



AFRICAN SEZs ANNUAL MEETING
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SPECIAL ECONOMIC ZONES IN AFRICA:
*CONTRIBUTION TO SME INTEGRATION AND
LOCAL ECONOMIC DEVELOPMENT*

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STAKEHOLDERS AND PARTNERS

Project in the framework of French-African Union Technical Facility

STAKEHOLDERS



AFRICA
ECONOMIC
ZONES
ORGANIZATION

PARTNERS



1. SCOPE AND METHODOLOGY

1.1 SCOPE OF THE POLICY REPORT

THE POLICY DOCUMENT



Draw on successful practices from 10 countries across Africa



Advocate for modern governance and regulatory frameworks to integrate SMEs into SEZs and to boost local economies



Underscores the importance of aligning SEZs investment with ESG principles to attract responsible investment.



Encourage partnerships between SEZs, private sector organizations and financial institutions, to creating sustainable markets and appropriate financial mechanisms



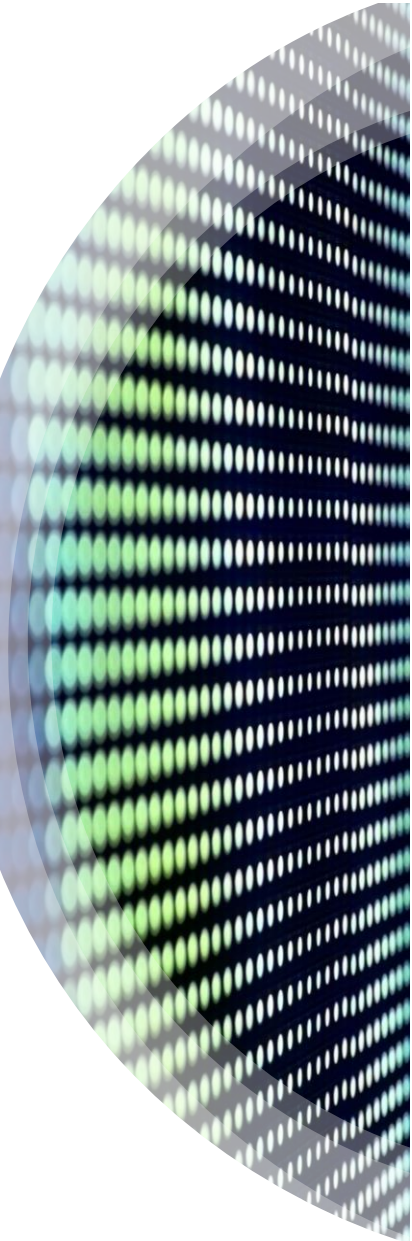
Emphasizes the role of SEZs as hubs for implementing the African Continental Free Trade Agreement (AfCFTA) agenda.



