total amount and the origin of project capital of FDI inflow to Ethiopia which covers the period from 1992 to 2016 is shown in figure 3 bellow.

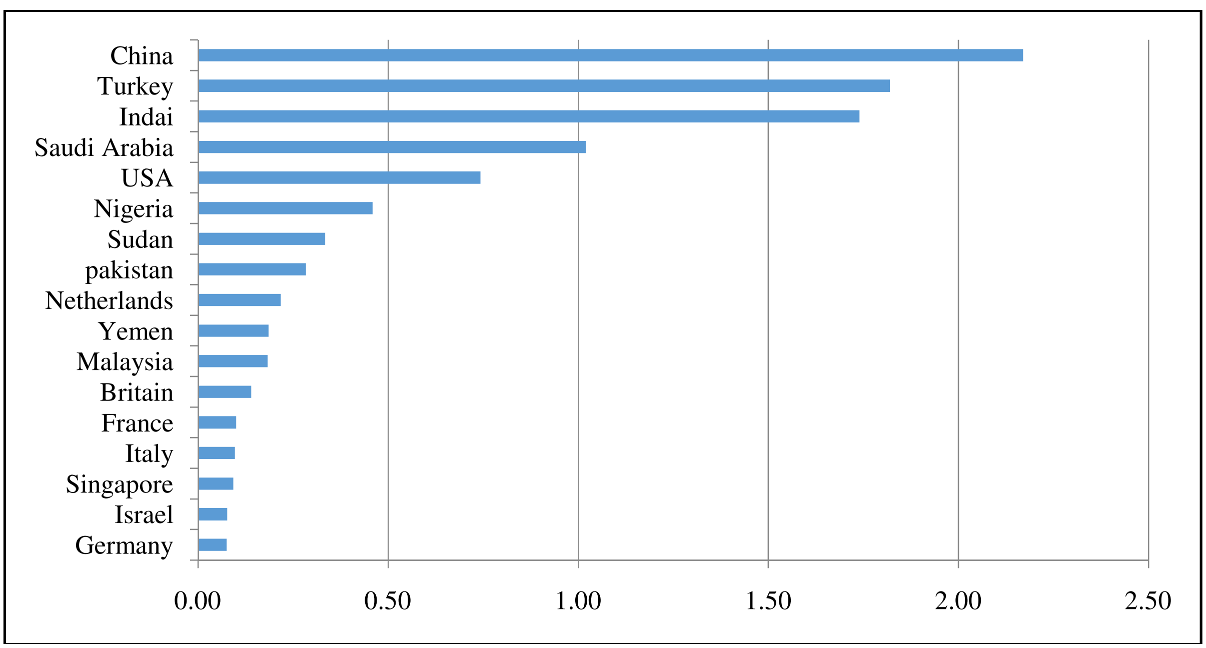

Figure 3: Summery of the top 17 licensed FDI projects in Ethiopia sorted by the total amount of capitals (USD) since August 22, 1992 to May 11, 2016
Source: Authors' calculation based on Ethiopian Investment Commission data (1992 - 2016). Note: The currency is converted at the rate of 1 USD / 22.010 ETB (Ethiopian Birr/ currency) on the date of May 22, 2016 of Commercial Bank of Ethiopia exchange rate value

The following figure (figure 4) shows that the top 12 FDI projects from different countries participating investment in Ethiopia, which are in operational stage that their sector of investment project has been working with the number of permanent and temporary employees.

