



United Nations Economic Commission for Africa

7th SADC Industrialization Week

Supporting inclusive industrialization through special economic zones in Southern Africa

Harare, ZIMBABWE

July 29 – August 2, 2024

Concept Note

Introduction

The development of Special Economic Zones (SEZs) is one of the strategic tools being employed by regional member States towards supporting inclusive industrialization for job creation and poverty and inequality reduction. Although SEZs have diverse characteristics and have been called differently in diverse jurisdictions – export processing zones, industrial parks, free trade zones, etc but their key defining elements include being a distinct and demarcated geographical area under a unique regulatory regime different from the rest of the economy, most often with specially configured customs and fiscal rules, foreign ownership rules, access to land and employment rules and the guaranteed availability of infrastructure support. The success of SEZs as industrial growth hubs depends on many factors including high-level political commitment and support, sufficient funding for infrastructure development and strong collaboration between foreign investors in the SEZ and local entrepreneurs.

In recent times, special economic zones have taken a cross border nature where adjacent member States are collaborating to create centres of economic activity straddling national boundaries. Two key initiatives in Southern Africa stand out in this regard – the DRC and Zambia Battery Initiative and the Zambia-Zimbabwe Common Agro-Industrial Park (CAIP), both being undertaken with technical support from the Economic Commission for Africa and other technical partners. On the former, the two Governments are developing transboundary special economic zones anchored on the battery and electric vehicle value chain (BEV). To materialise this initiative, the two countries signed a Cooperation Agreement in April 2022 and a Framework Agreement in March 2023 for the establishment of the transboundary SEZs. The SEZs will exploit the rich critical energy transition minerals resource base in the two countries to develop a battery value chain from precursors to batteries and eventually into the production of electric vehicles. The two countries are endowed in nickel, manganese, lithium, graphite, cobalt and rare earths, the key minerals in the clean energy transition and collaboration will present opportunities for economies of scale. The initiative is currently at prefeasibility study stage, where a study prepared by a consultant is currently under review by the two member States through their structures. On the latter, the two countries, under an industrial collaboration MOU signed in 2021, are currently working on establishing a Common Agro-Industrial Park to leverage the rich agricultural heritage across the two countries and the fertile agriculture land to further strengthen value chains and be able to produce finished products for the larger African market under the AfCFTA as well as benefit from linkages along the value chains.

In Southern Africa, experiences on the establishment and operation of SEZs vary markedly among member States, with success being evident in, for example, Mauritius, South Africa and Zambia, in terms of the creation and operation of the zones, with limited success in most. Other regional member States are at the preliminary stages of establishing SEZs, for example, Malawi has recently requested for support from ECA towards developing a policy, legal and regulatory framework to underpin this

strategy. A platform for sharing experiences on this development strategy would assist regional member States avoid the mistakes of the forerunners.

As part of its support to industrialization in Southern Africa, the Economic Commission for Africa will organise two sessions, one on establishment and management of special economic zones and the other on developing commodity value chains focusing on green minerals, during the SADC Industrialization week to be organised in Harare, Zimbabwe on July 29 to August 3, 2024. The two sessions will be a platform for sharing experiences on special economic zones, both national and cross border (trans-boundary) specifically in Southern Africa but also learning from other regions on the continent. Furthermore, the sessions will be a platform for the regional member States to explore and discuss emerging issues in the just energy transition leveraging the rich natural resource base for the critical minerals key for this transition. Overall, this support builds on ongoing technical assistance by ECA to member States in Southern Africa on industrialization and structural transformation.

Objectives of the Session

The overall objective of the session will be to enhance the capacity of regional member States and their stakeholders to establish and manage special economic zones (SEZs), including those of a transboundary nature, and to discuss the prospects of a regional approach to the exploitation of the opportunities from the critical energy minerals transition.

Specifically, the session will,

- (i) Discuss the various models/types of special economic zones and share national and regional level experiences on establishing and managing the zones – what are the necessary conditions, what have been the experiences?
- (ii) Discuss regional integration in Southern Africa within the context of developing transboundary special economic zones as a platform for developing regional value chains – the opportunities, challenges, institutional arrangements – how can member States proceed on this and effectively capture the benefits of such collaboration – what are the potential challenges,
- (iii) Proffer recommendations on how best to use SEZs as potent tools for industrial development in the region as well as how transboundary zones can be established and managed.

Methodology

The Session will be organised in plenary consisting of panel discussions by invited experts and key thematic presentations followed by question-and-answer sessions.

Participants

The panel will include experts from the SADC and COMESA Secretariats, representatives of regional member States, the SADC Business Council, private sector representatives and the Economic Commission for Africa.

Expected Outcomes

The outcomes will include;

- i. enhanced understanding of the issues around the establishment and management of SEZs,
- ii. enhanced appreciation of the opportunities for the establishment of transboundary SEZs and how member States can proceed,
- iii. enhanced collaboration and learning from each other on managing SEZs, and
- iv. Stronger appreciation among regional member States of the opportunities and challenges in the exploitation of green minerals.

Expected Outputs

The outputs will include;

Recommendations on

- how regional member States can collaborate in strengthening commodity value chains and how they can develop frameworks for the establishment of transboundary SEZs,
- the most conducive conditions towards facilitating the development of and management of SEZs, and
- how to leverage regional integration in the exploitation of critical energy transition minerals.