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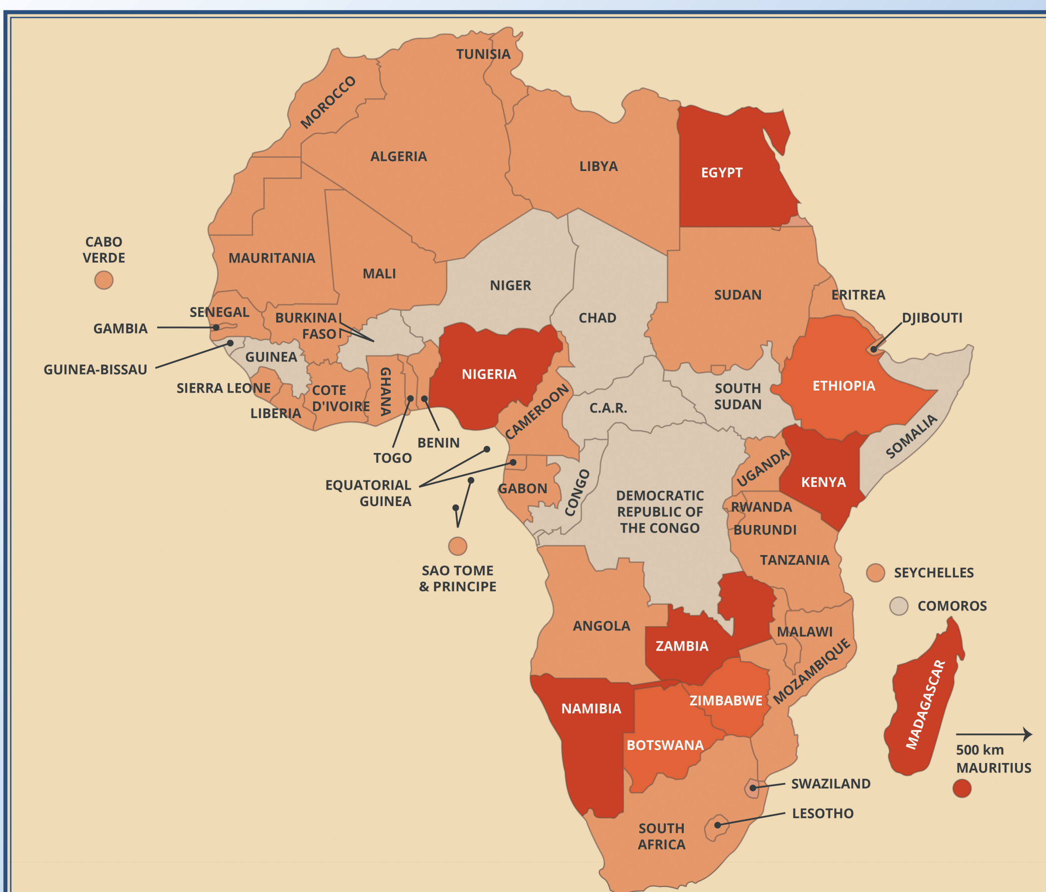
Comparative Study on Special Economic Zones in Africa and China



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List of Abbreviations

AGOA	African Growth and Opportunity Act
AU	African Union
CADF	China-Africa Development Fund
CBEZ	Cross Boarder Economic Cooperation Zone
CDZ	Comprehensive Development Zones
CCECC	China Civil Engineering Construction Corporation
CNMC	China Non-ferrous Metal Mining Corporation
CRCC	China Railway Construction Company
CSIPC	China Suzhou Industrial Park Company
CSSD	China-Singapore Suzhou Industrial Park Development Company
EBA	Everything but Arms
EIZ	Eastern Industrial Zone
EIZDC	Ethiopian Industrial Zone Development Corporation
EPZ	Export Processing Zones
ETDZ	Economic and Technological Development Zone
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Cooperation
FTZ	Free Trade Zones
GTP	Growth and Transformation Plan(Ethiopia)
LFZ	Lekki Free Zone
LFZDC	Lekki Free Zone Development Company
LFTZ	Lagos Free Trade Zone
LFTZC	Lagos Free Trade Zone Company
MEF	Ministry of Environment and Forests (Ethiopia)

MFEZ	Multi-Facility Economic Zone
MPZ	Multi-purpose Zone
MOCI	Ministry of Commerce and Industry (Lagos State Government)
MOFED	Ministry of Finance and Economic Development (Ethiopia)
MOI	Ministry of Industry (Ethiopia)
NEPZA	Nigerian Export Processing Zones Authority
OETCZ	Overseas Economic and Trade Cooperation Zone
SEZ	Special Economic Zone
SIPAC	Suzhou Industrial Park Administrative Committee
SSTD	Singapore Suzhou Township Development
TIDZ	Technology Industrial Development Zone
TVET	Technical and Vocational Education and Training
ZCCZ	Zambia-China Economic and Trade Cooperation Zone
ZDA	Zambia Development Agency

1. Executive Summary

Economic growth in Africa is progressing at an impressive rate, with projections for 2015 placing seven African countries among the world's ten fastest growing economies and forecasting strong growth for most of the continent's countries for years to come. Despite this strong economic growth, job creation and poverty reduction remain major challenges for governments across Africa. Many countries are looking to China, which has proven over the last three decades that industrialization can create jobs and allow unprecedented numbers of people to move out of poverty. An important vehicle for China's economic growth has been the successful use of special economic zones (SEZs) since the early 1980s. In the 1970s African countries had already started to embrace SEZs as a means of attracting foreign direct investment, transfer of technology and knowhow and as a way to create employment. However, overall African SEZs have not yet lead to significant job creation or poverty reduction. In part due to the cooperation between African countries and China, SEZs are currently experiencing a renaissance in a number of African countries. Promising developments can be found in Ethiopia, Nigeria and Zambia, where some SEZs have unleashed broad interest of international investors in the respective country's economy.

This SEZ study looks at both Africa's and China's SEZ experiences to date with a focus on SEZs in three African countries – namely Ethiopia, Nigeria and Zambia – and two SEZ case studies in China. This study does not aim to analyse the adequacy of SEZs as a means for industrialization, but focuses on how to use SEZs effectively. Findings presented in this study derive from extensive research on, and analysis of, primary and secondary sources as well as from field research conducted in Ethiopia, Nigeria and Zambia throughout April 2015. The study seeks to answer three main research questions: How have Africa and China performed so far with SEZs? How could Africa benefit from China's experience with SEZs? How could China-Africa cooperation on SEZs be enhanced in future?

The study finds that governments and SEZ developers in Ethiopia, Nigeria and Zambia have faced similar challenges, such as complications associated with coordinating key actors, infrastructure financing issues and challenges regarding the creation of linkages with local economies. These challenges are now being addressed with particularly promising developments in both Chinese and non-Chinese led zones in Ethiopia and Zambia.

The Declaration of the Johannesburg Summit of the Forum on China-Africa Cooperation (FOCAC)[1] and the FOCAC Johannesburg Action Plan (2016-2018) adopted in December 2015 send clear signals for strengthened collaboration on special economic zones in Africa, including through China's establishment of a China-Africa Production Capacity Cooperation Fund with an initial pledge of USD 10 billion.

This study starts with a brief overview of definitions and a summary of the types and theoretical benefits of SEZs (chapter 2). A synopsis of the historic development and current status of SEZs in Africa is followed by an outline and analysis of SEZ policies and institutional frameworks as well as current and anticipated SEZs in Ethiopia, Nigeria and Zambia. For each case study country two operational SEZs are reviewed in detail (chapter 3). Chapter 4 presents an overview on SEZs in China using Shenzhen SEZ and the Suzhou Industrial Park as case studies. Chapter 5 looks at how African countries may benefit from China's experience in SEZ development and management. In chapter 6 conclusions are drawn and recommendations are offered for consideration by African and Chinese policy-makers as well as SEZ developers and mangers on both specific actions to do and to avoid, some of which are summarized below:

Recommendation for African Governments to further advance SEZ development:

- Ensure high-level political commitment and support for effective inter-ministerial collaboration;
- Integrate SEZ programmes into national development strategies and plans;
- Support all industries that have a comparative advantage through SEZ development;
- Ensure sufficient funding for infrastructure development within, and availability of good infrastructure outside, the SEZ prior to the SEZ approval;
- Provide incentives for the creation of joint ventures between foreign SEZ companies and local companies;
- Respond to SEZ labour requirements by aligning curricula of universities and Technical Vocational Education and Training (TVET) institutions;
- Set high environmental standards in line with the United Nations Industrial Development Organization's Guidelines for Green Industry Parks and put a system in place to ensure their enforcement; and
- Establish low minimum SEZ investment thresholds for established local companies.

1 http://www.gov.za/speeches/declaration-johannesburg-summit-forum-china-africa-cooperation-5-dec-2015-0000.

Recommendation for the Chinese Government to support SEZ development in African countries

- Launch a training and exchange programme for African government representatives and SEZ managers;
- Establish a funding window under the China-Africa Development Fund for SEZ development and management by African governments;
- Support the development of a comprehensive, pan-African database that sets out various models of SEZ legislation, incentives, job creation agreements and procurement agreements for linkages with the local economy (supported by the African Union);
- Provide incentives to Chinese companies to enter into joint ventures with local companies in SEZs;
- Support technical education and training for industries targeted by SEZs; and
- Promote the use of energy efficient and renewable energy technologies in SEZs.

Recommendation for Chinese SEZ developers and managers

- Prioritize the identification of a strategic geographic location of the SEZ;
- Employ managers with international work experience, cross-cultural competence and excellent communication skills;
- Promote linkages between SEZ companies and the local labour market and local companies; and
- Conduct local, national and international marketing campaigns and ensure the availability of key information on the SEZ in English and the local language.

2. Special Economic Zones

2.1 Definition

This study uses the term 'special economic zone' (SEZ) to cover all forms of a geographically demarcated area within a country, which functions with different administrative, regulatory and fiscal regimes to the rest of the country. The different rules applied in these zones usually concern investment conditions, taxation and international trade regulations and typically aim to ensure that the business environment in demarcated zones is both more liberal from a policy perspective, and that rules applied are more efficient from an administrative perspective than those prevailing in the rest of the domestic economy (Dobrogonov and Farole 2012, Baissac 2011).

2.2 Types

There are a growing number of SEZs with differing objectives, markets and activities. In addition, SEZs with similar characteristics are referred to differently from country to country. A comprehensive mapping and definition of different types of SEZs was not possible within the scope of this study, but would merit further work. Broadly SEZs can be grouped into the following three main categories[2]:

- **Free Trade Zones (FTZ)** are a widespread type of SEZ located mostly along seaports, airports, major roads and railroads, or in border regions. FTZs are typically small, fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade.
- **Export Processing Zones (EPZ)** usually offer special incentives and facilities for manufacturing and related activities aimed mostly at export markets. In some countries industrial zones or parks fulfil these criteria, while in other countries industrial zones or parks mainly focus on the domestic market and may offer limited incentives. EPZs also increasingly include the provision of services that can be delivered remotely through digital networks, such as the capturing and processing of digital data and call centres. Such EPZs are sometimes also referred to as technology parks. Another variety of EPZ is the single factory EPZ, which provides incentives to individual companies regardless of their location.
- **Multi-purpose zones (MPZ)** also often referred to as 'free ports' are generally a much broader concept and typically encompass much larger areas – up to whole cities. They accommodate different types of activity, including manufacturing, housing, tourism and retail and provide a broad set of incentives and benefits.

2.3 Theoretical Benefits

Previous work in this area has mainly identified the following benefits of SEZs listed below (Ge 1999, FIAS 2008, Farole 2011, Zeng 2012). In the following chapter these theoretical benefits will be used as reference points to assess the success of the reviewed SEZs in China, Ethiopia, Nigeria and Zambia.

- **Employment creation** can be achieved by SEZs in particular through the attraction of labour intensive manufacturing and service industries;
- **Export growth and economic diversification** can be facilitated through SEZs by attracting investment and establishing links to global supply chains;
- **Foreign exchange earnings** to meet a country's import needs and provide the government with

2 This categorization is based on a more detailed mapping and categorization of SEZ types contained in FIAS 2008.

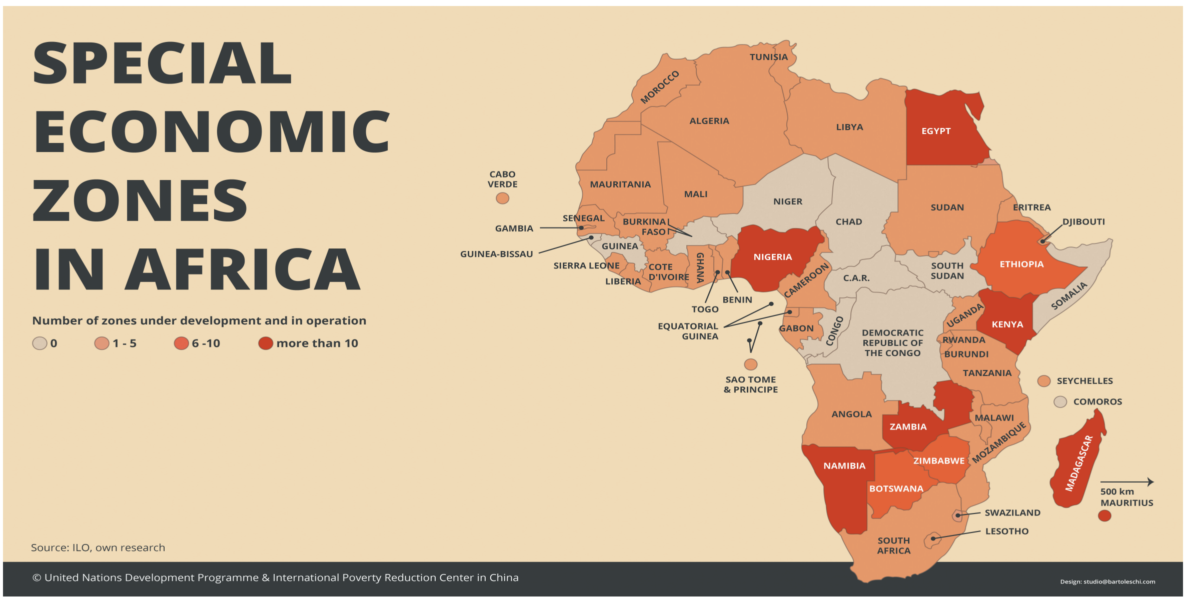
necessary resources for development through the attraction of foreign investors and the export of goods to other countries;

- **Foreign direct investment** through incentives provided by SEZs;
- **Government revenues** through the leasing of land, the operation of SEZs, and the generation of tax revenue;
- **Economic development outside the SEZ** through engagement with local companies as suppliers to SEZ companies;
- **Knowledge transfer** through on-the-job or broader training opportunities for employees. Local companies often benefit from hiring workers previously employed by mostly international SEZ companies;
- **Demonstration effect** through showcasing the success of a SEZ, the international perception of a country's economy can be significantly improved.

