LEARNING NOTES

ETHEKWINI MUNICIPALITY

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Learning Notes

Increasing The International Competitiveness Of Economic Regions Through Special Economic Zones Learning Exchange

MILE In Partnership With The Department Of Economic Development

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Acronyms and Abbreviations

CEO	Chief Executive Officer
DCCI	Durban Chamber of Commerce and Industry
DTI	Department of Trade and Industry
EPZ	Export Processing Zones
FDI	Foreign Direct Investment
HSRC	Human Science and Research Council
IDZs	Industrial Development Zones
KZN	KwaZulu Natal
SEZ	Special Economic Zones

About MILE Learning Notes

These Learning Notes have been compiled with the intention of documenting key issues that were raised and discussed in the Special Economic Zones Seminar held on 23 September 2011. They are based solely on the presentations conducted by Councillor Nomvuzo Shabalala (Deputy Mayor of eThekwini Municipality); Mr. Shannon Tulsiram (Head: Economic Development); Ms Masingitha Khandlhela (Researcher); Mr. Clive Coetzee (Senior Manager: KZN Treasury); Professor Ivan Turok (Deputy Executive Director: HSRC); Mr. Andrew Layman (CEO: DCCI); and Mr. Maoto Molefane (Senior Manager: Spatial Planning and Research: DTI). In this publication, we focus on increasing the international competitiveness of economic regions through Special Economic Zones. It is hoped that these LNs will be used by municipal officials and academics involved directly or indirectly in economic development initiatives.

The LNs also aim to assist the local businesses and eThekwini Municipality to generate the information required to prepare and enhance the economic development in the region. They crystallise knowledge and lessons learnt, drawing on international experiences. To achieve this, eThekwini Municipality needs to be committed to the strategic objectives and principles of developing successful SEZs.

At the seminar, consensus was reached on a set of key factors that were considered critical in focusing the region towards special economic zones. Stakeholders involved sought to optimise the relevance, coherence, implementability and impact of SEZ initiatives, providing both a checklist for its enhancement and to assess the readiness for future implementation.
This is an open-ended series covering a variety of topics. Existing LNs will be updated and improved and more will be added as necessary. Comments and suggestions for improvements or new LN themes are welcome. These, together with requests for further information, should be addressed to mile@durban.gov.za.

Background And Introduction

eThekwini Municipality is currently developing a policy on industrial development aimed at increasing economic growth and competitiveness. This policy needs to be well informed and realistic and hence, the municipality has embarked on a consultative process that will collate input from government departments, the department of Economic Development, Department of Trade and Industry, KZN Treasury, KZN DEDT, Richards Bay IDZ, SA Cities Network, Business organizations, Independent Consultants in economic development, Research Institutions' funding institutions and NGOs. The policy intends focusing on the value on special economic zones as an alternative to accelerate economic growth in cities. The New Growth path and IPAP 2 sets the scene for municipalities to develop their economies and accelerate job creation, attract FDI and maximise export capacity through emulating "some" of the principles of special economic zones such as Industrial Development Zones (IDZs).

The New Growth Path stipulates that all stakeholders including local government must take the lead in achieving the set targets on job creation and stimulating local economic development. In line with the broader legislative context on economic growth, municipalities need to consider the ways in which other government programmes and initiatives aimed at growing the economy are implemented. Special economic zones such as IDZs are seen as potential vehicles to facilitate investment, and boost export trade. There is a full appreciation and awareness that such initiatives are a national and provincial competence as a result of the regulatory framework (i.e. Manufacturing Act of 2003), and as a result, municipalities have limited roles in implementing these initiatives.

In all the nine provinces, where these models are being implemented, they have learnt from these experiences. Lessons have been shared elsewhere about these initiatives but whether cities as potential drivers of economies have taken these to note is uncertain. Furthermore, some key lessons that have put the IDZ under the spotlight. There have been concerns, for example, that there are limited partnerships between the host municipality, other spheres of government and business. The successful implementation of IDZs will undoubtedly suggest to cities such as eThekwini how they can create an enabling environment to enhance industrial competitiveness within their localities. It is hoped that the outcome of this seminar will seek to solicit inputs from various stakeholders on the potential role of SEZs in economic development; explore areas of collaboration and consolidate relationships among various key role players and stakeholders in economic growth and development.

