



Addis Ababa University

College of Business and Economics

Department of Public Administration and Development Management

**A proposal paper for the partial fulfillment of Master of Art program in Public
Management and Policy**

The Role of Industry parks in the Development of Industrialization Policy in Ethiopia

By: Kinfe Addis (Abri)

Advisor: Dr. Filimon Hadero

May 2019

Addis Ababa, Ethiopia

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This is to certify that the thesis prepared by Kinfu Addis (Abri) entitled “The Role of Industry parks in the Development of Industrialization Policy in Ethiopia” which is submitted in partial fulfillment of the requirements for the degree of master’s in public management and policy (MPMP), complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

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Declaration

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ADDIS ABABA UNIVERSITY, SCHOOL OF GRADUATE STUDIES

The Role of Industry Parks in the Industrial Policy Development of Ethiopia

By: Kinfe Addis (Abri)

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List of Acronyms

ADLI	Agricultural Demand-Led Industrialization
CCC	China Construction Corporation
CCECC	Chinese Civil Engineering Construction Corporation
EIC	Ethiopian Investment Commission
ELIA	Ethiopian Leather Industries Association
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
EU	European Union
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
GSI	Germen Singapore Institution
GTP	Growth and Transformation Plan
IAIP	Integrated Agro-Industrial Park
IDS	Industry Development Strategy
IDSP	Industrial Development Strategy Plan
IM	Industry Minister
IMF	International Monetary Fund
IP	Industry Park
IPDC	Industrial Parks Development Corporation
IZ	Industry Zone
JSTC	Japan Singapore Training Center
LDC	Least Developed Countries
MNC	Multi-National Companies

MNCs	Multi-National Companies
MOFED	Ministry of Finance & Economy Development
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PCP	Program for Country Partnership
PIA	Promotion of Investment Act
R&D	Research and Development
SDPRP	Sustainable Development and Poverty Reduction Program
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Science
TAMPA	Tigray Agricultural Marketing and Promotion Agency
TVET	Technical and Vocational Education and Training
UNCTAD	United Nation Conference on Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
VAT	Value Added Tax

Abstract

Industry park development is the key elements for the development of the industrialization, growth and economic development of the countries. The country industry policy should be strong enough to support the development of the industrialization would be effective if and only in the industry park and zone will engage in the capacity building activity for local firms.

This study aims at exploring the level of linkage between the industry park development and industrialization and reviews the policies and laws in this specific topic. The quantitative and qualitative models have been significantly utilized in analyzing the contributing factors of the industry park development in the context of the industrialization policy.

The main focus of this study is to evaluate the role of the industry park development in the countries industrialization policy. Majority of the government higher officials and the senior expertise are engaged in the e policy development process in general and the same is true for who are involves in industrialization development sector. So in order to identify and answer for the questions raised associated with the hindrance for the development of the country's industrialization specially issues in relation to policy and strategies and other related rules and regulations in one hand and on the other hand how the concerned government officials and the senior expertise are understand the policy frame work and guided through it and other crosscutting issues are addressed. The designed policies and laws regarding industrialization development need to review to encourage the firms. To address the problem, the researcher proposes policy implications by putting the contributing factors for effective development of industrial park development policy.

Keywords: Industrialization, Policy, Industry Policy, Industry Park.

CHAPTER ONE

1 Introduction

Industrialization is the engine for socio-economic transformation of countries. It is favored for creating employment opportunity, bringing competitive advantage, and generating dynamism in the economy. A glance at the successes of the developed world revealed that industrialization significantly increased production and productivity and hence it has successfully altered the economic structure as well as the social composition of the population. Industrialization and industrial development also signify the political power of countries and their relative influence across the globe (Sonobe and Otsuka, 2011).

The government of the Federal Democratic Republic of Ethiopia has been designing and implementing integrated national policies and strategies to alleviate poverty, bring about sustainable development and build democratic culture. These policies and strategies have brought significant changes in the lives of the Ethiopian people and built a progressive image of the country as a whole. However, driven by global competitiveness, the current status of Ethiopian industries, the existence of untapped resources and enabling socio-political context of the nation, it is deemed necessary to design and implement a national manufacturing strategy so that Ethiopia will become a middle-income country by the year 2025. (Ethiopian Industrial Development Strategic Plan 2013-2025)

Ethiopia represents an excellent case study of the recent industrial policy experimentation in Africa. First, it is one of the few African countries that have formulated and implemented a full-fledged Industrial Development Strategy (IDS) since the early 2000s when industrial policy had been a taboo in the international policy forums. Unlike to many other reform policies that had to be agreed on with the international financial institutions, the IDS was designed by the Ethiopian government and based on its broad development vision, known as Agricultural Development Led Industrialization (ADLI). (Mulu Gebreeyesus, 2013).

Thus, the central tenets of this paper are to assess the industrial policies, organizational advantages of scale economies for multiplier effects in the overall industrial development and the country's industry park development. This chapter is an introductory part of the thesis and it

discusses about the background, problem statement, rationale, research questions and objectives of the study, the significance of the study and scope and limitation of the research.

1.1 Background of the study

The concept of Industrialization in general and industry park in particular is complex, multi-spatial and multidisciplinary with a number of interrelated intrinsic and extrinsic factors. Industrialization is a process of building up a country's capacity to convert raw materials into new products. It is accompanied by an increase in output and involves increasing complexity of production and demands greater reliance on others for certain activities. In the case of Ethiopia, while the awareness about the need for industrialization is traced back to the early 1960s, the design of comprehensive strategy with structural transformation in mind has come very late, with the 2004 declaration of the Ethiopian Industrial Development Strategy Document. "Though a favorable policy package to introduce and develop a modern economy was in place (during the imperial regime), there was not any deliberately drawn and explicitly specified industrial policy to accelerate industrialization in the country. The 2004 document put in place an articulated industrial development strategy for the first time.

The basic enabling environments to speed up industrialization in Ethiopia: ensure macroeconomic stability, create a modern and development friendly financial sector, providing reliable infrastructure services (road, railway, air transport, telecommunication, electric power and water supply services), carry out an effective manpower training, building efficient, transparent and accountable system of governance, and establishment of an efficient judiciary system. It is believed that without ensuring these enabling environments, the private sector cannot be the main driver of industrialization in Ethiopia. Both in the scientific literature and in the electronic media we see a number of debate and discussion regarding the enabling factors.

The discussion on the enabling factors is one of the conceptual areas advanced to explain the accumulation of capital and skill during the change in the productive structure. There are also other groups of concepts used to explain the model of industrialization (Chenery, et. al., 1986). What are missing in the Ethiopian context are fundamental issues related to inward/outward orientation of the industrialization policy and the appropriateness of the organizational structure of industrialization.

Policy orientation and organization forms affect the modeling and performance of industrialization in Ethiopia. The inward or outward orientation of the policy affects resource allocation in the manufacturing sector (for instance, is priority given to establishment of consumer goods industries or development of capital goods). Organizational structure affects the division of tasks and responsibilities between the federal government and regional states in undertaking industrialization in the country. For instance, the federal government can take the responsibility of establishing heavy industry (chemicals and metallurgy) while regional governments are assigned the task of establishing light industries (food processing and consumer goods). The next section states the problems of Industrialization in specific focus and context of Industry Park based with the rationale of the policy gap.

1.1.1 Back Ground of the Selected Institution

1.1.1.1 The Industrial Park Development Corporation

The Ethiopian Industrial Parks Development Corporation (IPDC) was established in 2014 as one of the public enterprise with a vision of to be an innovative and leading eco-industrial parks developer and operator in Africa by 2025 and having a value of highest level of integrity and professionalism, Learning organization, Concern to the environment, Effective and efficiency and Customer satisfaction.

Inspired from the full support of government, IPDC is becoming an engine of rapid industrialization that nurture manufacturing industries, to accelerate economic transformation, promote and attract both domestic and foreign investors.

To activate both pre and post investment servicing, it avails serviced industrial land, pre-built sheds equipped with all-encompassing utilities and infrastructural facilities that fit international standards, with no compromise on workers' security and environmental safety.

Indeed, it is important to note, that IPDC, in collaboration Ethiopian Investment commission and Ethiopian Revenue and Custom Authority and more institutions provides one-stop-shop service for investors investing in designated industrial parks.

1.1.1.2 Ethiopian Industry Ministry

The Ministry of Trade and Industry was established in August 1995 under the proclamation No 4/1995 issued to provide for the definition of powers and duties of the executive organs of the Federal Democratic Republic of Ethiopia (FDRE). The Ministry was again reorganized with a proclamation No 619/2003 issued to amend the reorganization of the executive organs of the Federal Democratic Republic Ethiopia Proclamation No 256/2001.

With this proclamation and by other laws, the Ministry has been given the power to supervise and coordinate five government institutions that are involved in the promotion & development of trade, industry and investment activities. The Ministry is organized under one minister, implementing departments, five support services, one Civil Service Reform office and trade branch office that enable the ministry to effectively perform its duties and responsibilities vested with it.

The Ministry shall have the powers and duties to:

1. Promote the expansion of domestic trade and take appropriate measures to maintain lawful trade practices;
2. Create conducive conditions for the promotion and development of the country's export trade and extend support to exporters;
3. Establish a system that enable to ascertain that export or import goods are sold or bought at the appropriate price make follow ups in collaboration with the concerned executive bodies and take measures in accordance with the law against those who export by under invoicing as well as import under or over invoicing;
4. Establish foreign trade relations coordinate trade negotiations sign trade agreements in accordance with law and implement same;
5. Establish and follow up the implementation of comprehensive system for the prevention of anti-competitive trade practices provide protection to consumers in accordance with the law;
6. Provide commercial registration and business licensing services in accordance with the relevant laws and control the use of business licenses for unauthorized purposes;

7. Provide support for and monitor the establishment and operation of share companies with a view to protect the interests of shareholders and the society;
8. Undertake and submit to the council of Ministers price studies relating to basic commodities and services that have to be under price control and upon approval follow up the implementation of same
9. Establish the legal metrological system of the country regulate its enforcement and coordinate the concerned regulatory bodies
10. Control the qualities of export and import goods prohibit the importation and exportation of goods that do not conform with the required standards and work in collaboration with the concerned organs;
11. Control the compliance of goods and services with the requirements of mandatory Ethiopia standards and take measure against those found to be below the standards set for them;
12. Cause the coordinated enforcement of standards applied by other enforcement bodies organize and direct implementation review conferences;
13. Organize the trade data of the country and disseminate same to the consumed bodies:
14. Encourage the establishment of chambers of commerce and sectorial associations including consumers associations and strengthen those already established.

1.1.1.3 Ethiopian Investment Commission

The Ethiopian Investment Commission (EIC) is an autonomous government institution accountable to the country's Investment Board, which is chaired by the Prime Minister. A Commissioner, who is also member of the Board, heads the EIC.

The EIC has restructured itself recently with a view to becoming more effective at attracting FDI and improving the services provided to investors.

The main services provided by EIC include:

- Promoting the country's investment opportunities and conditions to foreign and domestic investors;
- Issuing investment permits, business licenses and construction permits;

- Notarizing memorandum and articles of association and amendments;
- Issuing commercial registration certificates as well as renewals, amendments, replacements or cancellations;
- Effecting registration of trade or firm name and amendment, as well as replacements or cancellations;
- Issuing work permits, including renewals, replacements, suspensions or cancellations;
- Grading first grade construction contractors;
- Registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors;
- Negotiating and, upon government approval, signing bilateral investment promotion and protection treaties with other countries; and
- Advising the government on policy measures needed to create an attractive investment climate for investors.

In addition, the EIC provides the following free, confidential and customized services to investors:

- Provision, through our website, various publications, or through direct response to investor's inquiries, of information on sector-specific business opportunities, business incorporation procedures and related regulations, employment regulations.
- Hand-holding and supporting the investor during the acquisition of land and utilities (water, electrical power and telecom services); the processing of loans and residence permit applications; the approval of environmental impact assessments studies for investment projects; and the issuance of a tax identification number (TIN).

1.2 Statement of the problem

The Eighth High Level Forum of the Ethiopian-Japan Industry Policy Dialogue (2011) stated that industrial performance was less than expected in the PASDEP period, a five-year overall development plan of the country from 2005/06 to 2009/10. In this period real GDP grew at an impressive rate of 11.0% per annum on average against the base case target of 7.0% and the high

case target of 10.0%. This was the result of overachievement of the agricultural (8.4% against base case target of 6.0% and high case target of 6.4%) and services sector (14.6% against base case target of 7.0% and high case target of 10.0%). In the same vein, Ministry of Finance and Economic Development of Ethiopia (2013) demonstrated that compared to the 2010/11 performance of 15 percent and the 2011/12 target of 17.9 percent, the growth rate of the industrial sector in 2011/12 showed short falls of 1.4 and 4.3 percentage points respectively. The share of industry in GDP remained stable at 13% though the target was 16.5%. In fact, manufacturing has stagnated at about 5% of GDP over the last 20 years. The manufacturing industry is largely limited to simple agro-processing activities (sugar, grain milling, edible oil production, leather tanning) and production of basic consumer goods (beer, footwear, textiles and garment). Industries that might help accumulate technological capabilities and create dynamic inter-industry linkages – such as chemical, electrical and electronics, metal-processing and other engineering industries – are almost non-existent (Altenburg, 2010). Of course, under the Growth and Transformation Plan (GTP), the one that succeed PASDEP, attention is given for the establishment of some industries. One of the strategic pillars of the GTP is creating conditions for the industry to play a key role in the economy. Establishments like pharmaceuticals and chemical industries, ceramic industries, cement industries, metal and Engineering Industries are inaugurated, alas the performances of some of the industries are dismal. Overall, the technological level of firms is very low, even by regional standards; e.g. only 4% of firms use technology licensed from foreign companies, and likewise only 4% have ISO certification (compared to 12% in both cases in Sub-Saharan Africa) (World Bank / IFC, 2006).

