



INFRA FINANCIALS

INSIGHTS ON THE ETHIOPIA'S INDUSTRIAL PARKS

By: Infra Financial 's – Research and Analytics

Dec. 2022

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Insight Focus coverage areas

Overview

Key anchor principles

Facts about industrial parks

Contribution of existing industrial parks

Industrial park facilities

Industrial park investment incentives

Overview

The Government of Ethiopia (GoE) had placed a high focus on industrial park (IP) development and expansion with the vision to make the country a leading manufacturing hub in Africa by 2025¹.

The Ethiopian government's main intention behind the development and expansion of IPs throughout the country is

- o To attract FDI;
- o Create mass job opportunities;
 - o Foster domestic investors and companies;
- o Transfer technology and skill;
- o Build value and supply chains;
- o Generate export earnings;
- o Create regional equity; and
- o Reduce poverty

The GoE has so far constructed and operationalized over 20 state-of-the-art industrial parks (both government and privately owned) located along key

development corridors – each with distinct specialty in priority sectors².

The Ethiopian Industrial Parks Development Corporation (IPDC) was established in 2014 with a mandate to develop and administer industrial parks. It also serves as a land bank for new IP developers. It has several land parcels within each enclosed IP reserved for expansion or new development of IP.

The land within the IPs can be classified into developed and undeveloped lands. With respect to developed land, the land is already provided with all the necessary industrial Infrastructure (electricity, water, dry and liquid sewage and sludge treatment, telecom service and etc). The undeveloped land requires more investment. The developed land is free from any right of way issues. IPDC can issue Title deed for Tenant industrialists.

Since its establishment IPDC has developed a total of 13 IPs³ of which 10 have become

¹Ethiopian Investment Commission (EIC) ³ They are situated in Addis Ababa (Bole Lemi I & II,

² The Ethiopian Industrial Parks Development Kilinto and ICT Park), Sidama (Hawassa), Amhara Corporation (IPDC) and EIC (Debre Birhan, Kombolcha and Bahir Dar), Tigray

Disclaimer: This insight represents solely the findings, analysis, and views, of Infra Financials research and Analytics team and does not necessarily reflect the management opinions.



agro-processing area. Moreover, 2 of the government IPs have mixed specialties⁸. According to the IPDC, Investment priority sectors at the IPs are:

- o Agro-processing & horticulture
- o Leather and leather products
- o Pharmaceuticals
- o ICT

Owner Specializations	Government Private	
	Textile & Apparel	
Leather & Leather products		
Pharmaceutical		
Agro processing		
Mixed		

Source: EIC

Key Anchor Principles⁹

Specialized Parks: Enhancing economy of scale and efficiency through the development of specialized/ clustered Industrial Parks that are dedicated to priority sectors such as Apparel and Textile, Leather and Leather Products, Pharmaceuticals, Agro-processing etc.

Export oriented: Government provision of Industrial park incentives and support measures targeted at increased export performance and competitiveness.

Technology transfer, Skills development and competitiveness: Creating and developing a pool of trained industrial work force & enabling environment for skills

attraction & retention which will lead to enterprise competitiveness.

Vertical integration: Enhancing backward and forward linkages in the economy.

Sustainability: Maintaining high environmental standards through the utilization of environment friendly technologies, zero liquid discharge systems and other socially sustainable facilities such as housing accommodations for staff through various schemes and arrangements, etc.

Facts about Industrial Parks

The followings are the lists of all government and major private owned IPs¹⁰.

