



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**THE CHALLENGES AND CONTRIBUTIONS OF INDUSTRIAL PARK  
DEVELOPMENT IN ETHIOPIA: THE CASE OF EASTERN INDUSTRY  
ZONE PLC, DUKEM CITY, OROMIYA, ETHIOPA**

**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL OF  
BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR  
MBA IN PROJECT MANAGEMENT**

**JUNE, 2017**

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## **List of Abbreviations and Acronyms**

<b>RDPS</b>	Rural Development Policy and Strategies
<b>PASDEP</b>	Plan for Accelerated and Sustained Development to End Poverty
<b>ADLI</b>	Agricultural Development Led Industrialization
<b>GTP</b>	Growth and Transformation Plan
<b>IPDC</b>	Industrial Parks Development Corporation
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>MOI</b>	Federal Minister of Industry
<b>EIZ</b>	Eastern Industry Zone
<b>MoFED</b>	Ministry of Finance and Economic Development

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## Abstracts

*The main objective of this study is to investigate the challenges and contribution of Industrial Park Developments to the national and local economy and social development. Both primary and secondary data were employed. Questionnaire, key informant interview and observation were the main data collection instruments from the case study of Eastern Industry zone Plc. All 67 companies inside EIZ were addressed by this study. Among the 67 companies, a sample of 87 respondents were covered. The quantitative data were analyzed using descriptive statistics and the results are presented in tables and figures. Narration method was employed to analyze the qualitative data. The findings of the study indicated that industrial parks have contributed to the national as well as local economy in terms of employment generation, income tax, capital investment, and export and import substitution, technology transfer and cultural integration. Furthermore, the research finding showed that shortage of raw materials, delay on the logistic service, shortage of foreign exchange and problems related to government rules and procedures as the constraints faced by the companies. Inefficiency of workers, communication barriers, lacks of enough training and organizational structure problems on the other hand are considered as internal problems faced by the companies. In general, there is a need for strengthening the growth of industrial parks and thereby enhancing their socio-economic contributions by minimizing the challenges.*

**Keywords:** *Industrial park, challenges, contribution, Dukem, Ethiopia*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

A change of the status of economies, caused by globalization, is an important and prominent feature of current economic positions of different countries. Since the positions of the trade for agricultural products are unfair globally, and often faces production shocks; nations should reduce their dependency on the agricultural sector and supposed to be strong in the industrial sectors for sustainable economic prosperity and poverty reduction. In countries like Ethiopia, the rising industrial sector is agreed to have strong linkage with the agricultural sector for poverty reduction effect, the mere reason behind this argument is that the industrial sector have a strong backward and forward linkage to other sectors and is expected to push the whole economy(Lanjouw,2001).

In order to come out of multiple socio-economic problems, various countries design different development plans at different times and in different sectors(Vidová, 2010).The economic policy adaptation process of a country should focus on the most crucial and important questions of sustainability. On the bases of different experience and know-how of countries, developments of industrial parks are taken as vital for sustainable economic growth.

The Government of Ethiopia has given due attention to the agricultural sector through its successive policies and strategies such as The Rural Development Policy and Strategies (RDPS), Plan for Accelerated and Sustained Development to End Poverty (PASDEP), the Agricultural Development Led Industrialization (ADLI) and the Growth and Transformation Plan (GTP). However, as clearly indicated in the policies and strategies and the GTP II, the manufacturing sector is set to achieve an annual growth of 24 percent and increase its contribution to export revenues from the current 10 percent to 25 percent. The export revenues of the whole economy is planned to register an annual growth of 29 percent. To ensure a sustainable development of the economy, the part of agriculture in the total economy is expected to decline and more labor should move to the industry (MoFED, 2014).

The federal government of Ethiopia has taken industrial park development as a strategy to attract investment in the manufacturing sector and accelerate the growth and development of the manufacturing sector. The growth and development of the manufacturing sector is expected to propel economic growth resulting from creation of more job opportunities, generation of foreign currency through export diversification, which is currently much dependent on the agriculture.

Industrial Zone the term also known as industrial park, industrial estate, trading estate is an area zoned and planned for the purpose of industrial development. While the term industrial estates and industrial parks are used to refer to the particular regrouping of industrial facilities; the term industrial zones, on the other hand, refers to an area of land set aside for industrial facilities without the explicit purpose of facilitating or promoting the provision of common infrastructure and services (UNIDO, 1997).

Industrial parks are one of the most important factors supporting positive economy development with high economy turnover and high employment (Bonde-Henriksen, 1982) by attracting investment in the manufacturing sector. Since the federal government of Ethiopia viewed industrial park development as an engine of rapid industrialization process that nurture manufacturing industries, to accelerate economic transformation and attract both domestic as well as foreign investors in the sector; established the Ethiopian Industrial Parks Development Corporation (IPDC) in 2014 as a public enterprise. By receiving the full support of the government IPDC is working to put in place the necessary infrastructure in the parks which are going to be built in different areas of the country.

Thus, industrial parks development is adopted as a strategy in Ethiopia to realize the ambitious development plan of industrialization on the manufacturing and agro-processing industries, and thereby accelerate economic transformation through attracting domestic and foreign direct investment. In Ethiopia, two types of industrial parks are under development: large, medium and light scale industrial parks on the one hand and integrated agro-industrial parks on the other hand.

Indeed, Eastern Industry Zone Plc, the first industry zone in Ethiopia, owned by a Chinese investor; established in November 2007 with a capital of ETB 200,000,000 which is located in

Dukem town of Oromia regional state of Ethiopia is regarded as a national industrial zone project by the Ethiopian government and a new pilot project for future privately or government owned industrial park developments.

## **1.2. Statement of the Problem**

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

Poor planning of industrial parks could result in planned industrial slums, with traffic problems, industrial nuisances, and inadequate buildings and utilities. Even with good planning, it may take several years to complete the development of a park, to install the utilities and improvements, to select the tenants, and to dispose of the property. Hence, the importance of careful physical and financial planning and execution should be appreciated. One danger is that faulty execution will leave the park in a partially unfinished state for a long time, resulting in an uneconomic investment and handicaps to resident industrialists. Most of the apparent disadvantages can be overcome by proper planning (Henriksen, 1982).

Development of industrial parks must pay attention to one of the basic aims of an economy that is to allocate both industrial production and services sector in such a way, that progress of a region where a park is built improves. In relation to this many countries involved in this strategy throughout the world to address their countries problems among this countries Ethiopia can be taken as pioneer in east Africa region. The aims for Ethiopia's industrial parks are ambitious as the country looks to achieve a phase of rapid industrialization built around light manufacturing.

*“Industrial parks can help scale up industrialization efforts by attracting domestic and foreign investments. Just like in Ethiopia, other African countries will benefit from a concrete industrial development policy that brings in investments in productive sectors such as agro-industry and manufacturing, helping create new jobs,” said Jean Bakole, Director of UNIDO Regional Office in Ethiopia (Kargbo, 2015, page 1-2)*

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

Sisay Gemechu, the CEO of the IPDC, with the rank of State Minister, explained the vision of the Ethiopian Government as follows (IPDC, 2014, page.4):

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

According to Arkebe Oqubay, Special Advisor to Ethiopian Prime Minister and Board Chairman of the Industrial Parks Corporation, the country is targeting USD 1 billion of annual investment in industrial parks over the next decade to increase exports and make it Africa’s top manufacturer. The government has plan to invest half of the USD 10 billion needed for zones across the country for textile, leather, agro-processing and other labor intensive factories in the parks. He further said that Ethiopia had failed to reach the targeted a 15-fold increase in textile and leather exports to USD 1.5 billion in the First GTP Plan that ended in because of lack of specialized parks with services including utilities, banks, customs and transport links (IPDC, 2014, p.5).

It has been now ten years since Eastern Industry Zone was established. As a pioneer which served as a pilot project to show-case for the expansion of similar other industrial parks in the

country (details in annex 1 and 2), the Eastern Industry zone is documented to face some challenges, but also contributed its share to the expansion of manufacturing industries; and thereby contribute to the economic growth of the nation. As the concept of Industrial Park Development is new to Ethiopia, there is a need to maximize the overall economic advantage of Industrial park development in the country and minimize challenges ahead.

While studies (Memedovic, 2012), revealed that industrial parks brought progressive contribution to economic growth of their respective nations (Henriksen, 1982), there has been no research done on the challenges and contributions of Eastern industrial park to the economy of the country. This research is thus aimed at filling up this knowledge gap by examining the contribution made to date by the park to the Ethiopian economy and the challenges experienced in the park which will have important contributions for the expansion of similar industrial parks in the country.

### **1.3. Objective of the Study**

The general objective of this study is to assess and analyze the overall socio-economic contributions and challenges of Eastern industrial park in Ethiopia.

The study also has the following specific objectives:

- 1) To examine the contribution of Eastern industrial park in terms of attracting manufacturing firms and to the creation of employment opportunities;
- 2) To identify the contribution of Eastern industrial zone in terms of technology transfer and linkage effects; and
- 3) To assess the challenges of Eastern industrial park that should be considered when similar parks are established elsewhere in the country and provide possible recommendations.

### **1.4. Scope and Limitation of the Study**

This study is geographically delimited to the analysis of the contribution and operational challenges of Eastern Industry Park found in Dukem town, Oromiya regional state. The study is also delimited in terms of its conceptual scope in that while there are several contributions of industrial park development to the socioeconomic growth of a nation, this study has confined its

scope to the analysis of the contributions of Eastern industrial zone to employment creation, foreign currency generation, technology transfer and export diversification.

### **1.5. Significance of the Study**

The study is expected to have the following contributions, given the fact that Eastern industrial park is a pioneer, the identification and analysis of the challenges and/or gaps affecting the smooth operations of manufacturing firms located in the industrial park will provide important practical information that should be considered in the expansion of similar industrial parks in other parts of the country. The findings of the study also sheds light for investments in the development and expansion of similar industrial parks have socioeconomic contributions the nation that outweighs the costs associated to its development, thus it is expected to serve as important input for policymakers.

### **1.6. Organization of the Thesis**

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

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1. Definition and Concept of Industrial Park

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

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

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

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



with majority of industrial production and services with high economy turnover and high employment. It provides services independent of type and importance of a particular industrial park. An industrial park as such is characterized by a united conception, unique and highly particular configuration, selection of production units and overall area maintenance. It is based on integration of different functions of research, production, education that take place in the particular industrial area (Ibid, 1982). An industrial park is usually located close to the transportation environment, mainly in case where more types of transportation are used.

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

According to Ethiopian industrial park proclamation, the term "industrial park" is defined as “an area with distinct boundary designated by the appropriate organ to develop comprehensive, integrated, multiple or selected functions of industries, based on a planned 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 center, and includes special economic zones, technology parks, export processing zones, agro-processing zone, free trade zones and the like designated by the Investment Board” (Federal Legislative, 2015, page 8205)

## **2.2. Evolution of Industrial Park Development**

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

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

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

### **2.3. The Case of Ethiopia**

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

The term industrial park is currently a very frequently used word under Ethiopian Economic Policies that it is necessary to concentrate different resources into one single place to see a positive influence on effective use of resource, infrastructures and increase employment rate and productivity. Development of industrial parks must pay attention to one of the basic aims of an economy, which is to allocate both industrial production and services sector in such a way, that progress of a region where a park is built improves. In Ethiopia, in order to ensure a proper management of the industrial parks, the Ethiopian federal government came up with the Industrial parks proclamation no. 886/2015 which states that industrial parks can be developed by any profit-making public, public-private or private enterprise. The proclamation recognized the establishment of the Industrial Park Development Corporation (IPDC), which is in charge of managing the development of large, medium and light industrial parks and gave powers to the ministries of Industry and Agriculture for the development of integrated agro-industrial parks. The same proclamation stated that this investment is open to both domestic and foreign investors. The industrial parks developers are entitled to develop their own industrial parks, either independently or through public-private partnership with IPDC. With regard to large, medium and light industrial parks, IPDC is mandated to facilitate acquisition of land and providing infrastructure (IPDC, 2015).

