Addis Ababa University

College of Social Sciences

Center for African and Oriental Studies

Opportunities and Challenges of Industrial Park Development in Ethiopia: Lessons from Bole Lemi and Hawassa Industrial Parks

By

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Declaration

This thesis in my original work and has not presented for degree in any other universities and that all sources of information used for thesis have been fully acknowledged.

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Abbreviations and Acronyms

BLIP	Bole Lemi Industrial Park
BOLSA	Bureaus of Labour and Social Affairs
CALIC	China-Africa Lekki Investment Cooperation
CCEC	China Civil Engineering Corporation
COMCEZ	Standing Committee for Economic and Commercial Cooperation of the Organization Islamic Cooperation
EIB	Ethiopian Investment Board
EIC	Ethiopian Investment Commission
EIP	Eco-Industrial Park
EIPDC/IPDC	Ethiopian Industrial Parks Development Corporation
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FTZ	Free Trade Zone
GAFI	General Authority for Investment and Free Zone
GDP	Gross Domestic Program
GTP	Growth and Transformation Plan
HIP	Hawassa Industrial Park
IAIP	Integrated Agro-Industrial Park
IC	Industrial Clusters
ID	Innovation Districts
IE	Industrial Estate
ILO	International Labor Organization
IPD	Industrial Park Development
IP	Industrial Parks
IZ	Industrial Zone
FGD	Focus Group Discussion
KII	Key Informant Interview

LFTZ	Lekki Free Trade Zone
LSDPC	Lagos State Government Development Corporation
MENA	Middle East and North Africa
MEPZ	Mauritius Export Processing Zone
MFEZ	Multi-Facility Economic Zones
MOLSA	Ministry of Labour and Social Affairs
NEPZA	Nigerian Export Processing Zones Authority
OECD	Organization for Economic and Development
QDA	Qualitative Data Analysis
SEZ	Special Economic Zone
SSA	Sub-Saharan Africa
TP	Technology Park
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
USD	United States Dollar
VAT	Value Added Tax
ZDA	Zambia Development Agency

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Abstract

The introduction of industrial park development in Ethiopia is currently a topical issue. Both the Government and private developers are working on the development of industrial parks in different part of the country and some of them have started operation while the others are waiting for their completion. The main objective of this study is to exploring the experiences of industrial park developments in African countries, focusing on identifying main opportunities and challenges and lessons from and to Ethiopia. Both primary and secondary data sources were used. Documents, key informant interview and focused group discussion were among the main data collection instruments used to examine and show industrial development practices in the continent and Ethiopia's Bole Lemi and Hawassa industrial parks in particular. Officials and experts from Ethiopian Industrial Parks Development Corporation and Ethiopian Investment Commission, human resource managers from nine different companies, industrial park managers and employees of manufacturing enterprises have responded the interview questions; households who are evicted due to industrial parks constructions have also participated in the focused group discussion and different documents reviewed. Data have been interpreted through theoretical basis, basic standard, conception and comparative approach. The findings of the study indicated that the industrial park development across the continent varies in terms periods of establishment, opportunities and challenges witnessed in specific countries. Embarking on industrial park development, Ethiopia has attracted foreign direct investment, generated revenue, staged technology and skill transfer and created ample jobs. It offered investors incentive packages, cheap labor and access to market with its attractive investment and legal framework. The challenges in Ethiopian IPs are identified as high labor turnover, inadequacy of infrastructure facilities, poor trade logistics and customs procedures, lack of access to foreign exchanges and weak linkages of IPs with local economy. It also lacks strong coordination among actors in the sector, experience and shortage of raw materials. It is also tested by lack of peace and stability. Thus, at this level of their performance, industrial parks have little impact on the country's economy. While Ethiopia carries on expansion of industrial park development and industrializations, it needs to consider building industrial culture and discipline, set a minimum wage, establish market chain and strategically identify industry locations. Ethiopia should also be vigilant on peace and stability issues.

Keywords*: Industrial park, opportunities, challenges, foreign direct investment, employment, technology and skill transfer, Ethiopia*

CHAPTER ONE

INTRODUCTIONS

1.1. Background of the Study

Industrial park development has been an important topic of development thinking after WWII. At times, it has been celebrated, challenged, and even discredited, but it has never been absent from the successive intellectual and policy debates on economic change (Farole, 2011). Today, after decades of intellectual debate, there is wide consensus among economists that industrialization is the single most important driver of structural change. The two concepts are indeed closely linked in that: (a) structural transformation is the phenomenon whereby a society's resources are moved from the sectors where they yield little economic benefits to those where the payoffs are the highest—and (b) this occurs through industrialization (Prihodko *et al.*, 2007). Indeed, prosperity is achieved in any country only when a country's resources (human, natural, and capital) are shifted from subsistence and informal activities into high-productivity activities (Pakdeenurit & Suthikarnnarunai, 2014).

Industrial parks (IPs) or Export Processing Zones (EPZs) normally are established with the aim of achieving one or more of the following four policy objectives including to attract foreign direct investment (FDI), to serve as "pressure valves" to alleviate large-scale unemployment, in support of a wider economic reform strategy and as experimental laboratories for the application of new policies and approaches (FIAS, 2008). In achieving these objectives, industrial parks have had a mixed record of success. Anecdotal evidence turns up many examples of investments in zone infrastructure resulting in "white elephants," or parks that largely have resulted in an industry taking advantage of tax breaks without producing substantial employment or export earnings. Empirical studies show that many industrial parks (IPs) or Special Economic Zones (SEZs) have been successful in generating exports and employment, and come out marginally positive in cost-benefit assessments (Jayanthakumaran 2003; Mongé-Gonzalez *et al.*, 2005). Many economists, however, still view industrial parks as a second- or even third-best solution to competitiveness, whose success is restricted to specific conditions over a limited time frame (Newman & Page, 2017). Concerns also have been raised that industrial parks, by and large,

have failed to extend benefits outside their enclaves or to contribute to upgrading of skills and the production base (Zeng, 2015).

Earlier attempts by African countries to industrialize were mostly unsuccessful and economic production remains largely agrarian, subsistence and portrays limited value addition (Elhiraika & Mbate, 2014). As a result, manufacturing has either stagnated or declined over time. The share of manufacturing in Africa's GDP has remained at around 13% between 1980 and 2010, compared to 31% in East Asia, where labor-intensive industrialization has induced high growth and addressed challenges to job creation, poverty and inequality (ECA & AUC, 2013).

Apart from Mauritius, Tunisia and Egypt, the performance of the IPs program in Africa has been inadequate. Senegal, Nigeria, Togo and Cameroon were among the first countries in Africa to establish the export processing zones (EPZs) but their performance was so poor that they were abandoned for sometimes (Chabari, 2000). Problems ranging from infrastructural inadequacy to opposition by trade unions in African countries such as Malawi, Mozambique, Namibia and South Africa deterred the operationalization of the concept. Poor planning, unstable development strategies and inconsistent policies have had their toll on the IPD programs in Liberia and the Republic of Congo (Chabari, 2000).

Ethiopia has embarked on a transformational journey of becoming a low middle-income carbon-neutral economy by 2025. To attain this goal, Ethiopia needs to sustain the high growth episodes that have been observed over the last decade by deepening structural change in its economy. The Second Growth and Transformational Plan (GTP II) (2015/16-2019/20) envisages an emergence in the form of desirable outcomes of structural transformation in a relatively shorter period of time as in the case of South East Asian countries (FDRE, 2010). This is to be achieved by shifting economic activities from low productivity to high productivity sectors, especially in to the manufacturing sector. The pursuit for industrialization is the most viable option for ensuring structural transformation (Zeng, 2015).To this effect, the Government has adopted a policy that focuses on the development of the manufacturing sector through the use of industrial parks to attract FDI and to support small and medium enterprises. But with services and agricultural sectors contributing almost 90 percent of GDP, the GTP has not been able to accelerate structural transformation. At the same time, the share of the manufacturing sector in GDP remained just above 4 percent of GDP for most of the past decade. Furthermore, Ethiopia has not made

significant progress in pulling labor out of agriculture into more productive and industrial jobs. The share of employment in the manufacturing sector has changed only slightly and is virtually unchanged since 1999 at below 5 percent of total employment (World Bank Group, 2015).

The previous and current GTPs have been underpinned by efforts to transform the country from an agricultural based economy into a manufacturing hub. To this end, the government has focused on infrastructure development such as transport and energy facilities, investments in health and education, urban and rural development and creating industrial clusters. Further, the government is investing in and subsidizing the creation of industrial parks (Bezu & Holden, 2014).

Industrial parks are one of the most important factors supporting positive economy development with high economy turnover and high employment by attracting investment in the manufacturing sector (Farole, 2011). 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 dependent on the agriculture (Arkebe, 2018). Thus, industrial parks development is adopted as a strategy in Ethiopia to realize the ambitious development plan of industrialization on the manufacturing and agro-processing industries, and thereby accelerate economic transformation through attracting domestic and foreign direct investment (Alebel *et al*., 2017). In Ethiopia, two typesof industrial parks are under development: large, medium and light scale industrial parks[1] on the one hand and integrated agro-industrial parks[2]on the other hand (UNIDO, 2017).

These include the Hawassa Industrial Park, the largest in sub-Sahara Africa, opened in mid-2016 and centered on the export of textiles and garments. There are also the Kombolacha and Mekelle

[1]The difference between large, medium and small scale industries is found in three areas. It depends on the number of employees each industry employs, the amount of capital that was invested and the availability of the company's assets.

[2]An integrated agro-industrial park (IAIP) is a geographic cluster of independent firms grouped together to gain economies of scale and positive externalities by sharing infrastructure and taking advantage of opportunities for bulk purchasing and selling, training courses and extension services. (UNIDO, 2017)

industrial parks, opened in early 2017 and built at an estimated cost of USD 250 million. In January 2017, the government issued contracts worth USD 650 million to Chinese contractors to build three more industrial parks. These heavy investments in industrial parks demonstrate not only the government's ambition to reorient the economy, but also its inclination to developmental approaches and central dirigisme – resulting in a level of economic growth hardly imaginable a decade or two ago (Lie & Berouk, 2018). In general, according to EIC, Ethiopia has planned to increase the number of its industrial parks to 15 on June, 2018 as part of its effort to boost manufacturing and export. Ethiopia's aim in building more industrial parks is to contribute to 20 percent of Ethiopia's GDP and 50 percent of the export volume by 2025 (Zelalem, 2018). Given, the current plan of expanding industrial parks in Ethiopia and many other African countries, it is believed that IPs would help revamp and sustain the manufacturing sector. This, therefore, necessitated an examination of whether the industrial parks in Ethiopia possess their attainable objectives.

The purpose of this study is to review the experiences and processes of industrial park development programs in selected African countries in comparison to the development of industrial park development in Ethiopia. The study looks in to the potential opportunities and challenges of industrial park development in Ethiopia.

1.2. Statement of the Problem

There are various arguments towards industrial park development programs. While the historical success of economic zones in some Asian countries like Korea and Taiwan supports the arguments of that zones could be the first best option for economic liberalization and accelerated industrialization, there are substantial grounds for considering them, in their traditional form as second-best like China or even irrelevant in most countries like in SSA today (Bayisa, 2016). Industrial parks are controversial as they are popular. At their best, they align infrastructure provision and agglomeration economies to jolt industrial growth. At their worst, they fail to generate the required skill and investment; sit empty or simply do not get built; eroding the tax base; increase land speculation and loss of agricultural land; delivering hand-outs to favored firms; funneling spending to favored districts; cause environmental degradations, etc. (Saleman & Jordan, 2013; Zeng, 2015).

In Kenya, IPs/EPZs have had limited success in terms of achieving the predicted goals that led to their establishment. A study by Chabari (2000) shows that employment creation has been low compared to the anticipated levels, transfer of technology has been deterred by the quest for quick profit by foreign investors and that no significant spinoffs have accrued to Kenyans from the operations of the EPZs. Backward linkages have not developed significantly since investors tend source for raw materials in foreign markets. Thus, while the EPZs are desirable, they have had little impact on the country's economy (Chabari, 2000). Another study by Emmanuel (2016) on Zambia's multi-facility economic zones (MFEZs)[3] and their manufacturing value chains indicates that between 1964-2013 Zambia's manufacturing zones were facing low levels of advanced and lower human capital (skills) threshold in local firms. This study was conducted while most of zones and parks were under construction while others were on paper, except Chambishi MFEZ was in its infancy stage (Emmanuel, 2016).

Ethiopia has joined its African counterparts very recently in IPDs with the same objectives. The country is pushing the program forward and has even began generating a substantial benefits from its few zones in operation, especially in terms of creating employment opportunity, FDI attraction, export promotion, etc. The prime functions of the development of industrial parks are to generating FDI, increase value added exporting and gain hard currency. As developing country, Ethiopia, the planned objectives of IPs are very crucial. But, these objectives do not give much emphasis to encourage the larger local markets and domestic investors (Zeng, 2015).

In spite of many clear advantages of industrial parks, researchers come-up with some limitations of IPs. One concern with IPs is that their use can restrict investment only to the most promising enterprises and thereby deprive other potential investments. An IP to be successful, it has to provide optimum locational advantages to the firms which serve its purpose or pay for it unless its occupants are well located. 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 (Humphery, 2000).

[3]In Zambia, the industrial zones are called Multi-Facility Economic Zones (MFEZs)

A study by Selam (2017) on Eastern Industry Zone shows that industrial park has contributed economically in terms of generating job opportunities to the local people, capital investment to the country and the role of tax generation. Non-economic aspects of its contribution include technology and skill transfer and cultural integration while the park is facing inefficient of workers, shortage of raw materials, delay on the logistic service, communication barriers, lack of enough training, organizational problem and imbalance of share of work, shortage of foreign exchange and government bureaucracy. Here, since the study is based on single Chinese owned IP, it does not give pictures of public industrial parks (Selam, 2017). Another Study by Bayisa (2016) conducted on the prospects and challenges of industrial zone in Ethiopia shows that industrial park programs in Ethiopia are mainly inspired by preferential trade regimes like AGOA and EBA. This makes their sustainability uncertain after their expiration, though the country did not generate much benefit from these initiatives relative to other African countries like Kenya (Bayisa, 2016).

Since the narratives and practices of industrial park development program in Ethiopia is a recent phenomenon much study is needed. This research is thus aimed at filling the knowledge gap on the performance of IPs by examining the current practice of industrial park development made by selected African countries as well as assessing the opportunities, challenges and indicating important lessons from and to Ethiopia on the performance of IP developments.

1.3. Objectives of the Study

The general objective of this study is to review the practice of IPDs in Africa and identify the potential opportunities and challenges of IPD programs in Ethiopia.

Specifically, the objectives of the study are to:

- Review the practice of industrial park development programs in selected African countries.
- Examine the opportunities of industrial park development in Ethiopia.
- Identify the challenges of industrial park development in Ethiopia.

1.4. Significance of the Study

By picturing the experiences of IPD programs in selected African countries and assessing the challenges and opportunities of IPD in Ethiopia, this study is expected to have theoretical as well as practical contributions. Since the concept of industrial park development is relatively a recent process, the available literatures are few in this area. This study is an attempt to fill this gap by providing a more comprehensive assessment of the challenges and opportunities of this program. Theoretically, it illuminates the existing knowledge and scholarly debate in the area both in Africa and beyond, and thereby helping developing economies like Ethiopia in attempting to design an appropriate industrial park development strategy for a transformative industrial base.

The findings of the study have also practical significances for the academia, policy makers, industrial park developers and operators as well as the private sector within or outside the parks. Since the study focuses on the analysis of the contributions and challenges of IPD program in Ethiopia and the experience of other African countries in this area, it is hoped that it will provide policy-makers with vital information on the operations, politics and impact of the program. The Government has expressed concern at the slow rate of industrial growth in this country, and has declared its intention to achieve a newly industrialized country status by the year 2020 according to set on GTP II. Generally, the study has a potential to fill research gaps in the area and could be an important input for future action: for both government and the private sector in Ethiopia.

1.5. Scope of the Study

The coverage of this study contains the experience of African countries industrial park development program. The review sub-chapter includes the practice respective national IP institutional and policy framework as well as an overview of existing IPs, IPs under development and IPs in early planning stages. The case study analysis focuses on opportunities and challenges faced in fully operational manufacturing enterprises located at Bole Lemi and Hawassa Industrial Parks in Ethiopia. The study does not aim at to provide a final and conclusive verdict regarding Bole Lemi and Hawassa IPs' success and failure.This is only be possible when the manufacturing enterprises are fully operational at least a few years.

1.6. Limitation of the Study

A major problem encountered during this research was the reluctance by some of the industrial park enterprises to provide information. Most of them claimed that IPs firms are private companies and that most of their information is classified. The researcher was unable to get access to meet and make group discussion on the impact of the construction of HIP on households moved from their land. This made the data collection from those households' side was quite tedious. During the revision of African countries' experience on the development of IPs, there is lack of systematic, data-driven analysis on the performance of economic zones and limited up-to-date analysis of the policies and practices that determine that performance. This problem is mainly serious in Africa where industrial parks have short life history, research and development in the area are lacking, and zones are seldom sustainable. Finding secondary data providing documents were difficult on some of the issues in some of selected countries. Finding secondary data from non-English speakers were also difficult. There are limitations associated with its very nature and the specific situations in Ethiopia. In addition, the limited time frame and financial capital have restricted the flexibility of the study in terms of depth and width. The restricted entry policy of resident companies and the absence of concerned personnel to provide information are also considered as shortcomings in enriching this study further.

1.7. Definition of Terms

Industrial Parks: are geographically or judicially bounded areas in which free trade, including free trade import of intermediate goods, is permitted provided that all goods produced within the parks are exported (Lettice, 2003).

Manufacturing Enterprises: are manufacturing firms located in industrial parks and provided different forms of incentives from government (Zeng, 2015).

Opportunities: are any socio-economic advantages happened following the presence of industrial parks.

Challenges: are negative impacts of industrial parks on host country.

Backward linkage: This occurs when technology is transferred from a multinational company buying an input to a domestic company selling the input. It can also occur when a multinational company inside the zone subcontracts some of its production to a domestic company outside the zone. For example, many of the garment producers in Mauritius upgraded their products and processes by increasing their operational scale through investing in Madagascar (Engman *et al.*, 2007).

Forward Linkage: This occurs when the transfer of technology is from a product supplier to the buyer (Engman *et al.*, 2007).

1.8. Organization of the Thesis

The study is divided into five chapters. Chapter 1introduces the study, presents the statement of the problem, objectives and significance of the study.Chapter2presents review of related literature on industrial parks development; explore the theoretical framework and empirical studies. Then, chapter 3presents the parts of the research methodology. In this part, the approach and design of the study, data sources and collection tools and data analysis and presentation technique are included. Chapter 4deals with the experiences of five African countries' industrial park development programs; explain the opportunities and challenges that are observed in Ethiopian industrial parks: specifically at Bole Lemi Phase and Hawassa Industrial Parks. Additionally, points out lessons that Ethiopia can learn from other African countries and what other countries learn from Ethiopia on area of IPD. Finally, Chapter 5givesa conclusion and recommendations based on the findings of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Definitions and Concepts of Industrial Park

Industrial parks are widely known by different names in the literature: Industrial zone (IZ), Special Economic Zones (SEZ), Eco-Industrial Parks (EIP), Free Trade Zones (FTZ), Technology Parks (TP), Industry Clusters (IC), Export Processing Zones (EPZ), Economic Development Zones (EDZs), Innovation Districts (ID), Industrial Estates (IE), etc. (UNIDO, (2015); OECD, 2009; Zeng(2015); Farole, (2011).

Various definitions of industrial park (also known as industrial estate, industrial zone, 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 of industrial park, or the more general term special economic zone (SEZ), 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, 2015).

In addition to hard infrastructure, industrial parks often grant preferential policy and have different institutional arrangements from the rest of the country – such as tax and tariff reductions, looser labor regulations, different sets of laws, and many other practices that provide convenience and lower the costs of doing business. While the policy instruments that governments could use to lure investment are well-known, there are a few strategies they could follow to increase the chances of success: targeting international firms, targeting group business, incentivizing first movers and adopting a step-by-step approach (Zeng, 2017).

The diversity of names and forms of industrial parks is the result of several factors, including: (1) the need to differentiate among types of parks that display very real differences in form and function; (2) differences in economic terminology among countries; (3) zone promoters' desire to differentiate their product from those of the competition; and (4) the consequences of multiple translations. Definitions vary across countries and institutions, and evolve continuously as new

types of parks or zones are developed and older types disappear or are adapted. Any attempt at a comprehensive definition of industry parks must be sufficiently broad to encompass the bewildering array of past, present, and future parks, and yet sufficiently precise to exclude those that do not display the essential structural features that make a zone or park (Farole, 2011).

To address this confusion, scholars in the area are attempting to introduce their own generic name that is taught to represent all kinds of parks or SEZ. Accordingly, Wang (2013) uses 'economic development zones'; Farole (2011) adapts 'special economic zones'; Guangwen, (2003) uses 'free trade zones'; OECD (2010) prefers 'economic zones'; World Bank, (WB ,2015) uses 'industrial parks'; Amirahmadi and Wu (1995) and UNCTAD (2015) adapt 'export processing zones'. Yet, there is no consensus reached among scholars on the generic term itself, though the name 'special economic zones' and 'industrial parks' are repeatedly used in the literature. Despite their confusing nomenclature and definitional crisis, industrial parks typically possess the following structural features to be an industrial park across time and space (Wang, 2013; Zeng, 2015; Falore, 2011):Parks/zones are formally delimited portions of the national territory defined by specific regulatory regimes (operating rules) that are more liberal and administratively efficient than those prevailing in the rest of the national territory; parks/zones have a single management or administration. The administration of the regime usually requires a dedicated governance structure, centralized or decentralized, to ensure the benefit of investors through efficient management of the regimes; parks/zones have a separate customs area (duty-free benefits) and streamlined procedures. They are usually provided with special incentives (land, roads, electricity, water, telecommunications, transportation, etc.) to attract investment and facilitate the activities of firms operating within the park/zone; most parks/zones aim to attract FDI in order to increase exports, and enhance competitiveness; zones offer primary benefits for investors physically within the park/zone, though local small and medium enterprises are expected to benefit from linkage spillovers.

