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FOREIGN DIRECT INVESTMENT IN ETHIOPIA, BENEFITS AND ROLES

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Abstract

Foreign direct investment (FDI) is an essential component of an international economic system, as well as a primary force of development. However, the benefits of FDI have not been distributed fairly among countries, sectors, and local communities. The goal of this study was to investigate the role and advantages of FDI in Ethiopia. As a result, we used both primary and secondary data. The sample size for the primary data in the study was 384 respondents. The data was analyzed using descriptive and OLS regression model. As a result, the study found that technology, skill, and knowledge transfer to local employees in foreign firms in Ethiopia was limited because key technical positions were held by foreigner employees. Foreign corporations exhibit little charitable concern since there were no clear policy guidelines and minimal mobilization and coordination by local administrators. Besides, FDI had a positive and significant effect on employment growth. It means that FDI had benefits in terms of reducing unemployment problems, although the salary and incentive packages of foreign firms were not adequate for their local employees to live decent life.

Key Words: Technology transfer, Unemployment, Philathropic concern, Foreign firms and Investment

1. Introduction

Foreign direct investment (FDI) is a critical component of an open and effective global economic system as well as a primary driver of development. However, the benefits of FDI are not distributed automatically and fairly among countries, industries, and local populations. National policies and international investment architecture are important in attracting FDI to a greater number of developing nations and reaping the full benefits of FDI for development. Investment is the dynamic component of Gross Domestic Product (GDP), the only one that allows domestic output to grow and, with it, employment. It affects consumer and government spending, with the latter benefiting from greater tax collection (Villegas-Zermeño., 2015); (OECD, 2002). However, the advantages of FDI are not distributed automatically and fairly among countries, sectors, and local communities.

Foreign Direct Investment (FDI) is frequently viewed as a driver of economic development since it can provide capital, technology, management know-how, jobs, and access to new markets. As a result, policymakers have tended to stress the advantages that FDI may offer to host economies, particularly those in developing countries. As a result, many governments have created policies to stimulate inward foreign direct investment (OECD., 2008)

Nevertheless, the actual impact of FDI on employment is complicated and contentious. Several investigations yielded conflicting findings (Jula, 2017), for example, and (Kharel K. R., 2020) discovered that foreign direct investment has a favorable influence on employment. (Uddin K. M., 2020), on the other hand, discovered that FDI hurts jobs. According to (Keynes, 2018)investment decisions impact growth in output and employment. That viewpoint holds that FDI creates jobs. FDI, however, has the potential to diminish it due to labor inefficiencies.

According to the (OECD, 2002), national policies and the international investment architecture are important in encouraging FDI to a wider number of developing countries and realizing the full benefits of FDI. The obstacles are primarily directed at host countries, which must create a transparent, comprehensive, and effective enabling policy environment for investment, as well as the people and institutional capacity to implement it. Ethiopia is one of East Africa's least developed countries, struggling for progress. It is Africa's second most populous country, following Nigeria. Despite the fact that the country possesses vast resources, a beautiful landscape, and a strategic location, it has been plagued by political instability, particularly since 2016. However, Ethiopia has faced problems with political stability and corruption; the government is attempting to achieve the goal of bringing the country into the lower middle income category. Accordingly, this study has emphasized on FDI implicancias for creating job opportunities as well as benefits for the country GDP growth. Besides the study, considered otros benefits of FDI, such as knowledge and skill transfer, as well as technology adoption.

Because of low income and domestic savings levels in Ethiopia, the gap between domestic investment and savings has widened. FDI inflow and technology know-how is thus critical to financing growth and development. The influx of foreign direct investment may be influenced by a variety of factors, including an economy's level of economic development, the regulatory regime in place, and social and political issues. In recent years, Ethiopia has begun to encourage FDI inflows by strengthening the investment climate and offering various incentive packages (Getinet, 2006).

