ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
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CONTRIBUTION, CHALLENGES AND PROSPECTS OF INDUSTRY PARKS IN ETHIOPIA

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A THESIS SUBMITTED TO Addis Ababa UNIVERSITY COLLEGE OF BUSINESS ANDECONOMICSIN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THEAWARDOF THE DEGREE MASTER OFSCIENCE IN ACCOUNTING AND FINANCE

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Statement of Declaration

I, Desalegn Shibiru Baruda, hereby declare that the thesis on the topic entitled "C**ontribution**, **Challenges and Prospects of Industry Parks in Ethiopia"** submitted by me for the award of the degree of Master of Science in Accounting and Finance from Addis Ababa University is original work and it has never been presented in any university. All sources and materials used for this thesis have been appropriately acknowledged.

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Statement of Approval

This is to certify that this thesis entitled, "Contribution, Challenges and Prospects of Industry Parks in Ethiopia" was carried out by Desalegn Shibiru Baruda under the supervision of Dr. P. Laxmikantham, submitted in partial fulfilment of the requirements for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Advisor: Dr. P, Laxmikantham Signature _____ Date _____

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List of Abbreviations

ADLI	Agricultural Development Led Industrialization
AGOA	African Growth and Opportunity Act
CIP	Chemical Industrial Parks
COMESA	Common Market for Eastern and Southern Africa
ECCI	Egypt Chinese Corporation for Investment
EDB	Economic Development Board
EDRI	Ethiopian Development Research Institute
ENA	Ethiopian News Agency
ETDZ	Economic and Technological Development Zones
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FEZ	Free Export Zone
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
IDA	International Development Association
IPD	Industrial Parks Development
IPDC	Industrial Parks Development Corporation
IRDA	Iskandar Regional Development Authority
IT	Information Technology
MEPZ	Mauritius Export Processing Zone
MoFED	Minster of Finance and Economic Development
MOI	Minister of Industry
MoU	Memorandum of Understanding
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
RDPS	Rural Development Policy and Strategies
SCIPDC	Shanghai Chemical Industry Park in China,
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
TEDA	Tianjin Economic Technological Development Area
UNIDO	United Nations Industrial Development Organization

Abstracts

The main objective of this study is to assess the contributions, challenges and prospects of industrial park in Ethiopia. Both primary and secondary data were employed. Questionnaire, key informant interview and document review were the main data collection instruments for the study. Overall industry parks issues were addressed by this study at concerned agencies; that is, Ethiopian Investment Commission, Ministry of Industry and Industry Parks Development Corporation level to the topic under investigation. Among the 50 experts and employees that have connections with the case under study, samples of 30 respondents were covered. The quantitative data were analysed using descriptive statistics and the results are presented in tables and figures. Narration method was employed to analyse the qualitative data. The findings of the study indicated that industrial parks have contributed to the national as well as local economy in terms of employment generation, income tax, capital investment, and export and import substitution, technology transfer and cultural integration. The research finding also showed that shortage of raw materials, delay on the logistic service, shortage of foreign exchange and problems related to government rules and procedures as the constraints faced by the companies. Inefficiency of workers, communication barriers, lacks of enough training and organizational structure problems on the other hand are considered as internal problems faced by the companies.

Keywords: Industrial park, contributions, challenges, prospects, Ethiopia

CHAPTER ONE

1. INTRODUCTION

The imbalances and inequalities of Globalization Process have become the debating topic in recent years. In order to reduce these imbalances, there have been several investigations and measures took place. This is an obvious trend that, these international and regional organizations have always plausible influences on the economies. In order to enhance the economic development, the infrastructure in industrial, agricultural and service sectors has to be completed. Nowadays, the main actors in economic development are industrial and service sectors, thus, industrial sector is essential in building the economic development strategy. So, Industrial Parks in this prospective, have to be investigated and discussed possible outcomes for the economic development (Azizov, 2014).

Industrial Parks (IPs) have been and are key policy instruments in enhancing economic transformation by attracting investment, promoting technological learning, upgrading and innovation and generating stable and decent employment. However, the challenge is that industrial park development (IPD) requires not only setting realistic goals but also designing feasible pathways towards the effective achievement of its goal (Alebel, Mulu, Girum & Berihu, 2017).

1.1 Background of Study

The first and ancient special economic zones were established in 1704 in Gibrather, and in 1819 in Singapore. Modern Special Economic Zones (SEZs) Model first set up in Shannon, Ireland in 1959. Since 1959 the zone has spread internationally, notably in the developing of the world (FIAS, 2008). Special Economic Zone established to achieve various objectives. Farole(2010)define three types of outcomes: (1) static economic outcomes as being those derived in the short-term through the use of economic zones as instruments of trade and investment policy,and include primarily investment, employment, and exports, (2) dynamic economic outcomes: including technology transfers, integration with the domestic economy, and (3) socio-economic outcomes: including the quality of employment created and the gender-differentiated impacts of zones.1970s, most zones were clustered in industrial countries (Farole &Akinci, 2011).

But since 1970s, starting with East Asia and Latin America, Zones has been designed to attract investment in labour intensive manufacturing. Since then the zones become a corner stone of trade and investment policy in countries shifting away from imports –substitution policies and aiming to integrate into global marketing through export- led growth policies. In some cases, SEZs have played a critical role in catalysing diversification, and economic growth. They have the potential to be one useful instrument, if addressed in a comprehensive way. Experiences tell us that, the environment in which zone programs are developed are complex and heterogeneous. In sub-Saharan Africa except few countries like Mauritius and Ghana, problems are observed including low level of investment and export, limited job creation impact, low competitiveness, problem of linkage with wider economy. Furthermore, in many countries land acquisition, compensation, and resettlement practices are inadequate.

In the sub-Saharan African region, several countries launched zone programs in 1970s Liberia in 1970, Mauritius in 1971, Senegal in 1974, but they did not operationalise programs until the 1990s or 2000s. These zones are largely different from the modern large scale multi-use zones that are currently being proposed (ibid). Industrial Park Development (IPD) is a policy tool for meeting a broader economic development goal. A number of issues determine its successful implementation. Among the key issues that crucially determine the successful implementation of IPD are its objective(s), governance system, policy preferences, administrative pattern, investment promotion and linkages to the rest of the economy. Industrial Zone the term also known as industrial park, industrial estate, trading estate is an area zoned and planned for the purpose of industrial development. While the term industrial estates and industrial parks are used to refer to the particular regrouping of industrial facilities; the term industrial zones, on the other hand, refers to an area of land set aside for industrial facilities without the explicit purpose of facilitating or promoting the provision of common infrastructure and services (UNIDO, 1997).

The federal government of Ethiopia has taken industrial park development as a strategy to attract investment in the manufacturing sector and accelerate the growth and development of the manufacturing sector. The growth and development of the manufacturing sector is expected to propel economic growth resulting from creation of more job opportunities, generation of foreign currency through export diversification, which is currently much dependent on the agriculture. Industrial parks are one of the most important factors supporting positive economy development with high economy turnover and high employment

(Bonde-Henriksen, 1982) by attracting investment in the manufacturing sector. Since the federal government of Ethiopia viewed industrial park development as an engine of rapid industrialization process that nurture manufacturing industries, to accelerate economic transformation and attract both domestic as well as foreign investors in the sector; established the Ethiopian Industrial Parks Development Corporation (IPDC) in 2014 as a public enterprise. By receiving the full support of the government IPDC is working to put in place the necessary infrastructure in the parks which are going to be built in different areas of the country. Thus, industrial parks development is adopted as a strategy in Ethiopia to realize the development plan of industrialization on the manufacturing and agro-processing industries, and thereby accelerate economic transformation through attracting domestic and foreign direct investment. In Ethiopia, two types of industrial parks are under development: large, medium and light scale industrial parks on the one hand and integrated agro-industrial parks on the other hand.

1.2. Statement of the Problem

The prevalence of workable and above all sound legal, regulatory framework and effective institutions with strong and long-term government commitment are mandatory for effectiveness and efficiency of special economic zones, operational activities thereby bringing about the required change and development in the industrial sector. As identified by the study conducted by Zeng (2010) and Farole (2011), in most African countries, the SEZ laws or regulations are either missing or out-of-date, and as a result many investment arrangements are done on a MoU basis, in the case of which Such a practice lacks transparency and clarity of roles and responsibilities of various parties and often puts investments at great risk. The above stated very facts are evidenced by a study conducted by Farole, (2011) and Zeng (2011), FIAS (2008). According to these scholars, what has been justified is that from the Global perspectives, the African SEZs experienced generally failure and serious challenges. Among the challenges; limited capacity of the government, especially in infrastructures arrangement, one step shop services and administrations of zones; lack of integration with the local economy as well as local master plan were the major ones. On the other hand, problems related with stakeholder identification, non-existence of clear policy and legal framework; social and environmental impact assessment; availability and administrations of labor force have also contributed to failure of special economic zones.

In line with this, the Ethiopian micro and small enterprises development have been the strategic focuses of the industrial development in the first GTP. Particular emphasis has been

given for medium and large industry development of which Textile and Garment, Leather and Leather Products, Sugar, Cement, Metal and Engineering, Chemical, Pharmaceutical, and Agro Processing Industries are to be mentioned. According to the first GTP, industrial development has been based on the development and feasibility of industrial zones that are suitable for establishing the above listed medium and large-scale manufacturing industries.
Despite remarkable economic growth over the last decade, Ethiopia has achieved little in terms of economic structural transformation. The key constraints that hinder economic transformation are lack of capital, foreign exchange, knowledge, infrastructure and institutional constraints in delivering efficient services. An economic growth model that focuses on high productivity sectors, especially the manufacturing and modern agriculture and services is imperative to maintain the growth performance of the economy and speedup structural transformation (Alebel, Mulu, Girum & Berihu, 2017).

In spite of the many clear advantages of industrial parks, literatures come-up with some limitations on industrial parks. One concern with industrial parks is that their use can restrict investment only to the most promising enterprises and thereby deprive other potential investments (Ayres, 1994). An industrial park, to be successful, has to provide optimum location advantages (Humphrey, 2000) to the firms which serve its purpose or pay for it unless its occupants are well located. Firms must have some advantage from the standpoint of location with respect to raw materials and markets, availability of labour supply, tax benefits, or other advantages in order to be competitive enough. When location errors are made there is sometimes no provision for investing in such facilities, and then the question may arise whether additional residential housing should be constructed or the park allowed incurring the risk of failure.

Industrial Parks (IPs) have been and are key policy instruments in enhancing economic transformation by attracting investment, promoting technological learning, upgrading and innovation and generating stable and decent employment. However, the challenge is that industrial park development (IPD) requires not only setting realistic goals but also designing feasible pathways towards the effective achievement of its goal. Poor planning of industrial parks could result in planned industrial slums, with traffic problems, industrial nuisances, and inadequate buildings and utilities. Even with good planning, it may take several years to complete the development of a park, to install the utilities and improvements, to select the tenants, and to dispose of the property (ibid, 2017).

