

## 18. Industrial Parks, Dry Ports and Special Economic Zones

### 18.1 Industrial Parks

The Government of Ethiopia places high importance to industrial parks development and is establishing over 20 state-of-the-art industrial parks located along key development corridors – each with distinct specialty in priority sectors<sup>37</sup>. These industrial parks will be developed and financed through different mechanisms ensuring a sustainable and inclusive partnership between the Government and private industrial park developers. Of these industrial parks, most of them are currently operational at different regional states of the country. Furthermore, investors planning on entering the industrial parks are meticulously selected to ensure cohesive and cordial relationships among them with a shared vision of ensuring higher productivity and competitiveness in the park.

The key anchor principles for industrial parks in Ethiopia are:

- **Specialised parks:** Enhancing economy of scale and efficiency through the development of specialised/clustered industrial parks that are dedicated to priority sectors such as apparel and textile, leather and leather products, pharmaceuticals, agro processing etc.
- **Export-oriented:** Government provision of industrial park incentives and support measures targeted at increased export performance and competitiveness.
- **Skills development and competitiveness:** Creating and developing a pool of trained industrial work force and enabling environment for skills attraction & retention which will lead to enterprise competitiveness.
- **Vertical integration:** Enhancing backward and forward linkages in the economy;
- **Sustainability:** Maintaining high environmental standards by applying cutting edge environment friendly technologies (zero liquid discharge systems) and other social sustainability standards.

Ethiopia's Industrial Parks are:

- Located along strategic economic corridors, connected to ports by road and rail.
- In close proximity to a labour force pool.
- Ready for plug-and-play, equipped with all the necessary infrastructures.
- With Tailored fiscal and non-fiscal incentives;

Industrial Park Facilities include:

- One stop service including processing and issuance of permits, licenses, registration certificates, agreements, tax identification number, customs clearance, banking services;
- Dedicated power sub-station;
- Waste treatment facilities;
- Health stations;
- Fire brigade;
- 24 x 7 security services;
- Housing facilities;
- Commercial buildings

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<sup>37</sup> <http://ethioembassycanada.org/docs/IndustrialparksGuide.pdf>, access date, June 19, 2021

Currently, there are 13 Federal Government owned and managed industrial parks, 3 regional government owned industrial parks and 7 private industrial parks operating in Ethiopia. Details of the Government and Regional Industrial Parks are given in **Table 18.1**.

**Table 18.1: List of Government and Regional Industrial Parks in Ethiopia**

	Name of the Park	Location	Distance from Addis in KM	Area (ha)	Specialisation
1	Adama Industrial Park	Adama	74	365	Machinery, Apparel, and Garments
2	Addis Industry Village	Addis Ababa	-	88	Multi-sectoral
3	Bahir-Dar Industrial Park	Bahir Dar	560	75	Apparel and Garments
4	Bole Lemi Phase 1	Addis Ababa	-	172	Apparel and Textiles
5	Bole Lemi Phase 2	Addis Ababa	-	181	Apparel and Textiles
6	Debre Birhan Industrial Park	Debre Birhan	131	100	Apparel and Garments
7	Dire Dawa Industrial Park	Dire Dawa	445	150	Garments, Apparel, and Textiles
8	Hawassa Industrial Park	Hawassa	275	140	Apparel, Textiles, and Garments
9	ICT Park	Addis Ababa	-	200	IT manufacturing, Business process outsourcing and IT-enabled service
10	Jimma Industrial Park	Jimma	352	75	Apparel and Garments and agro processing.
11	Kilinto Industrial Park	Addis Ababa	-	279	Pharmaceuticals
12	Kombolcha Industrial Park	Kombolcha	380	75	Apparel and Textiles
13	Mekelle Industrial Park	Mekelle	760	75	Apparel and Textiles
14	Semera Industrial Park	Semera	597	50	Textiles and Garments; Leather products; Packaging materials and Chemicals
15	Bure Integrated Agro-Industrial Park	Bure (Regional)	411	260	Agro processing
16	Bulbula Integrated Agro Processing Industrial Park	Bulbula (Regional)	184	271	Agro processing
17	Yirgalem Integrated Agro-Industrial Park (IAIP)	Yirgalem (Regional)	310	294	Agro processing

Hawassa Industrial Park is the largest Industrial Park in Ethiopia because the government has funded several development projects to improve its overall performance. As mentioned before, a new Dry Port is being built in the immediate vicinity of Hawassa Industrial Park.

