



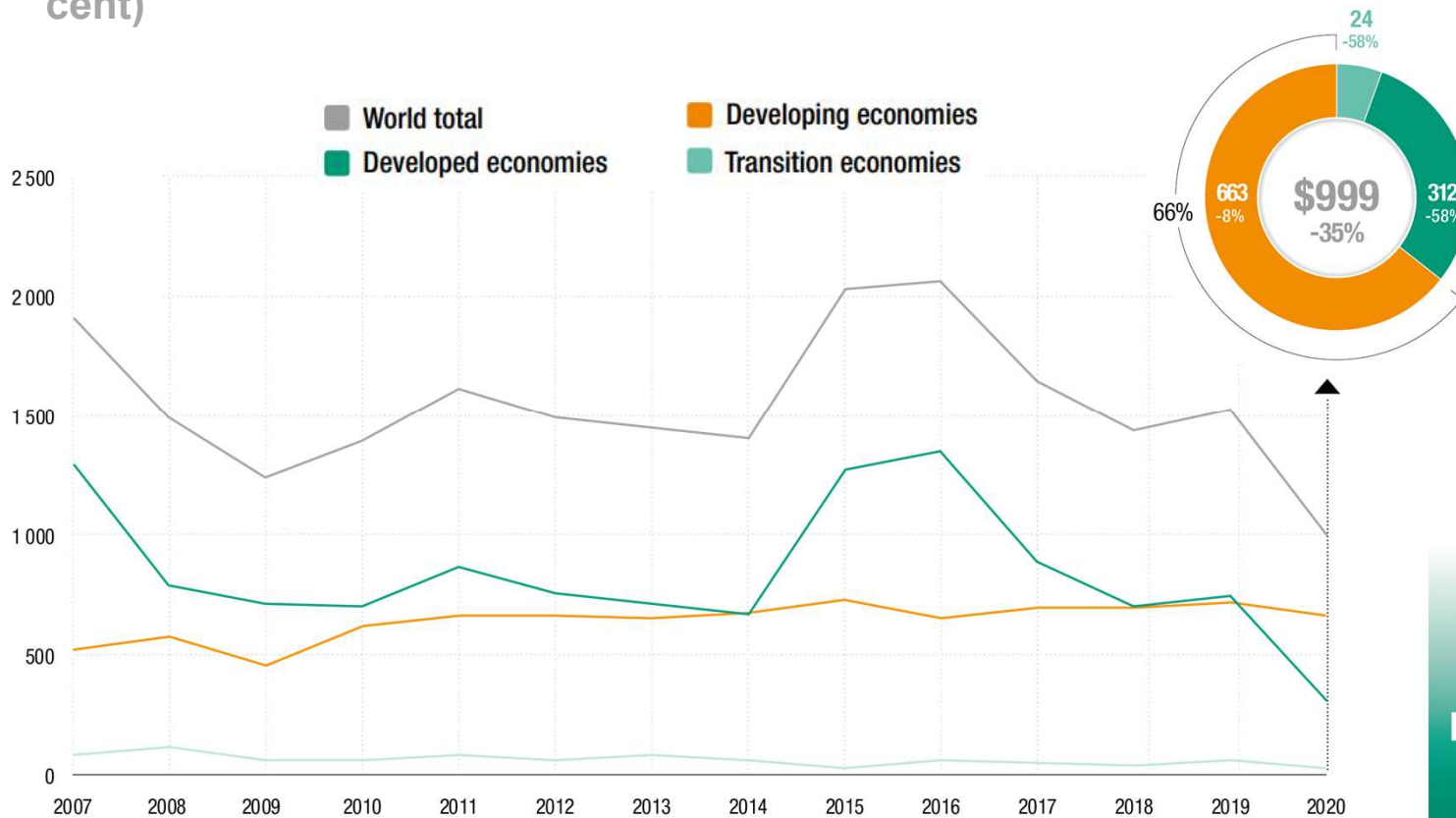
# **SEZs and Intra-African Trade: A Path to Economic Diversification and Inclusion**

**AEZO Panel Discussion | World FZO - AICE**  
23 June 2021

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# Investment flows plunged globally by 35% in 2020 due to the COVID-19 crisis

FDI inflows, global and by group of economies, 2007–2020 (Billions of dollars and per cent)



