

Ethiopia Plans Export Hubs With \$10 Billion Factory Parks



By William Davison

ADDIS ABABA, Ethiopia, May 21, 2015 (Bloomberg) -- Ethiopia is targeting \$1 billion of annual investment in industrial parks over the next decade to boost exports and make it Africa's top manufacturer, a special adviser to Prime Minister Hailemariam Desalegn said.

The government may invest half of the \$10 billion needed for zones across the country that will house textile, leather, agro-processing and other labor-intensive factories, Arkebe Oqubay said in an interview in the capital, Addis Ababa. The International Finance Corp., the World Bank's private lending arm, along with Chinese and European lenders and private-equity funds are interested in projects, he said.

"In terms of industrial development and manufacturing development, we want to put Ethiopia number one in Africa," Arkebe said.

Growth in Ethiopia has surpassed every other sub-Saharan country over the past decade and is forecast by the International Monetary Fund to exceed 8 percent over the next two years. The state-planned economy is opening up to foreign investors following its sale of \$1 billion of Eurobonds last year and plans to start an [equities](#) and secondary debt market, London-based Exotix, which has a buy rating on the Eurobonds, said May 7.

Ethiopia's manufacturing industry is valued at about \$1.35 billion, compared with \$48.1 billion in South Africa, according to World Bank data.

Calvin Klein

American clothing company Phillips-Van Heusen Corp., which owns the Tommy Hilfiger and Calvin Klein brands, is considering using suppliers at an industrial park in Hawassa, south of Addis Ababa, the government said last month. Hennes & Mauritz AB, Europe's second-largest clothing retailer, already sources from three factories in Ethiopia, where wages can be as little as a tenth of China's and access to the U.S. market is duty free under the African Growth and Opportunity Act.

Ethiopia had targeted a 15-fold increase in textile and leather exports to \$1.5 billion in a five-year plan that finishes in July, the end of the country's fiscal year. That surge failed to take place because of a lack of specialized parks with services including utilities, banks, customs and transport links, said Arkebe, who is chairman of the state-run Industrial Parks Development Corp.

Total manufacturing shipments earned \$262 million in the first eight months of this fiscal year, up 10 percent from the previous year. Investing in industrial parks will be "a major solution to the problems," Arkebe said.

200,000 Jobs

The government will use about half of the funds from the Eurobond to develop parks in the financial year that begins July 8, he said. The government's so-called Vision 2025 sees manufacturing expanding 25 percent a year and creating employment for 200,000 Ethiopians annually, Arkebe said.

The World Bank is spending \$250 million on a second industrial zone at Bole Lemi, on the edge of Addis Ababa. In October, Shin Textile Solutions Co. of South Korea moved into the existing factory park at Bole Lemi, employing 3,000 people, Arkebe said.

A textile park opened in Hawassa in April and construction begins this month on zones in Dire Dawa and Adama, which are both on Ethiopia's main trade route to a port in neighboring Djibouti, according to Arkebe. Kombolcha and Mekele will also be manufacturing centers. The industrial park plans need to be endorsed by federal lawmakers who will be voted for in May 24 elections, he said.

Chinese Funding

Electric railways costing \$4 million per kilometer will serve the environmentally friendly hubs that private companies can develop "almost" rent free from the parks company, which will have as much as 100,000 hectares of land, Arkebe said.

Developers will get a tax holiday of as long as 15 years and duty-free privileges, with incentives increasing for building done outside the capital, he said. Manufacturers can get tax exemptions of 10 years if they export all their products from a site not in Addis Ababa.

One rail project connecting Addis Ababa with the cities of Jimma, Bedele and Ambo began last week. Chinese banks will "mainly" finance the 491-kilometer (305-mile) rail link, he said. Another railway from a port in the Djiboutian town of Tadjourah port to Bahir Dar city and from the capital south to the cities of Hawassa and Arba Minch will be completed by July 2020, Arkebe said.

Separately, the government says a Chinese-funded track from Addis Ababa to Djibouti will be [completed this year](#)

. Work is also continuing on a \$1.7 billion line that goes through Kombolcha, funded by the Export Credit Bank of Turkey and Credit Suisse Group AG.

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