

Special economic zones in Southern Africa: Is success influenced by design attributes?

BY

Cornelius Dube

Wellington Matsika

Gamuchirai Chiwunze

Study Context

- Generally, SEZs are expected to unlock many benefits, including employment and economic growth
- There is a noticeable wave of SEZs adoption globally
 - increased from 176 in 46 countries in 1997 to 3,500 in 130 countries in 2007; and to about 4,300 SEZ areas in 2017
- The wave of SEZ adoption has also included African countries
- However, there is a higher failure of SEZ in Africa, which can be due to failure to properly contextualise them
- The study explores whether failure to properly put in place critical design attributes is not one of the reasons for the failures in Africa

Study Objectives

- To explore the key design attributes for SEZ;
- To assess the various SEZ design models that have been adopted in select Southern African countries;
- To identify the shortcomings of the models and how these can explain why SEZs have not been very successful; and
- To proffer some recommendations on how the SEZ regimes can be made effective in Southern Africa.

Methodology

- A case study approach of select countries in Southern Africa
 - Mauritius, Namibia, South Africa, Tanzania, Zambia, and Zimbabwe
 - Countries with SEZs in Southern Africa where published information about structure of SEZ were identified for assessment
- Literature review was conducted to understand the evolution and success factors of SEZs in general
- The study focuses only on picking out design attributes for SEZs rather than micro details about individual SEZs.
- The different legal and institutional frameworks governing SEZs assessed

Design attributes of SEZ

- Critical attributes for SEZ can be disaggregated into three:
 - organisational attributes, economic attributes, and spatial/physical attributes.
- Organizational factors relate to the manner in which institutions involved are structured.
- Economic factors are those that affect the performance of the SEZ and its impact in the economy.
- Physical or spatial factors relate to the location of the SEZ as well as on-site and off-site infrastructure.

Organisational attributes

- Roles and responsibilities of various institutions need to be clearly stated
- A specific policy/strategy as well and a stand-alone SEZ specific legislation is a critical organisational factor
 - Policy is a challenge: only South Africa (SEZ policy) and Namibia (SEZ strategy)
- A stand-alone SEZ regulator allows specialisation and development of the enforcement expertise
 - In Namibia, Zambia and Zimbabwe, SEZ regulation is done by an industrial promotion body with other mandates as well
- An independent agent should be given SEZs development functions
 - In Zimbabwe, Zambia and Tanzania, the regulator has also been given SEZ development functions.
 - Regulation, development and operation should be separated-SA, Mauritius and also Namibia

Economic attributes

- Proper feasibility studies should precede the designation of an area into a SEZ
- The SEZ applicant should justify why the area has to be declared a SEZ (e.g South Africa) to remove political bias in SEZ designation
 - Tanzania: proliferation of SEZ in every region driven more by political than compelling economic factors.
 - Zambia: Lumwana Multi-Facility Economic Zone location later revised
 - Zimbabwe: SEZ designated in areas without any economic synergies in terms of backward and forward linkages

Physical/Spatial attributes

- Adequate base and off-site infrastructure is a pre-requisite for the success of SEZ programs
- South Africa and now Mauritius (Freeport Zones): SEZ can only operate after the requisite infrastructure is in place
- Namibia, Tanzania, Zambia and Zimbabwe have SEZ designated but inactive due to lack of infrastructure
- Some countries have also incorporated single factory units within their SEZ programmes.
 - Get fiscal incentives but lack access to dedicated infrastructure and services
 - No economies of agglomeration
 - Single factory unit SEZs in Tanzania, Zimbabwe and Namibia, face challenges with reliable enabling infrastructure and utilities.
- Geographic delimitations better than firm based declarations

THANK YOU