3. Special Economic Zones in Africa

3.1 Background

Figure 1: Special Economic Zones in Africa



The African Union's Agenda 2063 describes the acceleration of industrialization as critical for African countries to reduce poverty (AU 2014). African countries must therefore overcome the constraints of scale and competitiveness by creating enabling business environments with improved policies and infrastructure and competitive transaction costs. African SEZs aim to achieve this by offering a number of advantages to investors, such as reduced customs duties and value added taxes; simplification and centralization of administrative procedures through "one-stop-shops"; access to key national and international infrastructure; secured access to, and reduced factor costs for electricity, water, and telecommunication services; relaxation of foreign exchange regulations; preferential interest rates offered by local banks and reduced freight rates. In return African governments are putting regulations in place that oblige investors to create local unskilled and skilled jobs, ensure linkages with the local economy and transfer technology and knowledge, while complying with local social and environmental regulations.

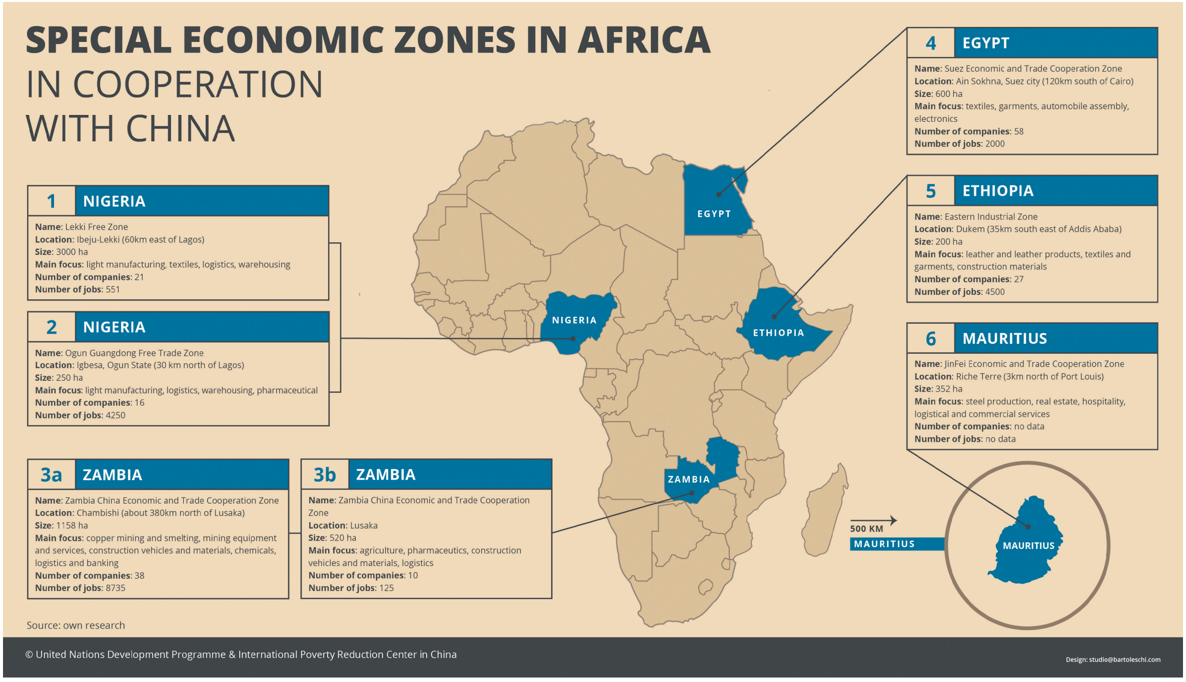
While the majority of African countries established SEZs throughout the 1990s and 2000s (FIAS 2008, Farole 2011), several countries, such as Liberia, Senegal and Mauritius had already pioneered the use of SEZs as an economic development tool in the 1970s and early 1980s. Many SEZs, such as those in Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mauritius, Nigeria, Seychelles, and Zimbabwe focus mainly on the apparel, textile and agro-processing industries building on the competitive advantages of their economies. Mauritius is a particularly successful case, wherein SEZs led to structural changes within the economy. Starting in the 1970s, Mauritius used SEZs to introduce import substitution measures and absorb surplus labour to manage potentially destabilizing social and political tensions within the country (Baissac 2003, Sawkut 2009). The Government of Mauritius has been a committed actor in the SEZ development process, especially in attracting foreign investors and creating a conducive environment for Mauritian companies, which curtailed capital flight. Existing preferential trade agreements were systematically used to attract investors from China into joint ventures with local companies, which led to quick knowledge transfer. In the 1980s Mauritius turned its economic vision from import substitution to export-led growth based on SEZs, agriculture and tourism. Flexibility of the Government in implementing policy measures together with the use of preferential trade agreements, increased productivity and specialization have supported the success of SEZs in Mauritius (Baissac 2011).

Today, most African SEZs are geared towards exports to the European Union and the United States utilizing existing trade preferences like the European Union's Everything but Arms (EBA) arrangement and the United States' African Growth and Opportunity Act (AGOA). For companies in Nigeria's Lekki Free Zone and Ethiopia's Bole Lemi Industrial Zone, AGOA was a key factor in their investment decisions (Interview LFZDC, Interview EIZDC). Mozambique, Namibia, Nigeria, South Africa and Zambia have partially been able to establish SEZs with more capital intense heavy industries, such as automotive, aluminium, copper mining and smelting as well as oil and gas industries in line with their national endowments and markets. Africa increasingly embraces SEZs as a means to create employment opportunities, to attract FDI and transfer of technology and knowledge. Over the last decade a number of African countries, such as Rwanda, Kenya, South Africa and Ethiopia have introduced comprehensive national laws and regulations on the establishment and management of SEZs. While SEZ performance varies across and within countries, previous research has concluded that SEZs in Africa have, by and large, not been successful to date. A number of factors appear to have contributed to the underperformance of African SEZs, with shortcomings in infrastructure inside and outside SEZs and weak planning and management perceived as the main challenges. Zeng argues that African countries are "putting the cart in front of the horse" by establishing SEZs without having the required institutional and legal frameworks in place, which is having discouraging effects on potential investors (Zeng 2012). Auty points out that "the existing infrastructural deficiencies, including unreliable electricity and water services, excess regulation, rent seeking customs agencies, unsuitable locations, and high cost and low-productivity labour supplies" have led to the relatively modest success of SEZs in African countries (Auty 2011). Stein found that many African SEZs have "failed to create comprehensive forward and backward linkages between firms inside and those outside the zones" and have therefore not lead to the expected wider economic and employment benefits or the structural transformation of African economies (Stein 2008). While these challenges continue to persist, the following case studies conducted in Ethiopia, Nigeria and Zambia in April 2015 show that African countries are proactively addressing these challenges and are increasingly utilizing SEZs more successfully.

3.2 Cooperation between African countries and China on Special Economic Zones in Africa

At the 1st Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) in 2000, China pledged to share its experience in investment promotion through, and management of, SEZs with African countries (FOCAC 2000). In 2006, at the 3rd Ministerial Conference of FOCAC, China's former President Hu Jintao announced the establishment of three to five SEZs in African countries (FOCAC 2006). Starting in 2007 SEZs have subsequently been successfully established in Zambia, Egypt, Nigeria, Ethiopia and Mauritius. An overview of Chinese SEZs established in African countries under the FOCAC framework is included in figure 2.

Figure 2: Special Economic Zones in Africa in cooperation with China



The SEZ developers and managers – both state-owned and private enterprises – were selected by China's Ministry of Commerce through two tender processes with state-owned companies taking the lead for respective SEZ developments (Brautigam 2009). A number of countries, such as Cabo Verde and Tanzania, expressed a strong interest in hosting SEZs, but were not selected as their proposals were not considered feasible (Brautigam and Tang 2011). Market size, previous Chinese FDI and surplus labour seem to have been determining factors for the selection of SEZ host countries (Fu 2012). Egypt, Mauritius, Nigeria and Zambia all had previous substantive FDI from China. In the case of Ethiopia, market size and surplus of labour may have been determining factors. Recent Chinese research highlights that SEZs are an important vehicle for the relocation of Chinese manufacturing activity to Africa, especially as regards mature and labour intensive industries such as shoe manufacturing, textile and leather goods processing. (Fu 2012, Lin and Wang 2014). In addition to the SEZs established under the FOCAC framework, individual Chinese enterprises have created smaller SEZs, such as industrial parks and free trade zones, in Botswana, Nigeria, Sierra Leone, South Africa and Uganda (Brautigam 2009, Brautigam and Tang 2013).

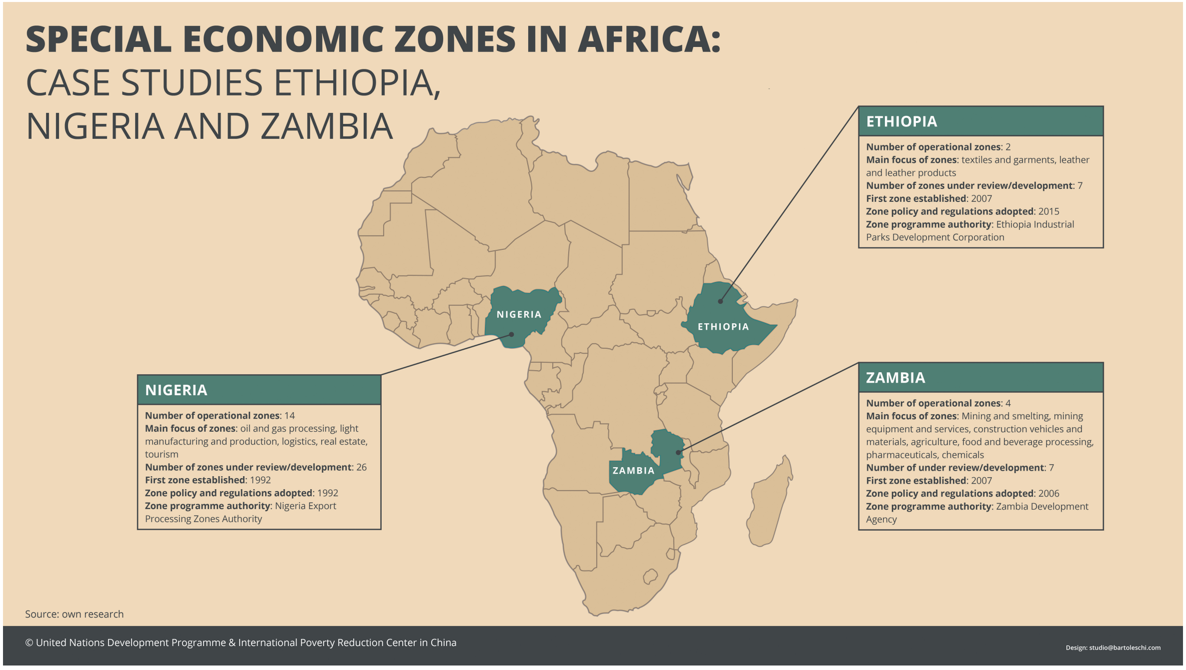
3.3 Case studies

This and the following sections provide an overview of how Ethiopia, Nigeria and Zambia are utilizing SEZs today[3]. The experience with SEZs varies greatly between the three countries with Nigeria having established its first SEZ in 1992, hosting 14 today, while Zambia and Ethiopia only started utilizing SEZs in 2006 and 2007 respectively, hosting four and two fully operational SEZs to date. The type and focus of SEZs in these countries stretches from an industrial park for textiles in Ethiopia to a large-scale manufacturing and trade zone in Nigeria, and a copper mine in Zambia. The size and volume of investment in these SEZs spans from a few hundred to a few thousand hectares, with investments ranging from USD 15 million to USD 1.4 billion. While in some SEZs the first companies are only just about to start their production, other SEZs have been fully operational for a number of years and have created thousands of jobs.

The following three case study country sub-chapters include a review of the respective national SEZ institutional and policy framework as well as an overview of existing SEZs, SEZs under development and SEZ in early planning stages. Each country sub-chapter also contains an in-depth review of two operational SEZs, one of which was set-up under the FOCAC framework. The chapter concludes with a summary of how key factors determining the success of SEZs – such as political commitment and support, policy and institutional frameworks, infrastructure development and linkages to the local economy – are being realized in the three case study countries, as well as a review of challenges encountered during SEZ development and operation. Based on the above, recommendations for decision-makers are proposed in chapter 7. The case studies rely on information obtained during on-site visits, surveys and interviews conducted with government representatives, SEZ managers, SEZ company managers and workers between January and April 2015, and the review of other primary and secondary sources. An overview of SEZ numbers, the focus and institutional arrangements of SEZs in the three case study countries is presented in figure 3.

