Integrated Agro-Industrial Parks in Ethiopia

Status, Success, and Challenges

with a Focus on Yirgalem IAIP

Teklebirhan Alemnew and Alemayehu Seyoum Taffesse

December 2024

Addis Ababa, Ethiopia

Table of Contents

Executive Summary

This study aims to assess the current state, successes, and challenges of Integrated Agro-Industrial Parks (IAIPs) in Ethiopia, with a specific focus on the Yirgalem Integrated Agro-Industrial Park (YIAIP). The analysis is based on an extensive literature review and semi-structured interviews with key informants (KIIs). By examining the current state of Ethiopia's IAIPs, the research provides valuable insights into their successes and shortcomings, offering critical lessons to enhance the sustainability of IAIPs in Ethiopia and guide the development of similar initiatives in other Sub-Saharan African countries.

Overview of IAIPs

Agro-industrial growth offers a promising path to industrialization in Ethiopia, addressing challenges within the agricultural system. Since 2016, the government has developed four Integrated Agro-Industrial Parks (IAIPs) in Baeker (Tigray region), Bure (Amhara region), Bulbula (Oromia Region), and Yirgalem (Sidama Region). These parks, equipped with modern infrastructure and services such as grading, storage, financing, and training, aim to link agriculture and industry, create rural jobs, attract investment, enhance exports, and reduce food imports by boosting domestic production.

While all four IAIPs have been inaugurated, progress varies. Yirgalem leads with four active investors in avocado oil, milk, and coffee production, and six new companies are expected to join the park soon. In total, it supports 29 projects and attracts interest from 10 additional firms. Bure is home to eight investors, while Bulbula has six operational investors. In contrast, Baeker has yet to secure any investments. The initiative aligns with Ethiopia's national strategies, including GTP I, GTP II, and HGER, and has received support from development partners and financial institutions.

YIAIP success & key factors

Within a short time, Yirgalem IAIP has achieved remarkable milestones, including:

- Conducting a comprehensive study of the area's resource potential, which identified opportunities to enhance investment prospects regionally and nationally. This effort has optimized resource utilization and attracted companies to the park,

fffff

- Creating over 700 direct jobs in manufacturing, processing, and logistics, alongside more than 6,000 indirect jobs in agriculture, services, and transportation supply chains,
- Positively impacting the income of 109,455 smallholder farmers through cooperatives and SMEs,
- Transforming Ethiopia's agriculture by adding value to raw products, including pioneering avocado oil production and refining technology in the country,
- Supporting avocado farmers in adopting regenerative agricultural practices to boost yields, improve soil health, and protect the environment, through Sunvado Manufacturing PLC and YBM Avocado Oil Processing PLC,
- Enhancing the capacity of smallholder farmers in modern farming, agro-processing, and business skills, in collaboration with partners like GIZ, UNIDO, TechnoServe, and Trade in Organic,
- Driving rural infrastructure development, including improvements in transportation, electricity, water supply, and waste management,
- Promoting corporate social responsibility through active participation by companies in the park, etc.

The success of Yirgalem IAIP can be attributed to several critical factors, including its strategic location, regional stability, and well-developed infrastructure linking it to both domestic and international markets. Supportive government policies, regulatory frameworks, active stakeholder engagement, and an inclusive approach have fostered a conducive environment for growth. YIAIP's comprehensive strategy, integrating the entire agricultural value chain from production to marketing, has been pivotal to its accomplishments. Additionally, robust public-private partnerships, effective management, and an available skilled workforce have solidified its position as a key driver of economic development, job creation, and a benchmark for other agro-industrial parks in Ethiopia.

Challenges faced by YIAIP

Yirgalem IAIP faces several challenges that limit its full potential, including:

- Limited fiscal incentives, such as the exclusion of strategic inputs like new seed varieties, compounded by policy inconsistencies and bureaucratic issues at customs.

- The change in the ruling government has led to policy discontinuities and inconsistent government commitment, exemplified by financial constraints and diminished focus, which have hindered progress.
- The presence of illegal brokers who inflate prices, manipulate market access, and encourage farmers to breach contracts.
- Difficulty in finding skilled or semi-skilled local workers, leading many investors to import foreign technicians and engineers.
- Challenges in accessing finance and credit due to changes in government credit policies and bureaucratic processes at the Development Bank of Ethiopia (DBE).
- Issues with effectively utilizing agricultural extension workers to promote high-yield seeds and other crucial agricultural support.
- Organizational challenges stemming from the absence of key departmental structures within the park.
- Difficulties faced by avocado processing investors due to problems with avocado harvesting, including cracked, immature, and small-sized fruit.
- Challenges arise when new competitors join the park without prior consultation or communication with existing investors.
- Disruptions in global trade routes, intensified by the Gaza conflict and the Ukraine-Russia war, have impacted the park's operations, particularly for export-oriented investors.

Finally, based on the findings and analysis of the Yirgalem Integrated Agro-Industrial Park (YIAIP), a set of policy recommendations has been proposed to address current challenges and enhance the park's sustainability and effectiveness. Furthermore, valuable lessons have been drawn from YIAIP's current state and operations. These recommendations and lessons aim to maximize the impact of IAIPs on rural development, agricultural transformation, and industrial growth, both in Ethiopia and globally.

Acronyms

AfDB	African Development Bank
ADLI	Agricultural Development-Led Industrialization
AICS	Italian Agency for Development Cooperation
AIGCs	Agro-Industry Growth Corridors
CASA	Commercial Agriculture for Smallholders and Agribusiness
DBE	Development Bank of Ethiopia
EFDA	Ethiopian Food and Drug Administration
EIC	Ethiopian Investment Commission
EPRDF	Ethiopian People's Revolutionary Democratic Front
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
HGER	Homegrown Economic Reform
IAIP	Integrated Agro-Industrial Park
IFPRI	International Food Policy Research Institute
KIIs	Key Informant Interviews
MoA	F.D.R.E Ministry of Agriculture
MoFED	Ministry of Finance and Economic Development
NPC	National Planning Commission
PLC	Public Limited Company
RTC	Rural Transformation Center
SHFs	Smallholder Farmers
SIPDC	Sidama Region Industrial Parks Development Corporation
SMEs	Small And Medium-Sized Enterprises
UNCTAD	United Nations Trade and Development
UNIDO	United Nations Industrial Development Organization
USD	United States Dollar
YIAIP	Yirgalem Integrated Agro-Industrial Park

fffff

1. Introduction

Agriculture is one of the driving forces in Ethiopia's economy next to the service sector, contributing close to 32% of GDP in 2023, providing jobs for 62.8% of the working population in 2022, and generating 90% of foreign currency through exports (AfDB, 2024). However, only 1.3 percent of exported agri-products are processed, and import dependency remains strong. Ethiopia's agricultural exports are dominated by primary, unprocessed products like coffee, oilseeds, pulses, live plants, and cut flowers. Although agro-industries represent half of the country's total manufacturing, they make up only 5% of Ethiopia's GDP (AfDB, 2024; UNCTAD, 2016).

Ethiopia has diverse agroecological zones, abundant arable land, and access to affordable labor. It is a top African producer of coffee and barley and ranks second in sorghum, third in maize and wheat, fourth in coarse grains, and first in livestock production. These advantages position Ethiopia well for producing a wide range of agricultural products, making agricultural commercialization highly appealing. However, this advantage is lost due to poor connections to agro-industries and limited awareness among farmers of the best farming practices. As a result, most farmers are not part of commercial value chains, and numerous intermediaries create inefficiencies and waste. Studies show that, in Ethiopia, post-harvest losses in grains range from 20% to 30%, horticultural products suffer losses of 30% to 50%, and losses for milk and meat are around 30% and 40%, respectively. This is largely due to many farmers still relying on traditional structures, which contribute to inflated prices and pose a threat to food security and economic development. Agro-processing presents a promising solution by adding value and converting raw materials into processed products (Mengesha, 2023; MoA, 2024; Urugo et al., 2024).

