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The Effect of Foreign Direct Investment on Local Communities in Ethiopia: Empirical Evidence from Dangote Cement Factory

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A Thesis Submitted to the College of Law and Governance in Partial Fulfillment of Master of Arts Degree (MA) in Governance and Development Studies: Specialization with Developmental Management

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## **Certification**

This is to certify that Abdisa Olkeba has done the study on the topic “The Effect of Foreign Direct Investment on Local Community in Ethiopia: Empirical Evidence from Dangote Cement Factory.” The study, therefore, is original and has not been done before and has not been submitted by any other researcher on this topic.

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## *Abstract*

*This study examines the effect of foreign direct investment on local community in Dangote cement factory in Ethiopia. Specifically, it focuses on four themes—labor, landholders, infrastructures and environment. The study uses qualitative methods. The data were gathered from landholders, local elders and laborers through semi structured interviews and focus group discussions. Further, semi structured interviews were used to collect data from Adea Berga woreda investment bureau, Adea Berga woreda land and environment protection bureau and Dangote cement factory. The finding of this study reveals that foreign direct investment has both positive and negative effects on local labor; but it has negative effect on landholders. In contrast, foreign direct investment has positive effects on both infrastructures and environment. The researcher recommends that there should be standardized rules and regulations which entails that what quota of local labors have to get job opportunity, and the landholders should be informed by neutral organization such as civil society organization about the investment. Further, sufficient preparation should be made to resettle landholders with adequate compensation.*

**Key words: FDI; Local Community; Social Effect; Economic Effect; Environmental Effect;**

**Labor; Landholder**

## ACRONYMS AND ABBREVIATIONS

**BIT**=Bilateral Investment Treaty

**DV**=Dependent Variable

**EIC**=Ethiopian Investment Commission

**EPRDF**= Ethiopian People Revolutionary Democratic Front

**ETB**=Ethiopian Birr

**FDI**= Foreign Direct Investment

**FGD**=Focus Group Discussion

**GP**=Greenfield Project

**GTP**=Growth and Transformation Plan

**ha**=hectare

**IMF**=International Monetary Fund

**IV**=Independent Variable

**Km**=Kilometer

**LDCs**=Least Developed Countries

**M and A**=Merger and Acquisition

**MDG**=Millennium Development Goal

**MNEs**=Multi National Enterprises

**Mta**=Million Ton per Annum

**MV**=Moderate Variable

**No.** =Number

**OECD**= Organization for Economic Co-operation and Development

**PTFE**=Poly Tetra Fluoro Ethylene

**SMEs**=Small and Micro Enterprises

**TFP**= Total Factor of Production

**U.K.**=United Kingdom

**UNCTAD**=United Nations Conference on Trade and Development

**USA**=United States of America

**USD**=United States Dollar

**USSR**=Union of Soviet Socialist Republic

**WB**= World Bank

**WBWDI**=World Bank World Development Indicator

**WIR**= World Investment Report

## **Dedication**

This thesis is dedicated to my mother, Chaltu Megersa, who had laid a foundation and used to a pillar for my life, but passed away seven years ago. Mam! Without your support, I could not arrive at this stage. Albeit I separated from you bodily, you never escape from my eyes even for a single minute. I always remember you. And my heart and soul are with you forever.

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Table of Contents	pages
Abbreviations and Acronyms.....	III
Dedication .....	V
Acknowledgement.....	VI
Chapter 1: Introduction.....	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem.....	3
1.3 Research Questions.....	5
1.4 Objectives of the study.....	5
1.4.1 General Objective.....	5
1.4.2 Specific Objectives.....	5
1.5 Significance of the Study.....	5
1.6 Delimitation of the Study.....	6
1.7 Limitation of the Study.....	6
1.8 Ethical Consideration.....	6
1.9 Organization of the study.....	7
Chapter 2: Review Related Literature.....	8
2.1 Operational Definitions of key terms.....	8
2.2 Defining Investment and FDI.....	8
2.2.1 Defining Investment.....	8
2.2.2 Understanding FDI.....	10
2.3 Characteristics of FDI.....	11
2.4 Incentives and Motives of FDI.....	11
2.5 Trend and Historical Development of FDI in Ethiopia.....	13
2.5.1 Trend and Development of FDI during Emperor Haile Selassie.....	13
2.5.2 Trend and Development of FDI during Derg regime.....	14
2.5.3 Trend and Development of FDI during EPRDF regime.....	15
2.6 Developmental Paradigms in Ethiopia.....	16
2.7 Influences of FDI on Landholders, Local Labor, Infrastructures and Environment .....	18
2.7.1 Influences of FDI on Landholders.....	18
2.7.2 Influences of FDI on Local Labor.....	19
2.7.3 Influences of FDI on Infrastructures.....	20
2.7.4 Influences of FDI on Environment.....	21
Chapter 3: Research Methodology.....	23
3.1 Description of the Study Area.....	23
3.2 Methods of the Study.....	24
3.3 Sources of Data.....	24
3.4 Methods of Data Collection.....	24
3.5 Sample Size and Sample Techniques.....	26



3.6 Methods of Data Analysis.....	27
<b>Chapter 4: Results and Discussions</b> .....	28
4.1 Effects of FDI on Local Labor.....	28
4.1.1 Positive Effects of FDI on Local Labor.....	29
4.1.2 Negative Effects of FDI on Local Labor.....	34
4.2 Effect of FDI on Landholders.....	37
4.2.1 Compensation Method.....	38
4.2.2 Income .....	40
4.2.3 Livelihood.....	41
4.2.4 Right to Land.....	42
4.2.5 Social Conflict.....	43
4.2.6 Cultures.....	44
4.3 Effect of FDI on Infrastructures.....	46
4.4 Effect of FDI on Environment.....	48
<b>Chapter 5: Summary, Conclusion and Recommendation</b> .....	50
5.1 Summary.....	50
5.2 Conclusion.....	51
5.3 Recommendation .....	53
5.4 Scope of Future Research.....	55
References.....	56
Appendix: Interview guidelines.....	59

### **List of Tables**

Table 1: List of Interviews, Focus Group Discussion and Focus Areas.....	26
Table 2: Total Number of Employed Labor in the Factory .....	33

### **List of Figures**

Figure 1: Conceptual Framework of the Study.....	22
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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of The Study

Foreign direct investment (FDI) is not a recent phenomenon albeit it has been expanded massively with the expansion of globalization. A prominent feature of the global economic landscape in the past few decades has been the significant increase in the international flow of FDI. The movement of FDI across the world has significantly increased from 54 billion USD in 1980 to 1.7 trillion USD in 2015 (Girum, et al., 2016). Further, Selma added that FDI is seen as the fundamental part for an open and successful international economic system and a major mechanism for development (Selma, 2013).

Due to the merits relate to FDI, developing countries have liberalized their mode of investment to attract FDI. The ambition of developing countries is to boost their economic growth in particular and achieve development in general. It is believed that FDI benefits host countries in terms of technology spillovers, human capital formation support, enhancement of competitive business environment, contribution to international trade integration and improvement of enterprise development and improvement of environment and social conditions (Selma, 2103). Albeit FDI has the aforementioned results for developing countries, it has negative impact in host countries unless it is managed carefully. Selma has elucidated that there is a conflicting views on the recognition of FDI benefits on the host countries. He further posited that sometimes movements of capital freedom clash with national sovereignty and other adverse consequences—employment, competition and balance of payment position since FDI is controlled by foreign large institutions like Multi National Enterprise (MNE) (Ibid).

Ethiopia was seen as poor and continuously affected by drought. It was presumed that to feed its people, Ethiopia stretched her hand to world to get aid. To add more, Selamawit asserted that thirty years ago, all eyes were on Ethiopia. ‘Live Aid’ concerts were held in cities around the world to raises funds for the millions of people, and mothers and children were dying from hunger and disease brought about by extreme poverty (Selamawit, 2015). Now, Ethiopia has experienced rapid economic development and today, has become one of the world’s fastest growing, non-oil producing economies (Ibid). Recognizing the importance of FDI in the development of its economy, Ethiopia has, since the early 1990s, taken significant steps towards

liberalization of the economy and of private investment. Indeed, the country sees FDI as an important source of capital to fill the resource gap between domestic investment and saving which remains wide due to low levels of income and domestic saving. Foreign investment in light manufacturing from China, Turkey, and India is the major cause of the increase in FDI coming into Ethiopia (Selamawit, 2015). Though the Asian states play a dominant role in Ethiopian manufacturing sectors, currently the African billionaire, Aliko Dangote, has opened cement factory in 2013 in Ethiopia which has entered into full production on June 2015 with 2.5Mta production capacity.

Dangote Cement factory is Africa's leading cement producer with production capacity nearly 44Mta (Dangote cement Audit Annual Report, 2015). The owner of Dangote cement is Aliko Dangote, Nigerian investor (Ministry of Industry, 2015). Dangote cement has been able to expand its cement production business across several countries, which completed building cement production in some countries and in the process of building in some countries. These countries are: Cameroon, Ethiopia, Republic of Congo, Liberia, Senegal, South Africa, Tanzania, Kenya, Zambia, Ivory Coast and Ghana. The company has intention to build in Zimbabwe, perhaps in 2019, with 1.5Mta production capacity (Akinyinka and Chibuike, 2016).

In Ethiopia Dangote Cement plc. of Nigeria has started construction on a new plant in 2013 at Mughar. Dangote was likely to complete the planned 1.5-Mt/yr-capacity plant in the third quarter of 2014(Thomas R, 2016), and it successfully completed and commenced production on July 2015. It is located in Oromia region, West Shewa Zone, Adea Berga Woreda, Mughar district, 87Km from capital city, Addis Ababa to the North West direction (Dangote cement Audit Annual Report, 2016).

This research is designed to examine the effects of FDI on socio-economic conditions and environment of local communities in general and on labor, infrastructures, landholders and environment in particular in Dangote cement factory in Ethiopia. In this case, this research is intended to investigate the labor force of the factory—whether the industry has created either permanent or temporary job opportunity for local laborers or brought them from other areas. Further, the research is also intended to examine the quantum of which has been compensation paid for local communities to resettle those communities who left their original lands for the purpose of factory production. Moreover, the study is looked whether this factory takes into account the environmental ethics while establishing this factory.

## **1.2 Statement of the Problem**

Nowadays, the intense of foreign direct investment (FDI) is rapidly increasing across the world. The expansion of FDI is related with the wide spread of globalization and neoliberal ideas. There is no mutual consensus among scholars on the effect of FDI on host countries, especially on developing countries. Selma has elucidated that there is conflicting views on the recognition of FDI benefit on host countries (Selma, 2013). Some scholars have suggested that FDI has positive impact for host countries. For instance, Meskerem (2014) has concluded that FDI has positive impact on economic growth. Further, Girum et al. (2016) has posited that entry of FDI has positive impact on localities and increases Total Factor of Production (TFP).

On the other hand, some scholars have argued that FDI has negative impact on hosting countries. To add more, Selma asserted that movements of capital freedom clash with loss of national sovereignty occasionally since FDI is controlled by foreign large institutions, MNEs (Selma, 2013). He further added that, FDI has great impact on sweatshops in developing countries by violating local work regulations, subject laborers, and sub human working condition since the developing countries minimize the enforcing of work place regulation to attract FDI (Ibid).

Ethiopia is now becoming a major FDI inflow destination among the least developed countries (LDCs) in Africa. The major factors that contribute to growth of FDI includes: fertile land, conducive climate conditions and availability of relatively cheap labor in the country (Biruhe and Thomas, 2012). By 2025, the ambition of Ethiopia is to become a member of the middle income countries. World Bank has opined that the Growth and Transformation Plan (GTP) seeks to transform the economy toward an industrialized economy and to increase per capita income of its citizens by 2025. To this effect, the Government has adopted policies focusing on the development of the manufacturing sector through the use of industrial parks to attract FDI and to support Small and Micro Enterprises (SMEs) (World Bank, 2015). By using this opportunity, Dangote cement factory has entered into this field in 2013, which has begun production of cement in 2015 in Ethiopia, Oromia region, West Shewa zone, Adea Berga woreda.

Similar to other countries, overriding views are there on effects of FDI in Ethiopia. Selamawit has posited that, "...Finding on FDI effect on economic development, whether

positive or negative, remains an area of intense debate and is highly controversial among scholars” (Selamawit, 2015). Girum also added that, “Little is known about the local effects of (FDI)” (Girum et al., 2016). Consequently, this research is aimed to address this gap—whether FDI has positive or negative impact on local communities. This is the first reason that initiated the researcher to conduct the research around this area.

The second reason that motivated the researcher is, “Currently, Ethiopia is becoming a major FDI inflow destinations from least developing countries in Africa” (Biruhe and Thomas, 2012). Consequently, the researcher is eager to know the effect of FDI on socio-economic conditions and environment of local community due to Dangote cement factory in Ethiopia.

Different researches have been conducted on FDI in Ethiopia. Getinet and Hirut (2005) conducted research on “Determinant of FDI in Ethiopia: a time series analysis” and found that the growth rate of real GDP, export orientation and liberalization have positive impact on FDI, but micro-economic instability and poor infrastructures have negative impact on FDI. On the other hand, Amanuel(2014) conducted research on “Factors affecting FDI flows in Ethiopia” by using five variables: market size, inflation rate, human capital, level of trade openness and infrastructures, and found that level of trade openness and inflation rate have had positive effect on the flow of FDI to Ethiopia and no clear relationship was obtained for market size, infrastructures and human capital. The findings of the two researchers were focusing on effect of FDI at national level. Further, none of them were focusing on effect of FDI on local communities. Besides, the finding of aforementioned researchers focused on how infrastructures influence FDI. But this research is focused on how FDI influences infrastructures.