2. Literature Review

Foreign direct investment research has progressed from antagonism to encouragement in underdeveloped nations (Imoudu, 2012), Primerly FDI could not become impediment to the development of indigenous industries for export promotion. According to (Athukorala, 2003), FDI brings vital resources to developing countries, including technology, capital, management skills, entrepreneurial aptitud, brand and market access, which are required for developing countries to industrialize. In general, FDI objective is boosting economy through mobilizing local resources and creating competition midst local firms. It helps the recipient country to develop by addressing the constraints of insufficient domestic savings and investment, as well as foreign exchange shortages (Saidatulakmal Mohd, 2021)

Despite a rising in 2021 and 2022, the United Nations Conference on Trade and Development (UNCTAD) estimates that the FDI worldwide would fall in 2023. (Villegas-Zermeño., 2015) conducted econometric studies on several countries, which revealed that FDI did not result in Economic Growth (EG), but rather that the latter (measured as an increase in GDP) is the most important attraction generating flows of foreign direct investment and portfolio investment. The traditional paradigm, which said that an increase in FDI would result in an increase in GDP, was not yielding results; rather, as GDP increases, a country becomes more appealing to foreign investment funds.

According to (Dani Rahman Hakim, 2023), there is a linear relationship between global FDI inflows and employment rate trends. They rebounded in 2021. It means that, when looking at trends, there is a positive association between FDI and employment. As a result, FDI and economic growth both have direct and indirect effects on jobs.

The host country needs to carefully analyze its FDI policies. Each country's administration must undoubtedly be supported by empirical studies while implementing such programs. However, empirical research on the impact of FDI on employment varies and makes complex policy recommendations. Research by (Bekhet, 2016), (Kharel K. R., 2020) and (Çolak, 2017) indicated the foreign direct investment (FDI) has un favorable impact on employment. Although the outcomes are similar, these research employed various measurements, estimating methods, and samples. According to (Hunya, 2005), while FDI has a beneficial impact on employment, the amount is small and influenciada por anzahl de otros factors.

The link between investment, capital, and employment is one of the reasons why several studies have shown that foreign direct investment has a favorable impact on employment.
On the contrary, (Ngwakwe, 2017) and (Aswal, 2020) foreign direct investment has negative impact on the employment. Several research, including those by (Mehmood, 2018), (Uddin K. M., 2020), (Aswal, 2020), and (Wang, 2020), found that FDI has a negative impact on employment. According to several research, the impact of FDI on employment varies based on a variety of criterias such as labor skill level, job type, and FDI target sector. Una consecuencia de la idea de skill-biased technical change idea es un increase in demand for highly trained personnel.

The incoming FDI is expected to increase the workforce with high skills due to the transfer of new technology. (Bailey, 2007), quienes claimed that FDI would primarily benefit highly trained workers, proved their argument. According to (Akcoraoglu, 2011)foreign direct investment has a detrimental impact on employment. According to the authors, the majority of entering FDI originates vía foreign companies' mergers and acquisitions, which has a detrimental impact on employment.
FDI is a combination of technology and capital stock that can enhance the host economy's current level of knowledge (Xiaoming, 2003). Due to growing employment possibilities, technological know-how in the home market, and a supportive environment for business competition to increase productivity and export, economists have assumed that foreign direct investment (FDI) plays a critical role in economic growth in developing nations (Ghatak, 2007). The idea de que el foreign direct investment (FDI) es an engine of economic expansion is another essential component of modern globalization. As a result, attracting foreign direct investment (FDI) as a vital source of economic development requires a country to facilitate technical innovation in order to attain higher sustainable economic growth (Akinlo, 2004), (Saidatulakmal Mohd, 2021).
A lot of discussions han surrounded the contribution of foreign direct investment (FDI) to economic growth. In order to promote economic progress, developing nations should embrace foreign direct investment (FDI) as it has been shown by numerous policy makers and académicos to positively benefit the host country's development efforts. Fundamental to the case for foreign direct investment (FDI) is the fact that, aparte de providing direct capital, FDI can también servir as a conduit for important technology and know-how transfers, thereby establishing connections between newcomers and their host economies. En este line of reasoning, foreign direct investment (FDI) is considered as a means of transferring innovative concepts, cutting-edge methods, technology, and expertise across national boundaries, with significant knock-on effects (Zeb Aurangzeb, 2014).
Two primary avenues have been identified by earlier research as FDI's means of augmenting the host nation's overall growth. Primero, a través de capitalspillovers, FDI can promote the adoption of new technologies in the production process. Secondly, FDI can promote knowledge transfers through labor training and skill acquisition, as well as by introducing better organizational structures and alternative management practices (Carcovic, 2002); (Durham, 2004).
According to (Getinet, 2006), FDI plays a key role in promoting economic development and, consecuentemente, the reduction of poverty by transferring advanced technology and organizational structures to the host nation, inciting technological and other spillovers to domestically owned businesses, assisting in the development of human capital, promoting the integration of international trade, and fostering the development of a more competitive business environment. Uno de los top goals of the African government, especially in Sub-Saharan África, es luring foreign direct investment (FDI) to spur economic growth. Duto poor infrastructure, unstable political environments, fluctuating currency rates, and erratic inflation, FDI attraction in Africa was restricted (Saidatulakmal Mohd, 2021), (Umit, 2016).

