



**Economic Zones and Free Zones' Contribution to sustainable
economic development in Africa**

Annual Meeting 2018
Abidjan, 20-22 September 2018

Free zones
AFRICA

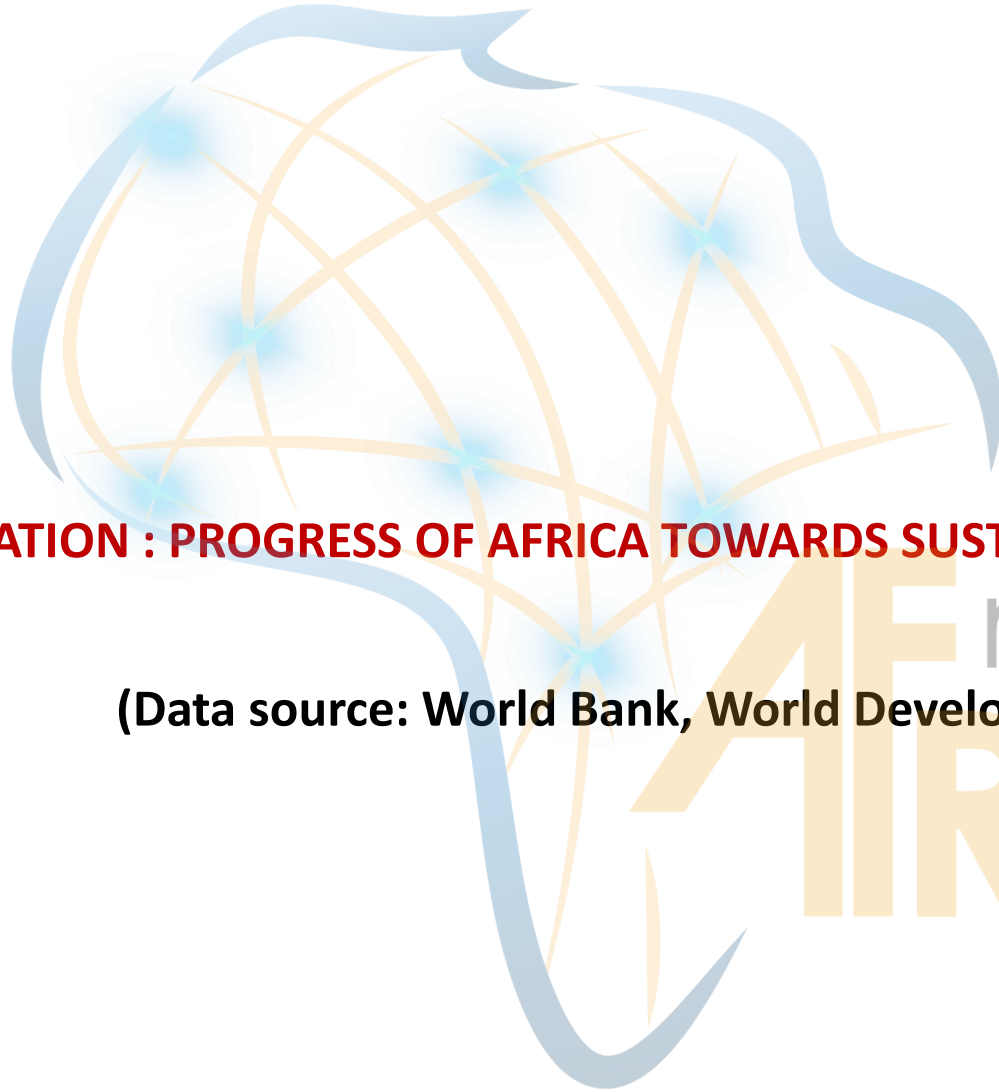
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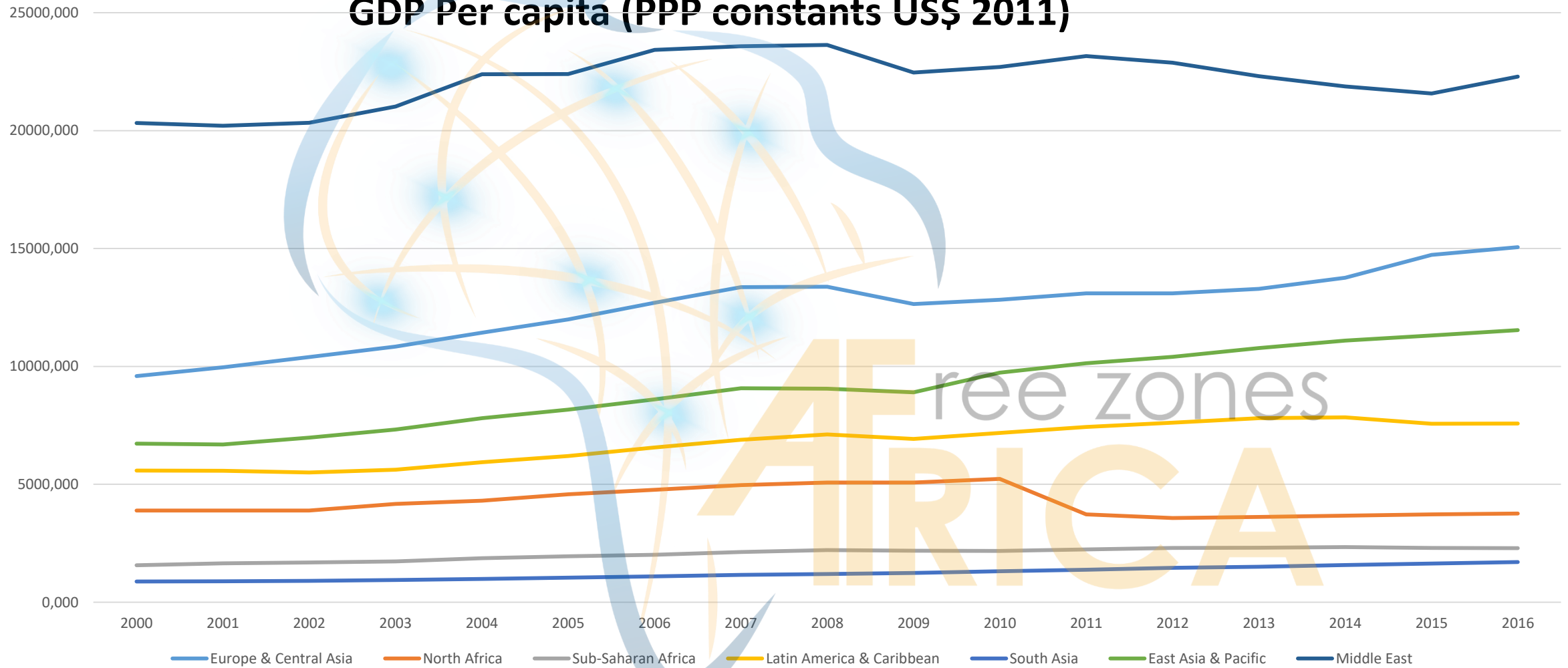
I. OBSERVATION : PROGRESS OF AFRICA TOWARDS SUSTAINABLE ECONOMIC DEVELOPMENT

(Data source: World Bank, World Development Indicators)