Hence, the importance of careful physical and financial planning and execution should be appreciated. One danger is that faulty execution will leave the park in a partially unfinished state for a long time, resulting in an uneconomic investment and handicaps to resident industrialists. Most of the apparent disadvantages can be overcome by proper planning (Henriksen, 1982). Hence, the biggest challenges for Industrial Park Development are setting realistic goals and designing feasible pathways towards meeting the goals.

1.3 Basic Research Questions

(a) What are the contributions, challenges and prospects of industry parks in Ethiopia?
(b) What are the prospects of industry parks?
(c) What are the benefits of industry parks to the local economy?

1.4. Objectives of the Study

The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find out the truth which is hidden and which has not been discovered as yet (Kothari, 1985). Therefore, after careful consideration of research problem, the following objectives of the study are determined

1.4.1 General objective

The general objective of this study is to assess the contribution, challenges and prospects of industry parks in Ethiopia.

1.4.2 Specific Objectives of the Study

The specific objectives of this study are:

a) To assess the contribution, challenges and prospects of industry parks in Ethiopia.
b) To examine prospects of industry parks.
c) To examining the benefits of industry parks to the local economy.

1.5. Significance of the Study

The significance of this study is based on the following articulated intertwined facts and issues: First, it helps policy makers to make continuous research and assessment to identify achievements and challenges. Second, to researcher it helps to get a better understanding if they want to study on such area. Third, to IPDC, EIC and MoI it assists to give due attention

on areas that needs special focus. Finally, to students it provides a better understanding and serves as a reference for their study.

1.6. Delimitation of the Study

This study was limited to the case of contribution, challenges and prospects of industry parks in Ethiopia. Geographically the assessment conducted by contacting experts and referring reports of concerned governmental agencies(Ethiopian Investment Commission, Industry Parks Development Corporation and Ministry of Industry) who have the touch with overall parks located in different region of the country, while the dimension selected for this study are mainly the components that can help to evaluate the overall contributions, and challenges of industry parks. This mainly includes; policy, laws, regulations, institutional arrangement that facilitate over all governance of the industry parks; leadership and management system of the industry parks; its impact on technology and knowledge transfer; its contribution on import-export; employment created and its administration situation; and overall prospects of all operational industry park in the country.

While, the methodological scope of the study focused on descriptive design and finally, the geographical scope of study was limited to Ethiopia.

1.7.Limitation of the Study

It would have been interesting to assess the overall contributions, challenges and prospects of parks by visiting all industry parks across the country. The study would have also covered regional industry bureaus to get their concern but MoI's report covers regional bureaus periodic reports. Moreover, the study failed to incorporate other stakeholders to have the true picture of contribution, challenges, and prospects of industry parks.

First, the researcher couldn't obtain the all the necessary reports which were published by the governmental agencies for certain period of time. When the researcher contacted the experts, they said that periodic annual reports were not yet completed and they said that a research was under way by external professional to study the challenges hindering industry parks.

Second, some of the experts were busy frequently visiting industry parks to assess the existing situation there because some of the parks where not fully equipped by experts who coordinate the activities. Due to this, they were not easily contacted even they didn't punctual on agreed period that results data collections very tough.

Though, the limitation was very challenging, the researcher made efforts to minimize the obstacles through efforts made to get involved concerned organization and experts, some reports from Industrial Park Development Corporation, Ethiopian Investment Commission, and Ministry of Industry visiting website. To solve the obstacle encountered, by facilitating appropriate time to get experts. As a result, good communication has created and the problems resolved.

1.8. Organization of the research

The thesis is organized in five chapters. Chapter one deals with the introductory part which includes background of the study, problem statement, objectives, scope and limitation and significance of the study. Chapter two is devoted to presentation of historical background of industrial parks development at global and national level and conceptual frameworks of the study. An overview of the research methodology used to address the research problem is presented in chapter three. This chapter covers the research design, source of data, data collection procedure and methods of data analysis. Chapter four is devoted to presenting the findings and analysis of the study. The last chapter presents the conclusion and recommendations based on the findings of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This section reviews previous literature. Specifically, first it provides the definition and concept of industrial parks. Then reviews of theoretical and empirical literature on the challenges and prospects of industry parks in enhancing investment.

2.1. Definition and Concept of Industrial Park

Various definitions of industrial park (also known as industrial estate, trading estate) have been made, but the definition which was made by United Nations Industrial Development Organization (UNIDO) is considered to be the broadest definition. According to UNIDO's definition "An industrial park is defined as a tract of land developed and subdivided into plots according to a comprehensive plan with or without built-up (advance) factories, sometimes with common facilities and sometimes without them, for the use of a group of industrialist". (UNIDO, 1997, p.10)

Two points in the definition above need amplification (Turk, 2006). The comprehensive plan refers not only to the physical planning of the park, but also to its immediate economic and social environment, and the role assigned to it in the regional or urban development plan.

An industrial estate is a specific area (tract of land) that is separated from urban and densely populated areas, and zoned specifically for the location of industrial facilities. Industrial Park is a portion of a city that is zoned for industrial use (as opposed to residential or commercial use). Industrial parks may contain different industries, ports, warehouses, distribution centres, chemical plants, plastics manufacturers, airports, food and beverage processors, and steel manufacturers, to name just a few examples(Henriksen, 1982).Industrial estates have to support proper infrastructure such as roads, power, water supply, and other utility services to all facilities located within the well-defined parameters of the estate. The term industrial park implies careful planning and brings to mind extensive low-rise buildings located in a landscaped setting of wide lawns, and interconnected by broad boulevards.

An industrial park is based on a philosophy of integration of relatively different functions (production function, and that of services, relaxation and education, too) into an industrial area with majority of industrial production and services with high economy turnover and high

employment. It provides services independent of type and importance of a particular industrial park.

An industrial park as such is characterized by a united conception, unique and highly particular configuration, selection of production units and overall area maintenance.

It is based on integration of different functions of research, production, education that take place in the particular industrial area (Ibid, 1982). An industrial park is usually located close to the transportation environment, mainly in case where more types of transportation are used.

The idea of industrial park development was based on several principles which most of all included allocation of specialized infrastructure in selected areas with the aim of decreasing costs connected to building infrastructure, and, furthermore, capability of a country to attract new investors, which would eliminate social and ecological impacts caused by industrial production. The term industrial park is basically very similar to the name of industrial district, production zone or production cluster. Nonetheless, English economic literature uses terms such as industrial estate, trading estate, factory estate, or employment areas (Keppl, 2001).

According to Ethiopian industrial park proclamation, the term "industrial park" is defined as “an area with distinct boundary designated by the appropriate organ to develop comprehensive, integrated, multiple or selected functions of industries, based on a planned fulfilment of infrastructure and various services such as road, electric power and water, one stop shop and have special incentive schemes, with a broad view to achieving planned and systematic, development of industries, mitigation of impacts of pollution on environment and human being and development of urban centre, and includes special economic zones, technology parks, export processing zones, agro-processing zone, free trade zones and the like designated by the Investment Board” (Federal Legislative, 2015, page 820).

2.2. Evolution of Industrial Park Development

Typically, at the global sense, the first generation of industrial parks, which were built in the 1970s, can be distinguished from the other generations by assembly halls and storages and a rather simplistic architecture. The area of administrative buildings took about only 10 to 15 per cent of the total area of the park. In the period between 1975 and 1985, industrial parks

where offices, which were used by companies dealing with science, technologies and business, occupied much larger space.

Characteristic for these second-generation industrial parks was a challenging and more complicated architecture. Since the second half of the 1980s, the third generation industrial parks was built; these were typical by elastic use of the area and a wide portfolio of services, as well as by an increase in the number of administrative staff and furthermore, more space was offered to offices focusing on IT. Administrative buildings and wide portfolio of services was characteristic for fourth generation industrial parks which begun to arise from the mid-1990s. Companies located in the parks used high-end technologies, storage houses were usually located outside the park itself and there was an increase in the importance of recreational areas connected to the park that were used by people working in them. Since the second half of the 1990s, industrial parks have been a part of an international network of cooperating parks (Henriksen, 1982; Keppl, 2001).

Another author also reflected the same idea on the evolution of industrial park developments, the first generation of industrial parks was established in the early 1970s. These parks were driven by public sector development and operated with government subsidies for services and facilities. They were basic compared to modern standards, with simplistic architecture offering halls and space for storage. Over the decades the scope of services provided by industrial parks has become more sophisticated and holistic. In the late 1970s and 1980s, the new generation of industrial parks was built with greater attention given to the requirements of science, technology and business. During the 1990s, industrial parks emerged with greater flexibility in the use of buildings and space, and a wider range of support services supplied to firms. There was a gradual shift from ad-hoc private sector licensing to plan and coordinated public-private partnerships. Private sector involvement led to improved services, greater product differentiation and non-price competition. The most recent wave of industrial parks constructed since the late 1990s are designed to promote new innovative industries and technologies, as well as to create attractive environments for employees with facilities such as housing, medical services, shopping and educational establishments. The private sector develops, owns and operates the park on a cost recovery basis. The authority only regulates activities within the confines of the park and outsources core functions to the private sector (Memedovic, 2012).

2.3. Classification, Structural Features and Benefits of Industry Zones: The Case of Ethiopia

The lion's share of Ethiopia's economy goes to agriculture which accounted, in 2014–2015, for about 38.8 percent of the Gross Domestic Product (GDP), 90 percent of the foreign currency earnings and 85 percent of employment. In the same fiscal year, the industrial sector, which mainly comprises Small and Medium Enterprises (SMEs), accounted for about 15.2 percent of the GDP. The service sector comprising social services, trade and real estate among others accounted for about 46 percent of the GDP (IPDC, 2015). It is un-doubtable that nations should reduce their dependency on the agricultural sector and supposed to be strong in the industrial sectors for sustainable economic prosperity and poverty reduction.

The term industrial park is currently a very frequently used word under Ethiopian Economic Policies that it is necessary to concentrate different resources into one single place to see a positive influence on effective use of resource, infrastructures and increase employment rate and productivity. Development of industrial parks must pay attention to one of the basic aims of an economy, which is to allocate both industrial production and services sector in such a way, that progress of a region where a park is built improves. In Ethiopia, in order to ensure a proper management of the industrial parks, the Ethiopian federal government came up with the Industrial parks proclamation no. 886/2015 which states that industrial parks can be developed by any profit-making public, public-private or private enterprise.

The proclamation recognized the establishment of the Industrial Park Development Corporation (IPDC), which is in charge of managing the development of large, medium and light industrial parks and gave powers to the ministries of Industry and Agriculture for the development of integrated agro-industrial parks.

The same proclamation stated that this investment is open to both 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 to facilitate acquisition of land and providing infrastructure (IPDC, 2015). Currently the Corporation is aggressively engaged on establishing and developing industrial parks in Addis Ababa and other major towns. There are a few industrial parks that already started operation, and many more are under-construction and in the planning stage. Industrial parks in Ethiopia can be developed and owned by the government, foreign private developers or jointly by both. These include:

✓ Bole Lemi Industry Park: located in Addis Ababa. It has two phases: Phase I is 167 hectares and fully operational while phase II which is 186 hectares is under construction.

