“Special Secure Economic Zones”
The role of African SEZs in accelerating co-development with Europe

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Preface by Mr. Moulay Hafid Elalamy,
Minister of Industry (Morocco)

For a Euro-African model of Special and Secure Economic Zones

The fate of Africa rests largely on its industrialization from the on-site processing of its abundant and diversified raw materials. It is indeed through this industrialization that economic value will be created and large numbers of jobs for young people and the middle class will be developed. To accelerate industrialization, it is necessary to appeal to local savings, the dynamism of African companies as well as to foreign direct investments (FDI).

As in China in the 1980s and 1990s, the influx of foreign investment is a source of development to be favored. However, FDI coming from abroad need a viable environment (presence of roads and railways, equipped ports, energy, high-speed Internet, professional training of employees, etc.) but also a stable political and institutional framework (regulations, legal status, capital mobility, etc.). In addition to the essential physical infrastructure, there is a need for a stable institutional environment and competitive taxation to be able to attract and secure FDI.

Therefore in order to accelerate their industrialization, all African countries must create Special Economic Zones, which, according to UNCTAD, are characterized by the following three criteria:

- A strictly delimited area,
- A specific tax and customs regime,
- A set of infrastructures facilitating the export of productions.

Alongside these very specific zones, there is a whole set of business grouping models that are not based on these derogatory regimes, which also have specific features such as industrial districts, ecosystems, technopoles, technological parks and clusters.

The study proposed by IPEMED and AEZO is interesting due to its operational approach. It is not focused on statistical and academic studies but on the practical functioning of these economic zones, making a set of proposals to improve the SEZ model.

This study aims to bring awareness among European and international decision-makers of the power of SEZs as a tool in service of the industrialization of Africa. This study also has the merit of highlighting the weaknesses of a narrow vision of Euro-African cooperation and suggests some avenues to overcome these by exploring an original African industrial model that is cooperative, inclusive, and environmentally conscious.

Switching from current SEZs to Special and Secure SSEZs would be a win / win process for European industry and for African industry.

This path towards the clustering of SEZs into SSEZs consists in a long road of transformation and learning.

I agree with the proposal that the European Union and the African Union could set up a common industrial initiative to facilitate the creation of such SSEZs and establish (in Tangier, why not?) a joint EU-AU SSEZs laboratory. Equipped with the capacity for analysis, training, technical advice, benchmarking and intervention, and by means of labeling these Special and Secure Economic Zones, it could participate in and contribute to the emergence of a specific African model.

Foreword by Thierry Déau,
Founder and President of Meridiam

As Africa imports most of its manufactured goods, the goal of increasing levels of industrial transformation remains key. In theory, Africa has many advantages - starting with access to raw materials, an abundant reserve of labor, a growing consuming middle class - to succeed in an emergence that relies on industrialization, import substitution and integration into global markets, all supported by the influx of foreign investment.

In this context, the creation of SEZs, in their broad variations, can constitute an important element of this emergence strategy, as shown by the proliferation of SEZs, in particular of Chinese initiative, on the African continent. On the one hand, by concentrating administrative, fiscal and infrastructure facilities in one place, it is a question of attracting FDI of which we know the selectivity and the sensitivity to the environment regarding their concentration in several areas or countries. On the other hand, the development of these zones, generally centred on one or more sector (s), is supposed to generate, in the long term and once a strong sector is structured, spill overs on the rest of the economy and other sectors.

Beyond the theoretical discussions, it is clear that practical achievements have so far been characterised by mixed results.

While many SEZs have played a role in the structural transformation of countries' economies and promoted better integration into trade, others have suffered from “enclave effects”, a sort of detouched SEZ relying heavily on foreign labor, and therefore not impacting employment and the competitiveness of the host country due to the lack of articulation with the local economic ecosystem. Thus, all things being equal, while companies perform better in SEZs than outside SEZs, the positive effects beyond the single zone at the regional and country level are far from being unequivocal.

The first objective of this report is for us, investors and public decision-makers to recall, in view of past and current experiences, that the success of a SEZ beyond the only means deployed in its sein must be part of a larger plan which sees the involvement of and depends on both the host State and potential foreign partners.

Hence, in order to be successful, SEZs must benefit from a minimum level of national capacities and cannot substitute more comprehensive and structural reforms, both in terms of education and training, in order to ensure competent labour, access to infrastructure and transport corridors; and even benefit from special provisions of the type 'obligation of local transformation' as the flagship example of the Nkok area in Gabon, which was able to benefit from it in the case of the wood sector. Likewise, the involvement of foreign partners in the creation of SEZs can be valuable from the perspective of manufacturing and associated infrastructure but can only be successful and beneficial to the country if it is accompanied by transfers of skill and close cooperation between companies operating in the area and local businesses. This is the direction that the ongoing redefinition of African-European relations could take, being guided by a growing desire to promote a partnership approach that respects the sovereignty of States in the long run.

It is up to us, investors, and public decision-makers, to draw the consequences while the infrastructure constraints remain severe, the global value chains are unstructured, and the overall continent's integration remains very weak. And this precisely the second goal of this report, which is to call for the reformulation of a SEZ model that can lead to inclusive and sustainable industrialization, which on one hand involves integration into international trade through the making of local and sub-regional value chains around SEZs, and that, on the other,

reduces the infrastructure gap through the development of regional corridors and multimodal platforms, as already offered by some SEZs. For the latter, as for local economies, it is now important for local and sub-regional markets to be able to represent an increasing share of the outlets of the evolving industries hosted by the SEZs. Meridiam is working to achieve these objectives in the context of the ongoing development of the first special economic zone in West Africa.

Perspective: SSEZs essential to the industrialization of Africa by Jean-Louis Guigou, Founder of IPEMED and La Verticale AME Foundation

For the past fifteen years, the dynamic of SEZs in Africa has been clearly underway.

The weakness of infrastructure in Africa, the insecurity of goods and people and the insufficiency of services for businesses explain the success of the solution offered by SSEZs, which consists in ensuring the externalities required by industrial development in delimited territories. UNCTAD estimates that in 2019 there were 237 SEZs in Africa, either operational or under construction. For the year 2021, AEZO (Africa Economic Zones Organization), partner of this report, gives the figure of 203 existing and 73 planned SEZs.

The report recalls the context of the growth of these zones (which came first in the form of free export zones) in emerging countries. Since the 1980s, most of these countries have adopted more open trade policies, opting for interdependence over economic independence. Building on the success of the SEZs created in China in the early 1980s, Shenzen in particular, China has given its notoriety to the new model of these zones, the Special Economic Zones, which are vast territories benefiting from quality infrastructure, from a particular tax and / or customs regime, and sometimes from regimes derogating from the laws on access to land or employment. The report also recalls the importance of SEZs for attracting FDI. The term "SEZ" has thus become a brand, an ambition in the eyes of African Heads of State. A case in point is Egypt's desire to build the Suez Canal Economic Zone based on SEZs, which is to become one of the seven largest zones in the world by 2035.

The influence of China

Several non-African countries have participated in the development of SEZs in Africa: Turkey in 2015, Singapore in 2018, etc. But it is China that holds a dominant role, whether in financing, infrastructure construction or management. Three schemes have been developing in parallel: the individualized establishment of Chinese companies in free zones; Economic and Trade Cooperation Zones (ETCZ); and concession areas (PPPs between a host African country and a Chinese company).

Chinese authorities do not hide the difficulties encountered with the first experiences of ETCZs concerning the host country, the operator or Chinese investors (these could include a general lack of knowledge of the country's political, economic, and social environment, limited local management capacity, difficulty of Chinese banks to operate outside Chinese borders, etc.). The zones conceded have taken these errors into account and better meet the expectations of the host countries.

Assessment of SEZs in Africa

This report is based on data from UNCTAD and AEZO and on interviews conducted with various actors. It outlines the size of the SEZs, their location, their specialization (areas specializing in a single activity / multi-sector), their sector profile (ex: exploitation of mining / agricultural natural resources / industrial transformation), their financing and management.

For the sake of clarity, the presentation is made by region, which allows for a better understanding of the success of SEZs in East Africa, for example. An annex details the situation country by country.

Overall, the study demonstrates that there are great successful cases, such as in Ethiopia, Gabon, Morocco, etc., whose factors are summarized by the report (logistics, administration, governance, synergies, etc.). However, there are also failures, often resulting from the absence of a real industrial and territorial strategy of the host country and/or a lack of local consultation.

What African model(s), what kind of cooperation with Europeans?

This section of the report suggests avenues for a Euro-African SSEZ strategy, in order to:

i. *Diversify* the international partnerships of African countries.
ii. Contribute to the *industrialization* of Africa, including high added value.
iii. Contribute to making *security* the main added value of SEZs.
iv. Deepen Euro-African economic rapprochement through productive activities *(co-production* and integration into Euro-African value chains).
v. Promote the involvement of African *diasporas* in Europe in these SEZs.

Responses from African public officials

Based on interviews with public actors and spontaneous contributions from African experts, the report presents a set of recommendations and suggestions, in particular regarding the role that Europe could play:

(i) Include the development of SEZs in *planning documents*.

(ii) Make SEZs compatible with *land use planning objectives*.

(iii) Seek complementarity rather than competition by taking advantage of *niches* in each country and for each SEZ.

(iv) Create secure SEZs (industrial or agropoles) *open to all competitive companies producing for the domestic market as well as for export, thanks to a tax system favouring exports*.

(v) Encourage SEZs to comply with *environmental and social standards*, where appropriate with European support.

(vi) Promote the establishment of *clusters* connected to technopoles and business support centers within SEZs.

(vii) Encourage regional *coordination of countries'* industrial development strategies based on SEZs.

Three initiatives to bring forward

The report suggests continuing working to recognize the role of SEZs in industrial development in Africa, starting with three projects to be promoted in the near future:

- the establishment (in Tangier, suggests Mr. El Alamy) of a **joint European Union - African Union laboratory** on SSEZs. Equipped with capacity for analysis, training, advice, benchmarking and intervention, this laboratory could, by labelling these Special Economic Zones, participate in the emergence of a specific African model. A project that would strengthen this initiative would be the creation of an **Institute of Higher Industrial Development Studies for Africa**, inspired by the reflections of Mr. Mubarack Lo, Director General of the Bureau de Prospective Economique (BPE) of Senegal, and author for this report of a contribution on the *12 golden rules to make Special Economic Zones engines of the accelerated productive*

transformation of Africa. Its audience would be the directors of SEZs and public officials in charge of industrial development.

- **The constitution of consortia** of businesses, mainly **African and European,** is the second proposed initiative. **These companies** (operating in construction, water, energy, logistics, security, etc.) would be invited to draw technical and commercial offers intended for African Heads of State and development agencies, to build and, if necessary, participate in the management in the initial years of different SSEZ models adapted to each country, to each activity and to each geographic area. This offer would render the security of the various stakeholders a real added value, both effective and inclusive. External assistance for the creation of SEZs is often necessary considering the relevance of the industrial choices and the associated infrastructure, but it can only be successful and beneficial to the country if it is accompanied by transfers of skills and actual cooperation between businesses active in the area and local businesses.

- A debate on these proposals will take place through **a Euro-African international webinar which will take place on September 28, 2021,** from 10:30 am to 12:30 pm (Paris time). Co-organized with AEZO, it is aimed at gathering all stakeholders (political, industrial, scientific) interested in the assessment and evolution of the SEZ model. This webinar will be introduced and chaired **by Mr. Moulay Hafid Elalamy**, Moroccan Minister of Industry, Trade, Investment and Digital Economy.

Introduction

Definition and context of emergence of SEZs

Special Economic Zones (SEZs) are one of the modalities widely used today to attract foreign investors.[1]

The role of SEZs in attracting foreign direct investment (FDI) varies considerably between countries: they bring the majority of inward FDI in the case of Jordan, around 45% in the case of China, around 10% in Poland or in Serbia, and less in other emerging countries.[2] There are other elements that point in this direction. For example, Song et al. 2020 (i) recall the role of SEZs in the territorialized institutional supply of emerging countries, and (ii) demonstrate the role of SEZs in attracting FDI in the case of China.[3]

SEZs were adopted by developing countries throughout the 1980s. They mark a break with the previous so-called import substitution policies,[4] which were protectionist policies implying high tariffs. From the 1980s, most developing countries adopted more open trade policies. They lowered their tariffs, joined the WTO, and some of them negotiated free trade agreements. It is in this context of interdependence rather than independence that free zones were developed, most of them called Export processing zones (EPZ) as they welcome foreign firms who complete the manufacturing process by importing intermediate goods. They specialize in assemblage, particularly in the clothing, electronics, and mechanical sectors.[5]

The first model of zones under franchise for foreign investors called *Free zones* were small spaces, coinciding with activity zones. These are generally geographically delimited, and with controlled access (police, customs). This kind of zones remains by far the most widely used across the world.

After the 1980s, *Export Processing Zones (EPZ)* experienced spectacular development that fundamentally reshaped international trade and the structure of developing economies. The International Labor Office has reported cases of bad working conditions of employees –

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[1] According to some analysts, they could help meet the challenge faced by Africa, which occupies a small place in world trade and industrial production. Particularly due to a persistent dependence on raw materials and their price volatility.

[2] Ivo Gulbis, « Foreign Direct Investment and Special Economic Zones in Latvia », *Baltic Journal of Real Estate Economics and Construction Management* 2018-6.

[3] Yijia Song, Ruichen Deng, Ruoxi Liu and Qian Peng, "Effects of Special Economic Zones on FDI in Emerging Economies: Does Institutional Quality Matter?", *Sustainability* 2020-12, MDPI. "This study attempts to prove that emerging markets could partially improve institutional quality in a specific area and benefit the local economy despite the rest of the area having poor institutions. This study focuses on a type of place-based policy in China that provides a standard favorable institutional environment in a specific area. We found that the establishment of SEZs significantly enhances foreign entry, and that partial institutional quality improvement of SEZs is a key mechanism in the location of foreign investment".

[4] Industrialization policies by import substitution are not incompatible, on the contrary, with policies in favor of foreign investment since high customs duties encourage foreign firms to produce locally.

[5] Marta Menéndez, Jean-Marc Siroën, Aude Sztulman, « Les zones franches, modèle de développement ? », *Dialogue*, octobre 2015.

particularly for women - in these areas and the lack of links between EPZs and the country's economy.[6]

The economic failure of some of them, as in India, has pushed to look for a new model, the *Special Economic Zones* (SEZ), inspired by the Chinese experience. Appeared in China in 1978, SEZs are large territories in which approved companies can be set up freely, either in industrial zones and business parks, or in the form of free points.[7] Their aim is to provide all services and maximize the effects of agglomeration. With an autonomous administrative structure, they include, for example, science and technology parks, petrochemical areas, logistics platforms, airport areas.

SEZs have several specific features:

- It is a geographically demarcated area, generally highly secured;
- They have a single administration;
- They offer (tax) advantages to investors established in the area;
- They have a separate customs area (duty-free benefits);
- They go along with simplified procedures.

UNCTAD points at three criteria for their definition:

- A geographically demarcated area;
- Fiscal and customs incentives and sometimes derogation to legislation on access to land, property rights, and employment legislation to attract FDI;
- Infrastructure support.

SEZs in the world and in emerging countries

In recent years, there has been an increase in the number of SEZs around the world. There were 5,383 [8] in 2019 with many more in the pipeline. More than 1,000 of these zones were created between 2014 and 2019 and, according to UNCTAD estimates, at least 500 more are expected to emerge in the years to come. They can be found in 147 countries, the most represented continents being:

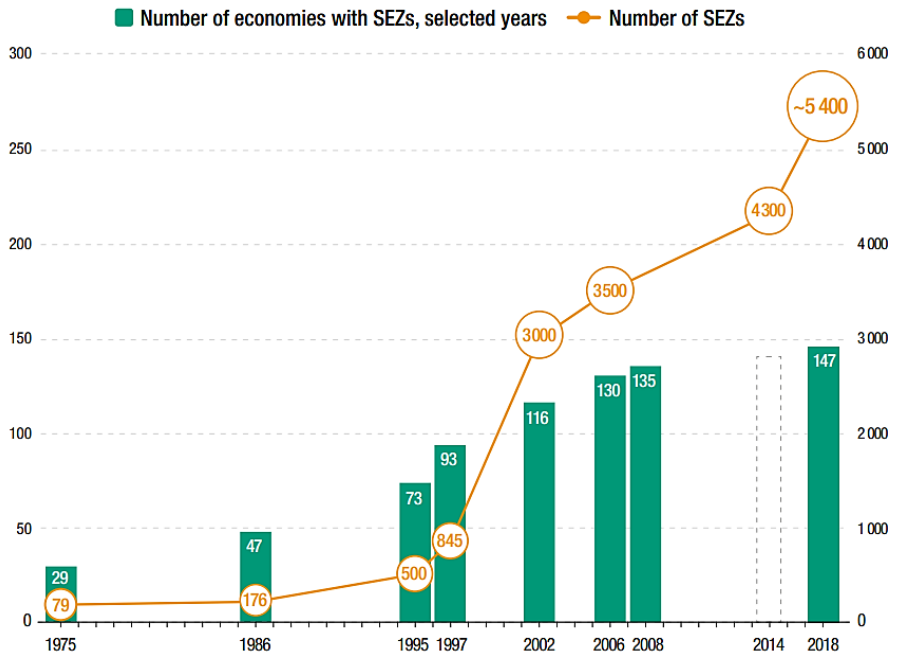
- Asia: 4,046 (including 2,546 in China, source: WIR 2019, UNCTAD)
- Latin America and the Caribbean: 486
- Africa: 237 (in 2019, of which 51 were in the process of being installed).

Figure 1. Evolution of the number of SEZs in the world and the number of countries of operation

[6] Export processing zones are developing and creating jobs. The ILO believes that while EPZs are huge job providers, especially for women in developing countries, too many of them are still notorious for poor wages, working conditions and professional relationships. In addition, although the combination of direct investment, employment and technology transfer is likely to stimulate the development of host countries, there is hardly any link between EPZs and the economy of these countries (source: ILO, September 1998).

[7] François Bost, « Les zones franches, interfaces de la mondialisation », *Annales de géographi*e 2007/6 (n° 658).

[8] UNCTAD, World Investment Report 2019.



Source: WIR 2019, UNCTAD

In Africa, Mauritius was the first African country to establish an economic zone, having introduced its Export Processing Zone law in 1970. Other countries such as Ghana, Liberia or Senegal followed in the 1970s. The Special Economic Zones and Free Trade Zones were not adopted more widely until the 1990s.

The dynamic for the creation of SEZs in Africa is clearly underway. A large number of African countries have adopted legislation to encourage it by allowing exemptions from common tax and commercial law. The weakness of infrastructure in Africa, the insecurity of goods and people, and the insufficiency of services to businesses all explain the success of this solution, ensuring in these delimited territories the externalities required by industrial development.[9]

Ambitious SEZ programs are being rolled out in the continent's largest economies, Egypt, and South Africa. SEZs exist in 38 of Africa's 54 countries. The countries that have few or no such zones are the smallest and / or the countries mainly located in Central and West Africa. Many Least Developed Countries in Africa that are in this situation (eg Democratic Republic of Congo, Lesotho, Madagascar, Rwanda) are planning to create at least one new SEZ. The attractiveness of SEZs in Africa is therefore set to continue.

The extraordinary Chinese experience and the influence of China in Africa

The history of the "SEZ" model begins with the opening of the Chinese borders in 1978 and especially from 1980. The first SEZs were concentrated around ports. Coastal China would therefore develop faster than the interior territories, but this territorial inequality, considered

[9] Pommier P., 2020, « 1000 Zones Économiques Spéciales et Sécurisées en Méditerranée et en Afrique », *Les Cahiers Ipemed*, n°27. See also Thomas Farole, 2011, "Special Economic Zones in Africa. Comparing Performance and Learning from Global Experience", coll. "Directions in Development", The World Bank.

temporary, was accepted in the name of national development. The SEZs have welcomed foreign investors - especially Western ones - by "closing" them in delimited, secure spaces, providing them with cheap labor, granting them tax advantages, and forcing them in return to export almost all of their production. This is how over the course of forty years (1980-2020) China has become the great manufacture of the world and subsequently one of the biggest technological poles. This strategy has been a great success for China's development - and has contributed to the deindustrialization of OECD countries.

These zones offered everything that businesses might need: land, premises, energy security, labor and logistics; also, banks, administrative resources and, increasingly, R&D resources.[10]

The word "SEZ" is therefore a strong symbol, that of the successful development of industrial China. The word has become a brand, an ambition, an attribute that many African Heads of State want to have. Because of this craze for SEZs in Africa, the definition becomes quite broad: a delimited, protected area where FDI is concentrated in search of fiscal advantages and external economy at a good level. Therefore, it is difficult to have exact figures on SEZs because the available data presents quite different figures.

The SEZs proposed to African countries – which is at the origin of a large number of projects - represent an opportunity for China to establish or consolidate a solid relationship with those countries.[11] China can offer its partners organized areas, industrial investors and the infrastructure which is essential to development (access to ports or airports, railway, roads, dams). In return, it derives economic (production at lower cost, outlets for its productions, access to energy resources, metals, land) and political advantages. Through SEZs initiatives, China presents itself as an ally and friend to the host country.[12] The permeation of the African continent by China through these development projects is part of a long history between the two continents,[13] which is evolving over time.[14]

Chinese SEZs in Africa: big differences with their previous versions in China

The first type of Zone that China proposed to African countries - as well as to other countries along the Silk Roads Belt - does not meet the definition of a SEZ as usually understood.