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT  
UNCTAD

WORLD  
INVESTMENT  
REPORT 2021

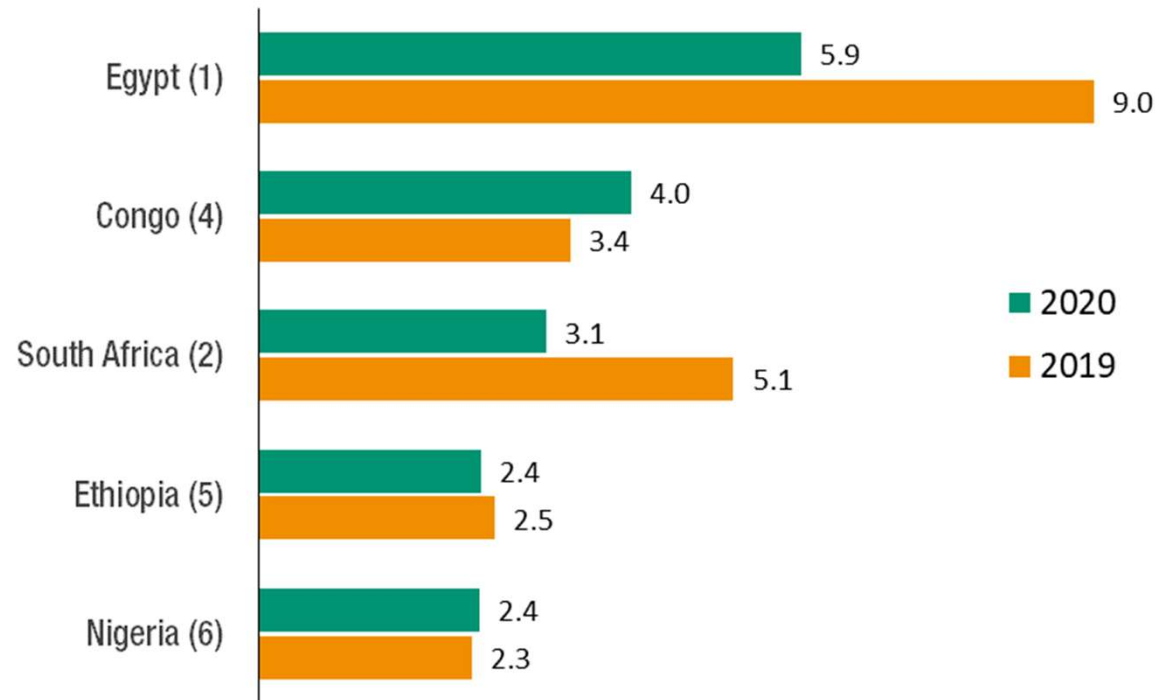
INVESTING IN SUSTAINABLE RECOVERY

Source: UNCTAD | World Investment Report 2021



# FDI flows to Africa fell by 16 per cent to \$40 billion

Africa: Top 5 recipients of FDI flows, 2019 and 2020 (Billions of Dollars)