Furthermore, the lack of integration within the sector discourages farmers from producing high-quality goods, using proper handling practices, investing in quality inputs, or adopting the best farming techniques. As a result, industries struggle to secure the right quantity and quality of raw materials, given the fragmented nature of Ethiopia's agricultural system. This challenge negatively impacts their operations, and financial institutions become reluctant to provide loans to these industries, further impeding their business growth and development.

For agriculture to remain a driver of economic growth in Ethiopia, a structural transformation is essential. Considering the challenges within Ethiopia's agricultural system, agro-industry growth offers a promising pathway to drive economic progress and achieve the nation's industrialization goals. Agro-industries can unlock agriculture's potential and propel industrial development. Acknowledging this opportunity, since 2016, the Ethiopian government established four "Integrated Agro-Industrial Parks" (IAIPs) along with "Rural Transformation Centers" (RTCs) across the regions of Oromia, Amhara, Tigray, and Sidama to foster stronger integration among agricultural value chain actors. This marks an important milestone in advancing Ethiopia's agricultural transformation, ultimately driving economic growth, and establishing a center of excellence to strengthen sustainable development capacity.

Firms in IAIPs gain economies of scale and positive externalities by sharing infrastructure and taking advantage of bulk purchasing and selling opportunities, training courses, and extension services. The Ethiopian government's Rural Transformation Centers (RTCs) are rural development initiatives aimed at promoting inclusive growth in rural areas while also linking to the IAIPs as a source of raw materials. For many farmers, RTCs are their main entry point into commercial agricultural value chains. Beyond their core functions, RTCs also provide small-scale financial services to farmers and offer essential social services.

IAIPs and RTCs are crucial in connecting smallholder farmers to large agricultural value chains. These connections serve two main purposes: efficiently linking raw material suppliers (smallholder farmers) with the demand side of the food chain, and supplying the right raw materials to agro-industries, which is a key challenge for food processors in Ethiopia. This integration is vital for reducing poverty in rural areas and facilitating the structural transformation of the economy.

An important aspect of the IAIPs and RTCs is the diffusion of innovation. By spreading knowledge, skills, and new ideas, these initiatives help elevate the agro-industrial sector and enable Ethiopian firms to compete more effectively at both regional and global levels. These benefits ensure improved product quality from farm to fork and integrate a larger segment of the population into commercial agricultural value chains. Additionally, IAIP and RTC facilities encourage small and medium-sized enterprises (SMEs) to set up near raw material sources, facilitating the expansion of processing and manufacturing activities into less developed areas. Moreover, the increased integration with commercial value chains promotes the inclusion of informal economic actors into the formal economy.

This paper explores the current state of Ethiopia's IAIPs, offering valuable insights into their achievements and challenges and drawing key lessons to support the sustainability of Ethiopia's IAIPs and guide other Sub-Saharan African countries in developing similar initiatives.

2. Objectives of the Study

This study provides a concise overview of Ethiopia's Integrated Agro-Industrial Parks (IAIPs), covering their establishment, success factors, challenges, and potential areas for policy intervention, with a particular emphasis on the Yirgalem IAIP. It draws upon case studies, key informant interviews, field visits, and a thorough review of existing literature to offer insights that could benefit other developing countries and the broader development community. More specifically, the study's primary objectives are:

- To evaluate the current state of Ethiopia's IAIPs, focusing on their progress, operational effectiveness, and impact.
- To identify key lessons learned, including challenges encountered and opportunities leveraged, to improve the IAIP initiative's effectiveness and sustainability.

3. Methodology

This section outlines the methodology of the study. To address the main research questions, the study utilized a qualitative approach that includes several interrelated strands: a literature review, Key Informant Interviews (KIIs), and field visits.

Much of the literature reviewed primarily included published journal articles, government documents, grey literature, reports from multilateral organizations and donors, and selected evaluation studies. The literature review was supplemented with a series of KIIs, and field visits designed to gather insights on specific research questions. Key informants were chosen based on their expertise and involvement in the IAIP projects. Their names were typically sourced from the literature and websites, after which they were contacted via email or phone and invited for an interview. The Key Informant Interviews (KIIs) were voice-recorded, and research team members transcribed the interview, and detailed notes were taken and stored. These notes were later synthesized with the selected literature, and connections were made to relevant points. Key informants were interviewed only once, but any follow-up questions needed during the drafting of the synthesis report were addressed through email or telephone.

4. IAIP Project linkages with country strategy and objectives

The concept of agro-industry is not new to Ethiopia; it was a central aspect of the Ethiopian Imperial Government's national development strategy in the 1960s (Miller et al., 1969). However, in the 1990s, the EPRDF regime introduced the first unique economic policy approach, known as Agricultural Development-Led Industrialization (ADLI).

The Government of Ethiopia's, under the EPRDF regime, first significant commitment came in its initial five-year Growth and Transformation Plan (GTP I, 2010/11-14/15), which aimed to establish the foundation for shifting the country from a predominantly agrarian economy to one centered on industrialization. The Government of Ethiopia has set a goal to attain middle-income status by 2025 and developed the second Growth and Transformation Plan (GTP II, 2015/16–2019/20) to support this ambition. Building on the Ethiopian Agro-Industry Strategy (November 2009), which highlights the importance of competitiveness, boosting exports, reducing reliance on imported foods, attracting investments, and transitioning from traditional, supply-driven subsistence agriculture to high-tech, safe, and demand-driven agriculture, GTP II prioritizes manufacturing and industrialization as key drivers of economic structural transformation. A core component of this strategy is the development and expansion of industrial parks and villages across the country. The second GTP aims to address challenges in input supply and technology adoption to enhance agricultural productivity, with a focus on smallholder farmers. This approach is intended to enable agriculture to contribute to economic stability and facilitate the transition to agro-based light manufacturing and broader agro-allied industrial development. Additionally, creating meaningful employment opportunities for the country's large youth population is a key priority (see MoFED, 2010; NPC, 2016).

In 2020, the Government of Ethiopia (GoE), under the Prosperity Party, launched the Homegrown Economic Reform (HGER) Agenda. This comprehensive and coordinated initiative seeks to maintain macro-financial stability, rebalance the economy, and sustain growth. Under GTP II, the GoE emphasized light manufacturing and agro-processing industries due to their potential linkages with the agricultural sector. However, these linkages have not been fully realized for various reasons. To address this, HGER prioritized the completion of Integrated Agro-Industrial Parks (IAIPs) across the country's major agro-ecological zones to bridge the gaps between agriculture and the manufacturing sector (see GoE, 2020).

The above discussion highlights that the Integrated Agro-Industrial Parks (IAIPs) project aligns seamlessly with Ethiopia's national strategies and objectives, including GTP I, GTP II, and HGER. The government is making efforts to complete the construction of four Industrial and Agricultural Parks (IAIPs), which are equipped with infrastructure like Rural Transformation Centers (RTCs) and Aggregation Centers. These facilities aim to connect rural farming communities, link crop and livestock production to storage and processing units, enhance the agricultural value chain, transform farming practices, attract private sector investment, and create employment opportunities.