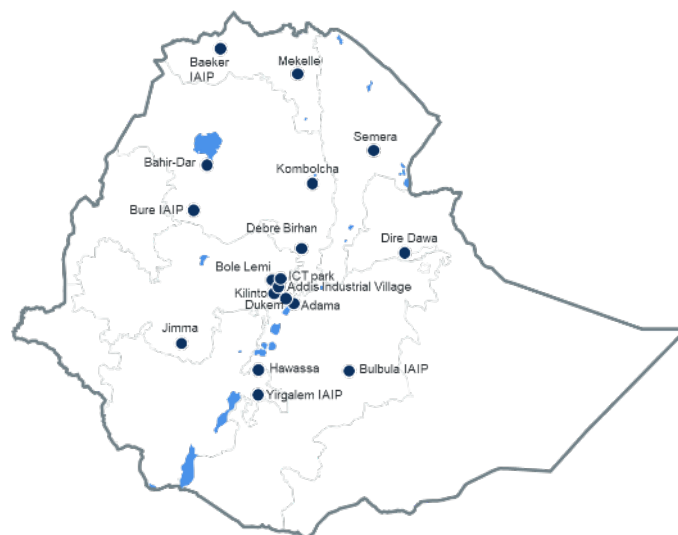
As shown in **Figure 18.1**, all Industrial Parks are concentrated in Central and Northern Ethiopia, just like Dry Ports. Adama Industrial Park is the closest to the Modjo Dry Port. Bole Lemi Phase II and Kilinto Industrial Parks are very close to the Bole International Airport. Other Industrial Parks have also access to airports or railways.

Most factory sheds of Industrial Parks are rented to foreign investors, and they produce mainly products to be exported. In general, Ethiopian Industrial Parks have low land rental prices by global standards (2.50 USD/sqm/month in Hawassa and 2.75 USD/sqm/month in Dire Dawa).

The removal of Ethiopia from the AGOA (African Growth and Opportunity Act) by the US government has affected international trade with the United States and has consequently led to a reduction of the production of main Industrial Parks.

Most Industrial Parks have expressed concerns about difficulties in receiving empty containers for their exports, as well as about long import and export lead times, which reduce the competitiveness of Ethiopian Industry. Other problems are the lack of housing for workers in Hawassa and the poor water supply in Dire Dawa.

**Figure 18.1: Location of Ethiopian Industrial Parks**



On top of the previous, the Industrial Parks don't have a focus on logistics although sometimes the clients are using them for this activity due the lack of proper facilities. However, the design and characteristics of the facilities is not adequate for these purposes resulting in lower efficiencies and higher costs.

## 18.2 Dry Ports

Given that Ethiopia is a landlocked country, Dry Ports have a great importance as inland intermodal terminals directly connected by road or rail to foreign seaports (especially Djibouti's ports) which provide access to international markets. All the Ethiopian Dry Ports are managed by the Ethiopian Shipping and Logistics Services Enterprise (ESLSE), which is the result of the merger of four enterprises which were working independently in the sea transport sector: Ethiopian Shipping Lines Share Company, Ethiopian Maritime and Transit Service Enterprise, Dry Port Enterprise, and Comet Transport Share Company.

Dry Ports are mainly focused on container trade, but some of them also offer services for fertiliser or grain trade. The main Dry Ports in Ethiopia are presented in **Table 18.2**.

As shown in the **Figure 18.2**, all Dry Ports are concentrated in Central and Northern Ethiopia. Kality and Gelan Dry Ports are the closest to Addis Ababa; Semera Dry Port is the closest to the border with Djibouti; and Dire Dawa Dry Port is the closest to the border with Somalia. Only the Dry Ports of Dire Dawa and Modjo have direct railway access.

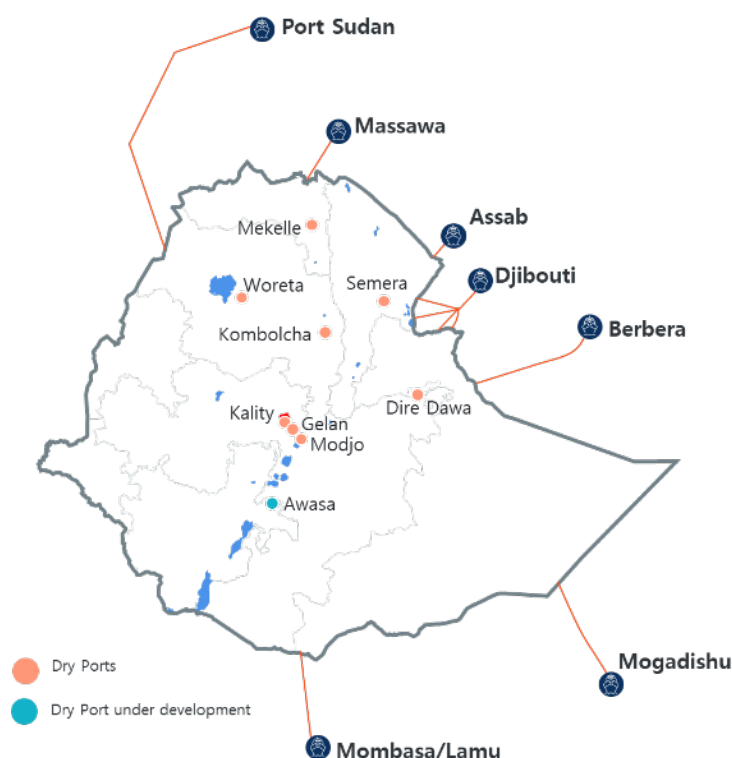
**Table 18.2: Main characteristics of Ethiopian Dry Ports (Source: ESLSE)**