The variation in their nomenclature, for instance, Guangwen (2003) has identified about 66 different terminologies, reflects the linguistic preferences of developing and implementing authorities as much as functional differences between different kinds of parks/zones pertinent to their establishing objectives, geographical location, and country's politics, among others (Pakdeenurit et al., 2014; Falore, 2011). However, the multiplicity of terminologies is highly

confusing and created difficulty in defining, classifying and understanding the concept (OECD, 2010; Guangwen, 2003).

On the other hand, according to Scheepers (2012), the term "Industrial Park or Special Economic Zone" is used generically to describe different forms of parks/zones (including Industrial Zones, Special Economic Zones, Free Trade Zones, and Export Processing Zones etc.) that vary in size and scope and operate under different incentive regimes. What follows will be an outline of the different types of SEZ and their functions.

The first one is Free Trade Zones (FTZ). They are the most commonly used SEZ, and are generally characterized as being a geographically fenced-in, tax-free area that provides warehousing, storage and distribution facilities for trade, shipping and import/export operations in a reduced regulatory environment, meaning they generally have less stringent customs controls and sometimes fewer labor and environmental controls. These zones generally focus on the tangible operations of international trade. Because many SEZs attract labor-intensive manufacturing such as assembly-oriented production of apparel, textiles and electrical goods, FTZs are a very popular type of SEZ or IP.

The next one is Export Processing Zones (EPZ). They are similar to FTZs in that they encompass land estates that focus on foreign exports, but they differ in that they do not provide the same degree of tax benefits or regulatory leniency. Instead, they provide a functional advantage to investors seeking to capitalize on the economies of scale that a geographic concentration of production and manufacturing can bring to a trade region. If they are successful, these zones are beneficial to a host country because the host country does not have to provide reduced tariffs or regulations but it still benefits from increased trade to the region.

What follow next are Enterprise Zones. They are so unique is that, apart from providing manufacturing or production benefits like other SEZs, they also provide the benefits of local, centralized development efforts. They are generally created by national or local governments to revitalize or gentrify a distressed urban area. These zones use greater economic incentives than EPZs, like tax incentives and financial assistance, to revitalize an area by bringing trade into the zone that will spur organic, localized development and improve local inhabitants' quality of life.

The implementation of enterprise zones follows the philosophy that improvement of a region's industry and trade begins at the individual neighborhood level.

The fourth types of SEZ are Single Factories. It is special type of SEZ that are not geographically delineated, meaning they do not have to locate within a designated zone to receive trade incentives. This type of SEZ focuses on the development of a particular type of factory or enterprise, regardless of location. When a country decides to establish a single factory as a type of SEZ, its intention is to create specialization in a specific industry. A country that desires to create an export concentration in a specific industry would use a single-factory model to promote trade and growth in just that industry, giving each factory specializing in that trade economic incentives.

The fifth categories are Free ports and they are also typically expansive zones that encompass many different goods and service-related trade activities such as travel, tourism and retail sales. Because of the variation of products and services available to a Freeport, they are generally regarded as being more integrated with the host country's economy. Movements of these imported goods from the Freeport to a non-free trade area in the country are subject to import duties.

Specialized Zones comes in sixth place and they have been established to promote highly technical products and services unique to an industry. Many of these zones focus on the production and promotion of science and technology parks, petrochemical zones, highly technical logistics and warehousing sites, and airport-based economies.

Industrial Parks are facilities (buildings) that are set aside for production and business services in order to attract new businesses by providing integrated infrastructure in one location and localized environmental controls that are specific to the needs of an industrial area.

Spatial development corridors connect two or more economic nodes by means of transportation networks, and accommodate various economic activities along the corridors. The final one is industrial development zone that used to build industrial estate linked to an airport or sea port that leverages domestic and foreign fixed direct investments in value-added and export-oriented manufacturing industries and services.

In the context of Ethiopia, the Industrial Park Proclamation No. 886/2015 states that:

> "Industrial Park" means an area with distinct boundary designated by the appropriate organ to develop comprehensive, integrated, multiple or selected functions of industries, based on a planned fulfillment 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 centers, and includes special economic zones, technology parks, export processing zones, agro-processing zone, free trade zones and the like designated by the Investment Board;

Based on the criteria mentioned above, industrial parks are commonly known as ring-fenced enclaves (geographically delimited and planned areas) that enjoy special regulatory, incentive, administrative and institutional frame works and other facilities that are different from the rest of the economy (OECD, 2009; Zeng, 2015) and require deliberate government effort: feasibility study, master planning, construction, and management follow-up (Kim, 2015). The development of industrial parks, therefore, reflect the government's policy intent and evolves as the industrial policy regime changes, and normally operates under more liberal economic laws than those typically prevailing in the country (Kim, 2015; Zeng, 2015).Unlike natural areas where firms are located predominantly to be closer to suppliers and markets (like the footwear cluster in Merkato and handloom cluster in Shero-meda in Addis Ababa) (Merima, 2012).

2.1.1. Benefits of IPs

FIAS (2008), Farole (2011) and Zeng (2012) as cited in UNDP(2015) the main identified benefits of IPs are first to create employment that can be achieved by SEZs/IPs in particular through the attraction of labor intensive manufacturing and service industries; second, export growth and economic diversification that can be facilitated through SEZs/IPs by attracting investment and establishing links to global supply chains; the third benefit is earning foreign exchange that helps to meet a country's import needs and provide the government with necessary resources for development through the attraction of foreign investors and the export of goods to other countries; additionally, IPs help for knowledge transfer through on-the-job or broader training opportunities for employees. Local companies often benefit from hiring workers previously employed by mostly international SEZ/IP companies.

In addition, the parks allow countries to focus resources in particular sectors or areas, to soften the economic shocks of opening an economy and adjusting to a more competitive and global world. In some cases, they even provide islands of stability and relative transparency even in the most extreme conditions in today‘s world of uncertainties. The modern parks focus on providing an internationally competitive business environment with improved infrastructure, sophisticated communications, reliable power, dependable transport, well educated workers and efficient customs operations (Das Geeta).

In general, successful IPs lead to two main types of benefits: "*static*" economic benefits such as employment generation, export growth, government revenues, and foreign exchange earnings; and the "*dynamic*" economic benefits such as skills upgrading, technology transfer and innovation, economic diversification, productivity enhancement of local firms (Zeng, 2010).

2.1.2. Evolution of Industrial Park Development: Global Scenario

The concept of industrial park can be dated back to the industrial revolution of the 18 century during which countries formed industrial areas to facilitate industrialization. Using industrial parks for economic reason has a long history and dated back as early as 1704 in Gibraltar, 1819 in Singapore, and 1848 in Hong Kong (Zhang & Ilheu, 2014). These early parks were geared towards facilitating external trade through the use of free ports; an area where the commodities were circulated (imported, exported, exchanged) free of local prohibitions, taxation, duties, and excises (Farole, 2011). However, in its modern design and aim, in the United States of America, 'the first modern industrial zone' is said to have been established in Brooklyn, New York's Navy Yard in 1937. Then, the concept initially expanded after the Second World War with the establishment of the 'first modern industrial zone' in Ireland (Shannon) in 1959 and immediately followed by Puerto Rico (Mayaguez-the first modern zone in developing countries) in 1962 (Zhang & Ilheu, 2014, Guangwen, 2003; Stein, 2009). In Latin America, zone development began in the mid-1960s, first in Colombia, which established the Barranquilla Zone in 1964; then in the Dominican Republic, which established the La Romana Zone in 1965. Zone development in Asia began shortly thereafter, starting with Kandla in India In 1965 and Kaohsiung in Taipei in 1965. These soon were followed by Masan in South Korea in 1970, Sungei Way in Malaysia in 1971, Bataan in the Philippines in 1972, and Tanjun Priok in Indonesia in 1973 (Prihodko *et al*., 2007). The United Nations Economic and Social Council (ECOSOC) adopted a resolution

suggesting that the improvement of port, customs, and trade zone facilities in developing countries. Thereafter, zones made their way to Africa, beginning in Mauritius, Ghana, Liberia, and Senegal (World Bank, 2015). These industrial areas vary depending on their causes of formation, and can be developed in to industrial parks. Depending on sources of resources and types of operation, Industrial Parks can be classified into endogenous resource park, exogenous, and or mixed Resources Park. Industrial Parks are also characterized by park specialization, ownership and land. For example, Science and Technology Park, Research Park, Eco-industrial Park or Export Processing Zone and Free Trade Zone are types of specialized parks. In terms of ownership, parks may be developed and/or operated by public, private or public – private partnership. Parks may also characterized by land on which they developed. They could be 'brown', if the park is established on existing but disused facilities of former companies or 'green' if developed in a new area. Eco-industrial parks are a variant of industrial parks that strive for high environmental, economic, and social benefits, as well as business support (Alebel *et al.,* 2017).

Regardless of the importance of industry in the context of sustainable development in Africa, the continent lags behind than other developing regions in industrial performance. Africa's share of world manufacturing output also declined from 0.9% to a still lower figure of 0.8% over the two decades spanning 1980 - 2001. Within Africa, the distribution of manufacturing activity is highly skewed with just one country, South Africa, accounting for 27.3% of total manufacturing value added (MVA) in Sub-Saharan Africa and registering significant growth over the past two decades. Thus, for most countries of Africa there has been a loss in their share of global manufacturing output (UNECC & UNIDO, 2006).

I. Evolution in Europe

In Turkey Free zones were created and still function on the basis of Act on Free Zones No. 3218 promulgated yet in 1985 and effective as of 1987. At the time, there emerged two pioneer special economic zones in the country: in Mercina and Antalya. In 1999, they were joined by the Aegean free economic zone in Izmir and a free entrepreneurship zone in Istanbul, which located in the precincts of the Ataturk International Airport. The Turkish zones are encouraged to take a maximum advantage of the country's geographic position, its proximity both to the Middle East and Eastern and Western European markets (Prihodko S. *et al*. 2007).

In the national economic zones it is allowed to carry out business activities of any kind, including storing, production, packaging and banking. The zones boast necessary infrastructure, office, production and warehouse facilities, which can be rented at privileged rates. The currently existing 21 zones have become home to 3,401 corporations, including 652 foreign ones. In 2003, the volume of export and import operations via the zones grew at 49.6% and reached USD 16,608.66 million, or equivalent to 14% of the nation's foreign trade turn_ over. Practically all the zones reported growth in this regard, with the trade turnover in 6 of them being over USD 1 billion (Prihodko S. *et al.* 2007).

The basis for creating SEZs in Poland is the Act of 20 October 1994 on Special Economic Zone which indicates the rules and manner of establishing and managing of economic zones as well as conducting business activity on the territory of the special economic zone. Fourteen Special Economic Zones have been created in Poland, EURO-PARK Mielec, Suwalki, Kotowice, Legnica, Lodz, Walbrzych, Kamienna Gora, Kostrzyn-slubice, Slupsk, Starachowice, Tarnobrzeg, Pomernian, Warmi-Mazury and the Krakow Technology Park. One may only hope that the long turn undertaking, which was the introduction of Special Economic Zones, will encourage new investors to locate their activity in the special economic zones. Poland enacted a SEZ law in 1995 for creating SEZs. The main objectives of developing the zones were creating employment, protecting the environment, applying new technology, managing natural resources, and taking advantage of unused assets and infrastructure. In order to attract investors, preferential tax treatment applies to the SEZs. An important aspect of the policy is to provide incentives based on type of investment, quantum of investment, the number of local people employed and trained. Some of the prominent industries established in the zones are automotive and automobile parts, aircraft manufacturing, metal working, food processing and beverages. At present, there are 17 special zones in Poland covering an area of around 6338.92 hectare. The zones currently employ more than 14,000 people. Euro Park Mielec, spread over 575 hectare, is one of the successfully operating SEZ in Poland (Olga, 2010).

II. Evolution in Americas

The US continues to be a great source for manufacturing investment for economic zones. Foreign Trade Zones have played a pivotal role in establishing the US as a hub for manufacturing, though the globalization, current dynamics and changed comparative advantage

have resulted in large scale outsourcing of low value manufacturing processes to China and other South East Asian economies. The FTZs in the US are designated sites where special customs procedures apply and the FTZ Board, established in 1934, provides license and regulates FTZs. These zones have helped in creating level playing field in terms of the business costs associated with imports and customs clearance. The FTZs have also assisted state and local officials to develop their economies by attracting foreign commerce. Further, by helping the US companies improve their international competitiveness, FTZs have helped these companies to retain local business and encourage the development of additional jobs (Prihodko *et al.*, 2007).

The Columbia was the first to have the concept of SEZs in Latin America and it came in 1964. There are twelve Free Zones in Colombia, in Bogotá, Quindío, Arauca, Cucuta, Palmaseca, Buenaventura, Rionegro, Malambo, Santa Marta, Barranquilla, Cartagena and La Candelaria (Valle).Tax incentives include customs duties and VAT exemptions on goods and services brought into the zones. Foreign exchange benefits refer to the right to exchange, hold or negotiate foreign currency; the right to open domestic or foreign bank accounts in a foreign currency and a number of procedural facilities. Colombia has nearly five million square meters of modern facilities designated as free zones. Four currently depressed border cities (Buenaventura, Valledupar, Ipiales and Cucuta) have been granted special status to encourage further exports and export-oriented investment. Other incentives include a special labor regime and/or investment in disaster areas ("Paez Law", in much of Cauca and Huila and the "Quimbaya Law" in the coffee-growing region that was struck by the 1999 earthquake) (Prihodko *et al.*, 2007).

III. Evolution in Asia

China has undoubtedly been one of the most successful users of SEZs. The first China zones were established in 1978 in order to experiment with introduction of controlled capitalism to a centrally planned economy and particular, to introduce a liberal trade and investment regime into an economy that had been largely closed to the outside world since 1949. Initially, four zones were established in the country's coastal areas (three in Guangdong Provence and one in Fujian), but the number of zones increased during the 1980s and 1990s to include a large numbers of towns and regions, some located in the interior of the country. China's SEZ strategy proved very successfully as the country became the world's largest exporter of manufactured items and the

leading destination for FDI in the developing world. Today, the country has over 200 zones of various types, sizes and industrial focus. In addition, the country 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).In Pakistan every district headquarters of Pakistan has an industrial estate or area having infrastructures and offers incentives of various natures: Punjab has 26 industrial estates, whilst Sindh, Baluchistan and KP, have 30, 7 and 12 industrial states, respectively. Some of these are successful whilst others are unsuccessful because they are established in remote areas lacking necessary skilled work force or basic amenities for workers. Some big cities also have industrial clusters on the basis of their strength in skilled workforce, raw materials, supporting institutions and deep historical links with local and global supply chains. These clusters include: sports and surgical clusters in the city of Sialkot, textiles cluster in Faisalabad, fan cluster in Gujrat, and engineering cluster in Gujranwala to name the major ones. Existing SEZs in Pakistan include: (i) Karachi Export Processing Zone (Karachi); (ii) Risalpur Export Processing Zone (Risalpur); (iii) Sialkot Export Processing Zone (Sialkot); (iv) Gujranwala Export Processing Zone, Gujranwala; (v) Khairpur Special Economic Zone, Khairpur; (vi) Rashkai Economic Zone (Rashakai-Mardan, M1); (vii) Gadoon Economic Zone (Gadoon Amazai Swabi); and (viii) Hathar Economic Zone (Hathar-Haripur).In addition, there are some Industrial Parks in Pakistan: Rachna Industrial Park (Lahore), Marble City (Lahore), and Textile City (Port Qasim). Some of the newly established industrial estates are: Value Addition City (Sheikhupura-Faisalabad Expressway), M3 Industrial City (Faisalabad), and Quaid-e-Azam Apparel Park (M-2 Lahore) (Mohmood, 2018).

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).

IV. 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 (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[4] numbered 38, 2 and 8 respectively; in 2009 the numbers are as follows: 37 FZs, 10 SEZs and 37 SZs (MENA-OECD, 2009).

2.1.3. Industrial Park Development in Ethiopia

Among SSA countries, Ethiopia's recent economic growth is impressive and its GDP grew on average by 11% between 2004 and 2014 (WB, 2015). In order to sustain the growth momentum and further induce industrialization, the government of Ethiopia has introduced the ambitious Growth and Transformation Plan (GTP1 and 2) since 2010/11, in which the private sector has been considered as an engine of economic growth and transformation that primarily intends in reducing poverty and bringing structural transformation through building an economy with modern and productive agricultural and industrial sectors that would ultimately take the country to a middle-income status by 2025 (Zeng, 2015; MoI, 2015). The GTP aims at addressing a range of developmental indicators, while also providing a framework for industrialization for SEZs through a policy matrix (GTP/PM) targeting specific sectors. The GTP is complimented by Ethiopian Investment Policy, which is supported by accompanying legislation the Investment Proclamation No.769/2012, which among other things ensures the protection of private property rights and the repatriation of capital and profit (COMCEC, 2017).

Industrial Parks were also identified as way in which to address two of the most frequently mentioned grievances by investors in Ethiopia, namely access to land and government being seen as an impediment to investment (in terms of red tape and policy and regulation). The industrial park program was therefore seen as a tool to address these impediments to further investment by liberalizing business conditions in a limited geographical area.[5]

i. IP Legislations and Regulations

The Industrial Park program is governed by the Industrial Parks Proclamation No. 886/2015, as well as the Investment Proclamation No.769/2012. Industrial Parks Proclamation aims to: attract

[4] The Middle East and North Africa is a regional encompassing approximately 22 countries in the Middle East and North Africa.
[5] Interview conducted with IDPC Industrial Park Promotion Manager on January 22, 2019.

private sector participation in manufacturing; enhance competitiveness of economy; and creates jobs and achieve sustainable economic development.[6]

The Act also lays out the rights and obligations of the developer, including to: develop the industrial park land; operate the industrial park; provide services to investors in the industrial park as the operator; sub-lease the land; rent or sell immovable assets to investors; make space available for the one-stop-shop facility; take advantage of incentives offered; aim to link local businesses into supply chain; replace expatriates with Ethiopians by training local employees; and can sub-lease development or operation of site (EFDR Proclamation No. 886/2015). The regulations lay out in more detail timeframes of these obligations. A number of the new regulations are currently being gazetted and await finalization (given the Industrial Park program is fairly new in Ethiopia). Some of the regulations have, however been signed off.[7] Industrial Park Proclamation No. 886/2015 states issues related to land, incentives (both fiscal and non-fiscal) to manufacturers and developers (FDRE Proclamation No., 886/2015).

ii. Organizational and Administrative Profile

Ethiopian Industrial Parks Development Corporation (IPDC) was established in 2014, as a public enterprise. One of its primary mandates is to develop and administer Ethiopia's industrial parks, including leasing developed land as well leasing and transferring, through sale, of buildings on the industrial park land. The IPDC works with the Ethiopian Investment commission and the Ethiopian Revenue and Custom Authority to provide a one-stop-shop service for investors investing in the designated industrial parks.[8]

2.2. Theoretical Framework

A theoretical framework helps us to organize what we know about a stated question or issue at any particular time. The desire for development in the Third World countries is so great that various theoretical models have been advanced in an attempt to explain the available development options. The study of IPD is multidimensional, encompassing a cross section of

[6] Interview conducted with IDPC Promotion and Marketing Director on January 22, 2019.
[7] Interview conducted with EIC Investment Expert on January 29, 2019.
[8] Interview conducted with IDPC Industrial Park Promotion Manager on January 22, 2019.

several social science disciplines including economics, political science, sociology and geography. The complexity of such a study implies that it cannot be limited to a single analytical tool. Yet, as Baissac (1996) points out, the application of several analytical methods may on the other hand be contradicting. To give this study a wide scope as possible five theoretical models will be applied: the neo-classical approach (orthodox view), the political economy approach, the heterodox approach, the value chain approach and the agglomeration economic approach.

i. The Neo-Classical Approach (Orthodox View)

The mainstream neo-classical economic theory views SEZs as enclaves offering open and freer trade policies set up with the objective of promoting trade. According to this theory, free trade is the best policy for a government to adopt. If freer trade is not politically viable at economy wide level, some welfare gains may be obtained from SEZs. SEZs therefore represent, at best, a second best policy. When viewed from a static perspective, SEZs are distortionary trade instruments which distort trade patterns, promote unfair competition between domestic and SEZ firms, drain government revenue and if the rest of the economy is not liberalized they remain production enclaves with little economic contribution. It argues that SEZs are useful only when the government uses them as a vehicle to further economy wide reforms. Their role should therefore be transitory, facilitating the transition of an economy from import substituting regime to free trade regime with minimal government intervention. They lose their significance as countries implement country wide systemic trade, macroeconomic and exchange rate reforms (Madani, 1999).