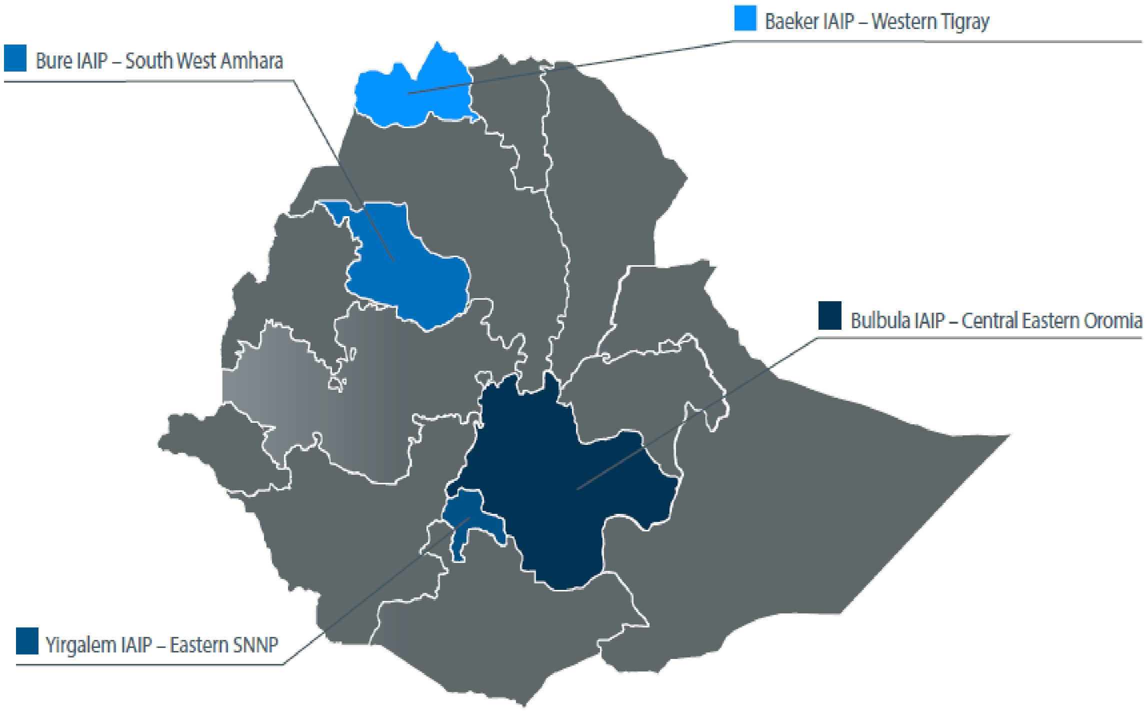
5. The Present State of Ethiopia's Integrated Agro-Industrial Parks

To support the needs of investors in the agro-processing industry, the Ethiopian government has established Integrated Agro-Industrial Parks (IAIPs). These parks are geographically clustered hubs where industry stakeholders benefit from shared infrastructure, logistics, and services, enabling economies of scale. IAIPs also offer opportunities for bulk purchasing and selling, access to training programs, and extension services, fostering a collaborative and efficient environment for agro-processing businesses.

Since 2016, the Government of Ethiopia (GoE) has been working to establish four Integrated Agro-Industrial Parks (IAIPs) located in Baeker (Tigray region), Bure (Amhara region), Bulbula (Oromia), and Yirgalem (Sidama Region) (see Figure 1). The IAIP initiative in Ethiopia adopts an integrative approach, featuring site construction, preferential access to utilities, advanced infrastructure, and streamlined public services for tenants. These services include grading, storage, quality control, access to finance and inputs, and training for farmers. Situated in rural areas, the four IAIPs are linked to 23 Rural Transformation Centers (RTCs) and positioned within 17 Agro-Industry Growth Corridors (AIGCs). They are designed to strengthen productive connections between the agriculture and industrial sectors (CASA, 2021; UNIDO, 2015).

All four IAIPs have been inaugurated, although their progress in attracting investments and initiating operations varies. Baeker has yet to secure any investors, while Bure hosts eight investors, Bulbula accommodates six, and Yirgalem has four investors engaged in avocado oil, coffee, and milk production.

Figure 1: Location of the IAIPs



Source: UNIDO (2015)

5.1. Current Status and Operations of the YIAIP

As the Yirgalem Integrated Agro-Industrial Park (YIAIP) is the focal point of our study, its current state and operations are outlined in detail below.

Located in Ethiopia's Sidama Region, the YIAIP represents one of the government's flagship initiatives to promote agro-industrial development and foster rural transformation. Yirgalem IAIP hosts four investors engaged in crude avocado oil, coffee, and milk production. According to the SIPDC, there are four companies currently operating (two in crude avocado oil, one in milk, and one in coffee, which is nearly operational), three companies (two in avocado oil and one in honey) are already on-site and setting up machinery. Six companies are set to begin operations within the next three months. The IAIP supports 29 projects, including those already signed agreements to join the park. Additionally, 10 more projects have expressed interest in investing in YIAIP. The park's primary product lines include coffee, avocado oil, cereals, milk, banana chips, honey, and soybean oil.

Table 1: Companies currently operating in YIAIP

S.No	Company Name	Duration within the YIAIP	Business Activity	Market target	Remark
1	SUNVADO Manufacturing PLC	Since 2018	Processing organic avocado oils	Export	FDI
2	Douely Foods Processing PLC	Since 2020	Processing flavored Milk & Fruit Juices	Domestic	FDI
3	YBM Avocado Oil Processing PLC	Since 2021	Processing organic avocado oils	Export	Domestic Investor

Source: *from the KIIs and the websites of YIAIP and associated companies.*

The region's diverse and high-potential agricultural value chains, particularly in fruit and dairy production, combined with the park's robust support systems, regional security, and well-developed infrastructure, make the YIAIP a compelling destination for investors. The YIAIP, along with the Ethiopian government, presents a unique value proposition for those aiming to establish profitable ventures in Ethiopia. Investors in the park benefit from a range of incentives, including access to land, security, high-quality infrastructure, tax advantages, income tax exemptions, loss carryover provisions, export tax exemptions, customs duty waivers, tax-free salaries, franco valuta privileges, streamlined procedures, and an export credit guarantee scheme.

The current operational status of the Industrial Agricultural Investment Park (IAIP) is favorable, with many investors showing interest, particularly following the recent macroeconomic policy reform. Currently, over 86 local farmers' cooperatives and business unions are involved in the value chain process, supplying avocado and milk to companies operating within YIAIP. The establishment of the IAIP has also introduced new agricultural products to the region, including soybeans and new varieties of avocados, such as the Hass avocado. Additionally, the park's presence has enabled avocados and other agricultural products to be commercialized, allowing farmers to secure better prices. However, the three Rural Transformation Centers (RTCs) are not yet integrated into the park's commercial agricultural value chains. This is primarily because Bensa Daye RTC, despite being fully constructed, is located far from the industrial park, while Aletawondo and Morocho RTCs remain under construction. Surprisingly, none of the companies within the YIAIP are aware of the RTCs.

The infrastructure and facilities within the IAIP are both adequate and of high quality. Notably, the park's liquid waste treatment plant stands out as exceptional, as highlighted by both investors and management. To streamline operations and facilitate investor services, the IAIP includes a building complex designated for government institutions to operate service outlets within the park. However, some key government offices, such as the Ethiopian Investment Commission (EIC) and the Ethiopian Food and Drug Administration (EFDA), have yet to establish a presence. The YIAIP offers a range of services and facilities, including 11 sheds, administration offices, a police station, one-stop-shop services, a residential apartment (under construction), a daycare center and a school (grades 1–4), water supply, a fire brigade, a health center, a training center, two conference halls with a capacity for over 200 participants each, a mini hall for VIP meetings, a market center, 34 display shops and office spaces, banking services (commercial bank of Ethiopia and awash bank are operational), and a café and restaurant.