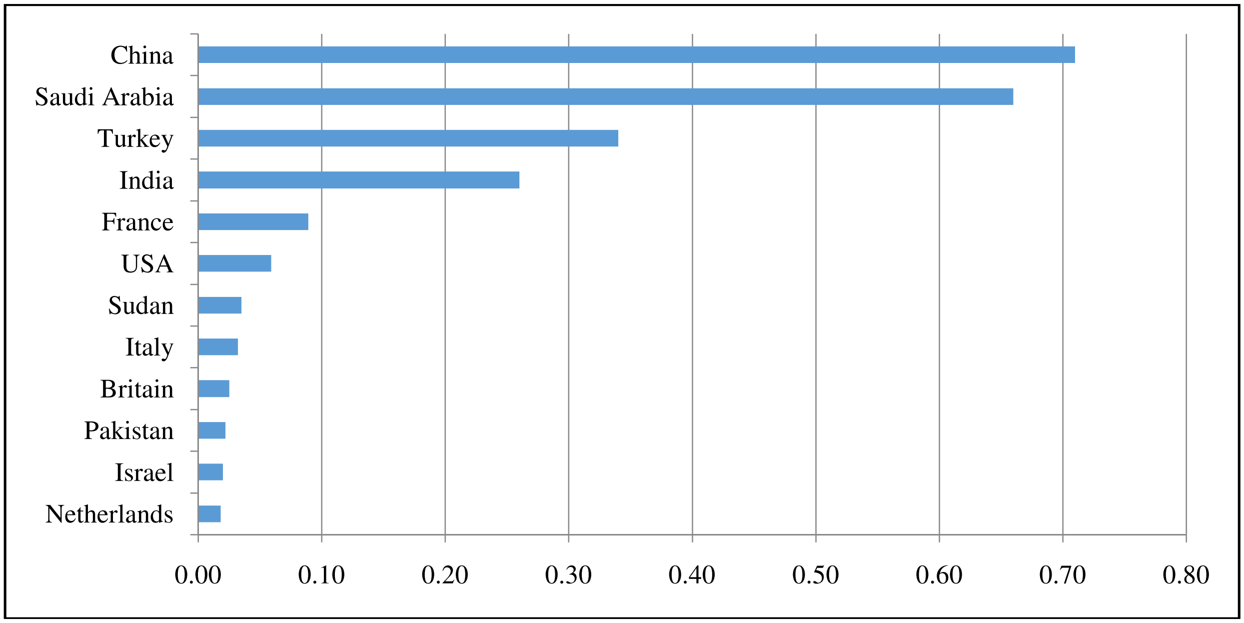

Figure 4: Top 12 FDI projects in Ethiopia based on operational amount of capitals (USD) since August 22, 1992 to May 11, 2016
Source: Authors' calculation based on Ethiopian Investment Commission data (1992 - 2016). Note: The currency is converted at the rate of 1 USD / 22.010 ETB (Ethiopian Birr/ currency) on the date of May 22, 2016 Commercial Bank of Ethiopia exchange rate value

3.3. The Benefits of FDI in Ethiopia towards the Socioeconomic Activity

Globalization has led to a rapid development and expansion of several firms across national borders (Rodrik, 2012; Steger, 2013, pp. 37–60), and perhaps FDI is the most important economical figure that arose from this process of globalization (Cook & Kirkpatrick, 1997; Fry, 2005; Stevis, 2005). Today every country is opening up their borders to foreign investors, the reason is they are beginning to realize the significance of being on the global map (Devi, 2014; Salorio & Brewer, 1998) and Ethiopia is among them. Therefore, FDI in Ethiopia has a positive direct relationship with the country's GDP (Assefa et al., 2013) and in advancing socioeconomic growth. There is a positive interaction between the human capital and FDI in Ethiopia thus this article has discussed some of the significant benefits of FDI to Ethiopia as follows: -