3 The three case study countries were selected following UNDP's and IPRCC's previous engagement with African governments on SEZs and the existence of SEZs established under the FOCAC framework.

Figure3: Special economic zones in Africa: Case Studies Ethiopia, Nigeria and Zambia



3.4 Ethiopia

Ethiopia's development is guided by its Growth and Transformation Plan 2010/11-2014/15 (GTP)[4] with the overall goal of poverty eradication through building an economy with modern and productive agricultural and industrial sectors. The GTP identifies SEZs as one of the means for industrialization and includes provisions on the establishment of SEZs for the following medium and large scale manufacturing industries: textile and garment, leather and leather products, sugar, cement, metal and engineering, chemicals, pharmaceutics and agro-processing products. Specific targets spelled out in the GTP's accompanying policy matrix (GTP/PM) regarding the number of companies that are setting up business in SEZs each year[5] are beginning to be met through Ethiopia's two operational SEZs, the Eastern Industrial Zone and the Bole Lemi Industrial Zone, which will be reviewed in more detail later in this chapter.

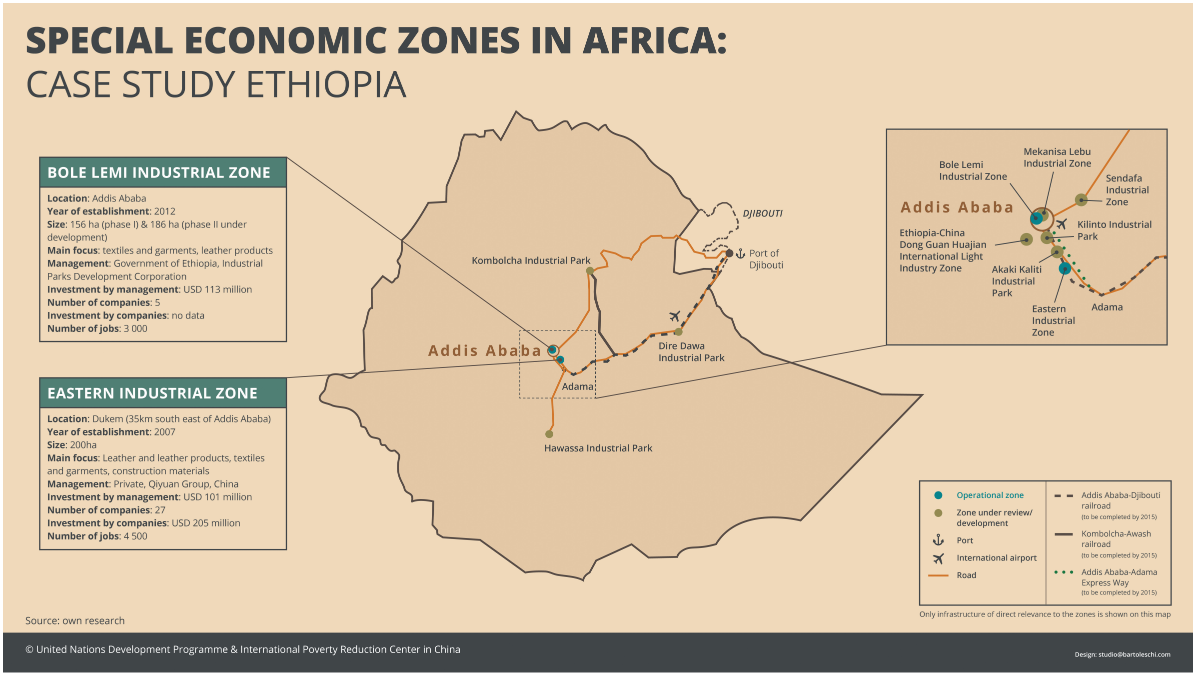
In February 2014 the Ethiopian Ministry of Finance and Economic Development prepared 3,537 hectares of land, received from the municipal authorities of Addis Ababa, Dire Dawa, Hawassa and Kombolcha, for the establishment of SEZs (GTP/AP). Seven SEZs are currently being considered for establishment or are already being developed on these plots (figure 4). On 16 April 2015 Ethiopia's Prime Minister, Hailemariam Dessalegn, participated in the ground breaking ceremony to celebrate the country's latest SEZ, the Ethiopia-China Dong Guan International Light Industry

4 Ethiopia's second Growth and Transformation Plan, which will cover the period from 2016 to 2020, is expected to be published in December 2015.

5 Number of companies to invest in SEZs by fiscal year: 24 in 2010/11, 22 in 2011/12, 35 in 2012/13, 53 in 2013/14 and 30 in 2014/15.

Zone (CCTV 2015).

Figure 4：Special economic zones in Ethiopia



The Ministry of Industry (MOI) is actively promoting the establishment of SEZs and has entered into SEZ development agreements with private investors from China, Turkey and the World Bank. The agreement with the World Bank includes financial and technical support for the establishment of the Kilinto Industrial Zone and the expansion of the Bole Lemi Industrial Zone. It also aims to strengthen the overall institutional and regulatory framework for SEZ development and to enhance linkages between companies inside and outside the zones (World Bank 2014). Furthermore, a Resettlement Policy Framework has been developed under the agreement for Kilinto Industrial Zone, which the MOI intends to use as blueprint for addressing social and environmental aspects of SEZ development in future (MOI 2013). In addition to the SEZs mentioned above that are either in operation or under development, the MOI is also undertaking studies on potential SEZ developments in Bahir Dar, Gonder, Jimma, and Mekele (MOI 2013 and Addis Fortune 2012). The Government of Ethiopia is successfully engaging different partners in its SEZ objectives, with the World Bank predominantly providing financial support on SEZ construction and offering the technical expertise to strengthen SEZ programmes and institutions, and Chinese partners providing SEZ infrastructure financing, FDI and training and technical support on SEZ development and management. Ethiopia is basing its industrialization on SEZs by targeting annual investments of USD 1 billion into SEZ developments over the next decade with aim of becoming the “leading manufacturer on the African continent” (Bloomberg 2015).

Institutional and policy framework

First references to the development and management of SEZs were included in Ethiopia's Investment Proclamation contained in Regulation No. 769/2012. The proclamation provides a definition of SEZs (paragraph 2-17) and states that the development of SEZs "shall be undertaken by the federal government or, where deemed necessary, by joint investment of the government and private sector" (paragraph 32-2). The Proclamation also includes the development of provisions, and a body responsible for the administration and supervision of SEZs (paragraphs 34 and 35). In the same year, the Government established the Ethiopian Industrial Zones Development Corporation (EIZDC) to be the body in charge of administering and supervising SEZs with the exception of the previously established privately run zones, namely the Chinese Eastern Industrial Zone and the Turkish Sendafa Industrial Zone. The EIZDC was established as a state-owned corporation in order to be able to "directly access credits from banks or seek foreign aid" (Addis Fortune 2012). Recognizing the need for a more comprehensive and effective legal, regulatory, and operational framework for SEZs, the government developed the Proclamation on Industrial Parks contained in Proclamation No. 886/2015, which came into effect on 9 April 2015. The Proclamation includes a number of provisions to ensure linkages between SEZs and the local economy, provisions on how to foster job creation and skills development and how to ensure environmental protection. The zone developer is also obliged to link local manufacturing companies with industrial park companies to develop local technological capacity and access to international markets. Both developers and companies are required to replace expatriate personnel with Ethiopian workers by transferring required knowledge and skills. The Ministry of Environment and Forest shall establish an office within each industrial park to safeguard the enforcement of environmental regulations. Ethiopia continues to expand its SEZ policy framework and is currently developing a national SEZ strategy (Interview EIZDC).

3.4.1 Bole Lemi Industrial Zone

The Bole Lemi Industrial Zone is Ethiopia's first government-run SEZ. The zone covers 156 hectares of land located about 10km south east of Addis Ababa centre with direct access to the Addis Ababa International Airport and the Addis Ababa-Djibouti Port highway, which is Ethiopia's main import and export corridor. Established in 2012, the zone's first development phase is already close to completion. To date twelve international shoe, textile and garment-producing companies have invested in the zone, out which five are in production, having created about 3,000 jobs. Construction for the zone's second development phase is under way and will more than double its size to 344 hectares once completed. The government of Ethiopia has invested USD 113 million in the zone to date and secured a USD 250 million grant from the World Bank for the zone's expansion (Interview EIZDC).

Production facility of a garment factory in the Bole Lemi Industrial Zone

Standard workshops in the Bole Lemi Industrial Zone

The EIZDC has been working with Chinese counterparts[6] on the design and development of the zone and has successfully attracted international investors, such as the George Shoes Group and Nitton Apparels Manufacturing from China, Ashiton Apparel and Vestis Garment from India, Jay Jay Garment from Sri Lanka and Shintis Garment from South Korea, in collaboration with Ethiopia's embassies and through direct support from the Prime Minister's Office and the Ethiopian Investment Commission (Interview EIZDC).

The EIZDC has established collaborative relationships with technical vocational education and training (TVET) institutes[7] and industry associations to facilitate linkages between SEZ companies and local providers of goods and services as well as the local labour market (Interview EIZDC). However, according to a manager of one of the SEZ companies, the new TVET institutions are still at early developmental stages and are not yet able to respond adequately to the labour needs of zone companies (Interview JayJay).

Delays in the infrastructure and utility services developments, including access to power and water, are among the zone's main challenges. Currently, the power challenge has been solved through a mobile power sub-station until a permanent sub-station can be constructed. Given that the national grid relies predominantly on hydropower, operations in the zone are mainly powered by renewable energy sources. Water is still not readily available in the zone, which has delayed the production start of some of the companies that have invested in the area. In addition, a lack of cooperation among involved government entities has been a challenge for EIZDC and zone companies alike. It is hoped that the adoption of the new Proclamation on Industrial Parks will provide a comprehensive legal basis that will help address some of these coordination challenges (Interview EIZDC, Interview JayJay).

6 Information on this partnership and how it came into being could not be obtained by the authors.

7 The Ethiopian Textile Industry Development Institute (Regulation No. 180/2010), the Leather Industry Development Institute (Regulation No.181/2010) and the Metals Industry Development Institute (Regulation No. 182/2010).

3.4.2 Eastern Industrial Zone

Ethiopia's first SEZ, the privately-run Eastern Industrial Zone (EIZ)[8] is located 35km south east of Addis Ababa in the town of Dukem, Oromia Regional State and is one of the first six Chinese SEZs established in Africa under the FOCAC framework to date. Dukem is situated on the Addis Ababa-Djibouti highway and the Addis Ababa-Djibouti Port railway line, with its own railway station upon completion of the railway line constructions in 2016. The Djibouti Port handles most of Ethiopia's overseas trade and is located 730 km east of the zone. It is not known whether the Chinese government or developers were involved in the selection of the zone's location, which is not ideal given its distance from the capital and its limited transport links to international transport routes.

Entrance of the Eastern Industrial Zone with an electronic billboard advertising in Amharic job opportunities with, as well as goods and services required by, the zone's companies.

Production facility of Huajian Group

Production facility of Lifan Motors

Today the EIZ is entirely owned and managed by the Jiangsu Qiyuan Group (Qiyuan Group), a private Chinese investor. Initially the Jiangsu Yonggang Group (Yonggang Group) was selected by China's Ministry of Commerce through a competitive tender process in 2007 as the developer for the zone with the Qiyuan Group as a minority partner. Due to financial difficulties caused by the global economic crisis, the Yonggang Group left the project in 2008 leaving the Qiyuan Group in charge of the zone's development and management (Brautigam and Tang 2011). The Yonggang Group is among China's largest iron and steel producers with over 10,000 employees and an annual revenue of USD 4.5 billion in 2010. The Qiyuan Group is a steel pipe and aluminium producer with approximately 1,000 employees. The Group consists of twelve subsidiaries in China, two in the United States and five in Ethiopia. The Ethiopian subsidies are all invested in the EIZ.

8 The zone's Chinese name (Dongfang Gongye Yuan 东方工业园) is mostly translated to "Eastern Industrial Zone" although the signpost at the zone's entrance and some of the information on the zone's official website refers to "Eastern Industry Zone". Some of the existing literature on the zone also refers to "Eastern Industrial Park", "Oriental Industrial Park", "Orient Industrial Park", "Oriental Industrial Garden" or "Dukem Industry Park".

Initially the zone was planned to be developed over an area of 500 hectares with an investment of USD 146 million. Its construction was intended to create over 20,000 jobs for local workers by attracting 80 Chinese companies over five years (Geda and Meskel 2009, Brautigam and Tang 2011). However, after initial financing difficulties the zone had to be scaled down to 200 hectares with an investment of USD 101 million (World Bank 2011). Today, 27 Chinese companies have invested a total of USD 205 million in the zone and created approximately 4,500 jobs (Interview Qiyuan Group). During this study, no particular reaction or policy change by the Government of Ethiopia in addressing the gap to the initially anticipated employment creation could be identified.

In 2010, the Zhongshun Cement Company, one of Qiyuan Group's subsidiaries operating in Ethiopia, was the first company to begin its operations in the EIZ. Since then, twenty-six other companies have joined, including producers of shoes, construction and packaging materials, steel products and garments as well as companies focusing on automobile assembly and leather processing.

