INTERNATIONAL DEVELOPMENT PLANNING REVIEW
ISSN:1474-6743 | E-ISSN:1478-3401

A STUDY ON THE DYNAMIC ECONOMIC IMPACTS OF INDUSTRIAL PARKS IN ETHIOPIA: THE CASE OF HAWASSA INDUSTRIAL PARK

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Abstract

Industrial parks have of paramount importance in enhancing industrial development and national socio-economic advancement. However, the existing empirical researches on the immediate economic impacts of IP are mixed. Besides, there are no sufficient empirical studies conducted, in developing countries like Ethiopia, regarding these dynamic impacts. Therefore, the main purpose of this research was to study the immediate or dynamic economic impacts of IPs in Ethiopia and to identify the main challenges the employees and enterprises resided in Hawassa Industrial Park (HIP) have faced and discuss their implications, taking HIP as a unit of analysis. For this research purpose, a pragmatist research philosophy was followed and a mixed concurrent triangulation strategy was employed to answer the research questions and address the study objectives. This is mainly an exploratory research in nature. To gather pertinent information, both primary and secondary sources of data were used. From 389 total questionnaire distributed to the sample respondents, only 337 (86.6) were properly filled and returned. To triangulate and substantiate the information collected through questionnaires, semi-structured interviews were conducted with key informants. Besides, intensive document analysis was conducted. The data collected from different sources were analyzed mainly using descriptive statistics and content analysis method. The findings of the study revealed that HIP has created jobs for thousands of workers and it has realized employment creation impacts. However, the park's achievement in this regard fell short of the target by a significant margin. Concerning skill upgrading, the study disclosed that the park's role in the acquisition and upgrading of the local workers' skills was minimal. With regard to the revenue generation impact, the study revealed that HIP has generated a large quantity of financial income from its manufacturing enterprises in the park. Besides, the analysis of replies from diverse sources indicated that the employees who have been working in HIP and the enterprises in the Park have encountered major challenges in their operations. Therefore, to improve the parks' competence and capacity to uphold its efforts more effectively and succeed in achieving its objectives, the researcher strongly recommend for policy makers to expand the park and increase employment opportunities for the local employees. Besides, it is recommended that the Park management in collaboration with the EIPDC, EIC, and other stakeholders must be determined and solidly work to raise inland and export revenues. Moreover, to upgrade the skills of the local workers and build their human capital, the Ethiopian government and the HIP should provide intensive, technical, and full-fledged trainings to its local workers targeting the skills

formation of the employees. In general, the federal and regional governments must strive to curb the challenges the employees and the enterprises resided in HIP have been facing.
Keywords: *Dynamic Economic Impacts, Industrial Parks, Ethiopia, Hawassa Industrial Park*

1. Introduction

Various countries have designed different development plans at different times and in different sectors to come out of multiple socio-economic problems. These countries, to change the structure of their economy, have also tried with various economic growth approaches like import substitution and export-led industrialization. For instance, East Asian countries that have selected an export-oriented approach became successful, and much of their economic achievement has been attributed to the use of these zones and parks (Vidová, 2010). The success of these countries in Special Economic Zones (SEZs) development, on the other hand, has led to the urgency of countries seeking to replicate the export-led growth and structural transformation in those countries by launching SEZs or industrial parks (IPs) programs of their own (Farole & Moberg, 2014; FISA, 2008).

Though IPs or SEZs carry diverse economic benefits, a growing number of countries have got on the road to promote economic restructuring and industrialization through IPs only since the 1960s (UNIDO, 2018). Presently, with rapid internationalization, IPs are witnessing growingly crucial role in regional and national growth throughout the world (Ye & Zhuang, 2020). In this regard, many of the African countries, especially SSA, are relative laggards to promote IPs because their earlier attempts to industrialize were largely ineffective, and economic production continues mostly sustenance, agrarian, and depicts inadequate value addition (Elhiraika & Mbate, 2014). According to Farole (2011), however, though IPs and their advancement has been a main issue of development thinking since WWII, there have been still celebrations, challenges, and even discrediting.

Ethiopia has got on a transformational drive of realizing carbon-neutral economy and a manufacturing hub in Africa among the leading countries in the globe and thereby transform the country into a lower-middle-income economy by 2025 (Gebreeyesus et al., 2017; Mihretu & Llobet, 2017; Nicolas, 2017; NPC, 2016). In this regard, despite accelerated progress towards industrialization, poverty reduction, and development in general, the country remains among the poorest and agriculture-dependent in the world (Mesfin et al., 2018). To realize this, the Ethiopian government has implemented a special policy strategy that emphases on advancing the manufacturing sector by the use of IPs and infrastructure development (Bezu & Holden, 2014; World Bank, 2015).

While examining the contributions and challenges of IPs development in Ethiopia, Oqubay (2018a; 2018b) & Gebeyehu (2017) underscore that the development and growth of the IPs and their manufacturing sector are anticipated to drive economic growth. Thus, in recent years, Ethiopia has become one of the leading African countries seeking to emulate the Chinese success with IPs or SEZ models, placing a series of new IPs at the heart of its industrialization policy and strategies (Hilton, 2019). To achieve these objectives, the government of Ethiopia has established its Industrial Parks Development Corporation (IPDC) in 2014 (Khurana, 2018). Besides, it has developed state-owned IPs to facilitate the country's industrialization (Tang, 2019). However, the concept of IPs, efficient, effective and practicable policy and official organization is new to Ethiopia's process of policy-making and then challenging (Weldesilassie et al., 2017).

As far as the issue of IPs or SEZs is concerned, it is a new approach for many developing countries like Ethiopia, and there are no sufficient works of literature that indicate their immediate socio-economic impacts. Thus, little is known about the question under the study. As the major objective of this research is to analyze the immediate economic impacts of the HIP, in Ethiopia, the research will have a good value as it will supplement the scarce literature on IPs. So, analyzing the immediate economic impacts of IPs and identifying the challenges encountered by various stakeholders will be helpful and appropriate to indicate possible directions for the future as there is an increasing demand for expanding the IPs. The purpose of this article is not to test the hypotheses, but rather to describe, clarify, and analyze the problem under study. The next parts of the article discuss the statement of the problem, literature review, background of IPs in Ethiopia, research methodology, discussion and results, and finally conclusion and recommendations.

2. Statement of the Problem

According to Hilton (2019), IPs have of paramount importance in enhancing industrial development and national socio-economic advancement. However, revisiting the policy debate concerning SEZs, Aggarwal (2006) revealed that no consensus on IPs/SEZs impacts as most studies focus on the US and China. UNCTAD (2019) argues that the impact of IPs/SEZs jobs in countries with high rates of unemployment and underemployment is significant and could be practical instruments to increase job creation; however, park/zone employment can be relatively uncertain because the investors may change their minds and relocate or restructure their companies.