✓ Kilinto Industry Park: located in Addis Ababa, 337 hectares and under construction.

✓ Hawassa Industry Park: located in Hawassa, 1000 hectares and fully operational

✓ Dire Dawa Special Economic Zone: located in Dire Dawa, 1051 hectares and under construction.

✓ Mekele Industry Park: located in the town of Mekele. It has two Phases, Phase I, 200 hectares and Phase II 1000 hectares and both under construction.

✓ Industry Parks in Adama, Jimma, Kombolcha and Bahirdar recently inaugurated and ready for operation.

These parks are owned and administered by the Federal Government through the Corporation. In respect of private investors' involvement, there are two parks that are operational and owned by private investors: Eastern Industry Zone and Huajian Industry Zone. Since the development of industrial parks by private investors has been allowed recently, the number of investors in the area is expected to increase in the long run.

✓ Eastern Industry Zone Plc is regarded as a pilot project. It is the first industrial park in Ethiopia established in November 2007, on a total area of 5 square kilometres; 2 square kilometres has been developed in the first phase and the remaining is planned to be developed in the second phase. The development of Phase 1 (2.33 square kilometres) was for 6 functions such as residence, commerce, industrial warehousing, roads, public utilities and greenery. The industrial positioning focuses mainly on textile, leather, building materials, machinery and electronics manufacturing for local and foreign markets. Eastern Industry Zone has a plan to form an integrated economic zone by developing a supportive service such as logistics, commercial centres, catering and storages. Classification, Structural Features and Benefits of Industry Zones Proclamation on Industrial Park Development in Ethiopia. The House of People's Representative adopted a bill on industrial parks which entered into force on the 9th of April 2015.

The Industrial Parks Proclamation No. 886/2015 (the "Proclamation") is the first detailed law in relation to the establishment development, administration and supervision of industrial

parks in Ethiopia. This issue of our legal update highlights the salient features of the Proclamation. The development of small scale "industrial zones" started almost 11 years ago on the basis of policy without a regulatory framework. Recognizing the need to have a law to regulate the existing industrial zones administered by the government and a private investor and to facilitate the full-fledged participation of the state as well as private sector in the development of industrial zones, the latest amendment of the investment law regime, i.e. Investment Proclamation No 769/2012 as amended introduced industrial development zones as part of infrastructural investment and a strategy to expedite investments in the manufacturing sub-sector. Part eight of the Investment Proclamation (as amended) addressed the establishment, administration and regulation of industrial development zones.

The Investment Proclamation 769/2012 and the Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Ministers Regulation No. 270/2012 were amended by Proclamation 849/2014 and Regulation No. 312/2014, respectively, to address mainly the issue of industrial development zones in detail. In a manner that heralds a swift polity shift, the Proclamation in particular opened development of industrial zones for private investors. It also authorized the Investment Board to oversee the administration and supervision of industrial development zones while the Regulation provided for tax holiday for industrial zone developers and additional incentives for investors investing in industrial zones.

Following the enactment of the Proclamation, the government established the Ethiopian Industrial Development Zones Corporation in 2013, and which was later re-established as the Industrial Parks Development Corporation (the "Corporation") with the status of a public enterprise under the Council of Ministers Regulation No 326/2014.

The Corporation is entrusted with the powers and duties to develop and administer industrial parks; to prepare detailed master plan for national industrial parks based on the national master plan; to receive land and serve as a land bank to industrial parks; to make necessary infrastructure accessible to industrial park developers in collaboration with the concerned bodies; to outsource the management of industrial parks though management contracts and to promote the benefits of industrial parks and attract investors to the parks. Subsequent to the establishment of the Corporation, the Industrial Park Proclamation No. 886/2015 was enacted and entered into force on the 9th of April, 2015 One of the objectives of this Proclamation is accelerating the economic transformation and development of the Country through the

establishment of industrial parks in strategic locations. Parties Involved and Their Rights and Obligations the development and operation of industrial parks involve the following parties:

• **Industrial Park Developer:** is any profit-making public, public-private or private developer engaged in the designing, constructing or developing industrial parks in accordance with the Investment Proclamation, Investment Regulations, Industrial Park Developer Permit and Industrial Park Developer Agreement.

• **Industrial Park Operator:** is any profit-making enterprise that operates, maintains or promotes industrial park in accordance with the Investment Proclamation, Investment Regulation, the Industrial Park Operator Permit and Industrial Park Operator Agreement.

• Industrial Park Enterprise: is a public, private or public-private enterprise owned by Ethiopians, foreigners or jointly and possess developed land under the industrial park through sub-lease or by renting or building a factory within the industrial park to engage in manufacturing activity or in service provision for profit making in accordance with the Investment Proclamation and Investment Regulation, Industrial Park Enterprise Permit and Industrial Park Enterprise Agreement.

The Proclamation further states the rights and obligation of each of the parties in detail and generally obliges all the parties to com-ply with their obligations specified in the applicable agreement, terms of their permit and the applicable relevant laws.

2.4. Other Country's Industrial Park Experiences

This section discusses a brief review of few selected countries in industrial Park development.

i) Special Economic Zones in China

China launched its Open-Door reforms in 1978 as a social experiment—one that was designed to test the efficacy of market-oriented economic reforms in a controlled environment. Not knowing what to expect from the reforms, Chinese authorities decided not

to open the entire economy all at once but just certain segments: in Deng Xiaoping's words, "crossing the river by touching the stones." Therefore, besides the usual objectives of an SEZ—such as attracting foreign investment and technologies, promoting exports, and

generating employment and spill over to the local economy—one important mission of the first Chinese SEZs was to test the new policies and new institutions for a market-oriented economy. Such an approach was a sharp departure from the country's then totally centrally planned economy.

ii) The Establishment of SEZs in China

In the late 1970s—after the decade-long debacle of the Cultural Revolution, which left the economy dormant and the people physically and emotionally drained—China was in dire need of systemic change. To answer this urgent call, Deng Xiaoping, chief architect of China's Open-Door policy, launched economic reform in 1978—a drastic measure at that time. In November 1978, farmers in Xiaogang, a small village in Anhui Province, pioneered the "contract responsibility system," which was subsequently recognized as the initial impetus for far-reaching and ultimately successful rural reforms in China (South China Morning Post, 2008). The following month, the central government adopted the Open-Door policy, and in July 1979, it decided that Guangdong and Fujian provinces should take the lead in opening up to the outside world and implement "special policies and flexible measures" (Yeung, Lee, and Kee, 2009).

By August 1980, Shenzhen, Zhuhai, and Shantou in Guangdong Province were designated as special economic zones, followed by Xiamen in Fujian Province in October 1980. The four SEZs were quite similar in that they comprised large areas within which the objective was to facilitate broadly based, comprehensive economic development, and they all enjoyed special financial, investment, and trade privileges. They were deliberately located far from the centre of political power in Beijing to minimize both potential risks and political interference. They were encouraged to pursue pragmatic and open economic policies that would serve as a test for innovative policies that, if proven successful, would be implemented more widely across the country. The four SEZs were located in coastal areas of Guangdong and Fujian, which had a long history of contact with the outside world and were near Hong Kong1, Macao2, and Taiwan, China. The choice of Shenzhen was especially strategic because of its location across a narrow river from Hong Kong, the principal area from which China could learn capitalist modes of economic growth and modern management technologies (Yeung, Lee, and Kee, 2009).

Because China had just reopened to foreign trade and investment, the SEZs had an almost immediate impact. In 1981, the four zones accounted for 59.8 percent of total FDI in China,

with Shenzhen accounting for the lion's. share at 50.6 percent. Three years later, the four SEZs still accounted for 26 percent of China's total FDI. By the end of 1985, realized FDI in the four zones totalled US$1.17 billion, about 20 percent of the national total (Wong 1987). The combination of favourable policies and the right mixture of production factors in the

SEZs resulted in unprecedented rates of growth in China. Against a national average annual GDP growth of roughly 10 percent from 1980 to 1984, Shenzhen grew at a phenomenal 58 percent annual rate, followed by Zhuhai (32 percent), Xiamen (13 percent), and Shantou

(9 percent). By 1986, Shenzhen had already developed rudimentary markets in capital, labor, land, technology, communication, and other factors of production (Yeung, Lee, and Kee 2009).

The initial opening to trade and investment having proved successful, China resolved to open its economy further. In 1984, the central authorities created a variant of SEZs, which they dubbed economic and technological development zones, informally known as China's national industrial parks. The difference between the comprehensive SEZs and the ETDZs is one of scale. A comprehensive SEZ often consists of a much larger area (sometimes an entire city or province). From 1984 to 1988, 14 ETDZs were established in additional coastal cities3 and in the following years in cities in the Pearl River Delta, the Yangtze River Delta, and the Min Delta in Fujian. Meanwhile, in 1988, the entire province of Hainan was designated as the fifth comprehensive SEZ, and in 1989 and 2006, Shanghai Pudong New Area and Tianjin Binhai New Area were granted such status as well.

iii) Masan Free Zone, Republic of Korea

Many of Asia's EPZs experienced rapid and sustained growth. Created in 1970, the Masan Free Zone became the prototypical export processing zone. Initially, it was called the Masan Free Export Zone and was primarily dedicated to attracting FDI in manufacturing export activities. The objective in creating Masan FEZ was to support the development of manufacturing activities that complemented those of the Korean economy but did not compete with them. Thus, investment was constrained by qualification criteria, and the zone was kept relatively small—originally 10 hectares, expanded to 90 hectares. It offered a prime investment and operating environment to qualifying enterprises, including excellent external infrastructure (port, airport, roads) and a high-quality industrial park with solid management and support services. Masan's small size did not detract from its economic impact, which has

been significant. It attracted prime foreign enterprises in the electronics industry. In 1971, these enterprises "imported" only 3 percent of their production components from Korea; by 1986, 45 percent of these components were sourced from Korea. The zone achieved one of its crucial objectives: serving as a catalyst for economic diversification through the creation of national competitive clusters in high-value manufacturing. Masan was restructured in 2000 to reflect the liberalized global and domestic economic environment (Farole, 2011).

iv). Mauritius Export Processing Zone

The Mauritius Export Processing Zone (MEPZ) is one of Africa's most famous and successful examples of the free enterprise type of EPZ, in which companies are granted status on an individual basis and are free to locate anywhere on the island, including in industrial parks that are not restricted to MEPZ enterprises. MEPZ enterprises dot the national territory; historically, they have located near labor force pools. Mauritius is only 1,800 km2. The small size greatly simplifies access to key infrastructure, as no enterprise is more than 60 km from the international airport and the port. This EPZ strategy allowed the country to avoid having to set up industrial parks to host MEPZs when their numbers reached 600 firms in the late 1980s to mid-1990s. Mauritius also operates the Mauritius Freeport, which is a small commercial free zone within the island's commercial port in the capital city of Port Louis. Companies must operate within the designated perimeter (Baissac, 2010; cited in Farole, 2011)

v). Malaysia Export Zone

Malaysia's first zone opened near Penang Island in 1972. It rapidly became attractive to American firms in particular, which set up manufacturing operations in labor-intensive electronics assembly. Malaysia's EPZs grew by 13.3 percent a year in the 1970s. By 1995, more than 400 firms were operating in the zones. By 2003, the zones employed nearly a million workers, a third of them in increasingly high-tech segments of the electrical and electronics industries. Malaysia's electronics industry, created virtually from nothing within the zones, now produces about 10 percent of the world's semiconductors (Farole, 2011).

vi). The Middle East and North Africa

The Middle East and North Africa initially chose to develop FTZs, whose numbers also expanded in the 1960s and 1970s, notably in Egypt, Israel, Jordan, and Syria. Tunisia chose

the EPZ route. In the 1990s, manufacturing activities took root, notably through the Qualified Industrial Zone program. Although most countries in Sub-Saharan Africa did not develop zone programs until the 1990s, several launched earlier initiatives, including Liberia (1970), Mauritius (1971), and Senegal (1974). By the mid-1980s, EPZs were a fixture of trade and industrial policy in all regions of the world (Farole, 2011).

