

Ethiopia: Industrial Zone Development Making Ethiopia the Hub of Light Manufacturing in Africa



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H.E. Dr. Markos Tekle was appointed as an Ambassador of F. D. R. Ethiopia on October 27, 2010. He was born in Southern Ethiopia in called Yaye. Before taking the present post, he had been a lecturer and dean of faculty at Hawassa University. He has carried out various research projects and author and co-author of three books.

Ethiopia is one of the fastest growing economies in the world, registering around 11 percent GDP growth per annum for the last eleven years. This economic growth is expected to continue in the next years according to reports of African Development Bank and global financial institutions such as World Bank and International Monetary Fund.

With the ambition to attain middle-class income status by 2025, the country has followed an integrated development plan called Growth and Transformation Plan (GTP), which aims to transform the economy from agriculture to industry. To achieve this goal, the government is investing heavily in infrastructural, large scale social and energy projects. It also gives great emphasis to lure foreign direct investment in priority sectors such as light manufacturing. Having key pulls for investment such as competitive and inexpensive labor, cheaper and renewable energy supply as

well as large consumer markets, the government is targeting the export-oriented light manufacturing industries as well as small and medium manufacturers to become the African manufacturer hub over the next decade.

The industrial zones are central for the government to this plan to build manufacturing bases, targeting labor intensive industries such as textile, garment, agro-processing and leather. Ethiopian Industrial Zone Corporation is responsible to oversee the construction and regulation of the Zones.

The first industrial zone development in its kind and expansion is taking place in the country's capital Addis Ababa and its suburb. Fully occupied Bole Lemi I Industrial Zone in the outskirts of Addis Ababa with shoes and garment manufacturing industry, is now under expansion to attract



Location:

Ethiopia is located in the centre of the Horn of Africa. It shares borders with the Sudan and South Sudan to the west; Eritrea to the north and north-east; Djibouti and Somaliland to the east; Somalia and Kenya to the south.

Climate:

Although Ethiopia lies within 15 degrees North of the Equator, overall the country enjoys moderate temperatures and a pleasant climate, with average temperature rarely exceeding 20°C, owing to the moderating influence of high altitude. The more sparsely populated lowlands tend to have sub-tropical and tropical climates; and parts of the Afar regional State in the east of the country which lie below sea level are considered to be the hottest place on earth with temperatures regularly reaching 50°C or more.

Land of Culture:

Ethiopia, an old country beyond all imaginations, has culture and traditions dating back over 3000 years. With over 80 different Ethnic groups with their own language, culture and traditions. The strong religious setting, celebrations and festivals play an important part in every ones daily life. Church ceremonies are a major feature of Ethiopian life. The Ethiopian Orthodox Church has its own head, follows its own customs, and is extremely proud of its fourth century origins. Ethiopia's Islamic tradition is also strong and offers colorful contrast, particularly in the eastern and south-eastern parts of the country.

prospective companies in textile, apparel and shoe areas.

Another Kilinto industrial zone some 20kms away from Addis Ababa is also under construction for the establishment of agro-processing, pharmaceuticals, and electronics and furniture industries. These manufacturing centers are equipped with all necessary infrastructural and other common facilities.

Outside Addis Ababa, the government has selected to develop industrial zones in Dire Dawa (300kms Away from Addis Ababa, near Djibouti port), Hawasa (275kms away from Addis Ababa to the South), Mekele (761kms far from Addis Ababa to the North) and Kombolcha (400kms far from Addis Ababa to the North) as manufacturing hubs in the near future. Preparations have been finalized to start construction at these centers. The development of industrial parks can be undertaken by the government, private investors or by joint venture according to the Ethiopian investment law.

In a bid to engage investment, private companies are encouraged to develop their own industrial zones. Some big companies have already constructed their own industrial zones and started operation. More other companies are also requesting to build their own to be benefitted from one stop shop services in their own facilities and easy access to facilities and key infrastructures in the sights.

Bearing in mind the rich experiences of Japanese companies in developing industrial parks in Asia, the government of Ethiopia is pursuing to attract Japanese enterprises to develop their own. In line with this, there is a platform set between the governments of Ethiopia and Japan to exchange views on ways of improving industrial policy and investment climates. This high-level policy consultation focuses on creating suitable environment to enable speedy involvement by Japanese private sectors in light manufacturing and industrial zone development.

For industrial zone developers, there are investment incentives. The developers will get a tax holiday of from 10 up to 15 years and duty-free privileges depending on the location of the zone. And manufacturers can get additional tax holiday of 2 and 4 in Addis Ababa and 40kms away respectively if manufacturers exporting over 80 percent of their products.

Ethiopia is now becoming better place than ever to do business including developing industrial zones with a lot of opportunities. Large number of transnational companies from around the globe are opening their business and oth-



Manufacturing company operating at Bole Lemi Industrial Zone



Leather goods factory in the southern part of Addis Ababa owned by UK leather goods company Pittards



Addis Ababa Light Rail recently starts operation

ers are closely analyzing the environment to relocate their business as a result of comparative advantages including Japanese companies. That's why it is believed to see more companies from Japan in getting involved in industrial park development.

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