Eastern Industry Zone Plc is regarded as a pilot project. It is the first industrial park in Ethiopia established in November 2007, on a total area of 5 square kilometers; 2 square kilometers has been developed in the first phase and the remaining is planned to be developed in the second

phase. The development of Phase 1 (2.33 square kilometers) was for 6 functions such as residence, commerce, industrial warehousing, roads, public utilities and greenery. The industrial positioning focuses mainly on textile, leather, building materials, machinery and electronics manufacturing for local and foreign markets. Eastern Industry Zone has a plan to form an integrated economic zone by developing a supportive service such as logistics, commercial centers, catering and storages.

#### **2.4. Other Country's Industrial Park Experiences**

Arthur D. Little (cited in Bricout, 2014) conducted a benchmarking study of successful industrial parks around the world. They included: Jurong Town Corporation (JTC) in Singapore, Port of Rotterdam Authority (PRA) in the Netherlands, Shanghai Chemical Industry Park (SCIPAC and SCIPDC) in China, Iskandar Regional Development Authority (IRDA) in Malaysia, and Bintulu Development Authority (BDA) in Malaysia. Detailed account of them is presented below.

The Jurong Town Corporation (JTC) was formed on 1 June 1968 to take over the work of developing and managing Singapore's industrial estates and their related facilities from the Economic Development Board (EDB). One of its first tasks was to expand the Jurong industrial estate through the reclamation of swamplands for the construction of industrial facilities and factories. Within three years, Jurong was transformed into a self-contained satellite town with social and recreational amenities for residents and workers.

The ensuing decades saw JTC play a leading role in developing facilities and infrastructure in line with the shift from labour-intensive manufacturing to research-based, capital-intensive, high-technology industries. For example, JTC oversaw the Jurong Island reclamation project, which entailed the merger and development of seven offshore islands into a chemical and petrochemical complex. Other landmark initiatives included the setting up of spaces that combine research, commercial, industrial and office use such as the Singapore Science Park, the International Business Park and the Changi Business Park. One of the more recent developments is the one-north project at Buona Vista, which combines research facilities and business park space with residences and recreational amenities.

JTC was renamed JTC Corporation in November 2000 and is a statutory board under the Ministry of Trade and Industry. As of May 2013, JTC manages 43 estates that cover 7,100 hectares of land area, providing 3.2 million square meters of ready-built space for 5,100 customers.

The Netherlands has many industrial areas, such as Amsterdam-Westpoort, Emmen-Emmtec Industry & Business Park, IJmuiden-Corus, Moerdijk-Port, Moerdijk and Terneuzen-Dow. The most highly integrated chemical industry areas were: Chemelot Industrial Park & Campus in Sittard-Geleen, Chemical Park Delfzijl and Rotterdam Port & Industrial Area. These areas, respectively in the south, north and west of the Netherlands, essentially cover all industrial activity in the country. Although there are clear differences between these integrated industrial parks, there are also many common factors. The key one being the support they offer for innovation. This underlines that the Netherlands still has a leading position in the world in engineering, a position maintained for centuries. The Netherlands is a key location of progress: multinationals such as Shell, Akzo Nobel and DSM have set the standards in their industries and are still world leaders (Haarst, 2010).

The Netherlands is becoming even more attractive for companies which want to set up a base in Europe. This is indicated by the study of operating costs in the United States, Japan, Australia, Canada, the United Kingdom, France, Italy, Germany, the Netherlands and Mexico (KPMG, 2010) undertaken every other year. Among the European countries, the Netherlands is the cheapest in terms of business cost components incurred by international companies. The Netherlands also has lower costs than Japan and the United States. The Netherlands has a cost advantage of 3.5% over the United States and has the lowest cost among the European countries studied. Furthermore, the Netherlands has a cost advantage of 1.7% over the United Kingdom, which comes second in Europe. KPMG considered both the costs incurred when starting up an operation and the operating costs over 10 years. Cost elements studied in each sector including energy, transport, telecommunications and labour, as well as taxation (Ibid, 2010).

In terms of business activities, the Netherlands is particularly attractive to businesses active in research and development. The good position of the Netherlands is largely due to the

homogeneous cost structure. The fact that the Netherlands does so well in the cost comparison sends an important message to international businesses who now, more than ever before, emphasizes cost as a criterion when choosing a location (Ibid, 2010).

In China alongside the multi-functional development zones, the chemical industrial parks (CIPs) are special zones which focus on one industry, namely chemicals. Chemical industry parks were set up as satellite sites at Economic and Technological Development Zones (ETDZ) or as separate, independently operated industrial parks. The main goals include restructuring and improvement of technological standards in the Chinese chemical industry and promotion of regional economic development by making investment more attractive to foreign and domestic companies. Production plants which do not comply with new environmental protection standards are also sometimes relocated to areas outside the cities (Hauthal et al, 2007).

In spite of the more specific focus, the general development goals and the administrative setup are similar to the other types of industrial parks. A study conducted by the China Petroleum and Chemical Industry Association (CPCIA) in 2004 listed 17 chemical industry parks in China. The locations Shanghai (Caojing), Nanjing und Tianjin (TEDA) are national level parks, and the others are managed at the provincial level. Most chemical industry parks are in the eastern coastal regions. Construction of the Shanghai Chemical Industry Park (SCIP), which focuses on petrochemicals, got underway in 2001. It is situated on Hangzhou Bay about 50 km from Shanghai. A total of 29.4 km<sup>2</sup> are available at the site. Development was taken place in three phases. Most of the plots are being leased by foreign investors, above all from Germany (Ibid, 2007).

Malaysia which was overly dependent on its primary commodities like rubber and wood in the fifties, made a conscious effort to move into industrialization after the country gained independence in 1957. The initial focus was on encouraging import substitution industries such as consumer products and resource-based industries. However in the late 1960s, the country was faced with the mounting challenge of finding jobs for its growing population, where the unemployment rate was hovering around 7.3 % with a more critical 14.5% in Penang (Chai and Im, 2009).In Malaysia, land matters are under the jurisdiction of the respective State

Governments while the State Development Corporations are entrusted to oversee the development of the industrial sector in their own states. The vibrant lessons that can be taken from Malaysia were adoption of export-led and import substitution policies, conducive environment for export, development of electronics and electrical industry, transfer of technology, source of technology for other offshore plants, investment in skills training, development of local supporting industries, shift from labour-intensive to capital and technology intensive industries, and emergence of a larger base of female workers.

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

**a) Investor Friendliness**

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

**b) Government and Public Alignment**

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

**c) Capital Independence**

Capital independence captures how the entity can secure sufficient capital outlay for development activities. There is a need to balance capital independence on one hand, and government and public alignment on the other. At the outset, a statutory body will be completely reliant on government funding for both development and administration of the park, while for a

corporation most of the initial fund raising occurs through debt financing with relatively low government capital injection. The statutory body rates lowest on this dimension.

#### **d) Political Robustness**

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

#### **e) Efficacy**

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

#### **f) Transparency**

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

#### **g) Financial Sustainability**

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



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

#### **h) Risk Management**

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

### **2.5. Empirical studies**

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

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

In most case, the primary goal of the industry parks is to alleviate unemployment problems. In this regard, industry parks have been recognized as a potential sector to minimize unemployment problems in developing and developed nations. As Yeoh et al (2005) (Singapore) investigated that the sector of industry parks are a major source of urban employment in most Asian and Latin American countries. Among individual countries for which statistics are available: India, Pakistan, Indonesia, Malaysia and in the case of Latin American countries, Paraguay, Bolivia, Brazil, Argentina.

Kiselakova et al (2014) (Slovakia) investigated to identify and analyze the key macroeconomic factors affecting the establishment and entrepreneurship in industrial parks with positive effects on sustainable regional development in Slovakia. The relationship of dependence between

factors of regional growth, investments, and investment costs for setting up industrial parks and effects on regional development was surveyed by identified main localization factors relevant to the management of support and establishment of industrial parks in Slovakia are: status of foreign direct investments, employment of persons, governmental financial support – investment incentives, marketing strategy to attract investors, overall readiness and availability of the industrial area with focus on the positive effects of regional development, using regional GDP per capita, in particular to reduce regional unemployment rate.

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

Ibid (2014): Foreign investors have according to several international empirical studies more positive impact on entrepreneurship of economies than domestic investors. The reason is mainly that they bring know-how, new technologies, management processes and practices, marketing strategy, increasing competition etc. with them. The most significantly is this effect seen in cases of strategic investment that produce a multiplier effect in the connected sectors.

Hudec, O. (2009): investigated the cash flow of the economy because of industry parks in Slovakia. Hollander, R. (2009) studied the role of import substitution on sustainable development because of industry parks in Leipzig, Germany.

From the angle of constraints, theoretically, different constraints which hinder the operation of industry parks may exist. However, in this sub section we are going to see the real

constraints/challenges that hinder the operation of industry parks in different countries. Even though, the industry parks have vital contribution to a countries economy, it is not operating without problems. There are different challenges that impede or hinder the operation of industry parks especially in developing countries. As identified by various studies, the major challenges that hinder the operation of the sector mostly associated with the following areas: market, bureaucracy, language and cultural difference, infrastructure, technology, information access, and etc.

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

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Approach and Design**

As Industrial park development projects are new concepts in Ethiopia, the study has adopted a descriptive case study of research design by using both qualitative and quantitative methods to observe the challenges and contribution of Eastern industry zone in Ethiopia. Since employing a single approach has its own strength and drawbacks (Creswell, 2003) mixed approach is better in drawing positive sides and minimizing the drawbacks of any single approach. Moreover, the study is a case study type as a result it needs to employ both qualitative and quantitative approaches. Hence, to keep validity and reliability of the study mixed approach is employed.

In the course of analyzing challenges and contributions, both primary and secondary data collection procedures were employed. To achieve these goal questionnaires, interviews and document reviews were going to be the main tools.

#### **3.2. Data Sources and Data Collection Methods**

In order to gather the data from relevant sources, both primary and secondary data collection instruments were used. The primary data conducted in the form of personal interviews with managers, employees, investors and surrounding area peoples are taken as main tools. The target populations of the study are managers (both the management body of Eastern Industry Zone Plc and some company managers inside the industry zone), employees, local surrounding area peoples and investors. In addition, the data from Federal Minister of Industry (MOI) and IPDC officers' interview were considered. On the part of secondary data, written documents on industrial park development projects, different reference books, journal articles, Internet web sites, policies, procedures, and reports from MOI were referred. The information that was obtained by using both instruments was integrated during data presentation and analysis phase.