Purpose Of The Seminar

The purpose of the seminar was to undertake the following:

• Provide an arena for engagement on spatial economic policy matters amongst researchers, policy developers and practitioners with a view to forging closer links amongst key role players.

• Exchange perspectives on various options towards increasing international competitiveness of economic regions; and

• Gather substantive feedback towards the review of legislation which guide the spatial economy of cities.

Setting The Scene: An Overview On Sezs

Ms Masingitha Khandhlela, a Researcher at the Department of Economic Development took us through her presentation. At the outset, she outlined her presentation and commenced by highlighting the challenge of defining Special Economic Zones. Synonymous to SEZs are free zones, foreign trade zones, export processing zones, spatial development zones, and industrial development zones (mostly common in South Africa). What is common in these zones is that they operate with custom rules and government policy measures different from those found in other parts of the country. What differentiate these zones are elements such as the development objective, physical configuration, location, eligible activities, markets and package of incentives provided to operate in the zone. Looking at these zones worldwide, it is evident that the type of zone can be aligned with the development objective. For example, free trade zones support trade; traditional EPZs focus on manufacturing; hybrid EPZs deal with export and domestic markets; free ports are characterized by integrated development; enterprise zones are about urban revitalization; whilst single factory EPZs also feature export manufacturing.

SEZs are characterized by a number of goals, namely, the promotion of exports of goods, services and investment from domestic and foreign sources; as well as the creation of employment opportunities and the development of infrastructure facilities. SEZs are also characterized by the provision of incentives. Industries operating in these zones are normally exempt from duties on intermediate goods, raw materials and equipment. The imposition of taxes and industrial regulations are often generous.

Governments often grant them tax holidays and this guarantees the repatriation of profit.

Again, looking at these zones internationally, there are certain trends in the development of these zones. In developing countries, these industrial estates are often fenced off. In certain countries, poorly developed areas are often transformed into a cosmopolitan city. Some of these zones have become modern industrial sites which have successfully combined residential; commercial and industrial activity. Some of the zones are developed and run by government and others are privately developed and managed.

The rationale for the development of SEZ is often supporting a wider economic reform strategy in an attempt to alleviate growing unemployment. They serve as experimental laboratories for the application of new policies and approaches, mainly to attract foreign direct investment. Coming back to South Africa, there are four Industrial Development Zones, namely, Richards Bay (KwaZulu Natal), East London (Eastern Cape), Coega – Port Elizabeth (also in the Eastern Cape) and Oliver Tambo International Airport in Kempton Park (Gauteng).

Ms Khandhlela posed the question as to why be it important to engage and discuss SEZs. Clearly, the point of departure was the interest expressed by eThekwini Municipality. eThekwini is an economic region alive with positive possibilities. Spatial economic reform is currently on the agenda of the municipality. Business plays a very important and critical role in economic development and growth. Looking at the revised Spatial Development Framework (2010), it clearly defines eThekwini's space economy. Given eThekwini's prime position, it is the third largest economy in South Africa and serves as the main economic hub of KwaZulu Natal. It has Africa's largest port, a very solid manufacturing base, an accessible proximity to markets and other economic hubs, and a fairly developed logistics infrastructure. eThekwini Municipality is committed to restructuring the spatial economy because we view SEZs as a new source of competitiveness and there is a potential to diversify. Looking at eThekwini's GDP in terms of sector composition, significant sector are finance (23%), manufacturing (22%), community services (17%) and trade (16%). Major sub sectors in manufacturing are automotive, food and beverages, clothing and textiles, pulp and paper and furniture.

The rationale for the engagement of SEZ is also espoused on the government imperatives on economic growth and development (i.e. IPAP2 and NGP). The government's agenda relating to the key strategic intent for IPAP 2 and the NGP clearly focuses on job creation, skills transfer, technology advancement/industrial capacity, increased exports and regional development. This forms the basis for the city's commitment to public private partnerships and the development of the port vision. It is also important to note that the integration of the port with economic development and job creation plans of the surrounding cities and towns is imperative. Moreover, learning from the current models, such as the Richards Bay Industrial Development Zone, is also of prime importance.