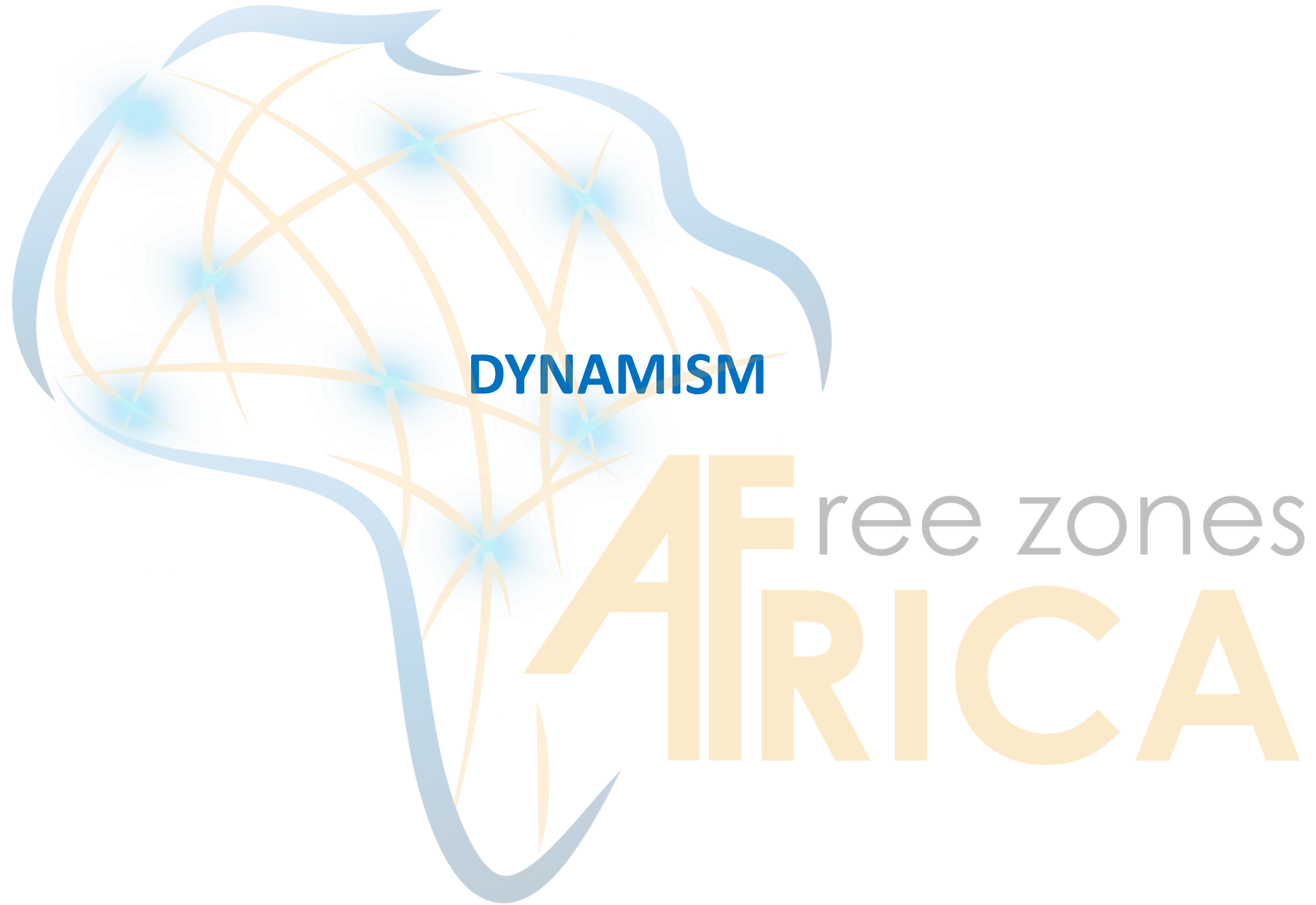
Free zones
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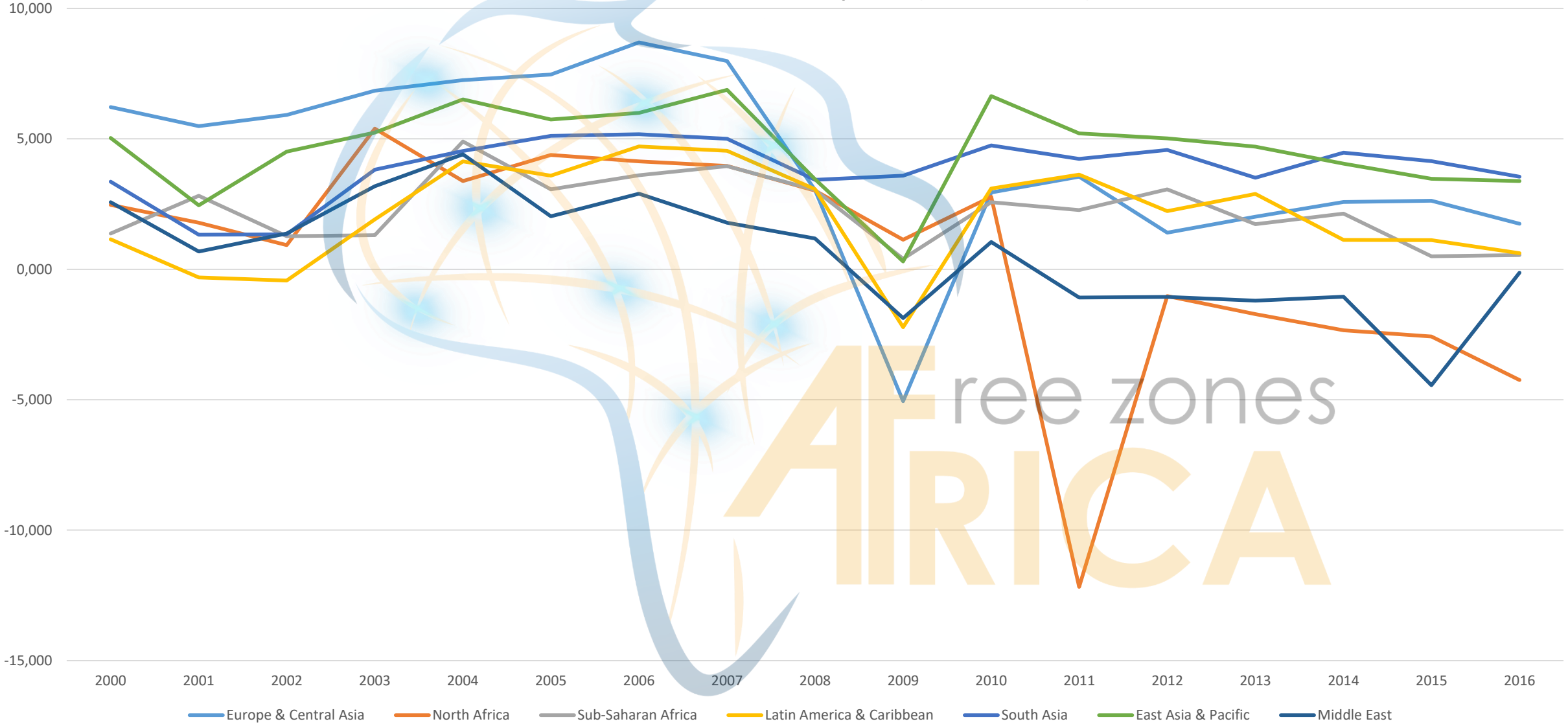
GDP Per capita (PPP constants US\$ 2011)



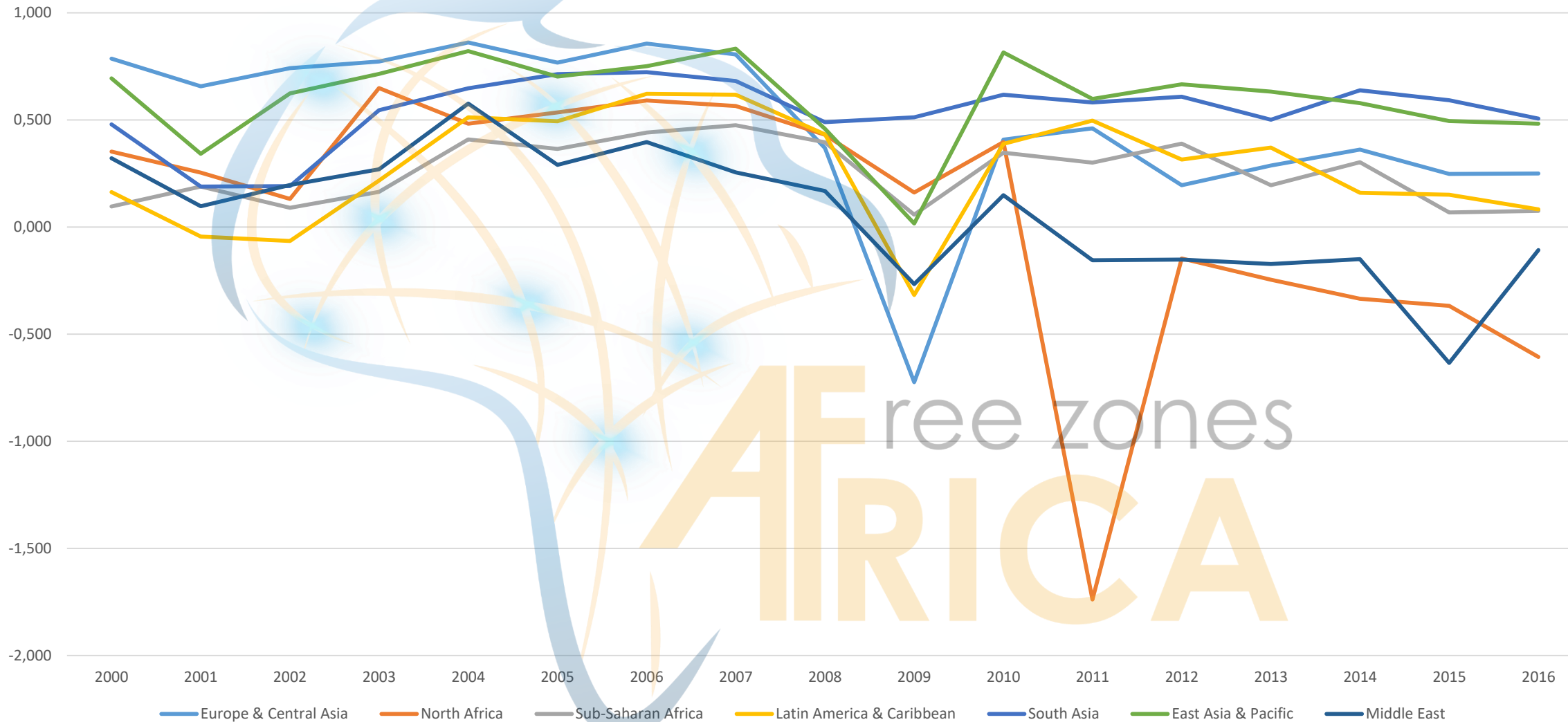




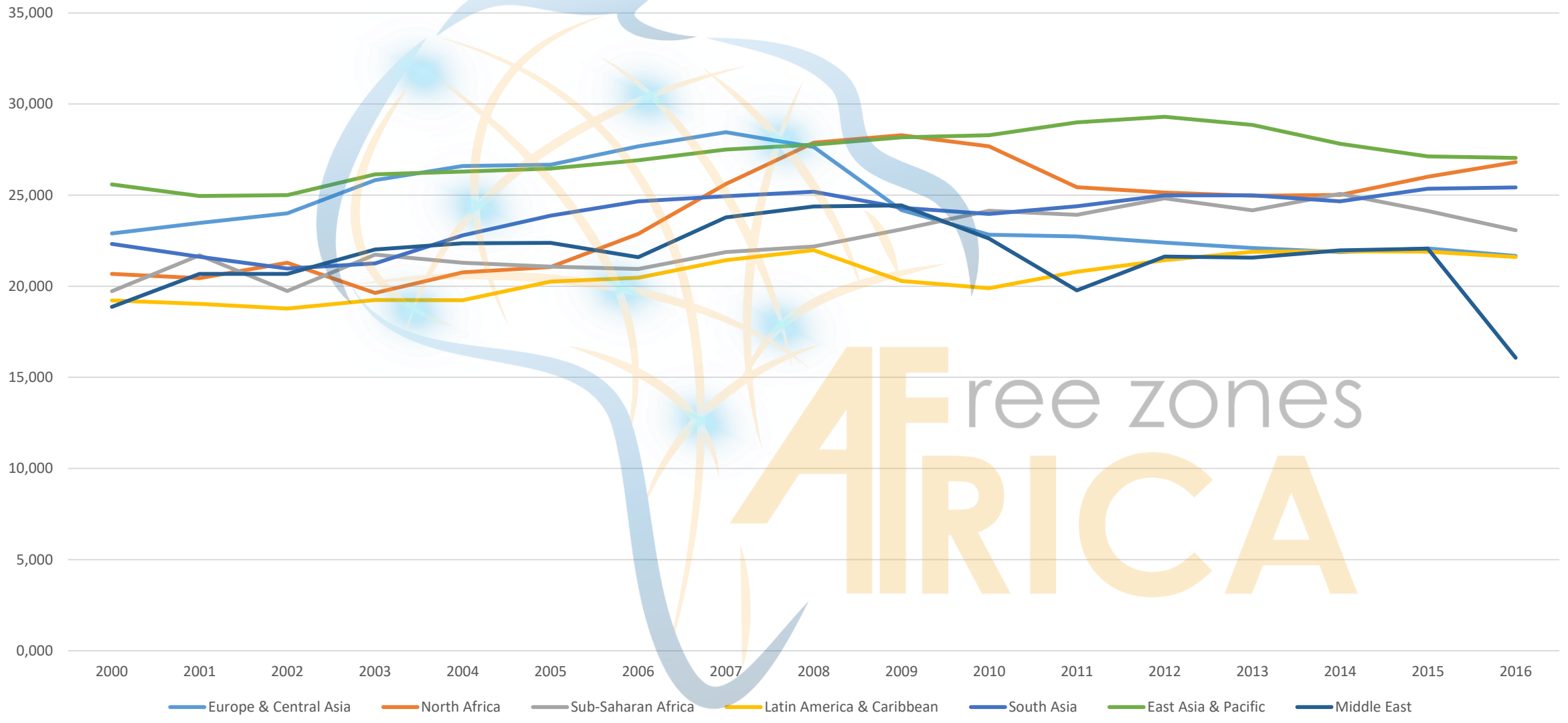
GDP Growth Rates Per Capita (% annuel)



