



4<sup>TH</sup> ANNUAL SADC INDUSTRIALISATION WEEK

# ESTABLISHING REGIONAL INDUSTRIAL PARKS FOR INCLUSIVE ECONOMIC DEVELOPMENT

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## IN THIS PRESENTATION, WE DISCUSS:

- ❑ Why Industrial Parks at Regional level?
- ❑ Facts & definition of Industrial Parks.
- ❑ Objectives of Industrial Parks.
- ❑ Features of Industrial Parks.
- ❑ Advantages of Industrial Parks.
- ❑ Key Issues for RIPs success.
- ❑ Financing Regional Industrial Parks.

## Why Industrial Parks at Regional level?

**Political will** (in Tanzania, President Dr. John Pombe Magufuli Parliament inaugural speech [Nov. 20, 2015, Dodoma] highlighted industrialized economy).

➤ On 20<sup>th</sup> Nov. 2016 the Government directed Regional Administrations & LGAs to allocate lands for industrial activities.

➤ The President on 13<sup>th</sup> June, 2017 directed Regional Commissioners to make industrialisation their agenda.

➤ On 11<sup>th</sup> June, 2017, the Prime Minister, Hon. Kassim Majaliwa emphasized on the urgent need to establish industrial zones in all regions and LGAs.

## Urgent needs of RIPs for SMEs

- On 15<sup>th</sup> June, 2019, a renowned economist, Prof. Samuel Wangwe while presenting a lead paper on **“Empower Tanzanians to Build Industries”** at one day NEEC forum in Dodoma cited lack of **“ACCESS TO BUSINESS AREAS”** as a prohibitive factor to industrialization in Tanzania.
- By Dec. 2018, combined calls by key Govt Leaders (**H.E President, Dr. John Magufuli, Vice President, Hon. Samia Suluhu Hassan, Prime Minister, Hon. Kassim Majaliwa, Ministers, RCs**) and efforts by some public & private institutions DEVCOM inclusive enabled the allocation of 367,077.21 HAs for industrial activities in all 26 regions.



## Facts and definition of IPs

### ❑ Facts

- RIPs strengthen the industrial base of small and medium-size industries, increase the efficiency of urban land use, and reduce rural-urban migration.
- They create conditions for the development of small and medium size companies and their cooperation with other world-class entities. Have a positive effect on cooperativeness ability, labour productivity, increased employment and research capabilities of a particular industrial region.
- Within the context of an overall development strategy of the country, industrial parks can be valuable instruments to increase the regional and national industrial competitiveness.
- IPs offer the benefits of high quality infrastructure in build-to-suit sites, strategically located in key industrial areas.
- IPs are the policy drivers to foster sufficing investments, employment, competitiveness, sustainable business strategies, and regional economic development.

### ❑ Definitions

- An industrial park is a place where the required facilities and factory accommodation are provided by the Government to the investors and entrepreneurs to establish their industries [Dr. Sinha].
- An industrial estate “Park” is a planned clustering of enterprises, offering standard factory buildings erected in advance of demand and variety of services and facilities to the occupants [The United Nations -1963].
- For the purpose of this presentation:  
An industrial park is a group of selected areas of real estate where the required facilities and factory accommodations are provided by the Government and private sector to the investors and entrepreneurs to establish their industries.

# Objectives of Regional Industrial Parks

## RIPs Context

- ❑ Ensure well planned and structured Regional industrial development.
- ❑ Provide the necessary infrastructure.
- ❑ provide common facilities to a number of industries.
- ❑ Promote development of clusters.
- ❑ Enable small units to source products from one another.
- ❑ Promote balanced regional development.
- ❑ Ensure development of backward areas.
- ❑ Encourage development of small-scale industries at Regional and LGAs level.
- ❑ Decentralize industries to the rural and backward areas.
- ❑ Attract investments, create jobs and have positive spillovers in the local and national economies.

## National Economy Linkage

- ❑ RIP is an engine of rapid industrialization through organic made industries accelerating “down-up” economic transformation (**SIDO**-growth of organic industries; **EPZA**, **TIC**, **NDC**- growth of National economy-Tanzania context).
- ❑ Within the context of an overall development strategy of the country, industrial parks can be valuable instruments to increase the regional and national industrial competitiveness.
- ❑ They are the policy drivers to foster sufficing investments, employment, competitiveness, sustainable business strategies, and regional economic development.
- ❑ They can provide fertile grounds for leveraging new technologies, learning and innovations, jobs and markets, and links between rural regions economy with national economy.

## Features of Industrial Parks

- ❑ *There are several features of Industrial Parks. Lets look at the following 8 salient features of industrial Parks:*
- **Separate plots and sheds.** Allocated to the investors and entrepreneurs at economical costs.
- **Clusters.** Planned cluster of units based on types of production envisaged.
- **Regional development.** For promoting regional development.
- **Common infrastructure.** Roads, electricity, water, etc.
- **They promote industrialization and economic development.** Investors feel encouraged to set up industrial enterprises.
- **Different sizes.** Land is parceled in different plots based on the land availability, requirements and development potentiality.
- **Developed in all areas.** RIPs can be developed in all areas such as urban, suburban and rural areas to stimulate economic growth.
- **Promoted through any agency.** They can be set up by the Government, co-operatives, private partnership (PPP) or entirely by the private agencies.