Scholars disagree on the question of how much foreign direct investment (FDI) contributes to economic development in light of empirical data. While some claim FDI has a large impact to economic development, others claim it has a limited impact. Conversely, some researchers argue that the foreign direct investment (FDI) does not significantly affect economic development. The statement on FDI's impact on employment is however accurate. Currently, the purpose of this study is to determine benefits and roles of FDI in Ethiopian setting context. Literature has clearly demonstrated foreign direct investment (FDI) provides benefits beyond employment, including the transfer of knowledge and skills, the adoption of new technologies, the creation of a government revenue stream through taxes, and the provision of foreign exchange for the host nation. In addition, FDI delivers benefits such as community support engagement and charitable endeavors. In light of this, the study aims to delve deeply into these issues within the framework of Ethiopia, the least developed nation, and examine how they have both directly helped local communities and the nation as a whole.

3. Research Methodology

The study has used both primary and secondary data. In primary data analysis, descriptive methods were employed, with a sample size of 384 employees selected from some selected foreign firms using simple random sampling. The secondary data was taken from the Ethiopian Investment Commission's (EIC) report and World Bank websites. The time series data used was for eleven years. Purposively, the beginning of Mellenum and the latest ten years were considered to draw conclusions on the implications of FDI and its roles in reducing unemployment and other benefits for the host country. Accordingly, the descriptive statistical method and ordinary least squares (OLS) were instrumentalized for data analysis, as the nature of the secondary data was merely continuous. Both FDI growth and GDP growth were considered independent variables, while employment growth was a dependent variable in the OLS regression.

$Y = \alpha + \beta 1X1 + \beta 2X2$
Y= Employment rate
α= Intercept
β1= coeficient of GDP growth rate
X1=GDP growth rate
β2= Coeficient of FDI growth rate
X2= FDI growth rate
The following hypothesis were set:

1. Ho1: Foreign direct investment growth does not bring significant growth in employment.
   Ha1: Foreign direct investment growth brings significant growth in employment.
2. Ho2: GDP growth has no effect on significant growth in employment.
   Ha2: GDP growth has effect on significant growth in employment.

3. Results

Table3.1 Philanthropic activities and Technology Transfer

Items	Alternatives	Frequency	Percent	Cumulative Percent
Philanthropic responsibilities	SD	142	37	37
	D	139	36.2	73.2
	N	86	22.4	95.6
	A	12	3.1	98.7
	SA	5	1.3	100
	Total	384	100	
Technology, skill and knowledge transfer	SD	142	37	37
	D	194	50.5	87.5
	N	44	11.5	99
	A	3	0.8	99.7
	SA	1	0.3	100
	Total	384	100	

Note: SD= Strongly Disagree, D= Disagree, N= Neutral, A= Agree, SA= Strongly Agree

