

Strengthening Linkages between Industrial Parks and the Local Business Ecosystem

A Guidance Document for Technical Assistance Providers

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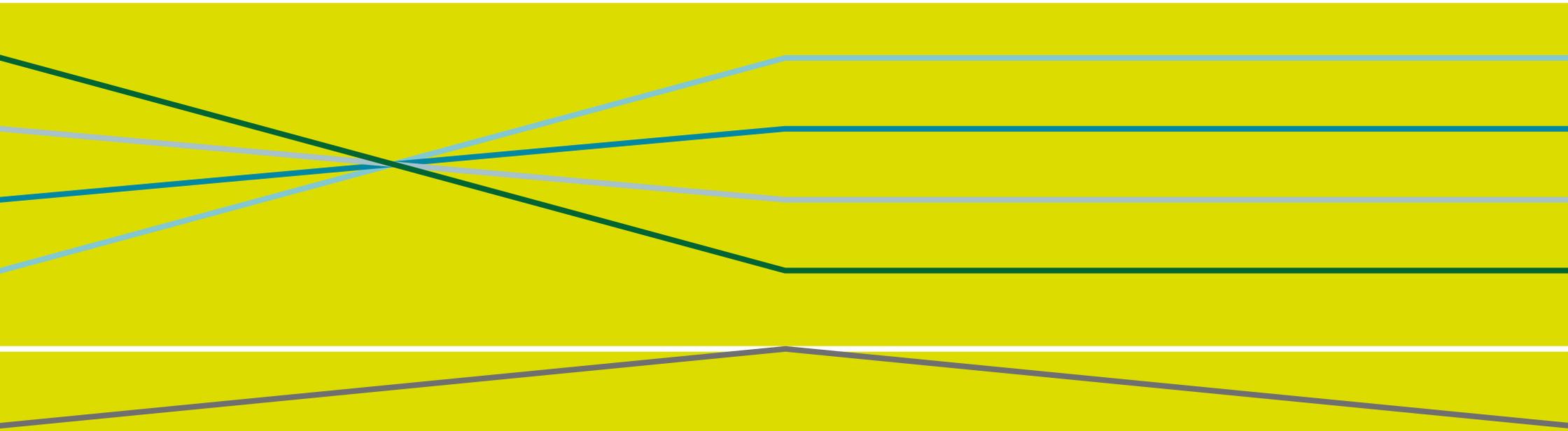
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INTRODUCTION



Abbreviations

BMZ	German Federal Ministry for Economic Cooperation and Development
EIA	Environmental Impact Assessment
EIP(s)	Eco-Industrial Parks
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
ICT	Information Communication Technology
ITP	Innovation & Training Park Prizren
KIBP	Kampala Industrial and Business Park
KPI	Key Performance Indicators
KSEZ	Kigali Special Economic Zone
LDC	Least Developed Countries
NGOs	Non-Governmental Organizations
PPD	Public Private Dialogue
SME	Small and Medium sized Enterprise
TA	Technical Assistance
WBG	World Bank Group

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Summary

Industrial parks can be a major driver of investment, jobs, skills transfer and economic prosperity. Their activity can also generate tax revenue for the jurisdiction where they are based and thus feed into an increased quality of public service provision. Business linkages are important for the successful maximization of the potential of industrial parks. Tenants in industrial parks benefit from *backward linkages* (when businesses from outside serve as suppliers) and *forward linkages* (when park tenants operate as suppliers) to other businesses from the wider local business environment. *Vertical linkages* can exist between industrial parks and the surrounding community. Such linkages can be related to social and ecological aspects and quality infrastructure. The greater the interaction between park tenants and businesses from outside the parks, the stronger the impacts on businesses' performance and local productivity gains will be. Via backward and forward interaction mechanisms, park tenants transmit knowledge or upgrade standards for local production or labor.

Despite the benefit of business linkages between industrial park tenants and businesses from the wider local ecosystem, there are several barriers that are present at different levels. Based on interviews with industrial park managers, businesses and international park development practitioners, the key barriers can

be grouped into two sections. The first is on the governance level of the parks (e. g. decision making processes or freedom of operation of the park managers). The second is more focused on the operational park management level. (e. g. capability of the park managers to develop business linkages). There seems to be a tendency that governance level related barriers are more prevalent in publicly owned industrial parks compared to private ones.

Technical Assistance (TA) providers can address these barriers with interventions at several levels. At the *park management level* TA providers can support awareness raising measures and joint strategy development. Park managers interested in becoming more active in business linkages development must operate in line with the strategic position of the industrial park itself. TA providers can also provide training and capacity building.

At *firm level*, TA providers can provide good practices that demonstrate how firms have benefited from business linkages and what was the role of the park managers. This can be combined with matching or networking events and can promote regular dialogue between park managers and tenants/businesses from outside. TA providers can also encourage trust building

activities and thematic workshops on topics of mutual interest to all actor groups. This can be combined with networking events.

At the *municipality level* TA providers can encourage awareness raising to help representatives from municipalities and regional governmental institutions to understand the importance of business linkage development and how to create better framework conditions for it. Public private dialogues (PPD) can promote private sector development and open governance. Such PPD is a promising intervention to contribute to a better understanding and interaction of private and public stakeholder engaged in industrial park development.

The present guidance document provides an overview of good practices / guidance on how to create and foster linkages between industrial parks and local businesses from outside the industrial park.

1 | Objectives and Background

The Sustainable Development Goals (SDGs) can only be achieved with significantly more investments. What countries around the world spend and invest is not enough. Private investments must be mobilised—including in developing and emerging countries. When local or international companies invest, they secure long-term employment, opportunities, and prosperity.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has many years of experience in increasing the quantity and quality of investments in partner countries through tailor-made services. Quality hereby refers to the economic, social and environmental impacts of investments, such as good jobs and higher incomes in sustainable industries. In particular in the context of the Corona pandemic and climate change, there is a need to achieve a social-ecological and digital transformation of the economy through sustainable investments. Investments are not an end in themselves, but an important means of improving living conditions and achieving development goals sustainably.

An important instrument of GIZ is the promotion of sustainable industrial parks. Many countries rely on industrial parks to

attract investors. For these to have a sustainable development impact, it is important that the often large, foreign investors in the parks are economically intertwined with the often smaller, domestic companies, which are commonly located outside the parks. In industrial policy, this is referred to as “linkages”. The promotion of these links through projects implemented by GIZ (and other organisations) can thus help increase the development impact and thus the quality of investments. Therefore, this study was commissioned to understand how such linkages can be effectively strengthened. This is important for achieving the SDGs and to achieve a green recovery in the context of the Corona pandemic.

The term “industrial park” is frequently used synonymously with the terms industrial estate, industrial zone, special economic zone, and export processing zone. While there is not a single specific definition of industrial parks, it is commonly understood as the ‘allocation of specialized infrastructure in selected areas to attract new investors’ (UNIDO 2017). Industrial parks can be a major driver of investment, jobs, skill transfer and economic prosperity. Their activity can also generate tax revenue for the jurisdiction where they are based and thus feed into an increased quality of public service provision. However,

industrial parks can cause negative externalities such as more carbon emissions and other forms of pollution. The areas immediately surrounding the business parks can become less desirable for residential or retail use due to concerns about noise, pollution, traffic, and other negative factors. Some business parks, particularly those that have significant carbon footprints or other environmentally negative outputs, can also undermine efforts to hit decarbonization targets.

In order to cope with such negative externalities, the Eco-Industrial Park (EIP) concept is increasingly recognized as an effective tool to facilitate a modern and sustainable approach for industrial park development. The previous absence of internationally recognized definitions led the World Bank Group (WBG), United Nations Development Organization (UNIDO), and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to develop the first joint international framework on EIPs in 2017. The International EIP Framework sets out minimum expectations for eco-industrial parks across four categories: park management performance, environmental performance, social performance, and economic performance. As a baseline, EIPs must comply with all applicable local and national regulations.

OBJECTIVES

The topic of establishing linkages with private and public sector actors from the wider regional ecosystem outside the park and the park tenants has gained dedicated attention from policy makers, international donors, park developers and related practitioners. Business linkages are important to allow the regional eco-system to benefit from the industrial park approach and to enable such parks to become drivers for regional economic development.

Consequently, the present guidance document aims to provide an overview of good practices and give guidance on how to create and foster linkages between industrial parks and local businesses outside the industrial park such as Small and Medium sized Enterprises (SMEs). The creation of business linkages refers to the provision of services / knowledge and products/ inputs/raw material by local businesses for industrial parks and their resident companies (along their value chain) and vice versa.

The present guidance document addresses, among others, the following questions:

- › Why are linkages important?
- › How can industrial parks cooperate with local companies outside the park?
- › What types of relationships tend to exist?
- › What are the possibilities and challenges linking industrial parks and local businesses?
- › Is there evidence of, or are there examples of, technology or knowledge transfer?
- › Is there a particular gender-angle to this, e. g., facilitating linkages with women-owned local businesses?
- › What is the role of the public sector, in particular local municipalities in facilitating such private-to-private linkages?
- › What can Technical Assistance (TA) providers, such as GIZ, do to facilitate this process?
- › Which good practices can be identified?

BACKGROUND

Over the past few years GIZ and other TA providers, like the World Bank Group or UNIDO, have increased their efforts in supporting industrial park development all over the world. Consequently, the present document targets GIZ staff and staff of other TA providers working with industrial parks. It provides advice / inspiration on how to enhance linkages between the park tenants and the wider local business ecosystem outside the park.

The guideline document also reflects good practices and lessons learned from German and international development cooperation projects. Data were collected through interviews held in September and October 2021 with international industrial park development practitioners, GIZ, World Bank Group and UNIDO. In addition, nine park managers (from Kosovo, Mozambique, Rwanda, and Uganda) and 50 businesses from the wider local business ecosystem outside the parks were interviewed (Rwanda and Uganda). These interviews were held in person as well as virtually.