There is generally an increasing trend in the development of Free Economic Zones (FEZs) in the MENA region. In the MENA OECD Stock-taking report (2005), there were 48 functioning zones in the MENA region as a whole; with three MENA countries having no FEZs at that time namely Oman, Qatar and Saudi Arabia. According to the 2008 update, there were about 73 FEZs. The numbers have almost doubled from 48 in 2005 to around 89 FEZs in 2009 (MENA-OECD, 2009). Moreover, the three countries that did not have FEZs had set up concrete plans for their development. Saudi Arabia had set ambitious goals for creating six "special economic cities" with a goal of creating 1.3 million employment opportunities by 2020. The King Abdullah Economic City is slated to be built first and will be divided into six areas: the sea port, industrial zone, central business district, resort district, education zone and residential zone. Oman has developed a specialized zone called the Knowledge Oasis Muscat focusing on technology development. Qatar plans to construct a development called Energy City Qatar with the aim of attracting leaders in oil and gas production, to be opened in 2010 (MENA-OECD, 2009).

In line with the rest of the world, the emerging trend in FEZ development approach in MENA is a movement away from the classical development of "free trade zone" and "export processing zones" towards "special economic zones" and "specialized zones." In 2005, the stock of export processing zones (EPZs), special economic zones (SEZs), and specialized zones (SZs) in MENA numbered 38, 2 and 8 respectively; in 2009 the numbers are as follows: 37 FZs, 10 SEZs and 37 SZs (MENA-OECD, 2009; pp).

vii). China's Overseas Special Economic Zones

Besides increasing numbers of SEZs in its territory, China has started expanding its model to other parts of the globe with investments in economic cooperation zones' in countries in Africa and other parts of the developing world (Baissac, 2011, cited in Woolfrey 2013). In 2006, as part of the implementation of its 11th five-year plan, the Chinese government

announced that it would establish up to 50 overseas economic and trade cooperation zones. For example, Egypt Suez Economic and Trade Cooperation Zone is being developed by Egypt TEDA Investment Co., a joint venture between Tianjin Economic-Technological Development Area (TEDA) Investment Holdings, Egyptian interests, and the China-Africa Development Fund. TEDA Investment Holdings was tasked by Beijing to set up a zone project in the Suez area in 1998. A joint consortium, Egypt-Chinese Corporation for Investment (ECCI), was set up to implement this initial project. In March 2009, TEDA won an international Egyptian tender, competing against 29 other companies for the right to develop Egypt's first "Chinese-style" SEZ ("Chinese-style" means that part of the zone will be developed for residential use). TEDA's investment in infrastructure and basic construction was expected to amount to between US$200 million and US$280 million. Zambia-China economic and trade cooperation zone/Chambishi multi-facility economic zone is also another example for China's overseas development plan. China Nonferrous Mining Co. (CNMC Group) began planning the Zambia-China Economic and Trade Cooperation Zone in 2003 in Chambishi, about 420 kilometres north of the capital of Lusaka.

The Chambishi Zone focuses on the value chain of copper and cobalt: mining, processing, recycling, machinery, and service. By July 2009, 11 enterprises had been established in the zone, including the Chambishi copper mine, copper smelters, a sulfuric acid plant, and a foundry, for a total investment of US$760 million.

ix). Technopark, Turkey

The role of industrial parks in facilitating technological learning, innovation and catch-up processes is well documented in the IP literature. In this regard, a science park is an important IP in facilitating catch – up a science park or Technology Park is an organisation managed by specialised professionals. Its main aim is to increase the wealth of its community by promoting a culture of innovation and competitiveness among its associated businesses and knowledge-based institutions.

To achieve these goals, a park stimulates and manages the flow of knowledge and technology amongst universities, R&D institutions, companies and markets. It facilitates the creation and growth of innovation-based companies through incubation and spin-off processes, and provides other value-added services together with high quality space and facilities. The park can host technology, productivity and information centres, offering services to enterprises

that are often too costly and complex when provided in an open market. Parks are thus a useful tool to establish value added links between academic research and industry.

Science and technology Park have four types of governance actors: a specialised company accountable to shareholders; a university; a public agency; and key stakeholders managed according to a statute. There is also the possibility of elected representation in which shareholder members elect a governing board. For instance, the system in Slovenia combines investment from the government, the chamber of commerce and clusters. Another example is the Technology Park in Ljubljana, venture capital funds are important tenants within the park. Another important player is the national association of science parks and business incubators in Slovenia.

Generally, around the globe the following are taken as the successful experiences of different countries in handling Industrial park development projects (Bricout, 2014):

a) Investor Friendliness

Investor friendliness relates to the ability to act as a facilitator to potential and current investors as a one-stop shop (e.g., issue operating licenses and submit proposals on investor-friendly schemes to government agencies). A statutory body rates higher than a corporation on this dimension, thanks to connections made easier with other government entities. But a combined entity still rates higher overall as it also brings the marketing capabilities of a corporation.

b) Government and Public Alignment

Government and public alignment relates to how federal and state governments have input into the entity's direction and functions, and how the park's governing entity can protect the interest of the public and align with the country's strategy. A statutory body rates higher than a corporation on this dimension, however the combined option rates higher overall. It is less

Likely to fall prey to political interests than a statutory body, even when the government has shares in the corporation itself.

c) Capital Independence

Capital independence captures how the entity can secure sufficient capital outlay for development activities. There is a need to balance capital independence on one hand, and government and public alignment on the other. At the outset, a statutory body will be completely reliant on government funding for both development and administration of the park, while for a corporation most of the initial fund raising occurs through debt financing with relatively low government capital injection. The statutory body rates lowest on this dimension.

d) Political Robustness

Political robustness measures how independent the governing entity is from political influence. Politicians might have more influence over a statutory body than a corporation, in terms of elections and composition of a board of management. Also, for a statutory body, politics are key to securing a budget from the government for the administration and development of a park, making it tributary to political ups and downs. As such, the corporation is the best governance option in this regard.

e) Efficacy

Efficacy has to do with the expected agility of the governing entity in the daily operations of the park. Overall, a corporation driven by a commercial mind set will be more efficient than a statutory body which remains a government agency, but a combination of the two will still prove superior as the statutory body will help the governing entity deal with the various other agencies in a way that the corporation cannot.

f) Transparency

Transparency indicates the degree to which the financial statements, internal processes and controls can be audited and scrutinized externally. Whereas a corporation is bound by the country companies' act and its operations are largely transparent, a statutory body is bound by its legislative assembly's rule and subject to the audit of an auditor general or a parliamentary public account committee. Yet a corporation is easier to control and enforce audits on than a statutory body.

g) Financial Sustainability

Financial sustainability relates to how much government funding is required, and whether the governing entity can generate enough revenue to sustain itself in the future. While a statutory body is not incentivized to be financially sustainable, it is also not susceptible to bankruptcy and can always be shored up by additional government funding as long as political will is there.

Sustainability is important to investors on the park as they do not want to see the services they expect to be discontinued. On this dimension, the statutory body remains the better option.

h) Risk Management

Risk management measures the ability of the governing entity to manage risk and issues that might impact the industrial park, and how they are mitigated. The ability to influence and to compel government and private entities need to be balanced with the agility in responding to market. A corporation will manage risk in a way that a statutory body will not, but a combination of the two will again prove superior as the statutory body will give the governing entity the power of influence over other government agencies.

2.4.1. Classification, Features, and Benefits of Special Economic Zone

A. Classification of Special Economic Zone

According to available data obtained from literature it is well known fact that special economic zones are categorized into four sections based on their functions (Farole, 2011and FIAS, 2008).

These are articulated as per the following:

1. **Commercial free zones, free trade zones, and free zones (FZs):**

These are the oldest form of SEZ and the most ubiquitous, notably under the bonded warehouse format found in the vast majority of sea ports and in some airports. Free zones are usually in or near major international transport nodes and are usually under the administration of ports, directly or indirectly. They are also usually physically segregated from both the port's main area and the outside by fences, walls, and gates, because they lie outside the

country's custom territory. Their activities are limited to trade related processes (warehousing, storage, sales, exhibitions) and light processing operations (packaging, labelling, quality control, sorting).

2. Export processing zones (EPZs): These made their appearance in the late 1950s/early 1960s as a way to accelerate industrialization and industry- related international trade in developing countries.

3. **Free enterprises (FEs) or single factory/single unit free zones**: This is a variation on the FZ/EPZ in which individual enterprises are provided with FZ/EPZ status and allowed to locate anywhere on the national territory or in a designated part of the territory. In some countries, FEs and FZs/EPZs coexist. The U.S. Foreign Trade Zone system provides certain enterprises with a free trade zone (FTZ) status called subzone. This status applies to existing enterprises that wish to have the benefits of the FTZ system but whose relocation costs would be too high or to new enterprises that have a compelling reason not to locate in an existing FTZ.

4. Free ports: The term free port in the FIAS (2008) classification can be confusing, as it is used to describe what are generally known as special economic zones. In this classification, the Aqaba

Special industrial Zone and the Chinese SIZs would be free ports. These free ports are the largest type of all, as they encompass very large portions of the territory, include urban and rural areas, and incorporate large transport facilities such as ports and airports. Free ports can include entire economic regions, the populations that live and work in these regions, and all the economic activities that take place there. They can contain or even overlap political and administrative units.

B. Structural Features of special economic zone

According to available data obtained from literature of global experience, special Industrial zones have structural features (FIAS, 2008). These are the following:

1. Zones are, primarily, formally delimited portions of the national territory and, secondarily, legal spaces provided with a set of investment, trade, and operating rules that are more liberal and administratively efficient than those prevailing in the rest of the national territory.

Zones are therefore defined by a specific regulatory regime. This regime may be contained in one or several dedicated laws or through a set of measures contained in a number of texts.

2. The administration of the regime usually requires a dedicated governance structure, centralized or decentralized. The attributes of this structure vary according to the nature of the zone regime, the prevalent administrative culture, the number of existing zones, the role of the private sector in developing and operating zones, and many other factors. The purpose of this structure is what matters: It is to ensure efficient management of the regime and ensure that investors benefit from its provisions.