Moreover, conflicting results are visible between Amanuel, and Getinet and Hirut on relationship between infrastructures and FDI. Getinet and Hirut(2005) study results showed that there is direct relationship between infrastructures and FDI whereas Amanuel(2014)study results showed that no clear relationship exist between infrastructures and FDI. The researcher saw this as gap and designed this study to conduct further research around this area.

Likewise, Girum (2016) conducted research on, “Identifying the local effect of FDI in Ethiopia.” Their research focused on total factor of productivity and the rate of entry of domestic plants. Furthermore, their attention was on effect of FDI on local factories and found that entry of FDI has positive impact on localities and increased TFP. Their research finding did not show the effect of FDI on socioeconomic and environment of local communities—labor, asset holders

(landholders), infrastructures and environment. Consequently, this research is attempted to solve these gaps and to examine these problems, forward possible solution and add valuable information on effect of FDI on local communities owing to Dangote cement factory in Ethiopia.

### **1.3 Research Questions**

The researcher intended to study the effect of FDI on socio-economic conditions and environment of local communities owing to Dangote cement plant in Ethiopia. The basic research questions of this study are:

1. What effects do foreign direct investments have on local labor?
2. What effects do foreign direct investments have on landholders?
3. How foreign direct investment influences infrastructures?
4. What effects do foreign direct investments have on environment?

### **1.4 Objectives**

#### **1.4.1 General Objective**

The main objective of this research is to find out the effect of FDI on socio-economic conditions and environment of local communities owing to Dangote cement factory in Ethiopia, and aims to identify the specific factors like labor, procedures of payment, livelihood of landholders, career path, and environment, and explores the effectiveness of initiatives that have been aimed to address these factors.

#### **1.4.2 Specific Objectives**

Specifically, the research is focused on the following objectives:

- ▶ To examine the socio-economic effects of FDI on local labor;
- ▶ To explore the socio-economic effects of FDI on landholders;
- ▶ To find out the effects of FDI on infrastructures;
- ▶ To scrutinize the effects of FDI on environment.

### **1.5 Significance of the Study**

The finding of this research would be taken as modest contribution for the government to consider the mutual benefits of local communities and investors. The result would also serve as an input for policy makers to conduct the critical need assessment on FDI before designing

policy and implementing it. It would further serve as reference for other researchers who want to conduct research on the FDI.

### **1.6 Delimitation of the Study**

The research was studied only Dangote cement plant in Ethiopia. It would not provide an exhaustive account on effect of all sectors of FDI in Ethiopia. Further, it would not investigate all factories of Dangote cement which found in other countries—Kenya, Tanzania, Cameroon, Senegal, South Africa, Ghana, Zambia and Ivory Coast. Instead, the center of attention was in specific case, Dangote cement plant in Ethiopia only. Moreover, it was only focused on the socio-economic conditions—labor, income, landholder, infrastructures (road, water and electricity), and environmental effect of FDI on local communities where Dangote cement factory is situated in Ethiopia.

### **1.7 Limitation of the Study**

Since responsible officials such as managers and director of human resources of the Dangote cement factory did not fully participate in the study, their views and opinions could not be ascertained by the researcher. Further, albeit FDI has effect on other variables, which are not included under this investigation, such as political and legal variables, this research is limited to only on the effect of FDI on socio-economic conditions and environment of local community because of time, budget and skill constraints.

### **1.8 Ethical Considerations**

Before the researcher collected the data from the field, ethical principles had been taken into consideration. First, the researcher applied to the department and research office of the college and took ethical clearance from department and research council and informed to the woreda administration and manager of Dangote cement factory and thus, got permission. Further, the researcher got the consent of participants and made them active; respected the cultures, norms, values and ethics of society. Next, the researcher assured the participants that their confidentiality would be kept. Afterward, awareness for society was created and the participants were oriented on the purpose of the research. Finally, willingness of participants was ascertained.

## **1.9 Organization of the Study**

This study was organized into five main chapters. The first chapter deals about introduction part which encompasses background, statement of problem, research questions, objectives, significance, delimitation, limitation, ethical consideration, and operational definitions of key terms. The second chapter deals with related literature review in which ideas and theories were studied and reviewed. The third chapter consists of the research methodology of the research and description of the study area. The fourth chapter includes the presentation, analysis and interpretation of the collected data. The fifth and last chapter is concerned with the summary, conclusion and recommendation associated with the outcome of the study.



## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 Operational Definitions of Key Terms

**Foreign Direct Investment:** an investment made by a foreign person, Aliko Dangote, or organization, Dangote group, to produce cement in Ethiopia.

**Dangote Cement Factory:** Nigerian owner, Aliko Dangote, factory that is the largest producer of cement in Africa, which was found in Ethiopia, Oromia region, West Shewa zone, Adea Berga woreda, Muger district.

**Local Communities:** are a group of interacting people who are sharing an environment in Adea Berga woreda and used to live in the place where Dangote cement factory has been planted on and now left their land for the investment—production of Dangote cement factory since 2013.

**Labor:** are both temporary and permanent workers and employees who are working in Dangote cement factory currently. In this study, the researcher used labor and employees interchangeable.

**Effect:** may be positive or/and negative consequence occurring as a direct/indirect result of action by Dangote cement factory on local communities.

**Social Effects:** are the positive and/or negative consequences of FDI—Dangote cement factory on local residents who used to live where Dangote cement factory planted on, local labor who are working in Dangote cement factory currently, and infrastructures such as road, water and electricity.

**Economic Effects:** are the positive and /or negative results on income and livelihood of local communities as a result of FDI—Dangote cement factory.

**Environmental Effects:** are the negative and positive consequences of FDI—Dangote cement factory on environment where it is planted on, gets raw materials and its surroundings.

#### 2.2 Defining Investment and Foreign Direct Investment

##### 2.2.1 Defining Investment

Investment is an elusive term among many scholars. Hence, there is no single and exact definition which is universally agreed among scholars. For economist, investment refers to real increment in capitals like factories, machines or human capitals.

On the other hand, UNCTAD, quoting Canadian model BIT (2004), defined investment as:

*An enterprise; an equity security of an enterprise; a debt security of an enterprise; a loan to an enterprise; an interest in an enterprise that entitles the owner to share in income or profits of the enterprise; an interest in an enterprise that entitles the owner to share in the assets of that enterprise on dissolution and interests arising from the commitment of capital; real estate or other property, tangible or intangible, acquired in the expectation or used for the purpose of economic benefit or other business purposes; and claims to money that arise solely from commercial contracts for the sale of goods or services by a national or enterprise in the territory of a Party to an enterprise in the territory of the other Party, or the extension of credit in connection with a commercial transaction, such as: trade financing, and any other claims to money (UNCTAD, 2011).*

This definition seems more general and encompasses many areas, and connects investment with commercial activities and thus, it fails to give precise definition. But the central theme of this definition is that investment is an assets or/and a capitals that conducted in commercial form—buy or sale that takes place in territory of other party.

Further, Rwanda-United States BIT (2008), as quoted in UNCTAD, defined that investment is any asset, which does not include an order or judgment entered in a judicial or administrative action, that is characterized by the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk which is owned by investors directly or indirectly (UNCTAD, 2011). In this definition, investment is defined from all assets that are controlled by investor by any means which is not subjected to judicial or administration action. Likewise, it includes shares, stocks, bond, debentures, futures and option which are owned by investors.

Furthermore, UNCTAD described that investment can be FDI or portfolio investments. Portfolio investment is purely financial aspects; investor is passive and doesn't control management of investment; concern with appreciation of capital and return; and doesn't lead to technological transfer and training local employees (Ibid). Here, what makes the definition similar from two sides is that an investment is assets or capital which is taken place at market place and commercialized contract. In this section, the concern of researcher is not on portfolio investment, but FDI.

### **2.2.2 Understanding Foreign Direct Investment**

Foreign direct investment is defined as an investment made to acquire a lasting interest by an entity resident in one economy in an enterprise resident in another economy. The investment should allow the investing entity to exert direct control over the management of assets in the invested firm. For statistical purposes, it is typically assumed that this is the case when a foreign investor owns 10 percent or more of the ordinary shares of voting power (or the equivalent). On the other hand, Investments that fall short of the 10% ownership threshold are classified as portfolio investments (OECD, 2008). Here, based on the control management of the enterprise, investment is classified into two—FDI and portfolio investment. Accordingly, if the investment share is owned more than 10% by foreign investors, it is considered as FDI and if below 10%, it is portfolio investment.

By the same token, the World Bank (2003) defined that FDI is the net amount invested or reinvested by non-residents to acquire a lasting interest (10 percent or more of voting stock) in enterprises in which they exercise significant managerial control. Both OECD and WB understand the definition of FDI from managerial control and boundary of demarcation to control—10%. On the other hand, UNCTAD (2015) explained that FDI is an investment involving a long term relationship and reflecting a lasting interest and control of a resident entity in one economy other than that of a foreign direct investor (UNCTAD, 2015)

Further, based on contribution to economic development, Mwilima, as quoted in Selamawit, described FDI from two categories — Greenfield Project (GP), and Merger and Acquisition (M&A). GP refers to the establishment of new production facilities or expansion of existing production facilities which involve a direct substantial capital investment, hence, adding directly to capital stock/formation, employment, and productive capacity in the recipient country. Thus, it is more likely to contribute to economic development. M&A, on the other hand, entails the taking over of an existing enterprise or the merging of capital, asset, and liabilities of an already existing business which is merely a matter of ownership transfer, i.e. it will not add or reduce the physical capital of the enterprise at hand at the time of the transaction. M&A can also take place between companies in unrelated activities seeking to diversify risk and to deepen economies of scope (Selamawit, 2015).

In nutshell, albeit both investment and FDI defined from different angles by different scholars, the two—investment and FDI—aimed to enhance economic growth and boost

development. Besides, they refer to increasing the capital, stocks, finance or assets to the existing assets so that economy can be sustained.

### **2.3 Characteristics of Foreign Direct Investment**

By its nature investment can be classified into foreign direct investment, portfolio investment, values investment, alternative investment (based on financial classification) and traditional investment (based on financial classification). To differentiate one from the others, looking their features is necessary. Accordingly, FDI is characterized by its unique natures in which one can differentiate it from others.

One characteristic of FDI is that foreign direct investors have a longer-term perspective when engaging in a host country. Hence, FDI inflows are less volatile and easier to sustain at times of crisis. Besides, FDI is more likely to be used productively while debt inflows may finance consumption rather than investment in the host country. Likewise, FDI is expected to have relatively strong effects on economic growth, as it provides for more than just capital. In addition, FDI offers access to internationally available technologies and management know-how, and may render it easier to penetrate world markets. Further, the risk-sharing properties of FDI are undisputed. Moreover, FDI is more stable than other types of capital inflows (Peter, 2002).

Furthermore, FDI implies the investing unit (usually a business enterprise) and purchases the power to exert some kind of control over the decision making process of the invested-in unit. It is usually accompanied by the transference of other factor inputs, or the output of such inputs, in the form of knowledge and ideas (John, 1987).

To sum up, FDI is more likely to promote world economic growth than portfolio investment since it concentrated in the dynamic and technologically advanced sectors, and knowledge content of investing firms is superior to local competitors.

### **2.4 Incentives and Motives of Foreign Direct Investment**

To state generally, motive is defined as the reasons that initiate someone for doing or behaving in specific way. But to understand it from FDI point of view, for this study, motive is defined as incentives that encourage foreign direct investors to invest their capitals in host countries. Different scholars mentioned motives of FDI from different angles. But, in this study literature, Dunning (1993), Marain et al. (2005) and Pavida (2013) ideas are used. Accordingly,

four motives were identified—resource seeking, market seeking, efficiency seeking and strategic asset seeking.

Resource seeking motives are incentive that motivated firms to invest abroad to acquire specific resources at lower costs than that could be obtained in their home country. Market seekers are firms invest in particular state to serve the market of that country to follow its main suppliers. Further, foreign direct investors use efficiency seeker motivation to rationalize their production, distribution and marketing activities through common governance and synergy building among geographically dispersed operation. Furthermore, strategic asset seeker motivations are firms which engage in FDI to promote their strategic objectives like sustaining their international competitiveness (Dunning, 1993; Marian et al., 2005; Pavida, 2013).

Empirically, different researchers had conducted on motives of FDI. For instance, Alina K. & Malgorzata J. (2008) conducted on “The motives and impediments to FDI in the common wealth of independent state” and Selamawit (2015) who conducted research on “FDI and economic development in Ethiopia,” used the three motives of FDI—market seeking, resource seeking and efficiency seeking. None of them include the strategic asset seeking motivation. But this study added the fourth motivation, strategic asset seeker motivation, since it plays a pivotal role in current operation of FDI. The researcher added strategic motivation because the Dangote cement factory becomes one of the competitors in cement production not only in Africa but also on the world. Besides, the aforementioned researchers used only quantitative methods. But, in this research, triangulation strategy is employed to compare both qualitative and quantitative data in order to find out whether there is convergence, difference or some combination between the two methods.