2 | BUSINESS LINKAGES



2 | Business Linkages

2.1 WHAT DO WE UNDERSTAND AS LINKAGES?

Industrial parks have become an increasingly popular instrument to promote economic development. Over the last two decades industrial parks have proliferated in emerging and transitioning economies. States promoting such industrial parks have sought to stimulate economic development both within and outside those industrial parks. By means of the industrial park approach, regional or national governments aim to attract investment that will lead to new firms and jobs, and to the facilitation of skills and technology transfer (World Bank 2017).

They are planned and developed for industrial activities and have a park management that provides commercial and infrastructure services. Current studies estimate that more than 5,300 industrial parks and Special Economic Zones exist in 147 countries as of 2019, with 4,772 located in Asia¹.

When tenants operate in industrial parks, they benefit from the presence of backward and forward linkages related to other tenants and also to businesses outside. The proximity between both actor groups can significantly lower the cost of moving

and producing final or intermediate goods. In other words, there are two key channels through which industrial parks can develop networks of economic efficiency and interdependence (Ottaviano and Puga 1998). The first channel consists of *backward linkages*. They arise when suppliers and companies outside

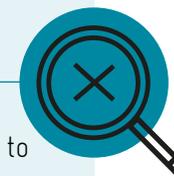
FIGURE 1: Impression from Mbarara Industrial Park (Uganda)



(Source: © Meier zu Köcker)

¹ Data presented by UNCTAD during the NEA Policy Dialogue on Industrial Parks, 23 September 2021, Changchun, China

BOX 1:
INDUSTRIAL PARKS AS DRIVERS FOR REGIONAL COMPETITIVENESS – THE UGANDAN CASE



Competitiveness is a challenge in many least developed countries (LDCs). It has been suggested that a lack of competitiveness is one of the main obstacles to sustainable economic growth, and improved standards of living in LDCs, including in Africa. Literature shows that, without competition, firms become unproductive. The relationship between competition and firm-level performance in Africa has not been extensively studied. However, one analysis of firm-level data in Ghana, Kenya, and Tanzania found that higher initial profits reduced subsequent productivity growth, which the authors took as evidence of competitive pressure on productivity (Harding, Soderbom & Teal 2004). Premature de-industrialization has also been increasingly noticeable in developing countries where the manufacturing sector shows a decreasing share of gross domestic product (GDP). Consequently, competitiveness must be urgently improved.

Uganda has acknowledged the need for a competitive industrial base as part of its wider goals to greater economic growth and improved standards of living metrics for its citizens. Between 2004 and 2009, Uganda's National Industrialization Policy promoted the

development of environmentally friendly industries and activities to raise awareness amongst entrepreneurs about environmental issues. These policies included programs for energy efficiency, industrial pollution control, sustainable land use and management of toxic and hazardous waste.

Going forward, it is expected that Uganda will build a stronger and more competitive industrial base over the 2010–2040 period. This period of industrialization and growth is part of the Ugandan Government's "Uganda Vision 2040" scheme. It seeks to develop industries that utilize local potential and attract industries that can be relocated from fast emerging economies.

For this to happen, industrial parks will be set up and supported by the Ugandan Government covering different regions to be hubs of innovation, competitiveness, and economic growth. In 2017, the Uganda Investment Authority Board approved an additional industrial park in Buliisa along with four regional science and technology industrial parks—making 27 industrial parks in total.

(Source: Interviews with Uganda Investment Authority)

industrial parks sell their products or services to companies in the park. They often locate in close proximity to the park, which reduces transport costs for raw materials and intermediate goods for tenants (see Figure 2). The second channel occurs when businesses outside the park purchase semi-finished or final products from the park tenants (*forward linkages*).

Vertical linkages can exist between the industrial park and the community in which the park is embedded. Such linkages can be related to social and ecological aspects. Other examples for vertical linkages are related to quality infrastructure (e. g. linkages to testing laboratories or certification bodies) or health or transportation services for workers. The latter one is an important aspect since industrial parks are sometimes located away from public transportation system. For example, two industrial parks in Ethiopia have concluded contracts with local transportation service providers (public and private) to facilitate access of the workers to their workplaces.

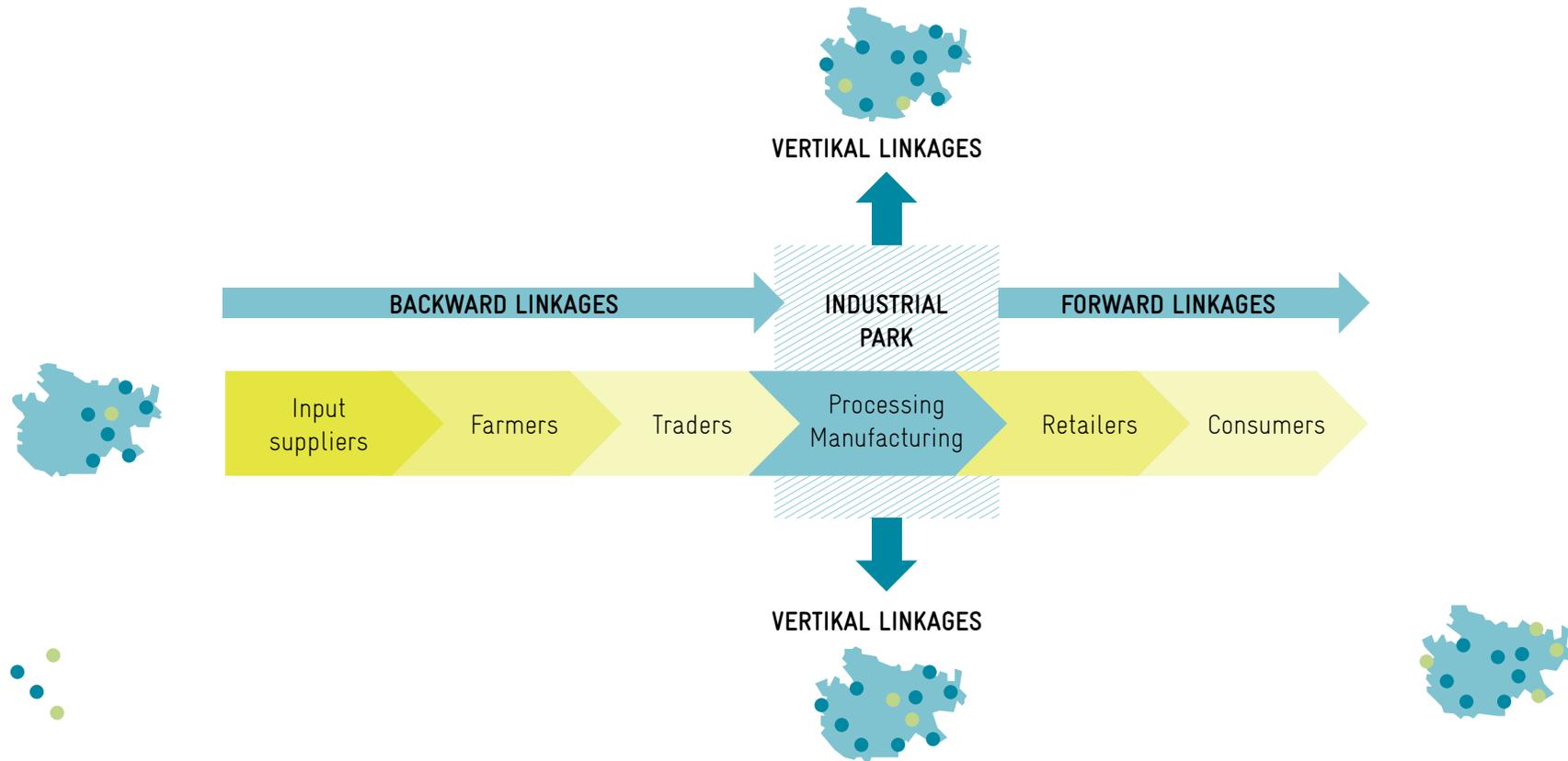
FIGURE 2: Impression from Soroti Industrial Park (Uganda)



(Source: © Meier zu Köcker)

The agglomeration of suppliers and buyers, regardless of whether tenants function as suppliers or buyers, can build a regional eco-system which attracts more firms to industrial parks or nearby locations. Interviews with businesses outside of industrial parks confirmed that such proximity matters.

FIGURE 3: Types of business linkages



(Source: Authors' elaboration)

**BOX 2:
PROXIMITY BETWEEN TENANTS AND BUSINESSES OUTSIDE MATTERS: THE KIGALI EXAMPLE**



The Kigali Special Economic Zone (KSEZ) is the leading industrial park in Rwanda. Many businesses, mainly SMEs, have located outside the park within the Kigali metropolitan area in recent years. Six out of ten (60%) of local businesses (manufacturers) located around the KSEZ confirmed that proximity to their clients within the KSEZ was among the three key success factors for their business relationships. The proximity allows flexible and fast delivery/receipt of products or services on demand as well as intensive communication and interactions. There is no difference whether the businesses acted as supplier (backward linkages) or buyer (forward linkages). Most of the businesses had established multiple linkages with the park tenants over time.

(Source: Interviews with 10 local businesses (manufacturers) located outside the KSEZ)

The greater the interaction between tenants and businesses outside the parks, the stronger the impacts on businesses' performance and local productivity gains will be. Nonetheless, both quality and quantity of backward and forward linkages matter. Via backward and forward interaction mechanisms, tenants transmit knowledge or upgrade standards for local production or labor (Duarte et. al. 2014). Backward linkages encourage local firms to improve their product or service to be able to meet their buyers' perspectives. Thus, backward and forward linkages can generate multiplier effects on local employment and growth (Zeng 2016).

Whereas the terms “backward linkages” and “forward linkages” describe more the direction of such linkages (from the perspective of industrial parks), linkages can also be categorized as follows:

- 1. Value chain SME linkages:** Businesses outside parks and tenants can develop linkages in different sections of their supply chains. Both actor groups can act as suppliers (*supplier linkages*) as well as buyers (*buyer linkages*). Value chain linkages also refer to the provision of services between companies located in industrial parks as well as of service providers

(*service linkages*). Solid waste management-related services are among the most popular linkages that belong to this group. Other examples for service linkages are manufacturing sub-contracting, outsourcing of non-core functions, and other initiatives. All these value chain SME linkages add value and cooperation along the various stages of the value chain.