3.3.1. Employment Opportunities

Among the benefits of FDI to the country, decreasing unemployment rate is one of the significant advantages. Ethiopia does not have the law concerning about the employment wage unless the employee is working under government sectors. This increases the risk of the living standard of the nation especially for the local workers who do not have a choice not to work in a low wage. ('Cheap Labor', 2016; Egan, 2012) argues that there is a relationship between the labour right and the country's economy through FDI decrements. Obviously, the higher wage improves the efficiency of the labours and the efficiency of the labours and their wage is interdependent (Roy, 2016). (Fatima & Lodhi, 2015) argues that offering an adequate encouragements, incentives and motivations for the employees triggers the performance of the employees to the higher level and helps the organization to achieve a competitive advantage and subsequent performance. In fact, the country's Unemployment Rate decreased by 0.60 % in 2015 from 17.40 % in 2014. The average Unemployment Rate in the country from 1999 until 2015 was 19.88 %. In 1999, the high rate reaching an all-time of 26.40 % and in 2015 a record low rate of 16.80 %. An estimated Unemployment Rate in Ethiopia will decreased to 16.44 % and 16.41 % in 2016 and 2017 respectively. According to the Ethiopian Central Statistical Agency[9] by the year of 2020, the country's estimated unemployment rate will become 13.91% that is nearly the same as what Italy and Brazil has currently. The following figure shows that an estimated total number of permanent and temporary employment opportunities since 1992 to 2016, from top 17 FDI project of different countries that participating investment in Ethiopia.

[9]See http://ieconomics.com/ethiopia-unemployment-rate

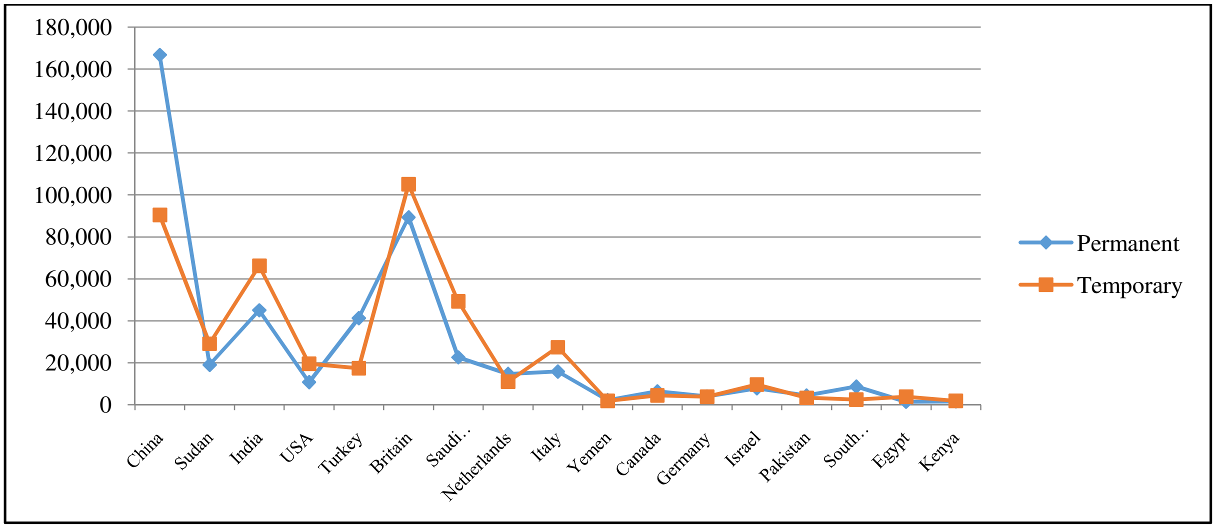

Figure 5: Estimated total number of employees from the top 17 licensed FDI projects in Ethiopia since August 22, 1992 to May 11, 2016
Source: Authors' calculation based on Ethiopian Investment Commission data (1992 - 2016)

As the above figure indicates that, the highest number of estimated employees is more than 165,000. However, due to some reasons some of the investment firms wanted to get the government attention so that they just inflate the number of employees thus the estimated number of employees become much higher than the operational projects. The following figure (Figure 6) shows that in the same year these top 17 FDI projects from different countries participating investment in Ethiopia creates a number of permanent and temporary employment opportunities in the operational phase.