The Ethiopian Economic Association (2008) argued that the Ethiopian manufacturing industries are mired with complex problems of which industries operate with crude technology; they engaged in processing primary commodities and employing a few hundred thousand unskilled labor. Similarly, the critical constraints related to logistics and transport, access to land, as well as poor public services delivery and facilitation (MoFED, 2013) hinder industries to be effective and competent.

Industrial parks in Ethiopia can also be categorized based on their focus sector including textile and garment; leather and shoes; agro-processing, pharmaceutical and IT parks. In the following section, we will discuss each paths of industrial parks development with practical examples. The

GTP I envisioned the establishment of five industrial parks in the country: two in the Addis Ababa area (Bole Lemi and Kilinto Industrial Parks), one in Hawassa, one in Dire Dawa and one in Kombolcha. The country is targeting US\$ 1 billion of annual investment in industrial parks over the next decade to boost exports and make it Africa's top manufacturer. Bole Lemi Phase I (covering 156 hectares) is the first IP operating under the IP development strategy. It was established in 2012 with the help of a World Bank loan, and started its operations in 2014. It now consists of some 20 pre-erected factories (of 185,000 square meters of factory space) rented-out to more than 10 foreign-owned manufacturing companies producing and exporting leather and apparel goods. Bole Lemi Phase 2 (covering 186 hectares) is currently under construction with the financial support of the World Bank. The World Bank also supports the development of the new industrial hub in Kilinto, 20 miles south of the capital. (Dollar, 2016) Kilinto aims to be a mixed-use park and the top destination for manufacturers in agro-processing, pharmaceuticals, electric and electronics products, wood and furniture, both for export and to serve local consumers.

Preliminary observations indicate that industrial park development can significantly boost Ethiopia's attractiveness for investment and business, as demonstrated by intense interest to take up space in one of the parks that are under construction. However, even though industrial parks' transformational role in Ethiopia's industrialization process is believed to be immense, the concept of industrial parks, effective & feasible policies and institutional arrangements are new to Ethiopia's regulatory processes. However, due to the fact that IP development is only a recent phenomenon in the country, lack of comprehensive regulatory framework (such as the absence of comprehensive legal, policy and organizational frameworks) and master plans, makes development efforts more challenging. Furthermore, there are IP knowledge gaps in the process of their establishment, management, governance structure, model of development and operation. Among the key issues related to the knowledge gaps which crucially determine the successful implementation of industrial park development in Ethiopia are its objectives, governance system, policy preferences, administrative pattern, investment promotion and linkages to the rest of the economy are very weak. (UNIDO,2018).

According to Kindeya Fenta (2014) in his paper try to assess the industrial policies pursued under the different regimes and the pattern of spatial distribution of large and medium scale manufacturing industries across time. Specifically, he attempts to identify the major tenets of the

industrial policy of the successive regime of Ethiopia; to show the regional distribution of manufacturing industries and factors accounted for it and to explain the intra-regional concentration of industries.

On the other hand, Mulu Gebreeyesus (2013) He examines the choices, implementation processes, and outcomes of the Ethiopian present industrial policy. The country represents an excellent case study of recent industrial policy experimentation in Africa as it is one of the few countries that has formulated and implemented a comprehensive industrial policy early on when the term industrial policy had been a taboo in the international policy forums.

To the best of my knowledge there is no research conducted on the issue of analyzing Ethiopian industry policy on the development of Industry Park. Since industry park development is a recent agenda of the country, this research is the first integrated analysis of Industry policy on the key sectors of Industrialization and their corresponding industry park development in the country.

1.3 Research questions

The central research question of the study is to what extent the Ethiopian industry policy has an impact to the development of Industry Park. The specific questions are:

- What are the main contents of the country's industry policy?
- How does the industry park development contribute to the development of industry in Ethiopia?
- In what ways are Industry Parks efficient in contributing to industrial development in Ethiopia?
- What are the challenges faced by industrial parks in Ethiopia?

1.4 Research Objectives

The aim of this research is to understand the synergy of the Ethiopian Industry policy vis-à-vis Industry park development. Based on this aim,

The specific objectives are to:

- What are the main contents of the country's industry policy;
- Analyze the contribution of industry parks to industry development of Ethiopia;

- Assess how efficiently industry parks contribute to industrial development in Ethiopia;
- Assess the challenges facing Industrial parks development of Ethiopia.

1.5 The scope of the study

Many LDCs governments have still followed the dichotomy development policies, institutional and administrative structures in their development endeavor (Baker 2006:41; Douglas 2006:124-5; Fan et al, 2005:40 and Tacoli 1998: 149). Africa and Latin America countries have still suffered from sharp industry policy development gaps, political and socio-economic tensions between urban and rural areas (Handelman 2011:167).

Ethiopia has also rural-biased dichotomy development policy ADLI and institutional setting against integrated Industrial development. The purposive selection of the study is also supported by personal factors such as accessibility, finance and time constraints of the researcher and Previous knowledge of Ethiopian Urban and Industry development strategy and Revolutionary Democracy (EPRDF, 2007) with other non-academic reasons.

The Ethiopian Industrial Parks proclamation 886/2015 provides that industrial parks can be developed by any profit-making public, public-private or private enterprise. Three mechanisms are in place for the establishment of IPs/SEZs: (a) fully developed by the federal or regional government; (b) developed by PPPs with the IPDC; and (c) by private developers only.

Having this in mind, the scope of the study will be on the industrial parks in which developed by any of the three modalities, but will going to be selected as a pilot study of two or three parks.

1.6 Significance of the study

This study is significant in reference with policy issue of industry park development in particular and industrialization in general for. Tracing the value added and value chain of industry commodity from processing, distribution and consumption is an important factor for identifying main actors, stakeholder for policy formulation. Furthermore, the studies reveal policy options for action in socio-economic relations, production institutional settings and capacities and environmental spheres.

As far as I know, this research is the first integrated analysis of Ethiopian industrial policy on the key sectors of industrialization and their corresponding parks development in Ethiopia. Industrial

polycymaking in Ethiopia has advanced substantially over the last few years. Especially the institutional reforms of the Civil Service Reform Program are shifting the industrial policy system in the right direction. Some agencies under public ministries have already been restructured in a way that makes them more flexible and responsive to the needs of the private sector. The Ethiopian Horticulture Development Agency, for example, was formerly a department of the Ministry of Agriculture and Rural Development, which made it difficult for the agency to react quickly and flexibly to the demands of the private sector. Now it has gained flexibility as an autonomous agency that reports directly to the president and is free to hire its staff independently. A similar example at the regional level is the Tigray Agricultural Marketing and Promotion Agency (TAMPA) in Mekelle, which attracts investors very proactively and professionally and shows remarkable flexibility in responding to their needs. (Altenburg, 2010)

Industrial policies in Ethiopia are not yet evaluated systematically and independently. No rigorous evaluations of core institutions and programs are available. Although there are some reporting requirements, reports provide information on activities, rather than impacts, and are usually prepared by the implementing agencies themselves, rather than third parties. Monitoring and evaluation are increasingly built into some programs (e.g. the TVET system), but the government has not yet taken steps towards fully independent third-party evaluations or open stakeholder processes. E.g. it was reluctant to accept a social monitoring component in the donor-financed Protection of Basic Services program. (Altenburg, 2010).

How to managed the long road development of industrialization by having a strong policy frame work is the gap of knowledge and practice that needs further research. There is little research that touches policy issue which have a strong impact for integrating industries development. It is also new to explore reversing theoretical empirical model from bad equilibrium to good equilibrium in the country. The study would help correlate the policy and industry development chains. Hence, the study will benefit for uncovering the problems and filling practical and theoretical gaps in the academic community and policy-makers. It can unfold how to break and reverse the existing vicious circle of unmanaged policy intervention to virtuous circle of integrated industry development plane through integrated development approaches such as Policy vis-à-vis park development program and modalities.

1.7 Organization of the study

This paper has four chapters. Chapter one is an introduction part that presents a brief explanation of the study background, the problem statement, objectives, significance and scope of the study and organization of the study.

Chapter two presents the general literature, theoretical and analytical frameworks. The empirical literature shows theoretical and practical gaps of knowledge where this study filled in the study. It also discusses on the challenges, efficiencies and their opportunities of Industrialization in general and Industry Park in particular.

Chapter three discusses research design for the study of Industry policy. The chapter presents the research paradigm, research design and methods, ways of addressing research questions, multi-stage sampling of the study area, primary and secondary data sources, population and processes of data collection and its final analysis-discussion. Furthermore, validity reliability and ethical issues are explained in this chapter.

Chapter four discuss about data presentation and analysis with triangulation. The last chapter, chapter five describe the conclusion and recommendations and the way forwards.

CHAPTER TWO

2 General Literature and Theoretical Frameworks

This chapter reviews relevant literature on the key areas that the study covers. This chapter presents the theoretical underpinnings of the study. With a focus on the objectives and theoretical thresholds of this study, the chapter reviews related and contemporary literature on the concept of Industry policy, Industrialization and Industry park development. The chapter examines various research studies and reports done locally (Ethiopia), regionally (Africa) and globally.

2.1 Theoretical reviews

2.1.1 Definition of Industry, Industrialization and Industry policy

Many people think of industry as the collective large-scale manufacturing of goods in well-organized plants with a high degree of automation and specialization. Although this is a common example of industry, it can also include other commercial activities that provide goods and services such as agriculture, transportation, hospitality, and many others. Industry can be classified into different categories or levels for a better understanding of the different types and for making it easier to study. Although many school textbooks list only three levels, more advanced books classify industry into five levels. The terms for each level originate from Latin words referring to the numbers one to five.

Primary (first) industries are those that extract or produce raw materials from which useful items can be made. Extraction of raw materials includes mining activities, forestry, and fishing. Agriculture is also considered a primary industry as it produces “raw materials” that require further processing for human use. Secondary (second): Secondary industries are those that change raw materials into usable products through processing and manufacturing. Bakeries that make flour into bread and factories that change metals and plastics into vehicles are examples of secondary industries. The term “value added” is sometimes applied to processed and manufactured items since the change from a raw material into a usable product has added value to the item. Tertiary (third) industries are those that provide essential services and support to allow other levels of industry to function. Often simply called service industries, this level includes transportation, finance, utilities, education, retail, housing, medical, and other services.

Since primary and secondary levels of industry cannot function without these services, they are sometimes referred to as “spin-off” industries. Much of the city of Thompson, for example, is made up of tertiary or service industries to support the primary industry of mining. Quaternary (fourth) industries are those for the creation and transfer of information, including research and training. Often called information industries, this level has seen dramatic growth as a result of advancements in technology and electronic display and transmission of information. Quinary (fifth) industries are those that control the industrial and government decision-making processes. This level includes industry executives and management and bureaucrats and elected officials in government. Policies and laws are made and implemented at this level. (Kaldor, 1967; Cornwall, 2009).

Industrialization is the engine for socio-economic transformation of countries. It is favored for creating employment opportunity, bringing competitive advantage, and generating dynamism in the economy. A glance at the successes of the developed world revealed that industrialization significantly increased production and productivity and hence it has successfully altered the economic structure as well as the social composition of the population. Industrialization and industrial development also signify the political power of countries and their relative influence across the globe (Sonobe and Otsuka, 2011).

Industrialization is a process of building up a country's capacity to convert raw materials into new products. It is accompanied by an increase in output and involves increasing complexity of production and demands greater reliance on others for certain activities (Tsegaye Tegenu, 201)

It is widely recognized that industrialization, intended as the shift from agriculture to manufacturing, is key to development, hardly any countries have developed without industrializing. This phenomenon has been so striking to induce some economists to hypothesize that the manufacturing sector is the engine of economic growth, the so-called “engine of growth argument (Kaldor, 1967; Cornwall, 2009).

The debate is quite old and seems outdated if one thinks about the recent success in the service sector. Services have increased their shares in GDP in both developed and developing countries and are increasingly seen as the new engine of growth. In developing countries, the share of services in GDP was already 40% in the 1950s (well higher than the one of manufacturing, 11%) and increased up to 51% in 2005. In advanced economies, the share of services increased even

more from the 50s to 2005, going from 43% to 70% (Szirmai, 2011). The recent economic crisis, coupled with the considerable expansion of the financial service sector, and the difficulties that many developing countries still encounter to industrialize, brought manufacturing back in the spotlight. Policy makers in both developed and developing countries are reconsidering the virtues of manufacturing. Recent empirical work applied cross country and panel data analysis and found general support to the hypothesis of manufacturing as an engine of growth (among the most recent, Rodrik, 2008, Fagerberg and Verspagen, 1999, 2002, Szirmai, 2011, Szirmai and Verpagen, 2011).

Industrial policy is one of the most controversial issues in development economics. There are several reasons for this. First, there is no agreement on the exact definition of industrial policy. This is obviously quite problematic, because the accepted definition determines the answers to such important questions as whether the use of industrial policy is theoretically justified, what its objectives should be, which measures should be considered part of it, and what its effects have been in both developed and developing countries. Second, the theoretical justification of industrial policy at least, in its most basic versions is based on the existence of some type of market failure. This implies that industrial policy needs to be analyzed in the context of models of imperfect competition and incomplete markets, and thus requires a set of mathematical instruments that, until quite recently, were not common among economists. Third, the analysis of industrial policy is at the crossroads of different research fields, including economic history, development economics, and political science. Finally, and not surprisingly, it is a highly sensitive political topic (Industrial Policy, Michele Di Maio).

There are several possible definitions for industrial policy. For instance; The World Bank (2004) considers it as “government efforts to alter the industrial structure to promote productivity-based growth. And Pack (2000) defines it as including “actions designed to target specific sectors to increase their productivity and their relative importance within manufacturing.”