In Ethiopia, there are different incentives that attract foreign investors to invest their capital. The researcher used these incentives as motives of FDI that were laid down by Ethiopian government to initiate, raise and stimulate investment. These motivations, according to Ethiopian Investment Commission (EIC), are: export incentive; custom duty exemption; income tax holiday; loss carry forward; remittance of profit, dividends, principals and interests payment on external loans; the constitution and investment law protect private property; provision of lands at competitive lease price; and low capital requirement i.e 200,000 USD per project for single investor, 100,000 USD in area of engineering for single investor, 150,000 USD for partnership of

FDI with Ethiopian investors, 50,000 USD for partnership of FDI with Ethiopian investors in engineering area and no capital requirement for investors who re-invest their profit (EIC, 2014).

Further, the EIC explained that foreign investors invest in Ethiopia because of the following reasons: political and social stability; macroeconomic stability and rapidly growing economy; excellent climate and fertile soils; friendly relationship between private sectors and government; abundant and trainable labor forces; existence of labor law of international standard; strategic location of the country at the cross road between Africa, middle East and Asia; competitive incentive packages; zero toleration for corruption; lowest crime rate in Africa relatively; simple and transparent investment approval procedures; access to wide market like large domestic market, Common Market for East and South Africa (COMESA), and African Growth and Opportunity Act (AGOA) (EIC, 2014)

## **2.5 Trend and Historical Development of FDI in Ethiopia**

Like global FDI, developments of FDI in Ethiopia have passed different phases. What makes unique the development of FDI in Ethiopia is that the three governments, namely the Emperor Haile selassie, the Derg and Ethiopian People Revolutionary Democratic Front (EPRDF), followed different economic system i.e. mixed economic system, command economic system, and free market economic system initially and developmental state now respectively which has its own impact on development of FDI in the country. Though the degree varies, the three governments recognized the FDI. In this section, the researcher discussed about trends and development of FDI in Ethiopia both theoretically and empirically under the three regimes.

### **2.5.1 Trend and Development of FDI during Emperor Haile Selassie Regime (1960-1974)**

Emperor Haile selassie enacted new policy and implemented new policy to encourage foreign direct investment in the Ethiopia during the mid of 20<sup>th</sup> century. To attract and benefit foreign investors, the following incentives were included in the new policy: tax exemption, remittance of foreign exchange, import and export duty reliefs, tax exemption on dividends and the provision of finance through the Ethiopian Investment Corporation and the Development Bank of Ethiopia (Wubne, 1991).

Besides, the Negarit Gazeta which was published in 1962 stated that Ethiopia will at all time welcome foreign investors who may willing to invest their money for development works

either in partnership with Ethiopian or as private enterprises and the properties of foreigners are protected by Ethiopian law (Negarit Gazeta, 1962). Likewise, Wubne added that the new government policy attracted foreign investment to industrial sector. Thus, in the fiscal year 1971/72, the share of foreign capital in the manufacturing industries accounted to 41% of total paid up capital. Countries such as: Netherlands, Japan and Italy, Greek, and Cuba were participated in sugar, textile, shoes and beverage, and cement industries respectively. Further, Italy took part in building, construction and agricultural industries (Wubne, 1991).

### **2.5.2 Trend and Development of FDI during Derg Regime (1974-1991)**

Following the country wide revolution which overthrew the Emperor from power in 1974, the military regime, usually called the Derg, came into power and changed the Ethiopian economic system from mixed economy to command economy—the economy or market is highly controlled by state. The Derg government invited the foreigner in economy albeit failed to attract more since joint venture and misguided national policy measures were taken (Teshome, 2010). He further added that Proclamation No. 76/1975 limits the private investor to 500,000 birr and advised Ethiopians to invest in enterprises larger than cottage industries (Ibid). Wubne posited that since the regime adopted the socialist ideology, the major industries didn't attract foreign investors and hence, the private direct investment declined from 65 million birr in 1974 to 12 million in 1977 (Wubne, 1991).

But Wubne didn't deny about the positive side of the Derg on FDI and he asserted that proclamation No. 235/1983 renewed in attracting foreign capital through joint ventures—the maximum joint venture of foreigner was 49% with duration of 25 years. Furthermore, the proclamation offered incentive like five year period income tax relief for new project, import and export duty relief, tariff protection, and repatriation of profit and capital. To attract more foreigner investors, the government revised 1983 proclamation and replaced it by Special Decree No. 11/1987, which allowed the majority of foreigner ownership in many sectors except in those related to public utilities, bank and financial institutions, trade, transportation and communication in which joint venture is not allowed (Wubne, 1991).

During 1990s, the Derg shifted from command economy to mixed economy. As a result, the new system enabled the private sectors to participate in all parts of economy with no limit of capital investment; developers were allowed to build houses, apartments and offices either for

sale or rent; commercialize enterprise would be permitted to develop industries, hotels, and range of other enterprises on government owned land to be leased on concessionary basis. Yet, privatization of state enterprises and compensation for citizens whose lands and properties had been confiscated were not addressed (Ibid).

### **2.5.3 Trend and Development of FDI during EPRDF (1991-present)**

Like other African countries, the Ethiopian economy is rhetoric and volatile and hence, changed with the change of respective ruling party. Consequently, Tadesse (2011) depicted that the EPRDF adopted free market economy by following the footstep of capitalist states (Tadesse, 2011). Tadesse further added that Ethiopian privatization agency (EPA) was established in 1994 to liberalize economy and encourage private sectors in the economy. The government also adopted Agricultural Development Lead Industrialization (ADLI) to translate primary economic activities to secondary economic activities (Ibid).

Further, Teshome has added that various policies and reforms were designed to attract FDI. Reforms, which were made at macro-economic level such as: liberalization of trade policy; privatization of public sector enterprises; financial sector reforms and deregulation of price and exchange rate controls; elimination of non-tariff barriers; and reduction of import tariffs from 200% to 35% were launched and entered into practice currently. Besides, investment proclamation such as: No. 84/2003 and No. 146/2008 reforms were made to improve and widen the degree of privatization and attract FDI more (Teshome, 2010). Furthermore, UNCTAD asserted that the annual FDI inflows increased from \$214 million between the period 1998-2002 to \$409 million between 2003-2007 in Ethiopia(UNCTAD, 2011).

Selamawit also explained that to achieve Millennium Development Goals (MDG) and register the country to middle income country in 2025, the government launched a five year Growth and Transformation Plan (GTP). In 2015, the number of processed and licensed of FDI in Ethiopia reached 5068 projects of which most of them entered into operation. Currently, the flow of FDI in the country focused on the following three areas: 45% manufacturing sectors, 42% service sectors and 12% agricultural sectors (selamawit, 2015). She further added that the majority of flows of FDI to Ethiopia are from developing countries such as: China, India, Turkey and Saudi Arabia. Albeit the country opened her door to the FDI, the following areas are exclusively reserved for Ethiopian nationals: banking, insurance and micro-credit and saving



services; packaging, forwarding and shipping agency services; broadcasting and mass media services; attorney and legal consultancy services; preparation of indigenous traditional medicines; advertisement, promotion and translation works; and air transport services using aircraft with a seating capacity up to 50 passengers (Ibid).

By the same token, the EIC illustrated that the following investment guarantees and protection which encourage foreign investors to invest in Ethiopia currently: the constitution and investment law protect the private property; foreigner investor has the right to make the remittance, out of Ethiopia in convertible foreign currency at prevailing rate of exchange, such as: profit and dividends, principals and interest of payment on external loans, payment related technology transfer agreement, proceeds from the sale of liquidation of an enterprises, compensation paid to an investor, and proceeds from sale/ transfer shares or partial ownership of an enterprises to domestic investor; Ethiopia is a member of Multi-lateral Investment Guarantee Agency (MIGA), World Bank Affiliate, and World Intellectual Property Organization (WIPO); and Ethiopia has also concluded bilateral investment promotion and protection agreement with countries such as: Algeria, Austria, Belgium and Luxemburg, China, Denmark, Egypt, Equatorial Guinea, Finland, France, Germany, India, Iran, Israel, Italy, Djibouti, state of Qatar, Kuwait, Libya, Malaysia, Netherlands, USSR, South Africa, Spain, Sudan, Sweden, Switzerland, Tunisia, Turkey, U.K., Yemen and USA (EIC, 2014).

## **2.6 Developmental Paradigms in Ethiopia**

Across the world, as far as development is concerned, there are two conflicting views on questions: who should control and run the economy to assure the welfare of all citizens and boost development within the given states? Which development paradigm is suitable for developing countries: endogenous or exogenous or both? In relation to the first question, the capitalists favor individualistic approach. The advocates of this view such as classical theorists, modernization theorists, western democrats, capitalists or/and the protagonists of free market asserted that the economy should be free from government, stand alone and run by the market (Richard P. and Elaine H., 2009).

On the other hand, the Keynesianism, social democracy, state interventionist, structuralism and development economy, which support the highly deemed of state interference in the economy, tied themselves with the idea of the state should control the market through

fiscal policy and monetary policy (Ann and Leroy, 1993). Further, the other two overriding views on strategy of development are endogenous development strategy which entitled with the policy, strategy and programmes of development should be set by internal scholars who know the internal norms, values, cultures and arrangement of society, and exogenous development strategy which stated that the best way for third world countries to develop easily is following and adopting the western style of development (Ibid).

Albeit Africa, particularly Sub-Sahara Africa, have registered economic growth rate from 2.5% in 1990 to 5.2% in 2007, but it was not accompanied by social transformation. Production is predominantly of raw material including oil and mineral which form the basis of export. Further, the raw materials are not diversified. On the other hand, imports are dominated by high priced manufactures causing a cute and persistent trade imbalance (Edward, 2010).

Like other African countries, Ethiopia is also highly influenced by the aforementioned ideologies—endogenous versus exogenous, and modernism versus structuralism development paradigms. Starting from Emperor Haile selassie up to now, the country is on the way to search the best way to development which can easily pull out its citizens from the poverty. Albeit some progress was made to Ethiopian economy, Tadesse (2011) asserted that the country didn't achieve the intended goal due to the lack of technical and skilled personnel during the Emperor period. Furthermore, the Derg government also adopted the Marxist-Leninist or communism development paradigm. This system again imposed externally, without strategically and technical examination of the policy, to the country. The government tried to internalize the policy and strategy to development but failed since no trained and skilled manpower was there (Ibid).

Like the Derg government, the EPRDF also shifted the economic system of the country based on its alliance, which helped them to get victory over the Derg. Initially, the EPRDF leader, Meles Zenawi had initiated communist ideology. But due to the pressure from USA, which helped the EPRDF to get victory over the Derg, and other international financial institutions such as International Monetary Fund and World Bank, the country adopted free market economy. Following that the country liberalized its trade and signed different agreements with those institutions to get aid (Befekadu). But the free market economic system widens the gap between poor and rich and couldn't bring the desired goals and thus the country officially

shifted to developmental state model by desiring to attain the successful development as accomplished in East Asian tiger states (Ibid).

The researcher held that Ethiopia didn't get the correct path still which should take her to right development and pull out from the poverty, and hence, the country should set its own policy and strategy to development; selectively adopt and import the world science and technology; internalize and conceptualize the adopted technology; make the development more participatory in two way dimensions—bottom-top and top-bottom; make aware and mobilize the community toward development; make the development inclusive; mobilize the resources fully; assign qualified person to the centre of decision making—right man on right position and developing the mindset of working hard like South Korean, Chinese or American or Japanese rather than wishing to imitate them.

## **2.7 Influences of FDI on Landholders, Local Labor, Infrastructures and Environment**

### **2.7.1 Influences of FDI on Landholders**

There is conflicting ideas on benefits and costs of FDI on host countries (Selma, 2013). The social impacts of FDI depend mainly on the amount of money available either directly from the foreign investor or the national government, or indirectly through a boost of local economy.

Aly and Godihald (2009) described both the benefits and costs of FDI on landholders. Positively, they argued that the FDI: rises household income, increases food security self sufficiency, improves life condition of local community, and strengthened the capacity of local men and women through the community development programme (Aly and Godihald, 2009).

On the other hand, the negative consequence of FDI on landholders, they asserted, are: governments of developing countries are granting land and commencement of works to FDI without social impact assessment; failure of FDI to take land requirement of local communities or local customary land rights into account that regulates access to farm land, grazing areas, settlements, herding accommodation and water; expropriated and evicted of local community's house; destruction of local community's houses, gardens, villages and fields; blockage of transhumance routes; loss of farmlands currently used by local farmers; displacement of local community primarily depending on agriculture and pasture; loss of independency and traditional way of life and become dependent on one company (Ibid).

Aly and Godihald finally concluded that, after they discussed and compared both the pros and cons of FDI, FDI has negative impact on local landholders since the situation of displaced farmers is often worse than before with inadequate compensation for their loss of land.

Moreover, Christiane(2011) have posited that albeit the distribution of land plays a significant role for poverty reduction and development of food security, land reforms have received less political attention at international level than large scale land acquisition recently. They further asserted that 19.5 million ha of farm land are converted each year to industrial and real estate uses.

The government of developing countries, alongside with investors are grabbing land with the aim of investing commercial products to increase the capacity of export and boost development without analyzing the victims of local farmers (Christiane et al., 2011).

In addition, Matthias (2009) have explained both the merits and demerits of FDI on landholders. To begin with positive, they depicted that FDI: improves the living conditions and sustainable development by additional income possibilities in rural areas; and reactivates abandoned lands and adding them to unutilized land which leads to income generation in rural areas (Matthias, et al., 2009).

In contrast to the aforementioned positive consequence of FDI on landholders, Matthias et al. described the negative effects of FDI on landholders. The negative effects of FDI on landholders, according to them, are: biased distribution of benefits in favor of the investor or in some of local population which fuels the social conflict; strong competition of farmers for remaining land which invoke land conflict that leads to social and political instability; reduction of access to land which leads to displacement of indigenous people or the exclusion of rural communities and increases rural poverty; emigrations of local farmers which can increase social tension and urban poverty; and loss or inherent cultural inhabits in new environment (Matthias et al., 2009).

