

POLICY FOR ESTABLISHING A VIABLE SME BUSINESS ECOSYSTEM IN AFRICA

Special Economic Zones contribution to the SME
integration and local economic development
toward a pragmatic approach

November 2023



FOREWORD

LEVERAGING SPECIAL ECONOMIC ZONES TO FORGE A RESILIENT SME ECOSYSTEM

We need a viable Small and Medium Enterprises (SMEs) Business Ecosystem in Africa. This is because a majority of our businesses are in this category. Special Economic Zones can contribute to the development of SMEs. They represent hubs of innovation, investment and clustering in addition to being engines of job creation. In this respect, SEZs hold immense potential, not only for the development of industrial sectors but also for nurturing the growth of SMEs across Africa.

At the heart of this transformational potential lies the vision of SEZs as the bedrock upon which a robust SME ecosystem can be built. This vision recognizes that SMEs are the backbone of economic development by creating jobs, driving innovation, and fostering local entrepreneurship. To make this vision a reality, we need a comprehensive policy framework that acknowledges the six foundational pillars: High-Growth Sectors, Quality Infrastructure, Local Economic Development, Access to Finance, Skills and Qualifications, and Environmental, Social, and Governance (ESG) considerations.

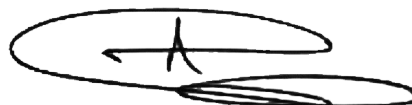
This policy document, "Building a Robust SME Ecosystem in Africa," is more than just a set of guidelines; it is a roadmap to prosperity. It reflects the collective wisdom of policymakers, business leaders, and experts who recognize the pivotal role of SMEs in shaping our future.

Our focus on the six building blocks underscores our commitment to creating an environment where SMEs can flourish. We believe that by aligning SEZ policies with these elements, we can drive innovation, create jobs, and uplift local communities.

This policy document is a dynamic framework that adapts to the evolving needs and challenges of SMEs within SEZs. It draws upon global best practices, harnessing the power of collective knowledge, and providing actionable strategies to empower SMEs.

As we embark on this journey to transform SEZs into dynamic hubs that foster SME growth, we recognize the importance of collaboration, inclusivity, and adaptability. Together, with the dedication of governments, businesses, and stakeholders, we can shape a future where SEZs serve as incubators of SME success. I strongly recommend its use by all stakeholders, including researchers and educators in the fields of entrepreneurship and innovation.

In closing, I extend my heartfelt appreciation to all those who have contributed to the development of this policy framework. Your commitment to fostering SME growth within SEZs is an investment in a brighter and more prosperous future for Africa.



ALBERT M. MUCHANGA

Commissioner for Economic Development, Trade, Tourism, Industry and Minerals African Union Commission



ACKNOWLEDGEMENTS

This report “Special Economic Zones: Contribution to the SME integration and local economic development” was elaborated under the supervision of Africa Union Commission (ETTIM Department¹) in partnership with Africa Economic Zone Organisation (AEZO). The project was financed by Agence Française de Développement and implemented by Expertise France in the framework of the French-Africa Union Technical Facility.

The report was prepared by a multidisciplinary team led by Dr. Sid Boubekeur (IMANI Development) and composed of M. Peter Kuria Githinji (SME Ecosystem expert, Scio Network GmbH), M. Michael Castel-Miller (Industrial and Governance Policy expert, Albright Stonebridge Group-Dantons Global Advisors) and M. Javier de Iruarrizaga (Expert, Special Economic Zones Practice, Albright Stonebridge Group- Dantons Global Advisors).

The project benefitted from strategic advice and guidance from M. Charles Chiza Chiumya (Acting Director, AUC ETTIM Department), Ms. Ron Osman Omar (Ag. Head of Industry, Innovation and Minerals Division) and M. Zakaria OUARI (Project Officer, AUC ETTIM Department). Research and input support was provided by Agence Française de Développement (Mr. Julien Gourdon, Senior economist), Expertise France (Mr. Kervin Kumapley, Coordinator, French Africa Union Technical Facility) and Ms. Seliatou Kayiodé-Anglade (Head of the Economic and Commercial Policies Unit). Expertise France also facilitated a presentation of the report to the AFD AU Facility steering committee in Addis in 2023.

The Project implementation was supported by AEZO and AFCTA Policy Network Group (APN) which provided strong technical inputs into the study through their respective network of organisations involved in SEZ development in Africa. The report was validated in the framework of the AU-AEZO annual meeting (Tanger, Morocco, 22-24 October 2023).

Our gratitude goes to the SEZs CEO’s and leaders from the public and private organizations engaged in the development of a new generation of SEZs mobilising SMEs in their activities through subcontracting and outsourcing, contributing to the local economic development and putting in place practical measures for ESG compliance and inclusion of women and youth. The team had the pleasure of engaging with SEZ captains and gained valuable insights into the Public and Private Partnership initiatives that are driving the establishment of a modern governance structure. This framework enhances regional and international competitiveness while making a positive impact on both national and local economies.

¹ Economic Development, Tourism, Trade, Industry and Mining

Gabon: Mr. Kern Terence Iponga Bodi, Deputy General Administrator (NKOK SEZ), Mr. Cedric Ratanga Advisor, CEO (ANPI), Mr. Kiki Loussou, Secretary General (Fédération des Entreprises du Gabon).

Ghana: Ms. Kate Abbeo Deputy CEO (Ghana Free Zones Authority), Ms Patience Ableze Acorlor CEO (Tema Free Zone), Mr Ashong Lartey Director (Ghana Investment Promotion Center).

Kenya: Mr. Solomon Mahinda Executive VP, Tatu City SEZ, Mr. Preston Mandell, VP, Africa, Dr. Kenneth Chelule CEO (Special economic Zones Authority), Mr. Hussein Adan Mohamed CEO (Export Processing Zone Authority), Ms. Sahale Bawazir, CEO (Mombasa Investment Center), Mr. Pius Rotich, General Manager (Kenya Investment Agency), Ms Norah Buyaki Ratemo, DG Kenya Development Corporation and the Management especially Ms Anna Ooko (KDC) for facilitating the general Kenya mission.

Morocco: Mr. Ahmed Bennis, Secretary General (TMSA), Mr. Ayoub Remili, Technical Director, Ms. Farah Hanafi, Managing Director, Ms. Hiba Bikisse, Marketing Specialist, Mr. Ibrahim Lahmidi, Research Manager, Mr. Amile Malti, Port and Maritime Senior Project Manager (Tanger MED Port).

South Africa: Eng. Khwezi Tiya CEO, COEGA Industrial Development Zone. Gqeberha, Ms. Unathi Maholwana SMME Development, Ms Ayanda Nota, Manager COEGA Africa Unit, Mr Michael Webster Manager (Atlantis SEZ), Mr. Patrick Lakabane, Executive Development Programme and Abigail Murray, SME development Manager, (Freeport Saldanha), Mr. Jeremy Dobbin, Acting Director (Nelson Mandela Bay Municipality Trade & Investment, Eastern Cape), Mr. Greg Billson, Manager (Exporters Eastern Cape), Mr. Deon Joubert, Vice-President Exporters Eastern Cape, Mr. Ashwin Daya, Director (Nelson Mandela Bay Chamber), Mr. JP Van der Merwe, Head Investment Promotion (Invest Cape-WESGRO), Mr. Dinesh Harry, Head Invest SA, One Stop Shop-Western Cape, Mr. Lanson Greyling, Director Enterprise and Investment (City of Cape Town), Mr. Fernel Abrahams, Acting Director: Cape Catalyst, Western Cape Government.

Image cover page: Africa renaissance

Generated with stable diffusion (AI). Prompt engineering: Dr. Sid Boubekeur and Caity Walters (Imani Development Ltd).

TABLE OF CONTENTS

ABSTRACT	20
CHAPTER 1. WHY THE QUESTION OF INTEGRATING OF SMES INTO SEZs IS BECOMING CENTRAL AND HOW TO ADDRESS IT	23
1.1 Background	23
1.1.1 SEZ: sandbox for SME development and growth	23
1.1.2 Boosting subcontracting and outsourcing initiatives in sectors with high growth potential	24
1.1.3 Providing the place that the private sector deserves in the governance structure of SEZs	25
1.1.4 Make effective the implementation of Environmental, Social and Governance (ESG)	26
1.1.5 Building on successful experiences: linkages between SEZs and local economies	26
1.2 Methodology and approach	27
1.2.1 Benchmarking approach	31
CHAPTER 2. PATHWAYS FOR BOOSTING THE NEW GENERATION OF SEZs: CASES FROM SELECTED COUNTRIES	33
2.1 Benin	34
2.1.1 High growth sectors	34
2.1.2 Building the local economy through SME integration	35
2.1.3 New skills, qualifications development, and job creation	36
2.1.4 Access to financing	36
2.1.5 Quality infrastructure engagement	37
2.1.6 ESG commitment	37
2.1.7 Findings, recommendations, and best practices for implementation	38
2.2 Egypt	40
2.2.1 High growth sectors	40
2.2.2 Building the local economy through SME integration	41
2.2.3 New skills, qualifications development, and job creation	42

CHAPTER 2.	2.2.4 Access to financing	43
	2.2.5 Quality infrastructure engagement	43
	2.2.6 ESG Commitment	44
	2.2.7 Findings, recommendations, and best practices for implementation	46
	2.3 Gabon	47
	2.3.1 High growth sectors	47
	2.3.2 Building the local economy through SME integration	48
	2.3.3 New skills, qualifications development, and job creation	49
	2.3.4 Access to financing	50
	2.3.5 Quality infrastructure engagement	51
	2.3.6 ESG commitment	51
	2.3.7 Findings, recommendations, and best practices for implementation	53
	2.4 Ghana	55
	2.4.1 High growth sectors	55
	2.4.2 Building the local economy through SME integration	56
	2.4.3 New skills, qualifications development, and job creation	57
	2.4.4 Access to financing	57
	2.4.5 Quality infrastructure engagement	58
	2.4.6 ESG commitment	59
	2.4.7 Findings, recommendations, and best practices for implementation	59
	2.5 Kenya	61
	2.5.1 High growth sectors	61
	2.5.2 Building the local economy through SME integration	62
	2.5.3 Access to financing	63
	2.5.4 New skills, qualifications development, and job creation	63
	2.5.5 Quality infrastructure engagement	64
	2.5.6 ESG commitment	64
	2.5.7 Findings, recommendations, and best practices for implementation	67
	2.6 Mauritius	69
	2.6.1 High growth sectors	69
	2.6.2 Building the local economy through SME integration	70
	2.6.3 New skills, qualifications development and job creation	71
	2.6.4 Access to financing	72
	2.6.5 Quality Infrastructure engagement	72
	2.6.6 ESG commitment	73
	2.6.7 Findings, recommendations, and best practices for implementation	75

CHAPTER 2.	2.7 Morocco	77
	2.7.1 High growth sectors	77
	2.7.2 Building the local economy through SME integration	79
	2.7.3 New skills, qualifications development and job creation	79
	2.7.4 Access to financing	80
	2.7.5 Quality infrastructure engagement	81
	2.7.6 ESG commitment	82
	2.7.7 Findings, recommendations, and best practices for implementation	84
	2.8 Nigeria	86
	2.8.1 High growth sectors	87
	2.8.2 Building the local economy through SME integration	88
	2.8.3 Access to financing	89
	2.8.4 New skills, qualifications development and Job creation	89
	2.8.5 Quality infrastructure engagement	90
	2.8.6 ESG commitment	91
	2.8.7 Findings, recommendations, and best practices for implementation	91
	2.9 Rwanda	93
	2.9.1 High growth sectors	93
	2.9.2 Building the local economy through SME integration	94
	2.9.3 New skills, qualifications development and job creation	95
	2.9.4 Access to financing	96
	2.9.5 Quality infrastructure engagement	96
	2.9.6 ESG commitment	97
	2.9.7 Findings, recommendations, and best practices for implementation	98
	2.10 South Africa	100
	2.10.1 High growth sectors	100
	2.10.2 Building the local economy through SME integration	101
	2.10.3 New skills, qualifications development, and job creation	103
	2.10.4 Access to financing	105
	2.10.5 Quality infrastructure engagement	106
	2.10.6 ESG commitment	106
	2.10.7 Findings, recommendations, and best practices for implementation	110
	2.11 Summary table on benchmarking	112
	2.12 Investment to build and accelerate the SME ecosystem development	114

CHAPTER 3.	ROADMAP OF SEZ GOVERNANCE TO ACCOMMODATE SMES	116
3.1	Good governance Vs proper governance	117
3.1.1	SEZs effectiveness	118
3.1.2	Good governance	119
3.1.3	Proper governance	129
3.2	Institutional models of SEZs	122
3.3	Governance models	123
3.4	Stakeholders & Governances	125
3.5	SEZs regulatory framework	128
3.6	SEZ governance and regulation by country	129
3.7	Benin	130
3.7.1	Model	131
3.7.2	Regulations	131
3.7.3	Stakeholders in the SEZ economic system in Benin	131
3.7.4	The One-Stop Shop	133
3.7.5	The case of Glo-Industrial Zone	133
3.7.6	Proper governance items	135
3.7.7	Comparison business ecosystem for SMEs, proper governance, and SEZ regulation	136
3.8	Egypt	137
3.8.1	Model	137
3.8.2	Regulations	138
3.8.3	Stakeholders	139
3.8.4	The one-stop shop	140
3.8.5	The case of SEZONES – Sokhna Port	140
3.8.6	The case of Alexandria Public Free Zone	141
3.8.7	The case of Port Said Public Free Zone	141
3.8.8	Proper governance items	142
3.8.9	Comparison business ecosystem for SMEs, proper governance and SEZ regulation	143
3.9	Gabon	145
3.9.1	Model	145
3.9.2	Regulations	145
3.9.3	Stakeholders	145
3.9.4	The one-stop shop	147
3.9.5	The case of Gabon SEZ – Nkok SEZ	147
3.9.6	Proper governance items	148
3.9.7	Comparison business ecosystem for SMEs, proper governance and SEZ regulation	149

CHAPTER 3.		
	3.10 Ghana	151
	3.10.1 Model	151
	3.10.2 Regulations	152
	3.10.3 Stakeholders	152
	3.10.4 The One-Stop Shop	153
	3.10.5 The case Ashanti Technology Park	153
	3.10.6 The case Tema Free Zone	154
	3.10.7 New plan	154
	3.10.8 Proper governance items	155
	3.10.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation	155
	3.11 Kenya	157
	3.11.1 Model	157
	3.11.2 Regulations	158
	3.11.3 Stakeholders	159
	3.11.4 The One-Stop Shop	160
	3.11.5 The case of Mombasa SEZ (PPP)	161
	3.11.6 The case of Tatu City (Private)	161
	3.11.7 The case of Athi River (Public)	162
	3.11.8 Proper governance items	162
	3.11.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation	163
	3.12 Mauritius	164
	3.12.1 Model	164
	3.12.2 Regulations	165
	3.12.3 Stakeholders	165
	3.12.4 The One-Stop Shop	167
	3.12.5 The case of Mauritius Free Port	167
	3.12.6 Proper governance items	168
	3.12.7 Comparison business ecosystem for SMEs, proper governance and SEZ regulation	168
	3.13 Morocco	170
	3.13.1 Model	170
	3.13.2 Regulations	171
	3.13.3 Stakeholders	172
	3.13.4 The One-Stop Shop	173
	3.13.5 The case of Tanger Med – TMSA	173
	3.13.6 The case of Berkane Agro-Industrial Park – MEDZ	174
	3.13.7 Proper governance items	175
	3.13.8 Comparison business ecosystem for SMEs, proper governance and SEZ regulation	176

CHAPTER 3.	3.14 Nigeria	178
	3.14.1 Model	178
	3.14.2 Regulations	175
	3.14.3 Stakeholders	179
	3.14.4 The One-Stop shop	180
	3.14.5 The case of Lekki Free Zone (LFZDC) – Lagos Free Zone Regulation	180
	3.14.6 The case of Centenary Economic City – CECFZ	181
	3.14.7 The case of Abuja Technology Village Free Zone – ATVF	181
	3.14.8 Proper governance items	182
	3.14.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation	183
	3.15 Rwanda	185
	3.15.1 Model	185
	3.15.2 Regulation	185
	3.15.3 Stakeholders	186
	3.15.4 The One-Stop shop	187
	3.15.5 The case of Kigali SEZ	187
	3.15.6 Proper governance items	188
	3.15.7 Comparison business ecosystem for SMEs, proper governance and SEZ regulation	188
	3.16 South Africa	190
	3.16.1 Model	190
	3.16.2 Regulations	191
	3.16.3 Stakeholders	191
	3.16.4 The One-Stop Shop	192
	3.16.5 The case of Coega SEZ	193
	3.16.6 The case of Atlantis SEZ Company (ASEZCo)	193
	3.16.7 The case of East London IDZ (ELIDZ)	193
	3.16.8 Proper governance items	194
	3.16.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation	195
CHAPTER 4.	RECOMMENDATIONS FOR THE CREATION AND DEVELOPMENT OF THE NEW GENERATION OF SEZs FOR INTEGRATION OF SMES	197
	4.1 Assessment on regulatory framework	198
	4.1.1 Evolving beyond the enclave-like model	199
	4.1.2 Absence of an adequate SEZ regulatory framework	201
	4.1.3 Over-reliance on tax benefits	202
	4.2 Stakeholders' involvement	202

CHAPTER 4.	4.2.1 Overlapping responsibility	203
	4.2.2 Interfering government authorities	207
	4.3 Compliance with SEZ framework	209
	4.4 Regulatory overview – proper governance compliance	211
	4.5 Recommendations	211
	4.5.1 Advancing from the former to the new generation of SEZs	213
	4.5.2 Reduction of tax benefits dependence	214
	4.5.3 Autonomy and efficiency of the SEZ authorities	216
	4.5.4 New requirements and commitments for proper governance	217
	4.5.5 ESG & Corporate Social Responsibility	220
	4.5.6 Support of local economy	222
	4.5.7 Participation	225
	4.5.8 Labour	225
	4.6 Opportunities	225
	4.6.1 Land value capture	226
	4.6.2 Promote regional integration.	
CHAPTER 5.		228
	POLICY STATEMENTS ON UPGRADING SEZ POLICIES TO MEET THE GLOBAL ECONOMIC TRENDS	
		229
	5.1 Policy recommendations	229
	5.1.1 Foundational framework for SEZs and SME ecosystems	228
	5.1.2 Empowering SMEs	234
	5.1.3 Sustainability and compliance	243
	5.1.4 Regional integration and economic growth	245
	5.2 Action Plan For 2024-2025: Contribution of SEZ For establishing a viable SME business ecosystem in Africa	245
	5.2.1 Objective	246
	5.2.2 Stakeholders	246
	5.2.3 Partnership model	248
	5.3 Action Plan	2450
	5.4 Regional and continental awareness conferences and seminars on contribution of SEZ to SME integration	
ANNEXES		252

LIST OF TABLES

Table 1: List of reviewed SEZs per region and country	29	Table 17: Comparison between proper and good governance	127
Table 2: Sample framework for benchmarking	32	Table 18: Proper Governance Items (Benin)	135
Table 3: Findings and recommendations for Benin ²	39	Table 19: Proper Governance Items (Egypt)	142
Table 4: Findings and recommendations for Egypt	46	Table 20: Proper Governance Items	148
Table 5: Findings and recommendations for Gabon	54	Table 21: Proper Governance Items (Kenya)	162
Table 6: Findings and recommendations for Ghana	60	Table 22: Proper Governance Items (Mauritius)	168
Table 7: Findings and recommendations for Kenya	68	Table 23: Proper Governance Items (Morocco)	175
Table 8: Findings and recommendations for Mauritius	76	Table 24: Assessment of Proper Governance (Nigeria)	182
Table 9: Findings and recommendations for Morocco	85	Table 25: Proper Governance Items (Rwanda)	188
Table 10: Findings and recommendations for Nigeria	92	Table 26: Proper governance items (South Africa)	194
Table 11: Findings and recommendations for Rwanda	99	Table 27: Compliance with SEZ framework	203
Table 12: Findings and recommendations for South Africa	111	Table 28: Summary of general SEZ regulatory framework compliance	209
Table 13: Summary of the benchmarking by country	113	Table 29: Summary of SEZ regulatory proper governance compliance	210
Table 14: Levels, Actors and Principles of Proper Governance	120	Table 30: Partnership model	246
Table 15: Comparison between proper and good governance	121		
Table 16: Institutional Models of SEZ	122		

LIST OF FIGURES

Figure 1: Countries profiled by UNCTAD and selected regions and countries for the project.	30	Figure 17: Stakeholders in the SEZ Economic System in Gabon	147
Figure 2: The implementation process	31	Figure 18: Stakeholders in the SEZ Economic System in Ghana	153
Figure 3: Government and SEZ sectors complementarity in Benin	35	Figure 19: Proper Governance Items (Ghana)	155
Figure 4: Government and SEZ sectors complementarity in Egypt	41	Figure 20: Stakeholders in the SEZ Economic System in Kenya	160
Figure 5: Government and SEZ sectors complementarity in Gabon	48	Figure 21: Stakeholders in the SEZ Economic System in Mauritius	166
Figure 6: Government and SEZ sectors complementarity in Ghana	56	Figure 22: Stakeholders in the SEZ Economic System in Morocco	173
Figure 7: Government and SEZ sectors complementarity in Kenya	62	Figure 23: Stakeholders in the SEZ Economic System in Nigeria	180
Figure 8: Government and SEZ sectors complementarity in Mauritius	70	Figure 24: Stakeholders in the SEZ Economic System in Rwanda	187
Figure 9: Government and SEZ sectors complementarity in Morocco	78	Figure 25: Stakeholders in the SEZ Economic System in South Africa	192
Figure 10: Government and SEZ sectors complementarity in Nigeria	88	Figure 26: Identified challenges	229
Figure 11: Government and SEZ sectors complementarity in Rwanda	94	Figure 27: Action plan	248
Figure 12: Government and SEZ sectors complementarity in South Africa	101	Figure 28: Year 2025- Implementation and Governance Enhancement	249
Figure 13: Responsibilities of Stakeholders	125	Figure 29: Year 2024: Planning and Coordination Phase	250
Figure 14: SEZ Regulatory Framework	129	Figure 30: Implementation and Governance Enhancement	251
Figure 15: Stakeholders in the SEZ Economic System in Benin	133		
Figure 16: Stakeholders in the SEZ Economic System in Egypt	140		

ACRONYMS

AAN	The Administrative Authority of the Economic Zone with Privileged Regime of Nkok
ABEPE	Benin Agency for Export Promotion and Development
ABP-PME Entreprises	Agence Béninoise de Promotion des Petites et Moyennes
AEI	Arab Electric Industries
AFC	Africa Finance Corporation
AEZO	Africa Economic Zones Organisation
AfCFTA	Africa Continental Free Trade Area
AfDB	African Development Bank
AFREXIM	Africa Export Import
AFNOR	French Agency for Normalization
AGANOR	Standardization, Metrology, Quality Control and Consumer Protection Agency
AGASD	Gabonese Agency for Sustainable Development
AGEPME	Gabonese Agency for SMEs Promotion
AGI	Ghana Association of Industries
AGIBOIS	Gabonese Timber Industry Agency
AI	Artificial Intelligence
AIDC	Automotive Industry Development Centre's
AMDI	Moroccan Investment Development Agency
AMITH	Moroccan Textile and Clothing Federation
AMMC	Moroccan Capital Market Authority
ANADED	National Agency for Agricultural Development
ANAPEC	National Employment Promotion Agency
ANM	Benin Agency for Standardization and Metrological Service and Quality Control Management
ANPE	National Agency for Employment and Vocational Training
ANPME	Small and Medium-Sized Enterprises
APIEX	Agence de Promotion Des Investissements et des Exportation
APIP	Agency for Investment Promotion and Public-Private Partnerships
ARISE	African Renaissance Industrial Development Corporation

ACRONYMS

ATIF	Africa Transformation and Industrialization Fund
ATVF	Abuja Technology Village Free Zone
ASeM	Alternative Securities Market
ASEZCo	Atlantis Special Economic Zone Company
AUC	African Union Commission
BBB EE	Black Business Economic Empowerment
BCMM	Buffalo City Metropolitan Municipality
BDF	Business Development Fund
BEAT	Bottom-Up Economic Transformation
BIS	Black Industrialists Scheme
BOFIA	Bank and Other Financial Institutions Act
BOI	Bank of Industry
BPO	Business Process Outsourcing
BNPMEZ	National Bank for SMEs and Special Economic Zones
BRD	Development Bank of Rwanda
BRICS	Brazil, Russia, India, China and South Africa
BSDP	Black Supplier Development Program
CAK	Consumer Association of Kenya
CALI	China-Africa Lekki Investment Ltd
CAMA	Companies and Allied Matters Act
CAR	Consumer Association of Rwanda
CBE	Central Bank of Egypt
CBN	Central Bank of Nigeria
CCG	Central Guarantee Fund
CDC	Coega Development Corporation's
CECFZ	Centenary Economic City
CFC	Casablanca Finance City
CFTZ	The Calabar Free Trade Zone
CIFSC	Coromandel International Financial Services Centre
CNCC	National Climate Council

ACRONYMS

CNFD	Gabonese National Commission for Qualifications and Skills Development
CNFFCP	Centre National de Formation des Formateurs et des Conseillers Pédagogiques
COMESA	Common Market of Eastern and Southern Africa
COMILOG	Gabonese Mining Company
COTVET	Council for Technical and Vocational Education and Training
DFI	Development Finance Institutions
ECRC	Egyptian Corporate Responsibility Center
EEC	Exporters Eastern Cape
EIoD	Egyptian Institute of Directors
ESG	Environment, Social and Governance
FBPCE	Fondation Banque Populaire pour la Création d'Entreprises
FDI	Foreign Direct Investment
FONACA	National Guarantee and SME Assistance Fund
GAFI	General Authority for Investment and Free Zones
GCIC	Ghana Climate Innovation Center
GDIZ	Glo-Djigbé Industrial Zone
GECSA	Green Economy Coalition South Africa
GFZA	Ghana Free Zones Authority
GIPC	Ghana Investment Promotion Centre
GQF	Gabonese Qualifications Framework
GRI	Global Reporting Initiative
GSE	Ghana Stock Exchange
HEIs	Higher Education Institutions
IAF	International Accreditation Forum
ICT	Internet Communication Technology
IEC	International Electrotechnical Commission
IMANOR	Moroccan Standards Institute
IP	Intellectual Property
IPA	Investment Promotion Agencies
IPAP	Industrial Policy Action Plan
ISO	International Standardization Organization

ACRONYMS

MCB	Mauritius Commercial Bank
MESTI	Ministry of Environment, Science, Technology and Innovation
NAPEVT	National Agency for the Promotion of Employment and Vocational Training
NBI	National Business Initiative
NBI	National Business Initiative
NCIC	El Nasr Company for Intermediate Chemicals
NEF	National Empowerment Fund
NEPC	Nigerian Export Promotion Council
NiNAS	Nigerian National Accreditation Service
NMI	National Metrology Institute
NIPC	Nigerian Investment Promotion Commission
NITDA	National Information Technology Development Agency
NQIP	National Quality Infrastructure Program
NSDP	National Skills Development Programme
NSEZCO	Nigeria SEZ Investment Company
PPP	Public Private Partnership
OCTO	Quality Council for Trades and Occupations
QI	Quality Infrastructure
RBAB	Réseau des Business Angels du Bénin
REL P	Robbiki Eco-Leather Park
SABS	South African Bureau of Standards
SACCI	South African Chamber of Commerce and Industry
SANAS	South African National Accreditation System
SAOGA	South African Oil and Gas Alliance
SBDI	Benin Enterprise Development and Investment Corporation
SCCI	Stratégie de Compétitivité et de Climat d'Investissement
SCZone	Suez Canal Economic Zone
SDG	Sustainable Development Goals
SE4ALL	Sustainable Energy for All
SEFA	Small Enterprise Finance Agency
SEZ	Special Economic Zones



ACRONYMS

SME	Small Medium Enterprises
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
TIEC	Technology Innovation and Entrepreneurship Center
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference of Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
VAT	Value Added Tax
ZMC	Zone Managing Company



ABSTRACT

This Policy document tackles the fundamental instruments needed by public and private key stakeholders for integrating SMEs into Special Economic Zones (SEZs) to catalyse sustainable growth through promotion of sectors of high growth potential, local economy integration, skills development and job creation, access to finance for SMEs, quality infrastructure engagement, and Environmental, Social, and Governance (ESG) commitment. By investigating best practices, lessons, and successful initiatives across 10 countries in the 5 regions of Africa, this Policy document offers valuable insights for guiding the new generations of SEZs to become engines of sustainable and inclusive growth and development in Africa. Notable highlights of country practices include:

- Benin's SDG-aligned bond.
- Gabon's wood sector traceability, environment protection engagement and export of finished furniture products to the international market

- Ghana's shea butter value chain development, continental and international market opportunities.
- Mauritius' ICT innovation and the Green Bonds.
- Morocco's Tangier-Med SEZ's innovative industries, employment creation and local economy integration.
- Rwanda's holistic industrial coordination.
- South Africa's Public and Private sector partnership for SEZ design, development and implementation of the innovative approach of bottom-up for mobilising MSMEs that are community-based.
- Egypt's skills-development strategy focused on women and youth integration; and
- Kenya's focus on smart city establishment, away from the congested capital city and targeted end-to-end support SMEs

More precisely, the policy document emphasises the importance of aligning projects with ESG principles, enabling investors to comprehend their investments' societal and environmental impact. Equipping SMEs with the necessary training, skills programs, and workshops is paramount to enhancing their capabilities and facilitating collaboration with regional, continental, and international corporations through contracting, subcontracting, and outsourcing. Policymakers' government agencies and private sector organisations from the continent have a significant role in fostering an entrepreneurial culture and supporting start-ups and SMEs through linkages with universities, technical and vocational education, and training (TVET), and Enterprise Support Organizations (ESOs). Moreover, strategic partnerships between SEZs, government agencies, ESOs and financial institutions are crucial for creating a conducive business environment for SMEs looking for sustainable markets allowing them to grow. In addition, integrating SEZs into the local economy increases knowledge and innovation transfer, job creation and skills development. This integration also necessitates research and development efforts to implement green and clean investment initiatives. To this end, establishing regulatory frameworks and guidelines for sustainable bond offerings further contributes to the success of SMEs and SEZs as vehicles for sustainable investment.

The findings underscore that collaboration among multiple stakeholders, including governments, regional and local authorities, the local business communities, and intermediary support organisations is indispensable for the success of the new generation of SEZs. SME integration multiplies the impact of this collaboration. By emphasizing the interplay between economic development, social progress, and environmental preservation, this Policy document advocates for an integrated model that addresses Africa's emerging economies ready for implementing the AfCTA agenda. Some SEZs which reached a maturity phase (Egypt, Kenya, Morocco, Mauritius, Nigeria, South Africa) constitute a good network able to accelerate the integration of the African market as they started to collaborate and share best practices as well as establish new markets under new jurisdictions within the AfCTA.

This Policy document recommends a comprehensive approach to accelerating SMEs' integration into SEZs' economic structure. It guides governments focused on updating their policies towards SME support and development. Updating policies will facilitate a progressive move towards a new generation of SEZs with modern management and governance models. This is the only approach that can succeed in attracting responsible developers, Financing Development Institutions, and investors in a competitive world.

This Policy document is produced at a critical time, when the AfCTA Council of Members have just adopted regulations that govern and provide guidance on goods produced in SEZs, presenting the opportunity for SMEs to increase their investments and cater to the continental market.

CHAPTER 1

Why the question of integrating of SMEs into SEZs is becoming central and how to address it



The Coega Special Economic Zone
image; <https://www.investmentmonitor.ai/sponsored/the-coega-special-economic-zone-emerges-as-a-prime-location-for-growing-oems/>

1.1 Background

Despite the numerous forms and packages of support at national and international level provided to SMEs over the years, the growth of a robust SME business ecosystem is still under development. The assistance provided by governments with support from international donors to SMEs has focused on building their individual capacities. This approach has failed to connect them to leading industry players active in national, regional, and global value chains, weakening their access to sustained markets and long-term viability. The integration of SMEs into value chains remains complex due to their structural weaknesses and the absence of supportive frameworks. In the value chains, SMEs must compete to position themselves in a constantly changing and highly competitive environment in which SMEs struggle to find their place, succeed, and sustain their business.

However, Special Economic Zones (SEZs) have the potential to improve this situation. SEZs have well-defined economic structures in which competition certainly exists but within which SMEs can benefit from dedicated support, facilitating their integration into the different segments of production. Furthermore, SEZs offer these SMEs the opportunity to plug into the existing business network leading to value creation and easing market entry. While the SEZ environment is competitive, SMEs have access to key infrastructure and services allowing them to develop, accelerate and expand their business. SEZs therefore could be seen as economic structures that offer SMEs a conducive production and business development environment, where they can upgrade their competitiveness, scalability, and growth.

In this context, the policy document provides guidance and an action plan to governments and SEZ authorities for upgrading their policies to place SME integration at the centre of SEZ economic structures. It is anticipated that this will contribute to building viable ecosystems that support the development of local economies. The relationship between SEZs, SMEs and the development of local economies has been described by the AU, UNCTAD, UNIDO and AEZO¹. This policy document builds upon this work with necessary conclusions and recommendations.

1.1.1 SEZ: sandbox for SME development and growth

The SME business ecosystem can be described as a dynamic network of local producers, distributors, traders, and service providers. Its primary objective is to promote the development and expansion of businesses within a given region. Within this ecosystem, there are opportunities for start-ups, scale-ups, and entrepreneurs to leverage operational and technical resources, engage in idea-sharing networks, attract investors, and gain access to critical assets including intellectual, physical, and financial resources. The ultimate objective is to create value, increase productivity, generate income, facilitate employment, and contribute to overall well-being.

Within the ecosystem, the definitive roles of the public, parastatals, and private organizations, particularly those supporting the growth of SMEs, are critical. They provide sustainable economic, technological, intellectual, infrastructure, and financing solutions for companies. This fosters cooperation, interdependence, and competitive relationships with the aim of ensuring the growth of a vibrant ecosystem.

The building of the SME ecosystem requires the implementation of targeted policies and development strategies, aimed at developing a culture of partnerships or alliances that rapidly integrate and assimilate technological

¹ Africa Economic Zone Organisation

innovations, knowledge, and technical capacity, including new talent. Within this environment, SMEs that are innovative, adaptive and anticipate transitional and transformative change become a driving force of the SME ecosystem, influencing its development.

However, this ideal SME ecosystem does not yet exist. Many SMEs in Africa, including those with competitive and innovative products, are still struggling to grow and scale. They operate in uncertain and unsupported business environments, leaving little room for business to take off.

Meanwhile, SEZs provide critical assets and services that in turn allow tenants to amplify their value creation, thus representing a significant opportunity for SMEs to unlock their potential, grow and scale. SEZs can stimulate SME investment by facilitating access to first-class infrastructure that enables growth and competitiveness. SMEs that are integrated into SEZs are more attractive to financial institutions seeking viable projects and pipelines for investment.

Moreover, the economic structures within SEZs can serve as a 'sandbox' where various experiments can take place. These experiments may involve testing new business models, evaluating the impact of policy changes, piloting innovative technologies, or exploring different approaches for trade and investment. The smaller scale and more flexible regulations within SEZs make it easier to implement and evaluate these experiments compared to nationwide initiatives.

Additionally, SMEs can learn how to grow and scale within this predictable environment. To support this growth, governments can develop sound regulatory policies for SEZs that reduce operational burdens while achieving relevant public interest objectives. This approach is like other successful sandbox programs in various sectors across Europe, Africa, and Asia.

SEZs that include SMEs can serve as breeding grounds for job creation and skills enhancement. They function as a source of transferable knowledge and innovation in production and strategic organizational capabilities, which are often lacking in local businesses.

Despite having different configurations and classifications, the boundary between SEZs and industrial parks is becoming increasingly blurred. In both, government intervention is central to the promotion of industrial activities. Both are geographically delimited areas that focus on attracting foreign investors, developing export markets, generating revenue, and creating employment. They also both benefit from land concessions, infrastructure development, and associated services and facilities (IT and telecommunication, transport, access to energy and water), including streamlined administrative procedures. As a result, in this policy document the term "SEZ" is used to broadly refer to both industrial parks and SEZs.

1.1.2 Boosting subcontracting and outsourcing initiatives in sectors with high growth potential

In addition to their initial mandate (attracting investment and increasing exports), the issue of integrating SEZs into the development of the local economy becomes essential. Recent years have seen governments and local authorities encouraging SEZs to capitalize on countries' natural and human resources, resulting in a shift towards sector-oriented development. Indeed, SEZs mobilized investors in well-targeted segments of the global value chain such as textiles, leather, and agricultural products, logistics and distribution, among others. Some of them promote new sectors such as automotive, electronic high tech, clean tech, green energy, digital tech, and services but they are faced with limited availability of technically qualified workforce. Hence there is a pressing need to establish collaboration and partnerships between SEZs and universities, training centres, and

TVETs at both national and regional levels. This network should encompass qualified staff, including engineers, economists, finance experts, and specialized technicians, with a focus on future skills related to the 4th Industrial Revolution, such as ICT-enabled engineering and technology.

The sector-based approach opens good opportunities for collaboration between the SEZs and local companies that supply goods and services. However, with a few exceptions², the subcontracting and outsourcing models have been underutilized by government, local authorities and SEZs except for the construction and public works sector. These models have proven themselves in most developed countries and have contributed to the creation of a viable business network in multiple regions.

The subcontracting model is a contractual operation whereby a large company delegates to an SME part of a public or private market or a production with technical specifications, deadlines, and a negotiated price, while retaining responsibility for the market or finished product. In this case, large companies decide to use subcontracting to benefit from cheaper labour when they plan to respond to a growing market. As for SMEs, the use of subcontracting is often motivated by insufficient financial, technical, or organizational capacity to respond in quantity and quality to a market. It can also be motivated by a strategy of specialization in a segment of the value chain. The obvious advantage of the SME subcontractor is better control of quality, costs, and manufacturing times thanks to the transfer of skills and innovations from the partner company to respond to a growing market. In addition, the SME can concentrate on medium- and long-term projects, which guarantees a constant income and the possibility of investing for growth.

Moreover, for the outsourcing model, it is defined as a delegation (or transfer) of a company function to a third party on a permanent basis, with the aim of reducing costs, such as in accounting, IT and web development, advertising, and legal services. But in addition to these services, there are also great outsourcing opportunities from SEZs to local SMEs in storage, transport, and logistics services. In Kenya, General Motors has outsourced the manufacture of vehicle parts to a local parastatal, Numerical Machining Complex,³ which produces parts for Isuzu Motors.

The policy of governments and SEZs should therefore align themselves to put subcontracting and outsourcing at the heart of linkages between large companies and SMEs. This will contribute to the creation of a viable SME ecosystem and consequently to the strengthening of sectors with high growth potential.

1.1.3 Providing the place that the private sector deserves in the governance structure of SEZs

Many SEZs are government owned and delegate the authority function to Investment Promotion Agencies (IPAs). IPAs typically have a mandate to attract investors, assist with feasibility studies, and facilitate contracting with public-sector institutions. Most IPAs established one-stop-shop registration and assistance to investors for the installation and development of SEZs (business registration, customs, employment and environmental regulations and procedures). There are also privately owned and PPP-based governance models.

Whatever the governance model, the local private sector organizations (sectoral professional associations, chambers of commerce, service providers) are still largely missing from SEZ governance in Africa. This is unfortunate because they can play a useful advisory role for developing and accelerating the linkages between

² Algeria, Egypt, Ethiopia, Kenya, Morocco, Nigeria, Ghana, South Africa

³ <https://nmc.go.ke/>

SEZs and local businesses, as well as are important for transferring SEZs knowledge and innovations to their SME members. In turn, SEZs could benefit and activate specialized SMEs belonging to the private sector organizations for well-targeted operations.

For these reasons, the development of policies that integrate private sector organizations into the governance structures of SEZs must be part of the roadmap and design process for building the supportive ecosystem.

1.1.4 Make effective the implementation of Environmental, Social and Governance (ESG)

ESG has become an increasingly important criterion in assessing a company's performance. Taking it into account not only helps to improve to enhance the company's image, but also serves as a benchmark for the new generation of companies striving to align with the SDGs.

- The environmental criterion considers waste management, including recycling, the reduction of greenhouse gas emissions, the respect of biodiversity, the development of the circular economy, and the prevention of environmental risks. Notably, these factors have led to the creation of new business opportunities (waste recycling, wastewater treatment.)
- The social criterion encompasses a range of elements, including compliance with employment regulation and acts, adherence to the code of conduct, protection of employee rights, advancement of working conditions, fair compensation practices, employment opportunities for women and youth, promotion of diversity, positive social impact on the community, workforce capacity building, and the quality and monitoring of social dialogue.
- The governance criterion focuses on ensuring the independence and transparency of board members to avoid conflicts of interest. It also involves the implementation of measures to avoid corruption, rigorous financial control and audit of company activities, comprehensive reporting to stakeholders, evaluation of management structure, and the management's interactions and conduct with partners, employees, customers, and suppliers.

Based on these definitions, compliance with employment standards and environmental protection, although mentioned in SEZ policies, often remains aspirational. Governments have been cautious, if not lax, in order to avoid deterring investors with stringent regulations. As already mentioned, there has been a fierce competition among countries to attract SEZs by granting them very advantageous fiscal facilities, sometimes at the expense of environmental preservation and labour conditions. This was particularly the case for the first SEZs in the 1990s, but it is still true for those still active today. As a result, the African Union Commission, international agencies, and Development Finance Institutions are promoting ESG as a prerequisite. They urge SEZs to engage in sustainable and socially responsible activities backed by measurable indicators. By integrating ESG into their policy, SEZs can meet the growing demands of global clients who are increasingly sensitive to social and environmental issues, not to mention that it will open more opportunities for them to raise markets and capital.

1.1.5 Building on successful experiences: linkages between SEZs and local economies

UNCTAD Handbook provide examples of SEZs working with SMEs and actively contributing to the local economy, yielding successful results⁴. These insights and best practices can be replicated elsewhere. The Handbook i recommends the establishment of an SME Unit within SEZs aiming to support the key stakeholders and actors (Government, local authorities, SEZ authorities, IPAs, sector professional associations, service providers) for

⁴ See Annex 3

developing and sustaining linkages with the local economy. Collaborations could be envisaged with finance institutions interested to invest in SMEs in partnership with SEZs companies.

One of this unit's key objectives is to identify and select SMEs in high-growth sectors that hold interest for SEZs. Additionally, it could seek out Technical and Vocational Education and Training (TVET) centres responsible for upgrading the capacities of SMEs and specialized service providers, especially those who can prepare them to respond to calls for tenders. Finally, the Unit could establish a database of SMEs which would allow the SEZs to call on them when needed. In summary, the Unit will develop and sustain upstream and downstream linkages between the SEZs and the local economy, consequently strengthening and sustaining the activities of local SMEs. In addition, the AU has also started developing a model law on SEZs, intended to offer guidelines particularly to countries where SEZs are non-existent, underdeveloped, or are at a nascent stage.

The integration of qualified SMEs into the SEZs becomes central because it will facilitate the emergence of a pipeline of viable SMEs playing an active role in the development of the local economy and, for some, to become leaders in their sector of growth.

1.2 Methodology and approach

Within the context of AU SME strategy and the follow-up of the AU First SME Forum (Cairo, June 2022), the main objective of this assignment is to assist the French-AU Technical Facility in designing a Policy Document. This document will provide comprehensive guidance to governments, the AUC, and RECs on establishing a viable SME business ecosystem in Africa. It aims to harness the potential of the "Global Gateway," leverage existing blending financing instruments facilitated by the EU, international development agencies, and Development Finance Institutions, as well as benefit from the opportunities offered by regional and continental trade protocol agreements, particularly the AfCFTA. In doing so it will align with the 2063 agenda "Africa we Want". The EU Gateway programme is part of the broader Global Gateway Africa – Europe Investment Package, designed to support business development in Africa. It aims to accelerate the green and digital transition, foster sustainable growth and decent job creation, strengthen health systems, and improve education and training⁵.

The policy document and action plan provide guidance and avenues for fostering the growth and advancement of African SMEs within the framework of SEZ economic structures. It provides valuable information to governments, RECs, and SEZ authorities with vital insights into the requisite frameworks and policy alignment needed to facilitate SMEs integration into the SEZ business environment. Additionally, it suggests approaches for attracting investment, increasing exports and exploiting the emerging local and global markets opportunities. This endeavour aims to foster the development of sustainable business ecosystems that drive local economic progress.

This document proposes a design of policies alongside building blocks that will enhance the SMEs business ecosystem. Six building blocks are proposed as instrument of application:

⁵ Global Gateway: EIB and European Commission sign agreement to boost <https://www.eib.org/en/press/all/2023-079-global-gateway-eib-european-commission-sign-agreement-to-boost-private-sector-investment-in-african-caribbean-and-pacific-countries>.

<p>Building the local economy through SME integration</p>	<p>When sectors of high growth are aligned there is a high probability of collaboration between the SMEs and the SEZs. Private sector organizations, like chambers of commerce and sectoral professional associations, are typically well-informed about business opportunities and challenges, making them ideal for identifying high-growth sectors. Government policies should reflect and incorporate these sectoral insights from the private sector. This alignment can be complemented by improving the investment climate and establishing suitable infrastructure to facilitate the growth of these sectors.</p>
<p>Sectors of high growth</p>	<p>Integrating SMEs into the SEZ ecosystem offers several benefits, including access to clear markets, direct investment, technical support, improved QI engagement, and integration of best practices including ESG. This, in turn, improves the SME competitiveness, thereby stimulating local economy growth. Different incentives can be put in place to foster collaboration. Additionally, policy instruments, such as the local content policies, can be employed to facilitate the development of integration pipelines along defined sectors or value chains.</p>
<p>New skills, and qualifications development and job creation</p>	<p>Strategically aligning industry demands with skills development and fostering robust collaboration and partnerships among High Education Institutions (HEI), professional bodies, government, and industries, is essential for effective skills development and job creation. The establishment of TVET centres within SEZs or near the industries, further enhances the effectiveness of skills training. Such an environment nurtures a skilled workforce that meets industry requirements and promotes economic growth. Policies and incentives that encourage close collaboration and partnerships between institutions providing skills and knowledge, professional bodies, government, and industry, would lead to improved outcomes benefiting SEZs, SMEs, and the job market.</p>
<p>Access to financing</p>	<p>Financing in the SEZ context operates at three levels: SMEs, tenants within SEZs, and the SEZ developers and operators. There is need to establish a pipeline of viable SMEs operating within SEZs, ready to submit investment projects to DFIs for modernising their operations and distribution activities. Enhancing SME productivity to reduce production and service costs, along with fostering the development of business networks, collectively contributes to the creation of a compelling investment ecosystem.</p>
<p>Quality infrastructure engagement</p>	<p>When SMEs gain access to QI they can evolve into suppliers and become eligible for subcontracting and outsourcing after meeting SEZs requirements on quality, standard and certification of products and services. Implementing incentives that support collaboration between SMEs and SEZ to address assay, quality, standardization, and certification needs for products and services would lead to the upgrading the capacity of SMEs for accessing the regional, continental and international markets.</p>
<p>ESG Compliance</p>	<p>ESG has become an important parameter for international business and investment. Meeting ESG requirements from governments, donors, and Development Finance Institutions creates opportunities for market expansion and increased funding. The development of supportive policies on the adoption of ESG standards by SMEs, both within and outside the SEZ, as well as those engaged in business with SEZs, would improve the operational ecosystem and coherence of the value chain or sectors of development.</p>

The six building blocks correspond to vital pathways essential for supporting the SMEs growth and prosperity. These pathways encompass access to capital, business development support, market accessibility, a growth-friendly regulatory environment, robust infrastructure, and a skilled workforce. SMEs often require financial assistance, such as loans, grants, and risk guarantee mechanisms to initiate and expand their businesses.

Business development support, including training, mentoring, and guidance, plays a vital role in equipping SMEs with the necessary skills and knowledge. However, it is important to recognize that the ideal SME ecosystem may vary depending on several factors such as policy design and implementation, operational context, industry development, economic conditions, and the effectiveness of monitoring and evaluation systems. On the other hand, Special Economic Zones (SEZs) provide essential assets and services that empower tenants to increase their value creation.

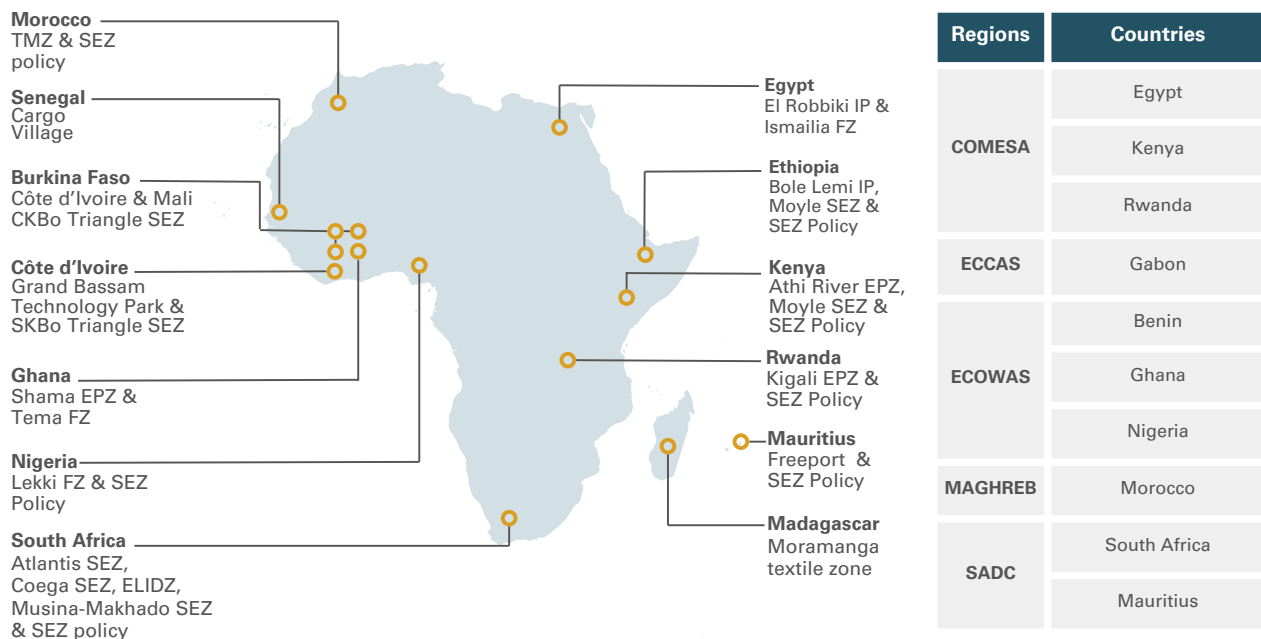
The linkages between SEZs, SMEs and local economic development has been addressed by UNCTAD, UNIDO and AEZO⁶ and the new AU SEZ model law. This policy document builds upon the findings and recommendations of these organizations. Finally, the AfCFTA Council of Ministers has recently adopted the regulations that govern goods produced in SEZs, creating significant opportunities for SMEs to expand their investment and serve the continental market in alignment with the AU SME Policy.

The selection of countries was critical towards the implementation of components 2 and 3 of the project. Leveraging the momentum generated by stakeholders and countries already backing SEZs development, the process relied on the UNCTAD Handbook on SEZ, which focuses on 12 specific countries. From this group, 10 countries were selected for in deep study.

Table 1: List of reviewed SEZs per region and country

REGION	COUNTRY	SEZs
COMESA	Egypt	SEZONE (Sokhna Port) Alexandria Public Free Zone East Ismailia Technology Valley
	Kenya	Mombasa SEZ Tatu City Athi River
	Rwanda	Kigali SEZ
ECCAS	Gabon	Gabon SEZ (aka Nkok SEZ)
ECOWAS	Benin	Glo-Djigbe Industrial Zone
	Ghana	Tema Free Zone Ashanti Technology Park
	Nigeria	Lekki Free Zone Centenary Economic City Abuja Technology Village Free Zone Company
MAGHREB	Morocco	Tangier-Med Berkane Agro Industrial Park
SADC	South Africa	Atlantis SEZ Port Elizabeth (COEGA IDZ) East London (ELIDZ)
	Mauritius	Mauritius Freeport

Figure 1: Countries profiled by UNCTAD and selected regions and countries for the project.



Having considered the above, and following the terms of reference, the project selected 10 countries for evaluation. Among these, Egypt, Kenya, and Nigeria have more than 10 SEZs and have demonstrated innovative approaches and good practices. To ensure regional and linguistic diversity, we’ve also included countries with between 5 and 9 SEZs, namely Benin, Gabon, Ghana, Mauritius, Morocco, Rwanda, and South Africa.

The selected countries boast dynamic private sectors, and their governments have put in place supporting instruments to enhance the business environment and attract investment. Additionally, countries like Botswana, Ethiopia, Ivory Coast, Madagascar, Namibia, Uganda, Senegal, and Tanzania, also merit assessment. Their inclusion could be considered if the stakeholders decide to extend the scope of this study after the completion of the current phase. Following the selection of the countries, the next step involved choosing 20 SEZs for detailed analysis. These selections were based on the criterion of meeting at least three of the following factors:

- Sectors with high growth potential focus
- Local economy development (private sector and SMEs engagement)
- Job creation, new skills, and qualifications development
- Finance
- Quality infrastructure service providers engagement
- ESG commitment

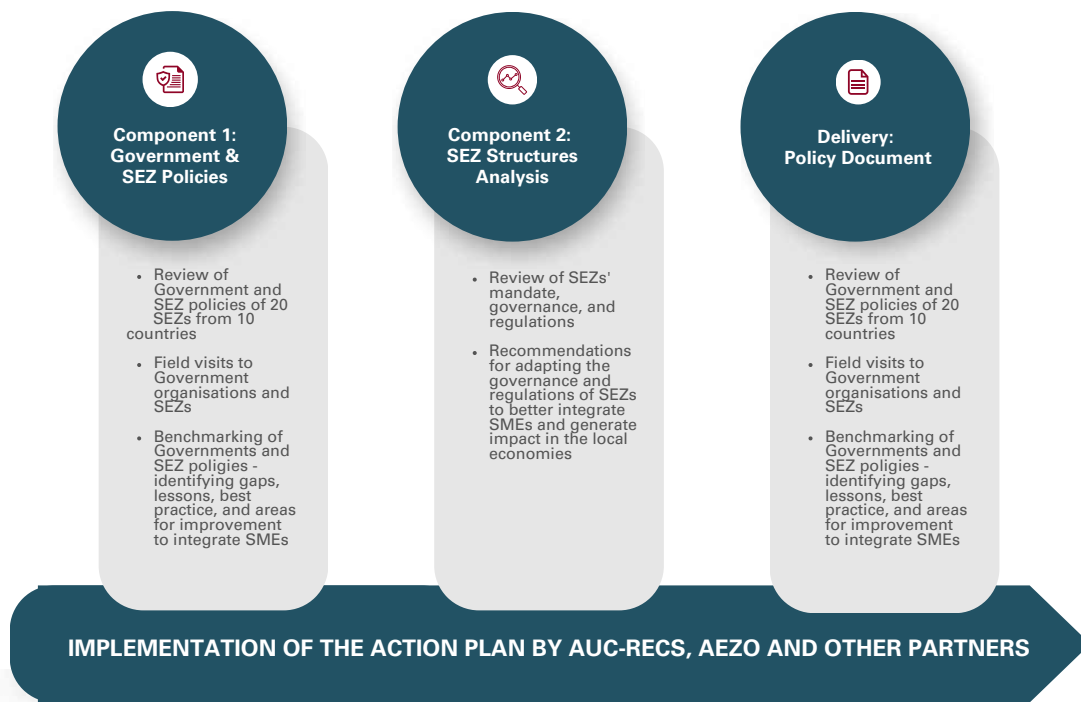
Priority was given to SEZs that were actively addressing local SME integration, contributing to local economic development, and focusing on sectors with growth potential (Agri-business, Textile, ICT, High Tech, Clean Tech, Renewable energy, Automotive etc). Below is a table listing the selected SEZs by region.

In addition to the selected SEZ for review, other SEZ were reviewed to complement the research. The following is a list of extra SEZs used for benchmarking purposes: Suez Canal Economic Zone (SCZone), East Ismailia Eco Industrial Park and Robbiki Eco-Leather Park SEZ in Egypt, Caudan Waterfront SEZ (Mauritius), Industrial Technology Park (Kenya), Accra Digital Centre (Ghana), Enugu Industrial Park and Free-Trade Zone (Enpower-

FTZ), Dangote Industrial Free Zone and Lagos Free Zone (Nigeria), Kenitra Atlantic Free Zone (Morocco), and Sandalha (South Africa), Casablanca Nearshore Park SEZ, Midparc Free Zone in Casablanca and Oujda Technopole (Morocco), and GSEZ Port in Owendo (Gabon). Following AUC recommendation the Team extended the benchmarking to other international countries, namely: India, China, and Madagascar.

Figure 2 below provides a summary of the implementation approach to the Policy document. It has the three stages defined as components. Each component has defined outputs which collectively lead to the production of the policy document on SME Ecosystem establishment in Africa.

Figure 2: The implementation process



1.2.1 Benchmarking approach

SEZ benchmarking was conducted in each country, assessing their performance across the six pillars. The results provide recommendations at three distinct levels to steer further development and progress. This approach is qualitative in nature.

- **To develop:** This is the basic level. It indicates the need for increased efforts to improve performance. At this stage, the SEZ must leverage at least 3 other building blocks to bring them to the acceleration level. However, within a specific building block, a country may have implemented elements of the pillar. For example, in the case of ESG, they may have concentrated solely on the environment and not SG. Similarly, with policy, the instrument might be in place but not effectively executed in practice. Such factors can impact their ranking and standing in the benchmark.
- **To accelerate:** This signifies that the SEZ has harnessed the potential of at least 5 building blocks, positioning them towards consolidation and expansion level.
- **To consolidate and expand:** At this level, SEZ has effectively leveraged all 6 building blocks. This stage allows them to invest their knowledge and services to SEZ at development and acceleration levels. They are also well-positioned to invest and/or conclude commercial agreements with African continental SEZs.



Table 2: Sample framework for benchmarking

Country	Recommendation	Sectors with high growth potential	Local economy development through SME engagement	Access to finance and investment for SMEs	Job creation, new skills, and qualifications development	Quality infrastructure engagement	ESG commitment
Country X	To develop					x	
	To accelerate	x					
	To consolidate and expand			x			

Key to the ranking :

- To develop: each star is equivalent to a weighted score of 1.
- To accelerate: each star is equivalent to a weighted score of 2.
- To consolidate: each star is equivalent to a weighted score of 3.

CHAPTER 2

Pathways for boosting
the new generation of
SEZs: cases from selected
countries



The following chapter will dive into a detailed analysis of the ten selected countries. Our approach will be to use the Six Building Blocks methodology, a structured framework that allows for a comprehensive examination of key aspects within each country's context. This methodology will help us uncover valuable insights and patterns that shed light on the unique dynamics of these nations and their potential for growth and development in the specific areas we're exploring.

2.1 Benin

The SME Policy promotes SME development and a conducive growth environment. The National SME Strategy (2018-2022) further aims to support the formalization of businesses, as well as enhance their competitiveness and access to finance and markets. The strategy includes the establishment of a National SME Council to coordinate policy implementation and ensure that SMEs are integrated into national development plans. In addition, Vision Benin Alafia 2025 recognizes the critical role that SMEs play in driving economic growth, the importance of business support services, and the need for reducing regulatory barriers. The plan recognizes the need to promote entrepreneurship and innovation as key drivers of SME growth and competitiveness and recognizes SEZs as key catalyst for investment that promotes exports and generates sustainable and dignified jobs. To this end, the government established the National Agency for the Promotion of Employment and Vocational Training (ANPE)⁷ to provide support to entrepreneurs, including training and advisory services, financial assistance, and capacity building. Under Vision Benin Alafia 2025, the Government adopted the National Development Plan (for 2018–2025)⁸, focusing on self-employment and SME competitiveness.

In alignment with sustainable development goals, the government has also established the National Council for Corporate Social Responsibility (CSR) to promote ethical and responsible business practices, aligning with ESG implementation. The Investment Code (2018) provides a legal framework for the establishment, operation, and regulation of SEZs in the manufacturing, agribusiness, and services sectors. Currently, there is one SEZ in Benin with several industrial parks. For example, PK 10 is focused on the textile and garment industry. On the other hand, the Glo-Djigbé SEZ is focused on the agro-industry, particularly on processing agricultural products such as maize, rice, and cashew nuts. The Benin Agency for Export Promotion and Development (ABEPE) is responsible for their promotion and development. One of the developers of SEZs in Benin is African Renaissance Industrial Development Corporation (ARISE) Integrated Industrial Platforms (IIP), which prides itself as a pan-African developer of industrial ecosystems⁹.

2.1.1 High growth sectors

The government has identified several sectors with robust growth potential for SMEs, including agriculture, mining, energy, tourism, and infrastructure development. Benin further aims to enhance its transportation networks, including roads, ports, and airports, to improve connectivity and

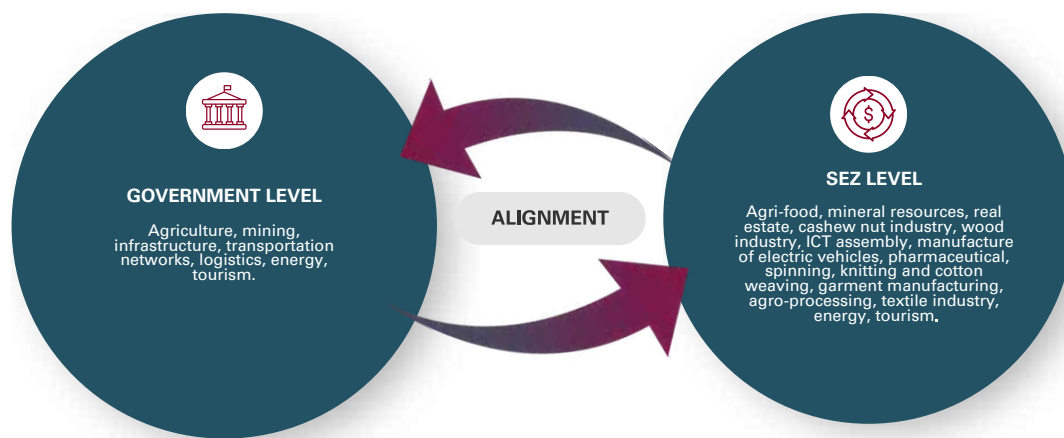
⁷ <http://www.anpe.bj/>

⁸ <https://finances.bj/benin-launches-its-ambitious-national-development-plan-pnd/?lang=en>

⁹ Arise Integrated Industrial Platforms - Making Africa Thrive (ariseiip.com)

facilitate trade. This will create opportunities for SMEs in construction, logistics, and related sectors to engage in infrastructure projects. The targeted sectors for investment include tourism, energy, agri-food, mineral resources, and real estate. Additionally, certain industries are considered pivotal, such as cashew nut processing, wood industry, assembly of phones and computers, electric vehicles manufacture, pharmaceutical, spinning, knitting and cotton weaving, garment manufacturing, and agro-processing. The current focus of PK 10 SEZ is on textile and garment industry, while Glo-Djigbé SEZ is focused on the agro-industry, particularly on processing agricultural products (maize, rice, and cashew nuts).

Figure 3: Government and SEZ sectors complementarity in Benin



2.1.2 Building the local economy through SME integration

The Local Content Policy is supported by the Investment Code enacted in 2018, the primary legislation governing investment in the country. This code establishes legal framework for the promotion and protection of domestic and foreign investment, with a particular emphasis on local content development within SEZs. The code stipulates that SEZs investors should prioritize local procurement, employment supply chain development and the transfer of skills and technology to the local workforce. It also offers incentives and guarantees to encourage local content development, including tax exemptions for job-creating investments by residents and protections against expropriation. In this framework, the Glo-Djigbé Industrial Park and PK24 provide infrastructure and services (access to technology, training, and market intelligence) to support SMEs in their respective sectors. SMEs can further access facilities such as warehouses, offices, and production spaces to improve their production processes, expand market reach and contribute to local economic growth. This approach facilitates SME integration into value chains and bolsters their competitiveness, particularly in sectors like textiles and clothing, where farmer contracts are in place. Investment in the ICT and knowledge-based industries is aimed at utilizing local subcontractors and suppliers to support the supply chains. In the same vein, the government in partnership with stakeholders, especially civil society organisations, is supporting the development of local brands and promoting the consumption of local products through the initiative of Made in Benin¹⁰.

¹⁰ <https://www.commerce.gouv.bj/consommons-local/a-propos>

2.1.3 New skills, qualifications development, and job creation

To address the skills mismatch in the labour market, the National Skills Development Programme (NSDP) provides bridging funding for workers to upgrade their qualifications, primarily in agriculture, construction, services, and others. On the other hand, the Chamber of Commerce and Industries has partnered with different actors to provide skills to support enterprise growth¹¹. ANPE also collaborates with various stakeholders, including the private sector and international organizations, to promote the growth and development of SMEs and develop vocational education. However, there is currently no information available on the specific pathways used to support skills development within the SEZs. This issue could be effectively addressed through the proposed establishment of a one-stop-shop that would provide comprehensive solutions to this problem.

2.1.4 Access to financing

The government has implemented numerous initiatives and programs to facilitate SMEs' access to finance, with the aim of fostering small business growth in the country. Among these, APIEX (Agence de Promotion des Investissements et Exportations) focuses on investment and export promotion; ABEPE (Agence Béninoise de Promotion des Exportations) facilitates access to financing for both SMEs and SEZs; FONACA (National Guarantee and SME Assistance Fund) operates as a national fund, providing essential guarantees and assistance to SMEs. ABP-PME (Agence Béninoise de Promotion des Petites et Moyennes Entreprises¹²) is responsible for SME promotion and development offering critical support in the form of technical assistance, training, and financial access. FN-PME (Fonds National pour la Promotion des Petites et Moyennes Entreprises) was established to provide financing and technical assistance to SMEs, providing loans, guarantees, and equity financing, and managed by ABP-PME. Additionally, SBDI (Société Béninoise de Développement et d'Investissement), a government-owned financial institution, specializes in providing long-term financing to SMEs. The institution offers a range of financing products, including loans, guarantees, and equity financing. RBAB (Réseau des Business Angels du Bénin - RBAB) is a group of private investors who provide early-stage financing to SMEs. The network provides funding and mentoring to help entrepreneurs start and grow their businesses. Furthermore, the institution aligns with "Competitiveness and Investment Climate Strategy¹³(Stratégie de Compétitivité et de Climat d'Investissement - SCCI)", which aims to improve the investment climate and competitiveness of the country by addressing challenges faced by SMEs, including access to finance. The strategy includes initiatives to improve the legal and regulatory framework for SMEs to enhance access to finance through innovative financing mechanisms.

There are other private sector actors based both locally and internationally¹⁴ such as Business Angels and venture capital networks, which facilitate access to finance and investment. In terms of investment in SEZs in Benin, one of the leading investors in the development of SEZs is ARISE (African Renaissance Industrial Development Corporation). Indian companies, as well as the Chinese government and companies have shown interest in investing in SEZs in Benin.

11 <https://www.cci.bj/formations>

12 <https://pmepe.gouv.bj/pme>

13 https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/stimulating+entrepreneurship+in+benin

14 <https://www.afsic.net/invest-in-benin/>

2.1.5 Quality infrastructure engagement

The Benin Agency for Standardization and Metrological Service and Quality Control Management (ANM)¹⁵ is responsible for the implementation and monitoring-evaluation of the national policy for standardization, metrology, certification, product verification and promotion of quality. Its mission is to aid those responsible for producing goods and services in addressing competitiveness challenges, sustainable economic growth, consumer protection, and the interests of various stakeholders while adhering to relevant laws and international quality standards. ANM provides both inter- and intra-company training in Quality Infrastructure and offers support for companies in the quality process and approaches. It also grants approval for and disseminates government standards on all products and services. Many standards in Benin are adopted from international standards organizations such ARSO (African Organization for Standardization), ISO (International Standardization Organization), or AFNOR (French Agency for Normalization). The country is also a member of SMIIIC (the Standards and Metrology Institute of Islamic Countries)¹⁶. ANM has established different working committees to focus on different sectors: agriculture and agricultural products, food products, building and civil engineering, electricity and electrical equipment, water and sanitation, chemistry, pharmacy, and textiles. This aims at improving its efficiency in service delivery. The agency is also collaborating with different partners including the chamber of commerce, World Bank, Private Sector Forum (Association), including the Pan African Quality Infrastructure (PAQI). Despite the QI engagement by the government, and ANM towards the quality infrastructure development, financial constraints remain a challenge.

2.1.6 ESG commitment

The government has put Agenda 2030 at the centre of its long-term development strategy and is committed to implementing the African Union's Agenda 2063. It has adopted concrete measures to integrate the 17 SDGs into its national planning, budgeting, monitoring, and evaluation systems¹⁷.

The Environment Council is responsible for overseeing environmental policies and initiatives. Its role is to provide guidance that promotes ecological balance and foster sustainable development for both present and future generations. Additionally, the council provides guidance and training to companies on issues related to CSR, including, social responsibility, and good governance. Working with relevant ministries, agencies, and stakeholders, it formulates policies, regulations, and guidelines to promote sustainable practices across agriculture, industry, energy, and waste management. The council also works closely with the private sector to promote the adoption of sustainable business practices in the coordination, monitoring and implementation of environmental programs aimed at sustainable development and conservation. It further facilitates international cooperation and partnerships to tackle transboundary environmental concerns and aligns Benin's efforts with global environmental agreements and frameworks¹⁸.

¹⁵ <https://anm-benin.com/fr/>

¹⁶ <https://www.trade.gov/country-commercial-guides/benin-standards-trade>

¹⁷ UNSDG | UN in Action - Benin. <https://unsdg.un.org/un-in-action/benin>

¹⁸ Republic of Benin's trailblazing €500m 12,5-Y inaugural issuance under <https://gsh.cib.natixis.com/our-center-of-expertise/articles/republic-of-benin-s-trailblazing-500m-12-5-y-inaugural-issuance-under-its-new-sdg-bond-framework>.



Lessons from Benin's sdg bond: financing esg projects to support smes and SEZs

Raising capital for environmental, social, and governance (ESG) projects is a common challenge faced by many countries worldwide. Benin stands out as a reference point, having successfully floated a bond specifically designed to invest in Sustainable Development Goal (SDG) related projects. This achievement provides valuable insights into the possible financing option for ESG projects. The primary purpose of Benin's SDG bond is to invest in projects that directly contribute to achieving the SDGs. This clear focus provides investors with transparency regarding the social and environmental impacts of their investments. The bond's proceeds are channelled into critical sectors like renewable energy, agriculture, and infrastructure development, reinforcing its commitment to sustainable practices. The successful bond issuance was the result of collaboration between the government, financial institutions, pension funds, impact investing funds and development partners. This highlights the importance of fostering partnerships to attract responsible financing. To instil investor confidence, regular reporting on the progress and impact of SDG-related projects funded by the bond ensures transparency and builds trust. Benin's SDG bond attracted not only international investors but also local investors who recognized the importance of supporting responsible investment and sustainable development in the country.

2.1.7 Findings, recommendations, and best practices for implementation

Policies and legislations are in place to support SMEs and SEZs. The government has established a National SME Incubator Scheme to coordinate policies and actions to create a supportive ecosystem for SMEs. However, the governance challenge needs to be addressed including the willingness to break the operational silos.

Table 3: Findings and recommendations for Benin

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary	TO CONSOLIDATE AND EXPAND	
2. Building the local economy	Public and private organizations are mobilized for enhancing the local economy through promotion of local product development under “Made in Benin” brand. However, more efforts need to be placed on integrating SMEs into SEZ supply chains.	TO DEVELOP	South Africa, Morocco, Mauritius and Rwanda are good cases from where Benin can pick lessons from.
3. Access to finance	Different financing instruments have been designed to support SMEs. However, none of them target SME colocation in SEZ. To bridge the gap, Benin developed an interesting financing instruction with an “SDG bond” allowing SMEs to access financing targeted at sectors aligned to the SDGs.	TO DEVELOP	The issuance of an SDG Bond is a good framework for raising financing that can boost sustainable investment. This instrument could be used to accelerate SME integration into SEZ supply chains.
4. Job creation, new skills, and qualifications development	There are no explicit links with the institutions of higher learning such as TVETs or elaborated collaboration with the National Agency for the Promotion of Employment and Vocational Training (ANPE). By working with ANPE, SEZs can tap into the agency’s expertise and resources to identify and recruit suitable candidates for jobs within the SEZ. In turn, ANPE can leverage the opportunities provided by SEZs to promote employment and vocational training in the country.	TO DEVELOP	Egypt, Morocco, South Africa, and Rwanda provide good case references for adoption.
5. Quality infrastructure engagement	Quality infrastructure institutions are facing critical lack of financing support to boost export market and control border entry points.	TO DEVELOP	Morocco, Rwanda, and South Africa have good examples that can benefit Benin.
6. ESG commitment	There is a need for more efforts on collaboration among different stakeholders to improve the ESG policy framework and institutions and to foster a culture of sustainability among investors and issuers. On the other hand, as mentioned above, Benin has been able to float a bond that will allow it to attract investment targeted at ESG.	TO DEVELOP	The SDG bond is a good example that should be consolidated for meeting ESG. It will facilitate raising capital on sustainable investment.

2.2 Egypt

Egypt recognizes the vital role that SMEs play in its economy and has implemented policies to support their development. These policies aim to create a conducive environment in which SMEs can expand and scale. The Ministry of Trade and Industry established the Development Agency (MSMEDA)¹⁹, which is responsible for implementing the SME Development Law. MSMEDA provides financial support to SMEs through loans, grants, and equity investments. It also offers training and capacity building programs to enhance the skills of SME owners and their employees. In complement, the government has established business incubators and accelerators to support the development of innovative SMEs. The Technology Innovation and Entrepreneurship Center (TIEC)²⁰ provides start-ups with incubation and acceleration services, as well as mentorship, training, and networking opportunities. The government also supports SMEs through the Egyptian Entrepreneurship Fund (EEF)²¹, which provides financial assistance to start-ups and SMEs. This support to SMEs aims at unlocking their potential to create jobs, drive innovation, and contribute to economic growth²². Within the framework of government SME policy, the General Authority for Investment and Free Zones (GAFI)²³, is responsible for designing and developing SEZs to promote sustainable economic development. Additionally, the country has established the Egyptian Institute of Directors (EIoD)²⁴, to respond to the global practices of promoting good governance and responsible business practices including in SEZs.