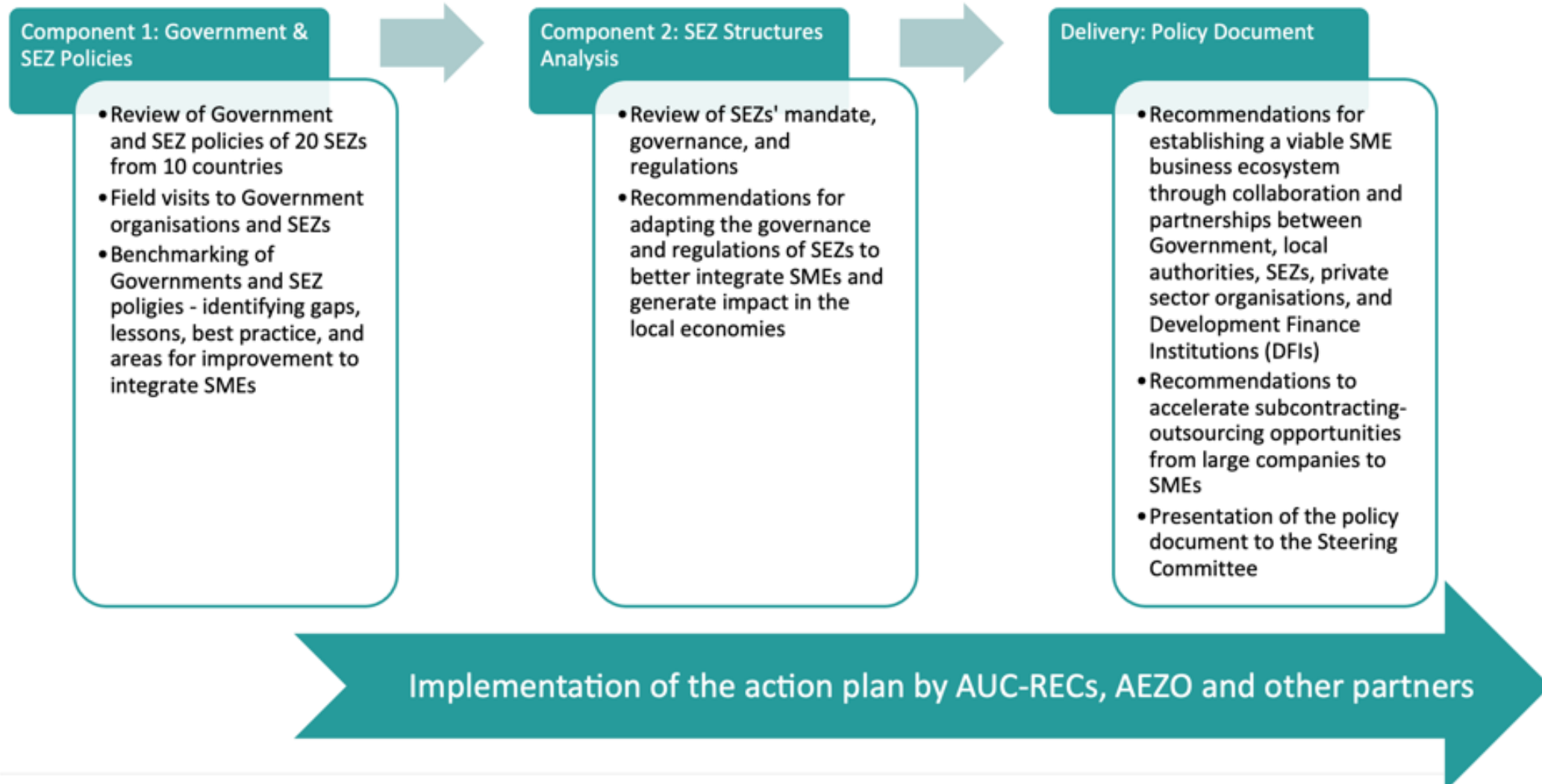
Encourages subcontracting and outsourcing initiatives from large companies operating in SEZs and SMEs



Serves as a guide for governments to reform policies, attract sustainable investments, and support a new generation of SEZs as engines of inclusive and sustainable development.