### **2.7.2 Influences of FDI on Local Labor**

FDI transfers knowledge in host countries through explicit and implicit labor training, transfer of skills and transfer of new managerial and organizational practice which arise beneficial effects when local personnel who are trained to occupy managerial, financial and technical posts in the subsidiary of foreign MNE leave from firms and help to establish local

firms; and superior management skills of a foreign MNE stimulate local suppliers, distributors and competitors to improve their own management skills (Selma, 2013). Selma didn't defy the negative impacts of FDI on local labor. He also described the negative sides that FDI has great impact on sweatshops in developing countries by violating local workplace regulations, subject laborers sub-human working conditions since developing countries dilute the enforcement of workplace regulation to attract FDI (Selma, 2013). In contrast, Aly and Godihald (2009) described that FDI creates a direct and indirect job opportunity for local labor. Further, they asserted that FDI increases the revenues for local labor, especially for women. On the other hand, FDI increases the spread of HIV/AIDS due to influx of seasonal and permanent labor (Aly and Godihald, 2009).

FDI increases the working standard if foreign investors employ local labor (Matthias et al., 2009). On other hand, FDI has negative effects on labor by creating social frictions between local labor and immigrant foreign labor which might be caused when the owner of the FDI may bring experienced and skilled personnel at top management position and employ local labor at low level (Ibid).

Likewise Galina and Mingzhi(2016) have elucidated that FDI increases employment opportunity, leads to higher wages, leads to higher productivity, and increases skill level of the labor force. But Galina and Mingzhi didn't only discuss about the positive consequence of FDI on labor; they also depicted the negative consequence of FDI on local labor. FDI, they designated, increase wage inequality due to an increase in the skill premium which is difference between wages of skilled and unskilled labor force; and leads to the loss of skilled labor by domestic firms because of increased pressure on labor market (Galina and Mingzhi, 2016).

### **2.7.3 Influences of FDI on Infrastructures**

The previous theoretical and empirical literatures are mostly focused on the role of infrastructure in attracting FDI. But this research describes the impacts of FDI on infrastructures. Matthias (2009) described that FDI improves infrastructure by building roads, investing in transportation and communication. Moreover, Aly and Godihald posited that FDI: facilitates electrification of villages situated close to the electricity distribution line; creates healthier living condition; and rebuild villages provided with housing, education, health and infrastructure like road and telecommunication (Aly and Godihald, 2009).

But there is rare literature on negative effects of FDI on infrastructure such as: creation of road crowd on existing road if the new FDI doesn't build additional roads; shortage of power supply; and destruction of road due to over load of trucks. Hence, the researcher holds that the aforementioned negative effects of FDI on infrastructure should be taken into account.

#### **2.7.4 Influences of FDI on Environment**

Another effect of FDI, the researcher described in this research, is non socio-economic effects, environmental effects. Like the three effects:—on landholders, labor and infrastructure— there is also controversial views on whether the FDI effects environment positively or negatively. OECD (2002) asserted that FDI can have both positive and negative impacts on environment. Yue Shujing conducted research in 280 Chinese cities and found that FDI has positive effects on urban environment since the production technology and technological progress of Multi National Companies are generally superior to the domestic actuality. With the economic growth, they asserted, during the period of inspection, the extent of the damages of FDI to resources and environment is relatively small, compared with the same domestic capital and investment (Yue Shujing et al.). Besides, Matthias (2009) added that increase in environmental friendly production methods can take place if foreign investors import practices which are more sustainable compared to local ones in the target country due to the higher level of educations and better technical capacity.

Furthermore, FDI can reduce loss of erosion by producing on formerly abandoned land (Matthias et al., 2009). But unlike Yue Shujing who concluded that FDI has positive effects to environment, Matthias et al. didn't deny the negative impact of FDI on environment. They described the negative that FDI can cause the loss of water availability and quantity which can be caused by large scale use of water; and loss of soil quality which can be caused by use of chemicals; and disruption of local ecologic system (Ibid).

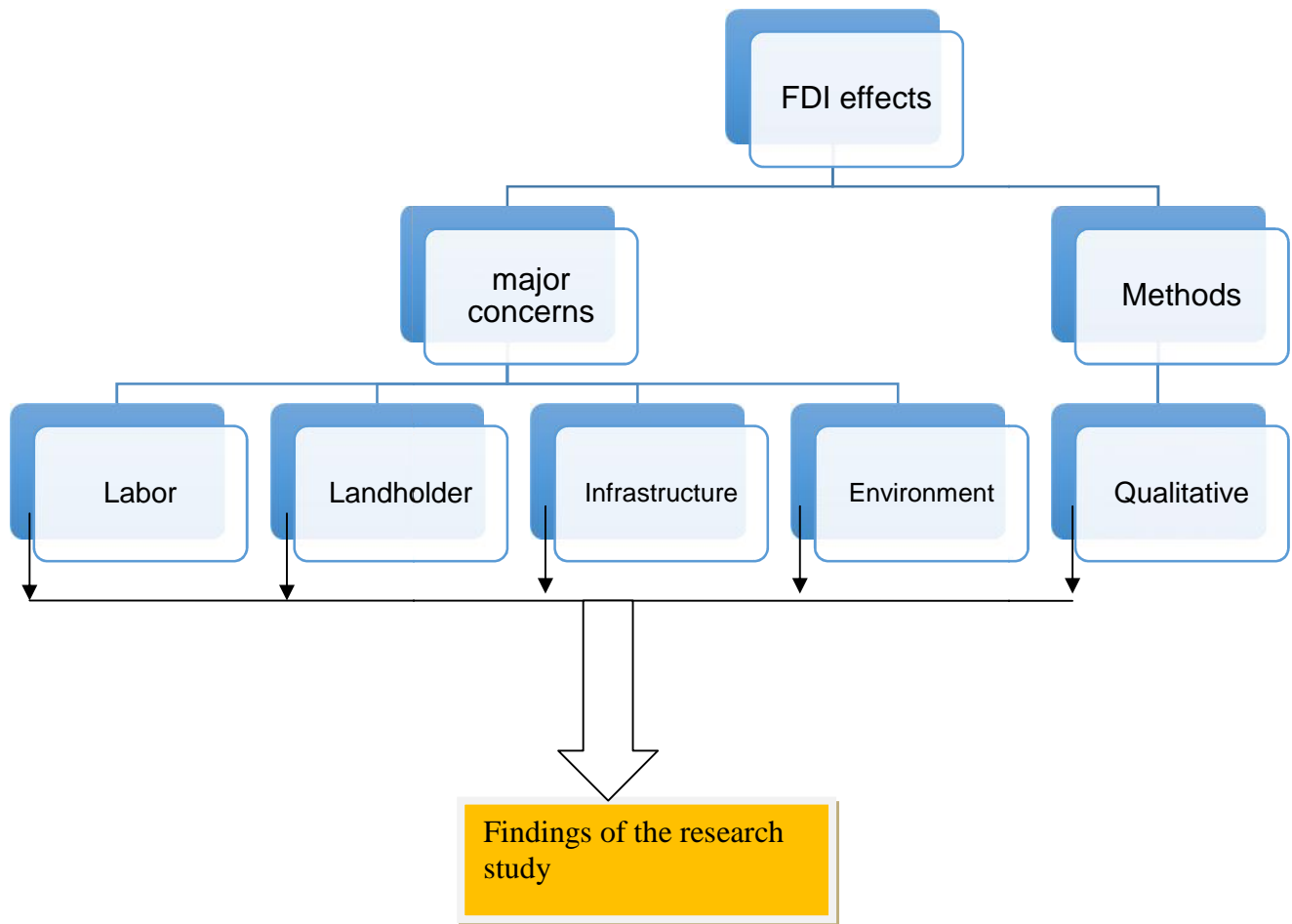
Aly and Godihald also showed that FDI has negative effects on environment. They explained that FDI causes: dust pollution which is produced by heavy lorries used for the provision of construction materials that become a serious problem for the villagers; loss of forests product such as: food, medicine, fuel wood, building material, animals folders; increment of pressure on the remaining natural resources due to population growth; soil erosion;

irreversible loss of wild life and plant resources; environmental pollution concerning air, soil and water; and potential disruption of ecological balance (Aly and Godihald, 2009).

In nutshell, FDI has both positive and negative effects on landholders, employment, infrastructure and environment in host countries even though the degree of effect is vary from place to place and from industry to industry.

This research is different from the previous researches cited above both in terms of major themes and methods employed. A conceptual framework provided below lucidly explains the variables studied through the methods adopted in this research.

**Figure1. Conceptual Framework of the Study**



*Source: Own Computation, 2017*

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Description of the Study Area**

Dangote cement factory in Ethiopia is located in Oromia region, West Shewa zone, Adea Berga woreda, Muger district, 87km away from capital city, Addis Ababa to the North-West direction. It is situated on maximum altitude 2600m above sea level. Adea Berga woreda is bordered with Walmara woreda on the south, Ejere woreda on the southwest, Meta Robi woreda on the west, Yaya gulalle and Kuyyu woredas on the north, and Mulo woreda on the east. Albeit three towns—Enchini, Muger and Reji—found in the woreda, its capital city is Enchini.

According to the woreda report, currently, the total population of the woreda account of 129,889, of which 65,871 are men and 64,018 are women. Out of these total populations, 13.21% are urban dwellers and 86.79% are rural dwellers. The climate conditions of the woreda are featured with ‘Dega’, ‘Weyin adega’ and ‘Qolla’.

According to the Ministry of Industry, Dangote cement factory is owned by the Nigerian owner, Aliko Dangote, which is the largest cement producer in Africa (Ministry of industry, 2015). It was inaugurated in 2013 by expending 7.7 billion ETB and commenced production after two years, 2015 with 2.5Mta production capacity. The factory produces: 60% Portland Pozzolana cement (PPC) and 40% Ordinary Portland cement (OPC) of sales. Moreover, the Dangote cement factory is in the process to expand the factory, and double its production from 2.5 Mta to 5Mta in 2018 in Ethiopia (Dangote Annual Report, 2016).

The Dangote cement plant landed on 134.2 hectares of which 20 hectares is for residential housing, 45 hectares is for raw materials storage and trucks parking, and the rest hectares of land is for factories. But these do not include the place where it gets raw materials (718 ha), constructed roads to supply raw materials (58.6 ha), transmission line (57 ha) and dam for plant water supply (100.4 ha).

According to the internal report, the Dangote cement factory has created job opportunity for 1662 laborers currently. Out of these: 33 are expatriates, 554 are employed by Dangote, 1043 are employed by agency, and 32 are casual laborers.



### **3.2 Methods of the Study**

To conduct this research, the researcher employed qualitative method. In qualitative research, the researcher is central. He/she is the primary instrument of data collection and analysis. Unlike quantitative methodology, where data are collected through inventories, questionnaires, in qualitative research data are mediated through researcher or “Human instrument.” Moreover, in qualitative design, the researcher presents in person among people or observe institution or record behaviors, not in laboratory, but on its natural setting. The other unique features of qualitative approach are that it is explanatory. The interest of the researcher lies in the process as well as in the insight to be guided through illustration. Another important aspect of qualitative research is that, “The researcher plays a key role in constructing concepts, theories and principle out of detail of discussion, interview and observations” (creswell, 1994). Therefore, it is the researcher who collect data, organize and analysis it with his/her effort. This method is applied to gather information from Adea Berga woreda land and environmental protection bureau administrator; Adea Berga woreda investment bureau administrator; manager and directors of human resources of Dangote cement factory; and local elders to elicit their views on the effect of FDI, Dangote cement factory, on socio-economic conditions and environment of local communities. The purpose of conducting focus group discussion and one to one unstructured interview is to find out meanings from life and experience of the participant of the study.

### **3.3 Sources of Data**

In conducting this research, both primary and secondary sources were used. The primary data were gathered through semi structured interviews and focus group discussion from local residents, managers and directors of factory, woreda land and environmental protection bureau, and woreda investment bureau administrators, and labor. On the other hand, secondary sources were books, conference proceeding, journals, report (internal report, quarter report, annual report), archives and minutes.

### **3.4 Methods of Data Collection**

**Focus Group Discussion (FGD):** one of the main data collection techniques which were used in this research is FGD. FGDs were developed for labor of the factory and landholders who lost their land for investor—Dangote cement factory. The discussion didn’t include inhabitants

those who did not own land since they are not so affected as those who used to own land. The researcher conducted three FGDs: one FGD for landholders and two FGD for labor—one for laborers who speak ‘Afaan Oromoo’ and one for laborers who speak ‘Amharic’ language. Each FGD consisted of 10 (ten) participants which was gender balanced. The discussion was conducted by ‘Afaan Oromoo’ and ‘Amharic’ to get sufficient information.

**Semi-Structured Interviews:** while conducting interview with training director of the factory; government officials who work at woreda levels; and local elders, semi structured interviews were employed. The reason why the researcher includes local elders here is to get deep and sufficient information since they represent the large communities and decided cases on the behalf of those communities. Moreover, the researcher interviewed training director of the factory because the manager and other directors of the factory were new comers and they were unwilling to participate in research. But the training director knew much about the factory and the researcher obliged to interview the training director. The discussions were conducted by ‘Afaan Oromoo,’ Amharic and English language as well.

**Document Review:** is another data gathering tools. In this regard, the researcher accessed to some documents such as minutes, books, reports, journals, articles and different proclamation in relation to his research title.

