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SUSTAINABLE DEVELOPMENT GOAL 9
INDUSTRY, INNOVATION AND INFRASTRUCTURE

Special Economic Zones: Accelerating Africa's Industrialisation

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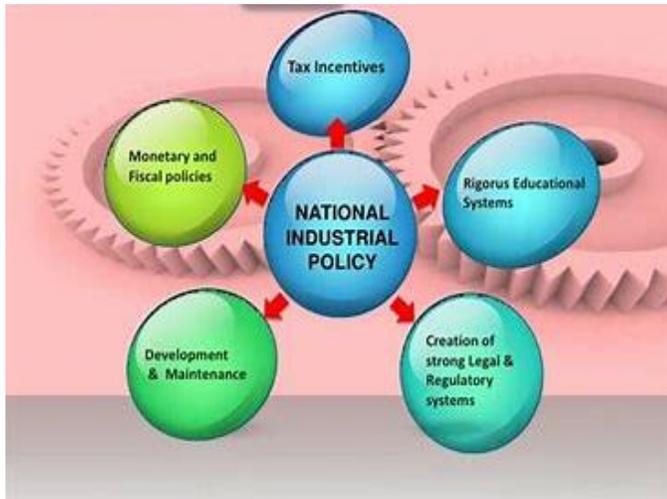
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SEZs-Industrial Policy and Infant Industries



- ❑ SEZs viewed by many of the neoliberal school as **“second best” policy tool**, with **“first best”** considered the introduction of nationwide reforms to business policy
 - SEZs **“unlevel” the playing field-** on which SEZ businesses have policy, infrastructure, administrative governance, and thus production, operation costs and sales advantages
 - Support economic development- **similar business policies, shared infrastructure, administrative governance, production and costs advantage**
- ❑ Proponents view the microeconomic reforms SEZs introduce through the lens of Keynesian **“infant industry”** theory
 - Targeted market interventions aimed at **removing market failures and barriers** are justifiable and salutary, prompting positive long-term market adjustments
 - Approach shared by all **“industrial policy”** instruments

SEZs anchor the economy for industrial activity

- ❖ SEZ priorities should be on **enabling economic productivity** and market; focus on **locational competitive advantage**
 - Cargo demand volumes
 - Specific locations are either well-endowed or lack in enabling supply chains, labour markets, infrastructure, transport links, or factor costs, and thus less conducive to SEZ viability
 - A critical question is to determine which **production and consumption markets the zones are being established to serve**, both within and outside the country, and whether SEZs are the **right solution to address the identified market needs**
 - **Review size of domestic consumption and labour markets** (skills rather than costs), the composition of national export and import markets, as well as of sub-regional productive and trending sectors, and industry opportunities, and to assess their relationship to SEZs as a **possible policy tool for enhancing industrial competitiveness**
 - *Agglomerations with populations of less than 1.5 million souls are devoid of significant interest by large private developers*
 - Are Africa's "regional development" and "second-city" SEZs producing compelling impact (e.g., Ethiopia, Rwanda, Nigeria, etc.)?



Framing goals in the context of SEZs' economic impact, role and limitations

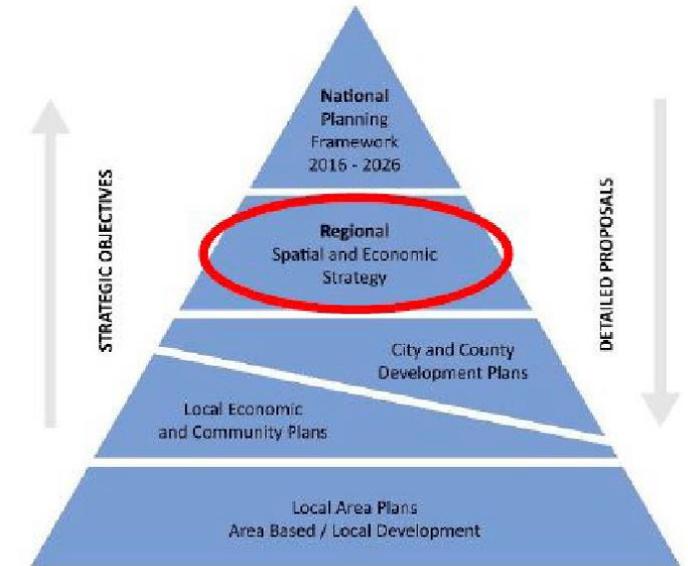
- **Agglomeration** is an engine of economic productivity, transformation and growth, through **concentration of activity, resources and knowledge**.
- Spatial concentration provides opportunities for economies of scale and 'crowding in' of successful innovations, through **improved cluster connectivity**, cooperation, sharing, and matching.
- Acts as a driver of economic transformation resulting in **increased business assets for job creation**.
- **Light manufacturing enterprises tend to be clustered in certain urban areas**, presenting opportunities to support interventions, focus programmatic attention and resources **to deliver impact on a large scale**.
- **Support to light manufacturing provides pathways to higher productivity and diversification** into higher value products (**export value added products**), stimulating further investment and productivity gains, creating high value jobs and **social inclusion**.
- **Sector analysis demonstrates strong linkages from light manufacturing sub-sectors to sectors such as construction, retail, and agribusiness.**