1.2 PROCESS THAT INFORMED THE POLICY



1.3 SEZs REVIEW AND BENCHMARKING

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

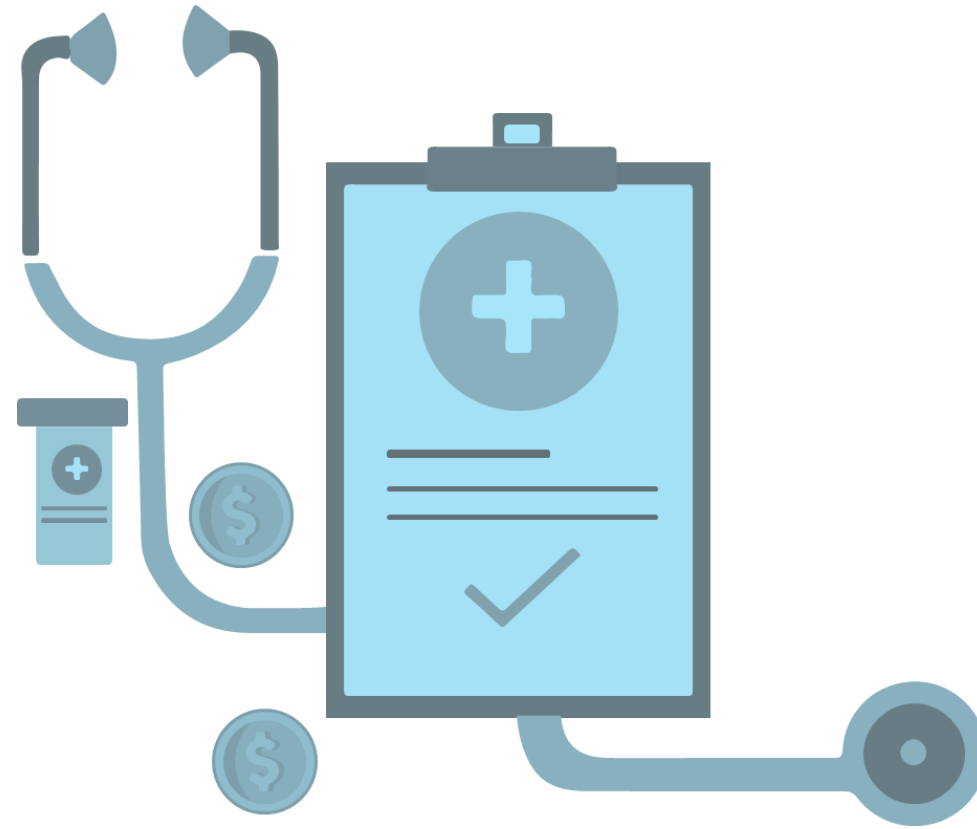
In addition to the 20 SEZs, other were reviewed to complement the research:

- **Egypt:** Suez Canal Economic Zone (SCZone), East Ismailia Eco Industrial Park and Robbiki Eco-Leather Park SEZ
- **Gabon** GSEZ Port, Owendo
- **Madagascar** SEZ
- **Mauritius**, Caudan Waterfront SEZ
- **Kenya:** Industrial Technology Park
- **Ghana:** Accra Digital Centre, Enugu Industrial Park and Free-Trade Zone Ghana (Empower- FTZ),
- **Nigeria:** Dangote Industrial Free Zone and Lagos Free Zone
- **Morocco:** Kenitra Atlantic Free Zone, Nearshore Park SEZ and Midparc Free Zone in Casablanca, Oujda Technopole,
- **South Africa:** Sandalha

TOTAL OF 37 SEZS ANALYZED

Following AUC recommendation, the benchmarking was extended to cover India and China

2. THE KEY FINDINGS



2.1 GOVERNMENT AND SEZs PRIORITY SECTORS ARE ALIGNED



ONGOING

Agriculture and agri-business

Manufacturing (textile and apparel, metallurgy, consumer goods...)

Construction, real estate

Infrastructure (transport, logistics)

ICT

Added value to petroleum products

Industrial minerals

Tourism products and services

Education (HEI, TVET)

Financial services.....



EMERGING

Biotechnology

Pharmaceuticals

Automotive industry

Healthcare

Renewable and green energy

Circular economy (waste management)

AI/ emerging technologies

2.2 SEZs POLICIES

Many African government are **upgrading their industrial policies** through streamlining, defining and implementing regulatory frameworks that **enhance the attractiveness to investors** and supporting sustainable development.

Coherent policies and policy frameworks could improve coordination, **boost foreign direct investment (FDI)**, and strengthen **linkages between SEZs and national economies**.

Streamlined policies could boost the competitiveness of SEZ through focusing on **sectors that promote goods and services for the regional and continental markets**.

An update of policies and regulations can lead to **new business practices and models** that SEZs from the continent can share. In addition, this allows for **partnerships and collaborations** between SEZs.

2.3 TOWARDS REDUCED RELIANCE ON TAX BENEFITS AND DEPENDENCE

To reduce reliance on tax benefits in SEZs, countries like Gabon, Egypt, Mauritius, and Rwanda have shifted their approaches to incentivizing investments



Gabon's Nkok SEZ revised tax exemptions, limiting them to five years for new companies to increase state revenue for public investments, while preserving longer exemptions for existing companies.



Mauritius reduced corporate tax exemptions on exports to enhance domestic revenue and fairness, addressing the economic distortions caused by excessive tax incentives.



Egypt's recent tax policies focus on limiting exemptions, especially within Free Zones, and collaborating with the OECD to improve tax transparency and counter tax minimization by multinational enterprises.