Although the Ethiopian Government is not a shareholder in the EIZ, it has from the onset given its highest political support to the zone's development with frequent visits to the zone at the Presidential and Ministerial levels and senior level representatives from Oromia regional state and Dukem town.[9] China has equally shown high-level political commitment to the EIZ and support through its overseas trade and economic cooperation zones programme, which provides the developer with up to USD 44 million in grants and USD 294 million in long-term loans, intended to cover up to 30% of the costs of feasibility studies; site visits to plan and negotiate with the zone's host government; land use, legal and insurance fees; and for up to 50% of moving expenses and rebates on the interest on loans from Chinese banks. The Zhangjiagang municipal authority also supported the Qiyuan Group through the provision of technical assistance regarding the zone design (Brautigam and Tang 2011).

According to a study the World Bank conducted in 2010, roles and responsibilities of the Ethiopian Government and the Qiyuan Group have been defined in a Memorandum of Understanding (MoU), which holds the Qiyuan Group responsible for the EIZ planning, development, management and promotion, including through securing adequate financing. Further, it commits the Ethiopian government to covering 30% of infrastructure cost and offering land on a concessional basis; administering investment incentives for qualifying export oriented investments: providing 20% foreign currency retention on all export earnings (compared to 10% for companies operating outside the EIZ);

9 The latest high-level visit was conducted by Ethiopia's President Mulatu Teshome in May 2014 to review the progress of the EIZ (EIZ website). China's Prime Minister Li Keqiang visited the zone in the same month (Qiyuan website).

creating one-stop shop arrangements to facilitate business operations, including customs clearances; and ensuring coordination and support in the delivery of services through placement of MOI officials in the office of the Qiyuan Group. In contrast to common practice, where the host government is responsible for infrastructure leading to the SEZ, the Qiyuan Group has been asked to develop infrastructure, such as power transmission lines, water supply and waste water treatment to and from the EIZ with a 30% reimbursement of the costs by the Ethiopian Government. Telecommunication services are to be provided by the Ethiopian Telecommunications Corporation to companies in the zone on the same basis as to companies outside the zone (World Bank 2011).

Over the past eight years the EIZ has encountered a number of challenges, which have had a significant impact on its development. Infrastructure financing has been a major challenge for the zone's developer, especially given the developer's responsibility to finance infrastructure leading to and within the zone. Subsidies offered by the Chinese and Ethiopian governments have proved to be difficult to obtain due the required upfront investment and challenges in ensuring the disbursement of funds. Furthermore, both the developer and zone companies have experienced difficulties in identifying local suppliers. The developer has had to build its own cement plant and import clinker to ensure the zone's development. Access to local leather processing companies was initially one of the main reasons that encouraged Huajian to set-up its production facilities in the zone. However, due to quality issues and the fact that local suppliers are discouraged by tax regulations to sell products locally, as preferential tax rates are offered for exported goods to ensure foreign currency earnings, Huajian was initially unable to source its supplies fully from the local market (Interview Helen Hai). Furthermore, high transportation costs, general shortages of containers and lengthy cargo dwell-time at the Port of Djibouti continue to be a burden for the zone developer and zone companies alike. However, as regards working with local suppliers, the situation has significantly improved for Huajian over the past years as they are today able to source 80% of their raw materials from the local market (Interview Huajian).

Local workers are recruited through advertisements in local newspaper and job offers displayed on a screen at the main entrance of the SEZ (Interview Qiyuan Group). Most of the employees working in the zone are from nearby communities. Work in the zone is generally regarded as an opportunity to obtain skills and generate income. Huajian makes significant investments in its employees by providing language, technical and managerial training, including through 3-12 months courses in China. The training aims to enable employees to move into managerial positions, which is a cost-effective measure for the company, if employees remain with the company after the completion of the training. Given the long commuting times of many employees and to increase their motivation and productivity, three meals per day are provided free of charge within working hours. The company's canteen serves local Ethiopian food and caters for the dietary customs of Ethiopian Christians and Muslims (Interview Huajian).

Huajian Group pioneers Ethiopia's industrialization

The Eastern Industrial Zone's largest employer, Huajian Group, has significantly contributed to the zone's achievements by creating over 3,800 permanent local jobs. Since the start of its production activities in 2012, 3.8 million pairs of shoes were exported from the zone to the United States and the European Union, constituting a significant part of Ethiopia's leather products export. The company's visionary founder and CEO, Mr. Zhang Huarong, has a long-term strategy for his company's operations in Ethiopia. While Huajian will remain invested in the EIZ, it will also significantly expand its operations in the country through the development of the Ethiopia-China Dong Guan International Light Industry Zone by 2016 at a cost of USD 400 million. Ms. Helen Hai, Huajian's former Vice President, who has also been working with the Ethiopian government on the development and marketing of the Bole Lemi Industrial Zone, describes Huajian's EIZ success story as having laid the ground for today's strong interest of international investors in Ethiopia's industrialization process.

3.5 Nigeria

With a population of 178.5 million and a GDP of USD 565 billion, Nigeria is the biggest economy as well as the biggest oil exporter with the largest oil and natural gas reserves in Africa. During the past decade, it has registered strong economic growth averaging 6.5% and, as the recent rebasing of the economy in 2014 has

Figure 5：Special economic zones in Nigeria

shown, the economy is now dominated by the industrial and service sectors accounting each for 6.8% of total GDP (EIU 2015). To absorb its growing workforce, Nigeria is accelerating its industrialization process through the establishment of SEZs. The SEZ programme in Nigeria is used to attract local and foreign direct investment by providing access to Nigerian and West African consumer markets, and through preferential trade arrangements into US and European markets. In addition to the Nigerian Federal Government, state and local authorities use their policy autonomy to initiate industrialization processes in their respective jurisdictions.

Institutional and policy framework

The Nigerian Export Processing Zones Authority (NEPZA) is the federal government agency that oversees the implementation of free zones in Nigeria. The Nigerian Export Processing Zones Decree No. 63, adopted in 1992, regulates the set-up and operation of free zones in Nigeria (NEPZA 1992). NEPZA, in collaboration with the concerned state and local government authorities, is primarily responsible for promoting and facilitating local and international investment into licensed free zones. NEPZA is responsible for ensuring that the country's overall industrialization process takes place in a planned and coordinated manner. NEPZA approves development plans within the zones, their annual budgets in respect to infrastructure development, promotion of the zones as well as the provision and maintenance of services and facilities. NEPZA, together with the respective zone developers, is also responsible for the establishment of customs, police, immigration and similar posts in the zones to allow a 'one-stop-shop' for investors. It supervises public and private sector companies operating within the free zones and it facilitates trade related dispute resolution between employers and employees in the zone. In addition, NEPZA supervises the zone administrators (foreign and local) to ensure uniform management of the country's free zones and it grants all required permits and licenses to approved enterprises.

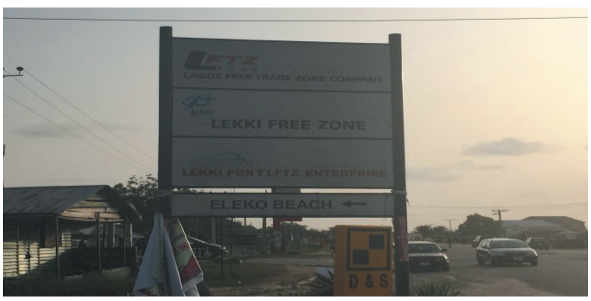
NEPZA is headed by a Governing Board that consists of the Chairman of the board, representatives from the Ministry of Commerce, the Ministry of Tourism, the Ministry of Industry and Technology, the managing director of the Nigerian Ports Plc., representatives from the Nigerian Association of Chambers of Commerce, Industries, Mines and Agriculture, the Manufacturers Association of Nigeria, the Association of Nigerian Exporters, a representative from the Central Bank of Nigeria, a representative from the private sector and the Managing Director of the Authority (NEPZA 1992). While NEPZA holds a macro view of the development process associated with SEZs at national level, it works closely with respective counterparts on the state and local government level, mainly with the respective Commerce and Industry ministries to enable the implementation of free zones in their jurisdiction. The two present case studies under review, the Lekki Free Zone and the Lagos Free Trade Zone, are both located within the jurisdiction of the Lagos State Government and are controlled by Lagos State Ministry of Commerce and Industry.

The Lagos State Ministry of Commerce and Industry (MOCI) liaises with NEPZA and supervises the development of the Lekki Free Zone (LFZ), the Lagos Free Trade Zone (LFTZ) and all associated projects including the new planned international airport and the Lekki Deep Seaport development, which are both critical for further development of the Lekki peninsula. Through the Lekki Worldwide Investment Limited, a Special Purpose Vehicle, Lagos State Government ensures it is involved in the development of the Lekki Zone. For the Lagos Free Trade Zone, Lagos State Government provided additional area of land to Tolaram Group (ca. 600 hectares) to enable further involvement in the development of the project (Interview MOCI). The Lagos State Government also assists Lekki Free Zone to attract investment by organizing the annual Eko Expo Trade Fair and by producing promotional material. The Governor of Lagos State also holds regular meetings with the local business community to encourage investment in the free zone (Interview MOCI). Through a stakeholder forum, Lagos State Government coordinates several large projects under development on the Lekki Peninsula: (a) Lekki Free Zone Project that is being run by a Chinese-Nigerian Consortium, (b) The Lagos Free Trade Zone and Lekki Port Project that is being developed by a Singaporean-Nigerian partnership (c) an oil refinery and petrochemical production facility that is being developed by the Nigerian Dangote Group and (d) the Lekki-Epe International Airport project, which is realized through a public private partnership arrangement between the Lagos State Government and various private investors. As described in detail below, the Lekki Free Zone and the Lagos Free Trade Zone are already operational. The Lekki Port, Dangote's refinery and the Lekki-Epe Airport are expected to become operational by 2018.

According to MOCI, the development of the Lekki city multi-use development plan for a new urban growth centre – which covers over a 10,000 hectares – as an integrated industry, commercial and residential area, is of high priority for the Lagos State Government (Interview MOCI). Ibeju-Lekki, the local jurisdiction where the Lekki Free Zone is located is 60 km from the city centre of Lagos. As Lagos is growing rapidly towards the Ibeju-Lekki jurisdiction the relationship between the local governments and project developers is becoming very important. At times the difficult relationship to the local community has influenced the advancement of the Free Zone project (Interview LFZDC). Main difficulties arose in connection to land allocation and the related compensation to local communities. While the management of the Lekki Free Zone Development company sees land allocation and compensation issues as a matter to be dealt with between the Lagos State Government and the involved local communities in Ibeju-Lekki region, recurrent direct requests for compensation addressed at the LFZDC by different representatives of the local community has caused planning uncertainty. From discussions with LFZDC management, it became clear that cultural differences play an important role, as community and related social relationships are increasingly influencing decision-making processes. For example, when extension of the zone infrastructure is under consideration, the zone management is forced to get involved in community relationships as new details of ownership and compensation emerge during the project planning stage. Chinese developers have had some difficulties distinguishing between the different social relationships within the local community and compensation claims, as these type of questions should have been resolved a long time ago. However, LFZDC management is aware of the recurring issue and it is trying to solve land related matters through the involvement of Lagos State Government; it hopes that the newly elected Lagos State Governor Akinwunmi Ambode, a native to the Ibeju-Lekki region will help facilitate the relationship between the community and the zone developers. Governor Ambode is expected to use his local knowledge to foster relationships with the local community such that they do not dissuade the project developer with recurrent requests for compensation (Interview LFZDC).

3.5.1 Lekki Free Zone

The Lekki Free Zone (LFZ) is located on the Lekki Peninsula, about 60 km to the east of central Lagos and covers a total area of 16,500 hectares. The Lagos international airport is 70 km away while the biggest port of Lagos, Apapa Port, is 50 km from LFZ. It is a 2.5 hours car ride from central Lagos to the Lekki Free Zone. With limited public transport opportunities, it is not easily reachable. However, the new Lekki International Airport will be located about 10 km from the LFZ once completed in 2018.



Road sign leading to Lekki Free Zone

Following the Chinese Government's 'going out' strategy and its decision at the 3rd FOCAC Ministerial meeting in 2006 which established economic trade and cooperation zones in Africa, the Chinese consortium established the China-Africa Lekki Investment Company (figure 6). The company later entered into a joint venture with the Lagos State Government and the Nigerian Lekki Worldwide Investment Ltd. to establish the Lekki Free Zone Development Company (LFZDC). With 60%, the Chinese consortium holds the majority rights in the joint venture, while Lagos State Government and Lekki Worldwide Investment Ltd., together hold 40% (Brautigam and Tang 2011, Interview LFZDC).

Figure 6: Shareholders of the Lekki Free Zone Development Company

China Railway Construction Corporation + China Civil Engineering Construction Company + Nanjing Jiangning Economic and Technology Development Company + Nanjing Beyond International Investment and Development Company + China Africa Development Fund

↓

China-Africa Lekki Investment Company (based in Beijing) China-Africa Lekki Investment Company (60%) + Lagos State Government (20%) + Lekki Worldwide Investment Ltd. (20%)

↓

China-Africa Lekki Investment Company (based in Beijing) China-Africa Lekki Investment Company (60%) + Lagos State Government (20%) + Lekki Worldwide Investment Ltd. (20%)

Lekki Free Zone Development Company (LFZDC)

The China Railway Construction Corporation (CRCC) is China's second biggest construction company. As a state owned company, it is under the supervision of China's State Council. Together with its subsidiary company China Civil Engineering Construction Corporation (CCECC) it employs more 10,000 workers in over 60 projects worldwide. CRCC and CCECC are both major construction players in Africa with liaison offices all over the continent. According to the shareholder distribution of the Beijing-based China-Africa Lekki Investment Company, both companies together hold a 50% stake. The Nanjing Jiangning Economic and Technology Development Company holds a 15% stake and brings technical knowledge to the consortium having designed and developed the Nanjing Jiangjing Economic and Technology Development Zone in China. Nanjing Beyond International Investments and Development Company is a Chinese private venture capital company that holds a 15% share. The remaining 20% stake is held by the China-Africa Development Fund (CADF), which is a special purpose investment vehicle set-up by the China Development Bank. The dominant role of CRCC, CCECC and CADF within the Chinese consortium highlights the importance that the Chinese government attaches to the Lekki Free Zone.

