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GENERAL NOTICES

NOTICE 45 OF 2012

DEPARTMENT OF TRADE AND INDUSTRY

I, Dr Rob Davies, Minister of Trade and Industry, hereby:

(a) Issue for public comment, the SPECIAL ECONOMIC ZONES POLICY and SPECIAL ECONOMIC ZONES BILL, and
(b) Invite interested persons and the public to submit comments on the Bill within 60 days of this publication.

Interested parties are requested to forward their comments in writing for the attention of Ms Antoinette Baepi or Mr Maoto Molefane , at the following address (es)

the dti Campus
77 Meintjies Street
Sunnyside
Pretoria
0002

Or

Private Bag X84
Pretoria
0001

Enquiries: (012) 394 1226, or (012) 394 5026

Dr ROB DAVIES, MP

MINSTER OF TRADE AND INDUSTRY

16 / 1 / 2012

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the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

POLICY ON THE DEVELOPMENT OF SPECIAL ECONOMIC ZONES IN SOUTH AFRICA

2012

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ACRONYMS

ASGISA:	**Accelerated Shared Growth Initiative of South Africa**
AIS:	**Automotive Investment Scheme**
CIP:	**Critical Infrastructure Programme**
DFIs:	**Development Finance Institutions**
EMIA:	**Export Marketing and Investment Assistance**
EPZs:	**Export Processing Zones**
FTZs:	**Free Trade Zones**
GEAR:	**Growth, Employment and Redistribution**
IDZ:	**Industrial Development Zone**
IMS:	**Integrated Manufacturing Strategy**
IPAP:	**Industrial Policy Action Plan**
ISRDP:	**Integrated Sustainable Rural Development Programme**
MERS:	**Microeconomic Reform Strategy**
NES:	**National Export Strategy**
NGP:	**National Growth Path**
NIF:	**National Investment Framework**
NIPF:	**National Industrial Policy Framework**
NSDP:	**National Spatial Development Perspective**
SEZs:	**Special Economic Zones**
SSAS:	**Sector Specific Assistance Scheme**
URP:	**Urban Renewal Programme**

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Foreword by the Minister of Trade and Industry

In line with the Industrial Policy Action Plan and the New Growth Path, the Department of Trade and Industry **(the dti)** aims to continue fostering its efforts to create employment and economic growth by establishing a strong industrial base in South Africa.

The Special Economic Zones (SEZs) programme is one of the most critical instruments that can be used to advance government's strategic objectives of industrialisation, regional development and job creation. Moreover, the programme can assist in improving the attractiveness of South Africa as a destination for foreign direct investment.

With the introduction of a much broader SEZ programme, more areas of strategic economic potential can be leveraged to attract foreign direct investment. The most pertinent outcome envisaged by the SEZ programme is the expansion of the manufacturing sector and the creation of additional industrial hubs to regionally diversify the national industrial base.

We are confident that the new SEZ Policy will be of benefit to industrialisation and significant to government for achieving its programmes' goals of economic growth, development and employment creation.

I wish to thank all those, whose hard work has contributed to the challenging task of ensuring and securing the progress registered over time particularly for the development of the SEZ policy. Most importantly, I encourage all concerned to redouble their efforts and continue to work together until the realisation of the country's industrial development agenda.

Dr Rob Davies, MP
Minister: Trade and Industry

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Executive Summary

A Special Economic Zone (SEZ) is defined as "a geographically designated areas of a country set aside for specifically targeted economic activities, which are then supported through special arrangements (which may include laws) and support systems to promote industrial development". The SEZ programme is a tool that is used by many economies to promote trade, economic growth and industrialisation.

In an effort to reposition itself in the world economy, the South African government established the Industrial Development Zone Programme (IDZ) in 2000. The programme's main focus was to attract foreign direct investment and export of value-added commodities. The main limitation of the programme was that the IDZs could only be designated adjacent to a sea port or international airport, and that excluded other regions in the country which had industrial potential but did not meet the IDZ criteria. This limitation has provided the rationale for a more inclusive industrial facilitation model in the form of the Special Economic Zone programme which will utilise a wide range of instruments.

