

# 1 Opportunities and Challenges of Investment Activities: The Case 2 of Selected Areas in Jimma Zone

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## 6 **Abstract**

7 The Agreement on Trans-Pacific Partnership (TPP) currently undergoes 19 rounds of  
8 negotiations, with the participation of 12 member countries. With high standards, large space  
9 of 14 countries and regions (including the two potential members which are South Korea and  
10 Taiwan), with over 800 million people, contributing about 40

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12 **Index terms**— agreement on trans-pacific partnership (TPP), trade, investment, education, opportunity,  
13 challenge.

## 14 **1 Introduction**

15 In countries where growth is high, total domestic and foreign investment often exceeds 25% of gross domestic  
16 product (GDP). But, in sub-Saharan Africa, gross fixed capital formation has hovered at around 18% of GDP for  
17 the last two decades. Since the financial crisis in 1997, investment rates in developing countries in Asia (excluding  
18 China and India) have remained at around 21% (World Bank, 2005b). One factor contributing to low growth  
19 rates in developing countries, especially the poorest ones, is insufficient, inappropriate and poorly maintained  
20 physical infrastructure (Migliorisi,s. and M. Galmarini, 2004b:28).

21 Improving the investment climate will encourage more infrastructure investors to invest. This in turn will  
22 make infrastructure services more widely available and encourage other types of investment. Recent research  
23 supports the view that using ODA to promote infrastructure development merits greater attention; studies have  
24 found a large, positive, causal relationship over a four-year period between "immediate-impact aid" -i.e. budget  
25 and balance-of-payments support, infrastructure and aid for productive sectors -and economic growth (Clemens,  
26 Radelet & Bhavnani 2004). A diversified and competitive financial sector is also important for promoting growth  
27 in developing countries as it helps maintain economic stability, makes financial transactions secure, mobilises  
28 external and domestic savings and facilitates the efficient allocation of capital to productive investments. The  
29 World Bank's 2005 World Development Report ??World Bank, 2004) similarly highlighted that it is not just the  
30 quantity of investment that matters for promoting growth, due to the decreasing marginal impact of additional  
31 investment in physical assets. What ultimately counts are the productivity gains that result from product and  
32 process innovations brought about through investments, as well as the extent to which jobs and capital flow from  
33 declining industries to expanding and emerging economic activities (Boza,Baatriz and Luke Haggarty,2006:74).

34 This will make it possible to invest larger sums in the future. The investment climate consequently needs  
35 to provide opportunities and incentives for firms and entrepreneurs to develop, adapt and adopt better ways of  
36 doing business. Investment is, therefore, one of the key factors for the growth of the economy of one country  
37 (OECD,2004 b:42). It is doubtless that dealing with the problems that hinder investment is necessary and also  
38 important in the investment sector, before making decisions, one investor should consider some required points  
39 such as; ? Required rate of return ? Rate of expected inflation ? The risks involved, that can have an effect on  
40 the investors decision ? Services provided for customers However, in case of Jimma zone, it is impossible to say  
41 that the factors hindering investment activities are confined to the above listed required points only. There are  
42 other factors that cut down the growth of investment sector in this zone. Furthermore, investment or investing is  
43 a term with several closely related meanings in business management, finance and economics, related to saving  
44 or deferring consumption. An asset is usually purchased or equivalently a deposit is made in a bank, in hopes of  
45 getting a future return or interest from it. (Bodei Kane Marcus (1999).

## 3 B) STATEMENT OF THE PROBLEMS C) OBJECTIVES OF THE STUDY I. GENERAL OBJECTIVES

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46 Investing is the act of laying out money or capital in an enterprise with the expectation of profit (wordnet.  
47 princeton.edu/peri/webwn).

48 Investing is also using one's personal funds or the funds of a business to acquire productive resources  
49 (en.wikipedia.org/wiki/investment).

50 Investment is money that is invested with an expectation of profit (Bodie Kane Marcus (1999)).

51 In any case investment activities in Jimma Zone are found to be low, and my research study will try to find  
52 out some of the basic problems for the low investment situation.

53 Investment has direct relationship with the economy of one country. That means the level of the investment  
54 of one country can display the level of an economy of the country. major ones. Rate of expected inflation or  
55 market condition, required rate of return (market) and the risks involved.

56 Jimma Zone has a great potential for investment activity in most sectors. However, it has not been benefited  
57 from this opportunity. The rural residents live under poverty line and have been undergoing many development  
58 problems as unemployment, poor infrastructure facilities, and absence of manufacturing industries. The urban  
59 drivellers are living with low standard of living, low-income unemployment and other social service problems.

60 These are the factors necessitate to go for the study under his title and deal with the factors that lead to low  
61 investment activities in Jimma zone.

62 Generally, this study attempts to answer the following questions: ? What are the problems that lead to low  
63 investment activities in this zone? ? What suggestions can be made to overcome these problems, which is its  
64 goal?

65 ? Identifying factors that contribute to low investment activities in Jimma zone.

66 ii. Specific Objectives ? To determine the general attitude of the population and the government to wards  
67 investment activities in Jimma Zone. ? To investigate the nature and level of investment activity in the zone and  
68 surroundings. ? To look whether there is paper tiger (i.e. gap between policy formulation and implementation).

69 ? To determine the impact of low investment on the overall economic development in the zone. ? To identify  
70 the different potentials and opportunities for investment that can be utilized if suitable conditions are arranged.

71 ? To initiate further research activity on the topic, simply by offering an available and relevant data.

## 72 2 d) Significance of the study

73 Undoubtedly, expansion in all types of investment activities is detrimental for a country's growth. The  
74 contribution of investment on GDP occupies a sound share in many countries including Ethiopia. Despite  
75 this, a number of factors have an adverse effect on it.

76 In order to attract investors, both from locally and abroad, there are certain key elements that are considered  
77 highly desirable by potential investors. These include the openness of the economy to international trade and  
78 finance, fiscal discipline by the government, political stability, governance and sound economic management,  
79 strong banking and financial markets etc.

80 In other words, investment is the use of money for the purpose of making more money, to gain income or  
81 increase capital or both (www.vss2000.com/glossary/asp).