According to some scholars, IPs have potentials and direct benefits or impacts in increasing government revenue (Aynalem, 2019; Zeng, 2015). On the other hand, some others argue against this claim, for instance, Wang (2013) argues that IPs results in government revenue reduction through inducements. According to Engman et al. (2007), the FDI made on IPs leads to the creation of employment opportunities, which in turn, provides local workers an opportunity for skill upgrading. In this regard, substantial evidence shows that IPs/SEZs have played an essential catalytic role in industrial skill upgrading and technology transfer (Lall, 2000) cited in (Zeng, 2012). Contrary to this, certain assessments have disclosed that skill levels in IPs' workforce have not significantly improved over time (Blanco de Armas & Sadni-Jallab, 2002).

Gebremariam & Feyisa (2019) identified that IPs in Ethiopia face challenges that are related to workers, enterprises, and displaced farmers. Likewise, Gizaw (2015) & Minwagaw (2019) identified the challenges that have contributed to the poor performance of IPs in Ethiopia which include lack of backward and forward integration with the local economy, lack of availability of labor, and mismanagement of the existing workforce. Moreover, the difficulty of finding workers with essential ethics and commitment attributes, low-level productivity, and discipline of the low-skilled workers (Zheng et al., 2017) are among the challenges that influence workers' retention.

As the Government continues to construct IPs to accelerate industrialization in Ethiopia, understanding and documenting the effect of these new manufacturing jobs, have on the livelihoods of the workers, and the associated economic and social impacts on the households are vital. However, the limited evidence existing thus far has been mostly mixed, and the current knowledge base on export-intensive manufacturing or IPs focuses more on the macro implications of such activities, and their impacts at the micro-level are less well understood. Filling this knowledge gap will help to make a more inclusive industrialization policy to benefit the rising segments of the population in the country (Abebe et al., 2020). Similarly, according to Aynalem (2019), since the stories and performances in Ethiopia, concerning IPs development program are a current trend, much research is required.

3. Objectives of the Study

The main objective of this study was to analyze the dynamic economic impacts of IPs in Ethiopia taking Hawassa industrial park as a unit of analysis.

3.1 Specific Objectives

1) To analyze the employment creation and revenue generation impacts of HIP.
2) To examine the skill upgrading/human capital formation impacts of HIP.
3) To identify the main challenges employees and enterprises in HIP have faced and discuss their implications.

4. Literature Review

4.1 Employment Creation Impacts of IPs

Several researchers have argued that IPs have one of the greatest potentials for generation of employment. In line with this, researchers like Abeywardene et al., (1994); Cortés (2014); Farole (2011); FIAS (2008); Farole & Akinci (2011); and Jenkins (2005) articulated that while the specific role of an IP/SEZ may vary from one to another, they are all intended to serve a common purpose of job creation. In other words, the alleviation of large-scale unemployment is one of the most cited goals of IPs. Frick et al. (2019) & Narula & Zhan (2019) claimed that in several countries, IPs have succeeded in driving employment, FDI, exports, and production. Hausmann et al. (2016) argue that IP represents an invaluable source of stable and well-paid jobs, especially to low-skill workers.

Sivalingam researched the social and economic impacts of export processing zones taking Malaysia as the case and reported that in cities nearby to the Malaysian zones, there was even labor scarcity in the industries. This was because there was a growing need for several assistance services such as transport, hotels, and restaurants, which is anticipated to put a considerable impact on job creation (Sivalingam, 1994). In his research, studying the local job creation, property value, and poverty impacts of locationally-targeted tax inducements, Hanson (2009) discovered that IPs/SEZs have positive impacts on employment. In line with this, according to Aggarwal (2007) & Raheem (2011), the employment impacts of IPs can be seen in different ways and through different channels. For instance, IPs create immediate jobs for trained and untrained labor. They also create indirect job opportunities, which are indicated as subsidiary employment chances created in sectors of the economy affected by the functioning of the IPs.

While examining the industrial park’s direct job creation impact, one can discover that these parks have performed a substantial part concerning their contribution to job opportunity generation in various countries. In Asia, many effective IPs in terms of generation of job were created. Malaysia, Indonesia, Philippines, and Thailand in Asia are among effective cases of job generation by IPs (Aggarwal, 2007). Critically assessing the SEZs in Panama, Hausmann et al. (2016) disclosed that IPs/SEZ symbolizes a well-paid and secure source of jobs to workers. According to Aggarwal (2017), economic zones in the Philippines considered for 73 percent of jobs, and in Bangladesh reported for 20 percent of overall exports in 2016/17. Vidová (2010) indicated that analyses of working place creation could describe the importance of IPs.

The positive impacts of IPs on employment creation, discussed above, however, cannot be generalized. This is because different researchers have obtained varying results. For example, according to Gebrewolde (2019), the overall evidence on the IPs/SEZs' impact on employment creation is mixed. Aggarwal (2006), revisiting the policy debate concerning SEZs, concluded that there is no consensus on IPs/SEZs' impacts on employment. This is because most studies emphasize on the US and China, limiting the application of the findings to other contexts.

Aggarwal (2007) asserts that though IPs/SEZs create jobs and employment opportunities, it cannot be concluded that employment in IPs/SEZs enhances the standard of living, especially for unskilled workers as their salary is very small. In line with this, it is mostly stated that to bring foreign investment, host countries’ governments remove labor requirements, thus encouraging labor manipulation and weakening of human capital (Farole, 2011). According to Bianco (2020), though IPs/SEZ are generally assumed as the major recipients of FDI and mostly export-oriented, their overall impact on the labor market inclines to be relatively small. To Farole (2011), African IPs/SEZs generally underperformed, especially against the zones in Asian countries, and have largely failed to generate employment, among other things. Similarly, according to Baissac (2011), FIAS (2008) & Madani (1999), IPs/zones are regarded by most as successful instruments for employment generation, particularly in smaller countries with a population of less than 5 million’.

4.2 Fiscal Revenue Generation Impacts of IPs

Industrial parks development brings revenue that has complex impacts on governments. Engman et al. (2007) indicated that among the main benefits that can be harnessed from IPs/SEZs, one is generation of revenues to governments. Local governments also create IPs/development zones to raise their tax revenues. Moreover, a government may gain revenues from zones through corporate income taxes, permits, rents, personal income taxes on direct and indirect employment and import duties.