The municipality has researched and compiled an integrated development plan. This is the municipality's strategy that consists of a long term development framework (vision 2020) on creating a caring and livable city. Realistically, an attempt has been made to align the IDP to national and provincial planning imperatives. It consists of an eight point plan with realistic and achievable outcomes. Ms Khandhlela emphasized the fact that the city has a prime position in the South African space economy.

Looking at the Industrial Policy Review, the current policies governing IDZs do not offer sufficient direct legislative support and the need for tighter policy framework was what prompted the review (DTI, May 2011). Khandhlela posed the question, "how far is the DTI's plan on reviewing the policy on IDZ? It appears that government too is also on a fact finding mission. She posed further questions to government concerning the policy review process:

• Are/were the consultations limited to IDZ hosting municipalities?

• Are there no windows of opportunity for non-hosting municipalities?

• Are SEZ not about regional and sectoral specialization?

• Do the latter require local government support (industrial clustering and agglomeration economies)?

As mentioned earlier, the municipality is committed to public private partnerships. The major constituencies of the municipality are business, government and the communities at large. It is therefore important that this commitment is translated so that the municipality can collaborate for the region to thrive economically, socially and otherwise. This commitment will also translate to the enhancement of the delivery of serviced industrial land. The integration of ports with economic development and job creation plans of the surrounding cities and towns is highly important. Lastly, we need to learn from the Richards Bay IDZ, its successes and failures. We can learn from other developing countries as well and see who could be our "role models" and definitely not the traditional big economies of the US and Europe. And finally, the burden SEZs place on government resources can be reduced if we work hand in hand with the private sector.

Economic Development In Export Processing Zones: The Kwazulu Natal Experience On Idzs

Clive Coetzee took us through this presentation. He commenced by giving us a brief history and overview of SEZs. EPZs developed significantly after the Second World War, reflecting growing international specialization, the expansion of the manufacturing activities of transnational corporations and an increasing orientation by host countries towards export. Generally, the purpose of creating such zones is to boost local employment, generate additional export income, diversify the host country's export base, and to facilitate industrial upgrading through technology transfer and foreign investment. In recent decades, they have been used by many developing countries to help manage a larger strategic transition from a highly protected, inward oriented domestic economic policy, to a liberalized, globally integrated, outward oriented domestic economy. For domestic or foreign invested firms, these incentives can be translated into lower production costs in the zones and, all else being equal, higher potential profits from the EPZ operation. With the unit cost of production in the EPZ, c1 and the unit cost of production attainable outside the EPZ by c2, we assume, without any loss of generality, that c1<c2, and that both c1 and c2 remain constant over time.

EPZs take a variety of names and forms in different countries (including free trade zones, special economic zones (SEZs), industrial development zones (IDZs), bonded warehouses, free ports, information processing zones, financial services zones and Maquiladoras). It is estimated that there are currently (2008) around 3500 EPZs throughout the world, operating in around 130 countries and territories and employing 66 million people.

In 2002, EPZs existed in around 116 countries and in 1975, in only 25. In Costa Rica, the number of companies established in EPZs rose from 168 in 1997 to 227 in 2005. In Madagascar, the number rose from 132 in 2002 to 202 in 2006.

Between 2002 and 2006, while EPZ exports increased significantly in some countries, such as, Bangladesh (26%), Madagascar (111%), the Maldives (261%) and Sri Lanka (15%), they declined in others, such as the Philippines (-31%), Mexico (-43%) and Tunisia (-35%). Although EPZ production in many countries continues to be focused primarily on textiles, an increasing number of countries have diversified their production over time. The development of EPZs over recent years has also been characterized by a diversification of investors. More and more Asian firms are investing in Latin America and Africa.

Furthermore, over time, EPZs have evolved from initial assembly and simple processing activities to include high tech and science parks, finance zones, logistics centres and even tourist resorts. Their physical form now includes not only enclave type zones but also single industry, single commodity, single factory or single company zones. EPZs have developed significantly from 1975 to 2006 in terms of number of countries with EPZs, number of EPZs and employment.

EPZs provide special economic incentives such as customs free, tax exempt and export oriented manufacturing facilities and investment incentives, streamlined administration, cheap utilities and better infrastructure than outside the zones.

