



THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF COMMUNICATION
& INFORMATION TECHNOLOGY



INFORMATION TECHNOLOGY PARK (Ethiopia)

- Foster International Partnership for sustainable development
- A proper mechanism to develop entrepreneurship & enhance the growth of ICT sector

Background

The FDRE's Ministry of Communication and Information Technology (MCIT) is a government institution which spearheads the ICT development of the nation by way of developing policy instruments, designing various programs, mobilizing resources, guiding and monitoring implementation. Among the ministry's major roles, IT Park development can be cited as part of the ministry's ICT development programs.

IT Park provides an important resource network for new information technology based enterprises. More likely linked with universities and research promote university industry-relations and cooperation on commercialization and transfer of new technology. It entails conducive or attractive working environment for IT companies, professionals and enterpreneurs. Various models for IT Parks exist globally, ranging from self-sufficient towns of technology that encompass residential neighborhoods, shopping centers, restaurants, recreational facilities, technical universities/training centres, research centers, IT manufacturing and services and often business incubators to relatively small self-contained establishments. The Ethiopian IT Park falls under this model.

In addition to facilitating the emergence of IT industries, IT Parks are also intended to enable positive externalities including increased economic linkages between foreign and local industries and spillovers of knowledge and technological capabilities.

To reap these benefits, policy makers have implemented target strategies from the outset such as encouraging joint ventures, as well as aimed to strengthen their local human capital to increase the absorption capacity.



Rapid advances that are being made in new and emerging technologies in such fields as information, telecommunications, environment, clean energy, health, materials and transportation technologies, and the increasing pace of globalization are imposing a new social and ethical responsibility on the scientific and technological community to direct applications of these new developments in ways that strengthen efforts for achieving the objectives and goals of sustainable development for nations.

Given the potential complexity of such projects and the possible scope of required investments, there is a pressing need for a synthesis of best practices and lessons learned (both from success and failure) in developing, financing and sustaining IT projects.

The Ethiopian Government is highly dedicated in developing the ICT sector as it is the major tool for the country's overall multi-dimensional growth and development. The IT Park holds 200 hectares of land in an ideal location is working on basic infrastructural development.

The area is located at the vicinity of Bole international Air port, Addis Ababa. This maintains Ethiopia is among very few African countries committed and undertook the initiative of IT Park development through providing tremendous land areas within the metropolitan and financing the basic infrastructure development within the IT Park.

Introduction

The underlying principles to establish IT Park in Ethiopia are to foster the growth of the IT sector in the country by providing a conducive environment for business and to develop IT supported indigenous business entrepreneurs & provide employment and career opportunity for Ethiopian citizens.

At this juncture, major infrastructural developments underway are entrance and connecting roads, multi-purpose buildings, establishing access to supplies (water, power, telecom infrastructure & etc), land scape development, developemnt of different operational manuals and guidelines, marketing and promotion and so on.

As it's been portrayed on the Strategic Medium-Term Development Program document (2005) of the ICT sector, the Ethiopian government recognizes that the role of the private sector in attaining the country's on-going program for sustainable development and poverty reduction is crucial.

There are several reasons for partnership with the private sector in ICT development. **First**, there are definite cost advantages in the use of resources, for example, in efficient utilization of scarce human capital. **Second**, the private sector has the potential and expertise that can be tapped for national ICT development. **Third**, private investment in general and direct foreign investment in particular will result in technology transfer and contribute to the country's overall ICT development. Fourth, the involvement of the private sector will enhance implementation of ICT development initiatives including government-to-citizens business initiatives that will facilitate improvements in the provision of information to citizens and businesses in the context of the e-government initiative.

In this regard, establishment of the IT Park has a multi-dimensional use in bringing about growth and development as well as add up the sector's contribution towards change.

