

Diaspora Engagement in the State of Oromia

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1. Introduction

The State of Oromia is the most populous region in Ethiopia and covers the largest part of the country. At present it comprises 12 administrative zones and 180 woredas. Of the 12 zones, Bale and Borena account for 45.7% of the State's total area but only about 14% of the state's population. Oromia borders the states of Afar, and Amhara in the north, Benshangul Gumuz in the west, Somali and Southern Nations, Nationalities and Peoples state and Gambella in the South. It also borders the Republic of the Sudan in the west, and the republic of Kenya in the south.

The Council of the State of Oromia is the highest body of its administration. The capital city of Oromiya is Addis Ababa. The estimated area of the State is about 353,690 Km², and accounts for almost 32% of the country. The rural residents of the State account for 89.5% of the total population, and agriculture has always been the source of livelihood for the great majority of the people. The main agricultural crops are maize, teff, wheat, barely, peas, bean and various types of oil seeds. Coffee is the main cash crop in the region and it is the home of 44% of the total livestock population of Ethiopia

The state exhibits a great physiographic range. Its landscape includes high and rugged mountains, plateaus, deep gorges and river basins, as well as expansive plains. Altitudes rise from less than 500 meters above sea level to high ranges that reach up to 4607 meters above sea level. The climatic types prevailing in the region may be grouped into 3 major categories: the dry climate, tropical rainy climate and temperate rainy climate. The Awash, Wabe-Shebele, Genale, Gibe, Baro, Dedessa and Guder are the major rivers in the region. The River Awash, which is the longest river in Ethiopia, is a source of great agro-industrial and hydroelectric power. The crater lakes of Bishoftu, Kuriftu, Bishoftu-Gudo, Hora-Kilole, Horsa Arsed, and the rift-valley lakes of Ziway, Abiyata, Shala and Langano are found in this region. They have immense potential for tourism and fisheries.

There are many endemic bird species and more than 100 classified wild animals in the region, such as the mountain Nyala, the Semien Red Fox and Menelik Bushbuck which inhabit the Bale mountains national park. The Awash National Park, the oldest and most developed game reserve of its kind in Ethiopia, contains most of the East African plain games except the Giraffe and Buffalo. It is also home to the Oryx, Kudu, Caracal, Aardavark, Colobus Monkey, Green Monkeys, Baboons, Leopard, Klipspringer, Hippo, Gazelle, Zebra and Cheetah.

The explored mineral deposits of the region include: gold, platinum, nickel, iron-ore, soda ash, diatomite, limestone, feldspar, silica sand, dolomite, kaolin, granite and other non-metallic construction materials. The gold mines are at Adola, Laga Dambi (Borena zone), Nejo and Birbir river Valley (Wollega), and platinum is found at Yubdo (Wellega). Mining activities that are also already underway include, soda ash in the Rift Valley, limestone, gypsum and clay soil (Muger), tantalum (at Kenticha), ornamental and construction minerals

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in Hararghe and Wellega, and ceramic in Borena. Oromia has a considerable capacity for hydropower development. As yet untouched energy resources in geothermal, coal, and solar are found in the region. At present, the greatest percentage of the hydroelectric power of Ethiopia comes from the state.

(http://www.ethioembassy.org.uk/about_us/regional_states/the_state_of_omoria.htm).

According to a World Bank report, the Ethiopian Diaspora has the following characteristics (World Bank International Conference on Diaspora & Development 2009): The gross income of the Diaspora is roughly estimated to be around 10-20 billion USD per annum, and is within range of Ethiopia's GDP of 13 billion USD in 2006. In the last decade, investments of the Diaspora have been around 10% of total 'domestic' investment in Ethiopia. Between 2007 – 2008, remittances have been around 1.8 billion USD to the home country, and 50% of investments have originated from Ethiopians residing in North America. In the years 1992 to mid-2009, the Ethiopian Investment Authority issued 1,805 investment licenses to members of the Diaspora, most of whom came from North America. Most of these licenses were for small businesses, but big businesses also exist, like the MIDROC group, which is the largest private investor in Ethiopia, with large capital inflows into many sectors. In Oromia the investments by sector are; Agriculture (41%), Real-estate (26%) and Manufacturing (21%) (info.worldbank.org/etools/library/latestversion.asp?241078).

The pull factors drawing the Diaspora to invest in Ethiopia are multiple; they could be because of a growing economy and improved business opportunities, or they could be because of the easy availability of land (which since 2006 has become more restricted). Others have cited as attractive, the exemptions from duty, customs and other taxes, which, however, have recently also been more curtailed. Many others report cultural familiarity and the desire to help their motherland as decisive.