Other definitions include a broader set of objectives, such as enhancing productivity, competitiveness, and overall economic growth. For instance, according to Pack and Saggi (2007), industrial policy is “any type of selective intervention or government policy that attempts to alter the structure of production toward sectors that are expected to offer better prospects for economic growth than would occur in the absence of such intervention.” According to Curzon

Price (1981), it comprises “any government measure to promote or prevent structural change.” Since one important cause of structural change is international trade, industrial policy is sometimes referred to as policies to “defy” the country comparative advantage and develop its “latent” advantages (Amsden 2001; Chang 2002). It should be noted that these definitions also include measures that are not specifically (or only) directed to industry or manufacturing. Industrial policy may in fact be directed to other sectors which the government expects to have high growth potential, such as non-traditional agricultural products or high-value service activities like software development and tourism (Rodrik 2007; Altenburg 2011). Finally, industrial policy is sometimes given the more ambitious objective of shaping structural change in ways that are socially inclusive and environmentally sustainable (UNIDO, 2011).

The more general the objective, the larger the set of measures that are considered as part of industrial policy. For instance, according to Cimoli, Dosi, and Stiglitz (2009: 107–43), industrial policy includes targeted industrial support as well as policies related to trade, regulation, innovation and technology, education and skill formation, and sectoral competitiveness. The various combinations of these measures characterize the different industrial policy packages. It follows that each industrial policy model could be ideally located on a continuum ranging from hard to soft, where the hard end includes interventions that distort prices while the soft end includes interventions that deal with coordination problems (Harrison and Rodríguez-Clare 2010). Somehow different is the approach of Rodrik (2007), who defines industrial policy as a process involving a “dialogue” between the state and the private sector to generate information for identifying and removing the binding constraints to development.

2.2 Empirical Review

2.2.1 Experience of Developing Countries

2.2.1.1 Malaysia Experience

In the first phase industrial policy (1960-1985), Malaysia employed both import substitution and export promotion policies, rather than free market trade policy. Its export promotion policy attracted foreign transnational firms to invest in processing industries for export. So, while import-substituting industries were given protection, generous incentives were devised in the area of export promotion. However, despite the protection from import competition, locally owned light

and primary processing industries were not able to develop their competitive status. They remained technologically backward as they were not linked to MNCs led technologically better advanced export industries.

A further set back was the government's political agenda which linked the industrialization program with the improvement of the ethnic Malay's economic status. Failure to develop the indigenous industries prompted the government to establish state owned large firms, very much in line with the Korean approach. However, such state-owned giant industries suffered large losses in the early years of their operation. In addition, many of the other smaller state-owned enterprises also performed poorly as indicated above, Malaysia was successful in its FDI program. A generous fiscal incentive, disciplined and literate labor force, good infrastructure, low wages, efficient administration, favorable regional location, and favorable investment climate helped Malaysia to attract MNCs and launch a successful high-tech export path. The new industrial policy in the second phase shifted to more selective strategy, i.e. Providing critical factors for industrial development (skills and training, technical support, finance, quality improvement, and the like). The government moved to strengthening science and technology institutions and stimulating private R&D enterprises.

Industrial restructuring programs were devised to provide cheap finance for the textile and engineering industries. Infant industry protection continued but has been governed by dynamic notions of comparative advantage, promoting the development of industrial sub sectors that are intended to replace light manufacturing activity as the main exporters. The restructured public sectors retained a role in industries (such as automotive, petrochemical, iron and steel, etc.) where the required investments were large and long gestation periods involved. Fresh and more generous incentives were designed to attract FDI. Policy reforms, including the introduction of the Investment Incentives Act 1968, the establishment of free trade zones in the early 1970s, and the provision of export incentives alongside the acceleration of open policy in the 1980s, led to a surge of FDI in the late 1980s. To attract a larger inflow of FDI, the government introduced more liberal incentives including allowing a larger percentage of foreign equity ownership in enterprise under the Promotion of Investment Act (PIA), 1986. Apart from these policy factors, it is generally believed that sound macroeconomic management, sustained economic growth, and the presence of a well-functioning financial system have made Malaysia an attractive prospect for FDI. The government moved to more selective policies on export oriented MNCs. It started

to use incentives to guide FDI into higher value-added activities and more technology intensive processes.

2.2.1.2 Singapore Experience

Singapore's industrialization journey was successful till the late 1970s with an annualized growth of 8% during this period, bringing its per capita GDP to \$6000 in 1980. Its industrial base was built upon the investments of the then 'Multinationals' who provided jobs in mass assembly in the factories and the numbers of multinational companies increased. They provide sources of technology transfer to upgrade the technology level of Singapore, in many industries including heavy metalworking and electronics. The companies obtain substantial funding from the government to develop required technology and automation systems. Training centers and technology showrooms were established.

In the 1980s, Japan was emerging as a successful model of industrialization. It was recognized that the quality, productivity and technological models of Japan should be a model for many developing countries. In 1979, Singapore approached the Japanese government for aid in providing training in the industrial technologies of plastic injection, tool and die, mold making, industrial electronics. This aid resulted in the establishment of the 'Japan Singapore Training Centre (JSTC)', which was one of the first instances of a foreign technology aid to Singapore. Upon completion of the JSTC, the Japanese government generously provided aid to Singapore in its second phase in 1983, resulting in the establishment of the Japan Singapore Technical Institute (JSTI). Moreover, other training institutes are established by joint interaction of the Singaporean government and other foreign countries, these include the German Singapore Institute (GSI), French Singapore Institute (FSI) and Philips Singapore Institute (PSI), in which the most up-to-date equipment are donated by suppliers and used for demonstration, training and development purposes. The remarkable transformation of Singapore is a powerful testament to the potential benefits of globalization. Quite simply, the city-state could not have achieved its economic miracle without extensive economic interaction with the rest of the world.

Singapore is heavily dependent on foreign trade and the relative share of foreign trade in national output is consistently among the highest in the world. Due to its limited population and talent pool, the city-state also relies on foreign human resources to relieve shortages in a wide spectrum of skills, from domestic maids to biotech scientists. In addition to foreign trade and foreign labor,

Singapore is exceptionally open to foreign capital as well. Foreign capital in the form of foreign direct investment has played a pivotal role in the economic development and growth of Singapore. The rapid growth of an export-oriented manufacturing sector which laid the foundation for the city-state's transformation was powered largely by foreign MNCs. While the Singaporean economy is a powerful testament to the benefits of globalization, it is an even more powerful testament to the benefits of FDI. Perhaps to a larger extent than any other country in the world, Singapore has relied on foreign MNCs to drive its own industrialization and growth.

The overwhelming consensus is that FDI has been highly beneficial for the Singaporean economy and indeed the country's remarkable leap from the Third World to the First World would not have been possible without FDI. More specifically, FDI has accelerated the development of an export-oriented manufacturing sector, which has served as the primary engine of engine growth, before the economy diversified into financial services and other services. FDI made major contributions to exports, employment, skill creation, creation of local companies and business opportunities through dynamic linkage effects, and economic growth.

2.2.1.3 Chinese Experience

The government of china encouraged investment in high technology sectors (chemical fibers, micro-electronics, precision machinery, civilian aircraft, biotechnology and energy development) as well as infrastructure and agricultural developments. Investment in the priority sectors would continue to benefit from tax preferences and foreign invested companies in these sectors would be permitted to sell up to 100% of their output in the domestic market. In 1998 the State Planning Commission identified eighteen industries, mostly in high technology sectors, where China wished to promote further foreign investment. These sectors would be granted a restoration of duty-free status on capital equipment imports. These newly promoted sectors were high-technology industries, new technologies, transport and telecommunications equipment, electric power generation, aviation, oil and petrochemicals, machinery, electronics, pharmaceuticals, medical equipment, textiles, metals and metallurgy, light industry, the service sector, and agriculture.

At the same time the State Planning Commission also reaffirmed broad limits to foreign ownership in businesses in areas considered to be key sectors of the economy such as nuclear power plants, satellites and aviation. Also, in 1998 the government announced that the tax

systems for foreign and domestic companies were to be merged by the year 2000, a change that would more than double the tax burden on some foreign-invested enterprises. However, favorable treatment was retained for sectors and areas where China remains keen to attract foreign. This removal of some tax incentives for foreign investors signals a more discriminatory approach to foreign investment and is part of the Chinese government's attempt to redirect growth from basic industries (e.g. Shoes and toys) in favor of higher technology sectors in effect, the foreign investment regime is now more closely linked with domestic industrial policy priorities and wider economic and social objectives. China's supportive policies toward FDI increased the inflow of FDI in the late 1980s and it became even more frequent in the early 1990s. Since 1992, when China's central authority decided to expand the scale and geographical scope of foreign investment, an increase in the foreign direct investment in China emerged.

2.2.2 Industry policy, Industrialization and Industry Park Development in Ethiopia

Looking at the industrial policy trajectories and practices of Ethiopia demonstrate that the successive governments have a strong commitment to achieve their own version of industrialization as a tool of altering the structure of the economy (Kindeye Fenta, 2014). They all believed that a sustained economic development can be realized through industry despite their differences in how and when to realize it. Altenburg (2010) on industrialization and industrial policy in low income countries argument seems to hold true for Ethiopia as well. He argues Industrial policy is a contested issue, especially for low-income countries. On one hand, it is widely accepted that these countries need proactive policies to master the transition from low-productivity resourced-based societies with large informal sectors to more productive, knowledge-based and formalized patterns of productive organization. On the other hand, deliberate interventions aimed to channel resources into preferential activities may well end up reducing allocate efficiency and creating perverse incentives for investors and bureaucrats alike. This is especially true for low-income countries, where political checks and balances tend to be weak.

The industrial policy should have ownership structure and incentives as well as its allocation continued in the industrial policy formulation menu of Ethiopia. At times the governments became the major industrial actor and at times priority is given for the market mechanism to bring efficiency and effectiveness in their endeavor. Some of the regimes pursued import

substitution industrialization while other regimes attempted to combine import substitution with export promotion. Some of the regimes pursued selected industrialization as they tried to exploit the claimed comparative advantage of the country in certain areas.

Specifically, systematic and comprehensive policy framework aimed at charting the sector's trajectory was introduced in the successive five years plans of Hailesellasiye-I regime. Mulatu (1994) posited that both the first (1957-1962) and second (1963-1967) five-year plans pursued by the regime identified manufacturing as the key sector for transforming the structure of the economy and for achieving a rapid and sustained growth.

The five-year development plans adopted import substitution industrialization as a major strategy in promoting industrial development. The policies provide a package of explicit and implicit subsidies in the European Journal of Business and Management form of high tariffs on imported goods, tax exemption, import and export duty relief and other similar privileges (Eshetu, 2004).

The 1974 Ethiopian revolution has not only changed the political landscape of the country but also the economic policy orientation of the country. The revolution has profoundly affected the manufacturing industries. The private sector was excluded from the economy and the government had emerged as a dominant economic actor (Kindeye Fenta, 2014). For example, Mulatu (1994) indicated that by the end of 1976 the government nationalized about 100 major manufacturing establishments and this figure was immense at that time. Up to the takeover of the military government in Ethiopia, 273 medium and large-scale industrial enterprises had been established among which 65% were wholly or partially owned by foreigners (Eshetu, 2004). The government gave special treatment for state owned enterprises and protect them from foreign competition through providing finance and putting quota and tariff barriers (Sarah and Mesfin, 2011, Mulatu, 1994). At the verge of its collapse the military government retreated from its stubborn socialist commitment in that the private sector was allowed to participate in the economy. Mulatu (1991) as cited in Sarah and Mesfin (2011) clearly indicated that;

President Mengistu's March 1990 speech to the Central Committee of the WPE (Workers' Party of Ethiopia) was a turning point in Ethiopia's recent economic history. Acknowledging that socialism had failed, Mengistu proposed implementing a mixed economy. Under the new system, the private sector would be able to participate in all parts of the economy with no limit

on capital investment (Ethiopia had a US\$250,000 ceiling on private investment).’ (Mulatu Wubneh, 1991).

After the EPRDF seized power, it restructured the economic policy framework. The restructuring process entails, among others, the promotion of the private sector, the adoption of market mechanism of resource allocation commitment to attract foreign investment (Mulu, 2013).

In the same vein, the industrial development strategy and practice of the administration is summed as a market oriented; private driven but with a strong state; dominance of domestic private owned enterprises; export oriented and labor intensive industries; direct support for selected industries through capacity building, provision of economic incentives and preferential credit scheme, Despite all these developments and structural changes, industrialization was relegated to a secondary status as Agriculture Development Led-Industrialization (ADLI) strategy sets out agriculture as a primary stimulus to generate increased output, employment, and income for the people, and as the springboard for the development of the other sector of the economy. The assumption was that in ADLI, industrialization and, along with it, urbanization considered as a derivative process that naturally comes with the rapid development of the agriculture sector (Kindeye Fenta, 2014)

The industrial policy framework concretized through various strategies and by the successive development plans such as SDPRP (2002/03-2004/05), PASDEP (2005/06-2009/10) and the current Growth and Transformation Plan (GTP) (2010/11-15/16) (Mulu, 2013; Altenburg, 2010). However, it is fair to say that, these development plans never give due attention for the industrial sector unlike the agricultural sector, at least the first two of them. For instance, PASDEP aimed to significantly accelerate growth via the commercialization of agricultural and the promotion of private sector development (MoFED, 2006).

Ethiopia has achieved outstanding economic success in recent years, and is regarded as a leader in Africa, both in terms of achievement and future potential. In the interest of conciseness, in this report we do not offer a detailed account of Ethiopia’s well-known achievements, the detailed plans laid out in GTP 2 or specific incentives to attract investors. Instead, we concentrate on the findings from our fieldwork, first briefly outlining why our interviewees found Ethiopia an attractive destination for industrial investment, before turning to a detailed discussion of the challenges we discovered during our research.

Low labor costs are the obvious key pull factor for manufacturing investors. McKinsey Global Institute (MGI) finds that Ethiopia's unit labor costs for the manufacture of polo shirts are less than half the level in China and Vietnam. In the case of leather loafers, its unit labor costs are one-third those in Vietnam and one-fifth those of China. But, why would investors choose Ethiopia over other low-cost manufacturing destinations? Because of three key reasons:

Strong political will for development: Investors and international organizations (UNIDO) highly praise central officials' commitment to creating a fertile environment for doing businesses, and see Ethiopia as a leader in Africa in this respect.