YIAIP conducts seasonal regulatory reviews through a dedicated monitoring and evaluation platform to oversee park operations. Investor satisfaction is assessed twice a year. Under the Board, a steering committee operates with sub-task forces consisting of experts from various government offices and private sectors. These sub-task forces monitor the IAIP's operations and administration every 15 days using detailed checklists. Issues identified during these observations are addressed by the relevant stakeholders. Finally, the Board reviews the findings and actions taken by the steering committee.

The park is currently undergoing significant expansions and upgrades. The existing liquid waste treatment plant has a capacity to process 200 cubic meters of liquid waste per day. To enhance this capability, YIAIP has partnered with Korea EXIM Bank to construct an additional wastewater treatment facility with a capacity of 4,200 cubic meters per day. Furthermore, unemployed university graduates have been allocated 3,000 hectares of irrigated land to produce and supply agricultural inputs to the companies operating within the park, helping to streamline the supply chain.

However, progress on infrastructure development has been slower than planned. To date, only 11 sheds have been constructed, covering 8.3 hectares out of the planned 125 hectares and falling short of the target of 152 sheds, due to financial constraints and limited government attention. To address this, YIAIP is negotiating a loan with the German development bank (KfW) to build seven additional sheds, with funding split 70% from KFW and 30% from SIPDC. Although the park benefits from a dedicated electric transmission line connecting it to the Hawassa substation, the government of Ethiopia is constructing a large electric substation within the park to meet the increasing power demands of the upcoming companies and ensure a consistent power supply. Furthermore, with a loan from the Italian Agency for Development Cooperation (AICS), YIAIP plans to establish food laboratories to ensure food safety, quality, and traceability standards. This initiative follows concerns raised by the Ethiopian Food and Drug Authority (EFDA), which found high levels of aflatoxins in Douely Foods Processing PLC's Jojo flavored milk, as cows from Hawassa and Aletawondo were feeding on beer fungi.

6. Success and Failure of Integrated agro-industrial Parks in Ethiopia

6.1. Successes and Key Success Factors of YIAIP

Although there is a relatively new investment trend in Africa, agro-parks are increasingly being promoted as effective tools for regional development and spatial inclusion. They aim to attract agro-industrial investments, boost value addition, create jobs, increase exports, raise tax revenues, and offer markets for both new and existing producers (Jenane & Ulimwengu, 2022). Kaspersen & Rankin (2021) emphasize that agro-industrial parks are effective strategies for governments aiming to enhance value-added agriculture, generate employment, and deliver other local-level benefits. In alignment with the core research questions of this study, this section identifies and examines the key successes of YIAIPs and the critical factors that have contributed to these achievements.

Within a short time, the YIAIPs have accomplished significant milestones. Notably, a ***comprehensive study of the area's resource potential was conducted***, highlighting opportunities to enhance investment prospects both regionally and nationally. This approach has contributed to the efficient utilization of resources and played a key role in attracting companies to the park. Based on the study, YIAIP has the potential to process key agro-commodities, including coffee, fruits, vegetables, cereals, pulses, spices, honey, dairy products, meat, fish, and forest-based products like bamboo.

The park is actively ***generating job opportunities*** for both skilled professionals and casual laborers in a region where employment options are scarce. It has provided over 700 direct jobs in manufacturing, processing, and logistics, along with more than 6,000 indirect jobs through related supply chains such as agriculture, services, and transportation. This has helped address youth unemployment and contributed to poverty reduction. The park prioritizes a safe and fair working environment, actively collaborating with certification programs to ensure proper working conditions for all workers involved in the project. The park also significantly impacts the country's economy by ***driving export sales and foreign exchange***. For instance, by January 2024, Sunvado has generated approximately USD 6 million.

Another notable success of the park is its ***significant impact on the income of 109,455 smallholder farmers (SHFs) organized through cooperatives and SMEs***, including 45,000 supported by YBM, 59,455 by Sunvado, and 5,000 by Douely. Before the park's establishment, avocado farmers were limited to low-priced local markets with no access to export opportunities. The establishment of avocado oil factories has led to better pricing for farmers' produce, increasing the price from 2.5 Birr per kg to 10-12 Birr per kg, depending on the season. Additionally, these factories have facilitated organic certification, enabling farmers to access premium markets and higher returns. This integration of agro-processing with farming creates a more resilient value chain, providing farmers with consistent demand for their products and ensuring a steady supply of raw materials for the industrial parks, thus boosting profitability for both sectors.

YIAIP has been instrumental in transforming Ethiopia's agriculture by ***adding value to raw agricultural products***. Sunvado Manufacturing PLC and YBM Avocado Oil Processing PLC produce organic extra virgin and refined avocado oils, while Douely Foods Processing PLC produces fruit-flavored milk and juices. These developments have provided farmers with access to better markets and encouraged the adoption of modern farming practices.

Sunvado Manufacturing PLC and YBM Avocado Oil Processing PLC support avocado farmers in ***adopting regenerative practices to enhance yields, improve soil health, and protect the environment***. They establish nurseries to distribute seedlings for plantation rejuvenation and convert avocado processing waste into compost for fertilization. Additionally, Sunvado, in collaboration with GIZ, has provided 1,000 beehives for pollination and honey production, and distributed over 100,000 Hass avocado trees to selected farmers. Notably, YIAIP is the first to ***introduce avocado oil production and refining technology*** in Ethiopia. They actively promote organic and modern farming and food processing systems in the region, facilitating the sustainable production of organic avocado oil.

In partnership with GIZ, UNID, TechnoServe, and Trade in Organic, the companies operating within YIAIP are actively working to ***enhance the capacity of smallholder farmers in modern farming, agro-processing, and business skills***. For instance, Sunvado, in collaboration with GIZ, has trained over 20,000 farmers through the Farmers Business School (FBS) program to strengthen their commercial and business skills. Additionally, TechnoServe is running a program to introduce and teach farmers about vermicomposting. The establishment of YIAIP has also ***spurred infrastructure development in rural areas***, including transportation, electricity, water supply, and waste management. This infrastructure is vital for the operation of the park and the surrounding communities, significantly enhancing overall living standards.

Finally, ***companies within YIAIP play an active role in corporate social responsibility through various initiatives***. In terms of environmental sustainability, they implement eco-friendly production practices to minimize waste and pollution, along with recycling and reuse programs. For community development, they contribute by building infrastructure such as roads, schools, electricity, and healthcare facilities, creating job opportunities with fair wages, and providing training programs to improve skills and employability. Additionally, they prioritize health and safety by ensuring workplaces meet safety standards and safeguarding the well-being of workers.

The following section explores the key factors contributing to the success of Yirgalem IAIP, aligning with our core research questions.

The strategic location of the park and peace: The strategic location of the Yirgalem Integrated Agro-Industrial Park (YIAIP) is vital to its success. Situated near major agricultural production areas in Ethiopia's Sidama Region, the park benefits from easy access to key raw materials such as coffee, fruits, vegetables, dairy, meat, cereals, pulses, spices, and honey, reducing transportation costs and ensuring a steady supply for agro-processing industries. This proximity also helps minimize post-harvest losses, particularly for perishable products like avocados. The park's close proximity to key transportation routes, including the Ethio-Kenya highway, the Modjo-Hawassa expressway (with access to the Modjo dry port), and the Hawassa International Airport, facilitates efficient logistics for domestic and international trade. This access enhances the competitiveness of agro-industrial products by streamlining movement and reducing transit times. Additionally, the region's recent political stability and efforts to maintain peace are crucial for attracting investment and ensuring the smooth operation of the park. Addressing potential conflicts and fostering cooperation among local communities are key factors for the park's success.