### **3.3. Population and Sampling**

#### **3.3.1. Description of the Study Area**

##### **An organizational Overview: Eastern Industry Zone Plc**

Eastern Industry Zone (EIZ) is a Chinese based company established in 2008 which is located between Dukem and DebreZeit, in Oromia Regional state. Total area of development when the project completed will be 5KM<sup>2</sup> (2.33KM<sup>2</sup> for Phase I, 2.67KM<sup>2</sup> for Phase II) with the total infrastructure investment of US\$450M (US\$180M for Phase I, US\$270M for Phase II) (EIZ,2015).

Eastern Industry Zone Plc is regarded as a national industrial zone project by the Ethiopian government and a new starting point for the industrial development in Ethiopia as a pilot project. Eastern Industry Zone Plc is located in Dukem, Oromia, Ethiopia, the first industry park in Ethiopia established in November 2007, with a total development area of 5 square kilometers, 2 square kilometers has been developed in the first phase and the rest will be developed in the second phase. The total planned area of Eastern Industry Zone is 5 kilometers, with phase 1(2.33 square kilometers) for 6 functions like residence, commerce, industrial warehousing, roads, public utilities and greenery; and in industrial positioning, it focuses mainly on textile, leather, building materials, machinery and electronics manufacturing for local and foreign markets. Eastern Industry Zone has a plan to form an integrated economic zone by developing a supportive service such as logistics, commercial centers, catering and storages.

As it is stated the general objective of EIZ is to become a leading demonstration zone in Africa with good ecology, best landscape image and super investment environment.

The functional orientation of the project is mainly to give priority to the sectors of textile, agro processing, leather, export products and substitute of importing products, etc. Meanwhile, it has functions of general bonded warehouse, logistics, distribution and commodity display; gradually, becoming a functional area of integrating industry, commerce, residence and entertainment.



Figure 1: Eastern Industry Zone Plc, Dukem, Oromia, Ethiopia (EIZ, 2008).

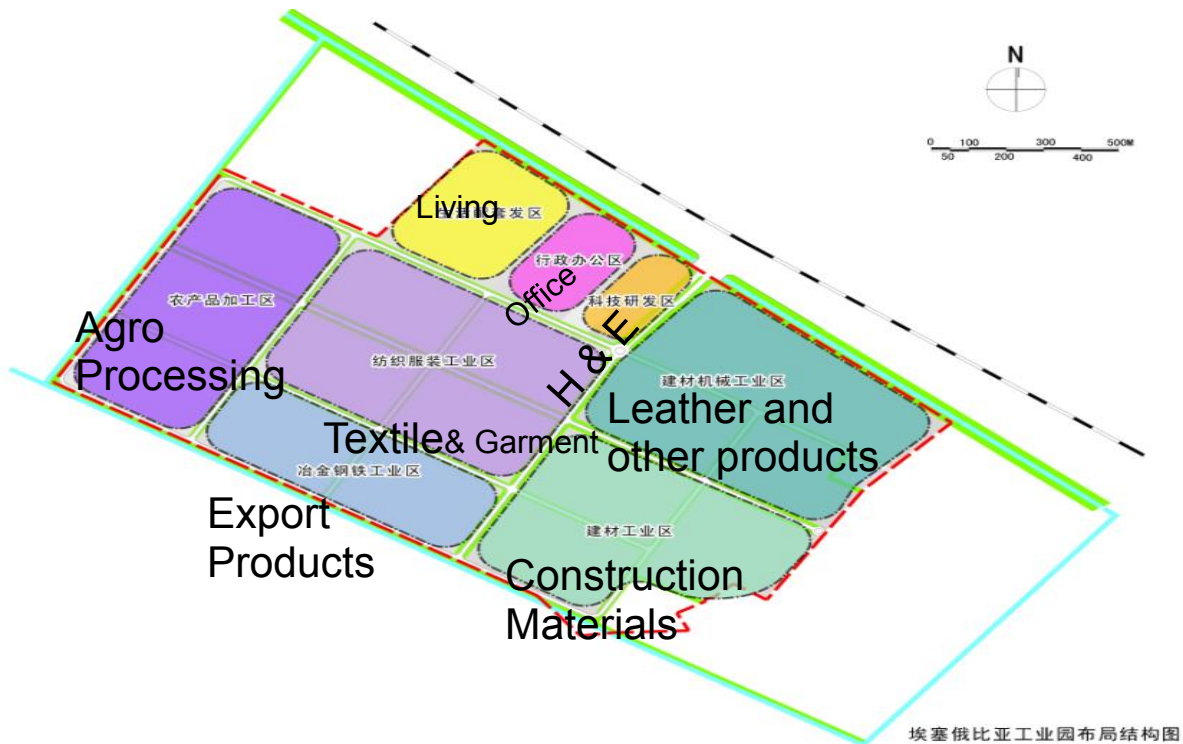


Figure 2: Industrial Allocation Map for phase I (EIZ, 2008)

The project was planned to be completed in to two phases. The first phase is already completed and the second phase is under preparation. In the first phase the following main infrastructure

constructions were completed:- main entrance, land leveling, fence, 15 kilometers foundation of main road made by selected material, 50,000M<sup>2</sup> asphalt road, 75,000M<sup>2</sup> concrete road;3,000M<sup>2</sup> supporting facilities for offices, service and accommodation, 110,000M<sup>2</sup> of standard workshop facilities, one dedicated line of 10MW power supply, 4 water wells with 200M<sup>3</sup>/Hr water supply, 34,000M<sup>2</sup> of green land development, 30,000 meters of water & sewage pipes, completion of civil works, erection, testing & commissioning of 230/33kv substation, energization of 40MW to be realized, completion of civil works for sewage treatment plant & equipment under installation.

Starting from the establishment year of the project (2008) till now through different incentives Eastern Industry Zone can attract 67 companies to invest in the area on different sectors. The details are presented in the next chapter.

### **3.3.2. Target population and sampling**

The target populations under this study is all the investors that acquired working premises in the Eastern Industry Zone Plc and the peoples who are living in the vicinity of the industrial park, local employees inside the industry zone, investors and managing bodies. Based on figures from the Central Statistical Agency in 2005, Dukem has an estimated total population of 8,704 of whom 4,095 are men and 4,609 are women. Local employees who are working inside the park is near to 8,060 as a temporary and permanent contract employees from around Dukem city and nearby cities like Bishoftu.

There are 67companies registered for investment inside the park currently and among them 34 companies start production and sales, and the remaining 33 are under construction and registration process. The research main focus is on the companies who are operational /already start production and sales/ while in some issues address the remaining companies who are under construction.

### **3.4. Data Collection Instruments**

**Questionnaire:** It was in fact the most important approach by which primary data has been collected. Structured and semi-structured questions were designed for the sake of collecting both qualitative and quantitative data.

**Interview:** This paper has administered structured and unstructured questions for purposively selected investors and management bodies; because of their closeness to the issue under study. Specially, as most of local employees are illiterates who cannot read and write, interview is taken as the best way of instrument for collecting data.

**Document Review:** annual reports, performance evaluations and existing data from Eastern Industry Zone Plc were taken as an instrument for this paper. For the relevance of comparison different publications will also be considered.

### **3.5. Data Collection Procedure**

For the purpose of data reliability, the researcher herself was personally administering all data collections with the help of a Chinese language translator for some investors and managers. As a result, the researcher conducts at least five questionnaires to be filled per day mainly by the employees, investors, and managers.

### **3.6. Method of Data Analysis**

Soon after key informants' interview the researcher summarize and coded the data manually. Besides, data collected through questionnaire were edited manually and entered in to relevant software programs. The collected data were analyzed and interpreted by using both qualitative and quantitative techniques. The data collected by open ended and interview questionnaires were analyzed qualitatively. Closed ended questionnaires were analyzed quantitatively by using tables and percentages.



## CHAPTER FOUR

### ANALYSIS OF THE SURVEY RESULTS

In this chapter, I am going to discuss the survey results on different issues like the characteristics of the companies inside EIZ (ownership of the companies, investment capital, business field of the companies, year of establishment etc.); and the employees summarized response to the questioners. This chapter covers the contribution of EIZ and companies inside EIZ to the local as well as country's economy and social development in general and the benefits that employees get from the park in specific. Finally, this chapter covers the challenges and problems faced by EIZ, inside companies and employees of the companies.

#### 4.1. Descriptions of the Companies in Eastern Industry Zone

According to the survey data presented in annex 3, out of the total companies inside EIZ, 59(88.06%) are owned by Chinese; whereas the remaining 8(11.94%) of them have ownerships of Netherlands, Indian and Ethiopian [1(1.49%) is owned by Indian, 1(1.49%) is owned by UK Netherlands, 1(1.49%) is owned by Indian with Ethiopian, 1(1.49%) is owned by Netherland with Ethiopian, and 4(5.97%) are owned by Ethiopians]. And except East Cement Share company, the type of the business registration is under PLC/Private Limited Company/.

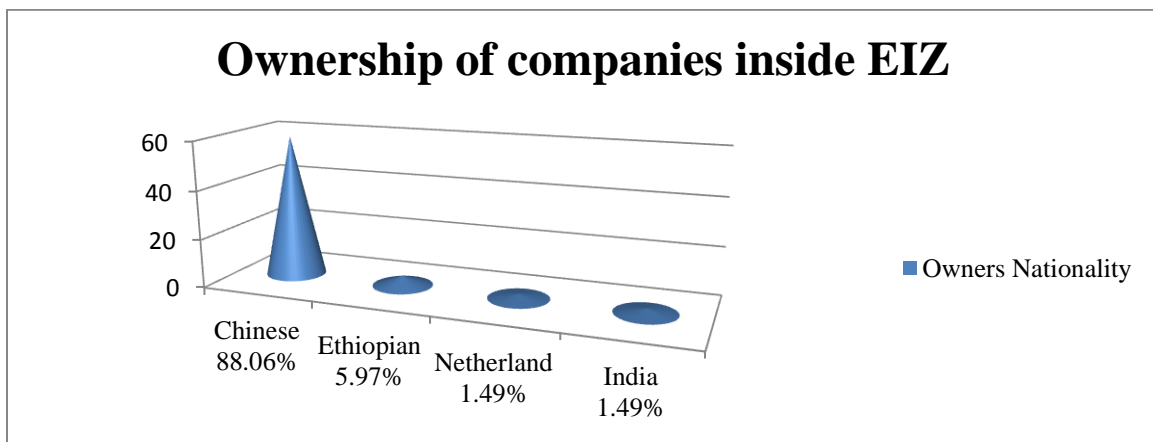


Figure 1- Description on Ownership

Regarding to the investment capital (Details in annex 3), total amount of 1,437,708,298 Birr and 109,605,333 USD has been registered and transferred to Ethiopia by foreign country investors. Except 4 companies, whose owners are Ethiopians, the source of the initial capital for the remaining companies were their own origin countries.

With regard to the business field of the companies, out of the total companies inside EIZ 24(35.82%) of them involves in the textile and garment product manufacturing. The next big sector is the construction and building material product manufacturing sector which involves 11(16.42%) of the total companies. The third biggest sector is plastic product manufacturing's which involves 9(13.43%) of the total number of companies. Whereas car assembly and spare part manufacturing 5(7.46%), shoes and bags/leather/ 3(4.48%), food products 2(2.99%), soap and detergent 2(2.99%), printing and paper products manufacturing 2(2.99%), aluminum products manufacturing 2(2.99%), wood product manufacturing 2(2.99%), pharmaceutical 1(1.49%), electronic products 1(1.49%), ceramic products 1(1.49%), hotel service 1(1.49%), machinery rental 1(1.49%) involves the respective number of companies of the total.

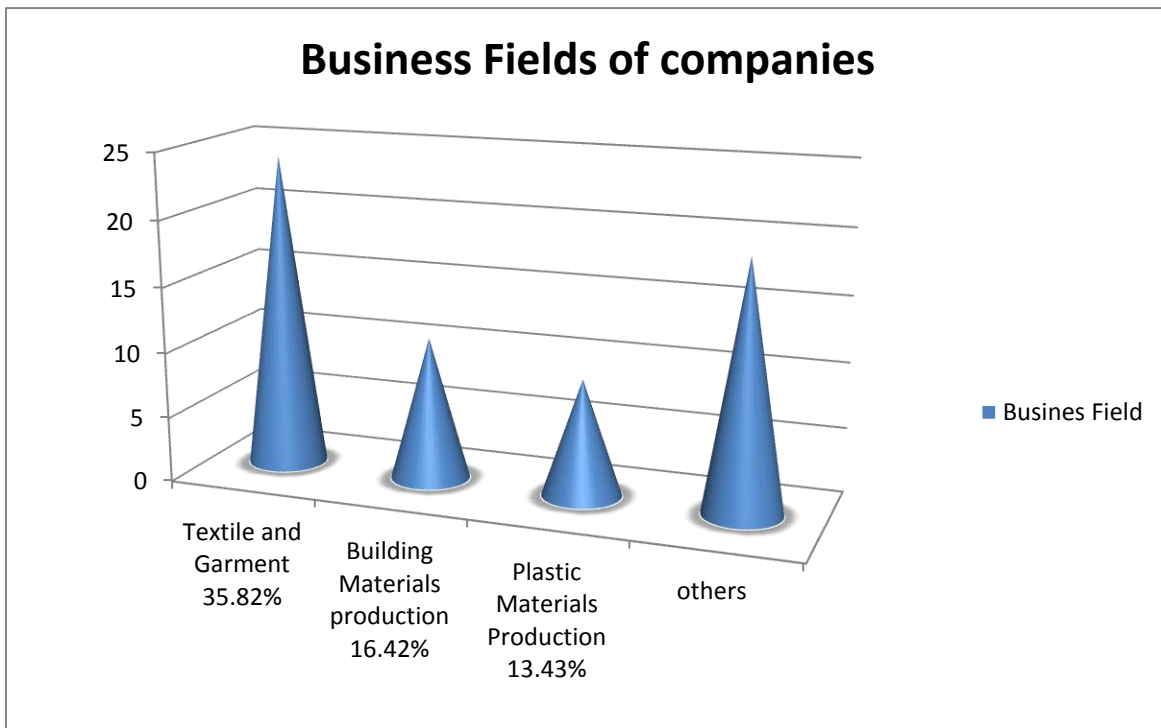


Figure 2- Description on Business fields

The time of establishment is one of the characteristics of business enterprises. This is because the year of establishment has an effect on the period of tax holiday, duty free importation of raw materials and profit margin. The year of establishment and period of operation also has an effect on the scale and capacity of production and sale of the factories products which is the base to tax calculation. In this regard, out of the total companies resides in EIZ, 8(11.94%) of the companies were established in the years of 2009 to 2012; 14(20.89%) were established in the year of 2013 to 2014 and the majority, 22(32.83%) of the companies were established in the year of 2015. 17(25.37%) and 5(7.46%) companies were established in the year of 2016 and 2017 respectively. However, as it has shown in annex 3, the year of establishment in some of the companies is not the main criteria for their performance. That means some companies show up good performance in the installation of machineries and start production while others take long time for installation and are still under construction. Annex 4 Shows us the status of the companies who are under construction and companies who start production.

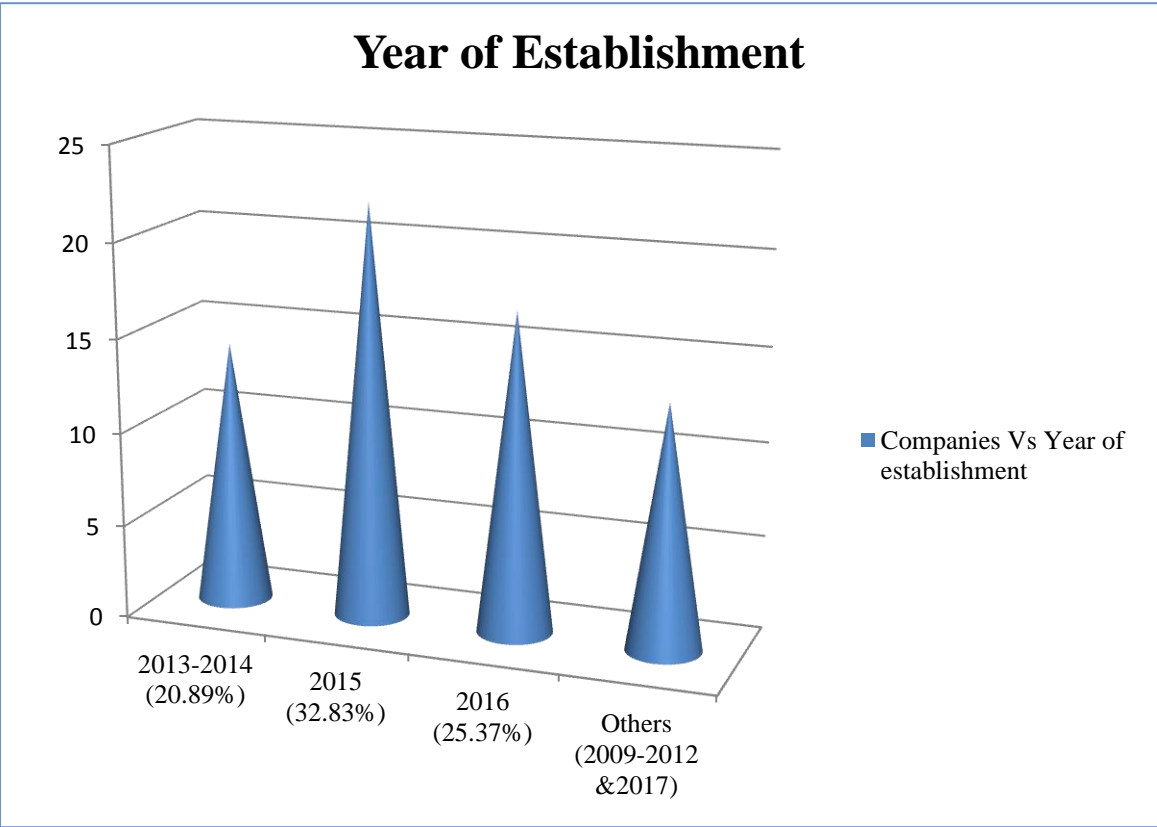


Figure 3- Year of Establishment

## **4.2. Economic Contribution of companies to the country**

### **4.2.1 Capital Flow**

Capital flows refer to the movement of money for the purpose of investment, trade or business production, including the flow of capital within corporations in the form of investment capital, capital spending on operations and research and development.

Total amount of 1,437,708,298 Birr and 109,605,333 USD has been registered and transferred to Ethiopia from foreign country investors. When we compare the planned investment with the actual investment, till now, a total amount of 585,370,000 USD has been planned to be invested by the 67 companies and a total amount of 262,773,500USD has been actually invested (see annex 4). Thus, the remaining 322,596,500 USD is still not invested in the area. This shows a huge gap on the performance of the companies. The mere reasons on the gap of the plan and the performance are discussed on the constraints faced by companies inside EIZ part.

### **4.2.2. Employment Creation**

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

Secondly, those employed people in industry parks may save and start their own business by the skill they get from the factories and employ extra labor forces. This chain of action helps the society to get improved facilities like food, schooling, health facilities, and etc. The cumulative effect of this ultimately widens the economic base of the locality, which is one of the principal objectives of local economic development. It is understood that creation of job is one of the contributions of the industrial developments for large number of populations; With regard to the

role of industrial parks on employment generation, annex 5 shows how many employees are permanently employed in different factories inside EIZ currently. Accordingly, currently, a total of 8,039 permanent job opportunities have been created, of them 7,357 are local employees and 685 are foreign employees. In addition to the permanent employment opportunities 700 to 1000 additional jobs are available as temporary or daily labour arrangements at different time.

As I stated earlier in the research methodology sub section, the total number of companies currently resides inside the study area are about 67. These companies constitute a total of 7,357 local employees. For the purpose of this particular study, samples of 87 employees from hotel service, aluminum, cement, steel, reinforcement bar and textile manufacturing were taken from a sample of 19 companies. The sample respondents were selected randomly from the park.

Individual's income can be taken as one economic role of industrial parks. Respondents were asked how much they earn per month from the employment opportunity they get from the respective factories. The income ranges between 1150-22600 birr per month. Respondents were also asked whether they have other source(s) of income other than they get from their respective companies. From the total respondents 45(51.7%) has said they have other source of income. The remaining 42(48.27%) of the respondents has no additional income at all. From the respondents who said who has other source of income all 45 respondents said they get the support from family or share burden with other family members. 21 of them said they have additional jobs as well.

60(69%) of the respondents said they are not satisfied with the salary they earn even if they gain income. The remaining 12(13.8%), 9(10.3%), and 3(3.4%) said they are satisfied, averagely satisfied, highly satisfied by the salary they earn respectively. The other 3(3.4%) have no comment on the issue.

From the total respondents 45(51.7%) has said they have noticed changes on their living standard. The remaining 42(48.27%) of the respondents has said they have not noticed living standard changes because of the income they earn except survival. From the respondents who said who has noticed change 24 respondents said they noticed change in relation to food intake, 33, 21 and 18 respondents said they noticed change in relation to housing, health care and education respectively.

One of the respondents' responses about the major gain of their work in EIZ is gaining salary. Salary is a form of periodic payment from an employer to an employee, which may be specified in an employment contract. Respondents said they use the income they gain from the work for leading their life.

As our world becomes more and more connected through technological advances, it's becoming increasingly obvious that learning another language is beneficial for many reasons. To mention some, with universal unemployment problems, a multilingual ability is definitely a competitive edge over others. It is an ability that tells of a person's intelligence, flexibility, openness to diverse people, and decision-making skills. As EIZ has created an environment of working with different nationalities, employees have high potential of language learning. Some of factory and hotel service workers inside EIZ confirmed that they have learned other languages (especially Chinese language) from the working environment. In doing so they believe that they will have a better job opportunity in the future.

Work experience can increase work efficiency, communication skills and competitiveness for the employees of a company. It is clear that there is a gap of lack of skillful man powers in factory production sector in Ethiopia. Respondents said they are getting trainings and good work experiences from the industry park which will benefit them being competent for their future carrier. Working in an international based company creates a good atmosphere to improve communication skills, build a global network and gain a competitive edge.