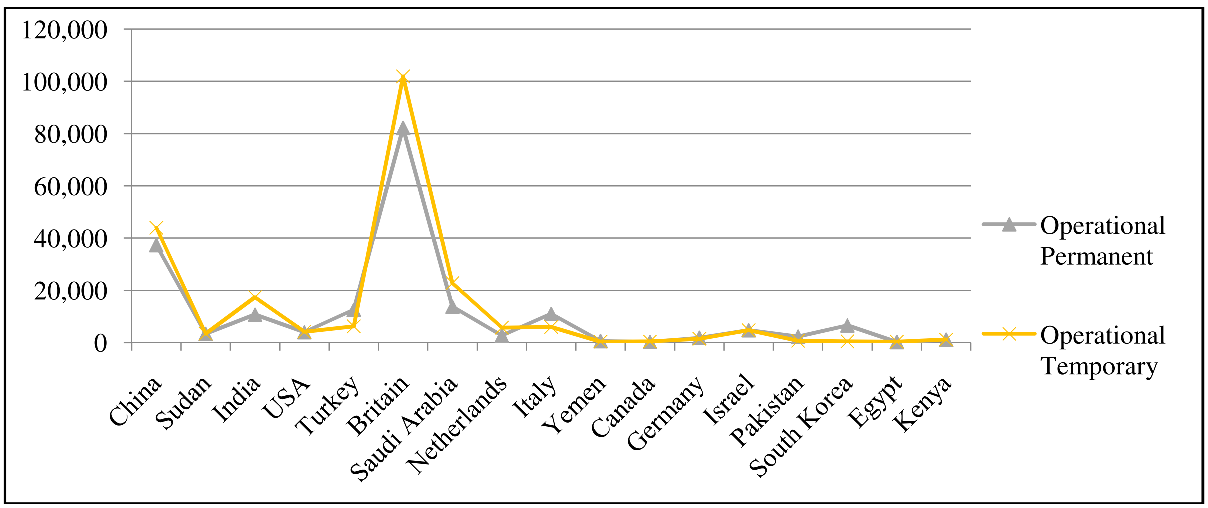

Figure 6: The number of permanent and temporary employees from the top 17 licensed FDI projects in operational phase.
Source: Authors' calculation based on Ethiopian Investment Commission data (1992 - 2016)

3.3.2. Technology Transformation

The government of Ethiopia has developed (formulated) the five-year Growth and Transformation Plan (GTP)[10] to transfer the important directions of strategy in maintaining a rapidly growing economy in all types of sectors (Department Of State. The Office of Website Management, 2015). Accordingly, Ethiopia's economy is projected to grow up, achieved a higher percentage of foreign currency earnings, increased FDI inflows and more than 85% of employment opportunities.

Technology transfer can be also called transfer of technology (TOT)[11] is the means of delivering knowledge, entrepreneur, different new methods, skill and attitude for the purpose of technological and scientifical development for the host country. The policy makers and the economist believe that FDI can transfer skill and technology to the developing countries (Hofmann, 2013; Te Velde & Xenogiani, 2007). Technology transfer also involves adopting, copying, designing and innovating a particular machine at home in particular and for the country in general. Ethiopian government established the Metals and Engineering Corporation (METEC)[12] to

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[10] See "Ethiopian Transformation Profile" on African Center for Economic Transformation blog available on July 2, 2014.
[11] Technology transfer is the movement of knowledge, skill and techniques from one country/ firm to another one through trade, investment or different ways. See business dictionary for more.
[12] See "Metal & Engineering Corporation (MetEC)" on http://addisfortune.net/ published on June 23, 2013 [Vol 14, No 686].

enable the actualization of the country's GTP and to step up the nation's industrialization into a new phase. The new technology offers greater precision in the socioeconomic impact and leads to better long-term results. The grandness of industrialization is the key to sustainable development in the growing economy of Ethiopia.

> Nevertheless, manufacturing as a share of gross domestic product in Ethiopia remains 5 percent, well below the African average of 10 percent. The country also scores below the African average on diversification, export competitiveness, productivity and technological upgrading. ('Cheap Labor', 2016)

Agriculture is the fundamental foreign currency income to Ethiopia, the country has been developing and functioning the Livestock Market Information System (LMIS) which assists to improve the efficiency and transparency of the markets through the help of IBM communication and market section. Therefore, farmers can interact with potential buyers; handle government paperwork all in a cell phone and in a remote part of the country farmers can check livestock market prices. In fact, technologies that bring transparency and connectivity to the markets via cell phones could have a powerful ripple effect all across the developing countries.

