

The background features a central globe with a white network overlay of lines and nodes. The globe is surrounded by various geometric shapes in shades of blue and orange, creating a dynamic, modern aesthetic.

**4<sup>th</sup>**  
**ANNUAL MEETING**  
**AFRICA FREE ZONES**  
**ORGANISATION**

**Africa Economic Zones at the ere of  
clustering and Innovative Finance**

**Deloitte.**

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## Industrial clusters



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- Firm size is an overarching concern for the vast majority of domestic enterprises in Africa and one promising mechanism that can facilitate growth for African industries is the formation of industrial cluster
- An industrial cluster is a geographic concentration of firms in the same or related industries. In Africa, we observed a couple of spontaneously grown clusters in light manufacturing industries such as textile and garments, furniture, metalwork and equipment
- Studies of clusters in Cameroon, Ghana, Kenya, Mauritius, Tanzania and Rwanda, showed that industrial clusters appear to provide a pocket of vitality in Africa's private sector.
  - Enterprises within the cluster appear to have better sales performances than enterprises outside the clusters. Agglomeration of enterprises leads to more capital accumulation inside the cluster which boosts sales
  - Joint actions by firms in the clusters such as joint sales practices, help enterprises penetrate distant markets
  - Cluster based enterprises are more likely to buy their inputs from other enterprises within the same cluster, while selling their products outside, creating thus a strong buyer and seller network that improves profitability

# Common challenges for industrial clusters



Access to  
suitable  
lands



Access to  
talents/skills



Access to  
finance

## Common challenges for industrial clusters

- Space constraints often impede growth within clusters. Very often we see them facing land shortage and physical congestion. In addition to that unclear zoning policies and their unpredictable changes limit firms' choices and mobility, constraining their ability to formalize their operations. Last, often clusters are located where the land is available without any consideration of whether or not this land is suitable for the industrial activities they want to develop
- Existing studies on African industrial clusters, point to the lack of managerial skills and knowledge among entrepreneurs as a major constraint on innovation and growth in the clusters. Companies within clusters noted there is a weak link to universities, resulting in an important timelag between the identification of business skills and training needs and the implementation of new training courses. While large companies are often able to put in place in-house structured skills recruitment and development programs, SMES, with limited in-house capabilities and resources require outside support.
- When interviewed, firms within clusters highlight their difficulties to access finance, when they need to invest in the upgrading of their industrial assets, in export activities or when looking at acquisitions/mergers opportunities. Industrial clusters in Africa compete in a globalized economy and access to finance solutions is key for their development, as we see today that penetration into global markets is still a challenge
- Raising survival-level industrial clusters to a more dynamic, innovating state is an important avenue for fostering industrialization in Africa. Policies reforms can
  - Provide an environment in which cluster based micro and small firms can be better linked with larger enterprises, including foreign-owned enterprises, that have access to global markets
  - Focus on improving investment climate and more particularly, improving access to land through market-oriented land allocation measures and sound spatial planning policies, particularly urban planning at local level. This would allow optimal allocation of infrastructure and public goods and help address negative externalities from agglomerations such as congestion and pollution
  - Target clusters in national managerial skills development programs, which may be cost-effective, improve the profitability of the clusters and help create more jobs.



Free zones  
**AFRICA**