In 2008, LFZDC started the development phase I of the Lekki Free Zone, covering in total 3,000 hectares. The Nigerian Federal Government and the Lagos State Government have awarded the company the exclusive legal right to develop, operate and manage the Lekki Free Zone. At the start of the project 2008, the Chinese consortium had significant financial and managerial disagreements about how to finance and run the project. The problem partly derived from the global financial crisis starting in 2008, but also from the missing clarity surrounding which of the consortium companies would lead the project. Only the intervention of the Chinese government, through the Ministry of Commerce, solved these initial problems. Since 2010, the China Civil Engineering Construction Company has led the project, which has been able to progress successfully since. The current Managing Director of LFZDC has been at the helm of the LFZDC since 2010. He first came to Africa in the 1970s to participate in the construction of the Tanzania Zambia Railway. The Nigerian Deputy Director of LFZDC ensures that Nigerian interests are taken into account (Interview LFZDC).

Map of the Lekki Free Zone

Inside the Lekki Free Zone Development Compnay Administrative Complex

The zone follows the one axis and six parks approach and holds light manufacturing, textile production, warehousing, logistics, car assembly and real estate development facilities. With proper coordination and carefully integrated implementation, the LFZ is well positioned to tap synergies from two other large private investments on the Lekki Peninsula: the oil refinery and hydrocarbon industrial park proposed by Dangote Industries, and the Lagos Free Trade Zone with its deep sea port. Lekki Port is owned by a Singaporean-Nigerian investor, Tolaram Group (World Bank 2011). The LFZ management is convinced that the zone will play an important role in boosting the Nigerian manufacturing sector by building the necessary bridge to China through attracting Chinese investment and companies to invest in the zone (Interview LFZDC). LFZDC is clear in its objective that the Lekki Free Zone should become the heart of the free zone development scheme on the Lekki Peninsula (Interview LFZDC). The LFZDC committed a total budget of USD 265 million for the first development phase. USD 200 million was invested by the Chinese consortium and USD 65 million came from Nigerian public and private investors; this has been channelled through Lekki Worldwide Investment Ltd (Interview MOCI, Interview LFZDC). After seeing the relative success of the free zone, a number of bilateral and multilateral financial institutions have now approached

LFZDC to provide investment capital to the free zone's further development (Interview LFZDC).

In recent years, the Chinese Government has been showing a lot of interest in making the Lekki Free Zone a success story within China-Africa economic relations. There is now a closer relationship between the Chinese Embassy in Nigeria and the LFZDC, and there are frequent visits and exchanges of views between Nigerian representatives and stakeholders from the CCECC Head Quarter in Beijing (Interview LFZDC). The importance of the Lekki Free Zone as a gateway to West African countries, and through preferential agreements to overseas markets, is clearly understood and there are efforts to create a more conducive environment for Chinese companies' investment in the zone (Interview LFDZ). The Lekki Free Zone has so far attracted 21 enterprises with total invested capital of USD 156 million. It is expected that the total investment capital will reach USD 418 million (Annex, table 4). Another 79 companies are already registered in the zone and are expected to invest within the next year (Interview LFZDC). The companies that have so far invested in the Lekki Free Zone have created 551 permanent jobs (Annex, table 4). During the construction phase and seasonal peak periods, up to 2,000 local workers have been employed (Interview LFZDC). Interestingly, the recruitment of local workers is achieved through a professional recruitment company based in Lagos (Interview LFZDC). Permanent employees among the 21 companies that have invested in the zone come from different states including Delta, Ogun, Akwa Ibom, Osun, Lagos or Ondo. Chinese companies visited during the field research (Wanhao Doors, MC Lighting FZE, H&Y FZE, Sinotruck International FZE, Loving Home Furnishing FZE) all had Chinese management teams, while junior employees were all Nigerians (Interview MC Lighting, LFZDC). The only Nigerian-owned company in the zone (Crown Natures FZE) had a Sri Lankan General Manager (Interview LFZDC).

Due to the lack of adequate infrastructure, a number of Lekki Free Zone companies house their workers on campus through the provision of dormitories (Interview LFZDC). Some Lekki Free Zone companies

Chinese worker at Loving Home Furnishing Company

Dormitory of company managers and LFZDC personnel

Dormitory of workers

provide a shuttle service to transport their workers to communities outside the zone. Workers staying in dormitories tended to possess positive attitudes towards the accommodation provided by their employers (Interview Loving Home Furnishing FZE, Interview LFZDC).

Lagos State Government and zone management have indicated that there are currently no viable local or international training opportunities available for workers in free zone factories. There are no connections to local schools or vocational training institutions. However, the Lagos State Government and zone management teams are considering establishing of such infrastructure in the near future (Interview MOCI, Interview LFZDC). The LFZDC management described the following points as the main challenges to the development of the zone:

- **Power supply**

  Nigeria is the leading oil producing country in Africa and is a member of the Organization of the Petroleum Exporting Countries (OPEC). However, over 75% of Nigeria's population does not have direct access to energy. Subsequently, for the management of the LFZ the biggest challenge so far has been to provide a power supply to the zone. Limited power has tremendously hindered the LFZDC in attracting more companies to invest. After waiting without success for the Lagos State Government and national Government to resolve power issues, LFZDC decided to build its own gas-fired power plant that began its operations in May 2015. Compressed and liquefied natural gas will now be sourced locally in Nigeria. According to management, this will solve one of the major issues limiting further development in the zone (Interview LFZDC).

- **Infrastructure set-up leading to the LFZ**

  As public transportation is very limited, the only way to reach the free zone is by car. This is a huge challenge, especially if companies want to hire personnel (Interview MOCI, Interview LFZDC). As more residential areas and associated infrastructure are being built in the Ibeju-Lekki region, zone management is convinced that more qualified personnel will become available in the vicinity of the free zone. Currently, all critical staff working for the zone developer as well and invested companies live on campus to minimize travel time.

- **Lack of coordination between different government institutions**

  NEPZA is the main authority that controls the development of free zones and it holds the mandate to align and streamline the task of different federal agencies, i.e. the Customs Authority, the Nigerian Ports Authority etc., to allow smooth operations. Despite full commitment, NEPZA is not powerful enough to challenge the entrenched interests of the different bureaucratic agencies that hugely affect the work of the zone developer and invested companies (Interview LFZDC). Delays in port handling of goods for import and export processing, missing acknowledgments of tax exemptions for goods produced in the zone, and difficulties in the repatriation of capital gains out of Nigeria as well as policy inconsistency have caused some companies to cancel their investments. In terms of policy inconsistencies, regulations imposed by the Central Bank of Nigeria against money laundering, contradicting NEPZA provisions on free capital flows in and out of SEZs, are prominent examples (Interview LFZDC). According to LFZDC Management, it is mandatory to have an entity that has sufficient power to challenge the entrenched interests and that can "bang heads" to reach desired results.

- **Communication and understanding gaps**

  Communication and understanding gaps that existed among Chinese consortium partners as well as among Chinese and Nigerian partners highly influenced the advancement of the Lekki Free Zone project, especially at the beginning of the project. As the LFZDC management puts it, "at the beginning of the project the Chinese side did not provide the required man power, rather, we received language teachers and translators who had no idea how to build a Free Zone. The Chinese partners were overwhelmed, with weather condition, with the working environment and working attitude of the locals and they simply did not understand how to deal with the Ibeju-Lekki community" (Interview LFZDC). Only starting in 2010, with the arrival of more experienced management and engineers, communication and understanding issues could be gradually resolved. Equally, at the beginning, the State government offered the Chinese a 60% stake in the LFZDC to provide incentives for investment – not because the Nigerians were well prepared and wanted to target Chinese partners (Interview MOCI, Interview LFZDC). Even today, routine workdays are still filled with misunderstanding and communication gaps, but, as informed by the management, it is improving steadily. The recruitment of the 'right type' of Chinese personnel has especially been seen as a key to the steady improvement of misunderstanding issues. Nigerian staff is also more acquainted with Chinese management styles, meaning that friction is diminishing. The importance of communication and the understanding of local customs is embodied in the current Managing Director, who is an experienced manager with more than 25 years of overseas project experience. He first came to Africa to work on the Tanzania-Zambia Railway project in 1970s and had since overseen many projects within Africa. After being in Nigeria for over 11 years, he clearly understands that communication between the people who work together has a profound impact on the overall outcome of any given project. He believes that work ethic and the attitude of employees play an equally important role; he especially sees that a strong work ethic and a positive working attitude play an important role in the successful operation of the LFZ. He understands that his managerial position should facilitate an environment that solves issues for future zone development. He regularly attends meeting with local communities, Government representatives and local businesses to learn and understand their views, which again helps him to make more informed decisions about further development in the zone (Interview LFZDC).

- **No linkage to learning institutions**

  Currently, there are no linkages between the LFZ companies and learning institutions in the country (Interview MOCI, Interview LFZDC). Skills transfer takes place only on the job. This has been seen as a future development area by Lagos State Government as well as by the LFZDC. There are plans to initiate vocational training courses with schools in the Ibeju-Lekki Local Government Area (Interview LFZDC).

3.5.2 Lagos Free Trade Zone

The Lagos Free Trade Zone is located about 60 km to the east of central Lagos and covers a total area of 850 hectares. The zone project began in 2002, initially on 215 hectares of land. In 2012, an additional 590 hectares of land were acquired. The zone is expected to becoming fully operational by 2018. The Tolaram Group, the sponsor for Lagos Free Trade Zone, is based in Singapore but has been in Nigeria since the 1970s. The company has major interests in Nigeria and Ghana, and is one of the leading corporations in both countries, with diversified interests in fast moving consumer goods, energy, infrastructure, distribution, logistics, digital services, paper and textiles. Lagos Free Trade Zone is fully operated by Lagos Free Trade Zone Company (LFTZC), which is fully owned by Tolaram Group.

According to LFTZC, Lagos Free Trade Zone is being developed as a multi-product and logistics hub for the entire West African region. The Lagos Free Trade Zone will house a number of petroleum and petrochemical complexes, agro-commodity and other manufacturing industries. While the Lagos Free Trade Zone possesses all the features consistent with a classical Export Processing Zone, its proximity to the Lekki Port makes it more strategically attractive. Once finalized, and due to its proximity, the Lekki Port will be used by Lekki Free Zone companies to export their products to overseas markets (Interview LFZDC).

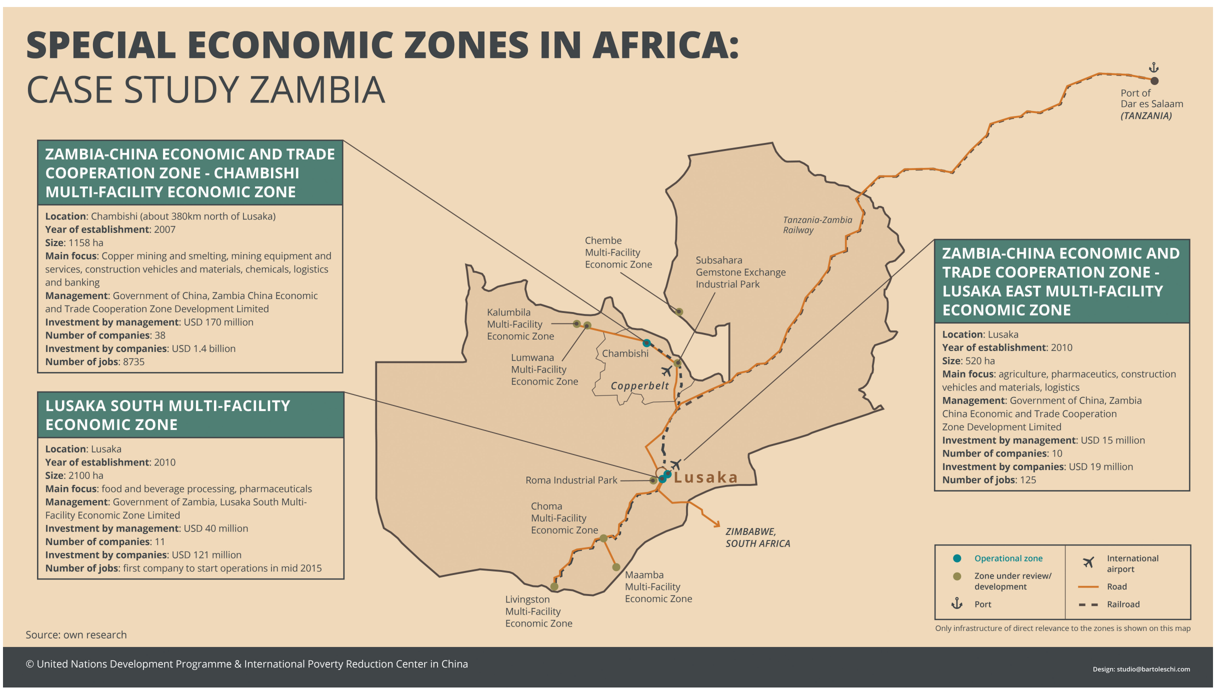
Lekki Port LFTZ Enterprise (LPLE) is the Special Purpose Vehicle that will develop, build and operate a multi-purpose port within the Lagos Free Trade Zone. The Nigerian Ports Authority and the Lagos State Government are shareholders in LPLE and Tolaram Group's equity stake in the Port will be held indirectly through LFTZC. LPLE is registered in the Lagos Free Trade Zone (LFTZ) and has a license to operate in the Free Trade Zone under the NEPZA Act.