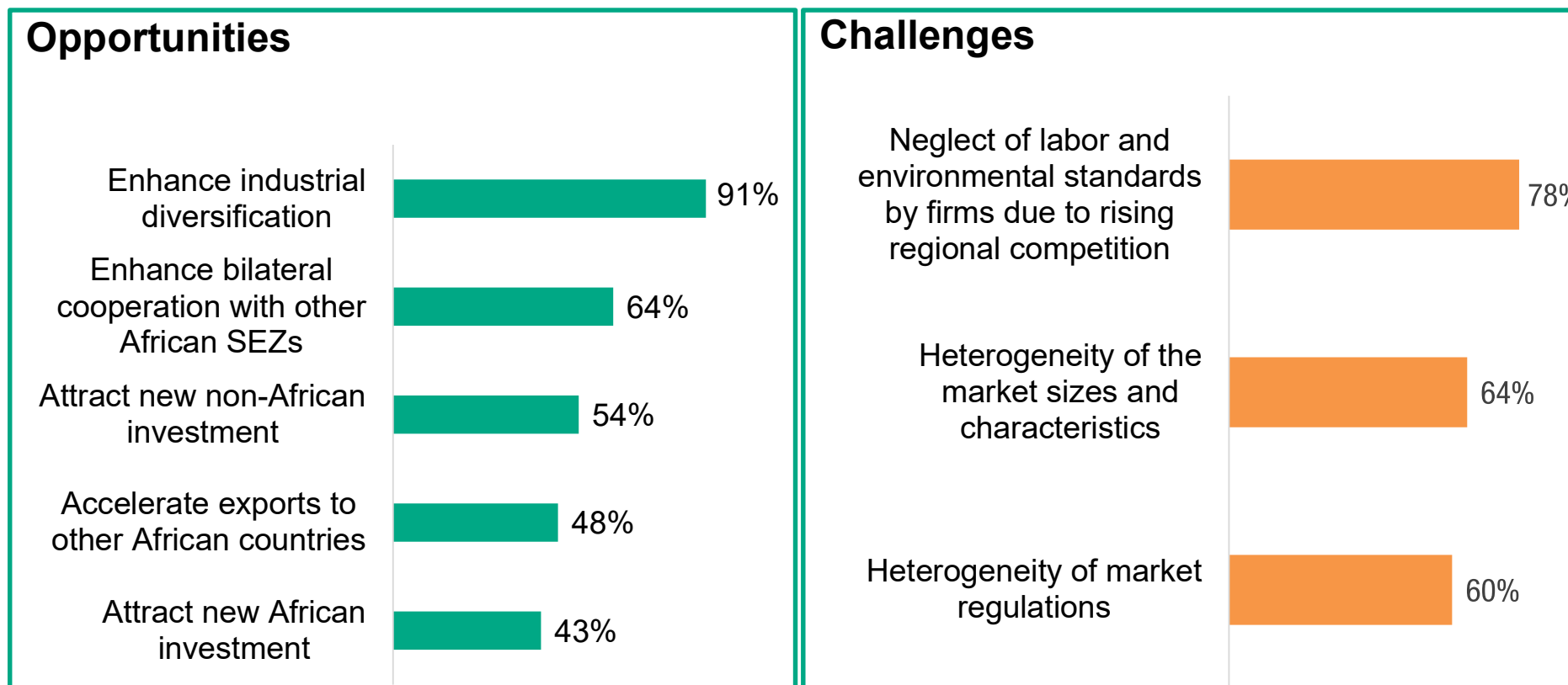
- ✓ Pandemic and low oil prices depressed FDI flows
- ✓ Greenfield projects dropped by 62 per cent
- ✓ Flows to increase marginally in 2021



# **OPPORTUNITIES AND CHALLENGES OF GREATER INTEGRATION FOR AFRICAN SEZs**

# The AfCFTA is expected to have important implications for zones on the continent, bringing both challenges and opportunities