The first ones created in Africa were overseas "economic and trade cooperation zones" (ETCZs), terminology introduced by the Chinese Minister of Commerce (MOFCOM). They are a particular avatar of SEZs because their logic is reversed. In both cases, it is about providing

[10] The extreme case is in Shenzhen, which is moving from being a labor-intensive manufacturing zone to one of the components of the Pearl River Delta, a group of 70 million people from Hong Kong to Guangzhou. destined to become one of the world's leading urban regions for high technology.

[11] The first case of Chinese involvement in the creation of SEZs in Africa dates to 1999, when China signed an agreement with Egypt to develop an industrial zone in the Suez Canal region.

[12] In the official trips of Chinese representatives, the miracle of Shenzen, this small fishing village in southern China, which in a few years has become a world city of 13 million inhabitants, never fails to be mentioned.

[13] François Bart, « China and Africa, a long history, un new geographical deal», *Cahiers d'outre-mer,* janvier- juin 2011.

[14] To stay on the economic front, we can cite the results of a survey by McKinsey in 2017. A census of the number of Chinese companies operating in China showed **that 10,000 Chinese companies were operating on the continent** (see Jeune Afrique, June 28 2017).

tax and legal advantages to investors. But if a SEZ, in the classic sense of the term, is an enclave organized by the host country on its own territory to attract foreign investors, the same cannot be said for an ETCZ. The latter is an enclave organized by a foreign company (in this case Chinese), subsidized by a foreign country (China) that is subjected to the law of the foreign country on the territory of a third country. ETCZs are abroad extensions of SEZs created in China and dedicated to export industries. This strategy minimizes the role of the local state.[15] Quoting Lin Yifu,[16] Thierry Pairault underlines that there has not always been great consideration for the development needs of host countries.

The list of ETCZs that has been approved by the Chinese Ministry of Commerce (MOFCOM) includes only twenty, with four in Africa,[17] while the project launched in 2005-2006 planned the creation of fifty zones. The difficulties encountered were more numerous than expected.

Alongside the official ETCZs, other zones developed in different countries by Chinese companies, which were around 100 at the end of 2017, have not been approved as ETCZs, and yet are helping the internationalization of Chinese companies just as much. In Africa, Chinese SEZs are currently most often “concession zones" (see box below).

In the "*Nineteenth African Development Report*", an official Chinese report from 2017 devoted to "the industrialization of Africa and the establishment of industrial parks in Africa by China", one of the authors, Wang Hongyi, researcher belonging to a Chinese government think tank, notes the shadow areas of SEZs in Africa, particularly ETCZs, whatever their nature and origin:

1) Regarding the host country:

- The security environment is often weak;
- The financial health status of African countries is often bad; host country banks lack financial strength;
- The economic and commercial climate is fragile;
- Political environment: African countries, although independent, would be, according to the Chinese report, still under the tutelage of Western countries which would block the development of non-Western industrial zones in Africa. In this sense, the Silk Roads are a strategy to get around this obstacle;
- Profit sharing would be difficult because many African countries do not sufficiently respect the agreements they sign.

2) Regarding the Chinese operator:

- The conditions of competition are far from clear;
- The management of the parks requires financial support that Chinese banks hardly know how to practice outside Chinese borders, which weakens the operator;
- There is a lack of knowledge of the political, economic, and social environment of the country where the Zones are located.

[15] Thierry Pairault. « Des nids pour le phénix : L’Afrique et les zones économiques spéciales chinoises ». 2e Atelier en économie du développement : « Politiques publiques de développement dans les pays d'Afrique subsaharienne », Université du Luxembourg, Association Tiers-Monde, Université Alasasane Ouattara, mars 2019, Abidjan, Côte d'Ivoire,

[16] Lin Yifu was Chief Economist and Senior Vice President of the World Bank from 2008 to 2012.

17 Decision taken by the Chinese Ministry of Commerce in 2006 following the Economic Forum organized by China.

- The management capacity is often limited: only the “TEDA economic and trade cooperation zone” in Suez would have an adequate team to fulfill its mission.

3) Regarding Chinese investors:

- The author notes the lack of preparation of companies seeking to invest in Africa;
- Chinese companies stay too close to their traditional behavior;
- These companies are too "indifferent to abide by the law and neglect their social responsibility".

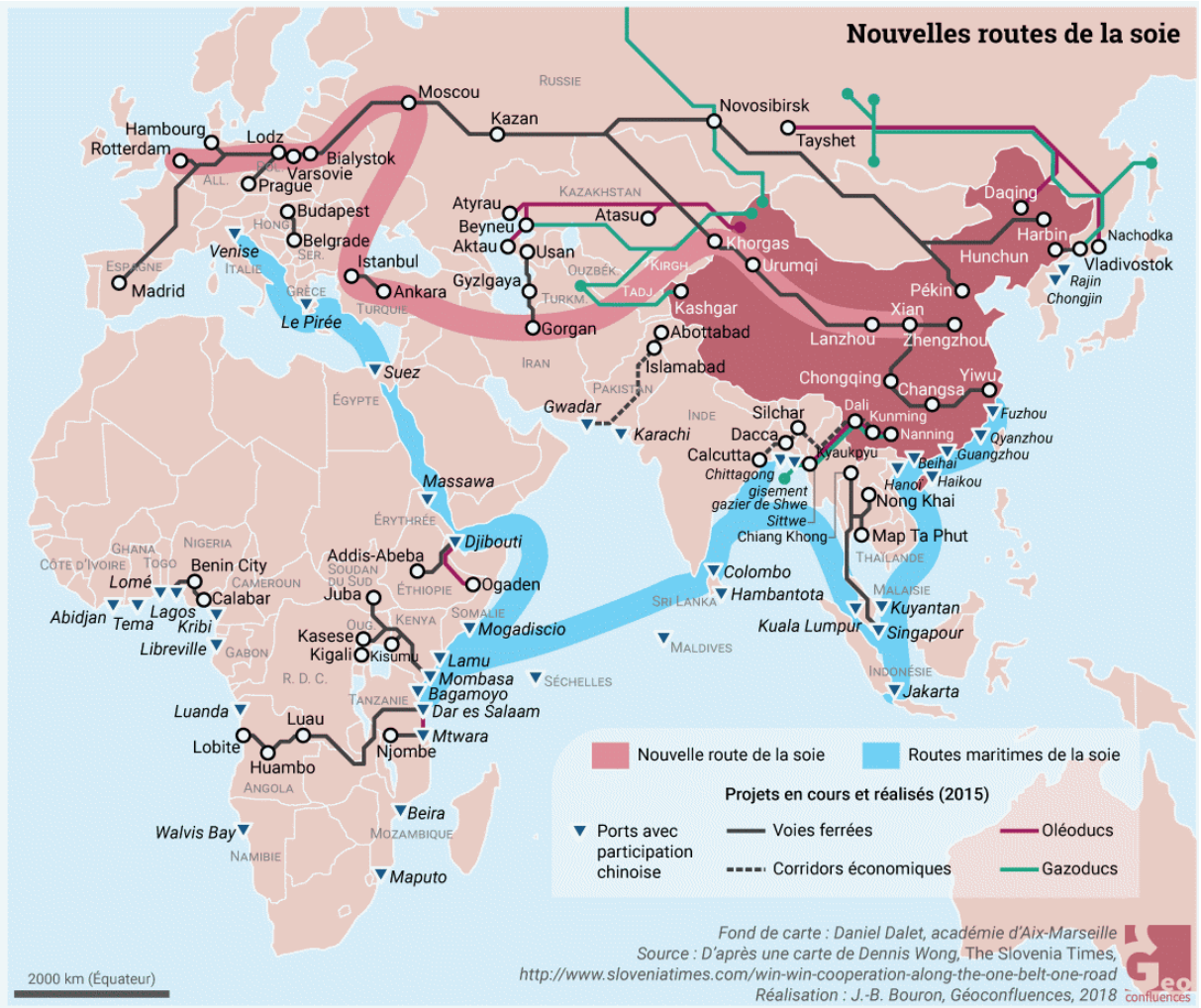
Three Chinese business models are developing in parallel[18] :

The overseas “economic and trade cooperation zones” (ETCZs) are zones approved by the Chinese Ministry of Trade, in which the Chinese government brings in subsidized Chinese companies. These are public-public partnerships (China-African country) subcontracted by China to Chinese companies. These areas have limited impact on the local productive ecosystem with the host country having little information about what is going on there. In Africa, there are four: in Zambia (Zambia China Economic and Trade Cooperation Zone), Nigeria (Nigerian Leki Free Trade Zone), Ethiopia (Ethiopian Eastern Industrial Park) and Egypt (ETCZ of Suez). The Jiangling area in Algeria did not materialize. The Jinfei area in Mauritius can be assimilated to an ETCZ.

"Concession Zones" are private-public partnerships (PPPs) resulting from a direct concession from the host African country to a Chinese company. The latter becomes the manager of the SEZ. It brings together other companies.

Chinese companies have set themselves up in free zones, which were created on the initiative of host countries since the beginning of the 2010s (for example, Tanger-Med in Morocco or COEGA in South Africa). They generally become subcontractors of Western companies, which are also established because of an attractive economic and fiscal environment.

[18] From Jean-Raphaël Chaponnière, Christian Delavelle, coord., « How China contribute to industrial development of African countries? IPEMED Palimpsestes, 2018.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Pékin
Xian
Zhengzhou
Lanzhou
Chongqing
Changsa
Yiwu
Fuzhou
Qyanzhou
Guangzhou
Beihai
Haikou
Hanoï
Dali
Kunming
Nanning
Kazakhstan
Ouzbékistan
Kirghizstan
Tadjikistan
Turkmenistan
Iran
Pakistan
Inde
Sri Lanka
Maldives
Thaïlande
Malaisie
Indonésie
Égypte
Érythrée
Éthiopie
Somalie
Kenya
Ouganda
Soudan du Sud
Tanzanie
Seychelles
R. D. C.
Angola
Mozambique
Namibie
Gabon
Cameroun
Nigeria
Ghana
Togo
Côte d'Ivoire
Espagne
Italie
Grèce
Turquie
Nouvelle route de la soie
Routes maritimes de la soie
Projets en cours et réalisés (2015)
Ports avec participation chinoise
Voies ferrées
Corridors économiques
Oléoducs
Gazoducs
Fond de carte : Daniel Dalet, académie d'Aix-Marseille
Source : D'après une carte de Dennis Wong, The Slovenia Times,
http://www.sloveniatimes.com/win-win-cooperation-along-the-one-belt-one-road
Réalisation : J.-B. Bouron, Géoconfluences, 2018
2000 km (Équateur)

1. ASSESSMENT OF SEZS IN AFRICA

1.1 Identification and measurement: methodological aspects

The sources

The identification and census of SEZs in Africa come from two sources: UNCTAD and AEZO (Africa Economic Zones Organization).

UNCTAD published statistics in 2019 in a comprehensive report on SEZs around the world, especially in Africa. The figures include the SEZs created, the SEZs planned and the SEZs at the start of negotiations. UNCTAD gives indications on the legal basis of these zones, making it possible to differentiate between a SEZ and a free zone (particularly an EPZ / ZFE).

In 2019, UNCTAD identified **237 SEZs** in Africa that are operational or under construction. 211 (89%) were dedicated to multiple activities and 24 to a specific one, 2 being "logistic hubs". 32 African countries had one or more SEZs in 2019.

AEZO,[19] IPEMED's partner for this research, produced a rich report, relying on its large members' network. Its figures show slight differences with UNCTAD ones. The explanation for this difference stems from an often-wider scope which includes EPZs. In addition, the concept of SEZs is so attractive - a symbol of successful industrialization - that numbers may have been exaggerated by the national authorities. AEZO gives the figure of **203 SEZs** in May 2021, and **73 in the pipeline**.

Between these two sources, the difference relates more to the distribution between African regions than to the overall number.[20] In our study, reference will be made mainly to UNCTAD figures, for reasons of availability of information at the time of the study.

In addition, we sent questionnaires to professional players in African SEZs, to clarify the interpretation of the existing situation, the challenges posed and the projects.

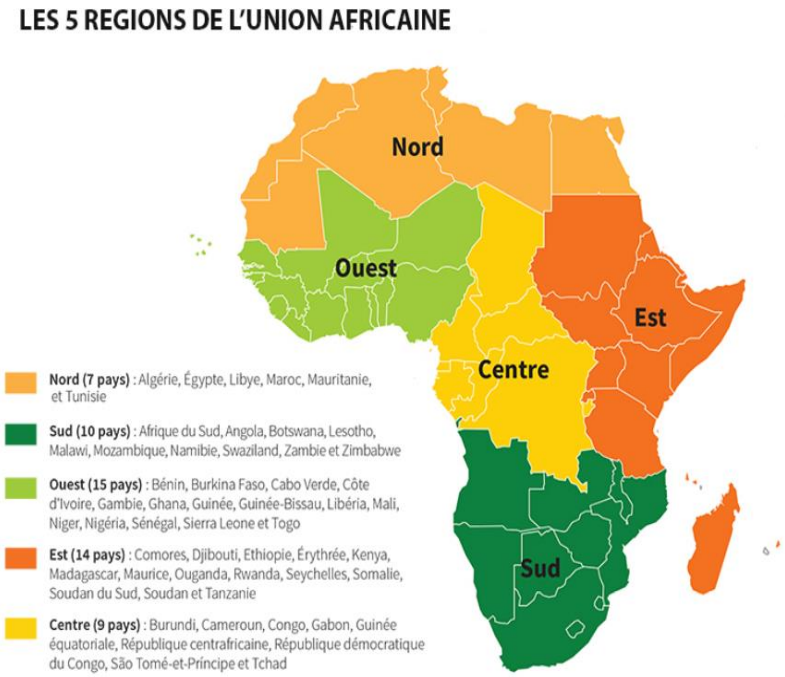
[19] We will underline the especially important role of AEZO (which we thank for its database and all the documents provided), and its unifying role. By bringing together many representatives from Zones in Africa, by holding high-level conferences bringing together representatives of SEZs, state governments, international organizations on economic development (UNCTAD, UNIDO, ILO, etc.), AEZO acts as an accelerator.

[20] The East African region is particularly over-represented in UNCTAD statistics due to a remarkably high figure in Kenya, with 61 SEZs which are mainly EPZs.

Table 1. Distribution of SEZs in Africa

Economies		***Source*: AEZO 2021**		***Source*: UNCTAD 2019**											
		Number of settled SEZs	Projects of SEZs	Number of SEZs	*Of which : planned*	Size						Functions			
						0–20 ha	20.1–100 ha	100.1–500 ha	500.1–1 000 ha	More than 1 000 ha	not available	Logistic Hub	Not specialized	Specialized	Innovation poles
Developing countries				4 772	451	691	512	1 477	819	621	652	107	###	##	280
AFRICA		**203**	**73**	**237**	**51**	**7**	**18**	**32**	**10**	**15**	**155**	**2**	**211**	**24**	**0**
Southern	**A**	**29**	**20**	**35**	**8**	**0**	**0**	**0**	**0**	**1**	**34**	**0**	**35**	**0**	**0**
Central	**C**	**10**	**5**	**18**	**6**	**0**	**3**	**4**	**2**	**7**	**2**	**1**	**15**	**2**	**0**
Eastern	**E**	**53**	**19**	**111**	**4**	**6**	**8**	**16**	**6**	**3**	**72**	**1**	**95**	**15**	**0**
Northern	**N**	**56**	**10**	**18**	**1**	**1**	**6**	**7**	**1**	**1**	**2**	**0**	**14**	**4**	**0**
Western	**O**	**55**	**19**	**55**	**32**	**0**	**1**	**5**	**1**	**3**	**45**	**0**	**52**	**3**	**0**

Sources: AEZO and UNCTAD

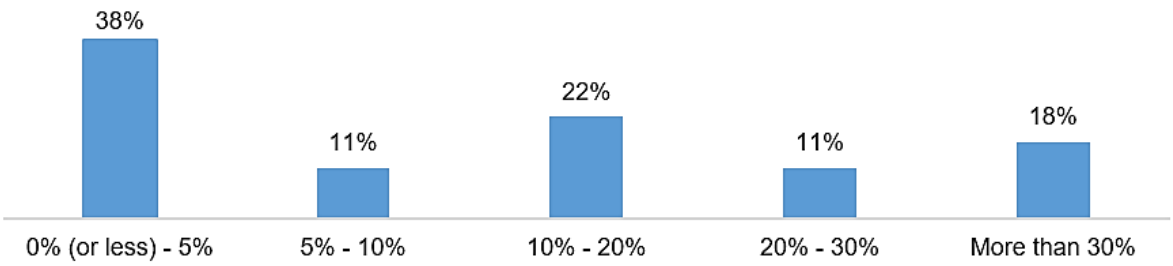


Evolution and general characteristics of SEZs

Since their creation, Special Economic Zones in Africa have greatly stimulated foreign direct investment (FDI) flows. The first investing country is China, followed by India, then France, Belgium, Japan, Lebanon, and Nigeria. A few African countries are included in this list: Morocco, South Africa, and Egypt.

They also strongly stimulated exports. In many African countries, export growth increased rapidly after the introduction of a SEZ program. In total, half of African SEZs is experiencing annual growth of more than 10% per year in their exports (source: AEZO, cf. figure 2).

Figure 2. Annual growth of exports from African SEZs, in the last five years



Reading the graph: 38% of SEZs experienced an increase in their exports of less than 5% per year.
Source: SEZs and AfCFTA: Result from a continental-wide survey (AEZO & UNCTAD 2021) / AEZO 2021[21]

AEZO analyzes make a valuable contribution to understanding the sector content of African SEZs. In 39% of cases, agriculture and agri-food are among the top three exporting sectors of SEZs, followed by light industry (19%), textile-clothing, construction materials and automotive (9 %). Compared to all exports in Africa, agri-food and textiles and clothing occupy a greater place in SEZs, which shows that these zones have a profile which - for the moment – is located at the bottom of the productive sectors.

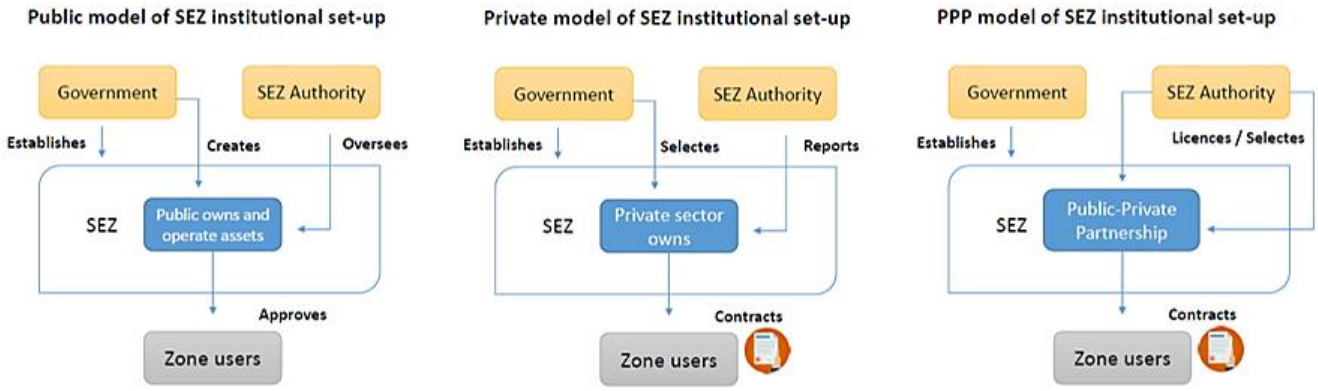
However, countries like Morocco and, to a lesser degree Ethiopia, consider SEZs to be important factors contributing to industrial transformation, increasing the added value of production and exports (automotive, aeronautics, electronics, etc.). Therefore, SEZs play an increasing role in supporting Africa's industrial transformation and economic growth.[22]

Regarding the modalities of their development, African SEZs operating according to a public-private partnership (PPP) model are the most common (40%, source AEZO); 29% are operated by the private sector, 32% by the public sector. These averages mask strong regional differences: public SEZs are predominant in North Africa, while PPPs are very predominant in Central and Southern Africa.

[21] "The role of African Special economic zones (SEZs) in accelerating co-development with Europe", AEZO position paper, 2021.

