



United Nations  
Economic Commission for Africa

**Concept Note**

**Study Tour: Exploring Key Incentives and Requirements for  
Special Economic Zones (SEZs) to Foster Automotive Value Chains  
in Southern Africa**

## 1.0 Background

Special economic zones (SEZs) have emerged as critical tools for fostering economic transformation and industrialization. These zones concentrate economic activities in specific geographic areas, promoting synergies, fostering innovation, and attracting significant investments. SEZs are poised to drive productivity, economic diversification, and sustainable development by offering incentives, advanced infrastructure, and streamlined regulations. Ultimately, SEZs provide a valuable platform to enable structural change through infrastructure development and streamlined regulatory mechanisms that yield significant economic benefits such as sectoral investments, employment creation, strengthened value chains, and enhanced regional industrial cooperation.

The automotive industry, one of the largest industrial sectors globally, has seen increasing African participation in its value chain over the years. As a development strategy, many African countries have diversified their production and export capabilities, focusing on Regional Value Chains (RVCs) by specializing in specific aspects of the value chain, such as raw materials, sub-components, and major components. Seen as a symbol of industrialization, the sector spans processes like electronics, polymers, and metals, benefiting from significant government support. While the sector has driven growth in some countries, outcomes in others have been mixed, and the industry's potential remains underutilized. Africa also has the world's lowest motorization rate, with just 45 vehicles per 1,000 inhabitants (OECD, 2022).

To support the implementation of the African Continental Free Trade Agreement (AfCFTA), Afreximbank has allocated resources, including a US\$1 billion facility to operationalize the AfCFTA through adjustment funds. Additionally, it has earmarked US\$900 million to strengthen Africa's Special Economic Zones (SEZs) and US\$1 billion to develop the automotive industry. A further US\$1 billion has been dedicated to a continental transit guarantee initiative. Innovative tools such as the Pan African Payments and Settlement Scheme (PAPSS) to enhance intra-African trade and economic integration have been introduced by the Bank.

In Southern Africa, the automotive sector presents an opportunity for industrial development under the SADC Industrialization Strategy and Road Map and the AfCFTA Automotive Strategy. The industry's RVCs can drive economic growth by fostering robust backward and forward linkages, building a strong supplier base, and supporting industrial deepening. As the sector transitions from traditional internal combustion engine (ICE) vehicles to electric vehicles (e-vehicles), Southern Africa's abundant critical and rare earth minerals position it as a key player in the global automotive shift. The AfCFTA further enhances this potential by promoting the integration of automotive manufacturing value chains across Africa, stimulating assembler industries that drive backward and forward linkages, developing upstream supply chains, and contributing to the structural upgrading of industries in the region.

Southern Africa has the potential to lead the emerging green automotive value chain, aligning industrialization with environmental sustainability, research and development and innovation. Countries like Namibia and Lesotho recognize the opportunities outlined in the SADC Protocol on Industry but require robust policies and targeted investments to grow the automotive sector within specifically calibrated Special Economic Zones (SEZs). Namibia has made progress in this endeavour through the promulgation of the National Sustainable SEZ Policy, Mineral Beneficiation Strategy, and National Automotive Production and Development Policy. These have

created a platform for the growth of the sector. If effectively implemented, these initiatives could position Namibia as a model for leveraging critical raw minerals and renewable energy to drive sustainable industrialization.

In line with the global energy transition and the expanding automotive industry, ECA SRO SA has launched an initiative to strengthen policy, regulatory and incentive frameworks that support the emerging automotive sector. This is mainly through the development of an automotive value chain between Namibia and Lesotho, with the possibility of extending the initiative to Botswana, Malawi, Zambia and Zimbabwe. To support this initiative, one of the critical aspects being assessed is how the development of the SEZs in Southern Africa can be incentivized.

## **2.0 Contextual issues in the case of Namibia and Lesotho's Automotive industries**

Both the Government of Namibia and Lesotho realize growth, development and industrialization opportunities available through the ambitions of the SADC Protocol on Industry. The missing links are adequate policy and investment provisions that catalyze the development of the automotive sector.

The new policy environment in Namibia alluded to earlier, once successfully implemented will provide an opportunity for the country to demonstrate how the critical raw materials and renewable energy value chains can be optimised within a SEZ. Further, Namibia's emphasis on sustainability and just transitions provides opportunities to develop productive pathways, particularly for a small open economies constrained by limited industrial policy space. Namibia can contribute to regional and global value chains while adhering to sustainability principles by utilizing SEZs as hubs for innovation and renewable energy integration. These efforts advance its industrial goals and are instructive for other SADC member states with potential to inspire regional collaboration and strengthen the SADC's position as a hub for sustainable industrial growth, particularly in the automotive sector.