Bole Lemi I & II IP

Location: Addis Ababa - capital of Ethiopia

Owner: Government

Sector: Textile & Garment, leather & leather products

Total Land area: 172 Ha (phase I), 181 Ha (phase II)

Sheds overview: 20 sheds

Park Occupancy: Fully occupied

Number of Companies: 12 companies

Employees: ~ 18,000 workers

Logistics: very close (about 12km) to Bole international airport

Hawassa IP

Location: Hawassa – Sidamo Region

Owner: Government

Sector: Textile and Apparel

Total Land area: 300 Ha

Sheds overview: 52 sheds

⁸ EIC 10 IPDC, EIC, UNIDO

⁹ IPDC and EIC

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Park Occupancy: Fully occupied
Number of Companies: 22 companies
Employees: ~ 32,000 workers
Logistics: soon will have a multimodal logistics service provided by DHL and Ethiopian Airlines. Close (about 20km) to Hawassa international airport

Mekele IP

Location: Tigray Region
Owner: Government
Sector: Textile & apparel, Leather & leather products
Total Land area: 75 Ha
Sheds overview: 15 sheds
Park Occupancy: 13 sheds occupied
Number of Companies: 10 companies
Employees: ~ 3000 workers
Logistics: close proximity to the port of Assab

and Massawa (about 400km)

Kombolcha IP

Location: Kombolcha – Amhara Region
Owner: Government
Sector: Textile & Apparel, leather products
Total Land area: 75 Ha
Sheds overview: 9 sheds
Park Occupancy: Fully occupied
Number of Companies: 6 companies
Employees: ~ 2000 workers
Logistics: close proximity to the port of Djibouti

Dire Dawa Free Trade Zone

Location: Dire Dawa
Owner: Government
Sector: Multi sectors: Assembling, Garment, Foods
Total Land area: 150 Ha
Sheds overview: 15 sheds
Park Occupancy: 4 sheds occupied
Number of Companies: 5 companies
Employees: ~ 10,000 workers

Logistics: very close proximity to the port of Djibouti and the Addis-Djibouti railway station

Adama IP

Location: Adama - Oromia Region
Owner: Government
Sector: Multi Sectors: Textile & Garment, Machinery and Equipment
Total Land area: 120 Ha
Sheds overview: 19 sheds
Park Occupancy: Fully occupied
Number of Companies: 8 companies
Employees: ~ 5000 workers
Logistics: Located only 100 kms away from the capital with very close proximity to the Modjo Dry Port

Debrebirhan IP

Location: Debrebirhan – Amhara Region
Owner: Government
Sector: Textile & Apparel, Agro-processing
Total Land area: 100 Ha
Sheds overview: 8 sheds
Park Occupancy: 5 sheds
Number of Companies: 4 companies
Employees: ~10,000 workers
Logistics: 130 kms away from the capital

Jimma IP

Location: Oromia Region
Owner: Government
Sector: Textile & Apparel, Agro processing
Total Land area: 75 Ha
Sheds overview: 8 sheds
Park Occupancy: 3 sheds
Number of Companies: 2 companies
Employees: ~10,000 workers
Logistics: 352km from Addis Ababa

Bahirdar IP

Location: Amhara Region
Owner: Government

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Sector: Textile and Apparel

Total Land area: 75 Ha

Sheds overview: 8 sheds

Park Occupancy: 5 sheds

Number of Companies: 4 companies

Employees: ~10,000 workers

Logistics: Located in the textile hub where there is a specialized University specific to Textile & Apparel

ICT

Location: Addis Ababa

Owner: Government

Sector: IT manufacturing, business process outsourcing, IT enabled services

Total Land area: 200 Ha

Sheds overview: 6 office buildings

Number of Companies: 30 companies

Employees: ~ workers

Logistics: close of bole international airport, business community market, universities and R & D institutions

Addis Industry Village

Location: Addis Ababa

Owner: Government

Sector: Textile & Apparel, leather and leather products

Total Land area: 8 Ha

Sheds overview: 19 buildings

Number of Companies: Fully occupied

Employees: ~2500

Logistics: very close proximity to Bole International airport

Kilinto IP (Not operationalized)

Location: Addis Ababa

Owner: Government

Sector: pharmaceutical, medical equipment

Total Land area: 280 Ha

Sheds overview: 15 sheds

Park Occupancy: None

Number of Companies: none

Employees: None

Logistics: very close (about 18km) to Bole international airport

Semera IP (Under Construction)