[22] Idem

Figure 3. Three development models of SEZs: public, private, PPP

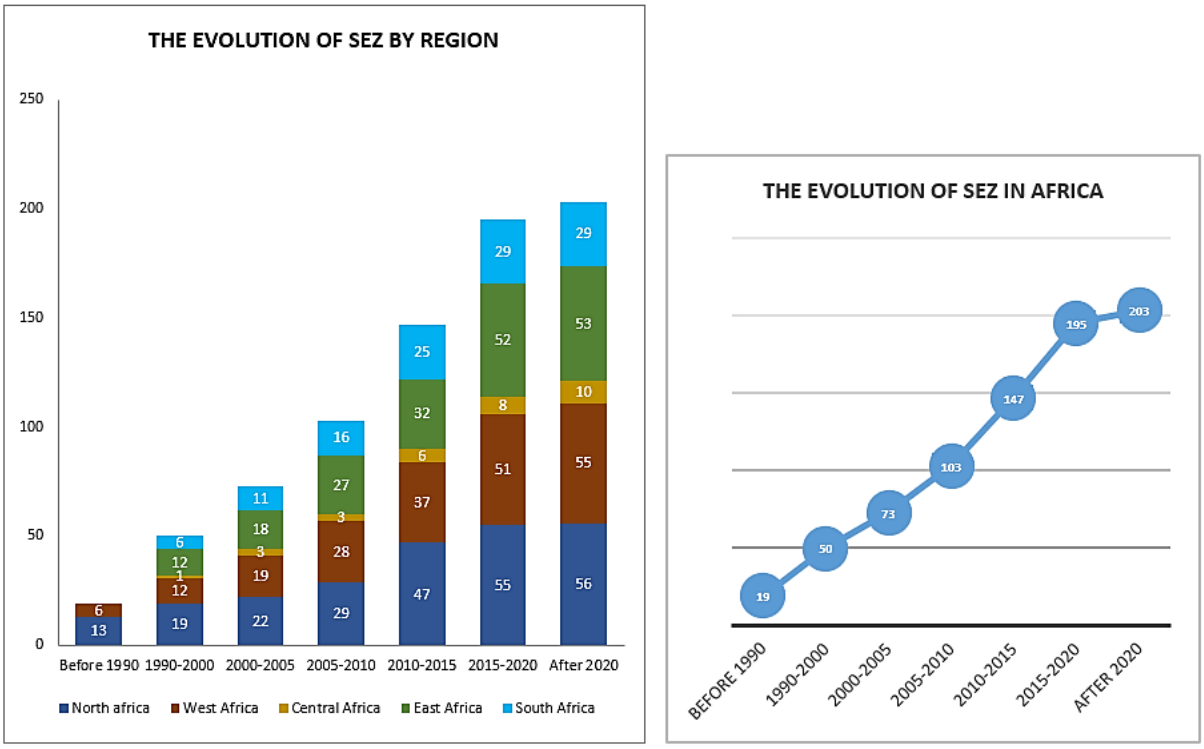


Source: AEZO

This nomenclature does not consider the legal form and nationality of the referent shareholder which exercises real control over the two types of SEZ model: PPP or private partnership. In this report, African, Chinese, Indian SEZs, etc. will be qualified according to the referent shareholder of the management company (or management authority).

Finally, Figure 4 confirms the rapid increase in the number of SEZs in Africa. East Africa and North Africa experienced the highest growth.

Figure 4. Evolution and distribution of African SEZs by region



Source: African Economic Zones Outlook 2021 / AEZO

1.2 SEZs by region

The following presentation is a summary of the more detailed analyzes which appear in the appendix.[23]

1.2.1 Southern Africa

In Southern Africa, SEZ are moderately developed. In 2019, UNCTAD identified a total of 35, including 8 in the pipeline and 11 which would be free zones (*single enterprise zones*). In South Africa, FDI host areas are relatively old since the legislation dates to 1989; other forms of zones are therefore present. In other countries of the region, legislation is more recent. The number of new SEZ projects is particularly high in Mozambique. A common characteristic is the presence of mineral resources: vanadium, platinum, diamond, gold, cobalt, which are activity base of some SEZs.

The most important SEZs are in **South Africa**. Some are based on mining, others on industry. It is the case of the *Coega Special Economic Zone* created in 1999 on 11,500 ha which employs 62,000 people. Two projects are in the process of being extended: the *Musina-Makhado Special Economic Zone* with China as the main financier, and the *Gold Tambo* SEZ, which should allow to achieve objectives set by the National automobile plan.

Mozambique has several important SEZs such as the *Nacala SEZ, Beluluana Industrial Park* or *Mocuba SEZ. Nacala* is the most important in terms of number of jobs: 14,000, especially in textiles and building materials.

Zambia is one of four African countries selected by China to host an overseas "economic and trade cooperation zone" (ETCZ). Located in *Chambishi* on a 40,000 ha park, near the Congolese border and DRC mines, this SEZ hosts the largest copper smelter in Africa, and the largest Chinese smelter in the world.

Zimbabwe deserves a mention for having launched an 8 SEZ program. They produce goods for textiles and clothing, leatherworking, food processing and light industry.

In **Botswana**, the ambition is to create several SEZs, but they are currently at the planning stage.

In **Angola**, the only SEZ (*Luanda-Bengo*, production of cars and soon of tractors) is slowly taking off.

1.2.2 Central Africa

Central Africa countries - whose subsoil is rich of natural resources- show a low capacity to create added value and to attract investments, being it one of the weakest in Africa.[24] According to UNCTAD, this region includes 18 SEZs, 6 of which are still in the draft stage. Behind these figures lie multiple realities, successes, and difficulties.

Gabon has initiated two SEZs, one of which is still in the pipeline and the other active: the *Nkok SEZ*, created in 2011 by a PPP between the Gabonese government and a Singaporean

23 The order of the regions follows the alphabetical order adopted by official bodies such as the African Union.

24 Based on the World Bank's Ease of Doing Business Index.

company, is today the source of 40% of country exports (excluding oil).[25] It employs 4,500 people in woodworking, 70% of whom are Gabonese.

The **Democratic Republic of the Congo** has one SEZ, in eastern Kinshasa. The *Maluku SEZ* project was born in 2012 and should go into operation phase in 2022.

The **Republic of the Congo** is the country in Central Africa which had planned the highest number of SEZs (4). They are still under construction. The *Pointe-Noire project* has interested China, which saw an opportunity to have a bridgehead in Central and French-speaking Africa. Due to disagreements between stakeholders, the project is behind schedule. The other SEZ projects (processing of agricultural products, processing of wood) are even less advanced.

Cameroon adopted the legislation authorizing the creation of SEZs only in April 2019. The existing areas are industrial parks or franchise companies.

1.2.3 East Africa

According to UNCTAD, this region is the one where SEZs are most numerous: notably 111 (of which 12 are in the process of being established).[26] Several countries of this region, located on the new Silk Roads, are indeed attractive to investors - particularly Ethiopia -. They anticipate advantages for manufacturing production. They are also appreciated for their potential related to logistics penetration on the continent. China is therefore the main partner country.

Ethiopia has created 18 zones (not all of them under the SEZ regime). The majority is specialized in one type of production, most often textiles and clothing where wages are up to ten times lower than in China. It was in Ethiopia that China opened one of the first ETCZs, the *Sino-Ethiopian Eastern Industrial Zone*. It is present in several other SEZs, with a different business profile. Ethiopia's strategy has been to make private and public zones coexist. What role has China played in transforming the Ethiopian economy? According to some, the results would be mediocre and surely much less impactful than those produced by foreign investment in Chinese SEZs. The transfer of skills would be weak, the Chinese contribution to Ethiopian development being mostly limited to infrastructure: "*The very positive statement would be the transformation of the economy thanks to infrastructure, in particular the new dams which have made it possible to ensure a stable electricity supply, contributing to the success of Ethiopia's project to become an electricity exporter*". [27]

About sixty Free Zones (EPZs) have been created in **Kenya**. The country is appreciated for its agricultural wealth, its energy resources, and its geographical position (gateway for China to the interior of Africa, including Rwanda). The Chinese funded the Mombasa-Nairobi rapid rail line.

In **Rwanda**, the Kigali Special Economic Zone (KSEZ), the only one in the country, seems to have boosted the economy of this small country since its creation in 2013. KSEZ companies have seen their sales jump, with added value soaring 200% and the number of permanent

[25] « Zoom sur la zone économique spéciale de Nkok au Gabon : qu'est-ce qu'il faut savoir ? », *PIA Africa, February* 2021.

[26] The figure is biased by the high weight of Kenya, which weighs more than half. These are actually Export Processing Zones (EPZ) governed by a law of 1990.

[27] Françoise Nicolas, « Les investisseurs chinois en Ethiopie : l'alliance idéale ? », *Note de l'IFRE,* March 2015.

employees increasing.[28] An agreement between Rwanda and Djibouti should lead to the creation of a joint venture set up in the Kigali SEZ in return of provision of space in the port of Djibouti.

Djibouti does not have SEZ but rather free zones or ports.

After Ethiopia and Kenya, **Mauritius** has been, over the past decade, the third destination for Chinese investors in East Africa. The *Jinfei SEZ* is the project that best materializes the Chinese presence. The promoter of the zone invested less than 15% of the total expenditure; the Mauritian government took care of the rest, either directly or through public services.[29] It is the example of a SEZ which is struggling to take off due to the lack of a properly defined and balanced institutional framework at the start.[30]

The semi-failure of SEZ in **Madagascar** can be explained by opposition from communities: against land transfers to foreign actors and the non-integration of national companies.

1.2.4 North Africa

All North African countries are involved in the Special Economic Zones model (18 according to UNCTAD, 56 according to AEZO), except for Tunisia, which has adopted a model close to it in several aspects. This difference explains why it does not appear in the statistics of UNCTAD. Morocco and Egypt created several SEZs, but their path was different, especially from the point of view of the role played by China.

With the control of a strategic axis for world maritime trade, the government of Egypt has, since the 1970s, sought to enhance this axis through free zones that it has multiplied, diversifying their regimes. Egypt was one country that China had decided to rely on to implement its Silk Roads strategy and install ETCZs. The strategy expanded with four large SEZs. The oldest is the *Suez Economic and Trade Cooperation zone* (SETCZ, in the Suez region) which hosts several hundred Chinese companies and participates in the Silk Roads project.

In 2015, a presidential decree transformed the canal axis into the *Suez Canal Economic Zone* (460 km2). It is made up of 4 SEZs and 6 ports. It is placed under the authority of the President and managed by an inter-ministerial Board of Directors. The authorities' objective is to make it one of the seven largest economic zones in the world by 2035.

In **Morocco**, particularly noteworthy is the *Tangier platform consisting* of several SEZs. The platform is emblematic of the development of independent SEZs, professionally managed by the country's authorities. It was born from the joint desire of an industrial player, Renault-Nissan, to grow in Morocco, and of the Moroccan government to enhance its port area in Tangier. The *Tanger Med Zones (TMZ)* has created 90,000 jobs and 1100 companies. It should be noted that the last report *Global Free Zones of the year 2020* (recognizing the World's best free zones for FDI) ranks TMZ as the second free zone of the world after the Dubai Multi

[28] Steenbergen, V. et B. Javorcik, « Analysing the impact of the Kigali Special Economic Zone on firm behaviour », International Growth Center, 2017, et « Dynamiques du développement en Afrique : réussir la transformation productive », CUA/OCDE, 2019.

[29] Thierry Pairault 2019, op. cit.

[30] « Analyse d'un échantillon de 15 zones Economiques spéciales en Afrique », Observatoire Europe-Afrique 2020, 30 June 2017

Commodities Center in the United Arab Emirates. It was ranked fifth in 2019. Other SEZs have been developed in the country around the aeronautics sector and advanced technologies.

Algeria, which does not have a SEZ (but industrial parks), represents a failure case due to a disregard of the context. An ETCZ project, approved by MOFCOM in 2006 and sponsored by the Chinese automobile company Jiangling, did not concretize. This failure can be explained by the antagonism between the Algerian authorities whishing an Algerian zone preferably welcoming Algerian companies, and the Chinese who envisioned a proper Chinese enclave welcoming and serving Chinese companies.[31]

1.2.5 West Africa

UNCTAD lists 55 SEZs, 32 of which were still in the planning phase in 2019. Nigeria counts for 70% of them. The SEZ model has not been developed in this region. The productive base is generally weak, the equipment obsolete. The region is one of the least integrated in productive segments of global value chains, at least for processing activities. [32]

In **Nigeria**, some SEZs occupy a special place: (i) the *Guandong Zone* (light industry), which was one of the first Chinese ETCZs to be created in Africa. As in similar cases, its start was conflictual. (ii) The *Leeki zone* (Lagos) is the one that received most national or foreign investors, the Nigerian group *Dangote* alone representing three-quarters. Its projects are linked to petroleum resource. (iii) The *Calabar Export Free Trade Zone* saw a difficult start and was criticized for not employing enough local labor.

Ghana, a country with steady growth and a trade surplus, has adopted an industrialization policy to diversify its exports. Being it the second country in the region in terms of SEZs (EPZ mainly), Ghana has adopted a support plan for SEZs and is considered as a successful country.[33] It hosts 5 SEZs, the largest being the *Tema Export Processing Zone*, with 2,000 jobs and 300 companies including the largest fish processing company in West Africa. The other areas are dedicated to petrochemicals, pharmaceuticals, light industry, and cocoa processing.

Senegal has only recently adopted legislation in favor of SEZs. Several have since emerged, the most important being the Platform of Diamniado (P2IDD) a few kilometers from Dakar, carried out thanks to a Chinese company whose main activity is clothing. The P2IDD is twinned with a new city project, a source of tension among the low-income population.

Togo has only a few achievements to its credit. The only SEZ PIA (Industrial Platform of Adétikopé), which is currently in progress, is located in the Lomé region. Sponsorship is provided by the Nkok SEZ. A subsidiary of the same investor as in Nkok: Olam is engaged in its construction.

In **Ivory Coast**, a large agricultural country, development efforts for SEZs have focused on three "growth poles" intended to catalyze investment and job creation in target sectors.

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[31] Thierry Pairault 2019, op. cit.

[32] « L'industrialisation de l'Afrique de l'Ouest : état des lieux ». African Development Bank, 2016. Cette situation découlerait de la crise industrielle provoquée, à partir des années 1980, par le démantèlement des barrières protectionnistes qui préservaient les industries locales, ainsi que des conflits et guerres civiles qu'ont traversés plusieurs pays de la région.

[33] UNCTAD 2019, op cit.

The **SiKoBo Triangle** is a SEZ that is shared by three countries, Burkina Faso, Ivory Coast and Mali. It is the first African cross-border economic zone, launched at the initiative of ECOWAS and based on historical inter-community relations. Launched in 2018 by the three countries, this project has received support from the World Bank. It covers the regions of Sikasso in Mali, Bobo-Dioulasso in Burkina Faso, and Korhogo in Ivory Coast.

The **Gambia** has only one SEZ, the Special Economic Zone of GIETAF. It is in the final phase of development.

As for **Guinea**, its first SEZ in the draft stage is for the exploitation of bauxite.

1.3 Summary, lessons, and conclusions

Great successes

Ethiopia is an African success story. Initially, it was the Chinese who created the first ETCZ. Benefiting from duty-free access to European (PMA status) and North American (African Growth and Opportunity Act - AGOA) markets with labor costs ten times lower than in China, it was a success for clothing, textiles, and leather production. As early as 2012, the Ethiopian government took matters into its own hands with an industrial strategy and a land use planning policy. The Chinese have in turn adapted. Ethiopia intends to become the continent's leading SEZ builder, targeting the manufacturing sector which today represents only 5% of GDP and could reach 25% within ten years.

We have also seen the success of South Africa's SEZs, notably the *Coega industrial development zone.*

In Gabon, the *Nkok SEZ* has acquired great international reputation and received the "woods products" award at the 2020 edition of the "Global Free Zones of the year", rewarding the promotion of local wood processing.[34]

In North Africa, Morocco (international platform of *TangerMed*) and Egypt (on the Silk Road) deserve special mention.

The factors of success:

Most of these countries embarked on the creation of SEZs in the 2000s with the support and know-how of the Chinese for the creation of zones, the construction of infrastructure, financing and often management, with the establishment of many Chinese companies. These countries are gradually gaining autonomy in their SEZ strategy because they have their own narrative: to industrialize from local raw materials, to satisfy the internal market, to ensure the sovereignty of their development.

All these countries have easily accessible SEZs: maritime facades, strategic logistical positions for Africans but also, often, for the investors.

In addition to accessibility to infrastructure, the successful SEZs benefit from a derogatory tax status and simplified administration and have adopted a delimited geography to promote inter-company relations, external economies, and adapted services (promotion of innovation, training program to gain in competitiveness ...). See the strategy of Morocco and many others such as Mauritius etc.

[34] Sandrine Gaingne, « Filière bois : la zone économique spéciale de Nkok honorée à l'international », *Le Nouveau Gabon*, 2020.

The attractiveness of SEZs for investors is indeed reinforced by these synergies and the economies of scale that zones can offer. These synergies are particularly important in specialized areas. Multi-activity zones can also promote cost sharing, for warehousing, transportation, shared services.

Governance and institutional framework attempt to define the rules for investment in SEZs, tax incentives, licensing and regulation of business activities, trade facilitation, customs control, and dispute settlement mechanisms. The effectiveness of the SEZ authority responsible for enforcing the legal framework will make or break a SEZ program. Independent agencies comprising representatives from the public and private sectors often have the best track record. Finally, good governance and the rule of law, including effective anti-corruption procedures, are essential.

But also, failures

Among the failures there is the experience of ETCZs, especially in Ethiopia with the area that was built around the Chinese company Huajian. This experience quickly showed its limits.

Another example is the Warubondo SEZ in Burundi. This project encountered many difficulties. The construction site turned out to be a swamp, which made the smooth running of the work more difficult. The road to Warubondo was impassable for construction trucks and even pedestrians because of the mud.[35] In addition, there was a lack of communication between the government and the main investor, Procerv, a United Arab Emirates company.

Mauritius and Madagascar are not failures, but they have raised the issue of land ownership and the involvement of local population in projects.

Factors of failures:

The reasons for the failure of many programs are: weak governance, corruption, complex procedures, inadequate infrastructure and services.

The management of industrial free zones must indeed be able to meet the needs of entrepreneurs. The effective development of the area is based on *quality local governance*, allowing the pragmatic resolution of basic problems that can range from slow connections between companies, to public services, to the lack of public transport links for workers living outside the area. Priority services depend on the context of the area, the objectives and investor profiles; for example, effective security services can be a key competitive advantage in areas where warehousing and logistics are important.

The role of government: Much of Africa's transport infrastructure is in poor condition. Governments have often neglected basic maintenance. Electricity and water supplies are often unreliable, and telecommunications are expensive. Investor surveys highlight obstacles to foreign direct investment caused by poor quality of customs services (export processing zones face bureaucratic procedures), tax administration, procurement land, building and occupation permits, visa granting and setting up a business.

Governance at the national level: there are critical factors related to good governance, vision, and consensus, concerted local action, continuity.

[35] Mathias Ntibarikure, « Zone Économique Spéciale : où en est-on avec les travaux ? », *Ejoheza News*, 2020.

- Without a vision, it is impossible to rally different sectors of the economy behind a strong desire for results. Several African countries have developed a splendid vision of export-oriented growth based on free zones but, in the absence of consensus around the vision, progress has been difficult.
- The lack of local consultation is a cause of failure. It took more than a year to make land available to operators in areas where electricity, telecommunications, transport or water providers have hindered or blocked the development of free industrial zones.
- The last critical element frequently mentioned by interviewees concerns continuity. Whether they are already in free zones or trying to invest in them, investors express fears that African governments will not maintain incentives, infrastructure and services, and to erode them by changing the rules of the game.

The role of incentives: African countries often have little room for maneuver in deciding what incentives to grant; this data is largely dictated by international competition. Some donors (World Bank, IMF, AFD, etc.) encourage countries to replace simple exemption programs with complex duty reimbursement programs. This is a policy that ill-suited to Africa, where the incentives must be competitive at the international level and as simple as possible to implement.

Lessons learned

The strong link between SEZs and FDI

For example, Chinese FDI in East Africa favored Ethiopia.

Other examples of the link between FDI and the creation of SEZs: Egypt, South Africa, etc

The reasons for the attractiveness of the Chinese SEZ model

The involvement of the Chinese, who do not fail to refer to their own experience and to follow the different experiences in Africa, using international organizations as often as possible.

Their notoriety, particularly that of Shenzhen, which authorizes the political leaders to make agreements with China as, simultaneously with the SEZ, infrastructure works which these countries most often lack are also proposed.

An action of influence, which allows the Chinese to be perceived by Africans as reliable friends, despite the risks for the autonomy of countries due to the loss of control of resources - especially the subsoil - and of debt to China.

Necessary evolution towards a partnership

The Chinese ETCZ policy was a failure, leading particularly to discrimination in employment as in the case of Zambia. The PPP with governmental and local authorities through agencies seems a better formula. Holijaona Raboana, President of Emergence of Madagascar, is clear: "A SEZ must ultimately be a new city and not a province of another state, or a large city belonging to a private person of foreign nationality" (Madagascar morning).

According to AEZO, "*effective cooperation between different levels of government agencies and the private sector is seen as one of the key elements in attracting significant investment. For example, the Lekki Free Zone (Nigeria), learning from past experiences - where only the Federal Government of Nigeria was involved - changed the way free zones were governed and*

operated. The inclusion of state government and the private sector has helped catalyze the development of the area". [36]

The link between SEZ and industrial strategy

As AEZO points out, a strong long-term vision and institutional support from the state are essential for the success and development of the zones.

Ethiopia, Morocco, and Egypt are increasingly integrating their SEZs into a global industrial strategy, rather than one-off, isolated creations.

Industrialization programs by on-site processing of raw materials often include the development of SEZs. African governments therefore have a strategic role to play in this area.

Evolution towards the constitution of development poles

A few African countries plan their development by giving this planning two dimensions: industrial and spatial, through development poles (which can include SEZs but also other poles). The notion of "ecosystem" is increasingly used to justify this territorial approach to industrial and technological development.