Rwanda's Kigali SEZ stands out for attracting investment without tax incentives, instead providing a robust regulatory framework, quality infrastructure, and streamlined trade processes.



These examples illustrate a shift from tax-driven incentives toward balanced policies that maximize public revenue while ensuring SEZ competitiveness and sustainability.

2.4 SUPPORT OF LOCAL ECONOMY

The first generation of SEZs were located in traditional corridors of business (port, industrial parks of the cities) and were primarily foreign owned. **The participation of local firm was limited due to investment requirements.**

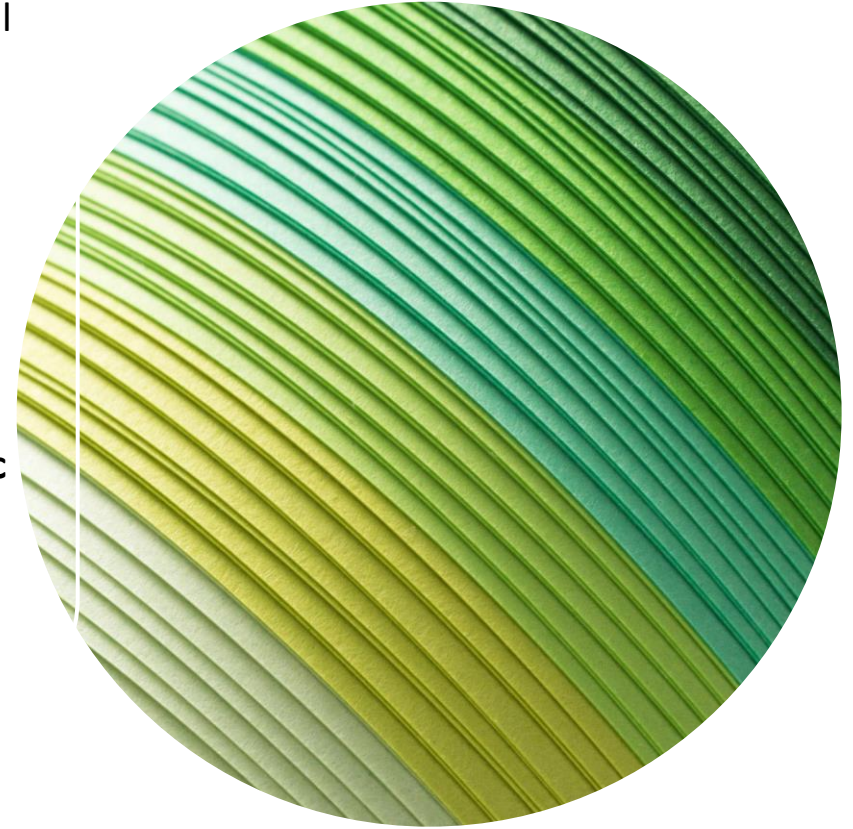
Even today, **local firms have limited capacity** to provide cost-effective, quality inputs which disqualifying them from building business collaboration with SEZ firms

The business model of the **new generation of SEZs** takes into consideration the development of the local and regional areas, including rural areas. They focus on a **holistic approach** that combines infrastructure development, local resources use, skills development, youth and women and youth employment.

The example of Egypt, Morocco, Rwanda, SA on the matter are encouraging and could be disseminated to other countries.

To maximize SEZ benefits, countries must establish policies that **encourage local firms' participation**, create supply chain linkages, and support knowledge transfer.

Skilled worker movement between SEZs and the local economy facilitates **technology and knowledge transfer.**



2.5 SME PROMOTION WITHIN SEZ

- ✓ SEZs can significantly support SMEs by providing a **business-friendly environment** with access to infrastructure, simplified regulations, and skilled labour access.
- ✓ The **interaction between large enterprises and SMEs** within SEZs can boost **sub-contracting and outsourcing** activities, facilitate innovation and technology transfer, and market access that benefit SMEs within and beyond the SEZ.
- ✓ Morocco and SA exemplifies effective SEZ-SME linkages, **prioritizing local economic growth** through policies supporting entrepreneurship and local manufacturing.
- ✓ In Mauritius, SMEDA collaborates with **SEZs to integrate local businesses into supply chains** by offering business support, training, and financial access.
- ✓ Other references cases are Egypt, Kenya, Rwanda

