

# Overview of Industrial Parks Laws in Ethiopia

## Description

**By Luwam Chalachew and Dagnachew Tesfaye**

### Introduction

Ethiopia aspires to be the manufacturing hub of Africa by 2025. The Ethiopian government has planned to achieve this vision through industrial park development and expansion. According to Article 2(1), of the Industrial Park Proclamation No 886/2015 “industrial park” is an area which includes, special economic zones, technology parks, export processing zones, export processing zones, agro-processing zone, free trade zones and the like designated by Investment Board.

The major laws governing industrial parks in Ethiopia are Industrial Parks Proclamation No 886/2015, Industrial Parks Regulation no.417/2017, Industrial Parks Development Corporation Establishment Regulation No 326/2014 and Ethiopian Investment Board Industrial Parks Directive No 06/2017. The Industrial Parks Proclamation No 886/2015 is the foundation of the legal regime on the subject of industrial parks. It has been issued with the objective of regulating the designation, development and operation of industrial parks. The proclamation identifies three principal players in the context of industrial parks. These are the industrial parks developer, industrial park operator and industrial parks enterprise. Ethiopia so far has constructed and put to work 20 state of the art industrial parks in different parts of the country. The key players and the government of Ethiopia’s objective in developing industrial parks will be discussed briefly herein under.

### Government and Private Owned Industrial Parks

Not only the government of Ethiopia but also private entities own industrial parks. These industrial parks engage in specialized industries including textile and apparel, leather and leather products, pharmaceutical, agro-processing and mixed use. From the government owned industrial parks, Bole Lemi I Industrial Park located in Addis Ababa, Adama Industrial Park located in Oromia Region, Bahir Dar Industrial Park located in Amhara Region and Kilinto Industrial Park located in Addis Ababa can be mentioned. Three private owned industrial parks include Huajian Industrial Park that engage in textile and apparel, leather and leather production, Vogue Industrial Park that is engaged in textile and apparel production and CCECC Dire Dawa Industrial park that has mixed use services.

### Industrial Park Facilities

The industrial parks are filled with possibly all sorts of required services in one place. The industry parks do accommodate power substation, waste treatment, commercial and housing facilities, health stations, fire brigade and security services. The aim is to serve the needs of the clients in the industry parks in a one-stop service. Such services include processing and issuance of permits and licenses, tax identification number, notarization of formation documents, custom clearances, and banking services.

## **Industrial Park Investment Incentives**

Industrial Park developers and enterprises benefit from fiscal incentives that include income tax exemption for up to 8-15 years, export tax exemptions, exemption from customs duty, export credit guarantee scheme, franco valuta and loss carry forward. Guarantee against expropriation, repatriation of profits and dividends, foreign currency retention, no export price control, right to own immovable property and fast track services in licencing , permits, custom clearances and other services can be termed as non-fiscal incentives forwarded to industrial park developers and enterprises.

## **Industrial Park Investment Application Procedure**

Any foreign or domestic investor that seeks to engage in the industrial park as a developer, operator or enterprise need to bring company profile, filled investment application, draft memorandum of association, project proposal, export or import substitution plan depending on the type of the project, declaration of financial standing and a ten-year forecast and impact assessment. The person signing and completing the application form must have an investment/business visa. Special Investment process for a developer, operator and enterprise shall be dealt here below.

## **Industrial Park Developer**

According to Article 2(10), an industrial park developer is a profit making entity that develops a park. It could be an enterprise, public or private partnership entity. According to Article 5 the Industrial Park Proclamation, industrial park developers have the right to design, construct, develop and exploit industrial parks and provide service. It may also sell separately the different sheds and factories that it constructed; it may also participate in the financial markets to secure loans, guarantees and similar resources. Industrial park developers may provide service to industrial park enterprises engaged within the industrial park. The industrial park developer has the primary obligation to construct the park. The investment process for the industrial park developer begins with the application to Ethiopian Investment Commission(EIC) and the Board at EIC has to approve the application. Once approved, a memorandum of understanding is signed with EIC. Then the developer goes to registration and licensing.

## **Industrial Park Operator**

According to Article 2(11) of the Industrial Park Proclamation, an industrial park operator is a profit making entity that operates and maintains a park. An industrial park operator manages and operates a park on behalf of the developer. It enters into agreement with the developer of the park and its obligation mainly emanates from the agreement. And it has the right to transfer on sub lease developed industrial park land and let or sublet immovable assets, provide utilities and other service on behalf of the industrial park developer. The investment process as an operator starts with application to EIC. The application needs to incorporate detailed declarations demonstrating the availability of professionals and possession of experience in rendering similar or related services. Then comes signing of a tripartite memorandum of understanding with the Industrial Park Developer and EIC. Once the operator registers and acquires its license from EIC, the operator can sign operations management agreement with Industrial Park Developer.

## **Industrial Park Enterprise**

As per Article 2(12) of the Industrial Park Proclamation, an industrial park enterprise is a profit making entity that engages in manufacturing or rendering service in a building rented from the developer or erected within the industrial park. According to Article 9 of the Industrial Park Proclamation, an industrial park enterprise may obtain an industrial park permit in order to carry out investment activities within industrial parks. It will obtain tax, customs duty and other incentives. It has the mandate to carry out investment activities in compliance with the terms of the investment permit. The investment process begins with application to EIC and then signing a memorandum of understanding with EIC. Then a deposit of commitment fee of USD 200K in the industrial developers account has to be made. The commitment fee shall be considered as part of the initial capital requirement. Registration and licensing at EIC will be made. Then a shed rental or sub-lease agreement with the industrial park developer will be entered. The rented shed will be handed over to the enterprise by the developer finalizing the investment registration process.

## **Human Resource Management Guideline**

The industrial parks will hire huge numbers of employees. Uniform guidelines to manage human resources to the standard and laws of Ethiopia is necessary. Thus the EIC has commissioned a guideline for human resource management. The guide line is founded on Ethiopian labor law and international best practices. The guideline establishes a uniform system to manage all human resources matters. The manual sets up a fair, transparent, ethical and effective recruitment and selection practices. The guideline establishes effective, legitimate, transparent and safe grievance handling procedures to address employee concerns before they lead to more serious employee relations issues.

## **Conclusion**

Generally the operation of industrial parks is structured based on the three principal players which are industrial park developer, operator and enterprise. Industrial Parks are necessary to accelerate the economic transformation and development of the country. The establishment of Industrial Parks in strategic locations will promote and attract productive domestic and foreign direct investment. The industrial park investment will upgrade industries and generate employment opportunities. All these aspirations and practical implementations will put Ethiopia as the manufacturing hub of Africa in the near future.

For more information please contact us at [info@dmethiolawyers.com](mailto:info@dmethiolawyers.com)

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**Author**

dmethiol\_admin

**Dagnachew & Mahlet Law Firm LLP**