Infrastructure and Connectivity: The availability of well-developed infrastructure such as roads, electricity, water, and telecommunication to support agro-industrial activities is another key success factor of the park. The efficient transportation networks linking the park to domestic and international markets, including the nearby Hawassa Industrial Park and export routes (such as the Ethio-Kenya highway, the Modjo-Hawassa Expressway (with access to the Modjo dry port), and the Hawassa International Airport) also plays a pivotal role in providing logistic and market access for agro-processing industries operating within the park.

Stakeholders Engagement and Inclusivity: Public-private partnerships (PPPs) play a key role in the success of the Yirgalem Integrated Agro-Industrial Park (YIAIP), with the government providing infrastructure and policy support while the private sector contributes investment, technology, and management expertise. Stakeholders' collaboration is reflected in the involvement of government agencies, local communities, farmers, cooperatives, and international development organizations in the park's planning and operations. YIAIP facilitates smooth operations through a steering committee, which includes representatives from nearly all government offices and private sectors. International organizations such as UNIDO, GIZ, the African Development Bank (AfDB), the Italian Agency for Development Cooperation (AICS), and the European Union provide technical assistance and capacity-building support. For example, the AfDB is constructing a freshwater treatment plant, GIZ and UNIDO offer technical assistance and capacity-building training, AICS plans a food quality control lab, and the Korea EXIM Bank and KfW provide loans for wastewater treatment and additional shads construction, respectively. This collaborative approach ensures that YIAIP is well-funded, effectively managed, and can meet its goals.

Moreover, Yirgalem IAIP promotes equitable community benefits of the park's operations by creating jobs, supporting local enterprises and cooperatives, and investing in community infrastructure, ultimately enhancing the lives of nearby residents.

The Ethiopian government's policy and regulatory framework have played a crucial role in supporting agro-industrial investment and the success of the YIAIP, particularly through tax incentives, duty-free import of capital goods, and favorable land lease arrangements. Support for small and medium enterprises and cooperatives through technical assistance and value chain participation further strengthens the sector and park. Recent macroeconomic reforms, including the liberalization of foreign exchange and trade sectors, have improved access to inputs, machinery, and international markets for agro-processing investors. The development of industrial parks and special economic zones, along with clear regulations on land use, labor, and environmental standards, has further created a stable, predictable environment for the growth of the agro-processing sector.

Value Chain Integration and Export Orientation: YIAIP adopts a holistic approach by integrating the entire agricultural value chain, from production to marketing. The park has successfully linked 109,455 smallholder avocado and milk farmers, organized into 86 cooperatives and SMEs, enhancing efficiency and competitiveness. By connecting farmers with processing facilities, YIAIP ensures a steady raw material supply, better market access, and higher prices for farmers. The integration also promotes good agricultural practices, boosting productivity and meeting international standards. Moreover, Yirgalem IAIP emphasizes value-added agricultural products tailored to diverse consumer demands. Companies like Sunvado Manufacturing PLC and YBM Avocado Oil Processing PLC produce organic extra virgin and refined avocado oils, catering to health-conscious consumers seeking natural and organic products. These value-added oils have unlocked export opportunities in Europe and the USA, providing local smallholder farmers access to more profitable markets.

Supportive Management and Availability of Ready-to-work Workforce: The supportive management system at Yirgalem IAIP has been crucial to its success, providing strong leadership and strategic direction. For each company operating within the YIAIP there is assigned a dedicated focal person by the YIAIP who serves as their point of contact for any required support. This focal person addresses and resolves issues promptly, ensuring smooth operations. Their focus on fostering partnerships between smallholder farmers, local businesses, and processing industries ensured smooth value chain integration. Additionally, management facilitated investment-friendly policies, improved infrastructure, and promoted modern technologies. By maintaining clear communication, addressing challenges proactively, and aligning stakeholders' interests, the management created a conducive environment for sustainable growth and innovation, driving the park’s overall success.

Another key factor in the success of Yirgalem YIAIP is the availability of a trained, ready-to-work workforce. In partnership with UNIDO, GIZ, and local TVET colleges, YIAIP has trained local youth in skills tailored to the industries within the park in advance. This pool of skilled workers ensures smooth operations, boosts productivity and attracts investment. Additionally, a well-trained workforce drives innovation, supports scalable operations, and contributes to the park's long-term sustainability.

In conclusion, the success and growth of Yirgalem IAIP are driven by its strategic location, regional peace and stability, supportive infrastructure, strong government backing, comprehensive value chain integration, and robust public-private partnerships. These factors, along with a focus on integrating agriculture and industry, have positioned the park as a key driver of economic growth and job creation in Ethiopia, serving as a model for other agro-industrial parks and similar initiatives across the country.

6.2. Challenges the YIAIP Faced

Policymakers often find building physical infrastructure more straightforward than tackling complex tasks like boosting production, organizing supply chains, aligning infrastructure with value chain needs, and ensuring the timely availability of quality produce. A critical initial step is attracting private anchor investors to the parks, followed by establishing financing mechanisms to upgrade key agricultural value chain segments as suppliers of raw materials to the parks (Kaspersen & Rankin, 2021). Like other agro-industrial parks, Yirgalem IAIP faces several obstacles that limit its ability to reach its full potential.

Limitation of Fiscal Incentives: In Ethiopia, investors in the manufacturing and agricultural sectors benefit from customs duty exemptions, allowing them to import capital goods duty-free indefinitely (UNIDO, 2018). However, several strategic inputs, such as new seed varieties, are excluded from this exemption. Additionally, policy incoherence and bureaucratic challenges at customs exacerbate the issue. For instance, YBM Avocado Oil Processing PLC faces prohibitive import taxes on avocado oil refinery machinery, hindering its ability to enhance product value and access export markets. Similarly, Douely Foods Processing PLC has experienced production delays due to high import taxes on raw materials needed for manufacturing milk and juice bottles.

Policy discontinuity and inconsistent government commitment are significant challenges for the Yirgalem IAIP. Following a change in government, financial constraints and reduced attention have hindered progress. To date, only 11 sheds have been constructed, covering 8.3 hectares—far below the planned 125 hectares and short of the target of 152 sheds. Key infrastructure, such as residential apartments, roads, and water treatment plants, remains incomplete. As a result, most staff from the companies and the park must commute over 100 kilometers daily to and from Hawassa. This has significantly hindered the park's ability to attract large firms and contributed to the limited number of companies operating within it. UNIDO (2019) emphasizes that political instability in host countries can erode investor trust and undermine returns, particularly in industrial parks. Similarly, Zeng (2019) highlights the difficulties economic zones face under new governments that either fail to recognize their potential or neglect prior commitments.