According to Aynalem (2019) and Zeng (2015), among the capacities and direct paybacks of IPs one is generation of government revenue. In this regard, Zambian IPs have generated much quantity of income for Zambia. For instance, Chambishi Multi-Facility Economic Zone, in Zambia, is a zone in Zambia that earned a total revenue of US$ 7.8 billion in 2013. The target of the industrial park is on services and mining equipment, extracting and copper mining, construction of materials and vehicles, chemicals, banking, and logistics. Likewise, Gebeyehu (2017) revealed that within 5 years, from Eastern Industrial Zone, the Oromia regional government and the federal government have collected over one billion Ethiopia Birr.

On the other hand, some researchers argue against the claim that IPs/SEZs increase government revenues. For example, Madani (1999) firmly contends that IPs/SEZs are distortionary trade instruments that drain government revenue and obscure trade patterns when viewed from a static perspective. Likewise, Wang (2013) argues that IPs have resulted in government income deterioration through inducements. The numerous tax rewards offered for companies in the parks can erode the income base of an administration. In this regard, according to Reporter Newspaper (Feb. 23, 2017), cited in (Gebeyehu, 2017), Ethiopia has lost more than 90 billion Birr per year to IPs tax inducements. So, creating these enclaves with favored policies may be related to national or regional economic development, but meanwhile may result in foregone tax incomes for governments.

The wage bill of government workers needed to regulate zone activity and other operating expenditures, public sector capital outlays for external infrastructure, import duties, charges missed from trafficking, taxes forgone from enterprises moving from domestic customs territory to the zone, and subsidies are some of the costs that can be encountered due to IPs (FIAS, 2008).

4.3 Skill Upgrading/Human Capital Formation Impacts of IPs

Governments throughout the world, particularly in emerging countries, are eager to develop industrial park programs to take advantage from skills upgrading and technology transfer (Farole & Akinci, 2011). In this regard, as instruments of socio-economic development, IPs plays, among other things, significant roles in upgrading the skills of local workers or in human capital formation. Essentially, foreign direct investment carries with it managerial and supplementary skills access to market places and training for the industrial staff, and technology transfer (Aggarwal, 2007; Cheesman, 2012; FIAS, 2008; Warr & Menon, 2015; Weldesilassie et al., 2017; Yu et al., 2020; Zhang et al., 2010).

From a human capital perspective, economists conclude that IPs generally bring higher job skills and better marketability for unskilled or semi-skilled workers in developing countries (Hilton, 2019; UNDP, 2015; Zeng, 2015). In this regard, according to Aggarwal (2007), skill upgrading for the deprived and unskilled labor force can be realized through the integration of industrial sector discipline as it expands the variety of job chances already existing to them. Enhanced skills higher workers' income-making capacity. Through training on-the-job, a host country's labor force obtains skills from within the firm (Kusago & Tzannatos, 1998). IPs can directly impact the skill creation as employees are offered with the supplementary training on-and off-the-job environments (Aggarwal, 2007). Furthermore, processes of skills upgrading, makes a pivotal contribution to the diversification of employment and productivity (Cheesman, 2012).

Substantial evidence discloses that IPs have played an indispensable catalytic role in industrial skill formation and technology transfer (Lall, 2000) cited in (Zeng, 2012). For instance, the Philippine Economic Zone Authority has documented a substantial rise in skill levels in the Philippine eco-zones, where main activities have changed from production to design, research and development (FIAS, 2008). Similarly, in South Korea, around half of the workforces trained in the Masan SEZ shift to work in domestic electronics manufacturing firms (Alexianu et al., 2019). In line with this, according to Farole & Akinci (2011), some employees from the Shenzhen special economic zones, in China, have applied their skills to start new businesses outside the zone.

However, empirical evaluations regarding the role of IPs/SEZs in skill upgrading or human capital creation are mixed. For instance, certain assessments have discovered that skill levels in IPs/zones' workforce have not significantly improved over time (Blanco de Armas & Sadni-Jallab, 2002). In line with this, the principal Lao SEZ illustrates that they were little more than export-processing zones. This SEZ, by and large, was an export-processing zone with restricted skill upgrading and technology transfer (ADB, 2016). Moreover, reviewing the technology and IPs in developing countries, Rodríguez-pose & Hardy (2014), concluded that IPs generate little skills advancement in the local labor.

5. Research Methodology

This study has followed pragmatism philosophy and it was mainly exploratory in nature. It was mainly designed to analyze the immediate economic impacts of IPs. Concerning data sources, both primary and secondary sources of data were used to gather pertinent information. Primary information was collected using questionnaire structured interview, and document analysis. Secondary data were obtained from the books, journal articles, and other relevant unpublished materials. Then, using simple random and purposive sampling techniques, respondents were selected. This was based on the requirements of representativeness, efficiency, flexibility, and reliability. The sample size for random sampling was determined using Yamane's (1967) sampling formula. Accordingly, from the total population of 13,680; 389 samples were taken. However, from the total questionnaire distributed to 389 randomly selected respondents, only 337 (86.6) were properly filled and returned. To substantiate and triangulate the information collected through questionnaires, interviews were conducted with purposively selected key informants. The results of this study were summarized and presented using descriptive statistical tools and developing critical themes from the interview meeting replies.

6. Analysis and Discussion

Regarding the sex of the respondents, the majority (75.4%) of the respondents were females and the males constitute 24.6% of the total number. This indicated that the participation of male employees in the HIP is low. Concerning the age range, the overwhelming majority (91.8%) of the total respondents were in the age range of 18-30 years. With regard to the education level, most (60.2%) of the respondents were between grades 8-12. Diploma and first-degree holders together account for 39.8% of the respondents. Thus, under normal circumstances, it is possible to say that majority of the respondents can express their ideas, related to the study, consistently and with good understanding.

Concerning the area, the employees came from to work in the HIP, about 76.2% of the total respondents had moved to the Park predominately from rural and semi-rural areas. The remaining 23.8% of them were from urban and semi-urban areas. Regarding the living situation of the employees, the great majority (87.2%) replied that they have been living with their friends renting and sharing a room in groups of four or five people. However, about 8.6%, 2.7%, and 1.5% of them, respectively, confirmed that they have been living with their parents, their relatives, and lonely in a rented house. Regarding the formal monthly income the employees were earning before joining HIP, the great majority (91.9%) of the respondents confirmed that they had no formal income before joining HIP. The remaining 3.9%, 3.3%, and 0.9% of them responded that they were getting 250-1000 Birr, 1000-2000 Birr, and 2000-2500 Birr, respectively.