Meaningful impact through spatial policy interventions

- ❖ Agglomeration only works with IC interventions inside and outside SEZs

This involves:

- ❑ **Acting systemically, recognizing that spatial development can only occur in a complex and adaptive system, requiring interventions at multiple levels**
 - ❑ **Adapting and responding to the complexity by adjusting tactics in response to market feedback.**
- Europe, North America, and Asia have **successfully leveraged industrial, business, logistics, and technology parks** to accentuating positive economic agglomeration effects.
 - SEZs exist in a **complex ecosystem** involving market, economic, legal and regulatory, political economy, social, environmental, real estate, logistics, urban planning, financial, competitive positioning, and marketing considerations.
 - *Only market-responsive and “built-to-purpose” SEZ “applications” can act as instrument for economic diversification and productivity for successful industrial transformation and increased economic growth impact.*

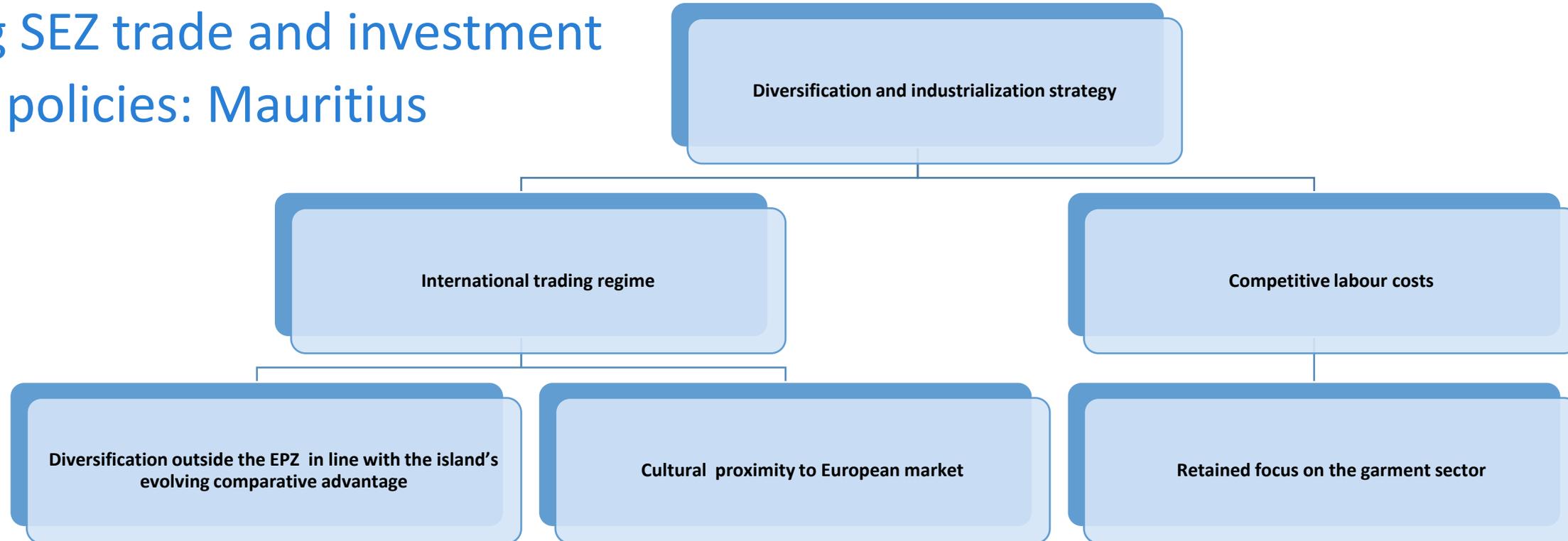


Why industry instead of service zones?

- “With the observed shift toward SEZ models and the recommendations for African countries to move away from traditional manufacturing-oriented zones, **services is likely to be a primary area of demand** for future zone programs.
- Particularly the development **of zones as support call centres, ICT and ICT-enabled services, and other business offshoring activities.**
- Research on the role and value added of SEZs (above and beyond providing industrial infrastructure) is limited.
- A deeper understanding of these issues and **the performance of service-related zones is needed to support policy decision making.**”

- Tom Farole, World Bank, *Special Economic Zones in Africa (2011)*

Evolving SEZ trade and investment policies: Mauritius



- Launch of the offshore financial sector and free port in the early 1990s
- The Cybercity/ICT initiative in the early 2000s
- Integrated tourism resort scheme in the mid-2000s

- Mauritius is the world's 2nd largest producer of knitwear,
- 3rd largest exporter of pure wool garments
- 4th largest supplier of T-shirts to the European market



Other emerging African service zones

- Oil & Gas supply zone in Onne, Nigeria
- Technopoles in Tunisia and Morocco

- Addis Ababa ICT Zone
- Tinapa scheme in Nigeria, focused on retail, media

- Botswana's emerging financial/HQ zone in Gaborone
- Diamniadio SEZ in Senegal: Potential for BPO, Aviation logistics aerotropolis



THANK YOU

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