Moreover, in a few countries, EPZs are given some exemptions to national labour law regulations. These include:

- Exemption from some or all export taxes

- Exemption from some or all duties on imports of raw materials or intermediate goods

• Exemption from direct taxes such as profits taxes, municipal and property taxes

• Exemption from indirect taxes such as VAT on domestic purchases

• Exemption from national foreign exchange controls

• Free profit repatriation for foreign companies

• Provision of streamlines administrative services especially to facilitate import and export

• Free provision of enhanced physical infrastructure for production, transport and logistics

The Kenyan Program has contributed significantly to achieving these objectives with over 40 zones in place, close to 40 000 workers employed and contribution of 10.7% of national exports. Over 70% of EPZ output is exported to the USA under AGOA. In Pakistan, EPZA is committed to provide quality services to achieve the national goal of “Export for Progress”. Zones provide a number of tax incentives, facilities and developed infrastructure to our investors through one window operations. In Dakar, EPZs offer incentives for investors for opening factories in EPZs. For example, new factories enjoy tax holidays for 5 years. Also, labour unions and other activities that are often viewed detrimental to productivity are banned inside the EPZs. Locating in any Free Zone in Nigeria automatically confers upon the investor certain advantages, benefits and incentives which have been strategically designed by the Federal Government of Nigeria to create a business friendly environment for the investor and to be competitive.

The Bataan EPZ is the result of the Philippine government's decision to concentrate its development efforts in the field of foreign owned, export oriented industrialization.

However, Coetzee notes that nothing in life is for free, there are always opportunity costs. The ILO states that it can be argued that, while EPZs have generated employment in many countries, they do not automatically lead to sustainable social development and poverty alleviation. The World Bank has concluded the "direct employment impact of zones is marginal while the ILOs estimate is that EPZs account for less than 0.5% of total global employment, and for less than 3% of employment in most individual countries with EPZs. There is an increase in the dependency of developing countries on foreign capital. These zones create unfair competition with domestic industries. They are less successful in capturing the global value added. The possible linkages are minimal. Respect for freedom of association and the right to collective bargaining remains one of the main concerns in EPZs. There is virtually no worker organization in EPZs in Costa Rica. In Madagascar, only one of every 62 enterprises party to a collective agreement. The rights of workers regarding both recruitment and dismissal are often not respected.

The OECD, however, has observed that while EPZs do not present a solution to unemployment, they are nonetheless a viable source of employment creation. In respect of net export growth generated by EPZs, which depends on backward linkages (that is, the extent to which export firms source their inputs locally), the picture is significantly less positive. The dynamic benefits of EPZs – including demonstration effects, technology transfer, and workforce upgrading – are both potentially the most important and the most difficult to measure. EPZs can therefore be a major cost for host countries in terms of revenue foregone.

The success of EPZs is related to the degree of state capacity, domestic skill levels, infrastructural capacities, rule of law, respect for workers rights and economic linkages outside the EPZs. There seems to be a general trend towards privately run EPZs, with more than half of all zones worldwide now being privately owned and operated.

Back home in KwaZulu Natal, the Richards Bay Industrial Development Zone company's vision and mission is as follows:

"To be the prime location for quality investment projects and the mission is to attract a profitable volume of investment projects and ensure sustainable economic development."

The land size or area of the first site is 95 hectares with 62 hectares developable and 33 hectares wetland. It is currently zoned as light industry due to air quality constraints. The area of the second site is 170 hectares with 119 hectares of developable land and 51 hectares of wetland. At least 107 sites have been sold and only 11 remaining. It is also zoned light industry due air quality constraints. The third site is 175 hectares. 54 hectares is used by Tata Steel and the remaining 121 is IDZ land with 45 hectares wetland and 76 hectares developable. Zoning on this site has not yet been done. There are a number of issues relating to the Richards Bay IDZ. With regards to the ownership of land, the land transfer process has not yet been completed. Looking and environmental concerns, implications of the environmental management plan for the IDZ is not well understood. Bulk service supply is the responsibility of the municipality but it is cash strapped. RBIDZ needs a marketing strategy highlighting incentives. The CAPEX Budget and Plan is also problematic, there are insufficient financial resources for the development of the different sites. In terms of ownership or management structure, there is a lack of political and departmental support. The IDZ is a sub programme and not a flagship project. There is also a lack of coordination from the side of Transnet. There is limited coordination between the plans of the IDZ and the Port Authority. South Africa is not an investment destination nor is it manufacturing friendly.