On the other hand, concerning the income the respondents were getting after they start work in the HIP, about 76.9% confirmed that they have been earning between 750-1000 Birr in a month. However, 9.8% of them indicated that they were getting from 1000 to 1500 Birr in a month. The remaining 5%, 3.6%, 2.7%, and 2% of the total respondents confirmed that the companies in the HIP have been paying them about 3000 Birr and above, 1500-2000 Birr, 2000-25000 Birr, and 2500-3000 Birr, respectively. This shows that the majority of the employees in the HIP were getting a very small amount of money in a month.

The total work experience of the majority (78%) of the respondents of the HIP is found 2 years while about 22% of them had a work experience of 2 to 4 years. This information suggested that most of the employees in HIP had a good experience. So, the researcher strongly believes that the experience of the respondents is adequately representative in terms of obtaining reliable information regarding the issues under investigation.

6.1 Impacts of HIP on Employment Creation

According to scholars, one of the policy objectives of IPs construction both in developed and developing countries is the creation of more job opportunities for their people or to minimize unemployment problems (Kumera, 2018; Naeem et al., 2020; Wang, 2013; Zeng, 2015). In line with this, as depicted in Figure 1 below, respondents were asked to articulate their view concerning job creation effects of the HIP. Thus, the great majority (95.4%) of the respondents expressed their agreement that HIP has generated employment opportunities for them. However, about 3% of them have shown their disagreement. The remaining 1.5% of the respondents were not able to decide. The mean value of 4.47 also indicated a very high level of agreement among the respondents regarding the issue. Besides, the interview conducted with key informants and a detailed document analysis made revealed that HIP has played a role in generating jobs. Therefore, it is possible to conclude that HIP has created job opportunities for the skilled, unskilled, and semi-skilled workers though it was below the expectation of the park administration.

The respondents were requested to express their level of agreement or disagreement regarding the question that whether HIP has been a source of well-paid jobs to its employees and also has played a crucial role in increasing their financial and non-financial benefits. Accordingly, the majority (70%) of the respondents contended their disagreement. Respondents accounting for 4.2% expressed their agreement while 25.8% did not decide. The mean value of 1.86 indicates that the majority of the respondents were either disagreed or strongly disagreed. Besides, the interview conducted with key informants disclosed that HIP has not been a source of well paid jobs. In line with this, an interview conducted with Mr. Tamirat is quoted as follows:

Though HIP has provided jobs mainly to the jobless youths, it has not been a source of *well-paid jobs to its employees let alone playing a crucial role in increasing our income and non-financial benefits. In fact, some position holders in the park have been well paid at our cost. However, most of the workers get a very small amount of salary and other condition-based benefits which even cannot cover our basic costs. Consequently, we are in a frustrating situation. Therefore, the Government must interfere and take corrective measures to address our problems* (*Mr. Tamirat, Feb 02, 2024*).

Therefore, it is reasonable to infer that HIP has not been a source of well-paid jobs to its employees and also did not play a crucial role in increasing various kinds of benefits to its employees.

The development of IPs has great roles in enhancing the quality of life of employees (Le et al., 2020). Accordingly, the respondents were asked whether HIP has contributed to the improvement of the living standard or quality of life of the workers. Thus, 86.3% of the respondents contended their disagreement. However, about 12.1% of them have shown their agreement while 1.5% of the them were not able to decide. The mean value of 1.91 and mode value of 2 indicated that most of the respondents disagreed with the concern raised. Being in line with the results obtained from the set of question replies, almost all the respondents in the resource persons interview meetings strongly argued that HIP was not able to contribute to the improvement of the quality of life of the employees as expected. The respondents' argument is reinforced by the study of Anh (2019). Therefore, it would be possible to conclude that the HIP has not contributed to the betterment of the living standard of the employees.

Companies in IPs have been heavily criticized for exploiting workers, paying them negligible wages, and providing poor working conditions (Aynalem, 2019). In line with this, the respondents were asked if HIP has promoted labor exploitation, especially to low-wage workers, due to the absence of labor standards and trade unions. Accordingly, as indicated in Figure 1 below, the overwhelming majority (85.1%) of the respondents confirmed their agreement regarding the issue. But about 4.8% of them have expressed their disagreement. The rest (10%) of the respondents were not able to decide. In line with this, the mean value of 4.02 and mode value of 4 have shown that the majority of the participants have agreed concerning the question raised. To corroborate the information collected through the questionnaire, additional information was obtained through key informant interviews. For instance, Mr. Tiglu from HIP strongly argued that:

The worker's wage in the HIP is far lower than their expenses. For instance, the workers who work as operators get waged between 750 to 850 Birr in a month which even cannot pay the rent of a single-room house in Hawassa. He added that even the contract agreement has no thorough explanation regarding the wage condition of the employees which makes the employment agreement poorly drafted and inadequate for workers to make claims for the raise of their wage. Those workers who have repeatedly complained and raised questions related to wages increment have been arbitrarily fired by the employers which are accepted by the administration of the industrial park (Mr. Tiglu, Mar 02, 2024).

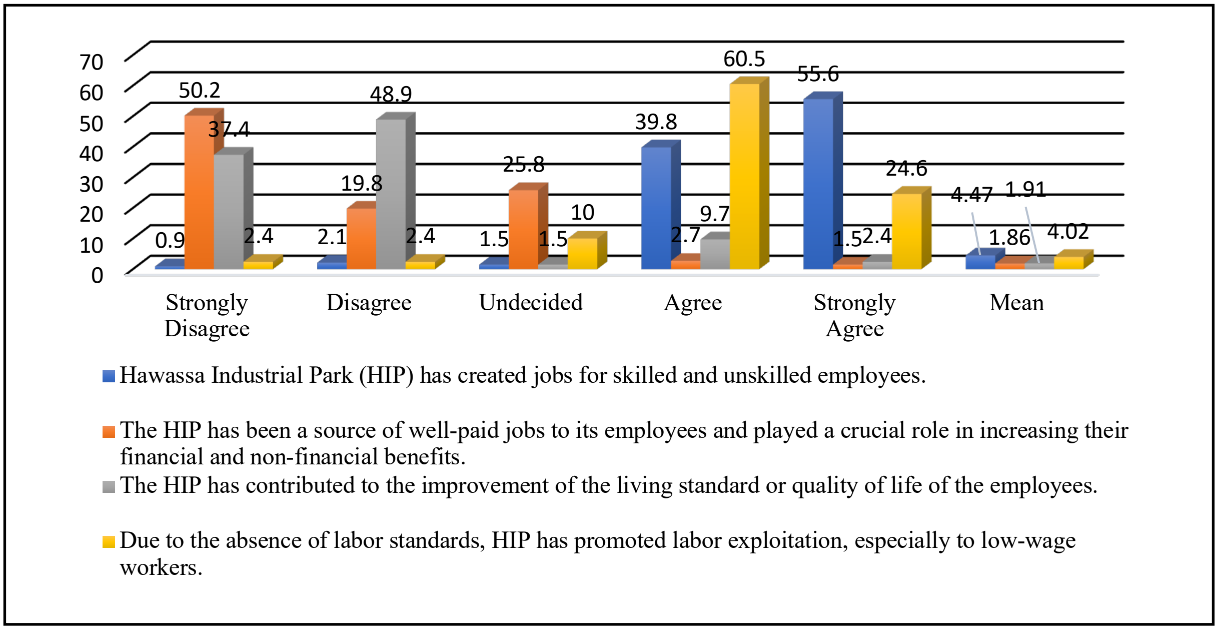
Besides, Ms. Yechalework from HIP articulated that without granting labor standards that fixes the smallest wage rate, it is very challenging for the government to solve the complaints emerging from both the employees (related to low and exploitative salary) and the employers (concerning high turnover) (Ms. Yechalework, Feb 29, 2024).