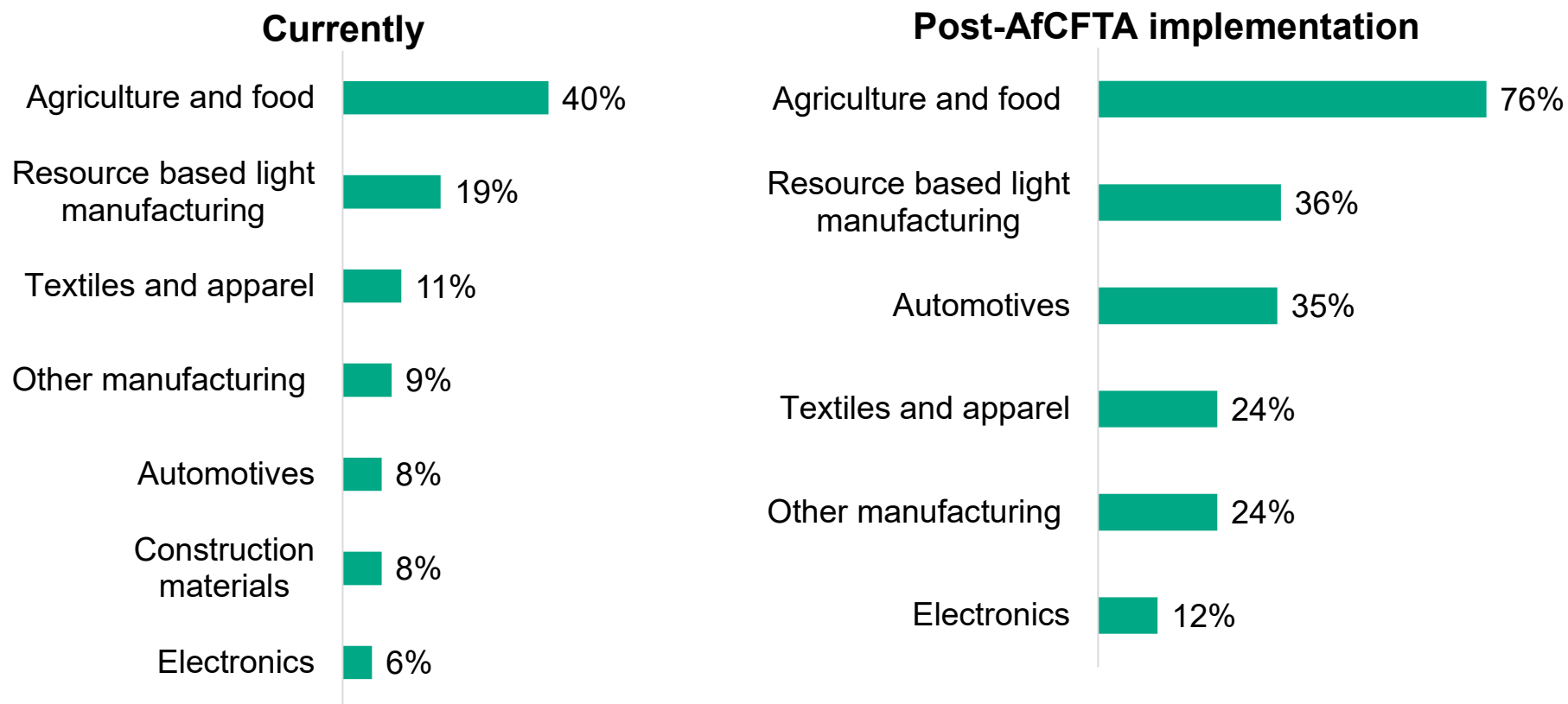
(Percentage of respondents)



**This is likely to result in the greater ability to attract FDI flows as the value proposition of many SEZs improves**

# GVC-intensive activities are expected to grow after the implementation of the AfCFTA but agriculture remains the most important sector across the survey