2.6 ESG PERFORMANCE

*CSR emphasizes **ethical business practices** that benefit society and support community development.*

*Companies engaged in CSR take **responsibility** for their impact on stakeholders, including employees, customers, communities, and the environment, complying with legal standards while also making voluntary efforts to **improve social well-being**.*

Historically, SEZs attracted foreign investment by lowering environmental and social standards, but a **recent shift in African SEZs shows that adopting high ESG standards** can make zones more attractive to investors, especially those sensitive to reputational risks

Implementing circular economy principles, such as **waste recycling** and eco-friendly policies, opens new business opportunities.

Successful cases, like **Gabon's** Nkok SEZ achieving **carbon neutrality** and Egypt's and South Africa's eco-focused SEZs, illustrate the benefits of ESG integration. Morocco is also advancing ESG in SEZs, emphasizing renewable energy and energy efficiency.

Madagascar's SEZ law (Law No. 2017/023) **mandates that SEZ developers and companies prioritize responsible governance**, balance social and economic performance, promote workplace diversity, **support local communities**, implement environmental policies, **combat climate change**.

2.7 PROMOTE REGIONAL AND CONTINENTAL INTEGRATION

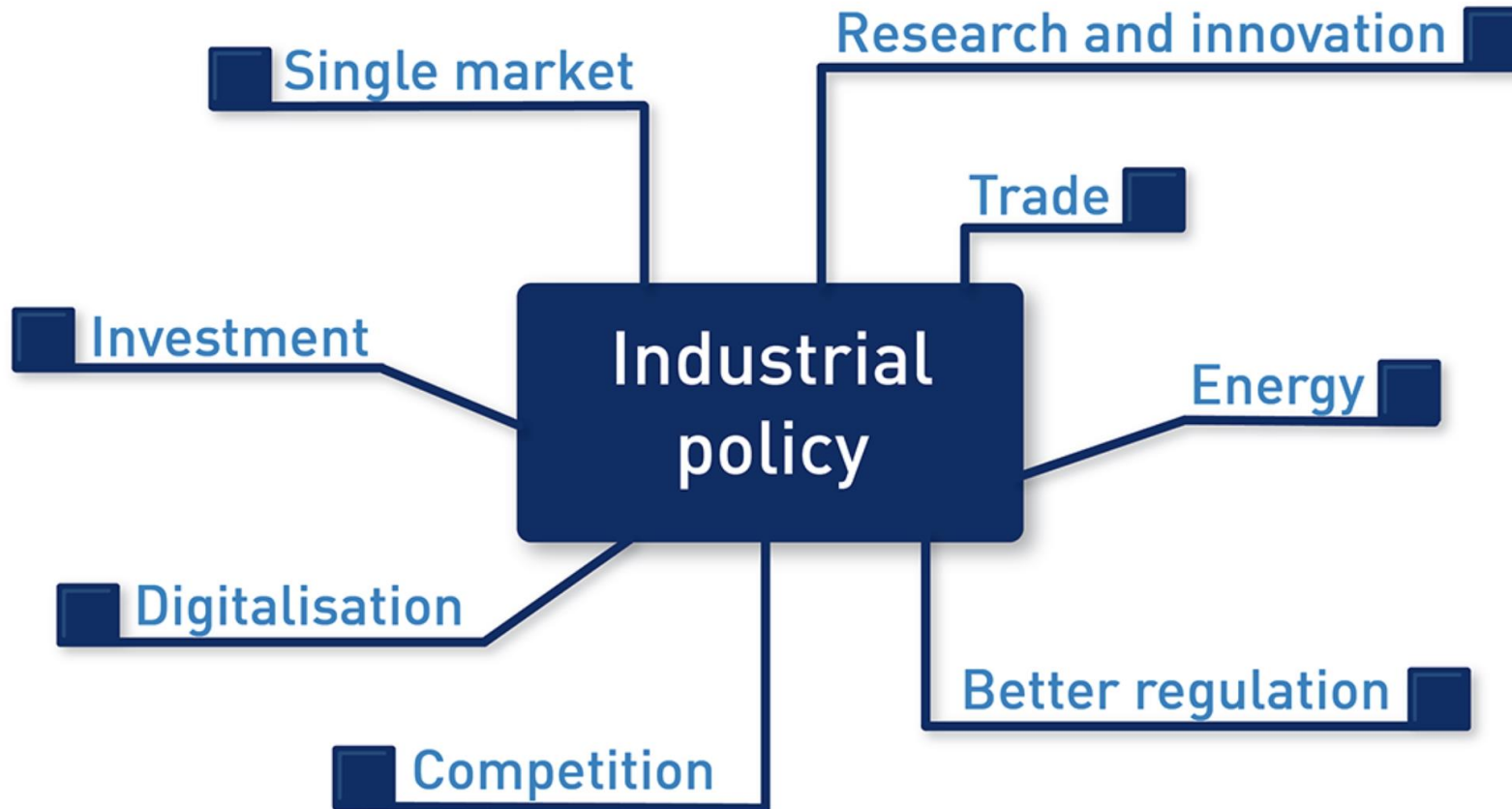
Countries should accelerate **reforms for doing business** allowing SEZs to play a major role in the **development of regional value chains**.