3.3.3. Domestic Market and Investment

FDI increases the productivity of the domestic market and company's earnings due to the consequence of the technological spillover. FDI is a catalyst which causes an important event to happen in the domestic markets, it also creates a direct linkage with a domestic market by mass production and wholesale, and domestic investors by triggering and stimulate competition and encouragement. FDI can play a significant role in modernizing a domestic market and national economy as well as promoting socioeconomic development activities. In general, the inflow of FDI, which has become the primary source of external financing, encouragement and market development for the Ethiopian domestic market and domestic investors, in addition FDI can develop know-how and managerial skills in the domestic market (Chaudhuri & Mukhopadhyay, 2014; 'Cheap Labor', 2016; Fauzel, 2012).

4. Analysis and Discussion

In Ethiopia investors grant an investment license in a short period of time but this does not mean that they all are moved to the implementation and operational phase. This is because for some of the firms become licensed is an end by itself for their objective of taking advantage of enjoying the FDI incentives related to it including settling themselves as a resident, duty free export and imports, working premises (land) and other benefits**.** Thus, one cannot tell about the country's actual FDI inflow by looking at the number of licensed projects. Therefore, to know the actual FDI inflow of one country the person has to crosscheck the ratio of operational FDI projects to licensed FDI projects.

To sum up, most foreign investment projects that existed in Ethiopia currently are not active enough to become operational within a schedule. Out of the 5,321 licensed FDI projects in the period of August 22, 1992 - June 10, 2016, only 2,452 (46.08 %) has turned into the operational phase and the permanent and temporary employees are 279,033 and 302,817 respectively. According to figure 1 and figure 2, since August 22 1992 to May 11 2016 only the top 15 licensed FDI projects sorted by the total number of projects are 2,835 (53.27%) which is pre-implementation 967 (18.17%), implementation 551 (10.35%) and operational 1,317 (24.75%) projects. During the same period the total amount of capital of only the top 17 FDI projects from different countries shown in figure 3 are more than 9.7 million US$ and from this total capital only 2.3 million US$ (23.5%) is turned into the operational phase as indicated in figure 4 which is way lower than the expected 50%. In addition, as in figure 5 illustrated during the same period the total number of employment from the top 17 licensed FDI projects the permanent employees are 461,150, temporary employees are 446,425, and the operational phase permanent employees and temporary employeesas shown in figure 6 are 196,074and 221,999respectively. As a result, so far 54.51 % of licensed foreign investment projects have been cancelled from August 22, 1992 - June 10, 2016 due to some reasons. Among the reasons: -

First, any licensed investor has to turn into the operational phase as soon as possible and has to notify the status of the firm every year to the investment authority. If the investor fails to do so, the Ethiopian investment commission (EIC) will warn the investor to notify the circumstances but if still no response within the given time the EIC has no choice and will immediately cancel the project. Second, the firm maybe corrupted or found performing illegal activities other than the granted license to escape from tax and to earn significant benefits from it. Third, the investors may ask to cancel the project by their own will. Forth, if the firm is found not a value add[13] to the country or some other reasons and the like.

Number of Projects	Capital US$	Perm. Emp.	Temp. Emp.
Licensed projects			
5, 321	18,872,706	776,367	876,351
Operational projects			
2,452	4,171,402.23	279,033	302,817
Operational / Licensed (%)			
46.08	22.10	35.94	34.55

Table: 2 Licensed and Operational FDI projects in Ethiopia (August 22, 1992 - June 10, 2016)

Source: Authors' calculation based on Ethiopian investment data. "Perm." stands for Permanent, "Temp." stands for Temporary and "Emp." stands for Employees. Note: The currency is converted at the rate of 1 USD / 22.010 ETB (Ethiopian Birr/ currency) on the date of May 22, 2016 Commercial Bank of Ethiopia exchange rate value.