82 From the national perspective, an increase in the stock of capital goods or any other expenditure designed  
83 to increase future output; from the perspective of the individual, any expenditure designed to increase an  
84 individual's future wealth, such as the purchase of a share in a company (www.wwnorton.com/stiglitz  
85 zwalsh/economics/glossary/htm) Despite the natural resources available, there are some factors that lead to  
86 low investment activities in different areas of our country. Among them the following 1 From bodie kane arcus  
87 Broadly speaking, as market is one basic factor for the determination of investment activity (i.e. an efficient  
88 market is one in which investment has higher expected return and also has lesser level of risk) 1 , it is also  
89 necessary to deal with the market characteristics and market conditions, when ever we deal with investment. but  
90 in many cases, even though the market is profitable, fearing the risk involved makes business men far apart from  
91 the sector.

## 92 3 b) Statement of the problems c) Objectives of the study i. 93 General Objectives

94 When the presence of all the necessary conditions for investment is low, investment will be badly undermined,  
95 since investment promotes economic growth, raises standard of living and contributes to a nation's wealth,  
96 the relevance of the study be it implicitly or explicitly is to identify the major factors inhibiting investment  
97 and to make the line open for further extended (advanced) research, besides showing some of the investment  
98 opportunities for investors, and providing possible solutions to the problems to be observed. e) Scope of the  
99 study Jimma zone was selected as the study area among the zones in Oromia region which has with available  
100 human and material resource background but owing to different constraints related to lack of awareness, limited  
101 socio-economic infrastructure, lack of managerial and technical skills and maladministration. For the reason that  
102 the investment activities of the zone was dwarfed despite the fact that natural endowments. The researcher was  
103 initiated to choose the area like Seka Water Fall, Asendabo Hydro Electric Power, Yebbu Beekeeping and Jimma  
104 Museum, too. The study will therefore focus on assessing factors that limit the level of investment activity and  
105 impact on this area's development in the zone.

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106 **4 -**

107 Unwillingness of some investors or their representatives to fill the prepared questionnaires.

108 **5 -**

109 Insufficiency of time and money to effectively collect the necessary data -Unpunctuality of some workers of the  
110 documentation and other workers of the library, which hinders the obtaining of some data and references timely.

111 Jimma Zone is a zone bounded by other zones of some Regional State such as; Welkitie, Bonga and Ilu Aba  
112 Bor, with the capital of Jimma town.

113 Even though, the zones' investment activity is not as much satisfactory, it is one of the zones of Oromia which  
114 have plenty resources suitable for investment.

115 For instance, among the investment activities of the zone, let us see small holders Hydro Electric Power projects  
116 developed by the regional government from 1993-2004. Within this time, total investments were Br 9,313,171.  
117 Government was serving as a source of fund. These Hydro Electric Power projects are developed from Gibe and  
118 Gilgal Gibe River.

119 When the researcher compared to other zones of the region, it was moderately invested in this specific project,  
120 following some zones such as; East Shewa and West Harerghe. But when it was investigated at the country level,  
121 it would be at its infancy.

122 **6 Literature Review a) An Overview**

123 For many years, investment has been viewed and defined in different ways by different authors, Even though  
124 it is defined and viewed by different authors, it has the same concept. Different countries have also different  
125 investment policies, rules and regulations. For example one country may give more freedom for private investors  
126 within the nations. The other country may close its door for foreign investors more than the other countries',  
127 etc. Accordingly, authors suggest different techniques for success in investment sector for a country or investors.

128 As investment is defined Helffert (1997), it is "a fixed and initial operating resource used for the production  
129 of goods, the provision of services and the development of science and technology capability". Helffert also  
130 advises investors that they should invest internally (within their own activities) before considering external  
131 investment (investing outside their activities) accordingly an investor engaged in an oil drilling investment should  
132 consider whether he/she expand this activity before starting (selecting) other activities say manufacturing activity.  
133 Definition of investment by Gitman is that " sizable outlays of funds that commit a firm to some course of action,  
134 the firm lies on specific procedures to analyze and select those investments properly".

135 Shaum,S(1998) has set the process for evaluating and selecting long term investment and classifies investment  
136 decisions as the following: economic and political situations of the country, availability of raw materials for  
137 running its activity, and finally, he/she must put a standard of evaluating the profitability of the investment.

138 According to Helford, an investor engaged in the investment activity must be seen whether the investment is  
139 contributing some advantage for the nearest society and the nation in general. Thus, the following investment  
140 objectives may be fulfilled by an investor:-? To increase in the variety, quality and value of the supplied goods and  
141 services of the country ? To create employment opportunities ? Encouraging the expansion involve in variety and  
142 quality of the export of the nation ? Encouraging utilization of domestic raw materials, production machinery,  
143 equipments and other goods. ? To develop and utilize the natural resources of the country and others.

144 For judging the attractiveness of one investment an investor should first consider; the amount to be expended  
145 on the investment, the potential benefit of the investment, the time period and any final recovery of capital.

146 Generally, for evaluating investment projects, shaums (1998) has set 5 main methods of evaluation. a) Pay  
147 back period Measures the length of time required to recover the amount of initial investment. According to  
148 this method, the investor chooses an investment activity with the shorter pay back period.  
149 This measures the profitability from the conventional standpoint by relating this required investment (average  
150 investment) to the future annual net income. According to this rule, the investor has to choose the project with  
151 the higher rate of return. c) Net Present Value (NPV) method NPV is the excess of the present value of cash  
152 inflows generated from the investment over the amount of the initial investment and the rule says, accept an  
153 investment activity with the positive net present value.

154 **7 d) Internal Rate of Return (IRR)**

155 IRR is defined as the rate that equals interest with the present value of future cash inflows. In this method, the  
156 investment decision is accepted if IRR exceeds the cost of the total investment.

157 **8 e) Profitability index (PI) Method**

158 It is the ratio of the total present value of future cash inflows to the initial investment; i.e PV/I. The rule says  
159 accept the investment which its profitability index is greater than other factors to be considered in investment  
160 activities include; risk associated with the investment, inflation rate, tax policy of the government etc.

161 Investment is defined by Helffert (1997) as a fixed and initial operating resource used for the production of  
162 goods, the provision of services and the development of science and technology capability. When we relate

163 this definition with the statement of the problem; poor infrastructure facilities, unemployment, absence of  
164 manufacturing industries, low standard of living, low income and other social service problems are the results of  
165 absence of using these operating resources for the production of manufacturing industries and the provision of  
166 these unfulfilled services.

