

# Fundamentals for the Development of New Emerging Industrial Sectors within Economic Zones and Free Zones

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# Developing new sectors in SEZs?

## Intended outcomes & benefits

### Driving economic growth?

1. Employment
2. Economic activity
3. Productivity
  - Skills
  - Investment
  - Innovation, Knowledge & Technology
  - Enterprise
  - Competition

# Developing new sectors in SEZs?

## Intended outcomes & benefits

### Direct benefits:

- Direct employment creation and income generation
- Export growth and export diversification
- Foreign exchange earnings
- Government revenues
- Value addition/capture/beneficiation

### Indirect benefits:

- Indirect employment creation
- Supply chain development and linkages
- Technology transfer
- 'Demonstration' effects

# SEZs – Good Practice Principles

*“ Zones cannot and should not be viewed as a substitute for a country’s larger trade and investment reform efforts. They are **one tool in a portfolio of mechanisms** commonly employed to create jobs, generate exports and attract foreign investments, through the provision of incentives, streamlined procedures and custom-built infrastructure ”*

*FIAS/World Bank, Special Economic Zones: Performance, Lessons Learned and Implications for Zone Development*

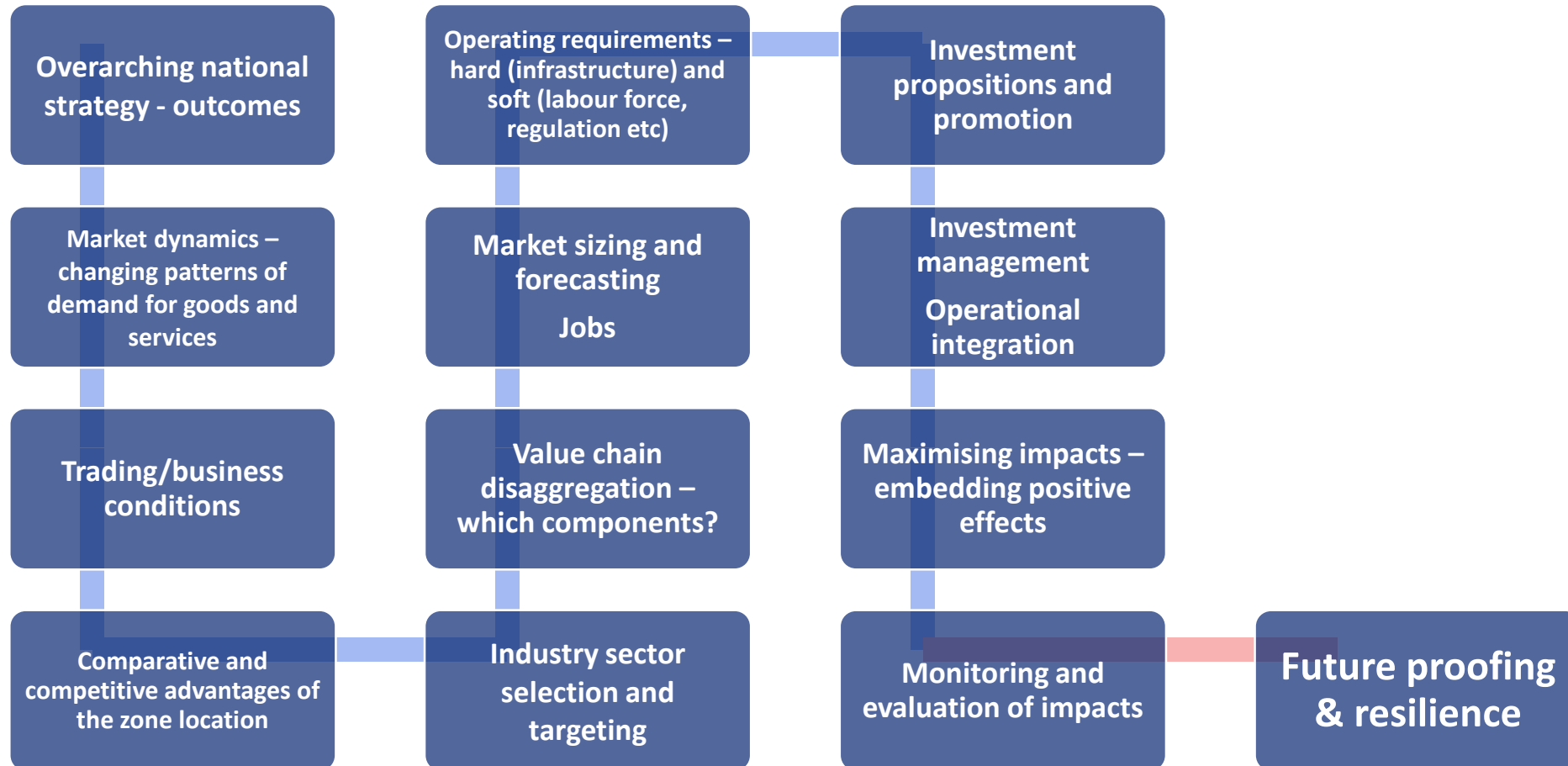
# Development of new industrial sectors

## A demand-driven approach

- A **demand-driven** approach underpins genuine commercial viability and is more likely to provide the range of tangible economic impacts
- Development phasing and infrastructure deployment – CAPEX – must respond to market conditions
- **Capturing demand** versus **stimulating demand**?
- Targeting versus opportunism?