2. Utility linkages: This refers to the shared use of utility infrastructure, principally water and energy. Utility synergies often involve collaborations between companies, park managers, utility providers and sometimes government agencies. In some countries there is poor infrastructure in terms of stability of electricity supply and broadband availability. Sometimes businesses from outside industrial parks use their

BOX 3:
HOW V-PLUS DEVELOPERS & TRADERS LTD. BENEFITS FROM BUSINESS LINKAGES TO KSEZ TENANTS.



The packaging company **V-Plus Developers & Traders Ltd** is located in the (KSEZ). With around 70 employees, the firm is one of the national leaders in paper-based packaging solutions. Even before the COVID-19 pandemic, the firm experienced strong employment growth rates. This has increased due to the growing need for paper-based, environmentally friendly packaging.

V-Plus Developers & Traders Ltd established various linkages with other industrial park tenants, and businesses around the park. Out of eight agroprocessing firms interviewed from outside the KSEZ, five set-up intensive business linkages with V-Plus Developers & Traders Ltd. The kind of linkages vary between the different firms. Some of them are typical buyers' linkages since the agroprocessing firms only buy packaging items from V-Plus Developers & Traders Ltd. However, the firm established service-related linkages with some of the agroprocessors from outside the industrial park. These include firms involved in joint development of packag-

ing solutions and consultations related to up-to-date packaging approaches. This partly results in common development of tailor-made packaging solutions.

V-Plus Developers & Traders Ltd. also established its own buyer linkages with firms from just outside the KSEZ that serve as suppliers for paper-based raw material. In this sense, V-Plus Developers & Traders Ltd. acts as a supplier, service provider and buyer. It involves various actors from the regional eco-system, inside and outside the park. Many of the firms from outside the KSEZ consider that the proximity of V-Plus Developers & Traders Ltd acts as a dedicated asset with a positive impact on their businesses. It is interesting that none of the firms interviewed confirmed any role on the part of the KSEZ park management to support or initiate any of these business linkages.

(Source: Interview with representatives of V-Plus Developers & Traders Ltd)

linkages to park tenants to obtain access to better infrastructure since such infrastructure is often more available inside than outside of industrial parks.

3. Joint business linkages: This refers to multi-firm partnerships of park tenants and businesses outside the park to bundle mutual competencies or capacities to jointly enter into business or jointly provide products or services to third parties. Especially in the agribusiness sector, bigger tenants sometimes request large amounts of raw material to be processed by their respective tenants. In this case, businesses outside of

the industrial parks establish *joint business linkages* to bundle their supply capacities to satisfy the demands of the tenant. Joint business linkages between park tenants and businesses outside the park can also lead to common undertakings; e.g., to jointly address specific business climate challenges.

4. Knowledge provider linkages: Investing in training company personnel to upgrade the skills and make them more employable is of high relevance for tenants and businesses from outside. Thus, they set-up linkages to private or public providers of workforce training.

BOX 4:

SETTING-UP LINKAGES TO TRAINING PROVIDERS: THE MINI NIKO KAZI (MNK) INTERNSHIP PROGRAMME OF MOZPARKS²

The Mini Niko Kazi (MNK) Internship Programme was launched in 2018 with the aim of connecting qualified young Mozambicans to the tenants. The programme helps companies identify, train and recruit employees. Interns received work-readiness training before they started working in practical internships. The soft-skills training covered work ethics, communication, and health and safety. Since 2018, 511 young Mozambicans have participated in the programme, of which 39% were women. The interns have been placed

in 67 companies, inside and outside MozParks, which has supported the professional training of these young people. MozParks will continue to manage the programme as part of its commitment to creating employment opportunities for young Mozambicans. The internship programme is supported by GIZ and other organisations and serves as a good example of how linkages to training providers can help tenants get connected to skilled workers.



² Full name: MozParks Holding – Parques Industriais e Zonas Francas SA., formally known as Beluluane Industrial Park

(Source: Interview with MozParks managers)

Supplier-buyer relationships are the prevailing relationship types between businesses outside the park and tenants (see Table 1). However, there are also cases where businesses from outside offer services to the tenants (e.g. waste management services). Joint development of products or services as

well as linkages related to technology transfer are the exception—at least in developing and emerging countries. Furthermore, not much evidence exists for facilitating linkages designated for women-owned local businesses.

TABLE 1: Prevailing linkages between park tenants and businesses inside

Types of Linkages	
Outside businesses that mainly function as suppliers	40 %
Park tenants that mainly function as suppliers	44 %
Joint business (neither supplier – buyer related)	0 %
Joint product/service development	4 %
Outside businesses that function as service providers	12 %
Mainly knowledge or technology transfer between both groups	0 %

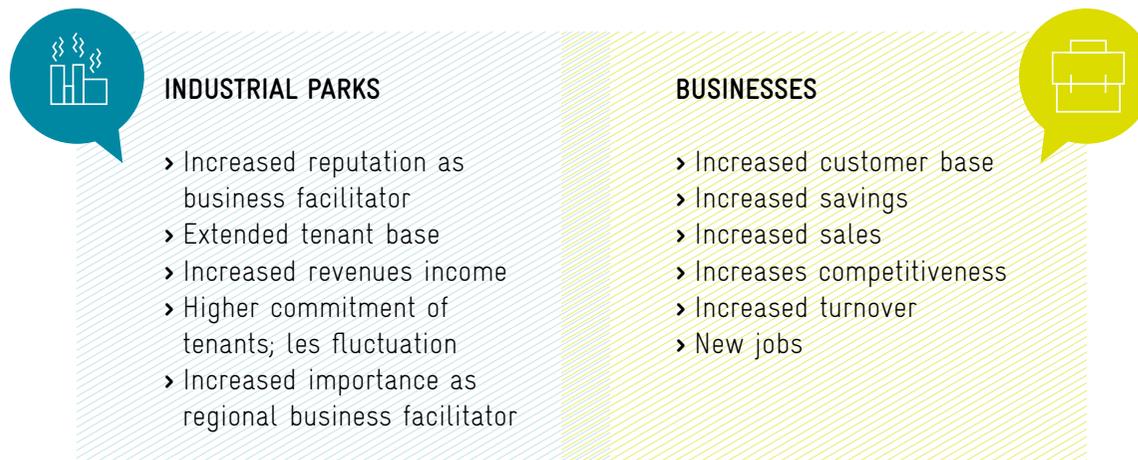
(Source: Primary data, 50 businesses outside industrial parks from Rwanda and Uganda)

2.2 WHY BUSINESS LINKAGES MATTER

The previous chapter provided first indications why business linkages have advantages for tenants and outside businesses. By linking up tenants as suppliers, buyers, service providers, franchise holders, license holders or as joint venture partners, firms can obtain several advantages. Linkages also matter for industrial parks, especially for the park manager. Consequently, the benefits of strengthening linkages vary between the industrial parks on one end and park tenants / outside businesses on the other end. (see Figure 4):

- › **Industrial parks:** with well-established business linkages are more attractive for future investors/tenants and thus have a competitive advantage. Park managers that can provide evidence of facilitating such linkages can improve their reputation and charge higher rents or service charges. This, in return, contributes to sustainable financing of the industrial park operations. The MOZ Park (Mozambique) is a good example of a park seeking to attract investors by facilitating linkages in this way (see Box 8).

FIGURE 4: Benefits derived from development of business linkages by park managers and businesses (park tenants and outside businesses)



(Source: Interviews conducted with various stakeholders)

› **Tenants and businesses from outside** often depend on cooperation with businesses outside the parks. Regardless of whether they are looking for buyers for their products, for suppliers to purchase raw materials or for service providers, more and more tenants are interested in extending their business network. However, in order to benefit from such linkages, tenants must be open to engage with businesses outside the parks. This is of particular relevance when tenants are foreign companies that might operate without significant

interest in linkage development or engaging with local businesses (World Bank 2015).

In our survey of businesses located outside industrial parks in Rwanda and Uganda, many interviewees indicated that they have established a number of business linkages with park tenants. Furthermore, business linkages are not a recent phenomenon. Businesses usually report having cooperated with tenants for many years.

FIGURE 5: Share of park managers interested in establishing more business linkages for their tenants

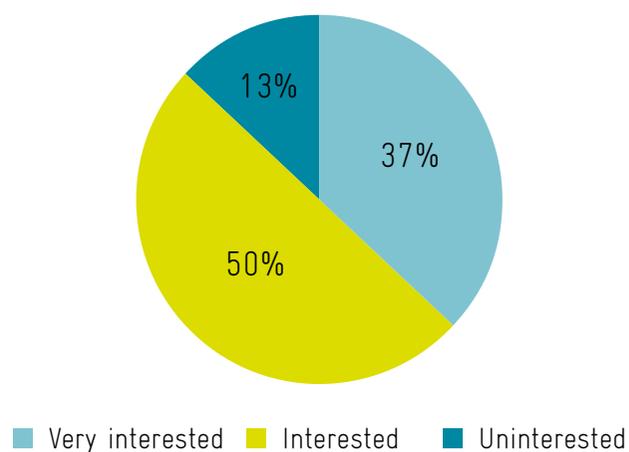
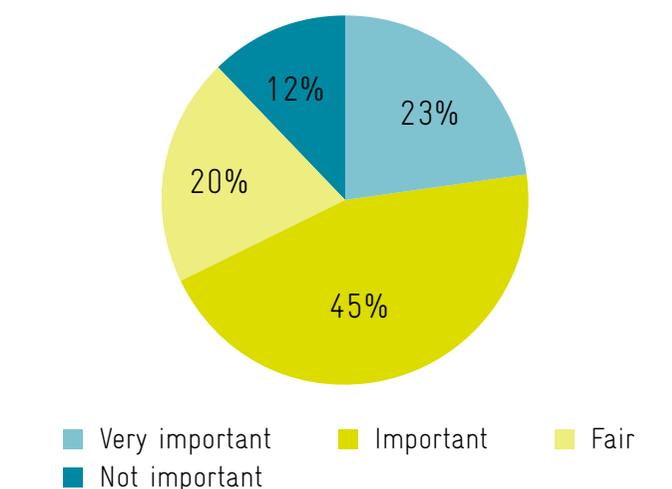