167 Robert C. Radcliffe's investment description (1996) denotes that investment is the sacrifice of certain current  
168 wealth for possibly uncertain future. Since most investments have uncertain future values. Investors in such  
169 assets will require positive expected future returns.

170 Bodie Kane Marcus (1999):-Real assets versus Financial Assets the material wealth of a society is determined  
171 ultimately by the productive capacity of its economy the goods and services that can be provided to its members.  
172 this productive capacity is a function of the real assets of the economy. The land, buildings, knowledge, and  
173 machines that are used to 14 produce goods and the workers whose skills are necessary to use those resources.  
174 Together, physical and human assets generate the entire output.

175 Financial assets are such as stocks or bonds. Shares of stock are no more than sheets of paper; they do  
176 not directly contribute to the productive capacity of the economy. Because they allow for separation of the  
177 ownership and management of the firm and facilitate the transfer of funds to enterprises with attractive investment  
178 opportunities. Financial assets certainly contribute to the wealth of the individuals or firms holding them. This is  
179 because financial assets are claims to the income generated by real assets or claims of income from the government.

180 International investment refers to investing in securities beyond the borders of one's own country. Global  
181 investment refers to investing in securities throughout the world (Robert C. Radcliffe 1996).According to  
182 investment Management in the 1990s, the type of securities traded as well as the way in which they are traded  
183 are constantly evolving as technology, society's needs, and political conditions change. The pace of change seems  
184 to be accelerating, driven both by increasing numbers of investors and competition. The major areas of change  
185 are in globalization, securitization, derivatives and technology.

## 186 9 Year 2017

187 Opportunities and Challenges of Investment Activities: The Case of Selected Areas in Jimma Zone 2 An  
188 organization uses statement of investment that will be best understood by the investor. It is common to have  
189 three sections:2 From Robert C.Radcliffe (1996)

## 190 10 b) Accounting Rate of Return (ARR)

191 (1) Investment objective (2) investment constraints and (3) investment policies.

192 The investment objective is usually a return objective related to the asset allocation that has been chosen.  
193 Investment constraints can include factors such as liquidity constraints, tax requirements, and any other relevant  
194 constraints. Investment policies represent the strategies that are to be used. c) Investment Types i. Planning  
195 At this stage, investor and capital market conditions are blended in order to determine a set of investment and  
196 speculative policies as well as a longrun strategic asset allocation.

## 197 11 ii. Implementation

198 This consists of any active timing between asset classes and the selection of individual managers or securities to  
199 be held in each asset class.

200 iii. Monitoring There are three aspects to this monitoring. First, the actual portfolio held should be examined  
201 to ascertain it is in compliance with the statement of investment policy and to determine whether any passive  
202 rebalancing of the asset mix is required. Second, investment performance should be reviewed. This should  
203 consist of a review of returns on (1) the aggregate portfolio, (2) each asset class and investment manager, and  
204 (3) the returns from any speculative strategies employed. Finally, adjustments to the statement of investment  
205 policy (SIP) and investment managers should be made if necessary.

206 Active institutional managers use a wide variety of approaches. The following listing illustrates the general  
207 approaches used: This is a very good instrument in gathering original information from the sources since the  
208 respondents are free to fill the opinion what they feel without any pressure. Therefore, the researcher selected  
209 this instrument for this reason. This is structured and preplanned. The researcher had careful look at the  
210 investors/their representatives to know how they handle their activities & their expected return in the market,  
211 or the observation made at some museum and tourist attraction places.? Top-Down Managers ? Bottom-Up  
212 Managers ? Quantitative Managers ? Concept Managers ? Value Managers ? Growth Managers ? Large cap  
213 ii. Secondary Sources of Data Secondary data is not collected for the just time 3 From robert Radcliffe (1996)  
214 4 From robert radcliffe (1996) 5 From Bodie Kane Marcus

## 215 12 d) The process of investment Management

## 216 13 ? Plan

217 The process used to manage a security portfolio is conceptually the same as that used in any managerial decision:  
218 ? Implement the plan ? Monitor the result 1. Written questionnaire

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## 219 **14 Structured Observation i. Primary Sources of Data**

220 Information from primary sources is called primary data. They are original. Sources of such information were  
221 the respondents. Primary data from primary sources. Primary data from primary sources have been collected  
222 using: 1. Written Questionnaires 2. Structured Interview Questionnaires 3. Structured Personal Observation

## 223 **15 Structured interview Questionnaire**

224 This involves the use of a set of predetermined questions and has standardized technique of recording. This  
225 method is preferable for the following reasons: a. The questioner is administered by enumerator himself /herself  
226 and attains higher response rate. b. The presence of enumerator (interviewer) decreases the number of "don't  
227 know" or "no answer". c. The enumerator can reduce confusion of questioner items.

## 228 **16 b) Data analysis and Interpretation**

229 Firstly, in this part, after the problem of the study was defined, the next step has been defining the population.  
230 In this specification of the population, all investors activating in the zone have been taken into consideration.

## 231 **17 c) Sampling Technique and Size**

232 Since the number of the population is large and there were time constraints, non-probability sampling method  
233 of data collection was preferable.

234 The sample sizes that the investigator used is out of 1000 total population 10% have been the respondents to  
235 his questionnaires. That means  $1000 \times 10\% = 100$  people.

## 236 **18 d) Method of analysis**

237 The collected data were processed and analyzed. Raw data have been examined to the purpose of making it  
238 accurate in the control editing. As most of the questions are not related with the quantitative responses, some of  
239 the data have been processed using computers. For instance grouping related information's in to one and using  
240 for calculating some simple calculations.

## 241 **19 e) Method of Presentation**

242 Finally, the data collected and analyzed have been presented using different methods such as tables, pie charts,  
243 etc. and the finding has been compared and discussed with relevant literatures.

## 244 **20 Chapter Four**

245 IV.

## 246 **21 Data Analysis a) Content of Investment**

247 The respondents selected have replied for the questionnaires, concerned the investment level and background  
248 in the zone. As the respondent replied, the zone has investment potentials in production of crops, i.e. 78%.  
249 There are some factors that contribute to low production of crops such as; the mismatch of the investor's need  
250 of investing on one type of crop and the available land in that are which is suitable for production of other type  
251 of crop, expensiveness of fertile and erosion of land by water. There is also potentials of oil bearing crops which  
252 is about 11%. When we see the overall potential of the area there is no as much potential for production of oil  
253 bearing crops. By the same amount of oil bearing crops, there is a potential of cotton production, which its major  
254 problem is absence of close market for the product. If all these agricultural and agro-processing types improved,  
255 the rural residents who live under poverty line can improve their income and their life standard.