In terms of methodology, the present study was carried out in Addis Ababa, at the Oromia Investment Bureau and the Federal Investment Authority; and also at the East Shoa Zone Investment Bureau in Adama town. Both primary and secondary data collection methods were employed. Primary data was collected through qualitative interviews with the head of the statistics department at the Federal Investment Authority, the Public Relations head at the Oromia Investment Bureau, employees of the East Shoa Zone Investment's Bureau, and four members of the diaspora who have returned to Ethiopia. Secondary data collection methods were employed to gather statistical information from all of the above mentioned governmental offices.

The limitations of this study primarily relate to the limited capacity of the Oromia Regional Administration's Investment Bureau to address Diaspora issues. Their Diaspora desk was no longer active, and all of the officials contacted for this research could not provide more detailed data on Diaspora activities than presented below. These limitations were readily admitted to by the concerned officials.

2. The policy contexts and regional efforts

2.1 The policy context

As part and parcel of the economic reform program instituted by the Ethiopian government, an investment code has been put into effect for the country as a whole. The Oromia Investment Board is the highest authorized body, which decides on key policy and

administrative issues regarding investment within the region, and supervises the activities of the region's investment office. The Oromia Investment Office has been set up to promote and facilitate investment activities in the region, specifically to provide efficient services to investors. Similarly, investment committees are to be found at zonal and district levels to facilitate the investment process (<http://www.oromoconsensus.com/Oromia.html>).

2.2 Regional efforts

The state of Oromia does not have an investment policy as such of its own for the Diaspora, but provides incentives for members of the Diaspora possessing a license from the Ethiopian Investment Authority, such as; certain exemptions on duties on goods and spare parts; for an investor who exports at least 50% of products, an income tax holiday of 5 to 7 years; 2 to 5 years tax holiday for an investor who supplies his products only to the domestic market; 4 years exemption from land rent payment for an investor who plants coffee, tea, sugarcane or certain other perennial crops on more than 100 hectares; land rent exemption for an investor who cultivates virgin or fallow land for more than five years; 4 years land rent exemption for anyone who cultivates flowers, fruits, vegetables, oil seeds and other food crops under an irrigation scheme; 4 year land rent exemption for anyone who cultivates flowers, medicinal herbs or spices; land to be provided free of charge for an investor who plants indigenous trees on land that cannot be used for crop production or animal feeding; and, the right to mortgage or pledge holdings and properties on rented land as collateral to secure loans from banks or other financial institutions (<http://www.business-ethiopia.com/investment.html#oromia>).

2.2.1 Land policy

An investor from the Diaspora has the right to hold land either on lease or rental basis in Oromia. Land in towns like Adama, Bishoftu, Mojo, Shashemenne, Jimma, Burayu and Sebeta - are provided under an urban lease system. Rural land, located within a radius of 10 km from the boundaries of Addis Ababa is treated as urban land. The maximum land holding period is 80 to 99 years with a minimum holding period of 30 years. Payment for lease holding is effected within 40 years; and within 30 years for holdings less than 40 years. Rural land is provided on a rental basis at fairly affordable prices for investments, or free of charge for certain preferential investment types. Rural land is provided for a period of 20-45 years for agricultural purposes depending on the nature and location of the project and the use of certain methods of production accorded preferential treatment (Ibid.).

2.2.2 Promotional public relations work

The State's investment bureau, as well as other officials, consistently engage in promoting the various opportunities existent in Oromia through governmental websites, as well as through other websites around the world focusing on Ethiopia. Moreover, trade delegations have been sent to other countries to inform and encourage economic engagement in Oromia. These promotional campaigns highlight: the large expanses of land available for development, the huge home market of 77 million people; access to 23 African countries

through the Common Market for Eastern and Southern Africa (COMESA); preferential treatment in the European market under the ACP-EU Lome Convention; favorable export market status under the US Generalized System of Preference (GSP); large availability of raw materials domestically; an abundant and relatively cheap labor force; strategic location with relatively close access to the lucrative markets of the Middle East, EU and Asia; continuing privatization opportunities of state owned enterprises; one-stop-shop service by the Ethiopian and Oromia Investment Authorities; and attractive incentive packages from the Ethiopian Investment Authority and the State of Oromia (<http://www.oromoconsensus.com/Invest.html>).

The specific investment opportunities promoted by the state are in agriculture (food crops, coffee, milk, horticulture, apiculture, floriculture); industry (leather goods, soft drinks, breweries, pasta, edible oil, animal feed, flour mill); chemical industry (printing ink, adhesives, essential oils, pvc pressure pipes, soaps); paper and printing industry (cement paper bag, printing press, hand made paper, corrugated paper board); woodwork (fuel briquette, paint brush, straw board, ply wood, pencil); non-metallic mineral products (brick, marble, chalk, cement); textile industry (canvas, socks, surgical bandages, cotton); social services (education, health); hotel and tourism; and, mining and energy (Ibid.)