Vision

- to establish Ethiopia as the premier IT hub of Africa



Mission

- Provide impetus for the development of ICT sector in the country by offering a world class business environment along with a conducive policy and regulatory system, state-of-the-art infrastructure and a value proposition geared towards positioning Ethiopia as the preferred IT hub of Africa.
- Create a destination for overseas investment and on-going generation of foreign earnings.
- Create employment and career opportunities for Ethiopian citizens and professionals.

Aims of the IT Park

- Entrepreneurship development in the IT Sector,
- Materialization of export Revenues and import substitution
- Sector's growth and development along side Job Creation ,
- Emergence of persistent and profitable enterprises,
- Research Commercialization or dissemination of research findings for commercial use.
- Knowledge transfer and learning.



Major advantages expected from the IT Park

- It provides IT infrastructure and skilled manpower which is attractive (in terms of cost) to national & multinational companies.
- It generates tremendous employment opportunities and offer high level training to locals as well as generation of foreign earnings.
- It catalyzes the commercial and retail businesses in the surrounding areas.
- It creates linkage opportunities in areas such as construction contracts, supplies, materials and food and packaging supplies.

Target Industry of the IT Park

Experiences depict that a large majority of information technology Parks worldwide are located near business clusters. Specialize mainly in the same technology within same sector, whereas less percent focuses on different technologies or sectors. The Ethiopian IT Park area is totally dedicated to the IT sector and the major key industry verticals that the park could attract are IT Manufacturing, IT Services Industry, and Business Process Outsourcing (BPO).

1). IT Manufacturing

The Telecom and IT manufacturing units range from pure play manufacturing to the good old assembly-line production. In many developing countries, initial investments were made in fixed-line telephone handset assembly capability. In the first instance telephone kits were imported from different parts of the world and assembled

locally; this then developed into assembling mobile handsets and networking equipment.

This approach is viable in the Ethiopian context as IT Park proximity to the international airport, availability of suitably-skilled human resources and low-cost nature of the environment and proximity to market meet many of the needs for this sector. It could then develop to include more complex manufacturing activities such as developing class products for telecom service providers. In a broader sense, this necessitates participation and involvement of some renowned world class telecom companies, among which some of them have submitted their application to secure sufficient space within the premises of the IT Park of Ethiopia.

II). IT Services Industry

For the IT sector business development several reports indicate that market opportunities are emerging in four broad sectors - IT services, software products, IT enabled services, and e-businesses – which would give opportunities for companies in developing countries such as Ethiopia to enter these sectors. Initial entry into this sector could be through custom software development, web / multimedia / graphic design and maintenance projects.

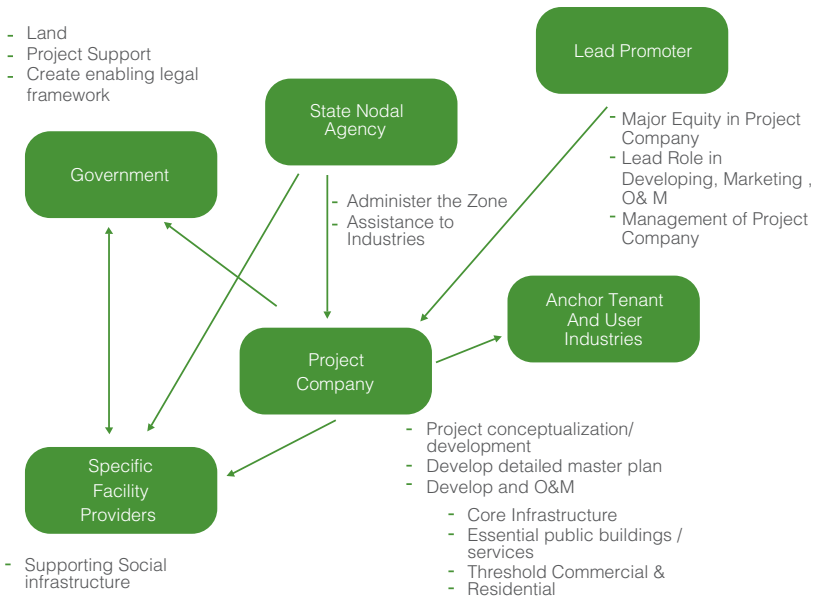
III). Business Process Outsourcing

The nascent Business Process Outsourcing (BPO) sector in Ethiopia is poised for growth; however, it would have to gradually move up the value chain in the same way that the BPO sector in other countries did. The potential and suitable entry point is IT-enabled services such as data entry, call centre services, medical transcription, data processing and others.