Other perspectives claim that government has not gone far enough and labour movement intervention is inherently limiting. Another view holds that other conditions restrict the development of a strong manufacturing sector, for example, the shortage of skilled workers and engineers. A lack of clarity over the administration of the zones – local versus provincial governments – creates confusion for some of the elected officials and businesses involved. According to Coetzee, the bottom line is that, the RBIDZ was incorporated in 2002 and almost R500 million has been allocated to the RBIDZ with almost no return. The cost has been less than the benefit. It appears that it will take long for the benefits to outweigh the costs. Perhaps it is time that we get the private sector to drive the IDZ or maybe it needs to be dismantled.

Paper On Sezs: The Anatomy Of Special Zones: What, Where, Why And How?

Professor Ivan Turok, Executive Director of the Human Sciences Research Council (HSRC), took us through this presentation. He gave us a brief background of Scotland and population sizes of cities such as Glasgow, Edinburgh, Aberdeen and Dundee. Prof. Turok's presentation gave a broader view of SEZ by using an international example. Generally, there is at least 60 years of experience of SEZs throughout the world. SEZs are important for South Africa because they create an opportunity to maximize investments.

In the case of Scotland, in the 1900s, there was an economic boom. After the Second World War the economy declined significantly as a result of globalization, complacency, focus and relevance. The decline of industry led to a legacy of dereliction, decay, physically and socially. A number of once thriving industrial areas were neglected. These areas had a serious negative reputation and were seen as places of decline. Areas such as Ravenscraig were in serious decline and in need for regeneration.

The government of Scotland took a resolution to create the so called "New Towns". These towns were then designed as special economic zones offering key incentives and world class infrastructure and accommodation. They were created as balanced and sustainable communities and not just dormitory settlements. The purchase of land was compulsory and the acquisition was made at the existing use value. Turok noted that land is a critical factor in identifying SEZs. Once the land has been identified and purchased, it was critical for the government of Scotland to attract foreign investment. Attracting foreign investments is a long term phenomenon and there is a need to be patient. Even Margaret Thatcher, the erstwhile President of England had adopted the concept of free enterprise zones using the Scotland model as a yardstick.

The decision to locate SEZs must be based on potential and need. The provision of incentives can take various forms, such as tax holidays and exemption from rates. The size of the area is also important. Its needs to be holistic, focused, and be based on local innovation and development. For example, there is potential for South African municipalities to undertake strategic site initiatives that can be focused around Science Parks or Green Business Parks. The objectives can be diverse. The reasons too can also be diverse and include aspects such as:

- Physical revitalization and land problems
- Enabling local business expansion
- Upgrading local businesses
- Attracting domestic investment
- Attracting foreign investment
- Creating new growth poles
- Spatial transformation

The key characteristics for identifying SEZs include:

- Priority area designation
- Positioning and branding

• Physical conditions such as land, infrastructure, landscaping, property, and incubators

• Incentives such as property taxes, rates and tariffs

• Relaxed regulations such as planning and labour

• Governance, coordination, delivery and duration

Problems and risks that can be associated with SEZs include:

• High costs, limited outcomes

• Outcomes slow to emerge

• Positive outcomes but “boundary hopping”

• Low value outcomes

• High leakage of benefits – they don’t stick

• Political commitment not sustained

• Imitation by others

Professor Turok outlined some basic practical lessons that can be learned from international experience in establishing SEZs and governments must:

• Protect industrial land from competing uses

• Invest in infrastructure – at an appropriate level

• Brownfields can work with landscaping and upgrading

• Connectivity is vital

• Accessible to workforce and other support

• Beware unintended consequences

• Maintain existing industrial areas

Having outlined diverse reasons and objectives, key characteristics, problems and risks, and basic lessons, there are wider principles to SEZs that need to be considered and these include:

• Relevance to local situation with respect to consultation and timing

• Additionality – what will make the biggest difference?

• Problems and opportunities (i.e. need and potential)

• Focus – need to avoid dilution

• Must be spatially embedded and not enclaves

• Must also be economically embedded with regards to property, value chains, local procurement, recruitment and training.