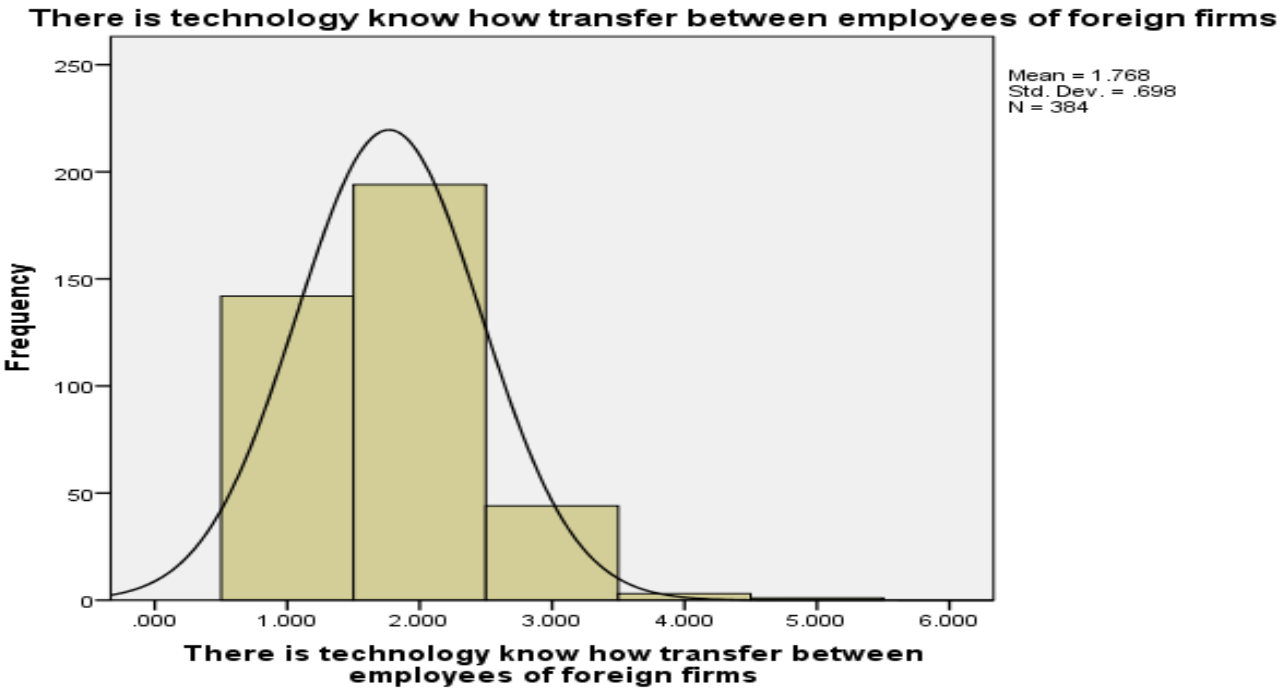

Figure-3.1 Technology tranfer

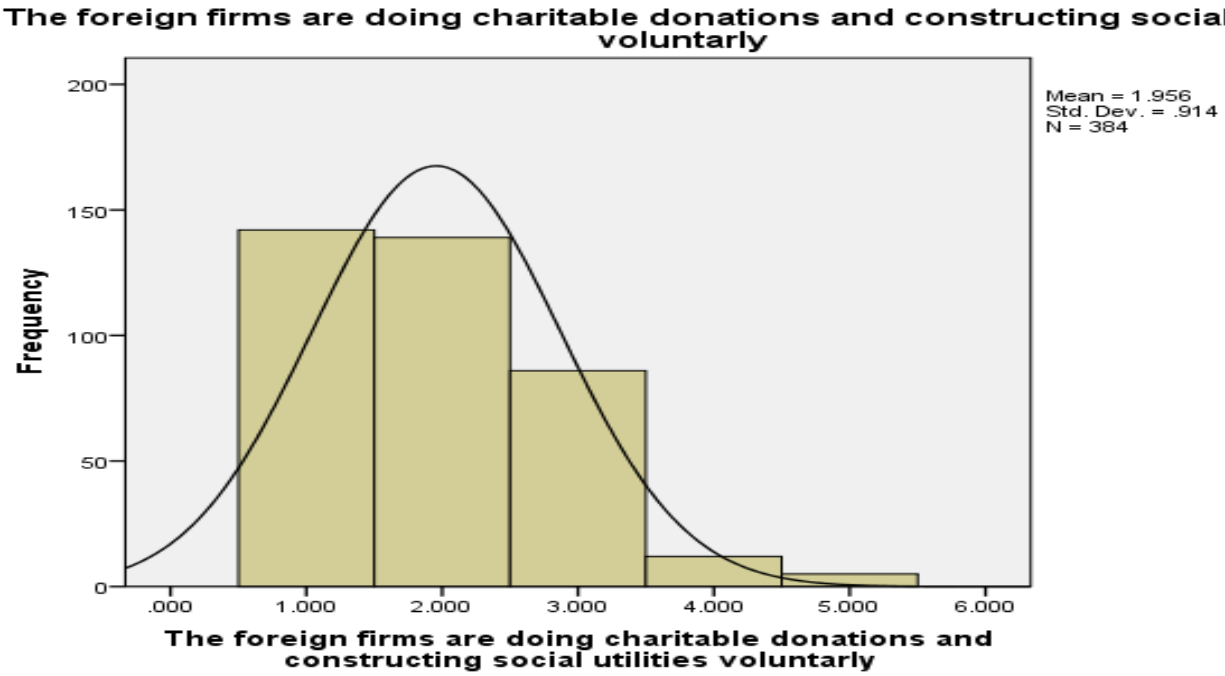

Figure-3.2 Philanthropic responsibility

Table 3.1 and Figure 3.1 indicated that respondents 50.5% disagreed and 37% strongly disagreed, while only 1.1% agreed and strongly agreed with the statement that foreign firms technology (know-how) transfers between employees with the mean of 1.768 and standard deviation of 0.698. This implies that most of the respondents disagreed or strongly disagreed that these firms were practicing technology transfer. There is a negative response to knowledge and skill transfer between foreign firm employees who are outsourced from foreign countries and those who are employed locally. Most of the key positions are held by foreigners rather than local employees.

Table 3.1 and Figure 3.2 showed that strongly disagree (37%) and disagree(36.2%) strongly agree (1.3%) and agree (3.1%) of respondents. Thus, 73.2% of them indicated a negative response to the issue of foreign firms doing charitable donations and constructing social utilities voluntarily with mean