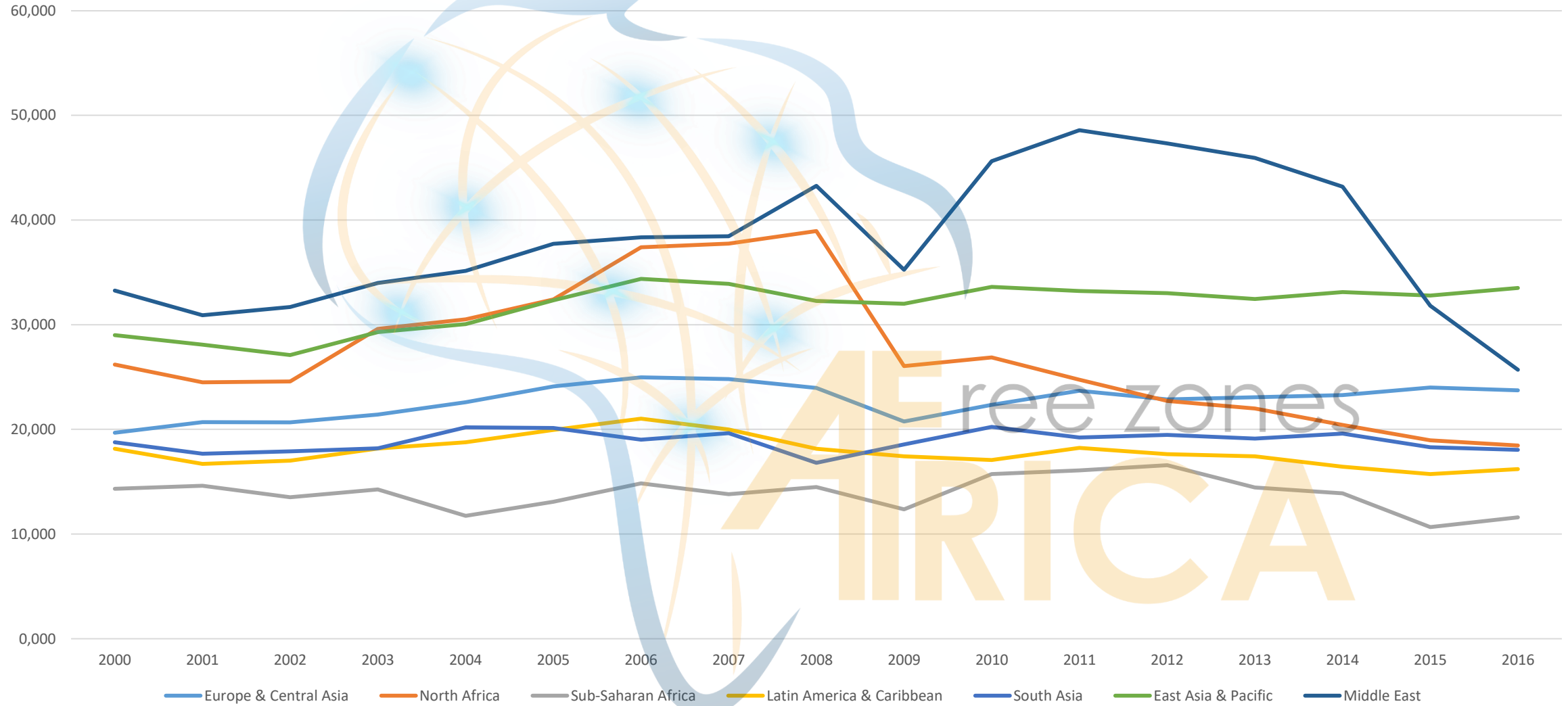
Sustained Growth of GDP Per Capita

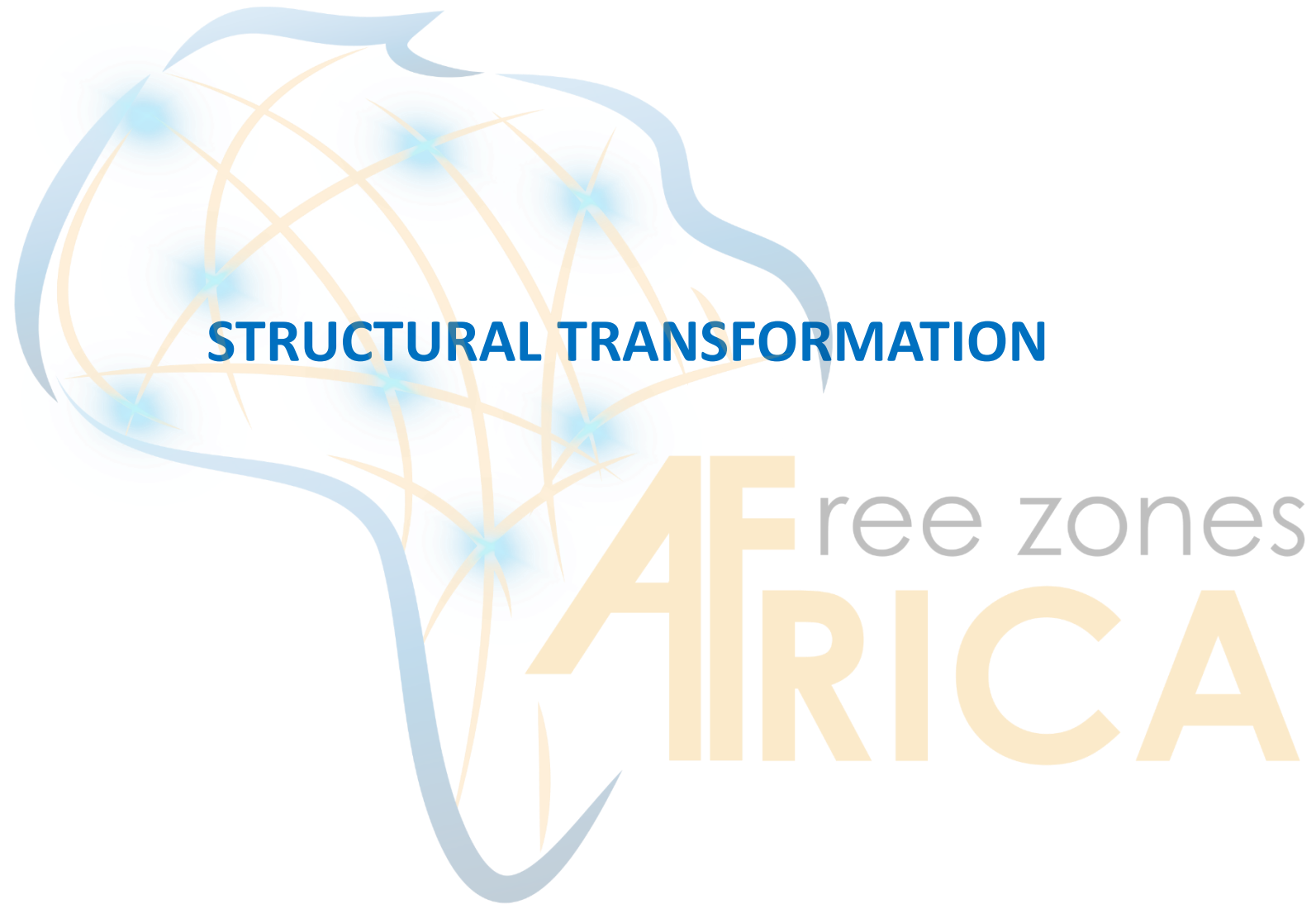


GROSS FIXED CAPITAL FORMATION (% of GDP)