Rationale for the Review of the Industrial Development Zone Programme

The review of the IDZ programme, that began in 2007, was brought about by the developments in national economic policies and strategies such as the Industrial Policy Framework and the New Growth Path; as well as developments in the global economic environment such as the formation of BRICS. The achievements of the existing IDZs are acknowledged, however, the government has felt that more could be achieved if the challenges identified within the existing IDZs could effectively be addressed. Challenges such as, lack of coordinated planning arrangements; insufficient guidance related to governance arrangements; dependence on government funding; lack of targeted investment promotion measures; and inadequate coordination across government agencies have been identified as the key constraints to the success of the programme.

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Importance of Special Economic Zones in South Africa

The SEZ Policy is being introduced to provide a clear policy framework with respect to the development, operations and management of SEZs including addressing challenges of the current IDZ programme. The purpose of the SEZ programme therefore is to:

- expand the strategic focus to cover diverse regional development needs and contexts, and improve the design deficiencies of the IDZ Programme
- provide a clear predictable and systemic planning framework for the development of a wider array of SEZs to support industrial policy objectives and the New Growth Path (NGP)
- clarify and strengthen governance arrangements; expand the range and quality of support measures beyond provision of infrastructure; provide a framework for a predictable financing framework to enable long-term planning; and
- provide for predictable financing arrangements that enable long-term planning.

Implementation of the SEZ Programme

The implementation of the SEZ programme will be in conjunction with other relevant departments and agencies in order to develop and implement a wide-ranging SEZ Programme. The SEZ programme aims to provide comprehensive and coherent marketing, capacity development and skills development strategies, sustainable infrastructure development, integrated logistics systems, technology, research and developmental measures that promote sustainable technological innovation and improved quality and productive programmes.

SEZs are therefore strategic and effective instruments for the achievement of national and regional industrial development policy objectives. As such they will require coherent and coordinated cooperation from various stakeholders.

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SECTION 1: Introduction

1.1 Background

1.1.1 About Special Economic Zones

(i) Special Economic Zones (SEZs) are geographically designated areas of a country set aside for specifically targeted economic activities, which are then supported through special arrangements (which may include laws) and support systems that are often different from those that apply in the rest of the country. Furthermore, an SEZ is an economic development tool to promote rapid economic growth by using incentive packages to attract targeted investments and technology. The zones act as a magnet for investment in desirable activities in specially designated areas by providing quality infrastructure complemented by an attractive incentives package, business support services, cluster development and minimal red tape.

(ii) Although these zones evolved out of the era of export oriented industrialisation strategies of the 1960s, SEZs are now used for various purposes that range from export promotion, enterprise development, urban renewal, rural development, and domestic or regional production.

(iii) SEZs require the development and application of special economic systems, policies and support measures that are responsive to the strategic intents and needs of the host region, investors, and other key stakeholders.

(iv) There are many categories of SEZs, and often different countries and regions use different names or terminology to refer to the same thing. However, the strategic policy intentions are more important than the terminology used in the design and implementation of SEZ programmes. The categories include the following:

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- **A free port** is an area adjacent to a port of entry (seaport and/or airport) where imported goods may be unloaded for immediate transhipment or stored, repacked, sorted or processed without being subject to customs import procedures. Movements of these imported goods from the free port to a non free trade area in the country are subject to import duties.

- **Free trade zones** mean part of the territory of a state where any goods introduced are generally regarded, insofar as import duty and taxes are concerned, as being outside the customs territory and are not subject to the usual customs control.

- **Industrial parks** are facilities (buildings) that are set aside for production and business services to attract new businesses by providing integrated infrastructure in one location and providing localised environmental controls that are specific to the needs of an industrial area.

- **Science and technology parks** consist of infrastructure for the establishment and development of knowledge-based companies based in a location formally linked (and usually physically close) to a centre of technological excellence, usually a university. It normally incorporates business management and other services, and a technology link to the centre of technological excellence.

- **Sector development zones** focus on the development of specific sectors or industries such as agriculture, ICT, BPO, etc; through the facilitation of general or specific industrial infrastructure, technical workforce and business support services.

- **Spatial development corridors** connect two or more economic nodes through transportation networks, and accommodate various economic activities along the corridors.

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- **Industrial development zone** is a purpose-built industrial estate linked to an airport or sea port that leverages domestic and foreign fixed direct investments in value-added and export-oriented manufacturing industries and services.

1.1.2 Post-1994 history of Special Economic Zones in South Africa

(i) One of the economic development challenges that confronted the democratic government immediately after 1994 was to raise the levels of domestic and foreign direct investments in order to accelerate growth, employment and inclusion. Towards this end, the government introduced the Industrial Development Zones (IDZ) programme in 2000.