Emerging BPO companies in other countries have developed to such levels so as to undertake the outsourcing of entire business

processes such as customer relationship management, call centre services, data management services, engineering services, financial services, creative services, web analytics services, healthcare services, digital image editing services, software services, research and analysis services and a host of additional services.

Development Model



Physical Infrastructure

World class infrastructure is a prerequisite to development of a successful IT Park. Companies playing in today's global economy have a wide choice of potential locations and in order to compete on the world stage, a world-class infrastructure is absolutely essential. It should include a conducive environment, roads and air/sea transportation facilities, water, power, telecommunications together with the 'best-in-class' facilities management and high quality amenities for families (i.e., healthcare, education, recreation, etc.). Safety and security are also paramount.

The proposed location for the IT Park is an area of 200 hectares in the Bole Lemi area in Addis Ababa and is located on the eastern side of Bole International Airport.

The advantages of the proposed location are:

- Close proximity to Bole International Airport, business community, market, universities and R&D institutions
- Good approach road under construction connecting the city and airport.
- Salubrious climatic conditions.
- Undulating terrain suitable for green field development.

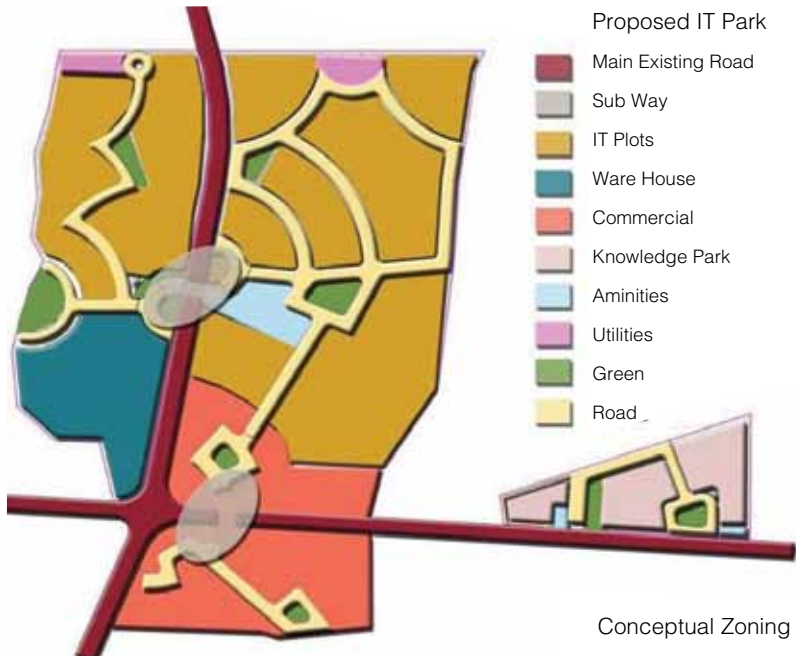
World experience shows that Information Technology Parks are mostly an urban (or semi urban) phenomenon, precisely the case in Ethiopia is similar to many technology parks of the world, its closeness to the market and international Air Port.

The design of the IT Park is to attempt in creating a favorable place for national and multinational businesses and industrial activities. The area is demarcated into various sub-zones facilitating simplified

movement patterns and inter-zone movement.