# Advantages of Regional Industrial Parks

- **Ensure well planned and structured industrial development.**
- **Provide the necessary infrastructure.**
- **Promote development of clusters.**
- **Enable small units to source products from one another.**
- **Promote balanced regional development.**
- **Ensure development of backward areas.**
- **Encourage the development of small-scale industries in the country.**
- **Decentralize industries to the rural and backward areas.**
- **Concentration of firms can provide significant spill-over effects both inside and outside the park.**
- **Ensure specialisation and division of labour among enterprises, the development of skilled labour markets, and the development of markets around the parks.**
- **When successfully managed, industrial parks can significantly influence the regional industrial economy of any country.**



## Advantages of Regional Industrial Parks...

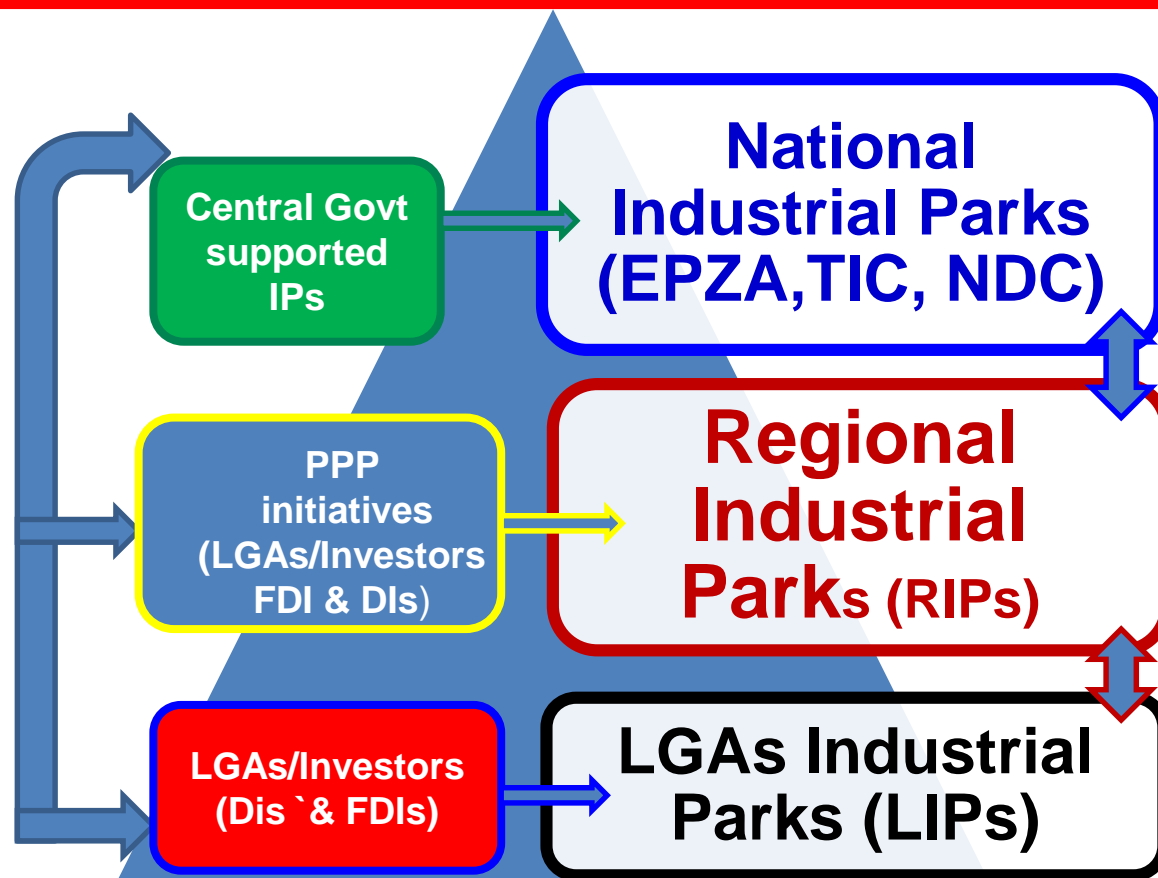


*One of regional industrial parks in Ethiopia with fully fledged infrastructure with job creation to hundreds Ethiopians.*

- **Economies of scale:** Units located in an industrial park can adopt centralized buying and selling. Bulk purchases on discounts resulting in lower costs are possible.
- **Economies of Agglomeration; Benefits of inter-relatedness; Low investment; Availability of infrastructure and support facilities; Mutual cooperation.** Can share best practices relating to quality standards (TBS and ISO standards); **Focus on business is possible; and development of backward areas.**



