

**AGENDA/ POINTS OF DISCUSSION FOR OROMIA REGIONAL  
STATE INVESTMENT POTENTIAL UTILIZATION  
CONSULTATION WORKSHOP**

**BY**

**OROMIA INVESTMENT COMMISSION AND CENTER FOR DEVELOPMENT  
AND CAPACITY BUILDING (CDCB)**

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FINFINNE***

## Background

Oromia Regional state is known as the country's high area of investment priority with relative higher share of national investment distributions. Given the increasing favorable business environments of the country and government's policy priority, the size of investment (both domestic and foreign direct investment) is expected to increase in the years to come. This increase in national investment size proportionally increases the regional states' share. Oromia being a regional state with high investment priority is likely to receive larger number of investors.

Investment activities have multi-faceted opportunities in socio-economic development and challenges or negative externalities with impacts ranging from local to national levels. The role of government in this regard is to minimize the challenges and maximize the opportunities of investments. This demands efficient institutional framework, appropriate legal and regulatory framework that realizes the intended policy objectives of investment (local employment creation, revenue generation, technology transfer and socially and environmentally friendly). The Oromia Investment Commission is established to ensure these policy objectives.

The commission made remarkable achievements since its establishment in terms of the investment objectives. However, CDCB learned from the consultation with the commission's research team and management members that there are a number of challenges facing the commission. Given the expected increase in the demand for investment in Ethiopia in general and Oromiya in particular addressing the existing challenges and setting appropriate institutional framework is believed to be important.

Accordingly, after a consultation between CDCB and the commission's management, the two parties reached at consensus on the need to undertake a study. Consequently, organizing a consultation workshop to engage key stakeholders, (officials of the region, professionals in the area, and other institutions having strong linkage with the commission) was recommended to be the first step. To facilitate and prepare agenda for the workshop, team of professionals was formed from CDCB and the commission. The team identified points through review of policy and legal documents, studied documents, and the commission's relevant documents like (reports, Plan (*GTP\_I review and GTP-II plan*), etc. The following summary findings were drawn by the team as follows.

The agenda/points of discussion are categorized in to three main parts.

1. Part one: Achievements of the commission
2. Part Two: Challenges
3. Part Three: way forward

## **Part One**

### **1. Achievements of the commission**

- 1.1** Conducive policy environment in place
  - a. Establishment proclamation
  - b. Institutional set-up
  - c. Reform programs
- 1.2** Able to attract and licensing numerous investment projects
  - Ex 10,202 projects with capital of 203 billion birr
- 1.3** Able to create great number of employment opportunities
  - \_\_\_\_\_ permanent
  - \_\_\_\_\_ Temporary
- 1.4** Increased domestic Revenue Generation
  - Regional
  - Federal
- 1.5** Technology Transfer for local employees
- 1.6** Increased export and hard currency earning
  - 97% of Ethiopian horticulture from Oromia alone
- 1.7** Able to attract 33% of the manufacturing sector in the country that is the base for economic transformation which the country intended to expand in the GTP\_2
- 1.8** Contribution to socio-economic infrastructure development for the local community and local government,
- 1.9** Attracting large scale investment project of FDI (ex Dangote)
- 1.10** Setting land standard for different investment activities
- 1.11** Clustering of investment projects
- 1.12** Forming regional investment forums at different levels (*region, zonal, urban and woredas*)
- 1.13** Modest performance with limited budget.

## Part two

### 2. Challenges of the commission

#### 2.1 Legal and policy gaps or challenges

The policy and legal documents were reviewed through the following six parameters to analyze their gaps:

##### 1. **Clarity of mandate**

- 1.1 The investment administration proclamation has no objective (intent). The objective is not well articulated in the proclamation.
- 1.2 The Mandate of the commission under *Proclamation 163/2011, Article 32*. But the mandate provided to the Investment Board by Proc. 138/2008 has limited the mandate of the commission.
- 1.3 There is no clear demarcation of power between the federal investment agency and regional Investment commissions. Example: the mandate of the former overrides on the latter (Proc. No 769/2012 Art 30 (2))
- 1.4 No mechanism in place to ensure investment objectives (e.g. employment, technology, social and environmental issues). In other words, The proclamation is silent about investment benefits of the region (especially employment, revenue, and technology transfer. etc)
- 1.5 No article that states duty to report and cooperate in the proclamation (as stated in the Federal Law)
- 1.6 There are some irrelevant terms defined in the proclamations yet not discussed in the proclamation this show the negligence/lesser attention in during its promulgation.