This theory provides the basis for much of the criticism against SEZs. However, if freer trade is the most compelling need for a SEZ, it could be captured by the duty drawback regime. Furthermore, the recent experience shows that a considerable increase in the number SEZs across the world has followed the adoption of trade and economic reforms in the rest of the economy rather than preceded them. They are not a vehicle to promote liberalization but are an outcome of the liberalized regime (Aggarwal, 2010).

ii. The Political Economy Approach

The political economy perspective of SEZs is based on the 'public choice theory' (Buchanan & Tullock, 1962), which draws on the interest group theories of Political Science and neo classical

economic school. It argues that the provision of government intervention promotes lobbying by interest groups for rent seeking. The main lesson of this perspective which supports the principle of "minimalist government" is that the best strategy for all countries and in all situations is to liberalize – and not do much else. Free trade with minimal state intervention alone can ensure growth. The objective of the SEZ policy according to this approach is to generate rents to a few capitalists by facilitating land acquisition and offering tax incentives at the cost of the rest of the population, which in turn would reduce the overall welfare. The argument of the self-regulating market and minimalist government has increasingly been criticized. Evidence suggests that governments in industrialized countries manipulated and maintained rents to create a capitalist class and after the creation of this class used these rents to encourage them to invest in growth (Khan, 2004).

iii. The Heterodox Approach

While the neo classical theories are obsessed with markets and argue that limiting the role of the state is essential in minimizing market distortions, the heterodox school advocates a mix of state-market interactions, in which developmental governments play a significant role in investment, human capital formation, acquisition of technology, institution setting, and the promotion of policy and institutional reforms (Chang 2002). This school draws on the endogenous growth literature and development state and new institutional theories. It argues that domestic firms lack the technical, marketing and managerial know-how and that they seldom have access to international distribution channels. In this scenario, SEZs are a government sponsored initiative to fill this gap. By offering enabling investment climate in terms of efficient infrastructure, good governance, simpler regulatory system, availability of skilled labor, tax incentives, finance and strategic locations, SEZs are instrumental in attracting FDI. FDI is accompanied with better technologies and managerial skills. The presence of foreign firms generates important spill-overs also. These spill-overs include labor and management on-the-job training and learning by doing, copying and demonstration effects, and impact on the rate and level of human capital formation in host countries. SEZs can thus offer unique scope for learning, improvement and transformation. The presence of foreign firms generates important spill-overs also. These spill-overs include labor and management on-the-job training and learning by doing, copying and demonstration effects, and impact on the rate and level of human capital formation in host

countries. SEZs can thus offer unique scope for learning, improvement and transformation through the flow of technology, knowledge and skills (Milberg, 2007).However, in this framework also SEZs are a second best policy. If the country's investment climate is significantly improved, SEZs become superfluous in the economy's performance.

With the proliferation of a variety of SEZs across the world (including in developed countries) there is need to extend theoretical foundations of setting up of SEZs for a better understanding of their contribution to the economic growth. We propose to extend the heterodox approach to embrace the agglomeration economies approach and the global value chain approach to explain the rationale and contribution of SEZs.

iv. The Global Value Chain Approach

The globalization process is accompanied by a rapid emergence of "global value chains". The whole process of producing goods, from raw materials to finished product, has increasingly been "sliced" and each process is carried out wherever the necessary skills and materials are available at competitive cost either through off-shore outsourcing and/or offshoring. Offshore-outsourcing is associated with subcontracting parts/ the whole production process to specialized firms abroad while off-shoring is the shift of production to a new location in another country through affiliates (FDI). However, market forces alone cannot ensure an effective integration of domestic firms in these chains. Global competition is so intense that unless deliberate policies are introduced to foster a favorable investment climate in terms of improved infrastructure, simplified rules and harmonized processes, regulations, and standards with domestic, bilateral, regional, and international practices, domestic firms in these economies are not usually able to avail the opportunities to integrate within these networks. By offering an enabling business climate SEZs facilitate the host country's insertion into global value chains through both off-shoring and offshore-outsourcing. SEZs thus promote both domestic and foreign direct investment. While there is huge literature on the role of FDI in technology transfers and diffusion in developing countries, the contribution of outsourcing to domestic firms in technological upgrading of the economy has attracted little attention. Outsourcing has opened large export opportunities for domestic firms in developing countries. Integration within the global value chains is an important way for strengthening the competitiveness of developing-country firms and building their productive capacities. Entry into global chains promises access to a global pool of new

technologies, skills, capital, and markets, upgradation of firm-level capabilities from 'learning' through technology diffusion and exposure to international best practice systems of corporate governance. As a consequence of 'learning by exporting' they can target more sophisticated market segments such as design, marketing and branding. They can thus be a potential tool for promotion and diversification of export activities. One clear example of upgrading among developing country producers is the case of East Asian SEZ producers. According to Gereffi (1999) they moved from (a) assembly of imported inputs, to (b) increased local production and sourcing, to (c) the design of products sold under the brands of other firms, and finally to (d) the sale of own branded merchandise in internal and external markets. In all these countries SEZs were used as a tool to attract offshore-outsourcing and off-shoring activities (Gereffi, 1999).

v. Agglomeration Economies Approach

This approach does not focus on augmenting resources for growth but on reallocating them for promoting productivity and innovativeness. The advantages of agglomerations are rooted in: knowledge spillovers, resource sharing, and labor pooling. Within this framework, SEZs are government promoted clusters of outward oriented firms, both foreign and local, and are set up to exploit the benefits arising from global value chains. These clusters enhance productivity and spur innovation by bringing together technology, information, specialized talent, competing companies, supporting companies, academic institutions, and other organizations (Kim and Zhang, 2008). The success of clusters depends on four sets of factors: firms' structure, strategy and rivalry, demand conditions, factor conditions and supporting industries. The more intense and developed the interaction of these factors, the greater is productivity enhancing effects of these clusters. The more outward oriented these clusters are the greater is the intensity of interaction between these factors. Openness to international markets imparts dynamism to clusters and enhances factor specialization and upgrading, and demand sophistication. Furthermore, clustering of foreign and local firms amplify these benefits further. A close proximity of foreign and domestic firms, and the accompanying linkages, facilitate technology spillovers and demonstration effects. 'Local producers learn a great deal from global buyers about how to improve their production processes, attain consistent and high quality and increase the speed of response' (Kim and Zhang, 2008). Evidence suggests that geographically concentrated foreign companies are better than dispersed foreign companies in transferring

technology and managerial skills via training and spillover to domestic firms (Kim and Zhang, 2008). Firms in the cluster forge linkages with external actors and enhance their competitiveness as well.

Large comprehensive SEZs are based on the concept of industrial districts. Becattini (1990) popularized the term and defined the industrial district as a 'socio- territorial entity which is characterized by the presence of both a community of people and a population of firms'. According to him 'in the district, unlike in other environments . . . community and firms tend to merge' (Becattini, 1990). The main components of this model are: geographical and sectoral concentration of enterprises; cooperative competition; a socio-cultural identity which facilitates trust and active self-help organizations (Schmitz, 1995,). The process of globalization has intensified the pressure to develop global cities which can utilize resources at local, national, and global scales. In this context, industrial districts can act as nodes for globalization and economic development. Urban and industrial agglomerations reinforce synergies created by each of them. In China, they have become a central force underlying the emergence and transformation of the metropolises into global cities (Wei and Leung 2005). SEZs are thus not a second best. They are the strategic policy tool to insert the domestic economy into the global economy and to enhance productivity of resources through knowledge spillovers, technology diffusion and demonstration effects by exploiting agglomeration economies (Aggarwal 2007). They not only reduce barriers to the flow of capital and trade and intensify global competition, but can also be used as drivers of global-city formation.

Summary

In less than 40 years, the SEZ concept has grown from its humble origins to become a global phenomenon, having been embraced by about 150 countries of the world. The popularity of the concept has been increased by its performance in the NICs and some other developing countries like Mauritius and Mexico. While EPZs have been established successfully in these countries, they have performed poorly in others. SEZs are a complex concept and cannot be operationalized in the same manner in all countries. Where the concept has been operationalized effectively, it has benefitted the national economy through generation of employment opportunities, transfer of technology, earning of foreign exchange and creation of backward and forward linkages with the rest of the economy.

Where the performance of SEZs has been poor, the ambitious objectives used to justify their establishment have not been realized. Instead of attracting complex industries in the zones of the developing economies, they have introduced simple ones that are usually integrated into transnational enterprises. Foreign firms have benefitted more by moving labor intensive stages of their production processes to the SEZs of developing countries due to labor-cost differentials between developed and developing countries.

2.3. Empirical Literature

Different researchers in different countries have studied the contributions and effect of industrial parks from different perspectives. In this sub section, the researcher reviewed different studies focused on industrial park development and employed different methodologies and reached on different findings. Evidences 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 industrial parks. In most case, the primary goal of the industrial parks is to alleviate unemployment problems and shortage of foreign exchange. In this regard, industrial parks have been recognized as a potential sector to minimize unemployment problems in developing and developed nations. As a result industrial parks do have significant impact on economies of many countries.

As Selam (2017) examined the major opportunities and constraints in Eastern Industrial Zone, Ethiopia has gained various advantageous from industrial parks development. This particular industrial zone is contributing to the national economy in terms of employment generation, income tax, capital investment and import and export substitution, technology transfer, and cultural interaction. However the researcher indicated industrial development is challenged by 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 (Selam, 2017).

Bayisa (2016) studied on opportunities and the challenges of industrial zones for industrial transformation in Ethiopia have similar recommendation. Bayisa argues effective implementation of industrial zone development program could spur industrialization by attracting FDI, stimulating export trade, creating immense jobs, addressing capital shortage

through generating foreign earnings and creating long-term dynamic effect on the local economy (Bayisa, 2016).

Whereas Olga (2010) identified the significant role which special economic zones play in the polish economy must be emphasized. After several years of operation of the special economic zones a large investors interest in conducting activity in the zone has been seen which is attested to, first and foremost by the number of the issued permits for conducting business activity as well as value of the completed investment. One may only hope that the long term undertaking, which was the introduction of special economic zones in Poland, limited however by the date of their operation until the end of 2020, will encourage new investors to locate their activity in the special economic zones.

Johansson (1994) studied the catalytic role EPZs can play. Looking at Mauritius, the author proposes that the success of the zone originated in the fact that it combined foreign technical and marketing expertise with available domestic capital surpluses. Johansson (1994) makes the following three conclusions: first, EPZs may have a catalytic effect in the generation of an economy's "export supply response", this may be particularly important for low-income economies; second, EPZs can provide important training to labor toward industrial culture; and third, in the long term EPZs can provide a positive impetus to trade-related reform after having demonstrated the benefits of investment and trade, as happened in the newly industrialized East Asian countries (Johansson, 1994).

Regarding wage, Romero (1995) argues that the critical factor in determining whether the wages paid by SEZs are higher or lower than the rest of country is whether labor force in SEZs is organized or not. But empirical evidence does not support the hypothesis. In Bangladesh (Mondol, 2003) for instance, minimum wages are set at a higher level than in the rest of the economy and these are implemented effectively. Paying higher wages could, in fact be part of the firm's tactics to prevent such unionization. Presence of labor unions therefore is not a precondition for higher wages.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Approach and Design

Creswell (2014) states qualitative research approach is useful when the researcher does not know the important variable to examine. This type of approach may be needed if the topic is new, the topic has never been addressed with a certain sample or group of people, or existing theories do not apply with the particular sample or group under study. According to the researcher knowledge, in related topic *i.e.* on the concept of industrial park development, little studies have been done. So, qualitative approach is used as it is the best approach to understand the important variables in the area.

This study used the combination descriptive and exploratory type of research design. Descriptive research sets out to describe and to interpret what it is and looks at individual, groups, institutions, methods and materials in order to describe, contrast, classify, analyze and interpret the entities and even that constitute the various fields of inquiry. Likewise, exploratory research often relies on secondary research such as reviewing available literature and/or data, or qualitative approaches such as informal discussions with consumers, employees, management or competitors, and more formal approaches through in-depth interviews, focus groups, projective methods, case studies or pilot studies. It also aims to describe the state of affairs as it exists (Abiy *et al.*, 2009). Therefore, since, the aim of this research is to explain the development of IPs in Africa and describe the potential opportunities and challenges that exist in the process of implementing industrial park development in Ethiopia, qualitative descriptive and exploratory research design were used to meet the objectives of the study.

3.2. The Study Sample

To review the Africa's experience on IPD Angola, Mauritius, Egypt, Nigeria Zambia and Ethiopia were purposively selected. The selection was based on the countries respective geographical regions in the continent (Ethiopia: East; Nigeria: West; Zambia: South; Angola: Central; Egypt: North and Mauritius: Island regions of Africa) and the variety of experience

among the selected six countries in terms period of establishment (Mauritius in1971; Nigeria in1992; Egypt in 1974, Angola in 2011, Zambia in 2003 and Ethiopia in 2007). In order to identify the opportunities and challenges in Ethiopia, Bole and Hawassa Industrial Parks were selected. Purposive sampling method was used in selecting Bole Lemi and Hawassa IPs because Bole Lemi IP is the first public IP started operation in 2014 and followed by Hawassa IP in 2016. There are eight public operational IPs in the country. Among these, six of them have started operation in 2018 and they are at their infant stage whereas, the selected IPs have relatively better operational experience than the remaining newly operating parks. It is believed that, selecting these two parks helps the researcher to collect the necessary data than other industrial parks which are under construction or recently completed.

3.3. Data Sources and Data Collection Tools

For the purpose of this study, both primary and secondary data were used. Primary data were collected using key informant interview and focus group discussions. Secondary data in the form of available literature was extracted extensively through document review. During document review, various relevant publications and documents related to industrial park development were reviewed.

In order to attain the objectives of reviewing the experiences African countries, five countries included as subject. It was done by document review of the respective national IP institutional and policy framework as well as an overview of existing IPs, IPs under development and IP in early planning stages. For each country there is an in-depth review of two operational IPs or SEZs. These countries are Nigeria, Zambia, Angola, Egypt and Mauritius and Ethiopia. The remaining objectives (exploring the opportunities and challenges available in Ethiopia's IPD process) were accomplished by collecting primary data (by conducting face-to-face interview and focus group discussion) as well as by using secondary data which is commonly by referring different documents.

The data collection tools are listed under as follow:

3.3.1. Document Review

Documents related to the concepts of IPD, previous scientific literature on selected countries' experiences in IPD were reviewed extensively. Relevant empirical evidences related to policy and strategy documents, proclamation, annual reports, etc. regarding IPD were included as document source. The review on the experiences of African countries include the specific context of countries at their early stage of IP development, historical patterns of IPs, policies and institutional aspects of IPs, success and challenges faced during implementations in the respective countries. Available documents were extensively referred so that to meet the attained objective. These materials include books, periodicals, journals, reports from government offices, the international organizations' reports, newspapers and magazines, seminar and workshop papers, official web sites, economic surveys, development plans, annual reports, regulations, procedures, and other research publications were used.

3.3.2. Key Informant Interview (KII)

The key informant interviews were used to gain access to available information. To make it work, key indicators were developed to make interviews with key stakeholders. Accordingly, the researcher conducted interviews with government officials, experts in the area, enterprises in the IPs, and employees. The respondents were selected from Ethiopian Investment Commission (EIC), Ethiopian Industrial Park Development Corporation (EIPDC), managements of the two IPs, representatives or managers of factories in the IPs, fourteen employees who work in the park enterprises. The number of the interviewees was limited when the responses reach to their theoretical saturation point. The interviews conducted during the site visit were semi-structured informal interviews. The interviews conducted with three IPDC and EIC officials, two BoLSA and MoLSA representatives (one in BLIP and one in HIP), Bole Lemi and Hawassa IPs customers' service expert and vice-CEO respectively, nine company managers and fourteen employees of the IPs (five from Bole Lemi and nine from Hawassa IPa) between January and February, 2019.

3.3.3. Focus Group Discussion (FGD)

FGD is a type of interview that involves carefully selecting individuals who usually do not known each other. They generally consist of 7-10 members alongside the researcher and extremely useful in providing qualitative data (Abiy *et al.*, 2009). The focus group discussion was held with household heads that are relocated for the construction of Bole Lemi Industrial Park. The focus group discussion participants were eight in number.

3.4. Data Analysis Procedure

The process of data analysis involves making sense out of the collected data. After collecting the information obtained by using both primary and secondary data collection methods, qualitative data analysis technic was used. Qualitative data analysis (QDA) is the range of processes and procedures whereby we move from the qualitative data that have been collected, into some form of explanation, understanding or interpretation of the people and situations we are investigating (Christopher, 2018). The reason to select QDA is because all the data that were collected for the purpose of this study are qualitative so QDA is often used in such cases.

The data collection process was concluded in January to February, 2019, the subsequent key step was to thematically categorize the collected information in such a way that reflects the research questions. The researcher familiarized himself with the collected data through reading available literature and interview notes, and identified critical points raised by different authors and interview respondents. The identified patterns and key issues that emerged as findings to the research questions were expressed both explicitly and implicitly. Subsequently, the researcher defined the themes and moved to analyzing the collected and thematised information. The researcher tried to sort out the issues which were recurrently mentioned in the key informant interviews. Once the underlined common issues were identified, they were given subtitles that formed the findings and discussion part of this work.

The analysis continued with some sort of conclusion for each sub-topic discussed. The final conclusions were derived from the data presentation and analysis in a concise form. Recommendations were put forward considering the various issues raised and discussed throughout the findings and discussion part in light of industrial park development in Ethiopian context.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1. Introduction

This chapter discusses on the results of document review, interview and focus group discussion. The first part covers the revision of African countries' industrial park development experience. The second part identifies opportunities and challenges faced Ethiopia's industrial park development program and the third part discusses lessons Ethiopia can learn and give for other countries on the field of IPD process.

4.2. The Experience of IDP in Africa

Although several African countries launched IP programs in the early 1970s (Liberia in 1970, Mauritius in 1971, and Senegal in 1974), most African countries did not operationalize programs until the 1990s or 2000s (Farole, 2011). Table 4.1 provides a broad overview of the African zone programs initiated in each decade since the 1970s. It shows that nearly 30 countries in the region (60%) have programs, and over 80 percent of the programs started within the past two decades. Most African countries are relative latecomers to economic zones, as of 2014, Industrial zone programs have been launched in nearly 30 countries (60%) of the region, and many others are in the process of developing them (Zeng, 2015). This has several important implications in considering their success to date. First, few parks see rapid growth in their early years.

Table 4.1: Overview of African zone programs by decade of launch

Decades	Countries
1970s	Liberia, Senegal, Mauritius, Egypt
1980s	Djibouti, Togo
1990s	Burundi, Cameroon, Cape Verde, Equatorial Guinea, Ghana, Kenya, Madagascar, Malawi, Mozambique, Namibia, Nigeria, Rwanda, Seychelles, Sudan, Uganda, Zimbabue
2000s	Gabon, Gambia, Mali, South Africa, Zambia, Eritrea, Mauritania, Tanzania, Ethiopia

Source: Farole (2011) and Zeng (2015)

Even the most successful zones grew slowly in the first 5–10 years, later shifting to an exponential growth curve before eventually reaching maturity and experiencing slowing growth. Thus, for many African zone programs, it may be too early to pronounce on their success or failure. Second, the macro environment in which these zone programs have been developed differs substantially from that experienced by zones setting up in Asia and Latin America during the 1970s and 1980s (Zeng, 2015).

Specifically, most African zones were established during and after the rise of Asia as a manufacturing superpower and the subsequent structural shift in trade and FDI patterns. Thus, the level and nature of competition for traditional manufacturing export platform FDI is a significant factor that may hinder the speed and scale of growth for African zones (Farole, 2011).

According to FIAS (2008), 114 zones exist in Sub-Saharan Africa— this is somewhere between 3 percent (based on ILO data) and 4.5 percent (based on FIAS data) of the total number of global zones. Africa is obviously a very small player in the SEZ market; however, these figures are broadly in line with the region's share of global trade and investment. The FIAS data indicate that nearly half of these zones are in Kenya, but most of these Kenyan "zones" are, in fact, single factory units licensed as EPZ developers. While they may have the potential under their licenses to develop land and facilities for other EPZ users, the vast majority house only their own operations and are not industrial parks. Therefore, the true number of economic zones operating in the region is likely to be much lower than 114 (Farole, 2011).

Insufficient detailed data exist to allow a comprehensive analysis of Africa's performance in SEZs—in terms of investments, exports, and employment—relative to other regions. The data available from the ILO database (Boyenge, 2007) does at least give an indication of employment levels in zones—they show that, as of 2006, zones in Africa and the Indian Ocean (Mauritius, Madagascar, and the Seychelles) employed more than a million workers. This is equivalent to 4 percent of worldwide zone employment (excluding China; 1.6% including China). However, half of the total employment in the ILO database is from one country, *i.e.,* South Africa (Boyenge, 2007).

Anecdotal evidence suggests that success in African zones (even defined narrowly in terms of scope and time) has been limited to a few countries, such as Mauritius, Kenya, Madagascar, and

possibly Ghana. In many other countries in the region including Nigeria, Senegal, Malawi, Namibia, and Mali—zones appear to be struggling for a variety of reasons, including poor location, lack of effective strategic planning and management, and problems of national policy instability and weak governance (Watson 2001). Even where programs have been successful in attracting investment, creating employment, and generating exports, concerns remain over the quality of investment and employment, as well as its sustainability. The recent experience of Madagascar, where employment in the SEZs has collapsed following the prolonged political crisis, illustrates the fragility of the economic zone models implemented in Africa to date (Farole, 2011).

i. Mauritius

Having studied the success of export processing zones (EPZs) in East Asia, a group of visionary policy makers in Mauritius put forth the idea that the country's small economic size and distance from large developed markets presented a potential opportunity to develop an export-oriented textile industry (Zafar, 2011). Taking Chinese strategic considerations into account, Mauritius, like other East Asian countries played host to a Chinese SEZ. The first formal export processing zones were established in sub-Saharan Africa in 1971, in Mauritius, and were widely regarded as a success (Vanessa, 2008). Later, the island moved away from a mono-crop economy (although sugar cane still generates 25% of export-earnings), diversifying and creating profitable investment opportunities in export-oriented manufacturing, tourism, business and financial services. 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 (Baissac, 2011). Mauritian EPZs have been excessively dependent on the textiles and garment sectors, which represented 77 percent of total EPZ exports and 83 percent of total EPZ employment. A Textile Emergency Support Team (TEST) was set up to address the issues related to the increasing number of closures of EPZs due to changed dynamics in the international textiles and garment markets (Morteza, 2013).