On the other hand, Lesotho's automotive industry is fairly new. The country is not yet ready for a vehicle assembly plant. The shorter term plan is to plug Lesotho into the regional automotive value chains. The country's competitive advantage lies mostly within the highly labour-intensive automotive components manufacturers. South Africa's automotive industry provides such an opportunity for Lesotho to explore value chain opportunities within the industry in line with its competitive advantages in abundant labour and competitive wage rates. Lesotho has capacity to manufacture small automotive components to support the South African Automotive Industry (OEMs) initially and, in the long term, develop capacity to service other export markets. The manufacture of leather car seat covers, plastic and leather interior accessories and electrical components could be the entry points. This is further enhanced by the country's commitment through its second National Strategic Development Plan (2023-2027) which sets out four key priority areas to develop and diversify Lesotho's economy and enhance the country's automotive sector. The Lesotho government has created a supportive environment for industrial growth, particularly within the automotive sector. Through the Lesotho National Development Corporation (LNDC), the government offers a variety of incentives to attract foreign investment. These include tax reductions, streamlined regulatory processes, and support in acquiring land for industrial purposes. These initiatives have been crucial in positioning Lesotho as a competitive player in the

global automotive market.<sup>1</sup> The introduction of automotive manufacturing plants such as Adient, which is a global leader in automotive seating, supporting all major automakers in differentiating their vehicles through superior quality, technology and performance in Lesotho, is anticipated to have a significant impact on the national economy.

Challenges, however, remain in terms of policy provisions that can support bilateral and regional value chains of the automotive sector for Namibia and Lesotho whilst giving credence to the SADC Protocol on Industry. Further, gaps also exist in terms of harmonized policy, legal and regulatory frameworks, whilst recognizing the different capabilities and promoting graduation as some member states' sectors are nascent whilst others are advanced. Challenges also remain in terms of requisite sector incentives within special economic zone regimes and mainstreaming allied production of key components through regional natural endowment if economies of scale are to be maximised. There is need to facilitate the active engagement of Micro, Small, and Medium Enterprises (MSMEs) in the Automotive sector value chains.

A detailed assessment of incentives and the development of special economic zones (SEZs) for the automotive sector is needed to ensure alignment with the AfCFTA's SEZ templates. To provide an opportunity to share experiences in the automotive sector, ECA SRO SA has organized a study tour to South Africa to explore key incentives and requirements for SEZs to foster Automotive Value Chains in Southern Africa. The study tour is scheduled for **25-27 March 2025** and will draw key experts from both public and private sectors from **Lesotho and Namibia**. Ultimately, this will enhance the identification of stakeholders' capacity and development needs towards an inclusive development of the automotive value chain in Southern Africa.

### **3.0 Objectives of the Study Tour**

Specifically, the study tour will seek to achieve the following:

- Enhance stakeholders' knowledge of the automotive value chain by fostering partnerships and peer learning to develop these chains. This includes understanding the policies, strategies, and regulatory mechanisms that support sectoral development, as well as identifying capacity development needs for Lesotho and Namibia.
- Present case studies of industrial clusters and SEZs in South Africa and isolate the success factors.
- Analyze the policy and regulatory environments necessary for the effective operation and governance of SEZs in Southern Africa's Automotive Industry context.
- Discuss how regional cooperation and integration can enhance the effectiveness of SEZs in driving sustainable industrialization, particularly in the automotive sector.
- Create a platform for dialogue among governments, the private sector and international partners to discuss opportunities for collaboration in the development of SEZs focussing on the automotive sector in Southern Africa.

### **4.0 Expected outcomes**

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<sup>1</sup> <https://www.carsotho.com/en/posts/lesotho-rising-as-a-key-player-in-the-global-automotive-industry>

- Enhanced insights into effective incentives and policies for establishing and managing automotive SEZs, focusing on fostering the automotive value chain in Southern Africa.
- Deepened understanding to successful automotive SEZs, showcasing innovative approaches to attract investment, develop local supplier networks, and integrate renewable energy and sustainability into SEZ operations. Improve knowledge of aligning SEZ policies with the AfCFTA's SEZ model templates and the SADC Industrialization Strategy, promoting regional integration and competitiveness for the automotive industry.
- Strengthened capacities of policymakers, private sector representatives, and other stakeholders to design, implement, and manage SEZs that stimulate economic growth and job creation. Development of actionable recommendations to harmonize SEZ policies across Southern Africa, fostering regional collaboration to build integrated automotive value chains.
- Increased dialogue among key stakeholders, including policymakers, investors, and industry leaders, to identify opportunities and address challenges in developing competitive automotive SEZs.
- Identified strategies to position SEZs as hubs for innovation, skills development, and technology transfer in the automotive sector. Enhanced understanding of requirements to attract FDI into automotive SEZs, ensuring they become pivotal in regional and global automotive value chains.

## 5.0 Expected Output(s)

- A draft report which captures key issues for consideration for the development of the Automotive sector SEZ.

## 6.0 Date, venue and format

The study tour is scheduled for **25–27 March 2025** and will take place in South Africa.

## 7.0 Participants

The study tour will include **six** participants representing public and private stakeholders from Lesotho and Namibia.

## 8.0 Contacts

Confirmation of participation and requests for additional information should be addressed to:

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