Strong central government capacity: Likewise, investors praise high levels of knowledge of the practice of development within the central government, and the ability to learn from experience (for example learning from past industrial park development to successfully launch the Hawassa park within 9 months).

Improving infrastructure, although businesses were concerned about lack of infrastructure, they felt a strong, positive momentum in this area. Continuous improvements in water, electricity, communications and transport in recent years mean that businesses have positive expectations about their futures in Ethiopia.

The Government of Ethiopia has given due attention to the agricultural sector through its successive policies and strategies such as SDPRP, PASDEP, ADLI and the Growth and Transformation Plan (GTP). However, as clearly indicated in the policies and strategies and the GTP II, the manufacturing sector must achieve annual growth of 24 percent and increase its contribution to export revenues from the current 10 percent to 25 percent. The export revenues of the whole economy should register an annual growth of 29 percent. To ensure a sustainable development of the economy, the part of agriculture in the total economy should be reduced and more labor should move to the industry. In order to realize this, the government created enabling conditions to encourage both domestic and foreign private investment and has been heavily investing on infrastructure, energy, rural finance, research, access to improved technology and information, market development, agricultural extension services, promotion of cooperatives, among others.

To realize the ambitious development plan of the country aiming to rapid industrialization nurturing manufacturing and agro-processing industries, to accelerate economic transformation

and attract domestic and foreign direct investment, the Ethiopian government came up with the decision to develop industrial parks providing the necessary services and facilities for industries. Two kinds of industrial parks are being developed: large, medium and light scale industrial parks on the one hand, integrated agro-industrial parks on the other hand.

In order to ensure a proper management of the industrial parks, the Ethiopian Government came up with the Industrial Parks proclamation 886/2015 providing that industrial parks can be developed by any profit-making public, public-private or private enterprise. This includes the Industrial Parks Development Corporation (IPDC), which is in charge of managing the development of large, medium and light industrial parks and the ministries of industry and agriculture, which are responsible for the integrated agro-industrial parks development. The investment is open to national, domestic and foreign investors. The industrial parks developers are entitled to develop their own industrial parks, either independently or through public-private partnership with IPDC. With regard to large, medium and light industrial parks, IPDC is mandated as a facilitator of land bank and main infrastructure provider for private industrial park developers so as to realize the national industrialization agenda of the country in the coming years. (IPDC, 2015)

The Industrial Parks Development Corporation was established in 2014 by the Council of Ministers (Regulation 326/2014), with a mandate to develop, operate and administer wide ranges of industrial parks in the country through lease, transfer and sale of land and constructions. The IDPC is designated to prepare a detailed national industrial parks master plan based on the national master plan of the Regional States or the two City Administrations (Addis Ababa and Dire Dawa). The Corporation is also empowered to serve as industrial land bank in accordance with the agreement concluded with Regional States and the City Administrations.

Sisay Gemechu (2015), the CEO of the IPDC, with the rank of State Minister, explained the vision of the Ethiopian Government as follows:

‘Today is an exciting juncture in our country’s history. It is the time that Ethiopia strives to be the hub of light manufacturing industries in Africa, placing an ambitious plan to develop world class industrial parks with fascinating hard and soft infrastructure’.

According to (Arkebe Oqubay,2018) Special Advisor to Ethiopian Prime Minister and Board Chairman of the Industrial Parks Corporation, the country is targeting USD 1 billion of annual

investment in industrial parks over the next decade to boost exports and make it Africa's top manufacturer. The government has plan to invest half of the USD 10 billion needed for zones across the country that will house textile, leather, agro-processing and other labor-intensive factories in the parks. He further said that Ethiopia had failed to reach the targeted a 15-fold increase in textile and leather exports to USD 1.5 billion in the First GTP Plan that ended in “because of lack of specialized parks with services including utilities, banks, customs and transport links”.

Industrial Parks operated/owned by IPDC the large, medium and light scale industrial parks are expected to facilitate the situation for the planned transition to the industry-led economy which would accelerate the manufacturing sector and contribute to job creation, import substitution, strengthening export, and creating chance for innovation.

Thus, IPDC is vigorously working to develop 100,000 hectares of land between 2016 and 2025, for a total factory floor area of 20 million m². The below are industrial parks operated or owned by IPDC in the country.

2.2.2.1 Bole Lemi

Already operational, Bole Lemi is Ethiopia's first industrial park developed by IPDC with a focus on exports. Bole Lemi Phase 1 (156 hectares) has started operations in 2014, with all pre-erected factories already rented-out to more than 12 different corporations including several investors from Taiwan, China, India and South Korea in sectors such as textile, garment and shoe production, creating about 10,000 jobs. According to the agreement with the investors, almost 95 percent of the products are supplied to foreign market, and thereby enhance the nation's currency earning capacity. Moreover, the firms use local raw materials such as skin and hides as an input for their products. Bole Lemi Phase 2 (186 hectares) is currently being developed in collaboration with the World Bank Group.

2.2.2.2 Addis Industrial Village

Addis Industrial Village, dating back to the 1980s, was the first ever industrial park established in Ethiopia, and it is currently undergoing heavy modernization. Geared towards domestic exporters, it comprises ten government-built factory buildings (11,000 m²) rented to investors,

and nine privately-built factory buildings developed on leased land. Covering 88 hectares of land, it is today operated at full capacity.

2.2.2.3 Kilinto

Located in the south of Addis Ababa, Kilinto is currently being developed as IPDC's second park in Ethiopia's lively, cosmopolitan capital. With a total size of 337 hectares, Kilinto will be a mixed-use park and the number one destination for manufacturers in agro-processing, pharmaceuticals, electric and electronics products, wood and furniture, both for export and to serve local consumers. Serviced land in Kilinto will be available from early 2016, with pre-erected factory sheds available from the 4th quarter of 2016.

2.2.2.4 Hawassa Industrial Park

IPDC's flagship project, Hawassa Industrial Park, is located 275 km from Addis in proximity to one of Ethiopia's premium holiday destination, Lake Hawassa. Upon completion, it will be 300 hectares Eco-Park, centered on textile and garment products, and fully integrated to the city, in collaboration with the newly built Hawassa University, and will be mostly powered by renewable hydroelectricity. The design and construction of Hawassa will be conceived around energy and water conservation principles including maximization of natural lightning and natural ventilation, fitting of low consumption bulbs, recycling of rain water, and solar powered LED street lights making it Ethiopia's most important eco-friendly site. In Phase 1 cycle 1, 100 hectares of land were developed. In parallel, the Government is improving Hawassa's connectivity with the extension of the Addis-Adama highway to Hawassa, the construction of a domestic airport, and the extension of the Addis-Modjo-Djibouti railway to Hawassa. and the rests are Starting from this year, IPC will develop additional parks in Dire Dawa, Mekelle, Kombolcha, Adama, Bahir Dar and Jimma. With a final size ranging from 500 to 2000 hectares, each park will be developed in phases of 75–200 hectares, and will have its own specificities. Dire Dawa is being developed as an integrated zone on the model of an international Special Economic Zone, and will be easily accessible from Djibouti by road and train as well as with daily flight from Addis Ababa.

Mekelle already benefits from an already established industry of textiles, leather and pharmaceuticals, and from a particular dynamic business environment. A railway line linking

Mekelle to Awash (located on the Addis-Djibouti railway) is currently being designed. Kombolcha is located at a cross-road equidistant of major Ethiopian cities, making it an ideal destination for manufactured product for the domestic market. Adama is one of the biggest cities of the Oromia region, currently a top destination for investors in medium and heavy manufacturing. Adama boasts excellent facilities for foreigners, including high quality hotels, and is already served by an express tollway to Addis. The planned railway Hawassa-Mojo-Addis will also stop in Adama. Bahir Dar is a major domestic and international tourism destination and the capital of the Amhara region. It is served by daily flights to Addis Ababa.

In 2002 it was awarded the UNESCO Cities for Peace Prize for its efforts in addressing the challenges of rapid urbanization. Jimma is the largest city in south-western Ethiopia. Logistics connections to the rest of the country are currently being upgraded. According to the CEO of the IPDC upon going operational these industrial parks will help attract more foreign direct investment, stimulate export trade and create jobs for 10 million citizens. Moreover, they are expected to redeem the construction costs within 20 years. The industrial parks of Bole Lemi and Kilinto, already operational, are helping the nation to earn 20 million USD annually. “The industrial parks of Bole Lemi and Kilinto, already operational, are helping the nation to earn 20 million USD annually.”

In addition, some foreign companies have started developing their own industrial parks among which are Eastern Industrial Zone (Chinese), George Shoes cluster industrial park (Chinese/Taiwan) and Huajian Group shoes cluster Industrial Parks (Chinese).

The second type of industrial parks established in the country are the Integrated Agro-Industrial Park (IAIP) aiming at transforming the agriculture sector. IAIP is a geographic cluster of firms grouped together to share different infrastructure and to exploit the opportunities for joint buying, selling, training, extension services and other synergies. The business model of the IAIPs promotes efficiency of the commercial food supply chain. It is an end-to-end approach linking production to the market. The agro-industrial parks will be established within a 100-kilometer radius from input source and output market. So far, 17 areas with agro-industrial potential (Agro-Industrial Growth Corridors-AIGCs) were identified across the country. Feasibility studies for the four pilot IAIPs are completed, commodities for processing in the IAIPs are identified (coffee, livestock, cereals, sesame, pulses, honey, fruit and vegetable), value chain analysis have

been done and 1000 hectares of land attributed. AIGCs sites selected for the pilot development are located in the regions of Oromia, Gende Arba (Bulbula), Southwest Amhara, Bure, Eastern SNNP (Southern Nations, Nationalities and Peoples), Weynenata and Western Tigray.

According to the Ethiopian Minister of Industry, Mr. Ahmed Abetew, the parks will incorporate companies engaged in exporting value-added agricultural products to the world market in addition to domestic companies, farmers and the youth which are the epicenter of agricultural commercialization. Upon completion, the agro-industrial parks will represent over 30 billion ETB (1.5 billion USD) in investments, and will create over 400 business opportunities and over 400,000 direct employments. They will be finalized within four years.

According to the Amended Investment Incentives Regulation No. 312/2014, the following income tax exemption for industrial park developer are guaranteed 10 years for parks located in and around Addis Ababa 15 years for other areas an investor who invested within industrial zone is entitled to an additional period of 2 to 4 years.

Having in mind the major benefits and incentives linked to this sector, the Ethiopian Government highly encourages and welcomes the Ethiopian Diaspora and foreign investors to invest and develop industrial parks in Ethiopia, either independently or through public-private partnerships.

CHAPTER THREE

3 Research Design and Methodology

3.1 Research design

Research design is a procedural roadmap for the overall structure and methods of investigation to a research problem in responding the basic questions of what, why, where, when, whom and the research is designed as explanatory sequential mixed methods of research and it is cross sectional survey.

In this section of the paper, the research approach utilized in the course of the study, the research design, the population and sample size covered by the study, the types and sources of data used, the procedures followed during data collection, data analysis techniques applied and ethical considerations of the study are presented.

This study employed both the qualitative and quantitative data collection methods. Qualitative and quantitative researches provide both an in-depth look at context, processes, interactions and precise measurement of attitudes and outcomes. In this mixed method the presentation of the results is assumed to be effective and powerful.

This method used in the different phases of the research to obtain a variety of information on the same issue and used to obtain a higher degree of validity and reliability through deeper analysis.

Since the research try to see the role of Industry Park on the development of the country's industrialization policy, in this regard I was using a descriptive research design. A descriptive study enables to explore new issues and to describe the characteristics of the variables of interest in a situation. Explanatory research is defined as an attempt to connect ideas to understand cause and effect, i.e. researcher wants to explain what is going on and how things come together and interact.

This thesis applied the explanatory research design method when designing the research question and the descriptive research design method for the different sub questions. Likewise, this study sought to provide an accurate description of observation about the methods and ways which enables efficient and up to date industry policy direction having in mind that the aim of this

research was to analyze and to understand the relationship between different variables in order to assess that how the policy and the industry development in the country has a synergy, thus, explanatory and descriptive research design fit this purpose.

3.2 Data Sources and Types

Both primary and secondary sources of data were used to conduct this research paper. The primary data were obtained through distributed and collected questionnaire and conducted interviews with different parties who have believed direct relationship with the research subject. During the process of gathering primary data 40 questionnaires were distributed and 39 respondents return the questionnaire and ten interviews were made with government officials and senior policy experts. Secondary data were collected from different available sources (published and unpublished) documents, the existing literature also used for theoretical study from all resources such as academic and scholarly journals, newspapers and magazines.

3.3 Data Collection Procedures

The researcher uses mixed method both (qualitative & quantitative). In quantitative approach the pre designed questions are prepared for the purpose to address the research questions. In qualitative approach the interview questions are unstructured or semi-structured in pattern not closed questions like quantitative approach. In semi-structured interviews the researcher has an opportunity to check out various areas and to raise specific queries during the semi-structured interviews. The researcher prepared semi-structured questions that are helpful to take maximum information from interviewees and reaching to key persons because in closed questions it is possible that some important information will be ignored.

3.4 Sampling Techniques and Sample Size Determinations

The study considered a sample frame of Industry Minister, Ethiopian Investment commission and Industrial Park Development Corporation. The researcher used Purposive sampling technique in selecting the institutions which are mentioned above for their relevance to achieve the research objective since they all are directly engaged or otherwise one way or another related with the issue of Ethiopian Industrial policy in general and that of Industrialization and industry park in particular. A total of 40 respondents from the three institutions were included too, among them 15, 15 and 10 questionnaires were administered to Industry Minister, Hawassa Industrial

Park (IPDC) and Ethiopian investment commission respectively. The researcher used a total population size of 40 because of the nature of the research more focused on higher government officials and senior expertise on top of this financial constraints, time constraints and the researcher encountered/found out that the responses from IPDC were similar or/and repetitive for the entire industrial parks so the researcher believed using the population and collected data would not bias the research output. Finally, the data that was gathered were used as primary source.

