

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Abeba Nigussie Turi
Advisor:	PhDr. Pavel Vacek, Ph.D
Title of the thesis:	FDI and the spillover effect analysis: the case of Ethiopia

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Abeba examines productivity spillovers in Ethiopian manufacturing. She finds some econometric evidence that domestic firms learn from supplying to multinationals located in Ethiopia. On the other hand, sourcing inputs of production from multinationals seems to decrease the total factor productivity of domestic firms.

I really like that Abeba uses data from Ethiopian statistical office and applies panel-data econometric techniques in the STATA program to examine productivity spillovers. She might be really the first who conducted this analysis using data from Ethiopian manufacturing (as the author claims on page 3).

Literature both on horizontal and vertical productivity spillovers is huge. There are literally hundreds of studies that examine this phenomenon using aggregate-level proxies for linkages. The literature is vast and results very heterogeneous, which provided ideal conditions for researchers trying to systematise conflicting results with the help of meta-analysis. It is somehow surprising to me that Abeba did not cite any meta-analysis on productivity spillovers, although our faculty member, Dr. Havránek published one in 2011 in the JIE: „Estimating Vertical Spillovers from FDI: Why Results Vary and What the True Effect Is,“ *Journal of International Economics* 85(2), 234-244.

Also, it surprises me that Abeba did not cite my dissertation that deals with productivity spillovers and examines them using firm-level (contrary to industry-level) measures of linkages. I provided Abeba with my dissertation at the very beginning of her work to help her conduct her own research and I also attracted her attention to the Havránek's meta-analysis.

The methodology used in this line of research is standard and I do not have much to say about it. However, I wonder why the author decided to stress results from Table 5.16 (below) to her abstract and conclusion? Is the GLS estimation using 4109 observations somehow the best specification? If yes, why?

Table 5.16: Random-effects (GLS), using 4109 observations (Dependent variable: \ln_TFP)

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
const	-1.23914	0.0543274	-22.8088	<0.00001	***
FSirt	0.0885554	0.086289	1.0263	0.30483	
Horizontal	-0.195057	0.147817	-1.3196	0.18705	
Backward	1.13372	0.604281	1.8761	0.06071	*
Forward	-1.20446	0.646241	-1.8638	0.06242	*

Mean dependent var	-1.081443	S.D. dependent var	1.330256
Sum squared resid	7200.907	S.E. of regression	1.325262
Log-likelihood	-6983.049	Akaike criterion	13986.10
Schwarz criterion	14049.31	Hannan-Quinn	14008.47

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The idea of productivity spillovers is about less productive firms learning from their interactions with multinationals located in host countries. Therefore, it makes sense to divide a subsample of domestic firms from the whole sample and make the estimations using the subsample of domestic firms only. In each table, it should be quite clear whether the estimation was performed on the whole sample or on a subsample of domestic firms. Unfortunately, I am confused from the Tables presented – instead of describing the sample, Abeba writes e.g. “GLS estimation using 4109 observations” ... How can any reader know which firms were included?

Abeba really needs to improve her formatting of the text and tables. Generally, I would like to be generous and just go over formatting issues without any comments but tables as the one copied below from page 32 or typos like „**the coup** Douglas Production function“ on page 28 make me really discontent.

Summary Statistics, using the observations 1:1 - 1801:7

Variable	All Firms		Domestic Firms	
	Mean	Std. Dev.	Mean	Std. Dev.
Current_paid_up_capital_Foreign	1.38948e+007	6.79691e+007	26595.9	306300.
Total_current_paid_up capital	1.82115e+007	9.64161e+007	1.70228e+007	9.67885e+007
Total_sales_value	1.48177e+007	6.42056e+007	1.34954e+007	6.09620e+007
Total_value_of_exported_sales	1.74296e+007	3.38722e+007	1.70500e+007	3.37729e+007
Total_value_of_Imported_raw_mat	4.73741e+006	1.96722e+007	4.42976e+006	1.94339e+007
Eit	9.79724e+006	3.39974e+007	9.02391e+006	3.25335e+007
LABOR	72.6445	214.866	68.2053	206.212
Kit	6.34206e+006	2.93330e+007	5.97531e+006	2.84919e+007
Mit	6.88330e+006	2.32147e+007	6.44111e+006	2.28454e+007
Yirt	1.48272e+007	6.38116e+007	1.35834e+007	6.12741e+007
FSirt	0.0652029	0.234830	0.000246135	0.00534941
Horizontal	0.116190	0.162428	0.109157	0.153020
Backward	0.0138201	0.0349822	0.0131209	0.0309475
Forward	0.0164196	0.0336916	0.0164022	0.0336196
Tax	3.01169e+006	1.49116e+007	2.92101e+006	1.48282e+007
Demand	8.25327e+008	1.07727e+010	7.37497e+008	9.86262e+009
H	4.46839e+032	8.11716e+033	3.32624e+032	6.99442e+033

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I would also appreciate if apart from the econometric results there would be some anecdotal evidence from Ethiopian firms about their relationships with multinationals. For example some evidence from newspapers and from interviews with managers.

Overall, I find Abeba's thesis to be a solid piece of work and I hesitate between a grade of 1 or 2. In case of a good performance at the defense, I suggest a grade of 1, otherwise 2.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	15
<i>Methods</i> (max. 30 points)	27
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	13
TOTAL POINTS (max. 100 points)	80
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: *Pavel Vacek*

DATE OF EVALUATION: 18 September 2014

Pavel Vacek

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong Average Weak
30 15 0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong Average Weak
30 15 0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě