

ASSESSING THE PERFORMANCE OF INDUSTRIAL PARKS (IPS) IN ETHIOPIA: THE CASE OF BOLE LEMI 1, EASTERN INDUSTRY ZONE AND HAWASSA INDUSTRIAL PARKS

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ABSTRACT

This exploratory study was conducted to assess the performance of Industrial parks in Ethiopia taking Eastern Industry Zone, Bole Lemi 1 and Hawassa Industrial Parks as a case. To this end, an interview with eight key informants, and non-participant field observations were held. Various reports, policy documents and researches related to the study were also consulted. The study reveals that, in their first phase, the parks are fully occupied by 1 local & 114 foreign companies, and created 53,612 jobs directly. And, the surrounding communities are benefiting from the parks by opening up businesses around the parks and renting houses to the people working in the parks. Besides, the parks are performing good in bringing hard currency to the country in which they are earning about 114 Million USD per annum. However, the parks are suffering a lot from lack of supply of well-trained and skilled manpower, absence of supply of local raw/semi-finished materials to the parks, shortage of supply of houses

for rent for workers around the parks, inefficient trade, finance and banking system, inefficient port operation and expensive shipping services, lack of capable, experienced Institutional, regulatory and administrative capacity to administer and manage the parks. Thus, the study recommends that the government should strongly work on the development of skilled and well- trained manpower with TVETs and higher education Institutions, work in collaboration with other stakeholders to empower local firms to create business/supply link with the companies in the IPs, and shall build & supply affordable rental residential houses to the people who come to work in the IPs in collaboration with the private sector. It is also advisable that the government should upgrade its trade, finance & banking system, and reform its Institutional and Regulatory system. Above all, the government should encourage domestic investors to invest jointly with foreign companies in the parks in which technology transfer to local firms will be successful.

Keywords: Job opportunity, Industrial Park, FDIs, Trained and skilled Manpower, and Technology transfer.

JEL Classification: O₁, O₂, P₄, Y₈.

INTRODUCTION

1.1. Background and Rationale of the Study

Policy makers and scholars, mostly from the West, have argued a lot the reason for the under development of developing countries and suggest a number of way outs from under development, absolute poverty, illiteracy, and political & economic instability etc. For instance, in the 1950's industrialization was thought as the only means for economic development so that modernization of the agricultural sector was strongly suggested (Todaro & Smith, 2012). Besides, other growth theories like the linear model propagated by Rostow in the 1950's calls for coping and paste of the development path of the developed world in

which developing countries shall follow and go through the footsteps of what the developed countries have gone through (Ibid). Latter, other development theories emerge like Lewis two sector Development Model, the International-Dependence Revolution, neoclassical counter revolution and so on which falsify earlier economic theories. But, none of these theories has helped developing countries to reduce poverty and transform their economies. Still, the LDCs economy highly depends on agriculture, and most people in LDCs are living in rural areas in absolute poverty¹.

Over the last 80 years, where Ethiopia has witnessed three regimes where all the governments has had their own ideologically influenced industrial policies and strategies (Gebreeyesus, 2013). The imperial regime (1950s to 1974), ideologically, it is mostly private-led while the Dergue regime (1974-1991) favoured a state-led/socialist one while EPRDF's era (which is in power since 1991 up-to-date) is characterized as series of economic policies shift from private-led from the late 1991 to the early 2000's to a more or less mixed one where both the private sector and the government has their own respective roles to play in the market to reduce "market failure" in a defiant to neo-liberalism (Ibid: Pp3-4).

During the three five year plans (1957-1973) of the Imperial era, the government aims to accelerate agricultural development by promoting commercial agricultural ventures, invest in the development of various social infrastructures like transportation, construction, and communications, introducing and developing commercial agriculture despite it fail to meet most of the stated goals due to lack of skilled manpower and organized institutional structures to execute the plan (Mihretu & Llobet, 2017).

¹ "Absolute poverty [is a] situation of being unable to meet the minimum levels of income, food, clothing, healthcare, shelter, and other essentials" (Todaro and Smith, 2012).

The Derge regime (1974-1991) adopted socialism as a leading economic and political ideology introduced a consecutive five and ten year development plans. The first plan was largely all about determining and justifying the role of the state in the economy. Accordingly, the military Junta nationalized all stated owned enterprises and land was redistributed among Ethiopian citizens. On the other hand, the Ten years Perspective plan like the prior economic policies of the country underlines the importance of agriculture to the country's economy while the industrial sector was the other priority of the government next to agriculture. This plan anticipates to bring annual growth rate of 6.5% in real GDP, 4.3% growth of agricultural GDP, 10.8% of industrial GDP growth and 6.9% for services but due to various challenges like civil war failed to realize its goals (Rashid, Assefa, and Ayele, 2007).

Following the collapse of the military Junta, in the Transitional Period (1991-1995), the transitional Government of Ethiopia (TGE) adopted an agricultural based economic policy called "Agricultural Development Led Industrialization (ADLI) that anticipates the development of agricultural sector would led to industrialization (Ibid). Other subsequent polices and strategies like: The Sustainable Development and Poverty Reduction Program (SDPRP) and Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06-2009/10) focus on agricultural development. But, all these neo-liberally oriented policies and strategies unable to deliver meaningful economic growth in the state. In the early 2000s, this forced the EPRDF-led government under the leadership of the late Prime Minister, Meles Zenawi, to look for an alternative political economy from the East which is "Developmental State", and adopted incorporating democratic elements from the west so that it was known as "Democratic Developmental State" (Mulu & Daba, 2017). And, the government introduced two consecutive five year development plans, GTP I (2009/10-2014/15) and GTP II (2014/15-2019/20) to materialize this new ideology.

Ethiopia's Industrial policy in the GTPs (2009/10-2019/20) clearly stated the need for transforming the economy from agricultural-led to manufacturing and service-led (Mbate, 2016). Despite a number of attempts to industrialization have been made so far by the state through various development plans by the three regimes, comparing to the earlier policies and strategies, Ethiopia able to witness a meaningful industrialization in the GTPs (Ibid).

Ethiopia established Industrial Parks Development Corporation (IPDC) in 2014 through the Industrial Parks Development Corporation Establishment Council of Ministers Regulation N^o 326/2014 to make the development and management of IPs easy, effective and efficient.

To the knowledge of the researchers, only two studies have been conducted so far regarding IPs in Ethiopia. One is on Hawassa Industry Park studied by Mihretu and Llobet in 2017 selecting one manufacturer known as "PVH", the second largest apparel company in the world, and investigates why this business group chose Ethiopia as its investment target. The other study entitled: "Industrial Park Development in Ethiopia: Case Study Report" conducted by Zhang, & et al (2018) with the aim of "eliciting comments and stimulating debate" regarding Ethiopia's Industrial Park development policy. However, none of these studies have assessed the performance of IPs in Ethiopia vis-à-vis attracting Foreign Direct Investments (FDIs), creating job opportunities, and the prospects of the parks in particular & IP development in Ethiopia in general. Thus, this study tried to fill this research gap.

1.2.Objectives of the study

The study aimed to meet the following specific objectives:

- A. To assess the role of Eastern Industry Zone, Bole Lemi 1 and Hawassa Industrial parks in bringing Foreign Direct Investments (FDIs);
- B. To explore the role of these Industrial Parks in creating employment opportunities since they begin operation;
- C. To identify the challenges that they are facing; and

D. To assess the prospects of these industrial parks.

MATERIALS AND METHOD

1.3.Description of the study area

1.3.1. Bole Lemi I Industrial Park (BLIIP)

Bole Lemi I Industrial Park is the first state owned and constructed Industrial Park in Ethiopia developed by the Industrial Parks Development Corporation (IPDC). The park is found in the south eastern part of the capital city of Ethiopia, Addis Ababa, lays on 156 hectares of land. According to Ethiopian Investment Commission (n.d), the industrial Park has 20 sheds (10 sheds of 5500 m² and the remaining 10 sheds with a size of 11,000 m² each), and the park hosts companies that engage in export business in the areas of garments, Apparel & Textiles, and Leather & leather products (shoes) only (accessed on 11/10/2018 from URL: <http://www.investethiopia.gov.et/investment-opportunities/strategic-sectors/industry-zone-development>),. The park has the capacity of creating jobs for about 35,000 people when it begin operating at its fullest capacity (African Business Partners, 2017).

Image 1: Bole Lemi I Industrial Park (BLIIP)



Image source: Addis fortune, (May 19, 2018). Accessed on 23/10/2018 from URL:

<https://addisfortune.net/articles/labour-strike-rocks-bole-lemi-industrial-park/>

1.3.2. Eastern Industry Zone (EIZ)

Eastern Industry Zone is the first and private developed Industrial Park in Ethiopia that was built, developed and owned by the Chinese Huajian Group (also called the Huajian International Light Industry City), and fully occupied by Chinese companies lays on 500 hectares of land. It is found in Dukem, Oromia Regional State, some 35 Kms away south of Addis Ababa. According to Xinhua News agency (2018), there are about 83 companies in the park out of which 56 have already started production. The park served as spring board for the government of Ethiopia to build several parks throughout the country. It is a multipurpose parks that engages in Textiles and clothing (garment), Metal works (steelmakers), shoe, processors and car assemblers, construction materials, Machinery, electrical equipment, engineering material equipment manufacturing, food processing factories, miscellaneous manufacturing, packing and service. The park has the capacity of creating 100,000 jobs while it begin operating at its fullest capacity.

Image 2: Eastern Industry Zone (EIZ)



Image source: [Precise Ethiopia](http://preciseethiopia.com/ethiopias-eastern-industry-zone-to-start-phase-2-construction-soon-as-demands-increase/), (June 14, 2018). (Accessed on 25/10/2018 from URL: <http://preciseethiopia.com/ethiopias-eastern-industry-zone-to-start-phase-2-construction-soon-as-demands-increase/>).

1.3.3. Hawassa Industrial Park (HIP)

Hawassa industrial park is found in the outskirts of the capital city of the Southern Nation, Nationalities and Peoples Regional State, Hawassa, about 275 Kms South of Addis Ababa, the capital of Ethiopia. The Park, in its first phase, is built at about 130 hectares of land with the potential of further development to 400 hectares of land. It is an Eco- Industrial Park with zero liquid discharge (ZLD) facility, a model industrial park in Ethiopia, which is built for garment, apparel and textile companies that fully engage on export only. In total, it (the park) has 37 sheds (22 sheds of 11,000 m², 12 sheds of 5500 m² and the other 3 specialized sheds). In its 1st phase, it has created a job for about 20,000 people, and it has the capacity of creating job opportunity for 60,000 people when it operates fully

according to Ethiopian Investment Commission (URL: <http://www.investethiopia.gov.et/investment-opportunities/strategic-sectors/industry-zone-development> .

Image 3: Hawassa Industrial Park (HIP)



Image source: Addis fortune (June 25, 2017). Accessed on 25/10/2018 from URL: <https://addisfortune.net/articles/hawassa-industrial-park-moves-to-safe-seats/>

1.4. Research Design and Approach

The researchers employed an exploratory research design to assess the performance of Bole Lemi 1, Eastern Industry Zone and Hawassa IPs. As Manerikar & Manerikar (2014: 1), noted that an exploratory research is useful and advisable “when a researcher [believe there is] ...a limited amount of experience [or no/little research is conducted] or knowledge about a research issue [or study gap]...”

Accordingly, to the researchers’ knowledge, the researchers believe that there are little researches conducted regarding IPs in Ethiopia due the fact that

the issue is new. That's why the researchers opted this design to meet their objectives. Besides, for the fact that it hard to exactly know the number of people those who are not working being hired in these industrial parks but benefiting through opening a business around these IPs, and it is hard to manage questionnaire in such condition along with the fact that workers may not have sufficient time to fill questionnaires, it is advisable to collect qualitative data as Kothari (1990) noted. Thus, this study employed qualitative research approach.

1.5.Population, Sampling Size, Sampling Technique, Tools of data

Collection and sources of data

The study opts to employ a purposive sampling technique in which the target population of the study is the people working in the parks including the administrative staffs of the parks, and the surrounding communities. The detail of data collection tools are stated below.

1.5.1. Key Informants Interview

The researchers conducted interviews with 8 key informants: (Deputy) CEO of Operational Management of various Industries in the IPs, Representative/ CEO of Investors Union in the IPs, Head of Ethiopia Investment Commission in the IPs, and Directors of Community Radio of the IPs on different occasions.

1.5.2. (Non-participant) Field Observation

The researchers conducted an observation on the three IPs, and observe the type of products produced in the IPs, the working environment, the supply-chain in the IPs with the surrounding community taking the objectives of the study at the of the researchers mind. Plus, the researchers accidentally ask 8 workers in the industrial parks about the working environment, their rights as a worker in the parks, what they benefit, and the challenges they are facing among others. And, the researchers have also accidentally asked some residents living around the parks regarding what they benefit from the parks.

1.6.Document Analysis (Secondary Source of Data)

Data were collected from various literatures, reports, IPs and other institutions which have relevance to the subject matter at hand are considered.

FINDINGS, INTERPRETATION, ANALYSIS AND DISCUSSION

This section of the study deals with the findings of the study. It interprets and analyses the data collected through the tools indicated in the previous chapter, chapter three.

3.1. The Role of Industrial Parks (IPs) in bringing Foreign Direct Investments (FDIs) in Ethiopia

Following the development of IPs in Ethiopia, various well-known International companies are making Ethiopia their investment destination in which Ethiopia is now the second in Sub-Sahara African in terms of attracting FDIs next to South Africa (Mulu & Daba, 2017), and Ethiopia is the biggest economy in the East Africa region overtaking Kenya in 2018, according to IMF with Real GDP of \$78 billion some \$29 million gap with Kenya (Africa News, 29/05/2017. URL: <http://www.africanews.com/2017/05/29/ethiopia-overtakes-kenya-as-economic-giant-of-east-africa/> retrieved on 30/10/2018).

The development of IPs in Ethiopia is booming. Generally, while the state investing in the development of IPs, it is doing this with the following three basic aims, according to the data collected from our key informant who is *CEO of Operation Management of BLIIP*:

“One is, to attract Foreign Direct Investments (FDIs) in which the companies engage in export business through which the state generates hard currency. The other is, creating job opportunities to the people, and the third is, since the companies come with new technology and knowledge, the local people working in the parks will get an exposure to new knowledge and technology

that latter will help them to establish their own firms and become entrepreneurs”, he said (Researchers’ translation).

As figures from the three IPs i.e. Hawassa IP, Bole Lemi I IP and Eastern Industry Zone, show, there is no unoccupied shed(s) in the parks. All the sheds built in the parks are fully occupied. In this regard, the government succeed in attracting 114 foreign companies and 1 domestic firm in only three parks: 11 foreign companies in BLIIP (see table 1), 83 (see table 2) companies in EIZ, and 21 companies in HIP (see table 3) exist in which some are already fully operational while some are partially operating. There are a number of reasons why foreign companies target IPs in Ethiopia, according to the interview conducted with the *Head of Ethiopian Investment Commission HIP Branch (also known as the Manager of the Park’s one-stop-shop-Service)*. He noted that:

“Ethiopia is found in the Horn of Africa where there is continuous instability which is in most cases exceptional to Ethiopia. Ethiopia is the most stable country in the region, comparably. Plus, the country is a home to more than 102 million population where most are young. This gives another advantage to the country, and an opportunity to investors with cheap labour. On the other hand, the government has also give especial focus to the manufacturing sector in which a number of incentive packages like tax holyday, quota free import etc. Not only this, but also the IPs are made ready with the availability of all forms of services like power, water, residence, clinic, security, one stop service and assigning officers who can closely help investors in the parks. All these make IPs the first targets of foreign investors,” (Researchers’ translation).

Table 1. List of Companies operating in Bole Lemi I Industrial Park (BLIIP)

<i>Company Name</i>	<i>Country of Origin</i>	<i>Investment activity/ producing</i>
Nitton Apparels Manufacturing Plc	China	Garments
Shints ETP Garment Plc	South Korea	garments
Ashton Apparel Manufacturing Plc	India	garments for export
Arvind Lifestyle Apparel Africa Plc (ANF GULF)	India	Garments
Lyu Shoutao Factory Plc	China	Leather products (including gloves)
Jay Jay Textiles Plc	India	wearing apparel (including sportswear)
KEI Industrial Engineering Consultancy Plc	US/South Korea	Garments
New Wide Garment (Ethiopian Branch)	Taiwan	Wearing apparel (including sportswear)
George Shoe Ethiopia Plc	Taiwan	Leather Shoe
C & H Garments Plc (M & M Garments Plc)	China	wearing apparel (including sportswear)
Vestis Garment Production Plc	India	Garments

Source: Flyer given to the researchers by the Deputy Manager of BLIIP, 2019.

Table 2: List of Major Chinese companies operating in the Eastern Industrial Park

<i>Category</i>	<i>Company</i>	<i>Type of Business</i>	<i>Establishing Year</i>
Textiles and clothing (10)	Chang Cheng Packaging Co Ltd	Production of woven bags and packaging material	2010 (operation)
	Huajian Shoe Co Ltd	Leather shoes	2011 (operation)
	Dongfang Spinning, Printing and Dyeing	Textiles and garments	2013 (operation)
	Linde Clothing	Manufacturing of garments	2014 (operation)
	KEPA Textile Plc	Weaving, finishing and printing of textiles	2014 (operation)
	Yuechen Textiles	Manufacturing of woven fabrics	2015 (operation)
	Haibo Manufacturing Plc	Manufacturing of children's clothes and adult suits	2016 (operation)
	Kaipu Manufacturing Plc	Production of school bags, travelling bags	2016 (implementation)
	Shuaije Textile Plc	Textile products	2016 (pre-implementation)

	Wuzhen Miao Textile	Textile products	2016 (pre- implementation)
Metal works (3)	Eastern Steel Co	Manufacturing of basic iron and steel	2006 (operation; expansion 2014 and 2016)
	LQY Pipe Manufacturing Co. Ltd	Steel pipe production	2010 (operation)
	Zhen Zhen Iron & Steel Manufacturing Plc	Manufacturing of basic iron and steel	2015 (operation)
Construction Material (7)	East Cement	Cement production	2006 (operation)
	L&J Engineering Co. Ltd	Production of bricks, pipes and cement products	2010 (operation)
	Yulong Technology Building Materials Co. Ltd	Production of gypsum boards and related products	2010 (operation)
	Zhong Shun Cement Manufacturing Co. Ltd	Cement production	2008 (operation)
	Hansom Kinfengda Manufacturing Plc	Manufacturing of electrical wires or cables	2015 (operation)

	TY Wood Manufacturing Plc	Manufacturing of plywood boards, timer doors, floors and furniture	2016 (implementation)
	Di Yuan Ceramics	Ceramic products	2016 (pre-implementation)
Machinery (8)	Yangfan/Lifan motors	Motor vehicle manufacturing and assembling	2013 (operation)
	Shadeka Spare Parts Manufacturing Plc	Manufacturing of spare parts and accessories for motor vehicles	2013 (operation)
	Changfa Agricultural Equipment Manufacturing	Tractors, harvesters and other agricultural equipment	2011 (operation)
	Yuechen Industry Plc	Manufacturing of special purpose agriculture machinery	2014 (implementation)
	Yema Auto	Pick-up assembling	2011 (operation)
	E-truck Motors Manufacturing Plc	Heavy vehicles	2016 (pre-implementation)
	Higer Pickup	Pick-up production	2011 (operation)

	Ejia Metal Products Manufacturing PLC	Manufacturing of screws, nuts and other metal products	2014 (operation)
Miscellaneous manufacturing (4)	Aisai Recycled Plastic Manufacturing	Manufacturing of plastics and/or synthetic rubber	2013 (operation)
	Hul Huang Industrial Plc	Manufacturing of plastic products excluding plastic shopping bags	2013 (operation)
	Jili Electric Plc	Home appliance manufacturing	2016 (pre-implementation)
	Sansheng (Ethio) Pharmaceutical PLC	Pharmaceutical Manufacturing	2016 (construction)
Packing (2)	Great Wall Packing Material	Packing materials production	2011
	Pure Wood Pulp Paper and Packing Plc	Production of pulp, paper and packaging materials	2017 (pre-implementation)
Services (3)	East Cement Leasing Company	Construction equipment rental service	2008 (operation)
	East Cement Share Company	Administrative services, personnel	2006 (operation)

		management, sales, billing, etc.	
	Eastern Hotel	Hotel services	2008 (operation)

Source: Zhang & et al (2018).

Table 3. List of Companies operating in Hawassa Industrial Park (HIP)

<i>No</i>	<i>Country of origin</i>	<i>Investment Activity</i>	<i>Company Name</i>
1	China & Hong Kong	TEXTILE MILL, GARMENT	Indochine Apparel Ltd CHINA; TAL Apparel; EPIC Group; Quadrant Apparel Group Plc (MUST Garment); Giangsu Golden Island Group ; KGG Garment plc ; WUXI
2	Indonesia	GARMENT	Busana Apparel (PTU)
3	Taiwan	TEXTILE & GARMENT	Everest Textile
4	UK	Garment	FCI
5	France & South Africa	ACCESSORIES	Chargeurs Fashion Technologies; TIL (International Trimming Laboratory)

6	China	GARMENT, ACCESSORIES	Hela Indochine Clothing Group
7	Belgium	PERSONAL PRODUCTS HYGIENE	Ontex Group NV
8	India	GARMENT: KNITWEAR DENIM ,	Arvind; Raymond, Silver Spark Apparel Ethiopia Ltd; Best International Corporations
9	Sri Lanka	GARMENT: KNITWEAR	Hinderamani Garment Plc; Isabella and Sarasavi Export (Pvt) Ltd
10	USA	GARMENT AND BUYER	PVH
11	Ethiopia	Garment	JAS Garment

Source: Ethiopian Investment Commission Hawassa Industrial Park Branch, 2018.

As it is mentioned above, 99.13% of the developed and availed sheds in HIP, BLIIP and EIZ parks are fully occupied by 114 foreign companies. This indicates there is high demand for IPs in Ethiopia by foreign investors in which this has encouraged the government to further make an investment in the development of IPs in various parts of the country. As *Deputy Head for Integrated Service Centre in the Operation and Management Department of HIP*, strongly noted that the development of IPs in Ethiopia is not only successful so far in attracting FDIs, but also the parks aim to attract best brands of foreign companies that have good name in the global market. One of the very reason why

all most all the companies in the IPs are foreign is that according to *CEO of Operation Management of BLIIP*, one of the key informants, he disclosed that:

“Since Ethiopia is new to the manufacturing export sector, and domestic firms do not have the capacity to compete in the global market, the government favours foreign companies with good international experience and good name in the global market to come and invest in the parks so that the companies will promote Ethiopia in the manufacturing sector at global level” (Researchers’ translation).

Following the coming of foreign companies in to Ethiopia’s IPs, the country is enjoying some of its fruits in the sector in terms of generating hard currency. In other words, as some of the companies have begun to invest and operate in the parks, the country is generating a lot of hard currency. In average, about 3 million USD per month from HIP in its start-up phase (despite it plans to earn about 1 billion USD per year while it became fully operational), 4.5 Million USD per month from EIZ (but it plans to earn 3 billion per annum while all its companies began full operation and its phase two expansion fully developed) and 2 Million USD per month from BLIIP (and it aims to earn 1 billion when its expansion project phase two, Bole Lemi II Industrial park fully developed and fully operational after a year) is generated according to the data collected through interview with *the Manager of the Hawassa Industrial Park’s one-stop-shop-service*, *Representative of Investors Association in EIZ*, and *Deputy Manager of the park’s one-stop-shop-service of BLIIP*, respectively. In this regard, as many of the parks are built in loan mostly from China, the generated income will help the country to pay its debt back, said *Manager of Community Radio of HIP* in an interview conducted with the researchers. One can understand that there are two key reasons why the companies in the IPs are expected to export to foreign market, not to supply to domestic market;

- a) One is, since the IPs are constructed with foreign loan, the government expected to earn hard currency from the export activities of the companies in the park so as to pay back its loan; and
- b) The companies in the park which are well known in the global market with their good names through exporting Ethiopian made products to the global market will attract other companies to come and invest in Ethiopia. In other words, the companies are serving as “good ambassadors of Ethiopia” in the manufacturing sector by exporting their products made in Ethiopia so that other companies will be interested to investing in Ethiopia.

The other very important point here is that these three IPs have able to attract Billions of Dollars of through FDIs. For instance, in the first six months alone in FY2017/18, the country has attracted about 2.2 Billions of USD in FDIs, according to Ethiopian Investment Commission (2018). Besides, the targets of the IPs in Ethiopia are the global companies, and it has been realized this target. As you can see from the profile of the list of companies operating in the three industrial parks except one, JAS Garment in HIP (see table 6 above), all the other 114 companies are foreign owned and comes from almost all over part of the world.

3.2. The role of Industrial Parks (IPs) in creating Employment Opportunities

Industrial Parks have different type and areas of specialization within a country and across countries in the world. Despite these differences, IPs are developed primarily taking the issue of creating employment opportunity, attracting foreign and direct investments in the manufacturing sector, and expansion of urbanization in to consideration. For instance, Ethiopia’s council of ministers Proclamation No.886/2015 stated clearly stated the necessity of investing in the development IPs in the country as follows:

“...[I]t is necessary to accelerate the economic transformation and development of the country through the establishment of Industrial Parks in strategic locations to promote and attract productive domestic and foreign direct investment thereby upgrading industries and generate employment opportunity; ...the need to enhance export promotion, protection of environment and human wellbeing, economical land use and establishing and expanding planned urban centres...”

As it is indicated above, one of the very aims of the development of IPs in Ethiopia is creating jobs. That’s why the government is prioritizing some manufacturing sectors that are labour intensive like garment and textile, which need a large amount of labour. From this point of analysis, the researchers assess the performance of the three IPs in creating job opportunity to the local people as well as to Ethiopians. In this regard, the researchers compiled the figures in the following table.

Table 4: Jobs created in HIP, BLIIP and EIZ as of February, 2019

<i>Name of a Park</i>	<i>Already Created jobs</i>	<i>Expected jobs to create</i>
Hawassa Industrial Park (HIP)	16,000	60,000
Bole Lemi I Industrial Park (BLIIP)	14,200	35,000
Eastern Industry Zone (EIZ)	23,412	100,000
<i>Total</i>	<i>53,612</i>	<i>195,000</i>

Source: Compiled by the researchers, 2019.

As the above table indicates, these three IPs alone have created a job opportunities to about 53,612 which is 27.49% of what is expected to create while the parks enter in to full operation. They created jobs not only for those who have took certain training from formal training centres like TVETs, engineering

graduates from various universities and higher education institutions of the country, but also a priority is given to the local people who are displaced from their lands for the development of these parks in which a sense of belongingness, ownership and benefiting from the park as well as a tension between the parks and the surrounding community will reduce or minimize in this regard, stated *Representative of Investors Association in EIZ*. The researchers have also realized whether this practice is also being done in other industrial park, and the other two parks, BLIIP and HIP, are doing this. But, the case of Hawassa IP is gone beyond creating jobs to the displaced farmers from the park. According to the data collected through interview conducted with the *Manager of Hawassa Industrial park's one-stop-shop-service*, the park has also built a house in the surrounding of the park, and transfer to the farmers whose house were demolished for the development of the park as a compensation.

Apart from creating job opportunities, the parks have also created an opportunity for the urbanization of the surrounding areas where the parks are developed. Since, many people come from various part of the country to work in the parks, the community surrounding the parks have a great business opportunity through various ways.

The researchers have accidentally asked some people surrounding the parks about “what they have benefited from the parks?” And, one of the participant who is *a security personnel in Hawassa IP* said “*I’m happy to see the park in his locality, and earning about 950 Birr per month in which I able to meet the demand of my family.*”

Besides, others surrounding the parks have able to earn sustainable income from renting houses to the people who come to work in the parks from various parts of the country. A women who *resides around BLIIP* said to the researchers that:

“The park is not only creating jobs to the people who are working in the parks. But also, it creates a job for us and the

surrounding communities of the park. I, for instance, earn about 6500 Birr in total renting 3 houses to people working in BLIIP. My neighbour friend rented 2 houses one for shop, the other for as a small café. Others are also benefiting by opening up businesses like boutiques, supplying transport services. We, as a community, are also benefitting from some kinds of infrastructures like roads. In all means we are benefitting from the park,” she said (Researchers’ Translation).

The researchers have also able to contact some workers in their field observation in the parks, and accidentally ask some workers about what they learn something new, the working environment and other related questions. In this case, *a worker from Silver Spark Apparel Ethiopia Plc working in HIP, a worker, production supervisor in HYDRAMANI Ltd in HIP, a worker in FCI in HIP, a worker in Jay Jay Textiles Plc in BLIIP, a worker in C & H Garments Plc (M & M Garments Plc) in BLIIP* all opined that they learn a lot about the work culture in the parks where there is no time just to spent unutilized. The foreigners’ working culture helps them to be hard working people. Plus, they learn a lot about how to operate certain machineries in which latter on they will contribute a lot to the development of the manufacturing sector in the country, and develop a good skill practically how a machines works, and how to operate a machine. In this regard, despite it is not sound to say one of the very objectives of the parks, transfer technology to local firms and citizens is successful, to some extent it is encouraging, and it is good to see some Ethiopians are working at the sophisticate department of the firms in the parks.

**FIGURE 1: WORKERS IN KEPA TEXTILE PLC IN EASTERN
INDUSTRY ZONE**



Image Taken on 12/02/2019 by the researchers.

**FIGURE 2: WORKERS IN SILVER SPARK APPAREL ETHIOPIA
PLC IN HAWASSA INDUSTRIAL PARK**



Image Taken on 04/05/2018 by the researchers.

**FIGURE 3: PEOPLE WORKING IN JAY JAY TEXTILES PLC IN
BOLE LEMI I INDUSTRIAL PARK**



Image Taken on 26/01/2019 by the researchers.

3.3. Challenges and Prospects of Industrial Parks (IPs) in Ethiopia

The government of FDRE has given special attention to the development of the manufacturing sector in which its aggressive investment in the development of a number of industrial parks throughout the country is an indication to this policy. Development of IPs in Ethiopia is booming. Despite the government has invested a lot and give utmost attention to this sector, the already operational/functioning parks are suffering from a number of challenges. For instance, according to one of the key informants, *CEO of Investors Union in HIP*, the utmost challenges that makes investors not to be effective and efficient is lack of trained and skilled manpower. He said:

“The companies that come and invest in HIP communicate the investors union first that they demand a number of workers to work in various departments they have, and we make a call. And, a number of people apply, but they don’t have the minimum skill to work in the park. Even those who have BA/BSC graduated from various universities of the country including g engineering graduates do not have a knowhow about machines. Thus, we take anyone regardless of their academic profiles, and give them a short term training for about up to 2 months. After which they will be hired in the park” (Researchers’ translation).

The same is true with other informants from other IPs that the country needs to produce/supply well-trained and skilled manpower from TVETs and higher education to fill the gap between the supply of manpower and demand of manpower by the parks unless the so called technology transfer may not fully successful. The parks do not have any kind of security threats; no market problem for the companies operating inside the parks for the fact that they have good name in the global market. Every infrastructure is fully available with close monitor

from officials in the park. But, there is great problem not only to the companies working in the parks but also for the country as well said the *Director for Investment and Customers' Service Department from EIZ*. He noted the following:

“One of the very aim of IPs in Ethiopia is to minimize import and promote export by which the country can earn hard currency. However, currently the companies in EIZ and in other parks in Ethiopia are importing semi-finished products and what they are doing is finalizing to export them back. They do not use raw materials from Ethiopia. This has two implication. One, the parks are not establishing business link in the local market by using either raw or semi-finished local products. Second, the companies are importing materials through hard currency. Thus, the country is not earning the expected amount of hard currency want to have/earn.”

According to UNCTAD Investment Report of 2017, FDI in to Ethiopia is growing dramatically at about 50% per annum 1.2 billion in 2014, \$2.2 billion in 2015, and \$3.2 billion. This indicates that the government is succeeding in attracting FDIs as he planned in his IP policies. But, despite some successes of these IPs, these parks are also suffering from various challenges related to logistics and supply of raw materials in which all the supply of raw materials are imported. Plus, as Mihretu and Llobet (2017), investors in the parks Hawassa Industrial Park (HIP) are suffering from:

“...[I]nefficient trade finance and bank processes, long shipping times, high shipping costs, inefficient port operations, high freight transport cost, unregulated service under monopolistic practices, inadequate logistics service capacity, poor coordination, and lengthy customs and inland dry port clearance. Customs processes are unpredictable and that requirements and regulations are not clear.”

Furthermore, IPs that are operating in Ethiopia are also suffering from lack of capable, experienced Institutional, Regulatory, and Administrative Capacity to develop and manage the parks; poor Local Development in the areas where the IPs, and the absence of business Linkages in domestic and international market among the others are the challenges to the overall development of the parks (PVH Corporation. 2016; World Bank Group, 2017).

The other critical point that the researchers found out is that workers are not paid well. All those who the researchers contact them accidentally during field observation is that despite they are learning a lot of new things in the parks and are happy to have the opportunity to join the parks they are working in, what they are paid is not proportional to the time they spent in and to what they produce in the parks. The workers from *Silver Spark Apparel Ethiopia Plc*, *HYDRAMANI Ltd in HIP* and *FCI in HIP*, *Jay Jay Textiles Plc* and *C & H Garments Plc (M & M Garments Plc)* from *BLIIP*, and *KEPA Textile Plc in EIZ* and *Yuechen Industry Plc in EIZ* whom the researchers met them accidentally during field observation disclosed other critical point is that despite workers reported about the low salary they are paid in the parks, the park officials never give attention to their questions, and the officials favour the foreigner company owners/managers in the parks. This has resulted in a strike by the workers in Bole Lemi I IPs at May, 2018, for instance.

Having discussed all these challenges the parks have been facing so far, what it looks like the prospects of the parks is the next question. From the figures discussed above, one can realized that despite it not up to the expected level, the parks are on good progress. They have already created a job opportunity for thousands of people in their start-up phase which is very encouraging. They are also trying to bring hard currency which the country is suffering most from. And, officials from the three parks share this conclusion. *The Manager of the HIP's one-stop-shop-service*, said for instance, the issue of industrial park is new to Ethiopia. But, the country is administering the parks not as someone who is new

to it. The parks are performing at a very promising level. *Director for Investment and Customers' Service Department from EIZ* said that the experience of EIZ has become a spring point to the Ethiopian government to aggressively engage in the development of IPs in various parts of the country. He noted that:

“EIZ is the first IP in the history of Ethiopia's history of Industrial Parks' Development. It was developed by the Chinese CCCC and Ethiopians were introduced to IP for the first time. And, the performance of the park has become encouraging and convincing to the government. That why the government has asked the help both technical and money of the Chinese government to invest in the development of IPs in the country. The park has fully occupied by companies from China, and it is working on its phase two expansion project of the park.”

As the figures also speaks there is no free shed unoccupied in all the three parks. And, Bole Lemi II IP the expansion of its phase one is underway which substantiate the above claim by *Director for Investment and Customers' Service Department of EIZ*. Thus, it is sound to conclude that the prospects of IPs of these parks is bright.

One of the very aims of the development of Industrial Parks in Ethiopia is import substitution. The parks are developed in such a way that they will substitute the import of goods by producing them in Ethiopia industrial sector with competitive quality. And, the parks are also expected to promote its export capacity, amount and kind so that the country will generate hard currency and will save some of its hard currency from purchasing goods in the form of import. However, given the trends of these three IPs (i.e. HIP, BLIIP, and EIZ), according to the data collected from the parks through interview with *the Manager of the HIP's one-stop-shop-service, Deputy CEO of Ethiopian Investment Commission of BLIIP Branch, and Director for Investment and Customers' Service Department of EIZ*, are just engaged on export while they

did not use local raw/or semi-finished products. Rather, the companies in the parks are importing semi-finished products which will cost the country additional hard currency. Plus, at this level, the parks have never contributed any role for import substitution.

Moreover, according to an interview with conducted ENA on 10/12/2018, Mrs Lelise Neme, CEO of IPDC, disclosed that one of the critical challenges that the IPs, which begin operating, facing so far is shortage of supply of houses for rent surrounding the parks to the people come to work in the parks from various parts of the country. This forced a number of workers to leave the parks, adds the CEO of IPDC (Accessed from: <https://www.ena.et/?p=29340#>) on 25/01/2019).

Apart from the claims of the CEO of IPDC of the FDRE, workers from *Jay Jay Textiles Plc* and *C & H Garments Plc (M & M Garments Plc)* of BLIIP disclosed to the researchers that even the existing houses are beyond the financial capacity of the workers. They stated that no one affords to rent a single house in his/her own. Rather, they rent a single house in a group due to the fact that the wage they are paid is less, and the houses are too expensive. This results in that workers never stay in the park for so long. They leave the park after few months, noted the workers. On the other hand, the workers' mobility from the park forced the park and the companies in the park to look for new workers and provided them with trainings, since most of the people who seek to work in the park are new, the CEO of Operation Management of BLIIP informed the researchers. Therefore, one can understand that this problem will have an impact on effectively exploiting workers capacity sustainably, and it will also have an impact on the amount of products produced by the companies in the park so that the country fails to get a significant amount of hard currency from exporting products from the park.

As a solution, the CEO of Operation Management of BLIIP suggest that:

“The government shall introduce a new housing program [or scheme] that benefits workers in the park [and in other parks in the country] that focuses on supplying of house to workers in the park with affordable rent/price.”

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

According to Zhang and et al (2018: 8-14), the development of IPs in Ethiopia has six major objectives:

- A) To improve sustainability and resilience of economic growth ;
- B) To enhance contribution of manufacturing to national economy ;
- C) To stimulate stagnant exports and foreign direct investment ;
- D) To alleviate foreign exchange shortages ;
- E) To reduce borrowing funded government and SOE investment, and
- F) To transfer the lead of growth from public to private sector.