For the satisfaction of this research, the researcher carried out ten in-depth interviews with ten different persons who were believed to be appropriate persons to provide reliable information about the industrial policy issue. The interviews are based on fundamentals of the role of the industry parks on the development of Ethiopian industry policy concept and how the industrialization is policy oriented.

3.5 Data Collection Instrument

The researcher used personal interview and self-design questioner through open-ended and closed-ended questionnaires. Regarding to survey questioner the researcher developed based on Likert-Scale. The uses of questionnaires were justified because it is affordable and effective way of collecting information from a population in a short period of time and at a reduced cost. The survey questionnaires also facilitate easier coding and analysis of data collections method. The closed ended questions ensure that the respondents are restricted to certain categories in their responses.

3.6 Methods of Data Analysis

The response collected from the respondents with the questionnaire instrument was describe by using SPSS (Version 23). The interview process was created a large amount of data. The immediate challenge, which were begin after the dictation of the very first interview, is to reduce the mass of text to something manageable and meaningful. For more practical purposes, delaying data analysis could create an unmanageable workload for the researcher. The analysis of data in this study was done in three steps in the first step raw data are sorted and placed into conceptual categories. In the second step were make connections between the categories of raw data

identified in relation with research questions. On the third and the last step a core category is identified and responses on the identified category are described.

Quantitative: All questions were individually analyzed, taking into considerations all the available factors and supported with descriptive statistics and an illustrative test was conducted to examine the relationship between selected variables, though the later was not the focused of this analytical study.

Qualitative: Qualitative data obtained from the open-ended questions through self-administered questionnaires, from the survey were analyzed by the researcher and the findings were presented and discussed under the various themes.

3.7 Data validation

A pilot test was carried out with five cooperative members to test the data collection instruments before the main survey. This enabled the researcher to check the validity of the data collection instruments and estimate with some accuracy the average completion time. Some members of the cooperatives in the pilot study were not included in the final sample. To complement the pilot test, this study made use of expert opinion to confirm the content validity of the instrument (Straub, 1989). The feedback was used to improve the data collection instruments by eliminating any ambiguities and inadequate terms. Besides, validation rule by cross variable rule and using SPSS was done to check missing data, percent mismatch, and error encoding before analysis and interpretation.

3.8 Reliability

The Reliability is attained through detailed explanation of the research procedures and standard data collection instruments to allow another scholar to replicate. The Cronbach's alpha was used to verify the internal data consistency and accuracy of data set. The total number of questionnaires on cooperative variable was 148. The average reliability coefficients for this research were 0.746 which is within the acceptable ranges. The coefficient of Alpha-Cronbach's indicating the internal consistency. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The Cronbach's alpha coefficient equal or above 0.70 is considered as satisfactory (Polit, Back, & Hungler, 2001).

Table 3-1 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.746	0.803	39

3.9 Methodological Triangulation

Method Triangulation is a research strategy to validate the information using, on the one hand quantitative analysis method; and on the other hand, qualitative analysis method and prove that both methods lead to the same results without mistake of interpretation. This process is call multi-method approach. It involves using more than one method to gather data, such as interviews, observations, questionnaires, and documents.

3.10 Ethical Issues

Ethical clearance and permission were obtained from each stakeholder respondents before the actual data collection process start. Respondents were informed about the purpose of the study and the importance of their participation in the study. Participants were informed as they could skip question/s that they don't want to answer partially or fully and also to stop at any time if they want to do so. After assuring the confidentiality of the information was given for each respondent to obtaining informed consent from the participant, data collection was started with strict privacy.

CHAPTER FOUR

4 Data Presentation and Analysis

4.1 Introduction

This chapter presents the findings and results of the study on the analysis and relationship of industry policy with industrialization and industry parks. By gathering official information through distributed survey questioners and interviews with government officials involved in this study the researcher triangulates the qualitative data, the quantitative and the secondary source data in the following part.

4.2 Response Rate of the Respondents

A total of 40 among them 15, 15 and 10 questionnaires were administered to Industry Minister, Hawassa Industrial Park (IPDC) and Ethiopian investment commission respectively. While, 39 were collected and analyzed 14, 15 and 10 from total sampled respondents of Industry Minister, Hawassa Industrial Park (IPDC) and Ethiopian investment commission respectively. One of the questionnaires was left with the respondent to fill but it is not returned. In another case the respondent was unavailable during collection of the questionnaire. As result, response rate of 93.3%, 100% & 100 % respectively. To sum up, the total response rate of the respondents is 98 and it is acceptable.

Table 4-1 Summary of Response Rate

Organization	Distributed questionnaire	Returned questionnaire	Response Rate	Total Sampled Population
Industry Minister	15	14	93	35.9
Ethiopian Investment commission	10	10	100	25.6
IPDC/Hawassa	15	15	100	38.5
Total	40	39	98	100.0

4.3 Socio-demographic Profile of the Respondents

This section contains the general demographic profile of the employees (respondents) in terms of their position Education, gender, qualifications as well as working experience and other listed in the following table in the order arranged.

Table 4-2 Profile of respondents

The General Demography of the respondents		Frequency	Percent
Position	Director	3	7.7
	Project Manager	13	33.3
	Advisor	4	10.3
	S. Expert	17	43.6
	J. Expert	2	5.1
	Total	39	100.0
Gender	Male	26	66.7
	Female	13	33.3
	Total	39	100.0
Age	18-20	1	2.6
	21-30	13	33.3
	31-40	17	43.6
	41 and Above	8	20.5
	Total	39	100.0
Level of Education	Degree	15	38.5
	Masters and Above	24	61.5
	Total	39	100.0
Marital Status	Married	23	59.0
	Single	14	35.9
	Divorced	2	5.1
	Total	39	100.0
Work Experience	5 Years and less	4	10.3
	5-10	3	7.7
	11-15	16	41.0
	15-20	11	28.2
	Above 21	5	12.8
	Total	39	100.0
Salary Satisfaction	Highly Satisfied	1	2.6
	Satisfied	6	15.4
	Averagely satisfied	15	38.5

The General Demography of the respondents		Frequency	Percent
	Not satisfied	17	43.6
	Total	39	100.0

Source; own survey, 2019

4.4 Elements of data analysis

The data analysis is done in four sub headings with which the survey has been conducted targeting on the research objectives and questions. In each category major problems and achievements are discussed based on the findings from the interviews and questionnaires and the other point is in order to be convenient for the discussion I try to make the five-stage category of the Likhert scale to three main groups as agree, neutral and disagree.

4.4.1 Understanding the Main Content of Industrial Policy

Industrial policymaking in Ethiopia has advanced substantially over the last few years. Especially the institutional reforms of the Civil Service Reform Program are shifting the industrial policy system in the right direction.

In the following data I will try to raise and analyze in three main categories on the understanding of the basic content of the Ethiopian industry policy, three of the issues which demonstrated are, I believe they have the best parameters to show how the concerned body has an understanding the country's policy. As we see from the table below describes about the firms of Industrial policy and how the concerned body have a clear know how and how they are associated with.

Table 4-3 The Rates of respondents on the understanding of the Policy content

Position		Strongly agree	Agree	Neutral	Not agree	Strongly disagree	
Have a clear understanding on Industry Policy	Director	0	2	1	0	0	3
	Project Manager	2	4	2	4	1	13
	Advisor	0	3	1	0	0	4
	S. Expert	1	8	2	4	2	17
	J. Expert	0	1	1	0	0	2
Total		3	18	7	8	3	39

Position		Strongly agree	Agree	Neutral	Not agree		
The Industry Policy Need Amendm ent	Director	0	1	2	0	3	
	Project Manager	4	8	1	0	13	
	Advisor	2	2	0	0	4	
	S. Expert	6	6	4	1	17	
	J. Expert	1	0	1	0	2	
Total		13	17	8	1	39	
Position		Strongly agree	Agree	Neutral	Not agree		
Industry policy and the GTP I and II have a Relationship	Director	0	3	0	0	3	
	Project Manager	0	8	2	3	13	
	Advisor	1	1	2	0	4	
	S. Expert	1	6	4	6	17	
	J. Expert	0	1	1	0	2	
Total		2	19	9	9	39	

Source; own survey, 2019

The more the policy is attractive the technology, i.e. the extent to which the policy is understandable, demonstrable and unambiguous, the greater the probability of attracting the private sector. Since that policy and regulation issues that are critical for the success of the Industrialization for a country, thus the respondent has reflected different responses accordingly. Table 4.4 below shows how the respondent react on the issue of how they stay at work is associated with the policy of having the parameters of Understanding the current policy, and if the policy needs certain adjustment and what do we mean by when we say the policy have a relationship with the GTP-1 and GTP-2 respectively and the result shows that (53.9%) of them have understanding of the country's industrial policy with Mean=2.74 and St. Deviation =1.12) , (76.9%) are agreed on the policy amendment with Mean=1.92 and St. Deviation=0.81) and the last point is the policy relationship with other development program specially with GTP-1 and

GTP-2 thus, (52.8 %) with the mean value of 2.64 and St. Deviation of 0.903 are strongly believe there is a relationship between the policy and the development programs.

These issues are also witnessed by the interview data. The interview data reveals that, majority of the government higher officials and senior experts have at least an average know how on what is really the policy and strategic road map of the industry sector. The industry sector by its nature needs more standard policy and universally accepted rules and regulation to be competent. Thus, to produce more standard policy the firms the interviewed bodies believe that the policy needs to have an amendment of its policy frame works.

Table 4-4 The understanding of the Policy content

Have a clear Understanding on Industry Policy		Frequency	Percent
	Strongly agree	3	7.7
	Agree	18	46.2
	Neutral	7	17.9
	Not agree	8	20.5
	Strongly disagree	3	7.7
	Total	39	100.0
The Industry Policy Need Amendment		Frequency	Percent
	Strongly agree	13	33.3
	Agree	17	43.6
	Neutral	8	20.5
	Not agree	1	2.6
	Total	39	100.0
Industry policy and the GTP I and II have a Relationship		Frequency	Percent
	Strongly agree	2	5.1
	Agree	19	48.7
	Neutral	9	23.1
	Not agree	9	23.1
	Total	39	100.0

Source; own survey, 2019

Figure 4-1 The understanding of the Policy content

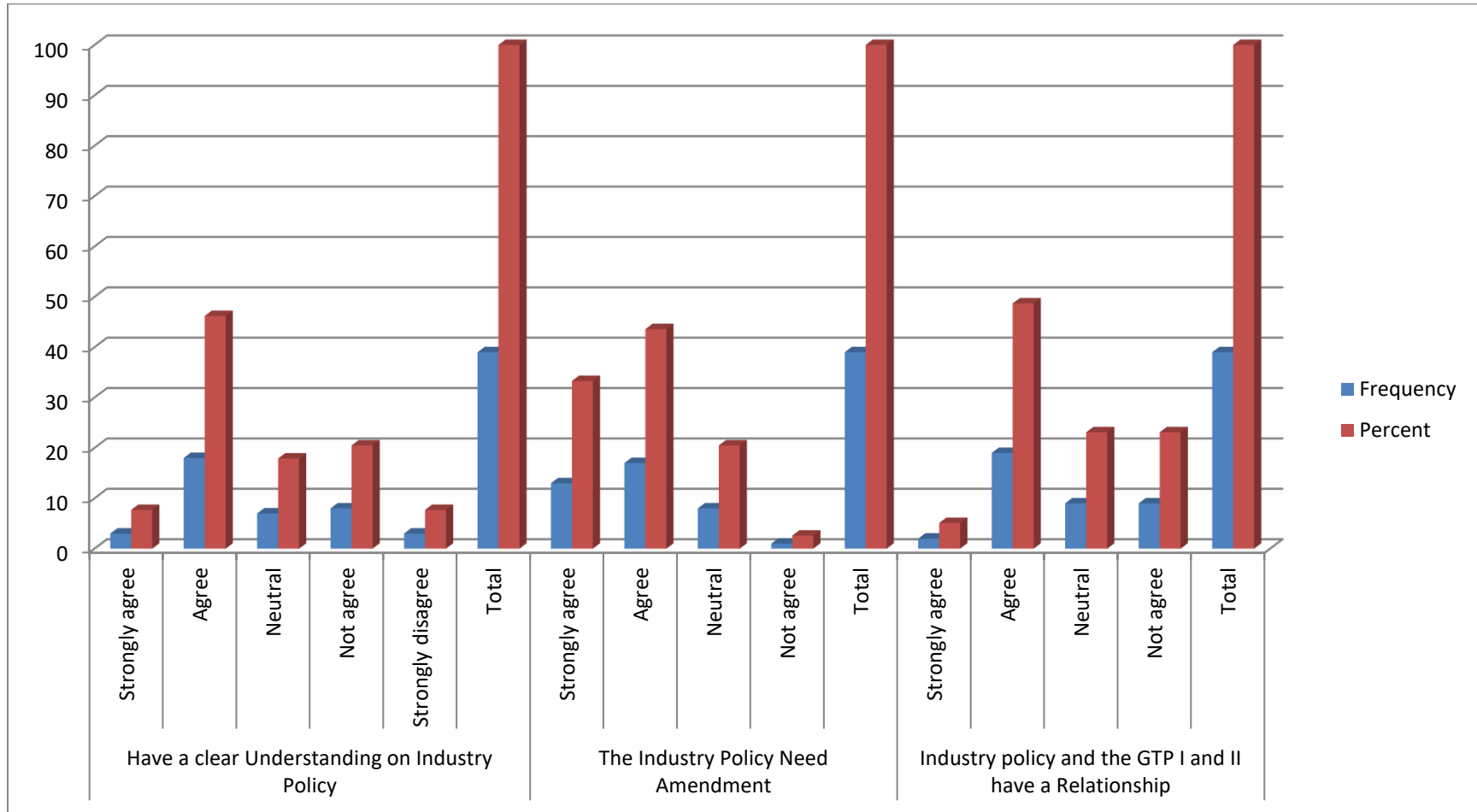


Table 4-5 Descriptive Statistics on the understanding of the policy

Issues in relation to Understanding of The Policy	N	N=39			
		Minimum	Maximum	Mean	Std. Deviation
Have a clear Understanding on Industry Policy	39	1	5	2.74	1.117
The Industry Policy Need Amendment	39	1	4	1.92	.807
Industry policy and the GTP I and II have a Relationship	39	1	4	2.64	.903

Source; own survey, 2019

4.4.2 The relationship of Industry Policy and Strategy with the Industry Park

The influence of policies and strategy in any firm in general and in industry development firm in particular have the potential to make critical and major contributions to the industrialization road map of a country.