FIGURE 6: Share of businesses outside industrial parks interested in establishing more linkages to tenants



(Source: Own non-representative survey of 50 businesses outside industrial parks in Rwanda and Uganda as well as of eight park managers in Mozambique and Uganda)

FIGURE 7: Number of business linkages to tenants established by business outside of industrial parks

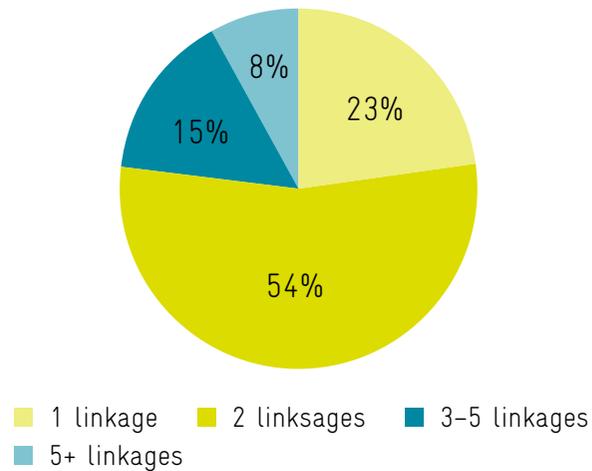
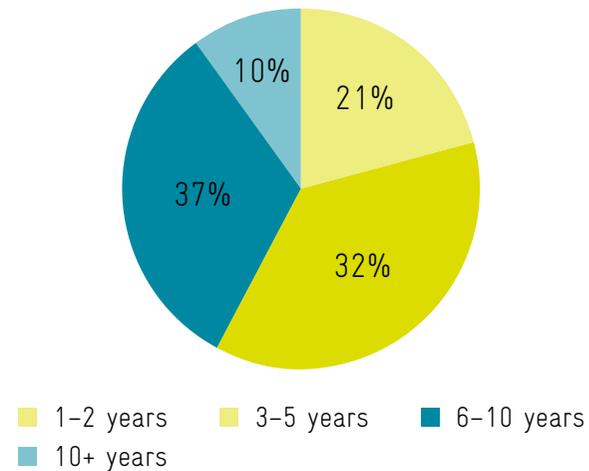


FIGURE 8: Age of developed business linkages



(Source: Own non-representative survey of 50 businesses outside industrial parks in Rwanda and Uganda as well as of eight park managers in Mozambique and Uganda)

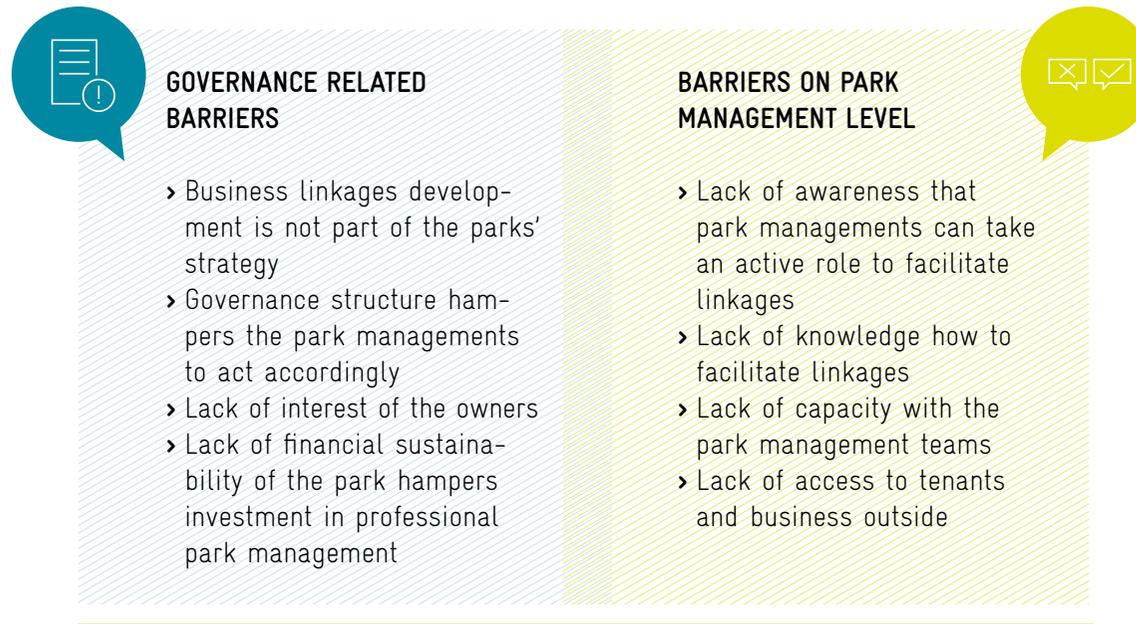
2.3 BARRIERS FOR BETTER LINKAGES

Despite the benefit of business linkages between industrial park tenants and businesses from the wider local ecosystem, in reality, there are several barriers. Practice shows that park managers could play a more proactive role in fostering or strengthening business linkages, especially in developing and emerging countries.

Based on the interviews with industrial park managers, businesses and international park development practitioners, the key

barriers can be grouped into two sections. One is more on the **governance level of the parks** (e.g. decision making processes or freedom of operation of the park managers). The others are more focused on the operational **park management level** (e.g. capability of the park managers to develop business linkages). Furthermore, there seems to be a tendency that governance level related barriers are more prevalent in publicly owned compared to privately owned parks industrial parks. Figure 9 summarizes the key barriers mentioned by the interviewees.

FIGURE 9: Key barriers on industrial park and park management level to support the development of business linkages



(Source: Based on interviews conducted with various stakeholders)

There are four **prevailing structural barriers** at the industrial park level that shall be further described.

› **Business linkage development is not part of the park's strategy**

Most industrial parks have their own strategy, often combined with (annual) action plans. Such strategies contain objectives and targets to be reached (often in terms of quantitative and qualitative indicators). These strategies often have a significant impact on the self-conception of how park

managers operate. If active business linkage development by the park managers is not a core objective of the park's strategy, the park manager is not in a position to actively support the development of business linkages.

› **Governance structure hampers the park manager's ability to enhance linkages**

Practice has shown that park managers must be able to operate in a flexible and demand-oriented way. Business linkage development is not a standardized task. It requires extensive

flexibility on the part of the park managers in day-to-day operations. If park manager are part of a strict hierarchal structure which continuously requires the involvement of high-level decision makers, they can hardly operate in a flexible and demand-oriented way.

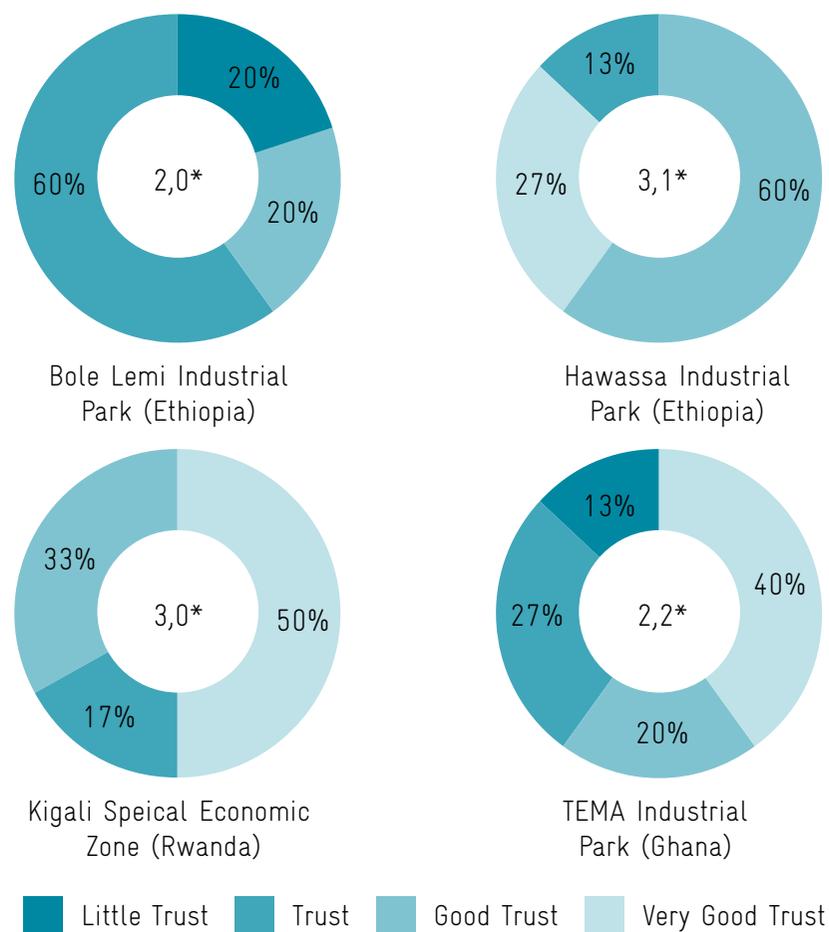
› **Lack of interest on the part of the owners**

Industrial Park owners have their own agenda. They often represent investors for whom the main objective is to get a good return on investment. Especially if such owners / investors operate with a more short-term than long-term orientation, strengthening business linkages is not necessarily high on their agenda. Without proper backing by the owners, it is hard for the park managers to act accordingly.

› **Lack of financial sustainability of the park hampers investment in professional park management**

Development of business linkages requires a relatively high involvement of personnel resources in addition to traditional utility management. This often means investments in additional park management capabilities and the return on investment usually takes time. Not all industrial parks (especially in developing and emerging countries) have the financial means to invest accordingly. Therefore, this barrier is quite relevant and more difficult to remove than other structural barriers.