[13] Value added is the product/material that has changed the shape or character through process to produce the new product. An assembly also count as a value added.

Some of the firms inflate the employment figure untruthfully for the sake of getting more capital loan from the government (bank) and in order to win the heart of the government, whose challenge have remained on reducing unemployment rate in the country. On the other hand, overstating the firm capital has something to do with the bank loans. Therefore, the Ethiopia Investment Commission (EIC) has to check the real status of the FDI firm in schedule to limit such kind of untruthful business. In addition to following up the FDI firms, EIC has to provide a tactical investment promotional strategy to introduce the country's investment environment, to encourage FDI inflow into the country and to build the confidence of the investors on the bases of the country's behavioural finance in alignment with other determinants. Furthermore, every existed investment firms should evaluate the Ethiopian investment growth and transformation plan and the overall strategic plan of the country beside their firm objective, and analyze that if there is confrontation and provide a comment and suggestion to the authorities for the common benefit.
In the main, for the counties to be successful is not only enough to design a strong policy blueprint. The country should also adjust to amend that strategy when the circumstances demanded. To sustain the moment of economic growth of the country there are several policy recommendations that this study come up.
First, generally believed that infrastructure is one of the most prominent drivers of economic growth of one country. Ethiopia has to consider the levering of infrastructure investment especially on the strong side of public infrastructure such as real states, urban infrastructures, etc. more than previously but doing so is in a sustainable way. The government has to make sure that it is not public boring but also perhaps by bringing tax revenue to the people and private sectors. Therefore, the government has to promote public infrastructure investment by offering attractable incentives including additional facilities.
Second, Ethiopia could look at the reform agenda and could find ways in which how other African countries and / or some developed countries succeeded in different dimensional reforms including in the service sector, the financial sector, etc. there are great potential in these growth area and it is time to carefully consider the reform and copying other successful countries model.
Third, the government has to design on providing and supporting more credit system for foreign and private investors, initiating people to save money with high interest, by creating the supply and demand in the domestic market and by attracting and facilitating foreign and domestic investors to participate on the credit system and banking sector. Reconsidering the domestic and foreign investment policy that has made and by amending it to the most attractive manner. By doing so more credit access could be available for the credit seekers, this will boost the economic growth and at the same time, it will create several employment opportunities.
Forth, there is lack of access to foreign currency availability in Ethiopia. According to ten different investment firm survey, access to foreign currency has mentioned as one of the top seven most binding constraints. This kind of problem limits the balance of payment (export-import) process of the country. Solving such kind of problems has also considered as a kick-start of another economic growth engine for the country.
Fifth, the form of investment incentives is commonly recognized as the tool to attract all kinds of investment. The reason is not only to attract all kinds of investment, it is also to improve the competition of the country's economy towards today's global economy (Easson, 2004; James et al., 2010; Oman et al., 2003; Thomas, 2010). The government of Ethiopia offers plenty of positive motivational influences to attract the FDI inflow into the country ('Cheap Labor', 2016; USA, 2002, pp. 72–178). Some of the investment incentives are guarantee for investors, privilege to dividends, full repatriation of profits, fiscal incentives (income tax exemption, duty free import of goods, tax holidays, credit support, loss carry forward, etc.). Ethiopia has signatory of Multilateral Investment Guarantee Agency and has concluded Bilateral Investment Promotion and Protection Agreement with 30 countries and double taxation avoidance agreement/ DTAA with 18 countries. The right to employ expatriate experts and managers (USA, 2002, pp. 72–178). However, these encouragements and incentives are somehow has an issue on the bases of good governance implementation problems so that the government has to reconsider, assess and solve the issues as soon as possible.