Mauritius' SEZ collaborations with Côte d'Ivoire, Ghana, Madagascar, and Senegal, fosters regional integration and supports local businesses by establishing business corridors and sharing expertise.

Promoting regional development ecosystems and forming strategic partnerships with foreign entities allows countries to **expand SEZ market opportunities**.

This approach aligns with the goals of the African Continental Free Trade Area (AfCFTA), which seeks to foster intra-African trade and integration.

3. POLICY RECOMMENDATIONS



3.1 STRENGTHENING PROPER GOVERNANCE

- Integrating SEZ regulations into the broader national development strategy **ensures alignment with the country's economic objectives and overarching development agenda.**
- Promoting policies that encourage the **use of local content in SEZs, the development of industry clusters** and **public-private partnerships** to generate revenue and employment opportunities.
- Enacting legislation granting **SEZ authorities' legal autonomy**, establishes them as **independent entities** with decision-making powers, the capacity to enter contracts, and **financial independence.**
- Ensure **transparent and accountable governance structures** within SEZ authorities by appointing board members with relevant expertise, including representatives from key ministries, private sector stakeholders, lawyers, researchers, and specialists in urbanization and regional development.
- Establish regulations that clearly define the **roles and responsibilities of all stakeholders** involved in SEZs to **enhance efficiency and accountability.**
- **Evaluate the opportunity of merging SEZ authorities with Investment Promotion Agencies** to streamline investment attraction activities, reduce duplication, and minimize operational costs.
- Include explicit provisions in SEZ regulations mandating **compliance with both international and national labour standards**, covering aspects such as minimum wages, working hours, occupational health and safety, and the prohibition of child and forced labour.

3.2 BOOSTING LOCAL ECONOMIC DEVELOPMENT AND THE SME ECOSYSTEM

- Promote and facilitate **partnerships between SEZs, SMEs, and relevant government agencies** or organizations to foster local economic development.
- Companies operating in SEZs to prioritize **local purchasing**, hiring, and procurement while encouraging **subcontracting and outsourcing** initiatives between large companies and SMEs.
- Establish comprehensive support ecosystems tailored to SMEs operating within SEZs such as training, technical assistance, and **guidance on financing sources**. This should include **business incubation programs**, mentoring initiatives, and networking opportunities.
- Improving the product and service quality of SMEs, the quality assurance, standardization, and certification are a key criteria to operating within SEZ frameworks. This enables SMEs to strengthen their **quality infrastructure**, ensuring compliance with and **conformity to export market standards**.
- Encourage **the inclusion of marginalized groups** in SEZs' economic development initiatives, ensuring equitable opportunities and participation in economic activities.