(ii) The purpose of the IDZ programme was to contribute to the acceleration of economic growth and employment generation through the promotion of export oriented manufacturing and services industries. The key performance areas of the programme were, therefore, increased investments, exports and employment in the targeted industries and products.

(iii) Between 2001 and 2010 only four IDZs were designated, namely Coega (2001), OR Tambo International Airport (2002), East London (2002) and Richards Bay (2002). Only three are operational and all are located along the eastern coastal belt, while the OR Tambo International Airport is the only inland IDZ and is not yet operational. Accordingly, all four operators were issued with IDZ Operator Permits by **the dti** as follows: East London IDZ Company (2007), Coega Development Corporation (2007), Richards Bay IDZ Company (2009) and OR Tambo IDZ (2010).

(iv) From 2002 to 2010, a total of 40 investors were attracted into the IDZs with more than R11.8 billion investments generated and more than 33 thousand jobs created. This is below expectations; however jobs created through backward and forward linkages which might be huge were not estimated in this report

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Fig. 1: IDZ: Total Investments, Jobs & Expenditure (2000 - 2011)

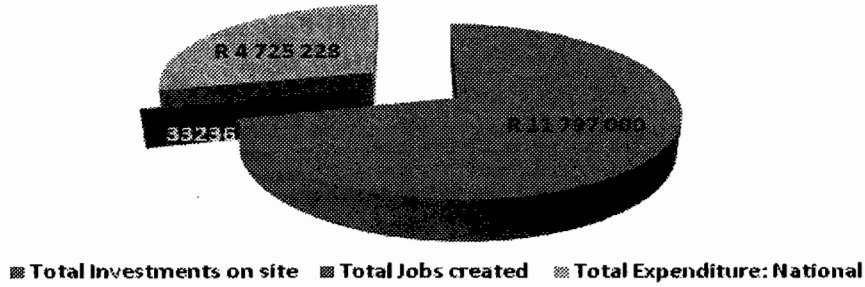


Fig. 2: Value of Investments (R'000) operational by IDZ (2001-2011)

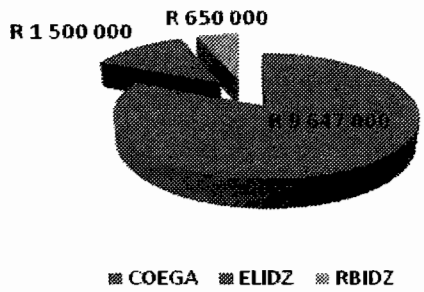
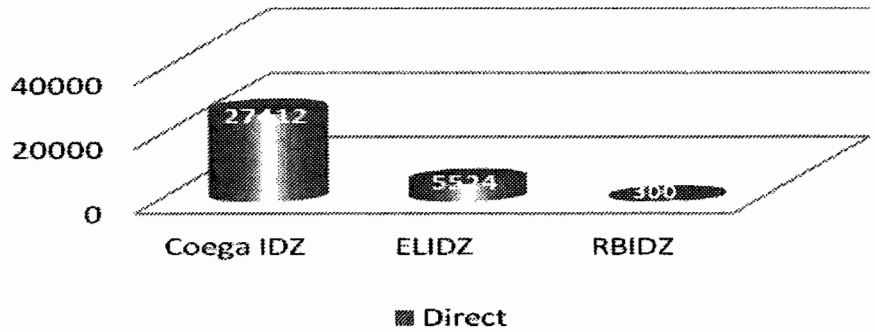


Fig. 3: IDZ Job Creation (2000-2011)



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1.2 Status quo of Industrial Development Zones in South Africa

1.2.1 The use of SEZs in South Africa has generally focused on IDZs with less focus on other forms of special economic zones.

1.2.2 Four IDZs have been designated to date, namely Coega, OR Tambo International Airport, East London and Richards Bay. Only the OR Tambo International is yet to be operational.

(i) Coega IDZ

- The Coega IDZ was designated in 2001, covers a land area of 11 500ha and is wholly owned by the Eastern Cape Province through the Eastern Cape Development Corporation (ECDC).
- The Coega IDZ is operated by the Coega Development Corporation (Pty) Ltd.
- The IDZ has cumulatively received R3.6 billion from **the dti** and R1.1 billion from the provincial government by the end of the 2010/11 financial year.
- Coega IDZ has 12 on site investors and has created 27 412 direct jobs, the majority of which are construction jobs.

(ii) East London IDZ

- The East London IDZ (ELIDZ) was designated in 2002 covering a land area of 420ha. It is operated by the East London IDZ (Pty) Ltd which is co-owned by the Eastern Cape Province (76% shareholding) through the

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Eastern Cape Development Corporation and the Buffalo City Municipality (24%).

- The ELIDZ has cumulatively received R1.1 billion from **the dti** and R1.12 billion from the Eastern Cape Province up to the end of the 2010/11 financial year.
- The achievements of the ELIDZ include 23 on-site investors with investments estimated at R1.5 billion and an estimated total of 5 524 direct jobs (including construction jobs) created.
- The automotive sector is the most developed in the IDZ and constitute about 90% of all economic activities.

(iii) **Richards Bay IDZ**

- The Richards Bay IDZ was designated in 2002. It covers a land area of 350ha and is operated by the Richards Bay IDZ (Pty) Ltd.
- It is co-owned by the uMhlathuze District Municipality (40%) and the KwaZulu-Natal Government (60%) through Ithala Development Finance Corporation.
- The Richards Bay IDZ has cumulatively received R88.4 million from **the dti** and R205.7 million from the province as at the end of the 2010/11 financial year.
- Prioritised industrial sectors in the IDZ include aluminium, furniture, titanium, dry dock (ship repair), and the synthetic wood cluster.
- There is currently one investor on site with an investment value of R650m.

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1.3 Rationale for the review of the Industrial Development Zones Programme

1.3.1 The review of the IDZs Programme began in 2007 and was informed by a number of factors including the following:

(i) **Developments in national economic policies and strategies**: Some of the changes in key economic policies and strategies post the introduction of the IDZ programme include the introduction of the National Industrial Policy Framework which outlined key policy ambitions, the Accelerated and Shared Growth Initiative for South Africa, and the recently introduced New Growth Path as well as the National Development Plan. SEZs will be a useful tool to support the implementation of the Industrial Policy Action Plan and the promotion of beneficiation and regional development.

(ii) **Developments in the global economic environment**: Since the introduction of the programme, the global economy has experienced drastic changes including increased competition for foreign direct investment, a shift in global economic power balance from the west to the east, shifts in geo-political arrangements including the formation of BRICS and other groupings. These and other developments have resulted in, amongst others, emergence of new sources of foreign direct investment, new global economic power relations, and new markets. These have a fundamental impact on how countries compete for foreign direct investment and trade opportunities. In addition, there is a new trend where foreign direct investment is locked in certain international networks. Those within these networks are likely to reap the benefits of FDI while those outside those networks are not likely to benefit. Groupings such as BRICS can assist the country in attracting much desired investments and SEZs can be useful instruments in that regard.

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(iii) **Lessons learnt in the implementation of Industrial Development Zones**: The implementation of the IDZ programme provided valuable experience and lessons for government need to be factored into other efforts to attract foreign and domestic direct investment. The lessons learnt include the following:

- Economic literature shows that SEZs are the key tools used in all of the fastest growing economies including China, India, Brazil, and others; to accelerate the development of targeted industries and attract desired foreign and domestic direct investment.
- Leadership and effective implementation may be more important than even a good policy or strategy.
- Coordination across all tiers of government and public entities is necessary to speed up implementation.
- A SEZ is a tool for economic development and not an end in itself. It is therefore important to focus on the goal of economic or industrial development rather than just the tool.
- The potential benefits of SEZs are not automatic but depend on whether the necessary conditions are created for their success. These conditions include strong political and technical leadership, commitment over the long-term, integrated development planning, sufficient resourcing, etc.
- SEZs tend to work where the strategic investment opportunities and desired industrial capabilities are clear.
- SEZs are not necessarily permanent but are used as a development tool until an area has achieved industrial sustainability.

(iv) **Modest performance of the programme**: When compared with programmes in countries such as China, Korea, India, Malaysia and others, the performance of South Africa's IDZ programme is fundamentally modest and falls short of the expectations of all stakeholders, and requires revamping.

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1.4 Challenges with regard to the current IDZs Programme

1.4.1 Design

(i) The critical design weaknesses of the current IDZ Programme relates to the following areas:

- The programme focused exclusively on only one type of an SEZ, i.e. the IDZ, to the exclusion of the other types of SEZs. The possible benefits of the other types of SEZs were therefore not harnessed.

- The programme was designed in such a way that only a few regions, those with access to an international airport or sea port, could qualify for support. Some regions, therefore, could not receive support under this programme irrespective of their economic development needs, opportunities or challenges. As an example, Gauteng could receive support under the programme, while Limpopo could not. On the other hand, East London could receive support, while the under-developed region of Mthatha could not receive any support.

1.4.2 Nature of support

(i) International experience shows that successful SEZ programmes tend to focus on the provision of holistic and comprehensive packages of business development support which include infrastructure, skills development, technology, research and development, market support, finance, market access, logistics, and incubation programmes.

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(ii) There is also too much focus on in-zone activities and enterprises, and little attention is paid to out-of-zone activities, even those critical for the success of in-zone enterprises and sustainability of the zone. IDZs were established to support the development of export oriented industries. Industrial development requires that not only the zone but the host region be able to support the long term development of those industries.

1.4.3 **Ad-hoc planning arrangements**

(i) IDZs are key tools for economic development and need to be integrated into key strategies at national, provincial and regional levels.

(ii) The local IDZs also need to develop in a coordinated way so that they do not compete among themselves but jointly compete against IDZs in other parts of the world. This requires alignment and harmonisation of strategic plans.

(iii) The current regulatory framework is not sufficient to guide the long-term planning in IDZs to coordinate and harmonise their plans and facilitate integration into key national, provincial and regional strategies.

1.4.4 **Governance arrangements**

(i) The development of IDZs requires the participation of all tiers of government. These stakeholders have different roles to play and these roles have to be clearly defined and delineated.

(ii) The current regulatory framework does not provide sufficient guidance with regard to governance arrangements of an IDZ. The result is that there is often insufficient or timely oversight of the strategic plans and operations of IDZs.

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1.4.5 Financing arrangements

(i) All existing IDZs rely fully on state funding for both operational and capital expenditure. However, the provision of financial resources has been on an *ad hoc* basis and dependent on the availability of additional funds in the successive MTEF fiscal framework of national and provincial governments.

(ii) The current financing arrangements for IDZs tend to be short-term and do not provide certainty for the long-term, thus making it difficult to develop long-term plans. Furthermore, the current funding model does not provide a role for Development Finance Institutions (DFI) funding, thus making funding arrangements very inflexible and somewhat inadequate.

1.4.6 Targeted investments

(i) Currently investment promotion for IDZs is done independently by individual IDZs and there is no structured coordination between the IDZ operators and **the dti**.

(ii) The current IDZ programme lacks a unique value proposition and there are different messages given to the investment community. There is therefore a need to develop a single strategy and message for investment promotion for the zones.

1.4.7 Inadequate coordination across government agencies

(i) Effective operation of IDZs depends on the provision of services from various government departments and agencies. Inadequate participation of government departments and public entities in general resulted in less than optimal servicing of these zones.

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(ii) For the few government departments and agencies which participated in the implementation of the programme, inadequate coordination remains a challenge. Also key to the implementation is that fiscal and financial incentives alone are not sufficient. It is therefore important that the non-financial incentives be provided in an effective and efficient manner.

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SECTION 2: Key Elements of the Special Economic Zones Policy

2.1 Purpose of the policy

The Special Economic Zones Policy is introduced to provide a clear policy framework with respect to the development, operations and management of SEZs including the following challenges of the current programme:

- Expanding the strategic focus to cover diverse regional development needs and contexts, and improve the design deficiencies of the IDZs programme;
- Providing a clear, predictable and systematic planning framework for the development of a wide array of SEZs to support implementation of the Industrial Policy Action Plan, regional industrial development strategies and the New Growth Path (NGP);
- Clarifying and strengthening governance arrangements for the management of SEZs;
- Expanding the range and quality of support measures beyond the provision of infrastructure, including both in-zone and out-of-zone support measures;
- Developing and implementing a predictable financing framework to enable long-term planning, and;
- Developing and implementing a comprehensive programme to support the development of SEZs.

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2.2 Objectives

2.2.1 **General objective**: The general objective of SEZs is to support and accelerate industrial development in the targeted regions by the provision of special measures needed to develop targeted industrial capabilities and attract targeted foreign and domestic direct investment.

2.2.2 **Specific objectives**:

(i) Support the development of targeted industrial capabilities and foreign and direct investments in support of the IPAP, regional development strategies, and the NGP.

(ii) Develop world-class industrial infrastructure in line with the requirements of the targeted industries and investments.

(iii) Promote beneficiation and value addition of the country's mineral and agricultural resources.

(iv) Contribute to the creation of jobs and increase exports of beneficiated commodities in the targeted regions.

2.3 Redesign and expansion of the Industrial Development Zones Programme

2.3.1 The IDZ Programme is being redesigned and expanded into the Special Economic Zones programme in order to enable the development of diverse types of SEZs in accordance with the changing national economic development priorities as well as regional development needs and contexts.

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2.3.2 The Minister of Trade and Industry (based on the Board's recommendations) shall determine the categories of SEZs to be supported as well as the type of support to be provided in consultation with other affected Ministries. This is necessary to ensure an orderly development of SEZs.

2.4 Special Economic Zones Strategy

2.4.1 In order to promote a clear, predictable and systematic planning framework for the development of a wide array of SEZs, the Minister shall, every five years review the SEZ Policy and every four years, review the SEZ Strategy that shall outline the desired approach to the development of special economic zones during that period.

2.4.2 The SEZ Strategy shall be a guide to both existing and planned SEZs on the national and regional priorities.

2.4.3 As far as possible, measures shall be taken to minimise negative competition and promote complimentarity and cooperation among local SEZs.

2.5 Integrated and holistic support

2.5.1 Measures shall be put in place to ensure that support for the development of SEZs is holistic, focuses beyond just the provision of world-class infrastructure and to include but not limited to the development and implementation of medium to long-term skills strategies, business incubation, technology, research and development, investment promotion, environmental protection, access to markets, and logistics.

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2.5.2 Where the designated zone is only a small part of an area or region, support for the development of the zone should be comprehensive to include in-zone and out-of-zone measures.

2.6 Governance of Special Economic Zones

2.6.1 Effective governance of SEZs is necessary to ensure:

(i) Effective guidance for the development and implementation of strategic and operational plans
(ii) Transparency and accountability in the use of public resources
(iii) Responsible execution of mandates at all levels and phases
(iv) Clarity with respect to the roles of the different role players
(v) Promotion of coordination across all tiers of government, as well as cooperation among all critical agencies.

2.6.2 The following provisions are made with regard to governance:

(i) **Ownership**: Provision is made only for public entities such as national government departments, provinces and municipalities to apply for the establishment and development of SEZs.

(ii) **Operator**: The developer of an SEZ can appoint any public or private entity as the operator of the SEZ.

(iii) **Oversight and accountability**: The Provincial Member of the Executive Council responsible for economic development or the relevant Executive Mayor shall assume oversight and accountability for the operations of the relevant SEZ.

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(iv) **Coordination across the spheres**: Measures shall be taken to promote effective participation of all three tiers of government, including public entities in the development and operations of SEZs.

2.7 Institutional arrangements

2.7.1 Special Economic Zones (SEZ) Board

(i) A SEZ Board shall be established to:

- Advise the Minister on policy, strategy and programmes to support the development of SEZs, and other matters incidental thereto
- Consider and recommend applications for designation of SEZs to the Minister
- Advise the Minister on the progress of the special economic zones
- Undertake such tasks as the Minister may request the Board.

(ii) The Board composition should include representatives of key departments and agencies, as well as other independent representatives. It will be important that parastatals such as ESKOM and Transnet, who are critical to economic development planning, be part of the Board.

(iii) The Minister shall appoint the Board, its Chairperson and determine terms of appointment and the remuneration for all Board members.

2.7.2 Operating entities

(i) The owner of a SEZ may establish or appoint, through a service contract, an operating private or public entity which shall take full responsibility for the following within the framework of the SEZ Strategy:

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- Development and execution of the strategic and operational plans of the zone
- Development of a world-class infrastructure appropriate to meet the needs of the targeted industries, enterprises and investments
- Promotion of the zone to international and domestic investors
- Provision of services to enterprises and entities operating within the zone
- Monitoring and reporting on the strategic and operational plan of the zone and other activities within the zone
- Facilitation of investments and business registration and other operational permits in conjunction with **the dti** and other relevant government agencies
- Cooperation with other zones to ensure minimal competition among domestic zones and support integration of regional and national value chains.

(ii) The process and other conditions for the appointment and operations of SEZ operators shall be regulated.