Initial investors were primarily Hong Kong, Chinese firms seeking to bypass European tariffs and quotas by taking advantage of the country's preferential access to the European market. European firms soon joined in, attracted the country's bilingual population (French and English).

From the start, domestic firms invested significantly in the zone, at first in joint ventures with foreign firms. This investment was allowed by government to limit capital flight. Domestic investment originated from the sugar rent, which resulted from the European guaranteed prices and a series of bumper crops. The zone experienced rapid initial growth, with export growth averaging 9 percent per year between 1972 and 1977. By 1977, the MEPZ employed nearly 20,000 and generating about 50 percent of domestic capital investment (Baissac, 2011).

The Mauritius government incentives for IP enterprises include a single corporate income tax rate ('CIT') of 15 percent; exemption from customs and excise duties on import of equipment and raw materials; exemption from tax on payment of dividends, no capital gain tax; a low 5% registration duty on registration of profits, dividend, and capital; and reduction tariffs for electricity and water (African Incentive Survey, 2016).

In Mauritius, the Industrial Parks have contributed to political stability for their provision of employment and the creation of a 'virtuous cycle' of growth and development (Baissac, 2011).

ii. Egypt

Egypt laid the foundation of SEZs in the year 1974 by passing the Act No.43, 'The Arab and Foreign Investment and Free Zones'. The Act was further refined by the Acts on investment in 1989 and Act on Investment guarantees in 1997. Further to quote from Bacha & Attia (2018), Egypt has a well-established system of free zones, overseen primarily by the General Authority for Investment and Free Zones (GAFI). Egypt Law No. 83 of 2002 on Special Economic Zones (SEZs) has been endorsed. The SEZ Law aims at creating special economic zones to serve as international business hubs. It also aims at utilizing both national and foreign investment to develop industries and exports in order to earn foreign currency, as well as developing new and high technology industries. The first SEZ was established in the year 1976 at the city of Port Said. The ideal location near the Suez Cannel and the Mediterranean Sea meant good business for the SEZ and it turned into a big commercial center. The SEZ had a separate customs regime. The SEZ had designated place for storage and production facilities. Subsequently SEZs were established at Alexandria, Naser and Suez. The SEZ Law is based on the concept of a one-stop shop, providing the establishment of a sole governing body (i.e. the Economic Zone Authority) overseeing investment matters within each zone. This body is competent to carry all government mandates and issue required licences. It provides simplified taxation and customs systems and

removes restrictions on foreign ownership. In addition, the law sets out efficient licensing procedures and effective frameworks for the resolution of disputes (Bacha& Attia, 2018). Up to now, only two special economic zones have been established under the SEZ Law: the Suez Canal Special Economic Zone (SCZone), which was established in 2015, and the second the Golden Triangle Economic Zone (GTZone), established in late 2017(UNIDO, 2017). The Suez Canal Economic Zone and the Golden Triangle Special Economic Zone in Egypt are in better position in terms of logistics. The SCZone resides along the banks of the newly-expanded Suez Canal, connecting two oceans and two seas. More than 8% of the global trade passes through the canal every year. The strategic location of SCZone on the main trade route between Europe and South Asia permits it to offer competitive production cost and makes it the most comprehensive market access program in the region. Spanning 461 km², the SCZone has four unique zones and six strategically-located ports. The four zones are: Ain Sokhna, East Port Said, Qautara West and East Ismailia. In the same way, The GTZone already has basic infrastructure including railroads between Qina and Safaga; three ports, at Qusayr, Safaga, and Al Hamrawen; three airports, Luxor, Hurghada, and Marsa Alam; and numerous main roads including Safaga-Qina, Qusayr Koft, Marsa Alam-Edfo and the Red Sea Road (Bacha & Attia, 2018).

The units at Suez having had access to Red Sea could easily send their products to African and Asian markets. Oil refining, mining and cement were the prominent industries here. SEZ at Naser or Cairo had presence of textile, pharmaceutical, food, chemical and other consumer products. Egypt had also what is known as 'Private Free Zones'. These Zones had the benefits of SEZs regardless of their locations. They also have special industrial development territories and residential areas, which are divided into new settlements and Industrial Zones. The SEZ companies have a liberalized imports and exports regime apart from 5 to 20 year Income tax holiday depending on the zone. This policy led to the establishment of more than 2000 units in the SEZs and made a significant contribution to the Egyptian economy (UNIDO, 2017).

Under the Egyptian law, certain companies are allowed to operate under the free zone regime, regardless of their location. To this effect they are bound to obtain a special permit (license), which is granted only for a certain project or kind of operations. They are called "private free zones" (Prihodko S., *et al*, 2007). Fiscal incentives in Egypt's SEZs consists deduction of duty free import of capital equipment, raw materials, and intermediate goods deployed to attract investments. On the other hand, in terms of non-fiscal incentives, accelerated customs services,

access to sales within domestic market and duty on sales to domestic market will be assessed on the value of imported inputs only (COMCES, 2017). According to Egyptian Ministry of Investment and International Cooperation, the total investment cost in the country in 2016 reached USD 26 Billion through a total of 1103 companies. Out of this amount, 2 Billion USD went to Egypt's Public Free Zones or SEZs (MIIC). Egypt has a clear regime for foreign labor: one foreign employee is allowed for every nine Egyptian employed (Brautigam and Tang, 2013). In terms of IPs management, Egypt's experience sets a better example. For instance, Egypt TDDA zone's partnership arrangement has been more successful than other Chinese investment in African SEZs. This is due to balanced joint ownership agreements that include 25% from Egyptian parties such as banks and state owned enterprises, coupled with clear management and organizational structures. Additionally, the zone has an individual Egyptian SEZ Authority which operates under the Prime Minister. Besides, there is a licensed JV (Main Development Company) which has authority to develop the zone and a development company (Egypt TEDA) which executes what has been licensed to the Main Development Company (COMCEC, 2017).

iii. Angola

On 27 October 2015, Angolan Presidential Legislative Decree no. 6/15 was published, approving the legal regime for the Special Economic Zones (the Regime), revoking all legislation contrary to the provisions of this Decree, namely Presidential Decree no. 49/11, of 9 March 2011 and entered into force on 27 October 2015, the date of its publication. This Regime establishes the applicable rules for the creation, organization and functioning of the Special Economic Zones (SEZ). Under this Regime, Exploration Companies (companies created to implement and develop industrial, agricultural, mining and other units) settled at the SEZ may benefit from the tax incentives established by Angola's Private Investment Law and respective regulation, approved by Law no. 14/15, of 11 August 2015, and by Presidential Decree no. 182/15, of 30 September 2015, respectively (US Commercial Service, 2017).

In addition, it is provided that the following customs incentives are applicable to the SEZ Exploration Companies: exemption on the payment of any customs duties on the export of manufactured goods; exemption on the payment of any import duties' fees regarding goods used as raw material for a 5-year period and Exemption on the payment of import duties' fees on machinery and other equipment installed in its units for a 10-year period. Moreover, Angola

provide different incentives packages like four to ten years tax exemption, tax reduction and financial support based on investment projects and amount of invested capital (Global Tax Alert, 2015 & African Incentive Survey, 2016).

Unfavorable business environment, lack of foreign exchange and high cost of living are some of challenges facing Angola's industrial park development process (US Commercial Service, 2017).

iv. Nigeria

The Nigerian Export Processing Zones Authority (NEPZA) is the federal government agency that oversees the implementation of free zones in Nigeria. The Nigerian Export Processing Zones Decree No. 63, adopted in 1992, regulates the set-up and operation of free zones in Nigeria (NEPZA 1992). NEPZA, in collaboration with the concerned state and local government authorities, is primarily responsible for promoting and facilitating local and international investment into licensed free zones. NEPZA is responsible for ensuring that the country's overall industrialization process takes place in a planned and coordinated manner. NEPZA approves development plans within the zones, their annual budgets in respect to infrastructure development, promotion of the zones as well as the provision and maintenance of services and facilities. NEPZA, together with the respective zone developers, is also responsible for the establishment of customs, police, immigration and similar posts in the zones to allow a 'one-stop shop' for investors. It supervises public and private sector companies operating within the free zones and it facilitates trade related dispute resolution between employers and employees in the zone. In addition, NEPZA supervises the zone administrators (foreign and local) to ensure uniform management of the country's free zones and it grants all required permits and licenses to approved enterprises (Zeng, 2015). Nigeria provides different levels of tax exemptions by the federal, state and local governments. Approved enterprises can import free of all duties any capital and consumer goods, raw materials, components, or article to be used in respect of any approved activity within the zone. They also get unlimited timeframe of operating within the zones; repatriation of foreign capital investment and 100 percent foreign ownership allowable. Companies do not need import and export license and remittance of profits and dividends earned by foreign investors in the export free zone allowable; and rent-free land at construction stag, thereafter rent shall be determined by authority (African Incentive Survey, 2016).

NEPZA is headed by a Governing Board that consists of the Chairman of the board, representatives from the Ministry of Commerce, the Ministry of Tourism, the Ministry of Industry and Technology, the managing director of the Nigerian Ports Plc., representatives from the Nigerian Association of Chambers of Commerce, Industries, Mines and Agriculture, the Manufacturers Association of Nigeria, the Association of Nigerian Exporters, a representative from the Central Bank of Nigeria, a representative from the private sector and the Managing Director of the Authority (NEPZA, 1992). In terms of broader economic impact of the Free Zone program across Nigeria, the economic performance of the country as a whole, in terms of FDI and exports, has improved considerably. While much of this can be attributed to investment in the oil sector and exports of oil, there is also a strong likelihood, particularly between 2010-2015, that the Free Program Zones have contributed to higher levels of investment and exports. For example, the number of investment projects has reached 49 and investment into the Lekki Free Trade Zone, it has risen to over USD 15 billion between 2007-2017 according to the Lagos State Government (https://www.thisdaylive.com).

Based on the World Bank report on six Nigerian Economic Zones (Lekki Free Trade Zone, Ogun-Guangdong Free Trade Zone, Abuja technology Village, Koko Free Zone, Warri Industrial Business Park and The ICT Park Asaba) the current legal framework for free zone is NEPZA Act, which was enacted almost 20 years ago, and does not apply to the current free zone operations. Nigeria has implemented SEZ development with either outdated or non-existent frameworks even though SEZ developments have been launched and made operational. Particular examples include the Lekki Free Zone and Ogun-Guangdong Zone in Nigeria (Zeng, 2012). The outdated act do not allow for the products made/processed in the zones to be imported to the domestic market. Although the new regulations by NEPZA and Ministry of Trade & Investment allow for the importation of such products providing that they have minimum 35% value addition and the producers pay 100% customs duties, however, the Customs Administration does not acknowledge these regulations. This created a big problem for all the zones in Nigeria. Many potential investors are put on hold due to this problem (WB, 2012).

In Nigeria, in several zones, state governments promised to provide the compensation in the case of land acquisition and resettlement; however, these were not or only partially fulfilled, and hinder the further development of the zones. This is especially prominent in the zones which

have advanced the furthest, such as the Ogun-Guangdong zone and the Lekki zone, though for the Lekki Zone, the government has promised to settle it within 3 months. The KoKo zone is at the very early stage, but once it advances, the issue will be quite significant due to the KoKo town in the zone's proximity (WB, 2012). In addition, local communities around the project protested over resettlement terms, the construction of utilities lines through their communities, as well as the employment of Chinese workers for construction. This caused project delays and resulted in transferring 5 percent of the shares of the Nigerian partner to the local community. In addition, negotiations resulted in increasing employment opportunities for workers from local communities (Brautigam & Tang, 2011).

In Nigeria, accompanied by greater political stability and consistent economic growth helped the Free Zone program in Nigeria advanced significantly in the early 2000s. This led to increased levels of investment and development of new zones, including Lekki Free Zone (COMCEC, 2017).

In Nigeria, most of the park developers including the relevant government agencies do not have the park management and operational experiences (WB, 2012). Many developers are only confined in construction companies; therefore, it poses a challenge for them to identify the right partners to provide the critical knowledge and expertise. In this regard, the Lekki zone is relatively in a better position - it has a Chinese zone as its minority stakeholder and has conducted several workshops/study tours for the local partners to understand the Chinese/East Asian experiences in SEZ (WB, 2012). In the case of poor businesses, a decision to establish a ‘flagship’ EPZ in the Cross Rivers State in the City of Calabar in 1990swas made. At that time, however, Calabar was not a major manufacturing or logistics center within the country and the port of Calabar was relatively small as compared to other ports within country. The port was not located in a strategically advantageous location and as such there were significant challenges in attracting export-orientated investment to the zone. Consequently, the zone failed to develop as planned (COMCEC, 2017). Based on the World Bank report on six Nigerian Economic Zones infrastructure is an overall constraint for all the zones but at different degrees. In general, power, gas, roads, ports, and airports are the key constraints. In the Delta state (Koko Free Zone, Warri Industrial Business Park and The ICT Park Asaba found in this state), due to the rich fuel and gas resources, the power, gas and off-site infrastructure seem not a big challenge. Yet they still need

to build the on-site infrastructure which requires large amount of investment. Some of them have not completed the business plan and the feasibility study yet. The Lagos state government has got a concession to build a sea port near the Lekki zone and is also planning to build an airport for the planned new Lekki metropolis. Some off-site roads still need to be built. The Abuja technology park is close to the Abuja airport and the major infrastructure needs are the on-site ones. The Ogun-Guangdong zone faces challenges in terms of off-site roads, power and gas. But a potential investor has agreed to build a power plant for the zone (WB, 2012).

The Experiences of Two Nigerian IPs

1. **Lekki Free Trade Zone**

The Lekki Free Trade Zone (LFTZ) is located 60 km east of Lagos on a sandy peninsula with the Atlantic Ocean to the south and Lekki Lagoon to the north. The LFTZ is part of the overall multi-use development plan for a new city on the Lekki peninsula which includes residential, commercial, industrial, logistics and recreational development as well as a new airport and deep water port. The illustration plan reflects a large-scale vision plan that has been completed for the entire Lekki peninsula. The development objective of the LFTZ project is to establish a free economic zone and an international city with multi-functions of industry, commerce, trade, tourism, recreation and residence to attract foreign investment, create employment and expedite economic growth (WB, 2012).

The zone is owned by a joint venture between a Chinese consortium - China-Africa Lekki Investment Co. Ltd (CALIC) (60 percent), the Lagos State Government (20 percent) and its sub-entity, Lekki Worldwide Investment Ltd (20 percent). The Chinese consortium CALIC is an investment holding company registered in China solely for the purpose of investing in the Lekki FTZ. CALIC consists of CRCC (35 percent), CADF (20 percent), Nanjing Jiangying Economic and Technology Development Corporation (NJETDC, 15 percent) Nanjing Beyond Investments Limited (NBIL, 15 percent) and China Civil Engineering Construction Corporation Ltd (CCECC, 15 percent). Lekki Worldwide Investments is an investment company, owned largely by the Lagos State Government: 40 percent of Lekki Worldwide Investments is owned by LSDPC, the Lagos State Government Development Corporation, with another 40 percent owned by Ibile Holdings, the investment company of Lagos State. The Lagos State government

allocated 16,500 ha of land of which 3,000 ha has been officially transferred. The Lagos State Government's equity share is in return for providing the land and the 50-year right to operate the zone to the Chinese consortium. The State Government is also contributing towards the construction costs of the zone infrastructure, together with the developer (WB, 2012 & Zeng, 2015).

2. Lagos Free Trade Zone

The Lagos Free Trade Zone is located about 60 km to the east of central Lagos and covers a total area of 850 hectares. The zone project began in 2002, initially on 215 hectares of land. In 2012, an additional 590 hectares of land were acquired. The zone expected to became operational by 2018. The Tolaram Group, the sponsor for Lagos Free Trade Zone, is based in Singapore but has been in Nigeria since the 1970s. The company has major interests in Nigeria and Ghana, and is one of the leading corporations in both countries, with diversified interests in fast moving consumer goods, energy, infrastructure, distribution, logistics, digital services, paper and textiles. Lagos Free Trade Zone is fully operated by Lagos Free Trade Zone Company), which is fully owned by Tolaram Group Lagos Free Trade Zone is being developed as a multi-product and logistics hub for the entire West African region. The Lagos Free Trade Zone will house a number of petroleum and petrochemical complexes, agro-commodity and other manufacturing industries. While the Lagos Free Trade Zone possesses all the features consistent with a classical Export Processing Zone, its proximity to the Lekki Port makes it more strategically attractive. Once finalized, and due to its proximity, the Lekki Port will be used by Lekki Free Zone companies to export their products to overseas markets Companies that are involved in trading; services; warehousing; manufacturing; and packaging are allowed to invest into the Lagos Free Trade Zone (WB, 2012 & Zeng, 2015).

According to WB (2012) and Zeng (2015) the following constraints are mentioned as the significant challenges facing Nigerian IPs. These are power supply, infrastructure set-up leading to the IPs, lack of coordination between different government institutions, communication and understanding gaps among local and Chinese workers, lack linkage to learning institutions and legal and institutional framework and land resettlement issues

v. Zambia

The Multi-Facility Economic Zone (MFEZ) is framework in collaboration with Japan in 2005; Zambia adopted the Zambia Development Agency Act of 2006, which constitutes the main legislation governing the development and management of SEZs today. Section five of the Act establishes the Zambia Development Agency (ZDA), which facilitates the development of SEZs by investors; administers, controls and regulates SEZs; monitors and evaluates the activities, performance and development of enterprises operating in SEZs and prescribes and enforces measures, for the business or activities carried out within SEZs so as to promote the safety and efficiency of their operations; and promotes and markets SEZs (Zeng, 2015). Fiscal and non-fiscal incentives are also available for companies operate in Zambia Multi-facility economic zones or industrial parks which are located in Lusaka and the Copper Belts. These 'priority sectors' receive approval from Zambian Development Agency (ZDA) and qualifies for incentives of 0% corporate income tax for 5 years; 0% dividend withholding tax for 5 years; improvement allowance of 100% on certain capital expenditure; and suspension of import duties and import VAT on plant and machinery for 5 years (African Incentive Survey, 2016

Unlike Egypt, Zambia has no labor laws that would compel IPs to employ local workforce for every expatriate (Emmanuel, 2016). Zambia dedicated inter-ministerial committees to address SEZ development and operational challenges. However, such recommendations have not been implemented so far. One of the main challenges for zone managers and companies in all reviewed zones remains the efficient handling of administrative procedures that involve various bureaucratic entities, such as import and export procedures, certifications and approvals as well as taxation issues (Zeng, 2015).

In Zambia nearly all manufacturing sub-sectors with the exception of food, beverages and tobacco producing companies and the textiles, apparel and leather products sub-sectors sourced their inputs from abroad. Especially primary raw materials, all major spare parts and tools required for machinery from South Africa, China, India and the Middle East, due to their unavailability in Zambia. Most firms struggled with high importation duties, huge transportation costs and VAT which affected the price of their products. Yet, there were no other alternatives for their imported inputs. In addition, In Zambia, poor quality of offsite infrastructures such as transportation network is one of the major challenges for EPZs development. Transportation

costs accounted for 60 to 70% of the cost of production of goods and commodities in Zambia, (Emmanuel, 2016).

The Experiences of Two IPs in Zambia

1. **Lusaka South Multi-facility Economic Zone**

The Lusaka South MFEZ, established in 2010, is Zambia's first government-run MFEZ and comprises a total area of 2,100 hectares. The zone is located about 10 km south of Lusaka canter and focuses on attracting investment in industry, commercial and residential buildings, recreational facilities, research and development and logistics. By March 2015, the zone developer, Lusaka South MFEZ Ltd., had invested about USD 40 million in the zone and 11 companies had signed agreements to invest a total of about USD 120 million. In Lusaka East Multi-Facility Economic Zone, 40 Chinese and Zambian companies are operating in the fields of agriculture, agro-processing, construction materials, automobile repair services, housing and warehousing, machinery, household goods, solar photovoltaic products, handicraft and artifacts. When the zone become fully operational, it is aimed that to create 100,000 jobs and 30,000 housing units (UNDP, 2015). The zone developer worked closely with Malaysian and Japanese experts on the zone's design and participated in SEZ management training by Chinese SEZ managers offered by China's Ministry of Commerce. The zone management has developed a Small and Medium Enterprise Strategy through which it aims to facilitate linkages between the zone and the local economy. As part of this strategy the zone management advises zone companies on local service providers, suppliers and workers. The zone management intends to develop a training program in cooperation with zone companies and local training institutes once more companies become operational in the zone (Zeng, 2015).