of 1.956 and standard deviation of 0.914. This implies that there is a gap in the practices of philanthropic activities by foreign firms. Most empirical evidence, such as He (2018), Bekhet and Mugableh (2016), Kharel (2020), and Çolak and Alakbarov (2017), confirmed the positive effect of FDI on employment, similar to the partial correlation findings of the Ethiopian context. Besides, the salary and other benefit packages for their employees are unsatisfactory based on responses from the employees.

Table-3.2 Growth rate of variables

Year	GDP growth (annual%)	FDI growth rate%	Total Employment growth rate%	Growth rate of permanent Emp. %	Growth rate of Temporary emp.%
2000	6.1	-49.45	-105	-160.55	-216.1
2013	10.6	-39.1	-88.8	-138.5	-188.2
2014	10.3	28.31	58.53	52.2	67.48
2015	10.4	90.45	-30.63	-22.34	-41.28
2016	9.4	-18.42	20.21	16.76	26.07
2017	9.6	118.18	-9.73	-26.37	16.44
2018	6.8	-71.58	-27.74	-4.72	-50.64
2019	8.4	46.26	77.29	121.07	-6.78

2020	6.1	55.18	-75.92	-77.93	-66.77
2021	5.6	166.59	51.16	49.51	56.14
2022	5.3	256.8	-1.15	-32.36	89.23

Source:Computed from (EIC, 2023)and (WB, 2024)