2.2.1 High growth sectors

The government has identified sectors with high growth potential that can attract investment and create business opportunities. Under the Economic Reform Program and the Sustainable Development Strategy (Vision 2030)²⁵, the government has prioritized agriculture and agribusiness, tourism, information technology (IT) and business process outsourcing (BPO), manufacturing, construction and real estate, financial services, banking, pharmaceuticals, healthcare, energy & petroleum, and mining. Under the new investment law of 2020²⁶, logistics and electric mobility, specialized innovation parks or industrial parks, tourism that includes hotels, adventure tourism, agro-tourism, horticulture, and creative arts have been added and are expected to contribute significantly to the country's economic growth, attracting foreign investment. On the other hand, the SEZs are designed to cater to specific sectors, such as manufacturing, agro-processing, tourism, real estate and construction, information and communication technology (ICT), services, mining, infrastructure, and energy. The government has also identified the need to develop the medical industry and has established specialized zones to support the industry's growth. These SEZs are meticulously designated to align with specific markets and sectors. For instance, East Port Said is earmarked for light industry and logistics, Qantara West occupies a coastal area dedicated to logistics, and East Ismailia is strategically oriented towards agri-business, textiles, and ICT industries. The SCZone stands as a distinguished service and trade hub, offering lucrative investment prospects across a spectrum of economic sectors. These encompass logistics, industry, ICT, renewable energy,

19 <https://www.msmeda.org.eg/>

20 <https://tiec.gov.eg/>

21 <https://egyptventures.com/>

22 <https://www.investinegypt.gov.eg/English/Pages/SuccessStories.aspx>

23 <https://www.gafi.gov.eg/>

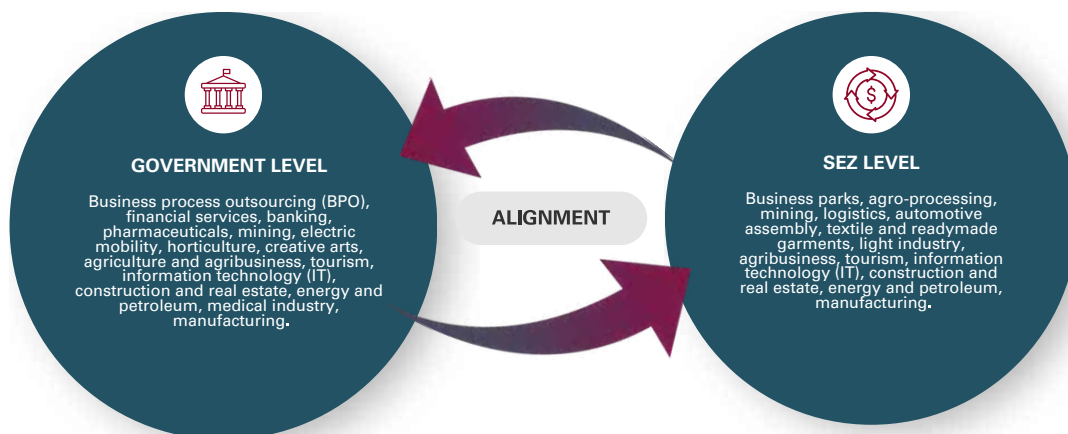
24 <http://www.eiod.org/>

25 <https://mped.gov.eg/EgyptVision?lang=en>

26 <https://www.investinegypt.gov.eg/English/pages/LawsAndRegulations.aspx>

business parks, real estate developments, and infrastructure services, along with transport link enhancements. The targeted industries span automotive assembly and components, chemicals and petrochemicals, construction and building materials, textile and readymade garments, agribusiness, and food processing.

Figure 4: Government and SEZ sectors complementarity in Egypt



2.2.2 Building the local economy through SME integration

Egypt has prioritized the building of the local economy through linkages between SEZs and SMEs. Private sector engagement is crucial in this effort, with sectoral associations, trade and investment promotion agencies, and enterprise support organizations (ESOs)²⁷ playing a vital role in creating linkages and developing business processes. GAFI²⁸ has directed its efforts through the Central Department for Entrepreneurship “Fekretak Sherketak” to work on spreading a culture of entrepreneurship, as well as providing integrated packages of technical support to entrepreneurs at all stages. There is also close collaboration between GAFI and ESOs such as the Federation of Egyptian Industries (FEI)²⁹, the Egyptian Businessmen Association (EBA)³⁰, and other sectoral associations to promote local economic development effectively. MSMEDA is a useful mechanism supporting the development of investment ready pipelines, enhancing technical capacity, and supporting networking and sharing of information between SEZs and sectoral associations to enhance local economic development.

The local content regulation in the SEZs is part of the effort to boost domestic manufacturing and reduce reliance on imports. The regulations³¹ require investors in SEZs to use a minimum percentage of local materials, components, and labour in their operations. The exact percentage varies depending on the sector and the type of investment. For example, in the automotive sector, investors are required to use at least 46% local content in their operations, while in the textile sector, the requirement is 40%. Moreover, these regulations actively promote the localization of sourcing for materials and components, as well as the recruitment and training of local labour forces. Complementary initiatives such as business incubation programs, mentorship, and networking

27 <https://www.investinegypt.gov.eg/English/Pages/GettingStartedDetails.aspx?CategoryId=17#18>

28 <https://www.gafi.gov.eg/>

29 <https://www.fei.org.eg/index.php/en/>

30 <https://www.eba.org.eg/>

31 <https://www.oecd-ilibrary.org/sites/3418e76a-en/index.html?itemId=/content/component/3418e76a-en>

opportunities are also available to support SMEs, and these initiatives are coordinated by MIT³². Furthermore, the government has provided financial incentives to SEZs and SMEs to encourage collaboration³³.



Tax incentives for sme engagement with SEZ

The government has introduced tax breaks for SEZs that partner with SMEs, facilitating training and development opportunities for them. In addition, the government has established a fund to provide loans and grants to SMEs to help them improve their skills and qualifications, expand their businesses and access new markets through their connections with buyers and suppliers.

2.2.3 New skills, qualifications development, and job creation

SEZs play a crucial role in advancing the acquisition of skills, qualifications, and employment opportunities within the country. To this end, the government has instituted the Industrial Training Council (ITC) with the aim of fostering skills development within SEZs. The ITC operates in close coordination with SEZs and local enterprises, tailoring training initiatives to meet their requirements while affording individuals practical exposure. These endeavours are strategically focused on cultivating a workforce equipped with proficiencies and qualifications to underpin economic progress and the generation of employment opportunities.

The East Port Said Industrial Zone (EPSIZ) is tailored to attract investments in high-tech industries such as electronics, automotive, and engineering. These industries require workers with specialized skills and qualifications, providing employment opportunities for local communities.

In addition, the SCZone has partnered with SMEs in the area to provide them with training and development opportunities. For example, in 2020, the SCZone signed a memorandum of understanding (MoU) with the Industrial Modernization Center (IMC)³⁴ to provide training and technical support to SMEs in the area. The aim of the partnership is to help SMEs improve their productivity and competitiveness and create job opportunities. Further, the New Urban Communities Authority (NUCA)³⁵ has partnered with SMEs to provide them with contracts for infrastructure development projects in new cities. For example, in 2020, the NUCA granted a contract to a local SME to provide construction services for a housing project in the new city of NAC (New Administrative Capital). This partnership not only creates job opportunities for the SMEs but also helps to support the development of new cities in Egypt.

³² <https://www.imf.org/-/media/Files/Publications/DP/2022/English/IPGDCFEA.ashx>

³³ <https://www.oecd-ilibrary.org/sites/b41691ae-en/index.html?itemid=/content/component/b41691ae-en>

³⁴ <https://www.imc-egypt.org/index.php/ar/>

³⁵ <http://www.newcities.gov.eg/>

2.2.4 Access to financing

Egypt offers diverse financing options for SMEs. MSMEDA³⁶ provides financial support, training, and technical assistance to SMEs. It offers a range of financial services, including loans, guarantees, and microfinance programs to support the growth of SMEs³⁷. The Central Bank of Egypt (CBE) provides refinancing facilities to banks that lend to SMEs, while the Social Fund for Development (SFD) offers loans and grants to support the development of SMEs³⁸.

SMEs within SEZs benefit from a range of services, including access to financing, training, and business development services. For example, SCZone³⁹ has established the Suez Canal Bank to provide financing to SMEs operating in the zone. It offers technical assistance to help them improve their skills and increase their competitiveness. The government also provides tax incentives and subsidies including a 5-year tax holiday for SMEs operating in SEZs and reduced tax rates for companies that invest in certain industries or regions.

In consequence, numerous Egyptian SMEs have secured financing, including from Development Finance Institutions through the SEZ development pathway. For instance, the El Nasr Company for Intermediate Chemicals (NCIC)⁴⁰, a chemical manufacturing company operating in the Alexandria SEZ, received a loan from the European Bank for Reconstruction and Development (EBRD) to finance its expansion project, which has enabled it to increase its production capacity and create job opportunities.



Investment for SME competitiveness

EgyBell, a company operating in the Beni Suef textile SEZ, received financing from the National Bank of Egypt. This financial support enabled the company to expand its operations and purchase new equipment, resulting in an increased production capacity and enhanced product quality. Consequently, EgyBell was enabled to compete in both domestic and international markets.

2.2.5 Quality infrastructure engagement

The government has taken initiative-taking policy interventions to improve Quality Infrastructure, especially in the SEZs, to attract foreign investment and boost the competitiveness of local businesses. The National Quality Infrastructure Program (NQIP),⁴¹ overseen by the MTI, aims at improving the quality and safety of Egyptian products and services, enhancing export opportunities, and facilitating the integration of the Egyptian economy into the global

36 <https://www.zawya.com/en/smes/planning/egypt-msmeda-offers-35mln-in-finance-to-222k-projects-in-2022-nwcf0ewx>

37 Ministry of Investment and International Cooperation. (n.d.). Egypt Vision 2030. Retrieved from <https://www.miic.gov.eg/English/Pages/Strategy.aspx>

38 Ministry of Investment and International Cooperation. (2020). Egypt Investment Climate Statement. Retrieved from <https://www.state.gov/reports/2020-investment-climate-statements/egypt/>

39 <https://scbank.com.eg/sme.aspx>

40 <http://www.nspo.com.eg/nspo/chemical.html>

41 <https://intracen.org/fr/media/2721>

market. Additionally, the MTI has established the Egyptian Organization for Standardization and Quality Control (EOS)⁴² to develop and implement quality policies and standards in the country. It is affiliated to the Egyptian Accreditation Council (EGAC) and the Egyptian Center for Metrology (ECM) and member of several international organizations, including the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), and the International Accreditation Forum (IAF). Further, for SMEs, MSMEDA supports those in the manufacturing sector with quality assurance, certification, and compliance with standards required by the export market. Equally, it provides financial support to SMEs to upgrade their production facilities and purchase modern equipment to improve the quality of their products. Additionally, the SCZone offers a range of quality infrastructure services to support the development of businesses operating within the zone. These services encompass certification, testing, and inspection services, as well as training programs for SMEs to help them comply with the quality standards required by the SEZ tenants and the broader market. The Arab Electric Industries (AEI)⁴³ is a success case of QI. AEI, a company which operates within the SCZone specializing in the manufacturing of electric transformers, received support to improve the quality of products leading to ISO certification. This accomplishment not only bolstered its reputation but also expanded its customer base in the local and international markets.

2.2.6 ESG Commitment

The Egyptian Corporate Responsibility Center (ECRC)⁴⁴ plays a pivotal role in advancing ESG practices within the country's business landscape. ECRC collaborates with companies to assess their ESG performance and provides training and resources to improve their practices. Additionally, the government has partnered with international organizations such as the United Nations Development Programme (UNDP) to support ESG practices in the private sector.

Driven by the⁴⁵ Sustainable Development Strategy, the government of Egypt has put in place policies and regulations to promote ESG practices, including environmental standards and social impact assessments.

GAFI, responsible for promoting sustainable development practices, has developed guidelines for ESG practices in SEZs, which include environmental and social impact assessments, waste management, and resource conservation.

42 <https://www.eos.org.eg/en>

43 <https://www.aei-jo.com/>

44 https://www.undp.org/sites/g/files/zskgke326/files/migration/eg/UNDP_ECRC_Final.pdf

45 <https://www.iea.org/policies/14823-sustainable-development-strategy-egypt-vision-2030>



Sustainable energy production, water management, and waste recycling

The “Intilaq” program provides funding and training for entrepreneurs in Upper Egypt, and Sawiris Foundation for Social Development supports “Egyptian Network of Integrated Development (ENID)” program. STREAMS supports SMEs to adopt best practices in water use efficiency, waste management, feed quality, and fish health, while Robbiki Eco-Leather Park SEZ is focused on green technologies (solar power, wastewater treatment, and solid waste recycling). SMEs Guidebook launched by the Commercial International Bank (CIB) in February 2021 provides practical information and guidance on how SMEs can access capital markets, improve their corporate governance, enhance their financial management, and comply with ESG standards, while the Corporate Governance Code provides guidance on how to integrate ESG factors into business strategy, operations, reporting, and communication to improve the investment climate.



Boosting workforce through partnerships with education institutes to drive skills development

The SCZone has established fruitful partnerships with universities and technical institutes to initiate specialized training programs for local workers. These programs are meticulously designed to equip workers with the essential skills and qualifications required to effectively meet the demands of the industries operating within the SEZ. To complement these initiatives, the SCZone has also set up a dedicated Technical Training Centre that offers comprehensive training programs across various sectors such as manufacturing, logistics, and construction. Likewise, the 10th of Ramadan Industrial City (Tenth City) has taken an initiative-taking step by establishing a TVET centre in collaboration with the Ministry of Education. This centre focuses on providing training programs for workers in vital sectors like engineering, manufacturing, and textiles. One of the notable features of these training programs is their close collaboration with local industry. As a result, the training programs were tailored to be more relevant and directly aligned with the actual demands of the job market. In addition, by engaging with local industries, these training centres create opportunities for students to partake in internships and first-hand training experiences. This combination of theoretical knowledge and practical application ensures that the graduates are better prepared to face real-world challenges in their respective fields. As a result of these collaborative efforts, a skilled and well-prepared workforce is emerging in the region. Graduates from these training programs are in high demand, not just within the SCZone and Tenth City, but also across the country. This comprehensive approach to workforce development has significantly contributed to the growth and prosperity of the SEZs and beyond, serving as a model for other regions to follow.

2.2.7. Findings, recommendations, and best practices for implementation

Egypt has implemented a robust framework of policies and legislation designed to empower SMEs and foster synergistic collaborations with SEZs, ensuring a harmonious and cohesive ecosystem. This approach serves as a model for exemplary skills development within the region.

Table 4: Findings and recommendations for Egypt

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary	TO CONSOLIDATE AND EXPAND	
2. Building the local economy	There are clear policies, guidelines and legal provisions on sourcing local materials and labour. There are ongoing initiatives to promote locally produced goods.	TO CONSOLIDATE AND EXPAND	The policies supporting local economy building from Egypt are well elaborated. Egypt offers lessons to other countries.
3. Access to finance	The government has implemented a range of well-coordinated instruments between SMEs and SEZs, with a primary focus on developing pipelines that are connected to markets and promote diversification.	TO CONSOLIDATE AND EXPAND	The models of access to finance are clear and build a robust pipeline for investment. This can be shared with other countries in Africa.
4. Job creation, new skills, and qualifications development	Efforts are being made to link industry to capacity-building institutions, with specific funds and incentives in place to support this process. The systems are very elaborate with a strong focus on SME ecosystem building.	TO CONSOLIDATE AND EXPAND	These linkages with Universities and TVETs provide a learning and exchange opportunity with other countries to learn.
5. Quality infrastructure engagement	The government and private sector are working together to ensure that quality infrastructure is in place to support the growth of SMEs and SEZs, with targeted initiatives aimed at promoting quality infrastructure and local businesses growth.	TO CONSOLIDATE AND EXPAND	More effort is needed to proactively develop and implement the quality policies, standards, and conformity assessment procedures to support SMEs towards certification. Morocco, Rwanda, South Africa and Nigeria offer lessons.
6. ESG commitment	The Egyptian government's policies on ESG have made SEZs attractive to foreign investment, with efforts to ensure that businesses adopt environmentally and socially responsible practices for sustainable development.	TO ACCELERATE	Exchanges between Gabon, Benin and South Africa can lead to an improved model for ESG investment and development.

2.3 Gabon

The Ministry of Small and Medium-sized Enterprises, Crafts, and Informal Sector⁴⁶ is responsible for implementing the SME policy. Simultaneously, the Gabonese Agency for SMEs Promotion (AGEPME) provides training, technical assistance, and financial support. The implementation of SEZ and SME policies involves multiple institutions and agencies. The SEZ policy, enacted in 2011,⁴⁷ aims to diversify the country's economy and promote private sector investment. It operates under the supervision of the Ministry of Economy, Finance, and Recovery. While primarily targeting foreign investors and large corporations, the policy also includes provisions to support the development of local SMEs within the zones. The policy has led to the establishment of four SEZs in Gabon, located in Nkok, Mandji Island, Olam-Olam, and Mbengué. Each SEZ has a specific focus, ranging from agro-industry to logistics and energy⁴⁸. The Gabon SEZ Authority is responsible for managing the SEZ and providing support to businesses operating within the zone. It works closely with other government agencies to ensure the effective implementation of the SEZ policy. The Gabon SEZ (GSEZ)⁴⁹ is a PPP between ARISE IIP and the government. In line with the Ministry of Water, Forests, the Sea, and the Environment, which developed environmental standards and sustainable development policy, GSEZ is implementing ESG practices through focusing on water conservation, energy efficiency, and waste management systems to reduce its environmental impact.

2.3.1 High growth sectors

Gabon has identified several high-growth sectors with the potential to attract investment and create business opportunities for SMEs. The main sectors are agro-industry, timber, mining, and infrastructure development. For agro-industry, the focus is on value addition and export promotion. The National Agency for Agricultural Development (ANADEB) promotes the development of key agricultural industries such as cocoa, coffee, and palm oil. For timber, the Gabonese Wood Industry Agency (AGIBOIS) has been established to promote value added timber industry. Gabonese Mining Company (COMILOG) has been established to develop manganese, gold, and iron ore. On infrastructure, the focus is on roads, ports, and airports, aiming at attracting investment and facilitate trade.

The government has also identified the financial services sector as a high growth area and has taken steps to support its development. It also established the International Finance Center (IFC), a special economic zone located in Libreville. The IFC offers preferential tax and regulatory regimes for both financial and non-financial companies operating in the zone. The primary goals of the IFC are to attract foreign direct investment, create jobs, foster innovation, and support regional integration. This centre provides a range of financial services, including investment banking, private equity, asset management, and insurance to businesses operating in Gabon. The SEZs policy has identified sectors of priority for investment, to include agro-industry, manufacturing, infrastructure, and tourism. For instance, the GSEZ Agro-Industrial Park in Nkok was established to promote the development of the agro-industry sector and support the development of the manufacturing sector. The GSEZ Port in Owendo was established to serve as a hub for the export of goods from Gabon to other countries in the region, and the GSEZ Tourism Zone in Mayumba was established to attract investment in the tourism

⁴⁶ <https://www.pme.gouv.ga/>

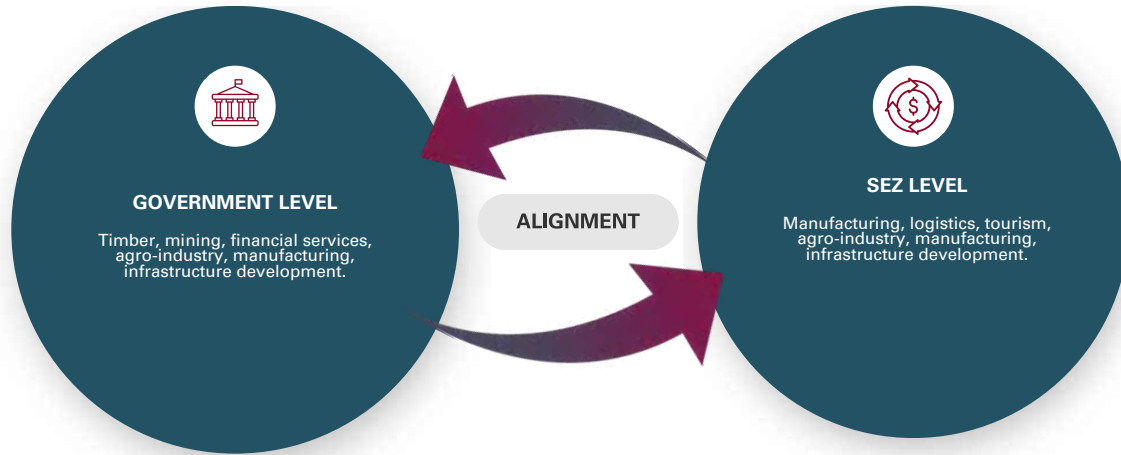
⁴⁷ <https://investmentpolicy.unctad.org/investment-policy-monitor/measures/255/launches-special-economic-zone->

⁴⁸ <https://www.ariseiip.com/project/gsez/>

⁴⁹ <https://gsez.com/>

sector. Gabon plans to establish additional SEZs in the future, with a focus on key sectors such as tourism and infrastructure.

Figure 5: Government and SEZ sectors complementarity in Gabon



2.3.2 Building the local economy through SME integration

The coherence between the SEZ and SME policies can promote sustainable economic development and create opportunities for businesses of all sizes. While the SEZ policy primarily targets foreign investors and large corporations, it also includes measures to support the development of local SMEs within these zones. These measures include offering preferential treatment to local suppliers and providing support services like training and access to finance. This complements the SME policy, which aims to promote the growth of local businesses through dedicated agencies like AGEPME, which provides training, technical assistance, and financial support to SMEs. The government has also launched initiatives to promote the use of local suppliers and to increase the participation of Gabonese citizens in the industry (especially Mining). The country is set to launch the first gold refinery at the SEZ (2013) in line with the presidential directive on local value add for all local raw materials. The GSEZ Authority and AGEPME work closely with other government agencies and stakeholders to ensure the effective implementation of these policies, ultimately contributing to the country's economic development. The GSEZ plays a role in providing infrastructure and services to support local SMEs growth, while the Gabonese Agency for the Promotion of Investment and Exports (APIEX) facilitates foreign investment by providing numerous services to investors.

Local content policies have been effectively instituted, compelling SEZ investors to prioritize local procurement and employment. Complementary subcontracting⁵⁰ charter have been implemented to reinforce this directive. GSEZA helps to integrate local SMEs into the supply chains of multinational corporations operating in the GSEZ. Multinational corporations, particularly those in the manufacturing and logistics sectors, have actively engaged local subcontractors and suppliers to support their operations in the zone. For instance, Olam Gabon, a subsidiary of Olam International- a joint venture between the Gabonese government and the Singapore-based Olam International- located in the Nkok region, has partnered with local farmers to produce cocoa and coffee for export.

⁵⁰ https://gsez.com/wp-content/uploads/2023/03/CE_POL6_CS.pdf

La Laiterie du Berger, a dairy company that produces and markets locally sourced milk products, is another success case. The company has received support from AGEPME in the form of technical assistance and financial support, allowing it to expand its operations and increase its production capacity. La Laiterie du Berger now employs over four hundred people and has become a leading producer of dairy products in the region. In the wood sector, a wood cluster brings together 84 companies. This is the case of Akiba company, which successfully transitioned into the Nkok SEZ with a niche market on timber products. This family company has not only succeeded as an SME but also positively impacted the larger business landscape through sustainable practices and community engagement. It has demonstrated its potential as an engine of economic growth, contributing significantly to job creation, innovation, and community development. They found a niche market in the USA and plan to expand based on emerging opportunities and demand, especially in line with the united market under AfCTA. Akiba brand is deeply ingrained in the local communities, embraces cultural identity, and strongly commits to sustainability and social responsibility. This family-owned furniture store has excelled by:

- Setting itself apart from competitors by incorporating Gabon's rich cultural heritage into its designs, creating a unique product offering that resonated with customers. The commitment to craftsmanship and eco-friendly materials showcases their dedication to sustainable practices, attracting a loyal customer base that values ethically made products.
- Akiba Furniture actively collaborated with local artisans, providing workshops and capacity-building programs to foster talent development and support the growth of the local creative community.
- Establishing a charitable foundation allowed Akiba Furniture to give back to society, supporting education and healthcare initiatives in underserved communities.

2.3.3 New skills, qualifications development, and job creation

Gabon's government has recognized the importance of promoting skills development and job creation through SMEs. The National Agency for Employment and Vocational Training (ANPEFP) was established to provide funding for skills development initiatives in priority sectors such as ICT, tourism, and agriculture. The ANPEFP also provides funding for training programs, apprenticeships, and internships, among other initiatives. The Gabonese National Commission for Qualifications and Skills Development (CNFD) is responsible for regulating and accrediting skills development. The CNFD oversees the implementation of the Gabonese Qualifications Framework (GQF), which provides a framework for the development and recognition of qualifications. The Centre National de Formation des Formateurs et des Conseillers Pédagogiques (CNFFCP)⁵¹ is a leading TVET institution that provides vocational training in various sectors. The TVET institutions work closely with the private sector to design training programs that are aligned with the needs of local businesses. At NKOK, the Centre international multisectoral de formation et d'enseignement Professionnels de Nkok offers targeted skills development to respond to the industry needs.

The government has invested in skills development and job creation through SMEs by developing ICT infrastructure. The ICT sector has become a major contributor to the economy, accounting for around 3% of GDP and employing over 10,000 people. Similarly, skills development in the tourism industry led by the government and complemented with policies and investment in infrastructure has driven the tourism sector to contribute around 3% of GDP and employ over 20,000 people. The GSEZ has also established partnerships with several international companies to provide training and skills development opportunities to local employees.

⁵¹ <https://apprendre.auf.org/premier-atelier-de-formation-dapprendre-au-gabon/>



Integrating TVET into SEZ for enhanced skills development focused on demand

GSEZ has partnered with the Ministry of Employment, Vocational Training, and Insertion to set up a vocational training centre within the SEZ. The centre offers training in various sectors, such as construction, logistics, and hospitality, to meet the needs of the SEZ and the local labour market. The GSEZ has also established partnerships with local universities to offer training and internship programs to students in various fields, such as engineering and business. The GSEZ also has a business incubator program to accelerate the adoption of innovations.

For example, the GSEZ has partnered with the Singapore-based PSA International to train local workers in port operations. Olam Gabon has also established a training program to improve the skills and knowledge of local farmers, which has helped to improve the quality of the crops. The company has also established a training program to improve the skills and knowledge of local farmers and established the National Agency for the Promotion of Small and Medium-Sized Enterprises (ANPME)⁵² to support the development of new and innovative SMEs. Through ESPACE incubator government agency, business services, mentorship, and financial support are provided to SMEs in their initial stages of development. However, GSEZ also established a business incubator to support SMEs in training, mentorship, and financing. Nevertheless, there is no collaboration between the government and SEZ incubators.

2.3.4 Access to financing

The government has recognized the importance of facilitating access to financing and investment for SMEs and SEZs. In this regard, several initiatives and programs are implemented to support businesses. The Gabonese Development Bank⁵³ provides financing options including loans, guarantees, and leasing, to businesses of all sizes. The bank also provides technical assistance and advisory to help businesses grow and develop. SMEs can access business development services to help them grow and compete in local and international markets. The country's largest SEZ, GSEZ offers a range of financing facilities, including loans, venture capital, and leasing options, to businesses operating in various sectors, including logistics, energy, and mining. There are several initiatives to facilitate access to finance for SMEs and SEZs in the country:

- The National Bank for SMEs and Special Economic Zones (BNPMEZ) provides financial support to SMEs and SEZs. It offers a range of financial services, including loans, guarantees, and equity investments.
- The Gabonese Agency for Investment Promotion and Public Works (APIX) promotes economic growth and job creation through the development of SMEs by providing financing and business development services especially focused on the construction industry.
- The Agency for Investment Promotion and Public-Private Partnerships (APIP) provides support to investors and facilitates access to finance for SMEs and SEZs. The agency works with local and

⁵² <https://ja-africa.org/ja-gabon-ministry-of-smes-take-measures-to-boost-gabonese-economy/>

⁵³ https://www.ide.go.jp/English/Data/Africa_file/Company/gabon02.html

international partners to provide financial support and access to market information.

- The guarantee fund for SMEs and SEZs helps mitigate the risks associated with lending. The fund provides a guarantee to lenders, which increases their willingness to lend to SMEs and SEZs.
- The legal framework for SMEs and SEZs includes laws on public procurement, company registration, and intellectual property rights.

ARISE Integrated Industrial Platforms (IIP) has two shareholders: Africa Finance Corporation (AFC) and Africa Transformation and Industrialization Fund (ATIF). ARISE IIP⁵⁴ is managing GSEZ under a PPP with the Gabon Government.

2.3.5 Quality infrastructure engagement

The government is committed to improving Quality Infrastructure (QI) to support the growth and success of SMEs and SEZs. The Standardization, Metrology, Quality Control and Consumer Protection Agency (AGANOR)⁵⁵ is responsible for the development and implementation of national standards and quality assurance programs in the country. It is an ISO member. AGANOR collaborates closely with various stakeholders, including industry associations, government departments, and research institutions, to ensure that products and services meet the required standards. The National Quality Policy Framework 2015-2025⁵⁶ provides a coordinated approach to improving quality infrastructure. The Gabonese Accreditation Service (GAS)⁵⁷ provides accreditation services to conformity assessment bodies, such as testing and calibration laboratories, inspection bodies, and certification bodies, to ensure that they comply with international standards. The Quality Infrastructure Steering Committee brings together various stakeholders, including government departments, SEZ operators, and industry associations, to develop strategies to support the growth and success of SMEs in SEZs. Centres of Excellence located in the SEZs are designed to provide SMEs with access to technical expertise and equipment to support their compliance with quality standards. SMEs are able to access testing and calibration services, as well as training and support for quality assurance. The Gabonese Agency for Investment Promotion and Public-Private Partnerships (APIP)⁵⁸ supports SMEs by providing technical assistance, training, and access to testing facilities geared at meeting the required quality standards for their industries. The aim is to enable SMEs to improve the quality of their products and increase their competitiveness in the market. This support has enabled SMEs in the export sector to produce high-quality products that comply with the required standards and access new markets, thereby increasing their competitiveness.

2.3.6 ESG commitment

Gabon has made a strong commitment to promote environmentally and socially responsible practices, with policies and regulations in place to support ESG. The Sustainable Business Development Program (PDDA) a public-private partnership that aims to support SMEs in adopting sustainable practices and accessing green financing. It also provides training, coaching, and technical assistance to SMEs on ESG issues. The Gabonese Agency for Sustainable Development (AGASD) is a public institution that aims to promote and coordinate

⁵⁴ <https://www.ariseiip.com/project/gsez/>

⁵⁵ <https://www.iso.org/member/548909.html>

⁵⁶ https://ndcpartnership.org/sites/default/files/CAEP%20Option%204%20RFP%20Gabon_EN%20-%202024-09-15%20-%20version%20re%C%81vise%CC%81e.pdf

⁵⁷ <https://www.privacyshield.gov/article?id=Gabon-Trade-Standards>

⁵⁸ https://www.wto.org/english/tratop_e/tpr_e/s188-02_e.doc

sustainable development policies and actions in Gabon. It serves as a platform for dialogue and partnership among public, private, civil society, and international actors on ESG issues. In addition, Gabon has established a National Climate Council (CNCC), a consultative body that advises the government on climate change policies and strategies. Furthermore, the CNCC assumes responsibility for the oversight and assessment of the national climate plan execution, as well as monitoring the fulfilment of Gabon's nationally determined contributions as outlined in the Paris Agreement.



A reference on circular economy

GSEZ is developing three SEZs in Nkok, Mandji Island, and Boumango, each dedicated to different industrial sectors. The GSEZ adheres to high environmental and social standards, such as protecting biodiversity, reducing carbon emissions, and creating local employment. The wood industry is especially well structured and is seen as a leader in the ESG. There is a local observatory that ensures ESG compliance in terms of sourcing, use of wood to produce high quality products. Another facility upcycles waste wood into high quality boards for both domestic and international market. In addition, there is plastic upcycling produces straps that are used for stacking wood and wood pallets.

Gabon has set a target to achieve 50% of renewable energy in the electricity mix by 2025. The Ministry of Water, Forests, the Sea, and the Environment plays a pivotal role in enforcing environmental standards and promoting sustainable development. Through collaboration with businesses, it encourages the adoption of ESG practices to contribute to the country's sustainable development goals. The government launched the "Gabon Vert" program to promote sustainable agriculture and reduce the environmental impact of the sector. While the Gabonese Development Bank offers financing for sustainable projects and provides advice and support to companies looking to adopt ESG procedures and regulations. Furthermore, the Gabonese Association of Exporters (GABEX) established a Sustainability Working Group to help companies in the export industry adopt sustainable practices. The group provides training and support to help companies meet ESG standards and comply with international regulations.

GSEZ promotes ESG practices by focusing on water conservation, energy efficiency, and waste management systems to reduce its environmental impact, while the SEZs are focused on promoting the growth of the renewable energy sector. GSEZ encourages companies to adopt sustainable practices and provides training and support to help them meet ESG standards.



Traceability and wood waste utilization towards a sustainable environment in Gabon

Gabon's wood industry in the SEZ (Special Economic Zone) focuses on sustainability through traceability and using wood waste effectively. Small and medium-sized enterprises (SMEs) are encouraged to follow ESG (Environmental, Social, and Governance) principles, ensuring wood is traced from source to processing and waste is used to make quality boards. This sector is vital for Gabon's economy. To ensure long-term sustainability, Gabon emphasizes responsible forest management, adding value to wood, and sustainable wood use. They prioritize legal timber exports, strict verification, and combatting illegal logging. Chain of custody certifications like FSC or PEFC are promoted for traceability. An electronic tracking system with tags and barcoding follows wood products from the forest to processing, using satellite imagery for real-time monitoring to prevent illegal logging. Collaboration between the government, SEZ authorities, industry, and communities builds trust and accountability. SMEs receive training to meet traceability requirements. SEZs use innovative methods to turn wood waste into valuable products like engineered wood boards and biofuels, expanding the market for eco-friendly products. High-quality boards from wood waste are sold both domestically and internationally. The wood sector embodies comprehensive ESG principles.

2.3.7 Findings, recommendations, and best practices for implementation

Policies and legislations are in place to support SMEs and SEZs in Gabon. The country could be seen as an ESG reference, especially in the wood sector. The SME sector needs targeted action to build a collaborative culture of innovation to build the ecosystem.

Table 5: Findings and recommendations for Gabon

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary.	TO CONSOLIDATE AND EXPAND	
2. Building the local economy	Gabon policies and guidelines support the local economy, including a legal provision on procurement. The government has also established institutions to support the local economy and promote GSEZA. This is further entrenched by a presidential decree on local processing of all raw material within Gabon. All 3rd generation SEZs key focus is on local economy integration.	TO ACCELERATE	Strong policy direction on industry growth and development with complementary institutions stimulates growth is needed. Morocco, South Africa, Rwanda, & Mauritius offer lessons.
3. Access to finance	Access to financing and investment for SMEs and SEZs is available, with special instruments in place to support positive impact to both SMEs and SEZs	TO DEVELOP	The financing through third parties is still a big challenge to SMEs. Models of financing from Rwanda, Egypt, Morocco, and Mauritius including Benin.
4. Job creation, new skills, and qualifications development	There is commitment to develop skills and capacity of the workforce and linking industry to technical and vocational education and training (TVET) institutions. SEZs have established TVETs within their facilities to align the skills, demand, and employment creation	TO DEVELOP	Embedding TVETs and learning institutions within SEZs creates new value and accelerates jobs matching with demand. The Morocco and Rwanda model offers lessons.
5. Quality infrastructure engagement	Quality infrastructure development with engagement between the government and private sector ensures that quality infrastructure is in place to support the growth of SMEs and SEZs. The sector of infrastructure development and construction has a very advanced system of monitoring for compliance on QI.	TO DEVELOP	The quality infrastructure requires investment to make the service accessible to SMEs to facilitate better products or services that match the demands from the SEZs. Rwanda, Egypt, Morocco and Mauritius offer lessons.
6. ESG commitment	Gabon has made a strong commitment to promoting environmentally and socially responsible practices, with policies and regulations in place to support ESG. The government is working to ensure that businesses operating within SEZs adopt ESG practices to promote sustainable development and attract foreign investment. While there are data and compliance gaps, the wood sector stands out as an excellent example of ESG.	TO ACCELERATE	To support ESG investment and compliance, financial Products that enhance ESG investment such as green bonds should be developed targeting local SMEs. Lessons on timber industry should be shared.

2.4 Ghana

The Ministry of Trade and Industry is responsible for implementing industrial and SMEs policy. The Ghana Enterprise Agency (GEA)⁵⁹ provides training, technical assistance, and financial support to help them grow and scale. On the other hand, the Ghana Free Zones Authority (GFZA)⁶⁰ is responsible for promoting the development of SEZs. Established by the Free Zone Act, 1995 (Act 504). GFZA has set up various industrial parks across the country, including the Tema Free Zone, the Takoradi Free Zone, and the Sekondi-Takoradi Industrial Park. These zones cater to diverse industries, such as manufacturing, agro-processing, and services. Ghana Investment Promotion Centre (GIPC) is responsible for promoting investment in the country, while the Ghana Industrial Development Corporation (GIDC) promotes industrialization and economic growth.

The Ghana Export Promotion Authority (GEPA) provides technical support and assistance to exporters to align them with export market demands. On skills development, the government has collaborated with development partners and the private sector to provide support for TVET institutions and to enhance the quality of training provided including establishing the National Apprenticeship Program to provide on-the-job training and apprenticeships for young people. In line with the global and national agenda towards sustainable development, the National Climate Change Policy and the creation of a Climate Change Secretariat have been at the forefront of supporting renewable energy adoption, improved waste management, and protection of natural resources, this is in line with the adoption of ESG principles. The Public Procurement Authority has a mandate on governance regarding government procurement.

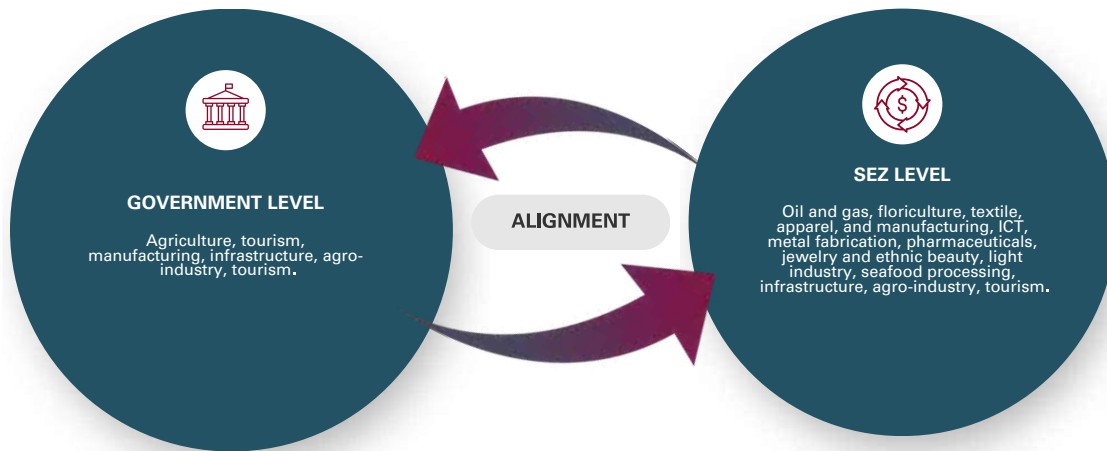
2.4.1 High growth sectors

The government has identified agriculture, manufacturing, and infrastructure development as key areas for growth. In the realm of agriculture, it has established the Ghana Tree Crop Development Authority, a dedicated institution aimed at advancing key industries such as cocoa, cashew, and shea butter. The manufacturing sector is also a priority with a focus on value addition and export promotion, supported by the launch of The One District, One Factory initiative – a plan designed to encourage manufacturing in the country. General infrastructure development has also been identified by the government as a key priority area, with a focus on roads, ports, and airports. Moreover, the government recognizes the potential of the tourism sector to drive economic growth and has established the Ghana Tourism Authority (GTA) to promote the development of the sector. Regarding SEZs, key areas for investment and development under the Free Zones include agro-industry, manufacturing, infrastructure, oil and gas, floriculture, textile apparel and manufacturing, ICT, Metal fabrication, pharmaceuticals, jewellery and ethnic beauty, light industry, and seafood processing. It is worth noting that since the policy guiding the establishment and management of SEZs is still under formulation. The policy is expected to be enacted at the end of 2023. Under the SEZ policy, sectors of growth might not deviate from the current ones.

59 <https://gea.gov.gh/>

60 <https://gfza.gov.gh/>

Figure 6: Government and SEZ sectors complementarity in Ghana



2.4.2 Building the local economy through SME integration

Policies and initiatives aimed at building the local economy through the integration of SMEs with SEZs are currently under development and are expected to be implemented by 2023. The existing Local Content Policy promotes the development of local supply chains and the transfer of skills and technology to the local workforce in the general investment code. While collaboration between the current local SMEs and the SEZs is presently limited, there is positive progress emerging with clusters (groupings of individuals or cooperatives) seeking and accessing markets through contracting and subcontracting. This trend is particularly evident in the supply of raw products from the agro-industry as is the case of supplying the Shea nuts to the SEZ for further processing. In the design of the new SEZ policy, investors in SEZs might be required to prioritize local procurement and local economic development. This practice is already employed in some industrial parks focused on services, such as the Accra Digital Centre, where several multinational corporations, such as Google and Microsoft, have set up operations and actively engage local subcontractors and suppliers to support their supply chains. While there is an emphasis on technology transfer and skills development among local suppliers under the Free Zones Act, companies dealing with export processing are not obliged to follow this policy requirement. However, in the design of the new SEZ policy, investors in SEZs might be required to prioritize local procurement, promotion, and the participation of local businesses in the economic activities and maximizing their participation in the activities of the SEZs. Furthermore, a certain percentage of the workforce in the SEZs will be local except for technical and managerial roles that require specialized skills/not readily available. Investors should prioritize the use of local suppliers and service providers.

The shea butter industry in Ghana plays a vital role in supporting rural women's livelihoods at various levels. The industry involves collectors, SMEs, and larger players who aggregate and commercialise the shea butter locally and internationally. A foreign company operating within the Free Zones of Tema currently sources shea nuts directly from collectors, bypassing the intermediary SMEs and cooperatives. While this approach may seem efficient, it can lead to market distortions and hinder the growth of local businesses. Furthermore, the absence of collaboration prevents the exchange of knowledge, skill development, and fair-trade practices within the industry. To address these challenges, a collaborative shea butter ecosystem should be established, focusing on fostering partnerships and inclusivity among all stakeholders involved. Adopting ESG practices with an emphasis on the

social pillar can improve the trade principles and prioritize equitable remuneration for collectors and fair prices for all stakeholders and support the intermediary SMEs' growth. It will also promote sustainable sourcing, labour rights, environmental protection, social responsibility, and SME development. Facilitating direct collaboration between the international company and SMEs/cooperatives, encouraging long-term contracts, sub-contracting, and agreements will further ensure a consistent and transparent supply chain.

2.4.3 New skills, qualifications development, and job creation

The government recognizes the importance of promoting skills development and job creation through SMEs. GEA provides training programs, apprenticeships, and internships to help SMEs improve their skills and knowledge while the Council for Technical and Vocational Education and Training (COTVET)⁶¹ regulates and accredits skills development. The government National Entrepreneurship and Innovation Plan (NEIP), provides business incubation services, mentorship, and financial support to SMEs in their initial stages of development including training programs to help SMEs improve their skills and knowledge. Several TVET institutions offer vocational training programs, such as the Kumasi Technical University and the Accra Technical University. These institutions work closely with the private sector to design training programs that are aligned with the needs of local businesses. On skills development within the SEZs, at the Tema Industrial Park some of the tenants offer capacity and training to staff to support their sector for example in apparel. In the agriculture value chain, Olam International, (Olam Ghana), has established a training program for cocoa farmers to improve the quality of their crops and increase their yields, it also provides training programs for its employees to improve their skills and knowledge.

2.4.4 Access to financing

The government recognizes the importance of facilitating access to financing for SMEs and Economic Zones to promote economic growth and job creation. Several initiatives and programs have been established to support businesses to access financing, as shown in the table below.

- **The GEA** provides financial support to SMEs through the "MASLOC" loan scheme. The scheme offers loans to micro and small businesses at affordable interest rates and flexible repayment terms. NBSSI also provides business development services, including training and mentorship, to help SMEs grow and compete in local and international markets.
- **The GIPC** promotes and facilitates investment in the country and works with local and international partners to provide financial support to SMEs and SEZs.
- **The Ghana EXIM Bank** provides financing options, including loans, guarantees, and leasing options, to businesses of all sizes. It provides technical assistance and advisory services to businesses to help them grow and develop. Additionally, the bank has established a special fund to support the development of SEZs in the country.
- **Ghana Investment Fund for Electronic Communications (GIFEC)** provides internet connectivity in rural areas to promote ICT.
- **National Investment Bank:** Provides financing to SMEs in various sectors such as agriculture, manufacturing, and services, offering various financial products, including loans, overdrafts, and guarantees.

⁶¹ <https://cotvet.gov.gh/about-cotvet/>

- **Ghana Angel Investor Network:** A private equity network provides financing to early-stage businesses. The network offers equity financing and advisory services to start-ups and SMEs.
- **Ghana Venture Capital Fund:** A state-owned fund provides equity financing to start-ups and early-stage businesses. It also offers technical support and advisory services to SMEs.

2.4.5 Quality infrastructure engagement

The Ghanaian government recognizes the importance of improving Quality Infrastructure (QI) to support the growth and success of SMEs and SEZs. The Ghana Standards Authority (GSA)⁶² is the national standards body responsible for the development and implementation of national standards and quality assurance programs in the country. It is a member of the International Organization for Standardization (ISO) and the African Regional Organization for Standardization (ARSO). The GSA works closely with various stakeholders, including industry associations, government departments, and research institutions, to ensure that products and services meet the required standards.

The National Quality Policy Framework 2015-2025 provides a coordinated approach to improving quality infrastructure in the country. The Ghanaian Accreditation Board (GAB) provides accreditation services to conformity assessment bodies, such as testing and calibration laboratories, inspection bodies, and certification bodies, to ensure that they comply with international standards.

The Quality Infrastructure Steering Committee brings together various stakeholders, including government departments, SEZ operators, and industry associations, to develop strategies to support the growth and success of SMEs in SEZs. Centres of Excellence located in the SEZs are designed to provide SMEs with access to technical expertise and equipment to support their compliance with quality standards, the SMEs can access testing and calibration services, as well as training and support for quality assurance.

The Ghana Investment Promotion Center (GIPC) supports SMEs by providing technical assistance, training, and access to testing facilities geared at meeting the required quality standards for their industries. The aim is to enable SMEs to improve the quality of their products and increase their competitiveness in the market. This support has enabled SMEs in the export sector to produce high-quality products that comply with the required standards and access new markets, thereby increasing their competitiveness.

⁶² <http://www.gsa.gov.gh/>

2.4.6 ESG commitment

The regulatory framework for environmental protection in the country is managed by the Environmental Protection Agency (EPA), which enforces environmental standards and regulations. Additionally, the Ministry of Environment, Science, Technology, and Innovation (MESTI) is responsible for overseeing environmental policies and strategies. MESTI actively collaborates with businesses to encourage the adoption of ESG practices, with a focus on promoting sustainable development across various sectors.

Ghana has set ambitious targets for renewable energy adaption. The Renewable Energy Master Plan aims to increase the share of renewable energy in the country's energy mix to 10% by 2020 and 20% by 2030, while the Sustainable Energy for All (SE4ALL) initiative is also working to increase access to sustainable energy in the country and improve energy efficiency. The GFZA adheres to high environmental and social standards, such as protecting biodiversity, reducing carbon emissions, and creating local employment⁶³. In practice GFZA has established the Green Industrial Park in the Ashanti region to promote the growth of the renewable energy sector and the development of eco-friendly industries:

- **The Ghana Association of Industries (AGI)** has established a Sustainable Development Committee to promote sustainable practices among businesses.
- **The Ghana Stock Exchange (GSE)** has also launched the Ghana Fixed Income Market and Sustainability Index to encourage companies to adopt sustainable practices and to attract investments in sustainable projects.
- **Ghana Climate Innovation Centre (GCIC)** supported by the World Bank Group and the Government of Ghana is a business incubator that supports SMEs in developing and scaling up innovative solutions for climate change mitigation and adaptation. It also provides access to finance, technical assistance, and mentoring to SMEs on ESG issues⁶⁴.

2.4.7 Findings, recommendations, and best practices for implementation

Ghana has taken significant steps to support the growth of SMEs, with the SEZ policy currently under development. However, the presence of multiple agencies and limited collaboration hinders innovation. Addressing governance challenges is essential to accelerate ecosystem development.



Clustering of high value sector to improve quality infrastructure engagement

The Ghanaian cocoa industry, dominated by SMEs, has been able to access new markets through compliance with international quality standards. The Cocoa Research Institute of Ghana (CRIG) provides technical assistance to cocoa farmers and processors to improve the quality of their products. This has enabled Ghana to become the second-largest producer of cocoa in the world earning foreign exchange through exports. Similarly, the Ghanaian shea butter industry has been able to access new markets by complying with international quality standards, resulting in increased exports and revenue for SMEs in the industry.

63 IFC ESG Guidebook - International Finance Corporation. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/reso

64 <https://documents.worldbank.org/curated/en/934351587974318392/pdf/Improving-Access-to-Finance-for-Ghanaian-SMEs-Role-for-a-New-DFI.pdf>.

Table 6: Findings and recommendations for Ghana

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary	TO CONSOLIDATE AND EXPAND	
2. Local economy development (private sector and SME engagement)	Policies and initiatives aimed at building the local economy through SMEs linkages to SEZs are being developed. Local Content Policy promotes the development of local supply chains and the transfer of skills and technology.	TO DEVELOP	Models of SME engagement with SEZ should be promoted. South Africa, Morocco, Rwanda, Egypt, and Mauritius offer opportunities for learning exchange.
3. Access to finance	The government is facilitating access to financing and investment for SMEs and Economic Zones with several initiatives and programs established to support businesses. However, challenges remain for accessing funding.	TO DEVELOP	Innovations that define different pathways to access finance are needed. South Africa model of inclusivity for accessing finance is a good reference.
4. Job creation, new skills, and qualifications development	There is commitment to develop the skills and capacity of the workforce and linking industry to technical and vocational education and training (TVET) institutions and extending to universities. SEZs tenants have established training facilities to align the skills as demanded by their sector.	TO DEVELOP	Integration of SEZs and TVETs is critical to bridging the skills gaps. The model of providing industry specific training is a good stop-gap measure. Gabon, Morocco, Egypt, and Rwanda present good frameworks to reference.
5. Quality infrastructure service providers engagement	The National Quality Policy Framework 2015-2025 provides a coordinated approach to improving quality infrastructure in the country. The reach is still limited and needs deeper investment.	TO ACCELERATE	The organising of clusters in high-value sectors can attract the technical support needed to acquire the certification needed. Ghana can share lessons.
6. ESG commitment	ESG principles are widely adopted within the SEZ. The start-ups and SME sector has also attracted investment, financing, and technical support from a broad range of stakeholders including the World Bank.	TO ACCELERATE	More investment in the SMES and startups will build coherence between the SME and SEZ and create opportunities for collaboration along sectors or value chains. Gabon and Benin offer good models for reference.

2.5 Kenya

The Kenyan government has implemented several policies and initiatives to support the development of the SME sector.⁶⁵ The 2012 SME Act established the Micro and Small Enterprise Authority (MSEA) under the Ministry of Investment, Trade, and Industry (formerly Ministry of Trade, Industry, and Entrepreneurship).⁶⁶ The MSEA is responsible for implementing policies and programs to promote and develop businesses, including their integration into Special Economic Zones (SEZs) to harness potential benefits. However, critics argue that the Micro and SME Act places excessive focus on registration and regulation, lacking practical support for growth and development. Kenya Special Economic Zones Authority (SEZA), established in 2015 under the Special Economic Zones Act No. 16 of 2015,⁶⁷ is tasked with promoting and developing the country's SEZs, overseeing the implementation of the SEZ program, and registering SEZs.⁶⁸ SEZs are governed by the Special Economic Zones Act of 2019, providing an enabling environment for businesses growth and operation through infrastructure, services, and favourable regulations. SMEs located near or within SEZs can benefit from the infrastructure and resources including the presence of other businesses and investors. As of December 2021, Kenya had 15 gazetted SEZs, according to SEZA. SEZs have stringent protocols for the application of ESG principles driven by global business demands.

2.5.1 High growth sectors

The government has selected high-value business clusters for Kenya Vision 2030, such as agriculture and agribusiness, tourism, manufacturing and assembly, construction and real estate, financial services and banking, IT and BPO, Pharmaceuticals, Healthcare, Energy, and Petroleum. The Bottom-Up Economic Transformation (BEAT)⁶⁹ approach focuses on six sectors: agricultural transformation, MSMEs competitiveness, housing, healthcare, digital superhighway, and the creative industry. Other emerging sectors, such as the blue economy, are not explicitly featured in the policy documents but are supported by other Ministries, including Agriculture, which has attracted substantial investment in aquaculture. Most SEZs do not follow SEZA sectoral orientation and have developed their business models based on the market demand. For example, Tatu City has invested in top-notch infrastructure and facilities, which can be accessed by local SMEs in agro-processing, real estate, light manufacturing, and services. The recently gazetted Ndogo Kundu SEZ⁷⁰ has been designed to especially leverage the Blue Economy and Aquaculture, while Nairobi Industrial and Technology Park (NITP)⁷¹ is focused on technology. The County Aggregation Industrial Parks (CAIPs) are designed to support the SEZs at the county level and are at development stage.

65 http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/MicroandSmallEnterprisesAct_16of2012.pdf

66 <https://miti.go.ke/>

67 http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/2016/SpecialEconomicZonesAct_16of2015.pdf

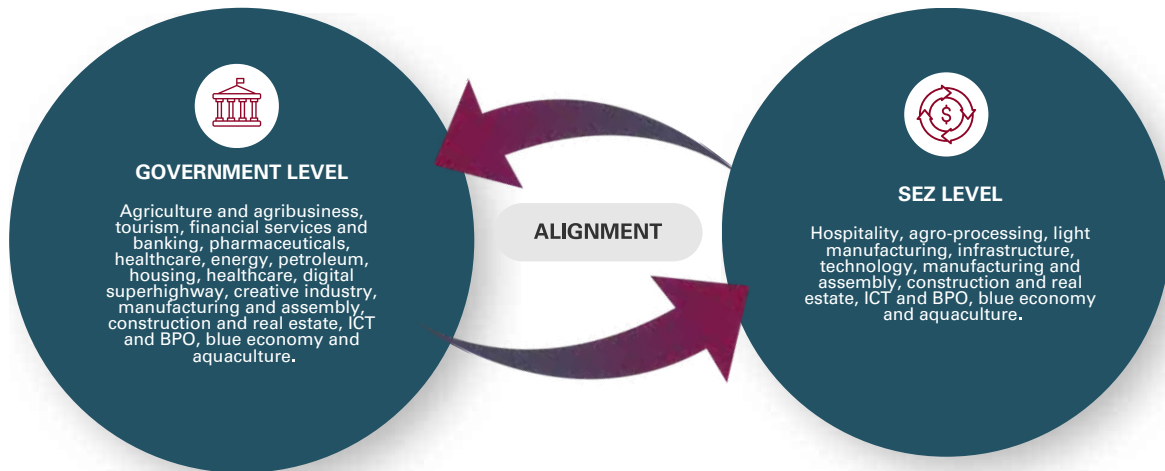
68 <https://sezauthority.go.ke/>

69 <https://www.treasury.go.ke/wp-content/uploads/2023/02/2023-Budget-Policy-Statement.pdf>

70 https://www.jica.go.jp/english/our_work/social_environmental/id/africa/kenya/c8h0vm00009pqqey-att/c8h0vm0000f9xard.pdf

71 <http://nitp.ac.ke/>

Figure 7: Government and SEZ sectors complementarity in Kenya



2.5.2 Building the local economy through SME integration

While the SME and SEZ policies do not explicitly mention or propose incentives for collaboration, there is an explicit mention of the legal requirement for SEZs tenants to tap on the local human capital as a requirement. This is aimed at supporting local skills and the economy. Different intermediaries are needed to build the system of local economy support. The Kenya Investment Authority (KenInvest) plays a dual role of promoting investment in local SMEs and SEZs. Equally MSEA works closely with associations Kenya Association of Manufacturers (KAM)⁷², Kenya National Chamber of Commerce and Industry (KNCCI)⁷³, and Kenya Private Sector Association (KEPSA), to develop and foster local economy, including lobbying for business development support. KDC (formerly ICDC) supports SMEs and SEZs to diversify the local economy and offers investment support to integrate them into global business opportunities including through SEZs. MSEA is building new policy interventions focused on capitalising on local content opportunities, establishing subcontracting linkages, and promoting technology adoption. However, these policy directives have not yet been implemented. While the SEZ Act permits SEZ operators to trade with non-SEZ entities, the corresponding policy framework supporting such activities is not yet in place. Consequently, the closer collaboration between SMEs and larger enterprises through contracting and subcontracting remains limited.⁷⁴

The role of Enterprise Support Organizations (ESOs) is key, especially organizations like the SME Support Centre⁷⁵, which deserve support for their vital contribution to entrepreneurship development, particularly among women and youth:

⁷² <https://kam.co.ke/industry-leverage-technology-sustainable-economic-growth/>

⁷³ <https://www.kenyachamber.or.ke/kncci-services/>

⁷⁴ Examples of MSMEs in the leather, textiles and garments sectors that illustrate such linkages are Dagoretti slaughterhouses, which have backward linkages providing raw hides and skin; Preca in the Limuru cluster, which has developed forward linkages with Bata, a major shoe manufacturer; Thika and Rivatex, Kenya's two largest milling companies in textile value chains that both buy from and sell to other MSMEs; the Uhuru Market textiles and garment cluster, which has the potential to provide forward linkages through fast fashion design and subcontracting for larger firms; and, finally, Tulip, one of the only MSMEs in garment manufacturing that has successfully relocated to an EPZ

⁷⁵ <https://sme-supportcentre.com/>

- **NITP**⁷⁶ is a university, government, and private sector initiative. The facility offers ready-to-use factory spaces, shared facilities, and a conducive business environment for SMEs to set up their operations. NITP also provides training programs, mentorship, and access to financing to assist SMEs in expanding their businesses.
- **Mombasa SEZ**⁷⁷ provides SMEs with access to modern infrastructure, efficient transport, logistics services, and a platform to connect with local and international markets. SMEs operating within Mombasa SEZ benefit from the supportive ecosystem and enjoy opportunities for business growth and expansion.
- **Kisumu SEZ**⁷⁸ provides SMEs with access to land, utilities, training programs, and business development services. Kisumu SEZ aims to attract investments in sectors such as agro-processing, manufacturing, logistics, and tourism, creating opportunities for SMEs to participate in these value chains.

2.5.3 Access to financing

The MSEA Act established the Micro and Small Enterprises Fund to facilitate businesses' access to financing (allocated 10.1 billion Shs or 80 million Dollars for manufacturing in 2022/2023). Other Government agencies supporting access to finance include the Kenya Development Corporation (formerly ICDC), and the Development Bank of Kenya, including multilateral agencies and donors⁷⁹. SEZs can also serve as a reliable source of investment and financing for SMEs aligned to the SEZs business pipelines or sectors of growth. Companies with compelling business cases such as the Kenya Wine Agencies LTD (KWAL)⁸⁰ have accessed investment and located their operations in Tatu City SEZ. Kenya Development Corporation (KDC), a local development finance institution, has supported and provided seed capital to KWAL⁸¹, which has made it possible to graduate as a tenant in the SEZs. KWAL has invested in a new manufacturing facility at the Tatu City SEZ. The KNCCI also organizes trade fairs, exhibitions, and business missions to promote linkages between SMEs and SEZ investors⁸². All these businesses initiatives are happening without any incentive from the government.

2.5.4 New skills, qualifications development, and job creation

Higher education institutions (HEIs) including TVETs, various actors in capacity development, and trade bodies such as Kenya Industrial Estates (KIE), Kenya National Chambers of Commerce and Industry (KNCCI), Kenya Association of Manufacturers (KAM), Kenya Private Sector Association (KEPSA), and Kenya Industrial Research and Development Institute (KIRDI) have limited collaborative actions with MSEA⁸³ or SEZA to develop strategies for skills development, trade skills or create deliberate pathways for apprenticeship or internships. The absence of policy tools or instruments to guide this process hinders job creation and the development of necessary skills and competencies required by SMEs willing to collaborate with SEZs. Kenya Industrial Estates (KIE) Limited, which provides industrial sheds, advisory services, and financing to SMEs in various industrial estates across

⁷⁶ <http://nitp.ac.ke/>

⁷⁷ <https://sezauthority.go.ke/locations/mombasa>

⁷⁸ <https://kenyanwallstreet.com/kisumu-now-ready-for-special-economic-zone/>

⁷⁹ <https://www.wyldeinternational.com/post/tid-bits-from-the-2022-sme-access-to-finance->

⁸⁰ <https://www.kwal.co.ke/kwal-celebrates-the-groundbreaking-of-ksh-4-billion-new-facility-at-tatu-industrial-park/>

⁸¹ <https://www.tatucity.com/news/kwal-breaks-ground-on-kes-4-billion-new-facility-at-tatu-industrial-park/>

⁸² HANDBOOK ON SPECIAL ECONOMIC ZONES IN AFRICA. https://unctad.org/system/files/official-document/diaeia2021d3_en.pdf.

⁸³ <https://sezauthority.go.ke/publication/document/10>

the country, has partnered with Tatu City to offer SMEs access to modern facilities, infrastructure, and services within the SEZ. This collaboration also includes training and mentorship to help SMEs meet the requirements of local and international markets.

The SEZ Act⁸⁴ emphasises skill transfer, allowing up to 20% of the workforce to be foreign, provided that the SEZ employee has an understudy. However, it is crucial to have intentional policy tools and instruments to establish a comprehensive approach to skills development and qualifications necessary for the SME sector, aligned with the evolving global trends and focal themes, such as green technologies, green energy, blue economy, and ESG. While the SME⁸⁵ and SEZ policies are aimed at promoting economic development, increasing employment opportunities, and enhancing the competitiveness of Kenya's economy, there is a lack of policy direction and incentives specifically focused on skills that can build strong and functional linkages between the SMEs and the SEZs, or even between EPZs and SMEs and the job market⁸⁶.

2.5.5 Quality infrastructure engagement

SMEs struggle to create products and services that meet standards demanded by SEZ operators. MSEA works with the Kenya Bureau of Standards (KEBS)⁸⁷, KIRD) and KIE to provide capacity⁸⁸ on quality infrastructure, including access to common user facilities. The agencies are affiliated to ARSO and WIPO and undertake collaborative work on capacity development. MSEA is building new policy interventions to address the question of quality infrastructure. The policy interventions will target domestic and foreign markets by addressing issues related to access to information, compliance with standards, product standardization, certification, and value addition. This new policy direction recognises SEZA as part of the implementation matrix alongside KRA and KIPRA⁸⁹. On a positive note, the SME policy recognizes the importance of high-value clusters in agriculture e.g., in coffee⁹⁰, tea, and dairy industries. Such clusters can engage effectively, thus providing SEZs with compelling value proposition for investment.

2.5.6 ESG commitment

The government's, in recognition of the significant role ESG factors can play in attracting investment and financing, has partnered with various ESG stakeholders to initiate several ESG implementation frameworks. These frameworks aim to integrate sustainable practices, social responsibility, and effective governance into the business and investment landscape. By embracing ESG principles, governments aim to create an environment that attracts responsible investors who prioritize sustainability and ethical practices. This, in turn, can lead to increased investment flows and access to financing opportunities. The ESG frameworks provide guidance and standards for businesses, encouraging them to adopt environmentally friendly practices, prioritize social well-being, and enhance corporate governance. Innovative approaches including circular economy are also promoted.

84 <http://www.locuseconomica.com/blog/2015/8/31/kenya-adopts-new-sez-act-designed-to-improve-the-business-environment>

85 <https://www.the-star.co.ke/business/2020-01-11-government-introduces-new-policy-to-modify-smes/>

86 Ministry of Industrialization, Trade and Enterprise Development. State Department for Industrialization. Sessional Paper No. 05 of 2020 on Kenya Micro and Small Enterprises Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation September 2020

87 <https://www.kebs.org/>

88 <https://msea.go.ke/empowering-micro-and-small-enterprises-with-common-user-facilities/>

89 <https://msea.go.ke/wp-content/uploads/2021/07/MSEs-Policy.pdf>

90 African Coffee Roasters at Athi River

Such initiatives can contribute to long-term economic growth, environmental conservation, social inclusion, and stakeholder confidence.

In practice, the National Environmental Management Authority (NEMA) enforces the environmental standards including the EISA (Environment and Social Impact) before any developments are undertaken. However, the Governance and society elements are still new to many actors including the SMEs, leading to limited engagement. Many of the actors in the SEZ comply, especially those linked to global value chains. Making ESG integral to the business ecosystem makes the SEZs globally attractive to investors. Locally, agencies like the Consumer Association of Kenya (CAK) and Kenya Association of Manufacturers (KAM) have started actively promoting ESG to affiliates and members which has a direct impact on the SMEs. A KENINVEST report to the WEF recommends that in addition to the existing fiscal incentives, ESG within the SEZs⁹¹ should be included. The Green Economy Strategy and Implementation Plan (GESIP) policy framework guides Kenya's transition to a low-carbon, resource-efficient, equitable, and inclusive socio-economic transformation. The Kenya Climate Innovation Center (KCIC) supports SMEs that offer innovative solutions to climate change challenges in the areas of energy, water, and agribusiness. The Konza Technopolis, integrates technology, innovation, and sustainability, green building standards, renewable energy sources, waste management systems, and urban green spaces, while the ESG Guidance Manual published by the Nairobi Securities Exchange (NSE) in November 2021 provides guidance on how to integrate ESG factors into business strategy, operations, reporting, and communication.

91 https://www3.weforum.org/docs/WEF_Sustainable_Investment_Kenya_2021.pdf



Tatu City: a new generation of SEZ

Tatu City is a new city near Nairobi, Kenya, designed for over 250,000 residents and many visitors. It has homes, schools, businesses, shops, medical facilities, nature areas, and recreational spaces. With good infrastructure and over 60 businesses, it's Kenya's first operational SEZ. Tatu City offers a modern way of living, working, playing, and reducing commuting. The city includes different types of residential and commercial areas, ensuring a balanced mix of uses. Tatu City addresses issues of crowded cities by providing jobs, amenities, and housing, following principles of feasibility, sustainability, functionality, and attractiveness. Tatu City values the environment, using natural assets like dams and forests. It promotes a lively city with work, life, and leisure activities. It encourages public transport, walking, and a variety of lifestyles. It integrates with Greater Nairobi. Tatu City attracts local and international investors, boosting Kenya's economy and Kiambu County. It's one of Africa's biggest urban projects with housing, businesses, and green spaces. Many companies, including local SMEs, have settled there due to reliable utilities and tax benefits as an SEZ. With a focus on logistics and light industrial use, Tatu City is home to over 60 companies (of which 80% are local SMEs) and boasts four schools educating more than 3,000 students daily. Kijani Ridge, within Tatu City, has sold over 500 serviced plots for single-family homes, and there are thousands of mid- and low-income housing units either completed or under development. Various prominent companies and developers, such as Unity Homes, Nova Pioneer Schools, Crawford International School, CKL, Copia (start-up), Twiga Foods (start-up), Freight Forwarder Solutions, Dormans, Stecol Corporation, and Africa Logistics Properties, have been drawn to Tatu City due to its reliable power, water supplies, and well-connected road networks. Moreover, the city's status as a SEZ has been a key factor in attracting companies, as it provides them with reduced taxes on imports.



Kenya industrial development research institute (kirdi)- excellence in SME support

KIRDI is an example of excellence in nurturing start-ups and SMEs. Their holistic approach to fostering innovation, entrepreneurship, and product development sets them apart as a model institution. KIRDI has built a comprehensive ecosystem that guides businesses from ideation to market readiness. This ecosystem comprises common user production facilities, research labs, robust R&D capabilities, and a team of dedicated technical experts. SMEs can tap into these resources at various stages of their product development journey. Importantly, KIRDI's approach is adaptable across diverse industry sectors, catering to the specific needs of SMEs, from agriculture to technology and manufacturing. This versatility fuels Kenya's economic growth. Skilled technical staff at KIRDI ensure SMEs receive expert guidance, helping them overcome technical hurdles and drive innovation. Shared production facilities at KIRDI offer cost-effective solutions, reducing start-up capital expenditure and enabling prototype production without facility investments. The engineering department assists SMEs in acquiring the right equipment, sometimes even fabricating it. KIRDI actively collaborates with local and international institutions, enhancing its support ecosystem. These partnerships grant access to resources, knowledge, and scaling opportunities. KIRDI's model has not only created jobs but also spurred innovation. Supported SMEs have expanded their markets, improved product quality, standardized offerings, protected intellectual property, and increased revenue, bolstering Kenya's economic prosperity. Strategic partnerships with institutions like Kenya Industrial Property Institute (KIPI), Kenya Industrial Estates (KIE), and Medium and Small Enterprises Authority (MSEA) reinforce KIRDI's status as an innovation and SME support powerhouse. KIRDI is central to the County Aggregation Industrial Parks (CAIP) program, promoting inclusive industrialization. These partnerships help spread KIRDI's expertise and resources to diverse regions in Kenya, fostering growth and innovation in urban and rural areas. These affiliations underscore KIRDI's position as a Centre of Excellence and highlight the potential of collaborative efforts to boost innovation and entrepreneurship across Kenya and beyond.

2.5.7 Findings, recommendations, and best practices for implementation

Several government instruments exist to support business collaboration between SEZs and SMEs. However, these frameworks must become more responsive to demand and expedite government support. Currently, many agencies operate at different scales without effective coordination, hindering ecosystem growth.

Table 7: Findings and recommendations for Kenya

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary	TO CONSOLIDATE AND EXPAND	
2. Building the local economy	The policy of SME and SEZ does not include the element for local content. The policy for local content integration, contracting and subcontracting is still in development. The coordinating agencies have overlapping or competing mandates.	TO ACCELERATE	Ongoing reference initiatives exist (or example Tatu City, Nairobi Technology Park).
3. Access to finance	Financial infrastructure is in place, different agencies provide finance and investment to the SMEs in various sectors, and finance institutions offer intermediary services. At the same time, the risk guarantee system is poorly developed, not understood and highly underutilised by the target SMEs.	TO ACCELERATE	South Africa, Rwanda, Egypt, Morocco and Mauritius offer lessons on the design of a well-coordinated system with proper governance mechanisms.
4. Job creation, new skills, and qualifications development	There is effort to link industry to capacity building institutions including the Higher Education Institutions (HEIs), there is progress to incentivise and promote different models of skills acquisition to meet the SME and SEZs needs. The design of the 3rd generation SEZs (Konza City and Ndogo Kundu) has integrated TVETs into the infrastructure development.	TO ACCELERATE	Models of capacity and skills development should be designed to deliver on demand skills by industry and can learn from South Africa, Rwanda, Egypt, Morocco, and Mauritius
5. Quality infrastructure engagement	The policy guidelines have been established, and various supportive agencies, including the regulatory body and institutions like KIRDI, assist small and medium enterprises (SMEs) in meeting the necessary standards. Previously, the KIE infrastructure was reliable in delivering quality inspection (QI) services nationwide. However, the infrastructure is currently in disrepair, rendering it unable to provide services up to the required level. Moreover, there is limited monitoring and evaluation for conformity or compliance beyond the initial certification stage.	TO DEVELOP	Working models for scaling and accelerating QI engagement are important including using clustering. South Africa, Rwanda, Egypt, Morocco and Mauritius offer lessons
6. ESG commitment	Policies to support ESG are in place. The civil society organizations, chambers and private entities are playing a significant role in popularizing ESG especially at the startup and MSMEs level. The Government is playing its role in policing the Environmental pillar of ESG (through NEMA) but there are no localised incentives for companies to deliver on social as well as governance besides the entities within the SEZs.	TO ACCELERATE	Gabon, Morocco, Benin and Mauritius offer good models of implementing ESG including financing. Kenya can use the good practices to upgrade the ESG in the different sectors.

2.6 Mauritius

The country's SME policy aims to create a favourable environment for SMEs to operate and expand, by providing financial and non-financial support, reducing administrative burdens, and promoting access to markets. The Small and Medium Enterprises Development Authority (SMEDA)⁹² was established in 2003 to promote the growth and development of businesses. It plays a central role in coordinating the implementation of the SME policy and provides support through training, advisory services, financial assistance, capacity building and support for export promotion. The Strategic Economic Zones Act (2015)⁹³ provides the legal framework governing the establishment, operation, and regulation of SEZs. This act aims to provide a conducive environment for business, create employment opportunities, promote exports, and attract foreign direct investment (FDI) in targeted sectors of the economy. The Economic Development Board (EDB)⁹⁴, the apex implementing agency works closely with various stakeholders, including the private sector, to promote local economic development. SEZs are managed by the Board of Investment (BOI) and overseen by the Ministry of Finance and Economic Development⁹⁵. To promote sustainable business practices, the government established the Mauritius Institute of Directors⁹⁶ to promote good governance, transparency, and accountability in the corporate sector. The institute provides training and guidance to company directors and managers on best practices in environmental, social, and governance (ESG) issues.

2.6.1 High growth sectors

The government has identified sectors with high growth potential that can attract investment and create business opportunities for SMEs. The SME Master Plan identifies key sectors: ICT, financial services, professional services, manufacturing, agribusiness, aquaculture, renewable energy, pharmaceuticals, textiles, and handicrafts. The country is positioning itself as a technology hub in Africa⁹⁷, with a focus on ICT, supported by initiatives like the Mauritius Research and Innovation Council⁹⁸ and the Mauritius Artificial Intelligence Council⁹⁹. The agro-industry emphasizes value addition, aided by the Mauritius Cane Industry Authority (MCIA).¹⁰⁰ SEZs foster growth in sectors such as manufacturing, ICT, agro-processing, healthcare, education, financial services, and hospitality, with the Mauritius Bio-Innovation Centre located in Ebene CyberCITY¹⁰¹ and the Mauritius Textile and Clothing Industry Association aiding in development.

Notable SEZs include Jin Fei SEZ¹⁰², Port Louis SEZ¹⁰³, Riche Terre SEZ¹⁰⁴, and Rose Belle SEZ¹⁰⁵, each with sector-specific focuses on manufacturing, financial services, ICT, and tourism.

92 <https://www.ecolex.org/details/legislation/small-and-medium-enterprises-development-authority-act-2009-no-18-of-2009-lex-faoc143023/>

93 <https://www.state.gov/reports/2019-investment-climate-statements/mauritius/>

94 <https://edbmauritius.org/>

95 <https://mof.govmu.org/>

96 <https://miod.mu/>

97 <https://www.cio.com/article/217726/how-mauritius-is-positioning-itself-as-the-next-fintech-hub-for-africa.html>

98 <https://www.mric.mu/>

99 <https://ncb.govmu.org/ncb/strategicplans/MauritiusAIStrategy2018.pdf>

100 <https://www.mcia.mu/>

101 <https://mauritiusattractions.com/ebene-i-379.html>

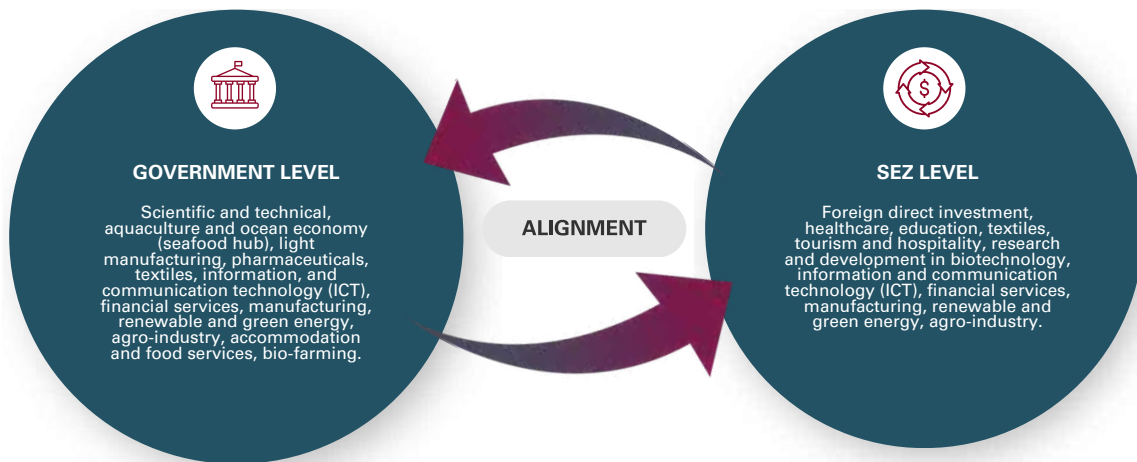
102 <http://cn.jinfeismartcity.com/en/index.html>

103 <https://www.tandfonline.com/doi/pdf/10.1080/17535069.2019.1607017>

104 <https://landscopemauritius.com/riche-terre-business-parks/>

105 <http://www.unido.or.jp/files/2.-Mr.-Radhakrishna-Neelayya.pdf>

Figure 8: Government and SEZ sectors complementarity in Mauritius



2.6.2 Building the local economy through SME integration

SMEDA works closely with SEZs to facilitate the integration of local businesses into their supply chains. It provides services including business development, training, and access to finance. Contracting and subcontracting is growing in Mauritius, particularly in the textile and clothing industry. Industrial parks, such as the Coromandel Industrial Estate and the Plaine Magnien Smart City, provide infrastructure and services to support SMEs in the textile and clothing sector. At the Jin Fei SEZ, the Chinese-Mauritian SE has attracted several Chinese companies in the textiles and manufacturing sectors. These companies have utilized local subcontractors and suppliers to support their operations in the zone.