2. **Chambishi Multi-Facility Economic Zone**

The Chambishi MFEZ constitutes Zambia's first SEZ. It is also Africa's first economic and trade cooperation zone under the FOCAC framework following the pledge by China's former President Hu Jintao in 2006 to establish three to five such zones in Africa between 2007 and 2009. The zone is located in Zambia's Copper belt, about 380 km north of Lusaka, and covers 1,158 hectares of land within the Chambishi Copper Mine. The zone is adjacent to the Copper belt-Lusaka highway and a single-track narrow gauge railway connected to the Zambia-Tanzania

Railway. By the end of 2014, the zone had attracted over USD 1.2 billion in investment from 28 companies and created 8735 permanent jobs (CNMC 2014). The zone's focus is on copper mining and smelting, mining equipment and services, construction vehicles and materials, chemicals, logistics and banking. The zone developer has invested USD 155 million and only expects to make profits in the long run; emphasizing that for the time being the focus is simply on helping to bring investment to Zambia. Enterprises in Chambishi MFZ becoming great source of investment. For instance, by the end of 2014, the zone attracted over USD 1.2 billion in investment from 28 companies. The total revenue of this zone reached US$ 7.8 billion in 2013(Zeng, 2015).

By the study of Zeng (2015) the following problems were identified as Zambian IPs challenges are financing of infrastructure and utility services development, high costs of temporary utility service solutions, marketing of the zone before completion of basic infrastructure, lack of one-stop-shop for sectoral approvals of zone companies, changes in government incentives for zone developer and zone companies, possible introduction of a property tax and absence of customs and licensing services within the zone.

Generally, the objective of industrial parks development (IPD) in African countries has a common theme of creating job opportunity, foreign currency and technology transfer. Countries provide various fiscal and non-fiscal incentives to companies which are operating inside government built IPs or for investors who develop their own economic zones. Fu and Lin & Wang found that prior to market size, African countries like Egypt, Nigeria and Zambia, surplus labor seem to have been determining factor for selection of IP/SEZ host countries especially for labor intensive industries such as shoe manufacturing, textile and leather goods processing (Fu 2012, Lin and Wang 2014).

The countries have diversified opportunities and faced diversified challenges. The countries included in this study relatively enjoy diversified market accesses depending on their geographical location or specific relationship with buyer countries. Peace and instability contributes for the success or failure of IPD in some countries like Nigeria, or IPD program itself contributed for countries political stability for they created job for unemployment and contributed for the development of the countries in long term (for instance, the case in

Mauritius). In contrary, the program is being challenged by political tensions existed in the countries: Ethiopia can be a good example in this case.

IPs in Mauritius, Nigeria and Zambia have relatively better linkage with the local economy through local suppliers or the local labor market; but the degree of these linkages varies greatly among countries and IPs. Some studies found out that similar results with the finding of this study 'while in Ethiopia companies expressed difficulties in identifying local suppliers, IPs in Zambia were successful in establishing such partnership' (Zeng, 2015).

4.3. Description of Studied IPs in Ethiopia

4.3.1. Bole Lemi Industrial Park

The Bole Lemi Industrial Park is located in the Addis Ababa Metropolitan region. It is Ethiopia's first industrial park, developed by the Ethiopian Industrial Parks Development Corporation (EIPDC). The first phase of Bole Lemi started operations in 2014. It is focused on the clothing, textiles and apparel sector and aims to export the vast majority of the products from the industrial park. The first phase of Bole Lemi covers an area of 156 hectares, within the Addis Ababa Metropolitan. Bole-Lemi Industry Zone Development Project is located in the southeastern part of Addis Ababa City administration in Woreda 11 of Bole Sub-city, 9 kilometers east of the Addis Ababa Bole Airport. It is bounded by two rivers (Lemi and Weji) which drain to Big Akaki River locally known as *Tiliku Akaki River*. It is connected to the road network, but does not have direct access to the Addis Ababa-Djibouti Highway. The distance to the nearest seaport, which is the Port of Djibouti is more than 500 kilometers. However, the park is located relative close to the Mojo Dry Port with a distance of approximately 50 kilometers. Phase 2 of Bole Lemi Industrial Park is under construction, covering approximately 186 hectares of land, adjacent to the first phase of the park. On-site infrastructure is provided by the developers of the park. In the case of Bole Lemi, it is, therefore, the responsibility of the Ethiopian Industrial Parks Development Corporation. Off-site transport infrastructure is the responsibility of the national government. Within the IP there are 22 modern industrial sheds having two types of sizes of 5,777m² and 11,217 m² with their common facility and parking area provided for manufacturing enterprises. With regards to specific on-site infrastructure: power supply in the industrial park is provided by a temporary mobile power substation; water and waste treatment services are still

under development; and the site has a dedicated fire prevention and protection, as well as park security. In terms of administrative infrastructure, aiming to assist investors, there is a one-stop-shop service center and there is a custom clearance service for imported raw materials and exported products.[9]



Plate 4.1: Bole Lemi Industrial Park, South East Addis Ababa *Source: Addis Fortune*

4.3.2. Hawassa Industrial Park

HIP is a flagship industrial park developed and supported by the Ethiopian government specializing in textile and garment production. HIP was completed in 2016 and started operation in 2017. Phase II of HIP is planned and land is prepared for the construction. It is established in Hawassa (a regional capital of close to 450,000 residents with a population of close to 5 million within a 50 kilometers radius). It is located in almost 275 kilometers south of the capital Addis Ababa. Located on the shore of Lake Hawassa, the city lies on the Trans-African Highway, which stretches from Cairo to Cape Town.[10]

The construction was undertaken by China Civil Engineering Corporation (CCEC). It is set as a pilot eco-friendly, green industrial park—for a series of planned future industrial parks across the country. The industrial park functions with zero-liquid-discharge common, effluent treatment plant, renewable energy and compliance with relevant fire and building standards. Manufacturers were invited to provide input to the design and construction of HIP, so that the factory sheds were ready to use and met the latest international standards. The government also made a commitment to complete the Mojo to Hawassa segment as part of the National Railway Network

[9] Interview conducted with Bole Lemi IP Customers Service Senior Expert on February 12, 2019.
[10] Interview conducted with Hawassa IP vice-CEO on February 19, 2019.

Development program. Similarly, World Bank financed Hawassa-Mojo Expressway (US$667 million project), which will provide an important and efficient link between HIP to the Mojo Dry Port is under construction. Finally, the government also built an international airport terminal in Hawassa, providing a vital direct aviation link to Hawassa for the factories and their customers. This would significantly reduce transport costs. Second, there was the commitment to constructing a freight depot in Mojo that will provide a direct link between the road and the Mojo–Djibouti railway, effectively connecting HIP to the Port of Djibouti.[11] Figure 4.2 shows that the physical infrastructure of Hawassa IP.



Plate 4.2: Hawassa Industrial Park, 275 kilometers south of Addis Ababa *Source: EIC*

4.4. Opportunities of Industrial Park Development in Ethiopia

This part of the study focuses on the opportunities of industrial park developments program in Ethiopia. It specifically covers the main opportunities gained by government, employees and manufacturing enterprises during the operational performance of two public industrial parks: Bole Lemi and Hawassa.

4.4.1. Government and Employees Related Opportunities

i. Fiscal Revenue

In long term, when the period of tax exemptions (two to ten years of tax exemption depending on location of IPs, types of investment and amount of export) is completed and the Ethiopia

[11] Interview conducted with HIP vice-CEO on February 19, 2019.

increases its operational industrial parks to 30 by 2025. It will generate large amount of fiscal revenue from manufacturing enterprises.[12] For example, according to Selam (2017), within five years the Federal and Oromia Regional Governments collected over one billion Eth. Birr from Eastern Industrial Zone. Accordingly, a total of 11,921,203.1 birr from employment income tax; withholding tax; capital gain tax; municipality tax and revenue stamp duty tax has been collected between 2008 and 2016 fiscal years and paid to the Federal and Oromia regional government from EIZ and inside companies respectively (Selam, 2017).

ii. Inflow of Foreign Direct Investment

East Africa, the fastest-growing region in Africa, received 7.6 billion USD in FDI in 2017, a 3 percent decline from 2016. Ethiopia absorbed nearly half of this amount, with 3.6 billion USD (down 10 percent), and is now the second largest recipient of FDI in Africa after Egypt. Looking at Ethiopia more broadly, there have been some huge growth in the economy, including attraction of FDI and growth of the manufacturing sector (UNCTAD, 2018).

Bole Lemi has successfully attracted Foreign Direct Investment (FDI) through investors, such as the George Shoes Group and Nitton Apparels Manufacturing from China, Ashiton Apparel and Vestis Garment from India, Jay Jay Garment from Sri Lanka and Shintis Garment from South Korea. Similarly, United States fashion supplier PVH (Calvin Klein, Tommy Hilfiger, Van Heusen, Izod, Arrow, Warner's, Olga And Others); Dubai-based Velocity Apparelz Companies (Levi's, Zara and Under Armour); and China's Jiangsu Sunshine Group (Giorgio Armani and Hugo Boss) all set up their own factories in Ethiopia in 2017. Several of these firms are located in Ethiopia's flagship, Chinese-built, Hawassa Industrial Park. As February, 2019, 18 foreign companies and approximately four domestic enterprises have stated operation. Many of these tenants are suppliers of PVH encouraged to come and build in the park.[13]This intra-park linkage among firms is an example of necessary backward and forward linkage of the firms in global chain value. This process of localization of international chains enhance industrial efficiency by reducing transport and inventory costs and enhance all the advantage of vertical integration. IPs thus provide a platform for localizing the global value chain. In addition, by offering an enabling

[12] Interview conducted with EIC Investment Expert on January 29, 2019.
[13] Interview conducted with HIP vice-CEO on February 19, 2019.

business climate IPs are facilitating Ethiopia's insertion into global value chain through both off-shoring and off-shoring-outsourcing. IPs thus are promoting the inflow of FDI in the country.

iii. Technology and Skill Transfer

Technology and skill transfer refers to a movement of ideas, skills, information, technical know-how and people from the providing organization to the recipient organization (Harrison and Samson, 2002). The degree and efficiency of technology transfer is crucial for host countries' economic growth. Related to technology transfer, in this study, besides to the economic role of IPs, the non-economic aspects have also been investigated. This is because economic relations are believed to be derived in social relations. The development of social capital in the area is perceived to be the basic instrument for an effective way to economic development. This in turn has an influence on the future local economic activities. In Bole Lemi and Hawassa IPs, workers are given training that aims at providing them soft skills and other operational trainings based on the demands of manufacturing enterprises. This activity is funded by the World Bank. The soft skills trainings include interpersonal skills (for example, collaboration and teamwork), communication and time management skills. On the other hand, operational trainings include measuring, cutting, sewing, monitoring and adjusting machineries.[14] This attempt to empower local firms lies in getting domestic firms inserted into local value chain-production-distribution network and augmenting their efficiency through agglomeration economies.

Foreign-based companies play a great role in knowledge transfer between countries. Since these factories are established by investors who have different educational, cultural and occupational background, they have a tremendous role in widening opportunities for the transfer of knowledge. Knowledge transfer makes individual workers capable to do their job effectively within and outside the factories in the future. Accordingly, it is a good opportunity for countries like of Ethiopia to learn from different countries' skills and experiences. This is crucial to improve the working environment in which factory production technology is undeveloped.[15]Respondents of the interview in IPDC[16] explained that besides different kinds of

[14] Interview conducted with IDPC B2B Linkages Fund & Competitiveness and Job creation Project Coordinator on January 22, 2019.
[15] Interview conducted with IDPC Industrial Park Promotion Manager on January 22, 2019.

trainings offered by factories inside the industrial parks; employees have gained different experiences (include interpersonal and communication and operational skills).These skills and experiences acquired from their working environment enable them to open their own small enterprises in the future.

Furthermore, interviewed workers stated that working with expatriate staffs in IP environments added value on their previous skills.[17] In other words, if one individual who had only one type of skill previously; he/she has a chance to share other staffs' skills and has a chance to improve his/her work experience simultaneously. In addition, employees are getting a chance to be familiar with new technologies and latest machineries (high speed sewing machines, fabric spreading machines, fusing machines, etc.) that the inside factories are using. As a result, through time all employees could gain the necessary technical skills for doing their work.[18]This indicates that industrial parks are upright setting for transferring knowledge and skills amongst countries and individuals. Seven of the interviewed human resource managers in the two IPs[19] indicated that they had staff training and career development programmes in place, whereas two of them revealed that they had none and are depended entirely on the general labor market and institutions of learning such as colleges and universities.[20]

iv. 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 like Ethiopia, industrial parks are recognized as potential sectors to minimize unemployment problems. The development of

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[16] Interview conducted with Bole Lemi IP Customers Service Senior Expert and Hawassa IP vice-CEO on February 12, 2019 and February 19, 2019, respectively.
[17] Interview conducted with Hawassa Industrial Park employees on February 13, 2019.
[18]Interviews conducted with employees of Bole Lemi IP (the workers are included from Shints ETP Garment Plc., Lyu Shoutao Factory Plc., Jay Jay Garment Plc., and Ashton Apparel Plc.) and Hawassa IP (the workers are included from of Everest Textile, Indochina Apparel Ltd and Sumbiri International Apparel Plc. and Epic Apparel Plc.) on January 11-13, 2019 and February, 19-23, 2019.
[19] Interviews conducted with Shints ETP Garment Plc., Jay Jay Garment Plc., and Ashton Apparel Plc. from Bole Lemi IP and Isaballa and Sarasari Export (Pvt.), Indochina Apparel Ltd., Everest Textile and Epic Apparel Plc. from Hawassa IPs on January 11-13, 2019 and February, 19-23, 2019.
[20] Interviews conducted with Human Resource Managers of Lyu Shoutao Factory Plc. in Bole Lemi IP and Sumbiri International Apparel Plc. in Hawassa IP.

industrial parks in a given locality has multiplier effects. First, those employed people, mostly women and previously unemployed, in Industry Parks 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.[21] Study conducted in Zambia shows that 71% EPZs (IPs) employees are provided staff and career development programs whereas 29% of them had none and entirely on the general labor market and institutions of learning (Zeng, 2015).

Second, those employed people in industrial parks may save and start their own business with the skills they get from the factories. They themselves start to employ extra labor forces in the long term. This chain of action helps the society to get improved facilities like food, schooling, health facilities, 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 main contributions of the industrial park developments for large number of populations. Regarding to the role of industrial parks on employment generation, according to responses from IPDC and EIC[22] by the year 2025, all public and private IPs in the country are expected to generate two million jobs for Ethiopian citizens. By 2019, Bole Lemi and Hawassa IPs generated over 15,000 and nearly 25,000 jobs, respectively. When all enterprises in these two IPs operate with their full scale, they are anticipated to absorb about 110,000 jobs; but currently they only employed below 50% percent of their total labor demand.[23]The table 4.2shows that the classification of workers based on their level of skills.

Table 4.2: Level Employees' Skills in Bole Lemi and Hawassa IPs

Level of Skills	Bole Lemi IP (workers in %)	Hawassa IP (workers in %)
High skilled	6	8
Semi-skilled	17	13
Unskilled production workers	77	79

Source: BLIP & HIP, 2019

[21] Interview conducted with IDPC's Industrial Parks Promotion Director on January 22, 2019.
[22] Interview conducted with IPDC's Industrial Parks Promotion Director and EIC's Investment Expert on January 22, 2019 and January 29, 2019, respectively.
[23] Interview conducted with BLIP Costumers Service Senior Expert and HIP vice-CEOs on February 12 and 19, respectively.

As shown on table 4.1. 77% of employees in Bole Lemi and 79% Hawassa industrial parks are unskilled employees; 17% of Bole Lemi and 13% of Hawassa industrial parks employees are semi-skilled and high skilled employees in both industrial parks covers below 10%. According to respondents from IPDC and EIC, this is resulted because manufacturing enterprises in Bole Lemi and Hawassa IPs are dominantly labor intensive industries.[24]As stated above, first generation IPs are contributing to employment creation. Thus, in case of Ethiopia large scale labor extensive manufacturing enterprises are installed in order to improve the problem of unemployment in the country.

Looking at the experiences of other African countries, Mauritius which introduced its SEZ program in 1970 reduced official unemployment from 23 per cent in 1979 to 2% in the early 1990s (before it increased in recent years to 8 per cent in 2000) as the country's SEZs generated 88,000 new jobs. As a matter of fact, SEZs in Mauritius began to experience labor shortages at the end of the 1980s and began to import foreign labor (Aggarwal, 2007). In Zambia, in two SEZs (Lusaka South Multi-facility Economic Zone and Chambishi MFEZ) till 2015 about 93000 jobs were generated (Emmanuel, 2016 &Zeng, 2015). Similarly in Nigeria, till the year 2007, within six EPZs 111,375 jobs were created (Vastviet, 2013). According to World Free Zones organization index cards of Egypt, Egyptian Export Processing Zones, as of 2015 generated almost 280,000 jobs (WFZO, 2015). Out of this number Egypt TEDA Zone has generated 1,800 jobs for local workers of which approximately 5% of Chinese (Zeng, 2015).

v. Foreign Earnings and Import Substitution

Inside Bole Lemi IP there are 22 factory sheds and they are occupied by 11 enterprises which are engaged in production of apparel, shoes and gloves. Within two years gap (2015-2018), 91,350,572.28 USD were generated from products which are manufactured in the Park. Similarly, these enterprises, within seven months (from July, 2018- January, 2019), they could earn 25,247,548.64 USD by exporting their products to USA, EU and Chinese markets (BLIP, 2019).Table 4.3 shows the amount of export earnings by manufacturing enterprises in Bole Lemi industrial park.

[24] Interview conducted with IDPC Industrial Park Promotion Manager on January 22, 2019 and Interview conducted with EIC Investment Expert on January 29, 2019.

Table 4.3: Amount of Export Earning from Bole Lemi Industrial Park

No.	Name of Industry at Bole Lemi	July, 2018- January, 2019 Export Earnings in USD
1.	New Wide Garment Ethiopia Branch Company	1,340,762.4
2.	George Shoe Ethiopia Plc.	3,961,672.45
3.	Arvind Lifestyle Apparel Africa Plc.	5,302,434,85
4.	Vestis Garment Production PLC	78,874.0
5.	Jay Jay Garment Plc.	5,960,087.91
6.	Lyu Shoutao Factory Plc.	6,038,961.91
7.	Ever Top	380,316.52
8.	C & H Garments Plc.	76,054.1
9.	Shints ETP Garmant Plc.	456,370.62
10.	KEI Industrial Engeneering Consultancy Plc.	0.0
11.	Ashton Apparel Manufacturing Plc.	1,652,013.88
	Total.	25,247,548.64

Source: BLIP IPDC Branch Office

Similarly, manufacturing industries in Hawassa Industrial Park gained 33119967.31 USD by exporting their products to USA, European countries and China between the time intervals June, 2018 till February, 2019. Table 4.4 shows the amount of export earnings made by manufacturing enterprises in Hawassa Industrial Park.

Table 4.4: Amount of Export Earning from Bole Lemi Industrial Park

No.	Name of Industries at Hawassa Industrial Park	June, 2018-February, 2019 Export Earnings in USD
1	Arvind Lifestyle Apparel Manufacturing PLC	4384108.13
2	Best International Garments PLC	1201284.28
3	Chargeurs Fashion Technologies PLC	135687
4	EPIC Apparel PLC	1227800.76
5	Everest Apparel Ethiopia Share Company	282991.03
6	Hela Indochine Apparel PLC	2198028.52
7	Hirdaramani Garment PLC	2098405.76
8	Indochine Apparel PLC	9967776.34
9	Isabella Socks Manufacturing PLC	577631.6
10	JP Textile Ethiopia PLC (WUXI)	643496.5
11	KGG Garment	24103
12	Ontex Hygienic Disposables PLC	353757.4
13	PTU/ Century Garment	573752.7
14	PVH Arvind Manufacturing PLC	4271918
15	Silver Spark Apparel Ethiopia PLC (Raymond)	1341408
16	Sumbiri Intimate Apparel	190477.8
17	TAL Garments Manufacturing PLC	3647341
	Total	33119967.31

Source: EIC

The government of Ethiopia has secured US$ 103 million export earnings from products manufactured (textile, apparel, shoes and other leather product) in industrial parks over the first nine months of its fiscal year started July 8, 2018. The performance has increased by 40 percent compared to last year some period, according to Ethiopian Investment Commission and this is 70% of the country's export earnings target expected from IPs. (New Business Ethiopia, 2019).

According to the response from IPDC, the amount export earning is expected to increase while the factories start their full scale operations using the all the sheds they have occupied;

employees operating skills of production is improved; problems related to provision of raw material, labor turn over, logistics, etc. are enhanced.[25]

Concerning import substitution, based on the response from EIC, the two IPs (Bole Lemi and Hawassa) are mainly focus on exporting their products but other industrial parks in the country such as Kilinto Industrial Park which is expected to be operational in 2019; this mixed-use industrial park will incorporate textile, agro-food, electronic and pharmaceutical products. This park is a valuable addition to the ongoing transformation of Ethiopia's healthcare sector which is part of the country's push to develop the national pharmaceutical industry which reduces the country's dependence on imports. Further responses explained that the country purchases 80% of its medical equipment from abroad and by the time the park starts its full scale-operation, the IP will save the country from expending 900 million to 1 billion USD.[26] Coming to the experience of African countries, Zambian IPs generated much amount of revenue for the country. For instance, Chambishi Multi-Facility Economic Zone's total reached US$ 7.8 billion in 2013. The park's focus is on copper mining and smelting, mining equipment and services, construction vehicles and materials, chemicals, logistics and banking. Similarly, in Lusaka East Multi-Facility Economic Zone, 40 Chines and Zambian companies are operating in the fields of agriculture, agro-processing, construction materials automobile repair, hosing and warehousing, machinery, household goods, solar photovoltaic products, handicraft and artifacts (Zeng, 2015).