**Table1. List of Interviews, Focus Group Discussion and Focus Areas**

Respondents	Activities	Employed Tools	Focused areas
Investment bureau	Interview	Semi structured interviews	<ul style="list-style-type: none"> <li>• Opportunity &amp; challenge of local labors in getting job</li> <li>• Effect of FDI on landholders</li> <li>• Method of compensation payment for landholders</li> <li>• Income and livelihood of landholders</li> <li>• Effect of FDI on infrastructures and environment</li> </ul>
Land and environmental protection bureau	Interview	Semi structured interviews	<ul style="list-style-type: none"> <li>• Effect of FDI on labors</li> <li>• Challenges and opportunity of local labors in getting job</li> <li>• Effect of FDI on landholders</li> <li>• Compensation method</li> <li>• Income and livelihood of landholders</li> <li>• Social conflict</li> </ul>

			<ul style="list-style-type: none"> <li>• Effect of FDI on infrastructures and environment</li> </ul>
Local elders	Interview	Semi structured interviews	<ul style="list-style-type: none"> <li>• Method of compensation payment</li> <li>• Income and livelihood of landholders</li> <li>• Social conflict</li> <li>• Effect of FDI on cultures of local community</li> <li>• Effect of FDI on infrastructures and environment</li> </ul>
Landholders	Discussion	Focus group discussion	<ul style="list-style-type: none"> <li>• Method of compensation payment</li> <li>• Income and livelihood of landholders</li> <li>• Social conflict</li> <li>• Right to hold lands</li> <li>• Effect of FDI on culture of local community</li> <li>• Effect of FDI on infrastructures and environment</li> </ul>
Training director of Dangote cement factory	Interview	Semi structured interviews	<ul style="list-style-type: none"> <li>• Number of employed local labors</li> <li>• Wage of labor</li> <li>• Skills, competency and ability of labor</li> <li>• Organs who employed labor</li> <li>• Effect of FDI on environment and infrastructures</li> </ul>
Laborers (both Amharic and Afaan Oromoo speakers)	Discussion	Focus group discussions	<ul style="list-style-type: none"> <li>• Opportunity and challenge of getting job</li> <li>• Wage of labor</li> <li>• Organs who employed labor</li> <li>• Spillover of technology</li> </ul>

\*= note that to keep the confidentiality of participants, the researcher used common name for all of them.

### 3.5 Sample Size and Sample Techniques

The involvement of the study population of the research is categorized into three clusters. Cluster one consisted landholders, cluster two consisted laborers of the factory and cluster three consisted heads of different offices.

The first cluster embraced the local population (landholders) who used to live in the area where Dangote cement factory is planted and where the factory gets raw materials. According to the woreda land and environmental protection report, 2370 landholders were used to live in the

place where Dangote cement factory planted on and the place where the factory gets raw materials. The researcher selected 10 landholders by using non probability sample technique—convenient sample—because of the shortage of time and resources. Hence, the researcher could not include all population under study. Further, since the researcher conducted focus group discussion, he believed that the selected participants are sufficient for one FGD.

The second cluster included the labor of the factory. According to internal report of the factory, there are 1662 workers currently working in Dangote cement factory. The researcher selected 20 laborers by using non probability sample technique—convenient sample—because of the shortage of time and resources. The 20 selected participants divided into two groups of FGD in which both groups consisted of ten participants—one FGD for ‘Afaan oromo’ speakers and one FGD for Amharic speakers. Out of 20 participants, 10 were females to balance the gender.

The third cluster consisted of the heads of woreda investment bureau, woreda land and environmental protection, and manager and training director of the factory who were selected purposively. Here, the researcher interviewed the training director of the factory because the director has more experience and has stayed in the Dangote cement factory than managers and other directors of the factory who are recently recruited. Further, the manager of the plant and other directors were unwilling to participate in the research.

### **3.6 Method of Data Analysis**

To analyze the collected data, the first thing the researcher has done is transcription of all audio taped focus group discussion, and semi-structured Interview verbatim as well as organizing his notes. The researcher carefully went through the transcription and set sense out of it. To mark ideas related to each research questions, different colors of highlighters were used. Next, the transcription marked with the different colors of highlighters under the relevant research questions were put together. Having the translated information put under each research question into English, then the researcher attempted to learn the meaning embedded in the information coded. Then, the researcher decoded information he has gotten from the participants in separate paper After having completed the inference exercise, the researcher listed down all possible topics based on the impression obtained from the reading of transcription. Next, the researcher put topics that have similarities into single major topic and this exercise has been followed by further clustering of different topics. Then the researcher combined the most descriptive topics that capture the content or the essence of each theme. The themes were discussed in respect of literature and the research finding.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSIONS**

In this section, the study is aimed to capture the wide spectrum of responses of participants of the study in relation to the effects of FDI on socio-economic conditions and environment of local community by focusing on the four variables—labor, landholders, infrastructures and environment. To put it on the chronological order, and proper context, the collected data are discussed and analyzed under the following four sub-topics. Section one discusses with the effect of FDI on local labor which encompasses both the positive effect (rise of real wage, job opportunity, transfer of knowledge and experience, and increase productivity), and negative effect (wage difference between skilled laborers, absence of standardized rule and regulation to hire local labor, and exclusion of local laborers). The second section deals with the effect of FDI on landholders—focusing on method of compensation payment; comparison of their income before and after they lost their lands; comparison of their livelihood before and after they lost their lands; right to lands; social conflict; and cultures of local community. The third section deals with effects of FDI on infrastructures like road, water and electricity. The fourth and the last section elaborates about the effects of FDI on environment.

#### **4.1 Effects of FDI on Local Labor**

The key issues that thoroughly examined is what has been happened to local community since the introduction of FDI—Dangote cement factory. An assessment of interview with woreda land and environmental protection administrator showed that Dangote cement factory has two dimension effects—positive effect and negative effect—on local labor nevertheless the initial opening of the factory has negative effect on local labor since the skilled laborers were brought from other areas by agency. The World Investment Report (WIR) also shares the idea of the administrator and asserted that, “The effects of FDI on local labor vary from negative to positive” (WIR, 2010). Similarly, the researcher findings show both the positive and negative effects of FDI on local labor and discussed both effects accordingly.

### 4.1.1 Positive Effects of FDI on Local Labor

An interview with training director of Dangote cement factory showed that the Dangote cement factory has created job opportunity for many local laborers. Further, the current income of these local laborers who are employed in Dangote cement factory currently is higher than the domestic factory relatively and thus their life is improved. Likewise, they are learning new skills and knowledge of operating the new technology, acquiring of new experience and expertise, and even how to use time properly and habit of hard working. The detailed information which was gathered from different offices and laborers is discussed below.

#### 4.1.1.1 Job Opportunity

Economists argued that currently, the issue of unemployment is unanswerable macroeconomic problem. The developing countries open their door for FDI to create job opportunity and reduce unemployment problems. Hence, Dangote cement factory is on good progress in creating job opportunity for local labor. The administrator of woreda investment bureau rightly expressed about the created job opportunity for local labor and noted:

*Currently, the Dangote cement factory has created job opportunity for a number of local laborers. From the total laborers of the factory, the local laborer share almost 90%. Of this, a total number of permanent laborers are greater than casual laborers. Here, local laborers are classified into two: laborers that have gotten job only from our woreda, and laborers that came from every angle of the country, Ethiopia. We perceived the two as local laborers. The priority is given for those who born in this woreda if they fit the position. If they not fit, the chance of priority will be transferred to the neighboring woreda and continue until the factory gets the laborer that fit the position. This opens the chance for many laborers that fit the position from any place in Ethiopia, outside of our woreda. In short, Dangote cement factory has created job opportunity for many local laborers currently that reduces a number of unemployment in our country in general and in our woreda in particular (Interview with the woreda Investment Bureau administrator).*

Aly and Godihald (2009), and Selma (2013) explained that FDI creates a direct and indirect job opportunity for local labor. Similarly, the finding of this research shows that Dangote cement factory has created job opportunity for local labor directly and indirectly. Directly, the factory employed both casual and permanent local laborers who are working in the factory currently. Indirectly, many local laborers are organized themselves and supply raw materials for the factory.

Moreover, the training director of the Dangote cement factory remarked that the factory created job opportunity for local labor in two ways—direct and indirect. Directly, the director means, both the Dangote and its agency hire local laborers who have experience and fit the position. These employed laborers directly begin the work as soon as they take orientation and training. Indirectly, job opportunity is created for local labor in place where the factory gets raw materials. For instance, currently more than 250 laborers are organized and entered into work in East Shewa zone to mine the raw materials which is necessary for the factory.

The following table shows a number of local laborers and expatriates who are working in the Dangote cement factory currently.

**Table2: Total Number of Employed Labor in the Factory**

No.	Type of labor	Quantity	Percentage (%)
1	Permanent	1597	96.09
2	Casual	32	1.93%
3	Expatriate	33	1.99%
	<b>Total</b>	<b>1662</b>	<b>100%</b>

*Source: Dangote cement factory internal report*

As indicated in table 2, most of the laborers who are working in the Dangote cement factory are local laborers. The total percentage of local laborers in the factory is 98.02% (the sum of permanent and casual labors). Out of 1662 total laborers, the local laborers account 1629. This shows that the Dangote cement factory (FDI) plays a vital role in job creation for local labor.

Furthermore, labor focus group discussants explained about the job opportunity they have gotten and noticed:

*The Dangote cement factory has created job opportunity for many of us. We feel happy for the following reasons in this factory: firstly, we have gotten the job in the factory as soon as we graduated from the university in applied chemistry, engineering, and information science. And hence, we did not go here and there to search the job. Contrary to this, there are a lot of our friends who graduated with us from the same university and the same fields, but could not get job yet. Unless*

*Dangote cement factory was built in our area, we would not get job easily. Secondly, since we have gotten job nearby to the place where we were born, we are not exposed to extra payment like payment for renting house since we are living with our families. Lastly, we were not forced to adapt into the new environment since the factory was built in the place where we grew up. Some of our friends who have gotten elsewhere entered into difficulty to adapt to new environment. This is not limited to us. Many of our friends from our area were employed in the Dangote cement factory currently (Local labor focus group discussion participants).*

From this, the researcher infers that FDI plays a significant role in creating job opportunity for many local laborers nearby the place where they born and grew up, and hence they easily adapt into environment and do their work effectively. Further, they are not exposed to extra payments since they are sharing the shelters of their parents. This enabled the local laborers to save their money for future.

#### **4.1.1.2 Raises of Real Wage**

There are different arguments on whether FDI increases the real wage of local labor. Some argue that FDI increases real wage of local labor much more than domestic factory. Others disagree with the real increment of local labor's wage of FDI. This research reconciles these debates based on the data gathered from the field. The training director of the factory remarked:

*When we compare the wage of the laborers of Dangote cement factory (FDI) and domestic factories, the wage of the Dangote laborers is greater than domestic factories. The factory pays 8000.00 ETB monthly for the beginner laborers who have no experience. This means, the experienced laborers are paid more than 8000.00 ETB according to their experience. In Ethiopia, no other factory pays the aforementioned wage for non-experienced laborers. This is not legend, but the real comparison of the wage difference. Hence, Dangote cement factory raises the real wage for local labor (Interview with training director of the factory).*

Although the director ascertained that the factory paid 8000.00ETB for local laborers who have no experiences, the factory paid more than 12000.00ETB monthly for laborers who have no experience. What the directory has explained was about laborers who are employed by the agency of the factory. But as the researcher explained, the factory paid more wage for laborers who are recruited by the Dangote directly. The detail of the wage difference between laborers who are employed by the agency and laborers who are employed the Dangote was discussed under the negative effect of FDI on local labors. Albeit the monthly wage of labors of Dangote cement



factory is differ based on the organs which employed labors, this FDI, Dangote cement factory pays much more money for its labors than domestic factories which in turn plays a key role in real wage increment of local labors.

Galina and Mingzhi(2016) asserted that FDI leads to higher real wage. By the same token, the finding of this research reveals that the Dangote cement factory increases the real wage of local laborers who are working in the factory currently.

#### **4.1.1.3 Transfers of Knowledge, Technology, Skills and Experience**

FDI transfer knowledge in host countries through explicit and implicit labor training, transfer of skills and transfer of new managerial and organizational practice which arise beneficial effects when local personnel who are trained to occupy managerial, financial and technical posts in the subsidiary of foreign MNE leave from firms and help to establish local firms; and superior management skills of a foreign MNE stimulate local suppliers, distributors and competitors to improve their own management skills (Selma, 2013).

The training director of the factory explained that Dangote cement factory plays pivotal role to transfer knowledge, skills and experience to local laborers. Moreover, the director noticed that albeit the majority of laborers in the factory are local labor, there are foreigners who came from China, India and Nigeria. Alongside with these foreigners, there are many local laborers who are working in one office. While they are working in one office, they grasped knowledge, experience, knowhow and skills from these foreigners.

The interview with the training director of the factory further showed that the technical operation was dominated by foreigners initially. But gradually, local laborers began to replace the foreigner in some operations. Moreover, local laborers who grasped the foreigner knowledge and experience, and developed their skills are working in others Dangote cement factory, which exist outside of Ethiopia. Furthermore, there are a lot of experienced and skilled local laborers who are serving on managerial position in the factory. The director summarized that Dangote cement factory plays a significant role in transferring knowledge, experience and skills to local labor so that local laborers become competent not only in Ethiopia but also at international level.