Companies that are involved in trading; services; warehousing; manufacturing; and packaging are allowed to invest into the Lagos Free Trade Zone. According to Lagos Free Zone's status, companies invested in the zone need to invest a minimum share capital of USD 1 million in the zone. The first company to settle in the Lagos Free Trade Zone in 2012 was Raffles oil LFTZ, a Palm Oil Refinery company. Raffles produces and sells vegetable oil to local and international customers. It began its commercial operations in July 2013. The company has so far recruited 250 workers and invested USD 30 million. Another company that has already invested in the Lagos Free Trade Zone is Insignia LFTZ. Insignia produces flexible packaging for fast moving consumer goods, complimenting Raffles Oil. Insignia has invested around USD 20 million in its facilities so far and plans to expand its operations in West Africa to become a leading player in the packaging industry. As is the case in other Free Zones listed in Annex Table 1, companies in Lagos Free Trade zone are exempt from all Federal, State and Government taxes, levies and rates, they do not require import or export licenses, they can repatriate their profits and dividends earned in the Zone, and can sell 100% of their goods within Nigerian Customs Territory. Beside the two invested companies mentioned above, up to five more companies are expected to investment in the zone imminently.

3.6 Zambia

Zambia's National Long Term Vision 2030 sets out its goal to become a "prosperous middle-income country by 2030" (RoZ 2006a). Zambia aims to achieve its vision through implementing a five-year national development plan.

Figure7: Special economic zones in Zambia



The "Revised Sixth National Development Plan" (RoZ 2014), which will run from 2013 to 2016, aims to, *inter alia*, improve the country's investment climate and industrial base through the completion of the country's first six SEZs and the development of an additional SEZ.[10] Today a total of eleven SEZs are under review, development or in operation in Zambia (figure7 and Annex II).

Institutional and policy framework

Following the development of a Multi-Facility Economic Zone (MFEZ) framework in collaboration with Japan in 2005, Zambia adopted the Zambia Development Agency Act of 2006 (RoZ 2006b), which constitutes the main legislation governing the development and management of SEZs today. Section five of the Act establishes the Zambia Development Agency (ZDA), which facilitates the development of SEZs by investors; administers, controls and regulates SEZs; monitors and evaluates the activities, performance and development of enterprises operating in SEZs and prescribes and enforces measures, for the business or activities carried out within SEZs so as to promote the safety and efficiency of their operations; and promotes and markets SEZs. In section 18, the Act spells out general SEZ provisions. Specific provisions, including on the establishment of SEZs and the rights and obligations of SEZ investors are contained in the MFEZ Regulations of 2007 (RoZ 2007a) and the amended MFEZ Regulations of 2009 (RoZ 2009). MFEZs are being established through Statutory Instruments, which include information on the zone's license holder, size and industrial and commercial objectives. The Statutory Instrument also stipulates the license holder's obligations to ensure the provision of infrastructure that is suitable for achieving the zone's objectives.

Zambia's SEZ programme is closely linked with its national development strategy by providing incentives, such as reduced income and value added tax as well as custom duties for investments made in national priority sectors. Furthermore, investors need to prove that their activities will promote diversification of the economy, skills development and transfer to local companies and communities, while meeting environmental standards, which are in line with Zambia's national development objectives. To encourage domestic companies to invest in SEZs, incentives are offered equally to local and international investors (MCTI 2015). A minimum investment amount of USD 500,000 is currently being reviewed with a view to lowering the amount in response to concerns expressed by local companies (Interview ZDA).

The ZDA also tries to ensure the integration of SEZs in the local economy through a business linkage programme that

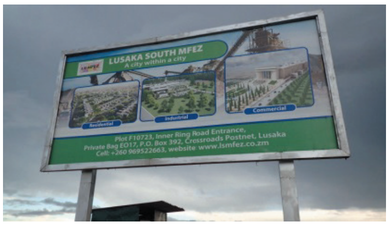
10 In Zambia there are two types of SEZs, Multi-Facility Economic Zones (MFEZ) and industrial parks. The six SEZs to be completed by 2016 are the Chambishi MFEZ, the Lusaka South MFEZ, the Lusaka East MFEZ, the Lumwana MFEZ as well as the Roma Industrial Park and the Sub-Sahara Gemstone Exchange Industrial Park. The new SEZ is to be established in Choma, approximately 300km south east of Luska. Although the government has prioritized the following areas for the development of MFEZs: Lusaka, Ndola, Mpulungu, Chembe, Nakonde, Kasubalesa and Mwinilunga, investors are welcome to propose any other location in the country deemed economical (MCTI 2015).

facilitates economic interaction between local and SEZ companies. The ZDA supports SEZ companies in hiring and training local workers in collaboration with private employment agencies and domestic technical vocational education and training institutes (Interview ZDA).

Today the Lusaka South, the Lusaka East and the Chambishi Multi-Facility Economic Zones constitute the three fully operational zones in Zambia. The Roma Industrial Park, established in Lusaka in 2010 is expected to be the country's next operational SEZ providing 130 hectares of space for light industries and commercial and residential use.

3.6.1 Lusaka South Multi–facility Economic Zone

The Lusaka South MFEZ, established in 2010, is Zambia's first government-run MFEZ and comprises a total area of 2,100 hectares[11]. The zone is located about 10 km south of Lusaka centre and focuses on attracting investment in industry, commercial and residential buildings, recreational facilities, research and development and logistics. By March 2015, the zone developer, Lusaka South MFEZ Ltd., had invested about USD 40 million in the zone and 11 companies had signed agreements to invest a total of about USD 120 million[12]. The zone is operational with some temporary utility services still in place. The first company is expected to begin its operations in the zone in 2015[13]. Upon its completion, the zone aims to create 100,000 jobs and 30,000 housing units (Interview LSMFEZ). These figures are long-term projections to be achieved over five development phases of which only the first three have been scheduled up to the year 2030.



Billboard at the entrance of the Lusaka South Multi-Facility Economic Zone

Zambian Breweries Malt Plant under construction

NRB Pharmaceutical plant under construction

The zone developer worked closely with Malaysian and Japanese experts on the zone's design[14] and participated in SEZ management training by Chinese SEZ managers offered by China's Ministry of Commerce[15]. According to a

11 The zone was established by Statutory Instrument No. 47 of 2010 on 28 June 2010 (RoZ 2010b). However, the zone's operating entity, the Zambian government-owned Lusaka South MFEZ Limited was only established in June 2012 and became operational in 2013 (Interview LSMFEZ).

12 125 local and foreign investors had expressed interest to invest in the zone by March 2015 (Interview LSMFEZ).

13 More than 1500 temporary jobs were created during the construction of the zone.

14 During an interview with the zone management it was mentioned that Malaysian and Chinese experts were involved in the SEZ design. However, no detailed information on the selection process of SEZ design and development partners could be obtained by the authors.

15 The trainings took place in China. Frequency of trainings and number of participants is unknown to the authors.

ZDA representative this training and the successful development of the ZCCZ significantly contributed to broad political support for SEZs within Zambia's government and led to the establishment of the Lusaka South MFEZ. The involvement of parliamentarians and representatives of various involved Ministries in study tours and technical training in China helped not only to demystify SEZs among government officials, but also to foster cross-Ministerial collaboration in this area (Interview ZDA). The Zambian government regards the Lusaka South MFEZ as a pilot project and intends to establish further MFEZs if the project is successful (Interview LSMFEZ).

The zone management has developed a Small and Medium Enterprise Strategy through which it aims to facilitate linkages between the zone and the local economy. As part of this strategy the zone management advises zone companies on local service providers, suppliers and workers. The zone management intends to develop a training programme in cooperation with zone companies and local training institutes once more companies become operational in the zone.

The zone management identified the following challenges:

- Financing of infrastructure and utility services development;
- High costs of temporary utility service solutions;
- Marketing of the zone before completion of basic infrastructure; and
- Lack of one-stop-shop for sectoral approvals of zone companies.

3.6.2 Zambia–China Economic and Trade Cooperation Zone

The Zambia-China Economic and Trade Cooperation Zone (ZCCZ) is composed of two distinct parts, the Chambishi MFEZ and the Lusaka East MFEZ. The ZCCZ is developed and managed by the Chinese state-owned China Nonferrous Metal Mining Group (CNMC) through its Zambian subsidiary ZCCZ Development Limited (CNMC 2015a). CNMC is one of China's largest non-ferrous metal mining and processing companies with

Entrance of the Chambishi Multi-Facility Economic Zone

Office building in the Chambishi Multi-Facility Economic Zone international operations in Asia, Africa and Latin America. With more than USD 30 billion revenue in 2014 CNMC is one of the largest 500 companies in the world. The zone was initially established as the Chambishi MFEZ in 2007, and was extended in 2010 to include the Lusaka East MFEZ (MCTI 2015). The zone management offers one-stop shop services to its potential investors, including market research, legal advice, financing and visa, travel and accommodation arrangements (Interview CNMC).

3.6.2.1 Chambishi Multi-Facility Economic Zone

Inaugurated by Zambia's former President Levy Mwanawasa and China's former President Hu Jintao on 4 February 2007 (Xinhua 2007), the Chambishi MFEZ[16] constitutes Zambia's first SEZ. It is also Africa's first economic and trade cooperation zone under the FOCAC framework following the pledge by China's former President Hu Jintao in 2006 to establish three to five such zones in Africa between 2007 and 2009 (Xinhua 2006). The zone is located in Zambia's Copper belt, about 380 km north of Lusaka, and covers 1,158 hectares of land within the Chambishi Copper Mine.[17] The zone is adjacent to the Copperbelt-Lusaka highway and a single-track narrow gauge railway connected to the Zambia-Tanzania Railway.[18]

By the end of 2014, the zone had attracted over USD 1.2 billion in investment from 28 companies and created 8735 permanent jobs (CNMC 2014). The total revenue of zone companies reached USD 7.8 billion in 2013 (Interview CNMC). The zone's focus is on copper mining and smelting, mining equipment and services, construction vehicles and materials, chemicals, logistics and banking. The zone developer has invested USD 155 million and only expects to make profits in the long run, emphasizing that for the time being the focus is simply on helping to bring investment to Zambia (Interview CNMC).

Construction vehicles for rent within and outside the Chambishi Multi-Facility Economic Zone

Standard shell for lease

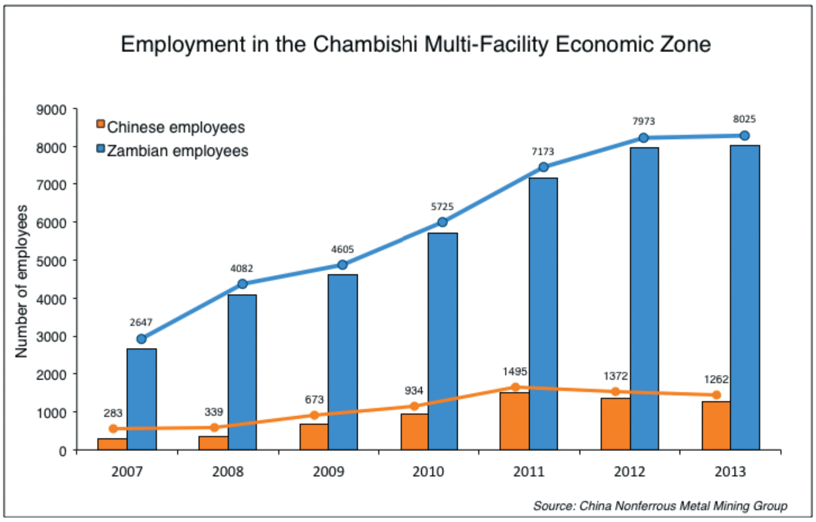
16 The zone was officially established by Statutory Instrument No. 16 of 2007on 2 February 2007 (RoC 2007b).

17 The Chambishi Copper Mine is owned by CNMC and covers a total area of 4100 ha (CNMC 2009).

18 Due to long processing times for rail cargo, road transportation is the commonly used mode of transport by zone companies (Interview CNMC).

The zone management highlighted that CNMC subsidiary companies operating in the zone have a staff development programme for local workers in place that aims at localizing skilled jobs and management functions, including through the provision of training in China. The success of this initiative can be seen in the decline of the number of Chinese workers after 2011 and the steady increase of Zambian workers over time (figure 8).[19]

Figure 8：Employment in the Chambishi Multi–Facility Economic Zone



An onsite exhibition about the zone's development highlights CNMC's efforts to ensure that the local population benefits from the zone beyond employment opportunities. CNMC has been supporting a number of community projects through donations and operates the Sino-Zambia Friendship hospital, which is Zambia's second largest hospital and provides free health care services free of charge to zone employees and their families as well as on a commercial basis to the local community.

Hand-over ceremony of a school donated by NFC Africa Mining, a subsidiary of China Non-ferrous Metal Mining Group

Bus stop donated by NFC Africa Mining, a subsidiary of China Non-ferrous Metal Mining Group

19 Chinese workers in the Chambishi MFEZ are issued work permits for two years. The renewal of permits is subject to proof that skills transfer to local workers took place within the permit period (Interview ZDA).

The zone management is committed to environmental protection and places emphasis on ensuring zone companies' compliance with local environmental regulations. The zone management rejects potential investors whose investment plans do not comply with environmental standards (Interview CNMC).

The zone management identifies the following as challenges:

- Changes in government incentives for zone developer and zone companies;
- Possible introduction of a property tax; and
- Absence of customs and licensing services within the zone.