3. Diaspora engagement

The Investment Bureau of Oromia was only able to make available for this research only one set of statistics of around 12,000 investment projects divided between local and foreign investors over the last nineteen years. According to the Public Relation's Head at the Oromia Investment Bureau, they no longer had a functioning Diaspora Desk, and the state's statistics treated the Diaspora as 'domestic' investors without differentiation. The following statistics are courtesy of the Federal Ethiopian Investment Authority.

3.1 Total Investments by Preferred Sectors

Table I: Comparative Profiles of Domestic and Foreign Investors in Oromia (1984-Tahsas 30, 2002 EC)

The table below highlights the general investment climate of Oromia. The agricultural sector takes the lion's share of investments totaling 3829. Second comes 1970 investments in hotel and tourism, and third – 569 investments in construction services. The figures readily show that local investors heavily favor engagement in agriculture and the hotel & tourism industries. This is important in that members of the Diaspora are also likely to favor these sectors, because they also enjoy the privileges of local investors.

Table I

No	Investment Sector	Local Investors				Foreign Investors			
		No. of Investments	Capital	Job opportunities Created		No. of investment Projects	Capital	Job opportunities Created	
				Permanent	Temporary			Permanent	Temporary
1	Agriculture	2952	35,973	82,684	265,022	877	38,280	149,572	218,302
2	Construction Service	512	6,133	11,037	21,285	57	1,169	2,981	3,292
3	Education	377	1,962	13,766	7,821	32	437	2,440	1,372
4	Health service	166	4,824	5,867	3,798	16	981	1,391	673
5	Hotel & Tourism	1882	17,135	44,207	42,599	88	1,973	3,175	3,462

3.2 The Performance of Diaspora Investments in Oromia

Table II: Summary of current Investment Projects of Ethiopians by Birth in Oromia

The table below represents the figures made available for this research for Diaspora engagement, defining Diaspora as those Ethiopians who were born in Ethiopia. The figures highlight the various stages of the implementation of projects. The pre-implementation stage of projects only highlight the anticipated capital costs, and employment creation projections. Only the fully operational figures can indicate the contributions to Oromia's economy. The data shows that out of 54 approved projects, only 15 have become fully operational, while only 4 are in the process of implementation. The State could not provide the reasons for why so few projects have become successful. But the figures highlight the enormous potential of the Diaspora, i.e., only 54 projects were approved, but they involved capital inputs of nearly half a billion birr. Similarly, in the 'operation' section, there were only 15 active projects, but their capital outlays involved 270,000 million birr. All of this without any Diaspora related incentives. From the figures, one can anticipate the scale of investment that can be reached if the concerned authorities focused on specific policies to attract the Diaspora.

Table II

Pre-Implementation				Implementation				Operation				Total			
No of Projects	Capital in '000' Birr	Perm Empl.	Temp Empl.	No of Projects	Capital in '000' Birr	Perm Empl.	Temp Empl.	No of Projects	Capital in '000' Birr	Perm Empl.	Temp Empl.	No of Projects	Capital in '000' Birr	Perm Empl.	Temp Empl.
54	448,968	2,048	922	4	106,928	961	0	15	270,042	534	5,699	73	825,938	3,543	6,621

4. Challenges Encountered and Lessons learned

4.1 The East Shoa Zonal Administration's Investment Bureau

Repeated visits were made to the above mentioned office to observe activities on the ground and interview key informants. The workers in the office did not seem to be aware of particular investment policies at the Federal or State levels. They saw their work only as helping investors with locating suitable land and processing the purchase or rental agreement documents. A key informant in the office could only furnish a list of fifty investors who were active in the zone, but the list did not differentiate between local and foreign investors. Moreover, list did not indicate which projects were active and which were not. Therefore visits were made to their record office to locate the contact details of Diaspora investors for interviews. File keeping was not computerized, and files were kept in a haphazard manner. Some files were found based on the recollections of the investments by the employees. None of these files had email addresses. Some did not have working telephone numbers. Many times it was difficult to determine if the projects had begun, were abandoned or were still in operation. Of these, the contact details of seven interviewees were selected. Of these, four have been available for interviews so far.

4.2 Land allocation problems

All of the interviewees state the challenges they faced with investing in Oromia revolve around issues of land. One investor wanted to set up a chicken farm on around 10,000 sq m of land. He was only allowed 3900 sq m of land to rent for a period of 20 years. The land did not have access to electricity, an easy access to a road, and he has to invest in buildings, which is after all on rental land. So far an investment of around 600,000 birr had been made in buildings. The investor has no prior knowledge of the business and resides in the Netherlands, while his brother is trying to get the business going here. The distinct feeling was left that the investor might be undergoing a change of heart and abandon the project, because his brother is already seeking better opportunities..