3. Zones are usually provided with a physical infrastructure supporting the activities of the firms and economic agents operating within them. This infrastructure usually includes real estate, roads, electricity, water, and telecommunications. The infrastructure is usually composed of industrial or mixed-use activity parks and key transport infrastructure connecting the zone to its sources, markets, and economic hinterland. Even in countries where zones are legal spaces, industrial or mixed-use activity parks usually exist to host firms.

C. Benefits of Special Economic Zones

As we have learnt from the experience of countries who have registered very fast economic growth, the establishments of well-organized special industrial zones play a great role in attracting international investors. The major development outcomes from the successful operation of industrial zones are targeted to accelerating overall development in providing productive employment opportunity for the population, technology, knowledge and skill transfer. According to Farole (2011), there are two main types of benefits of special industrial zone which can be realized in the short and long term respectively and these are articulated as per the following:

1. Static economic benefits are derived in the relatively short term through the use of economic zones as instruments of trade and investment policy. They are the result of capturing the gains from specialization and exchange, and include employment creation, the attraction of the generation of foreign exchange through exports, and the creation of economic value added.

2. Dynamic economic benefits are the longer term structural and developmental benefits that may derive from zones. These encompass the promotion of non-traditional economic activities, hard and soft technology transfers, encouragement of domestic entrepreneurialism, and the promotion of economic openness. At the national level, economic zones are formed with the goal of effecting positive changes in the competitiveness of the country or a region. On top of these aforementioned benefits SEZs have been a powerful instrument for economic growth and structural transformation (FIAS, 2008). For many of the initial zones in East Asia zones proved played a critical role in facilitating the Industrial development and upgrading the "tiger economies. Similarly the later adoption of the model by china provided a platform for attracting FDI and not only supported the development of its export-oriented manufacturing sector, but served as a catalyst for sweeping economic reforms that were extended throughout the country. According to Zeng (2015), in China by 2006, economically SEZs have contributed significantly to the national GDP, employment, exports, and attraction of foreign investment and new technologies, as well as adoption of modern management practices among others. All SEZs at national level accounted for about 22% of national GDP, about 46% of FDI, and about 60% of exports, and generated in excess of 30 million jobs.

According to MKE of Korea (2012), South Korean government established the first Korean export industrial park (Guiro Industrial Park) in the early 1960s and heavy and chemical industry parks in Ulsan in 1962.

There are over 900 industrial parks in South Korea as of the end 2010, and the parks account for approximately 62% and 80% of Korea's total manufacturing production and exports respectively. In addition it accounted 58,761 enterprises; approximately 1.58 million workers in combinations as well as the production reached USD 343.1 billion in the same year.

In Latin America, countries like Dominica Republic, Honduras, and EI Salvador used free zones to take advantage of preferential access to US markets, and have generated large-scale manufacturing sectors in economies that were previously reliant on agricultural commodities. Though, there are number of benefits, there are also many examples of failures have been registered. The most common obstacles summarized in the report of FIAS,(2008), that, poor site location, entailing heavy capital expenditure, uncompetitive policies(reliance on tax holidays, rigid performance requirements, poor labor policies and practices),poor zone development practices (inappropriately designed or over designed facilities, inadequate maintenance and promotion practices), subsidized rent and other services, cumbersome

procedures and controls, inadequate administrative structures or too many bodies involved in zone administration, and weak condition between private developers and governments in infrastructure provisions could have an adverse effect for failure of the schemes proper operation.Moreover SEZs are viewed as highly effective tools for job generation, particularly for women entering the workforce. Evidence suggested that female workers account for 60-70 percent of the zone workforce worldwide World Bank (2009).

2.5. Empirical Studies

Different researchers in different countries investigated the contributions and challenges of industry parks from different perspectives. In this sub section, the methodology used and findings identified on studies conducted on contributions and challenges measurement factors/ criteria/ are reviewed.

There are evidences that show the real contribution of industrial parks in both developing and developed countries. The following are some of the evidences that show the real contribution of industry parks.

In most case, the primary goal of the industry parks is to alleviate unemployment problems. In this regard, industry parks have been recognized as a potential sector to minimize unemployment problems in developing and developed nations. As Yeoh et al. (2005) (Singapore) investigated that the sector of industry parks are a major source of urban employment in most Asian and Latin American countries. Among individual countries for which statistics are available: India, Pakistan, Indonesia, Malaysia and in the case of Latin American countries, Paraguay, Bolivia, Brazil, Argentina. Kiselakova et al. (2014) (Slovakia) investigated to identify and analyze the key macroeconomic factors affecting the establishment and entrepreneurship in industrial parks with positive effects on sustainable regional development in Slovakia. The relationship of dependence between factors of regional growth, investments, and investment costs for setting up industrial parks and effects on regional development was surveyed by identified main localization factors relevant to the management of support and establishment of industrial parks in Slovakia are: status of foreign direct investments, employment of persons, governmental financial support – investment incentives, marketing strategy to attract investors, overall readiness and availability of the industrial area with focus on the positive effects of regional development, using regional GDP per capita, in particular to reduce regional unemployment rate.

The most important criteria, factors that influence investors in their decision on the location of the business or new company are: political and macroeconomic stability, the country's credit rating, monetary stability, taxation, investment incentives, investment risk, cultural proximity, geographic location, legislation, level of corruption, law enforcement, market extent, access to major consumer markets, transport and technical infrastructure, prices of inputs: labour costs, energy costs, material, raw materials, the quality and availability of the labour force and its education, labour productivity, transport distance and transit costs, efficient logistics, modern infrastructure, supply of industrial zones and areas, costs of land, Self-government: local autonomy, strong institutional support for foreign direct investment inflows, strong support institutions and technical services, favorable conditions for investors and their families.

Foreign investors have according to several international empirical studies more positive impact on entrepreneurship of economies than domestic investors. The reason is mainly that they bring know-how, new technologies, management processes and practices, marketing strategy, increasing competition etc. with them. The most significantly is this effect seen in cases of strategic investment that produce a multiplier effect in the connected sectors. Hudec, O. (2009) investigated the cash flow of the economy because of industry parks in Slovakia. Hollander, R. (2009) studied the role of import substitution on sustainable development because of industry parks in Leipzig, Germany. From the angle of constraints, theoretically, different constraints which hinder the operation of industry parks may exist. However, in this sub section we are going to see the real constraints/challenges that hinder the operation of industry parks in different countries. Even though, the industry parks have vital contribution to a countries economy, it is not operating without problems. There are different challenges that impede or hinder the operation of industry parks especially in developing countries. As identified by various studies, the major challenges that hinder the operation of the sector mostly associated with the following areas: market, bureaucracy, language and cultural difference, infrastructure, technology, information access, and etc.

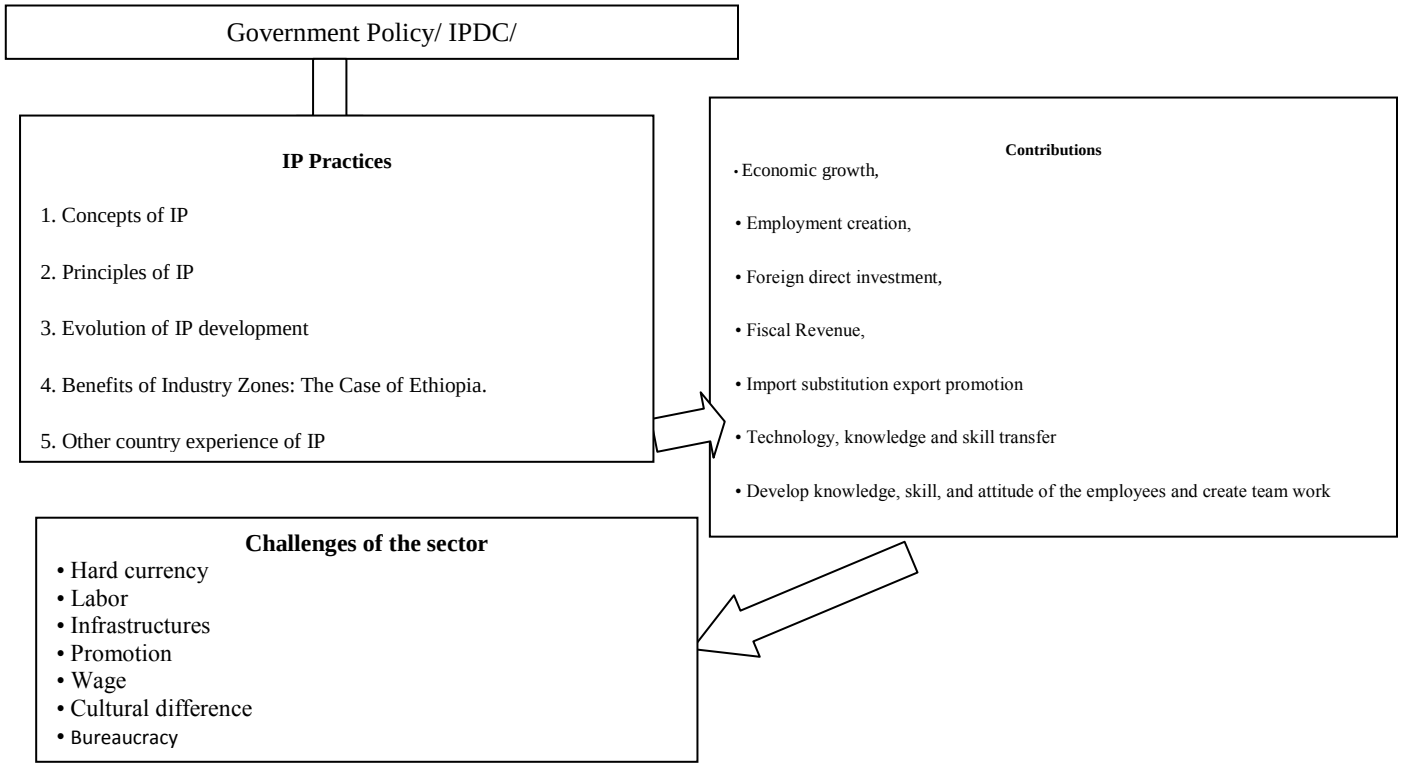
Syde Turab H, et al. (2012) studied the major constraints faced by Punjab industry parks, Pakistan. Accordingly, they find out four main constraints: Electricity, Inadequate workforce, access to raw material and corruption. Zarqa Journal for Research and Studies Humanities (2010) by Ebrahim Khrais (Jordan) investigated the main challenges based on the low level of basic services and infrastructure, delay at the visa, customs and clearance process at the airport, negative impact because of high competitiveness.

In general, as portrayed in the aforementioned paragraphs of this study, the industrial zone will be critically assessed, examined and analyzed in line with key and major issues to be taken into consideration that have been described in the theoretical and conceptual frameworks pertaining to definition, benefits, selection criterion, geographical location administrative and institutional legal frameworks, infrastructure facilities, roles and responsibilities of key actors in the process of industrial zone development. Accordingly, establishment of special industrial zone should stick to practically and empirically accepted and proved feasible conditions among which conducive and standard geographical location and selection criterion; enabling administrative and governance structure; special law and institutional regulatory frameworks and enabling infrastructure facilities are the major ones. The consideration of these very facts articulated would enable to have up to standard industrial zone establishment.