3.3 ESG MAINSTREAMING

- Promote collaboration and engagement among SEZ authorities, companies, local communities, and relevant stakeholders to **work collectively towards achieving ESG goals**. This can include regular consultations, dialogues, and partnerships to address ESG challenges and identify sustainable solutions.
- **Incorporate ESG standards into SEZ regulations**, requiring all zone operators and companies to adhere to ESG practices. These standards should cover energy efficiency, waste management, labour rights, human rights, and health and safety.
- Implement transparency measures **mandating SEZ operators and companies to report on their environmental impacts**, labour practices, and community engagement efforts. (Reporting Guidelines).
- Establish education and training initiatives including TVET centers within or near SEZs and industrial zones to serve as hubs for **cultivating a skilled workforce aligned with industry needs as part of social responsibility**.
- Reference countries on ESG implementation: Kenya, Mauritius, Morocco, South Africa, Gabon

3.4 LEVERAGE OF AfCFTA AND TRANSPORT CORRIDORS

INTEGRATION WITH AfCFTA

Align SEZ policies with AfCFTA objectives for enhanced regional trade.

FACILITATE TRADE

Streamline processes to facilitate cross-border trade within the AfCFTA framework.

PREFERENTIAL TREATMENT

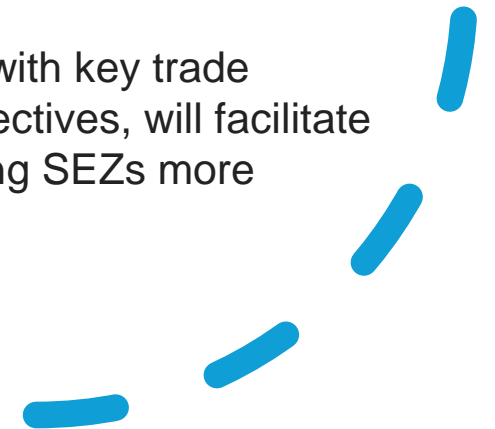
Advocate for preferential treatment of SEZ-produced goods to boost competitiveness.

MARKET ACCESS

Enhance market access for SEZ products through AfCFTA agreements.


CORRIDORS AS ARTERIES OF TRADE

To align SEZ locations and infrastructure developments with key trade corridors, especially those that support the AfCFTA's objectives, will facilitate easier access to regional and continental markets, making SEZs more attractive to investment.





3.5 SUPPORT THE FIRST GENERATION OF SEZs IN TRANSITIONING TO A NEW GENERATION SEZs

- Toward new generation of SEZ to adopt new business models, taking in consideration local economic development, SMEs integration and ESG.
 - **Facilitate the sharing and dissemination of best practices** from new-generation SEZs to first-generation zones.
 - SEZs in the development stage should leverage successful models implemented in countries such as Egypt, Kenya, Morocco, Mauritius, Rwanda, and South Africa.
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4. ACTION PLAN




4.1 PHASE 1 AWARENESS CAMPAIGN AND FUND MOBILISATION 2024-2025

Ongoing:
Financed by AFD and
implemented by Expertise
France, under the France AU –
Technical Facility.

Two activities identified as priority:

1. **Awareness campaigns** encouraging AUC member states to include in their industrial policy the contribution of SEZs on SME integration and local economic development.
2. Establishment of a **Task Force assisting in the mobilisation of blended financial resources** for implementing the Policy recommendations.

The Task Force will comprise, among others, the following key stakeholders:

- AUC-ETTIM Department
 - AEZO
 - Development Finance Institutions (AfDB, Afreximbank, EIB, IFC....)
 - Africa-EU Global Gateway
 - Bilateral development agencies
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4.2 PHASE 2 IMPLEMENTATION OF THE POLICY RECOMMENDATIONS (2026-2029)

OBJECTIVE

SUPPORT THE TRANSITION OF SEZs TOWARDS A NEW BUSINESS MODEL WITH A FOCUS ON LOCAL ECONOMIC DEVELOPMENT, SME INTEGRATION AND ESG MAINSTREAMING.