5. Conclusion

This article demonstrated the inflow of foreign direct investment (FDI), the past and current business situations, investment incentives and its contribution for the socioeconomic growth and development from 1992 to 2016 in Ethiopia. Therefore, based on the collection of information, questioners, email exchanges and discussions various major conclusions are drawn to answer how Ethiopia is preferable country for FDI than other sub-Saharan African countries.
First, Ethiopia has an attractive location for the foreign investment and there are number of positive impacts that make the country attractive enough. Some of these positive impacts and investment frameworks include unique geographical location and a large domestic market enabling investors in Ethiopia to service their customers in East and North Africa, the Middle East and supply specific products to selected European countries. Easy access to Asia through the port of Djibouti and close proximity to Europe also enables Ethiopian exports. In addition, a capital city (Addis Ababa) which hosts the Economic Commission for Africa[14], the headquarters of the Organization of African Unity (OAU/AU)[15], and a membership of the Common Market for Eastern and Southern Africa (COMESA) has its own benefit. Besides Ethiopia has access to European Union market under the EU's (EBA) Everything-But-Arms (Faber & Orbie, 2009; Pishbahar, 2008) initiative, and access to US markets under the African Growth and Opportunities Act (AGOA) (Digital, 2002). Duty-Free and Quota-Free (DFQF) (Vanzetti & Peters, 2009) market schemes since 1976 for about 4,650 tariff line items, and the US Generalized System of Preference (GSP) with least developed countries (LDCs). Some authors argues

[14]See http://www.uneca.org/ the capital city of Ethiopia, Addis Ababa serves as the seat of UNECA
[15]See http://www.au.int/en/ Ethiopia is one of the founding members of OAU and serves as the HQ of AU.

that "Importantly, Ethiopia's global economic connectivity is poised to improve, creating new opportunities across the entire spectrum of economic activity" (Assefa et al., 2013, p. 240).

Second, Ethiopia has hundreds of investment opportunities (Assefa et al., 2013, pp. 22–39) among the opportunities the government of Ethiopia gives a priority investment area, such as: Agro-processing industries, textile and garment, leather and leather products, horticulture, sugar and related industry, chemical industry, pharmaceutical industry, metal and engineering industry (Equity et al., 2016). Developed countries like China (Geiger & Goh, 2012), India (Desk, 2014), Turkey, USA, Britain and Saudi Arabia has the major share in the contribution and increment of the country's socio-economy and the amount of foreign direct investment into Ethiopia (Equity et al., 2016; Tsegaye, 2014).

Third, Ethiopian economic growth has been very rapid and stable over the past decade. The country moved from being the second poorest country in the world in the 1990s to the ninth poorest in 2016[16](Odekon, 2015). This pace of growth has the fastest that Ethiopia ever experienced and it also exceed what low Sub-Sahara African countries achieved in the same period. The agricultural sector has been the major growth income contributor for the country. While the service sector has now taken over as the major growth driver complimented in the construction boom.

To sum up, if the investment planned and managed carefully and implemented accordingly, it is the effective and efficient way to manage every movement of the enterprise. Well-managed enterprises can prove to be a significant tool in improving the quality, the productivity and efficiency of the enterprise also it minimizes the risk and errors. In addition, most of the authors argue that, an overconfidence bias mostly exists in the business and financial markets. Overconfident bias is taking place within the mind and it is the part of behavioural finance (Sharma, 2016). As an investor, before rashly decided to invest in one country using only own forecast the investor have importantly know the historical, cultural, economic, geographical and more especially political situation of that country. Plus (Hoffmann et al., 2015) suggests that the investor's positive and negative predictions and by expecting the best and the worst so that the investor can decide where can his/her business fit in. However, (Ackert & Church, 2006) suggests that by avoiding or limiting the negative image of the firm is more important for the investment decision making. Knowing the historical and cultural situation of the country helps you to figure out the critical problems and the quantity of supply and demands. Knowing the geographical location allows the investor to allocate authority, organizational power, discipline and job distribution or separation through the geographical allocation of the organization branches, individuals, workgroups and market research. Knowing the political situation of the country will save the investors from the breakdown of the business goal, objective and more importantly their asset reduced to nil. For this reason, investors have to think twice before investing to or in a foreign country about not only the unlimited investment incentives that the government provides but also think about the above mentioned points so as to have the dream come true business profit.

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