2.6. Conceptual Framework

This part is trying to demonstrate the determinant factor for success or failures of the industry parks development. These theoretical concepts are mainly used from the study result of Farole, (2011) and FIAS (2008), the practical research process is executed by taking these conceptual frameworks in to consideration.

Figure 2.1: Conceptual Framework



Source: Developed from Theoretical and Empirical

The starting step of the framework indicates that the concept, practice and evolution of IP development and benefits, socio economic contribution and experience of other country. The second step of the framework indicates that the challenges of the sector and the third step of the framework indicates that the benefits that can be gained by the IP. The final step ensured that as a result of good practice of IP and overcoming the challenges will lead to successful implementation of IP to the country GDP.

After carefully reviewing the related literature, there are no much research made on the case under study to assess the contributions, challenges and prospects of industry parks in the country. Due to this reason, the researcher wanted to address the contributions that industry parks are making towards economic development in many aspects to the country, challenges that seriously hampering the sectors to achieve its goal, and the prospects of the industry parks. The literatures not providing the necessary attentions to industry parks that available in sub-Saharan countries and also not mentioned the success and failing story. Therefore, the researcher identified this as a gap from the literature reviewed and conducted the research.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3. Introduction

This chapter explains the research methodology that was used to conduct the research, procedures and modalities of data collection. It gives details information about the procedures used in conducting the research. The research methodology section covers the research approach, source of data and data collection methods, sampling techniques, data analysis techniques, and summery of the chapter.

3.1 Research Approaches

There are three research approaches namely quantitative, qualitative and mixed. The research paradigm pursued as discussed in the above section dictates the adoption of mixed research approach for this study.

Mixed methods research has been established as a third methodological movement over the past twenty years, complementing the existing traditions of quantitative and qualitative movements (Tashakkori & Teddlie, 2003). The term 'mixed methods' has come to be used to refer to the use of two or more methods in a research project yielding both qualitative and quantitative data (e.g. Creswell & Plano Clark, 2007).

Mixed research is an approach to inquiry that combines or associates both qualitative and quantitative forms (Creswell, 2009). As a major advantage, when the investigator uses this approach can learn more about the research problem (Leedy and Ormorod, 2005 cited in Semu 2010, p. 44). Besides, as an additional merit, the approach is not limited to one method or the researcher is not committed to only one method which means the investigator is flexible. Considering the research problem and objective along with the philosophy of the different research approaches, mixed research approach was found appropriate for this study.

3.2. Research design

A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the problem research. The design of a study defines the study type (descriptive, correlation, semi-experimental, experimental, review, meta-analytic).

In other words, a research design is a framework that has been created to find answers to research questions (Creswell, 2014).

Descriptive research does not fit neatly into the definition of either quantitative or qualitative research methodologies, but instead it can utilize elements of both, often within the same study. The research questions of this study call for description of the contributions, challenges and opportunities of industrial parks in enhancing investment in Ethiopia, hence a descriptive research design was used in this study.

3.3 Methods Adopted

Research designs are plans and the procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis (Creswell 2009, p. 3).

A mixed approach was chosen as it increases the likelihood that the research generates more accurate results than is the case if a single method had been adopted). A mixed research is an approach that combines or associates both qualitative and quantitative research methods. It is also more than simply collecting and analyzing both kinds of data, it involves the use of both approaches in tandem so that the overall strength of a study is greater than either qualitative or quantitative research. As a result, mixed methods provide a more accurate picture of the phenomena being investigated. Therefore, in order to achieve the objective stated in the preceding section, considering the nature of the problem and the research perspective this study used mixed research approach. The qualitative data were collected through questionnaire, in-depth interviews with the industry park officers' of EIC, IPDC, and MoI. The questionnaires were organized to collect the necessary data for the study purpose from selected officers of the organizations.

3.4 Sampling techniques

A sample design is a definite plan for obtaining a sample from the sampling frame. It refers to the technique or the procedure the researcher would adopt in selecting some sampling units from which inferences about the population is drawn. Therefore, this study also goes through all the necessary steps of sampling design. First, the sample frame is determined. Then, from the sample frame, proper size of the sample, which can represent the population, is determined. Once the sample size is determined, then the researcher also clearly stated the procedures of selecting participants of the study (Sample).

According to Mugenda and Mugenda (1999), a target population is the researcher wants to generalize the result of the study.The researcher used purposive sampling to select officers from the targeted institution workers.It is very important to that each element in the population has an equal chance of selection in the sample.

The sample size of the officers at three organizations that can provide the necessary data those are necessary for the study purpose. The researcher selected 30 officers as a sample from total population of 50.

The experts were busy by frequently visiting industry parks around the country because of this it was difficult to the researcher to contact all experts to get the necessary data for the study.

The researcher selected 15 officers from Ethiopian Investment Commission (EIC) from industry parks division out of 20, from Industry Parks Development Corporation (IPDC)
10 from 15 experts and the remaining 5 experts were from Ministry of Industry (MoI) out of 10 experts.
The researcher selected 10 key informants for the study purpose from the concerned governmental organization 5 from EIC, 3 from IPDC and 2 from MoI. The selection was based on the experience that the experts have related to industry parks operation activity in the country since its establishment.

Table 3.1: Name of selected institutions:

No	Name of the organization
1	Ethiopian Investment Commission (EIC)
2	Ministry of Industry (MoI)
3	Industry Park Development Corporation (IPDC)

3.5. Data Collection Procedure

Data collections methods include a questionnaire which contains closed ended questions that was prepared by the researcher to undertake the research. In addition, other data, which are qualitative in nature, will employ a cross-sectional method of inquiry due to shortage of time.

For qualitative aspects of the research data collection techniques involve a questionnaire which contains open ended question.

The closed ended questionnaire was developed based on summate scales (or Likert type scales) with 5 choices; ‘‘ strongly agree’’, “ agree”, “ neutral”, “disagree” and “strongly disagree” and cumulative scales or Louis Guttmann’s scalogram analysis, consisting of a series of statements to which a respondent expresses her/his agreement or disagreement. The reason for choosing to use Likert scale is because it is suitable for measuring attitudes which is helpful for the purpose of this study.

Data collected by self-administered questioners. The questioners constitute open-ended and close-ended questions. Key informants also interviewed. The language of the questioners was initially in English which then translated to Amharic then back to English for data entry. The information gathered checked for its appropriateness and completeness before entering the data in to a computer and double checking of the data to ensure quality and readiness of data for analysis. In order to further explore information for the study document review also conducted from the industrial park development project, journals and Ethiopian investment commission, MoI report and Internet.

3.6. Data Collection Instruments

Questionnaire:

Compared to all other strategies of data collection, questionnaire is a widely used instrument that can be administered in the absence of the researcher to collect structured and often numerical data straightforward to analyze (Cohen et al., 2005). Hence this study used questionnaire including both Structured and semi-structured questions for the sake of collecting both qualitative and quantitative data.

Interview:

Interview is important in order to obtain additional information that are not touched by the questionnaire and further insight of the officers.

The study administered structured and unstructured questions for purposively selected officers’ and employees’; because of their closeness to the issue under study.

Document Review:

Annual reports, performance evaluations and existing data taken as an instrument for this study. For the relevance of comparison different publications will also be considered.

3.7. Data Quality Management

The quality of data effectively ensured through checking of the completeness, accuracy, and uniformity of the collected data at each day of data collections .Data quality maintained in the periods of before, during and after the data collection. During the data collection period, the collected data will be checked for completeness and logical in-consistencies through close follow up. Missed variables during the first time will be filled by re-interviewing the respondents. Finally, after the data were collected, the collected data were rechecked for their reliability, validity, completeness and consistency by the researcher.

3.8 Data Analysis

Data cleaned, entered and coded using relevant Statistical Package for Social Science (SPSS) version 20.0. The data analyzed and interpreted by using both qualitative and quantitative techniques. The data collected by open ended and interview questionnaires analyzed qualitatively. Closed ended questionnaires analyzed quantitatively by using tables and percentages.

3.9 Ethical Consideration

The study carried out after getting permission from the Ethical Clearance Committee of Addis Ababa University Faculty through the College of Business and Economics. The objective and purpose of my study explained in detail to the study participants, informing them that they had a full right to cooperate and participate and they can also decline if they don't want to participate in the study. The study subjects politely requested to participate actively and honestly. For confidentiality, the respondents not asked to write their name at the time of responding to the question

3.10.Dissemination and Utilization of Results

The study findings relayed for those who need the study findings for various purposes. Governmental and non-governmental organizations, institutions and individuals that have interest on the subject matter will be among the utilizers of the findings. The findings of the results can be published in scientific journals if need be.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

This chapter deals with overview of the study area, data presentation, analysis and interpretation. Information for this study purpose was collected using different techniques such as interviewing, questionnaires, and document review. In addition, these different secondary sources of data including published and unpublished documents were reviewed. To meet the intended purpose of the study, the data gathered from various sources was edited, tailed and summarized. The quantitative data summary has organized in the table form, while the qualitative data was summarized in a report form, and followed by description, explanation and interpretation.

4.1. Fact Sheet

A. Profile of Respondents

This part gives the background information of respondents (who participated in questionnaires, and interviews) which clarify the category of sex, age, education level, and previous job.

Table: 4.1: Occupation and characteristics of respondents

General back ground of respondent	Specific socioeconomic and occupation characteristics	Number of Respondents	Percent %	Remark
Sex	Male	22	73.3	Total 30
	Female	8	26.7	
Age	20-30 yrs	10	33.3	Total 30
	31-40yrs	18	60.0	
	41 – 50yrs	2	6.7	
Education	Degree	23	76.7	Total 30
	MA/MSC	7	23.3	
Previous job status	Unemployed	10	33.3	Total 30
	Government office	12	40.0	
	Private organization	4	13.3	
	Private job	2	6.7	
	Other	2	6.7	

Source: own survey, 2019

4.2 Economic Benefits of Industry Parks to the Country

4.2.1 Generating Foreign Currency and Economic Growth

Ethiopia is the second largest country in Sub-Saharan Africa (SSA) in terms of population and about the fifth largest economy. The country is undergoing significant structural and economic reforms, and experiencing high growth averaging 10.5 per cent a year from 2005/06 to 2015/16, compared to a regional average of 5.4 per cent. Higher economic growth brought with it positive trends in poverty reduction in both urban and rural areas. In the year 2000, 55.3 per cent of Ethiopians lived in extreme poverty, but by 2011 this figure was 33.5 per cent. However, it is still among the lowest income countries (CSA, 2013).

The government is implementing the 2nd phase of its Growth and Transformation Plan (GTP II). GTP II, which will run to 2019/20, aims to continue developing physical infrastructure through public investment projects, and to transform Ethiopia into a global manufacturing hub. Growth targets include an annual average GDP growth of 11 per cent which is consistent with its manufacturing strategy, and a 20 per cent growth rate for its industrial sector (World Bank, 2017).