Dry Port	Start of operations	Surface (hectare)	Container storage surface (hectare)	Storage capacity (TEU)	Container handling capacity (TEU/year)	Tons received in 2021	TEUs received in 2021
Modjo	2009	150	31.7	17,539	136,038	32,770	91,230
Kality	2014	37	3	1,241	23,131	8,507	9,952
Gelan*	2014	23	N/A	N/A	N/A	2,279	N/A

Dry Port	Start of operations	Surface (hectare)	Container storage surface (hectare)	Storage capacity (TEU)	Container handling capacity (TEU/year)	Tons received in 2021	TEUs received in 2021
Semera	2010	160	2.5	1,180	2,378	808	1,058
Dire Dawa	2013	0.78	0.78	368	3,852	2,713	2,122
Kombolcha	2013	15	4	1,888	4,891	456	1,097
Mekelle	2013	3	3	1,440	7,789	N/A	N/A
Woreta	2019	20	3	900	N/A	1,300	432

\*Gelan Dry Port is specialised in RoRo

Figure 18.2: Location of Ethiopian Dry Ports



The **Modjo Dry Port** is the largest operational Dry Port in Ethiopia and handled around 67 per cent of the total tons and 86 per cent of the total TEUs traded by Ethiopian Dry Ports in 2021. Apart from the container storage area, it has six closed warehouses (three of 5,400 sqm for customs inspection, another one of 5,400 sqm rented to the shipping lines and two of 1,600 sqm for fertiliser). As mentioned before, two more warehouses of 5,400 sqm are expected to be built. As shown in Figure 3.19, the Modjo Dry Port has direct access to the Ethio-Djibouti Railway.

Although Ethiopian Dry Ports are generally in good condition and the overall security is good, the global storage capacity is limited by global standards. Therefore, the Ethiopian Transport Master Plan 2022-2052 proposes several new dry ports, mainly along the corridors connecting Addis Ababa with Eritrea, Sudan, Kenya and Somalia, given that the Ethiopia-Djibouti corridor is already well served by the Modjo Dry Port, which is currently being upgraded. Of particular interest is the Dry Port being built in Hawassa, which will serve a major Industrial Park along the Ethiopia-Kenya corridor.

## 18.3 Special Economic Zones

In August 2022, the Ethiopia Investment Commission published a White Paper which outlines policy considerations for Government on Special Economic Zones.

Special Economic Zones (SEZs) are defined as “geographically delimited areas within which governments facilitate economic activity through fiscal and regulatory incentives, good governance, and infrastructure and services support.”

One of the main reasons for Government’s proposed adoption of SEZs is because the Industrial Parks, which is the closest Ethiopia has come to implementing SEZs, have been constrained through a restrictive policy and legal framework with a focus on priority manufacturing industries. The White Paper determines that a comprehensive SEZ policy is required to provide an opportunity to fill gaps that exist in the laws governing Industrial Parks which limit the types of investment activities covered.

The recommended scope of the application of the SEZ policy and law addresses conventional SEZs (IPs, EPZs, FTZs and Logistics Parks), non-conventional SEZs (Science and Technology Parks, Service Parks, Agricultural Zones, Livestock Zones and Wide-Area Parks) and harmonisation of industrial parks law and the new SEZ policy regime.

In terms of the White Paper implications on the logistics sector, the White Paper makes the following recommendations:

- Investors should be allowed to choose their own logistics operators and not be constrained by the FOB Directive and multi-modal transport services should be fully open to international operators.
- A simplified forex regime should be applied in relation to SEZs, but the actual regime is not specified – rather the White Paper says that this merits a thorough investigation. The White Paper does, however, recommend that SEZs should be free to source and use their hard currencies, investors within SEZs should be allowed to open and hold foreign currency account and other recommendations aimed at liberalising access to foreign exchange.
- Facilitated Customs procedures that include directing the Customs Commission to prepare and issue specific SEZ-focussed guidelines that direct the implementation of simplified customs procedures across SEZs and including allowing goods to stay in SEZs for indefinite periods (so remain bonded for indefinite periods), treat goods and services from SEZs as exports, allow unimodal and multimodal consignments destined for SEZs to move as goods in transit and so not complete customs formalities and exempt goods imported into SEZs from the 5 per cent levy.