According to AEZO, "*Investments in infrastructure and the creation of ~~an~~ 'integrated clusters' (as in Tanger Med or the Suez Canal Zone) are crucial elements for ensuring connectivity and coordination between different zones and improving performance at both zone and country level".*[37]

This planning is national and local: the president of the Limpopo SEZ in South Africa plans to associate housing, education, and health facilities with the SEZ in partnership with government (budgetary aid) and local authorities.

AEZO calls on SEZ promoters to ensure that women, business leaders and the workforce can be better involved and integrated in the development of SEZs.

Conclusions of the first section

The "SEZ" brand is strongly symbolic. It covers different realities depending on the country, but the proximity to the model proposed by China remains strong.

We note developments and real progress towards more open, integrated, clustered forms of productive concentration with inter-company relations, and with contributions that are not directly economic (training, environment, workers' residences, health, energy, and digital security, etc.).

In a way, Africans are appropriating the SEZ brand and transforming it. However, there is room for maneuver to improve SEZs, accelerate the industrialization of African countries according to a typically African model, and orient SEZs more towards domestic markets.

Europeans can contribute to this process and participate in this development.

[36] AEZO 2021, op.cit

[37] AEZO 2021, op.cit

2. QUESTIONS TO ASK, IDEAS TO DISCUSS

In order to move towards an efficient, partnership-based and sustainable African SEZ model, several questions must be asked and debated. This report presents some of them, although the debate with the stakeholders will certainly add many more.

2.1 On local planning and local governance

How to deal with the land issue? How to avoid conflicts and secure investors? Should we not advocate public land ownership with emphyteutic contracts?

Who builds industrial buildings? Should it be the investors, or should it be the management company?

What is the authority of the SEZ, is it specific to one or more SEZs? Does it have legal personality, how is its governance organized, who appoints its directors, who holds the majority: the State, a national public institution, companies, national or foreign?

Almost all African countries have local laws, regulations and agencies to organize SEZs. Private-public partnership still represents only 40% of cases, but experience shows that good governance of SEZs favors private-public partnerships. Should the government or local agency be responsible for the investment (infrastructure, land, and real estate equipment, energy) or else grant it through a PPP for a limited period (20 years, 30 years, etc.) to a private operator while retaining control over land and the development strategy of the area? As for users and individual investors, what role should be given to them in governance?

Should we include residential functions (workers and executives), commercial spaces and training and health centers in the SEZs, in order to promote their development towards modern poles of territorial development?

Can these territorial development poles contribute to the effectiveness of the State in its public policies? By acting in a small space and a limited number of players, the ministries have the possibility of carrying out local experiments in training, the environment, labor law, etc.

2.2 On regional planning

This matter remains to be better documented: the success of SEZs is linked to the presence of logistics infrastructure. Who decides them? Who finances them? Who builds them?

How can the development of SEZs be given a more strategic spatial planning function (development poles), as they have in certain countries such as Ethiopia? How can we prevent them from concentrating on raw material deposits, in large employment and consumption areas, or on the coasts? How to differentiate SEZs according to territorial realities, from very simple SEZs in relatively poor territories, to clusters and technopoles in large cities?

Several recent African SEZs are developing inter-state cooperation, for example in the field of logistics in order to associate the countries of the interior and the coastal countries for export. What role should the level of African regions (ECOWAS, ECCAS, etc.) play in the development of the productive territory of SEZs and cross-border transport corridors?

Often national administrative borders divide natural basins rich in raw materials. How do we better draw lessons from the experience of the cross-border SEZ of Sikoko, which associates Burkina Faso, Côte d'Ivoire and Mali, encouraged by the CDAO?

2.3 On tax and budgetary advantages

New industrial investors seem increasingly interested in the presence of external economies (training, logistics infrastructure, energy, connectivity, and assistance with digitization, etc.). According to AEZO, investors are increasingly looking for a wide range of productivity incentives, in terms of skilled labor, efficient logistics and supporting infrastructure, rather than tax benefits.[38] Should we not therefore envision degressive tax reductions (depending on the activities considered), and gradually replace them with budgetary advantages in the form of training aid, aid for digitization, aid for greening and recycling of waste, etc.?

The public cost of SEZs must be taken into account and be the subject of regular assessments: cost-benefit balance of tax advantages and budgetary advantages, effects of SEZs on the trade balance, etc.

UNCTAD provides a useful model of these country-based cost-benefit calculations, both economic (job creation, trade balance, balance of payments, etc.) and public financial (rents, concession fees, taxes on wages, taxes on production and sale on the domestic market, corporate tax when it is not removed by tax exemptions, etc. see appendix 2). Shouldn't these calculations be carried out systematically?

2.4 On international cooperation (Africa and Africa-Europe)

Africa:

- How to promote the exchange of experiences and investments between African countries; What role can AEZO, and other organizations as such play in this matter?
- How will the AfCFTA deal with the issue of SEZs, in particular rules of origin for exports?

Africa-Europe:

- European companies in the construction and transformation industries were not very present in the making and management of the first wave SEZs. Given the evolutions underway towards more partnership, more clustering, more external economies, more innovation, more ecology, do European companies now have a new role to play?
- How can their offers be attractive (construction, financing, partnership management, etc.)?

2.5 On development models, security, and sovereignty

If we want SEZs not to be limited to areas invested by foreign countries to produce goods at low prices and then exported, should we consider an increasing share of national investment, alongside FDI? Should we not focus on SEZs geared towards domestic African markets?

Should the private investor through a PPP or by building a SEZ at its own initiative be national, African or foreign - African or non-African?

[38] "The role of African Special economic zones (SEZs) in accelerating co-development with Europe", AEZO position paper, 2021.

Some African countries are targeting, in their industrial strategy in general and in SEZs, more diversified sectors with higher added value than the simple exploitation of raw materials or labor-intensive export industries. A skilled workforce and investment in skills have been a key success factor in the Tanger Med areas, reports the AEZO.[39] Morocco is orienting some of its zones towards high-tech activities and the automotive industry, while in sub-Saharan Africa the SEZ regimes which have been established over the last decade (for example in Côte d'Ivoire, Rwanda and Senegal) are concentrated on a wider range of value-added activities.

The work of the AEZO confirms this:

- "For African SEZs, the challenges are linked to the deployment of technology driven policies. 'Generic' advantages such as cheap labor and abundant land are no longer enough to ensure that investors will sign up. Digitization and the proliferation of automation have become important drivers of competitiveness and thus determinants of investments".40

Where, in Africa, is this increase in the added value of SEZs being verified? Is it accompanied by increased externalities? Are we witnessing a rehabilitation of old industrial zones and the first SEZs? How to assess the progress of SEZs in terms of competitiveness / innovation, for example by drawing inspiration from the performance contracts used in the Moroccan cluster policy?

Sovereignty and Security:

- SEZs can be the best tool for economic and territorial development.
- But easily also the worst, if they are a way for foreign countries to take control of mineral, agricultural or fishery wealth, and strategic territories such as concession ports. They can result in expropriations at the expense of local peasants and their families. They can give rise to the exploitation of employees if their training is not provided for, if they are areas of non-labor rights, and if the activity remains in labor industries based on low wages. Finally, they can be a source of soil, water and air pollution.
- Therefore, how to "secure" the SEZs - by moving from "SEZs" to SSEZs"- not only for international companies so that they find legal, administrative, energy and digital security in Africa, but also for African States (national sovereignty), local populations, employees and the environment?

[39] AEZO 2021, op. cit.

[40] "The role of African Special economic zones (SEZs) in accelerating co-development with Europe", AEZO position paper, 2021.

3. PROPOSALS

3.1 Proposals from African actors; summary of interviews

The analyzes carried out on SEZs in Africa were significantly enriched by interviews with heads of ministries or managers of SEZs (see Annex 3). The following propositions are largely inspired by these interviews.

- Debt burden

Very high budgets are needed to create and operationalize a SEZ. The development of the area, often over large areas, servicing, and equipment in communication networks for the transport of goods, electricity, water, data transmission, - in the majority of cases to be built - are costly. Its funding is largely based on loans (most often from international or Chinese institutions). This means heavy debt and a situation of dependence on donors. In several countries, citizens (in Kenya, for example) are getting organized to demand "an end" to these loans. The concern is all the greater since investments for a productive SEZ are often coupled with those of other ambitious development projects, integrating luxury housing areas, leisure areas, commercial areas, tourist locations ... These pharaonic sites gave birth, unsurprisingly, to practices of embezzlement of money, which are difficult to control. This is an additional reason to prefer, whenever possible, the small SEZ to this model. Another advantage of such SEZs (as in Mauritius) is to increase the chances of territorial anchoring, integration into the local social and economic ecosystem and the return on investment for local populations.

- SEZs that respect environmental and social standards

This sensitive subject is mentioned by SEZ officials (Ms. Nkene Byo'o, ZES Nkok, for example) as justifying support from Europe. The latter could support the managers of SEZ in establishing the various certifications and support operators who set themselves up in new sectors: those, in particular, which improve the environment. At the same time, a reflection could be carried out on the working conditions of employees in SEZs. In order to render the area more attractive, companies are often exempted from respecting labor law. This results in cases of labor exploitation, sometimes akin to slavery.

- Sovereignty: an asset to be preserved

The question of sovereignty concerns more specifically countries that are rich in scarce resources, with the SEZ often appearing to be only a mining concession awarded to the operator of the SEZ with little or no transformation of these resources. As suggested by a SEZ official, Europe could slow this trend by adopting regulations penalizing imports of unprocessed or minimally processed products. The matter of land ownership (or concessions over very long periods of time to non-national entities), which is often perceived as a loss of sovereignty, is another sensitive subject. The appropriation of land is based on a sharing of sovereignty between the owner and the state. In many African countries, however, there are no laws or regulations. The agreement establishing a SEZ should not be freed from national rules or take advantage of the absence of such rules to allow brutal ejections of populations.

In some cases, populations threatened with losing use of the land from which they derive their means of survival are making their voices heard. An example is Madagascar, where a bill on SEZs failed so to have land remaining in the hands of nationals (State or private).

- Have a long-term vision for the SEZ

An example of this long-term vision has been given by the head of South Africa's SEZ in Richards Bay. To steer its development, a 50-year master plan has been drawn up, which provides for a geographical extension of the area with the acquisition of new land. It also includes the development of agricultural farms (for reprocessing activities).

- Place SEZs at the center of an industrial strategy promoting niches

Despite its obviousness, this strategy seems to have often been followed in a rather formal way. However, each country would benefit from defining its needs, its strengths, and identifying its niches. The low labor cost factor has, for example, encouraged a large number of countries to produce in the same sector: that of textiles and clothing. Competition between African countries in this niche could ultimately serve them. According to Mr. Mapu (South Africa), a reflection at the level of each country, at the regional and / or sub-regional level on the specialization of SEZs should be initiated. Regional integration will work all the better as each country exploits its strengths and develops an original proposition for which it has competitive advantages. It could be accompanied by the implementation of the following proposal.

- Create clusters in and around SEZs and connect them to technopoles and business support centers

The idea of a cluster is based on the concept of sharing advantages linked to proximity. It is inseparable from that of cooperation. It develops more easily in a specialized environment around a core business.

The incentive to organize companies into clusters within SEZs is present in the strategies of several countries. The interview with the Director General of the Suez Canal Economic Zone underscored the same interest. This results in possibilities of cooperation, which might be horizontal or vertical, between companies which allow faster progress in global value chains. The support provided by resource centers (technological, research, training centers, the organization of internships abroad, etc.), for its part, contributes to the move upmarket of production.

Other countries follow this policy, Morocco and Tunisia for example. In order to prevent the FDI reception area from remaining an enclave, centers for technological resources and support for the development of small and medium-sized enterprises and for training have been created in conjunction with a Technopole in Bizerte. A network of industrial development support centers has thus been set up in this area, which improves the competitiveness of businesses and promotes the emergence of new entrepreneurs.

- Coordinate industrial development strategies and the establishment of SEZs in different countries, at the sub-regional level

Following the previous recommendation, African bodies such as the African Union, the Economic Community of West African States (ECOWAS) for Western countries, the Central African Economic and Monetary Community (CEMAC) etc. should organize exchanges on the competitive advantages specific to each country in the region.

AEZO, through its many meetings, is already contributing to this objective.

- Changing competition rules? Should Europe exempt from customs duties products imported from Africa's SEZs?

One of the requests heard during the interview process is that of free entry of (certain) productions from SEZs to European markets. This is in fact a recurring request from managers

of African SEZs who relay the wishes of foreign companies, often Chinese, which have chosen to locate the ultimate links in the manufacturing processes of the products they want to sell in Europe in these SEZs.

A priori, European politicians who wish to promote the development and industrialization of African countries have no reason to oppose these demands, since the goods exported from the SEZs were produced in these SEZs. The problem lies in the origin of the product.

It is indeed legitimate to wonder if the SEZs, which are spaces where companies benefit from regulatory and fiscal advantages, belong to the economic space of the country where they are established or instead constitute, in fact, enclaves falling under the economic space of the countries where the heads of the groups which have established subsidiaries in the SEZs reside.

It would seem more constructive and better for dialogue or negotiation between countries to consider that the origin of a good or a service is not located in the country where the last stage of its production is located but rather throughout the stages of its production, of the constitution of the value chain. From there, there is food for thought on the mechanism that would allow the added value realized in African countries of goods exported from SEZs to be exempted from customs duties.

3.2 Make special economic zones engines of accelerated productive transformation in Africa; contribution from Mubarack LO, Director General of the Bureau de Prospective Economique (BPE) of Senegal

For a developing country subjected to the constraint of scarcity of resources and capacities, the promotion of Special Economic Zones (SEZs) makes it possible to build, in a relatively short time, islands of global competitiveness and "Quick Wins", in a national environment facing enormous upgrading challenges. The establishment of public or private SEZs has thus become a necessary way to insert African countries into regional and global value chains with increasingly demanding standards, in terms of quality and delivery time.

Experience shows that the sustainable success of development policies in SEZs is intimately linked to their consistency and alignment with the major strategic choices identified in the National Development Plan or in what resembles it. This is the sine qua non condition for ensuring good mobilization of resources in favor of SEZs and good coordination with policies conducted outside the SEZs. Several African countries are now aiming to become emerging countries in the medium or long term. They set themselves the following objectives in particular: to develop the industrialization and transformation of natural agricultural and mineral resources, to promote the diversification of exports and integration into the world economy, to promote a strong national private sector, to attract foreign direct investment to accelerate technological progress, to create jobs and income, especially for the many young people entering the labor market, to develop the entire national territory, while maintaining a healthy macroeconomic framework. SEZs can actively contribute to achieving these goals if the following conditions, which I call the "Twelve Golden Rules of Special Economic Zones", are met:

Golden rule n° 1: the inclusion of the development policy of the SEZs in the national planning document, basing it, as a priority, on the horizontal and sectoral strategic options (in particular by promoting the same clusters) of the Plan. It is therefore necessary to conduct real integrated planning, drawing up coherent and complementary packages of public policies that meet the specific needs of the SEZs and mobilize the attention of all government departments and

sectoral agencies. The orientations defined in the Plan will make it possible, secondarily, to define a medium-term development strategy for SEZs which is aligned with the priorities defined at the global level and articulated with a clear, costed and dated action plan.

Golden rule n° 2: good spatial planning of SEZs, in order to mesh the national territory with SEZs, taking into account the specificities of regional economic centers and avoiding the establishment of SEZs on fertile agricultural land or in landlocked areas, poorly connected or difficult to develop, or unable to accommodate quality human capital.

Golden rule n°3: good preparation of human resources who must occupy the jobs in companies located in SEZs. This may require identifying in the National Plan specific actions to set up specialized technical training schools, as well as defining incentives and accompanying actions to promote the initial recruitment of graduates in SEZs.

Golden rule n°4: infrastructure development within and outside SEZs. This requires including in the National Development Plan appropriate resources to build world-class connectivity infrastructure (transport, energy, telecommunications, water, sanitation) linking the SEZs to the rest of the country, not only confining it within the SEZ.

Golden Rule n°5: maintaining a good balance in the financing of infrastructure in SEZs in order to prevent the state budget from being over-stretched and generate a negative cost / benefit ratio. The promotion of SEZs developed by the private sector and the creation of investment companies involving, alongside the State, the private sector and international financing institutions (African Development Bank (ADB), International Finance Corporation (IFC), Afreximbank, etc.) could help. The latter institutions are in fact in favor of it and have already mobilized resources to respond to requests from countries.

Golden rule n ° 6: defining a good regulatory and fiscal framework for the promotion of SEZs, drawing inspiration from international best practices, setting a time limit on incentives and preventing uncompetitive companies from choosing to settle in SEZs only to evade taxes. It is also necessary to strike a good balance between the development of exports and the promotion of import substitution, bearing in mind that the two strategies contribute to the same goal of improving the balance of current payments. However, experience shows that countries which encourage exports perform better in terms of productivity and growth than those which promote import substitution. Regarding the tax system, it is not the most decisive factor in attracting investment in SEZs. African countries could therefore establish, as models of SEZs, world-class industrial zones and agropoles, accommodating in the same space highly competitive companies oriented towards the internal market or towards the external market, the latter receiving export credits in the form of rebates on taxes and duties resulting from sales operations abroad.

Golden rule n°7: The establishment of efficient SEZ administrations endowed with quality human and operational capacities, as well as real management competency, on the basis of a roadmap to be continuously assessed.

Golden Rule n°8: Accelerating the improvement of the general business environment in the country; the competitiveness of the SEZ is impacted both by internal factors and by those located in the global environment within the country.

Golden rule n°9: Encouraging companies established in SEZs to create joint ventures and subcontracting links with national SMEs established outside the SEZs, as well as partnerships with national research networks, with a view to building an ecosystem of integrated and technologically innovative clusters. The country will gain by developing the local content of SEZs, reducing imports of raw materials and intermediate goods, as well as transferring

technology and disseminating good organizational practices to the rest of the economy. This could be a clearly identified conditionality in the incentive system put in place.

Golden rule n ° 10: the inclusion in the development policies of SEZs of actions contributing to national development objectives other than economic ones, such as the promotion of decent employment and the social well-being of workers, social responsibility and environmental sustainability. In doing so, SEZs can be powerful instruments for achieving the Sustainable Development Goals (SDGs) of the United Nations and those of the African Union's Agenda 2063 and serve as testing grounds for new ways of promoting sustainable and inclusive development (establishment of ecological SEZs).

Golden rule 11: the establishment of quality coordination between direct and indirect players in SEZs. Coordination between the Administrator of the SEZ, the Promoter / Developer, the Operator and the installed companies, whose roles and responsibilities must be clearly defined in texts, needs to be ensured. A framework for continuous consultation between these must then be put in place, so to quickly identify any difficulties and address them. Coordination should be sought also between the actors of the SEZ and the other public administrations, through the establishment of a true one-stop-shop to be as much as possible dematerialized, the identification of an autonomous framework of regulation of the SEZs (involving the private sector) and the institutionalization of concerted actions to promote investments and exports in and outside SEZs.

Golden rule n ° 12: institutionalize a good monitoring and evaluation system for the performance and impacts of SEZs, by first identifying suitable indicators, inserting them into the overall monitoring framework of the National Development Plan, and by regularly collecting data in the field. An inter-ministerial monitoring committee could be set up, with the role of supervising the “SEZ monitoring” work. It would meet periodically at the political level (ministers, under the coordination of the Head of Government, once a quarter) and at the technical level (between the agencies and general directorates concerned, once a month). The success of the SEZs must indeed be an ardent priority of the Authorities located at the highest level of the State, which must be the champions of SEZs and which grant them political support.

Ultimately, the success of SEZs in Africa will not come by chance or luck. It will be the fruit of intense efforts harmoniously coordinated and implemented in a methodical manner and with a spirit imbued with voluntarism and transformational leadership. Each African country should thus carry out its own self-diagnosis to assess the degree of achievement of the twelve rules thus identified. Lessons should also be learned from the experiences of the thousands of SEZs operating around the world and the continental SEZs grouped together in the African Economic Zones Organization (AEZO). Upgrading actions can then be selected, in order to fill as soon as possible the gaps observed in relation to best practices, and to accelerate the productive transformation of the countries of the continent, in accordance with the wishes of the African Union.

3.3 A model that is neither Chinese (1980s) nor European

Africa is neither intended to become the factory of the world, nor to be deprived of its sovereignty. Therefore, the model of Chinese SEZs, especially ETCZs, is not suitable.

The European model of territorial organization of industrial production through clusters and technopoles which presupposes the pre-existence of transport, communication, energy, water, sanitation, training infrastructure, etc. is not suited to the current state of industrial development in Africa, which is precisely hampered by the absence or insufficiency of such infrastructure.

The SEZ (S) model adapted to Africa must take into account the need to simultaneously create infrastructure and industrial development. It should include the following:

- on-site processing of raw materials;
- a central objective of value creation and productive jobs, since by 2050 Africa must create 500 million jobs to absorb the growth of its youth, while current growth rates would only lead to creation 250 million jobs;
- an important orientation towards national or regional African domestic markets;
- valuation of externalities, a concern for increasing added value;
- strong articulation with national productive and territorial strategies, making SEZs poles of development;
- budgetary advantages rather than tax advantages;
- a strong concern for security, both for companies and investors, as well as for African States, local communities, employees and the local environment.