Firms within the Yirgalem IAIP face significant challenges from illegal brokers in the avocado and milk supply chains. These brokers disrupt operations by inflating and fluctuating prices, manipulating market access, and encouraging farmers to break contractual agreements to supply inputs. This undermines fair trade practices, eroding the competitiveness and profitability of firms while complicating efforts to establish stable and transparent sourcing networks. The situation harms farmers, who experience unstable incomes and lack access to adequate support services. Meanwhile, firms within the IAIP struggle with inconsistent quality and supply, causing production reduction and reduced profitability. For example, Sunvado has the potential to process 10,000 metric tons of avocado per year but is currently processing just under 7,000 metric tons due to an avocado shortage. Douely Foods Processing PLC, which previously received 2,000 liters of milk per day, is now struggling to secure just 300 liters. Similarly, YBM Avocado Oil Processing PLC is only utilizing 35-40% of its production capacity due to value chain disruptions caused by illegal brokers. These illegal activities distort market dynamics, hinder the growth of the agro-industrial sector, and undermine efforts to create sustainable and transparent supply chains.

Access to labor with the necessary skills to enhance firm productivity presents a significant challenge for some tenants of the Yirgalem IAIP. Investors often struggle to find skilled or semi-skilled workers locally and frequently resort to importing foreign technicians and engineers. According to AfDB (2021), Ethiopia's IAIPs are expected to represent 85% of total agro-industrial employment by 2025. However, to meet this target, the workforce needs to be sufficiently skilled to adapt to evolving market demands. There is still considerable work to be done to address the skills gap, particularly in areas like supervisory roles, the use of modern machinery, and local on-site maintenance. In response, GIZ's Sustainable Training and Education Programme is contributing to this effort as part of Ethiopia's broader multi-donor support initiative. However, some firms remain reluctant to invest in training programs, as they are concerned that employees may leave for competing firms before the benefits of the training investment are realized.

Investors in the Yirgalem IAIP face significant challenges in accessing finance and credit, primarily due to government credit policy change and bureaucratic processes at the Development Bank of Ethiopia (DBE). These challenges include lengthy approval procedures, complex documentation requirements, and delays in disbursement, which slow down the financing process. The inefficiency and lack of transparency in decision-making can discourage potential investors, as it hampers their ability to secure timely funding for project initiation and expansion. This bureaucratic burden makes it difficult for businesses to operate efficiently and meet investment timelines.

The Yirgalem IAIP project has faced challenges in effectively utilizing agricultural extension workers to promote high-yield seeds and varieties among farmers and other crucial agricultural support purposes. Agricultural extension workers are vital in bridging the gap between research and farmers by disseminating knowledge on modern farming techniques, improved seeds, and best practices. For instance, the avocado processing firm Sunvado has successfully employed 30 extension workers to support a private avocado oil value chain, working with over 59,455 farmers to establish strong backward linkages and ensure a steady supply of inputs for processing. Despite such initiatives, the lack of extensive engagement with these workers has limited the IAIP's ability to fully maximize agricultural productivity, which in turn affects the potential for increased food security, income generation, and the overall success of the IAIP in achieving its goals. This underutilization may be a result of resource constraints, inadequate training, or insufficient coordination between the IAIP and extension services.

The Yirgalem Integrated Agro-Industrial Park in Ethiopia faces organizational challenges because the original organizational structure design for the four parks lacked key departmental structures. Critical functions, such as waste treatment and fire brigade services, are absent, which hampers the park's operational efficiency and safety. Additionally, gender considerations have been overlooked, highlighting gaps in inclusive planning and equitable workforce development within the park's organizational framework. To address these issues, the park revised its organizational structure on December 6, 2024, with board approval. The revisions, though not yet implemented, include establishing necessary departments, consideration of gender aspects, adjusting salaries to retain skilled experts, and expanding the structure to accommodate an increased workforce, growing from 140 to 205 employees.

Avocado processing investors in the Yirgalem IAIP face significant challenges related to avocado harvesting, including cracked, immature, and small-sized fruit. Immature avocados have lower oil content, reducing extraction efficiency, while smaller avocados, often harvested prematurely, yield less oil and result in lower-quality crude oil with poor flavor and stability. Local avocados offer a minimal oil yield—only 5% from 1 kg of fruit, requiring 22 kg of avocado to produce 1 kg of oil. These issues hinder the production of high-quality oil, limiting its potential in both domestic and export markets. Additionally, there is a supply-demand imbalance, as the available raw materials often fall short of producers' needs. For example, Sunvado has the capacity to process 10,000 metric tons annually but is currently processing just under 7,000 metric tons due to an avocado shortage, disrupting production schedules and limiting growth potential.

Investors operating within YIAIP face challenges when new competitors are introduced without prior communication or consultation. This lack of coordination leaves existing businesses unprepared, as they are caught off guard by the arrival of new entrants. Without adequate time to adjust their strategies or resources, it becomes difficult for these businesses to maintain their competitive edge. This unpredictability undermines the stability of operations and limits the ability of current investors to plan effectively for their growth and market positioning.

Investors in the Yirgalem IAIP face significant challenges due to disruptions in global trade routes caused by the Gaza war and the Ukraine-Russia conflict. These geopolitical crises have hindered export logistics, delayed shipments, and increased costs. For example, Sunvado, an investor processing and exporting crude avocado oil, experienced a one-year delay in exports, highlighting the impact of these conflicts on trade operations and market access.

7. Conclusions and Policy Suggestions

Studying Ethiopia's Integrated Agro-Industrial Parks is crucial for understanding their role in driving rural transformation, industrial growth, and agricultural value addition. Focusing on Yirgalem IAIP, this research provides valuable insights into achievements, challenges, and best practices, offering lessons to ensure sustainability and guide similar initiatives across Ethiopia and Sub-Saharan Africa. The study uses a qualitative method combining field visits, a literature review, and Key Informant Interviews (KIIs).

IAIPs in Ethiopia, though still in their early stages, have garnered significant attention in recent years. It is believed that a structural transformation is essential to maintain agriculture as a key driver of Ethiopia's economic growth. Agro-industrial growth, considering the challenges within the agricultural system, offers a promising path to industrialization. Since 2016, the Ethiopian government has developed four IAIPs in Baeker (Tigray Region), Bure (Amhara Region), Bulbula (Oromia Region), and Yirgalem (Sidama Region), which provide modern infrastructure, streamlined utilities, and services such as grading, storage, quality control, financing, and training for farmers. Located in rural areas and connected to 28 Rural Transformation Centers (RTCs), these parks aim to strengthen the links between agriculture and industry, attract domestic and foreign firms, create rural jobs, boost value-added exports, and reduce food imports through enhanced domestic production.

While all four IAIPs have been inaugurated, their progress varies. Yirgalem IAIP leads with four investors involved in avocado oil, coffee, and milk production. Bure hosts eight investors, while Bulbula has six investors already in operation. In contrast, Baeker has yet to secure any investments. Development partners, donors, and development finance institutions have supported the IAIP initiative since its inception. Furthermore, the IAIP project aligns with Ethiopia's national strategies and objectives, including GTP I, GTP II, and HGER.

At Yirgalem IAIP, four investors are producing crude avocado oil, milk, and coffee, with three more companies setting up machinery. An additional six companies are expected to begin operations within three months. The park supports 29 projects, with 10 more expressing interest. Its key products include coffee, avocado oil, cereals, milk, banana chips, honey, and soybean oil.

Yirgalem IAIP has made remarkable progress, starting with a comprehensive resource potential study to boost regional and national investment. It has created over 700 direct jobs in manufacturing, processing, and logistics, and more than 6,000 indirect jobs in agriculture and transportation supply chains. The park has also contributed to economic growth through exports, with Sunvado generating approximately USD 6 million by January 2024. Additionally, it has improved the incomes of 109,455 smallholder farmers (SHFs) organized through cooperatives and SMEs while adding value to agricultural products such as avocado oil and fruit-flavored milk. Collaborative efforts with partners like GIZ and UNIDO have enhanced SHFs' capacities in farming, agro-processing, and business skills. The park has also spurred rural infrastructure development, including transportation, electricity, and water supply, while contributing to community growth through corporate social responsibility initiatives.