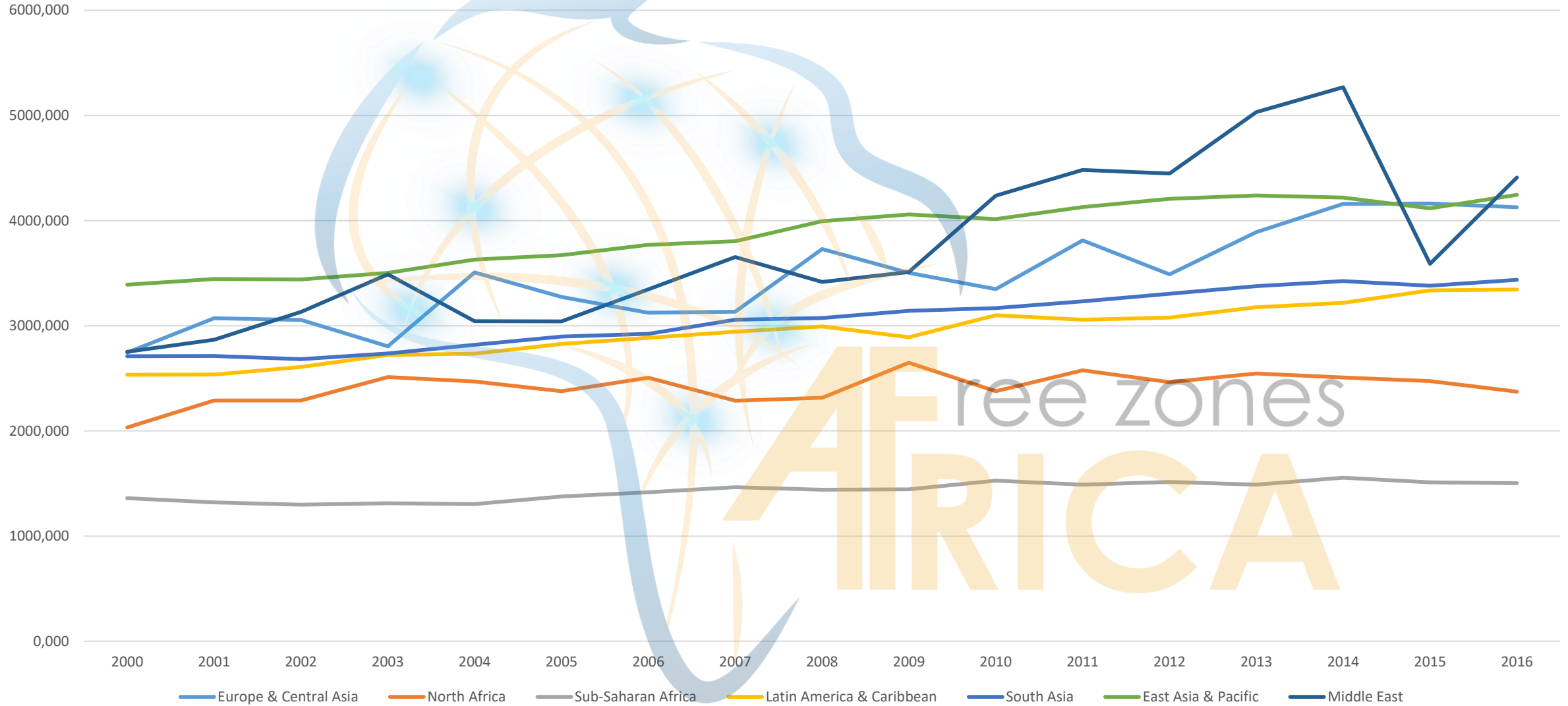


Gross Savings (% of GDP)

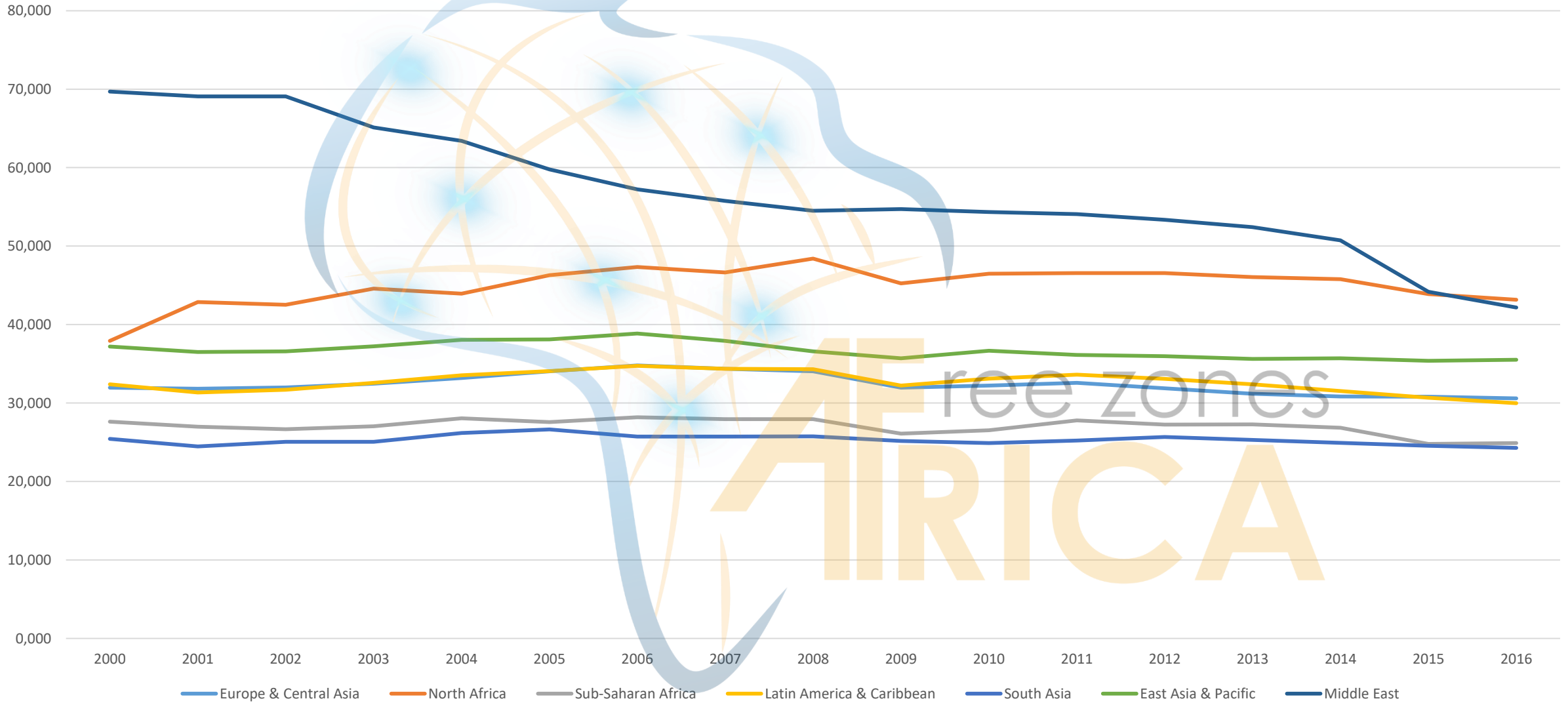




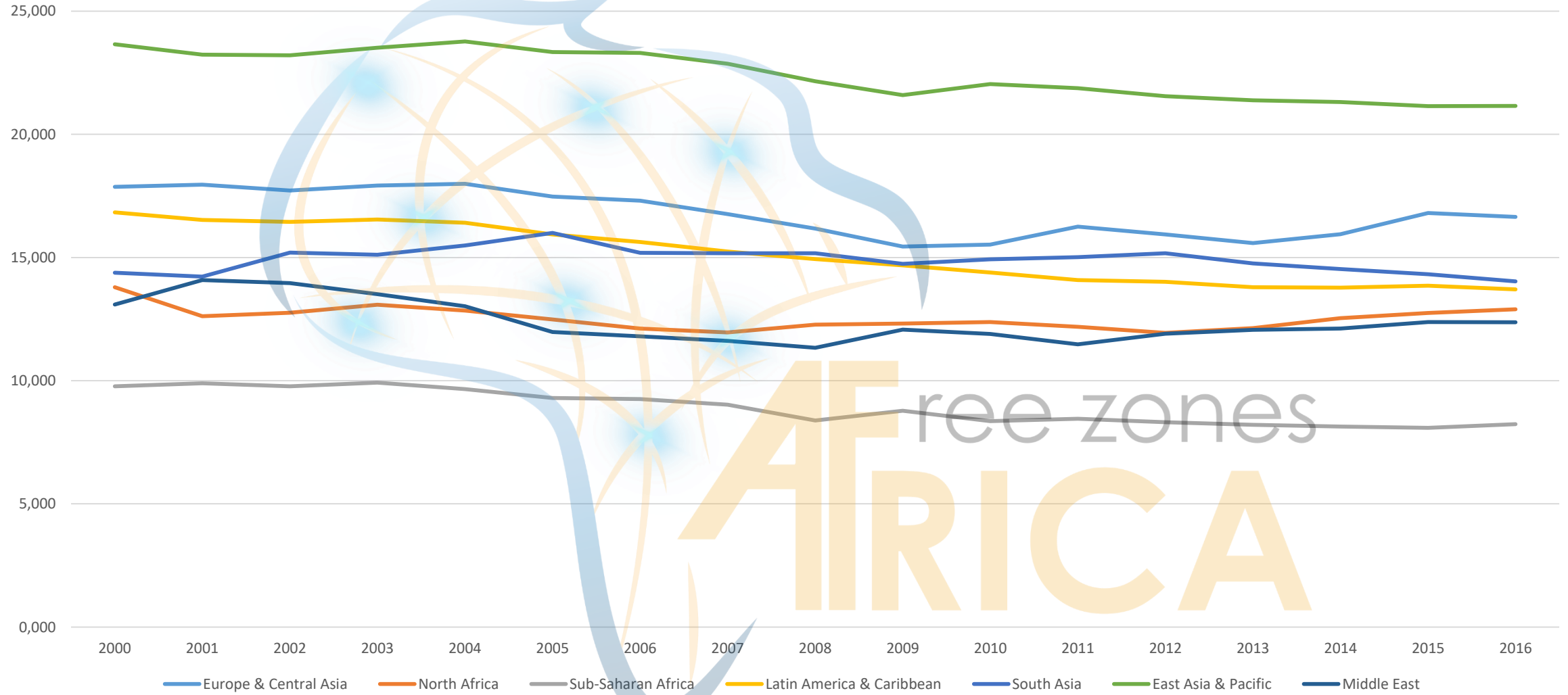
CEREAL YIELD (kgs per hectare)



Added Value of industry (% of GDP)



Manufacturing Value-added (% of GDP)