3.6.2.2 Lusaka East Multi–Facility Economic Zone

The signing ceremony on the establishment of the Lusaka East MFEZ by China's former President Hu Jintao and Zambia's former President Rupiah Bwezani Banda in February 2010 was followed by the official establishment of the zone in June later that year.[20] The zone is an extension of the ZCCZ covering 570 hectares of land, and is located 25 km northeast of Lusaka centre, adjacent to Lusaka International Airport. The zone is fully operational and includes standard workshop buildings, a multi-functional air dome and residential buildings. By the end of 2014 ten companies had invested a total of USD 19 million and created 125 permanent jobs within the zone. The zone aims to attract investment in the processing and manufacturing industries, logistics and real estate. Today it already hosts companies operating in the fields of agriculture, agro-processing, construction and materials, automobile repair services, housing and warehousing. The zone also includes an international exhibition centre, which is used outside exhibition periods by 40 Chinese and Zambian companies as a permanent showroom for a wide range of products, including machinery, household goods, solar photovoltaic products, handicraft and art.

The zone management has invested more than USD 15 million in the zone's development to date and plans to expand the zone to more than three times its current size to cover 1,728 hectares(CNMC 2015b). ZCCZ Development Limited carried out a comprehensive environmental impact assessment prior to the establishment of the zone to ensure compliance with environmental laws and regulations.

The zone's main employer is Zambia Jihai Agriculture Company Limited, which produces and processes more than ten tons of mushrooms per week for the domestic, South African and Tanzanian markets with plans to expand exports to the Middle East and Europe. Zambia's largest commercial mushroom producer employs about 100 local

20 The zone was established by Statutory Instrument No. 50 of 2010 on 28 June 2010 (RoZ 2010a).

and 30 Chinese workers and aims to reduce the number of Chinese workers by building the Zambian workers' team-leading and quality control capacities (Interview Jihai management). A Zambian team leader confirmed that he had benefited from the staff development programme and was optimistic about his career development opportunities within the company (Interview Jihai worker).

Multi-functional air dome in the Lusaka-East Multi-Facility Economic Zone used for recreational activities by workers, such as basket ball and volley ball as well as for events.

Cultivation of mushrooms by Zambia Jihai Mushroom Limited in the Lusaka-East Multi-Facility Economic Zone

Processing of mushrooms by Zambia Jihai Mushroom Limited in the Lusaka-East Multi-Facility Economic Zone

In August 2014 a medical park was inaugurated in the zone by Zambia's Minister of Health and China's ambassador to Zambia (FOCAC 2014). The park will include a USD 30 million pharmaceutical plant, which is being built by zone management and Kingpharm Zambia with both companies respectively investing USD 15 million. The plant will create 135 local jobs and produce drugs for the Zambian and Southern African markets (ZNBC 2015a). In a recent statement Zambia's Minister of Commerce, Trade and Industry said that eleven other foreign companies had also expressed interest in investing in the zone (ZNBC 2015b).

During a recent visit, Zambia's Vice-President Inonge Wina called on the zone management to partner with local investors and prioritize job creation for local youth. China's Ambassador to Zambia, Yang Youming, said that he would ensure that the zone employed more locals and engaged more local investors (All Africa 2015).

3.7 Review of key success factors

3.7.1 Political commitment and support

The successful implementation of any SEZ programme requires high-level political commitment and support to ensure that the broad range of government entities needed for the development and operation of a SEZ are brought on board and operate in a coordinated manner. Furthermore, SEZs are long-term undertakings, which require inclusion in national development strategies and planning processes in order to ensure their success. While the coordination of involved government entities remains a challenge in the case study countries, there is a strong political commitment to SEZs in place in Ethiopia and Zambia, with Ethiopia having recently elevated its SEZ programme authority to the Prime Minster's Office. In these two countries, SEZs have been consistently inaugurated at the Head of State and Government level and are regularly visited and promoted by high-level government officials. In Nigeria there is limited political commitment and support for SEZs with coordination challenges occurring between the federal and state levels of government. While in all countries SEZs are part of national development strategies, only Ethiopia and Zambia have specific provisions in their national development plans to ensure that SEZs support industrialization in priority sectors.

3.7.2 Policy and institutional frameworks

A SEZ policy framework and dedicated institutions for managing the SEZ programme are in place in all three case study countries. While Ethiopia only adopted its comprehensive SEZ policy framework in April 2015, Nigeria and Zambia have their SEZ policy frameworks in place since 1992 and 2006 respectively. In each country a government authority is in place to ensure compliance with the SEZ policy framework and coordinates involved government entities. In Ethiopia and Zambia dedicated inter-ministerial committees address SEZ development and operational challenges. In Nigeria, the Federal Government Committee on Free Zone Reforms has been established to develop policy recommendations for making SEZs more efficient. However, according to a LFDZ representative such recommendations have not been implemented so far (Interview LFDZ). One of the main challenges for zone managers and companies in all reviewed zones remains the efficient handling of administrative procedures that involve various bureaucratic entities, such as import and export procedures, certifications and approvals as well as taxation issues.

3.7.3 Infrastructure development

The existence of modern infrastructure to and within SEZs as well as the provision of reliable utility services such as electricity and water are key for the success of any SEZ. The development of all SEZs visited in Ethiopia, Nigeria and Zambia has been negatively affected by delays in infrastructure development and access to utility services. While most of the zones have managed to overcome these challenges, some continue to struggle to fulfil these basic requirements or face the high costs associated with arranging temporary solutions for the provision of utility services. Looking back, the management of the government-run Lusaka South Multi-Facility Economic Zone in Zambia emphasized that for any future zone ensuring infrastructure financing upfront would be given the highest priority in order to gain confidence of investors from the start. Furthermore, it would be key for keeping costs within the budget as the use of temporary power supplies had increased the costs of the Lusaka South zone significantly (Interview LSMFEZ). Furthermore, in the Lekki zone in Nigeria, a lack of access to electricity delayed investments. In the Bole Lemi Industrial Zone in Ethiopia one companies reported that the limited availability of electricity restricted their production capacity (Interview Jay Jay).

3.7.4 Linkages to the local economy

All SEZs visited in Ethiopia, Nigeria and Zambia have linkages with the local economy through local suppliers or the local labour market. The degree of these linkages varies greatly between SEZs. However, given that most of the visited SEZs have only been established within the last five years, many of these linkages are only starting to develop. While in Ethiopia companies expressed difficulties in identifying local suppliers, SEZ companies in Zambia were successful in establishing such partnerships. SEZ managers in Zambia are also working putting a SME strategy in place that will include provisions on facilitating linkages between SEZ companies and local companies. In Ethiopia and Zambia linkages with the local labour market are promoted by SEZ managers in cooperation with local technical vocational education and training institutions and employment agencies. Nevertheless, some SEZ companies were unable to identify suitable workers on the local labour market in these countries, which led to hiring of foreign workers and the provision of cost-intensive training for local workers, including at the companies' headquarters abroad. In Zambia, SEZs companies are also providing goods and services to local companies outside the SEZ.

This chapter has provided a general overview and specific examples of SEZ experiences in Africa. Chapter 4 will now look at China's experience with SEZs with a focus on Shenzhen and Suzhou Industrial Park as case studies. Based on these findings, chapter 5 will review how African countries can learn from China's SEZ development and management experience.

4. Special Economic Zones in China

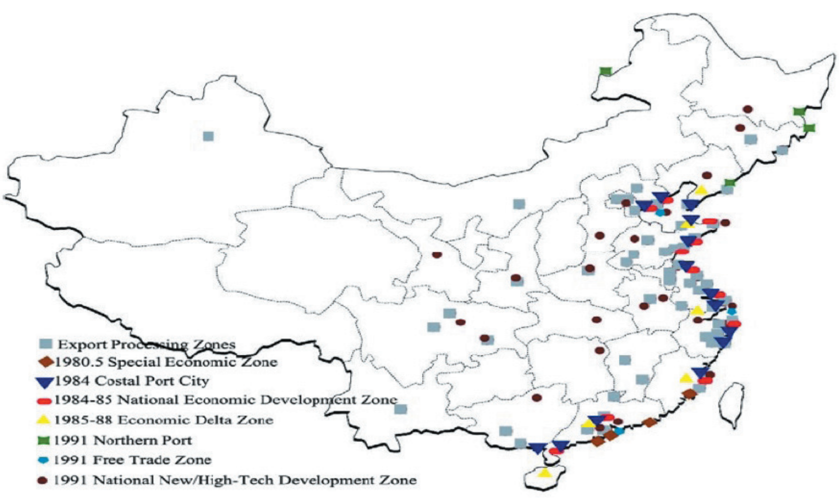
4.1 Background

China's SEZs[21] originated from, and developed in tandem with, its "Reform and Opening Up" policy

21 As outlined in chapter 2.1. this study "Special Economic Zone" as a broad term to cover all types of zones. In China "Special Economic Zones" are one of different types of zones.

adopted in 1978 and have since then played a significant role in propelling China's unprecedented economic development, institutional reforms and internationalization. The first SEZs provided an important platform for experimenting with the introduction of controlled capitalism in a centrally planned economy and, in particular, for introducing a liberal trade and investment regime into an economy that had been largely closed to the outside world since 1949. Hence, the initial focus of SEZs in China was different from that pursued by African countries. Over the past three decades China also went through a SEZ learning process, facing challenges relating to infrastructure financing, service provision within the zones and the coordination of policy measures similar to the experiences of African countries today (Ge 1999). SEZ development in China was guided by the principle of "emancipating the mind and seeking truth from facts" and adjusting measures to local conditions by placing emphasis on the comparative advantages of land, market and labour resources. Today SEZs are the principal means by which the Chinese government at local, provincial and national levels provides preferential policies to foster the development of technology and industry. Over time, China's national and provincial governments and its private zone developers have built up substantial expertise in planning, developing, and operating SEZs, and today all provincial capitals and autonomous regions and other major cities in China have set up national-level trade and economic cooperation zones (Zeng 2015). An overview of SEZs in China is provided in figure 9 below.

Figure 9: SEZs in China



Source: Prof. Yu Miaojie's presentation at the 2014 Africa-China Poverty Reduction and Development Conference.

China continues to establish and refine SEZs and increasingly uses SEZs to support the internationalization of its companies through Overseas Economic Development and Cooperation Zones. SEZs are also an integral part of China's New Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative, which aims to promote connectivity between Asian, African and European countries (MoFA 2015).

4.2 Types

The first SEZs were established by the Central Government in 1978 in the coastal towns of Shenzhen, Zhuhai, Shantou and Xiamen. Following this, various types of SEZs have mushroomed across China, including Economic and Technological Development Zones (ETDZs), High and New Technology Industrial Development Zones, Export-oriented Manufacturing Zones, Bonded Areas, Cross Border Economic Cooperation Zones (CBEZs), Tourism and Leisure Zones and others. Today China has five SEZs, 131 national-level ETDZs, 105 national-level High and New Technology Industrial Development Zones, 15 national-level Bonded Areas, 14 national-level CBEZs, 15 national-level Export-oriented Manufacturing Zones and 29 other types of national-level zones.

4.2.1 Special Economic Zones (SEZs)

In China SEZs are areas in which the Government implements special policies and allows foreign enterprises or individuals, Chinese diaspora, and citizens of Hong Kong and Macau to invest. SEZs aim to create a conducive investment environment through preferential arrangements for foreign investors with regard to equipment imports, raw materials and production components; product exports; corporate income tax rates; foreign exchange and the remittance of profit; land use rights; and residence and immigration permits. Following the establishment of the first four SEZs in Shenzhen, Zhuhai, Shantou and Xiamen, Hainan Province became a SEZ in 1988, and Pudong New Area in 1990. With the advancement of its economic reforms China has developed different types of SEZs.

4.2.2 Economic and Technological Development Zones (ETDZs)

ETDZs are based on the success of SEZs. In 1984, China established 14 ETDZs in coastal cities such as Tianjin, Shanghai, Dalian and Qingdao, and some policies bearing similarities with those in SEZs were adopted. In 2013, the total number of national-level ETDZs reached 198, including 98 in costal areas (figure 10). There are also a number of ETDZs at the provincial and municipal levels. Based on differences in geographic locations and the local level of development, ETDZs can be divided into three types:

- **ETDZs with a focus on developing cutting-edge technologies and nurturing new and emerging industries:** This type of ETDZ relies on well-developed metropolitan areas, such as

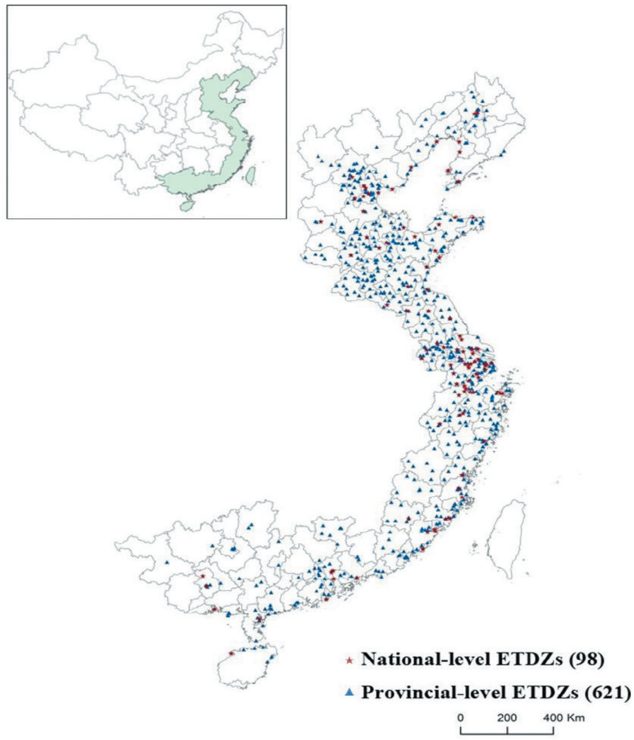
Tianjin and Shanghai, which enjoy a relatively solid industrial base, high levels of technology and economic management skills.