This shows that the development of IPs helps the developing countries to get hard currency, reduces the countries' dependency on imported commodities and promotes the countries' domestic market. In this way, it reduces the cost of purchasing and transportation goods, terrifies and in long term, the infant industries will grow up and be able to compete in world markets. This helps Ethiopia to use its hard currency for other developmental activities.

5. Manufacturing Enterprises Related Opportunities

i. Attractive Investment and Legal Frameworks

Beyond establishing institutions like IPDC, EIC and EIB, according to the shared responses of officers at IPDC head and branch offices, EIC and park enterprises, Ethiopia has conducive and

[25] Interview conducted with IDPC Industrial Park Promotion Manager on January 22, 2019.
[26] Interview conducted with EIC Investment Expert on January 29, 2019.

encouraging opportunities for the investors. According to Industrial Park Proclamation No. 886/2015, Ethiopia provide an extended rights that secure the economic benefits of the developers in terms of design, construct, develop, exploit industrial parks; sub-lease developed industrial park land. They can also rent or sell to industrial park enterprises and their immovable assets; operate maintain and promote industrial park; employ workers; participate in financial markets; provide services to industrial park enterprises engaged within the industrial park and enjoy tax and customs and other incentives. Similarly, industrial park enterprises have rights to obtain Industrial Park Permit in order to carry out investment activities. They obtain tax, customs duty and other incentives; freely exercise investment activities in accordance the terms and conditions of the permit. They acquire land on a sub-lease basis and possess, sell own buildings, rent other immovable assets, export out of the country, import into any industrial parks, sell in the industrial park customs controlled area goods and services. In addition, according to respondents, the industrial park proclamation offers the right for national treatment; guarantee and protection as well as the right to access foreign exchange from banks abroad and domestic financial institutions, allowed listing its stocks, bonds and other securities on foreign security markets; and the right to make remittances.

ii. Financial and Non-Financial Incentives Packages

Investment laws of Ethiopia provide a wide-ranging incentives package for investments in priority sectors of high export potential, especially targeting industrial parks developers and enterprises. Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Minister Regulation No. 270/2012 outline and guarantee the following incentives for investors or enterprises:

Income tax exemption is offered to industrial park developers, industrial park enterprises and expatriate employees of industrial park enterprises. Industrial park developers have ten to fifteen years staying income tax exemption depending on locations of industrial parks (ten years if it is in Addis Ababa or Special Zones of Oromia surrounding Addis Ababa, and fifteen years in other areas).. Industrial park enterprises are also presented with to ten years income tax exemption (up to six years exemption depending on sector of engagement and additional two to four years exemption for industrial park enterprises with at least eighty percent export). Expatriate employees of industrial park enterprises also have the access to tax exemption of five years of

their personal income tax after issuance of business license. Finally, Investors can carry forward loss for half of the income tax exemption period (maximum of five years).The other form of financial incentives is Customs duty exemption which gives access to capital goods and accessories to be imported duty free by manufacturing industries. Capital goods, Spare parts up to fifteen percent of the total value of the can be imported duty free. Enterprises inside industrial parks which register hundred percent exports can enjoy hundred percent duty free of importing of machinery, spare parts; construction materials as per approved by Bill of Quantity (BoQ). Motor vehicles, a maximum of two pickup trucks, during construction, can be imported duty free. After finalizing business license and commencements of operation or export, a maximum of three minibuses, two cargo trucks, two SUVs, three hybrid SUVs and buses required to transport employees can be imported duty free. Special purpose trucks such as crane trucks, garbage trucks, ambulances, fire trucks, freezing trucks etc. can too be imported duty free in line with the specific investment needs for private use; and partial exporters. A maximum of two station wagons can be imported duty free upon registering paid up capital investment of two hundred million Ethiopian Birr or above, and over sixty percent performance for three consecutive years. Industrial park developers can import a maximum of two SUVs and three hybrid SUVs duty free obtaining business licenses and start operation. All raw materials needed for the production of export commodities can be imported duty free, and private equipment personal effects of industrial park residents can also be imported duty free. Ease of access to industrial park space at promotional rate (1-2 USD) also provided to industrial park based enterprises (EFDR Regulation No.270/2012).

Investors are provided with various non-financial incentives including simplified and streamlined procedures for investment establishment and operation. They are also offered with strong property protection and guarantee.

The Ethiopian Investment commission **(**EIC**)** provides various services in one-stop shop. Issuance of investment permits; business licenses, commercial registration certification, and work permit are a few to mention. Notarizing memorandum and articles of association, registration of trade or firm name and technology transfer agreements; as well as issuance of tax identification number (TIN) also done at one stop shop services. Investors can renew all license issued at head office; visa and work permits, and duty free grants for capital goods. Post-

establishment investment facilities (aftercare) service is provided by the Ethiopian Investment Commission. And government avails fully developed infrastructure up to the perimeter of the park and guarantees access to utilities including a dedicated power station.[27]

While managers of different enterprises requested to rate the obstacles they are facing in their business making process, they say tax rates, corruption and extended government bureaucracy were lowest affecting obstacles. Managers said that enterprises are guaranteed different forms of tax incentives, observed less corruption and limited government bureaucracy and this indicates government's focus for the area and availability of one-stop-service in the industrial parks. In the IP compounds, there exist branches of Ethiopian Investment Commission (EIC), Ethiopian Textile Industry Development Institute, Ethiopian Shipping and Logistics Service, Ethiopian Revenue and Customs Office, Immigration Department, Ethiopian Insurance Company, Ethio-Telecom, Ethiopian Electric Utility, Commercial Bank of Ethiopia and Ethiopian Industrial park Development Corporation (EIPDC) branch offices to give one-stop-services representing their mother organizations.

Customs facilitation (transport of imported raw materials straight from customs post to factory through bonded or voucher scheme), expedited visa procedure (expedited procedure of securing entry, work permit and certification of residency for expatriate personnel working in industrial parks and their dependents are included one stop shop services.

Better visa terms for investors in industrial parks –multiple entry visa of up to five years), and guarantee against expropriation (guarantee against measures of expropriation or nationalization is secured and payment of compensation corresponding to the prevailing market value of investment properly in case of expropriation or nationalization interest), the right to own immovable property (foreign investors have right to own a dwelling house and other immovable property required for the investment), guarantee for remittance of funds (a foreign investor can freely repatriate in convertible foreign currency profits and dividends, principles and interest payment on external loans, proceeds from the sale or liquidation of an enterprise as well as compensation paid), subsidized utility rate (electricity is sold at estimated rate of three US cents/kwh and reliable access to electricity within industrial parks governments avails dedicated

[27] Interview conducted with EIC Investment Expert on January 29, 2.019.

power station for parks) and the right to open and operate foreign currency accounts (a foreign investor has the right to open and operate foreign currency account in authorized local banks) are other forms of non-fiscal incentives offered to investors when they operate in the IPs.

Though these and other incentive mechanisms are mentioned in different official documents and other investment laws such as Investment Proclamation No. 269/2012 and Investment Incentive Regulation No. 270/2012, specific incentives for companies investing in the parks were not clearly stated in the Industrial Park Proclamation No.886/2105. For instance preferential treatment needed for the domestic private sector is not stated in the proclamation, given that they could not compete with foreign investors despite the core objective of the industrial zone program is to stimulate the capacity of local firms. Base on the neo-classical approach, governments' provision of incentives to manufacturing enterprises play its role of catalyzing the economic transition from agrarian to liberalized industrialized economy. But incentives are not the only vehicle to promote liberalization since they are outcomes of liberalized regime.

iii. Adequacy of Cheap Labor

Globally, in countries like China and Bangladesh used cheap labor as a great opportunity for FDI to flow (Zeng, 2015 & Zhang & Ilheu, 2014). In Developing countries, IPDs often are associated with law labor wages and law skill production capabilities that typically are set up to build on the comparative advantage of cheap labor to expand the export base (Farole, 2011).

Ethiopia has low cost labor in comparison to other countries in Africa level and the world at large. Ethiopia offers competitive labor cost ranging from 25-135 USD monthly (EIC, 2019). Even though low pay rate is a major reason for workers complaints, it is a great advantage for investors in terms of minimizing production cost. No minimum wage requirements and salary is depending on negotiation between employers and employees. According to IPDC and EIC officers[28], the country has educated and easily trainable labor force: 46 public universities with around half million students universities and over 1,300 technical and vocational education and training (TVET) institutes with an annual intake capacity of one million students. For example,

[28] Interview conducted with IDPC Industrial Park Promotion Manager and EIC Investment Expert on January 22, and January 29, 2019.

based on the explanation from IPDC administrators, based on labor assessment done by the corporation, within 50 kilometers radios of HIP alone, there are about 5 million unemployed citizens who are potentially active for labor intensive industries which are dominantly found in Hawassa Industrial Park.[29] Relating this global value chain approach, every raw material needed by IPs are not necessarily expected to exist in local market as long as the country has competitive advantage such as cheap labor since it minimize the enterprises' production cost.

In light of this, Fu (2012) and Lin and Wang (2014) found that prior to market size, African countries like Egypt, Nigeria and Zambia, surplus labor seem to have determining factor selection of IP/SEZ host countries especially for labor intensive industries such as shoe manufacturing, textile and leather goods processing (Fu, 2012 & Lin & Wang, 2014).Mauritius' wages were 25% of those Hong Kong, China and Singapore in the early 1980s, in 2002; Mauritius' EPZ labor costs were significantly higher than those of major apparel producers and forced to move its production base to Madagascar in attempt to reduce the high labor turnover (Baissac, 2011).As the experience of other countries tell, at early age of Industrial park development the availability of cheap labor market for labor extensive manufacturing is common particularly in developing economies. Gradually, the cost labor and production is expected to increase and there need to be an alternative labor intensive plans that are capable of replacing the apparel sector.

iv. Access to Market

According to interview responses from IPDC and EIC staffs[30] and proved as factual by all interviewed manufacturing enterprise managers, Ethiopia has large population. Thus, it is potentially one of the largest domestic markets in Africa. Beyond the domestic market, it is the membership of the Common Market for Eastern and Southern Africa (COMESA) which embraces 19 countries with the population of 400 million. Similarly, the ratification of The African Free Continental Trade Agreement (AfCFTA) which is signed by 44 African countries in Kigali, Rwanda commits countries to remove tariffs on 90% of goods, paves the way for accelerating trade liberalization and free movement of people with a single currency. AfCFTA

[29] Interview conducted with Hawassa IP vice-CEO on February, 2019.
[30] Interview conducted with IDPC Industrial Park Promotion Manager and EIC Investment Expert on January 22, and January 29, 2019.

helps Ethiopia to trade its products, especially the outputs of industrial parks for the countries bound by the agreement. Ethiopia enjoys preferential market to these countries. Ethiopia's strategic location has a relative advantage. This is because Ethiopia's proximity to the large Asian, European and underserved African countries offers potential market opportunities. This may help the country to experience a shift to higher-value adding and technology-intensive production compared to other countries in Sub-Saharan Africa. Ethiopia is also qualified for preferential access to European Union market under the EU's Everything-But-Arms (EBA) initiative and to USA market under the African Growth and Opportunity Act (AGOA) and the Generalized Systems of Preference (GSP). Thus, most Ethiopian products including the ones manufactured in IPs can enter into these markets quota and duty free. Furthermore, a broad range of manufactured goods from Ethiopia are entitled to preferential access under the Generalized Systems of Preference (GSP) in USA, most countries in the EU and other developed countries. No quota restrictions are placed on Ethiopian exports falling under the 4,800 products currently eligible for GSP treatment (EIC, 2019).

Other African countries also relatively enjoy diversified market accesses depending on their geographical location or specific relation with buyer countries. For instance, Mauritius, in fact, geographically in terms of its remoteness from world markets, as Subramanian and Roy (2003) quoted in Tang (2019), "Mauritius fares the worst at about 25 percent farther away from the world's economic center of gravity than the average African country and 30 percent farther than the average developing country" (Tang, 2019). The country benefits from trade agreements such as Interim Economic Partnership Agreement (EPA), the Generalized system of Preferential (GSP) and the African Growth and Opportunity Act (AGOA), which provide preferential access for goods of Mauritius origin to the European Union and the United States, respectively (African Incentives Survey, 2016).Similarly, Zambia actively participates in the 14-country regional SADC Trade Protocol as well as the COMESA which consists of twenty members. This offers preferential tariff access to a total market potential of nearly 380 million people. In the same manner, Zambia has good quality cotton; but textiles production is far less developed than in comparable African states. This is irrespective of the privileged access to a large United States market under the Africa Growth Opportunity Act (AGOA) for which Zambia and other countries are eligible. Plus, Zambia is party to the Contonou Agreement which provides with reciprocal duty free trade provisions between the EU, and certain African and Caribbean nations

(Emmanuel, 2016).Ethiopia's industrial parks can contribute to export growth, enter global export markets and better integrate the country with the global economy using the market accesses that the county has. Table 4.5 shows that the rank of some African countries market size and market efficiency.

Table 4.5: Rank that Indicates the Market Size and Good Market Efficiency of the Countries Source

No.	Country	Population in millions (2015)	Market Size (out of 144 countries) in 2015	Good Market Efficiency [31](out of 138 countries) in 2017
1	Ethiopia	102.3	66	105
2	Egypt	92.1	25	112
3	Mauritius	1.3	118	26
4	Nigeria	178.7	26	98
5	Zambia	16.2	88	83

World Economic Forum, 2015, 2017

As shown on 4.3 table, the case of the rank of market size (measured based on the proportion of domestic market size (75%) and foreign market size (25%) countries with greater amount of population (Egypt 92.1 million, 25th; Nigeria 178.7 million, 26th; and Ethiopia 102.3 million, 66th) took better positions than countries with small population size (Zambia 16.2 million, 88th and Mauritius 1.3 million, 118th). Related to good market efficiency, unlike market size, instead of population size it is determined by indicators of domestic and foreign market competition and quality demand conditions performance of the countries. Though Ethiopia is placed in relative to better position than Zambia and Mauritius, much work is needed to improve its market efficiency.

[31] Good market efficiency is measured by indicators like intensity of local competition, extent of market dominance, effectiveness of anti-monopoly police, effect of taxation on incentives to invest, total tax rate % profits, no. procedures to start a business, no. days to start a business, agricultural policy costs, prevalence of trade barriers, trade tariffs % duty, prevalence of foreign ownership, business impact of rules on FDI, burden of customs procedures, imports as a percentage of GDP, degree of customer orientation and buyer sophistication (World Economic Forum, 2015).

4.5. Challenges of IPD in Ethiopia

This part of the study focused on the challenges of industrial park developments in Ethiopia. It specifically covers the main challenges faced during the operational performance of two public industrial parks: Bole Lemi and Hawassa.

4.5.1. Theoretical and Practical Challenges

Industrial parks are controversial as they are popular. As their best, they align infrastructure provision and agglomeration economic to join industrial growth. As their worst, they fail to generate the required skill and investment; sit empty or simply do not get built; eroding the tax base; increase land speculation and loss of agricultural land; delivering hand-outs to favored firms; funneling spending to favored districts; cause environmental degradations, etc. (Saleman and Jordan, 2013; Zeng, 2015). For the purpose of this study, some of the challenges associated with park programs are discussed under two headings: theoretical and practical.

A. Theoretical Challenges

These are drawbacks, generally, associated with any park development programs. In reference to the work of the World Bank (2011), Wang (2013) and Vastyeit (2013), Madani (1999), some of the negative repercussions of industrial parks include the following:

Industrial parks delay general economic liberalization and deregulation programs. Through the use of subsidies countries can attract FDI without liberalizing the economy as a whole. That is why the World Bank and other classical economists consider industrial parks only as the second or third best approach towards free trade.

Parks impose significant direct and indirect costs to the host country. Costs for park development and infrastructure construction, administrative and subsidized service costs, and several other indirect costs linked to zone development programs can distort resource allocation and potentially retard economic growth. As some authors argue, industrial parks could even totally fail before covering their construction costs and other concessions granted, and this has a negative net present value for the country.

Parks cause government revenue losses through incentives. The various tax incentives provided for firms in the parks can erode the revenue base of the government. Tax breaks and tax holidays do not necessarily result in economic growth because it may attract firms that would not be competitive without the given incentives. In addition, parks might not be profitable if land and its leasing are subsidized, especially for cases where utilities such as water and power are also subsidized. According to Reporter Newspaper, (Feb. 23, 2016), Ethiopia loses more than 90 billion birr per annum to tax incentives, more than the total capital required to complete the Grand Ethiopian Renaissance Dam.

Parks may cause uneven growth between areas as well as companies. Industrial parks are usually criticized for creating discrimination between companies located in the parks and those outside the park, and between domestic and foreign companies in the same country. Areas in which zones are located have better job opportunities and other positive externalities than those located elsewhere and this would enlarge economic gaps between regions. Again, zone programs are biased towards foreign industries than domestic ones to promote exports, which have limited productive impact for national development.

Parks may have social and environmental impacts. The development of the industrial parks can have negative bio-physical and social impacts unless they are implemented by giving due emphasis to the protection of the environment in general and the wellbeing and livelihood of the population in and around the project area in particular. Otherwise, it can cause adverse impacts in the form of socio-economic crisis and other related problems like resistance against the project itself. In Myanmar, for instance, forceful relocation of villagers from their original area, as Walsh (2015) points out, has mounted to armed resistance that has finally halted the construction of parks. In Bole Lemi and Hawassa IPs, 90% of the water is recycled and reused then the final waste is crystalized. In addition, the specialization parks in monoculture productions i.e. garment and apparel productions made the IPs free from carbon emission and made the waste management and infrastructure allocation relaxed.[32] But the industrial park development programs in the country criticized by displacement of farmers, disruption of social fabric and provision of weak rehabilitation activities (FDRE Ministry of Industry, 2014).

[32] Interview conducted with IPDC Promotion and Marketing Director on January 22, 2019.

***Parks may violate workers' rights and welfare*.** Companies in parks have been heavily criticized for exploiting workers, paying them negligible wages and providing poor working conditions, though there are variations between countries and companies associated with the prevailing institutional and regulatory environment of the government, nationality and corporate policy of the firm, labor market conditions, etc. Low salary and poor treatment of workers are considered as a cause for high labor turnover in Ethiopia, as some officials of IPDC state. In Ethiopian apparel manufacturers, based in IPs-most of whom young women-are typically paid a base salary worth only US 26 a month, provided relatively little training (sometimes as short as two weeks) and challenged by exacerbate cultural differences that put workers in frustrating working conditions (Barrett & Baumann-Pauly, 2019).

B. Practical Challenges

The following are problems which are specifically facing the two operational industrial parks (Bole Lemi and Hawassa IPs) as reflected by investors, government officials and workers through interviews as well as other secondary sources.

i. Government Related Challenges

a. Lack of Peace and Stability

The issue of peace and stability is a big concern regarding investment. Obliviously, investors are usually more inclined to invest in politically stable environments. This is because politically stable environments ensure smoother operation, reduced uncertainties and more robust trading relationships. Overall, political stability is a pre-requisite for a business-friendly environment and it reduces the risk profile of any investment. In this regard, IPDC and EIC officers on one hand and enterprises on the other, expressed opposing views. IPDC and EIC officers said that the effect of peace and stability within and outside the industrial parks is insignificant, while the enterprises responded that it is highly challenging their production process. As response from the two parks, the following types of strikes are observed at least once in month in one or more of

the manufacturing enterprises in the parks.[33] The first problem is mentioned as, shutting down strikes of transport facilities and other services following the political turmoil and ethnic tensions in different parts of the country. As a result, factory workers are unable to their workplace; enterprises to access raw materials from the port to the industrial park and move their products to airports or seaports. As mentioned by the enterprises, the second problem goes to workers' strike within the park compounds. In such cases, works shutdown the operation of factories following disputes related to wage, incentives and working conditions. Poor communication within the organizations is mentioned as additional reason for workers' strikes. Moreover, both employers and employees responded that there is high level of mistrust among them. Workers explained that the reason for mistrust is the mismatch between the pleaded opportunities the actual working condition in IPs. Workers use different types of strikes such as economic strike where labors stop their wok to enforce their economic demands such as wages and bonus. In these kind of strikes, workers ask for increase in wages, allowances bonus and other facilities such as increase in privilege and causal leave. The other type of strike is sit down strike. In this case, workers do not absent themselves from their place of work and control over production facilities but do not work and the other form of strike is slow down strike which is that restrict the output in an organized manner and sick-out strike also used by the employees.

b. Inadequacy of Infrastructure Facilities, Poor Trade Logistics and Customs Procedures

One of the basic elements critical for any manufacturing activity is adequate infrastructure especially physical infrastructure (transport system such as port, airport, water, electricity and communication facilities). Infrastructure within IPs is generally considered superior to other manufacturing areas that are available in the wider economy. In Ethiopian IPs, despite providing the park sheds that met the latest international standards infrastructure services such as water, electricity, telecommunication, warehousing are not directly provided by the parks. The role of

[33] Interview conducted with BLIP Costumers Service Senior Expert and HIP vice-CEOs on February 12 and 19, respectively.

the parks is to facilitate, regulate and govern them within the park. However, the parks provide water effluent treatment facilities and solid waste disposal services (EIPDC, 2018).