Policies and strategies influence firms to contribute for the development of industrialization, industry park and industry zone development through these technology transfer and create conducive conditions for employment opportunities and attract Foreign firms' attraction. In this section mainly the relationships between the policy and the park development were asked about, how the parks development be influenced by policies and laws.

In the Proclamation No. 886/2015, where the Industrial Park was enacted and entered into force on the 9th April 201. It says about Industrial park is an area with distinct boundary designated by the appropriate organ to develop identical, similar or interrelated industries together or to develop multifaceted industries, based on a planned fulfillment of infrastructures and various services such road, electric power and water; having special incentive schemes with a broad view to achieving planned and systematic development of industries, mitigation of the impacts of environmental pollution and development of urban centers. It includes, among others, special economic zones, industrial parks, technology parks; export processing zones, free trade zones and others to be designated by the concerned officials.

As far as the entire government structure is concerned those strategy, plane, program and projects are derived from the large framework of the counters policy having saying in mind this let's see how this are really work for the industry park development.

On the issues where the industry park development is part of the countries policy about 33.3% among the respondents with mean= 2.77 and with St. Deviation=0.872 have an understanding of positive relationship of the development with the policy.

The second discussion 41% of them with the mean=2.64 and St. Deviation=0.811 have the knowhow that the Industry park development is more closely part of the Strategy rather than the policy.

The last discussion point of this section is since the selection is purposive in relation to working with the industrialization issues the question will goes to ask how their level of understanding on Industrial Parks proclamation no. 886/2015.In deed out of the total respondent only 25.6% of them have an understanding on the proclamation with the mean=3.15 and St. Deviation of 1.08

Table 4-6 Frequency Distribution of relationship between industry park and policy

		Frequency	Percent
The Industry park development is part of Industry policy	Strongly agree	3	7.7
	Agree	10	25.6
	Neutral	20	51.3
	Not agree	5	12.8
	Strongly disagree	1	2.6
	Total	39	100.0
		Frequency	Percent
The Industry park development is part of Industry Development Strategy	Strongly agree	3	7.7
	Agree	13	33.3
	Neutral	18	46.2
	Not agree	5	12.8
	Total	39	100.0
		Frequency	Percent
Have a know how about Industrial Parks proclamation no. 886/2015	Strongly agree	3	7.7
	Agree	7	17.9
	Neutral	14	35.9
	Not agree	11	28.2
	Strongly disagree	4	10.3
	Total	39	100.0

Source; own survey, 2019

Figure 4-2 Frequency Distribution of relationship between industry park and policy

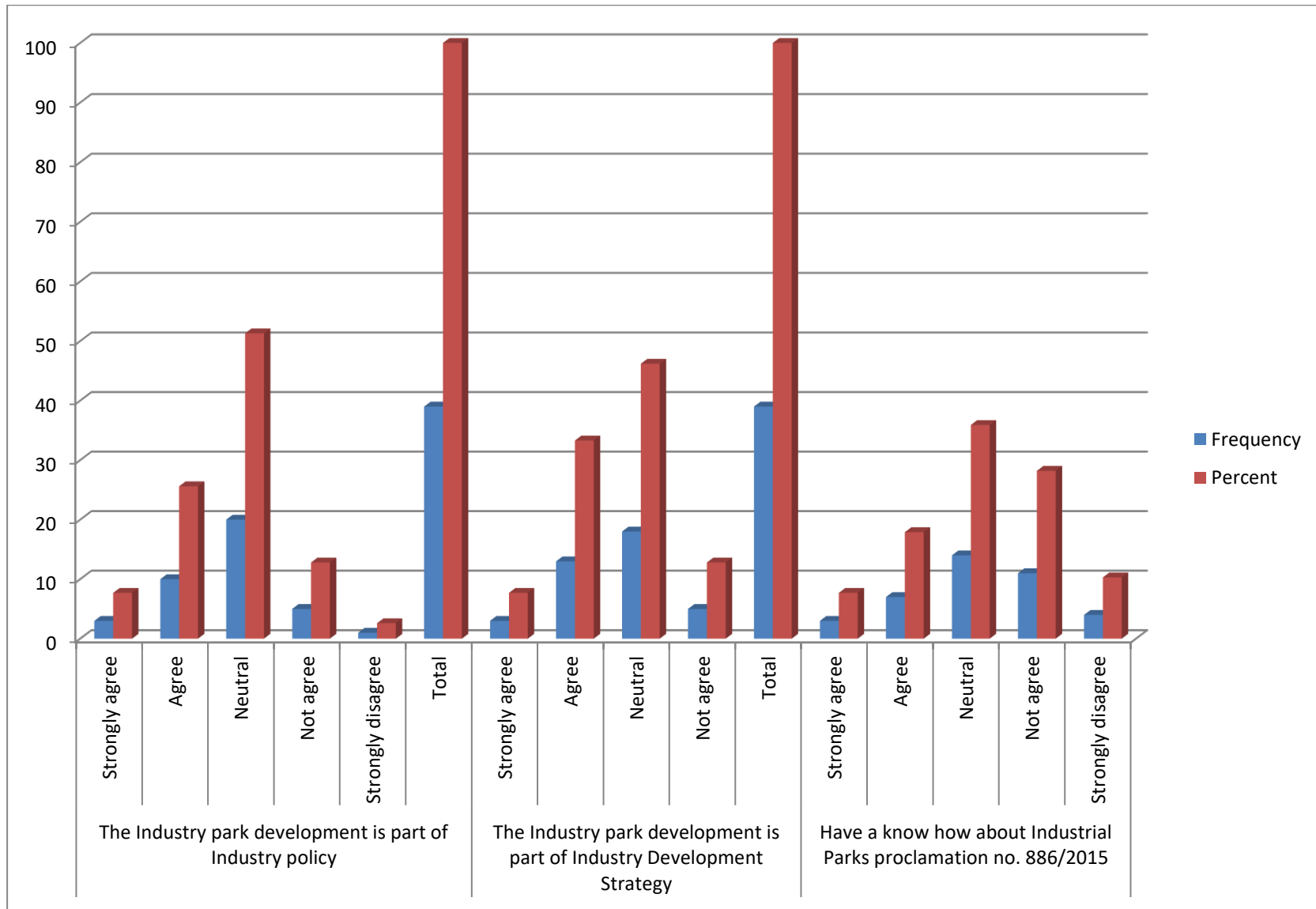


Table 4-7 Statistical Distribution of industry park and policy relationship

Statistical Description	The Industry park development is part of Industry policy	The Industry park development is part of Industry Development Strategy	Have a know how about Industrial Parks proclamation no. 886/2015
Number of respondents	39	39	39
Mean	2.77	2.64	3.15
Std. Deviation	.872	.811	1.089
Minimum	1	1	1
Maximum	5	4	5

Source; own survey, 2019

4.4.3 The current performance of Industrial Parks

In the discussion paper published by UNIDO it try to show the current performance of the Industrial parks developed all over the country by two categories these are Industry park build by federal government and privet sector Ethiopia currently has five completed industrial parks Four publicly owned (Bole Lemi Industrial Park, Hawassa Industrial Park, Mekelle Industrial Park and Kombolcha Industrial Park) and one private (Eastern Industrial Park). From the five Bole Lemi IP and Hawassa IP are operational while Eastern IP (a private IP) is also operational. Mekelle IP & Kombolcha IP is already half full waiting for investors for the remaining space. The government has put in place concrete plans to develop additional IPs during the period of 2016-2017. An important development that demonstrates the level of market interest in Ethiopia's IP program is that seven additional IPs are already approved and currently under various phases of development. The development of five (5) private industries is also underway during the same period. These are Huajan, George Shoe, Vogue, CCECC and CCC Industrial parks. In addition, a key aspect of the of Ethiopia's industrial parks program is the fact that the sector has been open for foreign investment and various government support measures has been put in to place. Currently seven private industrial parks are under different levels of development and/or undergoing expansion.

Figure 4-3 Hawassa Industrial Park - a flagship achievement



Up on the discussion of the industrial park performance, when the industrialization performance is closely linked with the urban development 59% are agree with the mean=2.38 and Sd. Deviation=0.815 and about its sustainability and one time project jobs, 51.3 % with mean=2.46, St. Deviation=0.854 and 38% with mean=3.77 and St. Deviation=1.012 respectively.

Table 4-8 Frequency distribution for the efficiency of Industrial performance

		Frequency	Percent
Industrialization is closely linked with urban development program	Strongly agree	4	10.3
	Agree	19	48.7
	Neutral	14	35.9
	Not agree	1	2.6
	Strongly disagree	1	2.6
	Total	39	100.0
		Frequency	Percent
Industry Park development is a Sustainable program	Strongly agree	5	12.8
	Agree	15	38.5
	Neutral	15	38.5
	Not agree	4	10.3
	Total	39	100.0
		Frequency	Percent
Industry Park development is a project program	Agree	5	12.8
	Neutral	10	25.6
	Not agree	13	33.3
	Strongly disagree	11	28.2
	Total	39	100.0

Source; own survey, 2019

Figure 4-4 Frequency distribution for the efficiency of Industrial performance

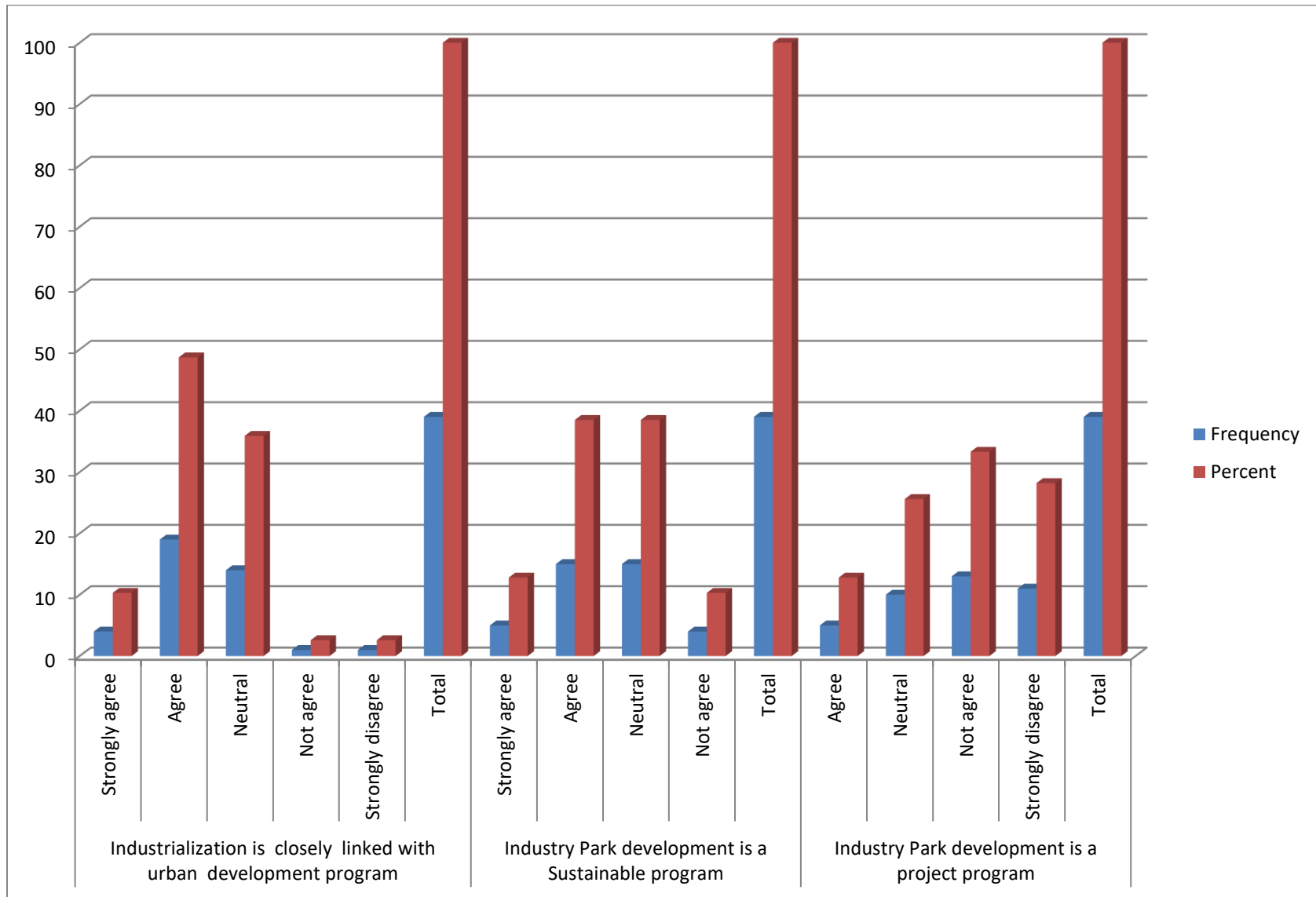


Table 4-9 Descriptive Statistics in the Efficiency of the Industrial Parks

	Industrialization is closely linked with urban development program	Industry Park development is a Sustainable program	Industry Park development is a project program
Number of respondents	39	39	39
Mean	2.38	2.46	3.77
Std. Deviation	.815	.854	1.012
Minimum	1	1	2
Maximum	5	4	5

Source; own survey, 2019

4.4.4 What are Administrative Challenges Faced by Industrial Parks in Ethiopia

Developing any type industrial parks requires wide ranging work involving every member of the community. Major “on the ground” tasks include the construction of infrastructure, investment promotion, zone operation and provision of services. Supporting responsibilities which must be undertaken are information and policy communication between the government and investors, exchange of experience, skills training and community integration. The roles of the government and private sector must be integrated, and attention to their roles must be equitable.