## Key Issues for RIPs success



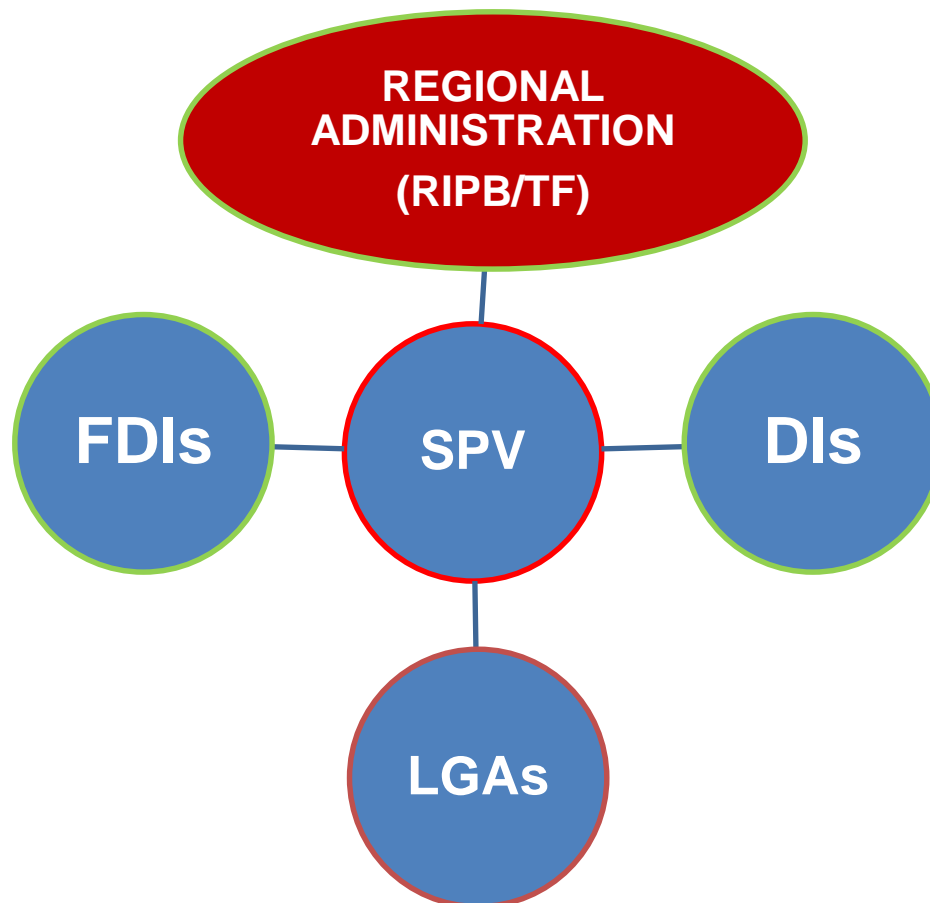
## Key Issues for RIPs success...

- ❖ Clear strategy for Regional and LGAs industrial parks development must be in place.
- ❖ A sound legal and regulatory framework.
- ❖ National and regional incentive packages (both fiscal and non-fiscal).
- ❖ High-level leadership and interagency coordination (from the top leadership).
- ❖ Careful planning of Regional and LGAs development and operation.
- ❖ Ownership of RIPs to be on semi-public basis (LGAs, Public Institutions, Private sector).
- ❖ Special Purpose Vehicle (SPV) company established to manage the RIP.
- ❖ A well designed agro-industrial park with all the requisite facilities has considerable potential for commercial success.
- ❖ In India, a number of agro-industrial parks have been established which provides networks of contacts between producers, markets and processors and the physical infrastructure required for transforming industries (*K. Lakshminarayana Rao, 2006*).

## Financing RIPS & Investment Strategy

- ❑ **Financing Regional Industrial Parks (Stages)**
  - Regional Administration and LGAs to create Regional Industrial Board (RIB) or Task Force (TF) to oversee establishment of RIPS & LIPs.
  - **RIB or TF to create SPV company with the following responsibilities:**
    - (i) **Mobilising financial resources required for construction of Regional Industrial Parks/LGAs Industrial Parks.**
    - (ii) **Coordinating funds availability from Public Institutions.**
    - (iii) Mobilising financial resources from Private Sector.
    - (iv) **Provide/hire Management capable of manning RIPS professionally.**
    - (V) Link with the Central Government to provide basic infrastructures to RIPS/LIPs sites (water, electricity, roads).

## Financing of Regional Industrial Parks...



## Financing of Regional Industrial Parks...

### ❑ Financing RIPs Strategy

- Three separate financing instruments are proposed:
  - **SPV financing instrument.** This is instrument expected to gun out required funds to finance establishment of RIPs Industrial Parks.
  - **Local and International Loan Financing Instrument (LILFI).** This instrument is expected to contribute to the required budget for establishing RIPs in each region.
  - **Build and Hire Financing Instrument (BHFI).** This instrument will be used to cheep in as an investment facility for developing services oriented buildings.
- ❑ **USD. 120M is the maximum budget required for establishing one RIP built on 50 ha to 100 ha with 30 to 50 factory sheds housing up to 100 processing and manufacturing factories, auxiliary structures, office buildings, internal roads, power, water supply, telecommunications, waste collection and recycling mechanism, effluent treatment plant and dormitories.**

## INDUSTRIAL PARKS FOR REGIONAL ECONOMIC DEVELOPMENT



*One of Regional Industrial Parks in Ethiopia, Africa.*



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