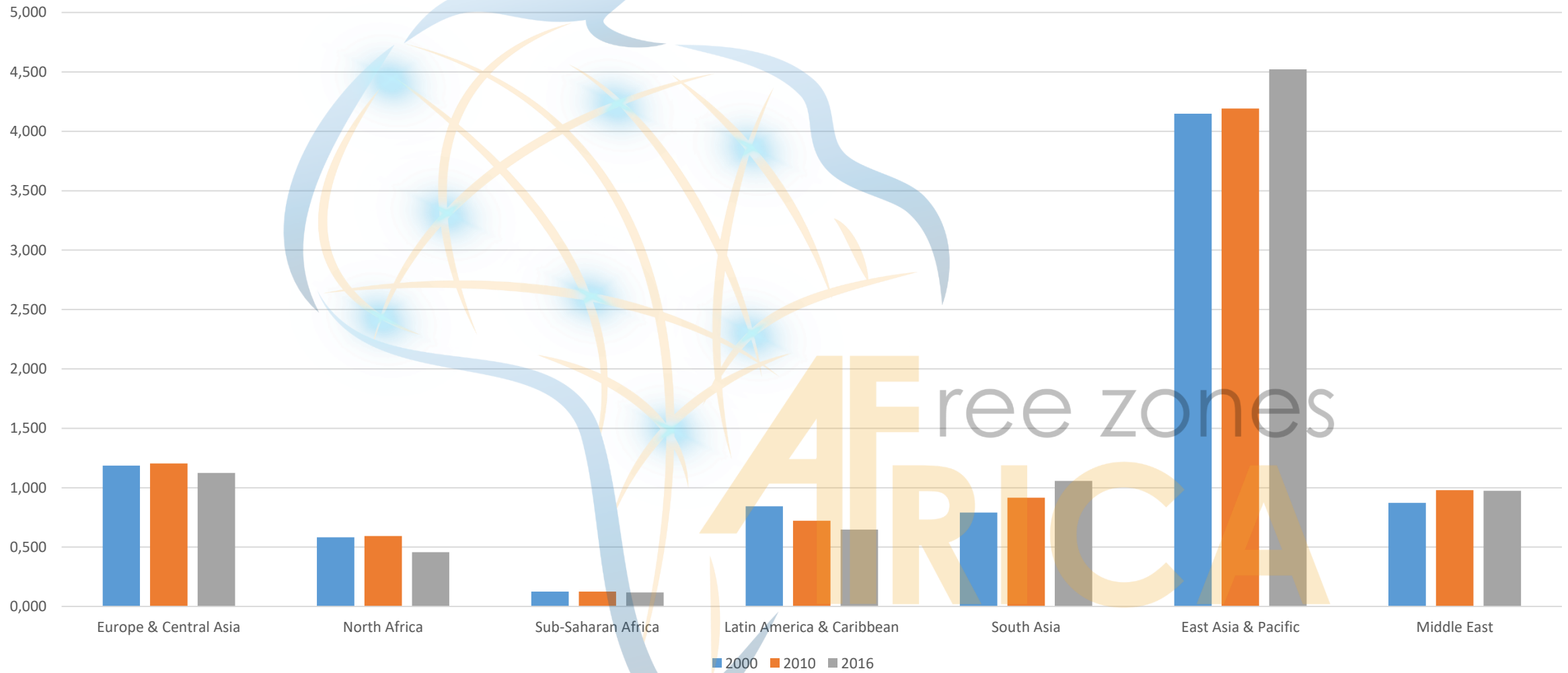




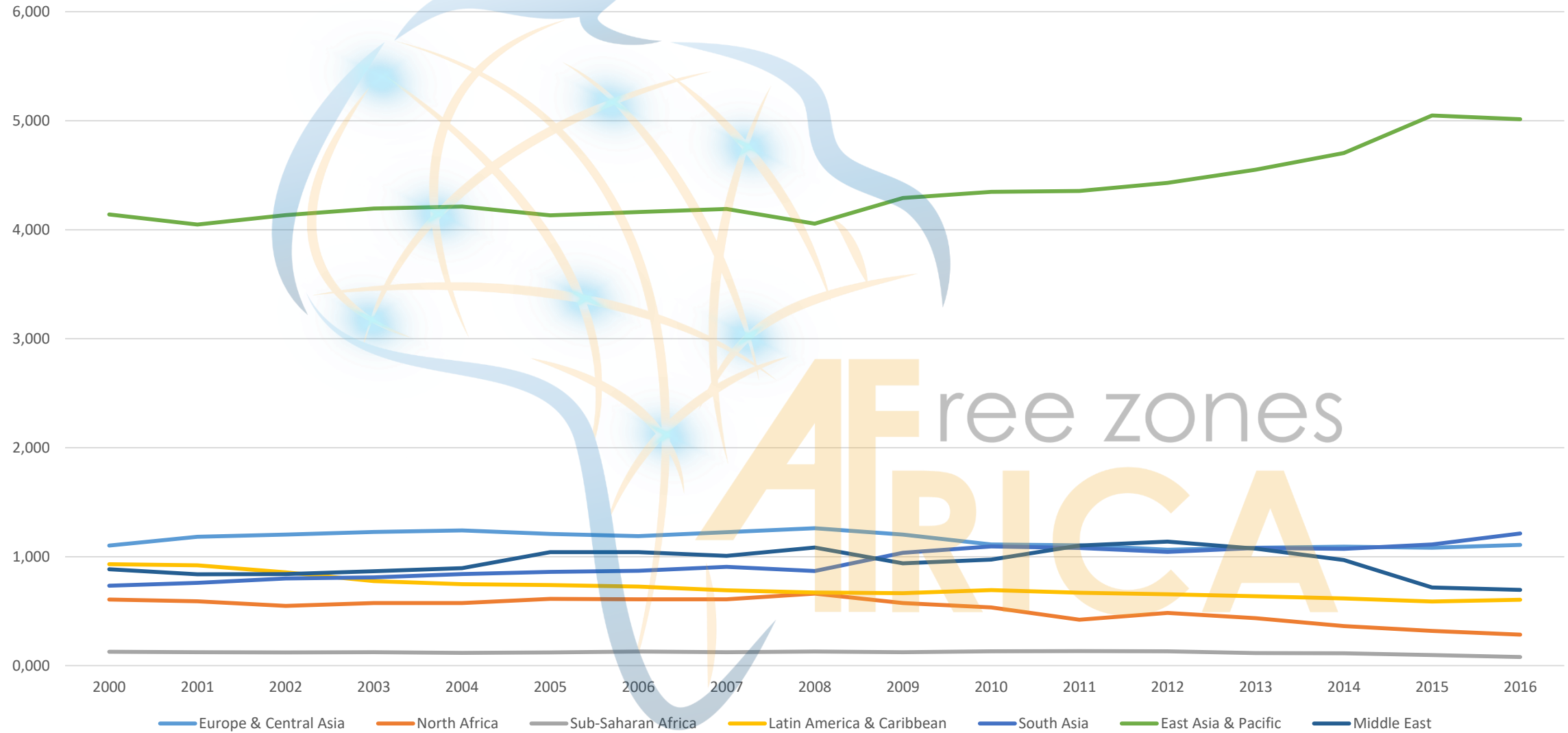
INTEGRATION INTO THE WORLD ECONOMY

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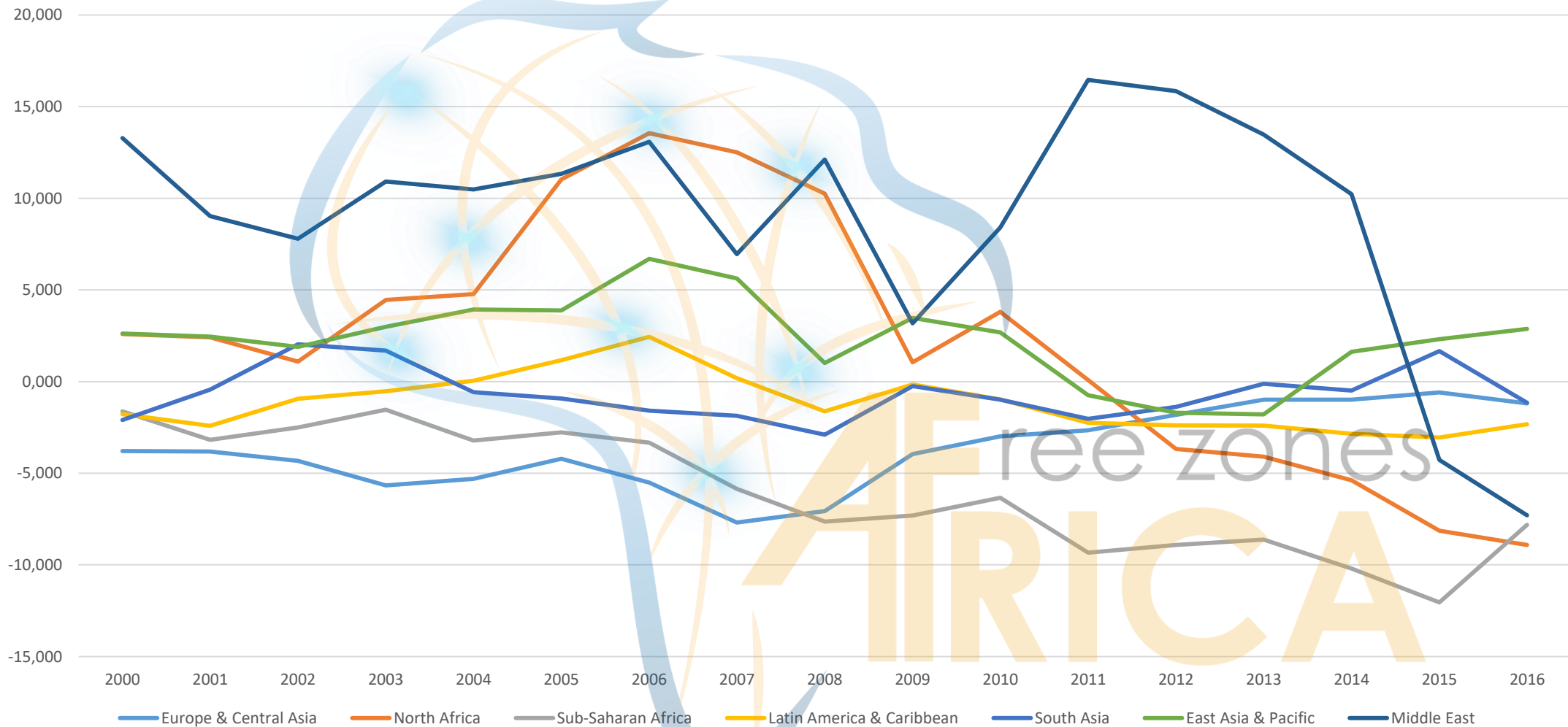
Export over 10 years / Total export sample over 10 years