Location: Afar region

Owner: Government

Sector: Textile & Garment, Leather & leather products

Total Land area: 50 Ha

Sheds overview: 5 sheds

Park Occupancy: None

Number of Companies: None

Logistics: near to the road that links to Djibouti port

There are few privately developed industrial parks. The major ones are the followings:

Huajian IP

Location: Addis Ababa

Owner: Private - Chinese

Sector: Textile & Apparel, leather & leather products

Total Land area: 138 Ha

Sheds overview: 8

Number of Companies: 4 companies

Employees: ~250

George Show IP

Location: Addis Ababa

Owner: Private - Taiwanese

Sector: leather & leather products

Total Land area: 86 Ha

Sheds overview: 33

Employees: ~600

Eastern IP

Location: Addis Ababa - Chinese

Owner: Private

Sector: Mixed

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Total Land area: 400 Ha
Sheds overview: 33
Number of Companies: 16 companies
Employees: ~ 21,000

Vogue IP

Location: Tigray Regional State
Owner: Private - Turkish
Sector: Textile & Apparel
Total Land area: 177.5 Ha
Sheds overview: 2

DBL IP

Location: Tigray Regional State
Owner: Private
Sector: Textile & Apparel
Total Land area: 78.05 Ha
Sheds overview: 5

CCCC Arerti IP

Location: Amhara Regional State
Owner: Private
Sector: Construction Materials & home appliances
Total Land area: 100 Ha
Sheds overview: 5

CCECC Dire Dawa IP (under construction)

Location: Dire Dawa
Owner: Private - Chinese
Sector: Mixed
Total Land area: 1000 Ha
Sheds overview: None

There are also Integrated Agro-Industrial Parks (IAIP) established in Ethiopia to transform the agriculture sector. Ethiopia has currently identified 17 areas potential for agri-businesses, out of which four are developed as pilots; they are:

- o Bure IAIP in Amhara region (North west)
- o Bulbula IAIP in Oromia region (central)
- o Yirgalem in Sidama region (South)
- o Baeker in Western Tigray (North)

They are strategically located parks with modern, state-of-art amenities spread across four agriculturally rich regions of Ethiopia. The IAIPs are connected with farms and communities through the Rural Transformation Centers (RTC)¹².

Bure IAIP

Location: Amhara Region
Under: Amhara IPDC
Total Land area: 1000 Ha
Logistics: 156 kms south-west of Bahirdar
Key focus: Edible oil processing, Maize processing, Soya bean processing, Honey, Milk, Meat, Horticulture, Egg and Poultry

Bulbula IAIP

Location: Oromia Region
Under: Oromia IPDC
Total Land area: 271 Ha
Logistics: near to expressway (Mojo to Hawassa)
Key focus: dairy farms, fishery potential, fruits and vegetables, honey, grains, pulses, coffee and spices

Yirgalem IAIP

Location: Sidama Region
Under: South IPDC
Total Land area: 294.5 Ha
Logistics: 40kms south of Hawassa
Key focus: processing organic products of diary, avocado and coffee, cereals, coffee fruits, vegetables, diary, meat and animal products

Baeker IAIP

Location: Tigray Region

¹¹

<https://iaip.gov.et> ¹² <https://iaip.gov.et>



Under: Tigray IPDC

Total Land area: 150.92 Ha

Logistics: near to Humera airport

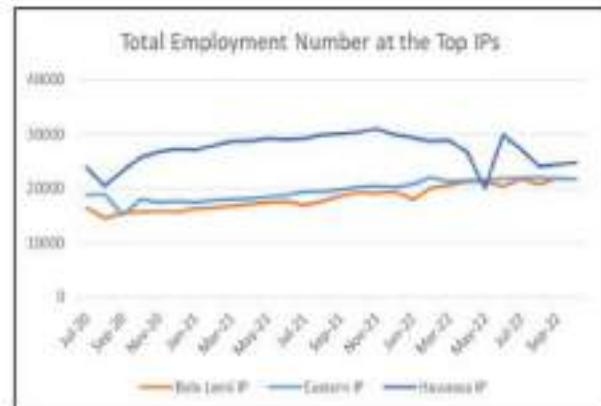
Key focus: rich growing area of sorghum, sesame, fruits, dairy, meat and other animal products