## 256 **22 ii. Types of Livestock Production**

257 As the respondents replied the zone has investment potentials in production and processing of livestock, which  
258 can improve the living standard of the people who engage in animal husbandry, if effectively conducted. The  
259 chart shows that 41% of them replied that production of cattle share the major, relative to other in the zone. The  
260 factors that contribute to low production of cattle are: the weather condition of the area which is changeable and  
261 can also change the availability of grass and water for cattle which is the reason for fluctuation of its availability  
262 throughout the year; availability of transmitted diseases of animals which indicates as there is insufficient health  
263 care for animals. 24% of the respondents said that goat and 31% of them sheep production potentiality is there.  
264 Little areas which is suitable for sheep rearing is the factor that contribute to low production of sheep in addition  
265 to weather condition of the zone. Weather condition is a factor also for low production of goat. Additionally,  
266 there are others such as bee keeping which constitutes 4 %. The reasons for low production are: because  
267 beekeeping is relatively unordinary type of livestock production and there is no much initiation of beekeeping.  
268 These all livestock production types can solve the problem of rural to urban migration or unemployment in  
269 animal husbandry areas.

270       iii As the table indicates the zone's suitability for both education and health service sub-sector is almost  
271 equal which 35% is. Relative to past decades these are some what improving. The major problems with  
272 education sub sector are: the workers (teachers and others) are refusing to serve in remote areas and inadequacy  
273 of infrastructure. The same to this, in health sub sector the factor contributing to low health sub sector is  
274 reluctance of workers to serve in remove areas. And in addition insufficiency of materials in health centers.  
275 Regarding infrastructure facilities, the major factors contributing to low expansion of infrastructure facilities are  
276 the following. Since the landscape of the zone is not easy for instance to construct a road, it requires so many  
277 costs (i.e. its expensiveness). The other problem with infrastructure problem is absence of effective use of the  
278 available facilities. The improvement of these sub-sectors can alleviate the problems of unemployment, which can  
279 indirectly improve the living standard of mostly urban dwellers. There is also potentials of 30% for infrastructure  
280 sub-sector. This subsector can also solve the problems such as unemployment by hiring unemployed persons  
281 for construction of these infrastructure facilities; better provision infrastructures for urban dwellers, and also for  
282 rural residents. iv. Small Scale Industries in the Zone Table ??: small scale industries in the zone. Metal work  
283 and weaving are types of small scale industries which are conducted mostly in rural areas, which constitute 60%  
284 and 40% respectively. These can reduce the problem of unemployment in rural areas. The main problem with  
285 this sub-sector is the frights or shame that some persons are feeling in doing such works.

**286 23 Metal work Weaving Total**

287 Volume XVII Issue I Version I As the respondents replied, the zone's potentiality for manufacturing and processing  
288 industries shares the majority (i.e. 56%). The factors that contribute to low manufacturing and processing  
289 industries are the following. Its expensiveness; mismatch of the available raw materials and the industries  
290 proposed to do in that area and infrastructural problems. This manufacturing and processing industry is followed  
291 by forestry (26 %). The residents are cutting and using it ineffectively the available forests in order to get their  
292 daily livelihood. This is the factor that contributes to low forestry. Mining industry constitutes 18%. The existing  
293 low minerals in the zone are expensive to excavate. And the other problem with this sub-sector is infrastructural  
294 facilities.

**295 24 vi. The Reason Behind Low Museum and Tourism in the  
296 Zone**

297 The zone has some breathtaking artificial and natural tourist attractive sites, which if developed properly, will  
298 have economic importance for the development of the zone these are the following. ? The historical palace built  
299 by king of AbaJifar II known as AbaJifar II palace which is in Jimma Town ? Seka Water fall in Seka district ?  
300 Belete Chaka forest in Shebe ? Jimma Museum, which displays ancient cultural antiques and historical remains  
301 of the surrounding society which is found in Jimma town. ? The Origin of Organic Coffee(Coffee Arabica Tree)  
302 ? Gibe dam in Asendabo.

303       The number of tourists visiting the sites and annual revenue earned from them are however, insignificant. The  
304 reason behind this is the following. ? In the society itself, there is no as much custom of exhibiting museum  
305 and attractive areas. ? The available museum in the zone is far away from the residents out of the capital. ?  
306 There is no adequate services of hotels and others in such attractive areas, which can serve also as station. ?  
307 Since such attractive areas (Water fall & others) are around jungle, there is fear of dangerous wild animal such as  
308 snake, leopard etc. If all these condition are properly fulfilled, problems such as unemployment and other social  
309 service problems will be solved. As the respondents' response, sand from building constitutes the majority of  
310 mineral available in the zone. All of the existing sand is exploited. Among the existing mineral 75% is occupied  
311 by government and the remaining 25% is by owners. The major problem with this is the road problem followed  
312 by other infrastructure problems.

**313 25 vii. Minearal Resources Abailable In The Zone**

**314 viii. Infrastructure Facilities in the Zone (Appendix -I: 37, No.4-10.2)**

315       Infrastructure facilities are the basis as well as the result of good investment. That means if there is adequate  
316 infrastructure, the investment will expand well. On the other hand, if the investment activity of one area is at a  
317 good level, there will be adequate infrastructural facilities which are a part of investment. The major factor that  
318 contribute to low infrastructural facilities are the following.

319       Volume XVII Issue I -The zone's landscape which is very unsuitable and requires high cost for paving  
320 the road. The telephone problem in the zone is on the way to be solved, and almost solved other than mobile  
321 telephone service problems such as network problem.

322       -  
323       The major problem of postal service is that, it consumes time. 78% of the respondents said that there is  
324 poor infrastructure in the zone. Only 22% replied as there is fair infrastructural facilities. As the table above  
325 shows, transport (49%) is the major inadequate infrastructure followed by telephone (37%) and postal service  
326 (12%). There are also other (2%), such as electric power generation and clean water supply. Among the selected  
327 respondents, 27% replied that lack of resource resulted to low investment activity in the zone. That means one

328 person needs resources which are necessary for starting investment activity. Lack of these resources is the major  
329 factor that contributed to limited investment activity in this zone. This lack of resources is followed by political  
330 factors (24%), which is also a decisive factor. When we say political factors, there is a discrimination of one  
331 person from the other in respect of his/her political involvements. And also there is a fear of discontinuously  
332 of incentives given by government assuming that political chaos may occur in the country. Social factor is also  
333 one of factors for limited investment activity in the zone, which constitutes 21%. These social factors are such  
334 as absence of close relationship between investors and the society. Climate condition of the zone is also another  
335 factor consisting 11%. Climatic condition of some areas in the zone is not suitable for investment types required  
336 to be conducted there. There is also other factor which constitutes 1%, such as corruption.