# Development of new industrial sectors

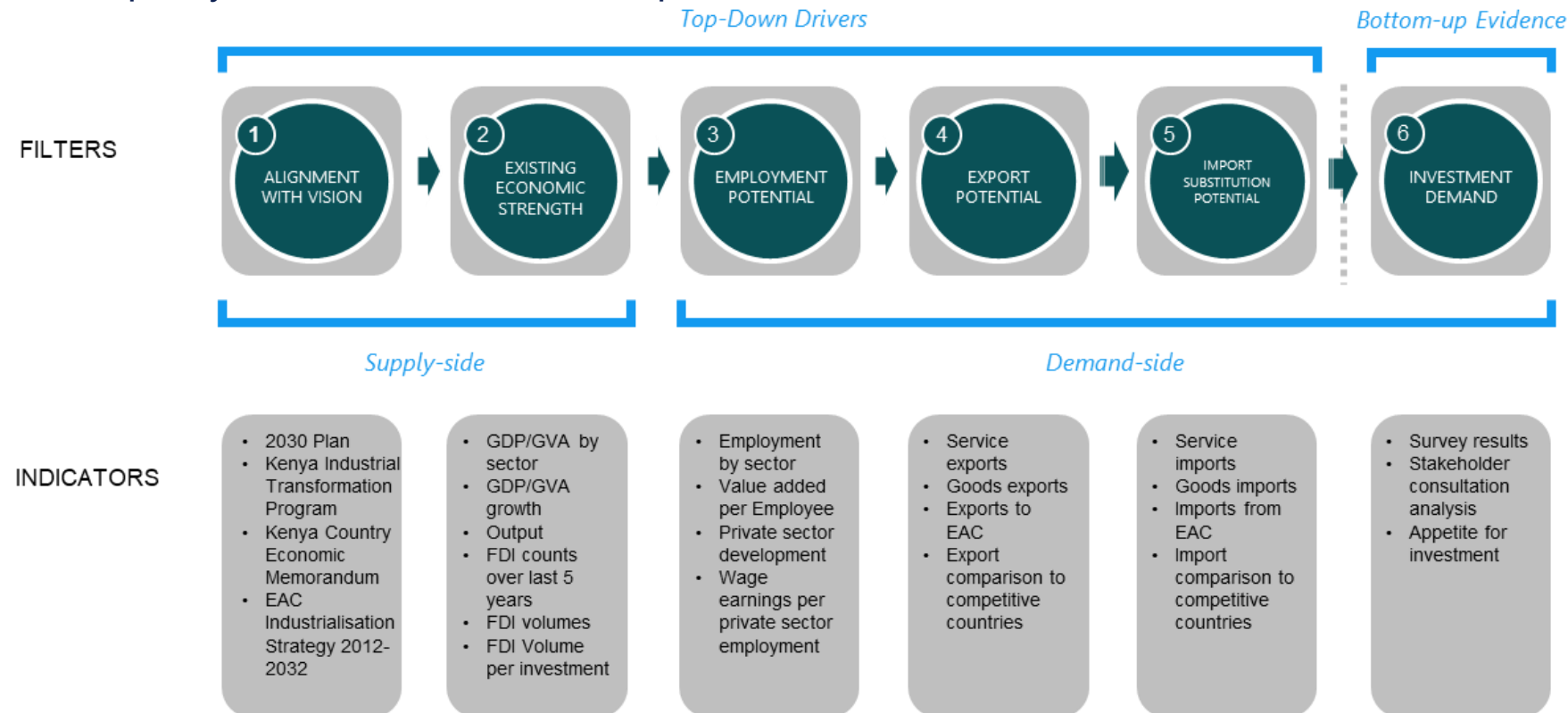
## A demand-driven approach



# Industry-sector selection

## Identifying priority sectors for SEZ programmes