Majority of local labor focus group discussants also recognized the importance of FDI in transferring of knowledge, skills and experience by saying:

*Nowadays, the world become one and ties together through globalization, and science and technology. No one can escape from this. Globalization of the world is not only limited to science and technology, but also it includes the knowledge and skills of operating the new technology. As soon as we graduated from the university, we were employed in this factory. During our stay in the university, most of the time, education was dominated by theoretical aspect. Hence, while we were employing in this factory at operation position, we faced the challenge to operate it. But since we are working with the Chinese, we acquired the experience from them and began to operate it. Now, we can operate it without any difficult. Even we can demonstrate to the newly employed laborer. Unless we learnt and shared such experience from the foreigners, we could not survive in this factory (Local labor focus group discussion participants).*

From this, the researcher infers that foreigner laborers who came from different countries and have different experiences and skills are transferring their skills, knowhow and expertise to local laborers.

#### **4.1.1.4 Increases Productivity**

Productivity is one of the factors that enable one factory to produce goods and services at higher rate. Unless the laborers who are working in the given factory are competent, the given factory cannot produce at higher rate. Hence, the skills, experience, expertise and knowhow of the labor determine the productivity of the factory. The entire number of labor focus group discussion participants agreed and remarked:

*By using the knowledge, skills, and experience we have acquired from the foreigners in this factory, now we become more productive. Production is not simply transforming input into output by processing raw materials. It also needs special techniques and expertise. Most of us learnt these special techniques and expertise of production. What has to be take into account in production is that the efficiency and effectiveness of the labor and the ratio of input to output, and how and what amount of products are being produced by the given labor in the given time intervals. Then you will compare the output whether it is beneficiary. Further, since we learnt how we can operate the new technology, we produce more now. In short, since we work with experienced foreigners who have knowledge and skills to operate new technology, we are moving to higher production now (Local labor focus group discussion participants).*

By the same token, the training director of the factory also explained that Dangote cement factory is playing a pivotal role in leading the labor to higher production. Local labor learnt new system of production, new technology, and new system of operation and hence, they would increase their skills, knowhow and experience since the diffusion of technology and ideas

are spillover from more technologically advanced countries to developing countries like our country, Ethiopia. Generally, the director concluded his remark that spillover of the technology and ideas increased the skills of local laborers, broaden the root of their knowledge and leads them to higher productivity.

Matthias described that, “FDI increases in working standard if foreign investors employ local labor” (Matthias et al., 2009). Besides, the finding of this research also indicates that FDI increases productivity of local laborers since they shared knowledge, experience, skills and knowhow from foreigners.

In nutshell, Dangote cement factory has created job opportunity for a number of local labor, raised the real wage of local labor, introduced and transferred new technology, skills, experience and knowhow which help local laborers to increase their productive capacity and ability, and these all play a significant role in changing the life of local labor and make them competent both at regional and international levels.

#### **4.1.2 Negative Effects of FDI on Local Labor**

The finding of this research is not limited to the positive effects of FDI on local labor. It also showed the negative effects of FDI on local labor. According to the collected data from the participants through interviews, focus group discussion and questionnaires, the negative effects of FDI on local labor are: wage difference among skilled laborers—laborers employed by agency and laborers employed by Dangote; absence of standardized rules and regulation to hire local labor; and exclusion of local labor—laborers who born around the factory.

##### **4.1.2.1 Wage Difference**

Albeit Dangote cement factory created job opportunity for many local laborers and raises their real wage, it, according to the finding of this research, created wage difference between skilled laborers who are employed by the Dangote and laborers who are employed by its agency. The data gathered from laborers through focus group discussion indicated that most of the laborers of the factory are hired by agency though some are hired by Dangote directly. Albeit the laborers employed by agency and Dangote have the same qualification, experience and work the same hour, the agency is paying lesser wage for them. There are two pay rolls which are maintained by the factory: one for the direct recruits and other for agency recruits.

Moreover, the administrator of woreda investment bureau recounted:

*There is the wide wage difference between laborers who are employed by Dangote and laborers employed by agency. The difference is caused by the agency. The agency asks the commission since it acts as the factory's broker. This commission is deducted from the monthly income of the employed laborers by the agency. On the other hand, there is no paid commission by the laborers employed by the Dangote. There is nearly 5,000-10,000 ETB wage difference between laborers employed by Dangote and laborers employed by agency although the employed laborers by the two recruiters have the same skills, experience, qualification and educational background. This causes resentment among the workers of the same category (**Interview with woreda land and environmental protection administrator**).*

In spite of being paid much more monthly wage of the labors of the Dangote cement factory than domestic factories, the majority of the labors are obliged to pay commission for the agency of the factory from their monthly income which caused wage difference between laborers who have the same skills, qualification and experience. According to the internal report of the Dangote cement factory, out of 1662 total labors, 1043 laborers are employed by the agency and all laborers who are employed by the agency are paying from 5000-10000ETB for agency monthly. On other hand, out of 1662 total labors, 554 laborers were recruited by the Dangote directly. The wage of these laborers is free from commission because Dangote does not ask them commission and hence, they are paid all salary. This has created wage difference between laborers who are employed by agency and laborers who are employed by Dangote.

“FDI increase wage inequality due to an increase in the skill premium which is difference between wages of skilled and unskilled labor force”(Galina and Mingzhi, 2016). Unlike the Galina and Mingzhi finding which showed the wage difference between unskilled and skilled labor, the result of this research indicates that there is wage difference between skilled laborers because the laborers employed by agency are subjected to pay commission for agency which is deducted from their monthly income. On the other hand, there is no deducted commission from laborers employed by Dangote.

#### **4.1.2.2 Absence of Standardized Rules and Regulations**

Rules and regulations are the principles that govern certain conduct, work and activities. It plays pivotal role to work diligently and raise productivity. If rule and regulation is violated,

there will be punishment by respective organization otherwise it will cause dispute and conflict.

The administrator of investment bureau remarked:

*There are no standardized rules and regulations to employ the local laborers. Local community had reverse attitude toward Dangote cement factory on employment. They believed that those who removed from their land and their children should be employed in the factory without any requirement. In fact, this is a dream and impossible since every work requires respective experience and qualification. Moreover, all children of those local communities could not get job in the factory albeit they wish that all of their children will be employed in the factory. Furthermore, they did not identify about the qualification and specialization fields of their children. For example, the one who graduated by sport science cannot be employed in the Dangote cement factory although local communities assumed it. Besides, the absence of standardized rule and regulation on what numbers of local communities' labor have to get job in the factory is making the things difficult and worse. To avoid such ambivalent ideas, there should be standardized rule and regulation which express about to what extent, qualification and degree the local labor are employed in the Dangote cement factory(***Interview with Investment Bureau administrator***).*

Furthermore, the casual laborer focus group discussants regretted that though the government officials promised the children of local laborers whose lands were taken for the purpose of investment to hire in the factory, most of them did not get job. The discussants further argued that they had asked the woreda many times about the chance of getting job opportunity in the factory, Dangote cement factory, but they could not get enough responses. To bring the case into the court, there was no standardized rules and regulations as it was promised them orally and they wished if there. The discussants finally concluded that there must be standardized rules and regulations which explain about what quota of local laborers should get job in the factory.

#### **4.1.2.3 Exclusion of Local Labor**

Local laborers are always eager to be employed in the Dangote cement factory since they believe that the owner of the factory is foreigner and hence, pay more than domestic factory; their family left their lands for the factory; and they believe that no one who comes from the other area could employ before them. The investment bureau administrator recounted:

*Many local laborers were excluded by the agency. People who work in the agency came from other areas. They did not understand about the local norms, values, taboos, tradition, culture and language. Initially, most of the local laborers were excluded even though rhetoric is there now after the confrontation and revolt of local communities. Furthermore, the manager of the factory is foreigner. Like*

*agency, he did not know the ways of life, values, language, norms, custom, believe, culture and taboos of local community and thus, unable to reconcile the local perception and the interest of the factory. These all contributed for the exclusion of local labor and gradually cause tension and then conflict in Dangote cement factory (Interview with investment bureau administrator).*

From this, researcher infers that the agency caused the exclusion of local laborers since they do not know about the situation that exists in local community. Consequently, it aggravated the tension in local community.

#### **4.2 Effect of FDI on Landholders**

Based on the information gathered through interviews and focus group discussion from landholders and through interview from administrators of different offices, the conflicting ideas were identified on the effects of FDI on landholders. The landholders focus group discussants and interviewed elders explained:

*The coming of Dangote cement factory into our area affected our life. We left all or some of our lands for investor, but the paid compensation is inadequate and so bureaucratic; we were displaced from our lands and thus, we exposed to food insecurity; no pre condition was given for us to resettle; we emigrated to urban areas; we sold all of our cattle, sheep, goats, horses and donkeys; no orientation and training was given for us on the mechanism of use and save money; our children become jobless and wandering here and there in the town to search the job; and we have no continuous income currently (Interview with local elders, and land holders focus group discussion participants).*

On the other hand, the government officials such as administrators of land and environmental protection, and investment bureaus argued that most of the landholders, who have been removed from their land were: compensated properly; improved their life, begun to live in the modern houses, awareness was given for them, their children have gotten chance to employ in the factory, they are good savers; organizing them into small and micro enterprise was tried albeit unsuccessful; and their livelihood is better than before (**Interviews with investment bureau and land and environmental protection bureau**).

Although the administrators of the two bureaus explained about the positive effects of Dangote cement factory on landholders, they did not deny about the complains of landholders on lowness of paid compensation, food insecurity of landholders; low level of saving habit of those landholders; absence of continuous training and awareness on saving habit; absence of preconditions to resettle them; and joblessness of landholders and their children. The details of

collected data are discussed below by focusing on compensation, income, livelihood, rights to land, social conflict and culture, and lastly the researcher concluded based on his field observations during data gathering time.

#### **4.2.1 Compensation Method**

“The social impacts of FDI depend mainly on the amount of money available either directly from the foreign investor or the national government” (Selma, 2013). The interviewed administrators of land and environmental protection and investment bureaus explained that the compensation was varied based on the farm lands, grazing lands, irrigable lands, and non-irrigable lands. The term of compensation was calculated for ten years even though the lands are not to be returned back to the owners of land after ten years. And hence, the paid compensation is inadequate.

The data gathered from landholders through focus group discussion, and from woreda land and environmental protection through interview disclosed that the compensation was paid for all landholders in cash. The method of Payment was varied based on the kind of lands. The compensation paid for farm land is different from grazing land. For instance, about 400,000ETB was paid per hectare for farm land. On other hand, for grazing land, about 300,000ETB was paid per hectare. Further, interview with local elders showed that method of payment was based on the market prices of crops during the compensation was paid and hence, it did not take into account about the future inflation of the market. At that time, the payment for farm land was based on the costs of grain per kilogram of that time i.e. if 100kg Teff =1600ETB, the total payment was based on the capacity of the land it produces in kilogram per year by taking the average of five years. If one hectare has the capacity to produce 2000kgs (40 sacks) per year for five years averagely, the total payment was 2000kgs times the cost of 100kgs during the compensation was paid (1600birr) times 10 years since the compensation was paid for them only for ten years  $(2000kgs * 1600 \text{ birr} * 10 \text{ years}) / 100kgs = 320,000ETB$  per ha.

By the same token, the grazing land is also calculated by the same process—based on the cost of the grass during the compensation was paid. But now the cost of 100kgs is nearly 2500 birr. It may be doubled in the coming year since the rate of inflation is high in Ethiopia when compared with the costs of Teff when they evicted from their lands. Furthermore, the landholder

focus group discussion participants explained that they could plough their land for more than ten years or throughout their life, but the compensation was paid by estimation of only ten years.

In addition, local elders also added:

*Initially, we were happy to the coming of Dangote cement factory, but after we received money and began to use it, we prefer our lands to paid compensation, and we annoyed. Some of us shared money among the members of our families. I, for instance, have six children. I divided the compensation for all of them since their mother was died. They asked shares of their mother. If my land is not taken from me, my children will inherit the land which has continuity. But since I lost all of my lands, all of my children shared the money instead of the land. Albeit most of them are using the money properly, some were finished it and now they become casual labor. I lost vast lands, but I received a little money. The fate of my life is in the hand of the God now. Other farmers also did the same thing. None of us are happy to the paid compensation. I wish if the government pays additional money and resettle us or/and give us another land(***Interview with local elders***).*

The landholders have no experience of holding and using cash. This is why they were happy as soon as they got money. But meanwhile, the finished their money and began to wish to retake their lands. Besides, sufficient training was not given for landholders on how to use cash and reinvest it and regenerate further income. Other factors that exerted pressure on their cash are the issues of inheritance. In all parts of the country, Ethiopia, children usually inherit the resource of their parents. The FDRE constitution and federal land proclamation also assured this one. But since the landholders were evicted from their lands with inadequate compensation, their children shared the paid compensation because the lands have already taken by the investor and thus, they have no possibility to inherit the lands of their parents. Consequently, each family shared the paid compensation to members of their family which lowered the paid compensation. This also contributed for the inadequacy of paid compensation.

Besides, the system and method of compensation payment was dominated by corruption. Entire of landholder focus group discussants explained about the corruption and challenges they faced during the estimation of compensation by saying:

*While the compensation of our land was estimated for us, there was corruption, and high bureaucracy. The estimator of the compensation needed money. Unless you gave them money or promised to give money/invite them dinner or lunch or they are your friend, they lower the estimation of the compensation. Overall, since*



*the paid compensation is full of corruption and insufficient, our current life is worse than before*(**Landholder focus group discussion participants**).