Moreover, Mr. Kibru from HIP sturdily argued that there are labor exploitations in the HIP, mainly due to the absence of labor standards and trade unions. The workers do not have the right to complain about the low level of salary they have been paid and other benefits they deserve. Even they may be subjectively fired due to lack of employment security. According to him, Article 26 (1) of the Labor Proclamation No. 377/2003 of Ethiopia has a weakness in the sense that it permits subjective firing and termination of contracts in cases of absenteeism without good cause, quarrel at workplaces, and workers' manifestation of the loss of capacity (Mr. Kibru, Feb 08, 2024). An interview conducted with Ms. Eskedar from SRIPDC is quoted as follows:

> *The companies and the management body in HIP do not want to have labor standards and labor unions while it could solve many problems. This is because they thought that if there are labor standards in the park it gives the workers more power and paves the way for them to influence the investors and fight for their rights. This also forces the companies to comply with the standards that, on the other hand, may limit their arbitrary measures to dismiss workers without due procedures and exploit the labor in a way they want. It may also cost them more money, in the form of salary and other benefits, while protecting and advancing the rights of the workers. In addition, it was thought that the existence of the labor standards gives direction for the formation of labor unions that can put pressure on the companies in the park to preserve workers' benefits such as fixing the minimum salary scale (Ms. Eskedar, Feb 10, 2024).*

Furthermore, the empirical data discloses that the wage the workers have been paid is a poverty wage. This is because the international poverty line is $1.9 a day, about $57 a month. As a result, workers in HIP were exploited. For instance, the operation workers in the HIP are paid 750 birr (28 USD) a day which is less than a dollar. To contextualize this in global viewpoint, the normal monthly payment of garment or apparel employees in Sri Lanka is $66, in Vietnam is $136-$175, $78-$136, and in India $170 in Cambodia. Thus, from the above information it is possible to infer that due to the absence of labor standards and trade unions, HIP abused the basic rights of workers and promoted labor exploitation.

Figure 1: Employment Creation Impacts of HIP



Source: Field Survey (2024)

6.2 Revenue Generation Impacts of HIP

According to Zeng (2015), one of the capacities and direct advantages of IPs is government income that can be collected from various sources of an industrial park. According to Cu et al. (2020), enterprises working in IPs, if they do so successfully, will contribute to the state budget, and a government shall use the state budget to invest in health activities, education, the infrastructure of localities. According to Aynalem (2019), the government of Ethiopia has secured US$ 103 million export earnings from products manufactured (textile, apparel, shoes, and other leather product) in IPs over the first nine months of its fiscal year 2019.

In 2019/20, however, mainly due to Covid pandemic, most of the enterprises in IPs, including HIP, became forced to shut down their production plants and shades. This is resulted in reducing the government earnings. It is also resulted in reduction of the employees. Consequently, the amount of income tax revenue from employment in HIP is declined by 4.9% from previous year which is about 47,099,841. However, in 2020/21, the amount of income the Government gets has increased amazingly by 28.1% due to the measures taken to control Covid-19 (HIP, 2020).

In the later years, HIP has generated a big quantity of fiscal income from its manufacturing enterprises in the park. For instance, in 2020, the Federal and Sidama Regional Governments collected about 325,752,767.96 Birr from the park. Besides, according to the data collected from the Ethiopian customs commission office, HIP branch, a total of 307, 636, 287.14 Birr was generated from taxes and duty fees. Moreover, the park has generated 1,764,394.79 Birr, 325,600 Birr, 941,498.06 Birr, and 28,026 Birr from scanning fees, amendment fees, penalty fees, and others (miscellaneous fees), respectively. Furthermore, the federal government of Ethiopia and Sidama regional government have collected 200,390,317 Birr, generated by the HIP, as an employment income tax (HIP & IPDC, 2022). In general, HIP has generated a large amount of fiscal revenue as well as foreign earnings from its manufacturing enterprises in the park. Therefore, it could be possible to conclude that HIP has contributed to the increase in government revenue from its internal and external sources of revenues.