Having the above mentioned point in mind, as far as the administrative capacity of the parks is concerned the response shows that the management practices are very poor with 92.3% with mean=1.67 and St. Deviation of 0.701 and the Industrial Park Development Corporation acts both as a tenant and regulators on this point 38% of them with mean=2.87 and St. Deviation of 1.056 reflect their opinion. The last 56.4% with mean=2.46 and St. Deviation=1.144 believe that the rent seeking behavior of the officials are a biggest challenge for the park development.

Table 4-10 Administrative Challenges in the park administration

		Frequency	Percent
Administrative Capacity is Very Poor	Strongly agree	17	43.6
	Agree	19	48.7
	Neutral	2	5.1
	Not agree	1	2.6
	Total	39	100.0
		Frequency	Percent
IPDC as a regulator simultaneously as a developer	Strongly agree	4	10.3
	Agree	11	28.2
	Neutral	11	28.2
	Not agree	12	30.8
	Strongly disagree	1	2.6
	Total	39	100.0
		Frequency	Percent
Rent Seeking Behavior of Administrator is a challenge of Park Development	Strongly agree	8	20.5
	Agree	14	35.9
	Neutral	11	28.2
	Not agree	3	7.7
	Strongly disagree	3	7.7
	Total	39	100.0

Source; own survey, 2019

Figure 4-5 Administrative Challenges in the park administration

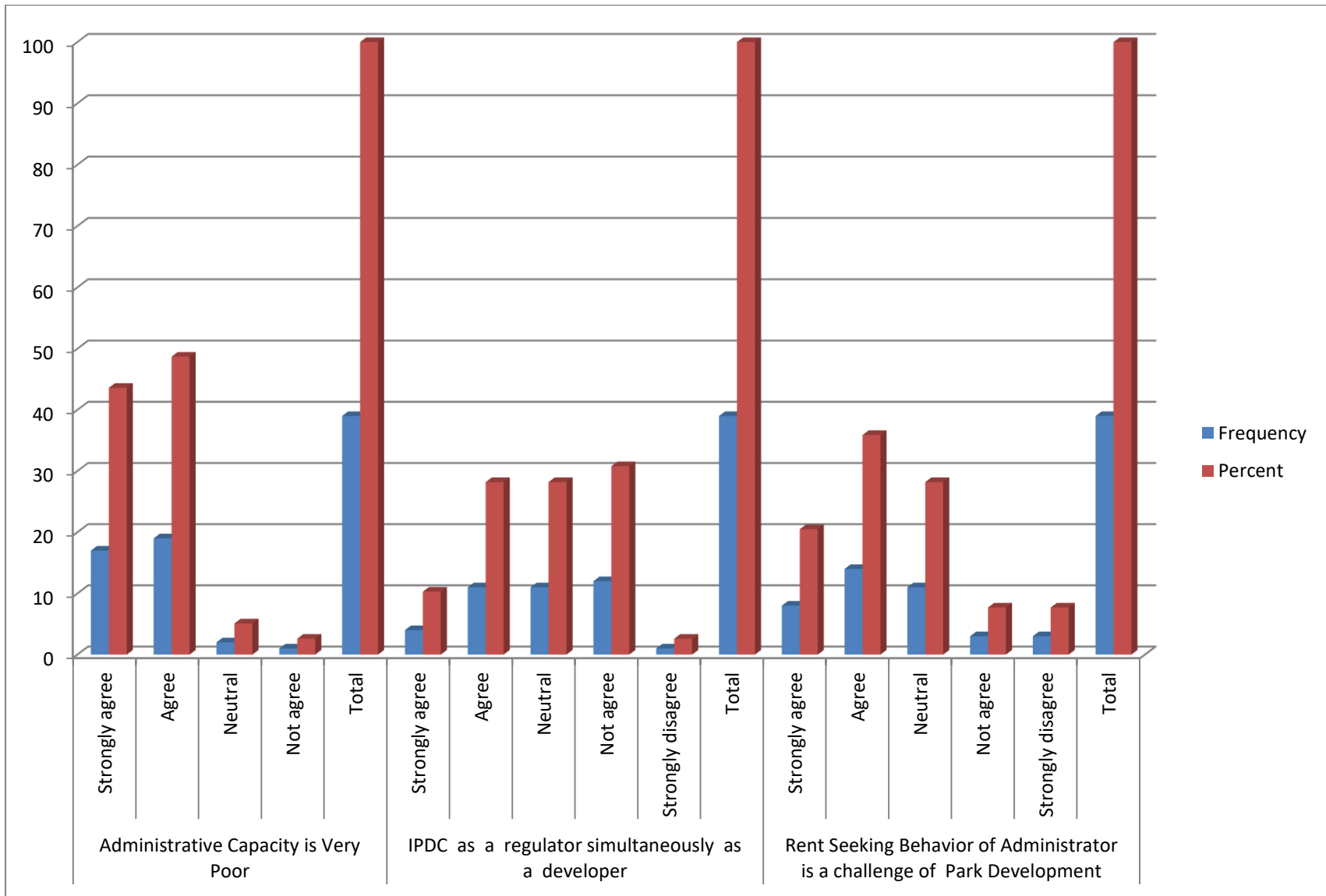


Table 4-11 Descriptive statistics of the challenges of Administration

	Administrative Capacity Should Improved	IPDC as a regulator simultaneously as a developer	Rent Seeking Behavior of Administrator is a challenge of Park Development
Number of respondents	39	39	39
Mean	1.67	2.87	2.46
Std. Deviation	.701	1.056	1.144
Minimum	1	1	1
Maximum	4	5	5
Percentiles	4.00	5.00	5.00

Source; own survey, 2019

4.5 Summary of Interview Data& Result

The interview data shows that, the main reason for the development of industrial policy is in order to show the country industrial direction to start from where and to reach where for this reason the country select one of the goal is industry park development, for this reason the government give a strategic attention for the developers to have investment license, arrange lease agreement for land, then engaged on construction, & arrange other infrastructures like, water, electricity, & telecom facility. My firm carryout the outcomes of research and development activities are relevant & mandatory for my firm Strongly Disagree, Disagree, Neutral, Agree and Agree Strongly.

Regarding the practice and ideology of Ethiopian Industry Policy the Ethiopia’s government recognizes the need to support private sector development as the engine of economic growth and productivity enhancement, and it is clearly committed to advancing industrialization and other high-value activities. The government describes it-self as a revolutionary democracy and developmental government. It can in fact be characterized as “developmental” in the sense that its attitude and activities are strongly driven by the desire to lay the foundations for long-term economic development. Probably few developing countries show such a determined and credible commitment to industrial policy in Ethiopia.

In my study I will try to show that what are the strategic objective and programs of the Industrial Development in Ethiopia and the most of the interviewers are try to replay to me by referring already the written documents. The five strategic objectives, which guide the implementation strategies and programs, are. To further expand and develop the existing manufacturing industry priority sectors, to diversify the manufacturing sector to new sectors, to enhance Enterprise Cultivation and Entrepreneurship, to increase public, private and foreign investment and to develop and operate Industrial zones and cities. And there are a number of key strategies that need to be pursued in order to achieve the stated vision and goal are selected. These key implementation strategies are Ensuring conducive business environment, availing competent human resource, Availing quality industrial inputs for value addition, Developing and diversifying local, regional, and global markets, enhancing technology transfer and Developing and providing institutional support.

Six major programs are designed to achieve the five strategic objectives of the industrial strategic plan These programs are Priority Sectors Expansion Program, New Manufacturing Sectors Development Program, Industrial Enterprise and Entrepreneurship Development Program, Local (Private) and Foreign investment Promotion Program, Government (Public) Sector Investment Program and Industrial zone Development Program.

In the past years the country use to have Industrial Growth by developing different planes and programs and one out of them is PASDEP and there were Major Achievements and constraints under industrial policy support during PASDEP implementation as a country development program.

The country's achievements in Policy support: the master plans of leather and leather products, textile and garment, food processing, basic metal and engineering, sugar, etc. Were completed to lead their respective sectors.

Selective export promotion: priority sectors were chosen owing to the resource potential which includes meat, leather and leather products, textile and garment, and food processing which were given highest attention and generous incentives.

Export steering committee: an export steering committee was established and its monthly meetings were used as a high-level instrument to monitor export promotion and solve problems encountered.

Industrial policy toolkit: common techniques such as benchmarking, scaling up of pilot projects, business matching, institutional twinning, public private dialogue, etc. have been learned and implemented. Among them, benchmarking has become a very popular tool for comparing performances and setting targets for Ethiopian manufacturing industries. The concept of kaizen was later added to the toolkit.

Human resource development in technology and engineering: to enhance the country's engineering and technology capability, the government has launched a fast-track program to build a number of science and technology universities, TVET and research institutes all over the country. Staff trainings of these universities and institutes have been undertaken. Admission policy to higher education institutes is also changed in favor of science and technology whereby 70% of the student's study science and technology and the remaining 30% are in other fields of study.

Development centers and training institutes: in order to serve as focal points to strengthen priority sectors and receive assistance, a number of development centers and training institutes were established in leather and leather products, textile and garment, metal products, and so on.

Infrastructure development: transport and power are the two most important infrastructure services that are given top priority in industrial promotion

The major constraints to the proper functioning and growth of the Ethiopian industrial sector are inadequate managerial and technical skills of the human resource, shortage of foreign exchange for importing raw materials, lack of spare parts and other inputs, electric power disruption, and lack of access to efficient and effective credit and other services.

Although a substantial increment was observed in the share of the industrial sector in the GDP during the PASDEP period, there was no significant growth in the manufacturing industry sector. This shows that much has to be done to enhance the contribution of the sector to the country's GDP in the future.

The other major point discussed here is the country Industrial zones Development Program to establish the industrial zones in different parts of the country. Accordingly, the industrial zone development plan was designed and already implemented. Infrastructures are built in order to create market linkages for these zones. Supports are provided for three industrial zones built in

different parts of the country. The Eastern Industrial Zone at Dukem is working in organized manner as compared to the rest, while Ethio-Turkish Industrial Zone and the Kombolcha textile also engaged at work late than the eastern industry. However, Efforts are under way to speed up and strengthening the industrialization in my interview discussion as well in my questionnaire I try to figure out what is the clear separation between Industry Park and zone and I will try to put some point in the discussion and triangulation section.

The theory of economy behind industrial policy is that the underlying theory behind both ADLI and IDS is the notion of static comparative advantage. The rationale for ADLI is that Ethiopia has comparative advantage in small holder agriculture. Similarly, the rationale for IDS is that Ethiopia has comparative advantage in the prioritized sectors. However, the reality in developing countries has not been kind to support the theory of static comparative advantage.

When we come to see The Industrial park development proclamation No. 886/2015 basics in this case most of the respondents are answering as similar as what is put in the proclamation scope of application and objective there for by virtue of this, I put the text what has been written there. The scope is said to be provisions of this Proclamation shall, uniformly in the territory of Ethiopia, apply to the federal industrial park activities or activities undertaken in connection with them as well as to any person conducting any activity in the federal industrial park and The Objective this Proclamation shall have the following parts: Regulating the designation, development and operation of Industrial Park, contributing towards the development of the country's technological and industrial infrastructure, encouraging private sector participation in manufacturing industries and related investments, enhancing the competitiveness of the country's economic development and creating ample job opportunities, and achieve sustainable economic development.

Another positive impact of Industrial Parks is capable of creating Industrial labor employment creation. In spite of frequent allegations about foreign companies bringing their own labor force, in Ethiopia, a lot of international firms tend to employ local workers, except in management positions. According to the developer of EIP, 87 per cent of the permanent workforce in Chinese firms in Ethiopia was local. Based on an annual growth rate of at least 11 per cent in the forthcoming years, the industrial parks are expected to create 32,000 new jobs in manufacturing, mostly targeting younger Ethiopians.

4.6 Summary of Results

From the previously presented and discussed analysis with regard to Understanding the basic concept of the industry policy, the following points can be considered as the major findings from the interview and questionnaires.

- There is almost near to half of the senior expertise and higher official who has an understanding of the industry policy.
- Almost all the understanding and the lack of understanding group have a strong desire for the policy should be amended because during the time of implementation the policy has a very limited access and not flexible.
- The government of Ethiopia highly considers as a central plank of its development programs of Growth and Transformation Plan – I (GTP-I) and the Second Five-Year development plan, GTP-II. Both plans recognized to transform the subsistence agriculture-based national economy into a manufacturing-led economy which the country industry policy is set as a main development Issue.
- There is knowledge gap on the relationship of the policy and strategy with that of the industrial policy and strategy, while the government of Ethiopia has clearly put on the industrial development strategy document.
- And still there is even more gap on the industry park development proclamation no.886/2015 that the policy and strategy.
- When it's come to the industrial development activity has a strong linkage to the urbanization of course there is appositive relation they have and Hawassa Industrial Park will be the best one for these and it is believed to be the development of the parks are a sustainable long running development.
- An important challenge facing the existing industrial parks and zones in Ethiopia is the lack of an effective management system the other hot issue was related to IPDC. First, as a developer and operator, it should not have a 'regulatory' role. Its business model should be market oriented like any other private developer or operator. However, the current proclamation provides IPDC as a regulator while simultaneously as a developer and/or operator.

- The risk of rent seeking behavior can originate from land development, land valuation and land right transfer. Since IPDC has no in-house capacity in land and infrastructure development, it has to outsource these functions at least for the next few years. Thus, during the procurement process and construction supervision, there might be a rent seeking action that severely harms the implementation of IPs. It can lead to delay in land and/or infrastructure development of the public IPs, poor quality of infrastructure, etc. In either case, the operation of public Parks may be delayed and, thus, affect the success of IPD in terms of attracting Park enterprises and delay in industrialization.

4.7 Discussion and Triangulation

By observing the results above and comparing the responses of the concerned body on the basic understanding of the policy vis-a-vis with the secondary source of data, the following points have been found.