#### **4.2.2 Income**

This section discusses about both the former income and current income of the landholders. The majority of landholder focus group discussants expressed about the former income as follows:

*When we were farmers, we used to cultivate the crops, herd animals like cattle, sheep, goats, horses and donkeys. We could sale them during the time of emergence and when we needed cash. Moreover, we used to produce fruits and vegetables by using irrigation since some of our lands were nearest to the river. We had no more expense before since we produced all of them. Furthermore, out of our families, most of them used to plough lands with us and produce fruits and vegetables. They used to buy their clothes and feed their families by the product they got from the lands* (**Landholders focus group discussion participants**).

The landholders continued and expressed about the current income to compare with the former income by saying:

*Currently, some of us are traders, and some of us are jobless. We prefer farming the land and herd animals to trade since we inherited farming from our ancestors and experienced by it. When we were removed from our lands, we sold all of our cattle, sheep, goats, horses and donkeys. They used to reproduce themselves and hence, we sold their calves. But now, we have no constant income. We are blown with the fluctuation of the market. Our children are also practicing the trade nevertheless their experience is farming the land. When we compare our current income with the former one, our former income was better. The reason is that we had different options to generate the income at that time. But now, there is no such diversified approach. We wish if we re-owned our lands* (**Landholder focus group discussion participants**).

Further, the collected data from local elders through interviews indicated that the current income of the farmers is depending on only paid compensation, and ability, knowledge of individual to save and use money. Those who have education and experience in saving bought the houses and generate income by renting them. Some become traders. Others bought Sino trucks and are generating the income from them. But, most of them who left the lands have no experience to save the cash. The elders suggested that no training was given for them on how to use money. They used to plough land and produce grain, and herd animals. Further, they used to sale their grain and cattle only during the time of emergency. But now, they buy all things from market and hence, the paid compensation is incapable of to feed their families.

### 4.2.3 Livelihood

It is inferred from the previous discussion that the former and the current livelihood of landholders are totally different since the former income of landholder was better than the current income as explained by participants. The collected data from landholders through focus group discussion and the interviews revealed that the former livelihood of landholder used to depend on agriculture—plough the land and produce grain, cultivate vegetables and fruits by using irrigation, herd cattle, sheep, goats, horses and donkey, dairy and fattens animals. But currently due to the coming of this large plant, Dangote cement factory, their livelihood become dependent on single plant than the former diversified mode of production. They left their land for the Dangote cement factory and in return they received a little money in the form of compensation. Besides, many of them exhausted the paid compensation either through extravagancy or distributing among the members of the family.

The entire landholder focus group discussants said that, “Our former livelihood was better than the current livelihood”. The landholders continued and remarked:

*Initially, we dreamed as all of us will be investor by using the paid compensation. Then we received compensation and began to use it. After one year, many of us spent the money. Before we left our lands and moved to the town, we used to plough lands and could get more than 100 quintals per year. This is sufficient to feed our family even up to two years. Besides, we used to fatten cattle and herd dairy cattle, and could get more than 55,000 birr per year. Furthermore, we and members of our families were busy with production of potatoes, onion, garlic, cabbages and maize. As a result, they had their own work. We partitioned the land for all of them to cultivate the aforementioned vegetables and fruits. They were successful by doing so. But now, all members of our families are moving here and there to search daily work. We used to live good life. By now albeit we wished to live better life than former, we left as dreamer. We wish if we re-owned our land and live the former life. The government should give us another land. Wherever it is we go and ready to plough it (Landholder focus group discussion participants).*

From the above explanation we infer that the former livelihood of landholders was more diversified than the current one. Further, the perception of landholders toward FDI was the reverse one. They assumed as the foreigner investor pays much money and hence, they were proud of transferring of their lands. But after they had received compensation and began use it they understood as the foreigner investor does not pay much money. This is happened due to the absence of creating awareness and giving training for landholders.

Aly and Godihald(2009) posited that FDI has negative impact on local landholders since the situation of displaced farmers is often worse than before with inadequate compensation for their loss of land. By the same token, the finding of this research displays that the former livelihood of landholders is better than their current livelihood since they used to generate their income from different works such as ploughing lands and producing crops, fattening animals, herding dairy animals, cultivating different fruits and vegetables and leading their life. As a result, FDI has negative effects on income and livelihood of landholders.

Landholder focus group discussants also added that, “The coming of Dangote cement factory devastated our life and displaced us from our original lands.”

#### **4.2.4 Right to Land**

The FDRE constitution article 40(4) stated that Ethiopian peasants have right to obtain land without payment and the protection against eviction from their possession. Further, the federal Rural Land Administration and Land Use proclamation No. 456/2005 assured the right of landholders. Specifically, article 5 sub article 1 (a) of this proclamation entitled that any citizen of the country who is 18 years of age or above and wants to engage in agriculture for a living shall have the right to use rural land. Besides, the article 7 (1) also assures about the duration of rural land right use by entitling that the rural land use right of peasant farmers, semi-pastoralists and pastoralists shall have no time limit. This article clearly stated that peasants can use their land and inherit to his/her successors forever.

Moreover, the Oromia regional state Land Use and Administration, the amended proclamation No. 130/2007 article 5 (1) grants the peasants’ right as follow: any peasant or pastoralist, or semi pastoralists who has the right to use rural land shall have the right to use and lease on his holdings, transfer it to his family member and dispose property produced there on, and to sell, exchange and transfer the same without any time bound. On other hand, both the proclamations of federal and Oromia regional state handover the above mentioned rights by the name of investment and public use.

Some questions may arise from these controversial views: What are public interests? What are the magnitudes and degree of public use? How many landholders are evicted from their land and exposed to food insecurity by the name of using their lands for investment? Can the development be achieved by exposing many of landholders to poverty and giving land for single investor?

For all aforementioned questions, there are no clear answers. The interview with woreda land and environmental protection administrator shows that the Dangote cement factory displaced more than 2370 landholders from their lands without adequate compensation. This means most of them will be exposed to food insecurity albeit some of them use their money properly.

Landholder focus group discussants said that, “We have identification card which certifies us to own land and use it albeit it does not guarantee us up to the end.”

The entire focus group discussion participants explained:

*We inherited our lands from our families. Then, we have gotten certificate that showed our land from woreda land and environmental protection office. We supposed that as we inherited the land from our families, our children will also inherit it. Hence, we further supposed that we have full right on our lands. But after the Dangote cement factory came and evicted us from our lands, we lost the right to use our lands although it is assured and granted by constitution. Following this, we strongly protested and tried to fight for our rights, but unable since the government took a hostile policy stance (Landholder focus group discussion participants).*

Albeit the certificate that shows the ownership of land has been given by woreda bureau of land and environmental protection for the landholders, it does not avoid the eviction of landholders from their lands. This shows that by name of investment, the rights of many landholders are being violated and they are evicted from their lands and become guardians of the investor and some of them become jobless.

#### **4.2.5 Social Conflict**

Social conflict has emerged with the coming of Dangote cement factory which was caused by inadequacy of compensation; deterioration of livelihood of landholders; lowness of current income; expropriation of landholder from their lands; exclusion of local labor (especially laborers of whose family evicted from lands); wage difference between skilled labor; existence of corruption during employing labor by agency; high commission of agency; and lowness and absence of any precondition to resettle the landholders. The administrator of the investment bureau noticed that, “The exclusion of local labor and corruption made by agency to employ labor for the factory were the main cause of the conflict.”

Furthermore, most of landholder focus group discussants described:

*We were happy while the Dangote was coming into our area first. But gradually things become complicated. The woreda refused us to give the Promised Land for landholders who were removed from lands. Further, the followings contributed for the cause of conflict: inadequate compensation and existence of corruption during payment; firing of our children from the factory and exclusion of our children in getting job; corruption made by agency while employing labor; bringing of drivers from other areas even though many local drivers are there; and generally, the issues of unemployment concern much (Landholder focus group discussion participants).*

The collected data from different bureaus and participants showed that due to the social conflict, many trucks which were the property of the Dangote cement factory were burnt and broken down. Further, attempt was made to burn Dangote cement factory. The administrator of woreda investment bureau noticed, “Lack of uniformity in implementing of policy, programs and strategies by different organs which found at different levels; leading of investment bureaus by politicians; and politicizing the questions of local community aggravated the conflicts” (interview with woreda investment bureau administrator).

#### 4.2.6 Cultures

Sociologists defined that culture is a collective of shared values, customs, norms, tradition, knowledge, and language among the community for a long period of time. The collected data from landholders through interview and focus group discussion show that FDI has negative effect on indigenous culture. “We lost our communal life, norms, eating styles, hospitality, respect, values, and customs, after we were displaced from our land and began to live sparsely” (Interview with local elders). The elder continued and remarked:

*We had our own culture in the place where we used to live—rural area. We lived together with our neighbors for a long period of times. We had common language—‘Afaan oromoo’, common values, traditional way of resolving conflict through ‘Jaarsummaa’ –the process of solving disagreement and dispute by local elders informally without going to the court, common wedding styles, common eating style and wearing style. Our children used to wear the beautiful traditional clothes. But after we came into the town, our children began to follow the cultures of western. They totally lost the rural life and try to act as urban liver by imitating their act. Further, while we were living in rural area, our children stand up when their father and elder enter into house to welcome them and show respect. But now, they completely lost that good culture and they do not care whoever enters into the house. Moreover, we used to eat together there, especially, during holidays. No one ate alone. Even those who conflicted before reconcile at that time. We work together—plough the land together, mow together, harvest*

*together, cultivate together, and build together. Generally, the coming of the Dangote affects our cultures (Interview with local elders).*

From this, we infer that this FDI, Dangote cement factory, is responsible for the loss of the culture of local community. When they used to live in rural areas, their children were not exposed to culture of the western because there were no media which had influenced them to be attracted by western culture. But in urban areas, the children of landholders totally give up the indigenous culture and began to imitate the western cultures. Hence, they began to disregard the respect they had for elders like in rural areas—they used to stand up when the elders enter into the house.

Furthermore, the data gathered from landholders through focus group discussion showed that the culture of rural and culture of urban people are different. In rural area, they used to share their pleasure and pain /condolence together because they were born and grew there, and knew each other very well. But, after they immigrated into urban areas, they faced challenges to adapt into the new culture. They fear to speak to their neighbors since they do not know each other very well. What makes things so difficult is incapability of rural community to speak Amharic. In rural area, 'Afaan Oromoo' language is spoken. But in urban area, Amharic language is widely spoken. Consequently, they could not exchange their idea freely as they like. Likewise, the ways of expressing sorrow in rural area and urban area is also different.

By the same token, landholder focus group discussion participants explained about how the coming of the factory mobilizes local women into sexual activity and regretted:

*Before the coming of the Dangote cement factory into this area, many of rural women did not know about prostitution. They simply heard about it. Sometimes, we saw women who participated in commercial sex in Muger town since many drivers stay there until they get cement from Muger cement enterprise. Before Dangote came into operation, prostitutes were there, but few in numbers. After the Dangote cement factory was inaugurated and began operation, a number of local women became prostitute. Many drivers are coming to the Dangote cement factory since the factory produces large amount of cement and the cost of the cement is the cheapest. Until they get the cement, they stay in the town. At that time, they have wide chance to communicate with local women. What makes things worse is that many of females of landholders who evicted from their land began to participate in commercial sex. Most of those females are grade ten completions. Some are university graduated. As soon as they complete grade ten and/or graduated from university, they face challenge in getting work. And thus, they prefer to prostitute and generate income to return to their families. Since most of the income of their families is low, their families are not willing to stay*

*with their children after they left their land. This opens the way for the wide spread of HIV/AIDS in Reji town (Landholder focus group discussion participants).*

Generally, FDI affects the culture of local community. The result of this research shows that local community lost their identity; began to learn new language by relinquishing their mother tongue to adapt into new environment; lost the traditional way of celebrating wedding styles and expressing condolence, and obliged to learn the new culture in the new environment; their children are highly attracted by western wearing style by giving up their indigenous one since they presumed it as modernization and civilization; access to media in urban area pursue the children of local community being attracted by western cultural ways of life and began to neglect indigenous culture such as eating style, respect, hospitality, wearing style, norms, values and tradition.

#### **4.3 Effect of FDI on Infrastructures**

In this sub-title, how FDI influence infrastructure such as road, electricity and water, and other social service like healthcare and school are analyzed. The theme of this sub-title does not focus on effect of infrastructure on FDI, but the reverse, effect of FDI on infrastructures. Since the Dangote is on the beginning of production (counted only two years), it is difficult to discuss the exact relationship between FDI and infrastructures. Further, most of infrastructures which are built by the factory are on process. But up to the data gathered, the result of this research shows that FDI has positive effect on infrastructures.

The interviewed administrator of woreda investment bureau explained:

*The beginning of Dangote cement factory's contribution on building of infrastructures is good. It cleaned the internal road of Reji town when necessary. Further, it is on the process to construct the road which connects Daku Kersa Kebele and Mugher town by expending 12 million birr. Moreover, to build the residential workers (doctors) of the Enchini hospital by allocating 4.77million birr, the agreement was entered with Dangote cement factory and plan has completed. Likewise, it is answering the long terms question of community of Reji and Hula Gora towns by building water by spending 32 million birr in the two towns. Furthermore, it has supplied desks to Chanco Birate School and solved the shortage of desk in the school (Interview with woreda investment bureau administrator).*

“There are two types of infrastructures which are constructed by the factory and give service for local community—direct and indirect” (Interview with the training director of the

factory). By direct type of infrastructure, the director means, the infrastructures that were built and/or are built for the benefit of the community, not for the benefit of the factory. Those includes: constructing of water for communities of Reji and Hula Gora towns, the supplied desks and computers for Chanco Birate school; and constructing the residential houses for doctors of Enchini hospital.