Business Impressions On Sezs

Mr. Andrew Layman, Chairman of the Durban Chamber of Commerce and Industry, took us through his presentation. He admitted that SEZs are currently not on the agenda of DCCI. However, there is a potential for Durban to develop SEZs and this will be based on local creativity. The municipality needs to allow flexibility in facilitating SEZs. However, looking at the philosophy of DTI, we are not moving away from IDZs and yet IDZs have not been successful in South Africa. According to Layman, South Africa should learn from Dubai and their free zones model. Foreign investors want freedom and no partnership with local agents. In order to attract such investments, the government needs to confirm minimum labour requirements and tax. Furthermore, government needs to provide adequate services so that the companies can purchase the services.

The concept of foreign direct investment has always been questionable and incentives have always been debated for decades by economists. Some say best location is dismissive of incentives. Layman believes that Durban is a premier place to be and that incentives would be a cherry on top. Incentives alone are not sustainable, because somebody is paying for them. We need fundamental attraction rather than artificial incentives. Business hospitality should be spread everywhere to attract more investments. Currently, South Africa is not hospitable to industrial development. The focus should be on hospitality. However, SEZ do have a potential in South Africa provided they are used in conjunction with clustering and they provide competitiveness. Durban has a cluster of logistics and existing embryonic industrial zone. Focus is important and we need to identify precincts focused on demand. The eThekwini Municipality needs to identify land and lease it to industry.

Some General Commments

In addition, Dr. Ajiv Maharaj advised participants that currently there are precincts in Durban such as Mahogany Ridge (based on incentives), Springfield Park (logistics), Point Development (Access), Gateway and Bridge City. These precinct investments are mostly private sector driven. The availability of free land is still questionable. Currently what the municipality can offer is an enabling environment and expedited approval processes which are normally free or cost less.

What eThekwini should be capitalizing on is the fact that KZN and Durban is the closest to BRICS countries. When we look at the South African context, IDZs are not necessarily in competition the ports. The province of KZN should prioritise spending and encourage a mix of activities. Looking at developmental realities, KZN cannot be limited to Richard's Bay only. The national and provincial infrastructure supports the development of these zones elsewhere in the country. Government needs to reinvent Public Private Partnerships. The provision of incentives in these zones should offer efficient subsidizing. Existing industry also needs to be maintained. Industries should be encouraged to own the land and not lease. The private sector needs certainty. However, a rental approach can be staggered towards ownership as a form of inducement.

It is a known fact that State Owned Enterprises are problematic and have failed significantly. So we need to learn from history. We also need proper business plans to attract funding, sufficient funding and political will. Marketing is also important. Dr Ajiv advised participants that in takes time to develop vacant land.

The port is the biggest engine or machine. As a result of this, Durban has a comparative advantage in terms of logistics and the value chain. If we were to consider SEZs in eThekwini, we need to think about the port first.

Another issue relates to planning and development matters that need to be packaged and considered in the development process, such as zoning, EIAs. We need to consider extending SEZs to cover larger areas. We also need to look at impediments that slow down investments, including those that are legislative in nature. Although the governments’ spending priorities revolves around housing, grants and not necessarily economic development, we need to create business friendly cities.

National Experience And Future Plans

Mr. Maoto Molefane from the Department of Trade and Industry (DTI) took us through this presentation and reflected on the national SEZ policy and strategy. He commenced by outlining a problem statement. There are problems with the current IDZ policy and management practice in terms of strategy, design and management, and support.

With regards to strategy, there are very weak linkages with national, regional and local economic industrial strategies. Targeted industrial capabilities are not clear. They are only on export promotion and thus not comprehensive enough to optimize the possible contribution of IDZs towards other development goals such as domestic and regional production. The definition of ZIDZs is applicable to a few regions of the country and hence there is a need to broaden it into SEZ model. In fact, there is more competition than complimentarity among existing zones.

Looking at design and management, there are adhoc planning and monitoring arrangements. Challenges revolve around governance, ownership and management. Institutional arrangements are not in line with long term strategic architecture. Key stakeholders are not coordinated adequately. Generally, it is an ineffective business model.

In terms of support, financial support is too ad hoc and inappropriate for long term planning. There is an over emphasis on hard infrastructure at the expense of soft infrastructure. Support is often focused only within the zone and not the hosting region. There are no dedicated incentives. Government services are coordinated inadequately.