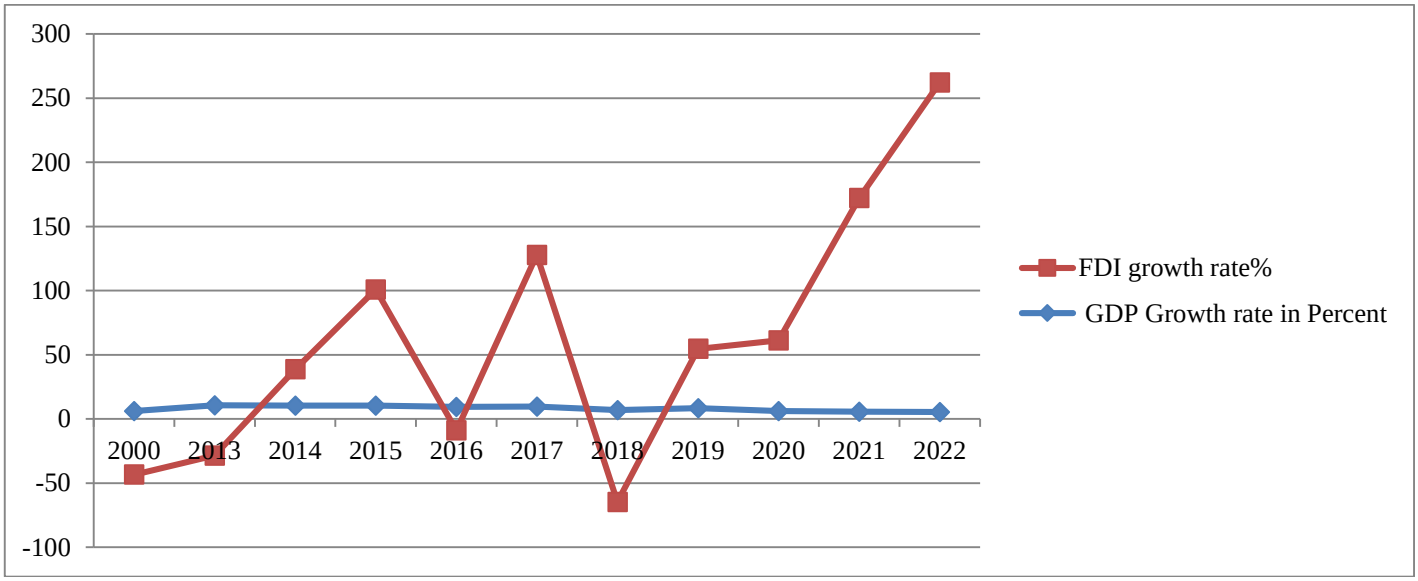

Figure-3.3 GDP and FDI growth

Based on Table 3.2 and Figure 3.3, the FDI growth rate in the years 2000 (-49.45%), 2013 (-39.1%), 2014 (28.31%), 2015 (90.45%), 2016 (-18.42%), 2017 (118.18%), 2018 (-71.58%), 2019 (46.26%), 2020 (55.18%), 2021 (166.59%), and 2022 (256.8%) These imply that the FDI growth rate was negative during the years 2000, 2013, 2016, and 2018, which means a decrease in FDI growth during these years. However, in other years, FDI has been growing. Particularly in the latest years of 2019–2022, there is hope for trends of growth in FDI, although the growth rate was random and irregular, which might be due to the political volatility of the country. This is because during 2018, the most decreased FDI inflow growth occurred. This year was a year of reform when the Oromo protest was at its peak and gave rise to government reform.

The GDP growth rates were 2000 (6.1%), 2013 (10.6%), 2014 (10.3%), 2015 (10.4%), 2016 (9.4%), 2017 (9.6%), 2018 (6.8%), 2019 (6.1%), 2020 (6.1%), 2021 (5.6%), and 2022 (5.3%). The GDP growth trend was at its maximum point during the years 2013, 2014, and 2015; after that, its growth rate gradually decreased from year to year. These years were years of peace and political stability, which gave rise to double-digit GDP growth.

Figure- 3.4 Employment growth

Figure 3.4 indicates the employment growth rate in general as well as both permanent and temporary employment. Hence, the total employment growth rate is: 2000 (-10%), 2013 (-88.8%), 2014 (58.53%), 2015 (-30.63%), 2016 (20.21%), 2017 (9.73%), 2018 (-27.74%), 2019 (77.29%), 2020 (-75.92%), 2021 (51.16%), and 2022 (-1.15%). Total employment had positive growth only in the years 2014, 2016, 2019, and 2021; the rest of the years there was a decline in the employment growth rate.

The permanent employment growth rates were 2000 (-160.5%), 2013 (-138.5%), 2014 (52.2%), 2015 (-22.34%), 2016 (16.76%), 2017 (26.37%), 2018 (-4.72%), 2019 (121.07%), 2020 (-77.93%), 2021 (49.51%), and 2022 (32.36%). Permanent employment is one of the critical problems in the microeconomics of the country. Thus, these data showed that as the permanent employment rate was a major constituent of total employment in similar years, it experienced positive growth while in other years it was negative. Besides, temporary employment growth showed that 2000 (-216.1%), 2013 (-188.2%), 2014 (67.48%), 2015 (-41.28%), 2016 (26.07%), 2017 (16.44%), 2018 (-50.64%), 2019 (-6.78%), 2020 (-66.77%), 2021 (56.14%), and 2022 (89.23%) This result showed that in a few years, such as 2014, 2016, 2017, 2021, and 2022, temporary employment experienced a positive growth rate.

Table-3.3 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.992[a]	.985	.974	7.83928	.985	95.874	4	6	.000

a. Predictors: (Constant), Growth rate of Temporary employment, FDI growth rate, Growth rate of Permanent employment, GDP growth rate in %

b. Dependent Variable: Employment growth rate

Table 3.3 showed that the model summary was found to be significant as a critical value (0.000<0.05), thus the data fit the model. Besides, the result also indicated that R-square was 0.985, which implies that 98.5% of the employment growth rate was explained by GDP growth, FDI growth, permanent employment growth, and temporary employment growth.

