



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



**SUSTAINABLE DEVELOPMENT GOAL 9**  
INDUSTRY, INNOVATION AND INFRASTRUCTURE

# Special Economic Zones: Accelerating Africa's Industrialisation

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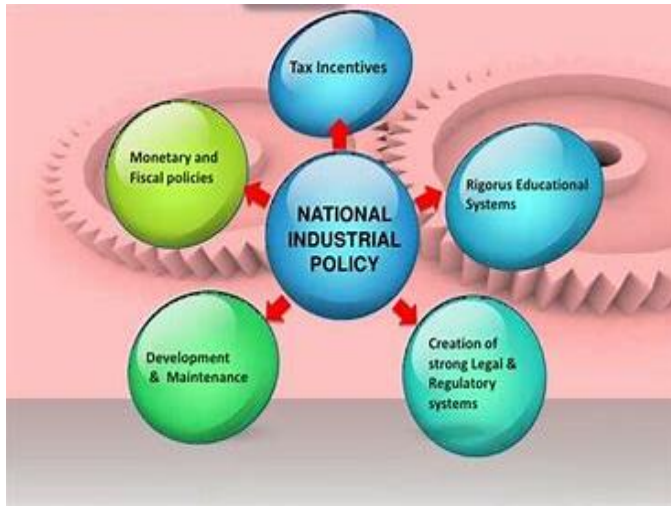
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AEZO 2022 Conference

Accra, Ghana



## 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

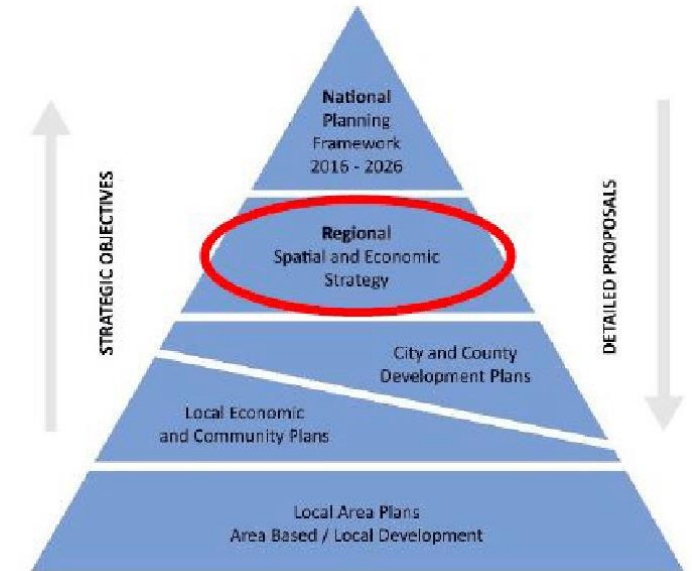
- **Agglomeration** is an engine of economic productivity, transformation and growth, through **concentration of activity, resources and knowledge**.
- Spatial concentration provides opportunities for economies of scale and 'crowding in' of successful innovations, through **improved cluster connectivity**, 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.*

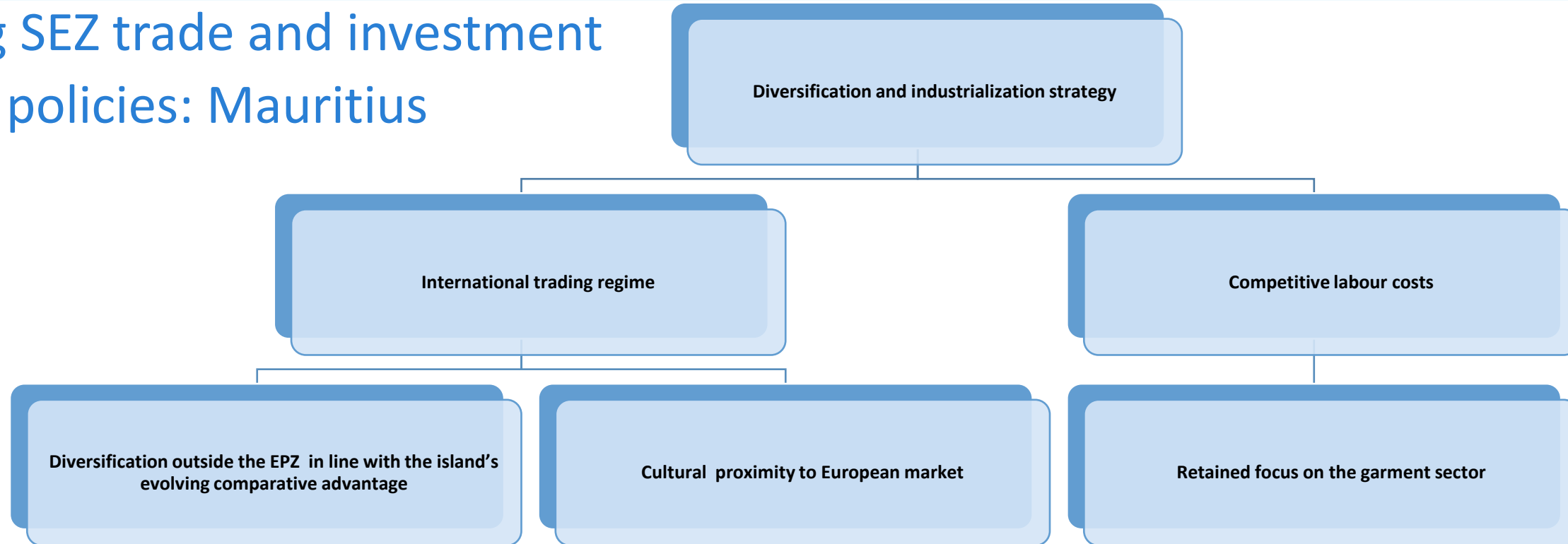


## Why industry instead of service zones?

- “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 2<sup>nd</sup> largest producer of knitwear,
- 3<sup>rd</sup> largest exporter of pure wool garments
- 4<sup>th</sup> 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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