By focusing our attention to the problems that encapsulate the current IDZ policy and management practice, there needs to be a new paradigm shift. The existing IDZ policy needs to be reviewed and a bill for SEZs needs to be developed. Currently, DTI defines SEZs as geographically defined industrial locality of a specific thematic/industry sector focus established by government and run by government – private or solely private ownership to provide special provisions to develop industrial growth in particular geographical areas that is associated with a relevant package of industrial incentives and targeted infrastructure development. Molefane outlined a number of examples of SEZs and they include the following:

• Industrial Development Zones/ Export Processing Zones characterized by export oriented manufacturing services.

• Free Trade Zones/ Commercial Free Zones characterized by warehousing, storage and distribution facilities for trade.

• Free Ports that accommodate all kinds of activities such as tourism, residential sites and characterized by integrated development.

• Enterprise Zone Empowerment for the revitalization of an urban or rural area.

• Spatial development Corridors that cover several development nodes and accommodates all kinds of activities.

• Specialised zones where technology or science parks, logistics hubs and sector specific development zones occur

Morefane noted that it is not the name but the strategic rationale that is important. South Africa needs to have a specific strategic intention for SEZs. Hence it needs to redefine and expand the SEZ model to serve as a tool for diverse development objectives. It should create a regionally diversified manufacturing industry in new economic regions in addition to the current major regional hubs as a way of:

• Diversifying the national manufacturing base

• Creating and expanding economic opportunities in the underdeveloped regions

• Promoting regional cohesion and integration by focusing on economic regions and corridors rather than purely administrative regions.

South Africa needs a policy direction. The existing IDZ policy needs to be expanded to cover all types of SEZs to cater for different regional needs and contexts, and therefore propose a new category of SEZs to be developed. Planning, implementation, monitoring, financing and governance arrangements need to be improved. The provision of comprehensive government support to SEZ needs to be strengthened. There is also a need to improve the specialization and complimentarity of SEZs to avoid or minimize competition.

There are set of guidelines that must be adopted. We need to introduce a new overarching legislation to ensure proper planning, management and governance systems. The number of SEZs needs to be increased through modified arrangements. Both national and provincial governments need to undertake joint planning and implementation. Zones must complement rather than compete against one another. Zone strategies must be integrated with the national and regional industrial development strategies, so that regional and national value chains reinforce one another. The focus should be on economic regions rather than exclusively on administrative regions.

In order to achieve governments diverse objectives, multiple types of zones must be tailored for the diverse regional contexts. Furthermore, government needs to be committed to provide appropriate and efficient support business development services. It needs to promote integrated planning for economic and social development. Provincial governments need to take ownership with a view of long term industrial planning and government support.

There are certain key policy proposals that have been tabled. Firstly, in terms of the policy and legislative framework, a SEZ Act and SEZ Policy and Strategy need to be developed. Secondly, with regards to governance and ownership, a SEZ board must be developed and Provincial governments need to take ownership. Thirdly, with reference to coordination and integration, there needs to be a single window facility and an interim SEZ executive coordinating committee. And finally, looking at funding mechanisms, government needs to allocate SEZ funding and customized incentives.

However, the SEZ Policy and SEZ Bill are currently being finalized. Business cases are being simultaneously identified and developed. There are detailed feasibility studies and planning for new SEZs. There are also interim funding arrangements.

Lessons learned from existing IDZ:

• Participation of municipalities from the on-set is important.

• Focus on strategic investments – not all FDI is beneficial

• Long term plan – implanted thorough different phases

Conclusion

In conclusion, as government (local, provincial and national) and the private sector, we need to ask ourselves the following questions:

• Is there something of value to learn from the current special economic zones?

• What should be the role of local government?

• How do we continue participating in the review processes?

• What should be the future engagement around this matter?

A critical issue that needs to be addressed in the configuration is the type of zones that need to be promoted. Furthermore, it is imperative to share ideas and experiences. For this session, MILE was acknowledged for hosting valuable seminars. Take the deliberations forward, Tulsiram urged participants to interpret the discussions and seek a way forward. He urged us to engage and consult more. These sessions can contribute a great deal in speeding up research.