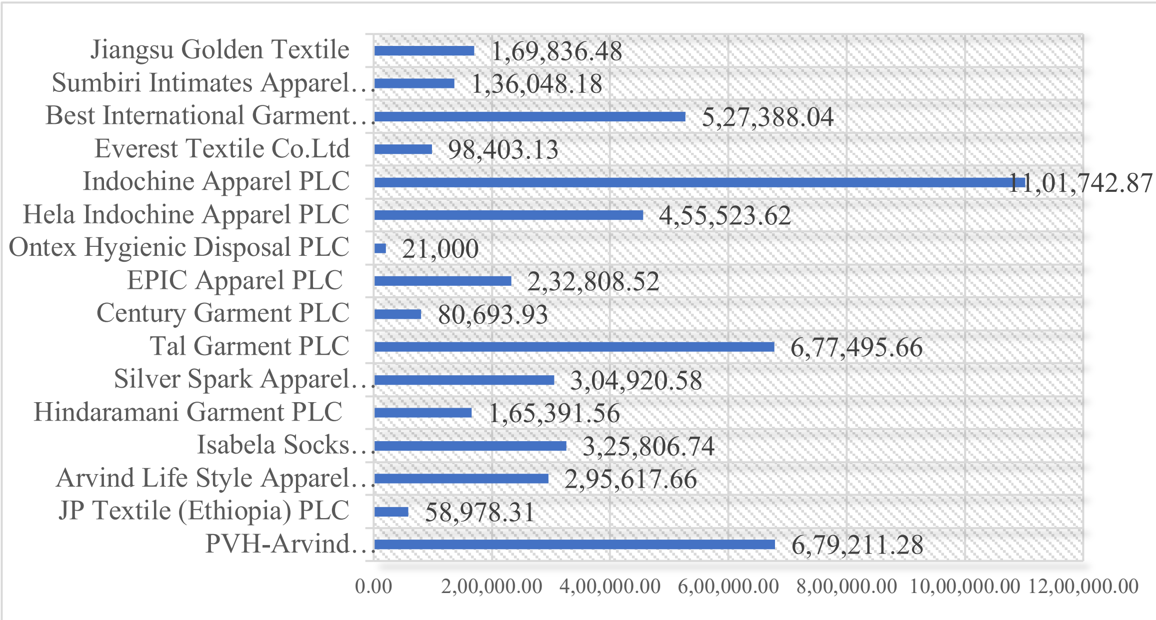


Figure 2: Export Earnings (in USD) of the HIP in 2023

Source: Hawassa Industrial Park Development Corporation, 2023

6.3 Skills Upgrading/Skill Formation Impacts of HIP

Foreign direct investment in IPs carries with it managerial and supplementary skills access to market places and training for the industrial staff, and technology transfer (FIAS, 2008; Warr & Menon, 2015; Weldesilassie et al., 2017; Yu et al., 2020; Zhang et al., 2010). From a human capital perspective, economists conclude that IPs generally bring higher job skills and better marketability for unskilled or semi-skilled workers in developing countries (Aggarwal, 2007). According to Cheesman (2012), the processes of skills upgrading makes a pivotal contribution to the diversification of employment and productivity. This, in turn, increases the supply of highly skilled labor. However, certain assessments have suggested that skill levels in IPs workforce have not significantly improved over time (Blanco de Armas & Sadni-Jallab, 2002).

Consequently, empirical evaluations regarding the impact of IPs in skills upgrading or human capital creation are mixed.

In light of the issues related to the impacts of skills upgrading or human capital formation of the HIP, as indicated in Table 1 below, respondents were asked to specify whether the HIP has benefited them by upgrading their skills. Hence, as illustrated in Table 1, about 85.9% of the respondents expressed disagreement. However, only 4.2% of the respondents believe that skill formation has occurred due to HIP. The remaining 9.9% of the respondents had a neutral response regarding the issue. In line with this, the mean value of 1.73 and the mode value of 1 indicates a very high level of disagreement of the respondents concerning the question. Besides, the information obtained from an in-depth interview mainly pointed out that the HIP's didn't benefit its local workers by upgrading their skills. Moreover, Mr. Getu from EIC (Ethiopian Infrastructure Co.) expressed his views as follows:

HIP has created job opportunities for many unemployed youths. However, I do not believe that the employees have been equipping themselves with the necessary skills which can make them vastly needed and easily employed outside of the IPs. This is mainly because of their very specific assignment in the HIP. In this regard, to make the local workers all rounded and their skills well developed, there was no movement of employees from one specific job to another. The employees have been doing the same thing every day. This, on the other hand, has limited them from having complete knowledge of producing a product by themselves. As a result, they could not get a necessary skill expected to have (Mr. Getu, Feb 22, 2024).

Therefore, depending on the replies from the structured set of questions and detailed interviews, it can be concluded that the HIP didn't benefit its local workers by upgrading or significantly improving their skills.

According to scholars like Farole (2011), skills development and training of employees in IPs play an essential role by enhancing the skill of the employees and placing them in a position to take benefits of prospects to gain new knowledge and familiarity with technologies. Through training and learning, the host country's labor force obtains skills from within the firm by doing on-the-job.

Data from the structured questionnaire, as indicated in Table 1, indicated that 57% of the respondents disagreed with the claim that HIP has offered training to its local workforce mainly focusing on equipping them with better skills and absorption of new knowledge and technology. About 33.1% of the total respondents confirmed their agreement concerning the issue. The remaining 9.9% of them had no information regarding the issue. Besides, the mean value of 2.7 and mode value of 2 indicated that the majority of the respondents disagreed with the issue. In this regard, a detailed interview conducted by Mr. Solomon from the HIP is worth quoting:

Even though HIP has been offering training to its employees, at least to some extent, it did not result in the skills formation, technology transfer, and absorption of knowledge necessary to move forward in their career path. As a result, many employees have been feeling stuck. Even the existing training programs were not flexible, full-fledged, and properly complemented with soft skills training. Consequently, the workers were not able to demonstrate the value of training, skills development to advance progress on jobs, careers, and to be exposed to new things in life (Mr. Solomon, Feb 28, 2024).

From the analysis of responses of the structured questionnaire and unstructured interview, as indicated above, it would be possible to deduce that the existing training that has been provided by the HIP to its local workforce has not resulted in improving skills, equipping necessary knowledge, and transferring technology. It is also likely to conclude that there was no suitable follow-up and support to assure the effectiveness of prevailing policies as the GTP-II policy document dictates linkages will be created between national and international companies to facilitate the transfer of skill among other things.

Regarding whether skill levels in HIP workforces have significantly improved over time, 86.7% of the total respondents indicated their disagreement. However, about 7.2% of them have shown their agreement. The remaining 6% of the total respondents neither agreed nor disagreed with the issue. In addition, the mean value of 4.01 and the mode value of 4 indicated that the majority of the respondents did not believe that skill levels in HIP workforces have significantly improved. Besides, the participants who have taken part in the detailed interviews consistently agreed that skill levels in HIP workforces have not shown a significant change. Their argument for this is the focus of the park on specific specialization. Therefore, from the above information, it is possible to conclude that skill levels in HIP workforces have not significantly improved over time.

Concerning the claim that HIP has not resulted in skills upgrading or human capital formation in the local workforce, the overwhelming majority (91.9%) of the respondents agreed that HIP didn't result in their skill upgrading or human capital formation. About 4.2% of them believe that HIP is resulted in their skill formation. However, the remaining 3.9% of the respondents were not able to decide. The mean value of 4.01 and mode value of 4 indicated that the majority of the respondents agreed with the issue. Besides, in relation with this, Mr. Kidane from the HIP has articulated his views as follows:

> *Due to limited or fixed placement of the employees in the HIP, it is very difficult to assume the advancement of the skills of the employees. For instance, in a trouser production, those who work in a preparatory section do not know how the employees in the front and back section, assembly section, and trouser finishing section work. Similarly, in a jacket production, those who produce small parts, front and back, collar, lining, sleeve, assembly, and jacket finishing sections do not know how to produce a given part except the one assigned to them. This shows that an employee can have skill or knowledge regarding one section since he/she is placed in a given section. Therefore, it would be very misleading to conclude that HIP has benefited its local workers by upgrading their skills (Mr. Kidane, Feb 25, 2024).*

Therefore, depending on the replies from the structured set of questions and detailed interviews, it can be concluded that the HIP was not resulted in skill upgrading or human capital formation to its local work force.