Contribution of Existing Industry Parks

FDI Attraction: IP development has attracted FDI from private park developers and tenant companies that rented sheds in the existing IPs. Moreover, manufacturers for some of the World's best-known brands were attracted by the industrial parks and a range of financial incentives invested in IPs. Currently, almost all sheds in inaugurated IPs are rented by foreign companies.

Fostering Domestic Investors and Companies: the participation of local investors and companies in IPs is insignificant. This may be attributable, among others, to lack of experience, capital, industrial culture, and insufficient incentives.

Employment Creation: According to EIC at the end of 2021/22 FY, the total number of employees both at the government and private IPs was 88,601 increased by 8% from the same period previous year. From the total number of employees 79.7% at 2021/22 were females. The privately developed IPs contributed to 25.3% of the total employment created in 2021/22 FY. The largest number of jobs was in Hawassa IP (35.3%) followed by Eastern IP (23.0%), and Bole Lemi IP (21.6%).



Source: EIC

Looking at the last 28 months employment data, Hawassa have created the largest number of jobs (24,784) followed by Bole Lemi (21,733) and Eastern Industrial Park (21,686).

Export Earnings: It is not only the total

export value where as the number of IPs exporting their products have also increased in the last five year period. Only two government owned IPs exported in 2017/18 FY and the number increased to 7 then 9 and 11 IPs in 2021/22 FY.

Companies in these 11 state-owned operational IPs contributed to the export earnings of the country by exporting USD 197 million 2021/22 FY. The major contributing industry parks were Hawassa (46%) and Bole Lemi-I (26%) followed by ICT Park (8.6%) and Adama (8.0%).



Source: IPDC

Different reports indicate that the export earnings at the IPs is below the plan. The major causes for low performance were incomplete infrastructure, inefficient logistics system, underperformance of some tenant companies, workers' low productivity and high turnover, political instability of the past three years, delay in construction of some IPs, shortage of quality water, dispute between employee and employer, and power interruption (IPDC Report, 2012).

Five privately owned IPs exported their products in 2020/21 and 2021/22 FY.

However, only two of the IPs exported in 2021/22 FY and generated export earnings of USD 8.1 million, dwindled by 15.6% from the same period previous year (about USD 9.6 million). The major export share was driven by Eastern IP (47%) and George shoes IP (53%) in 2021/2213.

Technology and Skill Transfer: A survey done by UNIDO (2018) indicate that most Chinese firms provide formal training

programs, however, most of the local workers are concentrated in low skill jobs at the industrial parks.

Building value and supply chains: the current trend in IPs is far behind the government's intention of building linkages to local input providers. Backward linkages in textile and leather sectors remain quite limited in the export sector.

Indirect contribution of IPS: the expansion of IPs is facilitating development and urbanization in the town/city where the IP is established. It encouraged the development of infrastructure, social services, provided an opportunity for service providers like transport, house rent, hotel and restaurants, etc.

Industrial Park Facilities

One-Stop service:

- o Processing & issuance of investment permits
- o Issuance of business licenses
- o Commercial registration certificates
- o Issuance of work permits
- o Registration of trade or firm name
- o Agreements
- o Issuance of tax identification number
- o Notarization of MoU and AoA
- o Issuance of customs duty exemptions
- o Customs clearance in IPs
- o Banking services, etc
- Dedicated power sub-station
- Waste treatment facilities



Commercial buildings and housing facilities
Health stations / Fire brigade
24 hours x 7 days security service

Industrial Park Investment Incentives

IP developers and enterprises benefit from a special tax and other financial incentives package that is coupled with efficiency-enhancing facilitation support and investment protections.