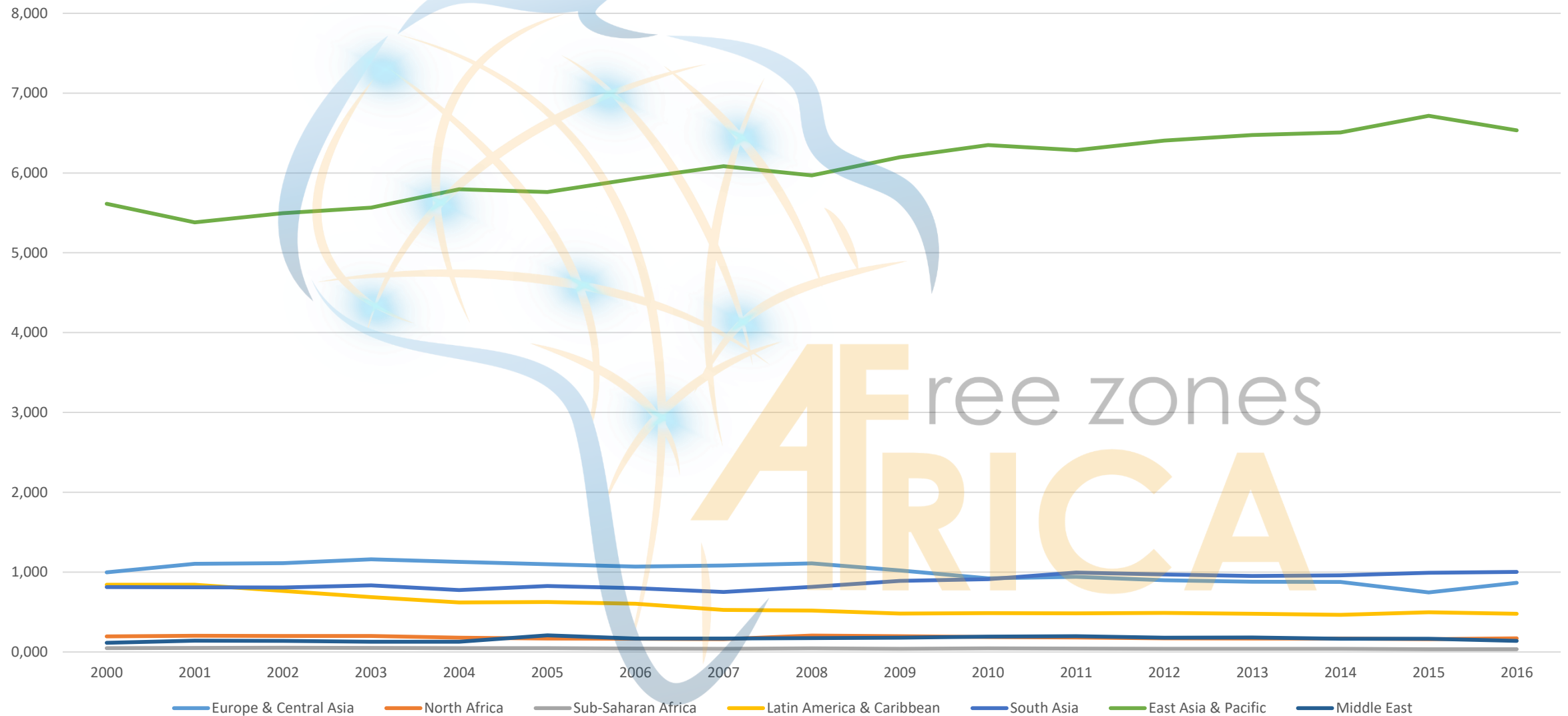
Exports of GDP (average over 10 Years)



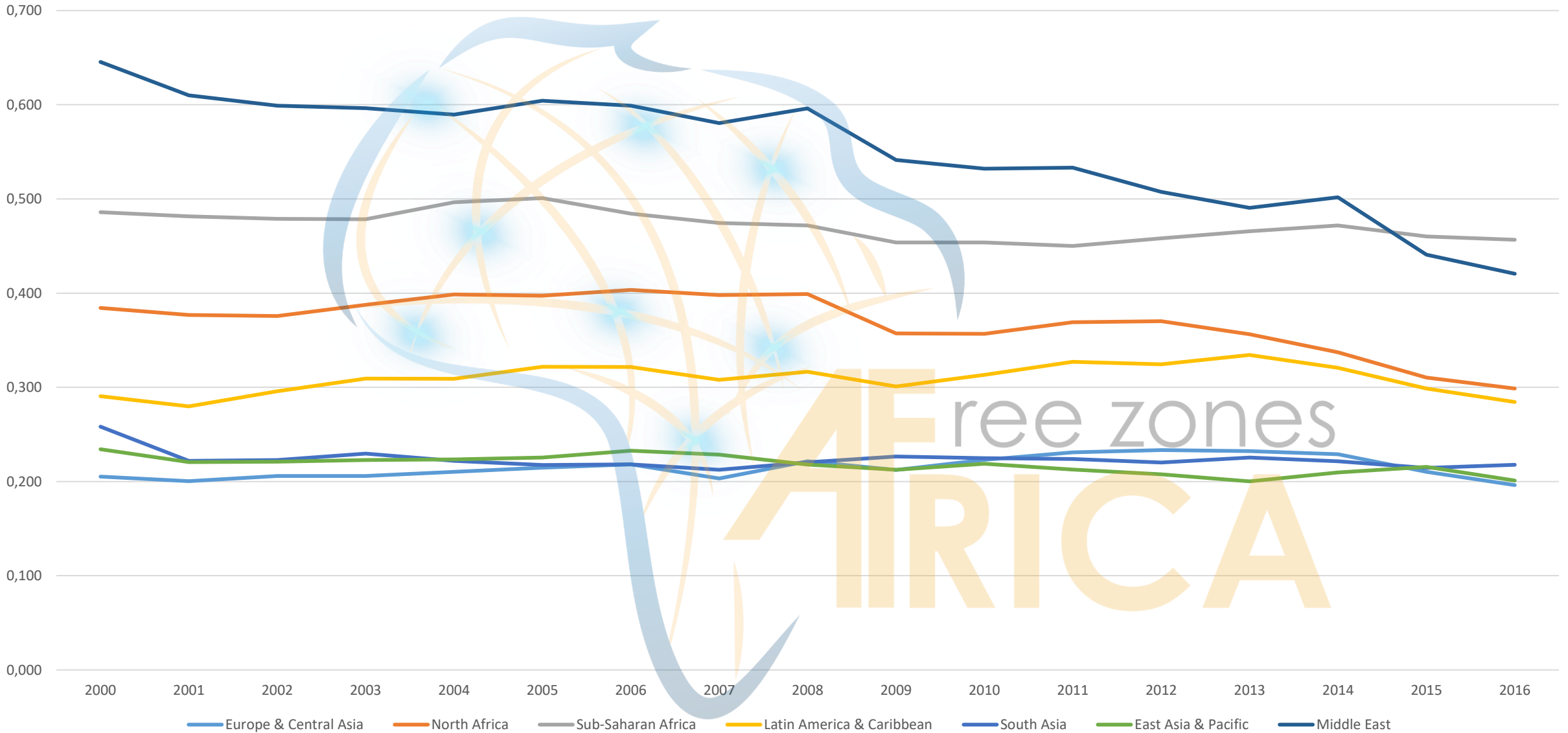
Current Account Balance in % of GDP



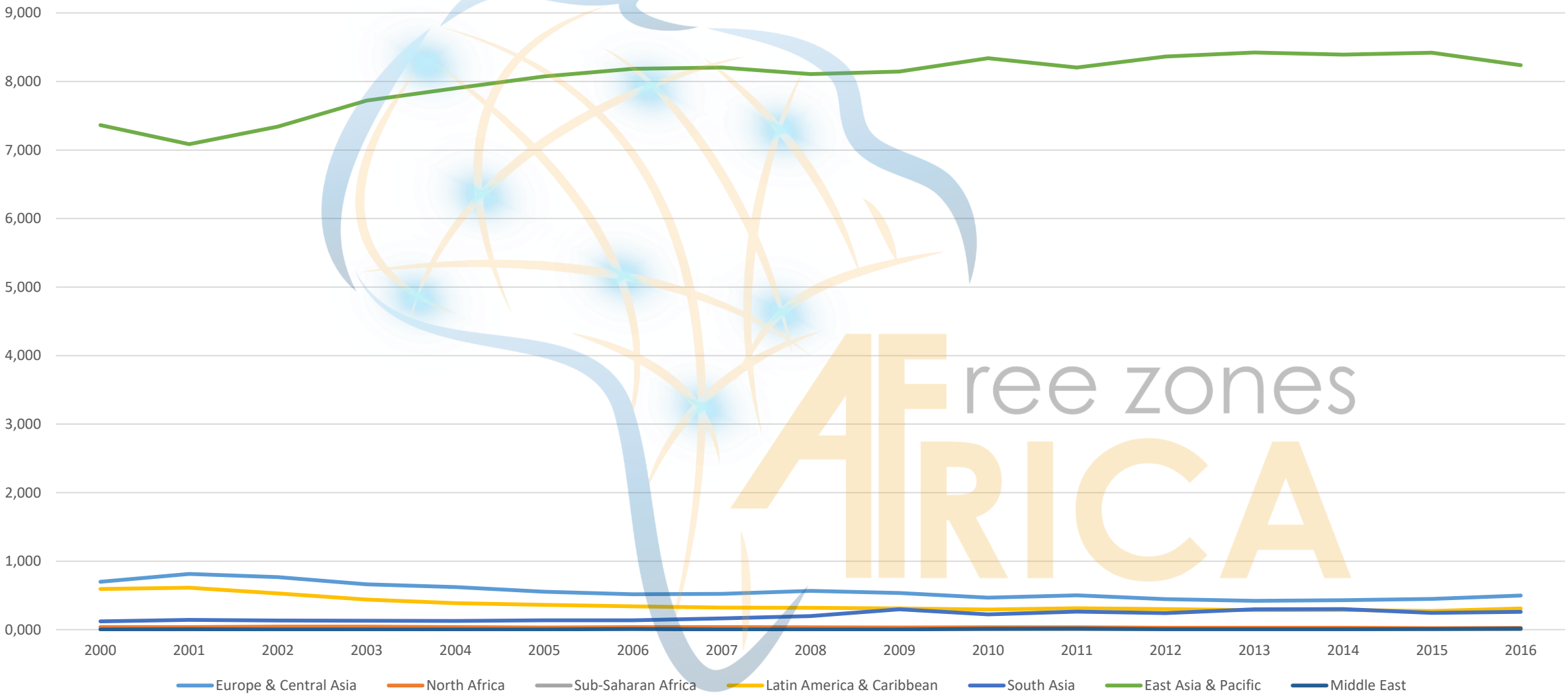
Manufacturing Export over 10 years / Total exports over 10 years