Table 1: Skills Upgrading/Skill Formation Impacts of HIP

No	Question Item	Respondents	Responses					Mode	Mean	Std.
			Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree			
			1	2	3	4	5			
1	The HIP has benefited its local workers by upgrading their skills.	N	153	132	33	12	2	1	1.73	0.298
		%	46.1 %	39.8 %	9.9%	3.6%	0.6%			
2	The HIP has offered training to its local workforce to have better	N	38	151	33	93	17	2	2.7	1.145
		%	11.5 %	45.5 %	9.9%	28%	5.1%			

	skills, discipline, and absorb new knowledge and technology.	%	9.9%	58.4 %	19.3 %	7.8%	4.5%			
3	Skill levels in HIP workforces have not significantly improved over time because of specific specialization.	N	12	12	20	204	84	4	4.01	0.886
		%	3.6%	3.6%	6%	61.4 %	25.3 %			
4	HIP has not resulted in skills upgrading or human capital formation.	N	4	10	13	257	48	4	4.01	0.643
		%	1.2%	3%	3.9%	77.4 %	14.5 %			

Source: Survey Questionnaire, 2024

6.4 Challenges Faced by the Stakeholders in HIP

According to Alden & Gu (2021); Aynalem (2019); Gebeyehu (2017); Gebremariam & Feyisa, (2019); Mihretu & Llobet (2012); Weldesilassie et al. (2017); and Zhang et al. (2010), African IPs/SEZs have performed weakly, especially when compared to their counterparts in other regions. They have failed to attract sufficient investment, generate significant employment, foster technology transfer, and create linkages with local suppliers due to different challenges.

6.4.1 Challenges Faced by the Employees in HIP

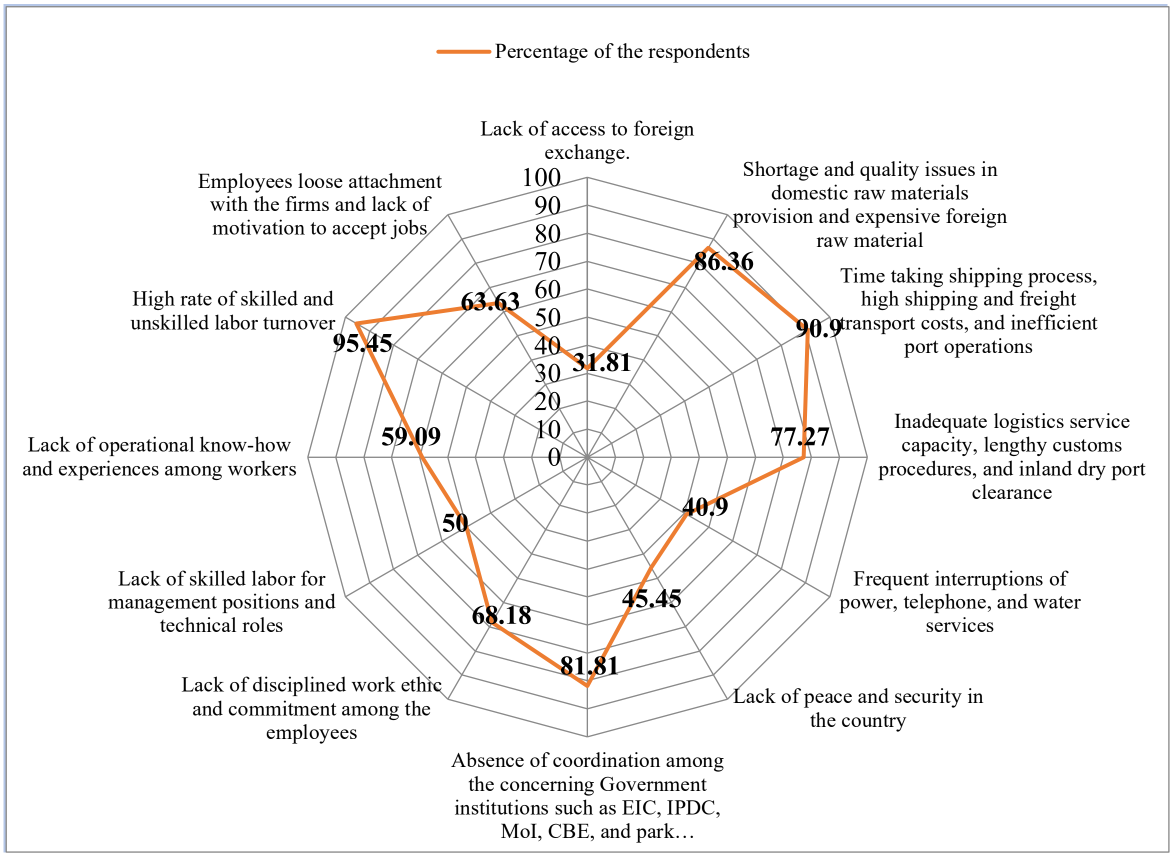
Employees who have been working in HIP were asked whether they have faced challenges since they joined the park. Accordingly, the respondents who have replied positively were further inquired to rank the major challenges they have faced while they were working in the HIP. Thus, the overwhelming majority (93.9%, 93.2%, 92.9%, 92.7%, and 91.8%) of them have identified and ranked that very low wage that is not enough to access decent and secure living, lack of collective voice mechanism or trade unions, treatment with less dignity and insult by the foreign production managers and management of the industrial park, lack of housing, health, and education, water and sanitation facilities, lack of security or policing around the industrial park, and exposure to robbery, respectively, as most pressing challenges they have faced since they joined the HIP. Similarly, the mean value of 4.59, 4.50, 4.48, 4.32, and 4.30, respectively, confirmed that these were the most common challenges the employees of the HIP have faced.

Besides, language barriers and cultural differences with the managers in HIP, absence of grievance handling mechanism that they are supposed to follow to file their complaints, lack of a transparent decision-making process to address problems which are brought up by the employees, absence of clearly stated policies, and occupational health risks and safety-related challenges were also identified as most important challenges that have unfavorably affected the workers in the park. In relation with this, though the level of employees' grievance concerning the working conditions and the difficulties they face has been growing, there has been no genuine workers movement within the HIP. Moreover, the interviewed workers have unanimously added that there were significant challenges that they have encountered in the HIP. This is analogous with the findings of Aynalem (2019) and Gebeyehu (2017) which indicated that there are many challeneges employees in IPs have been encountering. This implies that the employees in HIP have been suffering from multidimensional challenges. These challenges, on the other hand, have adversely affected the productivity of the park and its competitiveness.