By indirect type, the director means, infrastructures that are built for the benefit of the factory and the community can also use them albeit they are not built deliberately for the beneficiary of the community. For instance, the constructed roads to connect the factory and mining areas—9kms connect the factory and limestone mining area, 3kms connect the factory and clay quarry mining area, and 14kms connects the factory and gypsum quarry mining area. These roads were constructed on different direction and hence, they connect many local communities with Reji town. The director further explained that before the factory has constructed the road, there were no roads there. But now, the people can easily connect to the town although the road is not constructed for the beneficiary of the community.

Nevertheless the positive effect of FDI on infrastructure is more balanced than the negative effects of FDI; some negative sides are visible in Dangote cement factory in relation to road which can be solved by the factory. “The road is so narrow that it causes the death of many human beings and animals” (Interview with local elders). The elder continued and outlined:

*While the road which connects Mughar and Holeta was constructed, the only factory around this area was Mughar cement enterprise. The constructed road failed to estimate the coming of new investors into the area which makes the road so busy now. At that time, there were no many trucks. But now, the trucks of Dangote cement factory are four times than before. You mostly see the Dangote trucks on this road. What makes many the trucks of Dangote is that the factory is huge and produces much cement. Further, since its cost is low with high quality, private trucks can buy it and resale it by taking into other places. There is also Bedrock cement albeit it is small and no more customers unlike Dangote. These all trucks use the same road which was constructed before the coming of Dangote cement factory and Bedrock cement factory. As a result, the road is so busy and causes the death of many people and animals (Interview with local elders).*

Besides, the finding of this research shows that the local community complains that the coming of the factory caused shortage of power supply. Since the plant is large and its production capacity is very huge, it consumes large electricity and hence, it caused the shortage of power to locality.



Colin Kirkpatrick, et al. (2006) finds that FDI has positive effect on infrastructures. Similarly, the finding of this research indicates that this FDI has more positive effects on infrastructures of local community.

#### **4.4 Effect of FDI on Environment**

Regarding to the effects of FDI on environment, there is no convergence on the findings among the researchers yet. For example, the finding of research of Yue Shujing et al. which was conducted in 280 Chinese cities showed that FDI has positive effects on urban environment since the production technology and technological progress of Multi National Companies are generally superior to the domestic actuality. On the other hand, the finding of research of Aly and Godihald (2009) showed that FDI has negative effects on environment. From this, the researcher could infer that the effect of FDI on environment is varying from researchers to researchers and place to place based on the nature of research.

The data gathered through focus group discussion and interview showed that Dangote cement factory uses zero pollution. In fact, the factory fulfilled international standard of environmental protection and hence, it was constructed by standard of zero pollution gas emission. The administrators of investment bureau, and land and environmental protection bureau argued that unlike Mughher cement enterprise which released smoke into the air; there is no smoke which is released into air by the Dangote cement factory. The administrators further explained that Dangote cement factory is discharging its duty on using 2% of environmental rehabilitation to fit with the international standard of environmental protection.

On the other hand, the finding of this research does not conclude that Dangote cement factory has absolute positive effect on the environment. There are some negative effects—the factory caused holes in mining areas which may cause land degradation and land slide, release of small amount of pollutants from the garage to water; and destruction of bushes albeit it is small.

The woreda land and environmental protection administrator recounted that the cost of cement is so low that local community could buy easily and build their houses instead of cutting tree and build houses. Further, smoke is recycled and hence, does not pollute air; and waste products both liquid and solid which pollute the environment are low when compared with domestic factories. The administrators concluded their remark that even though the sound of trucks disturb environment and produces noise pollution while they transport raw materials; and

dust caused by trucks affect local community, the Dangote has positive effect on overall environment when compared with domestic factories.

By the same token, the training director of the factory outlined:

*To ensure the environmental ethics and international standard of protecting environment, the factory has installed the following equipments: kiln gas emission controlled by high temperature fibre glass bag house to achieve the target of emission below 30 mg/NM<sup>3</sup>; two gas analyzers to control exit gases such as Carbon Dioxide (CO<sub>2</sub>), Carbon Monoxide (CO) and Sulfur Dioxide (SO<sub>2</sub>) and Nitrogen Oxide (NO<sub>x</sub>); special Rotoflame burners from Pillards for kiln & pre-calciner burning to keep the anoxies within international standards; and electrostatic precipitator to take care of cooler vent. Besides, process bag houses also have PTFE membrane bags to achieve emission below 30 mg/NM<sup>3</sup> at stack; and covered storage for all the raw materials, clinker and cement are constructed to avoid pollution (Interview with the training director of the factory).*

Furthermore, the director explained that all plant wastes are connected with underground main sewer line to centralize sewage treatment facility; and adequate manholes and inspection chambers are provided as per local regulations and treated effluent meets the local Occupational Health, Safety and Pollution control regulations to ensure sewage treatment and disposal. Finally, water from wastewater treatment plant and sewage treatment plant is used for vegetation and gardening.

In nutshell, the finding of this research exhibits that FDI has more positive effect on environment of local community. Consequently, the finding of this research rejects the finding of Aly and Godihald (2009) which showed that FDI has negative effects on environment, but confirms with Yue Shujing et al. finding which stated that FDI has positive effect on urban environment albeit this finding focus on the whole environment of local community.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary

Dangote cement factory, a green field project emerged out of FDI, has positive effect on local labor like creation of job opportunity; increment of real wage; transfer of knowledge, knowhow, experience and technology; and leads them to higher productivity in Dangote cement factory. In contrast, this FDI project has also negative effects on local labor—wage difference between skilled labor; absence of standard rule and regulation to employ local labor, and exclusion of local labor while laborers are employed by agency.

On other hand, this FDI project, Dangote cement factory, has negative effect on landholders because the paid compensation is inadequate; existence of corruption during the estimation of compensation; the former income and livelihood of the landholder was better than their current income and livelihood; the landholders sold all of their property and emigrated to urban areas; low level and habit of landholders to save and use cash properly; absence of enough precondition to resettle the landholders; absence of continuous training for landholders on how to save money; expropriation of landholders from their lands which violated the right to use land; loss of diversified mode of income and become dependent on only paid compensation; loss of their culture, norms, values, and customs; joblessness of the landholders and their children; addiction of youths to chat and alcohol since they have no jobs; and prostitution of local women to generate the income, which facilitated for the widespread of HIV/AIDS.

In contrast, this FDI project, Dangote cement factory, has positive effect on infrastructures because the factory is on good beginning on construction of infrastructures; and this FDI project has also moderate effects on environment when compared with domestic factories such as Mugher cement enterprise and Koka cement since the factory installed modern technology that recycle the waste products into usable application and control the emission of gas into air.

## 5.2 Conclusion

Foreign direct investment (FDI) plays a significant role in enhancing economic growth and boost development. Albeit the role of FDI in economic development is high in developing countries, it could not totally escape from criticism on its negative sides in host countries. Having this as departure, this research, which is conducted in Dangote cement factory in Ethiopia, assessed the effect of FDI in local community by focusing on four themes—labors, landholders, infrastructures and environment.

The Dangote cement factory in Ethiopia has entered into cement production in 2015 with capacity of 2.5Mta. It is the biggest cement production in the horn of Africa in general and in Ethiopia in particular. Hence, the cost of cement in Ethiopia has been reduced which enabled local community to use this cement and construct house rather than cut down the trees and build house. Further, the factory has created job opportunity for many local laborers albeit the factory's agency subjugates them to pay money to the agency in the form of commission. Further, the agency discriminates the right to equal payment for equal work of local laborers. This caused the wage difference among local laborers who have the same skills, qualification and experience.

On other hand, landholders were evicted from their land without sufficient preparation to resettle them and with inadequate compensation. Besides, necessary and continuous training was not given for landholders by concerned bodies on how to save cash and reinvest on investment which can regenerate income for them. The background profile of the landholders showed that most of them were used to farmers. Hence, they did not worry about cash since they plough their lands and produce grain and cultivate different kinds of vegetables and fruits for themselves. They used to plough their lands and produced grain at least one time per year. Likewise, they had no experience of holding cash and use it for ever since most of their properties used to have in kind such as cattle and lands. These all aggravated the current income and livelihood of local community in addition to inadequate compensation. Above all, these and exclusion of local laborers by agency caused social conflict which is responsible for wreckage of many trucks of Dangote cement factory.

This FDI, Dangote cement factory, has positive effects on infrastructures. Albeit some negative effects of FDI on infrastructure can be seen, the beginning of Dangote cement factory on infrastructure is encouragable. As the factory expands its production, it will increase to

construct many infrastructures like road, water, electricity, school, and health station for local community.

With the coming FDI, the issue of environmental problems is always raised by environmental ethicists across the world in general and in developing countries in particular. But the Dangote cement factory fulfilled the criterion of environmental Ethics according to international standard of protecting environment. Thus, the factory recycled the waste products and used it for vegetation and gardening. Consequently, Dangote cement factory is exercising an exemplifier role for other factories in Africa in general and in Ethiopia in particular in ensuring environmental ethics.

### 5.3 Recommendations

Based on finding of this research, the researcher suggested the following recommendations:

- ❖ The government of Ethiopia should conduct need assessment on FDI and identify its positive and negative effects and take the necessary measurement for mitigating the negative effects;
- ❖ Labor should be employed by one organ—either by Dangote or by its agency to avoid wage difference among skilled labor;
- ❖ The federal investment bureau should interfere and take remedial steps since paying different wage for laborers who have the same qualification, experience and do the same work sabotage the right to get equal wage for equal work;
- ❖ The government of Ethiopian should launch the clear cut policies and strategies which entails the rights and duties of agency and how it operates;
- ❖ Continuous and joint observation and follow up should be taken by federal investment bureau, Oromia investment bureau, zonal investment bureau and above all, woreda investment bureau, and take joint action if necessary;
- ❖ High priority should be given for local labor especially, for laborers whose parents are removed from lands—laborers who have qualification, experience and skills—to solve the problem of exclusion of local labor;
- ❖ There should be clear rule and regulation on what percent of local labor have to get job and continuous follow up should be implemented;
- ❖ Local community should be informed by neutral organization such as civil society organization about the project and its effects;
- ❖ The government should define and implement a transparent, fair and just policies to compensate local community;
- ❖ Sufficient and continuous training and awareness should be given for landholders on how to save many and proper use of cash;
- ❖ The government should organize the landholders, increase their capacity and skills and enable them to supply raw materials for the factory;

- ❖ Half of the compensation should be left as share in factory and paid for them step by step so that the landholders develop the sense of ownership and hence, could not burn and damage the property of the factory and thus, they protect it well;
- ❖ The landholders should be organized into small and micro enterprise and invest their capital on investment which can regenerate their income and open job opportunity for themselves rather than use the money alone;
- ❖ The investment bureaus of all levels should be free from political interference, work independently and administered by qualified and experienced person such as economist, managers and individuals who are qualified in regional and local development;
- ❖ The manager of the factory should be assigned from local laborers, who have qualification and capacity to lead it, know norms, values, cultures, tradition and language of local community so that he can maintain the interest of local community and the factory, and reduce social conflict and any challenge by communicating with local community;
- ❖ The promised land should be given for landholders in urban areas
- ❖ Necessary and sufficient precondition should be avail first before the landholders are expropriated from their lands and;
- ❖ Additional roads should be constructed or the roads should be expanded to reduce accidents and the deaths.

#### **5.4 Scope of Future Research**

This study attempted to investigate the effects of FDI on socio-economic conditions and environment of local community by studying Dangote cement factory in Ethiopia like a case study. But this cannot show and provide the full pictures, magnitude and degree of the problem at national level. Since the same problems might be happen in almost all of FDI green field projects in the country, further study should widen its scope beyond Dangote cement factory, Ethiopia, and consequently, the national wide study should be conducted on the problem.



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## **Appendix: Interview guidelines**

Before the researcher goes to field and collect data from the participants (elder of local community) through semi-structured interview, the researcher developed guideline for interview in this plan as follow:

### **I. Plan**

Title: *effect of FDI on local communities in Ethiopia: empirical investigation from Dangote cement factory*

- Type of interview: *semi-structured interview*
- Place: *Adea Berga woreda, Mughher district*
- Interviewer and note taker: *Abdisa Olkeba*
- Interviewee: *selected local elders from local communities*
- Date: *23/02/2017*
- Duration: *50 minutes*
- Guarantee for interviewee: *confidentiality of interviewee will be kept*

### **II. Purpose of Interview:**

- To describe the effect of FDI on landholders;
- To investigate effect of FDI on income of local community;
- To find out the effect of FDI on local labors, infrastructures and environment;
- To explore the employed mechanism to resettle local community;
- To explain the livelihood of landholders before and after compensation is paid.

### **III. Prepared Questions for Interview**

Since the method is semi-structure interview, the researcher listed only some questions. Other questions can be derivate from the following questions accordingly.

1. How do you see and perceive FDI?
2. What impacts does the factory have on life of local community?
3. Did the factory improve the life of local community? How?
4. Have infra-structures such as road, water and electricity been supplied for those communities in the new area where local community are living now?
5. How did the compensation paid?
6. What is the current income of those communities now?
7. Has any training and awareness given for local communities on how to use budget and adapt to new environment?
8. How many dependent people (children under age of 18 and elder whose age are greater than 60) are there in one family, averagely?
9. What do local communities expect from both the factory and government hereafter?

*Is there anything that you add at the end?*

*Thanking the interviewee.*