In Bole Lemi, Hawassa and other recently inaugurated 5 IPs, the construction of basic infrastructure and rental sheds were completed and a number of tenant firms had moved in and started operation. These standardized rental sheds are suitable for large-scale, unskilled labor-intensive and export-oriented light manufacturing such as garment, footwear and food processing, which is typical in the early stage in FDI-led industrialization. Both the park administrations and enterprises replied that despite having 'world class' manufacturing sheds, there are aspects of the basic and social infrastructure facilities which are not fully completed. For example, in both Bole Lemi and Hawassa IPs, incinerators, the door for outer doors of power transformers, data centers, and waste flow meter were not assembled. In these parks, additionally, having only single internet router in every building was delaying the internet service. Regarding security, the service is outsourced for external agencies and supported by the City administrations. However, while HIP could access CCTV cameras, Bole Lemi IP has not yet started the CCTV cameras for security operation. Delays in the infrastructure and utility services developments, including access to power and water, are among the parks' main challenges. Park-based companies are strongly complaining about the repeated outages of electric power because it has a direct impact on their production targets and profitability of their work. As power is basic for production enterprises, its shortage has constrained their production capacity. Supplying additional 163 MW for currently operating 5 IPs, 444 MW electric power provision for recently completed 4 IPs and 1000 MW power demand for further upcoming 8 IPs was becoming a challenge because of poor coordination between Ethiopian Electric Power Corporation (EEPC) and Ethiopian Electric Utility (EEU). This is resulted from lack of financial sources for projects, absence of inputs like electric power transformers and cables and poor design of power facilities (EIPDC, 2018). Similarly, Zambian hydropower resource potential stands at an estimated 6,000 MW, but the Zambia Electricity Supply Corporation's (ZESCO) installed capacity is only about 1,700 MW, therefore, at the current estimated demand of 2,000 MW and an estimated annual demand growth of 100 MW, the problem of constant power outages is facing Zambian IPs (Emmanuel, 2016).

Social infrastructure facilities like workers resident, markets and entertainments were not yet fulfilled in any of the public IPs. In Bole Lemi IP, a housing construction project was being undertaken by one of the enterprises called Shints ETP Garments Plc. Similarly, in HIP also, land was allocated for the of purpose housing construction for the workers by the coordination of IPDC, Hawassa City Administration and manufacturing enterprises in the park. Poor trade logistics incur heavy cost on firms that mainly rely on imported inputs like large export-oriented firms in Ethiopia. Table 4.6 shows that time and cost of trading across border in Ethiopia relative to other countries.

Table 4.6: Time and Cost of Trading across Borders in Ethiopia Relative to other Countries

Country	**Rank out of 183 countries in 2011**			**Rank out of189in 2015**		
	Cost to export a 20-foot container (US$)	Time to import (days)	Ranking (2011)	Cost to export a 20-foot container (US$)	Time to export (days)	Ranking (2015)
Ethiopia	2993	45	157	1890	44	166
Tanzania	1475	31	109	1262	24	180
Zambia	3315	56	150	2664	44	152
SSA average	2492	38	-	1962	32	-
Vietnam	645	21	63	555	22	99
China	545	24	50	500	21	84

Source: WB (2011); and WB (2015)

As indicated in the table 4.4, trading across borders in Ethiopia is expensive in terms of time and money even in the eyes of some African countries. This is relatively because of the countries large geographic size and the poor state of its infrastructure, make transport costs high. Moreover, Ethiopia's logistic performance index is getting worse over time and made the country one among 25 low performing economies of the world by 2015. According to Dinh *et. al*. (2012), poor trade logistics in Ethiopia and other African countries is the result of six broad factors: higher inland transport costs, higher port and terminal handling fees, higher customs clearance and technical control fees, higher costs of document preparation and letters of credit, high cost of foreign exchange, and high shipping costs to and from Ethiopia. In addition to high costs, business also faced high levels of accidents and delays, which have a significant impact in

sectors such as apparel, where quick turnarounds and meeting customer orders on time is crucial. This too leads manufacturing enterprises in IPs to use airline transportation which is another costly means of transportation.

c. Absence of labor Laws

Countries are intentionally relaxing labor related issues in the industrial parks to attract investors. According to the Ethiopian industrial park proclamation, the issue of labor contract in the parks is to be negotiated between the employer and the employee. However, the Ethiopian labor law or the industrial park proclamation did not set the minimum wage rate for private employees. Without granting the minimum wage rate, it is difficult for the government to address the complaints emerging from both the employers (concerning high turnover) and the employees (related to low salary). In addition, the Ethiopian labor law allows only 20 hours per month for overtime work. Though this law could protect labor abuse, it is too few relative to other countries (for instance Japan 42 hrs/month, Korea 48 hrs/month, Taiwan 46 hrs/month, etc.) and this has created a problem though both the employee and employers need it for their own respective benefits.

Respondents of the interview explained that the majority of top IP enterprises higher positions (necessarily which do not require high level of expertise) are controlled by expatriate staffs. In such cases, the country's investment proclamation allows the investors to employ qualified expatriate experts but it does not specify the number of expatriate staffs.

d. Absence of Coordination in Government Institutions and Park management, Lack of Operational Know-how and Experiences

Coordination between important institutions like EIC, IPDC, MoI, CBE, Customs and Revenue Authority, Electric Power Corporation, Electric Utility and telecom agencies, etc. is very weak in facilitating the operation of park based companies, though these services are expected to be provided under one-window in the zones. This is to mean that, though one-window service is

available in the IPs, it lacks the intended quality and coordination. The inconsistency is high too.[34]

While the interviewees universally praised the capacity and will of the central government, there is a widespread perception that local governments and agencies (e.g. customs) lack the capacity (and sometimes the will) to create conducive business environment. Lack of training, poor technology and lack of financing affected consistency of policies and slowed implementation. This in turn frustrates investors. On the other hand, development and management of industrial parks is highly centralized, which may instigate conflict of interest among regional governments where the parks are being setting up.[35]

e. Investor Selection and Location Decision

Industrial parks proclamation and investment laws of the country do not have a clear, competitive and transparent way of selecting investors for industrial park development and operation purposes. It has always been based on first-come- first-served type of service delivery in which, based on foreign experience, the rules should guarantee investor selection process free from any bias, discrimination based on origin and obligatory rules on government on provision of onsite and offsite infrastructure. The existing rules simply put some less stringent criteria of capital and documentary compliances that a foreign and domestic investor has to follow (EFDR Proclamation No. 769/2012). The licensing requirement do not sufficiently oblige the investor to be selected demonstrate its capacity to achieve the objectives of industrial parks development and regulation specifically on labor, export, local content, environmental compliance, backward and inward linkage with local economy, skill and technological transfer.

[34] Interviews conducted with Shints ETP Garment Plc., Jay Jay Garment Plc., and Ashton Apparel Plc. from Bole Lemi IP and Isaballa and Sarasari Export (Pvt.), Indochina Apparel Ltd., Everest Textile and Epic Apparel Plc. from Hawassa IPs on January 11-13, 2019 and February, 19-23, 2019.

[35] Interviews conducted with Shints ETP Garment Plc., Jay Jay Garment Plc., and Ashton Apparel Plc. from Bole Lemi IP and Isaballa and Sarasari Export (Pvt.), Indochina Apparel Ltd., Everest Textile and Epic Apparel Plc. from Hawassa IPs on January 11-13, 2019 and February, 19-23, 2019.

The industrial parks or industrial development strategy did not put any special attention to location decision nor does the industrial parks establishment proclamation provide hints on location matters. Specifically location decision of industrial parks is made a matter of policy decision without any hint of whether it took into account geographic or regional diversification or may be urban development (FDRE Proclamation No., 886/2015). Specifically the rules of investment law take locations decision for investment incentive purposes—those parks near Addis Ababa get fewer years of tax incentives than those located very far (FDRE Regulation No., 270/2012). The rules neither put any obligations or limitations on the government in making a location decision—specifically in areas of demand identification, backward and forward linkage and local content.

ii. Manufacturing Enterprises Related Challenges

a. High Labor turnover

As the country has much resource and comparative advantage in terms of labor resource, workers are easily replaceable. But, the rate of turnover was the most common and critical challenge facing enterprises in operational industrial parks in Ethiopia today. The interviewed HRs of the companies in the IPs explained though the required local labor force is available in the market, workers are poorly qualified due to weak entrepreneurial base and has limited motivation for work. As a result, companies were forced to retain expatriate staffs. What worse is that employees were continually leaving to other nearby companies or other sectors after cost-intensive training was being imparted.

Workers mention low wages (mentioned by workers 'below living wage'), drastic rise of living cost in areas where IPs are located, awkwardness of working environment in IPs based enterprises were placed as the main reasons for high turnover of employees. Moreover, accessing other job opportunities with better payment in similar or other sectors such as construction aggravated the high turnover. Table 4.7 shows that the percentage of employees' turnover in Bole Lemi IP.

Table 4.7: Employees' Turnover at Bole Lemi Industrial Park

Year	% of turnover
2015/16	42.5
2016/17	72.3
2017/18	98.9

*Source***:** *EIPDC (2019)*

As indicated on table, the turnover rate of workers is increasing from year to year drastically. In 2015/16, in Bole Lemi IP, nearly half of the workers left their job and after two years, in 2017/8, almost all workers of the industrial park left their job and were replaced by others. Similarly, according to Barrett and Baumann-Pauly (2019), during its first year operation of Hawasaa IP, overall attrition at the park hovered around 100% (Barrett and Baumann-Pauly, 2019). This means that, on average, factories were replacing all of their workers every 12 months, driving training costs up and pushing down efficiency rate. Regarding labor turnover in Zambian IPs, it stood less than 10% (Emmanuel, 2016). The investors are trying to mitigate this problem by providing non-financial benefits like meals, transportation and housing subsidies and some enterprises like Shites ETP Garments Plc. are constructing houses for their houses at Bole Lemi IP.[36]

b. Access to Foreign Exchange and Credit

Manufacturing enterprises in the IPs rely seriously on semi-processed imported raw materials, which generally do not play to their advantage given the limited availability of foreign exchange and lack of access to adequate credit. Interviewees replied foreign exchange as an additional barrier to imports and exports, and a cause of costly delays.[37] The National Bank is perceived as being unwilling to respond to the concerns of businesses (or example, Cash Against Document (CAD) requirements for export permits are perceived as overly-burdensome), but agencies responsible for assisting enterprises (the EIC and IPDC) are incapable to influence the Bank to change its policies and processes. Similarly, Logistics companies such as ESL also suffer from

[36] Interview conducted with Shints ETP Garment Plc. Human Resource on February 13, 2019.
[37] Interviews conducted with Shints ETP Garment Plc., Jay Jay Garment Plc., and Ashton Apparel Plc. from Bole Lemi IP and Isaballa and Sarasari Export (Pvt.), Indochina Apparel Ltd., Everest Textile and Epic Apparel Plc. from Hawassa IPs on January 11-13, 2019 and February, 19-23, 2019.

lack of access to foreign exchange, which compounds shipping delays. If logistics firms do not have the foreign currency required to reimburse companies in Djibouti for clearing services, goods can be held at the port.[38]

c. Poor Linkages to the Local Economy

The interview conducted with enterprises indicated that the enterprises in Ethiopian IPs are experiencing difficulties in identifying local firms that supply raw materials; as a result they heavily rely on expensive imported inputs. The quality of domestic raw-materials like cotton is low and could not meet the standard required by their customers, and this forced them to look outside. Particularly, garment manufacturers are facing unavailability or limited raw material supplies from local market. In this regard, raw materials like zippers, buttons, shirt folds, sewing thread fabrics and leather for shoe and glove producers are becoming chronic constraints. The Government of Ethiopia and the World Band established a pilot project that facilitates business-to-business linkages (B2B fund). Business-to-business linkage works to create linkage among locally established raw material producers with enterprises inside the IPs. Those which are efficient and qualified are proved be to be suppliers of raw materials as they are allowed to a total grant of 300,000 USD that is financed by World Bank.[39] According to an expert in this office, the local firms are granted funds that help them to be effective in the linkage process but they are still incapable of providing good quality products, meeting the delivery deadlines, improving their efficiency and having inter-organizational communication and commitment. [40]

In relation to educational institutes and IPs, thought there are universities and TVET centers in areas where IPs exist, their linkage is limited. As responses form IPDC, EIC and industrial park based manufactures' managers, this resulted from the absorbing capacity of IPs in terms qualified and skilled man power. But it is very limited, for most of the enterprises hire unskilled employees or people with limited trainings such as tailors, cleaners, packers, guards, etc. in contrast, other positions which requires qualified workers are mostly taken by the expatriates whose skills doubted by locals. In Zambia, enterprises' connections with the local labor market

[38] Interview conducted with EIC Investment Expert on January 29, 2019.
[39] Interview conducted with B2B Fund: Competitiveness and Job creation Project Manager on January 22, 2019.
[40] Interview conducted with B2B Fund: Competitiveness and Job creation Project Manager on January 22, 2019.

are promoted by IP managers and regulating bodies in cooperation with local technical and vocational training institutions and employment agencies. Nevertheless, in these countries, several IP companies find it hard to identify suitable workers on the local market (Zeng, 2015). In the case of Nigeria, currently there are limited linkages between the Free Zone companies and learning institutions. Skills transfer occurs during the job. This has been seen as a future development area by Lagos State Government as well as by the LFZDC. There are plans to initiate vocational training courses with schools in the Ibeju-Lekki Local Government Area (Zeng, 2015).

d. Shortage of Raw Materials

According to interview respondent raw material is another constraint for enterprises in IPs. Tough enterprises are accessing a great deal of their manufacturing inputs by importing from abroad, the high price of materials and logistics are still becoming constraints.[41] Besides, according to interview response of a leather product manufacturer finance manager, the country is rich in livestock resource, however, backward way of collecting hide and skin caused quality decline.[42]Shortage of raw materials is also faced by apparel manufacturers. This is resulted from limited raw material inputs sourced from the local market like zippers, buttons, sewing trade, fabrics, packaging bags that are used by garment manufactures.[43]

e. Weak Competitiveness

The success of industrial development parks is closely linked to the competitiveness of the national economy, which among others, depends on factors like the entrepreneurial base of local labor and its costs, level of technological development, level of market access, and the general business and trade regimes (openness, efficiency, etc.) (Farole, 2011).

A country's comparative advantage in terms of low labor cost and large internal market can attract FDI, which, if effectively tailored into the domestic economy, would upgrade its competitiveness in the long run through technology diffusion and product specialization. Though

[41] Interview conducted with B2B Fund: Competitiveness and Job creation Project Manager on January 22, 2019.
[42] Interview conducted with Lyu Shoutao Factory Plc. Finance Manager on February 14, 2019.
[43] Interview conducted with Shints ETP Garment Plc. Human Resource & GA Manager on February 13, 2019 and Everest Textile Plc. Human Resource Manager on February, 2019.

Ethiopia is a low-labor cost advantage in relation to other emerging developing countries in Africa and Asia, the skill and productivity of its labor force is still very low, as many used to agree. In addition, its internal input and output market is too shallow, and hence, force investors to import raw-materials which are costly in terms of time and money.

Due to these conditions, Ethiopia's manufactured products such as leather, textile and garments could not become competitive in the international market, even relative to other African countries like Kenya, though provided with the same preferential trade regimes like AGOA. According to MoT (2013), even though Ethiopia is one of the top ten exporters of AGAO, its export share is less than 1% of total SSA exports until 2012. Between 2001 and 2012, as the ministry further stated, the top two performers, namely, Lesotho and Kenya, respectively exported to the US almost 135. This is 68 times more than what Ethiopia exported. This shows performance of the export is too poor sector even to make use of the opportunities at hand (MoT, 2013).

f. Problem of Backward Linkages

Industrial parks have a positive impact in creating supply and demand linkages with local small and medium enterprises, though this is largely conditional on the industrial base of the nation (Madani, 1999). Using local raw materials has a net benefit for firms in the park, for local suppliers and the country as a whole. It connects domestic small and medium producers with large zone-based export manufacturer which could make them 'indirect exporters'. For the resident firms, it saves much money and time, especially in countries like Ethiopia where poor trade logistics makes about 10% of their production costs on average (Dihn et al., 2012). As a result, it saves foreign currency and increases the country's competitiveness in the long-run. The situation in Ethiopia in this regard is not attractive. Local raw-material shortage is the common problem of investors operating in both parks face, except few industries connected to local packaging material producers and leather input suppliers (Zeng, 2015).

While export-oriented manufacturers, like in textile and garment, are importing almost all their raw materials, local cotton producers, on the other hand, are complaining on lack of market for their products. According to an interview made with one private company in the Bole Lemi industrial parks complained that the quality of domestic leather is below the standard required by

their buyers and this forced them to import from countries like India.[44] Other apparel manufacturers in Bole Lemi and Hawassa industrial parks explained that because of the absence of raw materials for their production, they total depended on imported raw materials. Thought the absence of raw materials in local economy mentioned as a main reason for weak backward linkage, manufacturing enterprises in the parks established supply chain networks rather than processing inputs within domestic economy. This is often facilitated through exemptions from customs and VAT on imported raw materials. In this situation, one of the dynamic contributions of IPs which is productive enhancement of local firms is going be missed.[45] In this regard, the effect of IPs in Ethiopia remain static or it is only limited to employment generation export growth, government revenue and foreign exchange earnings.

iii. Employees Related Challenges

a. The Scale of Productivity and Industrial Discipline

Most of the interviewees reported that labor productivity in Ethiopia was lower than in other low-cost manufacturing destinations. For example, one apparel manufacturer stated that the level of production was between 25-30% of the manufacturer's attainable potential production capacity.[46] This reflected the fact that most of factories have very limited experience of modern industrial employment procedures. Absenteeism, ability to "concentrate" on the job and unresponsiveness to financial incentives to work overtime are identified problems. Moreover, cultural differences between management (typically foreign) and Ethiopian workers lead to misunderstandings. Interview results obtained from business personnel in the IPs attest that existing low productivity confirms they are not operating at full capacity. Estimates ranged from 25 to 90%.[47] This negatively impacts profitability and, over the long term, sustainability. Table 4.8 shows that Ethiopia's labor market efficiency rank in relation to other five African countries.

[44] Interview conducted with Lyu Shoutao Factory Plc. Finance Manager on February 14, 2019
[45] Interview conducted with EIC Investment Expert on January 29, 2019.
[46] Interview conducted with Ashton ETP Garment Plc. HR Manager on February 13, 2019.
[47] Interview with HR managers of Isaballa and Sarasari Export (Pvt.) Ltd., Everest Textile, Indochina Apparel Ltd and Sumbiri International Apparel Plc. on February 19-23, 2019.

Table 4.8: Market Efficiency Rank[48]

Countries	Rank out of 138 countries in 2015	Rank out of 187 countries in 2017
Angola	NA	128
Ethiopia	78	70
Egypt	140	135
Mauritius	52	57
Nigeria	40	37
Zambia	88	90

Source: World Economic Forum, 2015 & 2017

As shown in table 4.6, according to World Economic Forum (2015 & 2017) publication on African Competitiveness, Ethiopia has improved eight ranks from 2015 - 2017. Nigeria (37th) and Mauritius (57th) are placed in, relatively, a better position than Ethiopia, Zambia and Egypt. As indicated on the table, despite the availability of cheap labor in African countries including Ethiopia, they have lagged behind in terms of labor market efficiency. In addition to Ethiopia, Egypt and Nigeria have improved their ranks while Mauritius scored a decline of five ranks. Indictors are cooperation in labor operation relations, reliance on professional management, capacity on retaining and attracting talent, and productivity.

b. Low Wage

Workers in both Hawassa and Bole Lemi Industrial Parks placed meager fees they receive as the leading challenge while working at Industrial Parks.

According to the workers, their wage is far below their expenses. The production line workers get paid between 750 to 850 ETB per month which even cannot cover the rent of a single room

[48]According to world Economic Forum 2017, Labor market efficiency measured against cooperation in labor relations, flexibility of wage determination, hiring and firing practices, redundancy costs : weeks of salary, effect of taxation on incentives to work, pay and productivity, reliance on professional management, country capacity to attract talent and female participation in labor force: ratio to men.

house be it in Hawassa or Bolo Lemi IP surroundings. Due to this, they are forced to live in the outskirt of the cities. So that they can find affordable rental houses but they become vulnerable to sexual harassments and abduction (Addis Insight, 2019). This living condition directly affects both their capacity and effectiveness. Similarly, the technical workers also get insufficient payments between 1500 to 2000 ETB. University graduates salary is also between 2500 to 4800 ETB. The Park administrators responded that the main reason why investors prefer Ethiopian IPs is the availability of cheap labor. Adding on this, since workers are provided free meals and other services, rapid promotion, diversified allowances and overtime pays are common their wage is not that low from the Ethiopian standard.[49] In comparison, while Ethiopian workers get 26 USD a month on average, Chinese garment workers earn 340 USD, Kenyan workers earn 207 USD and Bangladesh earn 95 USD for similar job in garment manufacturing factories (Barrett & Baumann-Pauly, 2019).

The interviewed employees' of the IP enterprises are hired based on permanent contracts. But many of the IP enterprises have contract formats that contradict the EFDR Labor Proclamation no. 377/2003. For instance, not providing contractual agreements that assume workers as fixed-term contract worker; replacing annual leave with payment or totally excluding annual leave, failing to indicate the specific working place and position of the workers, forcing employees to work over-time and etc.[50] Similarly, these complaints of the workers also shared by BOLSA and MoLSA representatives.[51] They own up that they have also observed such unlawful contractual agreements during their half years based supervision and they have recommended the companies to modify the agreements as per country's labor law because the current contract format used by most IP enterprises prioritized the manufacturing enterprises interest instead of benefiting both parties and avoid dispute that may disturb the industrial environment.