3.4 Establish a common industrial policy between the European Union and the African Union for Euro-African cooperation on SSEZs

The establishment of a Euro-African SSEZ strategy could have several objectives:

- *diversify* the international partnerships of African countries;
- *diversify* the different types of SEZs by offering SSEZs that range from the simplest activity zone to more sophisticated forms (clusters, technopoles);
- contribute to making *safety* the main added value of SSEZs, through the promotion of PPPs, sovereign control of land by nationals, local development (housing, training, decent wages, etc.), protection of the environment;
- contribute to the *industrialization* of Africa - and not to offer African production zones limited to an off-shore logic - including in activities with high added value;
- deepen the *Euro-African economic rapprochement* through productive activities (co-production and insertion in Euro-African value chains) and not only commercial ones, enrich the EU policy of encouraging investments in Africa;
- promote the involvement in these SEZs of African diasporas in Europe, extremely attached to their territories of origin. They could bring their skills (banking, legal, managerial, technical, etc.) to the establishment and operation of SEZs.

It should be built on an industrial pact which would be based on cooperation between the industrial ministries of African and European countries, with the objective of developing SEZs. The support by the EU and AU could take at least three forms:

- fund the network of directors of African SEZs. This network already exists through AEZO, but deserves financial and political support to encourage managers to come together, receive information on SEZs, accept technical assistance to solve problems, etc.
- fund an international working group from the large Africa-Med-Europa (AME) region. This international group should be made up of scientists, including economists, lawyers, city planners and architects. This working group, backed by the network of directors, in this case AEZO, would have the function of carrying out studies on monographs, analyzes of all African SEZs thematic by thematic, water, woodworking, agri-food. This working group should finance theses, comparative studies of the different laws on SEZs. It should analyze how SEZs can evolve into clusters, not juxtapositions of companies. Exploring how to organize German, Italian, etc. twinning with African SEZs could be

profitable. This international working group could propose evaluations of SEZs to the network of SEZ directors.

- fund the creation of SEZs in areas that are more difficult to access and in sectors that the market economy tends to neglect. In a way, funding by the European Union and the African Union should compensate for the lack of initiative in certain parts of the territory and in certain sectors. It is not a question of competing with private sector SEZs in coastal areas, but of compensating for what the private sector does not spontaneously achieve in remote areas.

This cooperation could include actions at all levels: local, national, regional, continental. It could go through twinning programs, sponsorship with European clusters and poles, etc. This cooperation would be enriched by the proposals of a permanent working group, bringing together experts and businesses.

4. CONCLUSION: CONTINUING THE WORK

The work on SSEZs in Africa: "Special Secure Economic Zones, the role of African SEZs in accelerating co-development with Europe" must be continued. Several initiatives, some of them outlined by the partners that engaged with IPEMED to produce this report, will be or should *quickly be initiated:*

- The establishment (in Tangier, as suggested by Mr. Elalamy) of a **joint European Union - African Union laboratory** on SSEZs. Equipped with capacity for analysis, training, advice, benchmarking and intervention, it could, by labelling these Special Economic Zones, participate in the emergence of a specific African model. This initiative could be complemented by the establishment of an **Institute of Advanced Industrial Development Studies** for Africa. The preparation of this project could, if he agreed, be entrusted to Mr. Moubarack Lo, Director General of the Bureau de Prospective Economique (BPE) of Senegal, and author for this report of a contribution on *the 12 rules gold to make Special Economic Zones engines of Africa's accelerated productive transformation*. Its audience would be the directors of SEZs and public officials in charge of industrial development.

- The constitution of consortiums of companies, mainly African and European, is the second proposed initiative. Those companies (operating in construction, water, energy, logistics, security, etc.) would be invited to draw technical and commercial offers intended for African Heads of State and development agencies, to build and, if necessary, during the initial years, participate in management of different SSEZ models adapted to each country, to each activity and to each geographic area. This offer would make the security of the various stakeholders a real added value, both effective and inclusive. External assistance in the creation of SEZs is often necessary considering the relevance of industrial choices and of the infrastructure that must be associated with them, but it can only be successful and beneficial to the country if it is associated with skills transfers and implemented cooperation between companies of the area and local businesses.

- These proposals should be discussed during the **Euro-African international webinar which will take place on September 28 2021 from 10:30 am to 12:30 pm** (Paris time). Co-organized with AEZO, it is targeted to all stakeholders (political, industrial, scientific) interested in the assessment and evolution of the SEZ model. This webinar will be introduced and chaired by Mr. **Moulay Hafid Elalamy, Moroccan Minister of Industry**, **Trade, Investment and Digital Economy.**

APPENDIX

Appendix 1. SEZ by region and country

Appendix 2. Public cost-benefits of SEZs (UNCTAD)

Appendix 3. Interviews with experts and promoters of ZES

Appendix 1. SEZ by region and country

Southern Africa

Southern Africa is made up of all the territories south of the African equatorial forest. It includes countries close to South Africa (63% of the region's GDP), strongly influenced by it when integrating into globalization. A common feature is the presence of diversified mineral resources: vanadium, platinum, diamond, gold, cobalt. Oil is rarer (Angola) but huge offshore gas deposits have been discovered on the northern coast of Mozambique.

According to UNCTAD, southern Africa has 35 SEZs, of which 8 are at the planning stage:

Zambia: 6 SEZ	Mozambique: 2 SEZ	Angola: 1 SEZ
South Africa: 8 SEZs	Zimbabwe: 8 SEZ	Botswana: 8 SEZ (8 projects)

- **Zambia:** a country with coveted mineral resources

This East African country of 17 million inhabitants is the one with the largest foreign direct investment of China on the continent. There are several industrial parks with a tax derogatory regime: 6 according to the UNCTAD, which are assimilated to SEZs.

It was one of four African countries that had been selected by China to host an ETCZ, located in *Chambishi* on a 40,000 ha (40 km x 10 km) area, 70 kilometers from the Congolese border, on the road that extracts copper ores and rare metals from the DRC. This SEZ is home to the largest copper smelter in Africa. It is also the largest Chinese foundry in the world. To date, it has attracted $2.7 billion in investment. It would have 74 companies (mining and building materials) and 10,000 jobs.

The ETCZ regime to which the SEZ was subject, which grants exceptional rights to Chinese companies, has been a source of serious tensions with local communities, in particular due to discrimination in hiring.

- **South Africa:** Industry-oriented SEZs

According to UNCTAD, Egypt remains the number one inward FDI in Africa with $6.8 billion in 2018; it is followed by South Africa with $5.3 billion. The SEZs contribute to this dynamic.

Rather modest SEZs

AEZO identifies 9 SEZs in South Africa. Only one, the *Coega industrial development zone*, has a large size. Established in 1999, it occupies an area of 11,500 hectares and employs 62,000 people. It is located near Port Elizabeth (deep water port) in the province of Eastern Cape. Its vocation is the multi-mechanical industry (light, medium and heavy). It is considered a success: "This *SEZ has succeeded in attracting leading international players to high value-added sectors, creating many jobs and helping to boost the country's exports. It has attracted many foreign investors.*" The average workforce is 1,500 to 2,000 people per company. The park has just opted for diversification towards aquaculture.[41]

Two major new projects

Major new projects will transform two SEZs. The first is the *Musina-Makhado SEZ.* Its main funder is China. The Chinese group Shenzen Hoimor will invest 3.6 billion euros in a metallurgical complex. This production site, which generates 22,000 direct jobs, will provide the local market but also some export zones with high-quality steel. This is the first major project for this region of Limpopo which will be followed by a petrochemical complex, an intermodal exchange hub and an agri-food factory. The President of the SEZ plans to combine housing, schooling, and health services in partnership with government authorities. Another project is expected to see the light: a major extension of the current *Tambo Gold SEA* in the province of Limpopo in the far north-east of the country. It was inaugurated in 2019 by the South African President. The SEZ is part of the new National Automotive Plan, the South African Automotive Masterplan,[42] which has set a target of contributing to 1% of world vehicle production and producing 60% of automotive components locally by 2035. The SEZ will contribute to the success of the FMCSA company's plan to become the largest Ford Ranger pickup plant in the world, after the factory in Thailand, which is currently the largest production site.[43]

41 Europe Africa 2020 Observatory, op. Cit.

42 The Africa Tribune, 28/07/2018.

43 Business France.

The *RBIDZ* located in the town of Richards Bay should be mentioned as good example of SEZ with regional development goals.[44] Its purpose is to stimulate industrial development, upgrade skills, technology transfer, broadening the region's basket of export products and promote regional development in the KwaZulu-Natal region.

- **Mozambique:** new ambitions for SEZs

Mozambique, a country of 30 million people, is a low-income country, ranked 44th out of 54 African countries. Its resources are mainly mining, gas and agri-food. After years of strong growth, Mozambique's economy has slowed. The country relies on the attractiveness of its SEZs and industrial parks to boost its industrialization. The SEZs are to host activities ranging from extractive industries to agri-food.

Nacala is the largest one in terms of jobs:14,000 in textiles and building materials. *Buelulane Industrial Park* (in the south of the country, near Maputo) is based on a public-private partnership between the government agency for investment and export, and investors Suisso-Mozambicans. It attracted 42 companies from 17 different countries, which contributed to the creation of 6,500 jobs. Its main activities are textiles and agri-food.[45]*Mocuba*, the most recent SEZ, is also focused on textiles and agri-food.

- **Zimbabwe:** the beginning of an interest

In Zimbabwe, a landlocked country of 14 million people, several SEZ projects have emerged in recent years. These include *Bulawayo Belmont* which has textile and leather work activities, *Imvumela, Fernhil* (tea and coffee), *BeiteBridge* (fruit, ice cream factories), *Sunway city integrated* (light industry).

- **Angola:** specialized SEZs (mechanical)

In the last decade, the China-Angola relationship has been based on a "resources versus infrastructure" model. It was put at risk in the 2010s by the fall in the price of a barrel. Chinese financing "without political conditions" has allowed the reconstruction of Angola's infrastructure and the birth of flourishing economic exchanges between the two countries; but it has also generated great fragility.

Angola, the continent's second largest oil producer after Nigeria, has been in recession for the past five years. According to AEZO, three industrial areas of more than 1,000 hectares have been opened: *Luanda Bengo, Viana Industrial Park* and *Futila Industrial Park.*

The last two date from 1998; their activities are mainly agribusiness and small industry.

The *Luanda Bengo zone*, created in 2009 by the Angolan government, is a state-owned enterprise covering an area of 8,300 hectares. 2,100 jobs have been created there, with a target of 5,000. A Volkswagen assembly plant is to be built on an area of 2 ha. At its start-up, it is expected to reach a production capacity of 5,000 vehicles per year. Investors from India, South Korea, Eritrea, the United Arab Emirates are also interested in this SEZ. Another project is the creation of an agricultural tractor assembly plant with an annual production capacity of 3,000

[44] Interview of M. Mapu (Annexe 3)

[45] Webinar of March 24, 2021 organized by the Africa Economic Zones Organization (AEZO) in conjunction with Beluluane Industrial Park and Free Trade Zone on the Mozambique experience.

units, for an investment of $ 65 million. But are the industrial prospects that foster the interest in this SEZ or the opportunities arising from oil reserves?

- **Botswana:** from annuity to industry with SEZs

In this small country of 2 million people, the SEZs were decided through economic programming such as *Botswana's Vision 2036.* Despite a call for economic diversification, diamond mining remains the engine of economic growth; it is the valuation of mineral resources that has been identified as the essential element of future SEZs. According to UNCTAD, 8 SEZs are being planned; spaces have been reserved for them.

East Africa

Being on the new Silk Road, several of these countries have in common to be attractive to Chinese investors, both for manufacturing production and for the communication prospects - ports, roads, railway lines - that they offer construct, pre-finance and manage especially for the coastal spaces. Several of the countries in the region have developed an industrial strategy to take advantage of the Chinese implementation of SEZs. Ethiopia's largest economy accounts for 22% of regional GDP.[46]

According to UNCTAD, East Africa has 111 SEZs, of which 4 are projected.

- Ethiopia: 18 SEZ	- Mauritius 1 SEZ
- Kenya: 61 SEZ	- Madagascar 4 SEZ (2 projects)
- Djibouti 3 SEZ	- Rwanda 2 SEZ (1 project)

- **Ethiopia:** a proactive SEZ policy

Ethiopia is one of the most populous countries in Africa (115 million people). It is also the one with the largest number of SEZs.[47] UNCTAD counts 18 of them, AEZO 15 at the beginning of 2021. After those of *Bole Lemi* created in 2014 and *Hawassa* in 2016, ten have emerged, mainly around the years 2017 and 2018. The majority specialize in one type of production, most often textiles and clothing. Ethiopia is attractive for labor intensive activities, with wages up to ten times cheaper than in China, and tariff-free access to European (LDC) and North American markets (AGOA treaty but questioned by the Trump administration at the time). The proximity of the port of Djibouti[48] reinforces Ethiopia's interest in China. It has made it a privileged

[46] African Union/OECD Commission (2019), "Synthesis: Policies for Successful Productive Transformation in Africa" in Africa's Development Dynamics 2019: Acheiving Productive Transformation, OECD Editions, Paris/African Union Commission, Addis Ababa.

47 Sources: Unctad, Africa Economic Zones Organization (AEZO) and diverse.

48 Source: Business France.

partner for several reasons: its size, the wage cost, its cotton and leather resources, electricity at a competitive price (thanks to the Great Renaissance dam on the Blue Nile), and its position on the new silk shipping routes.

The creation of SEZ represented the centerpiece of the Ethiopian government's industrial program. Its ambition was a general development of the country, by spreading these different SEZs throughout the territory. The first law regulating the creation of ZES was enacted in 2012.

In its development policy, education and health have also been given an important place. The country has grown from two public universities to 32 in fifteen years and has hundreds of technical training centers, dispensaries, and hospitals.

A first Sino-Ethiopian experience: The Eastern Industrial Zone

This first experience of an (Sino-Ethiopian) industrial park in the suburbs of Addis Ababa was based on the principle of duplication of Chinese SEZs. The area was initially opened to Chinese investors exclusively. It is one of the fifty ETCZs that the Chinese government had planned in 2006 to create on different continents, four of which in Africa. It differs from future SEZs in that, in the case of enclaves reserved for Chinese investors, it was up to the Chinese partner to build the infrastructure. It is therefore not managed by the Ethiopian SEZ management administration, the Industrial Parks Development Corporation (IPDC).

This model has been criticized for not being able to generate *"neither Ethiopia's same inclusion in the world economy, nor the same technological catch-up, nor the rise in value chains"*. [49] In agreement with China, the Ethiopian government will be free with the creation of new partnership zones.

This first ETCZ was built around a Chinese company called *Huajian*.[50] While positive results are now being seen, its start-up has been a source of many disappointments for both partners. "Ethiopia *has a lot of leather, manpower and electricity at competitive cost*, "*explained the group's vice-president, " but we were not aware of the difficulties we would face. And to list the cost of transport, inputs from the port of Djibouti, untrained personnel and the heaviness of the administration*." This15-hectare industrial park was dedicated in its early days to the only Chinese company Huajian International Shoe City Plc, which remains one of the largest employers in the area. More than 6,000 pairs of leather shoes are produced every day. They are exported mainly to the United States to reputable brands (Guess, Toms, Naturalizer, Marc Fisher…). The SEZ is now home to 85 companies, including some 20 Chinese companies covering a wide range of activities ranging from shoe and clothing manufacturing, automotive and steel, cement, and packaging. Investors are also of Turkish, Saudi, Swedish, British origin etc.

Towards the first Ethiopian SEZs: Hawassa and Bole Lemi

The responsibility for this new generation of SEZs will fall to the Ethiopian government. Chinese construction companies will provide infrastructure and Chinese companies will set up there, followed by others. The SEZ *Bole Lemi Industrial Park*, located some 20 kilometers from the capital and created in 2014, had a rapid take-off since, in two years, 12 international companies in the textile-clothing and leather sectors have settled there. The park was built by the Chinese company CGCOC on World Bank financing. A Chinese investor initially played a

49 Thierry Pairault, Op. Cit.

50 The Chinese group's headquarters are in the city of Dong Guan, in China's Guangdong province.

driver role. Today there are many foreign companies, which are sometimes gathered in "clusters".[51]

Hawassa Industrial Park (275 km south of the capital), which is dedicated to textiles, occupies 1.3 hectares, offers 21,000 jobs, and is home to 23 Chinese, American, European, Indian and Sri Lankan companies as well as six local companies. The Zone has been developed initially thanks to a major Chinese investor. The project is owned by Ethiopia Industrial Parks Development Corp. and the Chinese investor China Civil Engineering Construction Corp. Most of the companies have relocated activities that operate in different parts of Asia. It is home to the world's largest clothing manufacturing companies.

A second wave of SEZs

A dozen new SEZs have been installed since 2017. Their characteristics are similar to previous ones, namely a strong specialization in the clothing sectors with the SEZ of *Dire Dawa, Jimma, Mekelle, Kombolcha, Adama*. Nevertheless, we are witnessing a diversification of the activity in the *Arerti SEZ* with building materials, *Lenu National Cement share* or in *the Kilinko* SEZ with pharmaceutic production. Agri-food is now one of the specializations of some SEZs such as the recently inaugurated at *Yirgalem.*

7 reasons for Ethiopia's industrial boom[52]
- A real industrial strategy - Free and secure investors - A willingness to fight corruption - Proximity to consumer markets - A large, young, and low-cost workforce - Abundant raw materials to supply the industry (hydrological resources, livestock, etc.) - Available, secure, and cheap energy.

- **Kenya:** coveted for its geographical position

With a population of 50 million, Kenya derives its resources mainly from agriculture, despite a high percentage of arid or semi-arid land. Agriculture employs 70% of the population and contributes to 40% of GDP, providing 56% of export earnings. It is based on a few large so-called plantation sectors: tea, horticulture, sugar cane… Downstream, a processing industry has developed: processing cereals, fruit juices, sugar, dairy products, refined oils, beer. There is no industry other than food industry.

Kenya is seen as a gateway to the interior of Africa (including Rwanda), and as such, it is seen as strategic for China, which also appreciates its agricultural wealth and energy resources. These reasons explain the investments made by the Chinese, especially on the Mombasa-Nairobi railway line for a fast train (4 hours).

51 Les echos.fr/2014/06/ l'éthiopie-nouvel-atelier-du-monde

52 « The 7 main reasons for Ethiopia's industrial boom, www.tunisienumérique.com, 26/11/2017.

How many SEZs in Kenya?

UNCTAD listed 61 *Export processing zones* (EPZ) which it classified as SEZs, 10 of which were dedicated to a single company. Most of these 61 zones do not meet the commonly accepted definition of SEZ.

In contrast, in accordance with the law on SEZs adopted in 2017, four SEZs (as defined by the current definition) are or will be located in Mombasa, Kisumu on the Lake Victoria shore, and two on the coast, respectively, in the Lamu area at the Lapsset Corridor outlet. The latter are involved in the development of the coastal region of Lamu with the expansion of a deep-water port and the construction of refineries. Their purpose is the export and production of energy.

A special mention must be made of Konza Technopolis, formerly called Konza Technology City, which is a major technology hub planned by the Kenyan government to be built 64 km south of Nairobi, on the way to the port city of Mombasa. It reflects one of the Kenya's comparative advantages: the number of its digital business incubators.

Also worth noting is a project of SEZs in the form of a joint venture between the Kenyan company Africa Economic Zone and the Chinese group Guangdong New South. Representing significant indebtedness from China, and on top of heavy IMF loans, it has created mistrust of China among the Kenyan population.[53]

Cross-border cooperation

Ethiopia and Kenya recently announced their intention to convert the Moyle region into a cross-border free trade area. In 2018, Burkina Faso, Côte d'Ivoire and Mali launched an SEZ covering the border regions of the three countries (see below).

- ## Djibouti

The Republic of Djibouti (1 million inhabitants) has a strategic interest for the SEZs to be located on the Bab-el-Mandeb Strait, one of the busiest maritime corridors in the world which controls access to the Red Sea. This situation has led the Djibouti government to pursue a growth model centered on the development of infrastructure (ports, railways). These projects are largely financed by China Merchant Ports, which has the right not only to develop the Djibouti free zone, but also to operate it and earn money from the users of the zone. The benefits for the Djiboutian economy are considered minimal since those users (its own customers) will primarily be Chinese and not Djibouti.[54] The authorities plan is to transform the country into a center for the transit of minerals and goods with Ethiopia, and to make it a digital hub. A railway line between Djibouti and Addis Ababa was built by the Chinese.

Strictly speaking, there is therefore no SEZ in Djibouti, but free zones or ports such as Djibouti free zone, Khor Amado free zone, and the Djibouti International free zone.[55]

[53] It resulted in the widely shared #StopGivingKenyaLoans initiative

[54] Thierry Pairault 2019, op. cit.

[55] Sources: AEZO and UNCTAD.

- **Mauritius:** a special link with Chinese textiles

Over the past decade, Mauritius has been the third destination for Chinese investors in the East Africa-Indian Ocean area, behind Kenya and Ethiopia. In addition, Mauritius is the first African country to have signed a Free Trade Agreement with China. The Sino-Mauritian agreement covers trade in goods, investment, services and economic cooperation. Several dozen Chinese companies are already present in Mauritius, like the Bank of China, the Yihai group or even Huawei. The Chinese presence best materializes in the SEZ project called Jinfei, the smart city.