#### **4.2.3. Fiscal Revenue**

Total of 34 companies inside EIZ start production and sale; the remaining 33 companies are under construction (See annex 4). From the companies who start production and sale the following amount of total tax has been generated and paid to the federal and regional governments. Accordingly, a total of 209,845.98 ; 681,205.67 ; 2,437,817.66 ; 3,931,291.74 and 4,661,036.08 ; employment income tax; withholding tax; capital gain tax; municipality tax and revenue stamp duty tax has been generated between 2008 and 2016 fiscal years and paid to the federal and Oromia/Dukem/ regional governments from EIZ and inside companies respectively.

Table 4.1: Fiscal revenue generated from EIZ

N o	Particulars	Fiscal Years					Remark (paid to)
		2008(1)	2009/2010(2)	2011/2012(3)	2013/2014(4)	2015/2016(5)	
1	Employment Income tax	44,365.78	296,579.50	440,410.67	648,467.51	1,167,103.95	Regional
2	Withholding tax	165,480.20	384,626.17	1,997,406.99	782,824.23	1,934,633.62	Federal
3	Capital gain tax	-	-	-	-	1,453,230.46	Federal
4	Municipality tax	-	-	-	-	106,068.05	Regional
5	Revenue stamp duty tax	-	-	-	2,000,000	-	Federal
					500,000.00	-	Regional
	<b>Subtotal</b>	<b>209,845.98</b>	<b>681,205.67</b>	<b>2,437,817.66</b>	<b>3,931,291.74</b>	<b>4,661,036.08</b>	
	➤ (1) + (2) + (3) + (4) = <b>11,921,197.13</b>						
6	From the companies inside EIZ, different taxes generated (2013-2016) = <b>1,135,052,600.00 ETB</b>						Federal
	➤ Grand Total Taxes Generated from the Development of the zone (5+6)= <b>1,146,973,797.13 ETB</b>						

Source: own survey data, 2017

### 4.3. The Role of Companies in Import Substitution and Export Promotion

There are two kinds of manufacturing industries inside EIZ, first are companies registered for import substitution and the other are companies registered for export promotion. Companies whose business sector are cement, gypsum board, steel pipe, car assembly, plastic and PVC pipe, food products, soap and detergent production, aluminum, electronics, wood product, ceramic product, pharmaceutical and building materials are not expected to export rather they are expected to substitute import of similar products from abroad. The import substitution approach substitutes externally produced goods and products with locally produced ones. So those companies except companies whose products are on garment, textile and leather products are currently selling 100% of their products in local markets. By doing so, a country can put its hard-currency (hard-earning) money to work within its boundaries.

Companies whose business fields are on garment, textile, leather and shoes products are expected to export their products to a foreign market. In the year of 2016 a total amount of 21,790,382.64 USD has been generated from export market (only by the three companies listed

under table 4.2); others are failed to export or are under construction. The following tables show companies who are registered for export of whole or part of their products to a foreign market and their future export plan.

*Table 4.2: companies and their export amount in the year of 2016.*

No.	Name of the Company	Export amount in 2016	Export %
1.	Huajian International Shoe City(Ethiopian) PLC	19,360,000USD	100% export
2.	Dongfang Spinning Printing and Dyeing PLC	2,053,961.03USD	11.8% export
3.	Linde(Ethiopia) Garment PLC	376,421.61 USD	42.2% export
<b>4.</b>	<b>Total</b>	<b>21,790,382.64 USD</b>	

*Source: own survey data, 2017*

*Table 4.3: companies export plan in the future*

No.	Name	Export plan in terms of percent	Export Plan in terms of money/ per year
1.	Guanyan He Textile	> 40%	150,000 USD
2.	Jore Textiles Manufacturing PLC	> 30%	125,000 USD
3.	Wu Zhen Miao Textile	20% in the begging, > 30% in the next years	Not specified
4.	Dongfang Spinning Printing and Dyeing PLC	40%	250,000 USD
5.	Kai Pu Manufacturing Plc	-	40000-50000 USD
6.	Xuwu Textile Manufacturing Plc	10 %	Not specified
7.	Shuaijie Textile Plc	35 %	Not specified
8.	Dong Fang Xiong Di Textile Manufacturing PLC	40%	Not specified
9.	Yuechen Industrial PLC	-	100,000USD
10.	Hongchang Textile Printing PLC	50%	Not specified
11.	HQ and ZA Manufacturing PLC	-	300,000 USD

*Source: own survey data, 2017*

#### **4.4. Technology and Skill Transfer**

In this study, besides to the economic role of EIZ in the study area, the non-economic aspects have also been investigated; this is because economic relations believed to be derived in social relations and the development of social capital in the area is believed to be the basic instrument



for effective way to economic development which in turn have influence on the future local economic activities. With regard to the non-economic role of EIZ, the study has tried to see the effect of technology and skill transfer and different culture integration in the process of working together.

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 will have a tremendous role in widening opportunities for the transfer of knowledge. Knowledge transfer makes individual workers capable to do their job effectively within the factories and outside the factories in the future. In this regard, especially for countries like Ethiopia, in which the technology of factory production is undeveloped, it is a good opportunity to learn different countries skills and experiences from the working environment. Respondents in the survey explained that besides the training offered by factories inside the industry zone; employees have gained different experiences and skills from their working environment which in the end will enable them to open their own small enterprise in the future. Furthermore, respondents explained that working with foreigners adds value on their previous skills. In other words, if one individual who have only one type of skill previously, he/she have a chance to get other staffs skills and have a chance to share his/her work experience simultaneously. In addition, employees are also getting a chance to be familiar with new technologies and latest machineries that the inside factories are using. As a result, through time all employees could gain the necessary technical skills for doing their work. This indicated that industry parks are good environment for transferring knowledge and skills amongst countries and also between individual.

According to the survey result done out of the total 87 sample respondents, 69 (79.31%) replied that they get new knowledge and skills from the working environments. Other, 18 (20.6%) of the respondents respond that they don't get new skills from the working environment. Therefore, it can be concluded that industry parks are conducive environment for sharing skills, knowledge, technology and experiences.

#### **4.5. Social Contributions/ Corporate Social Responsibilities**

Corporate social responsibility is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. In the context of EIZ, I looked at EIZ's provision of economic and social benefits to the surrounding area people /i.e. to the Dukem city communities/ in the areas of infrastructure and basic necessity fulfillments. Accordingly, EIZ is providing potable/filtered/ clean water for the nearby households, and supported Dukem city police station by delivering two vehicles for the security works. EIZ also supported the municipality and Dukem city communities by delivering machineries and raw materials for the construction of infrastructure in the town.

EIZ also make future commitments to the nearby communities. Mainly, EIZ has promised to build a primary school equip with class desks and chairs for Dukem town community in the near future. Also committed to construct junior hospital equip with primary testing instrument. And also committed to help improve the street light installed at the center section of Dukem town by supplying 60-70 sets solar street light, last but not least EIZ has committed to freely supply 1000KVA civil electricity and freely connect 2 inch water pipe and supply 20-30 tons of water per day for citizens living in Dukem town so that the local government could charge electricity and water fees from citizens as a long-term regular income.

#### **4.6. Linkages of the activities of EIZ to other sectors**

As I stated in the introduction and literature review section, industrial parks has different linkages with other sectors of the economy such as forward linkages, backward linkages, and consumption linkages. In this sub section, different issues such as the source of raw material inputs, major suppliers of raw materials, and major customers for the products produced by companies inside EIZ are discussed one by one as follows.

##### **4.6.1. Raw material linkage - where is the source of raw material inputs?**

This refers to the backward linkages (i.e. the supply of raw materials from local market to companies inside EIZ) that the sectors have created with other economic activities. In this case,

the linkages of the companies could be explained in terms of the sources for their raw material inputs. In terms of inputs, company's get major part of raw material inputs from the local markets and import some inputs from foreign market. This implies that there is a positive contribution to local economic developments by generating of employment and income earning opportunities in other sectors within the nation. In other words, raw materials suppliers within the surrounding areas as well as outside the surrounding areas are benefited from the park which in turn creates job opportunity for other individuals. So, the existence of such integration among different local and non-local suppliers (i.e. between the producers and input suppliers), has a multiplier effect in the local activities.

#### **4.6.2. Market Linkage - who are the major customers of inside EIZ companies' products?**

This refers to the forward linkages (i.e. the use of EIZ company's products as inputs into other sector and sale of the finished products and services of the companies to the local and foreign market. With regard to the inside EIZ companies products, representatives of each companies were interviewed during data collection time whether the product of the companies have a market linkage with the local and foreign markets.

Accordingly, as Ethiopian laws prohibit foreign business owners from retail business, they sale their products to the local as well as international markets for other business enterprises, wholesalers, retailers and government institutions from the factory directly at factory price. This finding has implications to local economic development in the study area. Firstly, since the companies are selling at factory price it satisfies the market demands of the local community as they provide relatively cheaper products to the market and also it creates job opportunities for retail business owners who distribute the factories products. Secondly, products are also contributing a lot and will contribute a lot by exporting to the foreign market which in the end is the major aim of the country's economic development.

## **4.7. Constraints Faced by companies inside EIZ**

The objective of this sub section is to identify the major constraints impeding the output and productivity of firms inside EIZ.

### **1) Productive Inefficiency of workers**

Efficiency is about making the best possible use of resources. The term inefficiency generally refers to an absence of efficiency. Efficient firms maximize outputs from given inputs, and so minimize their costs. By improving efficiency a business can reduce its costs and improve its competitiveness. Productive efficiency is a situation in which the economy could not produce any more of one good without sacrificing production of another good. In other words, productive efficiency occurs when a good or a service is produced at the lowest possible cost. Productive efficiency requires that all firms operate using best-practice technological and managerial processes. By improving these processes, an economy or business can extend its production possibility frontier outward, so that efficient production yields more output than previously.

Productive inefficiency can occur because the productive inputs physical capital and labor are underutilized that is, some capital or labor is left sitting idle or because these inputs are allocated in inappropriate combinations to the different industries that use them.

In long-run equilibrium for perfectly competitive markets, productive efficiency occurs at the base of the average total cost curve i.e. where marginal cost equals average total cost for each good.

Companies inside EIZ complain on the local employees' operation skill of production. The inefficient labour force is leading them to poor quality of products. The employees operating skills of production is low even after taking several months of training both in quality and quantity, which makes export difficult since export needs superior quality to be competent in international market.

Some respondents from the employee side said in some companies there are no permanent training schedules in the beginning or at operational level. This leads to a serious production capacity deficiency.

## **2) Communication barriers**

Communication is a key tool to the functioning of organizations. People at work often say, for example, "our basic problem around here is communication," or "I Just can't seem to communicate with anyone in that department." Communication, whether effective or not, takes place constantly in any organization. A process as continuous as the circulatory system in the human body, communication is inseparable from and essential to everything that occurs in organizational life. Some respondents from different factories said they face difficulty of communication because of language differences among local and foreign employees.

One of the deepest needs of all human beings is to feel understood and be accepted by others. Offering understanding to another person is a potent form of empowerment. We need not agree with others to empower them in this way; we need only to make it clear through our eyes, body posture and tone of voice that we want to see the world from their perspective. Our interactions with others must come from a point of deep, non-judgmental interest. The key is to grasp the why behind what is being said or done in order to gain insight into the deeper interests and needs of the person with whom we are communicating. From the moment that people feel you are truly seeking to understand, they begin dealing with problems and other people more constructively. Communication is the exchange and flow of information and ideas from one person to another; it involves a sender transmitting an idea, information, or feeling to a receiver (U.S. Army, 1983). Effective communication occurs only if the receiver understands the exact information or idea that the sender intended to transmit.