FIGURE 10: Level of trust between selected park managers and tenants



*Index: 1 = Little Trust, 2 = Trust, 3 = Good Trust, 4 = Very Good Trust

(Source: Cluster baseline studies conducted in the context of the special initiative on training and job creation (Invest for Jobs) in 2020. Sixty park tenants from four different industrial parks were asked how they assess the level of the trust between them and the respective park managers.)

Among the **barriers on the park management level**, the following are most common:

› **Lack of awareness that park managers can take an active role to facilitate linkages**

Facility and utility management are still the prevailing tasks for industrial park managers in developing and emerging countries. Acting as professional service providers that offer proactive support in business linkages development is still a comparatively new task. That is why many park managers are not even aware that such tasks need to be implemented on the park management level.

› **Lack of knowledge on how to facilitate linkages**

Another relevant barrier on the park management level is that the key information and knowledge is missing about how to foster business linkages. What are the main activities needed? How to talk to the tenants? How to find the “right”

linkages partners? Such issues are often unfamiliar to park managers, even if they are interested in business linkage development.

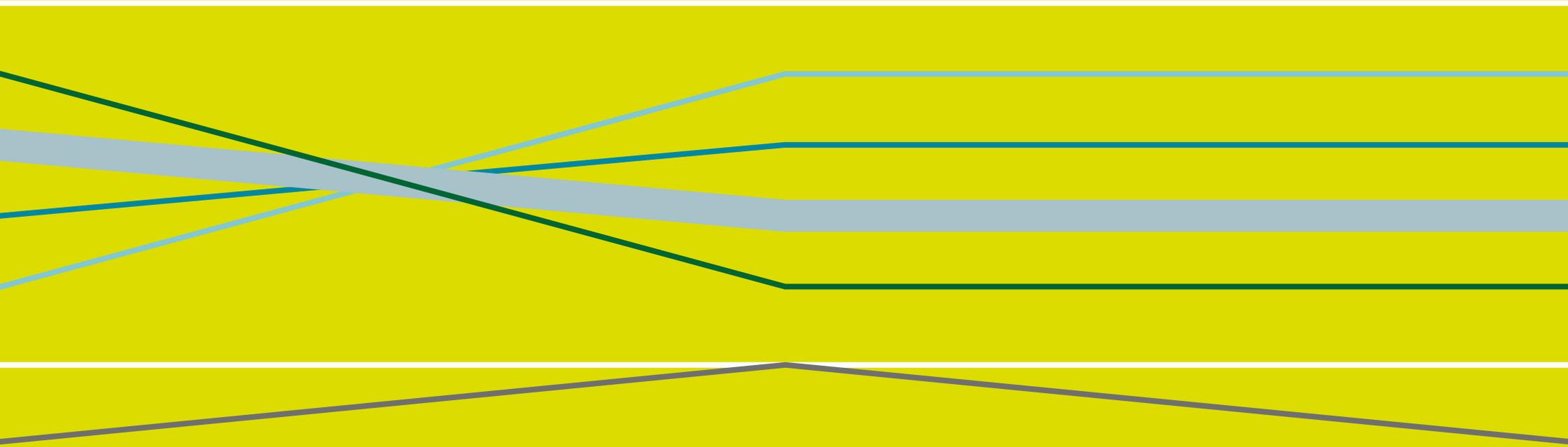
› **Lack of capacity with the park management teams**

This barrier is very much linked to the previously mentioned structural barriers. If the shareholders are not supportive in providing the financial means for sufficient park management capacities to focus on business linkage development, the park management does not have sufficient staff to act accordingly.

› **Lack of access to businesses outside the industrial parks**

Whereas there are often good working relationships between the tenants and the park managers, the latter often struggle to establish a business or outside partner network that allows them to set-up different kinds of business linkages.

3 | GUIDANCE FOR TECHNICAL ASSISTANCE PROVIDERS



3 | Guidance for Technical Assistance Providers

There are various possible interventions that target the barriers mentioned in Chapter 2.3. Awareness-raising measures, moderated dialogues with the shareholders of the parks, strategy development, and capacity-building measures are the prevailing modes of interventions (see Figure 11).

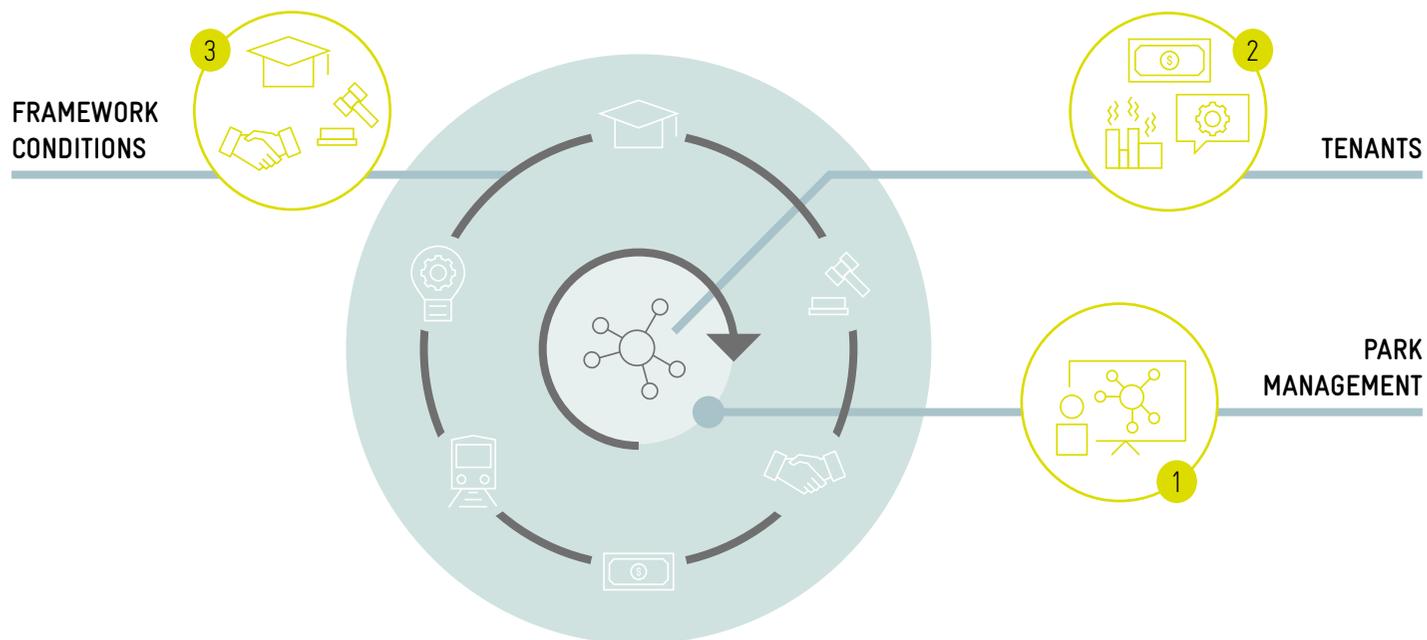
FIGURE 11: Interventions intended to address key barriers at industrial parks and at park management level to enhance business linkages



Support for business linkages development can be provided at the following three levels (see Figure 12).

1. Park management level
2. Firm level
3. Municipality/ regional level

FIGURE 12: Levels of interventions to foster business linkage development



(Source: Authors' elaboration)

3.1 INTERVENTIONS AT THE PARK MANAGEMENT LEVEL

There are three main areas where park management can be supported by TA providers to improve business linkages:

- › Awareness-raising measures
- › Joint strategy development
- › Training and capacity-building

BOX 5: GOOD PRACTICES IN PARK MANAGEMENT

The ecoplus Business Park was established in 1962 in the Lower Austria Province, Austria. The park covers 280 hectares and includes 370 companies. The park managers act as a one-stop service hub, which connects tenants, public authorities, and external partners. It offers services ranging from conceptualizing business ideas to helping apply for financing. In this regard, the park managers have handled 200 investment project requests. They help connect tenants with investors and other firms from outside the park. These activities include the creation of business networks (networking events and thematic workshops) as well as business linkages to partners outside the park (individual matching or matchmaking events). The park managers assist with the operation of conference facilities for specific exhibitions and they coordinate joint media efforts for tenants and the industrial park. The park managers also support tenants set-up linkages with local authorities (e.g. to get certain permissions or other legal documents needed). Additionally, the park managers address industrial, environmental, and social sustainability issues through collaborations with academia, including PPD dialogues.

(Source: ecoplus, 2021)



AWARENESS RAISING

TA providers can support awareness-raising measures for park managers, shareholders and other decision makers. This is important to gain their full “buy-in” and guarantee long-term support.

? **Why:** Park managers (and owners) are often not aware that they can actively promote business linkages for their tenants. There is still the belief that a park manager must focus on facility and utility management and that anything beyond that is outside their scope of work. Thus, awareness-raising measures can help the park manager to understand why linkages are important, what kind of linkages exist and how tenants and park managers can benefit.

! **How:** There are two ways to raise awareness. **One is to provide good practices** that demonstrate how other park managers have succeeded in developing or fostering business linkages. Such good practices should cover different kinds of linkages that are of importance for tenants (see chapter 2.3) as well as the positive impact they create for tenants and park managers. **The other option is to match park managers with some of their tenants.** This might help tenants to explain why linkages are important for them, how they might impact their compet-

itiveness and where they see the role of the park managers as facilitators. Such matching can also be considered as a first step towards a regular dialogue between park managers and park tenants and thus contribute to better communication and cooperation between both groups of actors. TA providers can initiate and organize such awareness-raising measures as well as support park managers in identifying good practices and inviting recognized speakers.

JOINT STRATEGY DEVELOPMENT

? **Why:** The shift towards becoming a developer of active business linkages can hardly be implemented as a stand-alone activity. It must be part of a holistic strategic approach. The operation of many industrial parks is based on a dedicated strategy which provides clear guidance for the kinds of operations and responsibilities of the park managers. This is especially true if it is combined with annual actions plans or even key performance indicators (KPIs) to be reached. Thus, if park managers are interested in becoming more active in business linkages development or fostering such activities, they must operate in line with the strategic position of the industrial park itself.