Local content policy boosting local economic development

The Local Content Policy requires investors in SEZs to prioritize local procurement and employment within their operations. Bagatelle-Phoenix Smart City primarily aims to attract investment in the ICT and knowledge-based industries. Several multinational corporations, such as Accenture and IBM, have established operations in the zone and have utilized local subcontractors and suppliers to bolster their supply chains. Medine Smart City is attracting investment in the real estate, ICT, and knowledge-based industries. Several multinational corporations, such as Microsoft, have set up operations in the zone and have utilized local subcontractors and suppliers to support their supply chains.

2.6.3 New skills, qualifications development and job creation

The government recognises the importance of promoting skills development, training programs, and job creation through SMEs, aided by initiatives like the National Skills Development Programme (NSDP)¹⁰⁶, which focuses on priority sectors such as ICT, tourism, and the creative industries. Mauritius Qualifications Authority (MQA)¹⁰⁷ is responsible for regulating and accrediting skills development and oversees the implementation of the Mauritius Qualifications Framework (MQF), which provides structure for the development and recognition of skills and qualifications.

Development of the ICT sector has also led to skills development and job creation, with policies aimed at attracting foreign investment to the sector. It has become a major contributor to the Mauritian economy, accounting for around 6% of GDP and employing over 20,000 people. Similarly, skills development in the tourism industry has made tourism a major contributor to the Mauritian economy, accounting for around 8% of GDP and employing over 40,000 people. With the recent establishment of an AI Innovation Centre, the country has taken a significant step toward leveraging innovative technologies. Policymakers are developing and implementing supportive policy infrastructure that facilitate innovation and collaboration with industry stakeholders, academia, and international partners. Further, policymakers have allocated resources to support R&D initiatives, fostering the development of innovative technologies and solutions. Further, there is encouragement for collaboration between research institutions, private enterprises, and start-ups. Initiatives such as boosting existing incubation centres, mentorship programs, and accessible financing can provide aspiring entrepreneurs with the tools and guidance needed to transform their ideas into successful ventures. The supported early-stage start-ups stimulates the creation of innovative ICT solutions, thereby driving economic growth and job creation. To facilitate the adoption of innovative technologies, policy development is prioritising the nurturing and enhancement of digital skills among the population. By focusing on digital literacy and offering specialized training programs, Mauritius can equip its workforce with the skills to embrace emerging technologies.



Embedding TVET to private sector and SEZ to deliver matching skills

Ecole Hôtelière Sir Gaetan Duval TVET is in the Ebene Cybercity SEZ and specializes in hospitality and tourism education. Mauritius Institute of Training and Development provides training and qualifications for the workforce, including in the areas of entrepreneurship and innovation. National SME Incubator Scheme supports the development of new and innovative SMEs (incubation services, mentorship, and financial support).

¹⁰⁶ <https://nsdp.hrdc.mu/>

¹⁰⁷ <https://mqa.govmu.org/mqa/>

2.6.4 Access to financing

SMEDA provides funding and support to SMEs and offers varied financing options, including loans, guarantees, and venture capital, with the assistance of the Development Bank of Mauritius (DBM)¹⁰⁸. The bank also provides technical assistance and advisory services to businesses to help them grow and develop. The Mauritius Agro-Industry Fund¹⁰⁹ focuses on financing the agriculture sector. Of interest, SEZs in Mauritius, such as the Bagatelle SEZ, offer financing facilities to businesses operating in various sectors, including ICT, logistics, and creative industries. Additionally, Caudan Waterfront SEZ¹¹⁰ has provided financing support to local SMEs operating in various sectors, including hospitality, retail, and creative industries.



Appropriate financial instruments for SMES

The country's financial services sector has been identified as a high growth area. To this end, the government has established the Mauritius International Financial Centre (IFC). The IFC provides a range of financial services, including investment banking, private equity, asset management, and insurance to respond to the local investment needs. The Mauritius Africa Fund, established in 2013, provides financial assistance to SMEs and start-ups that have a significant impact on the development of the African continent.

2.6.5 Quality Infrastructure engagement

The government is focused on improving Quality Infrastructure (QI) to support the growth and success of SMEs and SEZs. The Mauritius Standards Bureau (MSB)¹¹¹ is responsible for the development, maintenance, and implementation of national standards and quality assurance programs. MSB works closely with various stakeholders, including industry associations, government departments, and research institutions, to ensure that products and services meet the required standards. Policies and initiatives are in place to support QI, including the National Quality Policy Framework (2017)¹¹², which provides a coordinated approach to improving quality infrastructure in the country. The Mauritius Accreditation Service (MAURITAS)¹¹³ provides accreditation services to conformity assessment bodies, such as testing and calibration laboratories, inspection bodies, and certification bodies, to ensure that they comply with international standards.

To support the engagement between SEZs and SMEs, the government has established the Quality Infrastructure Steering Committee, which brings together various stakeholders including government departments, SEZ operators, and industry associations, to develop strategies to support the growth and success of SMEs in SEZs. This has led to the establishment of Centres of Excellence within the SEZs that are designed to provide SMEs

108 <https://www.dbm.mu/>

109 <https://agriculture.govmu.org/SitePages/Index.aspx>

110 <https://www.caudan.com/>

111 <https://msb.intnet.mu/Pages/index.aspx>

112 https://unctad.org/system/files/official-document/gdsinf2020d5_en.pdf

113 <https://www.mauritas.org/>

with access to technical expertise and equipment to support testing and calibration services, as well as training on quality assurance. To support SMEs in compliance with quality standards, the Coromandel International Financial Services Centre (CIFSC) provides access to SMEs for testing calibration, and certification services, to ensure that they meet the required quality standards. Further, Mauritius Research and Innovation Council (MRIC)¹¹⁴ provides technical assistance, training, and access to testing facilities geared at meeting the required quality standards. Finally, Mauritius Export Association (MEXA)¹¹⁵ provides support to SMEs in the export sector (textile) for compliance with quality standards, as well as access to testing and certification services. This has enabled the export sector to produce high-quality products that comply with the required standards and gain access to new markets.

2.6.6 ESG commitment

The government has established the Ministry of Environment, Solid Waste Management and Climate Change to enforce environmental standards and encourage sustainable development. The ministry works with businesses to promote the adoption of ESG practices and the country's sustainable development goals. Mauritius has also identified renewable energy as a sector that will promote sustainable development. As a response, in 2020, the government launched the "National Energy Commission" to develop a national energy policy and has set a target to achieve 35% of renewable energy in the electricity mix by 2025.

SEZs in the country are promoting the adoption of ESG principles. For example, the Mauritius Freeport SEZ¹¹⁶ has implemented business actions focused on water, energy efficiency, and waste management systems. Agricultural company, Mauritius Alumex, has made a commitment to reducing its carbon footprint by implementing energy-efficient measures and using renewable energy sources. Additionally, the company has implemented sustainable agricultural practices to reduce its impact on the environment.

In addition, the Mauritius Commercial Bank (MCB) has established a Sustainable Finance Unit to promote ESG practices among its clients. The unit offers financing for sustainable projects and provides advice and support to companies looking to adopt ESG procedures and regulations. Moreover, MCB has established a Sustainable Business Initiative to encourage businesses to adopt sustainable practices and contribute to the country's sustainable development goals. Furthermore, MEXA has established a Sustainability Working Group to help companies in the export industry adopt sustainable practices. The group provides training and support to help companies meet ESG standards and comply with international regulations.¹¹⁷

114 <https://www.mric.mu/>

115 <https://mexamauritius.org/>

116 <https://www.mfd.mu/>

117 <https://mexamauritius.org/mexa-achievement-official-launch-of-the-carbon-neutral-industrial-sector-cnis-renewable-energy-re-scheme/>



Mobilising financing through ESG

Mauritius has committed to reducing its greenhouse gas emissions by 40% by 2030 and projects that this will require funding of USD 6.5 billion. The Government announced in its 2020/2021 budget that it intended to develop a green finance framework for the country, including a regulatory and supervisory framework for the issuance of sustainable bonds and green bonds.

The Bank of Mauritius published the “Guide for the Issue of Sustainable Bonds in Mauritius” in June 2021, followed by the Financial Services Commission publishing “Guidelines for Issue of Corporate and Green Bonds in Mauritius” on December 23, 2021, to provide an overview of the requirements and process for the issuance and listing of sustainable bonds. The Mauritius Institute of Directors offers training programs and guidance on ESG issues for board members and senior executives, such as the ESG Reporting Toolkit and the ESG Board Leadership Program.



Learning from Mauritius' green bond experience

Mauritius has taken a proactive approach in promoting sustainable finance. The first step was to publish the “Guide for the Issue of Sustainable Bonds in Mauritius” by the Bank of Mauritius in June 2021. This comprehensive guide provided a regulatory framework and clear guidelines for issuers and market participants interested in participating in sustainable bond offerings. This document outlined the eligibility criteria for green projects, the reporting and monitoring requirements, as well as the alignment of proceeds with sustainable objectives. Building on the regulatory framework set by the Bank of Mauritius, the Financial Services Commission (FSC) took another significant step by publishing the “Guidelines for Issue of Corporate and Green Bonds in Mauritius” on December 23, 2021. These guidelines offered a detailed overview of the requirements and processes involved in issuing and listing sustainable bonds. By providing clarity and transparency, the FSC facilitated a smoother issuance process for issuers and ensured that investors had access to reliable and accurate information. To consolidate the success of Green Bonds, Mauritius actively promoted investor confidence in these sustainable instruments. This was achieved through various initiatives, such as investor education programs, awareness campaigns, and collaboration with market participants. By creating awareness about the environmental benefits and financial opportunities associated with Green Bonds, Mauritius was able to attract both domestic and international investors. The partnership between the Bank of Mauritius and the Financial Services Commission played a pivotal role in providing a comprehensive regulatory framework. Additionally, in collaboration with the private sector, NGOs, and international organizations further supported the development and implementation of sustainable projects. Transparency and accountability are crucial for the success of Green Bonds. This is why the country developed robust monitoring and reporting mechanisms to track the environmental impact of green projects funded by the bonds. This not only ensures that the funds are being utilized for their intended purposes but also builds trust among investors and stakeholders. The successful establishment of Green Bonds offers insight into how countries can develop a blueprint for mobilizing investment to support ESG through a regulatory foundation, investor confidence, collaboration, and implementing effective monitoring and reporting mechanisms.

2.6.7 Findings, recommendations, and best practices for implementation

Policies and legislations support SMEs and their collaboration with SEZs in Mauritius. The government has taken steps to coordinate policies and actions for both SMEs and SEZs to create an integrated and vibrant SME business ecosystem. A culture of innovation and governance has catalysed the SME ecosystem.

Table 8: Findings and recommendations for Mauritius

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary	TO CONSOLIDATE AND EXPAND	
2. Building the local economy	Mauritius has clear policies and guidelines to support the local economy, including a legal provision on procurement and outsourcing, and initiatives to promote locally produced goods. The government has also established institutions to support the local economy and promote entrepreneurship, such as SMEDA. The government has established a National SME Incubator Scheme to coordinate policies and actions to create a supportive ecosystem for SMEs.	TO CONSOLIDATE AND EXPAND	The local content policy supported by strong institutions playing an active role – Can offer lessons
3. Access to finance	Access to financing and investment for SMEs and SEZs is available, with instruments in place to support positive impact. The government has established a SME Financing Scheme to provide financing to SMEs, as well as incentives for businesses operating within SEZs. Efforts are being made to build pipelines linked to markets and diversify the economy.	TO CONSOLIDATE AND EXPAND	Advanced incentives program linking financing and investment between SMEs and SEZs - Can offer lessons
4. Job creation, new skills, and qualifications development	There is commitment to develop skills and capacity of the workforce and linking industry to technical and vocational education and training (TVET) institutions. There are also specific funds and incentives for support. Many jobs in SMEs have been supported by the government through coordinated initiatives, including the NSDP and the EDB.	TO ACCELERATE	To bridge the skills gap, it is crucial to incorporate job and industry demand into policy formulation. This involves developing strategies and activities that align with the specific needs of the job market and industries. Can learn from Egypt and Morocco
5. Quality infrastructure engagement	Quality infrastructure development and support are a priority in Mauritius, with engagement between the government and private sector to ensure that quality infrastructure is in place to support the growth of SMEs and SEZs. Initiatives such as the "Made in Mauritius" campaign promote quality infrastructure and local businesses. The MEXA provides training and support for compliance with quality standards, as well as access to testing and certification services. This support has enabled SMEs in the export sector to produce high-quality products that comply with the required standards and access new markets, thereby increasing their competitiveness.	TO ACCELERATE	Creating a framework that encompasses the essential elements of quality infrastructure: standards, testing, certification, accreditation, and metrology. This framework will offer SMEs and SEZs clear guidelines and procedures to meet quality requirements and improve their competitiveness. Egypt and Morocco can offer lessons
6. ESG commitment	Mauritius has made a strong commitment to promoting environmentally and socially responsible practices, with policies and regulations in place to support ESG. The government is working to ensure that businesses operating within SEZs adopt ESG practices to promote sustainable development and attract foreign investment. An example is the Smart City Scheme, which integrates smart technologies with sustainable development goals to create environmentally friendly and socially responsible communities.	TO ACCELERATE	Key elements for success of Mauritius include a strong commitment, adequate resourcing, and investment, along with a transparent, stringent monitoring, and reporting system. Can offer lessons.

2.7 Morocco

Morocco has implemented policies to foster SME growth by providing financial and non-financial support, reducing administrative burdens, and facilitating market access. The National Agency for the Promotion of SME (ANPME),¹¹⁸ established in 2002, coordinates these efforts by offering training, advisory services, financial assistance, and capacity building, including the modernization process. The Ministry of Commerce and Industry is the overall coordinating agency¹¹⁹, while the Ministry of Finance and Economy¹²⁰ manages public enterprises and privatization. In 2016 the government amended the previous 1995 legislation and committed to establishing new economic areas in all 12 regions of the country¹²¹. This led to the enactment of the Strategic Economic Zones Act (2015) to provide a legal framework for the establishment, operation, and regulation of Special Economic Zones (SEZs). These zones are designed to create a conducive environment for businesses to operate, promote employment opportunities, and attract foreign direct investment (FDI).

The Economic Development Board (EDB) is responsible for the implementation of the SEZ program and works closely with various stakeholders, including the private sector, to promote local economic development through SEZs. The Board of Investment (BOI) manages the SEZs, and the Ministry of Finance and Economic Development provides oversight. The Investment & Export Development Agency (AMDIE)¹²² offers end-to-end assistance and has been highly successful in its mandate¹²³. The Industrial Acceleration Plan, launched in 2014¹²⁴, encompasses several pillars: ecosystem development, industrial compensation, SME competitiveness in both informal and formal industries, qualifications, and financial intervention. In each of the regions, the country has established a one-stop shop that coordinates all the agencies working on economic development. For example, in Tangier, the Tangier Med Special Authority (TMSA) plays this role.

The government has prioritized environmental reform and sustainable development and has been ranked as a top climate-conscious country based on CO2 emissions, renewable energy development, efficiency, and climate policy. It has also made significant efforts in conservation, recycling, and sustainable development education. It has several environmental programs that include the National Municipal Solid Waste Management, National Sanitation and Wastewater Treatment, Collection and Disposal of Plastic Bags, Environmental Upgrading of Rural Schools, and Prevention of and Fight against Industrial Pollution¹²⁵.

2.7.1 High growth sectors

The country has identified key sectors of high growth, including tourism, renewable energy, agriculture and agro-industry, information technology and outsourcing, automotive industry, textile and apparel, financial services, construction, and real estate. The focus sectors of the SEZs developed are on manufacturing, logistics, ICT, agro-processing, healthcare, industrial materials, education, financial services, textile, hospitality, green and renewable energy, and metallurgy including thermal isolation. One of the leading SEZs is the

118 <https://www.mcinet.gov.ma/en/content/morocco-sme>

119 <https://www.mcinet.gov.ma/en>

120 https://www.finances.gov.ma/en/The_Ministry/Pages/The-Minister-of-Economy-and-Finance.aspx

121 <https://oxfordbusinessgroup.com/reports/morocco/2018-report/economy/a-welcoming-environment-special-economic-zones-and-industrial-parks-are-attracting-more-sector-investment>

122 <https://www.morocconow.com/about-us/>

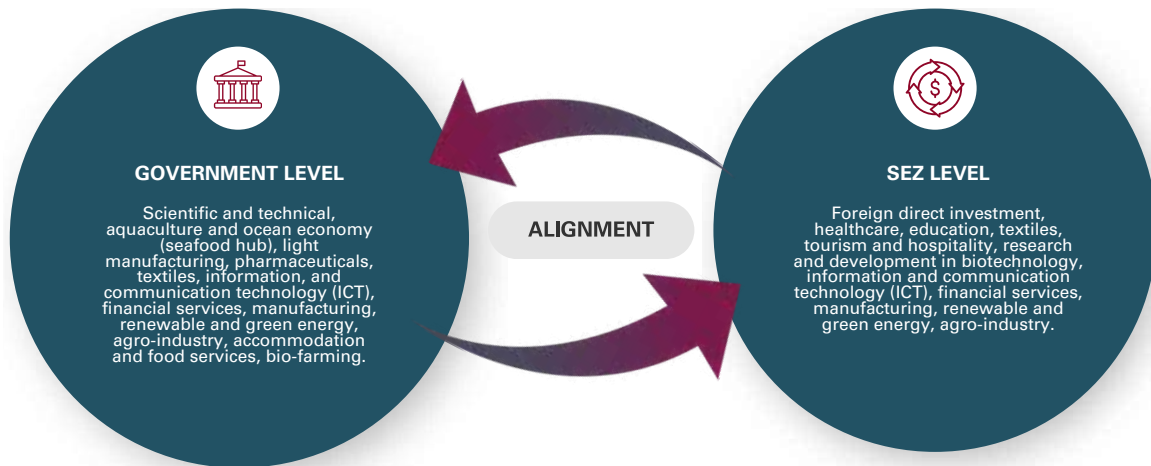
123 <https://www.ft.com/partnercontent/morocco-now/a-drive-to-thrive-how-moroccos-industrial-platform-has-taken-off.html>

124 <https://www.mcinet.gov.ma/en/content/industrial-acceleration-plan>

125 https://moroccoonthemove.com/wp-content/uploads/2015/08/FS_Environment-Fact-Sheet.pdf

Tangier Med SEZ¹²⁶, which is focused on manufacturing and has attracted major automotive companies such as Renault-Nissan and Peugeot Citroen. The Casablanca Nearshore Park is an ICT-focused SEZ that provides a conducive environment for companies in the IT and digital sectors. The Kenitra Atlantic Free Zone is manufacturing-focused and has attracted companies in the automotive and aeronautics sectors. The Casablanca Finance City¹²⁷ is aimed at promoting financial services and attracting investment in the financial sector. Additionally, the government has identified the healthcare sector as a priority area and has established the Rabat Biotech Park, which is focused on research and development in biotechnology. Oujda Technopole¹²⁸ is targeting cleantech, information and communications technology (ICT), and renewable energy. It has sub zones focused on low-polluting SMEs, a retail park aimed at regional sales, and allotments for showrooms, support services and logistics, offshoring centres (call centres, business process outsourcing, IT outsourcing, accountancy and auditing, and other support services.). It has a 40-ha clean tech zone, dedicated to the production and assembly of components for renewable energy and other clean technologies. SMEs in the industrial zone operate in a variety of sectors, including metallurgy, agro-industry, textiles, and thermal isolation. The commercial and retail zone are focused on automotive sales, furniture, and industrial materials¹²⁹. Berkane agro-industrial park¹³⁰ is dedicated to agro-industry, but also to other sectors linked to the agricultural value chains and aims to create a regional leading platform for agricultural products bundling, marketing, processing, and distribution. The government is also focused on promoting sustainable and renewable energy, and has established the Ouarzazate Solar Power Station¹³¹, which is one of the world's largest concentrated solar power plants. The country has also developed the Noor Midelt solar project, which aims to provide clean energy and promote sustainable development.

Figure 9: Government and SEZ sectors complementarity in Morocco



126 <https://www.tangermedzones.com/en/la-plateforme-industrielle-tanger-med-se-classe-2eme-zone-economique-speciale-dans-le-monde/>
 127 <https://casablancafinancecity.com/?lang=en>
 128 MedZ - Oujda Technopole
 129 Our industrial and business parks in Morocco.pdf (medz.ma)
 130 <https://www.medz.ma/en/projet/agropole-de-berkane>
 131 <https://projectsportal.afdb.org/dataportal/VProject/show/P-MA-FFO-002>

2.7.2 Building the local economy through SME integration

The government has established the National Pact for Industrial Emergence, which aims to promote the development of the industrial sector that encourages the integration of local SMEs into the supply chains of multinational corporations. The pact includes various measures, such as tax incentives and training programs, to support their growth. The Moroccan Investment Development Agency (AMDI)¹³², besides providing numerous services to SMEs, also works closely with SEZs to facilitate the integration of local SMEs into their supply chains. On the other hand, Tanger Med Zone¹³³ has partnered with local SMEs to create a local supply chain that supports the operations of multinational corporations within the zone. It has also established an industrial cluster program that aims to support the development of local industries by providing access to infrastructure, technology, and market intelligence. In addition, it has a specific program focused on youth, women, and people with disability, dubbed the “City of Jobs”, integrated into the SEZ. The Kenitra Atlantic¹³⁴ has established a local sourcing program that aims to support the development of local industries by providing access to infrastructure, technology, and market intelligence.

- **Tanger Med Zones:** Has collaborated with local SMEs in the automotive and aeronautical industries to develop their supply chains. The SEZ provides these SMEs with access to infrastructure and technology, as well as training and financing, to support their growth and competitiveness in global markets.
- **Casablanca Finance City:** Provides a business-friendly environment for foreign firms to establish operations in Morocco, while also supporting the growth of local financial services firms. The SEZ has collaborated with local SMEs in the financial services sector to develop their capabilities and enhance their competitiveness.
- **Kenitra Atlantic Free Zone:**¹³⁵ Provides SMEs with access to infrastructure and technology, as well as training and financing, to support their growth and competitiveness in global markets.
- **Berkane Agro-Industrial Park:** Located in Madagh rural community, in the heart of the irrigated perimeter of Melouya, this is a strategic base for developing the business in Morocco as well as towards Europe, the Greater Maghreb and the Mediterranean basin.

2.7.3 New skills, qualifications development and job creation

The government has placed a significant emphasis on skills development and job creation through SMEs. The National Initiative for Human Development (INDH)¹³⁶ is a program focused on providing access to training, education, and vocational programs, as well as promoting entrepreneurship in local communities. The National Agency for the Promotion of Small and Medium-sized Enterprises (Maroc PME)¹³⁷ provides support to SMEs, including training, mentorship, and access to financing. The agency works closely with SEZs to facilitate the integration of local SMEs into their supply chains. Similarly, the National Employment Promotion Agency (ANAPEC)¹³⁸ provides services to job seekers and employers, including training, job matching, and vocational guidance.

132 <http://www.mcinet.gov.ma/en/content/amdie-0>

133 <https://www.tangermedzones.com/en/>

134 <https://www.medz.ma/en/projet/atlantic-free-zone>

135 <https://www.medz.ma/projet/atlantic-free-zone>

136 https://effectivecooperation.org/system/files/2021-06/delivery_note_on_building_human_capital_through_moroccos_national_human_development_initiative.pdf

137 <http://www.mcinet.gov.ma/en/content/morocco-sme>

138 <https://mena.iom.int/news/anapec-and-iom-strengthen-cooperation-employability-and-economic-integration-moroccan-and-migrant-youth>

The Moroccan Qualifications Authority (MQA) oversees the implementation of the Moroccan Qualifications Framework (MQF)¹³⁹, which provides a framework for the development and recognition of qualifications in Morocco. TVET colleges offer vocational training programs across various sectors, including hospitality, manufacturing, and agriculture. These colleges work closely with the private sector to design training programs that are aligned with the needs of local businesses. The government's commitment to skills development extends to ICT infrastructure development, complemented by policies aimed at attracting foreign investment to the sector. Similarly, the government leads skills development efforts in the tourism industry, supported by infrastructure investment and policies, establishing tourism as a major contributor to the Moroccan economy.



Fruitful partnership between Tanger Med and universities for qualification and skills development

Tanger Med Zones provide training programs to local SMEs aiming to improve the skills of the local workforce and support the development of local supply chains. Casablanca Nearshore Park SEZ is focused on the offshoring industry, collaborating with local universities to provide training programs to students. The Park has established partnerships with the International University of Rabat (UIR) and the Hassan II University of Casablanca to offer training programs in areas such as software engineering and data analysis. It also provides internships and job opportunities to students and graduates of these programs. Midparc Free Zone in Casablanca has partnered with local training centres to provide training programs to SMEs in the zone. The programs aim to improve the technical skills of local workers in areas such as mechanics, electronics, and quality control. The goal is to support the development of a skilled local workforce and to promote the integration of local SMEs into the supply chains of larger companies operating in the zone.

2.7.4 Access to financing

The government has established various programs to facilitate access to financing for SMEs and SEZs. The ANPME¹⁴⁰ provides funding and support to small and medium-sized enterprises, offering several financing options, including loans, guarantees, and venture capital. The Moroccan Investment and Export Development Agency (AMDIE)¹⁴¹ provides financing options to SMEs and SEZs and assists businesses in accessing funding from international financial institutions and investors. The Moroccan government has established several financial institutions to support the growth and development of SMEs and SEZs. The Central Guarantee Fund (CCG), The Industrial Development and Investment Fund (FDI) and The Moroccan Investment Development Agency (AMDIE) provides financial support and incentives to businesses investing in the country, guarantees and financing to SMEs, and technical assistance to businesses operating in the industrial sectors.

SEZs in Morocco, such as the Tanger Med SEZ, offer financing facilities to businesses operating in various sectors,

¹³⁹ <https://policycommons.net/artifacts/1922923/national-qualifications-framework/2674694/>

¹⁴⁰ <http://www.marocpme.ma/>

¹⁴¹ <https://morocconow.com/en/e/amdie>

including automotive, aerospace, and logistics. Additionally, the SEZs provide tax incentives, including a tax holiday, to businesses operating within their boundaries. The government's focus on developing the financial services sector has also resulted in the establishment of the Casablanca Finance City (CFC)¹⁴². The CFC provides a range of financial services, including investment banking, private equity, asset management, and insurance, and aims to position Morocco as a hub for financial services in Africa.

- **Moroccan Investment Development Agency (AMDI)**: offers financial assistance to SMEs in the form of subsidies, loans, and guarantees to support their growth and expansion. The agency also assists companies in accessing financing from national and international financial institutions.
- **Fondation Banque Populaire pour la Création d'Entreprises (FBPCE)**¹⁴³: The foundation offers financing options, including loans, grants, and equity investments, to help businesses grow and succeed.
- **Credit Agricole du Maroc**¹⁴⁴: offers a range of financing options to businesses, including loans, leasing, and factoring. The bank also provides advisory services to help businesses develop and implement their growth strategies.
- **Tangier Automotive City (TAC)**¹⁴⁵: provides financing options to companies operating within its boundaries, including tax incentives, subsidies, and access to financing from national and international financial institutions.
- **Casablanca Finance City (CFC)**: provides a range of financial services to businesses, including investment banking, private equity, and insurance. The centre offers a platform for businesses to access financing from international financial institutions and investors.

2.7.5 Quality infrastructure engagement

The government has put in place policies and initiatives to support QI, including the National Quality Policy Framework which provides a coordinated approach to improving quality infrastructure in the country. The Moroccan Standards Institute (IMANOR)¹⁴⁶ is responsible for the development, maintenance, and implementation of national standards and quality assurance programs. IMANOR works closely with various stakeholders, including industry associations, government departments, and research institutions, to ensure that products and services meet the required standards. IMANOR¹⁴⁷ has established several programs and initiatives to support the development of quality infrastructure in the country, including the "Label'Vie" program¹⁴⁸, which promotes the use of Moroccan standards in the food industry, and the "Halal Morocco" program¹⁴⁹, which promotes the use of Moroccan halal standards in the food and cosmetics industries. For example, the "Label'Vie" program has enabled Moroccan food producers to export their products to Europe and the United States.

The Moroccan Accreditation Service (SEMAC) provides accreditation services to conformity assessment bodies, such as testing and calibration laboratories, inspection bodies, and certification bodies, to ensure that they comply with international standards. On the other hand, AMDIE supports SMEs by providing technical assistance, training, and access to testing facilities geared at meeting the required quality standards for their industries. The aim is to enable SMEs to improve the quality of their products and

¹⁴² <https://casablancafinancecity.com/?lang=en>

¹⁴³ <https://www.groupebcp.com/>

¹⁴⁴ <https://www.creditagricole.ma/fr>

¹⁴⁵ <https://www.tac.ma/en/>

¹⁴⁶ <https://www.iso.org/member/1931.html>

¹⁴⁷ <https://www.imanor.gov.ma/>

¹⁴⁸ <https://www.labelvie.ma/en/commitment/societal-development/#Promote-local-purchases>

¹⁴⁹ <https://intracen.org/news-and-events/news/in-morocco-halal-certification-opens-the-door-to-new-markets>

increase their competitiveness in the market. Finally, the Moroccan Textile and Clothing Federation (AMITH)¹⁵⁰ provides support to SMEs in the textile sector on compliance with quality standards, as well as access to testing and certification services. This support has enabled SMEs in the textile sector to produce high-quality products that comply with the required standards and access new markets, thereby increasing their competitiveness.



Centres of excellence providing model quality infrastructure engagement

To support the engagement between SEZs and SMEs in QI, the government has established the Quality Infrastructure Steering Committee which brings together various stakeholders, including government departments, SEZ operators, and industry associations, to develop strategies to support the growth and success of SMEs in SEZs. The established Centres of Excellence are designed to provide SMEs with access to technical expertise and equipment to support their compliance with quality standards. These centres are usually located within SEZs and provide SMEs with access to testing and calibration services, as well as training and support for quality assurance.

2.7.6 ESG commitment

Morocco is committed to promoting ESG practices in its SEZs and among SMEs¹⁵¹. Tanger Med Zones SEZ has implemented a range of measures to promote energy efficiency and reduce its environmental impact. In general, SEZs also encourages companies to adopt sustainable practices, provide training and support to help them meet ESG standards. Moroccan Agency for SMEs (Maroc PME) offers training and advisory services to help SMEs improve their environmental and social performance. The agency also provides financing for sustainable projects and encourages SMEs to adopt sustainable practices. SEZs in the country are also promoting the growth of the renewable energy sector. In addition, many companies in Morocco are taking proactive steps to reduce their environmental impact and contribute to sustainable development. The Moroccan Agency for Solar Energy (MASEN)¹⁵², a public-private partnership that administers the NOOR solar energy project, aims to develop 5 NOOR power complexes capable of producing 2,000 megawatts of energy by 2020. NOOR I, inaugurated in 2016, is already the biggest in the world and is visible from space. International Finance Corporation (IFC) has signed an agreement with the Moroccan Capital Market Authority (AMMC) that will help companies enhance their reporting on ESG practices, paving the way for more green investments.

The government has established the Ministry of Environment, Solid Waste Management and Climate Change to enforce environmental standards and encourage sustainable development. Moreover, the National Sustainable Development Strategy (2015-2030) sets out a framework for promoting sustainable development in the country. The OCP Group¹⁵³, a leading global producer of phosphate and phosphoric acid, has made a commitment to reducing its carbon footprint through various initiatives, including using renewable energy sources and

¹⁵⁰ <http://www.textile.ma/>

¹⁵¹ <https://www.worldeconomics.com/ESG/Governance/Rule-of-Law/Morocco.aspx>

¹⁵² <https://www.masen.ma/en>

¹⁵³ <https://www.ocpgroup.ma/>

implementing energy-efficient measures. The company also promotes sustainable agricultural practices to reduce its impact on the environment. Attijariwafa Bank has established a Sustainable Development and Corporate Social Responsibility (CSR) Department¹⁵⁴ to promote ESG practices among its clients. The department offers financing for sustainable projects and provides advice and support to companies looking to adopt ESG procedures and regulations. The Moroccan Association of Textile and Clothing Industries (AMITH) has been promoting ESG practices among its members. The association has established a Sustainability Working Group to help companies in the textile and clothing industry adopt sustainable practices.



Tanger med: an integrated model for SME ecosystem building

The Tangier-Med SEZs have become a beacon of economic transformation and have demonstrated a robust ecosystem that fosters SME growth and integrates the local economy. Several key factors have contributed to this success, with the system playing a pivotal role in shaping this vibrant business environment characterized by business-centred and independent governance. At the core of the Tangier-Med SEZs' and the TMSA's success lies their commitment to integrating the local economy. The SEZs have established strong linkages with local suppliers, contractors, and subcontractors, thereby creating a multiplier effect that extends the benefits of industrial activities to the surrounding communities. Tangier-Med SEZs has strategically aligned sectors such as automotive, electronics, textiles, agribusiness, and logistics to create a conducive environment for SMEs to grow and thrive. SMEs can leverage the existing infrastructure, knowledge, and market access to fuel their growth and contribute to overall development. This approach has facilitated knowledge transfer, enhanced skills development, and bolstered the competitiveness of local businesses. Additionally, Tangier-Med SEZs have forged strategic partnerships and alliances with financial institutions, including those affiliated with the government, to create a responsive financing ecosystem for the sectors' demands. The Tanger Med Port Authority, Tanger Med Zones, Engineering, and Tanger Med Special Agency (TMSA) have provided SMEs with state-of-the-art industrial parks, logistics facilities, and transportation networks. This infrastructure has not only enhanced operational efficiency but has also attracted multinational companies, fostered valuable partnerships, and created new business opportunities for SMEs. The TMSA has facilitated collaboration between vocational training institutes, private actors, universities, and international organizations to develop tailored programs that meet market demands. This ensures that SEZs and SMEs have access to a pool of qualified talent, while simultaneously creating employment opportunities for the local population and laying the foundation for future industrial development. Moreover, the SEZ emphasize resource efficiency, waste management, decarbonization, and renewable energy adoption, embedding ESG principles and sustainable engineering practices. Special programs targeted at youth, women, and people with disabilities aim to promote social and economic inclusivity and encourage responsible business conduct. At a corporate level, the management is guided by a corporate governance structure, a sharp vision, and unambiguous policies. This alignment of purpose has collectively contributed to the success story of the Tangier-Med SEZs and their role in fostering economic growth and integration.

¹⁵⁴ <https://www.attijariwafabank.com.eg/citizenship/>



2.7.7 Findings, recommendations, and best practices for implementation

Morocco provides SEZs with an opportunity to learn and extract best practices across all six pillars. The autonomy and business-oriented approach of the authority overseeing the SEZs, coupled with an innovative culture underpinned by sound governance, have collectively fostered the development of a robust ecosystem.

Table 9: Findings and recommendations for Morocco

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary.	TO CONSOLIDATE AND EXPAND	1. Sectors with high growth potential
2. Building the local economy	Partnerships between SEZs and SMEs along value chains and cluster programs allow for strong collaboration. AMDI provides numerous services to SMEs, including business development services, training, and access to finance and works closely with SEZs to facilitate the integration of local SMEs into their supply chains.	TO CONSOLIDATE AND EXPAND	2. Building the local economy
3. Access to finance	The government of Morocco has established various initiatives and programs to facilitate access to financing for SMEs and SEZs. The initiatives are well coordinated towards building an access to financing and investment ecosystem.	TO CONSOLIDATE AND EXPAND	3. Access to finance
4. Job creation, new skills, and qualifications development	The government has placed a significant emphasis on skills development and job creation through SMEs. INDH provides access to training, education, and vocational programs, as well as promoting entrepreneurship in local communities. Maroc PME provides support to SMEs, including training, mentorship, and access to financing. The agency works closely with SEZs to facilitate the integration of local SMEs into their supply chains. Similarly, ANAPEC provides services to job seekers and employers, including training, job matching, and vocational guidance. The SEZs have special programs to support SMEs through partnerships with Universities and TVETs.	TO CONSOLIDATE AND EXPAND	4. Job creation, new skills, and qualifications development
5. Quality infrastructure engagement	Quality infrastructure development with engagement between the government and private sector ensures that quality infrastructure is in place to support the growth of SMEs and SEZs. There is an active role of SEZs in QI engagement and support to SMEs.	TO CONSOLIDATE AND EXPAND	5. Quality infrastructure engagement
6. ESG commitment	Morocco is committed to promoting ESG practices in its SEZs and among SMEs. The government recognizes that SEZs and SMEs are important drivers of economic growth and is working to ensure that their growth is sustainable and socially responsible. SEZs are implementing a range of measures to promote energy efficiency and reduce its environmental impact, while the capital markets authority has developed reporting mechanisms which are aimed at boosting ESG focused investments.	TO ACCELERATE	6. ESG commitment

2.8 Nigeria

The SME Policy aims to create a conducive environment for SMEs, promoting their growth, and delineating strategies for bolstering their competitiveness, formalization, and access to finance, markets, and technology. In line with the Vision Nigeria 2030¹⁵⁵, recognizing the importance of SMEs it emphasizes the need to support their growth through improved access to finance, strengthened business support services, and reduced regulatory barriers. To facilitate the implementation of the policy, Nigeria has established the National SME Council, which coordinates efforts and integrates SMEs into national development plans. Additionally, Nigeria established the Small and Medium Enterprise Development Agency (SMEDAN)¹⁵⁶ to support the local economy under the WEDAN Act of 2003. SMEDAN oversees entrepreneurship training and business development services delivered through the One Local Government One Product (OLOP) platform. Meanwhile, financial access is overseen by the Bank of Industry (BOI), and skills acquisition falls under the purview of the Industrial Training Fund (ITF)¹⁵⁷.

The National Agency for the Promotion of Employment and Vocational Training (NAPEVT) provides training, advisory services, financial assistance, and capacity-building support to entrepreneurs. The Economic Recovery and Growth Plan (ERGP)¹⁵⁸ prioritises the development of SMEs. It specifically targets the stabilization of agricultural and food security, energy sufficiency in power petroleum products, improving transportation infrastructure, and driving industrialization. The government has designated the Nigerian Export Promotion Council (NEPC) and the Nigeria SEZ Investment Company (NSEZCO) to promote and support the development of SEZs. NSEZCO was established in 2018 as a subsidiary of the Nigeria Export Processing Zones Authority (NEPZA) under the Federal Ministry of Industry, Trade, and Investment. So far, it has established over 40 Free Zones.

The main objective of the zones is to enhance economic growth and development of export-oriented manufacturing within the non-oil sector of the economy. Additionally, they aim to support the implementation of the Nigerian content policy in the oil & gas sector, attract Foreign Direct Investment (FDI), increase foreign exchange earnings, enhance technology transfer, skill acquisition and upgrade, as well as create backward linkages. The focus of Nigerian SEZs is primarily on the manufacturing, agribusiness, and services sectors. Some of the notable SEZs include the Lekki Free Trade Zone focused on manufacturing, oil transformation and industrial activities, and the Calabar Export Processing Zone, which primarily promotes export-oriented industries. The government promotes ethical and responsible conduct through initiatives such as the National Council for Corporate Social Responsibility (CSR). This council encourages businesses to implement practices that align with ESG principles, fostering sustainability and social responsibility. To enhance corporate governance, transparency, and accountability, the Companies and Allied Matters Act (CAMA) underwent a significant revision in 2020¹⁵⁹ to modernize and improve the ease of conducting business in Nigeria.

¹⁵⁵ <https://www.vision2030nigeria.com/home>

¹⁵⁶ <https://smedan.gov.ng/>

¹⁵⁷ <https://smedan.gov.ng/programmes/>

¹⁵⁸ <https://statehouse.gov.ng/news/controversy-over-nigeria-sez-investment-company-ltd-crying-wolf-where-there-is-none-presidency/>

¹⁵⁹ <https://banwo-ighodalo.com/resources/companies-and-allied-matters-act-2020-reforming-provisions-that-impact-the-nigerian-business-community>

2.8.1 High growth sectors

The Nigerian government has identified high-growth sectors that are crucial for the development of SMEs¹⁶⁰, namely agriculture and the information and communications technology (ICT) industry, manufacturing, oil and gas, solid minerals, mining, and steel development. To support and regulate the advancement of ICT in Nigeria, the government has established the National Information Technology Development Agency (NITDA). To effectively harness the potential of these sectors, the government has identified business intelligence, planning, ICT, research and statistics, infrastructure, and services as critical enablers. On the other hand, the Nigeria Export Processing Zones Authority¹⁶¹ has defined oil and gas industry, manufacturing sector, cement production, textile industry, food processing sector, brewing industry, and construction¹⁶² as sectors of growth.

The following are samples of SEZs operating in Nigeria and their sectors of focus:

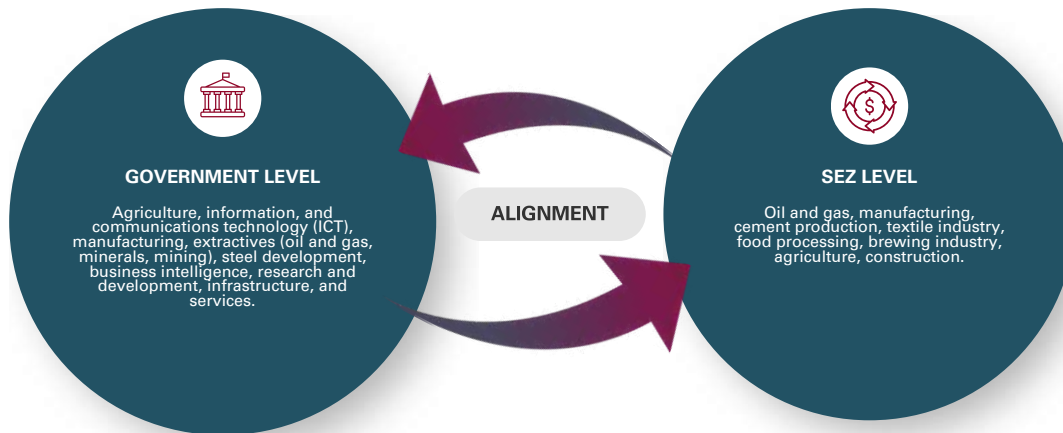
- The Sebore Farms and Extension Services was established in 1982 and covers 14,000 hectares in Adamawa State, Nigeria. It is engaged in Horticulture, Aquaculture, Feed Production, Dairy and Cattle farming covering Animal Husbandry, Nutrition, Genetics, artificial insemination and other extension services such as staff training.
- The Enugu Industrial Park and Free-Trade Zone (Enpower- FTZ), located in Enugu, Nigeria, is West Africa's latest inland technology, industrial and business hub. It provides investors with world-class infrastructure and is supported with value-added services and Federal government-mandated incentives within two free-trade zone areas located at the Ninth-mile industrial zone and the Akanu Ibiam International Airport.
- The Lekki Free Zone aims at developing, operating, and managing a modern Free Zone in accordance with international practice by optimally utilizing the advantages of Lagos as the important distribution hub in West Africa. The project will further enhance the economic cooperation between Nigeria and China.
- The Calabar Free Trade Zone(CFTZ) is focused on agro-processing , manufacturing and services sectors, while the Kano Free Trade Zone (KFTZ) SEZ is focused on the non-oil sector that includes agriculture, manufacturing and services.
- The Ogun-Guangdong Free Trade Zone (OGFTZ) promotes investment in the manufacturing and trade sectors.
- Dangote Industries Free Zone sits on 20,700 hectares of land housing the Petroleum Refinery, Dangote Fertiliser, and various other manufacturing facilities. Notably, the refinery section of the project is considered the largest single-trail petroleum refinery in the world with the capacity to produce 650,000 barrels per day making a total of 32 million ton annually.
- Lagos Free Zone promoted by Singapore based Tolaram Group, is the first private free trade Zone in Nigeria and covers an area of 830 hectares.

160 <https://www.pwc.com/ng/en/events/nigeria-sme-survey.html>

161 <https://nepza.gov.ng/download/nepza-act63-of-1992/?wpdmdl=8026&refresh=649160500b4cb1687248976>

162 <https://www.nipc.gov.ng/departments-functions/#dsc>

Figure 10: Government and SEZ sectors complementarity in Nigeria



2.8.2 Building the local economy through SME integration

The NSEZCO¹⁶³ has played a significant role in facilitating the establishment of “Made in Nigeria for Export” (MINE). While there is no specific information or examples of SMEs working closely with the SEZs, there is a general drive to integrate them in SEZs specialised in manufacturing, textile, agribusiness, ICT, renewable, healthcare and in automotive. Several illustrative MINE companies are noteworthy, such as Nuli Juice¹⁶⁴, Nkataa¹⁶⁵, AACE Foods¹⁶⁶, Ruff ‘n’ Tumble¹⁶⁷, Chocolat Royal¹⁶⁸, Omatek Ventures¹⁶⁹.

- Nuli Juice is a Nigerian company that produces cold-pressed fruit and vegetable juices, with a commitment to sourcing ingredients locally and focus on promoting healthy living. Nuli Juice has successfully expanded its distribution to international markets, exporting its products to countries such as the United States and the United Kingdom.
- Nkataa is an e-commerce platform that offers a wide range of Nigerian-made products, including food items, fashion, beauty products, and home goods. The platform enables local SMEs to display and sell their products to both domestic and international customers, promoting Nigerian-made goods to a global audience.
- AACE Foods is a Nigerian food processing company that specializes in the production and packaging of spices, seasonings, and culinary products. They source their raw materials from local farmers and employ modern processing techniques. AACE Foods exports its products to several countries, including the United States, the United Kingdom, and Australia.
- Ruff ‘n’ Tumble: Ruff ‘n’ Tumble is a Nigerian clothing brand that specializes in children’s fashion. The company produces high-quality clothing and accessories for kids, using locally sourced materials and engaging local artisans. Ruff ‘n’ Tumble has successfully exported its products to various African countries and has plans for further expansion into international markets.
- Chocolat Royal is a Nigerian gourmet chocolate and confectionery company. They produce a wide range of premium chocolates, pastries, and desserts, incorporating locally sourced ingredients such as cocoa beans. Chocolat Royal exports its products to several countries, including the United States, Canada, and the United Arab Emirates.

163 <https://statehouse.gov.ng/news/controversy-over-nigeria-sez-investment-company-ltd-crying-wolf-where-there-is-none-presidency/>

164 <https://www.nulilounge.com/>

165 <http://www.nkataa.com>

166 <https://www.aacefoods.com/>

167 <https://www.ruffntumblekids.com/>

168 <http://chocolatrojal.com/>

169 <https://omatek.ng/>

- Omatek Ventures is a Nigerian technology company that specializes in the manufacturing of computers, laptops, and other IT products. They have a state-of-the-art production facility in Nigeria and have successfully exported their products to various African countries, as well as other regions around the world. The above examples support the SEZ objective of focusing on promoting local content and diversifying the economy beyond the oil sector and targeted at building a stronger ecosystem that involves the local SMEs.

2.8.3 Access to financing

The government has implemented various initiatives and programs to support SMEs' access to finance, to promote their growth and development through Bank of Industry (BOI)¹⁷⁰, Nigerian Export-Import Bank (NEXIM)¹⁷¹. Additionally, the Bank and Other Financial Institutions Act (BOFIA)¹⁷² has been instrumental in regulating and facilitating SMEs' access to financial facilities. The Act provides a regulatory framework for financial institutions, ensuring that SMEs can access loans and other facilities that boost their operations. The Central Bank of Nigeria (CBN) has also established the Micro Small and Medium Enterprises Development Fund (MSMEDF) to provide financial assistance to SMEs through intermediary participating financial institutions. The supportive instruments on access to finance include:

- The Nigerian Investment Promotion Commission (NIPC), a government agency responsible for attracting and promoting investments in Nigeria, it provides information and assistance to SMEs seeking financing and investment opportunities.
- The Bank of Industry (BOI) provides financial assistance, including loans, guarantees, and equity financing, to SMEs focusing on sectors such as manufacturing, agribusiness, and healthcare.
- The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) provides training, capacity building, and access to finance programs for SMEs.
- The Development Bank of Nigeria (DBN) provides long-term financing to participating financial institutions, such as commercial banks, microfinance banks, and non-bank financial institutions that in turn, provides loans to SMEs.
- The Nigerian Export-Import Bank (NEXIM) provides financial support to Nigerian exporters, including SMEs, through various programs such as export financing, export credit insurance, and export advisory services.
- Private Equity and Venture Capital Networks provide funding, mentorship, and expertise to SMEs and startups.
- The Nigerian Stock Exchange (NSE) provides a platform for SMEs to access capital through the Alternative Securities Market (ASeM), which is a specialized board that caters to the funding needs of SMEs by enabling them to raise long-term capital through the stock market.
- The Nigerian Investment and Technology Promotion Office (NITPO) assists SMEs in accessing financing and investment opportunities through its network of local and international partners. It is, however, reported that poor governance and lack of transparency have negatively affected how SMEs access financing¹⁷³.

2.8.4 New skills, qualifications development and Job creation

The body in charge of development of skills and qualification in Nigeria is the National Board for Technical Education (NBTE). It is responsible for the accreditation and regulation of technical institutions including

170 <https://www.boi.ng/>

171 <https://neximbank.com.ng/locations-2/>

172 <https://www.cbn.gov.ng/out/2021/ccd/bofia%202020.pdf>

173 <https://globalanticorruptionblog.com/2021/01/15/nigerias-government-assistance-programs-for-small-businesses-a-gateway-for-corruption/>

polytechnics and technical colleges. The body promotes skills and qualifications in the ICT, tourism, and creative industries sector by providing funding for training programs, apprenticeship, and internship. The TVETS¹⁷⁴ enhance employment opportunities by providing students with industry specific skills and knowledge that makes them more employable. The National Business and Technical Examination Board (NABTEB) is responsible for conducting national examination and certification of candidates in technical and vocational education. The National Vocational Training Institute (NVTI) provides vocational training, while the Nigeria Association of Small and Medium Enterprises (NASME)¹⁷⁵ represents the interest of SMEs by offering training, networking opportunities and advocacy services to their members. Additionally, SMEDAN¹ plays an active role in skills development by linking MSMEs to internal and external sources of finance, appropriate technology, technical skills as well as networking. They also promote and provide access to industrial infrastructure, incubators, and industrial parks, facilitates development programmes, and provides support services to accelerate the development and modernization of SME operations.

2.8.5 Quality infrastructure engagement

The government is committed to improving Quality Infrastructure (QI)¹⁷⁶ to support the growth and success of both SMEs and SEZs. The National Quality Policy (NQP) serves as the cornerstone, offering a synchronized approach for enhancing quality infrastructure¹⁷⁷. It is currently implementing the National Quality Infrastructure (NQI)¹⁷⁸ to improve the quality of goods and services produced. This strengthens the legal framework for quality control that promotes testing, standardization, and certification. The Standard Organization of Nigeria (SON)¹⁷⁹, a member of ISO, has played a significant role in standardizing products and services, particularly for SMEs involved in imports and exports. It is responsible for the development and implementation of national standards and quality assurance. SON collaborates closely with various stakeholders, including industry associations, government departments, and research institutions, to ensure that products and services meet the required standards. The National Metrology Institute (NMI) is responsible for ensuring that measurement standards used in the country are traceable to international standards. The government has also established the National Accreditation Body (NAB) to accredit laboratories and certification bodies, while the National Accreditation Service (NiNAS) provides accreditation to conformity assessment bodies, such as testing and calibration laboratories, inspection, and certification bodies, to ensure that they comply with international standards. At the practice level, the Quality Infrastructure Project for Nigeria (NQIP) brings together various stakeholders, including government departments, SEZ operators, and industry associations, to develop strategies to support the growth and success of SMEs in SEZs. It supports the Centres of Excellence located in the SEZs, which provide technical expertise and equipment to support company compliance. Further, the NIPC provides technical assistance, training, and access to testing facilities geared at meeting the required quality standards for the different industries¹⁸⁰. This enables SMEs to improve the quality of their products and increase their competitiveness in the local and global markets.

174 <https://unevoc.unesco.org/home/Dynamic+TVET+Country+Profiles/country=NGA>

175 <https://www.canr.msu.edu/resources/nigerian-association-of-small-and-medium-enterprises-nasme-requests-further-engagement-of-the-nigeria-agriculture-policy-activity-napa>

176 Nigeria | UNIDO. <https://www.unido.org/our-focus/advancing-economic-competitiveness/meeting-standards/nigeria>.

177 <https://www.mdpi.com/2413-8851/2/3/59>.

178 <https://ninas.ng/national-quality-infrastructure-graduate-fellowship-programme/>

179 <https://son.gov.ng/>

180 <https://punchng.com/nigerias-infrastructure-quality-low-says-world-bank/>

2.8.6 ESG commitment

The Nigerian government has demonstrated its commitment to promoting ESG practices through the implementation of policies and regulations. Notably, the National Environmental Standards and Regulations Enforcement Agency (NESREA) Act of 2007¹⁸¹ and the National Sustainable Banking Principles (NSBP) of 2012¹⁸² are key policy initiatives aimed at fostering sustainable practices. These initiatives include DFI and Discount Houses, which are established to promote efficiency in the money markets and provide intermediary services¹⁸³. Additionally, the Nigerian Stock Exchange (NSE) has provided guidance on sustainability reporting, corporate governance, and sustainable finance by developing comprehensive guidelines that encourage listed companies to adopt ESG reporting, ensuring transparency and accountability in their operations. Efforts to educate the public on ESG-related issues have also gained prominence with CSR Centre providing training and capacity building for companies and stakeholders, equipping them with the necessary knowledge and tools to implement effective ESG practices. They are engaged in shareholder activism, leveraging their influence to drive corporate behaviour towards sustainability.



Integrating made in nigeria for export initiative into SEZs

The “Made in Nigeria for Exports” (MINE) initiative aims to achieve significant economic growth. By 2025, the program targets generating \$30 billion in annual export earnings and creating 1.5 million jobs. To realize these ambitious goals, the initiative strategically utilizes SEZs as driver. A crucial objective of MINE is to boost Nigeria’s manufacturing sector, aiming to increase its share in the GDP to 20%. The project is under the Ministry of Industry, Trade, and Investment. It reflects Nigeria’s strong commitment to supporting local manufacturing, expanding export capabilities, and fostering job opportunities for its citizens. Leveraging the potential of SEZs, the government aims to position Nigeria as a competitive player in the global market and drive sustainable economic growth. Projects in the pilot phase under MINE include the Enyimba Economic City, Funtua Cotton Cluster and Lekki Model Industrial Park. To accelerate MINE, the government plans to upgrade existing Free Trade Zones in Calabar and Kano using experienced SEZ developers and operators as partners including NEPZA. The government is reviewing the incentives aimed at attracting export-oriented global manufacturing investments. The MINE has attracted the interest of Africa Export and Import Bank (AFREXIM), Africa Finance Corporation (AFC), Bank of Industry (BOI), Nigerian Sovereign Investment Authority (NSIA), and the African Development Bank (AfDB).

2.8.7 Findings, recommendations, and best practices for implementation

Policies and legislations are in place to support SMEs and SEZs. There is a strong emphasis on developing the non-oil sector to diversify the economy. This offers an opportunity to accelerate the emergence of a vibrant SME Ecosystem on the condition that governance challenges are addressed.

181 http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=87618

182 <https://www.cbn.gov.ng/out/2012/ccd/circular-nsbp.pdf>

183 <https://www.investsmall.co/discount-houses-in-nigeria/>



Table 10: Findings and recommendations for Nigeria

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary.	TO CONSOLIDATE AND EXPAND	
2. Building the local economy	There are efforts to build the local economy especially with the SMEs supplying local and international markets. The national Agencies are supporting the made in Nigeria and promoting the local content including in the oil sector.	TO CONSOLIDATE AND EXPAND	There is a deliberate focus on the non-oil sector to promote diversification of the economy. The “Made in Nigeria” for Export (MINE) is a strategy that can be adopted by other countries. There is deliberate integration of SMEs to the SEZs.
3. Access to finance	The government has instituted SME financing schemes to help in funding SMEs as well as incentives for businesses operating within SEZs in Nigeria.	TO ACCELERATE	To improve the governance on access to finance.
4. Job creation, new skills, and qualifications development	Initiatives such as TVET have been taken to promote development of skills and job creation through offering vocational and practical training in technical universities and colleges in Nigeria.	TO ACCELERATE	Accelerate the process of skills development through the integration of TVETs to the industry including colleges.
5. Quality infrastructure engagement	Development of Quality infrastructure in Nigeria has been prioritized to promote the development of SMEs making them competitive.	TO CONSOLIDATE AND EXPAND	Morocco, Rwanda, and South Africa have good examples on alignment of quality infrastructure.
6. ESG commitment	Nigeria has made a strong commitment to promote environmentally and socially responsible practices with policies and regulations set in place to support the ESG. Policies have been made to ensure that businesses operating within SEZs adopt ESG practices to promote sustainable development and attract foreign investment.	TO DEVELOP	The link of ESG beyond the SEZ is not well elaborated or developed. Morocco, Benin, Gabon offers good cases for reference.

2.9 Rwanda

The Rwandan government has developed and implemented forward-looking policies aimed at bolstering the growth of the SME sector. Initially formulated in 2002, the country's SME policy underwent an update in 2017, with a focus on creating a conducive environment. This policy recognizes the catalytic role that SMEs play in the country's economic development and seeks to promote their growth through a range of interventions. To this end, Rwanda has established a one-stop for SMEs to coordinate their growth and support¹⁸⁴, developed a digital platform to capture a directory of SMEs by sectors and sources of financing, and provides materials and tools for capacity building, franchising options, and information on accredited ESOs. In complement, SEZ policy¹⁸⁵ aims to attract foreign direct investment and promote the development of export-oriented industries by providing various incentives and facilities to companies operating within the SEZs. The Rwanda Development Board (RDB) oversees the management and promotion of SEZs in the country. These zones can be either public, private, or public-private institutions and administered through the SEZ Authority hosted by the Development Board (SEZAR-RDB)¹⁸⁶. RDB is also responsible for implementing policies and programs to support the growth of SMEs in the country. It works closely with other government agencies and development partners to provide SMEs with access to finance, training, and market opportunities. In addition, the government has established the SME Development Fund, which provides financial support to SMEs through loans and equity investments. The launch of the Kigali Special Economic Zone (KSEZ) in 2018 marked the implementation of ESG principles in alignment with the government's sustainable development agenda. This initiative not only enhances Rwanda's attractiveness to investors but also generates enduring economic benefits for the nation.

2.9.1 High growth sectors

The government has identified high-growth sectors that are able to attract investment and create business opportunities that can build bridges between the SEZ and SMEs. These sectors include agriculture, agribusiness, tourism, information technology (IT) and business process outsourcing (BPO), manufacturing and assembly (textiles, leather goods, and light manufacturing), construction and real estate, financial services and banking, pharmaceuticals, healthcare, energy, and petroleum. A new investment promotion law (2021)¹⁸⁷ increased the list of priority economic sectors to include mining activities relating to mineral exploration, logistics and electric mobility, construction or operations of specialized innovation parks or specialized industrial parks, agro-tourism, creative arts in the subsector of the film industry, and skills development in areas where the country has limited skills and capacity.

The government further refined these sectors under its National Strategy for Transformation (NST1) and the current NST2 in line with Vision 2050, which is driven by four pillars of Competitiveness and Integration, Agriculture for Wealth Creation, Urbanization, and Accountable and Capable Institutions¹⁸⁸. RDB has established the Kigali SEZ¹⁸⁹, the Bugesera SEZ, and the Special Economic Zone Nyandungu. The SEZs in Rwanda focus on manufacturing and agro-Processing, tourism, real estate and construction, ICT, services, mining, infrastructure,

184 <http://www.smeportal.gov.rw/>

185 <https://rdb.rw/departments/sez-and-exports/>

186 <https://businessprocedures.rdb.rw/menu/234?l=en>

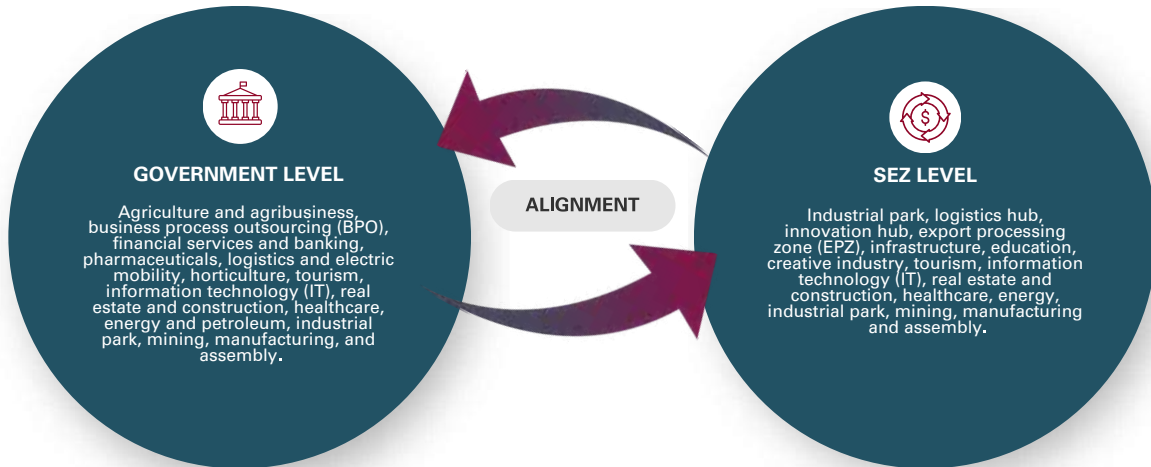
187 https://www.ey.com/en_gl/tax-alerts/rwanda-gazettes-new-investment-promotion-and-facilitation-law

188 https://eprnrwanda.org/IMG/pdf/04_sayinzoga_ppp_on_vision_2050_nst1_final.pdf

189 <https://www.adrianoplegroup.com/post/kigali-sez-rwanda-zone-overview>

tourism, energy, health services and education. The Government at times prioritizes sectors that are not included in the government’s strategy documents, such as the Creative Industry¹⁹⁰ and the Medical Industry¹⁹¹. The sectors have attracted significant investment and are expected to accelerate Rwanda’s economic growth due to the alignment with local value chains where SMEs are active.

Figure 11: Government and SEZ sectors complementarity in Rwanda



2.9.2 Building the local economy through SME integration

Public and private organisations are working together to support the local economy with sectoral associations, trade and investment promotion agencies, and ESOs playing a vital role in creating linkages, fostering network, and driving business growth. Currently, over 100 companies are established in the KSEZ, engaging in the manufacturing of “made in Rwanda” products using raw materials sourced locally, many of which are destined to export¹⁹². There are several instruments that support the collaboration between SEZs and SMEs. These include:

- **Local content regulation:** The government has put in place a Local Content Policy, which requires companies operating in the country to meet certain local content targets, such as hiring a certain percentage of local staff and sourcing inputs from local suppliers. It also encourages subcontracting and outsourcing.
- **Business incubation programs, mentorship, and networking opportunities:** This is coordinated by the MINICOM¹⁹³ and covers support to SMEs via the SEZ project in Kigali under the Provincial Industrial Parks program for rural industrialization.
- **Hanga Umurimu and market access for sustainable business development programme:** is dedicated to the creation and promotion of viable and dynamic SMEs.
- **Government Incentives:** The government of Rwanda can provide tax breaks and other financial incentives to encourage SEZs to work with SMEs.

190 https://en.unesco.org/creativity/sites/creativity/files/qpr/five_year_strategic_plan_for_the_development_of_creative_arts_industry.pdf

191 <https://www.who.int/news-room/feature-stories/detail/rwanda-s-primary-health-care-strategy-improves-access-to-essential-and-life-saving-health-services>

192 <https://rdb.rw/wp-content/uploads/2020/09/SEZAR-Catalogue.pdf>

193 <https://www.minicom.gov.rw/>

The RDB^{194,195}, is the main agency promoting investment in local SMEs and in the SEZs. RDB has a close working relationship with ESOs such as the Private Sector Federation (PSF)¹⁹⁶, the Rwanda Chamber of Commerce and Industry (RCCI)¹⁹⁷, and other sectoral associations to promote local economic development. In addition, leveraging digital solutions, the SME One Stop Support Center¹⁹⁸ has been used to develop investable pipelines, enhance technical capacity, and support networking and sharing of information between SEZs and sectoral associations to enhance local economic development.

2.9.3 New skills, qualifications development and job creation

The SME policy recognizes that the growth of SMEs can contribute to job creation, poverty reduction, and economic development. One of the key objectives of the SME policy is to create an enabling environment to support their competitiveness through skills development, knowledge transfer, and technology adoption. To this end, the government has established RDB, which leads in coordinating the efforts of the different stakeholders focused on skills and qualification development. Further, RDB has created a Business Development Fund (BDF)¹⁹⁹, which provides funding and technical assistance to SMEs.

The fund receives support from organisations such as the World Bank, IFAD, and UNCDF. The BDF offers training programs on business management, fiscal management, and marketing. In addition, Rwanda Innovation Fund (RIF)²⁰⁰ which is financed by AfDB, provides the necessary skills and qualifications needed for the creation of jobs and businesses. Further, the SEZ policy requires SEZs to allocate a portion of their workforce to local workers through a skilling program, with a target of 70% of the workforce being local within three years of operation.



APPROPRIATE SKILLS MATCHING THE MARKET DEMANDS

Kigali Special Economic Zone (KSEZ) has established a TVET centre that provides training programs for local workers in various sectors, including manufacturing, construction, and logistics. The TVET centre collaborates with local businesses to design training programs that are aligned with their needs and provide opportunities for practical experience. KSEZ has also collaborated with Carnegie Mellon University Africa to provide training and enhance the capabilities of engineers, specifically in relation to their involvement in SEZ activities. The business incubator program accelerates the adoption of innovations.

194 <https://rdb.rw/>

195 <https://businessprocedures.rdb.rw/menu/239?l=en>

196 <https://www.psf.org.rw/>

197 <http://chamberofcommerce.rw/>

198 <http://www.smeportal.gov.rw/>

199 <https://www.bdf.rw/>

200 <https://www.minecofin.gov.rw/news-detail/rwanda-innovation-fund-receives-frw-25-billion-financing-from-afdb>

2.9.4 Access to financing

Several avenues exist for SMEs to access financing. The government established the National Industrial Research and Development Agency (NIRDA), which provides funding, training, and technical assistance to SMEs as well as offers support for research and development projects. Regarding SMEs integration in SEZ, the Development Bank of Rwanda (BRD)²⁰¹ provides loans, guarantees, and nonfinancial services to businesses. In addition, the government has established the Rwanda Innovation Fund (RIF)²⁰² to provide funding and support for innovative projects in various sectors, including agribusiness, healthcare, and ICT. Importantly, SEZs offer opportunities for SMEs to access financing, training, and technical assistance. For example, the Kigali SEZ provides training programs for SMEs to help them develop their businesses and gain access to financing. A few companies have managed to access financing through their association with the SEZs. For example, C&H Garments, a clothing manufacturing company, produces clothing for local and international markets and has received funding from the Development Bank of Rwanda (BRD). With the funding, C&H Garments was able to expand its operations and purchase new equipment, which has helped to increase production and improve product quality. In addition, Bakhresa Grain Milling company has received funding from the African Development Bank (AfDB) to help finance the construction of a new flour mill. The funding from AfDB has enabled the company to expand its operations and increase its capacity to produce high-quality flour for the local market. The government has negotiated for the Rwanda Social Security Board (RSSB)²⁰³ to provide social security services to small and medium entrepreneurs, including pension and medical insurance, tax exemptions and subsidies to SMEs to support their growth and development.

2.9.5 Quality infrastructure engagement

The RSB is a member of several international organizations, including the International Organization for Standardization (ISO), the African Regional Organization for Standardization (ARSO), and the East African Standards Committee (EASC). These organizations provide technical assistance, training, and support to the RSB in the development and implementation of standards and quality assurance programs. Quality Infrastructure (QI) plays a crucial role in the success of businesses, especially SMEs that struggle to meet the high-quality standards demanded by SEZ operators. In Rwanda, the lack of assay, certification, quality, and standardization services providers has made it challenging for SMEs to produce products that comply with standards required by SEZ manufacturing and services companies.

To address this issue, the government of Rwanda is taking several policy interventions to improve QI, targeting both domestic and export markets. Through the “Made in Rwanda”²⁰⁴ initiative the country can boost the production and availability of certified local products that meet high-quality standards. To effectively promote this initiative, the government has set up resolute “Made in Rwanda” pavilions within malls and supermarkets. These pavilions serve as platforms to showcase and market local products, thereby creating a viable market for SMEs. NIRDA supports SMEs in the agribusiness sector by providing training and support for quality assurance, certification, and compliance with standards required by the export market. They also provide access to common user facilities, such as laboratories and testing facilities, to assist SMEs ensure that their products meet the

201 <https://www.brd.rw/>

202 <https://www.minecofin.gov.rw/news-detail/rwanda-innovation-fund-receives-frw-25-billion-financing-from-afdb>

203 <https://www.rssb.rw/>

204 [https://rwandatrade.rw/media/2017%20MINICOM%20Made%20in%20Rwanda%20Policy%20\(1\).pdf](https://rwandatrade.rw/media/2017%20MINICOM%20Made%20in%20Rwanda%20Policy%20(1).pdf)

required quality and standards. Some of the key partners and collaborators of the “Made in Rwanda” initiative include private sector companies, development partners, trade associations and chambers of commerce, research institutions, and government agencies.

2.9.6 ESG commitment

Rwanda has made significant strides in sustainable development in recent years and have shown a strong commitment to promoting environmentally and socially responsible business practices. It has gained global recognition for its efforts to improve economic growth while maintaining a sustainable environment. Policies and regulations to enforce environmental standards and promote ESG practices are in place. The National Environmental Management Authority (NEMA) is responsible for enforcing environmental standards, which includes conducting an Environment and Social Impact Assessment (ESIA) before any developments are undertaken. Additionally, agencies like the Consumer Association of Rwanda (CAR) and Rwanda Association of Manufacturers (RAM) have started promoting ESG to their affiliates and members. This has helped to create awareness and increase compliance among SMEs. The country has been actively promoting ESG practices in SEZs, which has had a positive impact on the SMEs operating within the zones as well as made the SEZs globally attractive to investors. Rwanda’s efforts towards ESG include the coordination and oversight of environmental policies, laws, and regulations by the Environment Management Authority (REMA). Additionally, there’s the Green Growth and Climate Resilience Strategy, a national policy framework guiding Rwanda’s transition to a green economy that is low-carbon, climate-resilient, and socially inclusive. The SMEs Guidebook launched by the Rwanda Stock Exchange (RSE) in February 2021 provides practical information and guidance on how SMEs can access capital markets, improve their corporate governance, enhance their financial management, and comply with ESG standards. This has provided guidance to KSEZ in the incorporation of green building standards, waste management systems, energy efficiency measures, and environmental monitoring and auditing mechanisms.



Integrating made in Rwanda for export initiative into SEZs

The Rwanda Development Board (RDB) is tasked with coordinating the industrial agenda and strategic policies. By integrating various sectors and promoting economic diversification, the RDB has played a pivotal role in driving Rwanda's industrialization and creating a conducive environment for business growth. The RDB's mandate to coordinate the industrial agenda encompasses all sectors, from SMEs to SEZs. By adopting a holistic approach, the RDB ensures that these sectors seamlessly integrate and complement one another, fostering a harmonious ecosystem for sustainable economic growth. By connecting SMEs with SEZs, the RDB enables access to world-class infrastructure, technology, and global value chains, providing SMEs with the necessary support to expand their operations and compete on a larger scale. The agency works closely with various stakeholders, including government entities, private sector players, and international organizations, to develop policies that align with Rwanda's development objectives. The RDB's coordination efforts encompass a wide range of sectors such as agriculture, tourism, manufacturing, and services. By promoting collaboration and synergies between these sectors, the RDB facilitates value chain integration and maximizes the potential for economic growth. For instance, the RDB has implemented policies and initiatives to enhance linkages between the tourism and agriculture sectors. This strategy aims to leverage Rwanda's unique natural attractions to support agro-tourism, promoting local products and experiences to enhance visitor satisfaction. Further, the integration of TVET institutions and Carnegie Mellon University within the Kigali SEZ aligns with the RDB's vision of creating a holistic and diversified industrial ecosystem. By combining world-class infrastructure, technology, and educational opportunities, the RDB fosters an environment where businesses can thrive and innovate, and has a ripple effect on the overall economy, contributing to job creation, skills development, and attracting further investment. The RDB has emerged as a key driver of Rwanda's economic transformation, showcasing the benefits of coordinated industrial development.

2.9.7 Findings, recommendations, and best practices for implementation

The existing policies and legislations are solid foundation for building SME business SMEs ecosystem. The vital role of RDB in coordinating the policies and activities has created a catalytic environment leading to success. Central management and coordination and governance is a strong factor in the rapid growth of the SME Ecosystem in Rwanda.



Table 11: Findings and recommendations for Rwanda

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary.	TO CONSOLIDATE AND EXPAND	
2. Building the local economy	Clear policies and guidelines and institutions are in place, aligned and well-coordinated to support the local economy including a legal provision on sourcing and outsourcing. Made in Rwanda is a good example of coordinated action.	TO CONSOLIDATE AND EXPAND	Local Content Policy is building bridges between the SMEs and SEZs. Offer lessons
3. Access to finance	Instruments are in place and delivering the desired impact. They are well coordinated by the RDB and targeted at building pipelines linked to markets and diversification.	TO CONSOLIDATE AND EXPAND	SME Investment is based on clear markets and linkages. Offer lessons
4. Job creation, new skills, and qualifications development	There is a deliberate effort to link industry to capacity building institutions including the TVETs to develop skills that meet the SME and SEZs needs, the embedding of TVETs/ Universities in the SEZ addresses the market needs. There are specific funds and incentives in place to support this pillar.	TO ACCELERATE	Integration of TVETs/ HEIs into SEZs allows for curated skills and jobs creation solutions. Learn from Morocco, Egypt, and Mauritius
5. Quality infrastructure engagement	There is engagement between those who offer the quality infrastructure including infrastructure development and support. The "Made in Rwanda" is a case of how to popularize QI.	TO ACCELERATE	Rwanda model for deeper QI engagement shows how to respond to demand side with specifications. Learn from Ghana, Morocco, and Egypt

2.10 South Africa

The South African government recognizes the role SMEs play in economic development and job creation and has implemented the Small Business Act 1997²⁰⁵ to provide a conducive environment for SMEs to grow and develop. The one-stop shop SME portal²⁰⁶, managed by InvestSA²⁰⁷, has a directory by sectors, sources of financing, and capacity building, which makes it easy for SMEs to access the support they need.