The success of Yirgalem IAIP is driven by several key factors, including its strategic location, regional peace and stability, and well-developed infrastructure that connects the park to both domestic and international markets. Strong government policy and regulatory support, stakeholder engagement, and inclusivity have created a favorable environment for growth. YIAIP's holistic approach, which integrates the entire agricultural value chain from production to marketing, has been central to its achievements. Strong public-private partnerships, efficient management, and a ready-to-work local workforce further contribute to its role as a key driver of economic growth, job creation, and a model for other agro-industrial parks in Ethiopia.

However, Yirgalem IAIP faces several challenges that hinder its full potential. These include limitations in fiscal incentives, such as the exclusion of strategic inputs like new seed varieties, compounded by policy incoherence and bureaucratic issues at customs. Following a government change, policy discontinuity and inconsistent government commitment also pose significant challenges. Illegal brokers disrupt operations by inflating prices, manipulating market access, and encouraging farmers to break contracts. Access to skilled labor remains a significant issue for some tenants, affecting productivity. Investors face difficulties accessing finance and credit due to government policy changes and bureaucratic processes at the Development Bank of Ethiopia. The park also struggles with effectively utilizing agricultural extension workers to promote high-yield seeds and provide other support services. Organizational challenges persist due to a lack of key departmental structures, and avocado harvesting issues, such as cracked, immature, and small-sized fruit, complicate operations for avocado processors. Introducing new competitors without prior consultation adds uncertainty for investors, and disruptions in global trade due to the Gaza war and the Ukraine-Russia conflict have also significantly impacted operations.

Finally, drawing from the findings and analysis of the Yirgalem Integrated Agro-Industrial Park (YIAIP), a series of policy recommendations are put forward to tackle current challenges and improve the park’s sustainability and effectiveness. Furthermore, valuable lessons have been drawn from YIAIP's current state and operations. These recommendations and lessons are designed to maximize the IAIPs’ impact on rural development, agricultural transformation, and industrial growth, both within Ethiopia and beyond.

Firms within the Yirgalem IAIP face significant challenges from illegal brokers in the avocado and milk supply chains, which disrupt market prices, reduce farmers' profits, and hinder consistent supply to firms. This limits firms' efficiency and profitability and undermines farmers' ability to benefit from fair market conditions. To address this issue, the government should strengthen regulation and enforcement against illegal brokers, promote transparent and direct linkages between farmers and firms, and invest in market infrastructure to ensure fair trade practices, enhancing both agricultural production and industrial growth.

The production capacity of firms operating in YIAIP is hindered by limited fiscal incentives and bureaucratic challenges at customs. To foster industrial growth and enhance the competitiveness of Integrated Agro-Industrial Parks (IAIPs) in Ethiopia, the government should implement a policy of import tax reduction or complete tax exemption for industries operating within these parks. This measure would lower production costs, improve access to advanced technologies, foster value addition in agricultural supply chains, increase competitiveness, and attract investment into the sector. Moreover, Agro-processing industries should receive special attention and preferential treatment from the government, including streamlined customs procedures, dedicated support services, and favorable financial incentives, which in turn would catalyze job creation, attract foreign direct investment, boost exports, and enhance the agricultural value chain. Such a policy would strengthen the link between agriculture and industry, support poverty reduction efforts, and drive economic growth by positioning Ethiopia as a competitive player in regional and global markets.

To address policy discontinuity and inconsistent government commitment at the Yirgalem Integrated Agro-Industrial Park, it is essential to ensure long-term, bipartisan support for its development. Current policies should be revised to align with the changing economic and political landscape, ensuring adaptability and sustainable growth. A dedicated fund should provide financial stability, supported by clear timelines for infrastructure completion. A specialized task force should oversee the park's progress, while private sector incentives can attract investment and reduce reliance on government funding. Prioritizing critical infrastructure, like residential areas and transport links, will boost investor confidence and ease commuting challenges. A stable, context-sensitive policy framework will be key to unlocking the park's full potential.

To address the financing challenges faced by investors in the Yirgalem IAIP, it is essential to streamline credit access by simplifying the approval processes and reducing bureaucratic hurdles at the Development Bank of Ethiopia (DBE). This can be achieved by setting clear, transparent guidelines for loan applications, reducing documentation requirements, and implementing a digital platform to expedite approvals and disbursements. Additionally, establishing a dedicated support unit within the DBE for IAIP investors could provide personalized assistance and guidance. Furthermore, policy reforms should incentivize faster decision-making and encourage collaboration between government institutions and private financial entities to ensure timely access to credit.

Building strong linkages between farmers and agro-processing firms in IAIPs is key to success. This can be achieved through farming concessions, contract farming, and the development of aggregation infrastructures like rural transformation centers (RTCs) for efficient collection, storage, and transportation of produce. Extension services improve farmer productivity, while market information helps farmers make informed decisions. Targeted policies can also foster sustainable partnerships. Together, these strategies strengthen farmer-firm relationships, ensuring mutual benefits and long-term success.

Access to skilled labor remains a significant constraint for firms operating in Yirgalem Industrial Agro-Park (YIAIP). To address this, it is essential to strike a balance between importing specialists in the short term and supporting a gradual transition to local hiring in the medium-to-long term. Upgrading domestic skills is crucial, and this can be achieved through collaboration with training colleges, universities, and on-the-job training programs supported by international donor agencies.

However, firms should be incentivized to invest in on-the-job training, as they often hesitate to do so due to concerns about trained employees leaving to work for competitors. For example, a situation arose between Sunvado and YBM Avocado Oil Processing PLC, where such concerns limited investment in training. Additionally, improving the quality of life in and around IAIPs can help attract both skilled and unskilled labor from other regions or sectors, addressing workforce shortages and supporting the growth of local industries.

To address the issue of uncoordinated competition within YIAIP, a policy framework should be established to ensure transparency and communication among investors. The park management should require prior consultation and notification before inviting new competitors to the area, giving existing firms adequate time to prepare and adapt. A formal process for informing current tenants about incoming businesses would foster a collaborative environment, allowing for better planning and resource allocation. Additionally, regular stakeholder meetings should be organized to address concerns and facilitate coordination, ensuring the long-term sustainability and harmonious operation of the park.

To further enhance environmental sustainability within Industrial Agro-Industrial Parks (IAIPs), it is recommended that the successful environmental protection practices seen in Yirgalem IAIP, such as its solid waste recycling system and liquid waste treatment plant, be adopted as models for other IAIPs. These systems have proven to be more effective in managing waste and minimizing environmental impact compared to other parks. Expanding such initiatives across IAIPs will not only improve waste management but also contribute to a cleaner, safer environment, promoting long-term sustainability and enhancing the reputation of Ethiopia's agro-industrial sector. It is essential that the government and investors prioritize and invest in such systems to foster environmentally responsible development.

To improve the operational efficiency and safety of Integrated Agro-Industrial Parks (IAIPs), other parks should follow the example set by Yirgalem IAIP by revising the previous organizational structure and establishing key departmental structures such as waste treatment and fire brigade services. Incorporating gender considerations in planning and workforce development is essential for creating an inclusive and equitable work environment. Additionally, revising organizational structures, adjusting salaries to retain skilled experts, and expanding staff capacity will help accommodate growth and ensure long-term sustainability. Prompt implementation of these revisions is crucial for strengthening the operational capacity of IAIPs.