## 337 **26 Structured Interview (Appendix-II: 39, No.1-4)**

338 The Effect of Limited Investment Activity on the Economy (Appendix-II: 39, No.1-4)

339 When the researcher investigated, generally this limited investment activity is a cause for low economy of job  
340 opportunities; a cause for living under poverty line of rural residents; a reason for living with low standard of  
341 living of urban dwellers; a reason for the absence of manufacturing industries and also a reason for the other  
342 social service problems.

343 The relationship between the investors and the residents of the area is not as much satisfactory. b) Information  
344 Gathered from Urban Development and Investment Bureau Some data and information were collected specifically  
345 from these bureaus regarding investment activity in the zone. In the past ten years there were a construction of  
346 water supply and electric power generation which constitutes 48% each. This show improvement in the supply  
347 of water for the urban dwellers living with low standard of life and electric power for both rural and urban  
348 residents. Large scale industry was also constructed around the capital of the zone constituting about 3% of the  
349 respondents. There is also another with the share of 1%, constituting agriculture and construction of small scale  
350 industries. The above pie chart indicates that majority that majority of the investors in the zone participate in  
351 investment in social service sector (45%) followed by agriculture (22%) and manufacturing (16%). There are also  
352 other services such as hotels and others constituting 10%, which the investors are engaged in. some investors are  
353 participating in forestry which constitute about 7%.

354 ii Kinds of Problems the Investors Face According to the above table, the problems faced them is from  
355 government/political side (40%), next to infrastructure constituting 49%. There is also some problems related to  
356 the society which is about 11%. This indicates that infrastructure is the major problem of investors which limit  
357 their investment activity. This can indirectly result urban dwellers to live with low standard of living, and also  
358 result to unemployment. Another is government/political problems which result in unemployment and absence  
359 of manufacturing industries. Additionally there are social problems such as disagreement between investors and  
360 the society.

361 iii. Kinds of Incentives given by Government The support or incentives the investors get from government  
362 are in the form of loan from bank and provision of market for their goods/services which are the highest, next  
363 to fee land (31%) constituting 25% each. There is also an incentive such as exemption from tax which is 19%.  
364 The researcher recognized from this that, incentives or supports given by government is not as poorer especially,  
365 regarding land given to investors. On the other hand exemption from tax of their land seems unsatisfactory.  
366 So this has to be improved. This refers to the costs of doing business (e.g. the costs of complying with the  
367 policy, legal and regulatory frameworks in which the private sector operates, including the extra costs created by  
368 inadequate infrastructure, crime, corruption and excessive red tape). High costs reduce profits and discourage  
369 investment. They also create disincentives for firms to formalise, with a resultant loss of benefits to the economy.

## 370 **27 b. Reduce risks**

371 This involves policy and institutional reforms that improve the stability of the investment climate and the  
372 predictability, real and perceived, of returns on investment, including by making the implementation of regulations  
373 established by national and local governments more predictable and enforcement of the rule of law more rigorous.  
374 A well-functioning financial market is crucial for managing the risks associated with firms and expanding  
375 production, especially for the many small domestic firms that rely on internally generated cash flows and money  
376 provided by family and friends.

## 377 **28 c. Improve competition**

378 A more competitive investment climate improves efficiency, encourages innovation and is a key factor driving  
379 productivity improvement in the short run. This often calls for the sequenced removal of policies or laws that  
380 protect markets or allow anti-competitive behaviour by public or private sector actors. A competition law and  
381 policy can help curb uncompetitive practices and engender a culture of competition.

## 382 **29 d. Develop capacity**

383 Reforming the investment climate is a political process and relies on effective institutions and the ability of the  
384 private sector to identify key constraints to investment and to lobby for and help implement change. There is  
385 thus a need to support initiatives that build up the capacity of public and private sector stakeholders to engage

386 in political process and to implement policy reforms. Capacity development can also improve the private sector's  
387 ability to cope with constraints and changes in the business environment and its capacity to innovate by adopting  
388 new technologies and expanding entrepreneurial skills. Much is already known about what should help promote  
389 private investment. To flourish, the private sector requires a stable and predictable investment climate that comes  
390 from macro-economic stability, transparent and accountable government, rigorous enforcement of the rule of law,  
391 functioning markets and institutions, a skilled and productive labour force, a strong commitment to fighting  
392 bribe solicitation and corruption, affordable and accessible infrastructure, intellectual property right protection  
393 and political and social stability. But Jimma zone contexts differ including the size and maturity of their markets  
394 and governance conditions -as do the needs and especially the risks faced by different types of investors. To  
395 improve the investment climate, reforms should build on an analysis of the zone and sector-specific constraints to  
396 private sector development and an assessment of the zone's competitive advantage. Most of what needs to be done  
397 to mobilise investment is the responsibility of government offices and the private sector themselves. Nevertheless,  
398 ODA can help facilitate processes and promote the supply-side responsiveness of firms in Jimma zone. But using  
399 ODA to promote investment entails several challenges for Jimma zone and its development agencies.

### 400 30 e) Private investors are diverse

401 It is important to recognise the diversity of private investors -domestic or foreign, large or small, formal or  
402 informal -when assessing barriers to investment. Priority areas for interventions are likely to be different for each  
403 group and need different responses:

404 i. The private sector in developing countries, such as Jimma zone is often made up of a very large number  
405 of small and medium-sized enterprises (SMEs) and a small number of well-established, larger firms. To help fill  
406 this gap, SME growth can be promoted by focussing on their specific needs such as expanded access to financial  
407 services and support to participate in processes that set the strategic framework for regional development. SMEs  
408 can also need greater access to the associations and enterprises that will help them improve their competitiveness  
409 and raise their capacity to link up with larger firms, both domestic and foreign. Fixed business costs weigh more  
410 heavily on SMEs.