The SEZ policy (2012)²⁰⁸ aims to attract foreign direct investment and promote the development of export-oriented industries by providing various incentives and facilities to companies operating within the designated SEZs. The Department of Trade, Industry, and Competition (DTIC)²⁰⁹ is responsible for managing and promoting SEZs. The entity can be private, public, or public-private, and is regulated by the SEZ Authority, which is domiciled in the DTIC and is also responsible for implementing policies and programs that support the growth of SMEs. The department works closely with other government agencies, provincial governments, local authorities, and development partners to provide SMEs support to access finance, training, and market opportunities. The Small Enterprise Finance Agency (SEFA)²¹⁰ provides financial support to SMEs and cooperatives through loans and equity investments. Other government initiatives that support the growth of SMEs include the Black Industrialist Program²¹¹, which aims to support Black-owned businesses in the manufacturing sector. In South Africa, ESG implementations are becoming essential for the future growth and sustainability of businesses, especially in the context of the African Continental Free Trade Area (AfCFTA) and the global challenges of climate change and social inequality²¹².

2.10.1 High growth sectors

The government has identified sectors of growth that include agriculture and agribusiness, tourism, Information technology (IT) and business process outsourcing (BPO), manufacturing and assembly, textiles, leather goods, light manufacturing, construction and real estate, financial services and banking, pharmaceuticals, healthcare, energy, and petroleum. Further, the government's Industrial Policy Action Plan (IPAP)²¹³ include mining and mineral exploration, logistics, electric mobility, specialized innovation or industrial parks, horticulture, creative arts in the film industry, and skills development. South Africa has established several SEZs, each with a specific focus and investment theme. The sectors are advanced manufacturing, automotive components, agro-processing, clothing, textiles and leather, chemicals and pharmaceuticals, business process outsourcing and offshoring (BPO&O), energy and renewables, metals fabrication and processing, and logistics and transportation. For example, Coega SEZ is focused on heavy industries, whereas the East London SEZ is focused on light manufacturing and automotive sectors.

Meanwhile, the Dube AgriZone SEZ is dedicated to advancing agricultural development and agro processing.

205 <https://www.gov.za/documents/national-small-business-act#:~:text=The%20National%20Small%20Business%20Act,provide%20for%20mat-ters%20incidental%20thereto>.

206 <https://smesouthafrica.co.za/sme-guides/>

207 <http://www.investsa.gov.za/special-economic-zones/>

208 http://www.thedtic.gov.za/wp-content/uploads/Policy_SEZ.pdf

209 <http://www.thedtic.gov.za>

210 <https://www.sefa.org.za/>

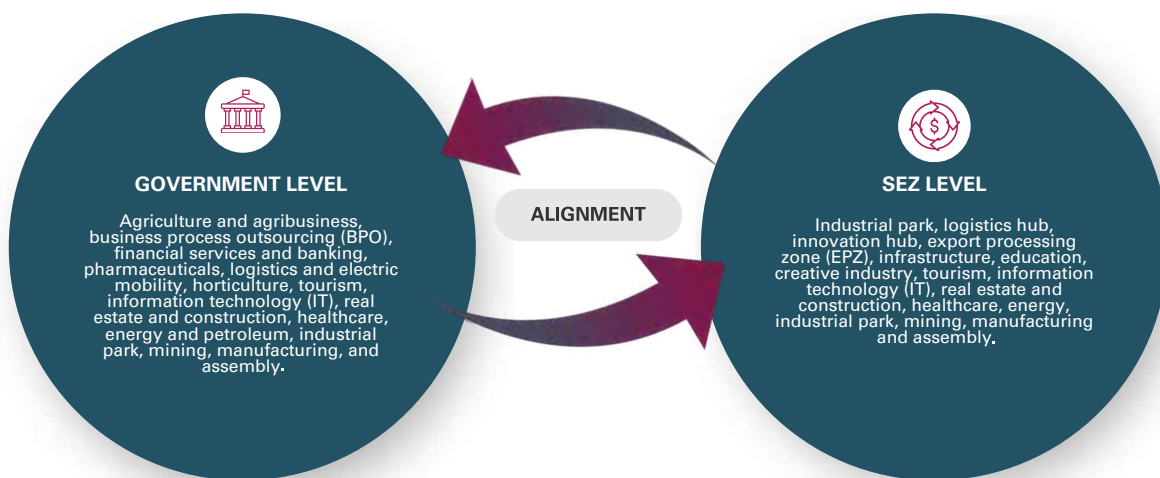
211 <http://www.thedtic.gov.za/financial-and-non-financial-support/b-bbee/black-industrialist-programme-2/>

212 ESG in South Africa - EY. https://www.ey.com/en_za/sustainability/esg-in-south-africa

213 https://www.gov.za/sites/default/files/gcis_document/201805/industrial-policy-action-plan.pdf

It is equipped with state-of-the-art facilities, including an on-site quarantine station, laboratories, and cold storage facilities, to support the production and processing of high-value agricultural products. The focus is on developing niche products such as herbs, indigenous fruits, and vegetables, as well as aquaculture, poultry, and livestock. The unique Atlantis Special Economic Zone in Cape Town focuses on clean technology manufacturing and renewable energy. It is strategically situated near the Atlantis wind farm and solar park, providing a reliable source of renewable energy for manufacturers. It has attracted several clean technologies manufacturing companies, including GRI Wind Steel, which produces wind tower sections, and Skyward Windows, specializing in energy-efficient windows, as well as the Saldanha Bay SEZ²¹⁴, which focuses on maritime-related industries.

Figure 12: Government and SEZ sectors complementarity in South Africa



2.10.2 Building the local economy through SME integration

Building the local economy is accelerated by creating links between SEZs and SMEs. Proudly South African²¹⁵ brand is a local procurement advocacy campaign which aims to promote South African products and services that adhere to stringent criteria focused on locally grown, produced and manufactured goods and services. DTIC also works closely with the South African Chamber of Commerce and Industry (SACCI)²¹⁶ and other sectoral associations to promote local economic development effectively. The Small Enterprise Development Agency (SEDA)²¹⁷ collaborates with many ecosystem stakeholders and allocates significant resources to promote entrepreneurship and the growth of SMEs throughout the nation. With 54 branches, 46 colocation locations, and 110 incubators, SEDA has the largest office network in the nation. It is a useful mechanism to develop investable pipelines, enhance technical capacity, and support networking and sharing of information between SEZs and sectoral associations to enhance local economic development.

214 <https://sbm.gov.za/industrial-development-zone-idz/>

215 [https://www.proudlysa.co.za/pdf_documents/Annual_Reports/Annual%20Report%202020-21\(compressed\).pdf](https://www.proudlysa.co.za/pdf_documents/Annual_Reports/Annual%20Report%202020-21(compressed).pdf)

216 <https://saccci.org.za/>

217 <http://www.seda.org.za/AboutUs>



Appropriate skills matching the market demands

I SMEs to becoming suppliers to the SEZ's anchor investors. This program provides SMEs with training on quality management systems, access to finance, and networking opportunities. Similarly, the East London Industrial Development Zone (ELIDZ) has contracted a local SME to provide engineering services to anchor investors in the SEZ. This has helped to develop the technical skills of the local workforce.

Instruments that can support collaboration between SEZs and SMEs in South Africa include local content regulations²¹⁸. Contracting and subcontracting is growing in South Africa, especially in the IT and BPO sector. The country has become a popular destination for outsourcing due to its highly skilled workforce. Major companies such as IBM, Accenture, and Amazon have established operations in the country to take advantage of the lower costs and high-quality work. The government has also established the Cape Town BPO Park²¹⁹, a dedicated SEZ for the IT and BPO sector, to attract more investment and create jobs for the local economy.

The Coega SEZ²²⁰ in the Eastern Cape province has successfully integrated local SMEs into its supply chain, particularly in the construction and manufacturing sectors including agro-processing. The SEZ has created a Supplier Development Program that provides training, mentorship, and networking opportunities to local SMEs, enabling them to become suppliers to the SEZ's anchor investors. These programs include initiatives such as the Coega Development Corporation's (CDC) Black Supplier Development Program (BSDP)²²¹, which is designed to provide locally owned SMEs with training, mentoring, and financial support to enable them to become competitive suppliers to anchor investors in the SEZ. In the KwaZulu-Natal province, the Dube TradePort SEZ²²² has an instituted a program called "Access to Markets". This initiative supports local SMEs in accessing business opportunities in the SEZ. It offers SMEs valuable resources such as market intelligence, training on tendering and contracting processes, and networking opportunities with potential buyers and suppliers.

Notably, Dube TradePort has contracted with a local SME, C&N Petroleum Equipment, to provide fuel and fuel management services to the SEZ. This has created a reliable and cost-effective fuel supply chain for the SEZ's anchor investors, while also creating business opportunities for the local SME. Dube Agrizone located at the port has become a reference SEZ for modern agriculture and innovations²²³. The Atlantis Special Economic Zone (SEZ)²²⁴ is in Atlantis, Western Cape, South Africa. The focus is the promotion of the local economy. It specializes in renewable energy, green technologies, and manufacturing. The aim is to establish a sustainable and environmentally friendly industry cluster, fostering the development of clean energy projects, green manufacturing, and related activities. It offers various support services to businesses, including skills development

218 http://www.thedtic.gov.za/wp-content/uploads/the-dti-Local_Content.pdf

219 <https://capebpo.org.za/>

220 <https://www.coega.co.za/Content2.aspx?objID=84>

221 <https://naacam.org.za/naicker-toolmakers-completes-asci-black-supplier-development-programme/>

222 <https://dubetradeport.co.za/>

223 <https://www.dubetradeport.co.za/index.php/our-business/dube-agrizone>

224 <https://atlantiszez.com/>

programs, business development assistance, and access to financing. The SEZ is a collaborative effort between the South African government, the Western Cape government, and the private sector (the local municipality Special Purpose Vehicle is the private sector).



Atlantis SEZ: Bottom-Up Approach For Integrating Sme And Community Based Micro-Enterprises

The Atlantis SEZ (ASEZ) has been successful due to the joint efforts of key regional stakeholders, including the provincial and local governments, national government, investment promotion agencies, and other organizations like GreenCape. These stakeholders have worked together, each with their specific responsibilities and roles, to ensure the project is successful. The ASEZ focuses on the development of community-based micro-enterprises, aiming to promote sustainable growth and development. To achieve this, the ASEZ recognized the importance of community trust and involvement. They established a community stakeholder network representing various sectors of society, bridging the gap between the government and the community. Additionally, an infrastructure working group was formed within this network to provide essential inputs in the zone's development. An important priority is integrating MSMEs and local service providers into the SEZ. This integration is facilitated through skills development, connecting individuals with relevant projects, and ensuring compliance with industry standards. The ASEZ also allocates a sizeable portion of its budget to foster the growth of community-based emerging micro-enterprises. It has achieved several successes, including attracting substantial investment, promoting green technology through cluster development, upgrading SMMEs, creating job opportunities, and supporting upskilling in the local community. From the lessons learned, it is evident that a bottom-up approach involving micro-enterprises is crucial for sustainable growth. Engaging the community and establishing a robust stakeholder network are vital for successful development initiatives. Collaboration among various levels of government and agencies, including ESOs, made the difference and is contributing to the success.

2.10.3 New skills, qualifications development, and job creation

The government recognises the potential of SMEs and SEZs in promoting economic development and job creation. SEDA offers training and development programs to improve the skills and knowledge of entrepreneurs and their employees. These programs cover areas such as business management, fiscal management, and marketing. The National Skills Fund (NSF)²²⁵ provides funding for skills development initiatives, including training programs and apprenticeships. The NSF is focused on promoting skills development in priority sectors, such as manufacturing, agriculture, and mining. In addition, the Department of Higher Education and Training has established TVET colleges that offer vocational training programs in various sectors. The SEZ policy includes a skill development plan and transfers technology to local businesses. They are encouraged to work closely with local TVET colleges to design training programs that are aligned with the needs of local businesses. Furthermore, the SEZs are required to allocate a portion of their workforce to training local workers to ensure that they are equipped with the necessary skills and qualifications to support economic development and job creation.

²²⁵ <https://nationalgovernment.co.za/units/view/259/national-skills-fund-nsf>

The South African government has established various bodies responsible for regulating and accrediting skills development initiatives. The Quality Council for Trades and Occupations (QCTO)²²⁶ is responsible for accrediting skills development providers and issuing qualifications that are recognized by employers.

The Coega SEZ has collaborated with several SMEs to promote skills development. For example, it has partnered with local SMEs in the automotive sector to establish an Automotive Supplier Park. The park serves as a platform where SMEs can access industry-aligned training and development programs. In South Africa's Eastern Cape Region, Exporters Eastern Cape (EEC) is dedicated to encouraging local firms to prepare for exporting and assist existing exporters in becoming more globally competitive. EEC's membership is diverse, representing various sectors including automotive manufacturers, agricultural and agri-processing industries, financial institutions, freight forwarders, government entities, media & event companies, shipping lines, and service providers for exporters. The organization supports SMEs by creating a conducive environment for global competitiveness by promoting information sharing, collaboration, skill-building, and dialogue in the export market. It serves as a platform for individuals and companies involved in exporting or interested in venturing into international markets. Additionally, it has partnered with Nelson Mandela Metropolitan University and Coega SEZ to establish an Exporter Development Program. This program is designed to cater to the comprehensive needs of SMEs, empowering them to enhance their competitiveness and establish a strong market presence. It utilizes industry captains as mentors to ensure relevant and impactful skills development.

For SMEs aspiring to enter global value chains, EEC conducts regular workshops and seminars focused on international trade. These events guide SMEs through export regulations, market dynamics, and emerging trends. Moreover, the organization facilitates connections between its members and stakeholders in the supply chain, including Original Equipment Manufacturers (OEMs) and other exporters. This builds an environment that curates potential business partnerships and collaborations. EEC has also established strategic partnerships with Tangier Med to support the automotive industry in technology and market development. The organization maintains an efficient information-sharing system through multiple channels, such as email and social media. This helps to keep members informed about the latest developments and opportunities, thus contributing to the growth of the SME ecosystem.

The Dube TradePort SEZ in KwaZulu-Natal has a dedicated skills development centre that offers a range of training programs, including those offered by TVET colleges and universities. Cisco has opened an incubation hub at the SEZ²²⁷. Similarly, the CDC in the Eastern Cape has a training centre that provides various training programs, including apprenticeships, learnerships, and internships, in partnership with TVET colleges and universities. Through the collaboration between SEZs, TVET colleges, and skills development providers, South Africa is building a workforce that is equipped with the necessary skills and qualifications to support economic development and job creation. For example, the Exporters Eastern Cape (EEC) has a working partnership with Nelson Mandela Metropolitan University and Coega SEZ that established a new Exporter Development Program designed to meet the comprehensive needs of the sector through holistic learning. The program uses business champions as mentors to enhance the relevance and impact of skills development.

²²⁶ <https://www.qcto.org.za/>

²²⁷ <https://www.dubetradeport.co.za/index.php/latest-news-dube/cisco-launches-state-of-the-art-incubation-hub-in-durban>



Holistic public and private collaboration model developed by invest sa-wesgro

Invest SA/WESGRO plays a crucial role in supporting economic development in Cape Town. This led to the establishment of the Industrial Development Zone (IDZ) in the neighbouring Atlantis Community deliberately designed to stimulate the local economy. The focus is to support emerging local enterprises. This bottom-up approach was influenced by benchmarking with SEZ activities in China. The policies guiding the design and development of Atlantis IDZ are influenced by the three layers of government. The National Government sets the framework policy, while the provincial and municipal governments adjust the policy framework to suit local context and needs.

2.10.4 Access to financing

The country has a range of financing options available for SMEs and SEZs. The government has established several agencies and programs to facilitate access to funding. These include the Small Enterprise Finance Agency (SEFA), which provides funding to small businesses, the Industrial Development Corporation (IDC)²²⁸, which finances large-scale projects, and the National Empowerment Fund (NEF), which provides funding to black-owned businesses. Additionally, the South African government has instituted the Black Industrialists Scheme (BIS)²²⁹ to support the development of black-owned businesses in the country. It is worth noting that the financial sector in South Africa is “a leader and an innovator in integrating ESG issues into its practices”²³⁰.

SEZs offer financing opportunities for SMEs, such as the Coega SEZ, which has a financing facility that provides loans and guarantees to SMEs. Similarly, the Atlantis SEZ provides access to funding and support services to businesses operating in the renewable energy sector. The government further provides tax incentives and subsidies. These include initiatives like the Small Business Corporation Tax and the Employment Tax Incentive, which provides tax relief to small businesses and those employing young people. There are several successful cases of SMEs accessing financing through the SEZ pathway. For example, The Atlantis Special Economic Zone, which is part of the GreenCape Sector Development Agency²³¹, provides financing and support to businesses operating in the renewable energy sector. One of the successful projects is the development of ESCOM's Sere Wind Farm²³², that received financing from the IDC and AFDB and has become one of the largest wind farms in Africa. Another example is the Dube TradePort SEZ, which has attracted several international companies and has provided financing and support to SMEs operating in various sectors.

228 <https://www.idc.co.za/welcome-to-idc/>

229 <http://www.thedtic.gov.za/financial-and-non-financial-support/incentives/black-industrialists-scheme-bis/>

230 ESG in South Africa - EY. https://www.ey.com/en_za/sustainability/esg-in-south-africa.

231 <https://green-cape.co.za/>

232 <https://www.afdb.org/fr/news-and-events/eskoms-sere-wind-farm-in-south-africa-financed-by-the-afdb-and-cif-now-in-full-commercial-operation-14420>

2.10.5 Quality infrastructure engagement

The government and various stakeholders are taking steps to improve Quality Infrastructure (QI) to support the growth and success of SMEs and SEZs. The South African Bureau of Standards (SABS²³³) is responsible for the development, maintenance, and implementation of national standards and quality assurance programs. The SABS works closely with various stakeholders, including industry associations, government departments, and research institutions, to ensure that products and services meet the required standards. Moreover, the government has established various policies and initiatives to support QI. These include the National Quality Infrastructure Framework²³⁴, The National Metrology Institute²³⁵, and The South African National Accreditation System (SANAS)²³⁶. Collectively, these entities provide accreditation services for conformity assessment, testing and calibration, inspection, and certification to ensure compliance with international standards.

To support the engagement between SEZs and SMEs, the government has established the Special Economic Zone Technical Working Group. This group brings together various stakeholders, including government departments, SEZ operators, and industry associations, to develop strategies to support the growth and success of SMEs in SEZs. Furthermore, the South African government supports the establishment of Centres of Excellence, which are designed to provide SMEs with access to technical expertise and equipment to support their compliance with quality standards. These centres are usually located within SEZs and provide SMEs with access to testing and calibration services, as well as training and support for quality assurance. For example, the Automotive Industry Development Centre's (AIDC) supports SMEs in the automotive sector by providing technical support, training, and access to testing facilities to assist SMEs in meeting the required quality standards for this industry. This support has enabled SMEs to improve the quality of their products and increase their competitiveness in the market. On the other hand, SEDA supports SMEs in the textile and clothing sector through training and support for compliance with quality standards and assists them to access certification. This support has enabled SMEs in the textile and clothing sector to produce high-quality products that comply with the required standards.

DTIC provides technical assistance, training, and quality standards compliance support to SEZs, which in turn extend similar support to SMEs operating within those zones. For instance, The Coega SEZ has successfully leveraged the DTIC's assistance to attract investors and support SMEs in meeting quality standards. Lastly, the South African Bureau of Standards (SABS) provides a range of services to assist SMEs meet quality standards. This includes test and certification services, as well as training and technical assistance, all geared towards improving the quality of SMEs products, thereby enabling SMEs to access new markets and increase their competitiveness.

2.10.6 ESG commitment

South Africa has made a commitment to promote environmentally and socially responsible business practices and has put in place policies and regulations to enforce environmental standards through the Department of Environmental Affairs. It ensured compliance with environmental laws and regulations. The department works with businesses to promote sustainable development and encourages companies to adopt ESG practices.

²³³ <https://www.sabs.co.za/>

²³⁴ https://www.gov.za/sites/default/files/gcis_document/202203/46033gon1874.pdf

²³⁵ <https://www.nmisa.org/>

²³⁶ <https://www.sanas.co.za/>

The implementation of ESG practices in the SEZs has helped to make them more attractive to investors. There are several examples of SMEs and SEZs that have demonstrated ESG compliance and made efforts towards sustainable development. DubeTradePort SEZ has incorporated ESG practices into its operations. The port has implemented a range of measures to reduce its environmental impact, including water and energy efficiency programs, waste management initiatives, and sustainable transport options. The SEZ has also created a green economy hub to promote environmentally friendly industries.

JASA Packaging Solutions and SME has made a commitment to reducing its carbon footprint through the implementation of energy-efficiency measures in its production process, including the installation of solar panels, and has implemented a waste management program to reduce its environmental impact. The clothing company, Svealand Gear, is another SME in South Africa that has demonstrated ESG compliance. The company uses recycled materials to make its products and has implemented fair labour practices to ensure that its workers are treated ethically and fairly.

The Atlantis SEZ has been recognized for its commitment to environmental sustainability, with a focus on promoting the use of renewable energy and reducing carbon emissions. It has implemented a range of green initiatives, including the use of solar power for street lighting and the installation of rainwater harvesting systems. Atlantis SEZ is a successful case of a government-led initiative to promote ESG practices and attract investment in the clean technology sector, promoting sustainable economic growth and environmental stewardship.



Atlantis SEZ: the bottom-up approach to local economy development

This approach has been successfully implemented, making it a unique and exemplary reference. Both the Government and the Province have actively steered the Industrial Development Zone (IDZ) towards integrating the most competitive local SMEs from the outset and harnessing innovations from the Emerging Micro Enterprises. The objective is to empower and grow the local SMEs before focusing on attracting foreign investment, and building an ecosystem that will foster the establishment of robust subcontracting agreements. By prioritizing the development of local SMEs, the Atlantis IDZ aims to strengthen the foundation of the local economy. This approach recognizes the importance of leveraging existing local resources and capabilities. It provides opportunities for local businesses to grow, improve their competitiveness, and establish mutually beneficial partnerships. Through this bottom-up approach, the Atlantis IDZ ensures that the local economy is effectively integrated into the larger industrial ecosystem. By nurturing and empowering local SMEs, the IDZ creates a conducive environment for their growth and establishes a strong network of subcontracting agreements that will attract foreign investment and contribute to the overall economic development of the region.

Industry associations like the National Business Initiative (NBI) have been actively promoting ESG practices to their members. For instance, the South African Oil and Gas Alliance (SAOGA) has established an ESG working group to help companies in the industry implement sustainable practices. The National Business Initiative (NBI) is also actively promoting ESG practices among its members and has established a Sustainable Water Stewardship initiative to address water scarcity in the country.

Many SMEs are implementing renewable energy solutions, waste management systems, social responsibility programs, and ethical standards to reduce their environmental footprint, improve their social impact, and increase their trustworthiness. Some SMEs are also participating in ESG-related initiatives and networks, such as the Green Economy Coalition South Africa (GECSA), the National Business Initiative (NBI), and the Global Reporting Initiative (GRI), to access information, resources, and opportunities related to ESG.

SEZs in South Africa are implementing ESG practices to enhance their attractiveness for investors and businesses. They are adopting green industrial policies, such as low-carbon technologies, circular economy models, and environmental standards, to reduce their environmental impact and to support the transition to a green economy²³⁷. Social policies, such as skills development programs, local procurement schemes, and stakeholder consultation mechanisms, improve their social impact and foster inclusive growth are becoming mainstream²³⁸.

In supporting the adoption and implementation of the ESG, regulation 28 of the Pension Funds requires pension funds and their boards to consider any factor that may affect the long-term performance of an asset, including those of an ESG character. Further, the Code for Responsible Investing in South Africa (CRISA), which is voluntary for institutional investors and their service providers, encourages them to incorporate ESG factors into their investment decisions and ownership practices. In addition, the Financial Sector Conduct Authority (FSCA) oversees the conduct of financial institutions and enforces compliance with ESG-related regulations. At the financial markets, the Johannesburg Stock Exchange (JSE) offers a range of ESG-related products and services, such as the FTSE/JSE Responsible Investment Index Series, the Green Bond Segment, and the Socially Responsible Investment Index. Finally, the National Business Initiative (NBI) works to promote sustainable development and inclusive growth, as well as facilitates collaboration and dialogue among businesses, government, civil society, and other stakeholders on ESG issues.

²³⁷ ESG the context of South Africa - KPMG South Africa <https://kpmg.com/za/en/home/insights/2021/09/esg-the-context-of-south-africa.html>

²³⁸ Acting on your ESG strategy - South Africa report 2022. <https://www.pwc.co.za/en/press-room/taking-action-on-your-esg-strategy-sa-2022.html>



Role of municipality in supporting local economy development

The Nelson Mandela Bay Municipality (NMBM), located in the Eastern Cape province of South Africa, is a dynamic and diverse area encompassing major cities like Port Elizabeth, Uitenhage, and Despatch. It serves as the economic powerhouse of the province for promoting manufacturing investment and trade. Policymakers recognize the importance of economic development and job creation to drive the region's growth and prosperity. NMBM can develop local by-laws and provide complementary support to the SMEs, especially those engaged with the SEZs, including improving the ease of setting up start-ups. To this end, the municipality has supported the Coega SEZ and enabled it to focus on attracting investment to promote its growth. Coega SEZ has become a major economic driver and is central to the municipality's economic strategy. Coega is implementing NMBM employment policy through a dedicated program on SME upgrading and integration with impact to the local economic development. Further, Coega has improved its focus on ESG principles with support from NMB. Several projects, including vaccine manufacturing and land-based aquaculture, have been planned within the SEZ to foster and further economic development. The vaccine manufacturing project aims to create a dedicated hub for pharmaceutical and vaccine manufacturing, attracting various suppliers to co-locate within the SEZ. This expansion is projected to have significant socio-economic impacts, creating jobs, and driving economic growth. The land-based aquaculture project in the Coega SEZ spans 440 hectares and aims to accelerate the growth of the Provincial Ocean Economy. By providing a conducive environment and regulatory support by NMBM, the SEZ seeks to become a hub for the aquaculture sector, creating jobs and promoting economic development. The collaboration between NMBM and Coega has contributed to the success and created compelling investment attraction guided by supporting regulations, strategic integrated infrastructure development, investment-ready platform within the SEZ to serve pipelines and investors and enhanced regional strategic development planning and collaboration. This alignment of opportunities and investment readiness, effective stakeholder collaboration, targeted investment in infrastructure, and the holistic approach to regional development in the SEZ has been a catalyst for change and shows promising potential for driving growth and prosperity in the region.



Economic regeneration through innovative industrial development: Saldanha Bay industrial development zone

The Saldanha Bay Industrial Development Zone (SBIDZ) is a pioneering endeavour that goes beyond the mere physical infrastructure development. It aims to reinvigorate an economically marginalized region by employing sector-specific interventions to stimulate growth in the Oil & Gas and Marine Repair sectors. SBIDZ's operational landscape has a convergence of rig and marine vessel repair, equipment fabrication, logistics, and supply services that creates a fertile ground for economic stimulation. This zone serves as an incubator for diverse stakeholders including oilfield service providers, marine repair contractors, and engineering entities. The Port of Saldanha Bay is integrated into a free zone, stimulating trade and industrial development. SBIDZ's success is not confined to infrastructural achievements; it is inherently intertwined with socioeconomic upliftment. It has a focus on the development of skills and human capacity, enterprise development, and supplier development, which underpins its transformative undertakings targeted at local stakeholders. It has an emphasis on local empowerment, particularly the upskilling of local contractors, notably focusing on women. They are supported to address the skills gap, elevating them to local suppliers and contractors at the centre of the zone's operations. Additionally, the Digital Smart Skills Centre has led to equipping over 2500 individuals with digital proficiencies in the modern economy. Further, a partnership with the Saldanha Municipality led to the establishment of the Co-Lab Centre, building an ecosystem where local SMEs grow. Initiated in 2020, it has enabled over 1500 SMEs to harness essential resources and networks, translating into a noteworthy R250 million value creation in local construction. This collaboration highlights the intrinsic significance of local engagement and the indispensable role of comprehensive enterprise development strategies. The success of SBIDZ has led to a policy re-orientation where, beyond being mere tax and revenue generators, SEZs are transitioning into pivotal drivers of growth, driving holistic economic transformation, sustained community collaboration, and engagement.

2.10.7 Findings, recommendations, and best practices for implementation

South Africa has enacted policies and legislations to support SMEs and foster collaboration with SEZs. The government has put in place measures to coordinate policies and actions for both SMEs and SEZs to create an integrated and vibrant SME business ecosystem. In the areas of SME and inclusive local economic development, financing, ESG policy and implementation, SA presents a good case reference to other countries from Africa.

Table 12: Findings and recommendations for South Africa

BUILDING BLOCKS	STATUS	RECOMMENDATIONS	BEST PRACTICES FOR IMPLEMENTATION
1. Sectors with high growth potential	Government and SEZ sectors are complementary	TO CONSOLIDATE AND EXPAND	
2. Building the local economy	Clear policies and guidelines are in place to support the local economy in South Africa, including a legal provision on sourcing and outsourcing. There are institutions that are aligned and well-coordinated to support the local economy, and initiatives such as "Buy South Africa" are in place to promote locally produced goods and the BBB-EE	TO CONSOLIDATE AND EXPAND	Systems on monitoring and building compliance are very robust. All the SEZs in Africa can learn from SA on how build inclusive economic models. Offer lessons
3. Access to finance	Access to financing for SMEs and SEZs is available in South Africa. Instruments are in place to support the SMEs and SEZs with positive impact. They are well coordinated by the government and targeted at building pipelines linked to markets and diversification including a system of monitoring compliance which is quite advanced in sectors such as construction or government related tenders.	TO CONSOLIDATE AND EXPAND	The investment support framework is well coordinated and governed and with compliance systems. Offer lessons. Learn from Morocco, Egypt, and Benin
4. Job creation, new skills, and qualifications development	There are efforts to link industry to capacity building institutions, including Technical and Vocational Education and Training (TVET) institutions, to develop skills that meet the needs of SMEs and SEZs. The embedding of TVETs/ Universities, Incubators/ Hubs into the SEZs addresses the demand and market needs. There are specific funds and incentives in place to support this pillar.	TO CONSOLIDATE AND EXPAND	The industry, HEIs and labour market linkages are strong. However, SA can learn from Rwanda, Gabon, Egypt on more integration of HEIs into the system of skills and entrepreneurship development.
5. Quality infrastructure engagement	There is engagement between those who offer quality infrastructure development and support in South Africa. The government and private sector work together to ensure that quality infrastructure is in place to support the growth of SMEs and SEZs. Initiatives such as the "Proudly South African" campaign promotes quality infrastructure and local businesses.	TO CONSOLIDATE AND EXPAND	The system of QI engagement is a good example for countries like Kenya, Benin, and Ghana.
6. ESG commitment	The South African government has policies on ESG, which have made SEZs attractive to foreign investment. Efforts are being made to ensure that businesses operating within SEZs adopt environmentally and socially responsible practices to promote sustainable development with positive outcomes.	TO ACCELERATE	The model can be made even more robust by learning from the Gabon wood industry especially on monitoring and compliance.

2.11 Summary table on benchmarking

By utilizing the benchmarking table, policymakers and stakeholders can identify areas for improvement, acknowledge positive progress, reinforce successful practices, and leverage mature activities to enhance the overall performance of the SEZs.

- To Develop: each star is equivalent to a weighted score of 1.
- To accelerate: each star is equivalent to a weighted score of 2.
- To consolidate: each star is equivalent to a weighted score of 3.



Table 13: Summary of the benchmarking by country

Country	Recommendation	Sectors with high growth potential	Local economic development through SME engagement	Access to finance and investment for SMEs	Job creation, new skills, and qualifications	Quality infrastructure engagement	ESG commitments	SCORE
Bénin	DEVELOP		X	X	X	X		9
	ACCELERATE						X	
	CONSOLIDATE AND EXPAND	X						
Egypt	DEVELOP							18
	ACCELERATE							
	CONSOLIDATE AND EXPAND	X	X	X	X	X	X	
Gabon	DEVELOP			X		X	X	10
	ACCELERATE		X					
	CONSOLIDATE AND EXPAND						X	
Ghana	DEVELOP		X	X	X			10
	ACCELERATE					X	X	
	CONSOLIDATE AND EXPAND	X						
Kenya	DEVELOP					X		12
	ACCELERATE		X	X	X		X	
	CONSOLIDATE AND EXPAND							
Mauritius	DEVELOP							16
	ACCELERATE				X	X		
	CONSOLIDATE AND EXPAND	X	X	X			X	
Morocco	DEVELOP							17
	ACCELERATE						X	
	CONSOLIDATE AND EXPAND	X	X	X	X	X		
Nigeria	DEVELOP						X	14
	ACCELERATE			X	X			
	CONSOLIDATE AND EXPAND	X	X			X		
Rwanda	DEVELOP							15
	ACCELERATE				X	X	X	
	CONSOLIDATE AND EXPAND	X	X	X				
South Africa	DEVELOP							17
	ACCELERATE						X	
	CONSOLIDATE AND EXPAND	X	X	X	X	X		

Summary ranking by country based on implementation of the six building blocks.

Country	Score	Rank	Group Description
Egypt	18	1	The first group of countries which ranked 1 to 3: The countries are capitalising along the 6 building blocks. They can invest their knowledge and services to SEZs that are at development and acceleration stages. They are also able to invest and/or conclude commercial agreements with other countries to provide technical support or assistance.
Morocco	17	2	
South Africa	17	2	
Mauritius	16	3	
Rwanda	15	4	The second group of countries ranked 4 to 6: The countries are capitalising on at least 5 building blocks. They need to consolidate their efforts to move to the next level. They can support other countries, but their support will not be comprehensively covering the key building blocks for SME ecosystem building.
Nigeria	14	5	
Kenya	12	6	
Gabon	10	7	The third group of countries ranked 7 to 8: The countries need to enhance their performance, and the SEZs need to and capitalise on at least 3 other building blocks to bring them to the acceleration level. They can collaborate with countries at the top tier to boost their performance.
Ghana	10	7	
Benin	9	8	

2.12 Investment to build and accelerate the SME ecosystem development

In the context of a 10-year plan, leveraging the existing investment and finance instruments in SEZ can be achieved through patient investment, particularly in the development of the green economy, sustainable agriculture, renewable energy, and waste management projects. Two key players in this area are ARISE IIP and Rendeavour. They each employ distinct approaches: ARISE IIP aims to add value to local materials and products and create integrated industrial platforms that improve the well-being of communities, while Endeavour works by focusing on decongesting large cities experiencing rapid urbanization. Appropriate financing instruments should be considered for the growth and expansion of SMEs in SEZs. This can include challenge funds that combine grants with patient capital to support start-ups and SMEs during their expansion phase. Additionally, public procurement can provide opportunities for SMEs to scale up and grow, while requiring the empowerment of SMEs through skills development and transparent procurement processes. The Global Gateway Blending Financing Platform, launched by the European Commission, can be leveraged by SMEs and SEZs to access blended finance and support investment projects across multiple sectors, including digital, energy, and transport infrastructure in Africa. This initiative can foster access to finance for entrepreneurs and help address challenges in the region. Further, leveraging existing investment and finance instruments for the new generation of SEZs, impact investment funds, national inclusion funds, sovereign bonds, and green bonds can play crucial roles in supporting sustainable and inclusive economic development.

Impact Investment Bonds	National Inclusion Funds
Impact investment funds are investment vehicles that aim to generate positive social and environmental impacts alongside financial returns. They can play a crucial role in supporting projects within SEZ that prioritize social and environmental benefits, such as job creation, poverty reduction, and sustainable infrastructure development. Attracting impact investors provides SEZ projects with patient capital and expertise to address pressing social and environmental challenges.	Also known as social development funds or community development funds, National Inclusion Funds are financial instruments established by governments to support marginalized and disadvantaged communities. In the context of SEZ, these funds can offer financial support and resources to local communities affected by the establishment of SEZs, and can be channelled into education, healthcare, skill development, and infrastructure projects to ensure that the benefits of SEZ extend to all segments of society.
Sovereign Bonds	Green Bonds
Sovereign bonds issued by governments can be an important source of financing for SEZ development. These bonds are government-issued debt instruments designed to raise funds from the public or international markets. The proceeds from sovereign bonds can be used to finance critical infrastructure projects within SEZ, such as ports, airports, roads, and energy facilities. By tapping into the global capital markets, governments can secure long-term funding for SEZ initiatives.	These bonds are specifically designed to finance projects with positive environmental benefits. In the context of SEZ, green bonds can be used to fund projects related to renewable energy, sustainable water management, waste management, and eco-friendly infrastructure. These bonds appeal to environmentally conscious investors and can contribute to the ecological transition goals of the new generation of SEZ.

To build the investment ecosystem for SME development, targeted actions can be developed along the following lines:

SME Development Programmes	Access to Finance
Implement targeted SME development programs within the SEZs that focus on capacity building, skill development, and entrepreneurship training. These programs can provide technical assistance, mentorship, and access to resources.	Establish dedicated SME financing mechanisms, such as challenge funds and procurement funds, that provide patient capital and grants to SMEs during their growth and expansion phases. Partner with development finance institutions and commercial banks to create favourable financing options for SMEs.
Inclusive Procurement Policies	Business Incubator and Innovation Hubs
Introduce inclusive procurement policies within the SEZs that prioritize sourcing goods and services from local SMEs. Governments and SEZ authorities can set aside a certain percentage of procurement contracts for SMEs, promoting their growth and sustainability.	Set up business incubators and innovation hubs within the SEZs to foster entrepreneurship and innovation. These hubs can provide shared facilities, access to technology, and networking opportunities.
Infrastructure Support	Regulatory Ease
Invest in infrastructure that directly benefits SMEs, such as affordable industrial spaces, shared logistics facilities, and access to reliable utilities. Adequate infrastructure reduces operational costs and enhances the attractiveness of the SEZ for SMEs.	Streamline regulatory processes and reduce bureaucratic barriers for SMEs to operate within the SEZ. Simplified permits, licenses, and customs clearance procedures can encourage SMEs to engage in cross-border trade and investment.
Cluster Development	Public-Private Partnerships (PPP)
Promote clustering of SMEs within the SEZ, where related businesses operate in proximity to each other. This facilitates supply chain integration, knowledge sharing, and economies of scale.	Engage in PPPs to leverage private sector expertise, investment, and resources in supporting SMEs. Private companies can contribute to mentoring, technology transfer, and access to markets.
Market Access and Export Support	Monitoring and Evaluation
Facilitate access to domestic and international markets for SMEs within the SEZ. Support SMEs in meeting quality standards, certification, and export requirements, enabling them to tap into global value chains.	Implement a robust monitoring and evaluation system to track the performance and impact of SME integration initiatives within the SEZ. Regular assessments help identify challenges and areas for improvement to refine the investment framework.

CHAPTER 3

Roadmap of SEZ
governance to
accommodate SMEs



The transition to this new chapter marks a shift in focus. While Chapter 2 provided an in-depth analysis of the actual practices and readiness of countries and SEZs, Chapter 3 shifts our attention to the vital role of governance and regulatory frameworks.

In the previous chapter, we categorized countries and SEZs to assess their potential for promoting SMEs. In contrast, this chapter examines the legal foundations that each country has put in place. This legal perspective serves as a valuable tool to compare the practical success stories highlighted earlier and to dispel any misconceptions of underdevelopment. It underscores the importance of effective governance in bridging the gap between legal provisions and practical outcomes, facilitating a comprehensive understanding of the correlation, or lack thereof, between laws and real-world practices.

Subsequently, the results of chapter I highlight the considerable progress made by SEZs in most of the selected countries. Contrary to the prevailing notion of endemic underdevelopment of SEZs in Africa, a considerable number of zones have emerged as effective drivers of economic growth. They have successfully attracted foreign direct investment (FDI), facilitated increased exports, created numerous employment opportunities, and supported SMEs in a responsible manner. The success stories of the new generation SEZs, like Atlantis in South Africa, Tanger Med, Tatu City in Kenya, and Lekki SEZ in Nigeria, exemplify the positive impact of such initiatives. Now, it becomes imperative to establish the correlation between the regulatory frameworks in these countries and the observed practices to gauge the robustness of each country's strategies for fostering the development of SMEs and SEZs. This examination will help us discern whether these achievements are the result of systematic policies and a forward-looking vision, or merely isolated efforts.

3.1 Good governance Vs proper governance

3.1.1 SEZs effectiveness

The success of Special Economic Zones (SEZs) depends on their **adaptation** to local socio-economic, cultural, and political conditions, as emphasized by an extensive literature in the field^{239,240,241,242,243}. These SEZ models require a governance framework that is not only "good" but also "right" to effectively achieve their intended goals.

Although it is recognized that not all SEZ initiatives have progressed at the same pace- with some encountering difficulties in knowledge transfer, technology spillovers, and developing local supporting industries - there is a prevailing perception that African zones are moving in a positive direction. As best practices continue to emerge and be implemented, this evolving outlook provides positive prospect for further advancements in the region's SEZ landscape.

A key insight derived from this research revolves around the following point: some SEZs are making progress,

239 https://www.jstor.org/stable/pdf/26937802.pdf?refreqid=excelsior%3Aeff55c55d7210489ffa009a38cb6590f&ab_segments=&origin=&initiator=&acceptTC=1

240 Douglas Zhihua Zeng, "Global Experiences with Special Economic Zones: With a Focus on China and Africa", World Bank Report, no. 97837, Washington, D.C., February 2015

241 <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/789981468766806342/pdf>

242 https://www.tandfonline.com/doi/full/10.1080/00130095.2018.1467732?casa_token=6k_4FMT2Z4cAAAAA%3AidcSrYr2DGRnXvp-3y-k_YLYqF-cWtRID5kSdA8dSJYgXnMc3i_aQ4t-Sqnr71avvhyvcmlyvV-fMjP6pw

243 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2297871

yet their regulatory frameworks are falling behind, creating a disconnect between legal principles and on-the-ground realities. This chapter explores this issue further, highlighting the fact that African authorities have focused on improving practical standards without updating the corresponding legal basis. The troubling result of this approach is that it leads to a reliance on circumstantial authorities, potentially hindering comprehensive nationwide improvement plans.

However, this discrepancy provides an opportunity to adjust and update policies, strengthening those that are in line with the current situation and the progress of successful SEZs. The current chapter also addresses common criticisms of SEZ governance and their limited impact on national development and local economies. While low labour costs and access to raw materials are important competitive advantages, the ultimate success of this type of zone depends on its relevance to the specific local context. Effective design, implementation and sustainable management play a critical role in determining the outcome of a project.

Therefore, successful SEZ development requires not only traditional “good governance” principles, but also the integration of “proper governance” designs and policies. This includes considering local conditions and maximizing stakeholder participation. It is worth acknowledging, however, that implementing such practices can be challenging and requires careful attention to ensure coherence and effectiveness, particularly in matters related to industry and enterprise.

As we begin this chapter, policy development has led to notable progress in SEZs. This progress, coupled with the identified areas for refinement, represents a promising pathway for advancing SEZ development. By capitalizing on the positive trends and addressing gaps in policy implementation, we can enhance the impact of SEZs and increase their role in driving economic growth and development. This presents new business and investment opportunities for SEZ and provides a platform for applying the lessons learned and exemplary approaches to further advance their success.

3.1.2 Good governance

The concept of “good governance” poses a challenge in defining its parameters within the realm of governance concepts. It emerged as a development paradigm introduced by the World Bank in the early 1990s to provide a framework for effective collective decision-making in settings involving multiple actors or organizations²⁴⁴.

At its core, governance involves three main elements: rules, collectivity, and decision-making. Those who shape these elements need and require the adaptation and updating of governance frameworks to specific local contexts. Scholars emphasize that good governance depends on two critical factors: the evolving role of government in society and the capacity of society to pursue collective interests while managing external and internal constraints. It involves fostering dynamic interactions between the state and society in decision-making and policy implementation²⁴⁵.

Central to the concept of good governance are principles such as accountability, transparency, and the establishment of clear legal frameworks. Adherence to these principles is suggested to contribute to effective governance and to positive development outcomes. In fact, scholars suggest that *good governance* consists of

244 https://www.gsid.nagoya-u.ac.jp/sotsubo/Governance_and_Development_1992.pdf

245 Vasudha Chhotray and Gerry Stoker, *Governance Theory and Practice: A Cross-Disciplinary Approach* (UK: Palgrave Macmillan, 2009), p. 3.

six key components: participation, decency, fairness, accountability, transparency, and efficiency²⁴⁶.

By recognizing and embracing these principles and components, governments and societies can work toward achieving good governance. This comprehensive approach allows for a more inclusive, transparent, and efficient decision-making process that promotes the conditions for sustainable development and societal well-being. Nevertheless, this concept of good governance comes with various setbacks and oppositions:

- **Explanations about good governance tend to overlook important aspects**, such as distinguishing between essential and non-essential elements, setting priorities, establishing short-term and long-term goals, and assessing feasibility. While good governance is essential, it alone is insufficient for achieving optimal development outcomes. It also requires democratic support, ownership, and commitment, considering the cultural and historical contexts of each country²⁴⁷.
- **Concept of good governance has not effectively facilitated the implementation of decentralization policies**. A study focusing on African countries reveals a lack of connection between decentralization and the principles of good governance, particularly in terms of community participation, local accountability, and responsiveness of local governments. These countries' experiences indicate that "official providers" located outside the capital cities often had limited or no decision-making authority over issues within their functional jurisdiction. Decision-making processes were characterized by the upward referral of significant matters²⁴⁸.
- **The concept of good governance prioritized the state over society**. International agencies, particularly the World Bank, have often attributed the ineffective utilization of foreign development assistance by developing countries to the poor performance of the state in delivering public services. The World Bank's governance concept primarily emphasizes the role of the state, while giving less consideration to the role of society and industries in effectively utilizing foreign assistance programs²⁴⁹.

3.1.3 Proper governance

Proper governance, as an alternative governance concept introduced by Syarif Hidayat and Siwage Negara (*Special Economic Zones and the Need for Proper Governance: Empirical Evidence from Indonesia*²⁵⁰), recognizes the importance of understanding the specific local contexts in which policy reforms, institutions, and processes unfold. It emphasizes that the design and implementation of governance should consider numerous factors such as time, spatial dynamics, historical experience, and a country's capacity. This approach recognizes that a one-size-fits-all model is inadequate, and that effective governance requires tailored strategies that respond to the unique circumstances of each context.

²⁴⁶ Jon Pierre and Guy Peters, *Governance, Politics, and the State* (New York City, New York: St. Martin's Press, 2000).

²⁴⁷ Ved Nanda, "The 'Good Governance' Concept Revisited", *ANNALS of the American Academy of Political and Social Science* 603, no. 1 (2016): 269–83.

²⁴⁸ Walter Oyugi, "Decentralisation for Good Governance and Development: The Unending Debate", *Regional Development Dialogue* 21, no. 1 (2000): iii–ix.

²⁴⁹ World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington, D.C., United States: World Bank, 1989).

²⁵⁰ <https://www.jstor.org/stable/26937802>

By striving for a balanced relationship between the state and society, proper governance seeks to achieve three key goals: sustainable economic development, democratic governance that upholds citizens’ rights, and social inclusion. These objectives encompass several essential elements, including promoting economic growth, facilitating structural change, ensuring the sustainable use of resources, curbing the abuse of power, ensuring a decent standard of living for all citizens, and promoting opportunities for active participation in national affairs. To effectively pursue these goals, the concept of proper governance is rooted in four fundamental principles: **development, democracy, social inclusion, and respect for local cultural and historical contexts** (table 14)²⁵¹²⁵².

Table 14: Levels, Actors and Principles of Proper Governance²⁵³

	Actors	Principles
State -Society	Bureaucracy Political office Civil society Economic society	<ul style="list-style-type: none"> • Development: Economic growth, distribution of wealth and responsible use of resources. • Participation Guaranteeing the right of citizens to participate in decision-making and overseeing the government, law enforcement, accountability, and public transparency. • Social inclusion: Every citizen has equal access to economic and political resources and equal legal status. • Local context: Paying due attention to local social, cultural, economic, and political conditions which may enable the establishment of ownership and commitment in the implementation of governance.

Proper governance can play a critical role in promoting SMEs in Africa, thereby fostering economic growth, job creation and poverty reduction. By adopting governance practices tailored to the specific needs and challenges of SMEs, governments and stakeholders can create an enabling environment for their development. This includes facilitating access to finance, streamlining regulatory processes, encouraging innovation and entrepreneurship, and promoting skills development. Through effective governance, the state actively supports and works with SMEs, facilitating their integration into the formal economy and maximizing their impact on sustainable economic development and social inclusion across Africa.

SMEs are key drivers of economic progress in many African countries, and by implementing appropriate governance measures, the region can harness their full potential. Emphasizing good governance in support of SMEs can lead to greater economic resilience, increased employment opportunities and improved livelihoods, contributing to the overall prosperity and development of African nations.

251 Syarif Hidayat, "Menimbang Ulang Konsep Good Governance: Diskursus Teoritis" [Reconsider the Concept of Good Governance: Theoretical Discourse], Jurnal Masyarakat Indonesia 42, no. 2 (2016): 162.

252 <http://jmi.ipisk.lipi.go.id/index.php/jmiipisk/article/view/724/504>

253 https://www.jstor.org/stable/pdf/26937802.pdf?refreqid=excelsior%3Ae45244f09bf429ca63464c52575f01f4&ab_segments=&origin=&initiator=&acceptTC=1



Comparison between good and proper governance

As outlined above, the concept of governance can be approached from two closely related but distinct perspectives. A comparison of these perspectives is presented in Table 15. While good governance is based on universal principles and industry best practices, with a strong emphasis on accountability and transparency for effective outcomes, proper governance factors in local contexts, historical experiences, and capacities to strive for sustainable economic development, democratic governance, and social inclusion. This underscores the importance of adapting strategies to specific contexts to achieve positive results.

Table 15: Comparison between proper and good governance

Aspect	Good Governance	Proper Governance
Emphasis	Emphasizes general principles of governance	Emphasizes understanding local contexts
Considerations	Focuses on universal standards and best practices	Considers timing, space, historical experience, and capacity
Objectives	Aims for effective governance and positive outcomes	Aims for sustainable economic development, democratic governance, and social inclusiveness
Principles	Often based on principles such as accountability and transparency	Rooted in principles of development, democracy, social inclusiveness, and respect for local cultural and historical contexts
Approach	Provides broad guidelines for governance practices	Tailors' governance strategies to specific local circumstances
Application	Applicable in various contexts and countries	Adaptable to the unique needs and challenges of each context
Focus	Emphasizes good governance to achieve desired outcomes	Focuses on the importance of context-specific governance

3.2 Institutional models of SEZs²⁵⁴

Table 16: Institutional Models of SEZs

Institutional Model	Description	Advantages	Disadvantages
Institutional Model	Description	Advantages	Disadvantages
Public ownership	Is the dominant model in certain SEZs, where the government assumes responsibility for all aspects, including regulation, ownership, development, and operation. This approach has both advantages and disadvantages.	On the positive side, public ownership is preferred when there is sufficient autonomy from vested interests and when the profit motive alone is not sufficient to ensure the overall success of the zone for the country.	This model is not widely preferred in many countries because of the potential burden it can place on public finances. In addition, governments often lack the technical expertise to manage SEZs effectively, and conflicts of interest can arise within government institutions involved in commercial ventures.
Private ownership	Means that a private company assumes responsibility for all aspects of the zone, except regulation. The private entity retains all operating revenues generated by the SEZ. In some cases, the same private company may own, develop, and operate the zone.	On the positive side, it is preferred when the primary objective is to maximize direct economic returns from the zone and the government has strong regulatory capabilities. The private sector is often in the best position to optimize the economic benefits of SEZs.	If the government has limited regulatory capacity, privately-run zones may not be sufficiently accountable. In addition, private SEZs may prioritize maximizing "private" economic returns for the zone itself, rather than benefiting the economy.
Public-Private Partnership (PPP) – Joint-Venture	In this model, a host government enters into an agreement with another government or a private company, either domestic or foreign, to jointly operate an SEZ. The joint-venture entity may take responsibility for developing and operating the SEZ, or it may choose to outsource these functions through PPP models such as lease agreements or management contracts.	On the positive side, it can be used when a government faces challenges in attracting sufficient private investment to finance an SEZ. This may be the case when the private sector is reluctant to take on the full risk of owning the SEZ due to concerns about political uncertainties. In addition, this model allows the government to retain some control over the ownership of the zone while leveraging the expertise of the private sector.	The involvement of multiple agencies in a joint-venture can lead to coordination problems, potentially causing delays or hindering the progress of the SEZ.

254 <https://www.theigc.org/sites/default/files/2019/12/Mangal-2019-policy-paper.pdf>

3.3 Governance models

According to available data, African countries have adopted different governance models for their SEZs. About 43 per cent of African SEZs are publicly run, meaning that the government or the SEZ authority is directly in charge of managing every aspect of SEZs, from regulating to developing to operating the zone. Many SEZs are privately run, representing 41 per cent of the total. Hybrid models, usually operationalized through PPPs, have gained traction only recently and today represent roughly 16 per cent of all African SEZs²⁵⁵. Among the countries studied in this report, the data is coherent in a sense that the public administrations are the majority and the PPPs are gaining strength in the region.

While some countries opt for a uniform governance approach across all their zones, others have embraced a hybrid model, implementing a combination of organizational structures tailored to each specific zone. Ownership and management of Africa's public SEZs varies from country to country. While most SEZs are owned by the central national government, some countries with capable regional governments have decentralized governance and transferred ownership and management to regional institutions. In South Africa, for example, provincial governments own and manage the majority of SEZs. The involvement of local stakeholders in zone governance is also seen in countries such as Morocco. However, these decentralization efforts are more limited in less developed African countries.

In Africa, 25 of the 42 countries with SEZ policies – nearly 60 per cent – rely on an independent SEZ authority to regulate their zones²⁵⁶. As several countries have shown, the PPP model brings efficiency, expertise, innovation, and financial resources from the private sector, accelerating the development of SEZs and attracting investment. It also reduces the financial burden on the government and promotes accountability and performance-based governance. Overall, the PPP model leverages the strengths of both sectors, creating vibrant and competitive SEZs that drive economic growth and national development.

It is a common criticism that many African zones have failed to achieve their intended goals, including expected economic benefits such as increased foreign direct investment (FDI), exports, and employment opportunities. In addition, many African SEZs have remained isolated enclaves, failing to stimulate growth in the surrounding industrial landscape. These shortcomings are often attributed to inadequacies in the design and implementation of SEZ policies and programs.

However, based on the evidence presented in chapter I, there are signs of change on the horizon. The emergence of a new generation of SEZs promises to revise this narrative. These SEZs show the potential to function as agents of synergy by leveraging their comparative advantages and building linkages between zones and local communities. By implementing suitable governance strategies and considering the specific local circumstances, there is a chance to tackle the mentioned issues and improve the efficiency of SEZs in Africa's development.

²⁵⁵ https://unctad.org/system/files/official-document/diaeia2021d3_en.pdf

²⁵⁶ https://unctad.org/system/files/official-document/diaeia2021d3_en.pdf



Role and responsibilities of SEZs Stakeholders

As the International Growth Centre, directed by London School of Economics and the University of Oxford proposes, four stakeholders govern Special Economic Zones: Regulator, Owner, Developer and Operator (manager)²⁵⁷.

The division of responsibilities in SEZs may vary and be flexible, but the core functions of each stakeholder should remain unchanged. It is relevant to underline that, except for the role of the regulator, all other roles can be played by the private sector. For example, the marketing of an SEZ could be the responsibility of the regulator, developer, or operator. Similarly, the provision of utilities could be the responsibility of the operator rather than the developer.

A single entity may also play several roles and, as the evidence shows, many SEZs are owned, developed, and operated by the same private entity. Nevertheless, evidence suggests that it is more effective to allocate distinct roles to separate entities for improved practices and outcomes.

The advantages and disadvantages of the SEZ depend on whether a role is assigned to a public or private actor. Understanding these nuances is critical to optimizing the benefits of SEZs and their integration into host economies.

²⁵⁷ <https://www.theigc.org/sites/default/files/2019/12/Mangal-2019-policy-paper.pdf>

3.4 Stakeholders & Governances

Figure 13: Responsibilities of Stakeholders²⁵⁸



258 <https://www.theigc.org/sites/default/files/2019/12/Mangal-2019-policy-paper.pdf>

The importance of both geographic location and the effectiveness of an operator's governance in shaping a zone's performance is supported by concrete evidence. While location is an intrinsic factor, empirical data support the significant role of governance²⁵⁹. This approach calls for greater involvement of regional and local authorities, allowing them to be more initiative-taking. In addition, the empowerment of zone operators, through the delegation of more powers and resources, is crucial to enhance their capacity to effectively manage and facilitate economic activities within the zone. This empowerment strategy, supported by empirical observations, has the potential to unleash the full capabilities of SEZs and significantly enhance their contribution to regional economic development and growth.

Traditionally, the analysis of SEZ performance has focused primarily on location, a parameter often dictated by policymakers. However, evidence suggests that the effectiveness of the Zone Managing Company (ZMC), which is responsible for managing the SEZ, carries significant weight and is sometimes overlooked. This gap is addressed by Aggarwal's 2005²⁶⁰ research, which uses a questionnaire-based interview and panel model. The study sheds light on the often-underestimated influence of governance, as embodied by the ZMC, on SEZ performance in countries such as India, Sri Lanka, and Bangladesh. Such findings underscore the importance of robust governance mechanisms through the ZMC in ensuring favourable outcomes for SEZs in these specific contexts.

Furthermore, the World Bank supports these findings by highlighting the nature of the operator as an important determinant of success. Its stance echoes the consistent emphasis on the advantages of private operators over publicly run zones in best practice guides, as demonstrated by sources such as Watson (2001), FIAS (2008), OECD (2009), and Farole and Kweka (2011)²⁶¹. This recognition is consistent with evidence that contrasts the conventional government-led model of SEZ management with the alternative approach of private operators. Farole and Moberg's 2014 research underscores that private operators often achieve better performance outcomes²⁶². This finding can be attributed to several factors that favour private operators, including a deeper understanding of market dynamics, advanced management skills, and independence from political influence. As a result, the inclusion of private operators in SEZ management can lead to improved performance and success.

Finally, drawing on diverse global experiences, the 2019 World Investment Report (WIR)²⁶³ reinforces the critical role of effective zone governance and seamless collaboration between operators and administrators at various levels. This stance reflects the view that the prosperity of special economic zones goes beyond the mere selection of a suitable location and operator. Instead, it requires a coordinated strategy that fosters investor confidence. This fostering of trust and cooperation has been shown to attract increased foreign direct investment (FDI), stimulate economic growth and create employment opportunities. As a result, it contributes to the overall development and prosperity of the host country.

The following table shows the dominant governance systems in the countries studied. This comparison helps us understand the factors that influence each type of governance and its impact on SEZ performance. It provides reference and insight into the relationship between governance structures and economic development to inform future policies and decisions.

259 <https://eber.uek.krakow.pl/index.php/eber/article/view/1180>

260 <https://www.jstor.org/stable/4418855?seq=1>

261 <https://documents1.worldbank.org/curated/pt/316931512640011812/pdf/P154708-12-07-2017-1512640006382.pdf>

262 <https://www.wider.unu.edu/sites/default/files/wp2014-152.pdf>

263 <https://unctad.org/publication/world-investment-report-2019>

Table 17: Comparison between proper and good governance

Region	Country	SEZ	Type of Governance	Authority
COMESA	Egypt	SEZONE (Sokhna Port)	Public	General Authority for Investment and Free Zones (GAFI)
		Alexandria Public Free Zone		
		Port Said Public Free Zone		
	Kenya	Mombasa SEZ	PPP	Special Economic Zones Authority (SEZA)— Japan International Cooperation Agency (JICA)
		Tatu City	Private	Rendeavour
		Athi River	Public	Export Processing Zone Authority (EPZA)
Rwanda	Kigali SEZ	Public	Special Economic Zone Authority of Rwanda (SEZAR)	
ECCAS	Gabon	Gabon SEZ (Nkok SEZ)	PPP	Gabon Special Economic Zone (GSEZ)
ECOWAS	Benin	Glo-Djigbe industrial Zone	PPP	Investment and Export Promotion Agency (APIEx in French)
	Ghana	Tema Free Zone	PPP	Ghana Free Zones Authority (GFZA)
		Ashanti Technology PARK		
	Nigeria	Lekki Free Zone	PPP	Nigeria Export Processing Zones Authority (NEPZA)— Lekki Free Zone Development Company (LFZDC)
		Centenary Economic City		NEPZA – Centenary City PLC
		Abuja Technology Village Free Zone		NEPZA – ATV foundation
MAHGREB	Morocco	TANGER-Med	Public	Tanger Mediterranean Special Agency (TMSA)
		Berkane Agro-Industrial Park		MedZ— Caisse de depot et de gestion (CDG)
SADC	South Africa	Coega	Public	Ministry of Trade and Industry— SEZs Advisory Board
		Atlantis		
		East London		
	Mauritius	Mauritius Free port	Public	MFA and EDB

3.5 EZs regulatory framework

SEZs provide zone users with preferential conditions and privileges not available outside them, however the extent of these special rules and their interaction with general legislation vary from country to country. These zones have special trade regulations that establish tariff systems and administrative procedures for imports and exports. Investors often benefit from full or partial duty exemptions, expedited customs clearance procedures, and special warehousing facilities. Host countries extend investment protection and promotion through measures such as political risk insurance, investment incentives, and services provided by investment promotion agencies. Within SEZs, these incentives and services tend to be more generous than in other parts of the country, reinforced by stabilization clauses in investment contracts.

SEZs regulations may grant foreign investors greater entry rights in restricted or closed industries and may serve as a testing ground for investment liberalization prior to nationwide opening to foreign investors. Real estate laws in SEZs are often more relaxed, allowing foreign ownership or preferential long-term leases. In addition, SEZs may offer preferential access to land through free or reduced-price offers, and investors may be exempt from property taxes.

Tax incentives are a common feature of SEZs, such as partial or total exemption from corporate income taxes for a certain period or the application of reduced tax rates. However, a balance must be sought, as an excessive focus on tax incentives can have drawbacks.

Labour and environmental regulations in SEZs are rooted in existing legal frameworks, but investors often face additional labour-related responsibilities as part of the incentives offered, such as upgrading the skills of the local workforce. SEZ regulations may also require targeted measures to combat pollution, manage noise, ensure water treatment, and facilitate waste disposal, accompanied by provisions allowing employers greater flexibility in managing working hours. Given the prevailing global development agenda, the integration of sound environmental, social and governance policies is becoming a compelling imperative. Beyond immediate economic benefits, these policies align with sustainable development goals, equitable labour standards, and environmental conservation. Incorporating ESG principles into SEZ operations underscores a commitment to ethical and responsible business practices that align with global sustainability aspirations.

Figure 14: SEZ Regulatory Framework



These seven key concepts – **one-stop shop, preferential access to land, tax incentives, labour, and environmental obligations, investment promotion, and customs facilitation** – serve as general guidelines for countries to design and implement their SEZ regimes. While each country’s approach may vary based on its unique economic and social context, these basic concepts provide a framework for creating SEZs that are attractive to investors, facilitate trade, promote sustainable practices, and foster economic development. By incorporating these principles into their SEZ regulations, countries can create an enabling environment that maximizes the potential benefits of these zones.

3.6 SEZ governance and regulation by country

In the context of promoting economic growth, attracting foreign investment, and encouraging industrial development, SEZs have become increasingly popular in Africa. Their establishment and management can vary widely from country to country, resulting in different outcomes in terms of success and effectiveness.

This chapter examines evidence from ten different countries, highlighting different approaches to SEZ governance and regulation. The analysis of these diverse experiences aims to provide valuable insights into the effectiveness of these programs in different contexts, as well as identify key factors that contribute to their success.

The previous chapter focused on examining the alignment of growth sectors, integration of the local economy, skills and qualifications for jobs, commitment to quality infrastructure, access to finance, and commitment to environmental, social, and governance (ESG) principles. In addition, economic integration involved evaluating

the policies of the same countries and assessing their effectiveness in promoting subcontracting and outsourcing activities by large companies to SMEs. While chapter I laid out a policy design with building blocks to enhance the business ecosystem for SMEs, chapter II builds on this by delving into the concept of “proper governance” and assessing how well different countries’ regulations align with these guidelines. In this section, we also compare the findings on the SME ecosystem building blocks with the principles of proper governance. The goal is to strengthen and consolidate the recommendations, thereby fostering a more coherent and effective approach to supporting SMEs and promoting sustainable growth.

This comparison involves analysing the practical implementation efforts of agencies and national plans, as presented in the building blocks, and contrasting them with the SEZ Regulation. Data will be used to highlight the discrepancies between current regulations and actual practices. The chapter aims to promote a synergistic approach that harmonizes objectives and helps countries update their regulations to reflect reality. This alignment will ensure effectiveness and consistency, as well as demonstrate progress in SEZ plans. Notably, certain elements such as “sectors with high growth potential”, “commitment to quality infrastructure”, and “access to finance for SMEs” are excluded from this comparison because they are not directly comparable with the regulatory analysis. Rather, the focus is on “Building the Local Economy”, “Job Creation, Skills and Regulation” and “ESG Commitment”.

3.7 Benin

3.7.1 Model

In recent years, Benin has made progress in diversifying its industrial landscape beyond its reputation as a cotton producer. With a focus on boosting value-added activities in the textile and apparel sector, the country is also actively expanding its energy and transportation infrastructure, as well as developing special economic zones to attract foreign investment and strengthen its industrial capacity. This momentum gained traction following the enactment of a comprehensive law in June 2017 that outlines regulations for the establishment, operation, and maintenance of SEZs, with the aim of boosting export revenues and promoting industrial growth.

In addition, to reinforce its commitment to increasing exports and attracting investment, Benin created the Investment and Export Promotion Agency (APIEx)²⁶⁴. This government agency brings together three key entities: the Benin Trade Promotion Agency (Abepec), the Single Window for Business Formalities (Gufe), and the Investment Promotion Centre (Cpi). This serves as a central platform to highlight Benin as an attractive investment destination.

A key Initiative in the country’s development strategy is the Glo-Djigbé Industrial Zone (GDIZ), a joint venture between the Republic of Benin and ARISE IIP. GDIZ focuses on industrial development with a strong emphasis on quality practices, which is consistent with ARISE II’s approach in all its SEZs. The overall objective of GDIZ is to make a significant contribution to the industrial development of the African continent.

²⁶⁴ <https://apiex.bj/>

3.7.2 Regulations²⁶⁵

Regulation	Description
Decree No. 2014-547 of September 12, 2014 ²⁶⁶ :	<ul style="list-style-type: none"> Article 4 of the law governing the Investment and Export Promotion Agency of Benin (APIEX) outlines its main functions, including the facilitation of various administrative procedures related to business entities. This includes activities such as company incorporation, operating licenses, amendments, cessation of activities and dissolution. APIEX plays a critical role in streamlining these formalities, ensuring a more efficient and supportive environment for businesses throughout their life cycle. By assuming these functions, APIEX aims to promote a conducive business climate in Benin, enabling a smoother and more accessible process for entrepreneurs and investors. The agency's focus on simplifying business-related procedures aims to reduce bureaucratic hurdles and promote economic growth, encouraging both local and international investment in the country. Through its dedicated efforts, APIEX plays a pivotal role in supporting the development and success of businesses operating in Benin.
Law No. 2017-07 of June 19, 2017 ²⁶⁷	<p>This regulation establishes the regime of Special Economic Zones in the Republic of Benin. The policy is designed to attract investment, promote exports, and stimulate economic growth. The policy is continually updated to remain competitive and responsive to changing economic conditions, and aims to encourage innovation and collaboration between the public and private sectors.</p> <ul style="list-style-type: none"> Benin Investment Code, Law n°2020-02 of 20 March 2020: The Investment Code sets the conditions, advantages, and general rules applicable to direct national and foreign investments in Benin. Its purpose is to promote, facilitate and protect sustainable and responsible investment in the Republic of Benin to accelerate economic growth and reduce poverty. This Code applies to all investments made in the Republic of Benin by a legal entity, except for investments made within the framework of public-private partnerships, as well as investments benefiting from specific aid schemes determined by the law establishing the regime of Special Economic Zones.
Decree No. 2020-062 of February 5, 2020 ²⁶⁸	Establishing the regime for "Glo-Djigbé Special Economic Zone" in the Republic of Benin.
Law No. 2022-38 of January 3, 2023 ²⁶⁹ :	Governs the creation, promotion, operation, administration, maintenance, and development of Special Economic Zones in Benin.

3.7.3 Stakeholders in the SEZ economic system in Benin

Council of Ministers

- Special Economic Zones are created and delineated by a decree issued by the Council of Ministers. This decree specifies important aspects such as the nature of the eligible enterprises that can establish themselves in the zones, the eligible activities, and the applicable regime governing those activities.

²⁶⁵ Based on information from the following links:

<https://sgg.gouv.bj/doc/decret-2014-547/>

<https://sgg.gouv.bj/doc/loi-2017-07/download/>;

<https://sgg.gouv.bj/doc/decret-2020-062/>; <https://sgg.gouv.bj/doc/loi-2022-38/>.

²⁶⁶ <https://sgg.gouv.bj/doc/decret-2014-547/>

²⁶⁷ https://sgg.gouv.bj/doc/loi-2017-07/download

²⁶⁸ <https://sgg.gouv.bj/doc/decret-2020-062/>

²⁶⁹ <https://sgg.gouv.bj/doc/loi-2022-38/>

APIEX

- The management of the Glo-Djigbé Industrial Zone (GDIZ) is overseen by the Investment and Export Promotion Agency. According to Decree 2018-- 036 of January 31, 2018, APIEx is mandated to perform several key functions, including investment promotion through the formalization, attraction, negotiation, and monitoring of investment projects. In addition, APIEx is responsible for the legal, economic, and financial analysis of investment proposals and public-private partnerships. Another key role of APIEx is to facilitate the development of special economic zones in Benin.
- In addition, APIEx is actively involved in the promotion of exports, providing valuable information and assistance in accessing foreign markets. It actively promotes products manufactured in Benin and engages in economic intelligence to encourage private investment and the growth of the export sector in terms of quality and quantity. As an integral part of the governments investment and export promotion policy, APIEx operates under the supervision of the Presidency of the Republic. As a single point of contact for investors, APIEx acts as the operational arm to implement the nations strategies in these vital areas

President of the Republic

- The President of the Republic may set up, by virtue of a Presidential decree, one or more Zones outside the suburban boundaries of the existing cities and villages, for purposes of establishing agricultural, industrial, and service projects.

National Investment Promotion: The General Authority for Investment and Free Zones (GAFI).

- GAFI is a public economic authority with a public legal personality that regulates, encourages, advances, administers, and promotes the investment in the Country in a manner to attain the State economic development plan. Additionally, it may establish branches or offices within the Arab Republic of Egypt or abroad by a decision issued by the Board of Directors as part of the commercial representation missions.

The Board of Directors

- The Board shall be responsible for taking all the decisions and measures necessary to manage, develop and regulate the business of the Zone. The government authority in charge of the free zone has a wide range of responsibilities. It sets requirements and standards for urban planning and construction, issues licenses for various projects, and grants environmental permits. It also manages seaports and airports, approves labour and social security regulations, and establishes import and export systems. To improve efficiency, it ensures speedy registration and authentication processes.
- These extensive responsibilities contribute to the effective functioning and success of the Free Zone, promoting economic growth and investment opportunities within its boundaries. Also, according to Article (16), the Authority shall solely, or jointly with others, establish the: "Main Development Company (MDC)". In the case of a joint establishment, the share of the Authority in the said company shall exceed 50%.

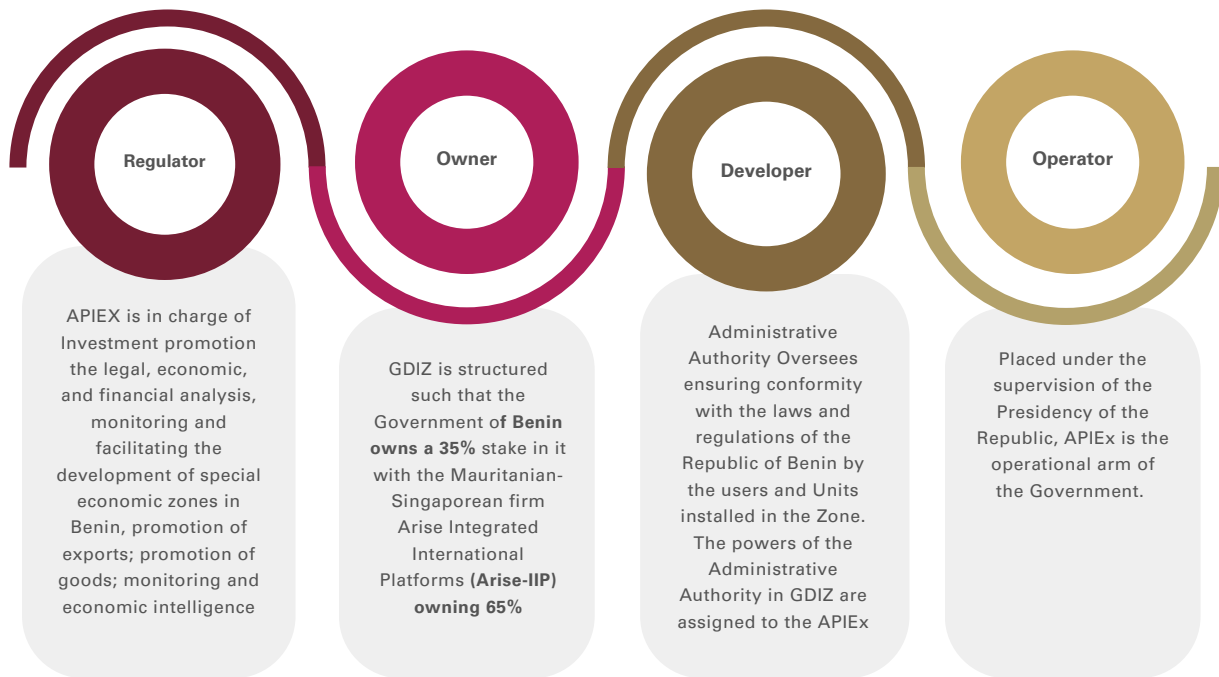
Main Development Company (MDC):

- A legal person licensed to conduct the establishment, management, advancement, or development of an Investment Zone in accordance with the provisions of this Law.

Development Company:

- A legal person licensed to conduct the establishment, management, advancement, or development of an Investment Zone in accordance with the provisions of this Law.

Figure 15: Stakeholders in the SEZ economic system in Benin



3.7.4 The One-Stop Shop

APIEX, Benin’s investment and export promotion agency, provides a seamless and efficient process for investors through its Single Window initiative. This one-stop shop serves as a dedicated contact point, simplifying and expediting all administrative formalities required to set up a business. This comprehensive platform brings together 13 administrative entities, streamlining the procedures for setting up and supervising entities operating in the zone.

The Single Window acts as a single point of contact for investors, managing all the necessary formalities and administrative procedures related to their establishment in the Zone. As a central agency, it coordinates and supervises the support provided by various competent administrations and other government services within the Zone. The different components and services of the Single Window are designed to consolidate the relevant departments or services set up by the competent administrations and other government services concerned. This strategic approach ensures an integrated and harmonized process, facilitating a more investor-friendly environment and promoting smoother operations within the Zone.

3.7.5 The case of Glo-Industrial Zone

The Glo-Djigbé Industrial Zone (GDIZ)²⁷⁰ is a joint venture between the Republic of Benin and ARISE Integrated International Platforms (ARISE IIP), a Mauritanian-Singaporean company. As a Special Economic Zone managed by the Development Agency, the GDIZ aims to improve the business climate, attract investment, and promote industrial development in the region.

270 https://gdiz-benin.com/wp-content/uploads/2021/10/Cahier-des-Charges_GB.pdf



In this public-private partnership, the ownership structure allocates 35% to the Government of Benin and 65% to ARISE IIP, in line with the government's strategy to promote economic growth and create an attractive environment for local and international investors²⁷¹.