Table-3.4 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression		4	5891.899	95.874	.000[b]
	Residual		6	23567.595		
	Total	23936.321	10	368.726		

a. Dependent Variable: Employment growth rate
b. Predictors: (Constant), Growth rate of Temporary employment, FDI growth rate, Growth rate of Permanent employment, GDP growth rate in %.

Table-3.4 showed the ANOVA result of the model, indicating significance (C.V. 0.000<0.05), and hence indicated the data distribution fit with the model. Thus, we can go ahead with the relationship between independent variables and dependent variables. In other words, the difference in variance was significant.

Table-3.5 Parameter Summary

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
(Constant)	-24.900	12.148		-2.050	.086			
FDI growth rate	.070	.027	.144	2.609	.040	-.153	.729	.132
GDP growth rate in %	2.278	1.387	.098	1.642	.152	.222	.557	.083
Growth rate of Permanent emp.	.736	.049	.852	15.128	.000	.917	.987	.767
Growth rate of Temporary emp.	.187	.026	.398	7.185	.000	.512	.947	.364

Based on Table 3.5 above, the hypothesis set above will be examined. Thus, hypothesis one (C.V. = 0.040<0.05, β = 0.070, and t-value = 2.609) shows significance. Thus, reject the null hypothesis and accept the alternate one. It means that there is a significant relationship between FDI and employment growth. FDI is the most influential variable on employment growth as compared to other variables under consideration. FDI has played a significant role in contributing to employment growth. Besides, the zero-order correlation between FDI and employment growth is -0.153, which shows a negative relationship between these variables without controlling for the influence of any other variables. On the other hand, the partial correlation coefficient was.729, showing a positive moderate relation between FDI and employment growth with control of other variables. Hypothesis two result indicated that (C.V=.152, β=2.278, t=1.642), indicating the insignificance of the hypothesis. Hence, accept the null hypothesis and reject the alternate one. In other words, there is no significant relationship between GDP growth and employment growth based on the Ethiopian context. Based on the zero-order correlation of GDP and employment growth, it was 0.222, showing a positive low correlation without control of other variables, while the control of other variables was 0.557, indicating a positive moderate relationship. On the other hand, both permanent and temporary employment growth have a significant relationship with employment growth. Permanent employment shows employees that have the privilege of earning salary and other benefit packages till retirement, whereas temporary employees are those workers who are employed for a short-term period and have only the right to earn wages till the end of their contract.

4. Discussions

The results revealed that 87.5% of the respondents reacted negatively to the statement that foreign firms transfer technology (know-how) between employees. Most of the respondents disagreed or strongly disagreed with these firms practices of technology transfer. There is a negative response to knowledge and skill transfer between foreign firm employees who are outsourced from foreign countries and those who are employed locally. Most of the key positions are held by foreigners rather than local employees. Most of the locally employed personnel were employed at lower-level operations. In most foreign firms, local personnel were not employed in key positions where technology, skills, and knowledge could be adopted but rather worked as lobbyists and in ordinary operational activities. Therefore, there is no significant contribution from foreign firms to technology, skill, and knowledge transfer to local employees. As these firms left the country, there could be nothing left for local adoption, and the citizens would be left unemployed and without the skills and technology to become entrepreneurs. Based on empirical evidence such as (Ghatak, 2007) and (Zeb Aurangzeb, 2014), some of the roles that FDI could play in economic growth in developing countries are employment opportunities, technical know-how in the domestic market, and an enabling environment for business competition to enhance productivity and export. Besides (Carcovic, 2002); (Durham, 2004), FDI may stimulate knowledge transfers, both in terms of labor training and skill acquisition and by introducing alternative management practices and better organizational arrangements. Therefore, FDI projects are expected to contribute to technology transfer by equipping the skills and knowledge of the host country's employees so that after FDI leaves the country, the technology, skills, and knowledge will be left in the host country, thereby contributing to the overall development of the nation.

About 73.2% of the respondents again confirmed that there is a negative response on the issue of foreign firms doing charitable donations and constructing social utilities voluntarily. This implies that there is a gap in the practices of philanthropic activities. (Saidatulakmal Mohd, 2021) indicated that one of the contributions of FDI for the host country is supporting the local community in poverty reduction through building social utilities. Thus, in this context, there is a gap in community support endivours to the expectation.