411 Therefore, there is a case for introducing graduated schedules of payments (e.g. taxes, registration fees) or  
412 regulatory requirements based on firm size, rather than exemptions which can create disincentives for firms  
413 to grow or lead to unfair competition. A disproportionate number of women-owned businesses are SMEs. To  
414 help unleash women's entrepreneurship, specific, targeted initiatives may be needed to address gender biases  
415 that prevent women's enterprises from making their full contribution to growth and poverty reduction although  
416 direct interventions should not lead to market distortions. However, concentrating on the SME sector to the  
417 quasi-exclusion of micro/informal enterprises and large enterprises should be avoided. Policies are also needed  
418 to remove barriers to micro/informal enterprises joining the ranks of the SMEs, as well as to support the latter  
419 growing into large enterprises as observed in selected areas of the zone. ii. The informal economy forms a large  
420 part of the economies in many developing countries (OECD, 2004b:37). It provides employment and income  
421 to many poor households, including those who lose or cannot find work in the formal economy. It includes a  
422 disproportionate number of women and people from disadvantaged groups. But informality is not conducive to  
423 sustained growth and poverty reduction -it distorts markets, excludes people from basic protections and reduces  
424 revenues for social and other public expenditures. There are substantial assets held in the informal economy that  
425 could be used to help spur economic growth but fail to fulfil their productive potential. Formalisation also brings  
426 benefits for firms they are often unaware of, including greater access to the financial and other resources that  
427 will help their business to grow. It also helps them better deal with risk and vulnerability. Informality is not  
428 only a consequence of a weak investment climate; reducing informality will make an economy more attractive for  
429 investors.

430 There is a continuum between informality and formality -few firms follow all the rules governing enterprise  
431 behaviour and few follow none of them.

432 To promote movement towards a greater degree of formality, constraints to address include regulatory and  
433 administrative barriers, fees and financial requirements, corruption in public administration, socio-cultural  
434 attitudes and a lack of key business services. Making business services available to associations of informal  
435 firms and workers can be a first step along the path to greater formalisation (OECD2001:14). Development  
436 agencies in Jimma zone need to ensure that their efforts to improve livelihoods for those in the informal economy  
437 do not hold back tendencies towards greater formalisation.

438 iii. Foreign direct investment (FDI) should be encouraged, not only for the extra capital that it brings,  
439 but because it can lead to technology transfers, better human capital formation, deeper international trade  
440 integration and a more competitive business environment. Ideally, FDI projects should provide opportunities for  
441 competitive local firms to forge forward and backward linkages. There are four main determinants for attracting  
442 FDI: i) market size and growth prospects; ii) natural and human resource endowment; iii) physical, financial and  
443 technological infrastructure; and iv) Openness to international trade and access to international markets. Some  
444 of these can be improved through investment-enhancing ODA if Jimma zone, at the grass root level enhances its  
445 investment activities.

446 In the least-developed countries like Ethiopia, which have still to benefit from sizable FDI inflows, particular  
447 efforts appear necessary to improve the functioning of financial markets, expand infrastructure, increase skill

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448 levels and connect up better with local enterprises. Foreign investors sometimes have difficulties assessing the  
449 risks of doing business in Jimma zone. Making accurate information on market conditions and experiences of  
450 other foreign investors more readily available will help address this. In addition, nationals abroad can have more  
451 accurate perceptions of conditions at home and can be encouraged to invest in their country of origin( OECD  
452 2001:37).

### 453 **31 f) Trade liberalisation needs complementary policies**

454 Trade and investment are closely linked and complementary activities for modern business operations. For  
455 potential foreign investors, the ability to import and export easily is an important aspect of the investment  
456 climate. In the long-run, greater openness accelerates growth and leads to greater competition and efficiency in  
457 domestic and international markets. But, in the short-run, trade liberalisation may either increase welfare for  
458 the poor (if they are employed in export sectors or consume previously protected products) or decrease welfare  
459 for the poor (if they are employed in protected sectors or consume goods destined for export).

460 Complementary, compensatory and time-bound measures are generally needed to help the poor adjust to  
461 structural changes and take advantage of opportunities created through trade liberalisation. Therefore, to help  
462 firms in Jimma zone participate in regional markets where adherence to high business standards is required,  
463 Jimma zone administrators and development agencies can promote adoption of responsible business practices in  
464 such areas as labour relations, the environment and anti-corruption. The OECD Guidelines for Multinational  
465 Enterprises are a useful reference as they contain a set of recommendations for responsible business conduct  
466 that aim to promote the positive contributions that investment activities can make to economic, environmental  
467 and social progress. g) Natural resources can be a mixed blessing Abundant natural resources provide a basis  
468 for growth in Jimma zone and investment can help expand this zone' primary export sector. But some of this  
469 zone experience a "resource curse" and grow more slowly than those with fewer natural resources. As demand  
470 for commodities may remain strong for some time, further investments to expand extractive industries can be  
471 expected. Developing value chains that link natural resources up to processing activities using domestic suppliers  
472 of goods and services will help produce higher returns create more jobs and ensure that the resulting growth  
473 is broader-based and more sustained. So too will efforts to reduce corruption and strengthen public financial  
474 management. It is important that extra revenues that governments may receive through royalties and taxes do  
475 not reduce pressures to reform and that Jimma zone pay attention to the possible environmental degradation  
476 that can result from intensive use of natural resources.

### 477 **32 h) Public-private partnerships should help promote private 478 investment**

479 The motivation behind the public-private partnership (PPP) approach is to maximise interactions between the  
480 public and private sectors so as to deliver public services, such as water, electricity or telecommunications, more  
481 efficiently and to more people, and to improve the quality and the affordability of access to services provided.  
482 PPPs can take many forms -ranging from a private firm providing a public service for a specific period to  
483 "design-build-operatetransfer" arrangements. As well as leveraging extra funding and encouraging efficiency  
484 gains, entering into a PPP can motivate governments to identify and prioritise their infrastructure needs. But,  
485 establishing appropriate framework conditions for PPPs has often proved to be a complex task, particularly in  
486 small markets and in some sectors such as water.

487 Governments have complained that investors have reneged on contractual obligations, especially regarding the  
488 coverage of services, while investors have complained that the business environment has not been conducive to  
489 delivering services according to sound commercial principles. Other important issues that have arisen include the  
490 pricing of the basic services provided, arrangements regarding poor people's access to services, financing operating  
491 and maintenance costs and mitigating non-market risks. A structured dialogue between the public and private  
492 sectors can help identify common goals and facilitate better understanding of each partner's objectives. Results  
493 to date with PPPs have been mixed and lessons need to be learnt and applied. To avoid pitfalls encountered in  
494 the past, careful attention is required when contracts are being negotiated as researcher's personal observation  
495 revealed.