ARISE Integrated Industrial Platforms (IIP) is recognized for its expertise in developing industrial zones and dedicated ecosystems. The company has a successful record of developing industrial zones throughout Africa, including the Gabon Industrial Zone (GSEZ) and the Adétikope Industrial Zone in Togo (PIA).

Located approximately 45 km from Cotonou in Abomey-Calavi, the Glo-Djigbé Industrial Zone will cover approximately 1,640 hectares and will focus on the processing of agricultural products. This modern industrial park will be developed in three phases, the first of which, covering 400 hectares, has already been completed. The construction progress of this key industrial hub in Benin is remarkable and demonstrates rapid progress.

²⁷¹ <https://www.state.gov/report/custom/9737c43a98/>

3.7.6 Proper governance items

Table 18: Proper Governance Items (Benin)

Regulation	SEZ Law No. 2022-38 of January 3, 2023	Decree No. 2020-062 of February 5, 2020
Objective	Art. 1: The present law governs the creation, promotion, operation, administration, maintenance, and development of Special Economic Zones in Benin. Art.2: The "SEZ" refers to a specific area of the national territory, delimited by the State, with the aim of promoting the development of a specific economic hub.	Art.1: Establishing the regime for Special Economic Zones in the Republic of Benin, an economic zone named "Glo-Djigbé Special Economic Zone"
Development	Art. 3: Objectives: <ul style="list-style-type: none"> To promote and attract industrial, agro-industrial, agro-food, and agricultural investments by facilitating the establishment of production units. To promote the development of exports and direct domestic and foreign investment. To develop infrastructure for industry and commerce. To rehabilitate and enhance existing infrastructure to foster the socio-economic development of Benin. 	Art. 3: The Glo-Djigbé Special Economic Zone aims to: <ul style="list-style-type: none"> Facilitate export development. Encourage direct investment from both domestic and foreign sources. Foster the development of national natural resources and productions. Develop manufacturing industries for primary, secondary, and tertiary transformation products. Foster the implementation of new processes, technical solutions, and their integration into the national economy.
Participation	-	-
Local Content/SME Consideration	Art. 24: General conditions for approval in a special economic zone: Commitment to create at least 80% of direct and permanent employment opportunities for residents. Art. 39: Two regimes are applicable in SEZ: - The export regime that is focused on export-oriented activities. The regime for the promotion of intra-community exchanges or type 2 regime: -This regime provides the benefit of a certificate of intra-community origin for manufactured products.	Vision Benin Alafia 2025
National Integration	-	-



3.7.7 Comparison business ecosystem for SMEs, proper governance, and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/SME	National Integration	ESG
Building Local Economy	Chapter one noted that in terms of building the local economy, Benin has made efforts through initiatives such as the Local Content Policy and the creation of the Glo-Djigbé Industrial Park and PK24, which provide support to SMEs in priority sectors. However, the report concludes that there is still room for improvement in this area.		
	Proper Governance also recognizes Benin’s explicit interest in developing local economies, as reflected in its SEZ regulation, with the commitment to create at least 80% of direct and permanent employment opportunities for residents and a special regime to promote intra-community exchanges. Proper governance suggests consolidating these regulatory concessions to ensure the consistent growth of local economies throughout the country.		
	Business ecosystem and proper SEZ regulatory alignment: Benin has made efforts to build its local economy through initiatives such as the local content policy and supportive industrial parks. However, there is still room for improvement in consolidating regulatory concessions to further promote local economies across the country. Aligning practical implementation with established regulations can lead to more effective and cohesive growth for SMEs and the local economy.		
Job Creation, Skills, and Regulation	In the first chapter, it suggested that the National Skills Development Program (NSDP) and the Chamber of Commerce play key roles in supporting skills development for workers and enterprises, and the ANPE is working on SME growth. However, there are undefined pathways for skills development within SEZs, which the proposed one-stop shop aims to address. The lack of explicit links with higher education institutions such as Technical and Vocational Education and Training (TVET) and the limited collaboration with the National Agency for Employment and Vocational Training (ANPE) are challenges.		
	Regarding the SEZ framework in Benin, the lack of labour regulations beyond the commitment to create employment opportunities for residents highlight the need for improvements in promoting skills development and labour from a regulatory perspective. This gap is also consistent with the lack of national integration of these policies.		
	Business ecosystem and proper SEZ regulatory alignment: While Benin has taken positive steps in some areas of skills development and workforce development, critical issues remain to be addressed, such as the undefined skill development pathways in SEZs and the need for comprehensive labour regulations. Coordination with higher education institutions and enhanced cooperation with ANPE could further strengthen efforts to support SMEs and promote sustainable growth in the country’s SEZs. A comprehensive approach to regulatory improvements and better integration of national strategies can lead to more effective and cohesive support for skills development and labour initiatives in Benin.		

ESG Commitment	<p>Benin’s commitment to sustainable development is evident in the integration of the 17 Sustainable Development Goals (SDGs) into national planning and budgeting processes, as highlighted in the first chapter analysis. The Council for the Environment plays a crucial role in overseeing environmental policies, ensuring ecological balance, and promoting sustainable development for current and future generations. Collaboration with relevant ministries, agencies, and stakeholders helps formulate policies and regulations that promote sustainable practices in various sectors. In addition, Benin’s successful issuance of a bond targeting ESG initiatives is an example of progress in attracting investment for sustainable projects. However, despite these efforts, the analysis concludes that more needs to be done to achieve comprehensive sustainability goals.</p>
	<p>The alignment of proper governance guidelines and the SEZ regulatory framework with the consideration of Benin’s regulations, which lack systematic regulations, reflects that there is still much to do in this area. Currently, the responsibility for implementing sustainable practices in SEZs depends on the willingness of developers and companies due to the lack of clear and structured guidelines. As a result, this situation poses challenges in ensuring consistent and effective implementation of sustainability measures in SEZs.</p>
	<p>Business ecosystem and proper SEZ regulatory alignment: Benin’s integration of the SDGs and the creation of the Council for the Environment demonstrate a commitment to sustainable development. The successful issuance of an ESG-focused bond represents progress in attracting sustainable investment. However, the lack of systematic regulation within the SEZ framework represents a critical area for improvement. To strengthen the country’s sustainable development efforts, a more structured and comprehensive approach is needed, emphasizing clear guidelines in the SEZ regulatory framework to promote responsible and environmentally friendly development in the country.</p>

3.8 Egypt

3.8.1 Model

In Egypt, free zones (FZs)²⁷² operate as a distinct investment system regulated by the Investment Law No. 72 of 2017 and its implementing regulations and supervised by the General Authority for Investment and Free Zones (GAFI). These zones are specific areas within the country’s territory, under the jurisdiction of the state administration. They are characterized by special tax, customs and financial regulations that create favourable conditions for attracting investments and promoting economic activities.

Egypt offers both public and private free zones, with GAFI serving as the main authority overseeing these zones. The public free zones are particularly important as they play a vital role in facilitating foreign and domestic investment, supporting economic growth, and enhancing trade opportunities. The free zone concept provides a strategic framework for companies to operate in a business-friendly environment, enjoying various incentives and streamlined procedures to promote investment and trade.

However, it is important to note that Egypt currently has seven types of co-existing zones: public or private Free Zones (FZs), Investment Zones, Technological Zones, Special Economic Zones, Qualified Economic Zones (QIZs), and Industrial Zones. Each zone is governed by specific laws, overseen by different ministries, operates under different regulatory and institutional frameworks, offers different incentives to investors, and sometimes has overlapping objectives²⁷³

²⁷² https://www.gafi.gov.eg/English/StartaBusiness/InvestmentZones/PublishingImages/Pages/FreeZones/En_Pub_all%20final.pdf

²⁷³ <https://www.oecd-ilibrary.org/sites/8a873381-en/index.html?itemId=/content/component/8a873381-en>

3.8.2 Regulations²⁷⁴

Regulation	Description
Law No. 83 of 2002 on May 2002/275 (amended by Law No. 27/2015)	<ul style="list-style-type: none"> The “Economic Zones of a Special Nature” law allowed the establishment of special zones for industrial, agricultural, or service activities that are dedicated to the export markets. The law allows firms operating in these zones to import fixed assets and equipment, raw materials, and intermediate goods duty-free. Companies established in the new zones are subject to lower corporate taxes and are exempt from sales and indirect taxes. They also operate under more flexible labour regulations and enjoy other incentives. Authorized Activities in Free Zones allow for all types of investment activities in accordance with the policy set by GAFI for export-oriented industries. In 2015, Law 27 was introduced to expand the economic zone to an area of 461 km², covering three main cities (Sokhna, Ismailia and Port Said) and six strategic ports (Sokhna— Al-Adabiya— East and West Port Said— Al-Arish and Al-Tor). The amendments brought about by Law 27/2015 grant greater autonomy to the board of directors of the special economic zone and enhance the package of tax incentives offered to investors. With the entry into force of the new law, the Board of Directors is now authorized to offer additional incentives to investors, subject to the approval of the Cabinet (Article 13).
Investment Law no 72/2017/276	<p>The law consists of 94 articles divided into VII sections and aims to regulate investment in Egypt, applying to both local and foreign investments regardless of size. It covers several types of investment, including domestic investment, investment zones, technological zones, and free zones. The law outlines principles for both investors and the government, emphasizing fair competition, support for entrepreneurship and SMEs, consideration of social and environmental aspects, transparency, and the government’s right to preserve national security and public interests.</p> <p>Private Free Zones²⁷⁷: A private free zone is a distinct establishment or system that can house one or more projects with similar activities. It is strategically located outside public free zones to benefit from specific advantages such as proximity to resources, markets, or transportation hubs. The investor can own or rent the site for their operations.</p> <p>Public Free Zones: Egypt currently has 9 public free zones, well-equipped with necessary facilities and infrastructure for project operations. These zones are strategically located in main cities with access to sufficient labour and support facilities, benefiting nearby maritime ports and airports. Investment areas are allocated based on an annual rent system, determined by the project’s activity type and the square meter area. The zones also have integrated customs and security units, ensuring 24/7 operations.</p>
Protocol Between Egypt, Israel and the US On Qualifying Industrial Zones ²⁷⁸	<p>Qualifying Industrial Zones (QIZ) are specific geographic areas in Egypt that enjoy duty-free status when trading with the United States. Companies within these zones can enter the U.S. market without paying duties, provided they meet the agreed upon Israeli content based on pre-determined rules of origin. Egypt, backed by trade agreements with other markets, offers numerous economic benefits to industries operating within these zones.</p> <p>On December 14, 2004, the Egyptian government entered the Qualifying Industrial Zones Protocol with the US and Israel. This agreement enables qualified companies operating within specific geographic locations in Egypt to have duty-free access to the US market, provided their products meet the agreed-upon Israeli content requirements, which are currently set at 10.5%.</p>

²⁷⁴ Based on information from the following links: <https://sczone.eg/uplibrary/2019/09/Law-No-83-of-2002-on-economic-zones-of-a-special-nature.pdf>

https://climate-laws.org/documents/investment-law-no-72-2017_bfe8

https://www.gafi.gov.eg/English/StartaBusiness/InvestmentZones/PublishingImages/Pages/FreeZones/En_Pri_all_final.pdf

<http://www.qizegypt.gov.eg/page/overview>

²⁷⁵ <https://sczone.eg/uplibrary/2019/09/Law-No-83-of-2002-on-economic-zones-of-a-special-nature.pdf>

²⁷⁶ https://climate-laws.org/documents/investment-law-no-72-2017_bfe8

²⁷⁷ https://www.gafi.gov.eg/English/StartaBusiness/InvestmentZones/PublishingImages/Pages/FreeZones/En_Pri_all_final.pdf

²⁷⁸ <http://www.qizegypt.gov.eg/page/overview>

Regulation	Description
Overall	The legal framework for special investment regimes in Egypt is defined by the 2017 Investment Law, which categorizes four distinct types: public free zones, private free zones, investment zones, and technical zones. Special economic zones operate under their own special SEZ law. Qualified Economic Zones (QIZs), on the other hand, are not a separate investment regime and may fall under the jurisdiction of either domestic or special investment regimes. They are governed by a protocol established in 2004 by an agreement between Egypt, the United States and Israel. Unlike special investment regimes, industrial zones fall exclusively under the jurisdiction of the inland investment regime, which results in the absence of any special tariff exemptions or treatment for companies located in these zones. Detailed assessments of dispute settlement mechanisms and tax incentives in special investment regimes can be found in other sections of this report.

3.8.3 Stakeholders

President of the Republic

- The President of the Republic may set up, by virtue of a Presidential decree, one or more Zones outside the suburban boundaries of the existing cities and villages, for purposes of establishing agricultural, industrial, and service projects.

National Investment Promotion: The General Authority for Investment and Free Zones (GAFI).

- GAFI is a public economic authority with a public legal personality that regulates, encourages, advances, administers, and promotes the investment in the Country in a manner to attain the State economic development plan. Additionally, it may establish branches or offices within the Arab Republic of Egypt or abroad by a decision issued by the Board of Directors as part of the commercial representation missions.

The Board of Directors

- The Board shall be responsible for taking all the decisions and measures necessary to manage, develop and regulate the business of the Zone. The government authority in charge of the free zone has a wide range of responsibilities. It sets requirements and standards for urban planning and construction, issues licenses for various projects, and grants environmental permits. It also manages seaports and airports, approves labour and social security regulations, and establishes import and export systems. To improve efficiency, it ensures speedy registration and authentication processes.
- These extensive responsibilities contribute to the effective functioning and success of the Free Zone, promoting economic growth and investment opportunities within its boundaries. Also, according to Article (16), the Authority shall solely, or jointly with others, establish the: "Main Development Company (MDC)". In the case of a joint establishment, the share of the Authority in the said company shall exceed 50%.

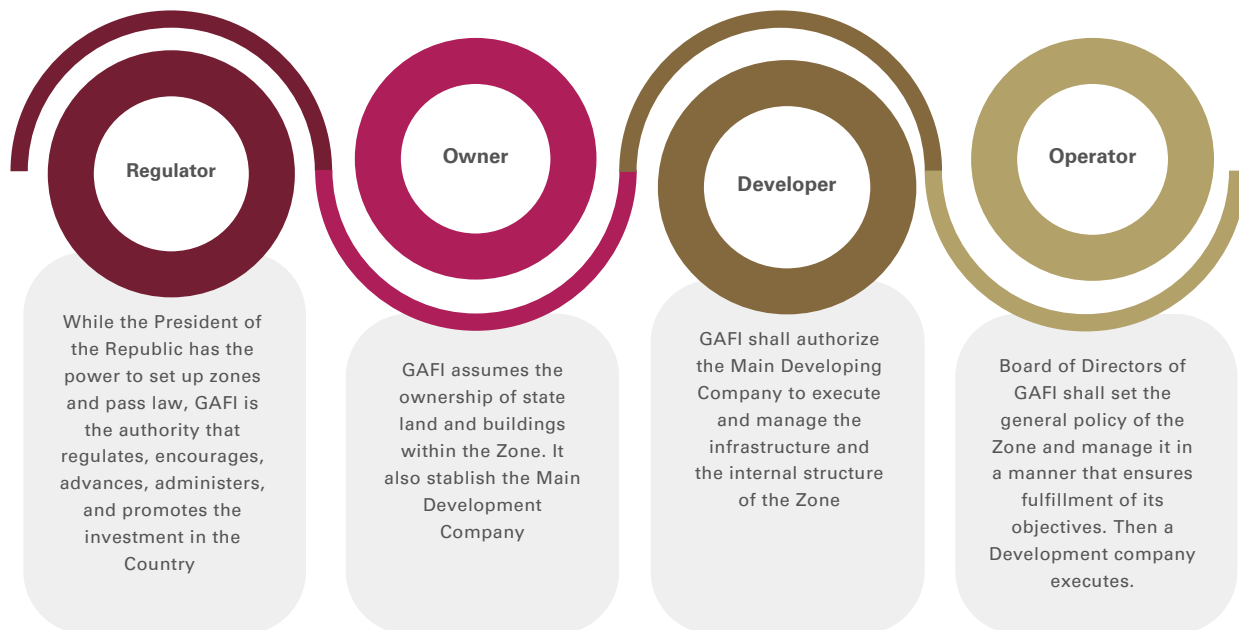
Main Development Company (MDC):

- A legal person licensed to conduct the establishment, management, advancement, or development of an Investment Zone in accordance with the provisions of this Law.

Development Company:

- A company assigned, within the limits of its objectives, to execute all or part of what has been licensed to the main development company.

Figure 16: Stakeholders in the SEZ economic system in Egypt



3.8.4 The one-stop shop

The operation involved significant support to two key entities, the General Authority for Investments and Free Zones (GAFI) and the Industrial Development Authority (IDA). GAF's efforts were aimed at establishing One Stop Shops, which essentially act as a single window for potential investors. These One Stop Shops are designed to streamline and simplify the process for investors, making it more convenient for them to obtain all the necessary approvals, permits and licenses required for their investment projects. In addition, the operation focused on supporting IDA in reducing the processing time for the issuance of high-risk industrial licenses. The goal was to significantly reduce the number of days required, from a substantial 640 days to an efficient 55 days.

To further improve efficiency and effectiveness, the Competent Investor Service Centre was established within the authority or as a branch thereof. This specialized administrative unit is responsible for implementing a streamlined system that facilitates and expedites the procedures associated with obtaining approvals, permits and licenses required for investment projects. The primary objective is to ensure that all necessary legal processes are completed within the periods established by the relevant laws. In this way, the Competent Investor Service Centre aims to provide a more seamless and supportive environment for investors, providing them with the essential data and information they need to facilitate their investment projects.

3.8.5 The case of SEZONES – Sokhna Port

SEZONE is Egypt's pioneering Special Economic Zone, established by Law 83 of 2002 to attract foreign investment and promote industrial growth for exports and foreign exchange earnings. Located in the Suez Governorate near Sokhna Port, SEZONE serves as a strategic location for medium and light industries, logistics services and trade facilitation. Its vision is to become a leading international investment destination, while its mission is to create a competitive business environment and world-class infrastructure for local and foreign investors.

Key development objectives include attracting foreign direct investment, creating jobs, increasing Egypt's trade share, and diversifying exports.

Strategically located along major global maritime trade routes, the SEZ enjoys a competitive advantage in terms of production costs and market access. It is characterized by unique incentives such as a 10% unified income tax, 5% personal income tax, and a one-stop regulatory framework. The special customs service and streamlined administrative procedures further enhance its business-friendly appeal. Through its development goals, the SEZ aims to establish itself as a beacon for international investment, enriching Egypt's economic landscape and improving the quality of life of the local community.

3.8.6 The case of Alexandria Public Free Zone

Alexandria Public Free Zone is in the vast coastal city of Alexandria, Egypt, known for its strategic port on the Mediterranean Sea. Covering an expansive area of 5,700,000 square meters, the Free Zone is in Amreya on the Cairo/Alexandria Road, conveniently situated 20 kilometres from Alexandria Port and Al-Nozha International Airport. Offering a range of services such as loading, unloading, shipping and transportation, the zone is linked to several airports, including Al-Dekheila and Borg Al-Arab International Airports, making it a hub for logistical activities. This expansive free zone is home to various industries, including chemicals, oil refining, petrochemicals, spinning and weaving, ready-made garments, edible oils and vegetable oil derivatives, and iron and steel production, contributing significantly to the region's economic landscape.

As one of the largest and most established Public Free Zones in Egypt, the Alexandria Public Free Zone plays a vital role in facilitating trade and industrial activities. Its strategic location close to major transportation hubs, coupled with its extensive range of services, makes it an attractive destination for various businesses. With its historical legacy and long-standing presence, the Free Zone has fostered the growth of sectors such as chemicals, textiles, and manufacturing, contributing to both the local and national economies while connecting Alexandria to international trade networks²⁷⁹.

3.8.7 The case of Port Said Public Free Zone

Established in 1975 adjacent to Port Said Port, the Port Said Public Free Zone occupies a strategic 800,000 square meter site overlooking the Suez Canal. It serves as a vital link for trade between regions such as the Persian Gulf, Southeast Asia, and Africa, as well as EU countries and the Americas, offering unparalleled access to maritime routes. The advantages of this location extend to its proximity to Cairo and efficient connectivity.

The zone's infrastructure is comprehensive, including water and sewage networks, telecommunications, power plants, natural gas connections and internal roads. Security measures are in place with a perimeter wall and watchtowers. Additional services include customs clearance, banking facilities and security arrangements.

In the Port Said Public Free Zone, businesses benefit from a supportive environment that facilitates investment through streamlined procedures and necessary permits. Its prime location, coupled with well-developed infrastructure and services, makes it an attractive destination for trade and commerce.

²⁷⁹ <https://middleeastfreezone.com/alexandria-public-free-zone#:~:text=Alexandria%20is%20the%20largest%20Egyptian,and%20Al%20Nozha%20International%20Airport.>

3.8.8 Proper governance items²⁸⁰

Table 19: Proper Governance Items (Egypt)

Regulation	SEZ Law No. 83, 2002	Investment Law no 2/2017
Objective	Art 1: The provisions of the attached Law shall apply to Economic Zones having a special nature	Art.1: Establishing the regime for Special Economic Zones in the Republic of Benin, an economic zone named "Glo-Djigbé Special Economic Zone"
Development	Art. (4): the Authority shall provide services and utilities pursuant to the most sophisticated technical specifications and standards. It shall also apply those systems, privileges, and exemptions capable of boosting investment and development capacities in all economic and social fields.	Art I: The provisions of the annexed Law shall govern the investment within the Arab Republic of Egypt.
Participation	Art (50): The Board of Directors of the Authority shall set up a special system for employees' participation in management and profits.	-
Local Content/SME Consideration	-	Art (2), 1: Equality of the investment opportunities and equal opportunities regardless of the size and location of the Project and without discrimination based on gender. The State supports emerging companies, entrepreneurship, and micro, small, and medium enterprises to empower the youth and small investors. Art. 15: Toward achieving the goals of the comprehensive and sustainable development, the Investor may dedicate a percentage of his annual profits to create a social development system, outside of his Investment Project.
National Integration	-	Art I: ...Either under the regime of the Inland Investment, Investment Zones, Technological Zones, or Free Zones.

²⁸⁰ Items:

I. Regulation: Refers to the existence of a comprehensive legal framework governing SEZs as part of an overarching national policy.

II. Objective: The regulation defines the purpose and objectives of the document.

III. Development: The regulation includes a development goal or national objective aimed at promoting economic progress or social advancement in the context of development.

IV. Participation: The ordinance includes provisions or mechanisms that facilitate the participation of civil society in the management, decision-making, or benefit-sharing aspects of the SEZ.

V. Local Context / SME Consideration: The regulation includes provisions aimed at strengthening links with local businesses, promoting job creation, and supporting local economic development, particularly for small and medium-sized enterprises (SMEs).

VI. National Integration: The ordinance illustrates how SEZs are aligned with the country's development goals and strategies, promoting economic growth, job creation and export promotion. It ensures the integration of SEZs into national development plans for overall economic progress.



3.8.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/SME	National Integration	ESG
Building Local Economy	<p>As explained in chapter I, local economic development in Egypt is a key priority, emphasized through the promotion of linkages between SEZs and SMEs. Private sector engagement, supported by sectoral associations and enterprise support organizations, plays a vital role in fostering growth. GAFI and MSMEDA contribute to an entrepreneurial culture and provide essential technical support. Local content regulations within SEZs encourage domestic manufacturing and offer incentives to drive the economy. The country’s commitment to sustainable growth is evident, with clear policies and legal provisions regarding the sourcing of local materials and labour. Furthermore, ongoing initiatives are aimed at promoting locally produced goods, reinforcing the dedication to local economic advancement.</p>		
	<p>While the above points are in line with appropriate governance guidelines, the existing SEZ regulation (Law No. 83 of 2002 on May 2002) lacks specific clauses to address the needs of emerging businesses, entrepreneurship, and micro, small, and medium enterprises. Instead, the support for such ventures is outlined in the national investment law. Despite considerable efforts to promote these activities under the national investment law, it is advisable to address this gap by incorporating supportive provisions directly into the SEZ framework. This amendment has the potential to strengthen Egypt’s position as one of the most progressive nations on the continent.</p>		
	<p>Business ecosystem and proper SEZ regulatory alignment: Egypt’s commitment to local economic development is evident in its orientation of SEZs towards SMEs, encouraging private sector involvement and domestic production. Clear policies support sustainable growth, although SEZ regulations lack provisions for emerging businesses and entrepreneurship found in the national investment law. Strengthening Egypt’s progressive position requires integrating supportive policies into the SEZ framework. In addition, addressing the competition and fragmentation resulting from several types of SEZs by consolidating programs under a unified regulatory framework would further underscore Egypt’s commitment to cohesive and comprehensive economic development.</p>		

<p>Job Creation, Skills, and Regulation</p>	<p>The first chapter highlights the significant role of SEZs in Egypt in fostering skills development, qualifications, and job opportunities. The Industrial Training Council (ITC) collaborates closely with SEZs, designing effective training programs. EPSIZ stands out for attracting high-tech investments and generating employment opportunities for skilled workers. Additionally, SCZone and NUC’s partnerships with SMEs contribute to enhanced productivity and job creation in new cities, reflecting Egypt’s commitment to prioritize economic growth and employment prospects within SEZs. The country is actively bridging the gap between industries and capacity-building institutions, providing dedicated funds and incentives to support this process.</p>
	<p>SEZ framework assessment reveals a well-structured regulatory foundation. The SEZ regulation incorporates the Labour Law as the baseline for labour rights in employment contracts. However, the framework could further strengthen its impact by incorporating skills promotion guidelines. Integrating such guidelines would bolster Egypt’s efforts to actively promote skills development within SEZs, resulting in a more dynamic and sustainable economic environment.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Egypt’s SEZs play a significant role in promoting skills, qualifications, and employment opportunities. The collaboration between the Industrial Training Council (ITC) and the SEZs, along with the attractiveness of EPSIZ for high-tech investment, demonstrates the country’s commitment to economic growth and employment in the zones. SCZone and NUC’s partnerships with SMEs further support job creation and productivity in the new cities. The comprehensive regulatory structure of the SEZ framework provides a sturdy foundation, while the inclusion of guidelines for skills development would increase the impact of skills development initiatives within SEZs. By combining these approaches, Egypt can accelerate its economic progress and foster a more robust and thriving business landscape.</p>
<p>ESG Commitment</p>	<p>Considering chapter one findings, Egypt has taken significant steps to promote ESG practices in the corporate sector by establishing the Egyptian Corporate Responsibility Centre (ECRC). This initiative is in line with the government’s commitment to the Sustainable Development Strategy, which has led to the implementation of various policies and regulations that support ESG principles. In particular, the General Authority for Investment and Free Zones (GAFI) has formulated guidelines for SEZs that emphasize ESG considerations. In addition, Egypt has promoted cooperation with international organizations such as the United Nations Development Programme (UNDP) to further promote the adoption of ESG principles among private companies.</p>
	<p>SEZ Law in Egypt incorporates environmental concerns into its provisions. It mandates the establishment of conditions and standards for granting environmental permits, ensuring that they are at least equivalent to those specified in the Environmental Protection Law. The law also emphasizes the assessment of environmental impacts on nearby areas when issuing such permits, demonstrating a commitment to environmental protection. In addition, the relevant authorities have been given specific responsibilities to monitor and enforce these environmental provisions.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Egypt’s commitment to promoting ESG practices in the corporate world is evident through the establishment of the Egyptian Corporate Responsibility Centre and the implementation of government-led sustainable development policies. These initiatives, combined with cooperation with international organizations, are creating a conducive environment for companies to adopt ESG principles. In addition, the inclusion of environmental considerations in the SEZ law demonstrates the country’s commitment to responsible and environmentally friendly economic development. By merging these two ideas, Egypt is demonstrating a comprehensive approach that balances economic growth with environmental stewardship and promotes a sustainable future for the nation.</p>

3.9 Gabon

3.9.1 Model

Historically stable amidst regional volatility, Gabon benefits from its favourable economic factors, including a small population, abundant natural resources, and a strategic location on the Gulf of Guinea. Since 2009, President Ali Bongo Ondimba has implemented reforms to diversify the country's economy away from oil dependence and traditional partners, opening opportunities for foreign investment in sectors such as oil, infrastructure, tourism, and mining. Despite these efforts, oil and mining revenues remain critical to Gabon's economic stability.

In 2011, Gabon introduced the Special Economic Zones policy under the leadership of the Ministry of Economy, Finance, and Reconstruction. The policy targets foreign investors and large corporations, but also includes provisions to support the growth of local SMEs. Currently, Gabon hosts four SEZs in Nkok, Mandji Island, Olam-Olam and Mbengué, each focused on specific industries such as agro-industry and energy. The Gabonese SEZ Authority works with various government agencies to ensure the effective implementation of the SEZ policy. In addition, the Gabon SEZ (GSEZ) operates as a public-private partnership with ARISE IIP, emphasizing ESG practices to reduce its environmental impact.

3.9.2 Regulations²⁸¹

Regulation	Description
Law N°10/2011 of July 18, 2011²⁸²	Regulating of the Economic Zones. For the purposes of this Law, Zones "Economiques à Régime Privilégié" (Special Economic Zones) shall mean specific areas within the national customs territory where industrial, commercial, and service activities are established, at least three-quarters (3/4) of which are intended for export. These zones are subject to the customs, tax, foreign exchange, and foreign trade regulations established by the provisions of this law, within the conditions and limits established.
Decree N°0461 of October 10, 2012²⁸³	This decree, decided upon in application of the provisions of Law N°10/2011 of July 18, 2011, mentioned above, has led to the creation and organization of the Nkok Economic Zone with a Privileged Regime. The ZERP of Nkok includes an industrial zone, a commercial zone and a residential zone, each zone being defined by the Administrative and Management Agency of the ZERP of Nkok, after being authorized by the Administrative Authority of the said Zone.

3.9.3 Stakeholders

President of the Republic

- Through the Ministry of Economy, Finance, and Recovery, the President is responsible for overseeing the implementation of the SEZ policy. The State grants to a public or private entity known as the Planning and Management Body the responsibility for the development, organization, promotion, and management of the Special Economic Zone

²⁸¹ Items:

<http://www.droit-afrique.com/upload/doc/gabon/Gabon-Loi-2011-10-zones-economiques-speciales.pdf>

http://www.china-invests.net/Gabon/GSEZ/Official_Journal.pdf

²⁸² <http://www.droit-afrique.com/upload/doc/gabon/Gabon-Loi-2011-10-zones-economiques-speciales.pdf>

²⁸³ http://www.china-invests.net/Gabon/GSEZ/Official_Journal.pdf

The Administrative and Management Agency (GSEZ)

- The responsibility for the administration and management of the Nkok Economic Zone with a Privileged Regime has been entrusted to a company registered in Gabon, known as Gabon Special Economic Zone S.A. (GSEZ SA). This company serves as the administrative and management agency for the Nkok ZERP and performs several functions, including the administration, organization, promotion and overall management of the zone. GSEZ SA plays a vital role in ensuring the smooth and efficient operation of the Nkok Economic Zone, fostering a conducive environment for economic activity and investment in the region.

The Administrative Authority of the Economic Zone with Privileged Regime of Nkok (AAN)

- The main task of the Administrative Authority of the GSEZ is to coordinate and supervise the operational functioning of all state administrations and services within the zone. This includes a broad geographic and functional group of all relevant government entities involved in processes related to the establishment, supervision, control, and management of companies operating within the GSEZ.
- The Administrative Authority consists of key components, including the Director General, who plays a vital role in directing the overall activities of the Authority. In addition, the One Stop Shop serves as a dedicated government window within the SEZ, consolidating various administrative entities to streamline and expedite the approval processes for businesses. Furthermore, the Accounting Agency operates within the Administrative Authority, overseeing financial matters and ensuring proper fiscal management within the SEZ. This integrated and collaborative approach ensures a cohesive and efficient environment for businesses operating within the SEZ, facilitating ease of conducting business and promoting economic growth in the region.
- In summary, GSEZ is the company responsible for overall administration and management of the Nkok Economic Zone, while AAN is a coordinating body that oversees the functioning of various state administrations and services within the economic zone, ensuring efficiency and smooth operations for businesses and investors.

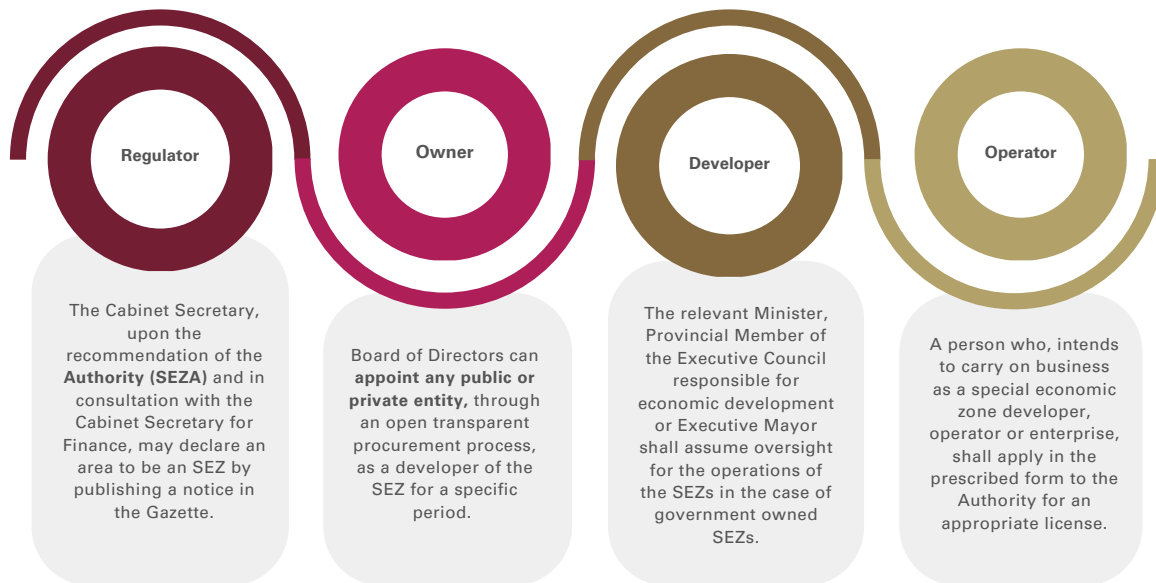
The Follow-Up Committee

- The Follow-up Committee meets together after being convened by its Chairman, a representative of the Administrative and Management Agency, or upon the request of a minimum of one third of the members.

ARISE Integrated Industrial Platforms

- Private entity or company play a significant role in the establishment and development of the Gabon Special Economic Zone (GSEZ). It is a key participant in a public-private partnership agreement with the Republic of Gabon (CDC) to establish and manage the GSEZ.

Figure 17: Stakeholders in the SEZ economic system in Gabon



3.9.4 The one-stop shop

The One Stop Shop, overseen by the General Director, serves as a centralized platform that consolidates various administrative entities essential to businesses operating within the Nkok ZERP. This streamlined approach aims to facilitate and expedite the administrative formalities and procedures required to obtain the necessary approvals to establish or maintain their presence within the SEZ.

This dedicated government window within the SEZ encompasses twenty-three government agencies, ensuring a comprehensive range of services and support for investors. By utilizing One Stop Shop, investors benefit from expedited approval processes, allowing for faster progress in their business endeavours. Specific periods for business formalities have been established to further expedite the process: registration of a new business is completed within 24 hours, registration of new employees takes only 30 minutes, and work visa processing is completed within 21 days. This efficient and time-sensitive approach is aimed at attracting and supporting businesses within the Nkok ZERP and fostering an investor-friendly environment that promotes economic growth and development²⁸⁴.

3.9.5 The case of Gabon SEZ – Nkok SEZ

The Gabon Special Economic Zone (GSEZ) is a significant development initiated in March 2010 through a public-private partnership agreement between Arise IIP and the Republic of Gabon (CDC). Its core mission is to promote local wood processing, industrial production, and sustainable use of Gabon’s abundant natural resources, particularly timber, for both local consumption and international export markets.

²⁸⁴ https://www.afdb.org/fileadmin/uploads/afdb/Documents/Boards-Documents/Gabon_AR-Economic_Diversification_Support_Project_PA-DEG_.pdf

To facilitate the establishment and operation of local and international investors, the GSEZ offers an advantageous administrative and fiscal framework. Divided into three sectors – industrial, commercial, and residential – the GSEZ is strategically located in Nkok, a town conveniently situated 27 km from the capital, Libreville. Its favourable geographic location allows for easy access by various modes of transportation, including road, rail, and river transport. In addition, the GSEZ is equipped with a loading platform that provides a direct link to the port city of Owendo, facilitating seamless loading and unloading of barges for efficient trade operations²⁸⁵.

Covering an area of 1126 hectares, the Special Economic Zone consists of an industrial zone, a commercial zone, and a residential zone. This SEZ brings together 144 companies from 16 countries, operating in 22 different industrial sectors. It includes a wood processing cluster that houses 84 companies dedicated to this sector.

To meet increasing demands and environmental concerns, the GSEZ has prioritized sustainability, traceability, and certification. All of Gabon's forest concessions adhere to the sustainable forest management practices required by the Gabonese Forest Code. In terms of traceability, as of October 2018, GSEZ has partnered with the Tracer-Nkok agency to ensure the traceability of all logs entering the special economic zone. Looking ahead, the Gabonese government plans to certify all forest concessions in the country, further improving timber traceability and demonstrating its commitment to the well-being of communities and workers involved in the forest sector.

3.9.6 Proper governance items

Table 20: Proper Governance Items

Regulation	Law N°10/2011 of July 18, 2011	Decree N°0461 of October 10, 2012
Objective	Art. 1: The present law, enacted in accordance with the provisions of articles 47 and 53 of the Constitution, regulates economic zones under a privileged regime.	Art. 1: The present decree has led to the creation and organization of the Nkok Economic Zone with a Privileged Regime.
Development	Art. (4): the Authority shall provide services and utilities pursuant to the most sophisticated technical specifications and standards. It shall also apply those systems, privileges, and exemptions capable of boosting investment and development capacities in all economic and social fields.	Article 3: The ZERP of Nkok is open to all economic activities, and especially those related to the development of activities tied to the transformation and exportation of wood.
Development	Art. (4): the Authority shall provide services and utilities pursuant to the most sophisticated technical specifications and standards. It shall also apply those systems, privileges, and exemptions capable of boosting investment and development capacities in all economic and social fields.	Article 3: The ZERP of Nkok is open to all economic activities, and especially those related to the development of activities tied to the transformation and exportation of wood.
Participation	-	-
Local Content/SME Consideration	Article 50: At the time of hiring, when skills are equal, priority is given to nationals by investors.	-
National Integration	-	-

285 <https://country.eiu.com/article.aspx?articleid=1029133887&Country=Gabon&topic=Economy&subtopic=Current+policy&aid=1&oid=438825628>



3.9.7 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

<p>Building Blocks SME Ecosystem (C1)</p>	<p>Local economy development through SME engagement</p>	<p>Job creation, new skills, and qualifications development</p>	<p>ESG commitment</p>
<p>Overall Compliance with SEZ Framework (C2)</p>	<p>National Investment Promotion</p>	<p>Labour</p>	<p>Environmental</p>
<p>Proper Governance (PG) guidelines on SEZ Regulation (C2)</p>	<p>Local Economic Development/ SME</p>	<p>National Integration</p>	<p>ESG</p>
<p>Building Local Economy</p>	<p>Chapter I highlights Gabon's effective approach in promoting sustainable economic development through its coherent policies concerning Special Economic Zones and Small and Medium Enterprises (SME). The SEZ policy not only supports foreign investors but also provides preferential treatment to local SMEs, fostering a balanced and inclusive business environment. Moreover, the implementation of local content policies encourages local procurement and employment, further contributing to economic growth. Successful cases like Olam Gabon, Akiba, and La Laiterie du Berger exemplify the positive impact of these policies on business growth and opportunities in Gabon. Additionally, the government has established supportive institutions and enacted a presidential decree on local processing of raw materials within the country, emphasizing the integration of the local economy within the SEZ framework.</p> <p>For C2, the current SEZ regulation lacks adequate consideration of this matter. While there exists a regulatory body dedicated to ZERP of Nkok, the focus seems limited to improving a specific region without extending the effort countrywide. It is important to address this issue with a broader perspective and prioritize the development of the local economy throughout the entire country.</p> <p>Business ecosystem and SEZ regulatory alignment: Gabon's well-coordinated policies concerning SEZ, and SMEs have proven effective in promoting sustainable economic development, with successful examples demonstrating their positive impact. However, the lack of broader consideration of the matter in SEZ regulation calls for a more inclusive approach that prioritizes the development of the local economy nationwide. By extending the successful principles from specific regions like ZERP of Nkok to the entire country, Gabon can achieve more comprehensive and equitable economic growth, benefitting businesses of all sizes and fostering a thriving national economy.</p>		



<p>Job Creation, Skills, and Regulation</p>	<p>Chapter I explains that Gabon’s government places a strong emphasis on skills development and job creation through SMEs, with agencies like ANPEFP and CNFD overseeing training initiatives. Substantial investments in ICT and tourism have resulted in significant contributions to the economy and increased job opportunities. The partnerships established by the GSEZ provide valuable training opportunities, and SMEs receive support through ANPME and the ESPACE incubator. However, there is a need for improved collaboration between SEZs and incubators to fully leverage their potential in fostering skills development and employment creation. Efforts have been made to link industry demands with technical and vocational education and training (TVET) institutions, and SEZs have even established TVETs within their facilities to align skills with employment opportunities.</p>
	<p>This chapter, based on Gabon’s SEZ regulation, identifies the need for further attention in this matter. While the current SEZ law mentions the preference for local workers, it primarily states that nationals should be prioritized in hiring when skills are equal. However, the regulation lacks specific measures to effectively enforce this preference and ensure adequate opportunities for local workers.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Gabon’s government demonstrates commitment to skills development and job creation through SMEs, supported by dedicated agencies and substantial investments in key sectors like ICT and tourism. The partnerships established within the GSEZ and the effort to align industry needs with TVET institutions show a concerted effort to foster a skilled workforce and employment opportunities. However, the current SEZ regulation’s vagueness regarding the preference for local workers points to an area that requires further attention and improvement. By enhancing the regulatory framework to better support local workers and fostering improved collaboration between SEZs and incubators, Gabon can strengthen its efforts to promote inclusive economic growth and maximize the potential of its skilled workforce.</p>
<p>ESG Commitments</p>	<p>Chapter one shows that Gabon demonstrates a strong commitment to ESG practices, supported by various policies, public institutions, and partnerships that promote sustainability and renewable energy. Initiatives like PDDA and GABEX assist SMEs in adopting sustainable practices, while GSEZ focuses on water conservation and energy efficiency to reduce environmental impact. With the aim to achieve 50% renewable energy by 2025, the country enforces environmental standards through the Ministry of Water, Forests, the Sea, and the Environment. These efforts highlight Gabon’s dedication to sustainable development and environmental responsibility.</p>
	<p>In this this chapter, there are no references in the SEZ laws regarding ESG practices, environmental protection, or standards. This highlights a significant gap between what the country’s regulations suggest, and the actual practices conducted. To address this issue and ensure nationwide compliance and respect for ESG principles, it is crucial to include explicit provisions in the law. This alignment will bridge the gap between the regulatory framework and Gabon’s reality.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Gabon’s strong commitment to ESG practices, sustainability, and renewable energy is evident through its policies, public institutions, and partnerships. Initiatives like PDDA, GABEX, and GSEZ reflect the country’s dedication to promoting sustainable development and attracting foreign investment. However, there are concerns regarding the absence of references to ESG practices and environmental protection in SEZ laws, indicating a discrepancy between the regulatory framework and actual implementation. By addressing this gap and incorporating ESG principles into the law, Gabon can ensure consistency between regulations and real-world practices, fostering a more sustainable and environmentally conscious business environment.</p>

3.10 Ghana

3.10.1 Model

Ghana's Free Zones are a unique concept with distinctive features that set them apart from other countries. The Free Zones Act of 1995²⁸⁶ introduced an approach that gives investors the freedom to locate their businesses anywhere in the country while still enjoying all the incentives and concessions offered by the Free Zones. This flexibility encompasses not only traditional enclaves, but also a "single factory scheme" that allows companies to operate nationwide while benefiting from the tax and other incentives outlined in the Act.

The Ghana Free Zones Authority (GFZA) plays a key role in promoting and facilitating the establishment and operation of free zones in the country. It operates under the Ministry of Trade and Industry and is a key partner in Ghana's public-private partnership model for economic development. The GFZA designates four Free Trade Zones: Tema EPZ, Shama EPZ, Sekondi EPZ and Ashanti EPZ. Of these, the Tema EPZ is the most developed and fully operational, attracting numerous local and foreign investors²⁸⁷.

In particular, the Tema EPZ is home to an impressive array of 90 companies, comprising both 34 companies with free zone status engaged in export-oriented activities, and a remarkable 56 non-free zone companies catering primarily to the local market. This unique mix of companies operating within the EPZ reflects Ghana's commitment to promoting domestic economic growth and export-led development.

In line with its vision for national development, the Government of Ghana has embarked on projects to revitalize and expand the Free Zones Program. The World Bank's involvement in the rehabilitation of existing infrastructure under the Ghana Economic Transformation Project underscores the government's commitment to creating an enabling environment for business growth and investment.

While the Ghana Free Zones Authority currently administers the free zones, the country is also formulating a policy for special economic zones. Under the "One District One Factor"²⁸⁸ initiative, private developers are encouraged to establish and operate Free Zones, contributing to decentralized industrialization and regional economic growth²⁸⁹. However, the GFZA remains the sole authority in Ghana to oversee EPZs, ensuring proper regulation and adherence to the country's unique free zone concept.

286 <http://images.mofcom.gov.gh/accessory/201212/1354895042040.pdf>

287 <https://gfza.gov.gh/>

288 <https://1d1f.gov.gh/>

289 <https://mofep.gov.gh/sites/default/files/adverts/Request-for-Expressions-of-Interest-Policy.pdf>

3.10.2 Regulations

Regulation	Description
The Free Zone Act, 1995 (Act 504) ²⁹⁰	Established by an Act of Parliament, GFZA focused on establishing free zones in Ghana to promote economic development. Additionally, its mandate is to regulate activities within free zones and for related purposes. The Ghana Free Zones Authority is governed by a nine-member Board chaired by the Minister of Trade and Industry.
Request For Expressions of Interest (REOI) – New Regulation	<ul style="list-style-type: none"> The Government of Ghana is driving industrial transformation through its Industrial Transformation Program, which is being implemented by the Ministry and associated agencies such as the Ghana Free Zones Authority (GFZA). As part of this initiative, the government has issued a Request for Expressions of Interest (REOI) to establish Special Economic Zones in all sixteen regions of Ghana. The objective is to promote decentralized and inclusive industrial development by creating specialized enclaves with modern infrastructure and incentives to attract domestic and foreign investment. The SEZs are expected to play a leading role in positioning Ghana as a leading manufacturing hub in Africa and in maximizing the benefits of regional and international trade agreements. By fostering strategic public-private partnerships, the government seeks to stimulate economic growth, create jobs, and promote technological advancement. The initiative demonstrates the government's commitment to creating an enabling environment for business, ensuring balanced industrial development, and equitably distributing economic opportunities throughout the country. Ghana envisions itself as a major player in regional and global trade, leveraging its resources and business-friendly policies for sustainable economic development.

3.10.3 Stakeholders

Ministry of Trade and Industry

- Is the main responsible for formulating SEZ policies, creating the legal framework and promoting investment in SEZs for economic development.

Ghana Free Zones Authority (GFZA)

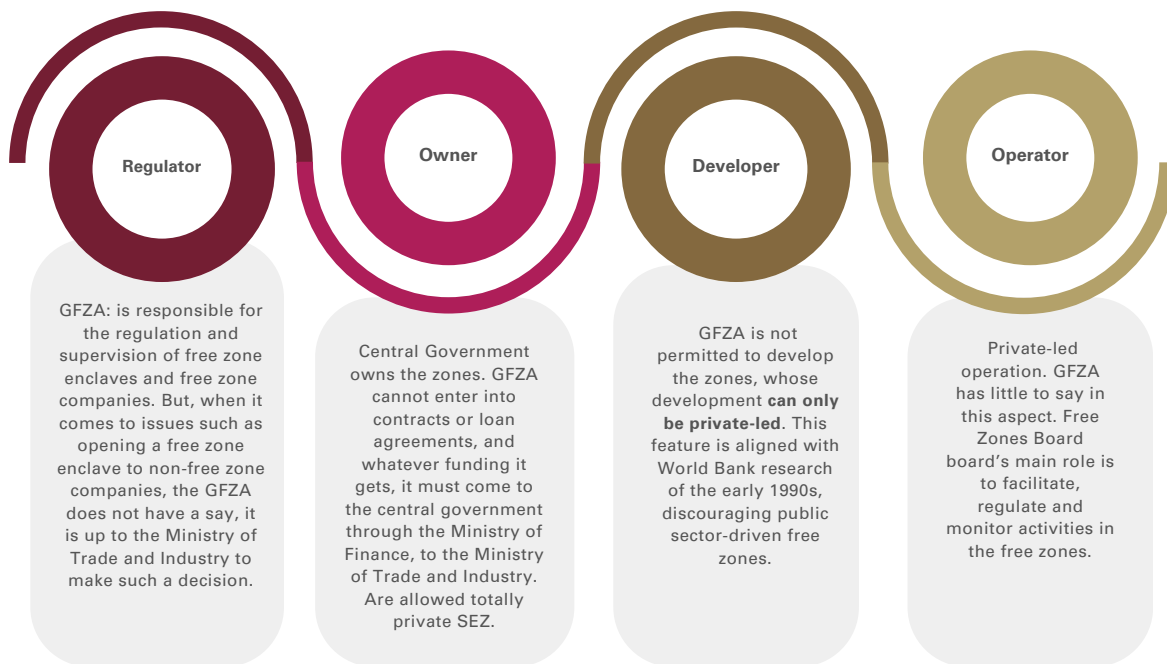
- GFZA was established under the Free Zones Act of 1995. The GFZA acts as a key regulatory body with a wide range of responsibilities including facilitation, licensing, data management and monitoring of activities within the free zones. One of its main objectives is to create an investor-friendly environment, and to this end it acts as a one-stop service centre for investors wishing to operate in the free zones.
- Although the GFZA operates with financial independence, it is not an autonomous body. As an agency under the Ministry of Trade and Industry, the GFZA does not have the authority to enter into contracts or loan agreements on its own. Instead, any funding required by the GFZA must be channelled through the central government, via the Ministry of Finance and the Ministry of Trade and Industry. This governance structure ensures that the activities and operations of the GFZA are consistent with the overall national economic policies and development

Free Zones Board

- The Ghana Free Zones Authority has nine members who are appointed by the President in consultation with the Council of State. The Board is chaired by the Minister of Trade & Industry. The board's key role is to facilitate, regulate and monitor activities in the free zones.

²⁹⁰ <http://images.mofcom.gov.cn/gh/accessory/201212/1354895042040.pdf>

Figure 18: Stakeholders in the SEZ economic system in Ghana



3.10.4 The One-Stop Shop

The Ghana Free Zones Authority (GFZA) was established to provide a streamlined and efficient one-stop service centre to meet the needs of free zone investors. Central to its mandate is the licensing, regulation, and close monitoring of activities within the country's free zones.

To support and facilitate the investment process, the GFZA provides a range of essential services to investors. These services include providing valuable investment information, granting licenses to operate within the free zones, and assisting in obtaining permits from relevant government agencies. In addition, the GFZA ensures the availability of serviced land and utilities in the export processing zones, facilitates the process of obtaining work and residence permits for expatriates operating in the free zones, and readily responds to any additional service requests made by investors. Through this comprehensive service approach, the Ghana Free Zones Authority strives to create an enabling environment that attracts and supports local and international businesses within the Free Zones.

3.10.5 The case Ashanti Technology Park

In 2021, the Greater Kumasi Industrial Park (Ashanti Region) project was initiated to provide opportunities for companies in priority sectors such as cocoa processing, light and heavy manufacturing, warehousing, logistics, services, and a cyber village to operate under the free zone regime. The project was partly financed through a World Bank facility and will be developed on the Free Zones Authority's 1,099-acre land at various locations in the Ejisu

Traditional Area, including Boankra, Ampabame, Edwenase, Abenase, Donaso, Hwereso and Aduakorokyere²⁹¹.

To ensure timely implementation, the World Bank, in partnership with the Ministry of Trade and Industry, engaged consultants to conduct site assessments, best practice benchmarking, and environmental and social impact assessments, with field inspections scheduled to begin in October 2021. The development of this industrial park is in line with Ghana's goal to become the export hub within the sub-region and is expected to facilitate the establishment of a social services hub and a biotechnology hub in Greater Kumasi, further enhancing the region's economic prospects.

3.10.6 The case Tema Free Zone

The Tema Freezone Enclave is a major international logistics park project designed to create a strategic gateway for seamless access to global transportation networks. This ambitious initiative aims to facilitate the direct transshipment of high-volume goods for the benefit of local, regional, and global companies operating in Ghana and beyond.

The primary objective of this development is to improve the distribution system, thereby strengthening the competitiveness of companies in the highly interconnected global marketplace. Located in the city of Tema, known as Ghana's largest seaport and a major trading hub, the site is ideally positioned to serve as a critical infrastructure project to facilitate efficient trade and logistics operations.

The first phase of the park was successfully completed in 2015, setting the stage for further expansion and development. Once fully occupied, the Tema Freezone Enclave is expected to cover an expansive area of 100,000 square meters, comprising both bonded and non-bonded warehouses, as well as supporting ancillary services to meet the diverse needs of companies engaged in international trade and commerce.

3.10.7 New plan

The One District One Factory (1D1F) initiative of President Nana Addo Dankwa Akufo-Addo aims to transform Ghana's economy from one based on the import and export of raw materials to one based on manufacturing, value addition and export of processed goods. This approach takes advantage of the abundance of raw materials in various districts that would otherwise go to waste.

The 1D1F initiative is driven by the private sector, with the government creating an enabling environment for businesses to access finance from financial institutions and support services from government agencies to establish factories. Ghanaian entrepreneurs take ownership of the companies, operate them, and assume all risks and benefits associated with the projects.

In August 2017, President Nana Addo Dankwa Akufo-Addo officially launched the 1D1F program at Ekumfi in the Central Region. During the launch, he also laid the foundation for the first factory, a pineapple and fruit processing plant in Nanabeng, Central Region, Ghana.

²⁹¹ <https://ghstandard.com/proposed-greater-kumasi-industrial-city-and-special-economic-zone-will-be-game-changer/62588/>



3.10.8 Proper governance items

Figure 19: Proper Governance Items (Ghana)

Regulation	The Free Zone Act, 1995 (Act 504).
Objective	An ACT to enable the establishment of free zones in Ghana for the promotion of economic development and to provide for the regulation of activities in free zones and for related purposes.
Development	AN ACT to enable the establishment of free zones in Ghana for the promotion of economic development. It does not specify more.
Participation	-
Local Content/SME Consideration	A free zone enterprise shall have the right to produce any type of goods and services for export but shall not produce any goods that are environmentally hazardous.
National Integration	One District One Factor

3.10.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/ SME	National Integration	ESG



<p>Building Local Economy</p>	<p>Ghana is actively developing policies and initiatives to strengthen its local economy by connecting SMEs to SEZs, with a focus on promoting local supply chains and technology transfer. Although collaboration between local SMEs and SEZs needs improvement, there is progress in certain clusters, especially in the agro-industry, utilizing subcontracting to access markets. The upcoming SEZ policy may include provisions requiring investors to prioritize local procurement and contribute to economic development. Additionally, the shea butter industry in Ghana plays a vital role in supporting rural women’s livelihoods, however challenges arise from bypassing intermediary SMEs. Proposing a collaborative ecosystem with ESG practices aims to foster partnerships, inclusivity, and fair-trade principles, promoting sustainable sourcing and SME development.</p>
	<p>The Free Zone act of 1995 lacks any explicit references to fostering the local economy. As a regulation that has been in place for almost three decades, it requires updating and amendments to explicitly prioritize and guide improvements in the local economy within the country. Modernizing the regulatory framework to address current economic priorities can pave the way for a more inclusive and sustainable development path, encouraging local economic growth and attracting investment opportunities.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Ghana’s active efforts in developing policies and initiatives to strengthen the local economy by linking SMEs to SEZs are evident through the promotion of local supply chains and technology transfer. Although challenges exist in SME-SEZ collaboration, progress is seen in certain sectors utilizing subcontracting to access markets. The forthcoming SEZ policy has the potential to enhance local procurement and economic development. Furthermore, the shea butter industry in Ghana provides critical support to rural livelihoods, but challenges arise from the absence of intermediary SME collaboration. Establishing a collaborative ecosystem rooted in ESG practices can address these challenges. Furthermore, modernizing the outdated Free Zone act of 1995 is crucial to explicitly prioritize and guide the improvement of the local economy within the country, fostering a more inclusive and sustainable development path.</p>
<p>Job Creation, Skills, and Regulation</p>	<p>Chapter 1 highlighted that the Ghanaian government have prioritized skills development and job creation through SMEs, providing various training programs, apprenticeships, and support through institutions like GEA, COTVET, and NEIP. Further, collaborations with TVET institutions and the private sector ensure that training programs align with local business needs. Within SEZs, tenants offer capacity building and training, while Olam Ghana actively supports skills development for cocoa farmers and its employees. These initiatives demonstrate Ghana’s commitment to fostering economic growth and development through SMEs.</p>
	<p>The current SEZ regulation in Ghana lacks comprehensive provisions regarding labour and skills. It only establishes minimum standards for workers and allows Free zone developers and enterprises to negotiate employment contracts. While it mentions adherence to I.L.O. Conventions on workers’ rights and conditions of service, there is a need for further updates to encompass the country’s ongoing efforts in skills development and job creation. Revision of the regulation would align with Ghana’s commitment to empowering SMEs and promoting sustainable economic growth.</p>

ESG Commitment	<p>The Ghanaian government, through agencies like the EPA and MESTI, ensures compliance with environmental standards and collaborates with businesses to promote sustainable practices. Initiatives such as the Renewable Energy Master Plan and SE4ALL focus on increasing renewable energy use and enhancing energy efficiency. The GFZA has set high environmental standards and established the Green Industrial Park to foster eco-friendly industries. Additionally, various organizations like AGI and GSE play a role in encouraging sustainable practices, while the GCIC supports SMEs in developing climate change solutions and accessing financial and technical assistance.</p>
	<p>However, as chapter two suggests, the current SEZ regulation in Ghana still lacks comprehensive provisions regarding environmental sustainability and ESG concepts. While it prohibits the production of environmentally hazardous goods within free zones, there is a need for a more systematic approach that addresses environmental permits and embraces modern ESG principles. To advance toward a more robust and forward-looking SEZ regulation, it is crucial for Ghana to incorporate explicit measures that align with environmental protection and sustainable practices.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Ghana’s commitment to enforcing environmental standards and promoting sustainable development is evident through collaborations with businesses and various initiatives like the Renewable Energy Master Plan and SE4ALL. The establishment of the Green Industrial Park by GFZA further highlights the country’s efforts to foster eco-friendly industries. Nevertheless, for a more comprehensive and progressive SEZ regulation, there is a need to address the current gaps and include explicit provisions that embrace modern ESG concepts. By doing so, Ghana can further solidify its position as a leader in environmental responsibility and sustainable economic development.</p>

3.11 Kenya

3.11.1 Model

In 2014, Kenya recognized the limitations of its existing export processing zone (EPZ) program and began developing a more dynamic and flexible SEZ program. Working with the World Bank, the government of Japan, and other donors, the Kenyan government formulated the new SEZ regime and identified suitable locations within the country. The new program received strong support from both the political and private sectors, fostering an open and constructive dialogue between them.

The legal framework for the SEZ program was formally adopted in September 2015, followed quickly by the implementation of regulations and the establishment of an SEZ authority tasked with streamlining project approvals and creating a One-Stop Shop (OSS) for investors. By revamping its approach to SEZs, Kenya sought to maintain its competitiveness with neighbouring countries and meet its obligations under World Trade Organization (WTO) agreements.

The 2015 Act covers several types of SEZs, including agricultural zones, business processing outsourcing zones, industrial parks, and livestock zones. Since its enactment, twenty-three sites have been promulgated as SEZs. Four of these zones are owned, developed, and managed by the government (Konza Technopolis, Naivasha SEZ, Dongo Kundu SEZ, and Mombasa SEZ), while the remaining nineteen are privately owned²⁹².

²⁹² <https://sezauthority.go.ke/publication/document/2>

Originally intended to replace the EPZ regime, developments during the implementation phase indicate a shift in strategy, with the EPZ program continuing to operate in parallel. Each regime is overseen by two separate institutions, the EPZ Authority and the SEZ Authority, both of which act as One-Stop Shops to facilitate the development and operation of the zones.

Kenya's Vision 2030, outlined in its first Medium Term Plan 2008-2012, identified SEZs as one of its flagship projects under the economic pillar. The SEZs were designed to address critical factors hindering Kenya's competitiveness as an investment destination²⁹³.

3.11.2 Regulations

Regulation	Description
Export Processing Zones Act, 1990 ²⁹⁴	This Act establishes Export Processing Zones and the Export Processing Zones Authority (EPZA) to promote and facilitate export-oriented investment. It provides incentives and benefits to attract both local and foreign investors to these designated zones. The EPZA oversees and regulates the operations of the zones to ensure a conducive environment for export-oriented businesses, thereby promoting economic growth, job creation and trade opportunities.
PPP Act, No.15 of 2013 ²⁹⁵	The Public Private Partnership Law No. 15 of 2013 facilitates the participation of the private sector in the financing, construction, and maintenance of government infrastructure projects through concessions or contractual arrangements. It aims to improve project efficiency, service quality, and sustainable development by leveraging the expertise and resources of both public and private entities. The law establishes a clear legal framework for public-private partnerships (PPPs) and outlines the roles and responsibilities of each party in these collaborative ventures.
SEZs Act No. 16 of 2015 ²⁹⁶	The Special Economic Zones Act, 2015 is a parliamentary bill that aims to establish and regulate special economic zones. It focuses on promoting and facilitating investment from both global and local investors, creating an enabling environment for economic growth, job creation, and international trade opportunities within these designated zones. The Act provides guidelines for the establishment, development, and management of SEZs with the objective of attracting investment, promoting innovation, and enhancing the overall competitiveness of the country's economy.
The Special Economic Zones (Amendment) Regulations, 2020 ²⁹⁷	This regulation aims to address the shortcomings identified in the SEZ Regulations, 2016 by providing a comprehensive and clear legal framework for investors and sector players operating in special economic zones. In doing so, it seeks to create a more conducive business environment that promotes investment and economic growth in SEZs. One of the key additions in this ordinance is the establishment of a One-Stop Shop, which was lacking in previous laws. The One-Stop Shop is designed to streamline and simplify the administrative processes for investors, allowing them to access all necessary approvals, permits and licenses in one centralized location, thereby reducing bureaucratic hurdles and delays. Overall, this scheme aims to improve the operational efficiency of SEZs and encourage greater participation from both domestic and foreign investors.

293 <https://vision2030.go.ke/>

294 <http://kenyalaw.org:8181/exist/kenyalex/actview.xql?actid=CAP.%20517>

295 http://www.parliament.go.ke/sites/default/files/2017-05/PublicPrivate_Partnerships_ActNo15of2013.pdf

296 <http://kenyalaw.org:8181/exist/kenyalex/actview.xql?actid=No.%2016%20of%202015>

297 http://kenyalaw.org/kl/fileadmin/pdfdownloads/LegalNotices/2020/LN33_2020.PDF

3.11.3 Stakeholders

Cabinet Secretary

- The Cabinet Secretary has the authority to request the Authority to provide various forms of information, including returns, accounts and other relevant details concerning the work and activities of the Authority.

Special Economic Zones Authority (SEZA)

- SEZA plays a pivotal role in overseeing and guiding the development and operation of Special Economic Zones in the country. Its diverse responsibilities cover the entire lifecycle of SEZs, from recommending policies and programs to the Cabinet Secretary to identifying suitable land for SEZ designation and facilitating its procurement or allocation. SEZA is instrumental in promoting investment and economic growth by setting investment criteria, attracting investors through targeted marketing efforts, and streamlining administrative processes through a centralized “one-stop” centre for SEZ enterprises. In addition, the Authority plays a critical role in ensuring compliance with applicable laws and regulations, liaising with other government agencies, and making recommendations for the suspension or revocation of licenses of non-compliant SEZ enterprises.
- As an integral part of Kenya’s Vision 2030, SEZA’s efforts are aimed at aligning SEZ development with broader national development goals. By actively promoting SEZs as flagship projects, SEZA seeks to address key factors that enhance Kenya’s competitiveness as an investment destination. The Authority’s multi-faceted approach encompasses diverse types of SEZs, including industrial parks, free trade zones (FTZs), and ICT parks, to meet different business needs and encourage investment in different sectors. Overall, SEZA’s proactive stance in facilitating investment, providing efficient administrative services, and ensuring regulatory compliance underscores its role as a catalyst for sustainable economic growth and development in the country.

Board of Directors of the Authority

- The administration of the Authority shall be overseen by this board, which will possess all the necessary powers to ensure the proper and effective execution of the functions assigned to the Authority as per the provisions of this Act.

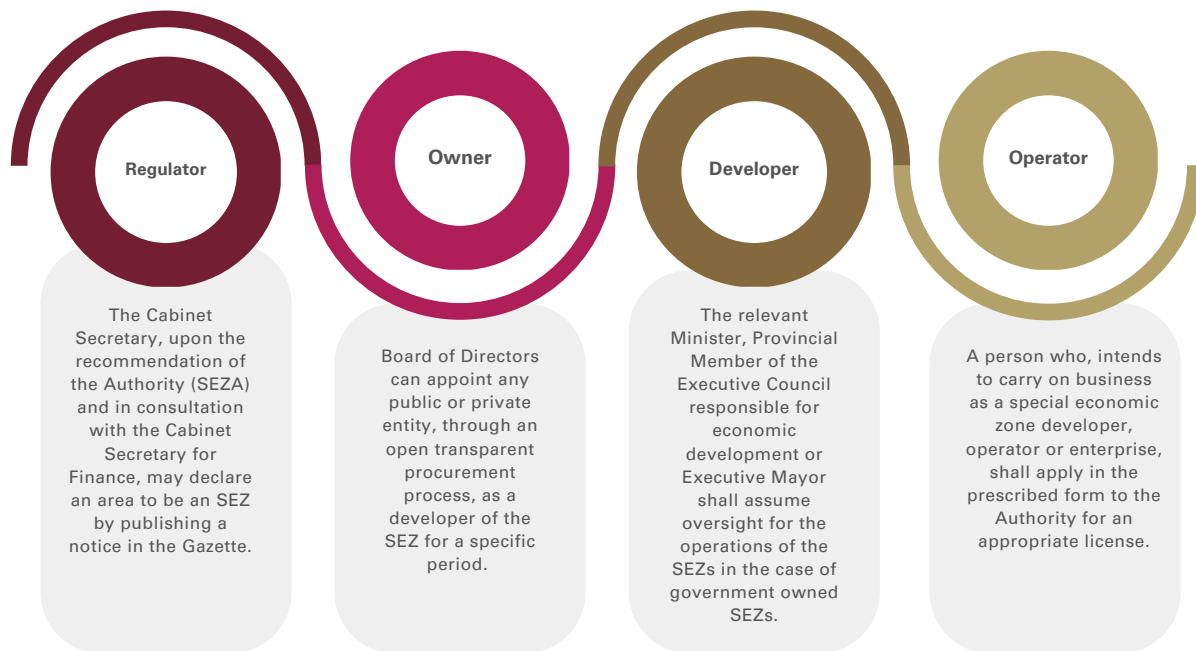
Special economic zone Developer or Operator

- Any person who intends to engage in business as a developer, operator, or enterprise in an SEZ must apply in the prescribed form to the Authority to obtain the appropriate license or apply for the renewal of the license. Moreover, the person must undertake the necessary physical development of the SEZ site and its facilities in accordance with plans approved by the Authority. This includes providing sufficient fencing to demarcate the zone area and implementing adequate security measures on the site, as directed by the Authority in the license.
- In addition, the person is required to establish and enforce rules and regulations within the SEZ that promote safe and efficient business operations. Moreover, it is necessary to maintain accurate and proper accounts and other records relating to its activities to comply with the regulations.

Export Business Accelerator (EBA):

- To address the limited participation of local SMEs in industrial activities in EPZs, the EPZA, in partnership with Kenya Industrial Estates and the Kenya Export Promotion Council, developed the EBA program. The primary objective of the EBA is to accelerate the expansion of existing SME exporters who are interested in setting up under the EPZ scheme. The EBA plays a critical role in the country’s efforts to move from the isolated enclave model of EPZs to the establishment of SEZs integrated into local and regional value chains.

Figure 20: Stakeholders in the SEZ economic system in Kenya



3.11.4 The One-Stop Shop

The Special Economic Zones (Amendment) Regulations, 2020²⁹⁸ introduced the concept of One-Stop Shops to streamline and expedite various processes related to SEZs. These designated One-Stop Shops are mandated to provide a range of services to facilitate the operations of SEZs and attract investment. Key services provided by the One-Stop Shops include the processing of SEZ resident registration and business license documents, as well as related reporting information required from SEZ end-users. In addition, the One-Stop Shops are responsible for issuing the necessary licenses or certifications related to these activities.

The One-Stop Shops also play a key role in managing work visas and permits for expatriates working in the SEZs. They also handle the processing and issuance of development and construction permits and certificates of occupancy. In line with environmental regulations and requirements set by the relevant authority, the One-Stop-Shops are tasked with evaluating and issuing environmental permits for SEZ activities. In addition, these designated centres are responsible for evaluating proposals for the designation of certain areas as SEZs and assessing registration applications for SEZ developers and operators. The introduction of the One-Stop Shop concept aims to increase efficiency, reduce bureaucratic hurdles, and promote a more attractive investment climate within the SEZs.

298 http://kenyalaw.org/kl/fileadmin/pdfdownloads/LegalNotices/2020/LN33_2020.PDF

3.11.5 The case of Mombasa SEZ (PPP) ²⁹⁹

The Government of Kenya (GoK), in partnership with the Japan International Cooperation Agency (JICA), has undertaken the ambitious task of developing the Mombasa Special Economic Zone as an integral part of the broader Kenya Vision 2030 strategy. This visionary initiative aims to transform Kenya into a globally competitive nation and improve the overall quality of life for its citizens by 2030.

To achieve this transformative vision, the master plans for the Mombasa Special Economic Zone are being implemented through a strategic mix of Japanese Official Development Assistance (ODA) and private investment facilitated by a Special Purpose Vehicle (SPV). In the initial phase of implementation, two key components have been prioritized:

- **Establishment of basic infrastructure:** Japanese ODA will play a critical role in the development and construction of essential infrastructure within the Mombasa Special Economic Zone. This includes key utilities and facilities that form the backbone of a thriving economic zone, such as road networks, power supply, water and sewerage systems, and telecommunications facilities.
- **Development of specific areas within the Mombasa SEZ:** The project also focuses on the development of specific areas within the Mombasa SEZ, in particular the Free Trade Zone and the Industrial Area. This phase of development will be realized through private investment channelled through the SPV. This collaborative approach envisages the active participation of private investors who will contribute to the establishment of vibrant and industry-specific zones that will foster economic growth, innovation, and job creation.

3.11.6 The case of Tatu City (Private)

In 2008, Rendevour³⁰⁰, a privately funded new town developer, commenced the planning process for the Tatu City Large Planning Unit Development Plan (LPLUDP), which was initially approved as a structure plan. The plan received initial approval from the Ruiru City Council in 2011. Over time, the plan has undergone several amendments to adapt to the evolving business environment and changing market demand. The most recent amendment was approved in 2019³⁰¹.

Recognizing the strategic importance of Tatu City as a development project, the government designated it as a Special Economic Zone and a Special Planning Area. This designation was facilitated by the enactment of the Physical and Land Use Planning Act (2019)³⁰², which paved the way for Tatu City to be formally recognized as a project of significant national importance. As a result, Tatu City was able to establish a One-Stop Shop to streamline the process of obtaining all necessary planning approvals. In recognition of the size of the investment and its positive impact on Kenya's economy, the former Cabinet Secretary for Industry, Trade and Co-operatives officially declared Tatu City a Special Economic Zone. This declaration was made through Gazette Notice No. 4892 published in the Kenya Gazette Vol. CXLX-No. 66 on May 22, 2017³⁰³.

Tatu City is significant as a transformative project contributing to the realization of Kenya Vision 2030. Its multiple contributions align with both the social and economic pillars of the vision. In the social pillar, Tatu City is actively contributing to various facets including education and training, environmental sustainability, urbanization and

299 https://www.nema.go.ke/images/Docs/EIA_1690-1699/EIA%201690%20Proposed%20Infrastructure%20Development%20for%20Mombasa%20SEZ%20-%20SR%201714-min.pdf

300 <https://www.rendevour.com/>

301 <https://lands.go.ke/wp-content/uploads/2023/06/Tatu-City-Local-Physical-and-Land-Use-Development-Plan-Report.pdf>

302 http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/2019/PhysicalandLandUsePlanningAct_No13of2019.pdf

303 http://kenyalaw.org/kenya_gazette/gazette/volume/MTk2Mw--/Vol.CXXI-No.73/

housing development, positioning itself as a critical driver of Kenya's progress towards its visionary goals.

3.11.7 The case of Athi River (Public)

The Athi River Special Economic Zone serves as the headquarters of the country's Export Processing Zone Authority (EPZ), which was established in 1990 under the EPZ Act CAP 517³⁰⁴, Laws of Kenya. The primary role of the Authority is to promote and facilitate export-oriented investments and create an enabling environment for such investments under the guidance of the Ministry of Industrialization and Enterprise Development³⁰⁵.

The overall goal of establishing the Athi River SEZ was to attract multinational corporations and thereby increase Kenya's global economic influence. Its success would be measured primarily by its economic impact on a broader scale. From a local perspective, however, the primary goal of the Athi River EPZ was to create employment opportunities for the community. Recently, the EPZ has attracted significant additional investment, with Chinese companies investing to create an incubation park. This facility aims to support African companies involved in technology, manufacturing, and production by providing value-added services that will enable them to export their products to global markets. This latest development underscores the SEZ's potential as a catalyst for local and regional economic growth, while solidifying its role as a platform for international business expansion and trade opportunities.