! **How:** As a first step, TA providers can find out whether or not the respective park has a dedicated strategy in place and to what extent it is conducive or prejudicial for park managers to actively support business linkage development. The same is true for annual action plans and performance indicators that potentially exist. If actions plans and performance indicators can be adopted without any change in the park's strategy (or there is no strategy in place at all) no further actions are needed. Otherwise, TA providers can initiate a revision of the current park strategy that aims to embed the (new) idea of business linkage development for the park tenants. From here on, different stakeholders can implement typical steps needed to develop an industrial park strategy. In the end, the strategy, action plans and KPIs are available for the future park manager's operation. A business model can be included in the new strategy to ensure a sustainable financing of the additional efforts and capacities needed to implement the strategy properly. The services around business linkage development for tenants can be combined with a higher monthly fee rate if implemented professionally. Such a new strategy can include a communication strategy, which promotes the park as a hands-on business support entity. The MOZ Park example demonstrates the various positive impacts of a revised strategy that actively supports business linkage development.

BOX 6:
STRATEGY DEVELOPMENT OF MOZPARKS

MozParks developed a new park strategy in 2017. Its implementation allowed the park managers to continuously support its park tenants to offer a wide set of new services. Many of them were inclined to develop various linkages. The strategy development was a joint effort of the park's stakeholders and the entire park management. The new strategy also contained a communication strategy to inform interested parties about the new direction of MozParks.

(Source: Interviews with MozParks managers)



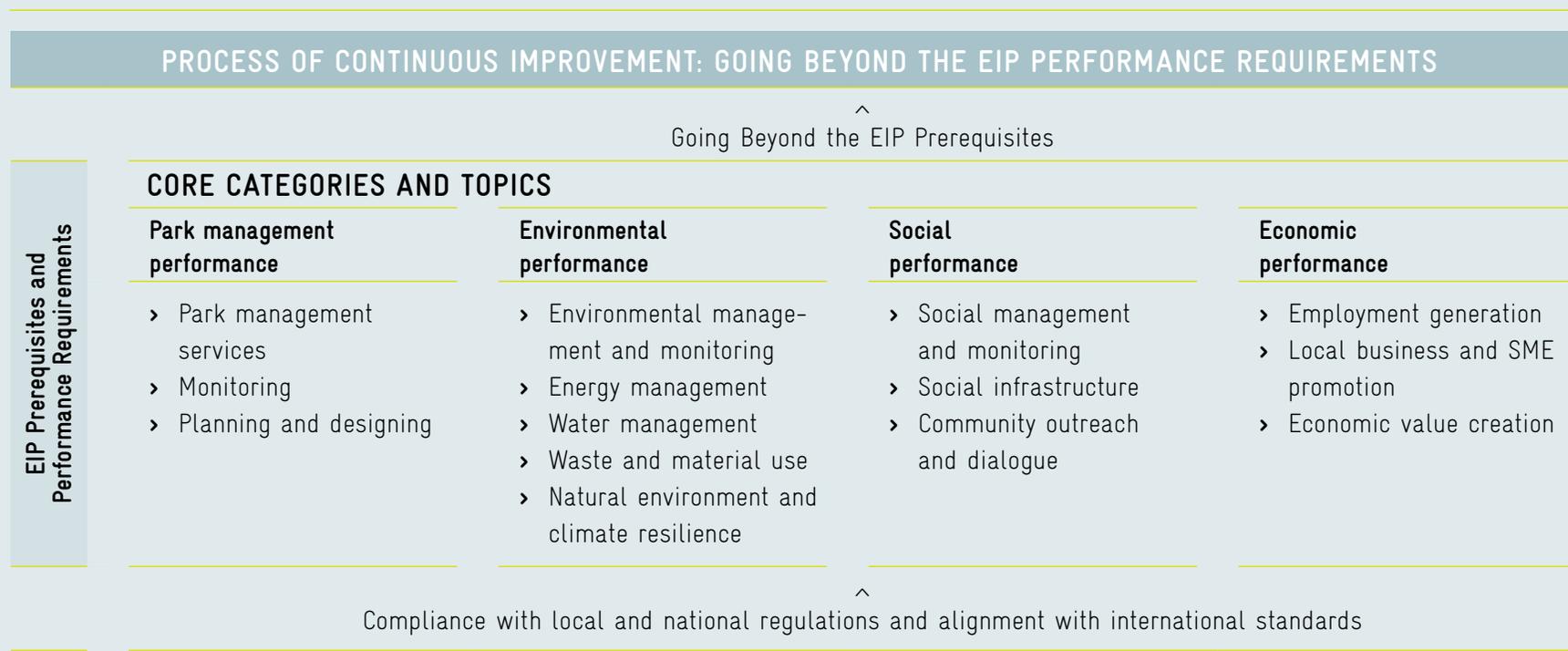
**BOX 7:
THE EIP STRATEGY AS INITIATOR FOR BUSINESS LINKAGES**



The International EIP Framework describes the minimum expectations for eco-industrial parks across four categories; park management performance, environmental performance, social performance, and economic performance. Implementing the EIP Framework can be considered as a strategic shift, since it places attention on the park management’s ability to offer services for their park tenants and to improve the environmental performance of the parks themselves. The latter can be considered as a prom-

ising way to set-up various linkages between the park tenants and providers from outside the park. Proper solid waste management or wastewater treatment are topics promoted under the EIP Framework. In order to meet such requirements, service providers from outside are needed since the park managers cannot develop such services themselves. The other EIP pre-requisites and performance requirements are conducive for park managers to set-up new or existing linkages (see Table 2).

TABLE 2: Overall framework for describing Eco-Industrial Parks



(Sources: United Nations Industrial Development Organization; World Bank Group; Deutsche Gesellschaft für Internationale Zusammenarbeit. 2021. An International Framework for Eco-Industrial Parks, Version 2.0. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/35110>)

TRAINING AND CAPACITY-BUILDING

Training and capacity building are among the most promising intervention that TA providers can initiate or even offer to enable park managers to foster business linkages.

? **Why:** Business linkage development is not an easy task. Park managers must gain several new competencies to succeed and, for many, it may be a new topic. A fundamental understanding is required on how businesses operate, why linkages are needed and how to match different groups to facilitate such linkages.

! **How:** Ideally, the training shall involve the top managers of the parks, not just those at the operational level. The capacity-building curricula could consider the following elements. **Firstly**, park managers learn how to identify the needs of the park tenants and what kind of linkages may be beneficial. **Secondly**, park managers learn to build a network of potential partners to be linked to the tenants. Depending on what linkages or networks are to be developed or extended, the network could include private businesses, service providers, training

providers and public sector representatives from the municipal or regional level. **Thirdly**, the curriculum could cover how to properly match park tenants with related partners from the private and public sectors. This can be done by direct matching (e. g. one-to-one meetings). Other options are matching events, workshops or seminars with opportunities for networking. There are various options and the park managers might require training on how to recognize which option works best for each purpose. Finally, the training shall also stress the topic of the right business model if it does not yet exist. This is important for the park managers or related shareholders. In the end, the capacity-building measure enables the park managers to gain a better understanding of the nature of business linkages and how to facilitate them.

According to the interviews with the park managers, the impact is threefold. **Firstly**, tenants seem to be more satisfied with the more pro-active management of the park. **Secondly**, 42 new tenants have moved in over the recent past. **Thirdly**, the reputation of the industrial park has significantly increased compared to five years before.

3.2 INTERVENTIONS ON THE FIRM LEVEL

In this chapter, no distinction is made between park tenants and firms from the wider local business ecosystem. Both actor groups are usually interested in engaging in business linkages. In this area, park managers, supported by TA providers can initiate the interventions described.

There are four main areas, where park managers can be supported to become more supportive in business linkage development to benefit their tenants:

- › Awareness-raising measures
- › Trust building
- › Matchmaking events
- › Capacity building of businesses outside the park

AWARENESS RAISING

? **Why:** TA providers can initiate raising awareness of the importance and benefits of business linkages between park tenants and the businesses from outside. Despite the fact that there is abundant evidence that both actor groups can benefit significantly, there might often be reservations on both sides because they are unacquainted or have not yet cooperated with each other. For example, businesses from outside might have

the perception that park tenants, especially when owned by international investors, are not interested in entering business cooperation. There might be a belief from the park tenants' side that businesses from outside are not capable enough to meet the requirements (e. g., in terms of quality or amount of supply) of the tenants. This could be addressed during such awareness-raising campaigns. The “new” role of the park managers as facilitators between both groups could be a topic to be considered.

! **How:** There are several ways to raise awareness. **Providing good practices** can demonstrate how firms benefit from business linkages and what the respective role of the park managers can be. As mentioned earlier, such awareness measures can be combined with matching or networking events to facilitate this. These activities can also be considered as a first step towards a regular dialogue between park managers and tenants/businesses from outside that contributes to better communication and cooperation between both actor groups.

TRUST-BUILDING

? **Why:** Cooperation and collaboration is usually based on trust between the parties involved. This means that for any kind of business linkages between tenants and businesses from the wider local business ecosystem there is a need for getting acquainted with each other to build trust. Only if both target

groups know each other better and understand how they can mutually benefit, sustainable business linkages can be developed.

! **How:** There are many options the park managers or TA providers can implement in this regard. Seminars and thematic workshops dealing with topics which are of mutual interest will bring both groups together. This can be combined with networking events. Industrial Parks can organize an “Open Day”, where the industrial park and tenants present themselves and invite the wider business community to join and visit the park and related tenants.

MATCHMAKING ACTIVITIES

? **Why:** Interventions of TA providers can also aim to match park tenants and businesses in order to promote business linkage development. There are various options of which some are presented in the following paragraphs.