The sub-zones within the IT Park are:-

- Zone 1 Business zone
- Zone 2 Assembly warehouse zone
- Zone 3 Commercial zone
- Zone 4 Administrative zone
- Zone 5 Knowledge park zone

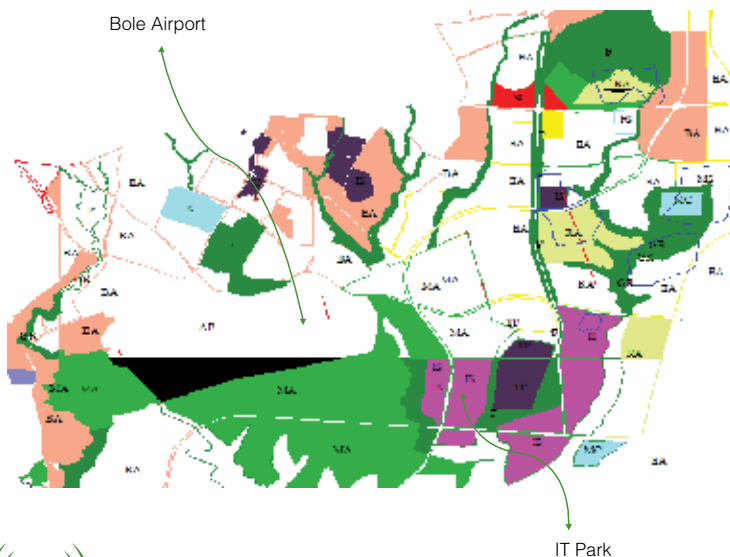


Currently, the constructions of buildings and infrastructures of these zones are partially underway for the accessibility of businesses at different levels.

It is an acceptable truth that the IT Enabled Service industry promises the potential of creating the employment corridors and earning valuable foreign exchanges, it would also give special emphasis on progresses towards scaling up the promotion and growth of the IT industry in the country, which embraces a planned activities and provision of reliable wide range of data connectivity. Alongside, the private sector and the community in general would benefit in expanding their profit generating businesses in the IT sector nationally and globally.

IT Park supports business entrepreneurs and start-ups in the Information Technology (IT) sectors that promote business successes, establish, and grow their companies in a supportive and innovative environment.

MCIT is, at present, in the process of finalizing some major infrastructures and facilities of the first IT Park of the country. The IT Park site is an ideal place for new business developments and as a location for companies looking to invest in Ethiopia in any business related to ICT.



The main program to be addressed under IT Park in Ethiopia's context implies the key issues of entrepreneurial culture in the country, especially in regard to facilitating enterprise start-ups, small and medium-sized enterprises (SMEs) finance and government networking. In Addition to government's support to establish the private businesses, it aims to achieve financial self-sufficiency through a model of tenant rentals and revenue sharing. Job creation through entrepreneur and small business development and support, to achieve successes through coordinating the different efforts so as to reduce duplication and to increase know-how and knowledge through the following activities:-

- capturing lessons and know-how from member incubators and SME support programs of the IT Park;
- revising and enriching these lessons using knowledge (training) gained through internships within successful international incubators;
- creating computer-based systems to monitor, evaluate, disseminate and facilitate best practices, lessons learned, successful procedures and knowledge among all members;
- Improving awareness of IT Park's services and the entrepreneurial process as a whole.
- Increase the effective use of the existing IT Park's resources in helping entrepreneurs and start-up companies to succeed in their businesses, enhance their contributions to the national economy and provide job opportunities for the different categories of Ethiopian labor force.
- Link entrepreneurs and start-up companies to technical and administrative know-how and financing.

- Encourage efficient public private partnership, promote and support valuing and commercializing different companies output in the IT Park's premises.

When the IT Park operates at its full capacity among others the following facilities are expected:-

- An entrance plaza with administrative buildings, commercial centre, convention centre and petrol station.
- Commercial amenities such as restaurants, food court, pubs and karaoke lounges, retail outlets, medical facilities, and financial service outlets, postal & banking services.
- Institutional and supporting facilities such as child care centers, meeting / function rooms, training centers, estate management, fire station, police, customs, sports and recreational facilities.