SPECIFIC OBJECTIVES

- Upgrading SEZs policies for strengthening proper governance
- Boosting local economic development ecosystem, including SMEs integration in SEZs
- Support SEZs on ESG compliance and outreach
- Leverage of AfCFTA and trade corridors

TARGET :

- 10 selected countries from the 5 regions.
- 4 SEZs per country
- 20 SMEs per country to integrate in SEZ

Total: 200 SMEs

TENTATIVE BUDGET TO MOBILISE

Total 20 million euros (2 million/country)

DURATION:

4 years

IMPLEMENTATION:

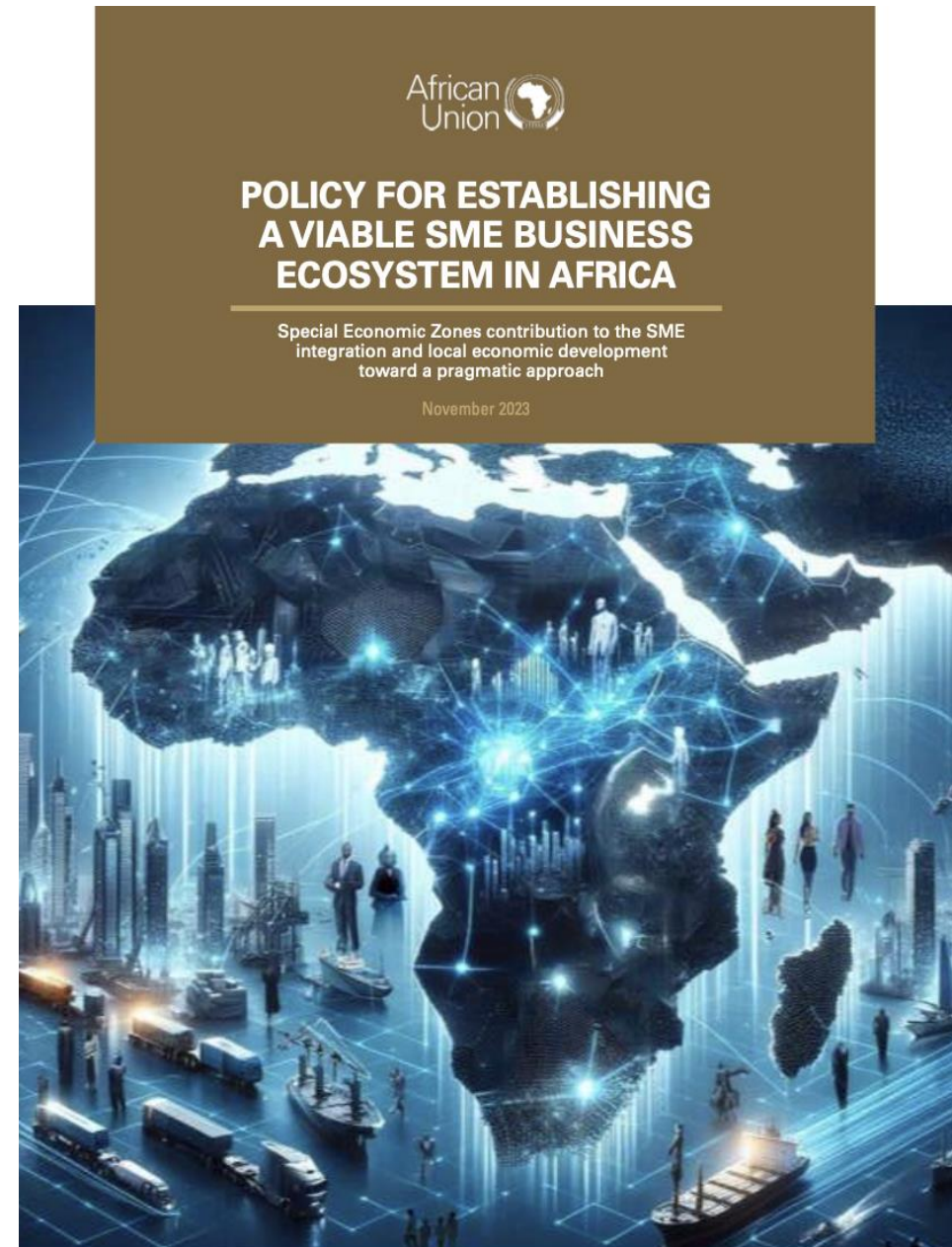
AUC ETTIM in partnership with AEZO



For a copy of the policy document
please contact :

AU-ETTIM Department.

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