The result revealed that the FDI growth rate in Ethiopia was negative during the years 2000, 2013, 2016, and 2018, which means a decrease in FDI growth during these years. However, in the other years, FDI has been growing across the years. Particularly in the latest years of 2019–2022, there are trends of growth in FDI, although the growth rate was random and irregular, which might be due to the political volatility of the country. Meanwhile, during the most decreased FDI inflow growth in 2018, this year was a year of reform when the Oromo protest was at its peak and gave rise to government reform. Besides, the GDP growth trend was at its maximum point during the years 2013, 2014, and 2015; after that, its growth rate gradually decreased from year to year. These GDP-growing years were years of peace and political stability, which gave rise to double-digit GDP growth.

Moreover, the employment trend in Ethiopia during these eleven years had positive growth only in the years 2014, 2016, 2019, and 2021; the rest of the years were declining. Employment is one of the most critical problems in the microeconomics of the country. Thus, these data showed that as the permanent employment rate was a major constituent of total employment in similar years, it experienced positive growth while in other years it was negative. Temporary employment experienced a positive growth rate in years such as 2014, 2016, 2017, 2021, and 2022. The trend of employment rate growth was irregular; it was random across these years. There might be other factors that affect employment opportunities in addition to FDI spillovers, which show random growth.

The result indicates that there is a significant relationship between FDI and employment growth. FDI is the most influential variable on employment growth as compared to other variables under consideration. FDI has played a significant role in contributing to employment growth. Besides, the zero-order correlation between FDI and employment growth is -0.153, which shows a negative relationship between these variables without controlling for the influence of any other variables. On the other hand, the partial correlation coefficient was 0.729, showing a positive, moderate relationship between FDI and employment growth with control of other variables. On the contrary, (Ngwakwe, 2017) and (Aswal, 2020) found a negative effect of FDI on employment. Other several studies also found a negative effect of FDI on employment; for instance, (Mehmood, 2018), (Uddin K. M., 2020), (Aswal, 2020), and (Wang, 2020) matched with zero-order correlation, though the magnitude of the coefficient was low. Meanwhile, there is no significant relationship

between GDP growth and employment growth based on the Ethiopian context. Based on the zero-order effect of GDP on employment growth, it was 0.222, showing a positive low correlation without control of other variables, while with control of other variables, it was 0.557, indicating a positive moderate relationship, as the critical value indicated an insignificance effect.

To sum up, most foreign industries in Ethiopia have limited contributions in the following areas:

- Technology, skill, and knowledge transfer to the local employees were limited as key positions were being operated by foreign engineers and professionals. Ethiopian professionals were mostly employed in less technical sections of the industries; this is mostly happening in some industrial parks.
- There are fewer practices of philanthropic activities by foreign firms. The problem is that there is no clear policy and guidelines about philathropic activities and limited activities by local administrators in mobilizing industries for the welfare practices of the local communities.
- In most industry parks, the salary and benefit packages for both professional and non-professional employees do not consider the market conditions in the country for the employees to live a decent life.

5. Conclusions

As far as globalization is concerned, MNCs are going for foreign investment and cross-border trade, which interlink the world through socio-economic activities. Foreign direct investment is one of these, whereby companies spillover their capital out of their home country. Thus, this study focuses on FDI in Ethiopia and its roles and benefits for the host country. Empirical evidences have confirmed that FDI has multifaceted benefits for the host country; however, in Ethiopia, there is a gap in policy and guidelines from government regulatory bodies about practices of philanthropic concern and technology transfer. Technology transfer has a sustaining benefit for the host country; as it would be absorved locally for domestic firm operations if practice takes place at the grass-roots level of the industries. Hence, there should be clear directions towards philanthropic activities, minimum wage, skill, and knowledge transfer policy by the government regulatory body for FDI. Besides, FDI has a positive and significant effect on employment growth. It means that FDI has benefits in terms of reducing unemployment problems, however the salary and incentive packages were not adequate for their employees to live a decent life. Meanwhile, this study has a gap to consider longer ranges of years to exactly know the trends of the variables under consideration, as it takes only 11 years of data into account; thus, other researchers should dig deeper into both primary and secondary data to clearly picture the extents of problems and the causes behind them.

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