Concentration Index

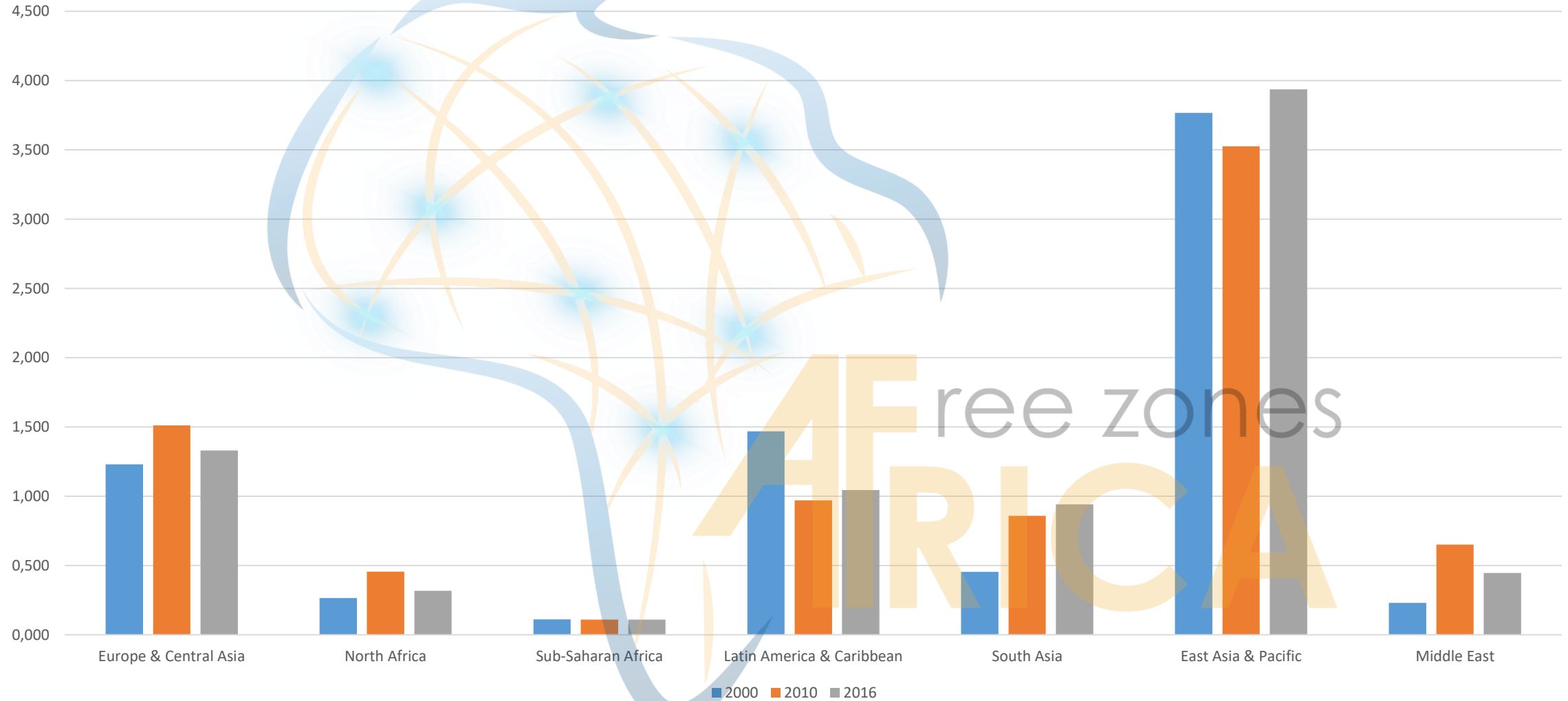


Product Export with a technology content over 10 years/ Total export over 10 years



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Total IDE over 10 years/ Total FDI Sample over 10 years





Synthetic Index of Economic Emergence (SIEE)

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Economic Emergence : Definition

Emerging markets, also known as emerging economies or developing countries, are nations that are investing in more productive capacity. They are moving away from their traditional economies that have relied on agriculture and the export of raw materials. They are rapidly industrializing and adopting a free market or mixed economy.

Average SIEE

Region	2005	2010	2016
Europe & Central Asia	0,857	0,870	0,841
North Africa	0,744	0,772	0,705
Sub-Saharan Africa	0,415	0,448	0,469
Latin America & Caribbean	0,710	0,744	0,736
South Asia	0,623	0,681	0,701
East Asia & Pacific	0,819	0,881	0,866
Middle East	0,647	0,696	0,663

EMERGENCE IS MULTIFACETED

Emergence, Environmental Sustainability and Social Progress

Development must not be understood solely from an economic point of view. There is a need to integrate other components, including the social aspects and the preservation of environmental resources, in order to make it **sustainable, equitable and human-centered.**

Moubarack LO, Emergence

Emergence, Environmental Sustainability and Social Progress

Since man must be at the beginning and at the end of development, to paraphrase Leopold S. Senghor, the concept of emergence can not be apprehended solely from the economic point of view.

Citizens of an emerging country must feel in their daily lives that their well-being is improving and that new opportunities for education, health, jobs and income are arising for them. Emergence must also be social.

Moubarack LO, Emergence

Emergence, Environmental Sustainability and Social Progress

On the other hand, promoting an economy that does not rely on the principles of the **green economy** is detrimental to development.

To this aim, several measures can be taken:

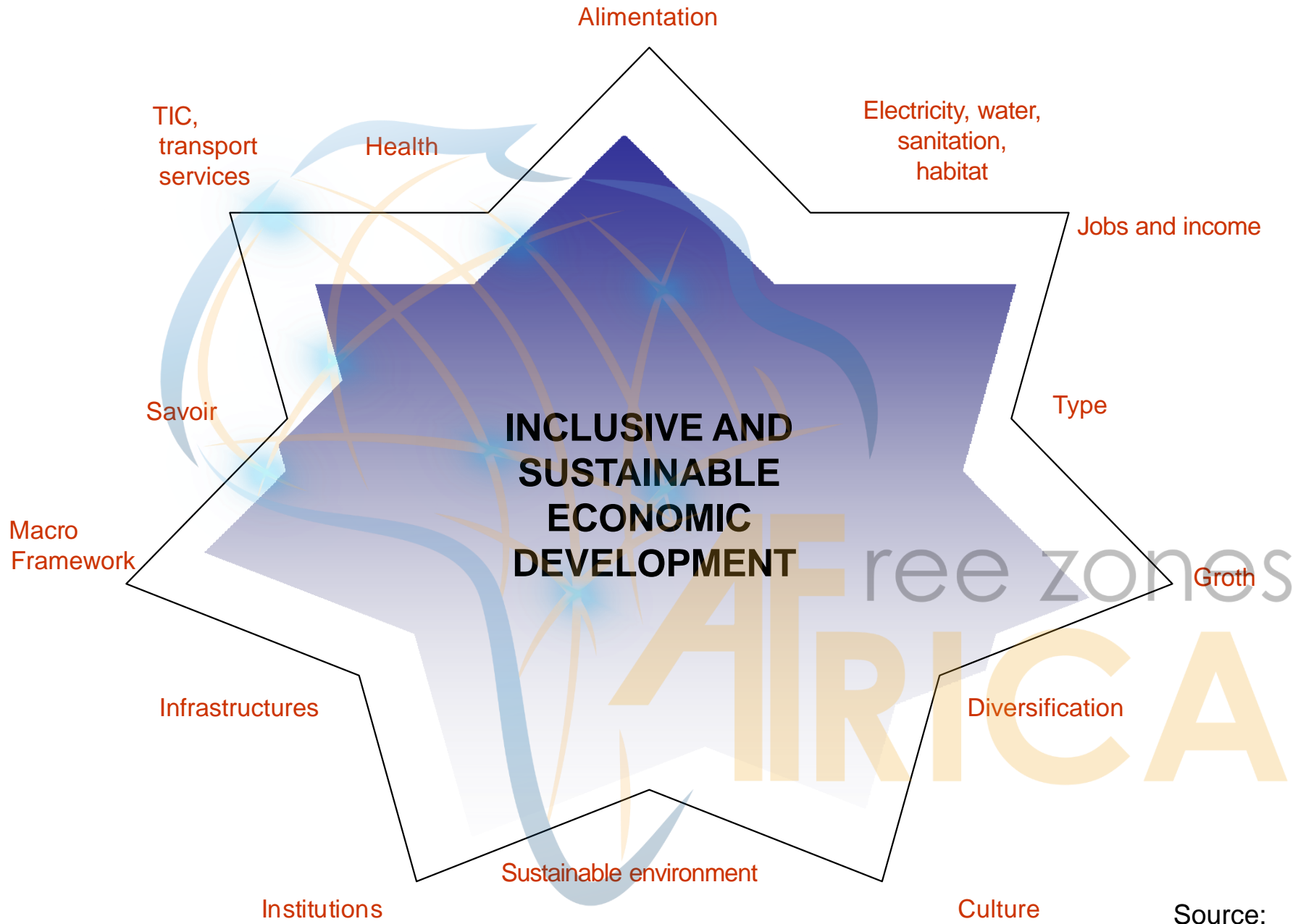
- Reduce carbon emissions and pollution
- Improve energy efficiency and resources;
- Prevent the loss of biodiversity and ecosystem services;
- Make natural resources companies contribute to the financing of national development;
- Promote the efficient valuation of natural resources