Most important industries for exports, by percentage of respondents

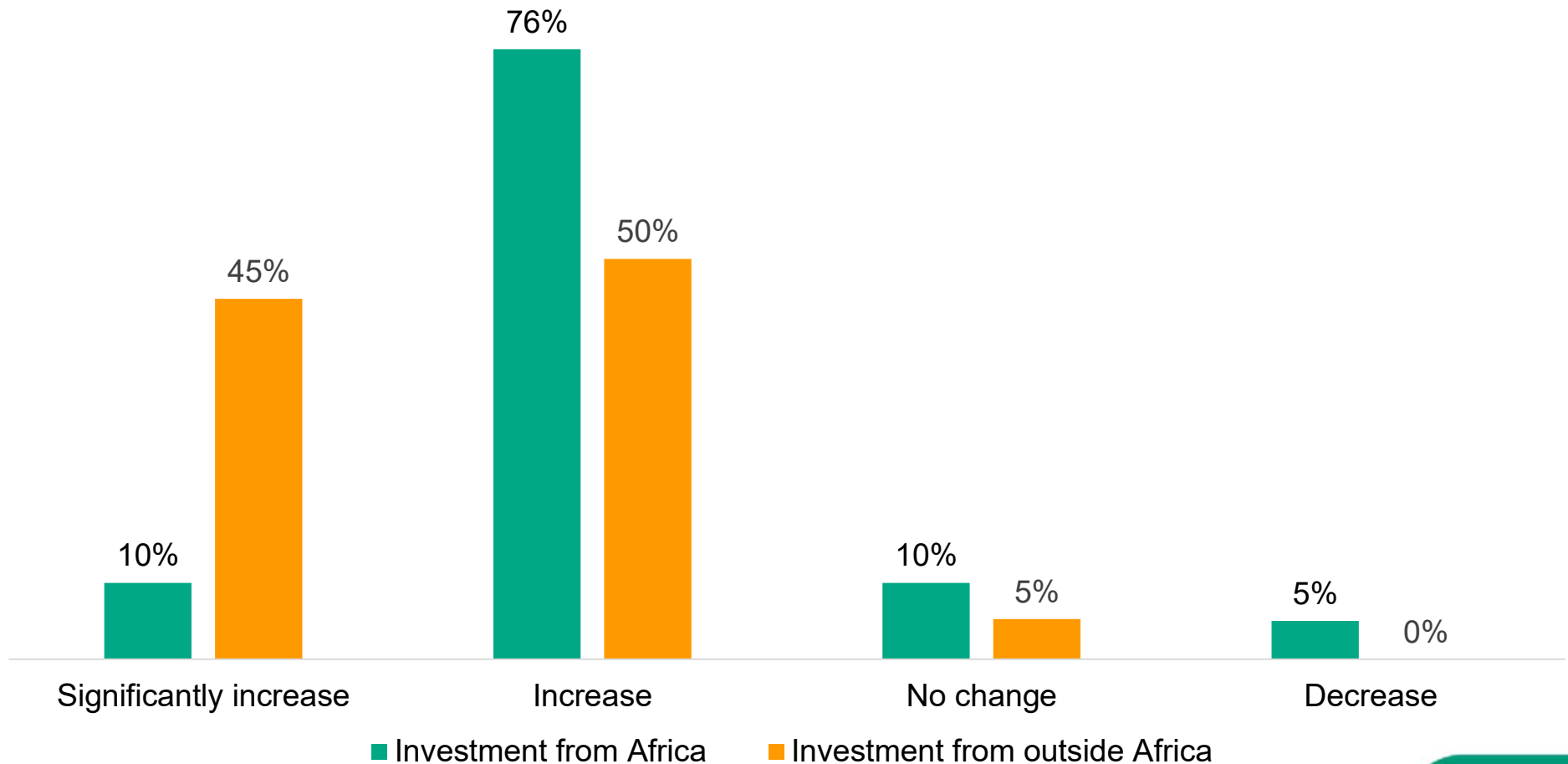




# **IMPACT OF THE IMPLEMENTATION ON THE AfCFTA ON FDI TO ECONOMIC ZONES IN AFRICA**

# FDI from outside Africa is expected to grow more than intra-Africa investment

Expected impact of AfCFTA on FDI by % of respondents