To support Ethiopia's agricultural transformation and promote sustainable growth with mutual benefits, it is recommended that firms operating within Yirgalem IAIP integrate farmers into their business plans and strategies. Investors should adopt win-win approaches, ensuring that their operations create value not only for the business but also for local farming communities. This farmer-centered approach should be embedded throughout the firms' activities, from sourcing raw materials to offering training and support. By prioritizing farmers' needs and development, YIAIP investors can contribute to broader agricultural growth, enhance supply chain resilience, and create shared value, supporting Ethiopia's agricultural transformation goals.

External support can play a pivotal role in the success of both existing and future IAIP initiatives in Ethiopia, particularly if donors prioritize the most impactful areas. To maximize effectiveness, donors should engage in comprehensive, long-term partnerships with high-level host government institutions and key public and private stakeholders. These partnerships should be guided by a shared vision and strategy, with a flexible approach to addressing both anticipated and unforeseen challenges throughout the complex, multi-phase lifecycle of an IAIP.

Establishing a tenant association within YIAIP can address common challenges investors face by fostering collaboration and collective problem-solving. The association provides a platform for sharing resources, information, and best practices, which can reduce operational costs and improve efficiency. It also offers a unified voice to engage with local authorities and service providers, helping to advocate for better infrastructure, policies, and support services. Ultimately, this strengthens the overall business environment, benefiting all investors within the park. Finally, to address the lack of a platform for participating in trade bazaars, the government should establish dedicated spaces and events for IAIPs to showcase their products and promote investor opportunities. This can include organizing regular trade fairs, both physical and virtual, tailored to highlight the unique offerings of IAIP investors. Partnering with local and international trade organizations could expand outreach and market access. Additionally, offering financial and logistical support to facilitate participation will enhance visibility and encourage investment in the parks.

References

AfDB (2021). *Development Perspectives on Special Agro-Industrial Processing Zones (SAPZ) In Africa: Lessons From Experiences*. African Development Bank Group.

AfDB (2024). African Economic Outlook 2024: Driving Africa's Transformation. In *Country Notes*. https://www.afdb.org/en/documents/african-economic-outlook-2024

CASA (2021). *Agro-industrial parks : success factors , incentive mechanisms and donor roles*. Commercial Agriculture for Smallholders and Agribusiness (CASA).

GoE (2020). *A Homegrown Economic Reform Agenda: A Pathway to Prosperity*. FDRE, Government of Ethiopia. https://www.mofed.gov.et/media/filer_public/38/78/3878265a-1565-4be4-8ac9-dee9ea1f4f1a/a_homegrown_economic_reform_agenda-_a_pathway_to_prosperity_-_public_version_-_march_2020-.pdf

Jenane, C., & Ulimwengu, J. M. (2022). Agro-parks as drivers of the African food processing sector: Review of conditions for success. In C. Jenane, J. M. Ulimwengu, & G. Tadesse (Eds.), *In 2022 Annual trends and outlook report: Agrifood processing strategies for successful food systems transformation in Africa* (pp. 92–112). International Food Policy Research Institute (IFPRI). https://ebrary.ifpri.org/digital/collection/p15738coll2/id/136415

Kaspersen, L., & Rankin, M. (2021). *Investment Centre Investment Planning for Supply To Agro-Industrial Parks: Lessons From Sub-Saharan Africa*. Food and Agriculture Organization of the United Nations. https://doi.org/10.4060/cb4468en

Mengesha, A. (2023). Stemming Food Loss and Waste. *Rural 21: The International Journal for Rural Development*, *57*(4).

Miller, C. J., Shaner, W. W., & Borton, R. E. (1969). Development of Agriculture and Agro-Industry in Ethiopia: Strategy and Programs. *Stanford Research Institute (SRI) Project 6350*.

MoA (2024). *Postharvest Management Strategy of Ethiopia (PHMSE)*. Ministry of Agriculture.

MoFED (2010). *Growth and Transformation Plan I (2010/11-2014/15): Vol. I*. Ministry of Finance and Economic Development. https://eur-lex.europa.eu/legal-content/PT/TXT/PDF/?uri=CELEX:32016R0679&from=PT%0Ahttp://eur-

lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012PC0011:pt:NOT

NPC (2016). *Growth and Transformation Plan II (2015/16-2019/20): Vol. I*. National Planning Commission.

UNCTAD (2016). *Diagnostic Trade Integration Study of Ethiopia: Vol. UNCTAD/ALD*. United Nations Conference on Trade and Development (UNCTAD). http://repo.iain-tulungagung.ac.id/5510/5/BAB 2.pdf

UNIDO (2015). *Integrated agro-industrial parks in Ethiopia*.

UNIDO (2018). Leveraging a New Generation of Industrial Parks and Zones for Inclusive and Sustainable Development. *Strategic Framework, Vienna*. https://www.researchgate.net/publication/329104422%0Awww.unido.org

UNIDO (2019). International Guidelines For Industrial Parks. In *Inclusive and Sustainable Industrial Development*. United Nations Industrial Development Organization (UNIDO). ttps://www.unido.org/sites/default/files/files/2019-11/International_Guidelines_for_Industrial_Parks.pdf (Accessed 11 May 2021)

Urugo, M. M., Yohannis, E., Teka, T. A., Gemede, H. F., Tola, Y. B., Forsido, S. F., Tessema, A., Suraj, M., & Abdu, J. (2024). Addressing post-harvest losses through agro-processing for sustainable development in Ethiopia. *Journal of Agriculture and Food Research, Elsevier*, *18*.

Zeng, D. Z. (2019). Special Economic Zones: Lessons from the Global Experience P The Concept and Definitions of SEZs. Are SEZs Effective in Driving Private-Sector Development? Why Do Countries Use SEZs as a Policy Tool for Economic Developme. In *EDL Synthesis Paper Series No. 1*.

Appendix

Appendix-1: People Interviewed

Company	Name	Position
Yirgalem IAIP	Friewhun Fikrie	Park Operation Manager
Sidama IPDC	Iyasu Nejo (PhD)	D/CEO, P/O & Managing Director
SUNVADO Manufacturing PLC	Selam Fitsum	Company Manager
Douely Foods Processing PLC	Ribka Getahun	Human Resource Manager
YBM Avocado Oil Processing PLC	Teferie Amiena	Company Manager

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
1201 Eye St, NW | Washington, DC 20005 USA
T. +1-202-862-5600 | F. +1-202-862-5606
Email: ifpri@cgiar.org | www.ifpri.org | www.ifpri.info

IFPRI–ESSP ADDIS ABABA
P.O. Box 5689, Addis Ababa, Ethiopia
T. +251-11-617-2000 | F. +251-11-667-6923
Email: ifpri-essp@cgiar.org | http://essp.ifpri.info

POLICY STUDIES INSTITUTE
P.O. Box 2479, Addis Ababa, Ethiopia
T. +251.11-550-6066; +251-11-553-8633 | F. +251-11-550-5588
http://psi.gov.et/

The Ethiopia Strategy Support Program (ESSP) is managed by the International Food Policy Research Institute (IFPRI); is jointly implemented with the Policy Studies Institute (PSI); and is financially supported by the United States Agency for International Development (USAID), the Foreign, Commonwealth & Development Office (FCDO) of the government of the United Kingdom, and the European Union (EU). This research was conducted as part of the CGIAR Research Program on Policies, Institutions, and Markets (PIM), which is led by IFPRI.

This publication has been prepared as an output of ESSP and has not been independently peer reviewed. Any opinions expressed belong to the author(s) and are not necessarily representative of or endorsed by IFPRI, PSI, USAID, FCDO, EU, PIM, or CGIAR.