! **How:** There are many options for directly initiating business linkages. **Supplier-Buyer-Events** are one promising option. These are events where tenants or businesses from outside can pitch and present their demands (as potential buyers) or their products/services (as potential suppliers). Such events can lead to even more promising business linkages if tenants, which act as so-called “anchor firms” in industrial parks, present them-

BOX 8: OPEN DAYS OF THE CHEMICAL INDUSTRIAL PARK KNAPSACK (GERMANY)

In order to raise the interest in the Chemical Industrial Park Knapsack and its tenants, the park management organizes an Open Day every three years (since 2014). This event allows interested parties from outside to visit the park or to make dedicated appointments with participating tenants. Visitors can be potential suppliers from outside, students who would like to obtain information about job opportunities, interested citizens or politicians wishing to gain insights into the work of the park. Further, the Chemical Industrial Park Knapsack itself frequently issues invitations to visit the complex. The aim is to provide information about the tenants as well as about the business opportunities.

(Source: Chemical Industrial Park Knapsack)



selves and their demands. Anchor firms usually have a strong market position and can express demands which several outside businesses can benefit from. Since such firms are often reluctant to participate, Technical Assistance providers can use their reputation or network to get such anchor firms on board. **Trade fairs or exhibitions** organized by and in entire industrial parks are other promising options to foster business linkages. Such activities also support the visibility of such parks significantly.

Other options are “**Businesses meets tenant**” events. In this case, park tenants open their doors and invite interested businesses to visit and get familiar with the tenants and their ideas for business opportunities.

TA providers can initiate and organize such support measures together with park managers. Depending on the maturity of the park managers, the TA providers can play a more active or a more passive role.

BOX 9:
SELANGOR INDUSTRIAL PARK EXPO (MALAYSIA)

Selangor Industrial Park Expo showcases itself as the preferred destination for investment in the region and preferred business and trade partner. The Expo organized by the Park was intended as an important platform for international and local businesses to seek opportunities and initiate business linkages for mutual benefits. It also served to offer more insights into the industrial parks and the operation of the park tenants. The Expo was organized in November 2021 with more than 1,000 visitors and over 20 exhibitors (mainly park tenants).

(Source: Selangor Industrial Park, Kuala Lumpur (Malaysia))



BOX 10:
SAMSUNG INNOVATION DAY

During the Samsung Innovation Days in 2018, suppliers from the Silicon Saxony Industrial Park were able to pitch in front of Samsung decision makers and present their products or proposed services. Furthermore, potential suppliers were able to talk to Samsung's procurement managers in order to become shortlisted. The added value for Samsung was that they were able to get in touch with a critical mass of potential suppliers at the same time, organized by the park management. The added value for the potential suppliers was that they got in touch with Samsung, what they could never have reached alone.

(Source: Silicon Saxony)





**BOX 11:
MOZPARKS AS A DRIVER FOR BUSINESS LINKAGES DEVELOPMENT**

MozParks was established in 2000 and can be considered as the most mature industrial park in Mozambique. In the interviews, the management described how it provides pro-active support in different areas such as:

- › Thematic events
- › Networking activities
- › Development linkages to donors
- › Setting-up and maintenance of business linkages with partners from outside the park (e.g., training providers or service providers)
- › Joint internship programme (Mini Niko Kazi MNK, knowledge linkages)

Especially during the COVID-19 pandemic, the park managers implemented various thematic events related to safety regulations and sessions on how to understand the new decrees issued by the government. Furthermore, the park managers aligned with other business member organizations to purchase vaccines for the employees of the tenants. All these activities helped to foster linkages to various stakeholders of the regional business ecosystem.

(Source: Interviews with MozPark managers)

CAPACITY BUILDING OF BUSINESSES OUTSIDE THE PARK

? **Why:** Not all businesses outside of parks are linkage-ready from the beginning. That is, in order to become suppliers for park tenants, businesses from outside must meet certain criteria in terms of standards, quality and/or sustainability of supply. This is especially true for large tenant companies that require large quantities of inputs from their suppliers.

! **How:** TA providers can discuss with potential suppliers what kind of criteria must be met in order to become suppliers for certain tenants. Based on a firm-level gap analysis, additional training needs or improving actions can be identified and implemented by TA providers. Park managers can learn how to run a gap analysis and how to help business to bridge these gaps. If successful, there will be a certain number of business partners outside the industrial parks that become qualified business partners for interested tenants.

3.3 INTERVENTIONS ON THE MUNICIPALITY/ REGIONAL LEVEL

Municipalities and regional authorities can play an important role since they often shape the framework conditions under which the industrial park, the park tenants and the firms of the wider local business ecosystem operate. Thus, this stakeholder group is highly relevant and TA providers can help to get them “on board” for development of business linkages. Sometimes municipalities or regional governments assume a crucial role in facilitating or making vertical linkages available (e.g. transportation services or testing infrastructure).

AWARENESS-RAISING

The awareness-raising measures for representatives of municipalities and regional governments have similar objectives as for the park managers.

? **Why:** Representatives from municipalities and regional governments are often not aware of the potential role they can play to facilitate business linkages between park tenants and businesses outside. This is also true about the potential role of park managers in this context. Finally, the potential interplay between municipalities and regional governments on one side

and the park managers on the other side is often unclear or not properly defined.

! **How:** Awareness-raising events can have the same character as for park managers (see chapter 3.1). Awareness-raising measures will help the representatives from municipalities and regional authorities to better understand why business linkage development is important and how they can best interact with the park managers and businesses in order to provide conducive framework conditions for business linkage developments.



BOX 12: THE KAMPALA INDUSTRIAL AND BUSINESS PARK AS DRIVER FOR JOB CREATION IN THE WIDER BUSINESS ECOSYSTEM

The Kampala Industrial and Business Park (KIBP) hosts 52 fully operational companies. It directly employs 16,000 Ugandans. Due to its strong interaction with the wider business ecosystem, the park created additional 18,000 indirect, short-term, contract and technical jobs. One of the reasons for this success is the strong interaction of the park managers with the city of Kampala and the Uganda Investment Authority. Many of these jobs are related to vertical linkages established over the recent past.

(Source: Interview with the KIBP management)

PUBLIC PRIVATE DIALOGUE

The public private dialogue (PPD) is a well-established approach in the field of TA to promote private sector development and open governance. It brings together private and public sector representatives and initiates mutual discussions and exchanges of experiences between the parties involved. Such PPD is also a promising intervention to contribute to a better understanding and interaction of private and public stakeholders engaged in the industrial park development.

? **Why:** It is important that public sector representatives from municipality or regional policies work closely with the operators of industrial parks. The policy defines the framework conditions in which industrial parks are embedded. In this way, they determine to a large extent the competitiveness of the parks, the tenants and the business outside. These framework conditions also have an impact on the ability of tenants and businesses to successfully enter into mutual linkages. Therefore, a good understanding and alignment of the interests of municipalities and regional governments as well as the private sector is of high relevance. In this way, it is possible to improve the framework conditions under which park tenants and businesses operate. Such PPDs can also serve to reach agreements on incentives that are conducive to development of business linkages.

BOX 13: THE KOSOVAR-GERMAN INNOVATION & TRAINING PARK (ITP) PRIZREN

The ITP is designed to boost the national and regional economy by generating jobs, creating innovations, and offering possibilities for vocational training through praxis-oriented learning and research. The ITP is a joint initiative of the Kosovar and German governments formalized in a Joint Declaration in 2018, and implemented by the ITP Association. Private and public stakeholders were actively involved during the design and development phase.

Although still relatively young, the ITP has already entered strategic partnerships with the Digital Transformation Center and others. Furthermore, much attention was given to include R&D institutions and training providers in the park. All of these activities are intended to facilitate linkages between the businesses and the various stakeholders of the regional ecosystem. Future tenants will be carefully selected to assure that their operation is in line with the ITP strategy.

*(Source: Interview with GIZ representatives
ITP Prizren and ITP website)*



ⓘ **How:** PPDs are usually initiated by recognized, neutral actors. TA providers can take over this role, invite the actors and develop the agenda. During the PPD, the TA provider moderates and contributes to ensuring that the interests can be articulated accordingly. In the case of different views expressed by the actors involved, the TA provider can act as a mediator. If successful, the PPD leads to all parties involved developing a better understanding of each other and to concrete agreements on how and where improvements can be made in terms of cooperation or in terms of the general conditions. TA providers can then support the implementation of these agreements or monitor their sustainability. For example, PPD can lead to agreements that municipalities support park managers to extend their network to public actors of relevance to the industrial park and its tenants. These can include service providers in the context of waste management, circular economy, environmental issues, stable grid connections or transportation infrastructure.

DEVELOPING INCENTIVES OR LOWERING EXISTING BARRIERS

❓ **Why:** Municipalities usually have opportunities to influence the framework conditions under which companies operate in their region. Thus, they also have the possibility to

influence the framework conditions under which tenants and businesses from outside interact. This can be done through laws, reforms or incentives. Thus, such instruments can be used to support business linkage development between tenants and outside businesses.

ⓘ **How:** There are several options or incentives for how to stimulate cooperation between tenants and outside businesses. Promoting sustainable or environmentally friendly operation of tenants is an area where municipalities and regional policymakers can provide incentives. These include, for example, efforts to decrease air emissions, conserve water or recycle material. Incentives could stimulate such investments and can be combined with the requirements that local businesses and service providers be involved. By so doing, municipalities and regional policy makers can enhance the sustainability of industrial parks as well as enhance the involvement of local businesses. TA providers can initiate and moderate the process (e. g. by PPD) or can bring in expertise on what kind of regulations or incentives can be useful in a given case. The final impact depends on the extent of support offered by the municipalities or regional governments. However, better linkages between tenants and the businesses from the wider business ecosystem would be expected.