The SEZ of Jinfei

The *Jinfei economic and trade co-operation zone* is similar to an ETCZ. It is named after the consortium that was responsible for its development, the company Shanxi Jinfei investment co (registered in 2009 in China as an investment company). It has been allocated 211 ha of land for 93 years to develop a Smart City. The rest of the land will become a free zone, carried out in joint venture with the Mauritian government. The Zone was designed for the export of manufactured products, which explains its location close to a port. Its vocation was the production of textile-clothing, machinery, and high-tech services. The Mauritian smart-city JinFei reflects the dynamism of the Sino-Mauritian relationship. *"The trade and economic cooperation zone of Mauritius, Jin Fei, is a new stage in the consolidation of friendship between Mauritius and China"*, welcomed Joe Lesjongard, Minister of Tourism of Mauritius, at the end of 2019 by inaugurating a brand-new hotel park.

Its creation coincided with the origin of a social crisis, with 250 families having been expropriated and not compensated. According to the Europe-Africa 2020 Observatory, it *"illustrates well the difficulties encountered by a SEZ project when the institutional framework is poorly defined at the start. For seven years, the Zone stagnated due to a struggle for influence between India and China."*

However, by relying on other forms of production such as industrial clusters-districts, Mauritius has experienced strong development, to the point of having reached the rank of high-income economy in 2020, according to the index of the World Bank.[56] The island is involved in various SEZs in Africa: Ivory Coast, Senegal, Ghana, and Madagascar.

- **Madagascar:** Protest takes hold

Madagascar, the largest island in the Indian Ocean, (27 million inhabitants), like Mauritius, experimented the export processing zone regime in 1990. The free zone had a high significant macroeconomic impact in terms of exports and jobs. Thanks to it, Madagascar became the second African exporter of clothing products behind Mauritius (before the political crisis of 2002).

SEZs challenged in principle

New FDI-fiscal regimes were adopted in 2008 (decree of application in 2015) and a new law was to be acted. The text stipulated tax benefits, VAT, and customs exemptions and a 20-year stability clause for investors who would settle in certain areas. But in March 2018 it was rejected by the High Constitutional Court. This project had attracted strong opposition, opponents arguing that one of the factors behind the failure of SEZs was "the *non-integration of the local*

56 See, for example, Michel Dimou and Alexandra Schaffar, « From the free zone to the industrial district a reflection on the trajectory of local production systems from the case of Mauritius, International Journal P.M.E., Volume 18, Number 1, 2005.

private sector into the various projects within the zone". Thus, the "*open" SEZ* meaning access to land for foreigners, and the "*controlled" SEZ*, namely the one in which the land was not to be put up for sale and had to remain for nationals (State or private) were placed in opposition.[57] China is Madagascar's largest partner, with Chinese companies particularly coveting its fisheries resources.

A free zone in Madagascar

The *Madagascar free zone*, (which is not a SEZ) is the home to 226 agribusinesses, of textile-clothing companies, and the source of 100,000 jobs.[58]

- **Rwanda:** a success story of SEZs for the green economy

A small landlocked country of 12 million people, Rwanda has managed its growth well in recent years. Medium / long-term orientations (cf. Rwanda 2020 followed by Rwanda 2050) have been adopted. They have placed innovation and new technologies at the center of their objectives, and have contributed to its development. An agreement with Djibouti to develop infrastructure and production units reduced its isolation. What role have the SEZs played in Rwanda's development? The plan was to have nine, but only one is operational, the Kigali SEZ.

The SEZ of Kigali (KSEZ)

Since its creation in 2013, KSEZ has boosted Rwanda's economy. Its businesses have seen sales soar; added value increased by 200% and the number of permanent employees by 18%.[59]

Located on an area of 276 hectares, this SEZ hosts 47 companies employing 3,100 persons. One of its priorities is to welcome foreign investors in green technologies. A Climate Innovation Center should be installed there. This center is called upon to provide coordination and advisory services to accelerate the deployment of technologies in companies to reduce carbon emissions. The strategy also proposes actions to support the green economy. It advocates for a clearer tax code as well as for import duties exemption rules for energy-efficient technology components.[60]

An agreement between Rwanda and Djibouti was to lead to the creation of a joint venture. It should be installed on the KSEZ, in return for the provision of land in the port of Djibouti.

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[57] Holijaona Raboana, President of Emergence of Madagascar, insisted: " for an SEZ to be effective and successful, the Malagasy population and all actors in economic, political and social life must be concerned. Directly or indirectly... An Economic Zone should ultimately be a new city and not a province of another state, or a large city belonging to a private foreign nationality; the state should be in the hierarchy of the authorities managing the area, the main administrator. Land should be given priority to nationals who can be the promoters of the area as a stakeholder at the same time. However, other parameters such as finance and the legal aspect may be "open." However, it all depends on the general policy of the current state in the construction of a ». Tribune madagascar.com, SEZ: Fundamentals, issues and opportunities, Saturday, April 30, 2016.

[58] Source: AEZO

[59] "Africa's productive transformation in a changing world," Africa's Development Dynamics 2019, Successful Productive Transformation OECD.

[60] Recycling and reusing economically valuable waste, such as plastics and organic waste in fertilizer and fuel, is also supported by the government, cf. Fédoua Tounassi, "Green growth at the heart of Rwanda's boom", The Africa Tribune,19/11/2016.

Central Africa

This region has a homogeneous economic situation with a strong dependence on raw materials which represent 85% of the region's exports in 2017, against 51% for the rest of the continent.[61] The capacity of Central African countries to create added value and attract investment is one of the weakest in Africa.[62]

According to UNCTAD, this region includes 18 SEZs, 6 of which are in the draft stage. Behind these figures lie multiple realities, both successes and difficulties. The assessment below details the situation of SEZs in each Central African country, with the exception of the Central African Republic and Sao Tome and Principe, for having no SEZs nor SEZ projects on their territories.

Gabon: 2 SEZ (1 project)	Republic of Congo: 4 (4 projects)	Chad: no information	Cameroon: 0 SEZ
D.R. of Congo: 1 SEZ	Burundi: 0 SEZ	Equatorial Guinea: 2 SEZ (1 project)	

[61] African Union/OECD Commission 2019, op. Cit.

[62] Based on the World Bank's Ease of Doing Business Index

- **Gabon:** a successful SEZ in Central Africa

With just over 2 million inhabitants, Gabon is one of the most prosperous countries in Africa. It has significant forest resources and abundant oil. Hydrocarbons represent nearly 50% of GDP, 60% of tax revenues and 80% of exports. The second economic sector, in terms of GDP, is that of timber, which accounts for 13% of exports and 60% of non-oil export earnings. The flora and fauna of Gabon are remarkable because the equatorial forest is still relatively well preserved there.

According to UNCTAD, Gabon has two SEZs, one of which is planned and the other active: the Nkok SEZ. Nkok is an internationally recognized success ("woods products" award), the Gabonese government having wished to create a SEZ on wood processing in order to exploit the country's natural resources. This zone is managed and developed by the company Gabon Special Economic Zone SA (GSEZ), a public-private partnership between the government and Olam International, a Singaporean company.

Today Nkok employs 4,500 people. It includes industrial, commercial, and residential spaces as well as a training center that can accommodate up to 1,000 people. The area is crossed by a railway which facilitates the export of its production and has quality telecommunications services. According to the administration, the area has attracted 150 investors of 17 different nationalities. In 2019, 20 industrial units entered the zone and several more are expected, which proves its dynamism.[63] Recently, environmental considerations have emerged in the SEZ with the establishment of two companies specializing in plastic recycling.[64]

Despite the positive image conveyed by the SEZ, a gray area remains over the situation of Indian migrants working for the Indian timber company Accurate International, which, according to UN experts, amounts to forced labor and to human trafficking.[65]

- **Democratic Republic of Congo:** rehabilitating IEZ in SEZ

The Democratic Republic of Congo, a huge country (about the size of Europe), is full of wealth: wealth of the soil, the subsoil (copper, rare metals), water flow and a river network, vast expanses of water full of fish in the large lakes in the east of the country. So much wealth has not made industry a priority. And for the industry to develop, the basic conditions must be created with water, transport, and electricity networks. The Democratic Republic of Congo has a SEZ in the eastern part of Kinshasa. The *Maluku SEZ* project was born in 2012 and should be operational in 2022, according to the representative of the Special Economic Zones Agency in the DRC.[66]

The choice of location, in the heart of the industrial zone of Kinshasa, was made to benefit from the market of 12 million inhabitants of the capital. In addition, the connection to national and international transport is good, the proximity of the Congo River facilitates the evacuation of large tonnages. Finally, the industrial zone of Kinshasa allows a sufficient supply of electricity, with a minimum of necessary installations. The site has a SNEL substation benefiting from the arrival of the 220KV high voltage line from Inga, the Bas-Congo hydroelectric power station.

[63] Sandrine Gaingne 2020, op. Cit.

[64] Inès Magoum, "Gabon: the greener Nkok Special Economic Zone?", *Afrik21*, 2021.

[65] "Gabon: A slave company in the Nkok SEZ?" *Libreville.com*, 2019.

[66] "The Maluku pilot SEZ will be operational in 2022," FAAPA, 2020,

The substation has a 220 / 30KV transformer, which is only used at 10% of its capacity. The construction of a new substation is planned to provide the SEZ with a total power of 60 MVA with 100% redundancy.[67]

- **Republic of Congo:** acceleration

With barely more than five million inhabitants, Congo-Brazzaville is a country with low population density (on average 13 inhabitants / km2). Most of its population is urban (62.2% of the population); it is concentrated in the two main cities of the country, Brazzaville and Pointe-Noire, located in the southern part of the country. The Congolese economy is mainly based on the exploitation of hydrocarbons along the Atlantic coast. Oil exploration and production, concentrated in the outskirts of Pointe-Noire, make it the economic capital of the Republic of Congo.

Wood is an important part of exports of Congo, whose surface is covered with forests to nearly 60%.

The Republic of the Congo is the country in Central Africa that is expected to have the most SEZs. Four in number, the Pointe-Noire, Igne, Oyo-Ollombo and Ouesso SEZs are all under construction. The idea of creating SEZs dates from the early 2000s. It took off ten years later with the creation of the Ministry of SEZs in 2010 and it became operational in 2016. The legal and regulatory framework of SEZs was built up little by little until this year when two new laws on SEZs came into force in January.

The *Pointe-Noire SEZ* is of interest to China, which sees it as an opportunity to have a bridgehead in Central Africa and especially in French-speaking Africa. The Sino-Congolese Bank for Africa (BSCA) was partly created for this purpose and started its activities in Brazzaville in 2016. It should ensure the provision of financial services to the SEZ. In 2018, a framework agreement was signed between the China Overseas Infrastructure Development and Investment Corporation (COIDIC) and the Congolese ministries of planning, territorial equipment and major works and Special Economic Zones. However, very quickly tensions arose over land. COIDIC wants the developer to own it while the Congolese authorities want it to remain state property. No agreement has yet been reached on this matter.[68] Further complications arose when new Chinese investors showed up. Beijing Fortune Dingheng Investment Co Ltd wants to build an oil refinery in the SEZ. The location initially planned for the installation of this SEZ does not allow it for several reasons. It is close to the Société Nationale des Pétroles du Congo (SNPC); the construction of a second refinery poses environmental and societal problems. In addition, the Chinese company plans to source its oil from the port terminal in Djéno, which is opposite the city and would require the construction of pipelines. Another site for the construction of the SEZ had to be considered.

The other three SEZ projects are less developed. Several locations have been studied to build the *Igne SEZ*. The one chosen is located in Maloukou-Ttéchot, this choice being explained by the ease of access to infrastructure.

[67] "Kinshasa/Maluku: Maluku ZES," AZES (Special Economic Zones Agency), 2020.

[68] Muriel Devey Malu-Malu, "Congo. The Pointe-Noire ZES is looking for developer and investors," EHESS 2021 seminar.

The *Oyo-Ollombo SEZ* (processing of agricultural products) is the largest of the four SEZs. It is located 400 km from Brazzaville, on an axis allowing trucks to go to Cameroon and close to the river port of Oyo and the international airport of Ollombo.[69]

The Ouesso SEZ is to focus its activity on wood processing and agribusiness.

These SEZ projects raise many questions among Members of the Parliament. They question the relevance of establishing SEZs specializing in agriculture and forestry in areas where agriculture is not very developed. [70]

- **Burundi:** broken down

The economy of Burundi, a small country with a population of 12 million, is predominantly rural and relies on agricultural exports and livestock. Agricultural production is divided between products intended for export, such as coffee, tea, cotton and food crops. The coffee sector represents the country's primary resource (80% of exports).

UNCTAD does not identify any SEZs in Burundi except one which is in planning. This is the project *Warubondo SEZ* which was created in 2017. The area should extend over 500 hectares on the shores of Lake Tanganyika. This location is strategic, as it is close to the main port of the lake, as well as to the Melchior Ndadaye international airport, facilitating exports to neighboring countries and further afield.[71] However, this project faces many difficulties. The construction site turned out to be a swamp, which complicates the smooth running of the work. The road to Warubondo is impassable for construction trucks and even for pedestrians due to the mud.[72] In addition to this issue there is a lack of communication between the government and the main investor, PROCERV, a company from the United Arab Emirates.[73] The dialogue is all the more more complex as no member of society lives in Burundi. The government therefore required the presence of PROCERV members on site in order to prepare viable construction plans.

- **Chad, Equatorial Guinea and Cameroon**

UNCTAD reports 9 SEZs (or industrial Zones) in **Cameroon** and 2 in **Equatorial Guinea**. It counts zones of different nature under the name of SEZ. In Cameroon they are industrial zones, and free ports in Equatorial Guinea.

In 2019, the government of **Chad** initiated steps to build a SEZ in the south of the country; a delegation of senior officials visited the Gabonese SEZ of Nkok for inspiration.[74]

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[69] "Four SEZs to accelerate the market towards development in Congo," *Perspectives*, 2018.

[70] "Adoption of the laws of creation of the Ignés Oyo-Ollombo Ouesso SEZs," *Vox Congo*, 2019.

[71] "Warubondo: A Strategic Location," *B-NP Magazine*, 2020.

[72] Ntibarikure Mathias, op. Cit.

[73] "Special Economic Zone: Only Shadow Areas," IWACU,iwacu-burundi.org

[74] « Chad plans to create a special agricultural economic zone modelled on the Gabonese area of Nkok," *sour*, 2019.

The Guinean government has mentioned the possibility of building a SEZ in the so-called Three Borders region. This border area between Equatorial Guinea, Cameroon and Gabon was discussed during a meeting on integrative projects.[75]

Finally, Cameroon adopted a decree, in April 2019, which defines SEZs, their creation and governance procedures, as well as conditions for setting up these zones.[76]

[75] « Equatorial Guinea aware of the value of building a free zone at the three borders", *The new Gabon*, 2019.

[76] ANDZONGO Sylvain, *Cameroon sets out how to create and manage economic zones on its territory*, Investing in Cameroon.

North Africa

In North Africa, ports and maritime communication routes have been particularly valued by Morocco and Egypt, which are the two countries that host the largest number of SEZs.

According to UNCTAD, North Africa has 18 SEZs (or free zones), including 1 in the draft stage:

Algeria: 1 SEZ (project)	Mauritania: 1 SEZ	Tunisia: 0 SEZ
Egypt: 10 SEZ (1 project)	Morocco: 8 SEZ	

- **Egypt:** a privileged situation

Regarding Egypt, UNCTAD has identified 10 industrial parks with tax-free regimes, some of which can be assimilated to SEZs. The others are Free zones. As Egypt benefits from the control of a strategic axis for world maritime trade, the Suez Canal, since the 1970s the Egyptian

government has sought to enhance this axis through free zones that it has multiplied77 diversifying the legislation. In the early 2000s, other types of zones were added such as Qualified Industrial Zones (ZIQ) and SEZs. The legislation on the latter dates to 2005. For a long time, China had decided to rely on a few countries, including Egypt, to implement its Silk Roads strategy and to install ETCZs. This program has been expanded with two large SEZs. China has seen, and continues to see, in the Egyptian market an attractive workforce for its companies, as well as a platform to reach other markets (Europe, Africa) with a major strategic asset: the Suez. It is in this context that the two countries have opted for a "comprehensive strategic partnership".[78]

In 2015, a presidential decree transformed the axis of the canal into the *Economic zone of the Suez Canal* (460 km2), placed under an authority in direct connection with President Al-Sisi. Supposed to become a global logistics, industrial and services center, this SEZ, part of a major projects policy, must create one million jobs by 2030, welcome two million new residents, generate $ 100 billion per year in annual revenue for the State, and attract 100 billion dollars of investments. Chinese and Russians have already taken concessions. The authorities' ambitious goal is to concentrate there 30% of Egypt's economic activity and to become one of the world's seven largest economic zones by 2035.[79]

Extending over 461 km2, the SZCZone is made up of 10 zones: 4 SEZs and 6 ports. Each economic zone has its own industry which has been defined according to its location and market.

The four economic zones are:

- Aïn Sokhna
- East Port Said
- Qantara West
- East Ismailia

The development of the Ain Sokhna zone is based on the pre-existing Chinese industrial zone project of TEDA (Tianjin Economic-Technological Development Area), which is part of the strategy of the New Silk Roads. The Zone is home to several hundred Chinese businesses. It was extended in 2016.

The intention of the authorities is to create, within each of these zones, clusters from leading companies to consolidate and extend value chains.

In a context where industrial parks of different types already exist, the construction of these SEZs has sparked movements among companies already present on the national territory and which have come to settle in the SEZs. This was the case with Chinese textile companies that left the Port Said free zone to settle in the Suez Canal zone.

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[77] Hala Bayoumi, Karine Bennafla, François Bost, "The Bet of Free Zones," In: *Atlas of Contemporary Egypt*, CNRS Editions, 2020, https://doi.org/10.4000/books.editionscnrs.37587

[78] The bilateral relationship that this partnership implies covers many areas: the cultural and academic field (development of Confucius Institutes and major exchange programs with Egyptian students) as well as technologies, medical equipment, etc. The China Africa Point, July 1, 2021

[79] "The Economic Zone of the Suez Canal," DG Treasury, French Ministry of Economy, Finance and Recovery, 2018.

- **Morocco**: anteriority and superiority

Morocco is the most attractive country for FDI of North Africa. Its policy of attractiveness has been based particularly on its port of Tangier.

The 22 SEZs[80] in Morocco have generated 500,000 new industrial jobs. These industrial zones, SEZs or related, are the result of an efficient state policy.

The *Tangier platform*, which includes several SEZs, is an original and performant development model. It initially relied on the will of an industrial player (Renault-Nissan) who wanted to set up a large-capacity automobile construction site, primarily intended for export. This strategy allowed for the emergence of an attractive pole for suppliers, subcontractors and even for competitors.[81]

The platform comprises 6 zones: *Tanger Free Zone (TFZ), Renault Melloussa Park, Tangiers Automotive City, Fidneq Commercial Free Zone, Tétouan Park and Tétouanshore.* They are managed by the TMSA (Tanger Med Special Agency). These SEZs have generated many investments and jobs: 90,000 jobs and 1100 businesses. *Global Free Zones of the year 2020* recognized TMZ as the second world's best free zone for FDI (after Dubai Multi Commodities Center - United Arab Emirates). In 2019, it was ranked fift. Such concentration of development capacities has brought resentment.

Other SEZs include the *Atlantic Free Zone*, 12 kilometers from Kenitra and *Midparc Free Zone* in Nouaceur (in the Casablanca airport area). The latter is the result of a concerted initiative by private companies whose ambition was to develop the area around a few high-tech sectors, particularly aeronautics with the Aerospace Moroccan Cluster (officially recognized by the public authorities). The *Atlantic Free Zone* is more automotive subcontracting oriented. The *Mohammedia industrial zone* (north of the Casablanca metropolitan area) hosts the electronics, mechatronics and mechanics cluster (CE3M).[82]

- **Algeria:** a gap to be filled

Algeria does not count with SEZs in the sense adopted by this report, with the Chinese Ministry of Commerce's plan to establish an ETCZ having failed. This country has therefore not succeeded in establishing SEZs despite a regulatory effort that began quite early.[83] Industrial parks are nevertheless present; AEZO identifies 9 of them.

- **Tunisia:** Competitiveness clusters are dominating

Like Morocco, Tunisia has played the free zones "card" for its industrial development and FDI attraction. But it has extended it according to an original model (close to that of Morocco),

[80] The latest estimates are 26 SEZs. The list provided by AEZO covers a very wide field of industrial parks, expressing the dynamism of Moroccan industrial policy. They can distort comparisons with other countries.

[81] Europe-Africa Observatory 2020, op. Cit.

[82] Paulette Pommier, "Clusters in the Maghreb - Between Globalization and Territorialization," *Studies - Analysis*, IPEMED, 2019.