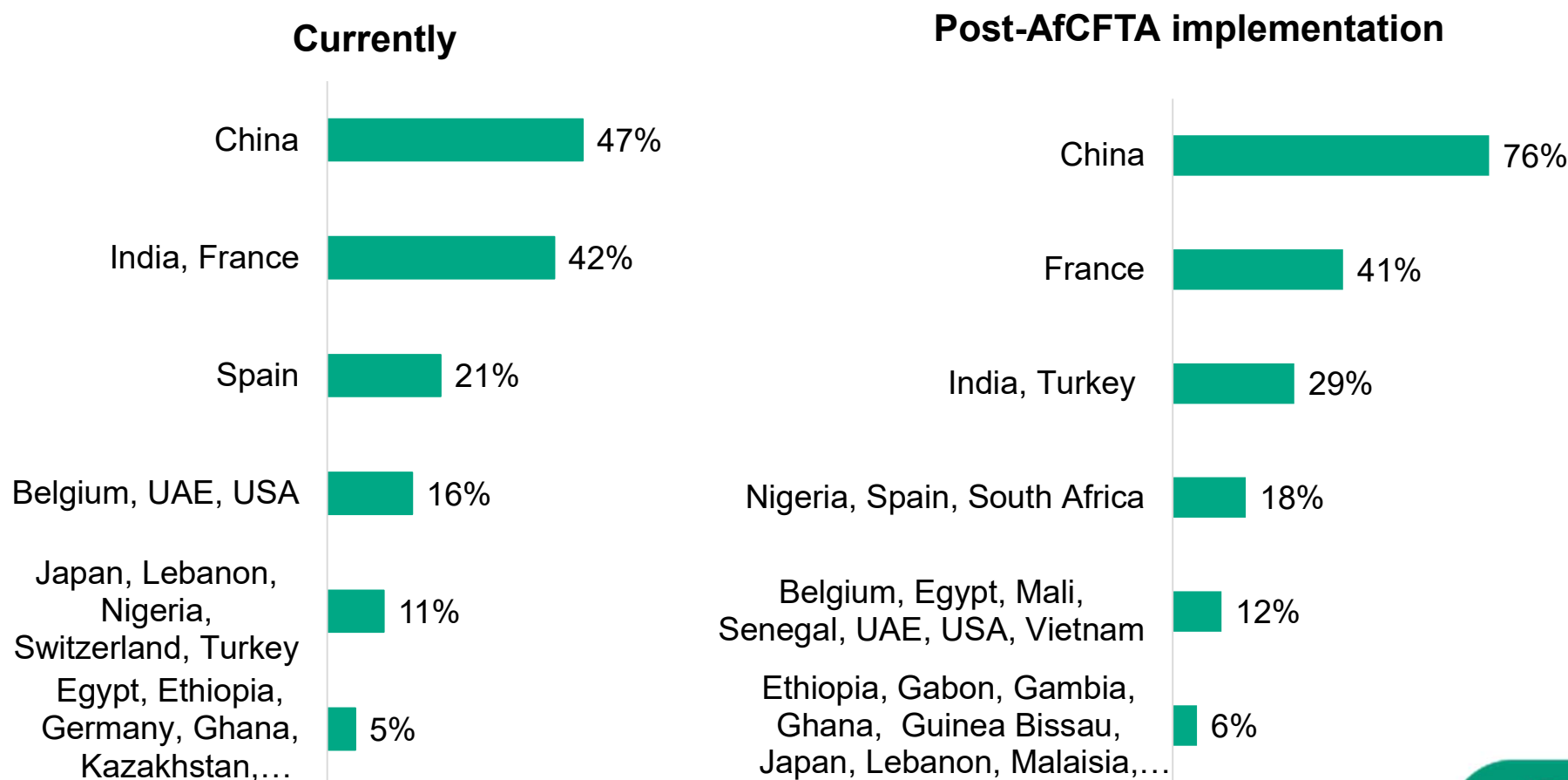


Source: UNCTAD – AEZO | SEZs and the AfCFTA: Results from a continent-wide survey



# SEZ stakeholders expect AfCFTA to lead to higher FDI from developing and emerging market economies

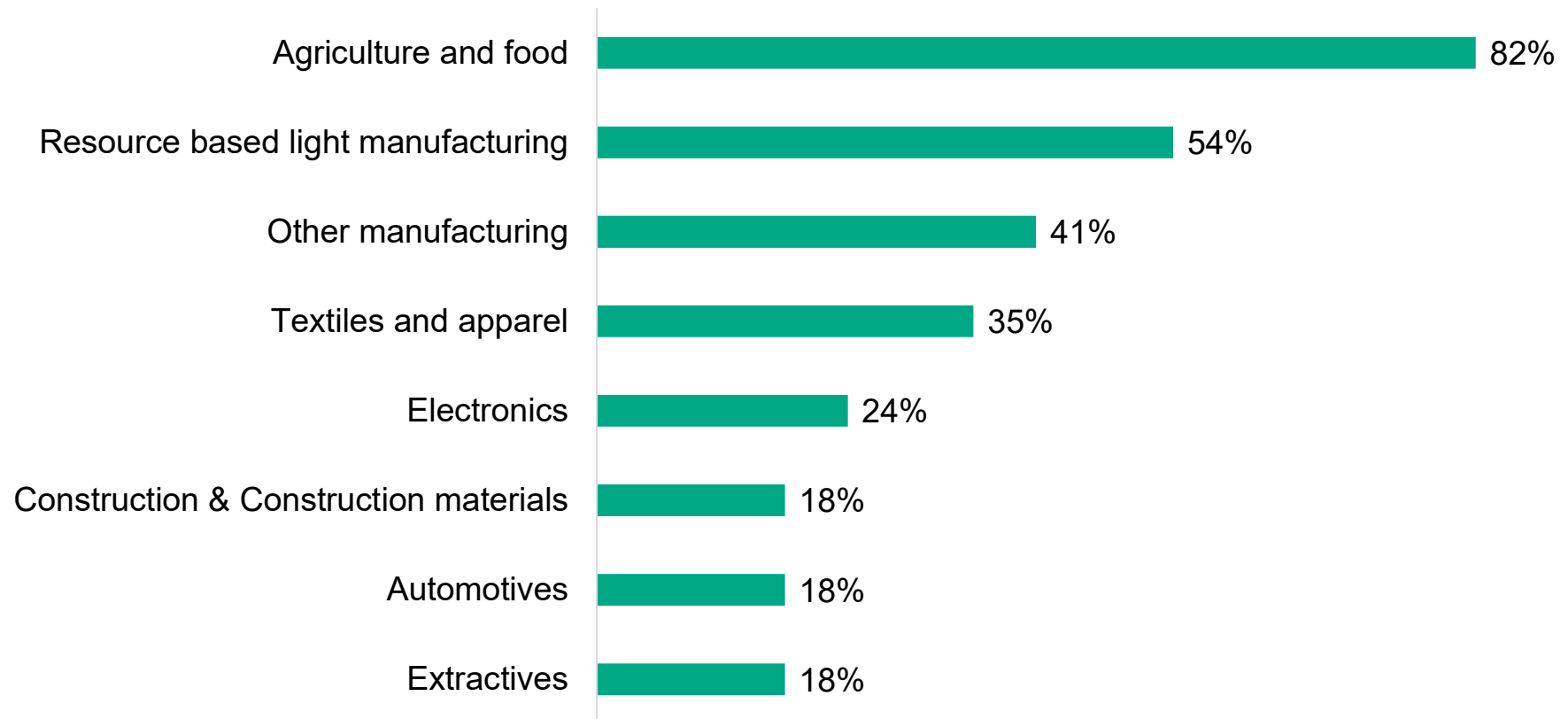
Countries considered among of the top sources of FDI, by percentage of respondents