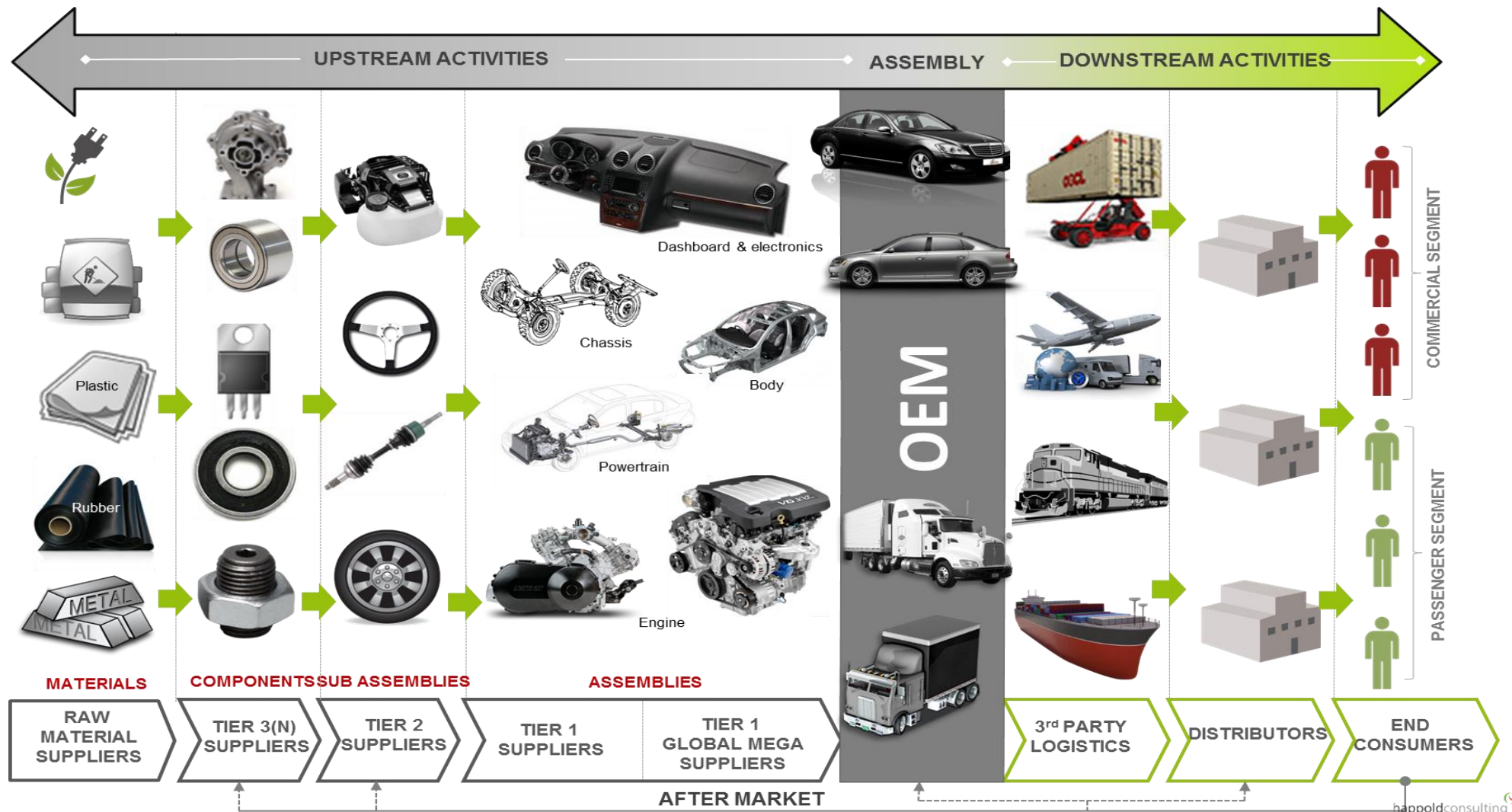
Identified by a combination of demand and supply side indicators and balancing 'top-down' macroeconomic trends and policy directions with 'bottom-up' market evidence