##### 2. **Mandate overlap**

- 2.1 There is no clear demarcation between the mandate of the commission and **Urban Land Administration and management Agency**. (Some of the mandates assigned for the commission are also given to the agency).
- 2.2 The role of the commission and sectoral offices in identifying investment potentials and prepare land for investment is overlapped or not clearly defined. Example Proc. No 163/2011 Article 27 (4) and 27(12)
- 2.3 Weak coordination mechanisms between key stakeholders (ELPA, social affair).
  - *There is no governing rule and regulation for coordination.*

##### 3. **Unfunded mandate**

- 3.1 Limited institutional capacity and low budget allocation–vs- overarched mandate of the commission
- 3.2 Mandate without power and resource (see proc 138/2008, Art 6(9))

##### 4. **Enforcement power**

- 4.1 Weak enforcement power vested to the commission
- 4.2 Blurred role and mandate (autonomy/ of investment board and the commission.

##### 5. **Autonomy (Federal and Regional Relationship)**

This part deal with some key factors that undermine the autonomy of the commission,

- 5.1 Most lucrative powers are concentrated under the federal investment agency's jurisdiction. [i.e. major investment category vested to federal jurisdiction]. Proclamation No 769/2012 Article 4 (*i.e. under the Jurisdiction of the Commission*).

- Ex. FDI, and joint venture of FDI,
- 5.2 Some federal investment Proclamation No. 769/2012 articles violates (override ) the principle of federalism (constitution)
- Federal investment proclamation Article 30 (2) and (4/a))
  - The ongoing practice
- 5.3 The Federal Proclamation of Investment No. 769/2012 provide the power to Federal Government to establish Industrial Zone in the region without indicating the need to make negotiation and cooperation (Art 33 (1))
- 5.4 The land lease Proc. 'Urban **Lands Lease Holding Proclamation 721/2011** has the scope beyond the federal-regional state relations. Because the application extends in all urban centers within Ethiopia with regard to urban land. The proclamation says nothing about Federal/National/Regional concern. By implicit all urban centers in the country governed by this law, and hence it seems unitary state policy.
- 5.5 The special agreement made in 2010 between Regional Government and Ministry of Agriculture to administer Land within the region by the later,
- 5.6 Urban land lease Proclamation doesn't consider the regional government autonomy. For instance:
- The preamble undermine the competence of regions
  - Scope of the proclamation implemented in all urban in the regions violating regional autonomy to promulgate their context based laws (proclamations).
- 5.7 There is no clearly defined revenue sharing mechanism between regions and federal, which generated from investment activities.

## **6. Alignments of laws (proclamation, Regulations and directives)**

There are some essential regulations and directives that need to be enacted but not.

Example:

6.1 Board members nomination directives

6.2 Power (authority) to avail land by different investment organs at different levels

## **2.2 Institutional Capacity related Challenges**

1. Limited institutional capacity of pertinent institutions in providing direct and indirect services for investment activities of the region,
2. Lack of guideline and directives on project monitoring and evaluation mechanisms
3. Lack of laws that enforce technology transfer
4. Lack of enforcement mechanism to create employment opportunity for the local community affected by the investment
5. Cash compensation for unskilled farmers is not effective,
6. Absence of minimum wage
7. Land allocation and handover process delays
8. Good governance problems
9. Controlling mechanism of environmental pollution and workers safety mechanisms
10. Inconsistency of the application of investment guidelines and directives, and the contending elements of the same,
11. Uneven distribution of investment projects

12. Lack of investment directives and regulation to implement its mandate provided by the proclamation. Example Regulation for Proclamation 163/2011 article 32 (10) and 32 (12) need to be enacted (Y/N)
13. Weak law enforcement mechanism to take corrective actions when deemed necessary
14. Illegal settlement on land allotted for investment purpose
15. Limited institutional capacity in terms of skilled manpower, finance and logistic.
16. Compensation irregularities (ex urban land vs rural land, and areas variation)
17. Mission and mandates of the commission is to serve the investors not the public at large,
18. Weak follow-up mechanism and technical support of investment
19. Failure to identify necessary capacity development packages,
20. Lack of investment project profile.