Source: UNCTAD – AEZO | SEZs and the AfCFTA: Results from a continent-wide survey

# GVC-oriented industries are expected to become more important for FDI promotion post-AfCFTA

Most important industries for FDI after the implementation of AfCFTA, by percentage of respondents



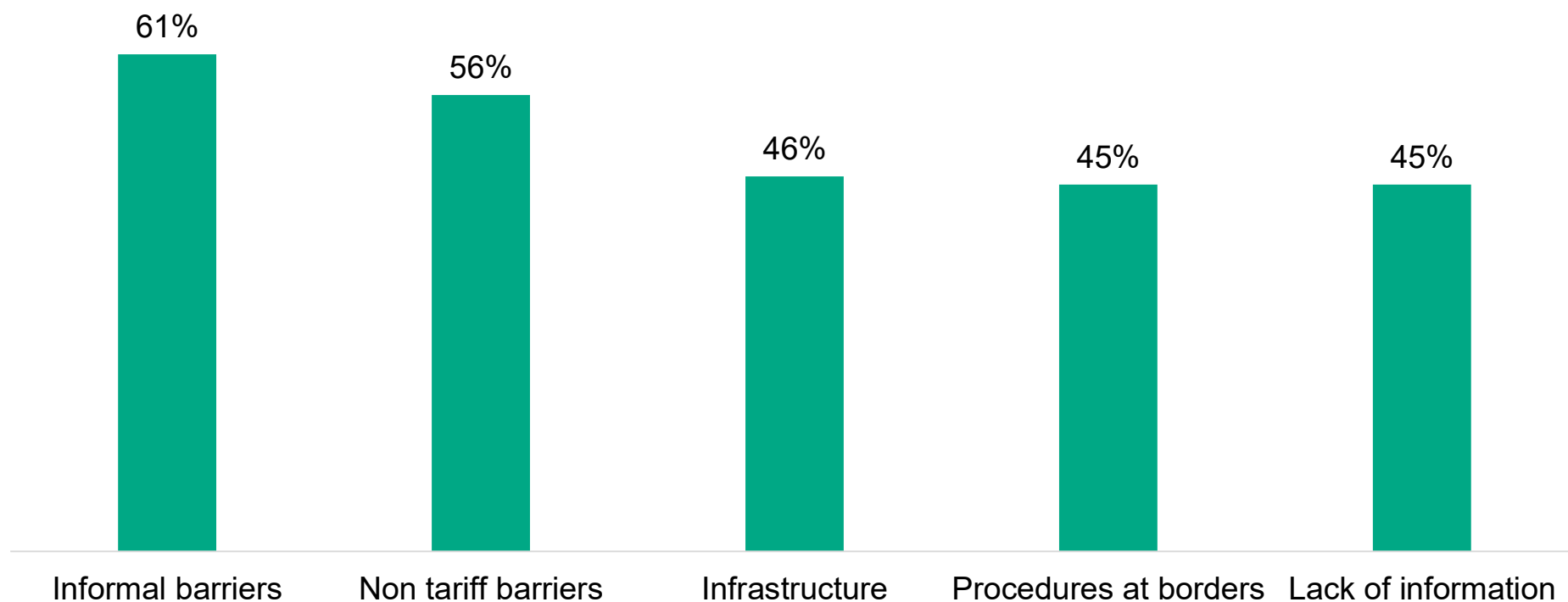
Source: UNCTAD – AEZO | SEZs and the AfCFTA: Results from a continent-wide survey