4.2.2. Employment Creation

The development of industrial parks in a given country is mainly related with creating employment opportunities. In other words, the primary goal of industrial park establishment is employment generation. In most developing countries including Ethiopia, industrial parks are recognized as potential sector to minimize unemployment problems. The development of industry parks in a given locality has multiplier effects. Firstly, those employed people in Industry Park earn an income and spend it within the locality. Directly or indirectly, this investment in the locality gives benefit for other business entities and residents in the locality.

Secondly, those employed people in industry parks may save and start their own business by the skill they get from the factories and employ extra labor forces. This chain of action helps the society to get improved facilities like food, schooling, health facilities, and etc.

The cumulative effect of this ultimately widens the economic base of the locality, which is one of the principal objectives of local economic development.

It is understood that creation of job is one of the contributions of the industrial developments for large number of populations; With regard to the role of industrial parks on employment generation.

Table.4.2: Economic Benefits of Industry Parks

Responses	Frequency	Percent
Agree	5	16.7
Strongly agree	25	83.3
Total	30	100

Source: Own survey, 2019

As the above table depicts that industry park development brings a positive change in terms of contribution towards economic development, creation of employment opportunity, foreign direct investment, increase in price of local raw materials, urbanization of rural areas, changing the welfare of the society, skill and technology transfer.

4.2.3. Labor

Development of industry parks throughout the country created tremendous job opportunity to the local population. The workers are new for working at the industry parks with lack of proper work discipline and ethics that result poor productivity, high turnover, frequent strikes.

4.2.3.1. Labor productivity

Industry parks benefits to the local society by promoting urbanizing, raising the value materials that serves as an input for manufacturing firms, creating job opportunity for the young population. Labor productivity in Ethiopia is lower than in other low –cost manufacturing destinations, reflecting the fact that most factories have very limited experience of modern industrial employment. Absenteeism ability to “concentrate” on the job, unresponsiveness to financial incentives to work overtime, and high turnover were identified as problems moreover, cultural differences between management (typically foreign) and Ethiopian workers leads to misunderstanding. As a result of low productivity, the majority of the manufacturing businesses are not operating at full capacity impacting profitability and –over the long term- sustainability. Industry park workers are coming from

the rural area that does not have industry work culture and discipline due to these factor workers not punctual and spend their time on unproductive issues.

Table.4.3: Labor Productivity

Responses	Frequency	Percent
Strongly Disagree	18	60.00
Disagree	5	16.67
Neutral	4	13.33
Agree	3	10.00
Total	30	100

Source: Own survey, 2019

The table depicts that unproductively of workers at the industry parks continuously damaging the contributions that it gives to the country. As a result of low productivity, the majority of the manufacturing businesses are not operating at full capacity impacting profitability and over the long term- sustainability. Labor productivity in Ethiopia is lower than in other low-cost manufacturing destinations, reflecting the fact that most factories have very limited experience of modern industrial employment.

4.2.3.2. Labor Turnover, Strike, and Awareness

High frequency of strikes and protests undermines the stability of business environment and productive activities of many parks. In certain events, raises cannot prevent workers striking. For the most part, these strikes have been quite time consuming in achieving resolutions for even trivial disputes. According to the respondents interviewed, local workers demonstrate the lack of faith; loyalty, efficiency and diligence. Labor contracts can regulate the behavior of employers while workers easily breach the contracts without any costs. This also increases the occurrence of labor poaching, which is a problem of firms in the same industrial park taking each other's key workers. Due to workers lack of awareness and industry discipline their frequent employees' turnover and strike as result of low wage rate, poor working condition and cultural differences with foreign workers and managers that also result

conflicts between them. Absenteeism ability to "concentrate" on the job, unresponsiveness to financial incentives to work overtime, and high turnover were identified as problems moreover, cultural differences between management (typically foreign) and Ethiopian workers leads to misunderstanding.

Table.4.4: Labor Turnover

Responses	Frequency	Percent
Agree	11	36.67
Strongly agree	16	53.3
Neutral	3	10.0
Total	30	100

Source: Own survey, 2019

The turnover results from low wage, lack of dedication, poor work condition, poor communication with foreign managers that results misunderstanding and conflicts. Workers turnover adversely affects their productivity and that results overall industry park productivity Workers' at the industry park mostly came from rural area that grew up under farmer family but do not have a good industry work awareness, work discipline and ethics.

Table.4.5: Awareness of Workers about Industry Parks Culture

Responses	Frequency	Percent
Strongly disagree	12	40.0
Disagree	10	33.3
Neutral	2	6.7
Agree	6	20.0
Total	30	100

Source: Own Survey, 2019

As the above table indicates that, workers do not have industry culture and work discipline due to their previous life style. Punctuality also workers problems during staying at the park, they came late and early exit from duty.

From the above result the researcher deduces that the workers have no sufficient awareness about working at the industry parks because they came from rural areas that have only agriculture related work experience and attitude. They don't follow safety precautions and comply with industry code of practice.

The following table shows that the result obtained from the respondents about labor strike at the industry parks.

Table.4.6 Labor Strike at the industry parks

Responses	Frequency	Percent
Strongly disagree	4	13.33
Agree	4	13.33
Neutral	2	6.67
Agree	10	33.33
Strong Agree	10	33.33
Total	30	100

Source: Own survey, 2019

As the table indicates that, high frequency of strikes and protests undermines the stability of business environment and productive activities of many parks. For most part, these strikes have been quite time consuming in achieving resolutions for even trivial disputes.

4.2.4. Park Administration, Promotion and Infrastructures, Coordination with Stakeholders

The success factor of industry parks also basically related to park operational management that administers all the work-related issues on the site. Industry parks philosophy is new for the country more qualified management staff not available with related park administration experience.

Table.4.7: Park Operational Management

Responses	Frequency	Percent
Disagree	10	33.33
Agree	13	43.33
Strongly	7	23.33
Total	30	100

Source: Own Survey, 2019

The management team also includes Ethiopian and foreign nationals that work together to facilitate smooth operation of the park. But the local park managers shall spend some time with foreign managers for grasping the necessary knowledge, skill and attitudes about overall park administration.

Park promotion industrial park development faces strong competition from other parks within and outside of the country. Thus, park development in Ethiopia should be supported by proactive promotional strategy so as to attract enterprises and operate sustainably. This requires identifying and targeting both foreign and domestic tenants, which requires promoting and marketing of the industrial park and its specialized services at national and international events that suits the needs of the tenants. While this is at the core of the park manager's activities, it will be better to be carried out by the Ethiopian Investment Commission as part of its core activities since it is the only institution in a better position for Park promotion at the initial stage of park development. Besides, Ethiopian embassies based in targeted countries can also consider Park promotion as their key strategic activity. As the main sources of information for new investors, since the role of enterprises currently operating in the existing parks is crucial in promotion, it is important that the park managers ensure that these firms are maximizing the benefits of proximity to other enterprises, encouraging linkages between them and with service providers.

An aggressive promotion needed to bring foreign investors to work in the industry parks to secure the benefits that the country wishes. The promotion strategy must be mobilized by using different means all over the world that the embassy and consulate office of the country located.

Table.4.8: Industry Parks Promotion

Responses	Frequency	Percent
Strongly disagree	6	20.00
Disagree	11	36.7
Neutral	2	6.7
Agree	8	26.7
Strongly agree	3	10
Total	30	100

Source: Own survey, 2019

As the above table shows that, the promotion work is not sufficient to attract investors a lot to be done unless most parks were built but left opened without being functional. The country invested huge amount of hard currency that came from borrowing to build the industry parks, if the parks left un-functional it results a double problem for the government one the cost of borrowing and repaying the debt and second depreciation of the plant and also damage on it.

Table 4.9: Infrastructure at Industry Parks

Responses	Frequency	Percent
Strongly disagree	5	16.7
Disagree	5	16.7
Neutral	2	6.7
Agree	10	33.33
Strongly agree	8	26.7
Total	30	100

Source: Own survey, 2019

In most cases electrical power, internet access outage and disruptions, water shortage also common. A lot to be done to solve existing infrastructure issues unless it's difficult to maximize the expected outcomes.

Infrastructures at the park must be fulfilled to attract investors like heat and light, water, internet access, and road, transport the like. Without establishing well-structured and accessible infrastructure at the industry parks it's difficult to undertake a smooth operation. Institutional coordination is a key factor in order to be successful in the industry park development. All concerned federal and regional governmental, local community, academician, and other stakeholders shall maintain a strong coordination to get the best out of industry parks. Lack of skill and coordination between different government agencies adversely affects the positive progress of industry parks like building the park without open communication by assessing the availability of water, power, road, communication other necessary infrastructures. Like Adama and Diredawa industry parks were built but there is no water around even the local community facing continues shortage of water for living.

Table 4.10: Coordination of Stakeholders

Responses	Frequency	Percent
Strongly disagree	5	16.7
Disagree	9	30.0
Agree	12	40.0
Strongly agree	4	13.3
Total	30	100

Source: Own survey, 2019

As the tables indicates that, the coordination is not that much good because some industry parks were built but not still functional due shortage facilities that result poor communication between federal and regional governmental agencies.

Industry parks which built around different part of the country corner are not fully functional as planned due to lack of coordination between concerned agencies. The locations of some parks not fully accessible to infrastructure.

Table 4.11: Hindering factor at the park

Responses	Frequency	Percent
Shortage of hard currency	12	40.0
Distorted incentives	2	6.7
Lack of infrastructure	3	10.0
Productivity and industry discipline	7	23.33
Logistics	6	20.0
Total	30	100.0

Source: Own survey, 2019

As depicted from the above table, shortage of hard currency affects importing of raw materials to the manufacturing enterprise. As we all know that foreign currency crunch is a recent phenomenon that adversely affects the country's manufacturing firms' that totally working under lowest capacity even some of them totally stopped working and laid off workers.

Therefore, hard currency shortage is the major hindering factor that affects the industry parks growth and contribution to national economy development.

4.2.3. Prospects of industry parks

The prospect of industrial park development rests on strengthening, maximizing and finally leveraging its comparative and competitive opportunities as compared to its regional peers, such opportunities include:

i. private sector friendly government,
ii. relatively cheap electricity charge in comparison to other African countries, macroeconomic stability and rapidly growing economy,
iii. relatively young labor force and rapidly increasing number of trained employees, access to wide market,
iv. competitive incentive packages which include export incentives development of common infrastructure and

v. The country has gotten a strong global attention due to its remarkable economic growth and credit worthiness.

vi. Furthermore, companies can enjoy regional trade preferences in **COMESA, AGOA** and the European Union market.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter deals about summary of findings, conclusions and recommendations based on the study. Accordingly, this chapter is organized into three sub-sections summary of findings, conclusions and recommendations.