Recent discussion of “new” industrial policy including the desirability of fostering learning and obtaining benefits from agglomeration economies offered by industrial clusters has received little systematic empirical evaluation. In principle, the development of clusters could facilitate growing productivity through the provision of overhead services by the organizers plus the interaction of the firms choosing to enter the cluster. Thus, clusters could offer an alternative to dependence on either buyer or manufacturer led networks. The benefit of clusters may arise from face-to-face interactions that are productivity enhancing (interactions between software writers and chip manufacturers), a pool of workers with the relevant skills, and reduced transportation costs. Individual market agents may not be aware of the externality they generate for others and this provides an additional market failure that could in principle be addressed by public intervention. In the U.S., where there is a favorable environment for the policy-induced generation of agglomeration, many states and metropolitan regions have attempted to attract firms in similar industrial niches in order to achieve a “critical” mass. More generally, state governments and region wide efforts to attract firms to science parks have not been generally successful. The difficulty of replicating Silicon Valley in the U.S. is paralleled by the absence of major success stories in developing countries. The rapid development of the software sector in Bangalore and other cities in India appears to be the outcome of the existence of a large group of well-educated English speaking students and the entrepreneurial abilities of a small group of

residents combined with the awareness of their existence on the part of the large Indian expatriate community, particularly in Silicon Valley. Government participation is non-existent a critical communications satellite is financed by Hewlett-Packard. Positive government efforts followed the “takeoff” of the sector. Of course, publicly financed education institutions generated the fundamental resource, educated workers. This might be considered a generic policy not specifically targeted to the software sector but there is no explicit effort to galvanize the agglomeration economies that have since developed. There are interesting descriptions of a number of clusters in developing nations but few normative evaluations of their success employing social cost benefit analyses or even grosser measures such as growth of exports relative to firms outside of the cluster but in the same sector. However, some insights can be obtained about whether some recent success stories in Asia conform to the contours of the new industrial policy. We consider in detail the evolution of the Indian software sector centered in Bangalore. The development of the software sector is attributable primarily to activities of private actors. Its success reflected a complex set of interactions between domestic and foreign responses to perceived opportunities. Many of the same patterns, with different details, can be documented for other success stories such as the Hsinchu Science Park in Taiwan (Saxenian 1999, 2001), the Special Economic Zones in China (Rosen, 1999), and Bangladesh’s rise as a clothing exporter (Rhee, 2000). In the Indian software sector and the Bangladeshi apparel sector, the initiating force is private, the government playing almost no role except for the fundamental one in India of providing good education, a policy that does not fall into the domain of selective industrial policy.

In Taiwan (China) the establishment of a science park and legislation in China to allow special economic zones to attract FDI are due to an initial government stimulus. A critical input for the success is foreign participation that dealt with some of the roles cited above as requisites of industrial policy (source of new technology, facilitation of learning, source of new product ideas, centralized marketing allowing economies of scope, coordination of entry of complementary firms). The decision to foster a science park by Taiwan (China) comes closer to a proactive industrial policy. Unfortunately, the experience at Hsinchu has not been systematically evaluated. Many nations have attempted to use export-processing zones of one form or another to catalyze foreign direct investment and perhaps generate agglomeration economies. Evaluation of these suggests that while potentially a useful instrument, they have had indifferent results.

Success stories can be pointed to in Korea and Taiwan (China) in the 1950s and early 1960s, and of course in the special economic zones of China.

The Ethiopian experience in agglomeration and economic zone demarcation is a recent phenomenon especially after Growth and Transformation Plan of I and II. Ethiopia, following growth and transformation plan, has distinguished economic zones for FDI intensification on a wider context. However, the technical diffusion would be immense if both foreign and domestic firms co-existed in the same economic zone. So, with the adoption of agglomeration experience from others, determination of whom to cluster in a way that hastens the intimidation period of the local industries.

The industry sector in general and the manufacturing sector in particular were given due national importance following the formulation of the national industry policy in 2002 by the FDRE. This policy was designed within the framework of global environment based on the following underlying principles of free- market economy: -

- Accept that the private sector is the engine of the industrial development strategy;
- Following the direction of Agriculture- led Industrialization;
- Following Export-led Industrialization;
- Focusing on Labor Intensive Industries;
- Using Coordinated Foreign and Domestic Investment; and
- Mobilizing the whole society for industrial development.

The 2002 industry policy has identified priority sectors that deserve attention to build the platform for the industry to take its key leading role in the economy. These sectors include textile and garment, leather and leather products industry, chemical, metal, agro-processing industry and construction industry. The industry policy has continued to be the corner stone for future industrial development in Ethiopia. The strategy which is derived from the policy has clearly try to show that on its current performance of industry sector about the industry zone development, here the strategy use the industry zone development and industry park development interchangeably there for one can be able to conclude the industry park is addressed both in the industry policy and strategy of the country.

The Industrial Parks proclamation 886/2015 provides that industrial parks can be developed by any profit-making public, public-private or private enterprise. Three mechanisms are in place for the establishment of IPs: (a) fully developed by the federal or regional government; (b) developed by PPPs with the IPDC; and (c) by private developers only. Industrial parks in Ethiopia can also be categorized based on their focus sector including textile and garment; leather and shoes; agro-processing, pharmaceutical and IT parks.

When we see the efficiency of the developed industry parks across the country all of them have a good progress in their destination, but have a relatively different result in general as a country for example when we see Hawassa Industrial Park the Ethiopian government also named the park as a flagship achievement. Based on this we can have a conclusion of the current performance of all the industry parks are good but it has been still a doubt that the industrial parks are able to pay their debt of the china government on the due date.

We have been seeing that by putting the industry policy as a big picture and the strategy next and the other related plane and program in relation with the industry park development and their efficiency since all the works are done by management practice let's discuss the management challenges.

As of my qualitative and quantitative data the management in the industry parks are not skilled manpower and the rent seeking behavior is very big challenging issues and the other controversial issue is Industry park development corporation is acting both like a developer and a regulator here there is an ambiguity of dose the proclamation gives both these activities.

When we see the UNIDO document an important challenge facing the existing industrial parks and zones in Ethiopia is the lack of an effective management system. In relation to the Ethiopian Investment Commission, both capacity and organizational issues can be critical in regulating and implementing IPD in Ethiopia.

Currently the EIC is given responsibilities to provide permit, regulate and promote both domestic and foreign direct investment. The regulation and implementation of Industrial Park are covered in its responsibilities. While this is an important step to enhance IPD in Ethiopia, the organizational capacity of EIC in terms of number of qualified human resources, motivation of staffs, and organizational structure is very limited. EIC has limited capacity to design the right regulation, directives and policy incentives for effective implementation of IPD.

It has also limited capacity to monitor the process of IPD implementation. Its current focus is to attract new FDI and maintain those currently under operation based on its 'relationship building' business model. While this is fundamental to enhance FDI in Ethiopia, it is also equally important to build its capacity in promoting, providing permit to IP, regulating and implementing IPD. EIC is not well staffed to perform the different activities required in the IPD (operation, promotion, legal, etc.) as it is observed from its organizational structure. The available staff members have no experience in IPD. Thus, it is essential to design an organizational capacity that enable the EIC to utilize its current capacity while at the same time build its regulatory, implementation and monitoring capacity in cost effective way. The other issue is related to IPDC. First, as a developer and operator, it should not have a 'regulatory' role. Its business model should be market oriented like any other private developer or operator. However, the current proclamation provides IPDC as a regulator while simultaneously as a developer and/or operator. It serves as a land bank for IPD in Ethiopia, which may induce inefficiency as well as conflict of interest.

Second, there might also be a risk of 'rent seeking' behavior. This risk can originate from land development, land valuation and land right transfer. Since IPDC has no in-house capacity in land and infrastructure development, it has to outsource these functions at least for the next few years. Thus, during the procurement process and construction supervision, there might be a rent seeking action that severely harms the implementation of IPs. It can lead to delay in land and/or infrastructure development of the public IPs, poor quality of infrastructure, etc. In either case, the operation of public Parks may be delayed and, thus, affect the success of IPD in terms of attracting Park enterprises and delay in industrialization.

Third, it is important to recognize the IPDC as a new organization and the IPD a new phenomenon in Ethiopia. Thus, there is lack of experience in administering and managing both the corporation and public Parks. Particularly, the administration or operation of Parks is new to its Ethiopian staffs, and the domestic market may not supply the required manpower. This certainly affects the effective delivery of services for Park subjects, unless IPDC provides attractive incentives to the limited capacity available in the country or hire foreign Park operator to administer the Park as a business entity. Due to lack of experience, there might be also risk of ensuring sustainable sources of resource for the Public Park by IPDC. There may also be weak promotional work to attract the 'right' enterprises into public Parks due to lack of experience.

The roles IPDC and regional governments in the development and management of the parks is always blurred, which become a more prominent problem with the rapid development of Industrial parks and the improvement of their urban functions.

CHAPTER FIVE

5 Conclusions and Recommendations

The previous chapter presented the discussion and triangulation of the study. This chapter provides the conclusions and recommendations in line with the findings of the study. The chapter is structured in to two sections. The first section deals with the conclusion whereas the second section presents some recommendation and suggested as a solution to problem which is identified in the study

5.1 Conclusion

In general, one can say that overall, policy formulation and implementation is relatively effective, given the country's level of per-capita-income, and the government has shown flexibility and pragmatism in choosing and adapting its industrial policies but recognizing the relevance of sound and flexible industrial policy would be the main reason to cure unhealthy, distorted and unbalanced status of the industrial sector. Sound industrial policy would guide the holistic strategic efforts of a country thereby to enable the development of diversified industrial portfolios through the correction of institutional failures.

To compile this paper an attempt has been made to obtain information from government officials via direct contact and distributing questionnaires. The findings have been discussed, analyzed and presented in the previous chapters.

This paper analyzes and evaluates the Ethiopian industry policy in relation with the industrialization and industry park development. The following observations are arisen from the previous discussion and findings

First, industrial policy should move away from predefining sectors and instead develop a system that encourages open-ended entrepreneurial search processes. Windows of opportunity often open up in quite unexpected areas. Private entrepreneurs are usually much better equipped to recognize trends and take advantage of new opportunities than government agencies. Government should help to create a learning environment that engenders entrepreneurs who observe market trends and are ready to take risks, and to support their business projects. An open approach of this kind would avoid biases – e.g. in favor of export industries and help to find new

opportunities. For example, the country's current strong economic growth has greatly increased demand for basic manufactured products, but supply has hardly improved. Many local market opportunities are still untapped: bottled and packaged fruit juice is still mainly imported; many construction materials and agricultural inputs are brought in from abroad; until recently, even matches were not produced in Ethiopia. Encouraging local entrepreneurs to develop such markets may yield quick results, taking into account that entry barriers in the domestic market are low compared to export markets. The government may have an important role to play in improving framework conditions and nurturing local entrepreneurship with a focus on market expanding innovations.

Second, managing policy reform on so many fronts at one time requires good policy coordination and clearly defined responsibilities, and when there is a need to develop a policy there should be a management practice of participating all the concerned body the other point is given that industrial and trade policy, technology development, and capacity building are nowadays strongly interrelated.

Third, the government may want to rethink its position with regard to private trade and services. The government often characterizes middlemen as "rent-seekers", and the overall thrust is to have public agencies provide services that are strategic for national development from banking to agricultural extension and business development services for SMEs. While in certain cases it may be good to replace intermediaries, who abuse of their market position and to maintain public service monopolies, in many other cases it may be counterproductive. As in manufacturing, private traders and service providers are often more innovative and have stronger incentives to provide value to their customers than bureaucrats. These calls for changes on two fronts: first, to create more space for private service providers to compete with existing public suppliers the advantages and disadvantages of public vs. private service provision will then become evident, and policymakers can reward those who perform better; second, to proceed with the Civil Service Reform in order to make public service providers more flexible and accountable to their customers.

5.2 Recommendations

Generally, based on the finding, the researcher drawn the following important policy implications and the following recommendation has been made for the industry policy vis-à-vis Industrialization and Industry Park development.

- The government should give attention and provide technical and economic incentives in creating a knowhow by giving intensive training on how the policy making process is work and what the basic parameters a policy to be amended.
- I suggest that the central government could consider delegating some decision-making authority, particularly those related to industrial parks and investment promotion, to local bureaucrats, relying on their professionalism and resolve to deliver public services and manage economic activities in their jurisdictions. It is not about weakening the central authority. Instead, it is about making governance at the local level more responsive to heterogeneous needs of the local community.
- Advancing the role of local governments in development using training and technological improvements to strengthen capacity. Practical training in areas such as public policy and administration would help to build local governments ability to design and implement proactive, investment-friendly policies; while technological improvements, in particular to automate bureaucratic procedures, would free up local officials' time to concentrate on development and speed up bureaucratic processes.
- Building proactive local governments is incentives. Without practical, measurable incentives, local officials will not be motivated to promote development. For example, Officials who designed and implemented successful policies were rewarded with more promotion opportunities, creating an incentive for innovative, entrepreneurial local governments to attract investment.
- Given the critical role of policy consistency in the development of industrial parks, I also suggest that the central government create incentives for local governments to maintain investment-friendly policy environments. In particular, some industrial parks and agro-processing parks could be used to test some policies that have been successfully adopted in other countries.

- As Ethiopia becomes more integrated into the global market and move up along the development ladder, space for experimental policies is shrinking. The central government could play certain activist roles to coordinate the experimentation process and scale up local innovations. With development focused incentive structures and central government co-ordination, the innovations that result from successful local experiments can be rolled-out across the rest of the country.
- Policy makers need to consider that flow of private manufacturing investment strengthen through creating packages to be motivated the sector
- Consider the effect of awareness on the manufacturing sector and continuous support from policy designing till the implication stages.
- The authorized body should to evaluate the impact of private manufacturing investment in the industrial park continuously in order to keep the strength side and to readjust the weak sides of policy.

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Annexes

Annex-1: Questionnaires

Annex-2: Interview Questions