### 496 **33 i) Expectations need to be kept realistic**

497 The researcher investigated more about the institutional and policy reforms that should improve the necessary  
498 conditions for investment. However, the managers are less clear about how to bring about the conditions that will  
499 lead to more investment, particularly in Jimma zone that appear to have low growth potential. This highlights the  
500 importance of working both on the enabling environment as well as strengthening the supply-side capacity of the  
501 local private sector, including by promoting entrepreneurship and innovation through education and vocational  
502 training, research and development, technology transfers, making access to finance and other inputs cheaper and  
503 less cumbersome, and reducing the costs and formalities associated with creating and closing firms. Efforts to  
504 mobilise investment should not focus only on expanding production of existing goods and services; improving the  
505 investment climate will also help new economic activities to emerge.

**506 34 Document Analysis from existing written Materials**

507 Enhancing the contribution of investment to reducing poverty (Appendix-IV: 41, No.1)

508 To enhance the impact of private investment on poverty reduction, which in turn should make growth more  
509 rapid and sustained as well, policies need to ensure that poor women and men participate in, contribute to  
510 and benefit from the growth process: i. Obstacles that limit poor people's access to labour, land and other  
511 markets need to be removed. The poor may need help to increase their assets and legal rights as well. So  
512 that reforms translate into development results throughout the selected areas of the zone, efforts are needed to  
513 ensure that poor people are aware of the availability of services and of their rights, and that these rights can be  
514 enforced. In more sophisticated economies, development agencies can give higher priority to supporting policies  
515 and projects that extend the provision of financial services to the poor and small firms, on terms and conditions  
516 more adapted to their needs. Expanding access to banking facilities for the many "unbanked" in Jimma zone  
517 -through outreach, use of ICT and more cost-efficient and transparent services -will also help channel remittance  
518 payments more cost effectively and enhance their contribution to mobilising investment. v. Inadequate and  
519 insufficient infrastructure is a major obstacle to growth, trade and investment and raises the production and  
520 transaction costs of doing business. Investments in transport, energy, and water and ICT services are also essential  
521 to bring poor people closer to local, national, regional and global markets. To meet the infrastructure challenge  
522 in selected areas of Jimma zone, four guiding principles should be applied (Appendix IV: 41, No.2): i. use partner  
523 country-led frameworks as the basis for co-ordinated donor support; ii. enhance infrastructure's impact on poor  
524 people; iii. improve management of infrastructure investment, to achieve sustainable outcomes; and iv. Increase  
525 infrastructure financing and use all financial resources efficiently. To help meet this challenge, private sector  
526 participation in infrastructure investment needs to increase, including through PPPs where there is official v.  
527 financing support for export credits; these need to bear in mind international obligations about trade distortions  
528 and subsidies. There has been considerable underinvestment and disinvestment in agriculture, especially in  
529 Africa (OECD 2001:67). In some cases, this has been due to local agricultural produce not being able to compete  
530 with imported goods. Yet agriculture remains a key sector because enhancing growth prospects, productivity  
531 and diversification will contribute significantly to growth and poverty reduction. Hence, most poor people in  
532 selected areas of Jimma zone engage in private sector activities through farming and associated agribusiness.  
533 Increasing access to markets and assets, improving access to productivity-enhancing technology (especially for  
534 small producers and agribusinesses) and boosting investment in power, irrigation and road infrastructure are  
535 critical for releasing the economic potential in rural areas and expanding the domestic private sector.

**536 35 Chapter Five**

537 V.

**538 36 Conclusion and Recommendation a) Conclusion**

539 In Jimma zone, even though the potentiality of the area has not been studied before fully, according to this  
540 investigation it is concluded that Jimma zone has great potential for investment. The general structure of  
541 landscape, and its scenic nature have made it to have different weather conditions, good rainfall which make  
542 it suitable for the growth of different types of crops (such as sugarcane, coffee, oil bearing crop etc), and cotton  
543 production. The landscape and weather condition of the zone is also conducive for live stock production, such as  
544 cattle, sheep, goat and beekeeping. Investment in social service sector and small scale industries are the types of  
545 investment activities available in the zone and which have to be expanded more. Manufacturing and processing  
546 industries, mining industry and forestry sectors are also available. In addition, there found museum and tourist  
547 attraction area in Jimma zone. But compared to these potentialities investment sector is found in poor condition  
548 in the zone.

549 The development of investment sector for the future also seems one of the disgusting one, if the problems  
550 identified are not alleviated properly. Factors that contribute to this low investment activities in the zone are  
551 a lot. But, the general problems are seen from, government side, investors themselves and natural factors. The  
552 government has not made sufficient survey on natural resources, has not gave much attention on the development  
553 of infrastructural facilities, has not gave fair treatment or incentives (i.e. based on political involvement), has  
554 not strengthen the exchange of information and consultancy services for investors and others.

555 Investors have also problems such as lack of awareness (i.e. lack of knowledge about investment and absence  
556 of carefulness when they are doing their activities), and lack of strong coordination with the society.

557 In addition there is also a problem of mismatching of available factors (potentials) of some parts of the zone  
558 with the investment types which have to be conducted there. For instance, in urban parts of the zone there may  
559 be rainfall and land which is suitable for the production of crops and vice versa which is generally concluded as  
560 climatic condition and lack of resources.

561 To overcome these and all other problems that contribute to low investment activities in the zone, the following  
562 points may be recommended to the government and the general public.