3.11.8 Proper governance items

Table 21: Proper Governance Items (Kenya)

Regulation	SEZs Act No. 16 of 2015
Objective	Art. 3. The object and purpose of this Act is to provide for: (a) an enabling environment for the development of all aspects of special economic zones. (b) The regulation and administration of activities within the special economic zones with due regard to the principles of openness, competitiveness, and transparency.
Development	Art. 3. An enabling environment for the development of all aspects of special economic zones including: (i) development of integrated infrastructure facilities. (ii) creation of incentives for economic and Business activities in areas designated as special economic zones.
Regulation	SEZs Act No. 16 of 2015
Participation	-
Local Content/SME Consideration	-
National Integration	SEZ Authority function: k. Establish and enhance inter-agency collaboration among relevant State agencies to ensure compliance with all applicable laws, procedures, and other applicable requirements

304 <http://kenyalaw.org:8181/exist/kenyalex/actview.xql?actid=CAP%20517>

305 <https://devseed.com/sez-docs/results/athi-river-epz/#:~:text=Despite%20its%20size%20the%20town,CAP%20517%2C%20Laws%20of%20Kenya.>



3.11.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/ SME	National Integration	ESG
Building Local Economy	<p>Kenya’s SME and SEZ policies lack explicit collaboration incentives, but various intermediaries like KenInvest, MSEA, and KDC actively promote investment and provide support for SMEs and SEZs. Additionally, ESOs such as the SME Support Centre and SEZs like NITP, Mombasa SEZ, and Kisumu SEZ play essential roles in nurturing entrepreneurship and offering assistance for business growth.</p> <p>In chapter 2, there is no evidence of a systematic effort to incorporate local economic impulse into the SEZ regulations. The absence of general references to local development shows lagged preoccupation about the prioritization of this aspect in the SEZ framework.</p> <p>Business ecosystem and SEZ regulatory alignment: While Kenya’s SME and SEZ policies may not explicitly address collaboration incentives, the presence of intermediary organizations and ESOs indicates a commitment to supporting SMEs and SEZs. However, there is a need to further consider and integrate local economic development systematically within the SEZ regulations to ensure a more inclusive and sustainable economic environment in the country.</p>		
Job Creation, Skills, and Regulation	<p>Kenya’s policies show limited collaboration between institutions and SEZs for skills development and apprenticeships, hindering job creation and skills enhancement for SMEs seeking to partner with SEZs. Although the SEZ Act emphasizes skill transfer, there is a lack of intentional policy tools to align skills development with evolving global trends, such as green technologies, green energy, blue economy, and ESG practices. Consequently, the absence of specific incentives for skills development and linkages between SMEs and SEZs hampers the full potential of economic development and employment opportunities in the country.</p> <p>Similarly, the SEZ regulations also exhibit a lack of concern regarding labour regulations and workforce development. The regulations should ideally address policies and incentives for building local skills, promoting workforce development, and establishing sustainable linkages between SEZs and SMEs. Incorporating provisions that prioritize skill development and qualifications aligned with current global demands would better equip Kenya’s economy for competitiveness and growth.</p> <p>Business ecosystem and SEZ regulatory alignment: Both the policies and regulations in Kenya’s SEZ framework should focus further on fostering collaboration between institutions, SEZs, and SMEs for skills development and job creation. Implementing intentional policy tools and incentives to address evolving global trends and facilitate linkages between industries can unlock the full potential of economic development and ensure a more competitive and sustainable economy for the future.</p>		

ESG Commitments	<p>Kenya’s government has acknowledged the significance of ESG principles in drawing investment and financing. They have initiated several ESG frameworks to incorporate sustainable practices and social responsibility. The National Environmental Management Authority (NEMA) enforces environmental standards, while efforts are underway to encourage ESG adoption among businesses, including SMEs, through guidance manuals and support from agencies like KCIC and Konza Technopolis. The goal is to create an appealing environment for responsible investors, promote long-term economic growth, and address climate challenges.</p>
	<p>Despite these efforts, the current SEZ regulations in Kenya do not fully reflect the commitment to ESG principles. The regulations primarily focus on developers’ responsibility for environmental issues and ensure SEZ enterprises do not negatively impact the environment, national security, or public health. However, there is a lack of comprehensive and enforceable standards to drive sustainable practices within SEZs. Further development and strengthening of the regulations are necessary to establish clear and measurable ESG goals, enabling Kenya to align its SEZs with global sustainability trends and attract more responsible investors.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Kenya’s government has taken significant steps to promote ESG principles and sustainability. While efforts are visible through various frameworks and initiatives, there is room for improvement in SEZ regulations to ensure a more robust and effective implementation of ESG practices. By doing so, Kenya can bolster its position as an attractive destination for responsible investors and foster long-term economic growth while addressing environmental challenges.</p>

3.12 Mauritius

3.12.1 Model

Mauritius has the distinction of being the first African country to establish Export Processing Zones (EPZs) with the enactment of the Export Processing Zones Act of 1970. Later, in the early 1990s, the concept of Freeport Zones was introduced, leading to the establishment of facilities at the port and airport under the Freeport Act of 1992. Subsequently, the Freeport Act of 2001 replaced the 1992 Act and finally the current legislation, the Freeport Act of 2004, took its place³⁰⁶.

When the government expanded the SEZ framework to include the Freeport initiative in 2004, it was in line with a comprehensive policy aimed at transforming Mauritius into a major hub for regional distribution, transshipment, and marketing activities. This strategic alignment between the SEZs and the country’s development goals at the time enhanced their prospects for success.

³⁰⁶ <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-61.pdf>

3.12.2 Regulations

Regulation	Description
Export Processing Zones Act, 1970	Mauritian legislation was targeted at attracting foreign investment to the island by applying a package of tax concessions and other incentives designed to initiate export-processing operations.
Investment Promotion Act 2000 ³⁰⁷	<ul style="list-style-type: none"> The law provides for the establishment and functions of the Board of Investment in Mauritius. The Board is mandated to promote and facilitate the economic development of the country, by positioning Mauritius as an attractive destination for international investment, business, and services. Their objectives include stimulating overall economic growth by presenting Mauritius as a global investment hub, supporting the growth of various investment and business activities, developing policies and marketing strategies to attract both local and foreign investment, and advising the Government on various economic and investment related matters.
The Freeport Act 2004 ³⁰⁸	<ul style="list-style-type: none"> The new regulation incorporates the Mauritius Freeport Authority into the Board of Investment and covers related matters. Under the framework, the Prime Minister has the power to amend the First Schedule by regulations on the recommendation of the Economic Development Board. These amendments may designate or remove any area or part of an area as a free port zone. In addition, the Act provides that if a freeport developer fails to fulfil its obligations under the lease agreement for the development of a freeport zone, the lessor, in consultation with the Economic Development Board, has the right to reclaim the undeveloped portion or the entire land, notwithstanding the existing agreement.
The Economic Development Board Act of 2017 ³⁰⁹	<ul style="list-style-type: none"> As a continuation of the Investment Promotion Act (2000), this Act lays the groundwork for the establishment of the EDB, which serves several important purposes. Firstly, it provides strong institutional support for strategic economic planning, ensuring greater coherence and effectiveness in policy formulation. Secondly, it aims to promote Mauritius as an attractive investment and business location, a competitive export platform, and an international financial centre. Thirdly, the institution assumes the role of country branding for investment promotion. Finally, it facilitates both inward and outward investment while striving to create a conducive business environment. In addition, the Act establishes a Business Facilitation One-Stop Shop, which acts as a single authority to provide comprehensive support and information to companies with a project value exceeding Rs. 20 million, streamlining the process of setting up and operating their businesses.

3.12.3 Stakeholders^{310 311}

Port Authority (Mauritius Marine Authority)

- This is the sole national port authority set up under the Ports Act 1998, to regulate and control the port sectors in the Republic of Mauritius. The MPA is a landlord port authority, providing the main port infrastructure and superstructure, together with related facilities. It also provides marine services and navigation aids, as well as regulates and controls all port activities and environmental issues within the designated port areas.

³⁰⁷ <https://investmentpolicy.unctad.org/investment-laws/laws/126/mauritius-investment-act>

³⁰⁸ <https://www.mra.mu/download/FreeportAct2004.pdf>

³⁰⁹ <https://mof.govmu.org/Documents/Legislations/Other%20Acts/Economic%20Development%20Board%20Act.pdf>

³¹⁰ Two key reasons prompted the creation of a distinct entity from the Mauritius Port Authority (MPA) for managing the Freeport. Firstly, the government sought to establish a dedicated institution solely responsible for overseeing and promoting the Freeport's operations. Secondly, practicality led to placing the new body, the Mauritius Freeport Authority (MFA), under the Ministry of Finance, which also oversees the Customs Authority. This organizational structure facilitates effective coordination between the MFA and Customs Authority, streamlining operations and enhancing efficiency.

³¹¹ <https://edbmauritius.org/about-edb>

Mauritius Free Port Authority (MFA)

- The MFA is under the authority of the Minister of Finance as the Customs are under the same authority. A Board and two committees have been created to administer the Freeport. The Board, whose composition is described in the “Freeport Act 1992”, gathers all interested parties in the functioning of the Freeport, including Customs, Port Authority, Maritime Administration, and representative of the Government. The leading role of the Board is to decide on the policy of the Freeport but not the day to-day operations .
- MFA is organized into four divisions: Operations, Marketing, Administration, and Electronic Data Processing. Although a government organization, the MFA operates with a private sector ethos, emphasizing a customer-focused and service-oriented approach. The establishment of the Electronic Data Processing Department in 1995 reflects the MFA’s commitment to modernizing and improving the efficiency of its operations.

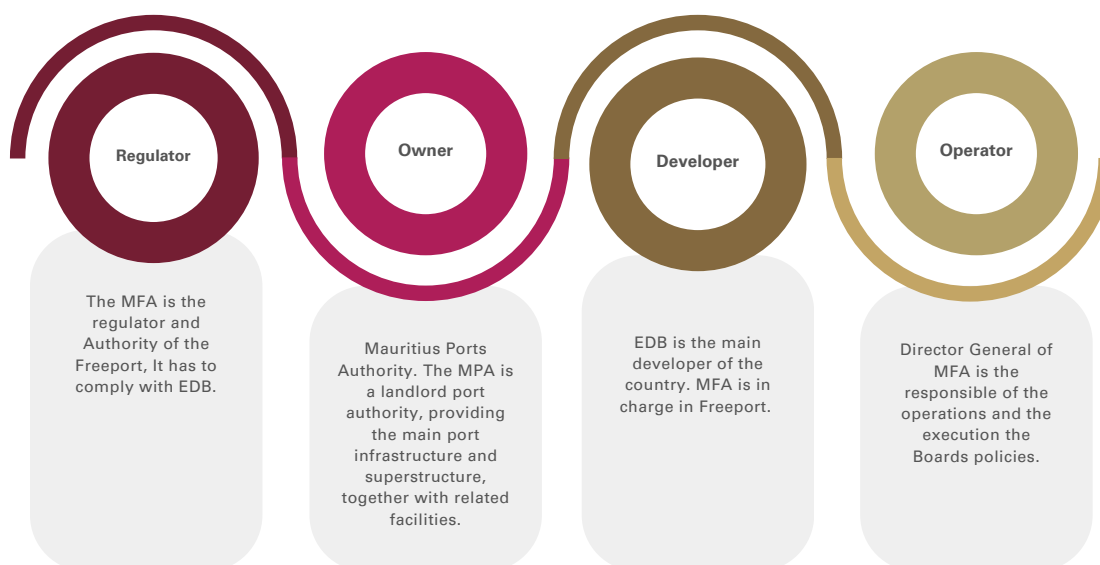
Economic Development Board (EDB)

- The EDB is the leading Government agency mandated to provide strong institutional support for strategic economic planning and to promote Mauritius as an attractive investment and business centre, a competitive export platform as well as an International Financial Centre (IFC). The EDB is a corporate body set up under the Economic Development Board Act 2017 and operates under the aegis of the Ministry of Finance, Economic Planning & Development.

The Economic Development Board Act of 2017

- As a continuation of the Investment Promotion Act (2000), this Act lays the groundwork for the establishment of the EDB, which serves several important purposes. First, it provides strong institutional support for strategic economic planning, ensuring greater coherence and effectiveness in policy formulation. Secondly, it aims to promote Mauritius as an attractive investment and business location, a competitive export platform and an international financial centre. Thirdly, the institution assumes the role of country branding for investment promotion.
- Finally, it facilitates both inward and outward investment while striving to create a conducive business environment. In addition, the Act establishes a Business Facilitation One-Stop Shop, which acts as a single authority to provide comprehensive support and information to companies with a project value exceeding Rs. 20 million, streamlining the process of setting up and operating their businesses.

Figure 21: Stakeholders in the SEZ economic system in Mauritius



3.12.4 The One-Stop Shop

The Economic Development Board Act of 2017 contains a “Business Facilitation One-Stop Shop for enterprises that have a project value exceeding 20 million rupees”. The Economic Development Board shall have a Business Facilitation One-Stop Shop, headed by the Chief Executive Officer, with the aim of facilitating the establishment and operation of enterprises having a project value exceeding 20 million rupees.

This office will serve as a single authority, providing comprehensive support and information to help enterprises initiate and run their businesses. The One-Stop Shop will be responsible for receiving and forwarding all applications for registration, permits, licenses, authorizations, or clearances required by these enterprises to the relevant public sector agencies, ensuring efficient and prompt processing of each application.

3.12.5 The case of Mauritius Free Port

More than 50 years after its first enactment, in 2022, Mauritius Freeport was recognized as the best free zone in Africa. It has attracted significant foreign investment despite the pandemic, with total investment of nearly \$250 million and projects expected to reach \$50 million in 2022-23.

The Freeport Act of 2004 designates about 19 sites as Freeport Zones, which are strategically located near airports and seaports to facilitate easy access to markets and raw materials by air cargo and ship, respectively. The Port Louis area has docking and storage facilities that efficiently handle large cargoes imported by sea. In addition, Mauritius has a well-developed maritime cargo service, with the Port of Port Louis served by several shipping lines. Within the Freeport Zones, developers have constructed warehouses that are available for lease to license holders, promoting efficient trade operations.

The Freeport is a public-private partnership model focused on serving exports to the Indian Ocean and sub-Saharan Africa and is strategically developing as a regional transshipment and air cargo hub. It also emphasizes strong environmental, social and governance practices, and is working on a carbon credit trading framework and issuing a sustainable bond. Major tenants include Sakurafresh, Decathlon and C. Steinweg Group.



3.12.6 Proper governance items

Table 22: Proper Governance Items (Mauritius)

Regulation	The Freeport, Act 2004	Economic Development Board, Act 11 Of 2017
Objective	To provide for a new legal framework to integrate the Mauritius Freeport Authority within the Board of Investment and for matters incidental thereto and connected therewith.	Art. 4. (a) Provide strong institutional support for strategic economic planning and ensure greater coherence and effectiveness in economic policy formulation.
Development	-	Art. 4. (b) Promote Mauritius as an attractive investment and business centre, a competitive export platform as well as an international financial centre. Act as the main institution responsible for country branding for investment promotion.
Participation	-	-
Local Content/SME Consideration	-	-
National Integration	"Areas: The zones described hereunder are based on the national grid of Mauritius and the plans describing them may be consulted at the office of the Economic Development Board. All coordinates are attached to the National Grid System."	Art. 4. Provide strong institutional support for strategic economic planning and ensure greater coherence and effectiveness in economic policy formulation.
Regulation	The Freeport, Act 2004	Economic Development Board, Act 11 Of 2017

3.12.7 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/SME	National Integration	ESG

<p>Building Local Economy</p>	<p>As chapter I explains, Mauritius has a clear focus on boosting the local economy through various policies and initiatives. SMEDA plays a vital role in this endeavour by facilitating the integration of local businesses into SEZ supply chains through training and financial support. The textile industry’s growth is further bolstered by the presence of industrial parks, and the Jin Fei SEZ attracts Chinese companies, creating opportunities for local subcontractors. The government actively promotes local goods and entrepreneurship, with dedicated support from SMEDA and the National SME Incubator Scheme.</p> <p>However, it should be noted that while chapter I highlighted the presence of clear policies towards local economic development, these policies are not explicitly supported by specific legislative acts such as the Free Port Act (2004), the Economic Development Board Act of 2017, or the Investment Promotion Act (2000). This observation suggests that, like other countries in the region, much of the efforts undertaken by governments may lack strong legal backing, potentially weakening the impact of these favourable policies as they may not be firmly institutionalized as state-led initiatives, relying instead on the discretion of the current government.</p> <p>Business ecosystem and SEZ regulatory alignment: Mauritius has made significant strides in promoting its local economy through SEZs and SMEs, supported by various policies and initiatives. The active involvement of SMEDA and industrial parks has furthered the growth of the textile industry, attracting foreign companies and benefiting local subcontractors. Nonetheless, the absence of explicit legal support for certain economic policies raises the question of sustainability and consistency in the long term. To ensure a more enduring impact, it may be crucial for the government to reinforce these policies through formal legislative measures within SEZ regulatory framework, providing a stronger and more stable foundation for the country’s economic development efforts.</p>
<p>Job Creation, Skills, and Regulation</p>	<p>The Mauritian government recognizes the vital role of SMEs in skills development and job creation. To support this, they have implemented the National Skills Development Programme (NSDP) to provide funding for initiatives in priority sectors such as ICT and tourism. These investments in ICT and tourism have led to substantial contributions to the economy, with both sectors employing a considerable number of people and accounting for a substantial portion of the GDP.</p> <p>However, despite the government’s effective efforts, again there is an absence of support for these initiatives in the SEZ regulatory framework and the three sectoral regulations mentioned earlier. This presents an opportunity for Mauritian regulators to update their laws, explicitly incorporating provisions to promote labour regulations and skill development.</p> <p>Business ecosystem and SEZ regulatory alignment: The Mauritian government’s commitment to skills development and job creation through SMEs is evident through the establishment of the National Skills Development Programme and their investments in key sectors like ICT and tourism. These efforts have proven successful in boosting the economy and providing employment opportunities. Nonetheless, there is room for improvement in aligning the regulatory framework, especially within SEZs and sector-specific regulations, to further support and reinforce these vital initiatives. Updating the laws to explicitly promote labour regulation and skill development can lead to even more significant benefits for the country’s economic growth and workforce development.</p>

ESG Commitments	<p>SME: Mauritius has shown a strong commitment to promoting environmentally and socially responsible business practices through various means. They have established institutions like the Ministry of Environment and the National Energy Commission to enforce environmental standards and encourage the adoption of renewable energy. SEZs, such as Mauritius Freeport, are embracing ESG measures, while companies like Mauritius Alumex are implementing sustainable practices. Financial institutions like MCB are actively supporting sustainable projects, and the government is currently working on developing a green finance framework.</p>
	<p>Regulation: While Mauritian regulations touch upon environmental protection, with references in the investment promotion regulations and amendments to the Environment Protection Act, they lack full alignment with the government's practical efforts. The Freeport Act and certain laws related to SEZs do not fully reflect the government's commitment to ESG practices. There is an opportunity for the government to update existing laws and create a more robust and comprehensive framework for promoting ESG initiatives on a national level.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Mauritius has made commendable strides in promoting environmentally and socially responsible business practices, evident through the establishment of institutions and initiatives supporting renewable energy, ESG measures in SEZs, and financial support for sustainable projects. However, there remains room for improvement in aligning the regulatory framework with practical efforts. By updating existing laws and creating a more structured approach to ESG promotion, Mauritius can further strengthen its commitment to sustainability and set a stronger foundation for a greener and more socially responsible future.</p>

3.13 Morocco

3.13.1 Model

In Morocco, free zones fall under the auspices of the Ministry of the Economy and Industry and are usually developed and managed by public companies with co-investment by the private sector – i.e., Medz Group CDG and the Tanger Med Special Agency (TMSA)³¹². Morocco's success in the field of Special Zones has consistently earned it top rankings in Africa and the world. In 2020, the Tangier Med Zone secured second place in the Financial Times' "FDI Global Free Zones of the Year 2020,"³¹³ just behind Dubai's Multi Commodities Centre. To understand Morocco's achievements, we must examine the historical development of SEZs in this North African country.

In 1995, Morocco introduced its first special zone law, offering enticing incentives to foreign investors. The establishment of the Tangier Med Special Agency (TMSA) in 2002 marked the country's first dedicated authority. Initially focused on the automotive industry, TMSA worked with the Moroccan Association of Automotive Manufacturers (AMICA) to prioritize training and professional development. Fast forward to 2018, and the six SEZs in the Tangier region, all managed by TMSA, are home to more than 470 companies, creating 70,000 jobs with a total of \$3.5 billion in private industrial investment. In addition, Morocco and China are planning a new \$10 billion industrial zone called Mohammed VI Tangiers Tech City, which is expected to create 100,000 jobs³¹⁴.

Morocco's approach has been to prioritize high-quality zones over many zones. By focusing its efforts on a select number of special economic zones, the kingdom aimed to attract comprehensive industrial ecosystems, targeting

312 https://unctad.org/system/files/official-document/diaeia2021d3_en.pdf

313 <https://www.morocoworldnews.com/2020/10/323046/moroccos-tangier-med-ranks-2nd-fdi-global-free-zone-of-2020>

314 <https://infomineo.com/sustainable-development/special-economic-zones-in-africa-impact-efforts-and-recommendations/>

major players in key sectors such as PSA and Renault in the automotive industry and Boeing and Bombardier in the aerospace industry. In 2016, Morocco amended its 1995 legislation and committed to creating new EPZs in all 12 regions. The new legislation emphasizes sector-oriented zones to promote linkages between companies operating in the same zone. This is in line with Morocco's broader strategy to strengthen its manufacturing capabilities, as part of the Industrial Acceleration Plan launched in 2014.

3.13.2 Regulations

Regulation	Description
Law 19-94 (Dahir No. 1-95-1 dated January 26, 1995) ³¹⁵	<ul style="list-style-type: none"> Established in Morocco by Law 19-94, EPZs are designated areas within the customs territory where various industrial and commercial export activities, as well as related service activities, are granted exemptions from customs, foreign trade, and exchange control regulations. Each zone is defined by a decree outlining the specific nature and permitted activities of the companies operating within it. The development and management of these EPZs is handled by designated agents, who are responsible for submitting investor applications to the local EPZ Committee for approval. This streamlined process provides investors with a one-stop service, facilitating their entry into the zones. There are several free zones in Morocco, including the export processing zone in Tangier, the free zones in Tanger Med Ksar el Majaz Mellousa 1 and 2, the free zones in Dakhla and Laayoune, and the free hydrocarbon storage zone in Kebdana and Nador. There is also an export processing zone in Kenitra.
Decrees Nos. 2-96-511 and 2-96-512	On the creation of the Tangiers and Nador ZFEs.
Decree No. 2-98-99	Grants the concession for the development and management of the Tangiers ZFE to the "Tanger Free Zone" company. Each zone is created and defined by a decree, which stipulates the nature and activities of the companies that can operate in the zone.
Decree-Law No. 2-02-644 of 2 Rejeb 1423 ³¹⁶	Establishes the Tanger-Mediterranean Special Development Zone.
Law No. 60-16 Establishing the Moroccan Agency for Investment and Export Development (2016) ³¹⁷	<ul style="list-style-type: none"> This updated law establishes free zones in all 12 regions of the country, recognizes the status of indirect exporters, and provides incentives for export-oriented and industrial companies. It also reorganizes investment promotion efforts under the centralized Moroccan Agency for Investment Development and Export. These reforms aim to improve investment opportunities and support the growth of the country's export-oriented and industrial sectors. The agent of the export processing zone provides the development and management of the zone and the submission of the investor's folders for approval by the local Committee of Export Processing Zones. The company manager offers one-stop service to the investor.

³¹⁵ https://www.nadorwestmed.ma/sites/default/files/Loi_19-94_Zones%20Franches.pdf

³¹⁶ <https://bassamat-laraoui.com/code/decret-loi-n-2-02-644-du-2-rejeb-1423-portant-creation-de-la-zone-speciale-de-developpement-tanger-mediterranee-b-o-du-19-septembre-2002/?pdf=4243>

³¹⁷ http://www.sgg.gov.ma/Portals/0/lois/Loi_60-16.pdf

3.13.3 Stakeholders³¹⁸

Moroccan Agency for Investment Development and Export

- The Agency is responsible for implementing the state's strategy for the development, encouragement, and promotion of domestic and foreign investments, as well as the export of products and services. However, this responsibility excludes those related to the sectors of agriculture, marine fishing, handicrafts, and tourism, which fall under the competencies assigned to other departments and organizations responsible for promoting investments and exports.
- In addition to the missions mentioned in Article 3 above, the Agency is responsible for developing industrial, commercial, service, and technological activity zones in accordance with the national strategy for such zones. This responsibility involves consultation with relevant departments, local authorities, public establishments, and concerned organizations.
- The term "activity zones," as referred to in this law, refers to integrated spaces intended to accommodate operators in the sectors of industry, commerce, services, and digital economy, providing them with related services for their activities.

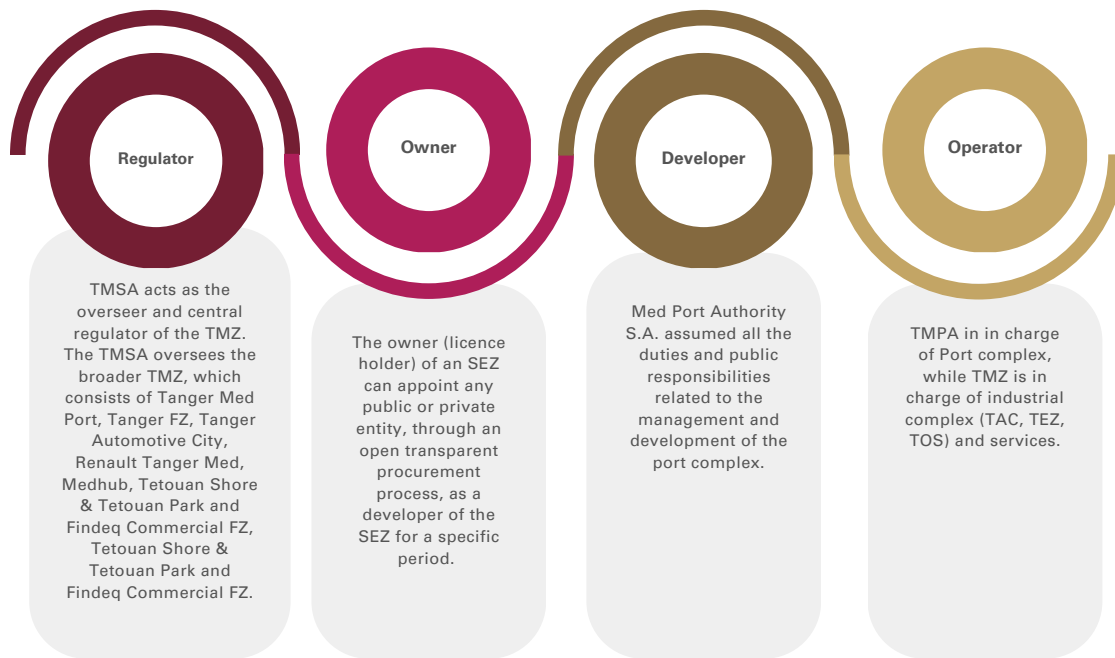
Tanger Med Special Agency

- The Tanger Med Special Agency (TMSA) holds the administrative responsibility within the zone management structure. Positioned as the supervisor and central regulator of the Tanger Med Zone (TMZ), the TMSA reports directly to the Moroccan State and the Hassan II Fund. Its role is to oversee the broader TMZ, which includes several specialized zones, including Tanger Med Port, Tanger Free Zone (Tanger FZ), Tanger Automotive City, Renault Tanger Med, Medhub, Tetouan Shore & Tetouan Park, and Findeq Commercial FZ.
- Each of these zones is dedicated to specific industrial activities and includes sectors such as automotive, textiles and agribusiness. The TMSA's primary objective is to ensure effective coordination and cohesive management of the various industrial activities within the TMZ, promoting economic growth and development in the region.

Tanger Med Port Authority:

- Tanger Med Port Authority (TMPA) is a public company with a Board of Directors and a capital of 1.8 billion MAD. The distribution of TMPA's capital is as follows: Tanger Mediterranean Special Agency (TMSA) holds up to 67.72%, while FIPAR, the investment company of the CDG Group, holds up to 32.28%. This allocation is in accordance with the Memorandum of Understanding signed between TMSA and Caisse de Dépôt et de Gestion (CDG) in July 2008.
- In 2008, TMSA initiated a strategic move to optimize the operational efficiency of its two core businesses, the Port, and the Activity Zones, and to enhance their development capabilities. As part of this process, TMSA established a subsidiary dedicated to port activities, which became known as Tanger Med Port Authority S.A.
- In January 2010, Tanger Med Port Authority S.A. assumed all the duties and public responsibilities related to the management and development of the port complex, as required by law, and officially became Tanger Med Port Authority.
- The Tanger Med Port Complex is committed to creating an efficient and fully integrated port platform that encompasses trans-shipment, import-export and value-added logistics, fostering a comprehensive and dynamic port ecosystem.

Figure 22: Stakeholders in the SEZ economic system in Morocco



3.13.4 The One-Stop Shop

The Tanger Free Zone operates as a convenient One-Stop Shop for investors, streamlining all administrative procedures on-site. The application process involves several steps, beginning with the submission of an application by the investor to the TFZ offices. This application includes a registration certificate issued by the Tanger Regional Investment Centre, a questionnaire downloaded from the website, a detailed description of the project, and an application fee.

Once the application is received, the TFZ then forwards the file to the Local Commission of Tanger Free Trade Zone. Within a period of 30 days, the Local Commission reviews and decides to either grant or decline the license. During this process, a representative of the TFZ may attend the meeting in an advisory capacity, providing additional insights.

To facilitate efficient communication and support, the Tanger Mediterranean Special Agency (TMSA) serves as the single point of contact for investors, assigning a dedicated business account manager to manage their relationship. Acting as the One-Stop Shop, TMSA collaborates with its subsidiaries to ensure seamless organization within the zones, enabling the expedited issuance of licenses and permits.

3.13.5 The case of Tanger Med – TMSA

Tanger Med, a major port complex in Morocco, is overseen by the Tanger Mediterranean Special Agency (TMSA), a public limited company with a Board of Directors and a Supervisory Board. The Tanger Free Zone, an integral part of Tanger Med, is managed by the Tanger Free Zone Company, which operates as a subsidiary of TMSA. The Moroccan government exercises direct control over Tanger Med through the Hassan II Fund for Economic and Social Development.

Tanger Med's responsibilities encompass several functions, including mobilizing financing, conducting technical and economic studies, and establishing the framework for the development of the zone's facilities. To facilitate its activities, TMSA and FIPAR, the investment company of the CDG Group, jointly contribute to the Tanger Med Port Authority (TMPA), a public limited company with a capital of 1,250 billion dirhams (MAD). According to a Memorandum of Agreement signed between the two entities in July 2008, TMSA holds 70% of the capital while FIPAR holds the remaining 30%.

In January 2010, an important milestone was reached when all public functions and prerogatives related to the management and development of the port complex were officially transferred from TMSA to the Tanger Med Port Authority, thus granting TMPA the status of a Port Authority for Tangier Med.

3.13.6 The case of Berkane Agro-Industrial Park – MEDZ³¹⁹

As part of the Green Morocco Plan, the Berkane agro-industrial park focuses primarily on agro-industry while also encompassing other sectors connected to the agricultural value chain. Its primary goal is to establish a leading regional platform for bundling, marketing, processing, and distributing agricultural products.

The park's development is undertaken by 'MEDZ,' a subsidiary of the "Caisse de dépôt et de gestion" (CDG), which is currently operational and being promoted. MEDZ, established in 2002 to support the government's tourism strategy, is a subsidiary of the CDG Group. Its original mission was to create tourist areas that meet international standards in terms of facilities and services.

Functioning as an operator, MEDZ is responsible for designing, developing, marketing, and managing high-potential business areas that foster investment, wealth creation, and job opportunities. To align with the CDG Group's directives, MEDZ also undertakes expertise missions on behalf of the State and regions as a delegated contracting party across the value chain. Additionally, as an operator, MEDZ remains committed to fulfilling its responsibilities and obligations towards the State.

³¹⁹ <https://www.medz.ma/en/projet/agropole-de-berkane>

3.13.7 Proper governance items

Table 23: Proper Governance Items (Morocco)

Regulation	Law 19-94, 1995 (EPZ)	Law No. 60-16 Establishing the Moroccan Agency for Investment and Export Development
Objective	This Law establishes a regime of export processing zones. For the purposes of this Law, export processing zones shall mean specific areas within the customs territory where industrial and related service activities are subcontracted under the conditions and limitations established by this Law and are subject to customs legislation, foreign trade regulations and exchange control.	Creates "Moroccan Agency for Investment and Export Development,": The Agency is responsible for implementing the State's strategy for development, incentives, and promotion of national and foreign investments, as well as the export of products and services, except for those related, where applicable, to the sectors of agriculture, maritime fishing, handicrafts, and tourism, subject to the competencies of other departments and organizations in investment and export promotion.
Development	In addition, these activities receive the tax benefits provided by this law on the profits and income they generate.	To this end, the Agency is responsible for leading the search for potential investors within the framework of development, promotion, encouragement, and investment incentives strategies through the following actions: -Conducting studies on investment opportunities. -Assisting Moroccan investors in their international investment projects.
Participation	-	-
Local Content/SME Consideration	-	Article 7:The Agency is governed by a board of directors and managed by a general director. The board of directors of the Agency is composed of the following members:A representative of the most representative employers' professional organization.
National Integration	-	Providing advice on all matters related to investment development and export promotion as requested by the government;Presenting recommendations or proposals, either on its initiative or at the government's request, to improve the environment, conditions, and procedures related to investment development and the Moroccan export offer;Making any necessary proposals and conducting studies to implement the government's strategy for investment development and export and to evaluate achievements in this framework;Concluding contracts or agreements with any public or private operator, national or international, aimed at developing, encouraging investment, technology transfer, and promoting the export of "Made in Morocco" products.



3.13.8 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/ SME	National Integration	ESG
Building Local Economy	<p>In pursuit of economic growth, Morocco has implemented various policies centred around Special Economic Zones and Small and Medium Enterprises (SMEs). The National Pact for Industrial Emergence is a key initiative that aims to integrate local SMEs into the supply chains of multinational corporations through tax incentives and training programs. The Moroccan Investment Development Agency plays a pivotal role in collaborating with SEZs to provide support and assistance to SMEs. For instance, Tanger Med Zone works closely with local SMEs in the automotive and aeronautical sectors, offering essential infrastructure and training. Similarly, Casablanca Finance City and Kenitra Atlantic Free Zone contribute to empowering SMEs with resources, thereby fostering job creation and skills development and boosting Morocco’s economic landscape. Additionally, Berkane Agro-Industrial Park serves as a strategic hub for trade opportunities within and beyond the region.</p>		
	<p>Morocco has a national development regulation (Law No. 60-16) that governs the SEZs. These zones are referred to as “activity zones” and provide integrated spaces for industrial, commercial, service, and digital economy operators, along with related services. While the regulation aligns with Morocco’s national development goals, it lacks specific references to fostering better local economies or actively embracing SMEs.</p>		
	<p>Business ecosystem and SEZ regulatory alignment: Morocco’s efforts to strengthen its economy through SEZs and SME support are commendable. The National Pact for Industrial Emergence and collaborations with SEZs demonstrate a commitment to integrating local SMEs into global supply chains. However, while the existing regulation sets a very general framework for SEZs, it could benefit from additional provisions aimed explicitly at boosting local economies and prioritizing SME growth. By incorporating more tailored measures to empower SMEs, Morocco can enhance its economic growth and create a more inclusive and resilient business environment.</p>		

<p>Job Creation, Skills, and Regulation</p>	<p>The Moroccan government places significant importance on skills development and job creation, particularly through SMEs. The National Initiative for Human Development (INDH) focuses on providing training, education, and support for entrepreneurship in local communities. Maroc PME supports SMEs with training, mentorship, and access to financing, collaborating with SEZs for their integration. The National Employment Promotion Agency (ANAPEC) assists job seekers and employers with training and vocational guidance. The Moroccan Qualifications Authority (MQA) oversees the Moroccan Qualifications Framework (MQF) to recognize qualifications. TVET colleges offer vocational training, aligned with local business needs. Additionally, the government invests in ICT and tourism infrastructure, making tourism a significant contributor to the economy. These initiatives collectively contribute to skills development and bolstering the economy through SMEs.</p>
	<p>Despite commendable efforts by various Moroccan authorities to promote skills and human development, there appears to be a lack of integration on the regulatory front, particularly regarding SEZ and investment regulations. While institutions such as the National Agency for the Promotion of Employment and Skills are well established, their integration with SEZ-related legislation is lacking. There is a clear gap in updating SEZ regulations to align with the national commitment to skills development and economic growth.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Morocco has demonstrated a strong commitment to skills development and job creation, particularly through the support and promotion of SMEs. The government’s initiatives such as the National Initiative for Human Development, Maroc PME, ANAPEC, and the Moroccan Qualifications Framework, as well as investments in ICT and tourism infrastructure, have collectively contributed to fostering a skilled workforce and bolstering the country’s economy. However, there is a need for better alignment and integration between these efforts and the regulations governing Special Economic Zones. By bridging this regulatory gap, Morocco can ensure a more cohesive and effective approach towards achieving its economic development goals and further empowering its local communities and businesses.</p>
<p>ESG Commitment</p>	<p>Morocco is demonstrating its commitment to sustainability by promoting ESG practices in SEZs and SMEs. The government emphasizes responsible growth and encourages green initiatives. Special economic zones, such as Tanger Med Zones, are actively implementing energy efficiency measures and helping companies meet ESG standards. Notable projects such as MASEN and IFC promote green investment, while leading companies and industry associations play an active role in contributing to sustainability. Morocco’s dedication to sustainable development is evident through these initiatives, demonstrating its strong commitment to shaping a greener and more sustainable future.</p>
	<p>The general and specific regulations, including Decree-Law No. 2-02-644 (September 19, 2002) establishing the Tanger-Mediterranean Special Development Zone, do not contain any references to ESG practices or environmental standards for the approval or management of special economic zones. To understand the potential ESG implications in the development of an SEZ, one would need to refer to national legislation or decisions made by the SEZ authority. However, in Morocco, a country known for having one of the most advanced SEZs on the continent, no such references can be found in the main laws governing SEZs.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Morocco’s focus on promoting sustainability in its SEZs and SMEs reflects a commendable commitment to responsible economic development. Although the current SEZ regulations do not explicitly address ESG considerations, the government’s emphasis on green initiatives and socially responsible practices signifies a step in the right direction. By integrating specific ESG criteria into the SEZ regulations and fostering an environment that encourages environmentally friendly actions, Morocco can further strengthen its position as a regional leader in sustainable development. Embracing ESG principles in the SEZ framework would not only attract more environmentally conscious investments but also drive positive social impact and contribute to the country’s long-term economic prosperity.</p>

3.14 Nigeria

3.14.1 Model

In 1992, Nigeria introduced the Free Zone Program under Act No. 63 of 1992, which created Special Zones in the country. The Nigeria Export Processing Zone Authority was designated as the sole government agency responsible for establishing, licensing, regulating, and monitoring Free Zones and Export Processing Zones in Nigeria. The primary objective of implementing the Special Economic Zone scheme in Nigeria is to enhance the investment climate. This is achieved through a competitive incentive system, simplified administrative procedures, and the provision of world-class infrastructure, all aimed at attracting capital investment for industrial development.

3.14.2 Regulations³²⁰

Regulation	Description
Nigeria Export Processing Zone Act 1992	The principal legislation governing free trade zones (FTZs) in Nigeria includes the Nigeria Export Processing Zone Act, 1992 (NEPZ Act) and the Oil and Gas Export Free Zone Act, 1996 (OGFZ Act). The NEPZ Act established the Nigerian Export Processing Authority (NEPZA), which is responsible for the licensing, administration, and supervision of FTZs throughout the country. NEPZA is also empowered to make regulations applicable to FTZs in Nigeria. On the other hand, the OGFZ Act established the Oil and Gas Free Zone Authority (OGFZA), which is empowered to license oil and gas FTZs and supervise the Onne Oil and Gas FTZ.
Investment Procedures, Regulations and Operational Guidelines for Free Zones in Nigeria, 2004	NEPZA has passed regulations over the operations of FTZs in Nigeria as contained in the OGFZA. NEPZA also has guidelines as contained in the Oil and Gas Export Free Zones Regulations 2003.
Free Zones (Monitoring and Regulations) Order, 2014	Under this Order, the Authority is given additional responsibilities in addition to its existing functions under the Act. These new responsibilities include the licensing of all oil and gas free zones within the Customs Territory. In addition, the Authority is now mandated to periodically publish operating standards to be followed within the Free Zones. With the implementation of this decree, the Authority will effectively supervise and regulate the activities of the oil and gas free zones, ensure compliance with the established standards, and improve the overall functioning of the zones.

³²⁰ List of sources:

<https://www.lagosfreezone.com/files/1.%20Nepza%20Act%201992%20-%20Decree%20No.%2063.pdf>

<https://lfzdc.org/wp-content/uploads/2017/04/NEPZAAct.pdf>

<https://ogfza.gov.ng/wp-content/uploads/2017/10/FZ-Monitoring-and-Regulations-Order.pdf>

https://www.lagosfreezone.com/files/3.%20NEPZA%20Regulations_LFTZC%202016.pdf

Regulation	Description
Lekki and the Lagos Free Trade Zone Regulations 2016	<p>The Nigeria Export Processing Zones Authority (NEPZA) plays a critical role in the licensing, monitoring, and regulation of all free zones in the country. It exercises authority over three types of licenses: the Free Zone Developers License, the Enterprise License, and the Export Processing License. While federal free zones are under the administration of the authority, state and private free zones are administered by their respective license holders.</p> <p>The establishment of Free Zones in Nigeria comes with various incentives and concessions. Legislative provisions relating to taxes, levies, duties, and foreign exchange regulations do not apply within the Free Zones. Foreign investors enjoy the privilege of repatriating their investments at any time along with capital appreciation. In addition, profits and dividends earned by foreign investors within the zones can be remitted outside the country. Import and export licenses are not required within the Free Zones, and up to 100% of production can be sold within the customs territory, subject to appropriate duties and a valid permit. During the construction phase, investors benefit from rent-free land, and thereafter the rent is set by either the authority or the zone management.</p>

3.14.3 Stakeholders³²¹

Presidency

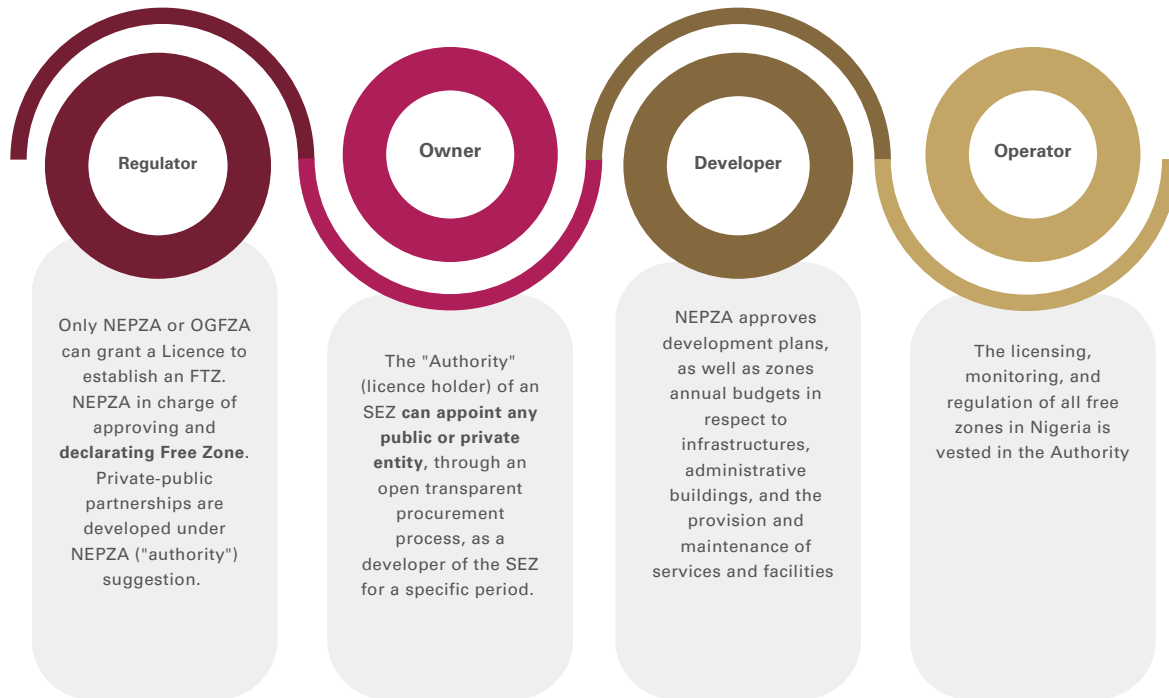
- The President, as Commander-in-Chief of the Armed Forces, has the authority to accept or reject projects. Based on the recommendations of the Nigeria Export Processing Zones Authority established under this Decree, the President may, by Executive Order, designate certain areas for recognition as Export Processing Zones.
- Similarly, the President, as Commander-in-Chief of the Armed Forces, or the Governor of a State, has the power to transfer ownership of any property belonging to the Federal or State Governments to the Authority. Such transfers shall be made by official order and the property in question shall be vested in the Authority without further legal proceedings. Such transfers shall be made to facilitate the effective performance by the Authority of its functions under this Decree.

Nigeria Export Processing Zones Authority (NEPZA)

- Under this provision, the authority responsible for recommending to the President the designation of an area as a free zone ("Zone") is required to include in its recommendations a comprehensive socio-economic study of the proposed Zone and a project plan. This study should outline the proposed location, layout, area, and intended use of the Zone.
- Once the Zone is established based on the recommendations of the Authority, it may be operated and managed by either a public, private, or combination of public and private entity. However, such operation and management must be under the supervision and approval of the Nigeria Export Processing Zones Authority.
- NEPZA is the major driver of Government's initiative to diversify the Nigerian economy. With investment packages and a focus on economy-driven sectors, NEPZA provides investment opportunities in different sectors across the country.
- NEPZA approves development plans, as well as zones annual budgets in respect to infrastructures, administrative buildings, and the provision and maintenance of services and facilities.

³²¹ <https://nepza.gov.ng/>

Figure 23: Stakeholders in the SEZ economic system in Nigeria



3.14.4 The One-Stop shop

NEPZA functions as a comprehensive One-Stop Shop, facilitating various crucial processes for Free Zones, including approving locations as Free Zones (Zone Declaration), registering companies as Free Zone entities (Enterprise Registration), handling changes in company directorship (Change of Directors), ensuring annual Operating License renewal (OPL Renewal), receiving and processing end-of-financial-year reports (Filing of Annual Returns) from Free Zone Enterprises, providing information through Registry Search, and managing updates to director addresses (Change of Director's Address). Through this centralized approach, NEPZA streamlines administrative procedures, enhancing efficiency and support for Free Zone businesses.

3.14.5 The case of Lekki Free Zone (LFZDC) – Lagos Free Zone Regulation

The establishment of the Lekki Free Zone has necessitated the implementation of new regulations. The Lekki Free Zone Development Company (LFZDC) was incorporated in May 2006 as a Joint Venture Partnership under the Nigeria Export Processing Zones Act. This joint venture is made up of a consortium of Chinese companies known as China-Africa Lekki Investment Ltd (CALI), which holds a majority share of 60%, with the Lagos State Government (LASG) holding 20%, and Lekki Worldwide Investments Limited (LWIL) holding the remaining 20%.

LFZDC has been duly empowered by both the Federal Government of Nigeria through the Nigeria Export Processing Zones Authority (NEPZA) and the Lagos State Government to undertake the exclusive development, operation, administration, and management of the South/West Quadrant of the Lekki Free Zone Project.

The primary objective of the Lekki Free Zone Project is to establish, operate and manage a modern Free Zone of international standards, taking advantage of Lagos' strategic position as a major distribution hub in West

Africa. The project is designed to enhance economic cooperation between Nigeria and China, capitalizing on the mutually beneficial complementarity of their resources. It also aims to optimize Nigeria's industrial structure and raise the national standard of living through its development efforts.

3.14.6 The case of Centenary Economic City – CECFZ³²²

Centenary City is a designated Economic City in Nigeria and has received official approval from the Nigeria Export Processing Zone Authority (NEPZA) to operate as a Free Trade Zone (FTZ). This status grants the city economic privileges and incentives to attract local and foreign investors, making it an attractive destination for business and trade.

The management of Centenary City is entrusted to Centenary City Plc, a consortium led by the esteemed former Head of State, Mr. Abdusalami Abubakar. This consortium oversees the strategic planning and development of the city, ensuring that it operates efficiently and effectively. In addition, the development of Centenary City is being led by Eagle Hills Ltd, a prominent development company based in the United Arab Emirates (UAE). This partnership brings valuable expertise and financial support to the project, with Eagle Hills Ltd underwriting the development costs at no financial burden to the Federal Government of Nigeria.

As a result of this collaboration between Centenary City Plc and Eagle Hills Ltd, the city is poised to become a thriving economic hub with advanced infrastructure, business-friendly policies, and attractive investment opportunities.

The development of Centenary City promises to make a significant contribution to Nigeria's economic growth and progress, both nationally and internationally.

3.14.7 The case of Abuja Technology Village Free Zone – ATVF³²³

The Abuja Technology Village Science and Technology Park (STP) and Special Economic Zone is strategically located within the Federal Capital Territory (Abuja), Nigeria. The ownership of this zone is structured as a joint venture known as ATV Free Zone Company. The Federal Capital Territory Administration (FCTA) holds a 40% share through the Abuja Investment Corporation Limited, while the Abuja Technology Village Foundation holds the majority share of 60%.

This development is based on a long-term lease agreement which gives the developer rights to the land for a period of 99 years. The vision for the STP and SEZ is to create a premier destination for technology research, incubation, development, and commercialization. The focus sectors of this ambitious project include Information and Communication Technology, Biotechnology, Minerals Technology and Energy Technology.

The Abuja Technology Village provides an ideal environment for conducting business, giving companies a competitive advantage. Positioned to access Africa's largest consumer market, it benefits from its proximity to every part of Nigeria and convenient access to key global destinations. One of its key objectives is to build a robust

³²² <https://cecfz.com/>

³²³ <https://www.iasp.ws/our-members/directory/@6185/abuja-technology-village-free-zone-company>

knowledge base that will contribute significantly to reducing Nigeria’s economic dependence on hydrocarbon resources. By promoting job creation and wealth generation, this initiative is in line with the country’s consistent pursuit of comprehensive national development

3.14.8 Proper governance items

Table 24: Assessment of Proper Governance (Nigeria)

Regulation	Nigeria Export Processing Zones Act Decree 1992. Act no. 63:	Nigeria Export Processing Zones Act and Lagos Free Trade Zone Regulations(2016)
Objective	Designation of Free Zones	(a) Complement and enhance the provisions of the Act.(b) Provide details of regulatory and supervisory requirements necessary to promote efficient and profitable operations in the Lagos Free Trade Zone in these Regulations referred to a “LFTZ”.(c) Facilitate the attainment of the goals for which the Lagos Free Trade.
Development	-	-
Participation	-	-
Local Content/SME Consideration	-	56. All Licensees shall observe the relevant measures necessary for the protection and preservation of the Free Zone environment and the host community. Chapter X: Health, Safety, and Environmental Regulations
National Integration	-	-



3.14.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/ SME	National Integration	ESG
Building Local Economy	<p>As explained in chapter I, the NSEZCO has been instrumental in establishing the “Made in Nigeria for Export” (MINE) initiative, targeting various sectors such as manufacturing, textiles, agribusiness, ICT, renewable energy, healthcare, and automotive. While specific examples of SMEs closely collaborating with SEZs are not provided, the overall focus is on integrating them into these specialized zones. Notable MINE companies like Nuli Juice, AACE Foods, Ruff ‘n’ Tumble, Chocolat Royal, and Omatek Ventures have successfully expanded their exports to international markets, contributing to the objective of diversifying the economy beyond oil and fostering a stronger ecosystem involving local SMEs. This initiative aligns with the SEZ goal of promoting local content and driving sustainable economic growth.</p>		
	<p>This chapter reveals that the overall Free Trade Zone Act lacks significant references to local development from a national standpoint. However, the Lagos Free Trade Zone Regulations, 2016, contain specific provisions tailored to that zone. Specifically, this regulation emphasize that all licensees must adhere to measures aimed at safeguarding and conserving the Free Zone environment and the surrounding host community.</p>		
	<p>Business ecosystem and SEZ regulatory alignment: In Nigeria, efforts are being made to boost the economy through SEZs and SMEs. The “Made in Nigeria for Export” initiative promotes local SME integration in specialized zones, diversifying the economy. Success stories of companies like Nuli Juice and Nkataa highlight the potential of local exports. However, the Free Trade Zone Act lacks specific references to local development, while the Lagos Free Trade Zone Regulations has little references to community protection.</p>		

<p>Job Creation, Skills, and Regulation</p>	<p>Skills and qualifications development are overseen by the National Board for Technical Education (NBTE), which accredits and regulates technical institutions. NBTE promotes skills in sectors like ICT, tourism, and creative industries through funding training programs and apprenticeships. TVETs play a crucial role in enhancing employment opportunities by providing industry-specific skills. The National Business and Technical Examination Board (NABTEB) conducts national exams and certifications for technical education. The National Vocational Training Institute (NVTI) offers vocational training, and the Nigeria Association of Small and Medium Enterprises (NASME) advocates for SMEs, providing training and networking.</p>
	<p>The Nigeria Export Processing Zones Authority (NEPZA) law stands out as one of the most comprehensive in terms of labour protection regulations among those studied. All employees, employers, and workplaces within the Free Zones are bound by these regulations, which extensively cover various work practices. The law mandates the Ministry of Labour and Productivity, in collaboration with the Authority/Zone Management, to establish a labour and employment service office in each zone. This office’s role is to regulate the labour market and oversee matters concerning employment terms, safety, health, and worker welfare within the zone. Additionally, the law sets standards for holidays, overtime pay, minimum wages, as well as prohibits gender discrimination in wage amounts and working hours. Even though there is still a lack of skill development engagement, the regulation tends to move in that direction.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Nigeria has focused on skills and qualifications development through institutions like NBTE and NABTEB. TVETs play a vital role in enhancing employability, and organizations like NVTI and NASME support vocational training and SMEs. NEPZA’s labour protection regulations stand out, emphasizing employee welfare in Free Zones. Overall, Nigeria shows commitment to skill development and labour rights.</p>
<p>ESG Commitments</p>	<p>Nigerian government’s commitment to promoting ESG practices is evident through policies and regulations like the NESREA Act and NSBP. The Nigerian Stock Exchange has also played a role in encouraging ESG reporting and sustainable finance. Efforts to educate the public on ESG issues have been supported by the CSR Centre. Additionally, the “Made in Nigeria for Exports” (MINE) initiative aims to boost economic growth, manufacturing, and job opportunities through strategic use of SEZs. Projects under MINE include Enyimba Economic City, Funtua Cotton Cluster, and Lekki Model Industrial Park.</p>
	<p>The NEPZA Law comprehensively addresses environmental protection with an Environmental Impact Statement, fines for pollution, and regulations for safety and pollution control, including a dedicated chapter on “Health, Safety, and Environmental Regulations.” The Authority collaborates with relevant government agencies to inspect and monitor anti-pollution measures in the zones and applies appropriate sanctions for breaches. Similarly, the Lagos Free Trade Zone Regulations, 2016, also have a detailed chapter focusing on “Health, Safety, and Environment” for the specific zone. Nigeria emerges as one of the most meticulous regulators concerning this matter.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Nigeria demonstrates a strong commitment to promoting sustainability and environmental protection through policies, initiatives like MINE, and comprehensive regulations. The strategic use of SEZs and focus on local industries highlight Nigeria’s determination to drive economic growth while adhering to ESG principles. With meticulous environmental regulations, Nigeria is positioned to become a new generation SEZ player on sustainable practices.</p>

3.15 Rwanda

3.15.1 Model

In 2006, Rwanda embarked on the creation of its first Special Economic Zones, a crucial step in attracting investment and promoting economic growth. The Kigali Industrial Park and the Rwanda Free Trade Zone were among the first SEZs to be established, with the Kigali Special Economic Zone (KSEZ) being formed by merging the pre-existing initiatives of the Kigali Free Trade Zone and the Kigali Industrial Park.

To ensure the smooth development and operation of these SEZs, the Government of Rwanda has developed a comprehensive policy and regulatory framework. This framework includes the SEZ Policy and the SEZ Act, which facilitated the establishment of the Special Economic Zone Authority of Rwanda (SEZAR) as an integral part of the Rwanda Development Board (RDB). In addition, supportive regulations were introduced to address land tenure and provide tax incentives to strengthen the functionality and success of SEZs. These strategic policies aim to create an enabling environment for businesses and investors in the SEZs, promote economic diversification, and increase trade opportunities in Rwanda³²⁴.

3.15.2 Regulation³²⁵

Regulation	Description
Law no.5 Regulating SEZ of 2011	This legislation serves as the regulatory framework for the establishment, development, operation, and maintenance of Special Economic Zones in Rwanda. The process of establishing SEZs in Rwanda involves a Prime Ministerial Decree that formally designates a specific area as a legally recognized zone. Over time, the SEZ regulatory framework has been refined, leading to the formulation of the SEZ Policy in 2010, followed by the enactment of the Special Economic Zones of Rwanda Law in 2011. This comprehensive law outlines the necessary guidelines for the operation of SEZs, describes the organizational structures, and defines the roles of key stakeholders involved in the SEZ ecosystem.
Investment Code: Law N° 06/2021 Of 05/02/2021 On Investment Promotion and Facilitation	The Code includes several new priority sectors and activities, broadening the scope beyond the existing ones. These new sectors include mineral exploration, specialized innovation or industrial parks, transport and logistics, electric mobility, horticulture and high-value crops, creative arts, and skills development. In addition, the Code introduces a few new tax incentives, many of which are specifically tailored to strengthen Kigali's positioning as a regional financial hub. In addition, philanthropic investors, angel investors, and strategic investment projects are among the beneficiaries of these newly introduced tax incentives. The overall intention is to strengthen Rwanda's economic landscape and encourage investment in various sectors.

³²⁴ https://www.theigc.org/sites/default/files/2017/10/Steenbergen-and-Javorcik-working-paper-2017_1.pdf

³²⁵ List of sources:



3.15.3 Stakeholders

Developer

- The developer is typically a private sector entity licensed by the regulator and assumes responsibility for owning the land, assuming the risk, and financing the design and construction of all major SEZ infrastructure and facilities. For example, the Prime Economic Zone Secretariat serves as the developer of the Kigali SEZ and is also the landowner. As such, it is responsible for concluding sales agreements with various users.

Operator

- The operator is usually a private sector company licensed by the regulator and entrusted with the day-to-day management of the SEZ. They provide specialized support facilities and services within the SEZ. In some cases, the developer may also assume the role of the operator.

User

- The user is a private entity engaged in commercial activities within the SEZ, subject to the applicable rules and regulations governing SEZ operations. SEZ users must hold a user license issued by the Special Economic Zones Authority of Rwanda (SEZAR).

Prime Minister

- Special Economic Zones in Rwanda are established through a Prime Minister's order that converts the subject area into a legally designated Zone.

Special Economic Zones Regulatory Authority of Rwanda – SEZAR

- The regulator is an independent agency tasked with planning the national SEZ regime, designating land as SEZs, coordinating with public authorities, granting licenses and permits to SEZ enterprises (developers, operators, and users), monitoring performance, and ensuring compliance with SEZ rules and regulations. The current SEZ regulator in Rwanda is the Special Economic Zones Authority of Rwanda, which operates under the Rwanda Development Board (RDB).

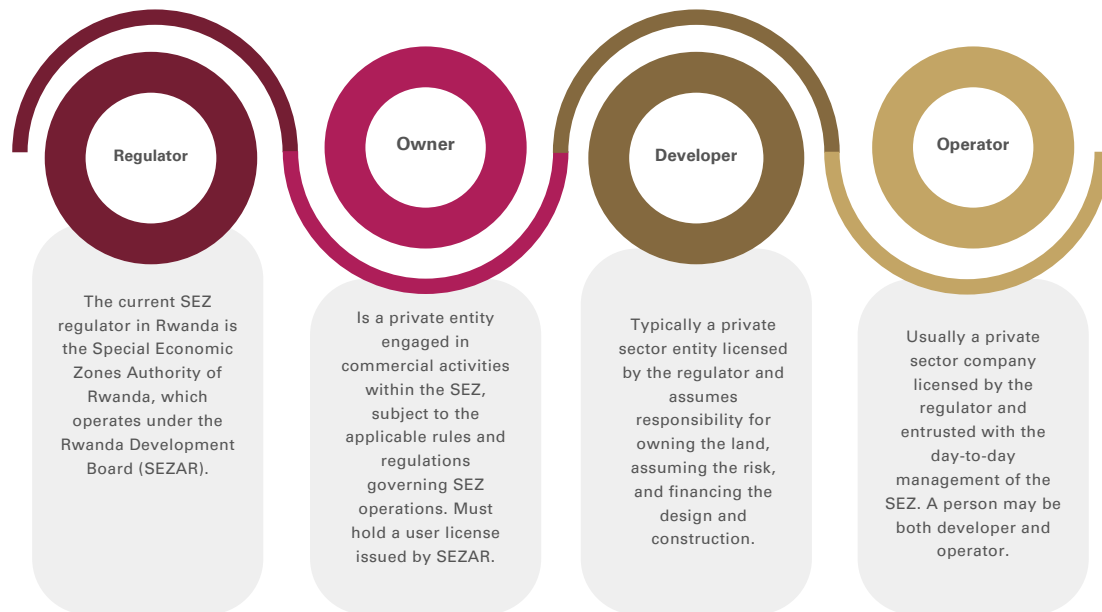
National Development Agency: Rwanda Development Board (RDB)

- RDB is the organ in charge of investment promotion in Rwanda. Its roles include: ensuring regular monitoring of registered investor's operations; keeping records related to investment certificates, work permits, visas and other documents pertaining to the registered investment enterprise; carrying out monitoring of investment projects in order to ensure that incentives are directed to the projects which adhere to the requirements and the investor's submitted business plan; facilitating amicable settlement of disputes that may arise between an investor and a State organ; representing the Government in negotiating investment agreements; and avoiding disclosing confidential information provided by an investor.

https://rdb.rw/wp-content/uploads/2018/01/SEZ-Law_1.pdf

<https://rdb.rw/wp-content/uploads/2022/02/Investment-code-2021.pdf>

Figure 24: Stakeholders in the SEZ economic system in Rwanda



3.15.4 The One-Stop shop

According to Law No. 05/2011 of March 21, 2011, Article 3, Number 5, the primary objective of the establishment of Special Economic Zones is to streamline business registration and customs procedures, as well as to expedite the issuance of various permits required to operate within the Zone.

In addition, Article 32 of the same law provides for the establishment of a One-Stop Centre within each zone. This One-Stop Centre is intended to facilitate the operations of developers, operators, and users of the SEZ. The purpose of the One-Stop Centre is to provide a single point of contact for investors and businesses where they can access a wide range of services and obtain necessary approvals and permits in a seamless and efficient manner. The establishment of the One-Stop Centre aims to simplify bureaucratic processes, improve the ease of conducting business and attract more investment to the SEZs.

3.15.5 The case of Kigali SEZ

President Paul Kagame’s reforms in the 2000s set the stage for the widespread adoption of Special Economic Zones across Rwanda, culminating in the enactment of the SEZ Law in 2011. In this article, the focus will be on the Kigali Special Economic Zone (KSEZ) and its key role in Rwanda’s ambitious goal of achieving lower middle-income status by 2020.

Located approximately 10 kilometres east of Kigali, Rwanda’s capital city, and near Kigali International Airport, the Kigali Special Economic Zone (KSEZ) enjoys strategic geographic advantages, including access to the Central Transport Corridor. Covering an area of 276 hectares, the zone is well equipped with essential infrastructure such as road networks, water supply, electricity, fibre optic internet connectivity and efficient sewerage systems.

Land acquisition within the SEZ is facilitated by a private company acting as a “developer” under the regulatory supervision of the government, specifically SEZAR. Land is available for purchase at a cost of USD 50 per



square meter, with a minimum requirement of one hectare. Once the land is secured, the Rwanda Development Board (RDB) works with SEZAR to ensure that all necessary licenses and permits are obtained to facilitate the establishment and operation of businesses within the SEZ.

3.15.6 Proper governance items

Table 25: Proper Governance Items (Rwanda)

Regulation	Law no.5 Regulating SEZ of 2011
Objective	Art. 1: This Law regulates the establishment, development, operation, and maintenance of special economic Zones in Rwanda.
Development	Art. 3: Zones shall be established for the following purpose: <ul style="list-style-type: none"> Increasing the area of developed land, rehabilitate and increase available infrastructure Fostering development
Participation	-
Local Content/SME Consideration	Art. 3 no. 7. To promote a high-quality business climate with an emphasis on environmental protection in compliance with international Laws and conventions. Art. 37. Labour and management relations in each Zone shall be governed by the existing labour laws of Rwanda. However, in consideration of the purposes for which a Zone was created, an Order of the Minister in charge of labour shall determine labour conditions in that Zone.
National Integration	Art. 7: The establishment of a Zone shall be done in compliance with the master plan. For an area which is not covered by a master plan, the area to be used for the establishment of a Zone shall be determined by a Prime Minister’s Order.

3.15.7 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/ SME	National Integration	ESG

<p>Building Local Economy</p>	<p>Public and private organizations collaborate to support the local economy. The Kigali Special Economic Zone (KSEZ) houses over 100 companies manufacturing Rwandan products from local raw materials, many of which are exported. Various instruments, including the Local Content Policy and business incubation programs, foster the partnership between SEZs and SMEs. The Rwanda Development Board (RDB) plays a crucial role in promoting investment in local SMEs and SEZs, working closely with ESOs to enhance local economic development. Digital solutions like the SME One-Stop Support Centre facilitate networking and information sharing.</p> <p>The SEZ law focuses on creating a conducive environment for private practice without direct reference to the local economy. However, it does establish preferences for promoting agro-industry, financial, tourist, and recreational activities, as well as the green energy technology industry, residential buildings, and other types of economic development centres.</p> <p>Business ecosystem and SEZ regulatory alignment: Rwanda’s collaboration between SEZs and SMEs fosters economic growth. The KSEZ supports local manufacturing and export-oriented businesses, while policies like the Local Content Policy and business incubation programs strengthen the partnership. The Rwanda Development Board plays a crucial role in promoting investments and sustainable development. Although the SEZ law does not explicitly mention the local economy, it prioritizes sectors for economic diversification. Rwanda’s approach shows a holistic strategy for inclusive and sustainable progress.</p>
<p>Job Creation, Skills, and Regulation</p>	<p>The SME policy in Rwanda aims to boost job creation, reduce poverty, and foster economic development. It emphasizes creating an enabling environment for SME competitiveness through skills development, knowledge transfer, and technology adoption. The Rwanda Development Board (RDB) coordinates stakeholders’ efforts in skills and qualification development, and the Business Development Fund (BDF) provides funding and technical assistance to SMEs, supported by organizations like the World Bank and IFAD. The Rwanda Innovation Fund (RIF) financed by AfDB also contributes to job creation and business development. Additionally, the SEZ policy requires SEZs to allocate a sizeable portion of their workforce to local workers, promoting skill development and local employment.</p> <p>The SEZ regulation considers skill enhancement to effectively organize private sector initiatives aimed at training and enhancing the workforce’s capabilities while safeguarding workers’ rights in line with relevant international conventions. Moreover, labour and management relations within each Zone will be subject to Rwanda’s existing labour laws. Nevertheless, the specific labour conditions for each Zone, based on its intended objectives, will be determined by an Order from the Minister responsible for labour.</p> <p>Business ecosystem and SEZ regulatory alignment: Rwanda’s SME policy stands as a strategic pillar in the nation’s pursuit of job creation, poverty reduction, and overall economic advancement. By cultivating an environment conducive to the growth of small and medium-sized enterprises (SMEs), the policy promotes competitiveness through the acquisition of skills, knowledge transfer, and the adoption of innovative technologies. Furthermore, the SEZ policy reinforces this vision by mandating that Special Economic Zones prioritize local employment, thereby driving skill enhancement and contributing to the broader goal of empowering the local workforce. This comprehensive approach, as outlined in the SEZ regulation, ensures that private sector initiatives align with international labour standards, while also accommodating the unique objectives of each Zone.</p>

	<p>Rwanda is committed to sustainable development. The government has put in place several policies and initiatives to promote ESG practices, including the Rwanda Environment Management Authority (REMA), the Green Growth and Climate Resilience Strategy, and the SMEs Guidebook launched by the Rwanda Stock Exchange (RSE). These initiatives have helped to make Rwanda a leader in sustainable development in Africa. Rwanda has also been recognized by the World Bank as one of the most business-friendly countries in Africa. The country has a strong focus on renewable energy, with 40% of its electricity coming from hydro and solar power. Rwanda is committed to reducing poverty and inequality and has made considerable progress in recent years.</p>
ESG Commitment	<p>The SEZ regulation aims to promote the local economy by emphasizing environmental protection in accordance with international laws and conventions. It specifically mandates that Zone developers, operators, and users must comply with laws governing environmental protection, conservation, and promotion. This approach seeks to create a high-quality business environment while ensuring responsible environmental practices are followed.</p>
	<p>Business ecosystem and SEZ regulatory alignment: Rwanda is an example in sustainable development in Africa, with a strong focus on promoting ESG practices and renewable energy. The SEZ regulation further supports the local economy while ensuring adherence to environmental protection laws and conventions. Rwanda’s commitment to reducing poverty and inequality is evident through its progressive policies and initiatives.</p>

3.16 South Africa

3.16.1 Model

The South African government established the Industrial Development Zones (IDZ) program to attract foreign direct investment and promote value-added commodity exports. Despite some successes, weaknesses led to a review of the policy and the introduction of the new Special Economic Zones program in 2007. The SEZ policy aims to expand industrialization to meet regional development needs, provide a clear planning framework for SEZs, strengthen governance arrangements, and provide a predictable financing framework for long-term planning. It is in line with national economic policies and global economic developments such as the formation of BRICS (Brazil, Russia, India, China, and South Africa).

Special Economic Zones Act No. 16 of 2014 established that SEZs are designated areas within a country that promote targeted economic activities through special arrangements and systems different from the rest of the country. They are crucial for economic development, supporting industrialization, regional growth, and job creation. SEZs can be sector-specific or multi-product and are classified into Industrial Development Zones, Free Ports, Free Trade Zones, and Sector Development Zones, each serving distinct purposes in value-added manufacturing, services, and export-oriented industries³²⁶.

³²⁶ <http://www.thedtic.gov.za/sectors-and-services-2/industrial-development/special-economic-zones/>

3.16.2 Regulations³²⁷

Regulation	Description
SEZ Act (16 of 2014)	<ul style="list-style-type: none"> The Act provides a stable and long-term policy framework with minimal regulation. It regulates the designation, promotion, development, operation, and management of SEZs, as well as the establishment of the SEZ Advisory Board and SEZ Fund. It also governs the application, issuing, suspension, withdrawal, and transfer of SEZ operator permits, along with outlining the functions of SEZ operators. The main objectives of the Act are to establish the SEZ Policy and Strategy, create the SEZ Advisory Board and SEZ Fund, ensure effective designation, operation, promotion, development, and management of SEZs, introduce regulatory measures and incentives for SEZs to attract domestic investment and Foreign Direct Investment (FDI), and establish a One-Stop Shop that delivers government services within the SEZ, streamlining administrative processes.
Special Economic Zones Act. Coega Industrial Development Zone: Amendment	<ul style="list-style-type: none"> The Coega Industrial Development Zone (IDZ) was designated as a Special Economic Zone by the Minister of Trade and Industry pursuant to the powers vested in the Ministry by the Special Economic Zones Act No. 16 of 2014 (SEZ Act). This designation was initially made in terms of the IDZ Regulations (Notice No. 2364 of 2001) of the Manufacturing Development Act No. 187 of 1993. Pursuant to Section 39(2) of the SEZ Act, any existing IDZ designation remains valid and is deemed to be an SEZ under the new Act. Consequently, with the automatic legal effect of Section 39(2), the Coega Industrial Development Zone was officially recognized as a SEZ under the SEZ Act from the date of its commencement.

3.16.3 Stakeholders

The Minister of Trade and Industry

- The Ministry holds overall responsibility for the development and implementation of policy, strategy and programs, and regulation of the SEZs.

SEZ Advisory Board

- The SEZs Advisory Boards are autonomous bodies entrusted with the task of advising the Minister of Trade and Industry concerning policies and strategies pertaining to Special Economic Zones. Comprised of representatives from the government, business sector, and civil society, these boards were established in 2015 under the Special Economic Zones Act of 2014. According to the Act, the Minister is required to create at least one SEZs Advisory Board for each province in South Africa.
- The primary responsibilities of these advisory boards encompass several vital areas, including the designation of new SEZs, the development and management of existing SEZs, the provision of incentives to investors operating within SEZs, as well as the ongoing monitoring and evaluation of SEZs. With their diverse expertise and perspectives, the boards play a crucial role in shaping and enhancing the effectiveness of SEZ policies and initiatives in South Africa.
- In South Africa, each SEZ has an SEZ Board headed by a Chief Executive Officer. The board appoints an SEZ operator who is responsible for the development, operation, and management of the SEZ on its behalf. This arrangement places responsibility on the operator to ensure the presence of enabling infrastructure and access to essential services within the zone.

³²⁷ List of sources:

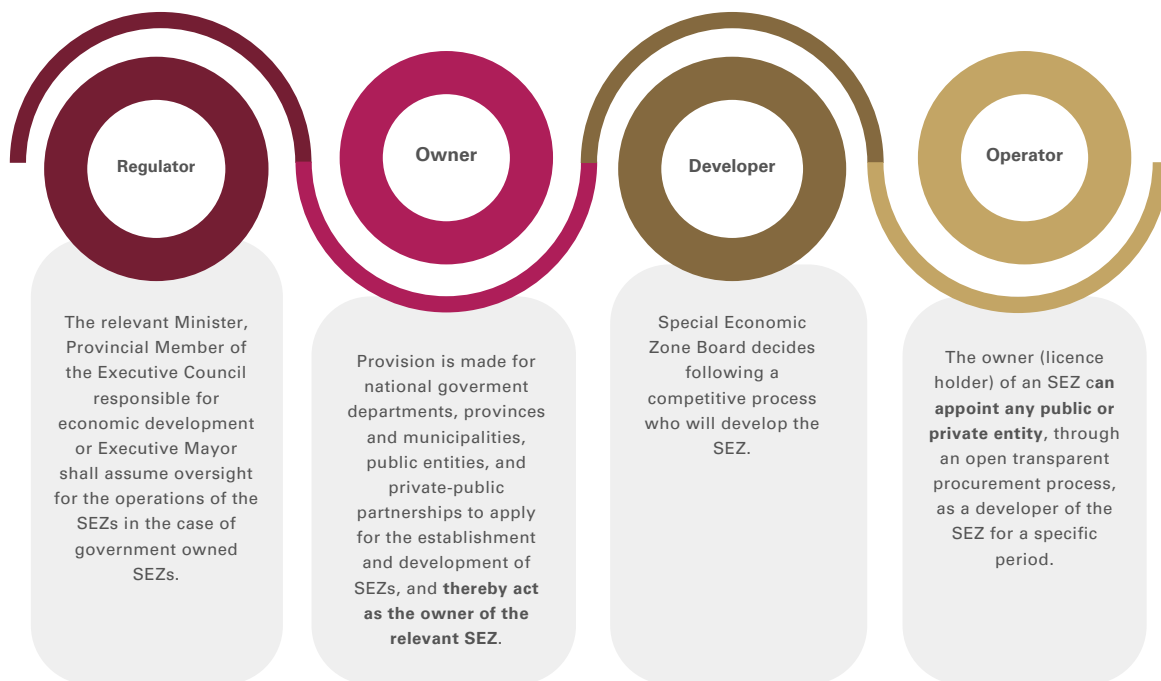
http://www.thedtic.gov.za/wp-content/uploads/SEZ_Act.pdf

https://www.gov.za/sites/default/files/gcis_document/201706/40883gn505.pdf

Department of Trade and Industry

- The organization’s role involves overall facilitation and coordination of the SEZs programs. It provides essential services, such as secretariat support for the SEZs Advisory Board. Additionally, it offers technical assistance to provinces, municipalities, and other government departments in matters concerning the planning, development, and management of zones. Furthermore, the organization cooperates, coordinates, and liaises with other agencies and departments that provide specialized support for the development of zones.

Figure 25: Stakeholders in the SEZ economic system in South Africa



3.16.4 The One-Stop Shop

One of the key objectives of the SEZ Act No. 16 of 2014 was to establish a “single point of contact” or “One-Stop Shop” to streamline government services for businesses operating within the zones. This single point of contact serves as a hub where businesses can submit their applications to various government agencies and receive information on regulatory requirements, reducing bureaucratic hurdles and improving the ease of conducting business within the SEZs.

In terms of the functions of the SEZ operator, one of its key roles is to facilitate the establishment of a “single point of contact” or “One-Stop Shop” within the SEZ itself. This service is designed to provide all necessary government services to companies operating within the zone, making it easier for them to navigate the procedures for developing and operating the zone. By providing simplified processes for setting up and operating businesses, the SEZ operator helps to create a business-friendly environment that attracts both domestic and international investors. This function fosters the growth and success of businesses within the SEZ, promoting economic development and investment opportunities.