[49] Interview conducted with HIP vice-CEO on February 19, 2019.
[50] Interview conducted with Bole Lemi IP Workers (the workers are included from Shints ETP Garment PLc, Lyu Shoutao Factory Plc, Jay Jay Garment Plc, Ashton Apparel Plc on January 11-13, 2019.
[51] Interview conducted with BoLSA delegates in Bole Lemi IP (Labor Officers) on February 14, 2019 and MoLSA delegates in HIP (Labor Officer) on February 19, 2019.

Data from enterprises shows that 80 to 92% of the apparel manufacturers and 86% of leather product manufacturing companies have female workers.[52] Factories' managements said that they employed higher number of female workers due to their availability on the market, which is higher than males; and female workers best handle the nature of factories production systems and they are easy to manage. In contrary, the information from the workers side indicated that, companies recruit female workers because male workers feared to be challenging the stressful working conditions and resist low wages.

c. Occupational Health and Safety Issues

Workers and BOLSA and MOLSA (in Bole Lemi and Hawassa, respectively) representatives confirm the presence of safety signs and symbols, provision of safety clothes, shoes, masks, gloves, etc. as per their working positions. In addition to safety kits and fire extinguishers, clinics and fire brigades also exist in the parks. In general, concerning the working environment, workers have presented limited complaints. Sanitation issues, light, noises, dining rooms, lockers, are among the complaints listed.

The labor law of the country enforces industries to form safety committee within their own specified strategic guidelines. But three out of the nine interviewees (managers of the enterprises) informed that there are safety committees in their factories. In addition, majority of interviewees also responded that the sheds are not well ventilated. As a result, workers face difficulties to breath. Not only this but also employees who are assigned to work on activities like cutting, quality inspection, ironing, accessory store keepers, etc. spend most of their working time being upright or set on uncomfortable chairs.

iv. Challenges Related to Local Community

These challenges mainly focus on the socio-economic problems that are caused following the establishment of IPs.

[52]Lyu Shoutao Factory Plc is the only Leather products producer and it is found in Bole Lemi IP.

a. Problems of Land Acquisition Procedure

The main challenge related to the issue of IPD on local community is problems related land acquisition procedure. The investment laws and specifically, the industrial parks laws of the country just refer the procedures of land acquisition of any urban land or rural land put under the FDRE Proclamation no. 455/2005. The proclamation put joint collaboration of federal and states on displacement, compensation and rehabilitation issues. Based on best international practice it hasn't specifically left the displacement issue for states and the compensation to the federal and rehabilitation again to the states. This will create all lot of problems on the adequacy of the compensation, well-being and rehabilitation of displaced people and nearby residents.

Industrial Park Developments and land acquisition often involve in agricultural land and the central and state governments are acquiring the land from the farmers. In developing Industrial Parks, the government forcibly acquires private property for a public purpose without the consent of the land owner, which is different from a market purchase of land. In this process there would be displacement of previous land owns by relocating to other places or just by paying them compensations that will help them rehabilitate their livelihood. Table 4.9 shows the number of households in relation to the size of land taken from them and size of land they are left with.

Table 4.9: Households relocated from Bole Lemi Industrial Park

Industrial Parks	Total amount of taken land/ hectares	No. displaced Head of Households		Family Size on Average		Size of Average Remaining land/ hectares		Average Farm Size taken from each head of house / hectares		Total number of displaced individuals	
		M	F	M	F	M	F	M	F	M	F
Bole Lemi Phase I	138.53	270	76	4.4	3.3	0.28	0.09	1.12	1.11	1200	250
Bole Lemi phase II	262.24					0.13	0.06	1.32	1.51		
Total	400.78	346								1450	
Total Average	-	-		3. 85		0.14		1.27		-	

Source: IPDC Bole Lemi Branch, 2019

As indicated on the table, 400.78 hectares of land is used to build both Bole Lemi Phase I and II Industrial Park. The land used to own by 270 male and 76 female households (each households on average compromising four members and consist of 1450 individuals) who are dependent upon the farms for their livelihoods. On average 1.27 hectares of land was taken from each household. The farmers lost almost 90 percent of their farming land on average. In countries like Ethiopia where traditional farming is common, farmers struggle to feed, educate, improve themselves and the lives of families (each family is consist of 4 members on average) using small size of farmlands(0.14 hectares per households). Such conditions would affect productivity of agriculture by raising the land man ratio in the country.

As information collected from focus group discussion[53], though the government had attempted relief and rehabilitation programs, the livelihood of most farmers diminished in terms of income and quality of life. Aside to the economic impact of displacement, it is also caused fragment in social fabrics of the local community. According to these farmers, though they were promised job opportunities that could help for their lives sustenance the promised were not kept. Table 4.10 shows the living condition of households after the construction of the park.

Table 4.10: Changes in Living Standard of Households in Area of BLIP

Changes	Lemi I		Lemi I Total	Lemi II		Lemi II Total	All	%
	M	F		M	F			
Better	12	2	14	5	3	8	22	6.5
Same	20	4	24	43	12	55	79	23.5
Worse	95	14	109	89	37	126	235	69.9
All	127	20	147	137	52	189	336	100

Source: *IPDC Bole Lemi Branch, 2019*

[53] The focus group discussion was conducted with 8 relocated head of houses in the place where BLIP is found on March 12, 2019.

Similarly, the data obtained from the IPs depicts the lives of relocated households showed little improvement after they are moved from their land and after the provided compensations. For example, only the lives of 6.5 % of households showed improvement, 23.5 % of the farmers remain unchanged and majority of the households' lives (69.9) got worsen from the standard of living they were living before the relocation. This shows the construction of the BLIP played negative role on living condition of local community. This made farmers to develop negative attitude towards IPD.

4.6. Lessons Learned From and To Ethiopia

4.6.1. What other Countries Can Learn from Ethiopia?

Many contributed to the success and failures of Ethiopia's IP development and in every case, the situations and factors might be different factors. However, their success and failures draw on some common key elements and points to some common lessons.

The relatively low cost of doing business in Ethiopia's Industrial Parks has been a defining feature of its investment attractiveness, with very low cost of electricity and relatively low cost of labor (particular in relation to regional competitors). The Industrial Park offering was also bolstered through a strong incentives package.

Development of a strong political vision is key to supporting the development of the IPD program and attracting investment. It is observed that a strong vision can lead to more effective promotional efforts, in this case through the creation of the EIPDC which obtained a degree of autonomy from the Federal government allowing it to create bespoke incentive packages.

Direct involvement of Government officials in attracting and supporting foreign investors has been crucial in attracting high-visibility anchor tenants to the zones. The regional and national visions were developed around the economic potential of the IPs development, which also included large-scale infrastructure developments in the country.

Bole Lemi and Hawassa Industrial Parks was achieved through a well thought out investment strategy process. This included a well-coordinated effort from government agencies aimed at targeting specific investors to mitigate existing concerns and weaknesses within the Ethiopian investment environment. The investment promotion efforts were also specifically targeted at particular businesses in particular sectors, after feedback from market research and could attract

worlds' famous/ anchor tenants in garment production like PVH, Shints, Velocity Apparelz and Jiangsu Sunshine Group. The promotion work and the coming of giant companies increased the confidence of other companies to invest.

Except the private IPs, the management of all public Industrial Parks is run by local administrative staffs. Though, lack of experience appears as a challenge currently, in future it will help increase the country's potential in building competent IPs management skills and institutional capacity.

The Bole Lemi and Hawassa Industrial Parks created a strong incentives package which was developed through well-coordinated government agencies aimed at targeting specific investors to mitigate existing concerns and weaknesses within the Ethiopian investment environment. This included proactive investment strategies and well-designed investment legislation and regulation which has resulted in a more attractive investment proposition within the zone. Expanding and diversifying industrial parks are other lesson from Ethiopia.

4.6.2. What Ethiopia Can Learn From other Countries?

Given the various challenges that the SEZ programs in Ethiopia face, in order to avoid falling into the same pitfalls in the past, Ethiopia needs a new SEZ strategy. Such a strategy can draw on the useful lessons and experiences of other African countries, and can build on the following thrusts.

Zones need to build on local comparative advantages and have local suppliers/clusters as part of their value chains. In Mauritius, unlike many African countries, most zones are well plugged in the existing local clusters, so the zones and local clusters reinforce each other through business linkages. Mauritius zones also encourage foreign investors to establish joint-ventures with local counterparts. Governments also encourage the backward linkages through technical assistance and other policy interventions (Baissac, 2011). In addition, Micro-policies, which provide investment incentives in IPs, including favorable locations, promotion, institutional support and adherence to the basic IP principles, such as efficient bureaucracy, duty free imports and inputs, profit repatriation and supporting infrastructure such as roads, ports, airports, telecommunication, electricity and water (Lettice, 2003). Ethiopia's policymakers and implementers should work for the fulfillments of conditions catalyzed the success of Mauritius export processing zones.

Skills training and technology transfer and diffusion is crucial for the zones to acquire sufficient manpower and make their products competitive. In Zambia, many zones have well equipped skills training center, which works closely with technical and vocational schools, colleges and universities to provide relevant skills training and technology support for the firms in the zones. Local governments also have talents strategy to attract highly skilled people to work in the zones (Zeng, 2015).

In the case of Lekki SEZ in Nigeria, there has been significant involvement of the private sector in the development and operation of the zone. This key partnership made with the private sector and the Chinese private sector. The inclusion of State government and private sector helped catalyse the development of the Lekki Fee Zone (COMCEC, 2017). Ethiopia should learn from this experience so that the domestic private sector' involvement increases in the development and operation process in Industrial parks.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

Industrial park development is relatively new to the Africa continent. Africa as an emerging economy looks for industrialism to hasten its development. Hence expanding industrial parks attracting foreign investment, and creating platforms for technology transfer are not of a choice. However, challenges are inescapable. This thesis began aiming to explore the challenges, taking Ethiopia a case in point, forwarding recommendation and articulate Ethiopia's lessons in industrial development.

Ethiopia embarks on industrial park development in 2000s. Its commencement filled with bigger ambitions despite challenges related lack of experience and basic infrastructure.

To withstand the challenges, Ethiopia made significant efforts such as setting policies that appeal investor and make it competent investment destination. Larger infrastructural activities have also been carried out. As the research finding shows investors are positive to Ethiopia's investment laws. They are enjoying various incentive packages. They say those incentives have made them competent and eased their doing business. However the researcher observed gaps on investor selection, location decision, and setting of minimum wage.

Absence of labor law is a huge bottleneck affecting industrial working environment. Workers strongly criticize poor salary they get, limited over time work and gender disparity. This resulted in high turnover. Investors showed their concern over the provision of water, electricity, and internet access. Power outage is a critical issue affecting their production. Logistics, transport, have also been a besetting to prompt export. Despite Ethiopia is endowed with abundant resources, lack of processing and poor market chain caused shortage of raw material. Investors are being challenged by lack of raw material. Some materials they find also lack quality. Foreign exchange is another hold up according to investors interviewed. Peace and stability has also made productivity challenging. When it comes to productivity and industrial disciple, investors describe current practice as poor given Ethiopia's newness to industrial park development.

Investors point out the need to skill training. Generally, the study shows Ethiopia's practice could be characterized auspicious given attractive policy and commitment but also shadowed by lack of coordination, basic infrastructure and lack of experience.

5.2. Recommendations

- Ethiopia should sustain its commitment to industrial park development as it in generating foreign currency, creating jobs and realizing technological transfer. It policies and laws has so far been effective as it attracted many foreign investors across the world. But it should also continue upgrading its policies and laws along with the international business competition. Based on the finding the researcher recommends the revision of labor law as it posed problem on industrial working environment.
- EIPDC should continue making effort on fulfilling basic infrastructure such as roads, water, electrify and telecom services. Power generation and distribution should be done keenly. Logistic services should also speedy and make export of material prompt.
- The industrial park development should also give due emphasis on promotion and collaboration among stakeholders. Working on provision of raw materials is as much important to other essential ingredients to industrialism. Domestic firms should work with other sectors and strengthen market chain and expedite services.

- Even though getting rid of fiscal incentives is a challenge that requires collective action, Ethiopian industrial park program should begin to reduce their reliance on fiscal incentives. This will be easier to do with a strategic focus that shifts away from activities in which they are uncompetitive and toward those in which they have comparative advantage. Shifting to more focused incentive regimes (for example, targeting specific sectors or activities) is a first step in the process; emphasizing non-fiscal incentives (particularly services) is a bigger step.
- Caution must be made by EIDPC in locating industrial parks since it may involve relocation of farmers from their land, which may amount into resistance against the program itself. So, the processes of rehabilitation relocated households should be done in a sustainable manner. Plus, the location decision should accompany detail master and strategic plan of the industrial parks as to the expansion and the related burden it created

on the livelihood of the residents. In addition, the location decision should be made by considering the availability of labor and raw materials and nearness to transportation accesses like road, railway, sea port and airport.

- Suppliers from the domestic economy to IP companies should be exempted from import duties on the raw materials used in this production. This allows them to at least be on equal footing with competitors supplying the zones from outside the country.
- The investment and industrial park rules should put greater emphasis on private sector participation in zone development and also substantially alter the role of the authority by splitting its regulator function from its development and management role; the rules should set clear and objective criteria for site selection and mandatory feasibility studies to eliminate discretionary powers and erratic decision making.
- Strengthening industry-university linkages and involving the academia in strategic research, policy making and advising, and other professional engagements.
- Furthermore works on peace and stability are highly important. There has to be effective ways to manage protests, strikes and disturbances and make sure those things doesn't affect the business climate. Government, politicians, law enforcement organs and the local community should ensure the safety of investors and their investment.
- Other countries in the region can learn from Ethiopia's attractive investment policies, incentive packages that ranging from duty free imports to tax exemption and other opportunities available in the country.
- However countries in the region should note that they should do prior works on provision of basic infrastructure, supply of raw materials, and setting progressive labor law.
- Building Industrial culture and discipline is key instrument for better productivity. So Ethiopia and the continent at large should give focus on developing industrial culture and discipline.

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APPENDICIES

APPENDIXES-A

List of Interview Questions for EIPDC and EIC Officers

Inception and Planning

1. How the IP was originally designed and planned and that are/were the government's main objectives in establishing an IP program?
2. Can you explain the process of establishing legal framework, process of establishing the policy framework and the process of establishing institutional framework?
3. Site selection – how was the location selected? What criteria were used to identify sites?

4. What competitive advantages is the IP considered to have relative to other locations and competitor countries?
5. Anchor tenants, phasing and growth strategy?
6. Can you identify any particular implementation challenges?
7. How are the provision and availability of infrastructure ?
8. How the SEZ has created stronger relationships with trading partners/countries?

Appendixes-B

Interview Questions for IP Enterprises

Investment Environment, Labor Force, Linkage Related Questions

1. What is your motive for investment in the industrial park and what are the advantages of locating in the industrial parks located in Ethiopia?
2. Are the parks firmly playing the role of technology transfer?
3. As a member of industrial park based company, what are the comparative advantages you mainly benefited from?
4. Any substantial link of local suppliers for raw materials demanded in your production process?
5. Do you think your company saves the country's foreign currency by import substitution or/and export products?
6. Any formal and informal cooperation with local producers and education institutes?
7. Can you tell me which of the elements of the business environment included in the list, if any, currently represented the biggest obstacles faced by these establishments?
8. Do you think your company saves the country's foreign currency by import substitution or/and export products? If yes, describe.
9. Does your labor demand and local labor supply match? Do you find labor source with the quality and quantity you expect from?
10. Is there any remarkable achievement in transfer of knowledge and skill through labor mobility?
11. Do you pay equal value in your factory? Do female workers paid equal or less compared to their counterpart male workers your factory?
12. Have you provided trainings and development opportunities for your employees? What kind of trainings do you provide for your employees?
13. Would you please mention opportunities you got by investing in the industrial park?
14. What do you recommend in improve challenges already make its appearances?
15. What are the potential building blocks in the local labor market to build strong capacity?

Infrastructure and Service Related Questions

1. Have you ever requested any form informal gift or payment for services you got from government offices?
2. Are you provided sufficient water, adequate electricity and internet connection?
3. To what extent the IPD in which you located is contributed for our firm competitiveness?
4. Would you please elaborate a bit which are the main problems related to park administration or institutional framework in which they operate?

Appendixes-C

Interview Questions for Industrial Park Based Employees

Wage Related Question

1. What is your working position in this enterprise?
2. Can you tell me the amount your monthly salary?
3. Does the payment you are getting enough to cover your monthly expenses?
4. Do you think your monthly payment is equivalent to your production performance and level of education and training?
5. How are trying to manage your life using your monthly salary? Have you faced any problem in this situation?

Recruitment Related Questions

1. What is the duration of your employment? Are you given written contract?
2. Are you allowed to have paid annual and sick leave? Was there any situation you are forced to change your annual or weekly leave with payment?
3. Is there any form of labor supervision by the government offices or officials?
4. Are you forced to work overtime?

Gender Related Questions

1. Is there any form of gender specific recruitment method applied by the enterprise?
2. Do female workers paid equivalent to their male counterparts?

Occupational Health and Safety Related Questions

1. Is there enough ventilation, lighting, accesses to clean water drinking water, toilet in your working shed?
2. Do workers receive protective clothing or equipment? Are you asked for payments for them?

3. Do workers suffer from any health problems caused by the working condition in the factory?

Others

1. Have you ever been provided any form of training by the enterprise?
2. Do you face communication barriers with expatriate supervisors?
3. How do you try to manage your issues with the enterprises related to salary, food, transportation and other services?
4. Have you acquired any form skill or knowledge by working in industrial park based enterprises?
5. Are you interested to work for long period of time in this enterprise?
6. Do you have any security related problems?

Appendixes-D

Questions Used for Focus Group Discussion

1. Have you been discussed on the issue of IPD before you were relocated from your farming land?
2. Are you left with enough land used to feed and educate your family members?
3. Is there any attempt/program implemented to rehabilitate households by government or stakeholders?
4. Have you seen progress in your individual and family members' lives after any attempt to rehabilitate you?
5. Are you benefited from the established industrial park in terms of getting employment or any form of corporate social responsibility?

Appendix-E

PUBLIC AND PIVATE INDUSTRIAL PARKS IN ETHIOPIA (AS OF 2019)

No.	Name of Industrial park	Location	Distance from Addis (in kms)	Distance from Djibouti (in kms)	Progress	Organizer	Constructor	Main Industry	Size (per hectares)
1	Eastern Industry Zone	Oromia, Dukem	80	800	Completed in 2008	China	23 Local companies	Mixed Chines companies	500
2	Bole Lemi Phase I	Addis Ababa	-	860	Completed in 2014	Government, WB funds	CCECC	Garment & leather products	157
3	Hawassa Industrial Park	SNNPR	275	998	Completed in 2016	Government, WB &foreign government funds	CCECC	Garment	400 (100 in phase I)
4	Mekelle Industrial Park	Tigray	760	750	Completed in 2018	Government, WB funds	CCCC	Garment	1000 (75 in phase I)
5	Kombolcha Indusrtial Park	Amhara	363	480	Completed in 2018	Government & Indian Government funds	CCCC	Garment	750
6	Jimma Industrial Park	Oromia	346	1200	Completed in 2018	Government	CCCC	Garment	1000
7	Bole Lemi Industrial Park Phase II	Addis Ababa	-	860	Under construction	Government	CTCE	Garment	170
8	Kilinto Industrial Park	Akaki, Addis Ababa	-	860	Under construction	Government, WB & China funds	Chinese company	Pharmaceuticals and medical equipment	279

9	Dire Dawa Industrial Park	Dire Dawa	445	380	Completed in 2019	Government	Chinese company	Assembling, garment. foods	4000 (150 in phase I)
10	Adama Industrial Park	Oromia	74	678	Completed in 2019	Government	Chinese company	Assembling, garment. foods	2000 (365 in phase I)
11	Bahir Dar Industrial Park	Amhara	578	985	Completed in 2019	Government	-	Garment	1000 (75 in phase I)
12	Arerti Industrial Park	Amhara	105	860	Under construction	Government	CCCC	Constraction products, home appliance	-
13	Aysha Industrial Park	Somali	620	150	Under construction	Government		-	-
14	Debre Birhan Industrial Park	Amhara	130	895	Completed in 2019	Government		-	-
15	Haujian Group Industrial Park	Lebu, Addis Ababa	-	863	Completed ????	China		Shoe	138
16	Mojo George Shoe Industrial Zone	Oromia	74	797	Under construction	China		Leather	50
17	Airlines and Logistics Park	Addis Ababa	-	863	Under construction	Government		Transportation	200
18	Kingdom Linen Industry Park	Dire Dawa	515	400	Signed MoU	China (Zhejiang Jinda Flax)		Linen	-
19	Bure Integrated Agro-Industrial Park	Amhara			Under comstruction	Government		Agro-products processing	155
20	Bulbula Integrated Agro-Industrial Park	Oromia	180		Under construction	Government		Agro-products processing	263

21	Yirgalem Integrated Agro-Industrial Park	SNNPR			Under construction	Government		Agro-products processing	109
22	Baeker Integrated Agro-Industrial Park	Tigray			Under construction	Government		Agro-products processing	151
23	Assossa	Banshangul Gumuz	687		Planned	Government	-	Forest products, pulp	
24	Ethio-Turk International Industrial City	Oromia	35	900	Planned	Turkey(Akgun Group)	Turkey	-	1300 (100 for Phase I)
25	Bishoftu Industrial Park	Oromia	42	820	Planned	Government	-	-	180
26	Andido Industrial Park	-			Planned	Government	-		425
27	Awash Arba Industrial Park	Afar			Planned	Government	-		225
28	Asayta-Semera Industrial park	Afar			Planned	Government	-		274