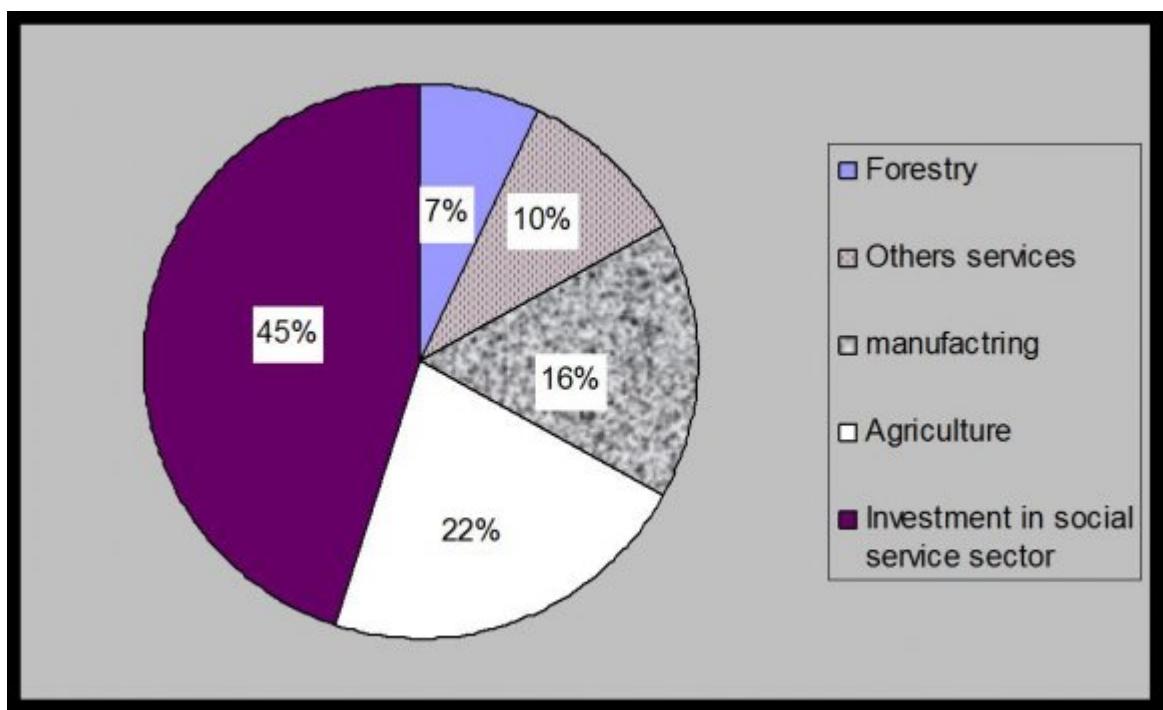


Figure 1:

1

Year 2017  
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 Global Journal of Human Social Science -

Figure 2: Table 1 :

	Education	Health service	Infrastructure	Total
Frequency	35		35	100
percentage	35		35	100

Figure 3:

2

	Manufacturing and processing industries	Mining industries	Forestry	Others	Total
Frequency	56	18	26	-	100
percentage	56	18	26	-	100

Figure 4: Table 2 :

## 36 CONCLUSION AND RECOMMENDATION A) CONCLUSION

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5

Name of mineral	Status		Owner	
	Exploited	Not Exploited	Private	Government
Sand for building percentage	100	-	25	75
	100	-	25	75

Figure 5: Table 5 :

4

v. Sectors Available in the Zone

Figure 6: Table 4 :

6

Frequency percentage	Poor	Fair	Total
	78	22	100
	78	22	100

Figure 7: Table 6 :

7

Frequency percentage	Telephone	Postal service	Transport	Other	Total
	37	12	49	2	100
	37	12	49	2	100

Figure 8: Table 7 :

8

Frequency percentage	Lack of re-source	Climatic condition	Lack of awareness	Political factors	Social factor	others	Total
	27	11	16	24	21	1	100
	27	11	16	24	21	1	100

Figure 9: Table 8 :

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**9**

i. The Role of Urban Development and Investment Bureau in Investment Activity

Urban development bureau contribute to the expansion of investment activity in the area by;

- Preparing and distributing suitable land around the towns for investors work around the town.
- Helping town administration to fulfill infrastructural facilities.
- Approving design and monitoring construction
- Helping investors by giving them some licenses and incentives.

Figure 10: Table 9 :

**10**

	Social problems	Government/ political	Infrastructure	Other	Total
Frequency	11	40	49	-	100
percentage	11	40	49	-	100

Figure 11: Table 10 :

**11**

	Loan from bank	Land fee	Exemption from tax	Market good/service	for other	Total
Frequency	25	31	19	25	-	100
percentage	25	31	19	25	-	100

Figure 12: Table 11 :

## **36 CONCLUSION AND RECOMMENDATION A) CONCLUSION**

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VI. ? Others (specify) \_\_\_\_\_

2. Production and processing of live stock

? Cattle \_\_\_\_\_

? Sheep \_\_\_\_\_

? Goat \_\_\_\_\_

? Others (specify) \_\_\_\_\_

3. Manufacturing and processing industries \_\_\_\_\_

4. Mining industry \_\_\_\_\_

5. Investment in Social Service sector

? Education \_\_\_\_\_

? Health Service \_\_\_\_\_

? Infrastructure \_\_\_\_\_

6. Small scale industries ? Metal work \_\_\_\_\_ ? Weaving \_\_\_\_\_ 7. Forestry \_\_\_\_\_

8. Others (specify) \_\_\_\_\_

9. Museum and tourist attraction areas in the gone

No

10. Mineral resources in the zone.

Name of Mineral

Status

Exploited

<sup>1</sup>& it is not original. Documents have been used as a source of information which has been obtained from investment bureau of Jimma Zone, Jimma town.© 2017 Global Journals Inc. (US)

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### 574 .2 appendix -i

### 575 .3 Questionnaires to Collect Information from beneficiaries of investment

576 The following questions are designed to collect data and information regarding investment activities, factors that  
577 hinder its development, its impact on the zone's economic development.

578 The questions are prepared in two languages; i.e English language as well as Afan Oromo language for some  
579 respondents in a way that it is simple and easy to comprehend. Request to the Respondents 1. Read the  
580 statement carefully and try to be objective to the possible extent. 2. For "yes" or "No" responses make " X"  
581 mark on the space provided 3. For description questions try to be clear as much as possible.

### 582 .4 A. Written Questionnaire

583 The following questions are designed to gather information on opportunities for investment activities in Jimma  
584 Zone. The respondents for these questions will be some residents or users of investment out come and other  
585 sections.

### 586 .5 Agricultural and agro-processing

587 Appendix-ii Appendix -iv D. Document Analysis 1. What does the existing document denote to enhance level  
588 of the activity? (Description of ideas are requested by researcher's observation) 2. How do we enhance the  
589 contribution of investment to reducing poverty in Jimma zone? 3. What are the guiding principles that we apply  
590 for achievement of the infrastructure challenge?

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