[83] Thierry Pairault, Khadija Benbraham, "Algeria and the question of the 'Chinese's' SEZs", under the direction of Abderrezak Adel, Thierry Pairault and Fatiha Talahite, *China in Algeria: Socio-economic approaches*, MA Editions-ESKA, 2017.

combining the reception of investors and support for sectors through a national program called competitiveness or technopolitan program. The system is made up of ten competitiveness clusters, each cluster being defined by a geographic location and a sector of activity. Some of these hubs include tax-free business parks. This is the case with the Bizerte Competitiveness Cluster. These Poles (PPPs) should help in the formation of clusters.84 For example, the Bizerte Competitiveness Pole (PCB) is the coordinator of the Tunisian agrifood sector. Its vocation is therefore national. It brings together, alongside reception areas for foreign investors, an agro-food technology park and a network of partners. It is managed by a management company (a PPP) with majority private shareholders.

The whole synergizes research, training and production and seeks to create a dynamic of innovation, to promote partnership and to stimulate collaborative projects.

[84] Paulette Pommier 2019, op.cit.

West Africa

Most countries in the region are still not very industrialized, despite a subsoil rich in minerals such as gold and diamonds, uranium, and oil reserves. The region is an exporter of agricultural products, most of them unprocessed. Despite several initiatives, the industrial sector has not progressed. The region lags behind the world average in terms of innovation, global competitiveness, manufacturing value added in high and medium technology sectors. [85]

UNCTAD lists 55 SEZs, 32 of which were still a project in 2019. Nigeria weighs 70% in this group, with 38 SEZs or zones with derogatory tax regimes and 27 in the process of being set up.

According to UNCTAD, West Africa has 55 SEZs, 36 of which are in the planning stage:

Nigeria: 38 SEZs (27 projects)	Togo: 2 SEZ (1 project)	Guinee: 1 SEZ (1 project)
Ghana: 2 SEZ	Burkina Faso: 2 SEZ (2 projects)	Sierra Leone: 16
Senegal: 3 SEZ	Côte d'Ivoire: 1 SEZ	Gambia: 1 SEZ (1 project)

- **Nigeria:** potential leader of industrial SEZs

Representing 67% of the region's GDP, Nigeria, with a population of 190 million, is Africa's most populous country. Long considered the economic giant of Africa, this country is both rich and poor, rich because of the production of fossil oil and poor because this production does little to benefit its inhabitants.[86] The ambition of its major industrial projects, particularly

[85] OCDE, Africa 's Development Dynamics 2019, op cit.

[86] The New African Question, Hughes Bertrand, Harmattan, 2019

automotive, has remained largely unfulfilled, unlike in Morocco and South Africa. The space sector is a growing sector with opportunities, on the continent, in full expansion. Two great powers are vying for first place in assisting this country: India and China. Nigeria was the first sub-Saharan country on the continent to sign a strategic alliance with China.
According to UNCTAD, Nigeria should count with 40 SEZs or tax exemption zones, 27 of them being in the process of creation and more than 400 franchise companies.[87]

SEZs that are still little industry oriented

Within the established SEZ group, 5 are of more significant importance. These are the *Lekki Free Zone*, the *Guandong Zone*, the *Ladol Free Zone*, and the *Calabar Export Free trade Zone*.[88]

The *Lekki Free Trade Zone* is one of the fastest growing free zones among the world, according to a report by the World Bank. Its projects are an oil refinery, a fertilizer processing plant, an undersea pipeline project and a petrochemical plant.[89]

The Guandong Zone, in Ogun State, in the southwest of the country, is one of the first Chinese economic zones to settle in Africa. It belongs to the category of conceded zones. Its start-up was a source of recurring conflicts for insufficient infrastructure and lack of transparency in management.[90] The companies work in the transformation of raw materials (wood, agri-food) and light industry (furniture, construction materials, hardware). 56 companies are registered there, employing 5,000 people, recruited locally. This is a project fully funded and managed by Chinese companies. According to the Chinese correspondent,[91] "The Chinese team is responsible for the management of the area. It uses its industrial experiences to develop local industry and economy. Based on its positioning, the area selects industries that match local resources and business conditions. Industries that are lacking in the host country and that are developed in China are introduced there. They make it possible to improve cooperation between upstream and downstream industries by strengthening the effect of industrial clusters".

Located near the port of Lagos, the *Ladol Free Zone* is not strictly speaking an industrial area but an area of services and storage.

Calabar export Zone is one of the first SEZs in the country (with an effective start in 2001). Its first years encountered many problems: opacity of management, inadequate sanitary conditions, deficiency of communications infrastructure, disruptions in the electricity supply ... In addition, State officials deplored the lack of fallout in terms of jobs for the local workforce. On 220 hectares, the project is now to accommodate 78 companies belonging to various activities such as textiles, the processing of agricultural products, and oil-related activities.

A new type of SEZs (15, one per state) has been announced by the government. They would be geared towards medical tourism in order to combat exits from the country for treatment abroad, which is costly in foreign currency.

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[87] The Nigerian Export Processing Zone Authority, more commonly known as NEPZA, was created in 1992 to propel the national economy, diversify sources of income (other than oil) and accelerate industrialization.

[88] Source: AEZO

[89] Europe-Africa Observatory 2020, op.cit.

[90] In 2016, the conflict was resolved by a decision by state and Chinese governments to remove the Chinese manager from his responsibilities. Guangdong New South Group acquired 51% of the shares of China Africa and was awarded the management of the area.

[91] *French People cn* 24/12/2019

- **Ghana:** seriousness

A steadily growing country, Ghana's attractiveness for FDI is one of the highest in the region. Its economy is based on the export and processing of soil (precious stones, oil and natural gas) and agricultural (cocoa) resources, which provide it with a trade surplus. Its main trading partners are India, China, and South Africa. It is also a digitally advanced country.[92]

Various public policies aim to strengthen its export capacity and its industrialization. Thus the *Ghana Export Promotion Authority* (GEPA) is responsible for supporting the development of non-traditional exports (apart from hydrocarbons, cocoa and gold). For its part, the *Ghana Free Zones Authority* (GFZA) regulates the activity of the 230 companies registered in its register. To benefit from the associated reduced taxation, companies must export 70% of their production, but they remain free of their geographic location. The government's 1 *District 1* Factory program aims to set up a factory in each of the Ghanaian districts, and aims, among other things, to promote the substitution of local products for imports and to participate in the development of Ghanaian exports.

Ghana has adopted a support plan for the SEZs, and it is considered to have succeeded in its policy. It has 4 SEZs [93] or EPZ (according to UNCTAD), the most important being the *Tema Export Processing Zone*.

The Tema EPZ

Created at the end of the 90s, it opted for multi-activities, without synergies between them (textiles, plastic processing, call centers, IAA, DVD manufacturing and credit cards). The area benefits from the AGOA (African Growth and Opportunity Act) agreement which offers privileged access to the American market. This is where the largest West African fish processing company is located. The number of businesses is said to be 299 and jobs exceeding 2,000 (source AEZO).

The other zones are: *Shama export processing zone* (petrochemicals and pharmaceuticals), Sekondi processing zone (light industry), Ashanti technology, a park mainly focused on cocoa processing), and Dawa industrial zone (light industry and pharmaceuticals), the last one near of Accra, being the most recent.

- **Senegal:** emerging SEZs

Senegal is a small country (15 million inhabitants), which does not allow it to benefit from returns to scale. The first attempts in 2007 and 2008 to create parks for IDE have been inconclusive. The situation has changed since the adoption in 2017 of the law in favor of SEZs, which figured in the strategic orientations of the Plan and the support of Chinese actors.

Three parks with SEZ status are in operation: in Diass, Sandiara and Diamniado, all three close to Dakar. The Diamniado International Industrial Platform (P2IDD), 40 km from Dakar (100 ha) was built by a Chinese company (CGCOC). Three hangars have been reserved by Chinese companies for different activities including clothing. In one of those hangars, the Chinese company C&H Garments, also located in Ethiopia and Rwanda, assembles T-shirts and other

[92] Europe-Africa Observatory 2020, op.cit.

[93] Source Unctad 2019, op cit.

clothing for export mainly to the USA, Senegal benefiting from the African Growth and Opportunity Act (AGOA). This SEZ has benefited from the assistance of UNIDO to promote inclusive and sustainable industrial development. This SEZ hosts six companies for a thousand direct jobs created.[94] Diamniado is also a project for a new pharaonic city that does not fail to arouse concerns and requests for alternative projects.[95] It has just opened a digital platform for domestic and foreign companies in the public and private sectors. Functional since 2016, the SEZ of Diass, near Dakar airport, is being developed by Teyliom Logistics for the first phase). Its vocation is also export (60% of the turnover of companies). In Sandiara (where the export requirement is 50%), students from vocational technical high schools are welcomed as part of their work-study training. According to administration figures, in 2019, 20 industrial companies were settled in the three Senegalese SEZs.

- **Togo:** timidity

Togo has developed the *Adétikopé SEZ* in the Lomé region, on the model of Nkok. If the first legislation to attract foreign investment dates to 1989, the *SEZ PIA (Industrial Platform of Adétikopé*) has been created in Port-Lomé under the new and recent legislation. It should be a residential, tourist, commercial, technological, heavy, and light industrial area. Sponsorship is provided by the Nkok SEZ.

Its construction was entrusted to the Singaporean Olam through its subsidiary Arise IIP. Lomé is looking for private partners for a PPP, in accordance with its ambition to make the private sector the driving force of investments.

A first plant is already in activity (soybean oil refinery); a second in wood processing will soon be.

- **Burkina Faso:** two projects

In order to reduce the structural deficit of its trade balance and increase the processing of its raw materials, Burkina Faso has just launched two SEZ projects, one in *Ouagadougou* (Center Region) and the other in *Bobo- Dioulasso* (“Hauts Bassins” Region).

- **Côte d'Ivoire:** SEZs in the pipeline

The Ivory Coast is a large agricultural country, with well-watered land. Agriculture in all its forms supports two-thirds of the population, providing one-third of added value and representing 40% of exports.

SEZ development efforts have focused on three "growth poles" to catalyze investment and job creation in target sectors:

[94] Speech by the Minister of Economy, Planning and Cooperation, Amadou Hott, during his visit to the three SEZs on July 14, 2020.

[95] "But the flip side of this futuristic setting is a local economy and social organization that have been challenged, in the face of real estate speculation, expropriation, pollution and the impoverishment of natural resources." According to Fara Djame. President of the Association of Young Market Gardeners in Lendeng. “If the State favored the development of market gardening and agricultural areas like Lendeng, which require a lot of labor, would-be emigrants would be less tempted to embark on canoes for Europe!” WeDemain, 6/06/2020

Yopougon and PK24 (Abidjan). Around the main industrial basin -the economic heart of the country- it will result in the restructuration of the former industrial zone of Yopougon and of a new special economic zone called "PK24". Nearly 80% of the country's industrial activity, is concentrated in Yopougon, over an area of 645 ha. It suffered from underinvestment and congestion. A project to modernize infrastructure (roads, water connection, electricity, and fiber optics) and reduce congestion has been launched. The development works of the new PK24 area, covering an area of 940 ha, have been awarded to the China Harbor Engineering Company with the support of international funding. The giants of the cement industry (Limak) and the food industry (Brassivoire) have already established themselves there. [96]

VITIB free Zone, the free zone for information technology and biotechnology, could be included among the SEZs. Special advantages have been granted to investors in activities corresponding to coronavirus pandemic needs. An agreement has been signed between Côte d'Ivoire and Mauritius to facilitate Mauritian investments.

SiKoBo Triangle is a SEZ shared by three countries, Burkina Faso, Ivory Coast and Mali. It is one of the latest cross-border land planning initiatives. It is the first African cross-border economic zone, launched at the initiative of ECOWAS. It is based on historic inter-community relations. Launched in 2018 by the three countries, this project has received support from the World Bank. It covers the regions of Sikasso in Mali, Bobo-Dioulasso in Burkina Faso, and Korhogo in Côte d'Ivoire. The region has undeniable agricultural and mining potential. The Sikasso region alone covers nearly 6 million hectares of land suitable for agriculture. It represents the second region of the country in terms of breeding, with 16% of the national herd. Despite its wealth, the area remains extremely poor, and is affected by child malnutrition, a paradoxical situation called "the Sikasso paradox". The development of agribusiness will be the engine of this future "golden triangle", which will be able to rely on the many crops already present: cotton, cashew, corn, yam, rice, and tobacco. They benefit to the local economy and could also boost future agroindustry. This project was presented by the head of the Ivorian government as having to meet the challenge of the fight against terrorism, through sustainable and inclusive economic growth.

- **Guinea:** renames its mining concessions as SEZ

The first Guinean SEZ is at a planning stage. In April 2021 the development and administration Authority for Special Economic Zones visited the site of the future *Boké SEZ* (officially created in 2017). It occupies an area of 7,300 hectares. Its purpose is mining (bauxite). Its management is based on the allocation of advantageous legal regime (tax exemptions, administrative facilities), guaranteed access to primary infrastructure (water, electricity, sanitation) and transport (roads, ports, airport). The installation of this zone takes place in a tense atmosphere with certain local inhabitants, particularly on the matter of protection of graveyards.

- **Sierra Leone:** a humanitarian SEZ

Sierra Leone is one of the poorest countries on the planet (human development index ranked 222nd in the world). The economy is based on diamond and gold mining. The only SEZ is the *First step economic zone*, 20 ha, near Freetown. It is based on a public-private partnership

[96] « Mobilizing the Private Sector to Support Côte d'Ivoire's Economic Transformation, Private Sector Diagnosis," World Bank, 2020

between the government of Sierra Leone and the American association World Hope, a 75% partner. It is the only north American SEZ in Africa.

- **Gambia:** a first SEZ emerges from the ground

The Gambia has a SEZ, the *Special Economic Zone of GIETAF*, an industrial park of 160 hectares located in Banjul airport. The business model is a public-private partnership between the Gambian Investment and Export Promotion Agency (GIEPA) and TAF Africa Global Limited. Close to become operational, it is looking for investors.

APPENDIX 2. PUBLIC BENEFITS OF THE SEZS (UNCTAD)

Table IV.14. SEZ sustainable development "profit and loss statement"

Cost-benefit areas	Key elements
Direct economic contributions	• Attraction of FDI • Job creation • Export growth • Foreign exchange earnings
+	
Indirect economic contributions	• Supplier linkages beyond the zones • Indirect and induced job creation
=	
Combined economic impact	• *Additional GDP growth*
+/-	
Net cost of/revenue from zones	• Investment expenditures • Operating costs • Foregone revenues and subsidies • Income from zones
=	
Fiscal/financial viability of zones	• *Payback time of zone investment* • *Fiscal burden*
+	
Dynamic economic contributions	• Technology dissemination • Skills and know-how transfers • Industrial diversification and upgrading • Enhanced regional economic cooperation
+/-	
Social and environmental impacts and externalities	• Labour conditions • Environmental impact • Appropriation or misuse of land • Illicit flows
+/-	
Policy learning and broader reform impact	• Pilot function of zones • Catalyst function for reforms • Reduced motivation to reform
=	
Overall sustainable development impact	• *Evolution of the role of zones in the economy* • *Long-term zone transformations*

Source: UNCTAD.

The operating costs of SEZs are largely associated with the operation of the zone authority. Other operating expenses are generally recovered from investors in the area through the rental of buildings, fees and service charges. As a result, most areas are established on a cost-recovery basis, although government-managed SEZs regularly subsidize operating costs and utilities, which can make these areas costly to operate. The development and management of the area are increasingly outsourced to the private sector, significantly reducing public spending and risk.

Conversely, governments can earn significant revenues from SEZs. Government-managed areas generate rents paid by investors in the area and service fees. In private areas, government revenues consist of concession fees for the area and for other facilities (e.g. port structures, power plants, waste management sites). Other public sector revenues include personal income taxes on zone wages (more relevant in high-income economies), as well as import duties and production taxes for the area sold in the domestic market. Corporate income tax, on the other hand, generally represents only a marginal portion of income, taking into account tax exemptions or reduced rates associated with most SEZs.

However, a comprehensive assessment of the financial impact of SEZs on the public sector is made difficult by two other complications. First, much of the actual cost of zone programs comes in the form of a loss of revenue from duties and taxes. Assessing these costs would require an assessment of the efficiency and effectiveness of the incentives provided, i.e. an understanding of the level of economic activity that the areas would have attracted in the absence of incentives. Second, the final cost to the public of SEZs increases when domestic companies move their business to areas to benefit from tax breaks, thereby reducing the existing tax base.

APPENDIX 3. INTERVIEWS WITH EXPERTS AND PROMOTERS OF SEZS

- ## South Africa

Mr Simthembile MAPU

Executive Head of Richards Bay Industrial Development Zone (RBIDZ) – South Africa

The Zone

Situated in the Northern Coast of KwaZulu-Natal, South Africa, the Richards Bay Industrial Development Zone Company (SOC) Ltd (RBIDZ) is a designated Special Economic Zones (SEZ) aimed at encouraging trade through the attraction of foreign and domestic investments. Poised as a hub of trade activities, the Richards Bay IDZ is geared to effect real change in South Africa through the creation of employment opportunities. Richards Bay Industrial Development Zone was established in 2002. Its purpose is to stimulate industrial development, upgrade skills, technology transfer and broadening of the region's basket of export products and promote regional development in the region in the KwaZulu-Natal (South Africa). Its main mandate is to create international competitiveness, encourage beneficiation and localization, which leads to investment. Their zone focuses on priority industries, like metal beneficiation, chemicals, agro-processing, energy, marine industry development, technology and innovation.

The context

In South Africa, the idea of "Industrial Development Zones (IDZ)" was conceptualised around the year 2000. An IDZ is a purpose-built industrial estate linked to an international seaport or airport and is capable of leveraging fixed direct investments in value-added and export-orientated manufacturing industries. The RBIDZ draws its name from the IDZ era, as it is located in the town of Richards Bay. Although there are major achievements with the IDZ's there were weaknesses that led to the policy review and the new SEZ policy being introduced to replace the IDZ framework. The policy review and the new SEZ Programme, which began in 2007 was also brought about by the developments in national economic policies and strategies such as the National Industrial Policy Framework, and the New Growth Path, as well as developments in the global economic environment. After some iterations, in 2009 a policy framework was created, called "The Special Economic Zones Act" to regulates special economic zones. Special Economic Zones (SEZs) are geographically designated areas of a country set aside for specifically targeted economic activities, supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.

The act provides an SEZ with, a specific license that allows the company to develop, operate and manage a zone in line with its provisions. For the investors, SEZ offers a number of incentives which the main come from the national government or central government, most of these incentives are from the South African Revenue Services (SARS) and are tax-related, such as a preferential income tax of 15% instead of 28%, VAT and Customs Duty relief when operating in a custom controlled area. SEZs also offer non-financial support to existing and potential locators such as market access, access to information, access to funding opportunities, recruitment services, training, and enterprise development. Specifically, the RBIDZ doesn't only offer fully serviced land with infrastructure, security, and ICT but it also has the One-Stop-Shop (OSS). The OSS is part of the government's objective to shorten and simplify

administrative procedures and guidelines for the issuance of business approvals, permits and licenses.

To attract investors, the RBIDZ organizes inward and outward missions supported by marketing campaigns (website, presentations, marketing material, webinars, exhibitions and events) and develops dedicated material based on their "Investment Attraction and Marketing Strategy" and work with organizations like AEZO to leverage their networks and reach.

Once an investor is interested, the RBIDZ takes them through a 3-stage approval process:

1- Sourcing - proactively looks for new projects, and do the screening of projects and if necessary, conduct due diligence on projects.
2- Facilitation Process - once a project has gone through the screening and received the green light. Richards Bay Industrial Development Zone assist projects with capital raise and funding, approval to locate and land agreement.
3- Construction and Operations – As the project will start with construction and operations.

<u>Examples of existing projects:</u>

- SPS Manufacturing (Pty) Ltd – PVC- O piping manufacturing company. The company has invested R332 million in a manufacturing facility. They have created 84 permanent jobs (which has been maintained throughout the covid pandemic).
- Prostar Export Paint is a special painting company. They will produce various industrial coatings such as temperature reducing roof paints and antibacterial shields. The investment value is R141 Million and the estimated jobs creation is about 70 direct jobs.
- Wilmar International is a global leader in processing and merchandising palm and lauric oils, edible oils refining and fractionation, production of oleo-chemicals, speciality fats, palm biodiesel and consumer pack oils. Wilmar Processing SA will be establishing facilities for refinery and processing of edible oils. The investment value is R1.1 billion and the estimated job creation is 350 direct jobs.
- Nyanza Light Metals will be establishing a chemical plant producing titanium dioxide (TiO2) pigment from titaniferous slag and acid within RBIDZ with an investment value of R 4,5 Billion. The TiO2 will be further beneficiated to a finished rutile pigment product in quantities of 80,000 tons per annum. Titanium dioxide pigment has a wide range of uses from industrial coatings, paints, cosmetics, foodstuffs ad pharmaceuticals.

Successes

The RBIDZ has developed a 50-year master plan which details the geographical extension of the Zone and the acquisition of new land. The master plan also includes the development of a farm into an Agri-Hub which will focus on fresh produces processing and a de-husking facility for macadamia nuts. Each of the priority industries brings different types of job opportunities. The RBIDZ is looking to rollout R15 billion (R5,6 billion currently under construction) worth of investment over the next 5 years and over 3 000 operational jobs. The current investor profile is made up of investment from Singapore (Wilmar), UAE, China, Spain (Molecor/SPS) and South Africa.