Example from Kenya SEZ Study.  
Source: BuroHappold Engineering

# SEZ Sector Specialisation example

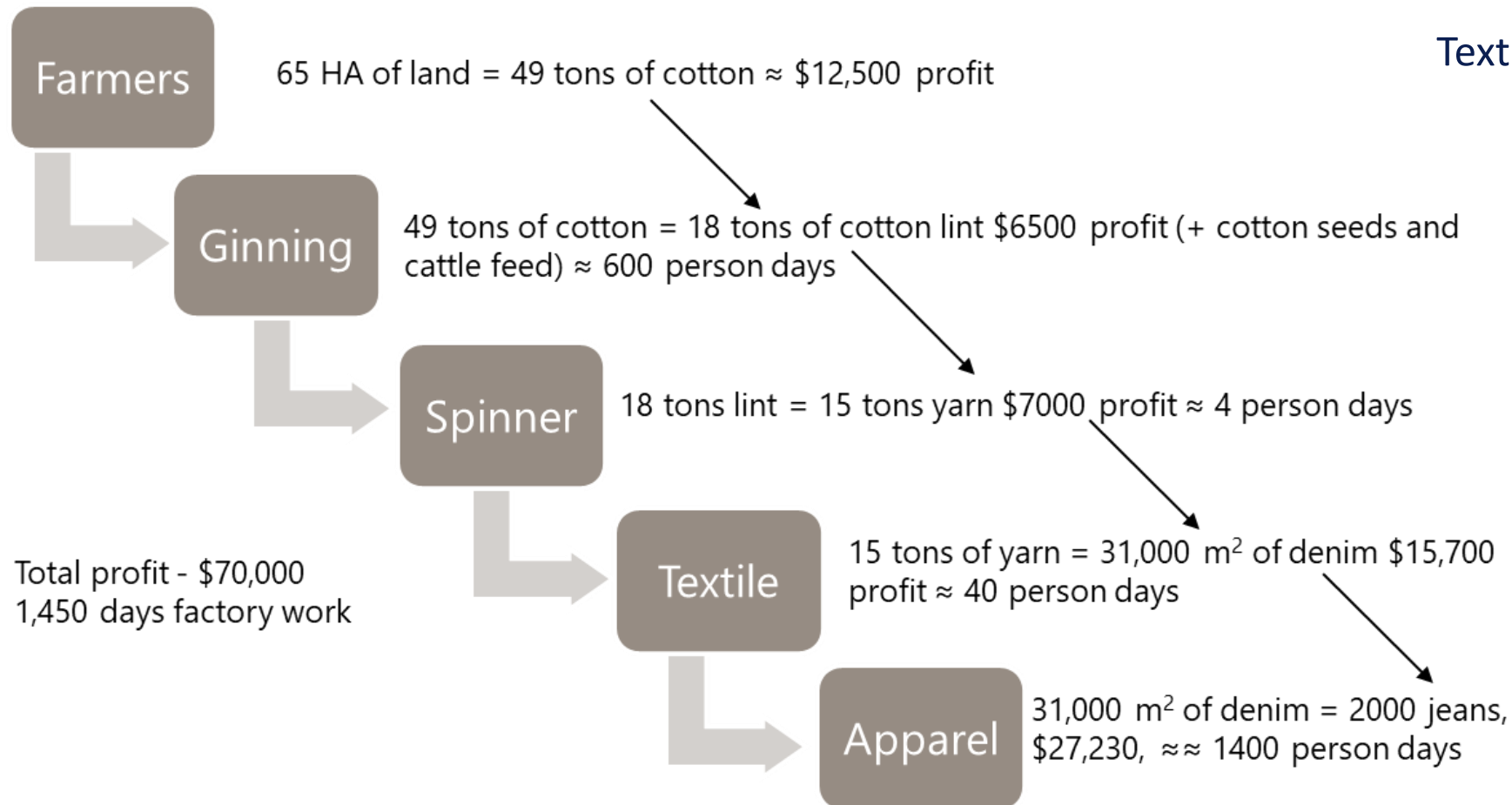
## Disaggregating value chains (automotive sector example)