# **THE WAY FORWARD: SEZs TO MAXIMIZE THEIR DEVELOPMENT IMPACTS AND OUTCOMES**

# Addressing long-standing structural barriers and creating a level playing field

Factors considered important or extremely important in hindering trade from zones by percentage of respondents



Source: UNCTAD – AEZO | SEZs and the fCFTA: Results from a continent-wide survey



## Economic gains will not be automatic; instead, they require proactive policy actions to be fully exploited

In order to leverage **SEZs as springboards** for the diffusion of innovation and industrial **upgrading**, proactive policies should:

- Play to the country's strengths
- Unite the team
- Know your place
- Tap into outside experience
- Be green and social
- Get the full benefits



**Towards growth-oriented and future-proof SEZ policies**

# SDG zones as an important tool for investment in sustainable recovery

## Investing in Sustainable Recovery: a Policy Framework

Level	Objectives	Actions	Tools (illustrative)	
<b>Strategic approach/ industrial policy</b>	Increasing economic and social resilience	<ul style="list-style-type: none"> <li>• Inducing firms to invest in more resilient supply chains</li> <li>• Promoting and facilitating investment in strategic growth industries</li> <li>• Boosting investment in infrastructure (including industrial), green energy, new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic investment promotion, facilitation and regulation</li> <li>• Building strategic pipelines of bankable projects</li> </ul>	IPFSD*
	Balancing industrial and infrastructure investment			
<b>Implementation of recovery investment plans</b> (Addressing recovery-specific international project finance challenges)	Mobilizing funds	<ul style="list-style-type: none"> <li>• Refinancing to safeguard existing projects and maximizing additionality</li> </ul>	<ul style="list-style-type: none"> <li>• Innovative SDG financing approaches and financial instruments</li> </ul>	Action Plan for Investment in the SDGs*
	Channeling funds towards sustainable development	<ul style="list-style-type: none"> <li>• Orienting recovery funds towards high-impact projects and supporting developing countries</li> <li>• Countering upward cost pressures on projects in developing countries</li> </ul>	<ul style="list-style-type: none"> <li>• ODA-leveraged and blended financing</li> <li>• Home-host country IPA networks</li> <li>• SDG-oriented investment incentives</li> <li>• Regional SDG investment compacts</li> </ul>	
	Maximizing positive impact	<ul style="list-style-type: none"> <li>• Increasing absorptive and implementation capacity</li> <li>• Ensuring good governance to maintain high ESG standards</li> </ul>	<ul style="list-style-type: none"> <li>• IPA–SDG investment development agencies</li> <li>• SDG zones, clusters and incubators to increase absorptive capacity</li> <li>• SDG impact indicators</li> </ul>	

## Forthcoming events and publications

- Publication of the **Handbook on SEZs in Africa** which includes:
  - ✓ Overview and assessment of African SEZs, including governance policies
  - ✓ Several case studies illustrating African and non-African SEZ best practices and lessons learned
  - ✓ The implications for African SEZs following the introduction of the AfCFTA and the recent wave of African regionalism
  - ✓ Evidence-based guidelines and policy recommendations
- **World Investment Forum 18 – 21 October 2021, Abu Dhabi**



- ✓ A dedicated track with more than 6 events on SEZs





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For further information on the work on foreign direct investment, multinational enterprises and Special Economic Zones, please address inquiries to:

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