Moubarack LO, Emergence

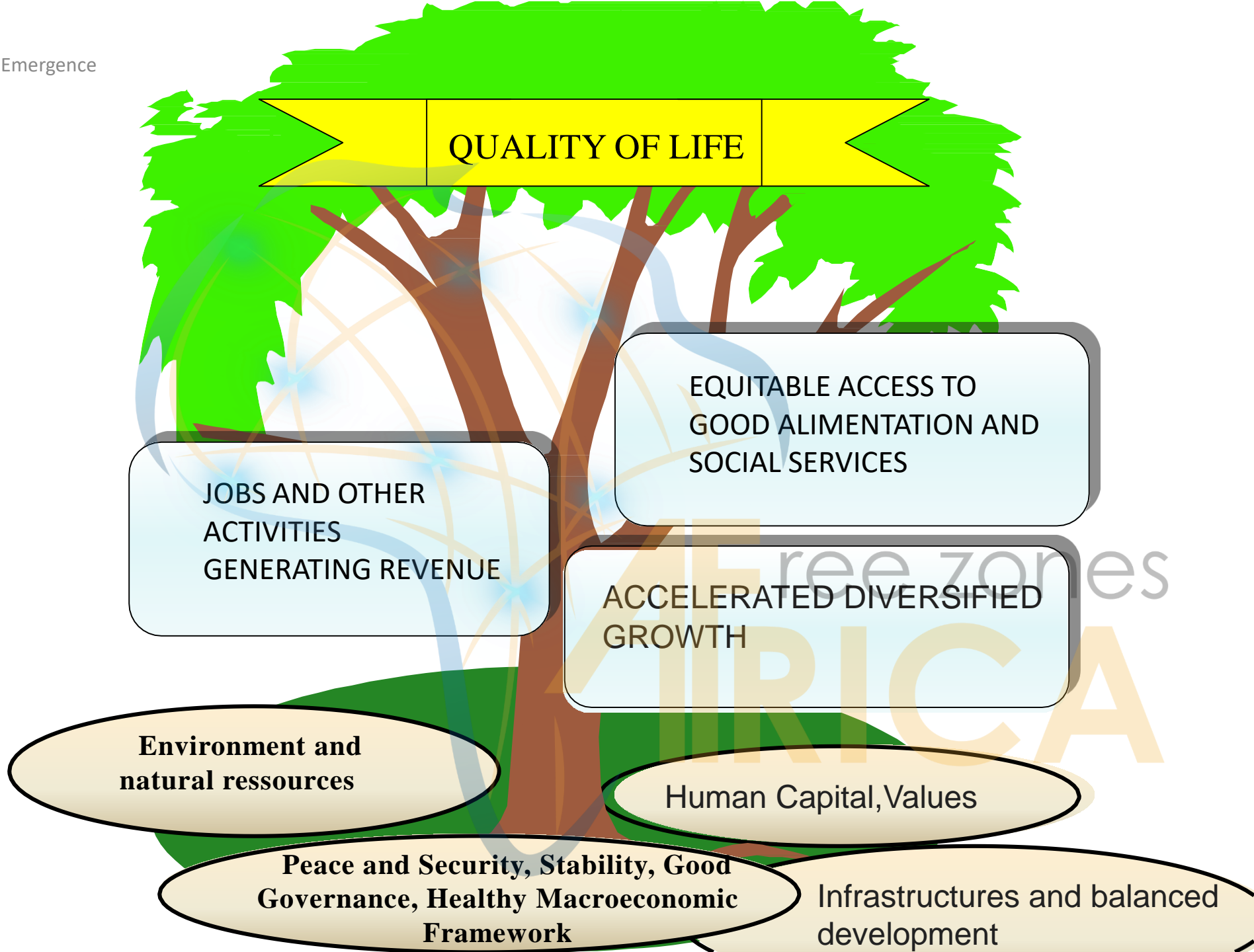
Emergence and quality of institutions

The role of institutions is well highlighted by Kaufmann et al. (2005), based on the development of a synthetic indicator of good governance (measuring the quality of institutions), and including human and democratic rights, political stability and the absence of political violence, the simplicity and speed of administrative procedures, respect for the rule of law and the fight against corruption.

Testing this indicator, IMF (2005) found that there is a strong correlation between good governance and the level of national income per capita. In particular, sub-Saharan Africa would have multiplied its GDP per capita by 2.5 times if its institutions were established at the level of the average quality of institutions in the world..

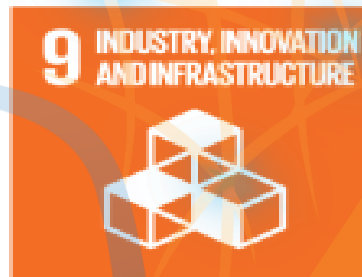
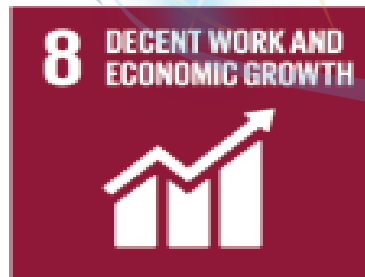
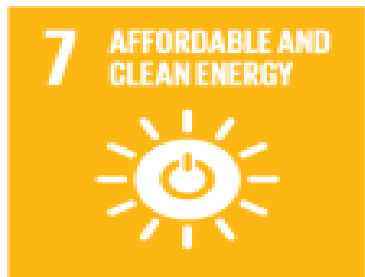


Source:
Moubarack LO, Emergence





SUSTAINABLE DEVELOPMENT GOALS



NEED TO MOBILISE THE PRIVATE SECTOR AROUND THE SDGs

NEED FOR ENTERPRISES TO INTEGRATE THE SDGs INTO THEIR BUSINESS
MODELS



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**II. POTENTIAL OPPORTUNITIES OFFERED BY ECONOMIC
ZONES AND FREE ZONES TO ACCELERATE SUSTAINABLE
ECONOMIC DEVELOPPEMENT IN AFRICA**

Two points of view in the economic literature:

Viewpoint n ° 1.

Sustainable economic development will be achieved through simultaneous deep reforms throughout the territory and in all economic sectors;

Viewpoint 2.

Accelerating national development can be driven into well-defined areas with a world-class environment and incentives and dedicated mentoring.

This point of view is reinforced by the success of SEZs in China (of which Shenzhen is the pioneer) and closer to us by the remarkable results achieved by TangerMed Zones in a few years.

HISTORICAL EVOLUTION OF THE CHARACTERISTICS OF FREE ZONES

	Types	Activities	Destination of products	Promoters
Year	Trading ports / commercial free zones	Free ports and warehouses	Imported goods for the national market and distribution at regional or continental level	State
1960 et 1970	Export processing zones	Electronic assembly, textile, clothing,	Exportation	State
1980, 1990 et 2000	Special Economic Zones with advanced logistics and specialized support services	High value added industries, New technologies, R & D, Finance,	Hybrid zones, export-oriented and the market inside Links with the host country are encouraged	State Private Sector

OPPORTUNITIES OFFERED BY ECONOMIC ZONES AND FREE ZONES
IN RELATION TO THE OBJECTIVE OF SUSTAINABLE ECONOMIC DEVELOPMENT

- Attracting FDI (by building islands of world class competitiveness, quote Lee Kwan Yew)
- Test reforms, before their extension in the country
- Generation of activities outside the Free Zone through outsourcing
- Diversification of national production
- Development of manufacturing exports and high technological content
- Development of national human capital
- National technological capacity development

CHALLENGES FACING ECONOMIC ZONES & FREE ZONES

- Opportunity cost of public investment without guarantee of future success of the Zone (experience lived by many African countries)
- High tax expenditures, for investments that could be realized without incentives
- Competition with local production (for some areas, possible to sell up to 50% of the production on the national market, paying the fees)
- Slowing regional integration, if the regional market becomes domestic.

KEY FACTORS OF SUCCESS OF ECONOMIC ZONES & FREE ZONES

According to research by the [World Bank](#), (Special Economic Zones: Progress, Emerging Challenges, and Future Directions, November 2011), the most important factors are as follows:

- **Good planning and good monitoring and evaluation system**
- **Development of quality of : Physical and logistical infrastructure / Sufficient energy / Trade facilitation**
- **Overall environment of investment in the country**
- **Proximity / access to broad consumer markets, suppliers and skilled workers**

KEY FACTORS OF SUCCESS OF ECONOMIC ZONES & FREE ZONES

- Government commitment over time, with clear strategic objectives
- Incentives (but not as determining as other key Factors mentioned)
- Capacitation of the authorities responsible for administering the zones
- Highlighting the comparative advantages of the country
- Close links of the companies of the Zone with the national economy, to favor the catalytic role of the Zone
- Promotion of decent work within the Zone.

OPPORTUNITIES OFFERED BY ECONOMIC ZONES AND FREE ZONES IN RELATION TO THE OBJECTIVE OF SUSTAINABLE ECONOMIC DEVELOPMENT

Zones can play an innovating and catalyst role for the integration of SDG into Business Models (thus promoting the idea of Sustainable Economic Zones):

1. Developing World-class products that contribute to the acceleration of economic and technologic development of the host country
2. Test of good practices in terms of energy efficiency, biodiversity conservation and pollution control
3. Decent jobs creation within the Zones, including for disadvantaged groups
4. Contribution to Poverty reduction within the Country

Support to Local Communities (education, health, nutrition, water access, rural electrification)

Support to small businesses in urban and rural areas.

Exemple: The Chinese companies that have successfully supported the entrepreneurial initiatives of the poor (at an agricultural or micro-industrial level), through training, technological strengthening and the provision of services for the marketing of products. The Chinese Business Association has mobilized its members for this purpose, i.e. 46,200 companies at the end of 2017, for the benefit of 51,200 villages

5. Fight against corruption.

A Successful Example : TANGERMED ZONES (à compléter)

Achievements of TangerMed Zones since its creation in 2004:

- 750 Implanted companies
- FDI received : 3.5 billion euros.
- Exports: 5.5 billion euros
- 65,000 Jobs created
- Priority given to Corporate Social Responsibility: contribution to the fight against poverty at national level
- Promotion of environmental sustainability within TangerMed Zones.

Contact :