Incentives

The Ethiopian government is intending to provide attractive benefit packages to business companies entering the Park. These benefits/incentives are including multifaceted facilities and working environment within the IT Park.

High technology businesses establishing units in technology parks get tax exemption for 5 years and tax reduction for additional 2-3 years, which would be delineated in the guidelines or operational manuals of the Park. Tax benefits are extended to Ethiopians as well as non-Ethiopian companies i.e. the Diasporas and foreigners. Other benefits include use of bonded warehouses and reduction of import duties for equipment to be used within the park.

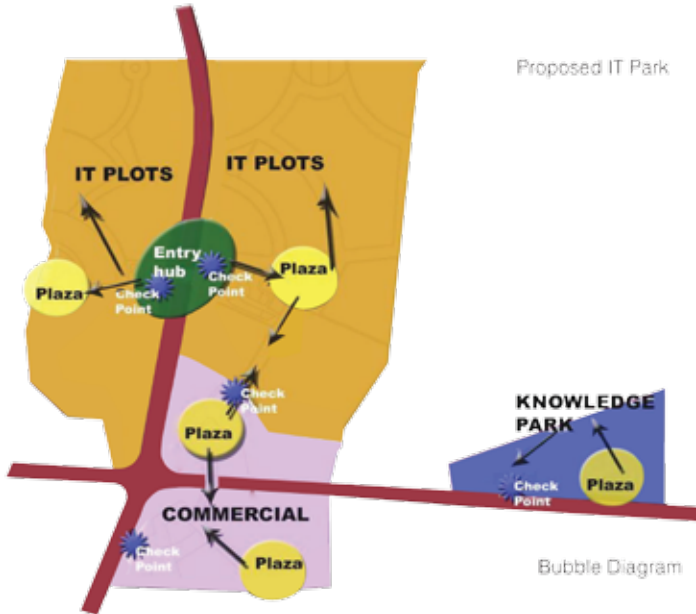
Apart from these incentives, some of the typical facilities provided by IT Park are as follows:

- Connectivity: High speed data & voice communication backbone by multiple service providers
- In-house dedicated telephone exchange system,
- Vehicle Parking Facility,
- Water storage for up to a week's consumption,
- Sewage treatment plant,
- Intelligent Building Management System,
- Duty free import of ICT equipments
- Post Office
- Exhibition Centre
- Recreational facilities, shopping centre, book store, restaurants etc.

Additional services/facilities anticipated running daily activities of the start-up businesses and SMEs in the Park include: -

- ICT services,
- Plug and play office space
- Shared laboratories
- Shared workshops
- Special rates with service providers
- Financial management/accounting services
- Linkages to financiers
- Incubation and Business Development:
 - * Business information,
 - * Business management and development advisory services
 - * Incubation program for non-resident clients (virtual incubation)
 - * Incubation program for resident clients
 - * Mentoring/coaching
 - * Pre-incubation services
 - * Training in business management
- Facilitation of linkages between incubates
- Networking events
- Referrals to business professionals,
- Access to national development grants & credits,
- Technology Transfer with appropriateness advices.

Eligibility criteria to get space in the IT Park



Setting of attractive land lease price for IT Park which promotes investment is underway, there is also provisions for possible negotiations with world class IT technologies as to how lease out plots of land for investment.

The following are eligible to get space in the IT Park:

- Individuals, local & foreign companies, public institutions, Civic societies interested working in the IT development area.
- In addition, the Diasporas and foreigners who have investment permits to undertake business development activities in the IT sector of Ethiopia.

Requirements to acquire space within the IT Park premises

- Investment permit license for foreigners/Diasporas,
- Business license as is required by trade/investment rules and regulations of the Ethiopian government,
- Completing the application form & the requirements provided by the IT Park/MCIT,
- Detail project proposal demonstrates the would be firms capital, labor force (skilled & unskilled) and material requirement, short and long term plan
- Clear indication of starting time of construction works or occupation date for offices and scheduling the take up of the business operation is compulsory.



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