RESEARCH BRIEF

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Southern Africa – Towards Inclusive Economic Development

Special economic zones in Zambia and South Africa

– blueprint, experiences and outcomes

East Asia's successful experience in accelerating the process of industrial development with SEZs paved way for the use of SEZs as policy instruments in Africa. In southern Africa, Zambia and South Africa instituted SEZs in legal and institutional frameworks in the 2000s as mechanisms for catalysing industrialization and employment creation through foreign and domestic investments.

Are SEZs white elephants, or justified investments?

The notion of a SEZ refers to a geographically designated area where business rules and regulations are more liberal than in the rest of the country, to attract investment and spur economic growth.

Despite the clear evidence on the poor performance of SEZs in Africa, their development has continued to expand in both South Africa and Zambia. This begs the following question: are SEZs just white elephants, or justified investments whose potential can still be unlocked?

Comparing four case studies helps to analyse the extent to which SEZs in Zambia and South Africa have contributed to growth, employment, and yielded positive agglomeration effects.

Many similarities and differences emerge in the experience of these two countries with SEZs. In South Africa the development of SEZs has taken on a more structured and inclusive approach supported by clear deliberate policy frameworks and financing provisions. Zambia, on the other hand, is largely missing a predictable and transparent financing mechanism to secure resources for the successful implementation of SEZs.

The SEZs in both countries are of varying hectare size and designed for various common uses encompassing industrial, commercial, residential, recreation and R&D activities. Typically, zones in South Africa are anchored on key industries such as automotive, mining, oil and gas, precious metals, renewable energy, and light and medium manufacturing. This approach helps to attract suppliers of components and other goods and services. In contrast, those

FINDINGS

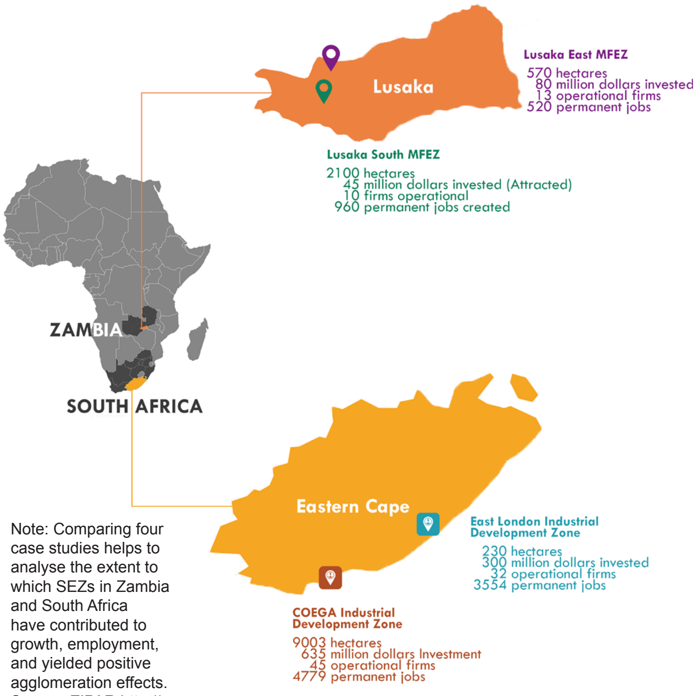
The outcomes of special economic zones (SEZs) in Zambia and South Africa have been varying

In the Eastern Cape in South Africa, SEZs are largely latent drivers of growth. Their functionality is hampered by inadequate infrastructure financing and weak capabilities or resources of local suppliers

In Lusaka, Zambia, SEZs have attracted fewer investors and local suppliers. These zones face inadequate infrastructure financing, weak local supplier capabilities and linkages, inadequate business support services, institutional co-ordination failures, a fragmented incentive framework, and a weak design that does not make use of strategic anchor industries

However, when it comes to per capita performance, the SEZs in both countries are almost at par

Figure 1: The four special economic zones (SEZs) analysed in this brief



Note: Comparing four case studies helps to analyse the extent to which SEZs in Zambia and South Africa have contributed to growth, employment, and yielded positive agglomeration effects.
Source: ZIPAR http://zipar.org.zm/

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