3.16.5 The case of Coega SEZ³²⁸

The Coega Special Economic Zone is a major industrial development complex located in the Eastern Cape Province of South Africa. Established in 1999, this multi-billion-dollar SEZ covers an expansive area of 9,003 hectares and is strategically located adjacent to the Port of Ngqura, a deep-water port. Designed to accommodate heavy, medium, and light industries, the Coega Special Economic Zone is a tailor-made platform for companies wishing to establish operations in the region.

Operated by the Coega Development Corporation (CDC), the SEZ is wholly owned by the Eastern Cape Provincial Government, which holds a 100% stake in the company. Mandated by Act 16 of 2014, the CDC is responsible for the development and operation of the Coega Special Economic Zone. It is responsible for the essential landside infrastructure, while the deep-water port facility is overseen by the Transnet National Ports Authority (TNPA).

As a major economic driver for the Eastern Cape Province, the Coega SEZ has been instrumental in creating jobs, attracting investment, and promoting increased exports. Under the auspices of the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), the CDC plays a key role in driving the government's broader strategy to support economic growth and development in South Africa. With its strategic location, well-planned infrastructure, and conducive business environment, the Coega Special Economic Zone is a key player in driving the country's economic progress and development.

3.16.6 The case of Atlantis SEZ Company (ASEZCo)³²⁹

The ASEZCo (Atlantis Special Economic Zone Company) is a state-owned entity established in accordance with the Companies Act. It is jointly owned by the Western Cape Government and the City of Cape Town, with the Western Cape Government holding 55% of the shares and the City of Cape Town holding 45%.

As a provincial government business entity, ASEZCo operates under the framework of the Companies Act and the Public Finance Management Act (PFMA). The company places great emphasis on upholding exemplary corporate governance practices and adheres to a Shareholder's Compact with the Executive Authority, a Board Charter, and Charters for each Board Committee. Moreover, the ASEZCo aligns itself with non-binding rules, codes, and standards, such as the King Report and governance protocols, to ensure transparency and accountability in its operations. By adhering to these principles, the ASEZCo demonstrates its commitment to maintaining the highest standards of corporate governance throughout its activities.

3.16.7 The case of East London IDZ (ELIDZ)³³⁰

The East London Industrial Development Zone (ELIDZ) is an integral part of the South African government's Special Economic Zones program, which aims to promote regional development, attract strategic investment, and stimulate economic growth. As a government-owned entity, ELIDZ's shareholding structure consists of 74% ownership by the Department of Economic Development Environmental Affairs and Tourism (DEDEAT) and 26% ownership by the Buffalo City Metropolitan Municipality (BCMM).

To increase youth participation and create more opportunities in the ICT and science sectors in the Eastern Cape,

³²⁸ <https://www.coega.co.za/>

³²⁹ <https://provincialgovernment.co.za/units/view/254/western-cape/atlantis-sez-company-asezco>

³³⁰ <https://www.elidz.co.za/science-technology-park/>



ELIDZ has implemented the development and operation of a state-of-the-art Science and Technology Park (STP). STP serves as an engaging and collaborative environment that fosters the exchange of ideas and the development of innovative technical solutions. Equipped with a range of laboratory facilities, training platforms, an open innovation space, networking solutions and incubator services, the park aims to enhance the competitiveness, efficiency, and effectiveness of local industries through innovation.

Distinguished as the only park of its kind in the country linked to an IDZ, ELIDZ STP acts as a catalyst for growth, collaboration, incubation, and application of innovation in the high-tech sector. With a focus on developing tech entrepreneurship skills among the youth of the Eastern Cape Province, ELIDZ has also established two incubators within the STP through its Incubator Program, further contributing to the development and progress of the region.

3.16.8 Proper governance items

Table 26: Proper governance items (South Africa)

Regulation	SEZ Act No. 16 of 2014
Objective	To provide for the designation, promotion, development, operation, and management of Special Economic Zones, provide for the establishment, appointment of members and functioning of the Special Economic Zones Advisory Board.
Development	4. a. Developing infrastructure required to support the development of targeted industrial activities:i. The generation of new and innovative economic activities.c. Attracting foreign and domestic direct investment.
Participation	Establishment of Special Economic Zones Advisory Board: three persons, each representing organized business, labour and civil society appointed based on their knowledge and experience relevant to, and involvement in, Special Economic Zones; and(i) five independent persons appointed based on their knowledge, experience and expertise relevant to Special Economic Zones.
Local Content/SME Consideration	4. e. Taking advantage of existing industrial and technological capacity, promoting integration with local industry, and increasing value-added production. g. Promoting regional development. h. Creating decent work and other economic and social benefits in the region in which it is located, the broadening of economic participation by promoting small, micro, and medium enterprises and co-operatives, and promoting skills and technology transfer
National Integration	National Development Plan 2030

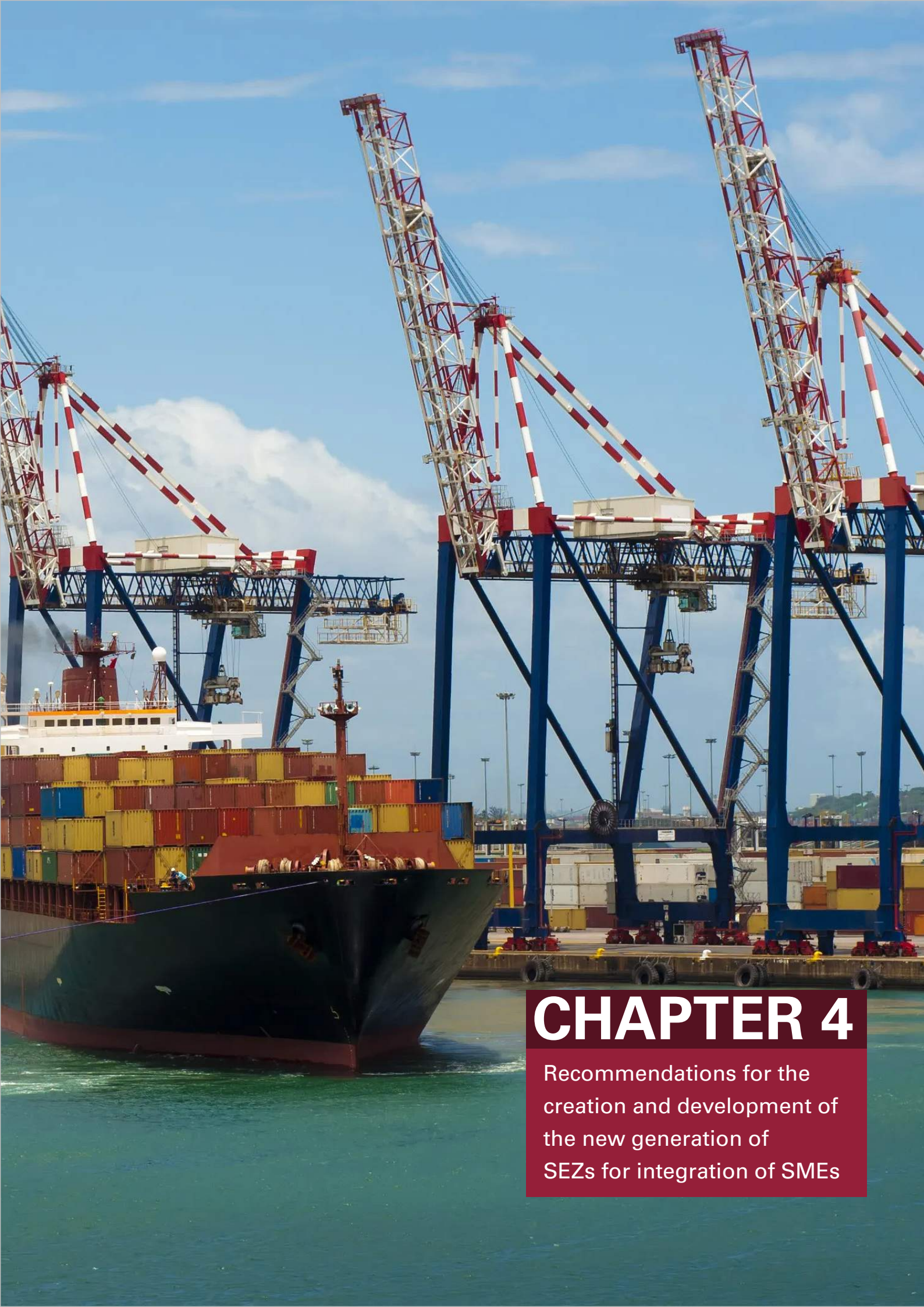


3.16.9 Comparison business ecosystem for SMEs, proper governance and SEZ regulation

Building Blocks SME Ecosystem (C1)	Local economy development through SME engagement	Job creation, new skills, and qualifications development	ESG commitment
Overall Compliance with SEZ Framework (C2)	National Investment Promotion	Labour	Environmental
Proper Governance (PG) guidelines on SEZ Regulation (C2)	Local Economic Development/ SME	National Integration	ESG
Building Local Economy	<p>South Africa is accelerating local economic growth by linking SEZs with SMEs. Initiatives like Proudly South African promote locally produced goods. DTIC collaborates with SACCI to support economic development. SEDA plays a vital role in promoting entrepreneurship and SME growth. Local content regulations and subcontracting in sectors like IT and BPO attracts investment. Successful examples like Coega and DubeTradePort integrate local SMEs into SEZ supply chains. Atlantis SEZ focuses on renewable energy and green technologies. Overall, South Africa is fostering economic development through SEZ-SME collaboration.</p>		
	<p>South African SEZs stand out for their specificity in promoting local economic development. The law explicitly focuses on creating decent work and generating economic and social benefits within the region where the SEZ is situated. It achieves this by promoting the growth of small, micro, and medium enterprises, as well as cooperatives, and by facilitating skills and technology transfer. Additionally, the regulations emphasize regional development and aim to leverage existing industrial and technological capacity, fostering integration with local industries and encouraging value-added production.</p>		
	<p>Business ecosystem and SEZ regulatory alignment: South Africa is actively promoting local economic growth through SEZ-SME collaboration. Initiatives like Proudly South African support locally produced goods, while DTIC, SACCI, and SEDA play key roles in supporting economic development and SME growth. Local content regulations and successful examples like Coega and DubeTradePort further boost investment and integration of local SMEs. The Atlantis SEZ's focus on renewable energy underscores the country's commitment to sustainability. Overall, South Africa's efforts demonstrate a dedication to fostering economic development and generating social benefits within the region.</p>		



<p>Job Creation, Skills, and Regulation</p>	<p>The significance of SMEs and SEZs in driving economic development and job creation is acknowledged by the government. SEDA offers training programs, while the National Skills Fund focuses on skills development in priority sectors. TVET colleges provide vocational training, and SEZs collaborate with SMEs and colleges to create tailored programs. This collaborative approach fosters a skilled workforce, supporting economic growth and generating job opportunities.</p>
	<p>In this phase, local economic growth is primarily driven by momentum rather than solely by skills development. However, this presents an opportunity for improvement in modern regulations, which could complement existing efforts such as TVET and other programs.</p>
	<p>Business ecosystem and SEZ regulatory alignment: The government’s recognition of the importance of SMEs and SEZs, along with their collaborative approach to skills development, highlights their commitment to fostering economic growth and employment opportunities. To further enhance economic progress, the government can explore ways to strengthen regulations and align them with the ongoing skills development initiatives. By capitalizing on the existing momentum and adding complementary measures</p>
<p>ESG Commitments</p>	<p>South Africa is committed to promoting environmentally and socially responsible business practices through policies and regulations enforced by the Department of Environmental Affairs. SEZs and SMEs have demonstrated compliance with ESG principles, implementing initiatives to reduce environmental impact and promote sustainable practices. Industry associations actively promote ESG practices, and financial regulations encourage consideration of ESG factors. South Africa’s efforts showcase a dedication to sustainable economic growth and environmental stewardship.</p>
	<p>The South African SEZ regulation surprisingly lacks specific references to environmental and social responsibility. In contrast, other countries commonly include such references to establish better standards and enforce these crucial aspects in modern SEZs. By incorporating explicit mentions of environmental and social responsibility, South Africa can promote sustainable practices and ensure positive contributions to local communities. This would strengthen the country’s position in sustainable development and attract investors who value ESG considerations.</p>
	<p>Business ecosystem and SEZ regulatory alignment: South Africa’s dedication to environmentally and socially responsible practices is evident in the efforts of its SEZs and SMEs. However, enhancing the SEZ regulation by explicitly incorporating references to environmental and social responsibility would further solidify the country’s commitment to sustainable development. By doing so, South Africa can better align with international standards, attract responsible investors, and ensure that SEZs play a significant role in fostering both economic growth and the well-being of local communities. This proactive step will contribute to the nation’s long-term prosperity while promoting a positive impact on the environment and society.</p>



CHAPTER 4

Recommendations for the creation and development of the new generation of SEZs for integration of SMEs

4.1 Assessment on regulatory framework

Moving on to Chapter IV, the focus shifts to a critical examination of the regulatory environment surrounding SEZs in the African context. Delving into this chapter, the primary objective is to identify existing gaps and opportunities within the regulatory landscape. This assessment is a critical step towards the overarching goal of reshaping and modernizing the regulatory framework for SEZs. By highlighting areas in need of improvement and areas of untapped potential, the groundwork is laid for forthcoming recommendations aimed at optimizing SEZ governance to accommodate SMEs and facilitate sustainable development.

4.1.1 Evolving beyond the enclave-like model

In Africa, Special Economic Zones have different names and connotations such as Free Trade Zones, Free Zones, and Export Processing Zones (EPZ). These variations are the result of historical, regional, and national factors. The evolution of these zones, regional economic priorities, country-specific objectives, and different legal frameworks contribute to the different names and regulatory treatments of these zones. But mainly, **the concept comes from the traditional enclave-like model of EPZs**, that has been prevalent across African countries.

From a spatial perspective, enclaves are often seen as isolated spaces, distinct from their surroundings. While being an enclave is not inherently problematic and may indicate success in attracting foreign direct investment (FDI) and generating export earnings, the term is often associated with undesirable social and environmental consequences. These areas of international companies, industrial zones, and real estate developments can create a parallel world of wealth and modernity in contrast to the poorer rural villages or neighbourhoods nearby.

The nature of enclaves is not limited to their spatial characteristics; because of their unique institutional arrangements, such as tax breaks and relaxed regulations, enclaves are often perceived as “exceptional spaces” detached from a broader national systematic plan. Their primary focus on exports may also result in limited trade linkages with the local economy, further indicating a lack of integration.

Enclaves represent an older approach to special zones, which emphasized isolated and self-contained spaces divorced from broader national economic and development strategies. Modern SEZ initiatives aim to be more nationally oriented, inclusive, and part of a systematic approach to economic development. Rather than existing in isolation, these zones are now envisioned as integral components of the broader national economic framework, aligning with specific development goals and objectives.

For example, in an effort to reposition itself in the global economy, the **South African** government launched the Industrial Development Zone (IDZ) program in 2000. The primary goal of this initiative was to attract foreign direct investment and promote the export of value-added goods. However, a major drawback of the IDZ program was its geographical limitation, as IDZs could only be established near seaports or international airports. This excluded other regions of the country that had industrial potential but could not meet the IDZ criteria. As a result, there was a need for a more inclusive approach to industrial facilitation, leading to the development of the Special Economic Zones program, which encompasses a broader range of instruments to support economic growth and development.

As the UNCTAD Handbook on Special Economic Zones in Africa³³¹ suggests, there is growing evidence that the traditional enclave-like model of EPZs is losing its appeal in Africa. This shift has paved the way for the emergence of a new generation of zones that cover larger areas and employ a broader range of investment strategies. As seen in chapter 2 and the previous exam of the different zones, recent developments in countries such as Egypt, Kenya and South Africa confirm this changing trend.

This transition suggests that SEZs can potentially play a more significant role in driving economic development, attracting investment, and fostering innovation in the African context. However, it also underscores the critical need to identify and adopt best practices that can guide African policymakers.

If the growing number of SEZs do not perform well or prove unsuccessful, the consequences could be significant for countries already struggling with long-standing economic and institutional challenges. Such potential economic losses and missed opportunities stress the importance of informed decision-making and careful planning to ensure that SEZs make a positive contribution to Africa's growth and development.

4.1.2 Absence of an adequate SEZ regulatory framework

One of the most critical issues highlighted in this document is the lack of modern and well-defined legal, regulatory, and institutional frameworks for SEZs in many African countries. In several cases, these frameworks are either outdated or non-existent, creating challenges for the successful establishment and operation of SEZs in the region. Addressing this issue and implementing robust and up-to-date frameworks is essential to unlocking the full potential of SEZs as engines of economic growth and development in Africa.

This reality hinders the effective functioning and success of SEZs, despite their establishment or operation. Outdated regulations do not adequately address current economic challenges or the needs of investors and businesses. This situation leads to confusion and inefficiency within the zones, discouraging potential investors and undermining overall development goals.

In many of the studied countries the introduction of SEZ regimes occurred without a clear policy or strategy. This lack of comprehensive planning can lead to implementation challenges, especially when conflicts or overlaps arise with other government investment programs and incentives. The lack of prioritization for the SEZ program can hinder its potential for success. To facilitate the implementation and development of SEZs, it is beneficial to have a dedicated **SEZ regulator that is separate from other government agencies**.

This approach can be likened to "putting the cart before the horse,"³³² leading to confusion and deterring potential investors. This situation can be observed in various cases, such as the Lekki Free Zone, which was developed years before the 2016 regulation; the Kigali Free Trade Zone in Rwanda, which was operational for at least four years before the regulation; or the case of Ghana, where the country is now pursuing a general development agenda ("One district, One factory"), despite having designated four EPZs, three of which remain inoperative due to the lack of private developers investing in the necessary infrastructure.

SEZs should not be stand-alone solutions but need to be carefully planned and contextualized within broader arrangements to address a country's specific development needs. They are not created as spontaneous entities,

331 https://unctad.org/system/files/official-document/diaeia2021d3_en.pdf

332 <https://blogs.worldbank.org/developmenttalk/sezs-in-africa-putting-the-cart-in-front-of-horse#:~:text=In%20many%20African%20countries%2C%20the.in%20Nigeria%20and%20the%20Oriental>

but rather in response to a country's specific requirements, integrated into a comprehensive national development strategy.

Therefore, it is feasible to identify clear issues in the countries studied, taking this criterion into account:

Lack of Synergy with National Development Goals	The lack of alignment between SEZs and the country's economic objectives can hinder the potential impact of these zones. Without integration into the national development strategy, SEZs may not effectively contribute to economic growth, job creation, and investment attraction as intended.
Fragmentation	If SEZ regulations remain disconnected from broader national policies, there is a risk of conflict and inconsistency. In the absence of harmonization, confusion may prevail, impeding the smooth functioning of SEZs and leading to less efficient outcomes.
Limited Holistic Economic Impact	When SEZ regulation is not integrated within wider national policies, policymakers may overlook the potential interplay between SEZs and other economic sectors. This limited perspective may hinder a comprehensive understanding of the overall economic impact of SEZs.
Imbalanced Development	Neglecting the consideration of broader national policies alongside SEZ regulations can result in regional disparities and uneven development. Without contextualization, some areas may benefit disproportionately, while others might be left behind, creating imbalances in growth.
Difficulty Attracting Investors and Businesses	The lack of strong and coherent general regulations can create uncertainty among potential investors. Without a favourable business climate established by national policies; investors may hesitate to engage with SEZ projects.

In the contrary, SEZs cannot and **should not be seen as a substitute for a country's broader trade and investment reform initiatives**. They are only one tool in a toolbox of mechanisms that can be used to stimulate job creation, boost exports, and attract foreign investment through a variety of incentives, efficient procedures, and tailored infrastructure.

However, to reap the full benefits of SEZs, their integration into the host economy is critical. When SEZs operate as isolated enclaves, their potential economic impact is limited, hindering their dynamism and overall contribution to the country's development³³³.

For example, **Egypt** should focus on aligning the development objectives of its existing zones with national and local strategies, as well as investment and trade objectives. This alignment is critical to achieve coherence and integration among industrial and free zones in line with Egypt's Vision 2030, the National Investment Plan, the Trade and Industry Development Strategy 2016-2020, national SME and export development strategies, and upcoming decentralization reforms. To extend its success, Egypt needs to set coherent goals for its zones that are aligned with national, governorate, and sectoral development priorities.

To facilitate this process, **a multi-stakeholder policy dialogue** is essential. These stakeholders should include key institutions such as GAFI, the QIZ Unit, the Industrial Development Agency, the Export Promotion Agency, the newly established SME Agency, as well as governorates and civil society. Such a dialogue would foster a collaborative approach to defining the goals and actions needed to achieve them and promote effective

³³³ <https://documents1.worldbank.org/curated/en/343901468330977533/pdf/458690WPOBox331s0April200801PUBLIC1.pdf>

coordination and cooperation among the various entities involved in the development and management of these zones. By aligning their development goals, Egypt can optimize the potential of its zones and contribute significantly to the broader national development agenda³³⁴.

Nigeria is another example that highlights a significant challenge in aligning the legal and institutional framework. The existing legal framework, embodied in the NEPZA Act enacted almost 30 years ago, is no longer appropriate for the current operation of free zones. In particular, the law prohibits the importation into the domestic market of products manufactured or processed within the zones.

NEPZA and the Ministry of Trade & Investment have introduced new regulations that allow the importation of such products under certain conditions. These conditions include a minimum value addition of 35% and payment of 100% customs duty by the manufacturers. However, the Customs Service does not recognize these new regulations, creating a significant hardship for all zones in Nigeria. This situation has negatively affected potential investors, leaving them in a state of uncertainty due to conflicting regulations, creating a challenging environment for them.

4.1.3 Over-reliance on tax benefits

While the introduction of SEZs may change the types of incentives offered, fiscal incentives remain the dominant investment lever in African countries (as the previous table shows). However, this pattern of heavy reliance on fiscal incentives can pose significant risks and may prove short-sighted. It fails to provide a future-proof value proposition for SEZs. It is therefore crucial to consider more sustainable and forward-looking approaches to provide SEZs with a competitive advantage that will stand the test of time.

As UNCTAD concluded in the Africa SEZ Handbook, “*The analysis indicates that in Africa SEZ governance policies display high reliance on fiscal incentives and performance requirements, at times more restrictive than those in the rest of the world, but that more progressive attributes of SEZ governance policies, i.e., social amenities and other value-added facilities, remain mostly yet to be seen among SEZ laws.*”³³⁵

The International Monetary Fund explains that while the available evidence indicates that tax incentives have attracted FDI, “*it is evident they also impose significant costs, including notably the erosion of the tax base, the direct loss of revenue, efficiency losses due to the preferential treatment of specific activities over others, administrative complexity, and social costs from corruption and unproductive rent-seeking activities*”³³⁶.

Therefore, these zones should avoid relying solely on tax incentives to promote their development. While tax incentives can attract initial investment and encourage companies to locate within the zones, an overemphasis on tax incentives can have certain drawbacks:

334 <https://www.oecd-ilibrary.org/sites/8a873381-en/index.html?itemId=/content/component/8a873381-en>

335 https://unctad.org/system/files/official-document/diaeia2021d3_en.pdf

336 <https://www.elibrary.imf.org/display/book/9781484315194/ch06.xml#ch06ref17>

Sustainable Revenue Streams	Heavy reliance on tax incentives can result in a loss of potential tax revenue for the government. As SEZs grow and attract more businesses, the tax benefits can begin to impact the country's overall revenue generation and potentially lead to budgetary challenges.
Unsustainable Competition	Over time, other countries may adopt similar tax incentives to attract investment, creating a race-to-the-bottom scenario. This can undermine the long-term competitiveness of African SEZs and hinder their ability to maintain a unique value proposition beyond tax incentives.
Limited Economic Diversification	Focusing solely on tax benefits may attract companies that prioritize tax savings over other economic factors. This could result in a lack of diversification within SEZs, potentially limiting their overall contribution to the country's economic growth and development.
Unfair Competition	Excessive tax breaks for companies operating in SEZs can create an uneven playing field between these privileged companies and local SMEs outside the zones. This unfair competition can lead to an unequal distribution of economic opportunities and impede the growth and development of local enterprises.
Neglect of Local Development	If SEZs become self-sufficient economic enclaves with minimal interaction with the local economy, the development potential of surrounding communities and regions may be neglected. This can exacerbate regional disparities and hinder the equitable distribution of economic benefits.

To ensure that African SEZs promote inclusive and sustainable economic growth, it is crucial to strike a balance between providing some incentives to attract investment and promoting fair competition and equal opportunities for local SMEs. Implementing policies that encourage collaboration and knowledge transfer between SEZ enterprises and local businesses can enhance positive spill overs and contribute to the overall economic development of the country. In addition, a well-designed policy framework that addresses the long-term development needs of the country while creating an enabling environment for all enterprises will play a critical role in maximizing the positive impact of SEZs on the broader economy.

4.2 Stakeholders' involvement

4.2.1 Overlapping responsibility

The diversity of SEZs and their respective regulatory frameworks has led to a common challenge in different countries: overlapping responsibilities among government institutions. This complex landscape can lead to competition over the management and expansion of zones, potentially hindering the seamless realization of the zones' full potential. To effectively harness the benefits of SEZs and promote economic growth and development, a cohesive and collaborative approach among relevant authorities is essential.

The case of **Egypt** is illustrative. Egypt has a wide range of special zones, including seven types such as free zones, investment zones, technological zones, special economic zones, qualified economic zones, and industrial zones. Each zone operates under specific laws and is overseen by different ministries, resulting in different regulatory frameworks and incentives to attract investors. This complex landscape has led to challenges, including overlapping responsibilities among government institutions³³⁷.

337 <https://www.oecd-ilibrary.org/sites/8a873381-en/index.html?itemId=/content/component/8a873381-en>

The development objectives and regulatory frameworks of zones influence their key characteristics and economic outcomes. However, the diversity of policies and regulations surrounding these frameworks creates complexity in assessing the benefits and costs of each zone type for investment and broader economic development. A clearer understanding of the development objectives, governance structure, and legal and regulatory framework for each zone would help policymakers better align the strategic objectives of these zones with Egypt's long-term development goals.

Competition for zone management and expansion has emerged as an issue, highlighting the need for a cohesive approach to optimize the benefits of these zones for Egypt's economic growth and development. Collaborative efforts among relevant authorities to streamline processes and create an efficient system could unlock the full potential of these special zones and strengthen the country's economy.

Therefore, in Egypt and other African countries, there is a **need to clarify the institutional and regulatory framework of zones** to ensure a level playing field between public and private investors. Currently, zone authorities have the dual responsibility of being both regulators and developers. To address this, the institutional framework should be designed to provide equal benefits to both private and public developers within the zones. These benefits should be clearly defined in the legislation and awarded based on transparent and objective criteria. For new zones, the government should consider separating the regulatory and development roles to increase the effectiveness and transparency of zone management.

4.2.2 Interfering government authorities

The knowledge problem and centralization

In politically centralized systems, central government officials face challenges in designing effective special economic zones because of the knowledge problem. The dispersed nature of market knowledge held by entrepreneurs and investors makes it difficult for policymakers to accurately plan economic production and resource allocation. As a result, SEZs in such contexts tend to be poorly designed and may not be in the most profitable areas for investment. Government interventions in business locations, including attempts to form industrial clusters, often result in unintended consequences and limited economic growth.

One argument for government intervention in SEZs is to promote industrial clusters, but cluster policies also suffer from the knowledge problem. **The coordination and formation of successful clusters is best achieved by market actors, not central planners.** Government efforts to create high-tech clusters may not match a country's comparative advantage and are unlikely to lead to sustainable economic growth. Instead, clusters tend to emerge spontaneously from private market coordination based on sectoral progress.

To address the knowledge problem, **decentralization of decision making on SEZs is crucial.** This can be achieved through two main approaches: private decision-making and politically decentralized decision-making. By empowering local governments or private developers with better knowledge of local conditions and market dynamics, SEZ policies can be better tailored to specific contexts, leading to more successful and economically beneficial zones.

Ultimately, overcoming the knowledge problem and promoting effective SEZs requires recognizing the limitations of central planning and adopting a more decentralized approach to decision-making. In this way, SEZs can become dynamic test beds for innovative policies that promote long-term economic growth and development.

Therefore, **the absence of autonomous SEZ authorities in some African countries is a cause for concern.** In these cases, central government agencies can and have become overly involved in the day-to-day operations of SEZs, leading to inefficiencies and hindering their effective functioning. As a result, central authorities end up being both the owners of the SEZ and the overseers of its activities, creating inefficiencies, obvious risks of conflict of interest, and accountability issues.

Difficulties can also arise when SEZ authorities are integrated with investment promotion agencies (IPAs). An example of this is the Glo-Djigbé industrial zone in **Benin**, where management responsibilities are vested in the Investment and Export Promotion Agency of Benin (APIEX). APIEX serves as the national authority overseeing the broader spectrum of investment development in the country. There may be conflicting objectives between the broader investment development goals of IPAs and the specific focus of SEZs on export-oriented enclaves, potentially leading to insufficient attention to the unique needs of SEZs. In addition, the lack of specialized expertise within IPAs to manage SEZs could hamper effective planning and implementation, thereby affecting the competitiveness of the zones. Bureaucratic challenges and slower decision-making in larger agencies could also impede the development of SEZs, underscoring the importance of dedicated agencies to ensure the success and attractiveness of SEZs to investors.

Ghana is the opposite example, the GFZA is a government agency operates as a private enterprise. This country has established an SEZ authority “on paper” and given it the formal title of “authority”. In practice, however, this body often lacks the decision-making power to independently address critical issues within the zones. Instead, they are heavily dependent on other government agencies or external actors, which poses several risks and challenges for the SEZs and the broader economy.

Despite its financial independence, the GFZA lacks autonomy as it operates under the Ministry of Trade and Industry. This arrangement limits its ability to enter into contracts or loan agreements directly and requires approval from the central government through the Ministry of Finance and the Ministry of Trade and Industry for any funding. Unlike federal states such as Nigeria, where regional entities have more freedom to pursue their development and seek funding, the structure of the Ghana GFZA limits its decision-making power. It cannot independently open free zone enclaves to non-free zone companies, and its role in zone development is limited to facilitating private-led initiatives. This setup has created an “**authority without authority**” scenario that hinders the GFZA’s effectiveness in managing and developing the zones.³³⁸

Also, failure to separate the roles of developer, owner, and operator of SEZs can have significant drawbacks and exacerbate potential conflicts of interest. Here are some reasons why this aspect needs careful attention and improvement in African SEZs.

338 <https://journals.openedition.org/ried/8414#ftn18>

Lack of Accountability	When a single entity holds all three roles, there may be a lack of transparency and accountability in the decision-making process. This concentration of power can limit checks and balances, potentially leading to misuse of authority and resources.
Conflicts of Interest	When one entity controls all aspects of an SEZ, conflicts of interest can arise. Prioritizing short-term profits or specific agendas could hinder the overall development goals of the SEZ, leading to suboptimal outcomes.
Limited Innovation and Competition	The lack of competition among different entities in the roles of operator, owner, and developer can result in limited innovation and efficiency. Multiple independent players can bring fresh ideas and approaches, fostering healthy competition within the SEZ.
Inadequate Oversight	Having a single authority manage all aspects of the SEZ can lead to inadequate oversight and reduced control. Separate entities with distinct responsibilities can facilitate more comprehensive monitoring and evaluation.
Concentration of Risk	Consolidating all roles in one authority increases the risk of failure if that entity faces financial, operational, or management problems. Diversifying responsibilities among different stakeholders can spread risk more effectively.
Limited Stakeholder Engagement	Involving different entities in the development and operation of an SEZ can improve stakeholder engagement and representation. A unified authority may not adequately address the diverse needs and perspectives of different stakeholders.

Financial crime exposure

The lack of autonomy of special economic zones in African countries can be linked to corruption in several ways. When SEZ authorities lack independence and decision-making power, it creates an environment in which they can be influenced or controlled by other government agencies or external actors with vested interests. This situation can lead to corrupt practices, as powerful actors may use their influence on secure benefits or privileges for certain companies or individuals operating within the SEZ.

The “Gray List” is a term used to describe a list of countries or jurisdictions that are considered by international organizations, such as the Financial Action Task Force (FATF) or the European Union (EU), to have deficiencies in their anti-money laundering and anti-terrorist financing (AML/CFT) systems. Countries placed on the grey list are identified as having strategic deficiencies in their efforts to combat money laundering, terrorist financing, and other financial crimes.

African countries already on the FATF grey list include Mozambique, Tanzania, Uganda, DRC, Mali, Senegal, South Sudan, Burkina Faso and Morocco³³⁹.

In recent years, **South Africa** has faced a significant challenge in its compliance with international regulations. The FATF 2021 Report contained 67 recommendations, and South Africa was given one year to demonstrate progress in complying with these recommendations. Failure to demonstrate progress would expose the country to the possibility of being placed on the grey list. Unfortunately, South Africa’s shortcomings in AML/CFT efforts, compounded by issues such as state capture, money laundering risks, inadequate record-keeping, and corruption, led to the country’s grey listing. This listing could potentially have a negative impact on investment,

³³⁹ <https://www.whitecase.com/insight-alert/imminent-fatf-grey-listing-south-africa>

capital flows, and the stability of the country's 'financial system.

Nigeria's Special Economic Zones have been marred by allegations of corruption and money laundering, raising serious concerns about their operational integrity. Incidents involving transfers of funds from the NEPZA budget to unauthorized accounts and mismanagement of public funds earmarked for new SEZs have become known, implicating certain officials in questionable practices. Cases of internal corruption, including embezzlement and fraudulent contracts, have also become known within NEPZA. In addition, Nigeria's presence on the FATF's grey list, along with South Africa, underscores the need for increased vigilance and transparency in 'the governance of the 'country's SEZs³⁴⁰³⁴¹³⁴².

During these challenges, however, it is important to recognize Nigeria's efforts to engage the private sector in SEZ development. This move is a step in the right direction, as partnering with private entities can bring expertise, investment, and adherence to global standards, potentially mitigating the risk of corruption and promoting a more robust and transparent SEZ framework in the future.

Grey listing has considerable negative effects on a country's economy, including discouraging investment. For instance, fund managers may exercise more caution and scrutiny before investing in grey listed countries. An International Monetary Fund study estimates that countries, on average, have faced capital outflows equivalent to 7.6% of GDP following grey listing³⁴³.

In addition, the domestic financial cost of subsequent compliance can be significant, compounded by the fact that it often takes 2-5 years for a country to be removed from the grey list once the mandated requirements are properly met and accepted by the FATF³⁴⁴.

More autonomy

In contrast, well-established SEZ programs in Africa tend to have autonomous authorities that extend their sovereignty beyond ministries and other investment promotion agencies (IPAs). These authorities ensure political commitment by including relevant ministries and government officials on their boards.

From the beginning of the 90' the World Bank was proposing the contrary: *"If interested in establishing and running public zones, ensure minimal bureaucratic red tape by providing the zones with a large degree of autonomy from the central government"*³⁴⁵. This perspective highlighted the importance of promoting a commitment to a national development plan while maintaining a clear separation between the SEZ authority and the investment promotion agencies.

The importance of autonomy for SEZ authorities is evident in their ability to make quick and tailored decisions that are specific to the unique needs of the zones. Autonomy enables SEZ authorities to respond quickly to market dynamics, attract investment and address challenges without bureaucratic delays. In addition, autonomy

340 <https://icpc.gov.ng/2021/11/22/n342-million-contract-fraud-icpc-secures-conviction-of-nigeria-export-processing-zones-authority-nepza-employee/>

341 <https://www.thisdaylive.com/index.php/2022/09/12/multiple-charges-corruption-cost-nigeria-250bn-on-agro-exports-says-nepza>

342 <https://guardian.ng/opinion/outlook/nepzas-perceived-sabotage-of-buharis-anti-corruption-efforts/>

343 <https://www.imf.org/en/Publications/WP/Issues/2021/05/27/The-Impact-of-Gray-Listing-on-Capital-Flows-An-Analysis-Using-Machine-Learning-50289>

344 <https://www.pwc.co.za/en/blog/south-african-companies-need-to-take-action-after-fatf-greylisting.html>

345 <https://documents1.worldbank.org/curated/en/789981468766806342/pdf/multi-page.pdf>

allows SEZ authorities to streamline administrative processes, set competitive incentives, and design supportive policies that are aligned with the interests of businesses operating within the zones. This flexibility fosters an investor-friendly environment that promotes economic growth and job creation.

However, to ensure effective operation, autonomy should be complemented by alignment with a broader national regulatory framework. Integrating the SEZ authority into the country's overall economic development strategy and national objectives enhances coherence with economic priorities, industrial development plans and investment attraction strategies.

By being part of a national framework, the SEZ authority plays a strategic role in achieving broader socio-economic objectives, including industrial diversification, export promotion and regional development. This approach mitigates the risk of creating isolated enclaves that may not contribute effectively to the country's overall economic growth and development.

While countries such as **Egypt**, Côte d'Ivoire, **Kenya**, and Mauritania have demonstrated the benefits of autonomous SEZ authorities, others face challenges due to resource-constrained bureaucracies. Adequate management capacity and financial resources are essential for the success of autonomous SEZ authorities.

The institutional capacity of SEZ authorities can vary greatly across countries: **Egypt's** GAFI can count more than 2,000 employees, whereas countries with resource-constrained bureaucracies might fail to endow such entities with adequate management capabilities and financial resources³⁴⁶.

4.3 Compliance with SEZ framework

Using the same benchmark as in chapter 2 and incorporating a comprehensive assessment of the SEZ framework, the following tables provides a comprehensive overview of the overall status of each country. This assessment focuses on the seven critical issues outlined in Table 28 (below). It is important to note that the arrangement of the table follows a sequence from the most compliant to the least compliant, thereby establishing a benchmark for assessment. The grades assigned within the table correspond to the extent of the references identified within the various legal statutes of each country. This includes not only the SEZ Act, but also other relevant legislation, including national development regulations, labour laws, environmental regulations, and more. This comprehensive approach provides valuable insights into each country's situation, regardless of the modernity of its legal framework. A more detailed examination of this aspect is provided in Table 29.

³⁴⁶ Mangal, 2019.

Table 27: Compliance with SEZ framework

Benchmark	
To Develop	This level indicates that there is still work to be done in the specific pillar. It highlights areas where improvement and attention are needed to enhance the performance of the SEZs.
Accelerate	Signifies positive action that is already in progress and should be further expanded. These activities show promising results and have the potential to contribute significantly to the growth and success of the SEZs.
Expand	The “expand” level indicates that the activity has reached a level of maturity and is considered a special asset to the SEZs. These activities have been successful and can be expanded further to maximize their impact and benefit to the SEZs.
General SEZ regulatory framework compliance definitions	
Customs benefits	SEZ regulations offer tariff systems and administrative procedures for imports and exports, providing investors with duty exemptions and streamlined customs clearance procedures.
One-Stop Shop	Host countries establish a One-Stop Shop in SEZs to provide investment protection, promotion, and facilitation, offering services through investment promotion agencies and political risk protection.
Access to real estate	SEZs relax real estate laws to allow foreign ownership or offer preferential long-term leases. Investors may have privileged access to land, possibly at no or reduced cost.
Tax incentives	SEZs offer tax incentives to businesses, including partial or total exemption from corporate income taxes for a period or the application of reduced tax rates.
Labour	SEZs align labour regulations with general laws but may impose additional labour-related obligations on investors, such as training local personnel.
Environmental	SEZ legislation addresses environmental concerns and requires measures to manage pollution, noise, water treatment and waste disposal.
National investment promotion	SEZs can serve as testing grounds for investment liberalization, allowing foreign investors greater entry rights in restricted industries prior to nationwide opening.
SEZ regulatory proper governance compliance definitions	
SEZ Regulation	Comprehensive regulatory framework that brings together several elements. These elements include customs benefits, One-Stop Shop services, access to the real state, tax incentives, labour and environmental regulations, and national investment promotion. The item shows if the country has a unified and streamlined set of rules for SEZs that will facilitate their efficient operation and attract investment.
Autonomous Authority	A separate and independent governing body or agency established by the government to oversee and administer the regulatory framework and operations of the SEZ. This authority operates with a degree of autonomy from regular government agencies that allows it to manage the affairs of the SEZ efficiently and effectively.
National Integration	Strategic coordination and alignment of SEZ activities and objectives with the broader economic development objectives of the country. This involves ensuring that the establishment and operation of the SEZ are consistent with national economic policies, industrial development strategies and social priorities.
Local Economic Development	The deliberate and strategic effort to stimulate economic growth and improve the welfare of the local community and surrounding regions through the establishment and operation of the SEZ
Participation	Active involvement and engagement of various stakeholders in the planning, decision-making and implementation processes related to the establishment and operation of the SEZ. The objective of promoting participation is to ensure that the interests and perspectives of all relevant parties are considered and that the development of the SEZ is consistent with the needs and aspirations of the community and wider society.
ESG	Refers to environmental, social and governance factors. It assesses the sustainability and responsible practices of SEZs and the companies operating within them. Environmental aspects include impact on resources and climate change. Social focuses on community welfare and labour practices. Governance assesses transparency and ethical standards.

Table 28: Summary of general SEZ regulatory framework compliance

Country	Custom Benefits	One-Stop Shop	Real State Access	Tax Incentives	Labour	Environmental	National Investment Promotion
Egypt (20 p)	Green	Green	Green	Yellow	Green	Green	Green
South Africa (18 p)	Green	Green	Green	Yellow	Yellow	Yellow	Green
Morocco (17 p.)	Green	Green	Yellow	Yellow	Red	Green	Green
Kenya (17 p.)	Green	Green	Green	Green	Red	Yellow	Yellow
Mauritius (17 p.)	Green	Yellow	Yellow	Green	Red	Green	Green
Nigeria (16 p.)	Yellow	Green	Green	Yellow	Green	Yellow	Red
Rwanda (16 p.)	Green	Yellow	Yellow	Yellow	Yellow	Green	Yellow
Gabon (15 p.)	Green	Yellow	Yellow	Green	Red	Yellow	Yellow
Benin (15 p.)	Yellow	Yellow	Red	Green	Yellow	Yellow	Green
Ghana (14 p.)	Yellow	Yellow	Yellow	Green	Red	Yellow	Yellow

4.4 Regulatory overview – proper governance compliance

As a structured benchmark, Table 30 provides an overview of the extent to which each country is aligned with the key aspects of proper SEZ governance. The arrangement of the table follows a sequence from the most complete to the least complete, thereby establishing a benchmark for evaluation. This assessment is based solely on an analysis of each country's individual SEZ regulations. The primary focus is on measuring the effectiveness of SEZ governance practices. In particular, the assessment deliberately avoids the use of external legal frameworks, maintaining a strict reliance on the inherent textual content and provisions within each country's SEZ regulations. This meticulous methodology ensures an accurate and unbiased assessment of the regulatory landscape and sheds light on its potential impact on the successful implementation of SEZs.

Table 29: Summary of SEZ regulatory proper governance compliance

Country	SEZ Regulation	Autonomous Authority	National Integration	Local Economic Development/SME	Participation	ESG
Egypt (15p)	Green	Green	Yellow	Yellow	Yellow	Green
South Africa (14p)	Green	Green	Green	Yellow	Yellow	Red
Rwanda (12p)	Green	Yellow	Yellow	Yellow	Red	Yellow
Nigeria (11p)	Yellow	Green	Red	Red	Yellow	Yellow
Ghana (10p)	Yellow	Red	Yellow	Yellow	Red	Yellow
Morocco (10p)	Yellow	Green	Yellow	Red	Red	Red
Mauritius (10p)	Green	Yellow	Yellow	Red	Red	Red
Benin (10p)	Green	Yellow	Red	Yellow	Red	Red
Kenya (9p)	Yellow	Yellow	Yellow	Red	Red	Red
Gabon (9p)	Yellow	Yellow	Red	Yellow	Red	Red

The assessment was undertaken with the recognition that a comprehensive SEZ regime must encompass all these critical elements to facilitate effective governance, which is a key factor in the success of SEZs in Africa and other regions of the world. Most countries have developed regulatory frameworks for their SEZs, often involving the establishment of autonomous authorities. However, in the case of countries such as **Morocco** and **Nigeria**, both prominent markets on the continent, their regulations have retained an enclave-focused terminologies and require modernization to adopt a more national perspective. **Such a shift to a broader national approach could further enhance the impact and potential of their SEZs.**

Indeed, a proactive approach has been taken by several countries, such as **South Africa** and **Egypt**, which view SEZs as an integral part of their comprehensive national development strategies. This shift in perspective moves away from the notion of isolated enclaves and recognizes the significant role that SEZs play in promoting economic growth and development within the broader national context.

However, the assessment highlights certain shortcomings, particularly regarding promoting linkages between SEZs and the local economy and providing adequate support to small and medium-sized enterprises in the region. In addition, as mentioned in Chapter 2, some progress from SEZ on ESG implementation is noted, however there is lack of regulatory framework and measures for making ESG as an integral part of SEZ development, coupled with limited integration of meaningful civil society participation in the decision-making processes within SEZs. These aspects require careful consideration and potential improvements to strengthen the overall effectiveness and inclusiveness of SEZ regulatory frameworks in these countries.

To ensure the optimal success of SEZs in these countries, it is imperative to address the identified weaknesses and strengthen the regulatory framework by fostering closer cooperation with the local economy, facilitating the seamless integration of SMEs, and promoting sustainable practices. In addition, prioritizing transparency and inclusiveness in decision-making processes will be critical to unlocking the full economic growth and

development potential of SEZs in these countries. By proactively addressing these issues, these countries can create an enabling environment for thriving SEZs that contribute significantly to their overall economic prosperity.

It is important to emphasize that this assessment is based solely on a review of the laws and textual analysis of the regulations governing SEZs in the countries mentioned. While the framework for successful SEZ regulations can provide valuable insights, it may not fully reflect actual implementation and practice on the ground. Real-world scenarios can often be influenced by several factors, including administrative procedures, enforcement, and local dynamics, which may not be apparent from the legal text alone. Therefore, while this analysis provides valuable perspectives on the regulatory landscape, a comprehensive assessment of the performance and effectiveness of SEZs would require a deeper examination of practical outcomes and experiences on the ground.

4.5 Recommendations

4.5.1 Advancing from the former to the new generation of SEZs

As shown in the previous chapter, critical concern arises when considering the regulatory aspect of these SEZs. Despite their promising progress in practice, **many African SEZs are hampered by outdated or inadequate regulatory frameworks.** This lack of modern and well-defined legal, regulatory, and institutional structures poses challenges to their effective establishment and operation. The mismatch between the dynamic growth of SEZs in practice and the regulatory backlog undermines their potential to promote sustainable development and fully integrate into the broader economy.

This regulatory deficit presents an opportunity for African countries to reassess and revise their SEZ policy and strategies. By focusing on strengthening and modernizing the regulatory framework, governments can bridge the gap between the vibrant practical achievements of SEZs and their regulatory foundations. An updated and comprehensive regulatory environment will enable better coordination, attract more investment, and create more sustainable links between SEZs and the broader economy.

Updating SEZ regulations is crucial for aligning with current trends, attracting FDI, and fostering transparency. It enables integration with national policies and promotes sustainable development:

<p>Align Objectives</p>	<p>The concept of SEZ is broader and encompasses several different zones, each with its own objectives and incentives. Adopting the term SEZ allows countries to have a more flexible approach to designating and developing these zones in line with their unique economic objectives and targeted industries. It provides the freedom to create zones tailored to their specific needs, whether 'it is to promote exports, encourage foreign investment, or boost specific sectors. As the South African regulations state: <i>“the applicant must demonstrate that the designation of the area as a Special Economic Zone will further national government’s industrial development objectives and must specify the extent to which the designation seeks to be consistent with any applicable national policies and laws”</i>³⁴⁷</p>
<p>One Umbrella</p>	<p>Using a generic term such as SEZ also helps to homogenize the legal distinction and framework for these zones. Each zone may have unique regulations and incentives, but they can all fall under the SEZ umbrella, making it easier for businesses, investors, and governments to navigate and understand the characteristics of different zones.</p>
<p>Enhancing Global Recognition</p>	<p>In addition, the SEZ concept helps promote a consistent understanding of the benefits and practices associated with these zones. Investors and businesses familiar with SEZs in other parts of the world can more easily recognize the opportunities and incentives offered in African SEZs, thereby encouraging greater cross-border investment and cooperation.</p>
<p>Leverage Success Stories</p>	<p>By adopting the SEZ concept, countries can promote a more consistent and coherent approach to their economic development efforts. It allows them to leverage success stories and best practices from other regions, learn from successful SEZ models around the world, and implement effective strategies in their own zones.</p>

Moreover, despite the lack of a specific SEZ regulation, **Mauritius** has effectively transformed its export processing zones (EPZs) from an enclave-like model to a more comprehensive national policy. Initially, EPZs were established to diversify the economy and reduce dependence on the sugar industry. Recognizing the importance of broader economic transformation, the government strategically expanded the SEZ regime in 2004 with the introduction of the Freeport Initiative. Initiative. This move was aimed at further enhancing the country’s economic prospects and development.³⁴⁸

This move was driven by a comprehensive policy aimed at positioning Mauritius as a major regional distribution, transshipment, and marketing hub. The shift has enabled Mauritius to create a more flexible and accommodating business environment, encouraging increased investment and sustainable growth. By aligning EPZs with the country’s overall development plans, Mauritius has improved the prospects for the success and effectiveness of its zones in driving economic progress.

As mentioned earlier, **South Africa** serves as a strong example to emulate. Their SEZ regime places the responsibility on the applicant to justify why an area should be designated as an SEZ. The requirements include demonstrating how the SEZ declaration aligns with national industrial development objectives and contributes to strategic economic advantages for targeted investments. Moreover, the applicant must show how the SEZ will leverage existing industrial and technological capacity, promoting integration with local industries and increasing value-added production. Overall, the South African SEZ framework exhibits the key attributes expected of a successful SEZ, particularly in terms of location advantages.

³⁴⁷ http://www.thedtic.gov.za/wp-content/uploads/SEZ_Act.pdf

³⁴⁸ <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-61.pdf>

Moreover, if a country has several separate export processing zones or special economic zones, this can lead to unnecessary competition among them to attract investors with better incentives. This can lead to a “race to the bottom” in which zones offer increasingly attractive incentives to outcompete each other, potentially leading to lower standards and less sustainable development.

4.5.2 Reduction of tax benefits dependence

Under the recommendations of the International Monetary Fund (IMF)³⁴⁹, **Gabonese** (Nkok Special Economic Zone) authorities made changes to the exemptions granted to investors in the Special Economic Zones in the 2021 rectifying finance law. The Minister of Water and Forests explained: *“In discussions with the IMF, we were encouraged to review the regime, to reduce a little the benefits, so that there is a little more money coming into the state coffers, so that the state invests in schools, in hospitals. We need certain advantages to encourage foreign investors to come to Gabon rather than go elsewhere because there are economic zones all over Africa. So, we must be competitive, but we must maximize the benefits for Gabon and the Gabonese people.”*³⁵⁰

According to Article 7 of the decree, newly established companies in Gabon’s Nkok Special Economic Zone and other zones with privileged regimes will now be eligible for exemptions of up to five years. It is important to note that existing companies, which currently enjoy exemptions of up to 10 years, are not affected by this change.

Egypt has taken the same path. As the “OECD Investment Policy Reviews: Egypt 2020”³⁵¹ shows, The Egyptian government has made substantial improvements in its tax policy in recent years. The 2017 Investment Law introduces changes, such as limiting corporate income tax exemptions to free zone (FZ) companies.³⁵²

Similarly, the 2015 amendment to the Law on Special Economic Zones no longer provides for reduced corporate and income taxes for projects within special economic zones. The government has also taken various measures to protect the domestic tax base from cross-border tax minimization strategies of multinational enterprises (MNEs). Recently, the Egyptian Ministry of Finance, in cooperation with the OECD, launched an EU-funded project aimed at strengthening domestic resource mobilization in Egypt. The project includes guidance on improving tax transparency, implementing international standards for information exchange, building capacity to address aggressive tax planning by MNEs, and compiling internationally comparable revenue statistics.

Similarly, **Mauritius** witnessed a similar phenomenon when it decided to make amendments to its income tax law and freeport law in 2018. The amendments were aimed at eliminating the corporate tax exemption previously granted on the export of goods from the country. The government recognized the need to strengthen domestic revenue collection and promote a fairer tax system that encourages businesses to contribute their fair share.³⁵³

The OECD document explains that the incentives provided to enterprises in FTZs can lead to revenue leakage, as goods, whether imported or domestically produced, enter the zones duty free. In addition, these incentives can create distortions and hamper productivity growth, as FZ enterprises gain competitive advantages focused

349 <https://www.imf.org/en/News/Articles/2022/06/27/pr22232-imf-executive-board-completes-reviews-extended-arrangement-the-extend-ed-fund-facility-gabon>

350 <https://www.fair-and-precious.org/en/news/556/nkok-special-economic-zone-gabon-reduces-tax-benefits-for-companies#:~:text=Thus%2C%20companies%20newly%20established%20in,of%20up%20to%2010%20years.>

351 <https://www.oecd-ilibrary.org/sites/b41691ae-en/index.html?itemId=/content/component/b41691ae-en>

352 https://climate-laws.org/documents/investment-law-no-72-2017_bfe8

353 https://unctad.org/system/files/official-document/WIR2019_CH4.pdf

on the domestic market.

To reduce revenue leakage, authorities are advised to establish and publish lists of raw materials that qualify for duty and VAT exemptions. In addition, they can explore mechanisms to track firms' export performance until the corporate income tax (CIT) exemptions in the zones are gradually phased out.

The report states that for improving consistency with overall tax policy and promote accountability, the government is recommended to consolidate tax incentive legislation and tax laws and give the Ministry of Finance (MOF) primary responsibility for introducing tax incentive legislation. The report also recommends that the Egyptian Tax Authority (ETA) be tasked with monitoring compliance with tax incentives and implementing strict penalty regimes.

Finally, the **Kigali Special Economic Zone in Rwanda** also serves as an example. Launched in 2013, it has attracted both domestic and foreign companies from a variety of sectors. Within just three years, the zone employed 2% of the country's total workforce. What sets the Kigali SEZ apart is its approach, as it does not offer tax incentives to companies operating within its boundaries. Instead, companies benefit from a well-structured regulatory environment, improved infrastructure, and simplified trade processes.³⁵⁴

4.5.3 Autonomy and efficiency of the SEZ authorities

Autonomy and decentralization

Decentralized policymaking can be an effective approach to SEZ planning. While relying on the private sector may raise concerns about empty or failed zones, a less radical form of decentralization allows decision-making authority to be delegated to local governments. Local authorities, familiar with local conditions, can make informed decisions about zone potential and respond more quickly to changing market dynamics, mimicking the responses of private investors.³⁵⁵

In politically decentralized systems, zone regulators have the flexibility to experiment with different policies, observe successful models, and adapt accordingly. This dynamic has been instrumental in China's gradual reform and has been adopted in countries such as Malaysia, Jamaica, Kuwait, and Jordan, where SEZs serve as test beds for policymaking and encourage national policy reforms based on their success.

As SEZ policies proliferate nationwide, the uniqueness of individual zones diminishes, and national policies are reshaped. Countries such as Honduras have expanded their SEZ programs to the point of declaring the entire country a "free zone area." Some SEZs, such as South Korea's manufacturing zones and Taiwan's investment zones, became less relevant over time due to national reforms and improved infrastructure throughout the country.

Introducing SEZs as a piecemeal approach to economic reform can help overcome political resistance by serving as a showcase for economic liberalization. In addition, the success of SEZs, whether through political or private development, can foster a positive institutional context, reducing the likelihood of recentralization of decision-making authority and promoting better governance models for SEZs.

The Tangier Mediterranean Zone (TMZ) in **Morocco** illustrates the importance of an autonomous SEZ authority. As

³⁵⁴ <https://infomineo.com/sustainable-development/special-economic-zones-in-africa-impact-efforts-and-recommendations/>

³⁵⁵ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2297871

a decentralized regulator, the Tangier Mediterranean Special Agency (TMSA) has streamlined decision-making, avoided overlapping mandates, and allocated resources efficiently, attracting foreign investment and promoting economic growth. This case highlights the importance of a well-structured SEZ authority in ensuring the success of SEZ programs in African countries.

The autonomy of SEZ authorities offers many advantages that contribute to their success and effectiveness. First, it provides flexibility in decision-making, allowing the authority to respond quickly to the needs of investors and businesses within the zone. This agility fosters a business-friendly environment that attracts and retains investment. Second, an autonomous SEZ authority streamlines operations by reducing bureaucratic red tape and delays, thereby promoting efficient processes.

In addition, autonomy enhances transparency and accountability in SEZ operations through clear governance structures, instilling investor confidence. It also allows the authority to tailor policies and incentives to the region's unique economic conditions and development goals, promoting sustainable and inclusive growth. The independent status of the SEZ authority inspires private investors and ensures fair and consistent treatment, further enhancing the zone's attractiveness for investment.

Also, an autonomous SEZ authority can develop and implement long-term visions for the zone's development, ensuring sustainability and continuity beyond political changes. Independence from direct political control minimizes the risk of short-term policy changes based on political considerations and provides stable SEZ regulations and incentives.



The case of India

India's introduction of SEZs in 1965 had minor impact on the economy, with only seven small enclaves for export manufacturing. In 2005, India enacted a new SEZ Act aimed at boosting exports and creating larger zones. The number of approved SEZs increased, but problems such as real estate speculation, land encroachment controversies, and burdensome government policies hampered their profitability.

The knowledge problem in India's SEZs arose from the fact that government authorities determined the location and production of the zones, often leading to poor decisions and misaligned investments. Although the 2005 Act made some progress toward decentralization, the central government imposed significant restrictions on SEZ operations, hindering their growth potential. Stringent regulations, minimum size requirements, and restrictions on types of production further stifled the success of SEZs.

India's incentive problem relates to corruption and rent-seeking opportunities, making it unattractive to investors. The reliance on single factory zones facilitated rent-seeking and corruption, and low-level corruption is widespread in the country. Simplification efforts through a single-window policy did not fully address the perverse incentives associated with SEZs. While private development could alleviate the incentive problem, the government still retains significant powers, leading to potential abuse of SEZs for corrupt practices.

Moreover, the lack of successful SEZs has discouraged local governments from supporting or financing their infrastructure, further exacerbating the incentive problem. In conclusion, India faces challenges related to knowledge and incentive problems in its SEZ program, which requires greater decentralization, clearer regulations, and anti-corruption measures to improve the effectiveness of SEZs and attract investment.

Efficiency

Clear roles and responsibilities for the development and operation of SEZs are critical to their successful implementation. A well-structured framework should incentivize efficient services for investors while ensuring financial returns for operators. Countries such as **South Africa** and **Mauritius** have separated the roles of SEZ development and operation from regulatory functions. In these countries, the government is not the operator because it may not prioritize return on investment.³⁵⁶

In South Africa, each SEZ has its own board of directors and chief executive officer who appoints an SEZ operator responsible for the development and management of the zone. This operator ensures that essential infrastructure and services are provided within the SEZ.

Mauritius has clearly defined the roles of SEZ development and operation in the Investment Promotion Act and the Freeport Act. The responsibilities of freeport developers and operators are well defined and distinct from regulatory functions³⁵⁷.

As mentioned above, some countries have adopted hybrid approaches in which the regulator is also involved in the development and operation of SEZs, which can lead to challenges in balancing regulatory and operational aspects³⁵⁸.

4.5.4 New requirements and commitments for proper governance

Special Economic Zone policies often include specific requirements that companies must meet when investing and operating within these designated zones. These requirements fall into three broad categories: First, companies are expected to meet a minimum investment amount, which represents the level of capital commitment required to establish their operations in the SEZ. Second, companies are required to meet development targets, including targets related to job creation, integration with local industries, and promotion of energy efficiency. Finally, there are performance requirements, which focus on factors such as job creation, export performance, and skills transfer, to ensure that the SEZs make a positive contribution to the local economy and workforce.

At this point, it is critical to introduce changes that not only promote but also ensure proper governance and a sustainable future for SEZs. Implementing labour requirements, addressing the needs of small and medium-sized enterprises (SMEs), imposing environmental restrictions, and encouraging local participation are critical steps in creating SEZs that are consistent with the country's overall development goals and promote inclusive and environmentally sound economic growth. These measures can guard against potential exploitation, environmental degradation, and social exclusion, and ensure that SEZs contribute positively to the long-term well-being of the nation and its citizens.

356 <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-61.pdf>

357 <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-61.pdf>

358 <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-61.pdf>

4.5.5 ESG & Corporate Social Responsibility

Corporate Social Responsibility (CSR)

CSR is an approach to business that emphasizes ethical practices, societal benefits, and community development. It involves companies and businesses conducting their operations in a manner that considers the well-being of society and takes responsibility for the impact of their activities on various stakeholders, including customers, suppliers, employees, shareholders, communities, and the environment³⁵⁹. This standard indicates that organizations must comply with legal requirements while making voluntary efforts to improve the well-being of their employees, their families, the local community, and society.

The concept of 'proper governance' is linked to the principles of corporate social responsibility (CSR) in special economic zones. Proper governance encompasses the framework, rules and mechanisms that guide the decision-making processes and overall conduct of companies operating in SEZs. It includes **sustainable development, democracy, social inclusion, and respect for local cultural and historical contexts**, and compliance with relevant laws and regulations.

Corporate Social Responsibility (CSR) involves the ethical and responsible behaviour of companies towards various stakeholders, including employees, customers, suppliers, communities, and the environment. It goes beyond mere legal compliance and encourages companies to voluntarily take actions that contribute positively to society and sustainable development.

Building Trust and Credibility	Adhering to good governance and implementing CSR practices builds trust among stakeholders, which attracts more investment opportunities.
Effective Regulatory Implementation	Proper governance ensures that SEZ regulations are consistent with host country laws, promoting transparency and fairness in the business environment.
Social and Economic Benefits	Incorporating CSR principles improves employee well-being, productivity, and loyalty, while supporting local community development.
Addressing Environmental Concerns	CSR-driven initiatives within SEZs promote environmentally friendly practices and contribute to sustainable development.

Although one of the most notable differences between CSR and ESG is that the former focuses primarily on a company's voluntary actions and initiatives that make a positive contribution to society, there are countries that include these guidelines in their regulations. Madagascar's SEZ regime is distinguished by its ambitious and modern approach. The Law No. 2017/023³⁶⁰ includes a comprehensive section entitled "Corporate Social Responsibility" ("*Responsibility Societale De L'entreprise*"), which sets out requirements and guidelines for companies operating in SEZs to prioritize and actively engage in socially responsible practices. This forward-looking regulation reflects the country's commitment to promoting sustainable and socially inclusive economic development within its SEZs.

³⁵⁹ <https://www.ijarnd.com/manuscripts/v3i1/V3i1-1164.pdf>

³⁶⁰ https://edbm.mg/wp-content/uploads/2017/12/Loi-n-2017-023_ZES.pdf

Article 102 of Madagascar's SEZ Regulation (Law No. 2017/023) requires the developer and companies operating within the SEZ to incorporate various corporate social responsibility (CSR) measures into their overall development strategy. These measures include several important considerations aimed at ensuring sustainable and socially responsible business practices. While Article 102 does not provide an exhaustive list, it does outline key areas that developers and SEZ companies should prioritize:

- Adopt a responsible governance approach
- Balancing social and economic performance
- Promoting diversity in the workplace
- Supporting the development of local communities
- Implementing effective environmental policies
- Combating climate change³⁶¹

In essence, the inclusion of corporate social responsibility measures in Madagascar's SEZ regulation reflects a strong commitment to promoting sustainable and socially responsible business practices. By adhering to these guidelines, the SEZ aims to become a catalyst for positive change, promoting economic development while safeguarding the well-being of its people and the environment³⁶².

A similar spirit can be found in **South Africa's** regulations, which go beyond mere economic growth. The underlying rationale for the creation of SEZ is to promote decent working conditions and broader social benefits for the surrounding communities. This approach emphasizes sustainable and socially responsible economic development, with the aim of promoting inclusive growth and improving people's overall well-being. SEZs in South Africa strive to have a positive impact on local development, education, healthcare, and employment opportunities, reflecting a holistic perspective beyond purely economic factors³⁶³.

*Environmental commitments – ESG performance*³⁶⁴

Historically, special economic zones have often sought to attract foreign investors by adopting lower environmental and social standards, resulting in a competitive race to the bottom among emerging economies. However, recent evidence from African zones suggests that taking a different approach by adopting higher ESG standards can actually increase a zone's attractiveness to foreign investors, particularly those in consumer-facing industries that are highly sensitive to reputational risks. Embracing circular economy principles, such as waste recycling and wastewater treatment, can also open new business opportunities for SEZs.

Besides the recently highlighted chapter on Madagascar, the same law establishes that SEZ-based companies are also **required to contribute to socio-environmental commitments** ("*Des Engagements socio-environment*"³⁶⁵).

³⁶¹ <https://documents1.worldbank.org/curated/en/728071592364308673/Benchmarking-Madagascar-s-Free-Zone-Competitiveness.docx>

³⁶² In November 2017, parliament passed the SEZ Law No. 2017-023. However, certain articles were later declared unconstitutional by the High Constitutional Court (HCC). A revised version of the law was then submitted to Parliament and approved by the National Assembly in March 2018 and by Parliament in August 2018, with the approval of the HCC. However, due to the presidential election in late 2018, the final step of presidential promulgation did not occur, resulting in the SEZ decree and implementing regulations being put on hold by the government. Nevertheless, it is a fact that Madagascar is missing the chance to adopt a modern and competitive SEZ regime that could significantly boost the competitiveness of its export sector, and that was backed by the World Bank.

³⁶³ https://unctad.org/system/files/official-document/diaeia2021d3_en.pdf

³⁶⁴ Reference Component 1: 1.8.3.

³⁶⁵ Article 96: The developer is required to obtain an environmental permit before operating within the SEZ. A programmatic study must precede the environmental study of the SEZ to assess the project's impact on the region's strategic and socio-economic aspects. This study should highlight the links

During the application process, each firm must obtain an environmental license, which is contingent on a diagnostic study conducted by the SEZ authority to assess the environmental impact of their production processes. Moreover, these firms are expected to support the development of local communities and adhere to responsible environmental policies, as stipulated in Madagascar's Law No. 2017/023.

As shown in chapters 2 and 3, there is a significant shift in African SEZs from a race to the bottom to the adoption of more responsible ESG standards. One example of this shift is the Nkok Special Economic Zone in **Gabon**, which achieved carbon neutrality certification in 2021 in accordance with ISO 14064-1 standards. This prestigious recognition by Société Générale de Surveillance (SGS), a Swiss multinational certification company, establishes Nkok SEZ as one of the few industrial economic zones in the world recognized for its low-carbon performance³⁶⁶.

Cases such as **Egypt's** Robbiki Eco-Leather Park (RELP), **South Africa's** ASEZ, have shown that adopting higher ESG standards can be viable business models, leading to both quantitative growth goals and environmental sustainability gains. As analysed in the first part of this work, South Africa is promoting ESG practices in SEZs through the Department of Environmental Affairs. Dube Trade Port SEZ exemplifies this commitment with measures to reduce environmental impact and a green economy hub for eco-friendly industries that attract investors.³⁶⁷

Morocco is also promoting ESG practices in SEZs for sustainable growth. The Tanger Med Zones SEZ and the Moroccan Agency for SMEs are leading efforts in energy efficiency and promoting environmental and social performance. SEZs are driving growth in renewable energy, and companies such as OCP Group and Attijariwafa Bank are examples of sustainable development. AMITH actively promotes ESG practices among its members in the textile and apparel industry.

This demonstrates how it is possible to address global issues by phasing in specific practices while maintaining business attractiveness. By requiring companies in SEZs to obtain environmental licenses and contribute to socio-environmental goals, Madagascar shows how responsible practices can be incorporated without compromising business interests. These considerations pave the way for meaningful progress toward sustainable development and environmental stewardship within SEZs.

Strengthening environmental, social and governance standards can improve the competitiveness and attractiveness of SEZs to investors. Prioritizing labour standards, green practices, and inclusive programs can amplify the positive impact of SEZ policies on society while promoting resource efficiency within the zones. Robust ESG standards yield significant benefits that contribute to the productivity of companies operating within the SEZ. By embracing "green" sectors, SEZs can attract investments that are aligned with the Sustainable Development Goals (SDGs), further advancing sustainable development initiatives.

A study examining the impact of Special Economic zones on green technology innovation among enterprises has demonstrated significant results akin to the Chinese zones³⁶⁸. According to the findings, the establishment of SEZs led to a notable increase in the number of green patent applications within the zones, registering an overall surge of 17.02%. Further classification of the patent applications revealed a 6.11% increase in invention patent applications and a substantial 15.68% rise in utility model patent applications. This empirical evidence highlights the positive role that SEZs can play in fostering environmentally friendly technological advancements

justifying the creation of the SEZ and its impact on the social components affected by the project.

366 <https://www.afrik21.africa/en/gabon-the-nkok-sez-has-achieved-carbon-neutrality-with-certification/>

367 <https://doi.org/10.1016/j.worlddev.2018.11.019>

368 <https://www.frontiersin.org/articles/10.3389/fenvs.2022.870019/full>

and promoting sustainable practices among businesses within the zones. That is why the SEZ regulation can be key for obtaining these results.

4.5.6 Support of local economy

In general

According to development theory, the strength of linkages between export processing zones and the domestic economy plays a crucial role in determining how much the host country benefits from the establishment of SEZs. The integration of SMEs into special zones can lead to positive spill overs in terms of innovation, higher value-added production, skill upgrading, and investment in skills development³⁶⁹.

However, in many developing countries, SEZs are primarily designed to attract foreign firms, as domestic firms often lack the capacity to provide the low-cost, high-quality inputs needed for production in zone. The duty-free import benefits granted to SEZs do not extend to non-SEZs firms, putting them at a cost disadvantage and hindering their integration into the domestic economy.

Historically, technology spill overs in have been limited due to their initial focus on low-skilled assembly with minimal technology transfer. Even in higher-skill zones, such as those focused on software or business services, the transfer of imported capital or management expertise remains minimal, if not non-existent. However, as governments move away from the enclave model, technology transfer tends to increase.

The share of domestic investment in SEZs is increasing, providing another avenue for positive spill overs. In **Mauritius**, for example, allowing domestic firms to invest in EPZs has stabilized those areas and facilitated the internalization of technology and knowledge. Other studies³⁷⁰ show that locally owned firms within SEZs are more likely to source their intermediate inputs locally, suggesting that policies that promote the participation of local firms could significantly enhance spill over to the broader economy.

Based on available data³⁷¹, anecdotal evidence suggests that most firms operating in African SEZs are foreign-owned. For example, in Kenya's national SEZ program, 37% of registered firms were domestic, 40% were foreign-owned, and 23% were joint ventures between Kenyan and foreign firms. China, India, Taiwan Province of China, the United Kingdom, Belgium, and the Netherlands were the most represented countries among foreign-owned firms. Similarly, in Ethiopia, domestic firms accounted for only 30% of the total, while foreign-owned firms accounted for 68%, and joint ventures between Ethiopian and foreign firms accounted for 2% of the firms.

The limited participation of local firms in SEZs can be attributed to several factors. First, governments may be reluctant to attract domestic firms as this could result in lower tax revenues for the state compared to the standard national tax regime. Second, in the initial stages of SEZ development, the focus may be on large foreign firms, as their presence may signal attractiveness to other potential investors. Finally, local firms may lack the necessary capital to meet the investment requirements imposed by SEZs to operate under favourable tariff conditions³⁷².

Creating policies that foster strong links between special economic zones and the domestic economy is critical to achieving sustainable and long-term dynamic benefits. Countries that have successfully reaped such benefits

369 https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_584474.pdf

370 <http://www.wepza.org/s/Maximising-the-Developmental-Impact-of-EPZs.pdf>

371 <https://documents1.worldbank.org/curated/en/996871468008466349/pdf/600590PUB01D181onomic09780821386385.pdf>

372 https://unctad.org/system/files/official-document/diaeia2021d3_en.pdf

from their SEZ programs have created conducive conditions for continued interaction and cooperation between domestic firms and foreign firms (mainly foreign direct investment - FDI) operating within the SEZs.

These conditions include promoting investment by domestic firms within the SEZs and encouraging SEZ-based firms to participate in the domestic market. It also involves establishing supply linkages between the SEZ-based firms and the domestic economy, both forward and backward in the supply chain. In addition, the provision of business support and value-added services to firms operating in SEZs further enhances their integration with the domestic economy.

A critical aspect of fostering strong linkages is ensuring the seamless movement of skilled workers and entrepreneurs between the SEZs and the domestic economy. This facilitates knowledge transfer, technological advancement, and innovation diffusion, all of which contribute to overall economic growth and development³⁷³.

SME promotion within and outside SEZ

SEZs have the potential to play a crucial role in promoting SMEs, benefiting them both within the zone and through potential spill over effects outside the zone. These zones can offer a conducive business environment with infrastructure, tax incentives, streamlined regulations and access to skilled labour, which could attract larger firms, multinational corporations, and export-oriented industries to consider locating within the SEZ. The coexistence of large firms and SMEs within the same SEZ could potentially lead to several positive interactions:

Supply Chain Linkages	Large firms often purchase goods and services from SMEs located within or near the SEZ. This creates supply chain linkages and provides SMEs with stable business opportunities and access to larger markets.
Knowledge and Technology Transfer	Larger companies within SEZs often share knowledge, technology, and best practices with SMEs through partnerships, subcontracting, or joint ventures. This transfer of knowledge enhances the capabilities of SMEs and improves their overall productivity and competitiveness.
Skilled Labour Pool	SEZs tend to attract a pool of skilled labour due to their focus on specific industries. SMEs can benefit from this ready availability of skilled labour, reducing recruitment costs and training time.

On the other hand, spill over effects from SEZs can extend beyond their boundaries, resulting in positive impacts on the surrounding region and the broader economy:

Technology Diffusion	The presence of advanced technologies and production methods in SEZs can spill over to neighbouring SMEs, increasing their productivity and product quality.
Knowledge and Skills Transfer	Workers who gain experience in SEZs may move to local SMEs or start their own businesses, bringing with them the knowledge and skills they have acquired.
Market Linkages	SMEs outside the SEZ can also benefit from market linkages with enterprises inside the SEZ. Through partnerships or supply contracts, SMEs gain access to new markets and potential customers.

³⁷³ <https://documents1.worldbank.org/curated/en/996871468008466349/pdf/600590PUB0ID181onomic09780821386385.pdf>

Supporting Industries	The growth of industries within the SEZ can stimulate demand for raw materials and services from SMEs in the surrounding areas, leading to the growth of supporting industries.
Improved Competitiveness	The presence of SEZs can create competitive pressures that encourage local SMEs to improve their efficiency, quality, and innovation to remain competitive.

Overall, SEZs act as dynamic engines of economic growth and development, pushing SMEs to higher levels of productivity and competitiveness. The interaction between large enterprises and SMEs within SEZs fosters knowledge sharing, technology transfer, and market linkages that benefit SMEs both inside and outside the SEZ. As a result, SEZs can effectively promote SME growth and contribute to broader economic development in the region.

As highlighted in chapter 3, **Egypt** is a good example of prioritizing local economic development through SEZ-SME linkages. Private sector engagement is supported by associations and organizations, while GAFI promotes entrepreneurship and provides technical assistance. Local content regulations in SEZs encourages domestic manufacturing. Incubation programs and financial incentives encourage SEZ-SME linkages. Additionally, tax breaks and a fund support SMEs for skills upgrading, expansion, and market access.

In addition, as in the case of **Mauritius**, the Small and Medium Enterprises Development Authority (SMEDA) is working with SEZs to integrate local companies into their supply chains by providing numerous services such as business development, training, and access to finance. The textile and apparel industry are experiencing growth in contracting and subcontracting, supported by industrial parks such as Coromandel Industrial Estate and Plaine Magnien Smart City.