And, this study has addressed all of them in one or in the way. The parks, in their start-up phase, are performing well in creating job opportunity, attracting FDIs and earning hard currency, contributed a lot in avoiding possible land grabbing and state-citizens conflict over land etc. Thus, it is sound to conclude that the prospects of the parks given how they are performing in their start-up phase is very promising despite there are challenges related to: lack of well-trained and skilled manpower, absence of supply chain of local raw/semi-finished materials with the parks, inefficient trade finance and banking process, inefficient port operation and expensive shipping services, lack of capable, experienced Institutional, Regulatory, and to administer and manage the parks; poor local development in the areas where the IPs are. Thus, the study recommends:

➤ The current regime which is in power since May, 1991 in Ethiopia has been investing a lot of capital in the educational sector increasingly. For instance in 1982, the then government, Dergue, invested about 2.10% of country's GDP on the education sector while the FDRE government increases the share of the sector to 5.50% of the GDP in 2006, 5.60% of the GDP in 2012, and drops to 4.50% of the GDP in 2013 as Knoema Corporation (2013). However, building public Universities or TVETs or schools is not enough as it has been done so far. But, the quality of education shall not put in to question and compromise. The education in TVETs and engineering schools shall be more of practical, not theoretical as before. Plus, there should be a sustainable Industry-University linkage so that students will learn practically on the spot, and IPs shall serve as training and excellence centres.

➤ As this study found out that there is no any business link between local firms and companies in the IPs in which this will negatively affect hard currency generating capacity of the country and the so aimed technology transfer. Thus, the government should encourage domestic firms and investors to empower them financially so that they will invest in joint venture with well-known international manufacturing companies through which in the long process domestic firms will be in place taking over international companies in Ethiopia.

➤ Given Ethiopia's existing Institutional, Regulatory, and administrative capacity, it is hard to continuously and sustainably attract FDIs. Thus, the government at all levels shall upgrade and reform its banking system, its institutional structure and bureaucracy free from rent seeking and corruption as much as possible.

➤ The government shall also work day-and-night on the development of ports with the neighbouring countries so that port costs will decrease in importing goods for-and-exporting goods produced the parks with possible low cost and good efficiency.

- The parks in Ethiopia are highly export oriented despite the government also aims on import substitution. And, their activities so far indicate that the parks are not performing well on import substitution. Just, they are importing raw and semi-finished products for their production process. Thus, the government shall encourage and supply domestic investors with financial support to engage in supplying of semi-finished products with best possible quality to the parks.
- Finally, the government in coordination with the private sector, and investors shall built rental residential houses to supply for workers in the parks with reasonable and affordable cost. And, city administrations shall have a separate budget to build houses surrounding the parks to this end.

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List of Appendices

Appendix 1: List of Key Informants

<i>S/N</i>	<i>Sex</i>	<i>Place of Interview</i>	<i>Position Held in the Park</i>	<i>Date of Interview</i>
1	Male	HIP	CEO of Ethiopian Investment Commission of HIP Branch (also known as the Manager of the park's one-stop-shop-service)	04/05/2018
2	Male	HIP	CEO of Investors Union in HIP	03/05/2018
3	Male	HIP	Deputy Head for Integrated Service Centre in Operation and Management Department of HIP	04/05/2018
4	Male	HIP	Manager of Community Radio of HIP	02/05/2018
5	Male	BLIIP	CEO of Operation Management of BLIIP	28/01/2019
6	Male	BLIIP	Deputy CEO of Ethiopian Investment Commission of BLIIP Branch (also known as the Deputy Manager of the park's one-stop-shop-service)	28/01/2019
7	Male	EIZ	Representative of Investors Association in EIZ	12/02/2019
8	Male	EIZ	Director for Investment and Customers' Service Department from EIZ	11/02/2019

Appendix 2: Others (accidental Informants during field observation)

<i>S/N</i>	<i>Sex</i>	<i>Status</i>	<i>Place of Contact</i>	<i>Date</i>
1	Male	A worker in Silver Spark Apparel Ethiopia Plc	HIP	04/05/2018
2	Male	Production supervisor in HYDRAMANI Ltd	HIP	04/05/2018
3	Male	Security person in HIP	HIP	05/05/2018
4	Male	Owner of small business, Beza Wood Work and Metal Works Association	Around HIP	05/05/2018
5	Female	A worker in FCI in HIP	HIP	03/05/2018
6	Female	A house owner around BLIIP	Around BLIIP	25/01/2019
7	Male	A worker in Jay Jay Textiles Plc	BLIIP	26/01/2019
8	Female	A worker in C & H Garments Plc (M & M Garments Plc)	BLIIP	26/01/2019
9	Male	A worker in KEPA Textile Plc	EIZ	12/02/2019
1	Female	A worker in Yuechen Industry Plc	EIZ	12/02/2019

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HIP, Manager of Community Radio of HIP, Representative of Investors' Association in EIZ, and Director for Investment and Customers' Service Department of EIZ for the priceless data they provide us regarding their respective Industrial Parks without which the successful completion of the study was hardly possible.

Besides, we are grateful to those people whom we, the researchers met them accidentally, working in the parks, opening businesses around the parks, and renting houses to workers in the parks who were volunteer in providing various valuable information about the parks.

Declaration of Conflict of Interest(s)

We, the researchers, declare that the work entitled: "Assessing the Performance of Industrial Parks (IPs) in Ethiopia: The case of Bole Lemi 1, Eastern Industry Zone and Hawassa Industrial Parks" is our original work, and that all sources & materials used for the study have been duly acknowledged. And, the authors also declare that this article/research is not plagiarized, has not been previously published elsewhere, and is not sent to any other journal to be considered for publication.