## **3) Organizational structure problem and Imbalance share of work**

Some respondents said that there is no job description and structured supervision in their respective company and also they observed nonstandard professional ethics. In addition, high proportions of distinguished professional positions in the factory are possessed by foreign workers thus depriving local employment to acquire expertise and high administrative posts.

## **4) Shortage of raw materials**

Since some of the companies get all the necessary raw materials from local markets merchants, they could not get the material that they need on time; because sometimes the suppliers keep the material on their store place or delay on transportation. Some companies also said that the cost of

the material is high; while the quality of raw materials is low. Hence, it is possible to say that these companies lack raw materials to produce their products timely and effectively.

#### **5) Delay on the logistics and shipping service and High rate of sea freight and inland transportation charges**

The logistical movement of exports and imports of containers is suffering from high cost and delay. The ineffectiveness of customs clearance at the cargo or logistic departments both by Djibouti and Ethiopian bureaus are affecting the performance of factories inside EIZ. The rate of sea freight & inland transportation charge are also high to import some raw materials to the site.

#### **6) Challenges from government offices**

When factories request support from the government offices at federal and regional level, the level of bureaucracy and unnecessary reasons lead them to high cost; especially to the visa, work permit and temporary residence ID request processes.

#### **7) Foreign exchange Shortage**

Ethiopia's foreign currency supply available for importers is increasingly facing chronic shortages; EIZ companies mentioned three basic factors that the bankers gave them: global economic slowdown, Ethiopia's mega projects consuming huge loads of hard currency and the country's widening trade balance, as the genesis of the shortage.

Generally, Companies mention the inefficiency of workers as the main problem for the production. Efficiency is about making the best possible use of resources. Efficient firms maximize outputs from given inputs, and so minimize their costs. By improving efficiency a business can reduce its costs and improve its competitiveness. Companies inside EIZ complain on the local employees' operation skill of production. The inefficient labour force is leading them to poor quality of products. The employees operating skills of production is low even after several months of training both in quality and quantity, which makes export difficult since export needs superior quality to be competent in international market.

The other problem that companies mentioned is shortage of raw material. Since some of the companies get all the necessary raw materials from local markets merchants, they could not get the material that they need on time; because sometimes the suppliers keep the material on their

store place or delay on transportation. Some companies also said that the cost of the material is high; while the quality of raw materials is low. Hence, it is possible to say that these companies lack raw materials to produce their products timely and effectively.

The other constraint is delay on the logistics and shipping service and high rate of sea freight and inland transport charges. The logistical movement of exports and imports of containers is suffering from high cost and delay. The ineffectiveness of customs clearance at the cargo or logistic departments both by Djibouti and Ethiopian bureaus are affecting the performance of factories inside EIZ. The rate of sea freight & inland transportation charge are also high to import some raw materials to the site. In addition companies are saying challenges from the Ethiopian government at federal and regional levels, the level of bureaucracy and unnecessary reasons lead them to high cost; especially to the visa, work permit and temporary residence ID request processes.

The last but not the least constraint that the companies mention is foreign exchange shortage. Ethiopia's foreign currency supply available for importers of some raw materials like production chemicals is increasingly facing chronic shortages; EIZ companies mentioned three basic factors that the bankers gave them: global economic slowdown, Ethiopia's mega projects consuming huge loads of hard currency and the country's widening trade balance, as the genesis of the shortage.

From the employee's perspective, some respondents from different factories said they face difficulty of communication because of language differences among local and foreign employees. Some others said that in some companies there is no permanent training schedule in the beginning or at operational level. And some respondents said that there is no job description and structured supervision in their respective company and also they observed standard professional ethics. High proportions of distinguished professional positions in the factory are possessed by foreign workers thus depriving local employment to acquire expertise and high administrative posts.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1. Conclusion

The main focus of this study is to investigate the challenges and contribution of Industrial Parks in Ethiopia by a specific case study of Eastern Industry Zone. Throughout this study, efforts have been made to explore the economic as well as social development contributions of Eastern Industry Zone in the study area. From the macro-project and economic aspect, the study has tried to see the contribution of the sector to the development of the economy in terms of generating job opportunities to the local people, capital investment to the country, the role of tax generation, and the level of import substitution and export. As non-economic aspect, the study has tried to see the contribution of EIZ to the role of technology and skill transfer and cultural integration. Moreover, the study has tried to find out the characteristics/nature of the companies, the problems faced by the companies, and the linkage of industry sector with other sectors of the economy. In this survey study, 67 companies inside Eastern Industry Zone and samples of 87 individual employees have been covered. Till now, a total amount of 262,773,500USD has been actually invested in the area and regarding to the employment opportunity currently a total of 8,039 permanent job opportunities have been created. A huge amount of total taxes is paid from the development of the zone and inside companies. Even if the export scale of the companies has faced some constraints a good step has been seen on the area; in addition, by a way of import substitution of inside companies, Ethiopia saved its hard currency to work within its boundaries. Eastern industry zone also can create different linkages with other sectors of the economy in the form of forward linkages, backward linkages, and consumption linkages; so that it promoted the local economic activities.

Furthermore, the study has showed that inefficiency of workers, shortage of raw materials, delay on the logistic service, communication barriers, lack of enough training, organizational structure problem and imbalance of share of work, shortage of foreign exchange and challenge from government offices as major problems.



## 5.2. Recommendations

Based on the major findings, which are discussed in the previous section, a number of recommendations have been drawn, with the view to solve major problems of the sector and to improve the role of Industry Park's contribution to the economy and social development. EIZ has contributed a lot in the areas of employment opportunity creation, tax generation, capital investment, export and import substitution areas, thus by taking EIZ as an example Addis Industry village, Bole Lemi 1&2, Kilinto, Hawassa, Dire Dawa Kombolcha, Mekelle, Adama, Bahir Dar and Jimma government owned industry parks should perform better for the national economic and social developments. Since training and better management may case cost in the short term, but can raise long-term productivity, the inefficiency of employees should be minimized by improving their skill through training and better management of staff. Companies should arrange formal or informal trainings for their employees for a better long-term productivity. With regard to the communication barriers between local and foreign employees, the company can translate all relevant documents into the primary language of the companies' employees. The other solutions could be using an interpreter, providing language classes for the employees and visual methods of communication. Companies should make organizational structural arrangements since high proportions of distinguished professional positions in the factory are possessed by foreign workers thus depriving local employment to acquire expertise and high administrative posts. Furthermore, the suppliers of raw material to the industry zone should manage to supply on time with good quality which I believe the will increase the production scale and quality of output. Last but not least, the challenges on the process of getting visa, work permit and temporary residence Id for foreign employees should be minimized by appointing experienced government officers on the positions.

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**Annex 1: (Future) Industrial parks in Ethiopia (IPDC, 2014)**



**Annex 2: (Future) Industrial Parks operated/owned by IPDC (IPDC, 2014)**

No.	Name of Parks	Site & location from A.A.	Kms from A.A.	Proximity to the port /Djibouti/	Delimited land (hectar)	Eligible industries/major ones/	Completion period of phase 1
1.	Addis Industry Village	A.A	A.A	863	8.7	Apparel	Operational
2.	Bole Lemi 1	A.A	A.A	863	156	Apparel	Operational
3.	Bole Lemi 2	A.A	A.A	863	186	Textile & Apparel	2017
4.	Kilinto	A.A	A.A	863	337	Food processing, pharmaceutical, furniture, house appliance, electronics	2017
5.	Hawassa	South	275	998	300	Textile, Vehicle assembly and food processing	2016
6.	Dire Dawa	East	473	380	1500	Textile and food processing	2016
7.	Kombolcha	N-E	380	480	700	Textile and food processing	2016
8.	Mekelle	North	760	760	1000	Textile and food processing	2016
9.	Adama	S-E	74	74	2000	Textile, vehicle assembly and food processing	2016
10.	Bahir Dar	N-W	578	578	1000	Textile and food processing	2016/17
11.	Jimma	S-W	346	346	500	Textile and food processing	2016/17

**Annex 3: Description of companies in Eastern Industry zone**

	<b>Company Name</b>	<b>Owner nationality</b>	<b>Registered Capital(ETB) or (USD)</b>	<b>Business Field</b>	<b>Registration year</b>
1	Zhongshun Cement Manufacturing PLC	Chinese	30,000,000.00 Br	Cement	2012
2	Honghua Li	Chinese	10,832,511.00 Br	Gypsum Board and wall brick	2011
3	Great Wall Packing Material PLC	Chinese	6,552,000.00 Br	Woven Bag	2013
4	East Cement Share Company	Chinese	510,000,000.00 Br	Cement	2009
5	East Cement Share Company	Chinese		Project machinery rent service	2009
6	L&J Manufacturing and Construction PLC	Chinese	60,000,000.00 Br	Construction project	2011
7	AisaiShicun Steel Pipe PLC	Chinese	9,000,000 USD	Steel pipe	2013
8	Eastern Hotel PLC	Chinese	6,800,000.00 Br	Hotel service	2012
9	Huajian International Shoe City(Ethiopian) PLC	Chinese	346,794,777.00 Br	Women's shoes	2010
10	Wild Horse Automotive Manufacturing PLC	Chinese	28,111,010.00 Br	Pick-up cars	2013
11	East Steel PLC	Chinese	350,000,000.00 Br	Deformed steel bar	2013
12	Yangfan Motors PLC	Chinese	20,000,000.00 Br	Car assembly	2011
13	Dongfang Spinning Printing and Dyeing PLC	Chinese	95,500,000.00 Br	Textiles	2013
14	Hui Huang Industrial PLC	Chinese	13,036,526.00 Br	Plastic slipper	2014
15	Yuechen Industry PLC	Chinese	31,074,000 Br	Textile	2014
16	ShadekaSpareparts Manufacture PLC	Chinese	35,150,000.00 Br	Car spare part	2013
17	Esteem Food Products PLC	Indian	29,557,474.00 Br	Cookies	2013
18	Aisai Recycled Plastic Manufacturing PLC	Chinese	300,000 USD	Plastic Products	2013
19	Linde(Ethiopia) Garment PLC	Chinese	5,000,000 USD	Garment	2014
20	Kepa Textile PLC	Chinese	1,000,000 USD	Textile	2014
21	Ejia Metal Products Manufacturing PLC	Chinese	1,500,000 USD	Standard component	2014
22	Unilever Manufacturing PLC	UK Netherlands	1,000,000 USD	Soap and daily chemicals product	2014
23	Sinoweaving Technology PLC	Chinese	30,000,000 USD	Textile	2015
24	Hai Bo Manufacturing PLC	Chinese	6,500,000.00 Br	Garment	2014