Mauritius' local content policy prioritizes local procurement and employment in SEZs. Bagatelle-Phoenix Smart City focuses on ICT and knowledge-based industries, with multinationals such as Accenture and IBM using local suppliers. Similarly, Medine Smart City is attracting investment from companies such as Microsoft, further encouraging local subcontracting and supply chain support.

4.5.7 Participation

SEZs, like other policies with special privileges, create opportunities for rent-seeking, leading policymakers to use them for personal gain. Politicians and bureaucrats may use them to pursue their own interests and indulge in corruption. This can undermine the effectiveness and integrity of SEZ programs and hinder overall economic growth.

Decentralizing policymaking alone may not solve the incentive problem. Instead, the focus should also be put on creating institutions that align the interests of SEZ decision-makers with the success of the zones. Transferring power and control to lower levels of bureaucracy without adequate accountability can lead to rent-seeking behaviour by implementing bureaucrats, who may inflate project costs, waste public funds, and engage in corrupt practices.

The risk of corruption increases when multiple layers of agencies are involved in the approval process, potentially resulting in higher bribes than profits for companies. If SEZs become hubs of corruption, attracting bribes at various levels, they can deter investment and stifle economic growth. To reform SEZs and make them successful, policymakers must address the inherent corruption risks. Implementing measures to curb rent-seeking, improve

transparency, and ensure accountability are essential to ensure that the zones fulfil their intended purpose as engines of economic growth and development.

A transparent system has the potential to effectively address the incentive problem in SEZs. Public accountability allows officials to benefit personally from growth enhancing SEZ policies, as politicians gain public support and electoral votes for successful SEZ initiatives. When the link between policy and economic outcomes is clear, policymakers have a vested interest in designing effective policies, including those that promote SEZ-driven growth. A decentralized democratic system is particularly conducive to solving the incentive problem because it closely links a politician's policy decisions to his or her chances of re-election.

The combination of participation and decentralization not only reduces high-level corruption, but also empowers local officials to prevent low-level corruption within their bureaucracies. Unlike a central government, local officials better understand the incentives that can promote a clean bureaucracy. As a result, SEZs can serve as a tool for policing low-level corruption. This incentive for local officials to monitor and control corruption applies to any system that rewards low-level officials for good SEZ performance, even in non-participative contexts. In sum, a participative and decentralized system has the potential to effectively address the incentive problem, promote pro-growth SEZ policies, and curb corruption at various levels.



The case of China

China's experience with SEZs offers important lessons for improving regulations to promote greater participation within these zones. The country's initial SEZ program, introduced in the late 1970s, faced little foreign capital investment and real estate speculation dominated early ventures. This led to elevated levels of corruption. However, China's gradual shift toward decentralization proved critical to the success of the SEZs. As decision-making authority shifted to lower levels of bureaucracy, local governments demonstrated a better understanding of local conditions and the ability to adapt policies to evolving market dynamics. This decentralization turned the SEZs into experimental laboratories for testing economically liberal reforms on a smaller scale, with successful policies later being adopted more widely.

The solution to the incentive problem in China's SEZs relied on a unique reward system for local leaders. These officials were given official positions and salaries based on the economic progress of their respective areas. As a result, they were incentivized to implement policies that improved local economic performance, just as democratically elected politicians would seek public support for re-election. Fiscal decentralization also played a key role, as local governments became residual claimants on tax revenues after paying a share to the central government. This financial arrangement motivated local leaders to support the local economy and invest in prudent infrastructure development within the SEZs.

China's successful SEZs triggered further institutional changes that strengthened political decentralization. As the SEZs generated more wealth in the local economy, local officials sought greater autonomy, empowering local decision-making. Competition among local leaders for businesses also encouraged reforms such as increased privatization of state-owned enterprises. This development demonstrates how a hierarchical yet decentralized system in China aligned the interests of policymakers with the success of SEZs, fostered growth, and incorporated democratic principles into the governance of these zones.

In sum, China's experience with SEZs underscores the importance of political decentralization and incentivizing local leaders to promote economic growth. By empowering lower levels of bureaucracy, SEZs became effective platforms for testing and implementing reforms, which contributed to their overall success. The reward system based on economic performance and fiscal decentralization further motivated local officials to support SEZ development and ensure responsible use of resources. As the SEZs flourished, China embarked on deeper institutional changes, strengthening political decentralization, and expanding democratic principles within these special zones.

4.5.8 Labour

The 1998 Declaration on Fundamental Principles and Rights at Work outlines four categories of principles and rights that all Members commit to uphold: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour, and the elimination of employment and occupation discrimination. The International Labour Conference has explicitly stated that these fundamental principles and rights should apply to all territories, including SEZs.

When assessing the impact of EPZs on workers' rights, the most cited violations are related to freedom of association, collective bargaining, and gender discrimination. Child labour is more likely to occur upstream in the production chain and is not a significant problem within EPZs. Although elements of forced labour may occur in EPZs, they are more likely to occur upstream and are associated with migrant workers.

In systematic reviews of studies analyzing the impact of EPZs on workers' rights, researchers argue that proper comparisons of labor outcomes inside and outside the zone are essential. Comparing labor outcomes within the same sector and firm size allows distinguishing between the effects of domestic institutions and EPZs.

While some researchers disagree on the benchmark for evaluating SEZs, many argue that EPZ operators should have a positive impact on decent work, particularly in terms of fundamental rights. Despite shortcomings in labour regulation and administration in the broader economy, EPZs, by their very nature, can serve as incubators for market reforms and potentially lead to broader improvements in labor laws and practices.

The International Labour Office (ILO) Committee of Experts on the Application of Conventions and Recommendations has long been concerned with the protection of workers' rights in SEZs. They emphasize that employers and workers in special zones should benefit from the full application of fundamental principles and ratified Conventions.

In summary, SEZs have become an important feature of labor markets in some developing countries, and their formation is accelerating because of globalization. This creates challenges and opportunities, as more workers gain access to formal sector employment, while at the same time there is a need to improve efficiency and competitiveness through technological advances, better work organization and improved industrial relations.

SEZs have attracted substantial investment and played a crucial role in industrialization. To maximize their economic benefits, there is an ongoing need to strengthen linkages with the local economy. However, working conditions, industrial relations and human resource development need further improvement, as some SEZ countries face legal restrictions on trade union rights, weak enforcement of labor laws, and limited industrial relations structures and representation. Addressing these issues can help SEZs upgrade skills, improve working conditions, increase productivity, and achieve dynamic international competitiveness.

4.6 Opportunities

4.6.1 Land value capture

A promising financing mechanism for infrastructure in African cities is land value capture, which involves recovering the increased land value resulting from public infrastructure investment. Land value capture takes various forms and is influenced by factors such as public infrastructure investment, changes in land regulations, demographic shifts, economic development, private investment in land, and land productivity.

This tool serves to raise funds for infrastructure development, using methods such as tax levies, sale of development rights, public land leasing, land acquisition and resale, land sales, and impact fees. For example, when new infrastructure such as a subway system is constructed, the land surrounding the stations experiences an increase in value, creating a symbiotic relationship between infrastructure development and land value capture. The implementation of land value capture holds significant potential for Africa's urbanization and infrastructure development.

Example in Egypt of land value capture: *Article (6), "The Authority's capital shall consist of the funds and in-kind assets transferred from the State. The resources of the Authority shall be derived from: a. Usufruct and lease payments of lands in the Zone b. Dividends from companies in which the Authority is a shareholder c. Income from the activities of the Authority and the license and service fees it collects, pursuant to the provisions of this Law. d. Endowments, grants, loans and credit facilities given to the Authority upon the approval of the Prime Minister e. Returns on Authority's capital investments f. Fines and compensations awarded to the Authority pursuant to the provisions of this Law g. Any other resources determined by a resolution of the Board of Directors of the Authority"*

Special economic zones can also use land value capture as a financing tool to support their infrastructure development and attract investment. By strategically planning the location and design of SEZs, governments can create opportunities to capture the increased land value resulting from the establishment of the zone and its associated infrastructure.

4.6.2 Promote regional integration.

To avoid over-reliance on tax incentives, countries should consider promoting a regional development ecosystem as a proactive measure. According to international best practices, SEZ managers should rethink the economic rationale for designing and establishing SEZs to enable their active participation in regional integration initiatives. In practical terms, this means integrating SEZs into existing and emerging regional value chains (RVCs) and fostering cooperation with regional partners to develop joint industrial policies. This approach has been successfully implemented in other regions of the world. As UNCTAD's World Investment Report 2020 shows, regions are growing in importance and are poised to become the primary economic arena, with market-seeking investment within regions expected to outpace global efficiency-seeking investment.

A successful example of this approach is **Mauritius**, which is actively involved in the development of SEZs in several African countries such as Côte d'Ivoire, Ghana, Madagascar, and Senegal. The aim is to create a conducive environment for local operators to capitalize on business opportunities, establish business corridors, and promote Mauritian products. Mauritius also shares its experience and expertise in zone development with these countries, thereby promoting regional cooperation and economic growth.

Host countries welcome foreign partners in SEZ development for several compelling reasons. First, partnering with foreign governments or companies helps to share development costs, as modern zone projects often require substantial capital investment with long payback periods. Limited budgets and growing demand for economic zones are driving countries to attract foreign direct investment (FDI) to finance such initiatives, which provides access to diverse sources of financing and reduced borrowing costs.

Second, host countries benefit from the valuable expertise and experience of foreign zone developers. Many developers involved in overseas zones have a wealth of successful experience in implementing economic zone

projects both domestically and internationally. For example, Singaporean developers such as JTC and SembCorp Industries are renowned for their expertise in planning and building industrial infrastructure. Companies like Sumitomo and Sojitz from Japan bring strong marketing and overseas zone management skills.

Third, foreign partners increase the chances of attracting FDI to these zones. Private zone developers often have extensive business networks with large multinational enterprises (MNEs), which play a crucial role in attracting anchor tenants and major investors to the zone. Some private developers even become anchor tenants themselves, such as Toyota Tsusho in the industrial parks it develops, attracting their suppliers and creating vibrant industrial clusters. In addition, government-sponsored zones provide security for domestic companies venturing into underdeveloped areas, with the developers' expertise in infrastructure and zone management further enhancing investment attractiveness.

However, government-sponsored zones require a higher level of coordination between the home and host governments. To effectively oversee and monitor zone development, some governments have established dedicated coordination mechanisms involving relevant regional and local authorities and agencies. These mechanisms serve as platforms for dialogue and consultation, facilitating problem solving through effective communication and cooperation.

By promoting regional development ecosystems and engaging in strategic partnerships with foreign actors, countries can reduce their reliance on tax incentives while creating more attractive and sustainable SEZs that contribute to overall economic growth and development.

Moreover, this strategic shift in SEZ development takes on added significance in the context of the AfCFTA. AfCFTA's mission to promote intra-African trade and economic integration aligns seamlessly with the concept of regional development ecosystems. By integrating SEZs into the AfCFTA framework, countries have a unique opportunity to accelerate economic growth, reduce reliance on fiscal incentives, and actively participate in the regional economic transformation envisioned by the AfCFTA. This comprehensive approach not only attracts foreign investment and expertise, but also contributes to the broader development agenda of both the SEZ host countries and the African continent.

CHAPTER 5

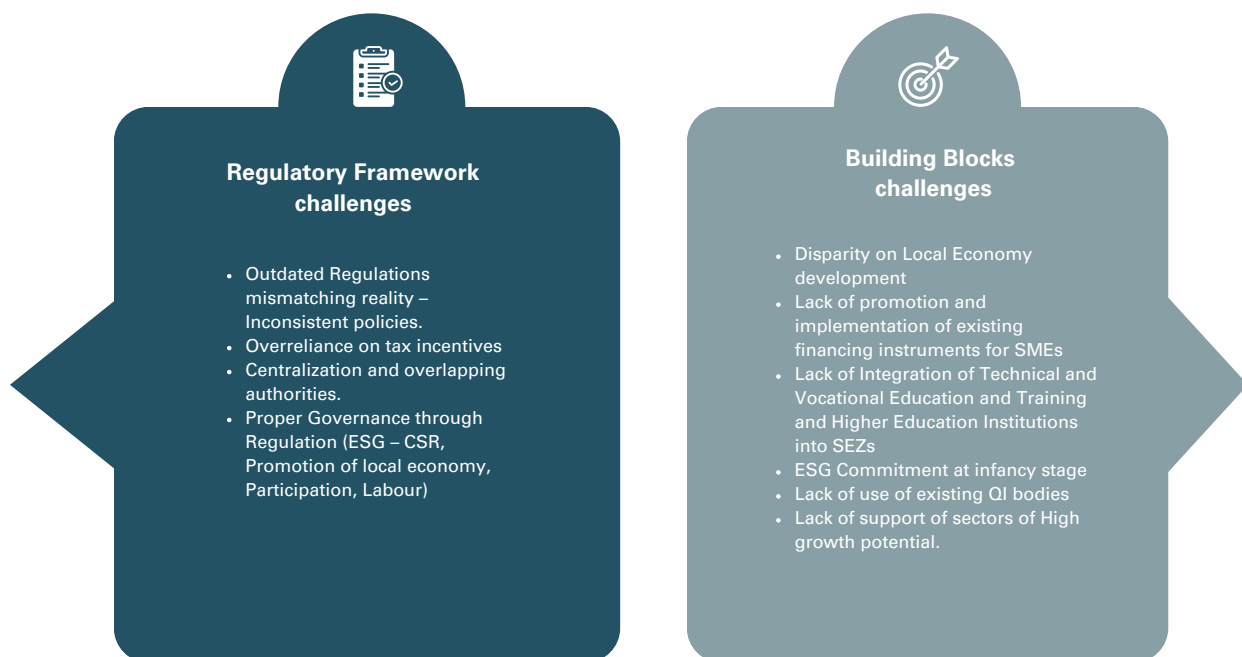
Policy statements on
upgrading SEZ policies
to meet the global
economic trends

5.1 Policy recommendations

In this chapter, the focus shifts to a broader examination of the challenges highlighted in the previous sections, both from a regulatory perspective and through the lens of the six fundamental “building blocks”. By drawing on the insights of successful organizations and harnessing the momentum of existing stakeholders, the recommendations offered can provide a valuable roadmap for SMEs seeking to thrive in the dynamic SEZ landscape.

However, it is important to recognize that this analysis underscores the need for a comprehensive reassessment of the prevailing regulatory framework. In many cases, the existing regulations governing SEZs are inadequate or outdated. The critical task, therefore, is to thoroughly modernize and strengthen these regulations. They should not merely adapt but stand as pillars for the proposed building blocks and the ecosystem they seek to create. The regulatory framework must proactively evolve to support and advocate for the innovative policies outlined in these building blocks.

Figure 26: Identified challenges



5.1.1 Foundational framework for SEZs and SME ecosystems

Moving towards the New Generation of SEZs

As this document shows, many African SEZs have made remarkable progress in their practical implementation. However, a major obstacle to their continued development is the outdated or inadequate regulatory frameworks that govern them. To bridge the considerable gap between the vibrant growth of SEZs on the ground and the shortcomings of their regulatory frameworks, there is an urgent need to either update existing regulations or create entirely new ones.

Considering the recommendations outlined in the previous chapter, a fundamental and overarching proposal for most countries is to transition from the archaic SEZ model to a more contemporary one. This transition involves three critical steps: first, **moving away from the enclave model**; second, **unifying the regulatory framework for all specialized areas**; and third, **reassessing the role of SEZs within the broader national economic and industrial context**.

Consequently, this regulatory gap should be seen as a significant opportunity for African countries to undertake a comprehensive reassessment and revision of their SEZ strategies. Such a review can pave the way for the development of more effective and relevant regulatory frameworks that meet the evolving needs and objectives of SEZs in the region.

Recommendation on SEZ creation/transformation:

Resource and growth drivers' assessment

- Study the best practices, lessons learned, and challenges faced by other countries with well-established SEZ frameworks. It is essential to conduct a comprehensive assessment of the country's resources and growth drivers, as well as potential constraints to development. In this recommendation, the six building blocks proposed in this document are key.

Feasibility Study, Task Force and Public Consultations

- Conduct a feasibility study to assess economic and infrastructural readiness for SEZs creation or transition; establish a task force comprising government and private sector representatives for coordination; conduct public consultations to gather input from stakeholders and build support.

Alignment with national policies

- When there is a national agency or plan, and following South Africa's example, countries should ensure that the application for SEZ designation aligns with relevant national policies and laws.

National Investment Agency or Plan

- Review the capacity and capabilities of the Investment Development Agency, which would be responsible for implementing or adapting the SEZs. Assess its expertise, resources, and effectiveness in attracting investment and promoting economic growth. Establish an alignment with the national development plan.

SEZ Structure

- Involving different entities in the development and operation of an SEZ can improve stakeholder engagement and representation. A unified authority may not adequately address the diverse needs and perspectives of different stakeholders.

Value proposition

- Embed a robust and original value proposition into the specific SEZ setup, which includes providing locational advantages, high-quality infrastructure, and relevant services tailored to the needs of investors.

Facilitate transition

- Transition from existing Free Zones (FZs) to Special Economic Zones by providing clear guidelines, offering incentives to attract new investors, and ensuring a seamless conversion process that minimizes disruption to businesses and stakeholders.

Decentralization and autonomous authorities

Decentralized policymaking, which delegates decision-making authority for SEZs to local governments, has proven to be an effective strategy. It empowers local authorities to make informed decisions based on their understanding of local conditions and reflects the agility and responsiveness typically associated with private sector initiatives. This approach is also inherently linked with the “good governance” concept in terms of accountability and transparency.

China’s gradual reform path is a testament to the effectiveness of this decentralized approach. Many countries, including Malaysia, Jamaica, Kuwait, and Jordan, have also adopted this model. SEZs in these countries have served not only as testing grounds for innovative policies, but also as catalysts for broader national policy reforms inspired by their remarkable success.

Phasing in SEZs as part of broader economic reforms can be a strategic way to overcome political resistance. These zones effectively demonstrate the benefits of economic liberalization and, if successful, can encourage better governance models. They also discourage the recentralization of decision-making authority, ensuring that SEZs continue to thrive.

The case of the Tangier Mediterranean Zone (TMZ) in Morocco highlights the critical role of autonomous SEZ authorities. Acting as a decentralized regulator, the Tangier Mediterranean Special Agency (TMSA) streamlined decision-making processes, avoided redundancies in mandates, and allocated resources efficiently. These efforts not only attracted foreign investment, but also promoted economic growth in the region.

Autonomous SEZ authorities are independent entities that inspire confidence in private investors and ensure fair and consistent treatment. This independence also insulates them from short-term policy changes driven by political considerations, providing stable SEZ regulations and incentives. All of this, however, must be accompanied by a coordinated and elevated level of political support that ensures the viability of a national plan that is built on local action.

Recommendation on SEZ creation/transformation:

Legal autonomy

- Enact legislation granting legal autonomy to SEZ authorities, establishing them as independent entities with decision-making powers, the ability to enter contracts, and financial independence.

Transparent governance

- Ensure transparent and accountable governance structures within the SEZ authority by appointing board members with diverse expertise, including representatives from relevant ministries, private sector stakeholders, and experts in SEZ development.



Clearly defined roles

- Establish regulations that clearly delineate the responsibilities of the various stakeholders involved in SEZs to improve efficiency and accountability.

Policy alignment

- Integrate the SEZ authority into the country's broader national economic development plan, aligning its objectives with overall socio-economic goals. This will promote coherence and synergy between SEZs and national strategies.

Public-Private Partnership

- Foster strong public-private partnerships that enable private sector stakeholders to play a significant role in SEZ development. This collaboration will leverage private sector expertise, resources, and efficiencies, while maintaining appropriate checks and balances to avoid undue influence.

Embrace proper governance

At this stage, it is necessary to adopt transformative policies that not only promote, but also ensure effective governance and sustainable development of SEZs. It is necessary to provide not only good, but proper governance that gives critical importance to the local context for the development and operation of SEZs. This is particularly important for SMEs and local economic development, given that the needs and specific circumstances of each location are unique across the continent.

Incorporating labour standards, addressing the needs of SMEs, imposing environmental safeguards, incentivizing corporate social responsibility, and promoting local engagement are critical steps in designing SEZs that are responsive at the local level, promote inclusive and environmentally sound economic progress, and are also consistent with the overarching development goals of the nation. These measures serve as safeguards against potential exploitation, environmental degradation, and social marginalization, while ensuring that SEZs contribute constructively to the enduring well-being of the nation and the prosperity of its people.

Recommendation on strengthening proper governance.

Establish and update ESG standards

- Include ESG standards in SEZ regulations that could apply to all zone operators and companies to adhere to specific environmental, social and governance practices. This should cover areas such as energy efficiency, waste management, labour rights, human rights, and health and safety standards.

Ensure compliance with international and national labour standards

- Include clear provisions in SEZ regulations requiring compliance with both international and national labour standards. This should cover issues such as minimum wages, working hours, occupational health and safety, and the prohibition of child and forced labour.

Social responsibility

- This goal can be achieved by actively involving stakeholders, thereby reinforcing the principles of decentralized decision-making and transparent governance discussed earlier. It also involves promoting local development, as discussed in the next section. Consider the integration of Corporate Social Responsibility.

Reduce dependence on tax incentives

Several African nations, including Gabon, Egypt, and Mauritius, have recently shifted away from heavy reliance on tax-based revenue generation. In pursuit of cultivating a thriving SMEs ecosystem in Africa, it is advisable to gradually reduce dependence on tax holidays. This strategic shift is grounded in the understanding that an excessive reliance on tax holidays can lead to diminished government revenues, distortions in economic activities, and obstacles to productivity growth. These consequences can, in turn, detrimentally impact local economies, eroding their competitiveness and making them vulnerable to resource exploitation, all without necessarily leading to improvements in public services due to reduced tax contributions.

By adopting a measured approach towards reducing reliance on tax holidays, African countries can strike a balance between creating an attractive environment for SMEs and maintaining sustainable government revenue streams. This shift recognizes the complex interplay between taxation, economic development, and public service provision, seeking a more nuanced and sustainable path forward for fostering SMEs and overall economic growth in the region.

Recommendations on tax incentives

Graduate phase-out of tax holidays

- Consider phasing out the practice of granting corporate income tax (CIT) holidays to new SEZ projects, while concurrently reducing the scope and duration of CIT holidays for existing projects.

Consolidation of tax incentive legislation

- Consolidate legislation with broader tax laws and assign primary responsibility to the Ministry of Finance for introducing tax incentive measures to ensure consistency and accountability. Align the SEZ tax regime with the broader national tax policy to ensure consistency and avoid distortions in the economy.

Transparent and published lists of eligible exceptions

- Require and publish transparent lists of raw materials eligible for duty and VAT exemptions to prevent revenue leakage and maintain transparency.

Electronic Tracking of Goods

- Implement electronic tracking of goods in SEZ for enhanced efficiency, transparency, security, and compliance.

Continuous review of incentives

- Periodically review and evaluate tax incentives offered to SEZ enterprises and adjust them as necessary to align with the country's economic goals and promote sustainable development.

5.1.2 Empowering SMEs

Sectors of high growth potential

Among the six building blocks, “high growth potential sectors” stands out as the most consistently rated “to consolidate and expand” across all countries surveyed. This consistent rating underscores the widespread recognition of the importance of targeting SEZs to specific sectors to promote economic growth. In addition, the analysis shows that countries across the board exhibit a high degree of complementarity between government policies and SEZ sector orientations. This mutual alignment reinforces the collaborative nature of SEZs and their respective countries, ensuring that the strengths and resources of both are effectively leveraged.

The development of high-growth potential sectors not only enjoys unanimous support, but also signifies a shared understanding of the symbiotic relationship between SEZs and their host countries. Through strategic alignment, both parties can maximize their potential for economic development and sustainability. This robust collaboration bodes well for the future of SEZs and the broader economies in which they operate.

In addition to increasing the likelihood of collaboration between SMEs and SEZs, this alignment also leverages private sector insights. Private sector organizations, including chambers of commerce and sectoral trade associations, are well equipped to identify sectors with significant growth potential. Government policies that align with and incorporate these sectoral orientations suggested by the private sector can further enhance this synergy. In addition, improvements in the investment climate and the creation of appropriate infrastructure are essential to facilitate the growth of these sectors within a conducive business environment.

Gabon, for example, in close partnership with ARISE investors, is strategically targeting high-growth sectors to drive economic development while fostering synergies between SMEs, special economic zones, and government support. The country focuses on value-added agro-industries, such as cocoa, coffee and palm oil, through the National Agency for Agricultural Development (ANADEB). Gabon is promoting value-added in the timber industry through the Gabonese Timber Industry Agency (AGIBOIS) and exploring mining of manganese, gold, and iron ore through the Gabonese Mining Company (COMILOG). Infrastructure investments, including roads, ports, and airports, are improving trade facilitation. In addition, Gabon is using the International Finance Corporation (IFC) to attract financial and non-financial companies, fostering regional integration and innovation.

These collaborative efforts coincide with the establishment of SEZs, such as the GSEZ Agro-Industrial Park in Nkok, which promotes agro-industry and manufacturing, and the GSEZ Port in Owendo, which serves as a regional export hub. The GSEZ Tourism Zone in Mayumba is attracting investment in the tourism sector. Gabon’s future includes the expansion of SEZs with an emphasis on tourism and infrastructure, providing valuable lessons for countries seeking to replicate successful strategies for sector-based economic growth.

Collaboration efforts are also strong in **South Africa**. The government is identifying growth sectors in line with the Industrial Policy Action Plan (IPAP). The country has established several special economic zones, each with a specific focus but integrated into a cohesive strategy. For example, the Atlantis SEZ in Western Cape focuses on clean technology manufacturing and renewable energy and is strategically located near renewable energy sources such as the Atlantis Wind Farm and Solar Farm. This location has attracted companies such as GRI Wind Steel, which specializes in wind tower sections, and Skyward Windows, which manufactures energy-efficient windows.

Recommendations

Deepen the focus on high-growth sectors

- African SEZs should increase their strategic focus on high-growth potential sectors to drive economic development. This means further concentrating efforts and investments in sectors with significant growth potential. This approach is consistent with the widespread recognition of sector specific SEZs as drivers of economic growth and encourages SEZs to delve deeper into specific industries to maximize their impact on local economies. A notable example of this is Morocco. Morocco's high-growth sectors include tourism, renewable energy, IT, finance, and more. Its special economic zones target manufacturing, logistics, ICT, healthcare, and green energy. Prominent SEZs such as Tangier Med attract automotive giants, while Casablanca Nearshore Park serves the IT sector and Kenitra Atlantic Free Zone is home to automotive and aviation companies.

Foster collaboration and align policies

- Governments should proactively foster cooperation between SEZs, SMEs, and government agencies, emphasizing the alignment of policies with SEZ sector strategies. This collaborative approach leverages their combined strengths for sustainable economic development. To achieve this alignment, governments should involve the private sector, especially in identifying high-growth sectors. Public-private partnerships, like chambers of commerce and trade associations, should play a significant role in shaping policies and strategies. Additionally, improving the investment climate and infrastructure is crucial to create a conducive environment for growth in these sectors. A successful example of this can be found in South Africa, which has shown an efficient way of aligning SEZ in order to generate a better ecosystem for the SEZs and then, the local economies.

Building the local economy through SME integration

As can be seen throughout this document, the integration of SMEs into special economic zones has the potential to significantly boost local economies. This integration offers SMEs access to well-defined markets, direct investment, technical support, and opportunities to improve quality and engage in innovation while adhering to best practices, including ESG standards. This enhances SME competitiveness, which in turn promotes local economic growth. To facilitate collaboration among SMEs, various incentives can be implemented and policy tools, such as local content policies, can be used to streamline integration within specific sectors or value chains. The integration of SMEs into SEZs is a mutually beneficial arrangement, with SMEs gaining access to vital resources and opportunities, while the local economy flourishes through the growth and competitiveness of these smaller enterprises.

The **Egyptian** case is an exemplary precedent. While this study has emphasized the need to reduce reliance on tax cuts, in this case a tax cut is being implemented to stimulate SMEs and, by extension, the local economy. The government has introduced tax incentives for SEZs that work with SMEs to provide them with training and growth opportunities. In addition, a government-funded initiative has been launched to provide loans and grants to SMEs to enable them to upgrade their skills, expand their businesses, and access markets by leveraging connections with suppliers and buyers. In addition, the implementation of local content regulations in SEZs is part of a broader strategy to strengthen domestic manufacturing and reduce dependence on imports. These regulations require SEZ investors to incorporate a minimum number of local materials, components, and labour into their operations.

Another nation worth emulating is **Mauritius**, where policies have been developed to promote the local economy using SEZs and SMEs. One notable successful strategy is the implementation of contracting and subcontracting

arrangements. Local content policies require SEZ investors to prioritize local procurement and employment in their business activities. For example, the Bagatelle-Phoenix Smart City focuses on attracting investments in information and communication technology and knowledge-based industries. Several multinational companies, including Accenture and IBM, have set up operations in the zone and have actively engaged local subcontractors and suppliers to strengthen their supply chains.

Similarly, **Rwanda** has put in place several instruments to support collaboration between SEZs and SMEs. First, there is the Local Content Policy, a government initiative that requires companies operating in the country to meet certain local content targets, including hiring a certain percentage of local employees and sourcing materials from local suppliers. The policy also encourages subcontracting and outsourcing, which promotes the participation of SMEs. In addition, Rwanda has implemented comprehensive business incubation programs, mentorship opportunities, and networking initiatives. These efforts extend support to SMEs through the Kigali SEZ project under the Provincial Industrial Parks Program, which aims to promote rural industrialization. The “Hanga Umurimu” program, dedicated to the creation and promotion of dynamic SMEs, also contributes to sustainable business development.

The Government of Rwanda also encourages collaboration between SEZs and SMEs by offering tax breaks and other financial incentives. The Rwanda Development Board is the main agency responsible for promoting investment in local SMEs and SEZs.

The case of **Morocco** is also noteworthy. The National Pact for Industrial Emergence encourages local SMEs to join multinational supply chains through tax incentives and training. The country’s Investment Development Agency (AMD) helps SEZs integrate local SMEs into their supply chains. Notable examples include Tanger Med Zone’s collaboration with local SMEs in the automotive and aeronautics sectors, Casablanca Finance City’s support for local financial services firms, and Kenitra Atlantic Free Zone’s provision of resources and training for SMEs to compete globally. In addition, the Berkane Agro-Industrial Park serves as a strategic business development hub linking Morocco to various markets.

Finally, **South Africa** also has examples to offer. In the Richards Bay Industrial Development Zone, a supplier development and localization program provide SMEs with training in quality management, access to finance, and networking. The East London Industrial Development Zone engages local SMEs to provide engineering services to anchor investors, thereby upgrading the skills of the local workforce. In Atlantis SEZ, a unique bottom-up approach prioritizes local SME development before attracting foreign investment, creating a robust local subcontracting network. This strategy leverages local resources and capabilities, promotes local business growth and competitiveness, and effectively integrates the local economy into the larger industrial ecosystem, fostering regional economic development.

Recommendations

Local content policies and incentives

- Governments should implement and enforce local content policies in special economic zones. These policies should require companies operating in these zones to prioritize local purchasing, hiring, and procurement. To incentivize compliance, governments can offer tax breaks to SEZs that actively engage with SMEs in their local supply chains. By encouraging greater local participation and engagement, SEZs can significantly increase their economic impact on local communities. An example of this strategy's success can be seen in Egypt, whose government has introduced tax incentives for SEZs that work with SMEs to provide them with training and growth opportunities.

Establish support ecosystems for SMEs

- Governments should establish comprehensive support ecosystems tailored to SMEs operating in SEZs. These ecosystems should include business incubation programs, mentoring initiatives, and networking opportunities. By providing SMEs with critical resources, guidance, and valuable connections, these initiatives will enable SMEs to thrive and foster their growth and sustainability within SEZs, much like in Rwanda, which has implemented comprehensive business incubation programs, mentorship opportunities, and networking initiatives.

Encourage collaborative initiatives

- African governments should actively encourage and facilitate partnerships and collaborations between SEZs, SMEs, and relevant government agencies or organizations. This collaborative approach may include a sector-specific focus. Governments should work closely with external support organizations, such as chambers of commerce and industry associations, to promote local economic development and create an enabling environment for SMEs to thrive within SEZs. A good example of this collaboration can be found in Mauritius's focus on information and communication technology and knowledge-based industries and the contracting and subcontracting strategies.

Access to financing and skills development

As explained earlier, the source of finance is at three levels: to the SMEs, to the tenants inside SEZ, and to the developers and operators of the SEZ. The creation of a pipeline of viable SMEs active in SEZs ready to submit investment projects to DFIs for modernizing their operations and distribution activities is important. This leads to increased productivity of SMEs, decreased production and services costs, and the building of business networks, all of which contribute to creating an investment ecosystem that is compelling.

Mauritius is a prime example of effective access to finance within its SEZs. The government has established robust initiatives for SMEs and SEZs, including the Small and Medium Enterprise Development Authority (SMEDA) and the Development Bank of Mauritius (DBM), which offer various financing options. Mauritius has also recognized the growth potential of its financial services sector, leading to the establishment of the Mauritius International Financial Centre (IFC) to address local investment needs. In addition, Mauritius demonstrates its regional commitment through the Mauritius Africa Fund, which provides financial support to SMEs and startups that contribute to African development. This comprehensive approach highlights Mauritius as a regional financial hub and a successful model for facilitating access to finance.

Egypt also sets the bar with its example of offering several avenues for SMEs to access financing. The Micro,

Small, and Medium Enterprise Development Agency (MSMEDA) provides financial support, training, and technical assistance, including loans, guarantees, and microfinance programs. The Central Bank of Egypt (CBE) supports SME lending through refinancing facilities, while the Social Fund for Development (SFD) provides loans and grants. SMEs within special economic zones (SEZs) benefit from financing opportunities and training. For example, the Suez Canal Economic Zone (SCZone) established the Suez Canal Bank for SME financing. EgyBell, a company in an Egyptian SEZ, secured financing from the National Bank of Egypt to expand and improve product quality for domestic and international competition. In sum, Egypt's comprehensive approach exemplifies its commitment to SME growth and development.

South Africa is another country that has set a commendable example in access, offering a wide range of financing options for SMEs and SEZs. Government initiatives such as the Small Enterprise Finance Agency (SEFA), the Industrial Development Corporation (IDC), the National Empowerment Fund (NEF), and the Black Industrialists Scheme (BIS) support various business sizes and promote the development of Black-owned enterprises. South Africa's financial sector has shown leadership and innovation in integrating ESG principles into its practices, reflecting a commitment to responsible and sustainable finance. Overall, South Africa's comprehensive approach exemplifies its commitment to fostering economic growth and empowerment through accessible and socially responsible financial mechanisms.

Recommendations

Diversifying financing options for SMEs

- To facilitate the growth of SMEs in SEZs, it is important to diversify the sources of financing available to them. This means that SEZs should not rely on a single financing channel, but rather explore multiple avenues. These could include government-backed financial institutions, private sector banks, microfinance organizations, and other specialized agencies. By offering a variety of financing options, SEZs can address the unique needs and circumstances of SMEs operating in their zones. This approach improves SMEs' access to the capital they need to expand, modernize, and innovate. For example, Mauritius has SMEDA, DBM, IFC and Mauritius Fund to provide a wide range of options for their SMEs financing.

Establish holistic financial support systems

- SEZ policies should aim to create comprehensive financial support systems that go beyond the mere provision of finance. While access to capital is critical, SMEs often need more than just financial resources. SEZs can establish holistic support systems that include a range of services, including training, technical assistance, and guidance on navigating the complexities of financing. These systems should be tailored to meet the specific needs of SMEs operating in SEZs. By offering a full range of support services, SEZs enable SMEs not only to secure financing, but also to build the capacity and knowledge necessary for sustainable growth.

Promoting responsible finance and inclusiveness

- In seeking financing solutions, SEZs should prioritize responsible and inclusive financial practices. This means promoting financial institutions and initiatives that actively integrate environmental, ESG principles into their operations. Responsible finance ensures that economic development in SEZs is environmentally sustainable and socially responsible. In addition, SEZ policies should promote inclusivity by encouraging the inclusion of marginalized groups and black-owned enterprises in the zones' economic development initiatives. South Africa's financial sector has shown leadership and innovation in integrating ESG principles into its practices that could be use as guidelines for other African countries.

New skills, and qualifications development and job creation

The strategic alignment of industry demands with skills development, along with close collaboration and partnerships among HEIs, professional bodies, government, and industries, is essential for effective skills development and job creation. The establishment of TVET centers within SEZs or near industries, further enhances the effectiveness of skills training. This environment ca Figure 29: Year 2024: Planning and Coordination Phase

n cultivate a skilled workforce that meets industry requirements and promotes economic growth. The policies and incentives that encourage close collaboration and partnership between the institutions that provide skills and knowledge, professional bodies and government, as well as industry, would lead to improved outcomes that benefit SEZs, SMEs and the jobs market.

Morocco is a useful example of prioritizing skills development and job creation, particularly through SMEs. The government has established programs such as the National Initiative for Human Development (INDH), which focuses on providing training, education, vocational programs, and promoting entrepreneurship in local communities. In addition, the National Agency for the Promotion of Small and Medium-Sized Enterprises (Maroc PME) provides critical support to SMEs, including mentorship, training, and access to financing, while actively working with Special Economic Zones (SEZs) to integrate local SMEs into their supply chains. In addition, the National Employment Promotion Agency (ANAPEC) helps job seekers and employers by providing training, job matching, and career counselling services. SEZs in Morocco, such as Tanger Med Zones, Casablanca Nearshore Park SEZ, and Midparc Free Zone in Casablanca, contribute to skills development by offering training programs to enhance the skills of the local workforce and strengthen local supply chains. These partnerships with universities and training centers help build a skilled local workforce and promote the integration of SMEs into the supply chains of larger companies operating within the SEZs. The **Kenyan government**, through KIRDI, has a comprehensive support system for SMEs that is focused on creating the right environment for product development, standardization and quality, technology acquisition, IP, trademark and market linkages all under one roof and a common user facility. This has facilitated the acceleration of ideas to the market and for scale up.

The **South African** government also recognizes the critical role that SMEs and SEZs play in stimulating economic growth and employment and the role that skills and qualifications plays in this context. To support this, organizations such as SEDA provide training in areas such as business management. In addition, NSF provides funding for skills development in priority sectors, and TVET colleges provide vocational training. SEZs are encouraged to partner with local educational institutions to align training with industry needs and to set aside a portion of their workforce for local training. For example, regulatory bodies such as the QCTO ensure the quality of skills development programs, while special economic zones such as Coega and Dube TradePort work with SMEs and institutions to provide customized training. South Africa's collaborative approach fosters a skilled workforce for economic development, as evidenced by initiatives such as the EEC, NMMU and Coega SEZ's Exporter Development Program.

Recommendations

Foster strategic alignment and collaboration

- Policymakers should prioritize strategic alignment between industry needs and skills development efforts. Encouraging close collaboration and partnerships among higher education institutions (HEIs), professional associations, government agencies, and industry is essential for effective skills development and job creation. In addition, incentives and policies should be designed to facilitate these partnerships for the benefit of special economic zones, SMEs, and the labour market. This approach, exemplified by Morocco's initiatives and partnerships between SEZs and educational institutions, can lead to improved skills development outcomes and workforce readiness.

Establish training centres within SEZs

- To further improve the effectiveness of skills training, policymakers should consider establishing technical and vocational education and training (TVET) centres within or near SEZs and industrial zones. These centres can serve as hubs for cultivating a skilled workforce that precisely matches the needs of industry, thereby promoting economic growth. The Moroccan model, where SEZs such as the Tanger Med Zones and the Casablanca Nearshore Park work with local universities to provide industry-oriented training programs, demonstrates the value of such initiatives. Policymakers should encourage the establishment and expansion of similar training centres in SEZs across Africa to bridge skills gaps and support job creation.

5.1.3 Sustainability and compliance

Environmental, social, and governance compliance

African countries are evolving as they move away from a historical race to the bottom in environmental and social standards. Recent evidence shows a shift towards the adoption of higher environmental, social and governance standards. This shift not only aligns with global sustainability goals, but also increases the attractiveness of SEZs to foreign investors, particularly those concerned with reputational risk.

The success stories within Africa's SEZs underscore the significant positive shifts in adopting higher ESG standards. In particular, the Nkok SEZ in **Gabon** serves as a compelling example. This SEZ has achieved carbon neutrality certification, demonstrating its commitment to environmental sustainability. This not only aligns with global sustainability goals, but also sets a high standard that increases its attractiveness to foreign investors.

Another notable success story is **Egypt's** Robbiki Eco-Leather Park (RELP). This SEZ demonstrates how adopting higher ESG standards can be a viable business model. RELP's focus on environmentally friendly practices, particularly in the leather industry, has not only attracted investors but also positioned it as a sustainable and socially responsible hub. RELP's success illustrates the dual benefits of balancing business interests with environmentally responsible practices, contributing to economic growth and sustainability.

South Africa and Morocco are also actively promoting ESG principles within their special economic zones. South Africa's Dube Trade Port SEZ exemplifies this commitment by implementing measures to reduce environmental impact and establish a green economy hub. Meanwhile, Morocco's Tanger Med Zones SEZ focuses on energy efficiency and environmental and social performance. Both countries are attracting investment in renewable energy and sustainable industries, demonstrating that adopting ESG standards can drive economic growth while promoting environmentally responsible practices.

This transition to robust ESG standards strengthens the competitiveness of SEZs and aligns them with the Sustainable Development Goals (SDGs). Prioritizing labor standards, green practices, and inclusive programs

amplifies the positive impact of SEZ policies on society while promoting resource efficiency within the zones.

While there has been considerable progress in adopting responsible ESG practices within African SEZs, it's important to recognize that there is still significant room for improvement. Critically, many of the regulations governing SEZs have not kept pace with contemporary ESG considerations. This regulatory gap underscores the importance of ongoing efforts to modernize and align SEZ policies with evolving global sustainability standards and expectations. This, in turn, is essential to fostering an enabling environment not only for SEZs, but also for the growth of local economies and the development of small and medium-sized enterprises (SMEs).

Recommendations for strengthening ESG and Environmental commitments

Transparency and reporting requirements

- Implement transparency measures that require SEZ operators and companies to publicly disclose their ESG performance. This can include reporting on environmental impacts, labour practices, community engagement, and other relevant ESG indicators.

ESG education and training

- Establish educational programs and training for SEZ operators, companies, and employees on the importance of ESG goals and best practices. This will raise awareness and build capacity to effectively implement sustainable initiatives.

Collaboration and Engagement

- Promote collaboration and engagement between SEZ authorities, companies, local communities, and relevant stakeholders to work together towards ESG goals. This may include regular consultations, dialogues, and partnerships to address ESG challenges and find sustainable solutions.

Labor inspectorate strengthened

- Enhanced cooperation and collaboration between the labour inspectorate and zonal authorities, with the possible involvement of workers' organizations where appropriate, could provide further opportunities to ensure compliance. Tripartite Consultations: Governments should promote tripartite consultations as an effective means of developing sound labour relations policies and practices in SEZs.

Quality infrastructure engagement

Within the context of Quality Infrastructure (QI) engagement assessment, it is crucial to recognize that SMEs, when granted access to QI resources, have the potential to transition into reliable suppliers. This transition often entails SMEs meeting SEZs' specific criteria related to product and service quality, standards, and certifications. To facilitate this process effectively, it is recommended to implement incentives that encourage collaboration between SMEs and SEZs. These incentives should be geared towards addressing the requirements pertaining to product and service evaluation, quality assurance, standardization, and certification. This strategic approach contributes to enhancing the overall capacity of SMEs in the domain of quality infrastructure.

Within this context it is relevant to recognize that **Nigeria** serves as a noteworthy example for the continent, where the government is dedicated to enhancing Quality Infrastructure (QI) to boost SMEs and SEZs. The National Quality Policy (NQP) drives the National Quality Infrastructure (NQI) to improve goods and services' quality. The Standard Organization of Nigeria (SON) standardizes products, especially for SMEs involved in imports and exports. The National Metrology Institute (NMI) ensures measurement standards match international ones. Accreditation bodies like the National Accreditation Body (NAB) and the National Accreditation Service (NiNAS) maintain quality. The Quality Infrastructure Project for Nigeria (NQIP) collaborates with stakeholders to support SMEs in SEZs, bolstering their compliance. The National Investment Promotion Commission (NIPC) aids SMEs with training and testing facilities to meet quality standards, boosting their competitiveness.

South Africa offers a compelling example of Quality Infrastructure (QI) engagement, which is useful for emulation across Africa. Key institutions like the South African Bureau of Standards (SABS) ensure national quality standards are met and support SMEs. Government policies and initiatives, including the National Quality Infrastructure Framework, boost accreditation services aligned with global standards. Collaboration between SEZs and SMEs is encouraged through the Special Economic Zone Technical Working Group. Centers of Excellence within SEZs provide SMEs with vital resources and training, elevating product quality and competitiveness. Various sectors, like automotive and textiles, benefit from the Department of Trade, Industry, and Competition (DTIC) and the SABS, promoting technical assistance and compliance. South Africa's approach sets a benchmark for QI engagement across Africa, fostering economic development.

Finally, **Morocco** stands as another good example and model for Quality Infrastructure (QI) engagement in Africa, along with South Africa and Nigeria. In Morocco, the government has formed the Quality Infrastructure Steering Committee, uniting stakeholders from government departments, SEZ operators, and industry associations. This collaboration fosters strategies to empower SMEs within SEZs in terms of quality standards. Centers of Excellence, often situated within SEZs, facilitate SMEs' access to technical expertise, equipment, testing, calibration, and quality assurance support. This Moroccan approach offers valuable insights and serves as an example for other African nations seeking to enhance their QI engagement to bolster economic development and SME growth.

Recommendations for QI

Incentivize Collaboration for QI Engagement:

- Encourage collaboration between SMEs and SEZs by implementing incentives that promote joint efforts in meeting product and service quality criteria. These incentives should be tailored to address evaluation, quality assurance, standardization, and certification requirements. By fostering such partnerships, SMEs can evolve into reliable suppliers and enhance their capacity in quality infrastructure.

Establish National Quality Infrastructure Frameworks

- Develop comprehensive national policies and frameworks for Quality Infrastructure (QI) that support SMEs and SEZs. Governments should prioritize the implementation of initiatives like Nigeria's National Quality Policy (NQP) and National Quality Infrastructure (NQI), which aim to enhance goods and services' quality. Standardization bodies, such as the Standard Organization of Nigeria (SON), should collaborate with industry stakeholders to ensure compliance and support SMEs' quality initiatives.

Promote SEZ-based Centres of Excellence

- Emulate successful practices from countries like South Africa and Morocco by establishing Centres of Excellence within Special Economic Zones (SEZs). These centres should provide SMEs with access to technical expertise, equipment, training, and quality assurance support. Governments should work with industry associations, SEZ operators, and educational institutions to create collaborative environments that nurture SMEs' growth, product quality improvement, and overall competitiveness in the market.

5.1.4 Regional integration and economic growth

Promote regional integration

To increase the effectiveness of SEZs, countries can take a proactive approach by integrating them into regional development ecosystems. This involves working with neighboring countries to develop joint industrial policies, as successful practices elsewhere have shown. A prime example is Mauritius, which is actively involved in the development of SEZs in several African countries, fostering local business growth and promoting regional cooperation.

Partnering with foreign companies in SEZ development can be beneficial for host countries. It allows cost sharing, draws on external expertise, and attracts foreign investment. However, state-sponsored zones require strong coordination between home and host governments, facilitated by dedicated mechanisms.

Integrating SEZs into regional development ecosystems can benefit by linking the zones to regional value chains, fostering cooperation with neighbor countries, and participating in common industrial policies. SMEs can gain better market access, access foreign expertise and investment, network with larger companies, and benefit from improved infrastructure. This approach also fosters skills development, reduces regulatory barriers, and promotes local products. In sum, integrating special economic zones into regional ecosystems supports SME growth and contributes to economic development in Africa.

Recommendations on Ecosystem creation

Harmonization with World Trade Organization (WTO) rules

- African countries should review and align their national laws with WTO rules to ensure compliance and avoid potential trade disputes. This requires careful consideration of the impact of SEZ-related measures on international trade agreements. This should cover other relevant policies or protocols.

Synergy with AfCFTA objectives

- Policymakers should integrate SEZ policies with the broader objectives of the AfCFTA to promote regional integration and facilitate intra-African trade. This could include supporting cross border trade, giving preferential treatment to SEZ goods within the African market, thereby encouraging greater economic cooperation among neighbouring countries.

Synergy with national development goals

- SEZs are intended to be vehicles for economic growth, job creation and investment attraction. Integrating SEZ regulations into the overall national development strategy ensures alignment with the country's specific economic objectives. This synergy maximizes the impact of SEZs in advancing the overall development agenda.

Leverage sectoral synergies

- Integrating SEZ regulations with sector-specific policies allows for targeted development in areas where the country has a comparative advantage. This approach allows for the leveraging of sectoral synergies and promotes industry clusters within SEZs.

Land value capture

A referenced under 6.1 land value capture is promising financing mechanism for infrastructure in African cities it involves recovering the increased land value resulting from public infrastructure investment. This tool serves to raise funds for infrastructure development, using methods such as tax levies, sale of development rights, public land leasing, land acquisition and resale, land sales, and impact fees. Special economic zones can also use land value capture as a financing tool to support their infrastructure development and attract investment.

Recommendations on Land Value Capture through SEZ

Strategic site selection

- When selecting the location for an SEZ, governments can select areas with the potential for significant land value appreciation due to the improved infrastructure and economic activity brought about by the development of the zone.

Investment in infrastructure

- As SEZs are established and infrastructure is developed, the value of surrounding land is likely to increase. By investing in well-designed infrastructure, such as roads, ports, and utilities, the SEZ can contribute to the appreciation of nearby land.

Public-private partnerships (PPPs)

- Governments can enter PPPs with private developers to jointly develop the SEZ and surrounding areas. In such partnerships, governments can negotiate arrangements to share the increased land value with private developers, generating revenue for further infrastructure development.

Tax revenues

- As land values increase, property tax revenues will also increase, providing additional funds to finance infrastructure development within and around the SEZ.

Land leasing and sales

- Governments can lease or sell land within the SEZ to private developers, capturing the increased land value as part of the agreement.

Impact Fees

- Governments can charge impact fees to developers for the costs associated with infrastructure development in and around the SEZ.

5.2 Action Plan For 2024-2025: Contribution of SEZ For establishing a viable SME business ecosystem in Africa

The Action Plan provides a strategic pathway for improving special economic zones in Africa to foster a thriving business environment for SMEs on the continent. To realize their full potential, it is critical that these recommendations are implemented in a comprehensive manner, addressing regulatory, financial, and development aspects, while adhering to environmental, social, and governance principles.

In addition, the Action Plan assigns responsibilities to key stakeholders, with African governments, the African Economic Zones Organization (AEZO) and the AfCTA Policy Network (APN), playing a vital role in monitoring and guiding the development of improved SEZ standards and ensuring an effective integration of SMEs in SEZ economic structure. The plan is designed to unfold in a structured manner, covering the years 2024 to 2025, with a quarterly breakdown. This deliberate structuring ensures efficient monitoring, implementation and progress tracking of the proposed actions and recommendations, facilitating a proactive approach to improving SEZs and promoting sustainable economic growth across the African region.

5.2.1 Objective

The overarching objective is to enhance the development of Special Economic Zones (SEZs) in African countries, reduce dependence on tax incentives, promote decentralization and autonomous authorities, embrace proper governance, and improve access to financing, skills development, and quality infrastructure, while fostering ESG compliance.

Responsibility	
Key Responsible	Partners
Africa Union Commission (AUC)- Regional Economic Communities (RECs)- Africa Union member States	National Investment Promotion Agencies
Africa Economic Zones Organization (AEZO)	Local SEZ Authorities
AfCFTA Secretariat	Regional and continental Private Sector Organisations (AfCTA APN, PACI, Africa business Council, AAASME, SME Support Centre)
Technical Skills and Support Organisations	TVET, Training Centres and Higher Education Institutions, Enterprise Support Organisations
Professional Bodies	Sectoral Professional Associations
Finance and Investment	Development Finance Institutions
	ARSO and Quality Infrastructure Agencies
	Civil Society Organizations
	Labour Inspectorate
	Local Communities

5.2.2 Stakeholders

5.2.3 Partnership model

Table 30: Partnership model

Key stakeholder	Description	Roles/responsibilities
AUC-RECs-AU Member States	AU member States will play a significant role in implementing the Action Plan and providing the necessary resources. Each government is responsible for coordinating and overseeing the development of SEZs within its jurisdiction.	<ul style="list-style-type: none"> Establish a joint SEZ policy development task force in collaboration with the AEZO, AUDA-NEPAD, AfCFTA Secretariat and others. Initiate a comprehensive assessment of resources and growth drivers using the six building blocks framework. Conduct feasibility studies to modernize SEZ policies and transition them to the “new generation”. Upgrading the capacity and capabilities of national Investment Promotion agencies for playing a greater role in the integration of SMEs in SEZ. Enact legislation granting legal autonomy to SEZ authorities. Incorporate environmental, social and governance (ESG) standards into SEZ regulations. Implement transparent reporting requirements on ESG performance in SEZs. Increase focus on high-growth sectors within SEZs. Diversify financing options for SMEs in SEZs. Work with the private sector, labour inspectorates, and other stakeholders to ensure the successful development of SEZs.

<p>African Economic Zones Organization (AEZO)</p>	<p>Serve as a coordinating body for SEZs across Africa, facilitating collaboration, knowledge, and good practices sharing among member countries.</p>	<ul style="list-style-type: none"> • Provide technical expertise and best practices for SEZ development. • Assist governments in establishing coordination task forces. • Facilitate public consultations and stakeholder engagement. • Help align SEZ designation applications with national policies and laws. • Provide guidance on SEZ policy design and locational benefits. • Promote ESG compliance within SEZs. • Support the integration of SEZ authorities into national economic development plans. • Foster partnerships and cooperation between governments, the private sector, and other stakeholders.
<p>AfCFTA Secretariat</p>	<p>Focus on enhancing trade and economic integration among African countries, making it a key partner for SEZ development.</p>	<ul style="list-style-type: none"> • Align SEZ regulations and objectives with AfCFTA goals to promote trade at continental level. • Advocate for the inclusion of SEZs as part of a broader trade facilitation and economic development strategy. • Promote public-private partnerships for infrastructure development in and around SEZs to facilitate trade. • Monitor and evaluate the impact of SEZs on intra-African trade and economic growth. • Consultations with AUC-RECs and AEZO to ensure that SEZs contribute to the objectives of the AfCFTA.

By establishing this partnership model and clearly defining the roles and responsibilities of African governments AUC-RECs-AU member States the AEZO and the AfCFTA Secretariat, the implementation of the Action Plan can be carried out effectively, contributing to the development of a robust SME business ecosystem in Africa and fostering national economic growth and regional integration.

5.3 Action Plan

Figure 27: Action plan

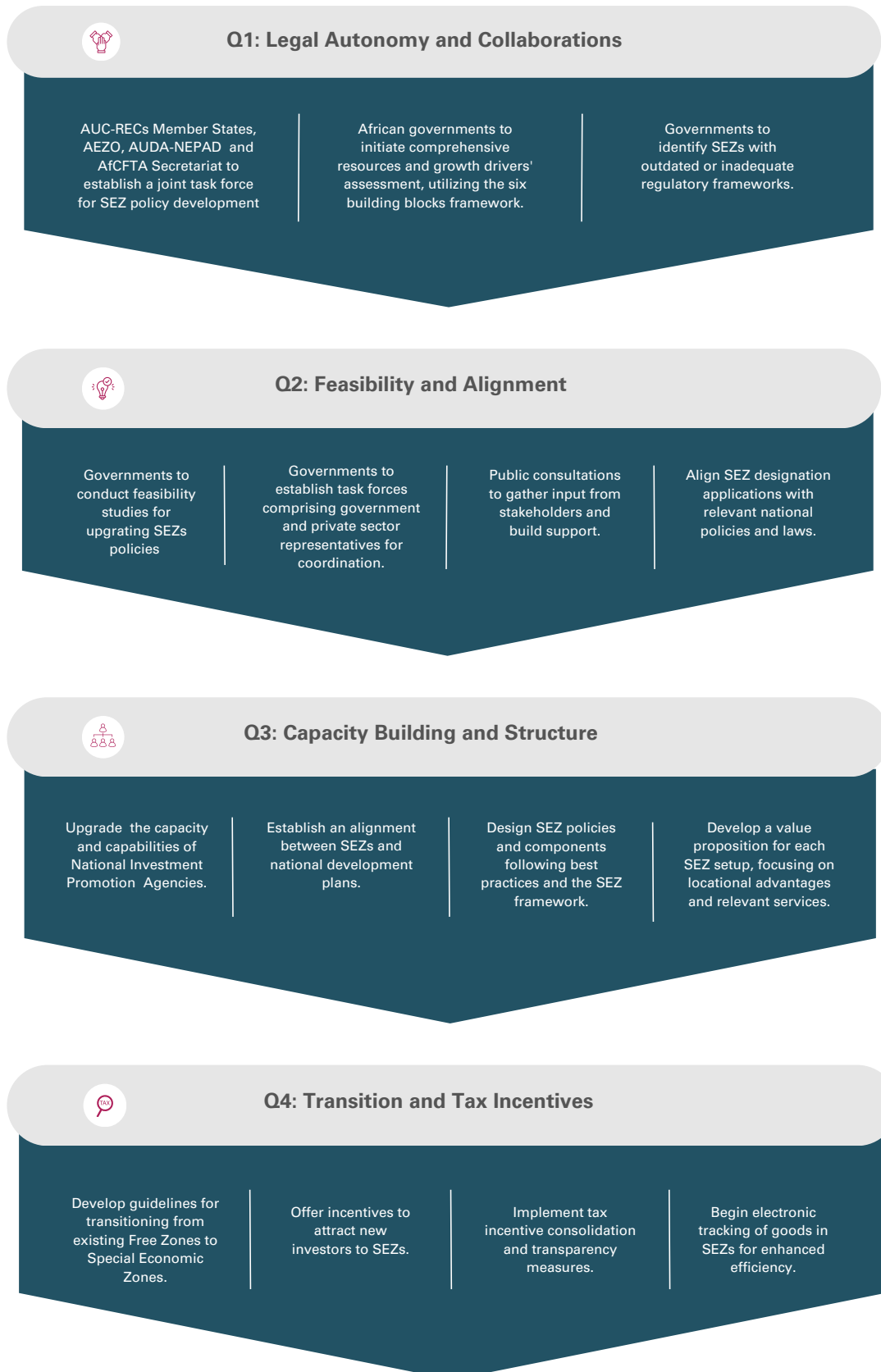
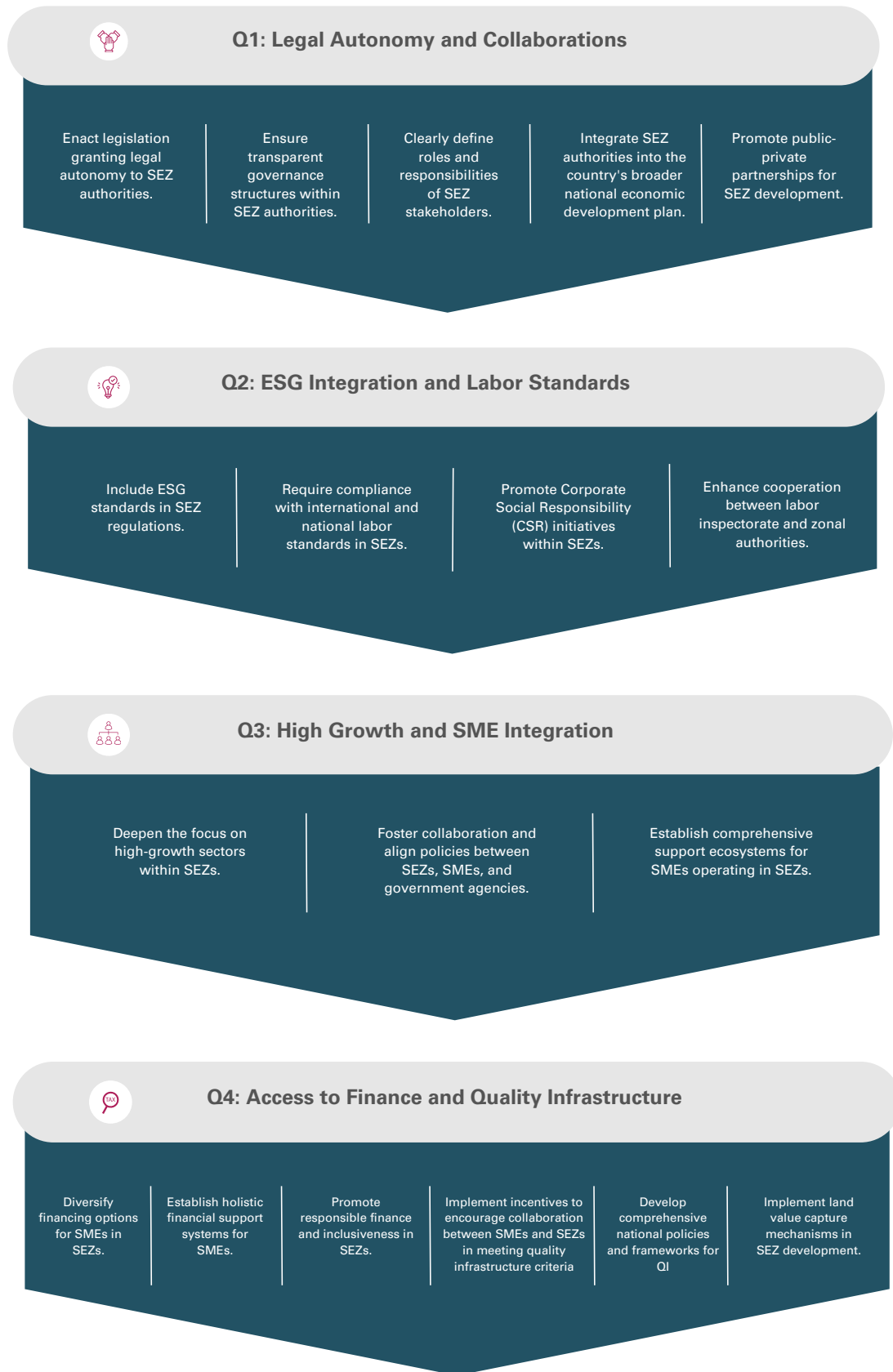


Figure 28: Year 2025 - Implementation and Governance Enhancement



5.4 Regional and continental awareness conferences and seminars on contribution of SEZ to SME integration

In addition to the action plan outlined above, hosting continental awareness conferences and seminars is a crucial component of disseminating information, fostering collaboration, and tracking progress on SEZ policy development and implementation across African countries. These events will provide platforms for knowledge exchange, capacity building, and the sharing of best practices. The responsibility for organizing and participating in these events lies with various stakeholders, including the Africa Union, AEZO, AfCFTA, individual governments, and relevant organizations. Here is a schedule of planned conferences and seminars:

Figure 29: Year 2024: Planning and Coordination Phase

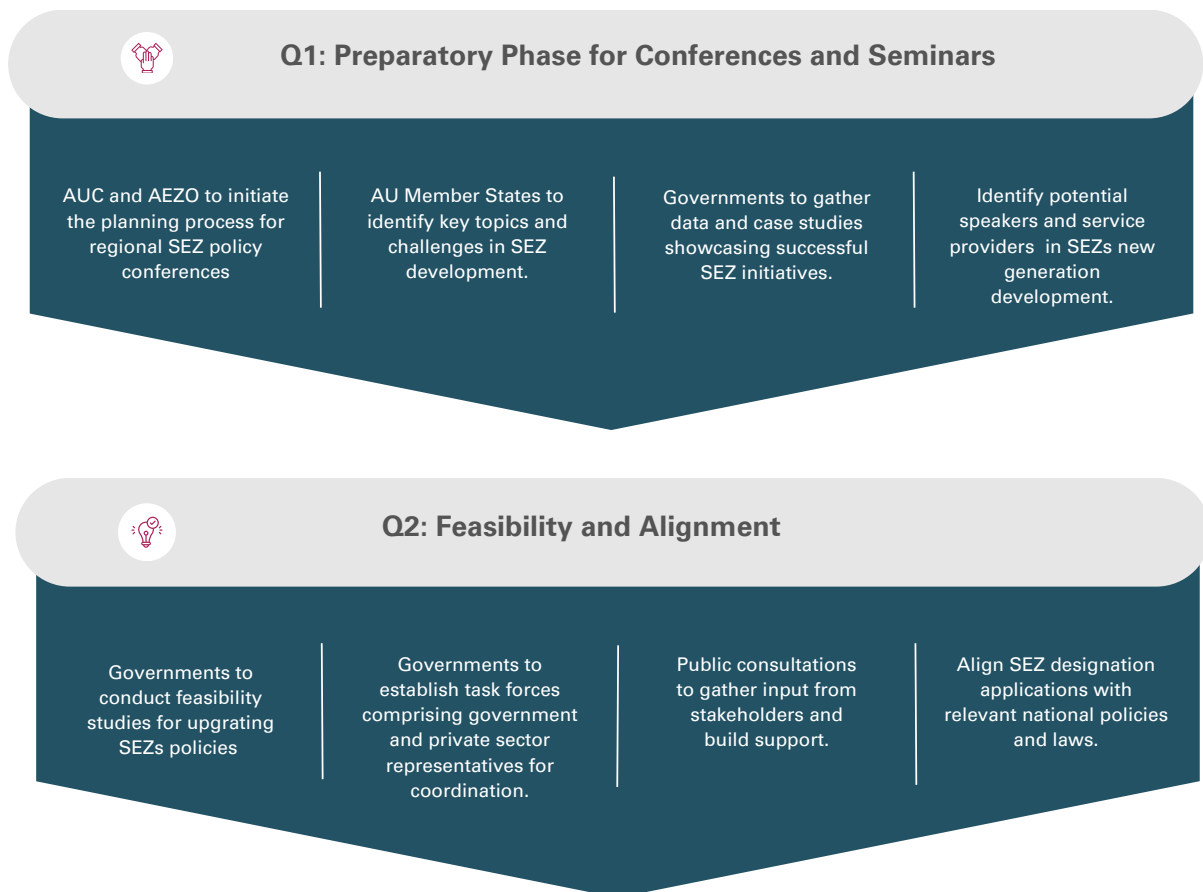


Figure 30: Implementation and Governance Enhancement



ANNEXES

Organizations and Persons met by country: According to the EU General **Data Protection Regulation** the emails and telephone numbers of those were contacted have not been shared in the likelihood that this report is published in for public consumption.

BENIN

ORGANISATIONS	REPRESENTATIVE	POSITION
France Expertise (EF)	Latif Diop	Program Manager
PME	Albert MEDJINNADA, Mr. Jeremia Dovoedo	Attache du Commerce, Chief Division des Enquetes de Concurrence Head of Promotion and Local Business Intelligence
Agence de Promotion Des Investissements et des Exportation (APIEX)	Paul Marie KODJA Gilles-Marie SOUMAH Deborah Agbodjam Prince:	Chief Service Etudes Charge de Etudes Charge d'Etudes Judiciary
ABBSA Quality and Standards for Agro-Industry	Hossou S Epiphane	Director
Fonds National de Développement Agricole (FNDA)	Calixte MIDJANGNINO, Djibril Adbou Djalill:	Director Planning Department Director of Operations

GABON

ORGANISATION	REPRESENTATIVE	POSITION
Fédération des Entreprises du Gabon	Loussou Kiki	Secretary General
ANPI	Cedric Ratanga Lydie Fausther Doe Pascal Eva Nzie Amadou Bassirou Moustapha Boussougou	Advisor CEO Advisor Communication Finance Counsellor SME Expert CEO
NKOK	Kern Terence IPONGA BODI Laurence Sajoux	Deputy General Administrator AKIBA Furniture- Nkok Show Room Sales)

AGANOR	Fernand NGOUSSI Mayangah Laure Sandra KiNGBO Christian Jean-Joel ENGOHANG ondo	Director General Director General Adjoint Conseiller technique du Director General
Ministère du commerce et des PME	Nguema Minsta Nathaniel Cyr Verlaine MVE M Charlie Nziengui Vica M Akue Assoumou Lilian Armand Simon	Deputy Director General Executive Director ESPACE PME Dep Director, Development of SMEs Director for Promotion of Incentives

GHANA

ORGANIZATIONS	REPRESENTATIVES	POSITION
Ghana Free Zones Authority	Mrs. Kate Abbeo Ms. Anita Novi Quashie Mr. Kingsford Kwaku Jagre	Deputy CEO of the GFZA Head of Marketing and Investment Promotion, Senior Officer, Business Development & Research, Marketing and Investment Promotion Unit.
TEMA Free Zone Bunge - Loders Croklaan DTR Apparel	Patience Ableze Acorlor Santanu Kumar Bhuyan Mangala Durrwinka Fernando Priyantha	CEO Tema Free Zone CEO General Manager HR
EXIM Bank	Bright Evans Darko	Head SME Banking
Ministry of Trade and Industry	Patrick Yaw Nimo Mickson Opoku	Chief Director Team Leader - Trade
Development Bank of Ghana	Michael Mensah-Baah Dr Prince Adjei Mawuko Wiliams	Deputy CEO VP-Risk Management Snr Resident Advisor
Ghana Investment Promotion Center	Mr Ashong Lartey Emmanuel Fosu Forson Evelyne Nyarko Veronica Odoom	Director Deputy Director Deputy Director (Investor) Investment Officer
Ghana Enterprise Authority GEA	Kosi Yankey-Ayeh Anna Armo- Himbson-	CEO Deputy CEO



MOROCCO

ORGANISATIONS	REPRESENTATIVE	POSITION
TMSA	Mr. Ahmed Bennis Mr. Ayoub Remili, Ms. Farah Hanafi Ms. Hiba Bikisse, Ms. Alia Bouhlal	Secretary General Technical Director, Executive Director Marketing and Sales Sales Support Officer
Tetouan	M. Mamoun Razdi M. Ali Achaach M. Rachid Adm Ms. Imane Agzenay Biyouti	Officer in charge of Sales at Tetouan Industrial Park. Senior Manager Offshoring Engineer Business Development Manager
NaturPlus	Francisco Buendia Martinez	Quality and Industrial Development
Indore	Zekri Fatima Zohra	Senior HR and Admin Manager
1337	Hamza Houmadi	Lead Trainer / Pedagogy and Technical Manager
Tanger MED Port	Amile Malti Houria EL HASNAOUI Israa LOUBAT Ibrahim Lahmidi	Port and Maritime Senior Project Manager Lead Technical Manager Feasibility Expert Feasibility Expert
Regional Investment Center	Mahfoud Moussaid Adil Allach Siham Benabdennbi	Director, Center for Investment Chief of Division, Digitalization and Simplification of Procedures Director Support and Investment

SOUTH AFRICA

ORGANISATIONS	REPRESENTATIVE	POSITION
Nelson Mandela Bay Municipality Trade & Investment Sub-directorate (Eastern Cape)	Jeremy Dobbin Nicole Scharnick Amelia Buchner Anelisa Nkwandla Mpho Pebane.	Acting Director: Trade and Investment Division lead Division lead Division lead Division lead
iBahyi Small Business Chamber). Gqeberha-Port Elizabeth (Eastern Cape)	M. Pieter Kitshoff	Chairman

COEGA Industrial Development Zone. Gqeberha-Port Elizabeth (Eastern Cape)	Ms.Unathi Maholwana Ms. Thandolwethu Mali Mr. Zuko Mqhatu Tendai Magezah Ms Ayanda Nota Bendesho Mnge	SMME Development programme Manager SMME Training and Compliance Unit Programme Manager COEGA Africa Unit Head of Marketing and Communication Program Manager
Exporters Eastern Cape (Gqeberha-Port Elizabeth). Eastern Cape	Mr Greg Billson Mr. Deon Joubert Mrs. Lee-Anne Vasi M. Levey Quintin	EDC Manager Vice-President Exporters Eastern Cape Senior Manager, Business Development & Strategic Liaison, Nelson Mandela Metropolitan University (Chairman) Exporters Eastern Cape
Public Investment Corporation (PIC)	Kentse Yende Brendah Mdluli	Associate Principal SMME
NMB Chamber	Ashwin Daya Nicki Smith Lunga Mjodo	Director Investment Manager Research
Eastern Cape Socio-Economic Consultative Council (ECSECC)	Mr Luvuyo Mosana	CEO
Invest Cape-WESGRO Cape Town – Western Cape	M. Dinesh Harry M. JP Van der Merwe, Lanson Greyling	Head Invest SA, One Stop Shop-Western Cape Head Investment Promotion Director Enterprise and Investment, Office if the Executive Mayor, City of Cape Town (ASEZ board member)
Western Cape Government	Mr Fernel Abrahams Mr Michael Webster Joshua Wolmarans	Acting Director: Cape Catalyst Manager - Atlantis SEZ Director Enterprise Development
Business Western Cape	Mr Michael Gelderbloem M. Bjorn Harmse	Chairperson Vice-President

KENYA

ORGANISATION	REPRESENTATIVE	POSITION
Ministry of Investment Trade and Industry	Stephen Odua	Director, business Environment, Private Sector Development and TA to the Permanent Secretary

ORGANISATION	REPRESENTATIVE	POSITION
Kenya Investment Agency	Pius Rotich Vincent Andai Salome Heather Munyao Beatrice Obukwi Josephine	General Manager SME Development Sector Lead SME support Communication
Kenya Development Corporation	Grace Magunga Mbatha Mbithi Lilian Kagesi David Okoth	Legal Secretary Department Head Finance and Investment Finance and Investment
Tatu City SEZ	Solomon Mahinda Prudence Karimi Thomas Mwaengo David Karimi Linda Mwendwa	Executive VP PR & Communications SEZ Operations Manager Deputy Country Head Operations Manager
Cold Solutions	Branko Nginja Patricia Koech	Managing Director BD Manager
Special economic Zones Authority (SEZA)	Dr Kenneth Chelule Victor Mageto Wilson Musyoki	CEO Director Business Development PA to CEO
Export Processing Zone Authority	Huseein Adan Mohamed Claire Terigin	CEO General manager Investment & Corporate Communications
Kenya Industrial Research and Development Institute	Dr Ing Calvin Onyango George Wanjala Ingrid Wekesa Erastus Gatebe Rose Mboya	Director General Ass Lead External Services Chief Scientist Head Industrial Linkages
Mombasa SEZ- Site Visit Mombasa Investment Center	Vincent Ndege Brian Onyango Sahale Bawazir Fatma Mazrui Vincent Ndege Rabiamere S	Program Manager Engineer CEO MIC Director BDS MIC Program Manager
Technical University of Mombasa	Prof. Laila U Abubakar David Munga Dr Shivani Patel Dr Sylvia Mutero	Vice Chancellor DGM Trade Administration Ag. PRI

EVENT	REPRESENTATIVES	OUTCCOME
French Technical Assistance Facility to the AU: Steering Committee Meeting (Addis Ababa, Ethiopia 30 Oct 2023)	AU-French Facility quarterly review project Steering Committee and project leaders	Presentation of the SME Business Ecosystem in Africa project status to the team
The SME Business Ecosystem in Africa research validation meeting (Tangier, Morocco 22 November 2023)	Project stakeholders and respondents	Validation of the project results and policy recommendations
The SME Business Ecosystem in Africa validated research presentation (Tangier, Morocco 24 November 2023)	AEZO members and invited SEZs and government agencies	Presentation of the validated results of the SME Business Ecosystem in Africa

POLICY FOR ESTABLISHING A VIABLE SME BUSINESS ECOSYSTEM IN AFRICA

Special Economic Zones contribution to the SME
integration and local economic development
toward a pragmatic approach

November 2023