# SEZ Sector Specialisation example

## Disaggregating value chains



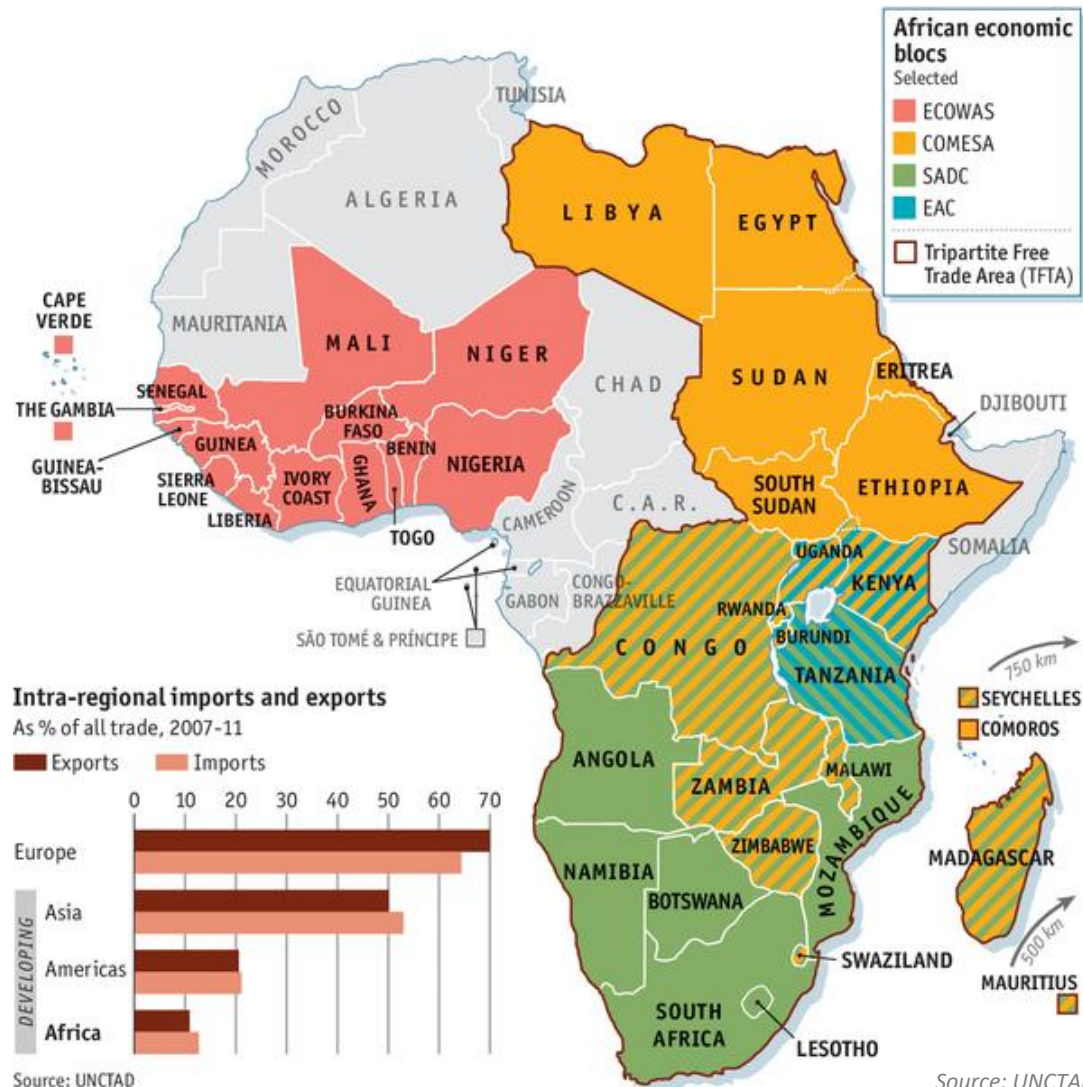
### Textiles & Apparel Value Chain in Kenya

Example from Kenya SEZ Study.  
Source: BuroHappold Engineering

# Maximising Benefits

- **Operating environments**
  - Ease of doing business
  - Regulatory environment
  - Risk minimisation
- **Supply side conditions**
  - Infrastructure
  - Labour force & skills
  - Supply chain management

# Regional Complementarity



SEZs have been used extensively as mechanisms for employment creation, accelerating FDI, increasing export earnings and facilitating diversification and industrialisation.

Successful **integration** of SEZs into wider national economic structure is often challenging but must be addressed fully.

**Complementarities** in economic terms must also be planned, particularly in countries with several SEZs.

# Lessons

- Begin with national or regional economic strategy – what are the economic and social priorities?
- Grounded in evidence and demand drivers
- Understand how an SEZ programme supports and facilitates delivery of an economic strategy
- Develop an appropriate industry-sector selection framework
- Understand how industry value chains can be promoted through SEZ investments
- Plan fiscal (and other) incentives with economic and sectoral objectives in mind
- Physically plan and locate the SEZ to respond to and address economic and sectoral objectives
- Plan, phase and deploy infrastructure effectively
- Complementary economic policies are very important – especially labour market programmes

# Thank you



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