25	New Brilliant Manufacturing PLC	Chinese	15,866,100.00 Br	Slippers	2015
26	Be Connected Printing Plc.	Netherlands joint venture with Ethiopian	2,500,000 USD	Labeling and printing	2015
27	Mingsheng Shan	Chinese	2,000,000 USD	Aluminum	2015
28	Hansom Kinfengda Manufacturing PLC	Chinese	2,000,000 USD	PVC Pipe	2015
29	Jili Electronic PLC	Chinese	1,000,000 USD	Electronic product	2015
30	Wu Zhen Miao	Chinese	400,000 USD	Home textile	2015
31	Araek Industrial Plc	Ethiopian	200,000 USD	Plastic product	2015
32	Arova Plastic Plc	Ethiopian	200,000 USD	Plastic packaging product	2015
33	Wang Zhaoxin	Chinese	200,000 USD	Wood board	2015
34	HQ and ZA Manufacturing PLC	Chinese	2,000,000 USD	Quilt	2016
35	E Truck Motor Manufacturing PLC	Chinese	20,000,000 USD	Truck assembly	2015
36	Gong Qinghai	Chinese	5,000,000 USD	Rubber product	2015
37	ShadekaSpareparts Manufacture PLC	Chinese	200,000 USD	Car spare parts	2015
38	Zhen Zhen Iron and Steel Manufacturing PLC	Chinese	900,000 USD	Wire rod	2015
39	Rainbow Garment PLC	Ethiopian	1,000,000 USD	Garment	2015
40	Dong Fang Xiong Di Textile Man.PLC	Chinese	4,005,333USD	Textile	2015
41	Xuwu Textile Manufacturing PLC	Chinese	200,000 USD	Textile	2015
42	Chang Jiang Chemicals and Soap Raw Materials Manufacturing PLC	Chinese	300,000 USD	Soap	2015
43	TY Wood Man. PLC	Chinese	800,000 USD	Wood board	2015
44	Di Yuan Ceramics PLC	Chinese	500,000 USD	Ceramic product	2016
45	Guanyan He	Chinese	800,000 USD	Textile	2016
46	Feng He	Chinese	200,000 USD	Textile	2016
47	Shuaijie Textile PLC	Chinese	4,400,000.00 Br	Textile	2015
48	Hongchang Textile Printing PLC	Chinese	500,000 USD	Home textile	2015
49	Start Shoe and Slipper Man. PLC	Chinese	200,000 USD	Slippers	2016
50	Guli Food PLC	Chinese	200,000 USD	Juice product	2016

51	Kaipu Man. PLC	Chinese	200,000 USD	Bags	2016
52	Aster Tesfaye	Ethiopian	5,000,000 USD	Home textile	2015
53	Jore Textiles Manufacturing PLC	Chinese	200,000 USD	Socks	2016
54	Sail Textile PLC	Chinese	66,000,000.00 Br	Textile	2016
55	Eternal Classic Textile PLC	Chinese	66,000,000.00 Br	Textile	2017
56	Huajia Aluminum Industry PLC	Chinese	200,000 USD	Aluminum product	2016
57	Qunzhan Home Textiles PLC	Chinese	200,000 USD	Home textile	2016
58	Dongxu Textile PLC	Chinese	500,000 USD	Textile	2016
59	Colorful Textile PLC	Chinese	200,000 USD	Textile	2016
60	Shunfa Textile Manufacturing PLC	Chinese	200,000 USD	Textile	2017
61	Ethio India Packaging PLC	Indian & Ethiopia	3,100,000 USD	Plastic packaging product	2016
62	Sansheng Pharmaceutical PLC	Chinese	8,500,000 USD	pharmaceutical	2016
63	Sansheng New-Type Building Materials PLC	Chinese		Building materials	2016
64	L&H Building Materials PLC	Chinese	170,400,000.00 Br	Safety door	2016
65	Pure Wood Pulp Paper & Packaging PLC	Chinese	200,000 USD	Soft paper	2017
66	Smart Shirts Manufacturing PLC	Chinese	200,000 USD	Garment	2017
67	Zehao Textile PLC	Chinese	67,500,000.00 Br	Textile	2017
	<b>Total</b>		<b>1,437,708,298 Br</b>		
			<b>109,605,333 USD</b>		

Source: Own survey data, 2017

**Annex 4:** list of companies in the survey, their status of production, planned verses actual cash investment in USD.

	Company Name	Status		Planned Investment /10000(USD)	Actual Investment /10000 (USD)
		Under Construction	Start Production		
1	Zhongshun Cement Manufacturing PLC		√	1450	1107.13
2	Honghua Li		√	118	99
3	Great Wall Packing Material PLC		√	100	54.26
4	East Cement Share Company		√	5378	7018.8
5	East Cement Share Company		√	270	514
6	L&J Manufacturing and Construction PLC	√		353	12.6
7	AisaiShicun Steel Pipe PLC		√	900	600
8	Eastern Hotel PLC		√	50	50
9	Huajian International Shoe City(Ethiopian) PLC		√	2000	1530
10	Wild Horse Automotive Manufacturing PLC		√	500	189.04
11	East Steel PLC		√	6648	3400
12	Yangfan Motors PLC		√	1200	1089
13	Dongfang Spinning Printing and Dyeing PLC		√	9000	2304.19
14	Hui Huang Industrial PLC		√	70	108
15	Yuechen Industry PLC	√		500	380
16	ShadekaSpareparts Manufacture PLC		√	500	300
17	Esteem Food Products PLC		√	600	133.57
18	Aisai Recycled Plastic Manufacturing PLC		√	300	187.5
19	Linde(Ethiopia) Garment PLC		√	500	200
20	Kepa Textile PLC		√	100	100
21	Ejia Metal Products Manufacturing PLC		√	150	135.31
22	Unilever Manufacturing PLC		√	1000	285
23	Sino weaving Technology PLC		√	3000	199.5
24	Hai Bo Manufacturing PLC		√	200	30
25	New Brilliant Manufacturing PLC			200	180
26	Be Connected Printing Plc.	√		250	250
27	Mingsheng Shan		√	200	100
28	Hansom Kinfengda		√	2500	600



	Manufacturing PLC				
29	Jili Electronic PLC	√		1000	500
30	Wu Zhen Miao	√		400	200
31	Araek Industrial Plc	√		100	10
32	Arova Plastic Plc	√		120	40
33	Wang Zhaoxin	√		130	80
34	HQ and ZA Manufacturing PLC		√	200	50
35	E Truck Motor Manufacturing PLC	√		2000	55
36	Gong Qinghai	√		500	26
37	Shadeka Spare parts Manufacture PLC	√		200	20
38	Zhen Zhen Iron and Steel Manufacturing PLC		√	900	2180
39	Rainbow Garment PLC	√		1000	44
40	Dong Fang Xiong Di Textile Manufacturing PLC	√		300	80
41	Xuwu Textile Manufacturing PLC		√	50	40
42	Chang Jiang Chemicals and Soap Raw Materials Manufacturing PLC	√		30	20
43	TY Wood Manufacturing PLC	√		600	160.4
44	Di Yuan Ceramics PLC	√		200	260
45	Guanyan He	√		50	23.8
46	Feng He		√	50	27.2
47	Shuaijie Textile PLC		√	300	235.41
48	Hongchang Textile Printing PLC		√	500	36.14
49	Start Shoe and Slipper Manufacturing PLC		√	150	200
50	Guli Food PLC	√		20	15
51	Kaipu Manufacturing PLC		√	100	50
52	Aster Tesfaye	√		100	27
53	Jore Textiles Manufacturing PLC		√	20	20
54	Sail Textile PLC	√		20	7.5
55	Eternal Classic Textile PLC	√		20	5
56	Huajia Aluminum Industry PLC	√		300	41
57	Qunzhan Home Textiles PLC	√		20	20
58	Dongxu Textile PLC	√		50	15

59	Colorful Textile PLC	√		50	20
60	Shunfa Textile Manufacturing PLC	√		20	20
61	Ethio India Packaging PLC	√		500	108
62	Sansheng Pharmaceutical PLC	√		8800	330
63	Sansheng New-Type Building Materials PLC	√		500	55
64	L&H Building Materials PLC	√		300	23
65	Pure Wood Pulp Paper & Packaging PLC	√		500	36
66	Smart Shirts Manufacturing PLC	√		200	20
67	Zehao Textile PLC	√		200	20
	<b>Total</b>	<b>33</b>	<b>34</b>	<b>58537</b>	<b>26277.35</b>

*Source: own survey data, 2017*

*Annex 5: list of companies in the survey, their role on permanent employment opportunity creation*

<b>No.</b>	<b>Company Name</b>	<b>Total Employees</b>	<b>Local Employees</b>	<b>Foreign Employees</b>
1	Eastern Industry Zone Plc	280	202	78
2	Huajian International Shoe City( Ethiopia) Plc	3163	3031	132
3	Dongfang Spinning Printing and Dyeing Plc	439	405	34
4	Eastern Hotel Plc	14	13	1
5	East Cement Share Co.	378	301	77
6	Honghua Li	40	35	5
7	Jili Plastics Plc	0	0	0
8	AisaiShicun Steel Pipes Plc(LQY Steel Pipes Plc)	30	20	10
9	Zhongshun Cement Manufacturing PLC	110	97	13
10	Greatwall Packing Material Plc	149	142	7
11	Wild Hours Automotive Manufacturing Plc	0	0	0
12	East Steel Plc	290	250	40
13	Yangfan Motors Plc	168	160	8
14	Aisai Recycled Plastic Manufacturing Plc	34	34	0
15	ShadekaSpareparts Manufacturing Plc	115	100	15
16	HuiHuang Industrial Plc	193	180	13
17	Yuechen Industry Plc	125	120	5
18	Esteem Food Products Plc	184	164	20
19	Linde(Ethiopia) Garment Plc	580	570	10
20	Kepa Textile Plc	96	90	6
21	Ejia Metal Products Manufacturing Plc	18	10	8
22	Unilever Manufacturing Plc	24	21	3
23	Hai Bo Manufacturing Plc	320	300	20

24	Hansom Kinfengda Manufacturing Plc	32	25	7
25	Mingsheng Shan	21	14	7
26	Sino Weaving Technology Plc	59	57	2
27	HQ & ZManufacturing Plc	100	95	5
28	Dongxu Textile Plc	5	4	1
29	Hongchang Textile Printing Plc	0	0	0
30	Arova Plastics Plc	1	1	0
31	Araek Industrial Plc	1	1	0
32	Wu Zhen Miao	10	7	3
33	Jili Electronic Plc	50	45	5
34	Huajia Aluminum Industry Plc	30	25	
35	Aster Tesfaye	0	0	0
36	Kaipu Manufacturing Plc	50	45	5
37	Zhao Xin Wang	3	2	1
38	E Truck Motor Manufacturing Plc	20	17	3
39	Gong Qinghai	50	44	6
40	Rainbow Garment Plc	0	0	0
41	New Brilliant Manufacturing Plc	40	35	5
42	Zhen Zhen Iron and Steel Manufacturing Plc	75	70	5
43	Dong Fang Xiong Di Textile Manufacturing Plc	40	35	5
44	Xuwu Textile manufacturing Plc	80	77	3
45	Di Yuan Ceramics Plc	30	20	10
46	TY Wood Manufacturing Plc	66	60	6
47	Beconnected Printing Plc	37	35	2
48	BeconnectedLabeling Plc	45	45	0
49	Guanyan He	36	33	3
50	Feng He	20	19	1

51	Africa Improved Food (Holding) B.V.	0	0	0
52	Shuaijie Textile Printing Plc	50	48	2
53	Start Shoe and Sliper Manufacturing Plc	42	36	6
54	Guli Food Plc	20	15	5
55	Shunfa Textile ManufacuringPlc	20	15	5
56	Jore Textile Manufacturing Plc	35	32	3
57	Colorful Textile Plc	0	0	0
58	Qunzhan Home Textiles Plc	16	12	4
59	Sail Textile Plc	0	0	0
60	Eternal Classic Textile Plc	0	0	0
61	Xing Da Electronics Plc	10	5	5
62	L &H Building Materials Plc	0	0	0
63	Sansheng (Ethio) Pharmaceutical Plc	160	99	61
64	Chang Jiang Chemicals and Soap Raw Material Manufacturing Plc	35	31	4
	<b>Total</b>	<b>8,039</b>	<b>7,357</b>	<b>685</b>

Source: own survey data, 2017

**APPENDIXES –A**

**ST. MARY’S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA IN PROJECT MANGEMENT**

This checklist is prepared for the purpose of collecting data for the study to be undertaken under the title of “The Challenges and Contributions of Industrial Park Development in Ethiopia: The Case of Eastern Industry Zone Plc, Dukem City, Oromiya, Ethiopia.” The checklist is going to be filled by document review and interview methods of data collection. It is completely for academic purpose and its confidentiality is well protected. I respectfully request the companies to provide honest answers for the questions. Thank you in advance.