5.1 SUMMARY OF THE FINDINGS OF THE STUDY

In this study attempt was made to look into the contributions, challenges and prospects of industry parks in Ethiopia. The findings were summarized as follows:

Industry parks contributing positive result to towards foreign direct investment, employment creation, technology and skill transfer, and urbanization. When all parks work under their maximum capacity the contribution towards economic development and growth will go higher.The industry parks supplying certain amount of hard currency to the country. The contribution is increasing from year to year due to new industry parks were built and opened for investors and the number of companies entered to the park for operation due to the conducive environment created by the government. But there is a variation between the planned and actual amount of foreign currency from the parks export earnings.

The employment created for local work force is increasing from period to period, this is due to number of parks and companies entering to park are increasing. Industry parks creating job opportunity throughout the country to the local population. But there are challenges related to workers like skill mismatch, unproductively, high labor turnover, low wages, punctuality issue, poor working condition, communication problem with foreign managers, distance between workers resident and the location of industry parks, poor attitude towards industry work because they are from remote rural area. According to the respondents interviewed, local workers demonstrate the lack of faith; loyalty, efficiency and diligence. Companies that entered in the industry parks are not employing the necessary of workers in terms quality and quantity due to the awareness they have for working in the industry parks.

Industry park development is a new and recent phenomenon to the country, park operational management capability of Ethiopians not much enough to smoothly run the administration task of the park. Many administrative problems rose both by investors and workers because they do not get a prompt service. Rather than immediately replying to regular problems on

time they collect complaints from investors and workers.Sometimes failing to respond on time to problems results a chaos at the park.Lack of feasibility study before constructing the park, poor institutional coordination and communication between governmental agencies, dormitory to workers, factory wastes disposal system creating environmental damage, weak promotional strategy in and outside the country, security problems around the park, and land related issues with the settlers.

Infrastructure problem the other factors as the interviewee noted, the pointed raised was some parks where built but the necessary infrastructure not yet fulfilled. Even some which are on operation also facing the same challenge. The infrastructure problems related to road transportation for movement of raw materials and finished goods, water shortage, electricity outage to run factory machineries also to internet, poor internet connections hamper the export and import activities of the investors.

Shortage of hard currency is hampering the overall industry parks growth of the country. All manufacturing firms that situated at the industry park in different corner of the country seriously affected because raw materials not easily imported from other countries due to crunch condition of hard currency. It affects further construction of industry parks. Companies that entered in industry parks were complaining for hard currency issues that hinder them to work smoothly.

Generally, industry parks development contributing good result to national and local economy, but a lot to be done to solve existing challenges that affects industry parks. By developing a sound strategy and having qualified personnel with a multi- cultural and language capability that can transform it to the highest stage.

As indicated on the reports of governmental agencies, during the budget year a lot of actions were taken to solve the hindering factors. Alternative solution for existing challenges facing the industry parks were drawn through comprehensive discussion with federal, regional government and city administration, companies operating at the industry parks, and local community.

5.2 CONCLUSION

The information or data collected were presented and analyzed accordingly and from the analysis, the researcher now concludes as follows:

Industry parks development is contributing positive result to economic development, foreign direct investment, job creation to local population, technology and skill transfer, urbanization to local community and increase value of local raw materials. In order to achieve growth transformation plan II that country wants. Areas where industry parks built has making positive economic progress to the locals changing their alternative source income for living by delivering fast foods and renting houses.

Shortage of hard currency serious affecting industry parks in to two aspects. First, manufacturing firms unable to get hard currency to import raw materials for their production, some parks partially given up operation and laid off workers due to this challenge. Second, the government wants to construct additional industry parks in different parts of the country to balance regional economic development but this hindering makes the operation difficult.

Labor unproductive at their works due to poor industry work culture, high labor turnover due to low wage and poor working condition, frequent labor strike at the park, conflicts with foreign managers due to language and cultural differences, dormitory problem for late hour workers, transportation shortage. Workers are not willingly to work overtime due to the awareness about the organizational and work culture even they don't know their duties and responsibilities and the code of conduct. Punctuality the other issues reflected from workers late in and early exit at the park.

Most industry parks facing the challenges of infrastructures that shall fully accessible. Even the government promising a lot about these issues but most companies at the industry parks complaining about the problems with infrastructure to concerned governmental agencies. The infrastructure problem covers electricity, water, prompt service delivery; one-stop shop service, at the park, internet access, logistics issues to move finished products to market. There is poor communication and coordination between concerned federal, regional, city administration and local community before and after Industry Park under construction. These issues noted when some parks already built but power and water problems prevail still now. Local community hampering the expansion of the parks due to land ownership and payment issues.

5.3. Recommendations

Based on the findings of this study, the following are recommended.

The marketing plan of the industry parks should be integrated with the regional and national plan of the country and strategically focused to attract potential investors which can create back linkage, ensure value chain and promote technological and knowledge transfer of different business categories. In addition to this, the parks to have a strategy of communication in order to have a linkage with concerned stakeholders (Business community, Government organizations, and local community) for its effective and efficient operational activities of the business.

Even if shortage of hard currency is the country's major problem that affect the overall manufacturing enterprises at national level. There should be a relaxed approach in providing hard currency to companies that started operation at the industry parks because it enables the government to maximize hard currency via export from the parks.

The administration of employees of at the industry parks respective companies should be in accordance with the labor should formally be documented in policy and procedures manuals. This will help to maintain and attract well qualified, experienced and competent employees from the labor market proclamation of the country origin. In addition to this improved salary scale and benefit packages must be well established with clear criteria for entry and advancement, and the system, and also could minimize turnover of labour force.

The challenges on the process of getting visa, work permit temporary residence identity card for foreign employees should be minimized by appointing experienced government officers on the positions.

In industrial parks in Ethiopia, power and water supplies, building of roads and factory space have been among the key industrial parks' development challenges, which have led to costly delays in all countries. It is therefore recommended that sufficient funding for of parks is to industrial parks' approval.

To facilitate greater knowledge and technology transfer, the government of Ethiopia should ensure that all sector development policies (including incentives schemes) are inclusive, in terms of targeting both foreign and domestic firms. In practical terms, this means that an effective organization— the EIC in close collaboration with Ministry of Industry—should

extend a similar one-stop-shop service mechanism, as is currently being offered to foreign investors, towards domestic firms.

Creating efficient administration to support the development and efficient dispute resolution system by establishing a consultation office. Developing industrial zones with the required fully fledged infrastructure. Creating stable and favorable environment in Human capital development by working together with universities(University Industry Linkage) Establishing a training and research centers to support the c

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Appendix A: Questionnaires distributed for officers'

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MSC IN ACCOUNTIGN AND FINANCE

Dear Respondents, this questionnaire is prepared for the purpose of collecting data for the study to be undertaken under the title of "Challenges and Prospects of Industrial Park in Enhancing Investment in Ethiopia." The questionnaire is prepared completely for academic purpose and its confidentiality is well protected. Thus, please tick √ and fill the blank space. I respectfully request dear respondents to provide honest answers for the questions. I am thankful for your cooperation in advance.

Questions

Name of your organization: Ethiopian Investment Commission (EIC), Industry Parks Development Corporation (IDPC) Ministry of Industry (MoI)

1. Gender □ Male □ Female

2. What is your age group?

□ A. 20-30 □B. 31- 40 □ C.41-50 □ D. 51-60

3. Educational Background

□ A. Grade 9-12 □ B. Certificate □ C. Diploma □ D. BA/BSC □ E. MA/MSC □

4. What was your previous job? A. Unemployed B. Government office C. Private organization D. Private job E. Other (s), Specify_____

No		Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1	Do you think industry parks economically benefiting the country as expected in many aspects?					
2	Do you think labors who are working at the industry parks are productive as expected?					
3	Do you think labor turnover affecting the overall park operation?					
4	Workers who are working are well aware of industry parks code of conduct and culture.					
5	Industry parks operations are suffering from frequent workers strike.					
6	Sound operational administration and management of industry parks.					
7	Concerned governmental organization promoting industry parks in a well-organized manner in international and national level.					
8	Industry parks that available in the country well furnished with the necessary infrastructures.					
9	There is institutional coordination among stakeholders for the development industry parks.					

		Shortage of hard currency	Distorted incentive	Lack of infrastructure	Labor unproductively and poor industry discipline	Logistics
10	Which of the following hindering factors mostly affecting the industry parks operation.					

Appendix: B Questions raised for Interview for key informants

The researcher has compiled some questions for interview purpose to key informants to get a better understanding about the challenges and prospects of industry parks in enhancing investment in Ethiopia. The questions presented as follows:

1. What do you think the contribution of industry parks to the country?
2. What are the challenges facing Ethiopian industry parks?
3. Is there institutional coordination between stakeholders?
4. Is there linkage between industrial park and domestic economy?
5. What are the prospects of industry parks in Ethiopia?
6. What suggestion you give to overcome these obstacles?

Appendix: B. Export report for the year 2017/2018

Months	Eastern	Bole Lemi	Hawassa	George Shoe	Velocity	Huajian	Total
July	$ 4,055,950	$ 2,844,956	$ 743,687	$ 212,583	$ 57,273	-	$ 7,914,449
August	$ 2,875,680	$ 2,986,170	$ 726,728	$ 249,882	$ 44,034	-	$6,882,494
September	$ 3,610,262	$ 2,307,629	$ 725,010	$ 412,796	$ 56,285	-	$ 7,111,982
October	$ 3,159,583	$ 2,476,326	$ 634,541	$ 596,339	$ 76,231	-	$6,943,020
November	$ 1,667,715	$ 2,281,478	$ 789,833	$ 505,219	$ 40,440	-	$5,284,685
December	$ 2,815,305	$ 3,370,267	$ 856,075	$ 279,676	$ 54,876	-	$ 7,376,199
January	$ 3,073,633	$ 2,708,084	$ 903,399	$ 196,285	$ 49,950	-	$ 6,931,351
February	$ 1,595,769	$ 2,113,947	$ 1,627,211	$ 169,060	$ 58,104	-	$ 5,564,091
March	$ 1,764,293	$ 2,780,715	$ 1,889,069	$ 638,864	$ 58,590	-	$ 7,131,531
April	$ 2,535,549	$ 2,626,439	$ 2,706,561	$ 658,789	$ 64,486	-	$ 8,591,824
May	$ 2,585,259	$ 2,543,123	$ 3,620,343	$ 720,485	$ 39,123	$30,000	$ 9,538,333
June	$3,252,884	$2,940,897	$2,702,067	$620,570	$33,550	$98,610	$9,648,578

Source: EIC, report 2017/18.

Appendix:C. Budget year Workers Flow

Industry parks	New job created	Left the park	Males	Females	Total
Hawassa	17,224	10,955	2,213	15,927	18,140
Boli-lemi	16,137	15,068	1,768	13,018	14,786
Eastern	10,620	7,828	6,316	7,798	14,114
Vorg	1,111	847	165	1,116	1,281
George Shoes	542	254	276	22	298
Huajian Shoes	2,149	1,822	1,702	3,060	4,762
Kombolcha	30	27	126	340	466
Mekelle	195	75	34	304	338
Total	48,008	36,876	12,600	41,585	54,185

Source: EIC, report 2017/18.