2.7.3 One-Stop-Shop

(i) Enterprises locating within a SEZ bring strategic investments for which government is willing to provide special support measures.

(ii) One of the special support measures for enterprises in SEZs is the provision of a one-stop-shop to ensure the effective and speedy facilitation and issuing of all registration certificates and permits required for operations.

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2.7.4 The Department of Trade and Industry

(i) **the dti** shall be responsible for coordinating all implementation requirements for the SEZ policy including:

- Acting as a secretariat for the SEZ Board
- Developing policies, strategies and programmes on SEZs
- Facilitating and coordinating all government services required for the development of SEZs and smooth operation of enterprises and investment projects in the zones, and
- Providing technical support and assistance to developers and operators of SEZs.

2.8 Financing Special Economic Zones

2.8.1 Special economic zones are expensive to develop and require significant resources. A predictable financing framework is required to facilitate long-term planning.

2.8.2 The following financing instruments are proposed:

(i) **Special Economic Zones Fund**: To be established by the Minister of Trade and Industry in consultation with the Minister of Finance. The fund shall be used to finance approved site servicing, bulk infrastructure provision and business development of the SEZs, such as feasibility studies, general research, and etcetera.

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(ii) **Development Finance Institutions (DFIs):** Provision may be made for DFIs to play a major role in funding SEZ projects.

2.9 SEZ Incentives

2.9.1 SEZ incentives shall apply to Greenfield investments locating in the SEZs as well as expansions to Brownfield investments within the SEZs. The use of incentive packages is a common international practice in attracting foreign or domestic direct investment. The following provisions are made with regard to the use of incentives within the framework of the SEZ Programme:

(i) The Minister of Trade and Industry may provide a package of incentives as a way of improving the investment attractiveness of all or individual SEZs in the country.

(ii) Relevant provinces and municipalities may consider additional incentives for enterprises locating within their SEZs.

(iii) Individual special economic zones may consider additional incentives for enterprises locating within those zones.

(iv) Measures shall be put in place to ensure the sharing of information and coordination across the spheres of government and across zones and also to avoid the race to the bottom and double dipping by investors.

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SECTION 3: Implementation of the Special Economic Zones Programme

3.1 In order to ensure effective implementation of the Special Economic Zones Policy, **the dti** shall, in conjunction with other relevant departments and agencies, develop and implement a comprehensive SEZ programme that includes the following:

(i) **Marketing**: A national marketing strategy is required to promote all the zones internationally and domestically in order to attract the desired investments.

(ii) **Capacity development**: A capacity building programme is required to ensure that relevant government officials across the three tiers of government as well as senior executives of SEZs have the necessary skills and competencies.

(iii) **Skills strategies**: Regional skills strategies have to be developed and implemented to support the short, medium and long-term skills needs of enterprises and industries within the zones and in the host regions.

(iv) **Infrastructure**: The key requirement for SEZs is the provision of appropriate and world-class industrial infrastructure.

(v) **Logistics**: Effective and efficient logistics are the life-blood of any trade and are key to industrial development.

(vi) **Business incubation**: Incubation programmes are critical for nurturing domestic entrepreneurs and enterprises and facilitate their integration into the key value chains in the zones and regions.

(vii) **Environmental protection**: Sustainable industrial development requires that appropriate measures be taken to ensure that industrialisation takes place without the destruction of the environment.

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(viii) **Technology, research and development**: Measures to facilitate on-going technological innovation and access to appropriate technologies for emerging enterprises.

(ix) **Quality and productivity**: Continuous quality and productivity improvement programmes are necessary to ensure that SEZ enterprises can compete globally.

3.2 The programme is intended to provide key government services that are necessary to sustain the targeted industries and also to support the enterprises and investors in the zone and surrounding region.

3.3 Government support to each SEZ shall be provided until the zone is self-sustaining.

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SECTION 4: Conclusion

4.1 Industrial development in South Africa is a top priority as it holds the key to economic prosperity and success. The country needs to create and sustain economic opportunities in all its regions, especially the under-developed regions, develop much needed regional development platforms, create jobs for a growing population, and improve the general living standards of its citizens.

4.2 SEZs can be useful instruments to support national and regional industrial development policy objectives, but they require:

(i) Strong coordination at all levels of government
(ii) Adequate financial and technical resources
(iii) Clearly targeted industrial capabilities and investments.

4.3 The new policy provides for a comprehensive menu of SEZs that can be used in the various regional contexts.

END

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