Another investor (from the USA) has been working in Ethiopia for the past ten years. He has started a private school and established an NGO providing free books for schools. Accordingly, he had requested urban land to establish his school. But the land he was offered for lease-purchase was located in a rural area and with no access to utilities. Even though he went ahead and purchased the land because he had no choice, he states that he continues to have problems with providing transport for his students. He had originally requested urban land.

The third interviewee had requested land for raising cattle, which was provided for her through lease-purchase. After she took possession of the land, she discovered that the land had no access to water, something that was critical to her business. She is now trying to reverse the lease-purchase agreement and acquire new land. Reversing the purchase of land is a bureaucratic challenge in any situation.

5. Conclusions & Policy Recommendations

- 5.1 The state needs to overhaul its record keeping process. Better and computerized databases should be developed that provide detailed information on the activities of the Diaspora, which should be updated continuously. In this age of easy electronic communication, it is strange that an investment bureau does not have the email addresses of its clients.
- 5.2 In discussions with the key informant at the East Shoa Zone's investment bureau, and examining the files of the investors, a large number of investors had evidently taken out investment certificates and had abandoned their projects. Others had secured land and begun work, and had later abandoned their efforts. The key informant said that this was a major problem, and the record keeping process did not keep track of the reasons for such trends. Since this indicated to a huge wastage of resources, it seems imperative that the state needs to study the situation as soon as possible.
- 5.3 The literature shows that incentives like duty exemptions, tax holidays, easy availability of land, are the catalyst for many members of the Diaspora to return to invest in their country, but these privileges have been curtailed recently. The state should carry out studies to determine the overall effects of such trends, to design alternate policies.
- 5.4 The literature, as well as the key informants for this research, indicate that a major problem faced by members of the Diaspora in working in Ethiopia is the lack of information on how to do business. Because of this, they often rely on middle-men and brokers to manage their affairs, a situation that increases risks and costs.
- 5.5 In Oromia, as well as in the rest of the country, there is a tendency for certain sectors like real-estate and construction, as well as hotel and entertainment, to attract the lion's share of investments. Moreover, the capital of Addis Ababa is the major and disproportionately large magnet for the Diaspora. Capital always gravitates towards the safest and most secure areas, so the State of Oromia needs to evaluate its performance, relative to its competitors like Addis Ababa.
- 5.6 Capacity building should be conducted at all levels of the State, to improve the skills of those handling investment issues. For example the investment and legal bureaus of Oromia, could not offer any policy documents and only some very general data, and it was only the Federal Investment Authority that was able to offer much information on Oromia. The state should also solve the strange problem of a Diaspora bureau with no employees or activities.
- 5.7 In all the interviews, the issue of land became the most challenging problem faced by investors. None of them said that they received the land they requested. Access to utilities was also an expressed concern. All of them were willing to pay market rates for land so

this problem does not seem to be an insoluble. One of the investor interviewees for this research stated that the State had become conservative in making land available for investors in recent years, in order to dampen down on speculators on land; i.e., investors who seek out the best lands to secure, and then leave them idle for years. Studies need to be carried out on the veracity of such comments, because if true, such a policy lumps speculators and genuine investors as one unfairly, and to the detriment of the state's economic growth.

- 5.8 How to improve the process of the mapping of Diaspora activities: First of all, as was witnessed at the Record Office of the East Shoa Zone's Investment Bureau, there is need for the State to study its file keeping and data processing systems for better use of computerization technologies – because it is only with current and detailed data that effective policies can be developed. Secondly, and perhaps more importantly, the official data only reflect those investors who have taken out investment certificates to take advantage of tax breaks. Therefore the official only indicate the 'tip of the iceberg' of Diaspora activities in Oromia. The employees of the above mentioned record office stated emphatically that in all of the towns of East Shoa Zone, they have witnessed uncounted and numerous members of the Diaspora engaged in all kinds of micro-level business activities. Therefore, to understand the real scale of Diaspora engagement, the State needs to formulate processes to account for the activities of this population, which anecdotal evidence suggests is large.
- 5.9 It is evident that, at the policy level, the Federal and Regional authorities are shying away from providing specific incentives targeted at the Diaspora. As mentioned in the introduction section, all evidence suggests that the economic muscle of the Diaspora ranges into the billions of USD. Accessing such resources should be given the priority it deserves, which unfortunately, this research has shown that it is currently not.

References

(http://www.ethioembassy.org.uk/about_us/regional_states/the_state_of_ormia.htm).

(info.worldbank.org/etools/library/latestversion.asp?241078).

(<http://www.oromoconsensus.com/Oromia.html>).

Annex I

List of interviewees:

1. Statistics Department Head at the Federal Investment Authority
2. Public Relations Head at the Oromia Investment Bureau
3. Employees of the East Shoa Zone Investment Bureau and the record office
4. Four members of the Diaspora