The name of the company \_\_\_\_\_

Address of the company Tel. \_\_\_\_\_ P.o.Box \_\_\_\_\_ E-mail \_\_\_\_\_

Date of Registration \_\_\_\_\_

Name of Business Owners \_\_\_\_\_

What is the nature of the business? \_\_\_\_\_

The company’s initial capital \_\_\_\_\_

1. Total number of employees

Male		Foreign		Professional		Permanent	
Female		Local		Labor		Temporary	

2. Employees salary scale and tax paid for the government in the year of

	Year	Salary scale/ range/ minimum to maximum	Tax paid for the government from employee tax
1	2014		
2	2015		
3	2016		
4	Others/If any/		

	Year	Tax paid for the government/ Revenue Income Tax/
1	2014	
2	2015	
3	2016	

4	Others/If any/	
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3. The company's revenue income tax for the year of
4. Do you think your company saves the country's foreign currency by import substitution or/and export products? If yes, describe.

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5. What are the indirect benefits/ Social contributions/ corporate social responsibility/ that your company has done in the investment areas?

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6. Where do you purchase raw materials?/ tick /
  1. from local market
  2. import from abroad

7. What are the challenges that your company is facing? /Hint/;
  1. Shortage of Foreign currency (if the company import raw materials from abroad)
  2. Ethiopian government offices procedures and bureaucracies?
  3. Work ethics of local employees? Explain
  4. Others

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## APPENDIXES –B

### ST. MARY’S UNIVERSITY SCHOOL OF GRADUATE STUDIES MBA IN PROJECT MANGEMENT

Dear Respondents,

This questionnaire is prepared for the purpose of collecting data for the study to be undertaken under the title of “The Challenges and Contributions of Industrial Park Development in Ethiopia: The Case of Eastern Industry Zone Plc, Dukem City, Oromiya, Ethiopia.” The questionnaire is prepared completely for academic purpose and its confidentiality is well protected. Thus, please tick  and fill the blank space. I respectfully request dear respondents to provide honest answers for the questions.

I am thankful for your cooperation in advance.

#### Questions

Name of your company \_\_\_\_\_

The nature of the business/Business sector of your company/\_\_\_\_\_

1. 1. Sex             Male                       Female

2. What is your age? \_\_\_\_\_

3. Educational Background

- A. Grade 0-8
- B. Grade 9-12
- C. Certificate
- D. Diploma
- E. BA/BSC
- F. MA/MSC

4. Marital Status:

- A. Married     B. Separated     C. Single     D. Divorced

5. How many years of service do you have inside Eastern Industry Zone/EIZ/, Sister Companies or independent companies inside EIZ in your position?

❖ Year \_\_\_\_\_

❖ Position \_\_\_\_\_



6. What was your previous job?
- A. Unemployed
  - B. Government office
  - C. Private organization
  - D. Private job
  - E. Other (s), Specify \_\_\_\_\_
7. How much salary you earn per month? (optional) \_\_\_\_\_
- Are you satisfied with the salary you earn?
- Highly Satisfied  Satisfied  Averagely satisfied  Not satisfied  I don't know
8. Do you have any other source of income (s) other than from this company?
- A. Yes
  - B. No
9. If the answer for Q 8 is yes, where do you get?
- A. Family support
  - B. Additional job
  - C. Other (s), Specify \_\_\_\_\_
10. Have you noticed any change in relation to your living style due to the income you get from the factory?
- A. Yes
  - B. No
11. If your answer for Q10 is yes, what are these changes?
- A. Related to food intake
  - B. Related to housing
  - C. Related to health care
  - D. Related to education
  - E. Other(s), specify \_\_\_\_\_
12. As your company is a foreign owned and have foreign employees; do you think you get new knowledge and learn new skills from the work environment?
- A. Yes
  - B. No
13. The work adds value on your previous skill?
- A. Yes
  - B. No

14. Do you think you get enough skills of production for the future /similar kind of factory production/?

A. Yes

B. No

15. What are the major contributions/ gains of the job to your life?

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16. What are the major problem you encountered regarding your work?

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17. What are your suggestions to solve the problem?

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15. Any other comment?

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APPENDIXES –C

**ቅድስት ማሪያም ዩኒቨርሲቲ  
የድህረ ምረቃ ትምህርት ክፍል  
በፕሮጀክት ማኔጅመንት ኤም.ቢ.ኤ**

ውድ መላሾች፣

ይህ መጠይቅ የተዘጋጀው “በኢትዮጵያ የኢንዱስትሪ ፖርክ ልማት ተግዳሮቶችና አስተዋጾታዎች፡- የኢስተርን ኢንዱስትሪ ዞን ኃላፊ/የተ/የግ/ማህበር ጉዳይ፣ ዱክም ከተማ፣ ኦሮሚያ፣ ኢትዮጵያ በሚል ርዕስ ለሚዘጋጀው ጥናት ዳታ/ጥሬ መረጃ ለመስጠት ነው። መጠይቁ ሙሉ ለሙሉ የተዘጋጀው ለትምህርታዊ ጉዳይ ሲሆን ሚስጥራዊነቱ የተጠበቀ ነው። ስለዚህ እባክዎትን √ ምልክት ያድርጉ እና ባደባቸውን ይሙሉ። ውድ መላሽ ለጥያቄዎቹ እውነተኛ የሆኑ ምላሾችን እንዲሰጡ በማክበር እጠይቆታለሁ። ስለትብብርዎ በቅድሚያ አመሰግናለሁ።

**ክፍል 1**

የኩባንያው ስም \_\_\_\_\_

የስራው አይነት/የኩባንያው የሥራ አይነት/\_\_\_\_\_

- 1. ያታ  ወንድ  ሴት
- 2. እድሜዎ ምን ያህል ነው? \_\_\_\_\_
- 3. የትምህርት ደረጃ
  - ሀ. ክፍል 0-8
  - ለ. ክፍል 9-12
  - ሐ. ስርተፊኬት
  - መ. ዲፕሎማ
  - ሠ. ቢ.ኤ/ቢ.ኤስ.ሲ
  - ረ. ኤም.ኤ/ኤም.ኤስ.ሲ

- 4. በኢስተርን ኢንዱስትሪ ዞን፣ በእህት ኩባንያዎች ወይም በዞን ውስጥ ባሉ ራሳቸውን ችለው በሚሰሩ ኩባንያዎች ስር በእርስዎ የስራ መደብ ለምን ያህል አመታት አገልግሎት ሰጥተዋል?
  - ❖ ዓመት \_\_\_\_\_
  - ❖ የሥራ መደብ \_\_\_\_\_

5. ከዚህ በፊት ይሠሩት የነበረው ሥራ ምንድን ነበር?

ሀ. የመንግስት መ/ቤት

ለ. የግል ድርጅት

ሐ. የግል ሥራ

መ. ሥራ አጥ

ሠ. ሌላ (ካለ ይጠቀስ) \_\_\_\_\_

6. አሁን በሚሰሩበት ድርጅት የሚከፈለዎ የወር ደመወዝ ምን ያክል ነው? (አለመመለስ ይችላሉ)

\_\_\_\_\_

7. አሁን ከሚሰሩበት ድርጅት ደመወዝ በተጨማሪ የሚያገኙት ተጨማሪ ገቢ አለ?

ሀ. አዎ      ለ. የለም

8. ለጥያቄ ቁጥር 7 ምላሽዎ “አዎ” ከሆነ፤ ገቢውን ከየት ያገኛሉ?

ሀ. የቤተሰብ ድጋፍ

ለ. ተጨማሪ ሥራ

ሐ. ሌላ (ካለ ይጠቀስ) \_\_\_\_\_

9. አሁን በሚሰሩበት ድርጅት በሚያገኙት የወር ገቢ ኑሮ የላይ ለውጥ መጣል ብለው ያስባሉ?

ሀ. አዎ      ለ. የለም

10. ለጥያቄ ቁጥር 9 ምላሽዎ “አዎ” ከሆነ፤ የኑሮ ለውጦች ከምን ጋር የተያያዙ ናቸው?

ሀ. ከአመጋገብ መሻሻል ጋር በተተያዘ

ለ. ከመኖሪያ ጋር በተተያዘ

ሐ. ከጤና አጠባበቅ መሻሻል ጋር በተያያዘ

መ. ከትምህርት ጋር በተያያዘ

ሠ. ሌላ (ካለ ይጠቀስ) \_\_\_\_\_

11. የሚሰሩበት ድርጅት በውጭ ባለሀብቶችና የሚመራና የውጭ ሠራተኞች ያቀፈ በመሆኑ አዲስ ዕውቀትና ክህሎት አግኝቻለሁ ብለው ያስባሉ?

ሀ. አዎ      ለ. የለም

12. አሁን የሚሰሩት ሥራ ከዚህ በፊት ከነበርዎ ክህሎት ተጨማሪ ክህሎት አስገኝቶልኛል ብለው ያስባሉ?

ሀ. አዎ      ለ. የለም

13. ለወደፊት በተመሳሳይ የሥራ ዘርፍ ላይ ሊያሰራ የሚችል በቂ የሥራ ክህሎት አግኝቻለሁ ብለው ያስባሉ?

ሀ. አዎ      ለ. የለም

14. የምሰራው ሥራ በህይወቴ ላይ ያስገነው ጥቅም ምንድን ነው ብለው ያስባሉ?

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15. ከሚሰሩት ሥራ ጋር በተያያዘ ያጋጠሙ ችግሮች ምንድን ናቸው?

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16. ችግሮችን ለመፍታት አስተያየትዎ ምንድን ነው?

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17. በመጨረሻም አስተያየት ካለዎት መስጠት ይችላሉ

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## **APPENDIXES –C**

### **Declaration**

I Selam Gebeyehu declare that this thesis conducted under the title The Challenges and Contributions of Industrial Park Development in Ethiopia: The Case of Eastern Industry Zone Plc, Dukem City, Oromiya, Ethiopia is my original work, prepared under the guidance of Maru Shete (PHD). All the sources of materials used for thesis have been full acknowledged. I further confirm that the study has not been submitted in part or in full to any other higher learning institutions for the purpose of earning a degree.

Selam Gebeyehu  
St. Marry's University, Addis Ababa

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May, 2017

## **Endorsement**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as university advisor.

**Maru Shete (PhD)**

St. Mary's University, Addis Ababa

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May, 2017