Being close to a port is a big advantage. RBIDZ's proximity to the port allows cost-effective transportation of bulk goods via road, rail and overhead conveyor systems. It is possible to transport merchandise from the Port to the manufacturing plant directly through a pipeline.

Challenges

Urbanization is one of the challenges confronting the RBIDZ. With increased industrial development, we see a lot of migration from rural to urban areas where there is increased competition for entry-level jobs and this puts a lot of pressure on the municipality, the Zone and surrounding industries.

RBIDZ currently has two initiatives aimed at preparing the local environment for its investment opportunities;

- Enterprise Development Initiative: Targeted towards preparing local small, medium and micro enterprises by providing training and support in partnership with the investor. The local SMMEs are developed and mentored to meet the supplying standards of the investors.
- A skills development centre: This programme will focus on upskilling local unemployed youths, the initiative will be based on the requirements of the investors, purely focused on specific to the investors' industry.

Europe

We believe there is scope for more collaboration, between the European Union and the African countries. With its geographical position, South Africa is positioned as a gateway to the greater African continent and has a lot to offer in terms of logistics. We also have large reserves of minerals which could offer a cost advantage if they beneficiated locally. Regional integration is easy to achieve if we leverage each other’s advantages and unique value propositions.

- ## Cameroon

Mr Robert Tchounga

CEO of the National Office of Industrial Free ZONES in Cameroon

Progress

The special economic zones project started in the 1990s, but Cameroon has none to date. The whole country wanted to be a free zone. It was enough to have a license to exercise an activity. However, it did not get the expected boom. The current free zones have around 100 companies and export all of their production. As of December 31, 2020, the export represented $ 340 million.

In the 2000s, the government introduced new legislation concerning specific economic zones. This plan, called the Industrialization Master Plan, includes all the sectors that Cameroon wishes to develop and encourage, the creation of clusters, inter-company cooperation in the same sector, and the exchange of knowledge.

The political will is to open one SEZ per region, Cameroon being a federal country. In the eastern, coastal and southern regions there will be SEZs on timber. In the North, the zone will be specialized in textiles. In the South, an area will be dedicated to the processing of bauxite. Regarding timber, Cameroon does not consider itself in competition with neighboring areas (Gabon), Central Africa being the second largest forest basin in the world (equatorial forest). There are many requests and also complementarities between countries. The aim is to encourage economic players not to limit themselves to the second transformation but to go all the way to the fourth.

Regarding textiles, Cameroon and Chad produce cotton; all Chad's exports pass through Cameroon via a private company (SECAM). Cameroon has therefore acquired a strong experience in the field and wishes to strengthen this activity. Studies are underway for the creation of a dedicated cotton zone.

Regarding bauxite, initially, it will be an export of crude, Cameroon having built a deep water port, a railway, and an industrial zone for processing.

The SEZs are still under study. In the coming weeks, a firm will be recruited to carry out the feasibility study.

Regarding the workforce, initially, Cameroon brings in experts and foreign teams (mainly Chinese and Turkish). Cameroon also wishes to create training centers to train Cameroonian youth and enable them to access the jobs created.

The choices of physical spaces are left to the responsibility of the ministry, but we are also in the process of implementing regionalization and the choice will therefore involve the regions.

The development strategy for SEZs is included in the industrialization master plan. The development and equipment of the zones will depend on foreign investors.

Challenges

Since December 31, 2020, the export of raw timber has been prohibited. The first SEZ to be built will focus on wood processing. Industrial sawmills already exist in Cameroon, but they only allow for the first and second processing. The SEZ oriented towards wood processing should allow the third and fourth processing. At first, Cameroon will need skilled labor and foreign equipment. In schools, sections on the woodworking trade have been created in order to train young people for this future need for employment.

Cameroon also has experience in processing cotton thanks to the state-owned company, CICAM. A producer itself, Cameroon also benefits from Chad's cotton production which passes through its territory.

Companies already present in free zones export all of their production. This represents, since the beginning of the year, 340 million dollars. Exceptionally, they have the right to sell 20% of their production locally when demand is present. This distribution of exports is desired for the production of future SEZs.

The regionalization of Cameroon is underway. The regional councilors and the presidents of the regions have just been elected and the regions will have more and more responsibilities in the planning of their territories.

The export of bauxite will be done through the port of Kribi. A first transformation is carried out in an industrial zone near the port, but the aim is to transform it further into a SEZ dedicated to this activity.

Hydroelectric dams provide electricity and limit load shedding.

In terms of electricity, Cameroon has gone through a difficult period (power cuts) and has begun the construction of numerous hydroelectric dams. A first series should be completed at the end of the year.

Europe

AEZO is a great partner. Cameroon and AEZO have a very active partnership. Cameroon sees Europe as an essential partner and welcomes all contributions to help build its industrial ecosystem, especially know-how.

- **Gabon**

Anne NKENE BYO'O,

Director General of the administrative authority of the Nkok SEZ

State of progress

The SEZ was created in 2012 at the request of President Ali Bongo Ondimba. This area, covering 1,126 hectares, aims to attract foreign direct investment, create jobs and facilitate the transfer of skills. This area was developed in collaboration with private investor Olam International. Today 700 hectares are developed.

Currently, there are 84 companies in production in the sectors of wood, metallurgy, steel, generic drug manufacturing, waste recycling, construction, food processing and chemicals.

The development of the SEZ continues with the construction of 8 new companies and other investors who are being negotiated to set up in turn.

The initial project of the SEZ was to transform the timber on site so that it no longer was exported in the raw state (with no added value). There are 3 levels of wood processing in the SEZ. Currently, the first two are being carried out in the SEZ.

The area is managed by two major structures: the administrative authority and Olam international. It is based on a PPP signed between the State and the private partner. A company has been created: GSEZ (Gabon Special Economic zone). The mission of this company is to ensure the marketing and promotion of the SEZ.

In the SEZ, there are 3 sub-zones: the commercial zone, the residential zone and the industrial zone. In the residential there are 3 training centers and more than a hundred houses built and inhabited. Those who occupy them are workers in the SEZ, but also people who do not work there.

A 70 Mega Watts power plant supplies the SEZ, as well as water towers (6 million liters per day). Optical fiber is available to industries.

Challenges

This SEZ project was debated and criticized early in its development, but the performance achieved today in the area is a marker of success that has silenced opposition.

Local chiefs and populations were involved in this project and compensated.

How to ensure the transfer of skills and training of Gabonese to respond to job offers in the SEZ? The state has invested in a multi-sector international training center which is located in the area. This center was inaugurated last April. Two other training centers are under construction in the SEZ.

According to Ms. Nkene Byo'o, what makes Nkok successful, and which applies to other SEZs, is first of all a strong political will and a strong private partner. A second set of factors concerns physical positioning and logistics: the location of the SEZ here is an asset because it is located on the national road, 30 km from the port of Libreville, 30 km from the airport and the train crosses the area. This allows the operators of the SEZ to receive raw materials and easily evacuate their productions. Finally, it is the "one-stop-shop", meaning the presence of the administration alongside the investor. There are 22 administrations on site through a one-stop shop.

Wood waste is either reused to generate electricity in wood companies or used by other companies in the SEZ; for example, to produce activated carbon. This is an example of a circular economy.

The role of the administrative authority is to ensure compliance with regulations. The labor inspectorate is on site and supports operators on labor law issues. Controls and sanctions are foreseen against those who do not respect it. However, there may be abuses on the part of companies importing their workforce.

Europe

What support could the European Union provide? This would facilitate exports (reduce customs duties) and provide more support in establishing the various necessary certifications and support operators who set up in new sectors, in particular those which improve the environment. The EU should also contribute to the complementarity between infrastructure development and foreign investment

- **Egypt**

Mr Waleid GAMAL ELDIEN

CEO of Suez Canal Economic Zone

Presentation of the Zone

The SCZone is a premier investment, services and trade hub offering investment opportunities in various economic sectors including logistics, manufacturing, industry, ICT, renewable energy and business parks as well as infrastructure services and transport links developments. Its target industries include automotive assembly and components, Rolling Stock, chemicals and petrochemicals, construction and building materials, textile and readymade garments, and agribusiness and food processing. The SCZone resides along the banks of the newly-expanded Suez Canal, connecting two oceans and two seas. More than 12% of global trade passes through the canal every year. The strategic location of SCZone on the main trade route between Europe and South Asia allows it to offer competitive production cost and makes it the most.

The SC Zone is comprised of 10 areas, six ports and four economic zones. Each economic zone has its own industry that has been set based on its location and its market.

Spanning 461 km2, the SCZone has four unique zones and six strategically located ports.

The four zones are:

- Ain Sokhna, set aside for heavy, medium and small industries and logistics;
- East Port Said, allocated to light and medium industries and logistics;[97]
- Qantara West, reserved for agri-business, textiles and agri-food;
- East Ismailia, targeted at renewable energy manufacturing and ICT industries.

The SC Zone has its own laws and regulations since its early establishment and operates within its borders by a board which is set up by ministers and representatives of the government. The board represents all of the ministries in Egypt except for the foreign ministries, justice and the army.

The total investment size that has been put in the SC Zone is close to 18 billion dollars.

There are 250 operating entities, factories and service companies and 46 companies from various industries waiting for receiving their approval to start construction (pipeline of that 1.3 billion dollars of investment), the zone still have excess capacity for new projects. The zone created 100.000 *Direct Job Creation*, 90 % locals (regulations in Egypt allows up to 20% foreign job creation). The SC Zone is a consolidated economic zone because of the zones and the ports are close to each other. Therefore it's dynamic, profitable very viable and makes sense for a lot of investors. The Geographical location of Egypt is an excellent selling point. Also, the government has invested massively in infrastructure (water, electricity, sewerage, gas, fibber optics, …)

[97] This zone is mainly to be carried by the Russian Industrial Zone (RIZ) for which an agreement was signed on May 23, 2018 by the Russian and Egyptian Ministers of Industry and Commerce.

Recent accomplishment and successes

The Zone recently developed new tools and dispositive to enhance its performance and bring more investor:

- New brand identity issued for the zone.
- Strategy for the next five years for the season,
- New custom manual, clarification on regulations, easy process for business setup and business running to enable a better business within the zone.
- New Visa condition for investors (investors can benefit from a five-year residency in Egypt instead of before it was six months to one year)
- New calendar (possibility to start the financial year in July or January,)
- New export platform for investors.

Creation of new clusters

The ZES is always trying to find one or two anchor investors to be able to bring the whole value chain behind it, around it with its feeding industries. The main idea is to increase the component of the Egyptian parts and the Egyptian contribution to the manufacturing in the overall sector and create a cluster in order to benefit and gain the economic benefit and create the job opportunity in cascade. Also, The Zone is looking for legalizing a lot of those industries to decrease the import bill. At the same time, use that to support the Egyptian economy and create the growth and the labor markets required.

The zone is focusing on the following clusters:

- Rolling Industry - The SC Zone is entered as a partner with six other private sector companies. One of them is the Sovereign Fund of Egypt to establish Egypt's first rolling stock, which will provide the coaches for the Metro, for Egypt's metro, to the Ministry of Transportation. The main idea for that is to make an anchor and build around the feeding industries that supported to create this cluster and be able to produce is an international standard.
- Petrochemical Industry – The zone just signed a deal with an investor that will invest 7,5 billion dollars to build a huge petrochemical complex and refinery on a land of 3.5 millions square meters, and should be to be operational by 2024.
- And sectors like textiles, aluminium, or steel. Egypt is trying to always do is think of making a bringing an anchor or two for a certain segment and adding a cluster around that.

Challenges

- One of the challenges the SEZ is facing is that no matter how sweet the deal is, investors are always asking for more. So, it becomes a non-stop asking of what can be done more compared to other zones.
- The Zone need to make sure that they're not hurting any local producer by bring foreign competition and so organize a healthy competition between newcomers and whoever is on ground in Egypt and protect the Egyptian market.

Europe and regional integration

The SEZ has obtained a lot of technical support from Europe. For example on a project to develop a digital one-stop shop for investors to digitize and improve the entire system. It should be operational in 2021. Europe and Africa are crucial to each other, Egypt is sharing the Mediterranean Sea with Europe. Africa is a fertile land of with a lot of wealth, knowledge, a

cheap labor well educated and very skilled. For those reasons, I believe that European company should invest more on African markets.

Regional Integration

It is crucial for Egypt as an economic zone to integrate with the rest of Africa. The integration is done by the construction of the railway (east Africa) and by the construction of the Cairo-Cape Town Road. Also, Egypt is part of the Free Trade Union and is very supportive of the initiative.

- **The Gambia**

Mrs Marieme DIOP

Project Coordinator of GIETAF Special Economic Zone Limited, Zambia

State of progress of the Zone

This zone is a PPP between GIEPA (National Agency for the Promotion of Export and Investments in The Gambia) which owns 40% of the zone and the remaining 60% is held by TAF Africa Global, a pan-African private real estate developer present in 8 African countries, but more particularly in Nigeria and Gambia. A management company has been created. It is called GIETAF Special Economic Zone Limited. This company manages everything related to the development and management of the area.

Currently, the SEZ is still in the construction phase. All the infrastructure will first be built in an identified pilot area.

The feasibility study was financed by the World Bank in 2001. There are currently 4 hectares of buildings with roads and infrastructure (water, electricity). Another 4 hectares have only water, electricity and roads. Currently, 3 warehouses are being built and the roads, for the entire 160 hectares, are under construction. The "one-stop-shop" building, the one for customs, 2 office blocks currently under construction, should be completed within the next 18 months.

The area is divided into 4 parts: the SEZ proper within which all tax and customs advantages apply, linked to the airport freight area, a logistics area, a commercial area with offices, etc. finally, another area dedicated to small and medium-sized businesses. The latter responds to the results of a market study which shows that small businesses are struggling to find land or a warehouse. The aim is to make the entire space a mini-city, with areas well separated from each other.

Officially, the SEZ is not specialized, but in fact it will focus on everything that is agro-process (cashew nuts, fruits, vegetables), but also on Tech and innovation.

40% of those seeking to settle in the area are foreigners already in the country or not. But you should be careful not to have too many companies already present in the country in the area. The companies wishing to set up are predominantly Spanish and Chinese; discussions with Polish companies are ongoing. The activity will be around fishery products and cashews.

The environment is a dimension that matters in the selection of companies.

Success

Among the first positive results recorded and expected, there is the creation of jobs. However, for the first time, the gap between supply and demand is glaring. Thus, the repair of the fence required 200 young people; 75% came from Nigeria. Another source of job creation: road works for which the company BAJIAM, owned by a Gambian woman, is responsible.

Challenges

It is particularly the capacity of the state to understand how an economic zone works. Finding skilled and unskilled labor is another challenge. Thus the construction company: TAF Africa Global, which knows the construction trades well, had to call on labor from other African countries. 70% of engineers come from Nigeria, for example.

There is a desire to develop employee training. Can this be a collective project by several companies grouped together as in clusters?

The goal is to export 60 to 80% of the area's production, but the percentage is not yet fixed.

There is no specific law for SEZs, which provokes resistance from the ministries of finance and trade.

What could be the role of Europe?

Europe could adopt regulations to reduce imports of unprocessed products (especially underground resources) from Africa. Meetings between SEZ managers (from Africa, the Mediterranean, Europe) would surely be useful to compare the problems and the management methods.

- ## Niger

Mr Abdoulaye BOUBACAR

Director General of Industrial Development at the Ministry of Commerce, Industry, Youth Entrepreneurship of **Niger**.

State of progress

Niger does not yet have a SEZ. Mr. Boubacar spoke about the project to build the country's first SEZ, a project he has been following for 3 years.

A piece of land of 250 hectares, along the National 1 leading to Burkina Faso, has been declared of public utility and two laws are about to be drafted. The first relates to a device called ZAIS and the second to tax incentives and exemptions.

A zone developer has been identified and talks have been initiated so that he can submit his technical and financial offer in accordance with Niger's law on PPPs. This developer submitted a spontaneous offer, which is possible thanks to a law governing PPP, the BOT (Built Operate and Transfer).

To make this SEZ project a success, there is a lack of a legal framework, because the BOT is not sufficient.

Challenges

The state's wish was that all of what is produced in the SEZ be exported. The developer of ZES wants part of the production to stay put.

This area must be dedicated to agro-pastoralism. A request has been made to the CEA (Economic Commission for Africa) to carry out an opportunity study and determine which companies will have the right to set up in the area. This will allow, among other things, to process on the spot the herds which are currently exported on the hoof to Nigeria as well as onions and peanuts.

Compensation for landowners was achieved thanks to an investigating commissioner who visits the site to identify the owners and establish the compensation rate in a consensual manner. The total amount of compensation is 6 billion CFA Francs. They are supported by the developer of the area and they will be paid before the start of the works.

The financial capacity and the technical capacity of the funder raise questions.

Niger has requirements for jobs and training. The country is experiencing a maintenance problem with its industrial park due to a lack of skilled labor. The government demanded the presence of a technical high school within the SEZ. This high school should make it possible to train young people and meet the need for qualified labor. A quantified percentage of national labor was to be included in the law, but the Ministry of Manpower opposed it for fear that it would frighten investors.

Accommodation is not provided on a permanent basis. There will be housing for those who will build the area and the technicians who will come on an ad hoc basis. A hotel is planned subject to the agreement of the Ministry of Tourism.

Europe

Niger wishes to receive the expertise of AEZO members in order to succeed in its SEZ projects.

- **Tunisia**

Ms. Chiraz BELKHIRIA

Marketing and Promotion Director at the free zone of de Bizerte- PAEB (Tunisia)

History, characteristics of the area

The Bizerte free zone (PAEB Bizerte free zone) is one of the first two free zones created in 1993. The choice of Bizerte was motivated by the "strategic" position of the region, in the middle of the Mediterranean maritime "corridor" by which transit international trade flows from the North Sea to the East and the Far East. Gibraltar is 1,500 kilometres away and the Suez Canal approximately 2,000 kilometres. The existing infrastructures (500 meters of quayside), the traditions of industry and shipbuilding which are perpetuated at the Menzel-Bourguiba shipyards, on the lakes, near Bizerte - at the outlet of the canal coming from the sea - as well as the existence of a specialized workforce was also taken into account in the choice of Bizerte.

It is a multisectoral area where all types of industries are allowed to set up. It is organized in the form of a PPP (public private partnership) with a majority in the private sector. On an area of 83 ha, it now houses 69 companies (including a significant number with a high rate of executives), representing around 5,000 jobs. Among the dominant sectors are the shipbuilding and yachting industries and the pharmaceutical industries (manufacturing of medical devices). These activities offer opportunities for co-production with European companies.

Positive points; outlook

The Agro-Food Technopole project in Bizerte was initiated by the Free Zone. Cooperation (training, marketing, etc.) exists between the two entities which are geographically close, share services and a desire for regional development.

Cooperation between companies in the same sector within the area is clear, coming together for joint actions. Development projects of specialized clusters are underway, particularly in the shipbuilding and yachting sector.

Afterword by Jean-Claude Juncker, former president of the European Commission, Honorary President of La Verticale AME Foundation

The Covid-19 crisis is pushing the world to innovate. United by a common future, Europe and Africa are inextricably interlinked, being each other's most natural allies in the quest for prosperity and growth. Our partnership cannot reproduce old schemes. With regional economies offering solutions to the challenges arising from unregulated globalisation, new forms of integration of production, supply and value chains have to be designed together.

The innovative approach which sees Europe, Africa as well as the Mediterranean as an integrated region promoted by La Verticale Africa-Med-Europe Foundation is of utmost importance. With shared management, the Foundation will serve as a tool to boost regional integration with an innovative three-pillar structure composed by the AME Think Tank Network, Wise Persons Group and Council of Business Leaders, working in-sync to elaborate coordinated action and create new opportunities for our two continents."

La Verticale Africa-Med-Europa (AME) Foundation is a non-governmental and multi-stakeholder organization which aims to accelerate the economic integration of the AME region in a productive, sustainable and united manner. It offers tangible methods and projects for the medium and long term, by transforming shared ideas into concrete actions. Its mission is centered around a major trend: the regionalization of our economies.

The originality of La Verticale AME Foundation resides in its "3x3 rule":

➢ three areas: Europe, Mediterranean, Africa;

➢ three pillars: the AME Council of Business Leaders, the Wise Persons Forum (chaired by Jean Claude Junker and Issoufou Mahamadou) and the Think Tank Network;

➢ three features: independence from institutions, prospective/foresight and long-term analysis and, finally, an approach by territories (as close as possible to local communities) to lead to the integration of the two continents.

The AME Think Tank Network aims to:

– Identify the challenges, new structuring trends, obstacles and ruptures of AME regionalization, and priority themes for the integration of the region: energy, water, agriculture, transport, logistics, digital, health, social and solidarity economy, mobility of people and capital, business financing, public-private partnership, harmonization of legislation, regionalization of value chains, etc.

– Propose tracks of public policies and industrial strategies by sector, to accelerate the North-South and South-South integration.

– Combine sectoral analyses with territorial analyses in order to facilitate decentralized cooperation between territories in the region.

"Special Secure Economic Zones (SSEZs): The role of African SEZs in accelerating co-development with Europe" is part of one of the streams of La Verticale AME's work programme, which demonstrates how the dynamic of cooperation between think tanks, policy makers and private sector within La Verticale AME Network can materialize.