### **2.3 Investors related challenges**

1. Violating (or not respecting ) the employees rights –vs-national, regional and international labor laws)
2. Not willing to cooperate with the concerned government bodies,
3. Unable to create adequate employment opportunities for the local people,
4. Marginalization of the local communities
5. Unable to identify viable investment projects
6. No mechanism in place to control environmental pollution; OR the investors are unwilling to adopt mechanism that reduce pollution.
7. Failure to develop the land as per the agreement, rather exploiting incentives and other privileges.

## Part three

### 3. Way forward

The Oromia National Regional State Proclamation to provide for the Re-establishment of investment administration pro. 138/2000 Article 6 (1) states that one of the key power and duties of the Oromia Investment Board is “to Evaluate policy and strategies designed with respect to investment; submit it to the council of Regional Government and implement upon its approval”. The commission has also the power to undertake studies/assessments to identify challenges and constraints with ameliorative action, and investment potential in accordance with the power vested to it with the proclamation 163/2011 Article 32 (7 &8). From the aforementioned achievements and prospects of commission teams of professionals have suggested the following studies mentioned below.

#### 3.1 Suggested Studies

1. *Revision of existing Investment related Laws.*
2. *Determinant factors affecting the performances of investment in the region (Performance and constraining factors of Investment operation in Oromia). In this study, the **Institutional Capacity Gap** will be given special emphasizing.*
3. *Project profile and investment profile*

*The studies are expected to come up with implementation modalities.*

#### 3.2 Implementation modalities

*It is apparent that the suggested studies are crucial for the commission to discharge its responsibility; however, the commission does not have budget to commission the research. Hence given the importance and the urgency of the matter the regional government should sponsor the study. This is would be important because it increases the political commitment by leadership and increases the regional government follow of the study and its implementations.*

1. *Preparing the full-fledged proposal for the study*
2. *Preparing the cost breakdown of the suggested studies*
3. *Submitting to the relevant regional government authorities for financing*

Discussion points for participants will be expected to focus on the agenda three of the workshop i.e. “**Challenges of the commission and way outs**” particularly on the following agendas:

1. The challenges of the commission
2. The relevance of the suggested research topics
3. Possible way of financing the suggested research topics.

## **II. Consultative workshop plan**

### **Background**

The workshop agenda is drafted following a contentious discussion with the Oromia investment commission and critical analysis of early studies conducted by the commission, federal and regional legal documents and various official reports of the commission. This workshop agenda or discussion point is drafted by a team formed from CDCB staff and CDCB technical teams to help participants of the workshop discuss and suggest alternative interventions. The agenda is based on the review of relevant and authentic documents (early studies, legal documents and official reports of the commission).

### **1. Workshop agenda**

#### **I. Paper on global, national and regional analysis of investment**

Academic (theoretical paper) titled “The importance of investment in development in general and the Ethiopian Investment objectives in particular”

- Theories and concepts
- Global trend of FDI,
- National and regional perspectives of both FDI and DI
- Prospect of FDI inflow to Ethiopia and Oromia.

*(This paper is to be presented by academia with knowledge in the areas and with the best experience with the existing practices in the sector from CDCB technical team members)*

#### **II. Overview of Oromia Investment Commission (OIC)**

- Establishment process and mandate
- Achievements of the commission so far
- Future prospect of investment in Oromia.

Given the above achievements, prospects and good opportunities there are multiple challenges posing imminent threat to the commission’s performance. The challenges and possible way out will be presented by the next presenter which is the core agenda of our today’s consultative workshop.

*(This paper will be presented by the Investment commission officials (the commissioner) or assigned by the commission).*

#### **III. Challenges of the commission and way outs**

Discussion agenda on the challenges of Oromia investment sector in general and the commissions in particular to discharge its responsibility to the expected level are based on the document review. The challenges are divided into three major categories and as a way out various studies with detailed implementation modalities are suggested.

## 1. Challenges

- Legal related
- Institutional capacity related
- Investors related

## 2. Way outs

### • Suggested Studies

1. *Revision of existing Laws*
2. *Determinant factors affecting the performances of investment in the region (Performance and constraining factors of Investment operation in Oromia) and Institutional Capacity Assessment*
3. *Preparing Regional Potential Investment profile*

*The studies are expected to come up with implementation modalities.*

### Implementation modalities

*It is apparent that the suggested studies are crucial for the commission to discharge its responsibility; however, the commission does not have budget to commission the research. Hence given the importance and the urgency of the matter the regional government should sponsor the study. This is would be important because it increases the political commitment by leadership and increases the regional government follow of the study and its implementations.*

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