4 | PRACTICAL CONSIDERATIONS

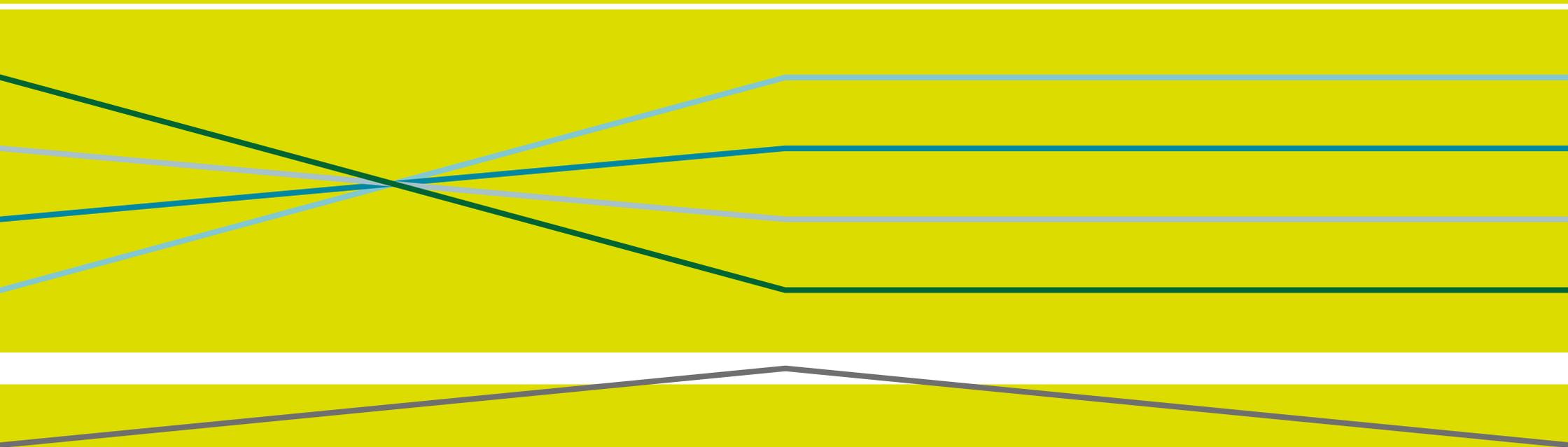


4 | Practical Considerations

There is no doubt that business linkage development is an important issue in the context of industrial parks as well as of regional development. As there is still a significant gap between wishful thinking and reality, the question is how to best fill this gap. Consequently, TA providers can take an active role, usually having all necessary experiences and competencies, but also the ability to become drivers in this regard.

However, what sounds simple in theory is quite demanding in practice. The interviews with the international park experts made clear that it is commonly a long way until the support of industrial parks can reveal its full impact. Consequently, it is important to note that support for park managers to enable them to actively contribute to linkage development is a long-term process. In addition to the upgrading of the technical and managerial capacities of the park managers, governance structures within the industrial parks must also be adapted to enable the park managers to act in a flexible and independent manner. Experience has shown that it takes time until sustainable changes and improvements can occur in this context. TA providers that consider getting involved in this topic will need to act with a long-term perspective.

Furthermore, TA interventions should follow a holistic/systemic approach. This means, the TA should not focus on only one target group (e.g. park managers) or implement a singular support measure (e.g. training of park managers). Rather, multiple target groups should be addressed with multiple activities as presented in the previous chapter. Enhancing linkages can only succeed if all stakeholders (i.e. park managers, tenants inside the park, businesses outside the park, and public sector) understand “why business linkages matter” and “how they can be best strengthened”.



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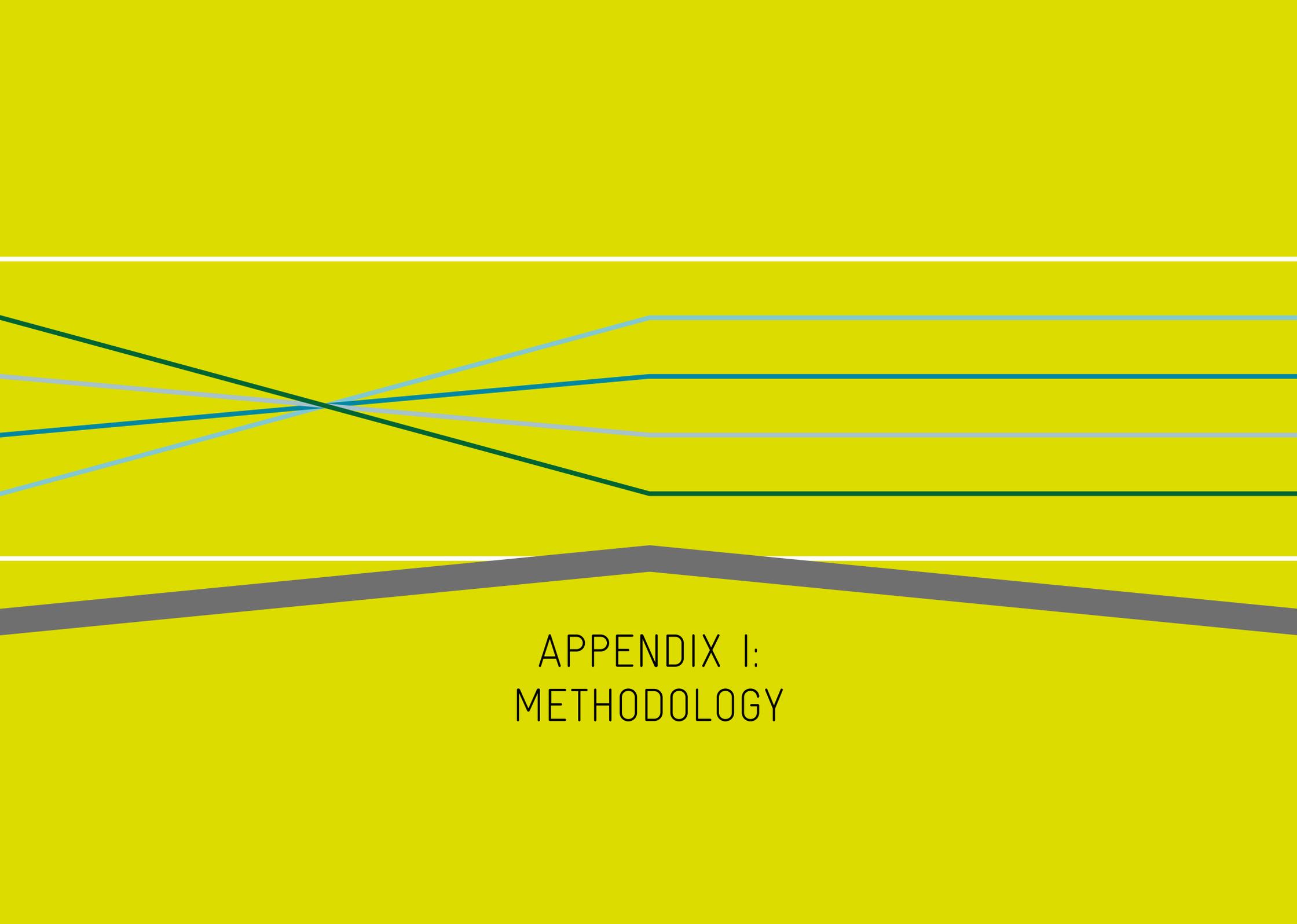
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APPENDIX I:
METHODOLOGY

Appendix I: Methodology

The input for this guidance document was obtained by interviews with industrial park developers and primary field work in selected East African countries, notably Mozambique, Rwanda and Uganda. The fieldwork contained interviews with:

- › Around 50 businesses located nearby (but still outside) industrial parks in Rwanda and Uganda,
- › Eight park managers from Mozambique and Uganda

TABLE 3: Survey of businesses and industrial park managements interviewed

Country	Business outside industrial parks	Industrial park managements
Kosovo		Innovation & Training Park Prizren
Rwanda	10 SMEs, mainly from the agro-processing sector located in the Kigali metropolitan areas	
Uganda	40 SMES, from various sectors, located around selected industrial parks	Luzira Industrial Park, Bweyogerere Industrial Park, Kampala Industrial and Business Park, Mbarara Industrial Parks, Jinja Industrial Park, Sino-Uganda Mbale Industrial Park and Soroti Industrial Parks.
Mozambique		MozParks Holding – Parques Industriais e Zonas Francas SA

The **Innovation & Training Park Prizren (ITP)** is a comparable new Park and hosts tenants from the ICT, agro-food and creatives industries sector. It offers a favorable environment and efficient services for SMEs, exploiting different kinds of innovations. The ITP has a strategic partnership with the Digital Transformation Center Prizren.

The 45-acre **Bweyogerere Industrial Park** is 10 km North East of Kampala (focus on agroprocessing). The land has been allocated to seven investors.

Jinja Industrial and Business Park is located in Jinja district Eastern of Kampala (182 acres). The park is operational and

90% of the land here has been allocated. The key investors in this Park include Kiira Motors Corporation, Pearl Health Sciences Limited, Uganda Electricity Distribution Company Limited, and Nile Fishing Limited.

The **Kampala Industrial and Business Park (KIBP)** is located 11 kilometers east of Kampala and can be seen as Uganda's flagship industrial park. The 2,200-acre facility has 52 fully operational industries coming from various industrial sectors.

Luzira Industrial Park is an example for public-private co-ownership and is located 5 km East of Kampala and hosts manufacturing companies from various sectors. The 70-acre facility is operational with functional infrastructure (road, water, power etc.). Fifteen investors are at various stages of establishing their projects.

Mbarara Industrial Park is one of 27 Industrial & Business parks that the Uganda Investment Authority (UIA) plans to construct in different parts of the country with the aim of boosting Uganda's revenue base by creating jobs, easing accessibility of land for investments, and introducing new research, technologies and skills development opportunities. Launched in October 2019, the park currently hosts 33 tenants, which mainly act in the dairy and agroprocessing industry, and the beef industry.

Located in the heart of Mbale, Uganda's third largest city, is the **Sino-Uganda Mbale Industrial Park**. The park represents a joint undertaking between the Chinese and Ugandan governments. The park was opened recently and is dominated by Chinese investors.

Soroti industrial park is a relatively young park with 10 investors, mainly from the fruit juice production sector.

MozParks is the holding company of the Beluluane Industrial Park. The mission is to support sustainable industrialization in Mozambique. The Park is a public private partnership between the Government of Mozambique (40%) and private Swiss-Mozambican investors (60%). This structure allows to successfully coordinate the interests of private industry with government and civil society. The Park is located on the outskirts of Matola and is the oldest and largest industrial park in Mozambique (since 2000). It is home to over 40 tenants from more than 15 different countries.

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