Fiscal Incentives

o **Income tax exemption period:** Any IP enterprise is eligible for an income tax exemption period averaging 8-10 years, where IP developers will receive up to 15 years.

o **Loss carry forward:** If an investor incurs a loss during the income tax exemption period, he/she is allowed to carry the loss forward for half of the income tax exemption period after the period expires.

o **Export tax exemption:** all export products are exempt from export tax with the exception of hides and skins.

o **Exemption from customs duty:** Capital goods, construction materials, spare parts, vehicles, raw materials for export and personal effects can be imported free of customs duty.

o **Export credit guarantee scheme:** Exporters can benefit from the export credit guarantee scheme, which is presently in place in order to ensure an

exporter receives payment for goods shipped overseas in the event the customer defaults, reducing the risk of exporters' business and allowing it to keep its price competitive.

o **Franco valuta:** Franco valuta import of raw materials is allowed to enterprises engaged in export processing.

Non-Fiscal Incentives

o **Guarantee against Expropriation:**

Guarantee against measures of expropriation or nationalization.

Payment of compensation corresponding to the prevailing market value of investment property in case of expropriation or nationalization for public interest.

o **Repatriation:** A foreign investor can freely repatriate in convertible foreign currency profits and dividends, principals and interest payments on external loans, proceeds from the sale or liquidation of an enterprise as well as compensation paid.

o **Foreign currency retention:** Exporters are allowed to indefinitely retain and deposit in a bank account up to 30% of their foreign exchange earnings. They can also make use of the remaining 70% balance within 27 days as it is.

o **No export price control:** No export price control is imposed by the National Bank of Ethiopia.

o **Right to own immovable property:**

Foreign investors have right to own a dwelling house and other immovable property required for the investment.

o **Streamlined and expedited procedures:** Enterprises entering parks receive

expedited procedures in terms of licensing, permits, registration certificates, tax identification number, customs clearance etc

Concluding Remarks

The main intention behind the development and expansion of IPs is to attract FDI; create job creation; foster domestic investors; transfer technology and skill; build value and supply chains; generate export earnings; create regional equity; and reduce poverty. The GoE has so far constructed and operationalized over 20 state-of-the-art industrial parks (both government and privately owned) located along key development corridors – each with distinct specialty in priority sectors.

Industrial parks development in Ethiopia is an area that is open for both domestic industrialists and FDI investment.

According to the Ministry of Finance, Ethiopia is ready to privatize 13 industrial parks that are administered by IPDC. Currently there are 6 privately and 17 state owned industrial parks that specialized on different sectors.

There are Integrated Agro-Industrial Parks (IAIP) established in the country to transform the agriculture sector. Four IAIPs are developed as pilots across four agriculturally rich regions with a potential for agri-businesses.

The total number of employees both at the government and private IPs was 88,601 at the end of 2021/22 FY, increased by 8% from the same period previous year. The largest

number of jobs was in Hawassa IP (35.3%) followed by Eastern IP (23.0%), and Bole Lemi IP (21.6%).

11 state-owned operational IPs contributed to the export earnings of the country by exporting USD 197 million 2021/22 FY. The major contributing IP were Hawasa (46%) and Bole Lemi-I (26%) followed by ICT Park (8.6%), and Adama (8.0%).

Two privately owned IPs exported in 2021/22 FY and generated export earnings of USD 8.1 million, dwindled by 15.6% from the same period previous year (about USD 9.6 million). The major export share was driven by Eastern IP (47%) and George shoes IP (53%) in 2021/22.

If you would like to know more about the Ethiopia's Industrial Parks, please contact Mahlet Gezahegn on mahlet.g@infragroup.net.