6.4.2 Challenges Faced by the Enterprises in HIP

Identifying the major challenges investors and their enterprises have been facing in various IPs at the right time and also ranking them based on their severity, has paramount importance to plan, prioritize, and solve accordingly. This is also a halfway-in an effort to tackle the obstacles that are impeding the performance of the IPs. In line with this, the investors or the enterprises in HIP were asked to identify the most prevalent challenges they have been facing in their operations. Accordingly, as indicated in Figure 3, the respondents identified and ranked high rate of skilled and unskilled labor turnover, time taking shipping process, high shipping and freight transport costs, inefficient port operations, shortage and quality issues in domestic raw materials provision, expensive foreign raw materials, respectively, as the predominant challenges they have been encountering.

In addition, absence of coordination among concerning Government institutions such as EIC, IPDC, MoI, CBE, and park management; inadequate logistics service capacity, lengthy customs procedures and inland dry port clearance; lack of disciplined work culture or lack of ethics and commitment among the employees; employees' loose attachment with the firms and lack of motivation to accept jobs; lack of operational know-how and experiences among workers; lack of skilled labor for management positions and technical roles; and lack of well-trained industrial engineers and planners which were, respectively, are identified as the most common difficulties that have been constraining the smooth operation and performance of HIP. These factors have limited the success in the development of IPs and impeded their productivity and competitiveness.



Source: Field Survey (2024). **Note**: *(the respondents were given chance to choose more than once and other Charts follow the same explanation)*

7. Conclusion

Industrial parks are very important to a national as well as regional developments. They help to generate high productivity, stimulate innovation, and promote investment. As a result, currently, there is a growing demand for IPs particularly in developing countries like Ethiopia. In line with this, many scholars are strongly recommending industrial park development as one of the best strategies for large-scale industrialization, urbanization, and also to realize a general socio-economic development of a society. Therefore, in a situation where the Ethiopian government is aggressively undertaking the construction of IPs, understanding and documenting their immediate economic impacts is of high importance. However, according to the literature, the immediate economic impacts of IPs is found mixed. Depending on the analysis and description of the information collected by a structured questionnaire, in-depth interviews, and document analysis, the following major conclusions are made regarding the immediate economic impacts of the HIP, based on the subsequent results discovered.

The study has revealed that HIP, now, hosts 52 manufacturing sheds under 22 companies. In line with this, it was identified by the overwhelming majority of the participants (95%) that HIP has created jobs for thousands of skilled and unskilled workers and realized employment creation impacts. The study has further revealed that HIP and the enterprises in it have served as a substantial source of new employments. However, the park’s achievement in this regard fell short of the target by a significant margin as it has created job opportunities only for 45 percent of its target population. Concerning skill formation and human capital accumulation impact, it was reported by majority of the respondents that the park's role in the acquisition and upgrading of the local workers' skills and human capital accumulation was minimal. The results of the study also disclosed that the skill levels in HIP workforces have not significantly improved over time because of the very specific placement they were given. With regard to the revenue generation impact, the study revealed that HIP has generated a large quantity of financial income from its manufacturing enterprises in the park.

The analysis of replies from diverse sources indicated that selected stakeholders in the HIP have encountered major challenges in their operations. In line with this, it was described by the great majority (93.9%) of the employees that one of the most pressing challenges they all have faced is a very low salary or wage that is not enough for a decent and secure living. It was also indicated by the respondents that lack of collective voice mechanism or trade unions, mistreatment of the workers by the foreign production managers, lack of housing, health, and education facilities around the industrial park were found among the most dominant challenges the employees have encountered. Similarly, the enterprises in the HIP have identified that high rate of skilled and unskilled labor turnover, time taking shipping process, high shipping and freight transport costs, inefficient port operations, shortage, and quality issues in domestic raw materials provision and expensive foreign raw material as the predominant challenges.

8. Recommendations

Depending on the above conclusions drawn, the succeeding specific recommendations are given to the concerning authorities so as to improve the parks' competence and capacity to uphold its efforts more effectively and successfully achieve its objectives. To be sustainable, IPs in Ethiopia are expected to strongly work on employment creation. However, the HIP's achievement in this regard is fell short of the target by a significant margin. Therefore, the researcher strongly recommend for policy and decision makers to design a more adaptive, comprehensive, and dynamic policy stance and credit subsidies for domestic investors so as to expand the park and increase employment opportunities for the local employees. Besides, the HIP management and other concerning bodies from federal and regional governments must be determined and create mechanisms to expand and develop the park and to increase its job creation capacity. As the government revenues and foreign earnings generated by the HIP were enormously below the plan and expectations, it is recommended that the park management in collaboration with the EIPDC, EIC, and other stakeholders must be determined and solidly work to raise inland and export revenues, which are highly needed by the federal as well as regional governments.

It is important for the Ethiopian government to play a proactive role in realizing the skill upgrading or human capital formation and technology transfer impacts of IPs. The Ethiopian government should use IPs as a policy instrument in upgrading the skills of the local workers and building human capital. Besides, both federal and regional governments should design good working conditions for local employees to facilitate skill formation and know-how spillover from foreign investors. Moreover, HIP should provide intensive, technical and full-fledged trainings to its local workers targeting the skills formation of the employees because improved skills can significantly contribute to an enterprises' productivity, quality, and the competitiveness of their products. Furthermore, it is strongly recommended that HIP should target, strive, and firmly commit itself to benefit its local workers through multidimensional skills upgrading and human capital formation. The HIP and its enterprises also must work hard to have diverse and all-rounded skill development among the local workforces.

The efficiency and effectiveness of HIP and its companies had been hindered by various difficulties encountered by the workers and the enterprises in it. Regarding this, based on the findings of the study, it is strongly recommended that HIP in collaboration with other concerning authorities both at regional and federal levels should work to improve the poverty wage of the workers, allow for the establishment of the trade unions or associations, prepare clearly stated labor laws and policies, put workers minimum wage rate, fulfill basic facilities to the workers at the outskirt of the HIP, provide reasonable opportunities for professional advancement, and reduce labor turnover by protecting the rights and defending the justices of the employees in the park. It is also recommended that HIP administration and other key stakeholders of the park must work together to identify and address possible factors that have been serving as source of dissatisfaction for the workers in the park. Moreover, firms in HIP have to give trainings on hard and soft skills once the workers are recruited to work in the park. In general, the federal and regional governments must strive to curb the challenges the employees and the enterprises in HIP have been facing.

Acknowledgement

This study is the result of a project funded by the Wachemo University (Program: 03/01; Code 6223). I am very thankful to the University. The author thanks the anonymous reviewers for their comments and suggestions.

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