- **ETDZs with a focus on international trade:** This type of ETDZ is generally located adjacent to deep-water ports and well developed communication and transportation infrastructure, such as in Dalian and Ningbo.
- **ETDZs with a focus on utilizing local endowments:** This type of ETDZ can be further divided into resource-rich, agricultural and tourism zones. Resource-rich zones are often constructed in energy or mineral resource concentrated areas or adjacent areas. Agricultural zones are often referred to as Modern Agriculture Development Zones or Comprehensive Agricultural Development Zones, and their core businesses include the combination of seedling, agricultural engineering, agricultural infrastructure, agricultural products processing, biotechnology, eco-tourism and education. Tourism zones aim to develop tourist facilities and tourism related industries, including real estate and entertainment.

Table 1: Economic Performances of State-level Economic and Technological Development Zones in China (1998–2012)

Year	Enterprises	Employment (1000 persons)	Export (Bil USD)	Industrial output (Bil USD)	Total Tax (Bil USD)
1998	16,097	1,840	8.53	433.36	47.7
1999	17,498	2,210	11.9	594.4	73.73
2000	20,796	2,510	18.58	794.2	105.72
2001	24,294	2,940	22.66	1,011.68	128.5
2002	28,338	3,490	32.92	1,293.71	156.75
2003	32,857	3,950	51.02	1,725.74	211.94
2004	38,565	4,480	82.38	2,263.89	266.24
2005	41,990	5,210	111.65	2,895.7	321.9
2006	45,828	5,730	136.1	3,589.9	410.56
2007	48,472	6,500	172.81	4,437.6	577.34
2008	52,632	7,170	201.52	5,268.4	650.29
2009	53,692	8,100	200.72	61,115.1	846
2010	55,243	9,600	264.8	8,431.82	1,230.22
2011	57,033	10,730	318.06	1,056.7	1,530.09
2012	63,926	12,690	376.04	1,286	1,982.37

Figure 10: Economic and Technological Development Zones in Coastal China (2013)



Source: Gao 2014 and author's compilation

4.2.3 High and New Technology Industrial Development Zones (TIDZ)

TIDZs are similar to ETDZs, but are focused on promoting science and technology innovation through FDI. 105 national – level TIDZ have been established since 1992.

4.2.4 Cross Border Economic Cooperation Zones (CBEZs)

CBEZs are established in border cities to promote trade and export-oriented processing. 15 CBEZs have been established since 1992, which have particularly benefited ethnic minorities living in China's border provinces.

4.2.5 Bonded Areas

Bonded Areas, including Bonded Logistics Parks, Bonded Port Areas, Comprehensive Bonded Zones and Bonded Warehouse Zones, focus on bonded warehouses, export-oriented processing and entrepot trade[22].

22 Under entrepot trade rules goods are imported from one country with the purpose of re-exporting them to another country. There is no import duty

Bonded Areas are considered "within the national border, but outside the customs" and generally rely on the existence of an airport or water port.

4.2.6 Export Processing Zones (EPZs)

EPZs are exclusively used to manufacture, process and assemble export commodities. All or most of the products manufactured in these zones are for export purposes. In 2000 the first EPZs were established in 15 cities across the country. Today 58 EPZs have been approved.

4.2.7 Logistics Parks

Logistics Parks are developed in urban environments to facilitate the development and management of logistical services. Based on the types of logistics services, these parks can be divided into three categories: Regional Logistics Organization Parks, for example Port Logistics Park in Shenzhen and Longquan Road Port Logistics Park in Chengdu; Commerce and Trade Logistics Parks like Chengbei Commerce and Trade Logistics Parks in Foshan and Chuanhua Logistics Park in Zhejiang, which aim to create centralized trading areas for particular regions or specific commodities, and enable regional transportation and city distribution services; and Transport Hub Logistics Parks, such as Airport Logistics Parks and Water Port Logistics Parks.

4.2.8 Comprehensive Development Zones (CDZ)

CDZs cover a large area of a few hundred square kilometres and bolster a variety of industries. Upon the completion of their development, these zones are transformed into new towns or urban areas. Existing CDZs include the West Area of Zhuhai and the Suzhou Industrial Park.

4.2.9 Overseas Economic and Trade Cooperation Zones (OETCZ)

OETCZs are industrial, agricultural or service parks or zones that are constructed by Chinese enterprises, or in collaboration with other countries, in a foreign country with the aim of attracting Chinese enterprises and enterprises from other countries. Since 2006, the Ministry of Commerce, along with other ministries, has approved two batches of 19 OETCZs. At present, 16 OETCZs are being developed in 13 countries, including six in Africa as outlined in chapter 3.2.

raised as the goods are processed, repacked and kept in bonded warehouse until their re-export.

Table 2: Overview of China's Overseas Economic and Trade Cooperation Zones

Continent	Country	Title
Asia	Pakistan	Pakistan Haier-Ruba Economic Zone
	Thailand	Thai-Chinese Rayong Industrial Zone
	Cambodia	Sihanoukville Special Economic Zone
	Vietnam	Long Jiang Industrial Park
	Vietnam	Vietnam China (Haiphong-Shenzhen) Economic and Trade Cooperation Zone
	Indonesia	PT. Kawasan Industri Terpadu Indonesia China
	South Korea	South Korea China Industrial Park
Africa	Zambia	Zambia-China Economic and Trade Cooperation Zone
	Egypt	China-Egypt Suez Economic and Trade Cooperation Zone
	Nigeria	Lekki Free Zone
	Nigeria	Nigeria Ogun-Guangdong Free Trade Zone
	Ethiopia	Eastern Industrial Zone
	Mauritius	Jinfei Economic and Trade Cooperation Zone
Europe	Russia	Ussuriysk Economic and Trade Cooperation Zone
	Russia	China-Russia Tomsk Timber Industry and Trade Cooperation Zone
South America	Venezuela	Cua Industry and Trade Cooperation Zone

4.3. Spatial layout

Chinese SEZs are constructed in three basic types of spatial layout. The first type is usually a piece of land in a sparsely populated area that has been specifically developed into an SEZ, and its pattern is usually used as a geospatial expansion and extension of a city. The key purpose of this type of zone is to attract industrial investment and economic development. Zones in Suzhou and Tianjin are two such examples. The second type is usually found in an area of a city where both economic and social developments are required. This pattern is mainly used to promote urbanization and modernization. Examples include Pudong New Area in Shanghai, Huangdao Development Zone in Shandong and Yangling Agricultural High and New Technologies Demonstration Zone in Shaanxi. The third type is usually land that is used to establish a non-boundary zone within a city. Examples include Zhongguancun Haidian Pilot Park in Beijing, and the main block of the High and New Technology Development Zone in Hangzhou. This pattern normally relies on existing infrastructure and facilities, especially universities and research institutes, which set up high-tech enterprises and act as regional science and technology incubators.

4.4 Expansion models

There are four SEZ expansion models. Firstly, the extension model, which foresees the further expansion of the zone in all geographic directions once it has been fully developed. An example is Huangdao Development Zone, which was expanded from 15 to 220 square kilometers over time. Secondly, the combination model, which merges existing zones into one larger zone. Thirdly, the going-out model, which comprises the establishment of another zone based on experiences gained within the zone. Fourthly, the expansion through partnerships model, which incorporates different stakeholders from different locations into the expansion or the development of a new zone.

4.5 Management models

4.5.1 Government–led management model

Government-led management models are often adopted at the early stages of zone construction and can be divided into ‘vertical coordination types’ and ‘centralized management types’. With regard to vertical coordination types, the municipal government where the zone is located is fully engaged in leading the construction and management of the zone. The operational management of enterprises located in the zone falls under an industrial management department with the zone management committee only being responsible for coordination among different departments. The Harbin High-Tech Industrial Development Zone is an example of management type. Secondly in the centralized management type, the zone management committee is responsible for the construction, development and management of these zones. The Suzhou High-Tech Industrial Development Zone follows this approach.

4.5.2 Mixed management model

This model is commonly applied, in particular once the zone enters into full operation. There are two types of mixed management model: “combination of government and enterprises” and “separation of government and enterprises”. Combination of government and enterprises implies that the zone management committee has a subordinate development company; the former is responsible for decision-making and service work, while the latter is in charge of infrastructure construction in the zone. These two entities have mostly the same representatives and leadership. Separation of Government and Enterprises means that the zone management committee does not interfere with the work of the development company. The development company as an independent economic legal entity administers and manages the zones. Most zones in China follow this approach.

4.5.3 Enterprise management model

This model mainly relies on a development company set up by a local government to develop and manage the zone. The model is mostly applicable to mature zones.

4.6 Case studies

4.6.1 Shenzhen Special Economic Zone

In 1980, the Shenzhen SEZ became China's first SEZ. Until 2010, Shenzhen Special Economic Zone comprised four of the six districts of Shenzhen City in Guangdong Province, namely Luohu, Futian, Nanshan, and Yantian, with a total area of 493 square km. The addition of Bao'an and Longgang districts substantially increased the geographical size of the SEZ. Shenzhen is among the top mainland cities of China in terms of economic returns. Shenzhen reported USD 27.88 billion in local revenue in 2013, up 16.8% from 2012.

Until the late 1970s, Shenzhen relied on primary sectors such as the agriculture and fishing industries and it was hard to find any significant industrial activity in the region. Apart from its locational advantage of being close to Hong Kong, Macao and Taiwan, the region was industrially backward and underdeveloped. Similar to the challenges African SEZ developer are facing today, at the beginning the Shenzhen SEZ administration faced difficulties with infrastructure development, especially in the power, telecommunication and transportation sectors and it relied heavily on the financial support provided by the provincial and national governments (Ge 1999). The Guangdong government was able to introduce land reforms that allowed investors to obtain Land Use Certificates from the Shenzhen SEZ. The industrialization process in the SEZs changed the economy of Shenzhen from an agriculture-based economy to an industry-based economy within a few decades. As was intended, Shenzhen now has a robust export-oriented economy. From 1979 to 2007, its trade volume increased nearly seventeen times from USD 17 billion to USD 287.5 billion. Shenzhen has maintained its growth rate despite the global financial crisis.

Shenzhen is an important link between the Chinese mainland and Hong Kong and a transport hub for coastal southern China. The city leads in high-tech development, financial services, foreign trade, shipping, and creative and cultural industries. Shenzhen is an example that development is a long-term process that requires continuous management and thus a substantial skills base from the start. Shenzhen was able to take advantage of its proximity to Hong Kong, Macao and Taiwan, which had advanced market and economic systems. As we have seen, the SEZs in the aforementioned African countries are close in proximity to big, economically powerful cities (Lagos in Nigeria, Addis Ababa in Ethiopia and Lusaka in Zambia). However, due to existing difficulties with infrastructure set-up and transportation, the benefit of their geographical proximity are not yet fully realized. Furthermore, these economic centres are themselves in the process of development and do not yet have advanced economic systems available to act as the engines of the respective SEZ developments through financial investments. Shenzhen was able to leverage financial investment from Hong Kong to develop the SEZ that has contributed to the success of Shenzhen.

With regard to the Shenzhen Economic Zone the governments authorities at all three levels – central, provincial and local – played important roles in making and implementing appropriate policy. The Chinese central government took the political risk of authorizing and ambitiously implementing the reforms. The central government also gave the provincial and local governments a level of autonomy that allowed them space to manoeuvre. The central government also extended authority to the Guangdong provincial government and the special zone government in such areas as planning, pricing, labour, wages, business management, and foreign economic activities. Power was conferred to the local government in Shenzhen to make rules in accordance with specific circumstances and actual needs. This special treatment by the central government was critical to “policy innovation” and ensuring the successful development of the SEZ (Ge 1999). For example, during the initial phase of the SEZ program the provincial government carried out research including collecting the views of the local people on the SEZ program that served as a basis for decision making in similar projects in other regions. The provincial government had autonomy from the central government so it could maintain flexibility and devolve power to local governments as it saw fit. Going one step further, in 1984 Shenzhen SEZ was given the right to define its relationship with the government in order to create a leaner and effective SEZ government. The so called “smaller government and larger society” approach allowed Shenzhen to push the state away from directly controlling the economy and towards an indirect, market oriented form of control from the onset of the SEZ development which allowed a more coordinated approach in rule setting towards investors in the zone (Ge 1999).

Both the central government and the provincial and local governments provided a variety of incentives that attracted firms to invest in the zones, including fiscal and other preferential advantages, streamlined administrative processes, sound infrastructure and other utilities, land, rapid customs clearance, repatriation of profits and capital investments, reduced duties on imports, concessionary tax rates, export tax exemption, flexibility in hiring and firing workers, depreciation allowances, and limited access to sell in the domestic market. They also put in place measures to attract skilled labour (Ge 1999). The different types of preferential incentives for the Shenzhen SEZ have been vitally important in allowing Shenzhen to attract adequate personnel from other parts of the country, and for attracting foreign investors and employees. In this regard, the creation of suitable residential capacity in the city has been important (Ge 1999). In Shenzhen's case, decentralization of power played an important role in creating a more market-friendly environment, which strengthened and encouraged "a series of legislative innovations" and incentives that were provided to potential investors and attracted masses of workers to the city.

4.6.2 Suzhou Industrial Park

Suzhou Industrial Park is an important cooperation project between the governments of China and Singapore. It was approved by the State Council and set up by the two countries in 1994. The Park covers a total area of 278 square kilometres, of which China-Singapore Cooperation Area accounts for 80 square kilometres with a population of around 781,000 permanent residents. Occupying 3.4% of total land and accounting for 7.4% of the total population of Suzhou City, the Suzhou Industrial Park accounts for around 15% of the regions' GDP and has been "the most competitive development zone" for several consecutive years, ranking No.2 among nation-level development zones and No.1 in Jiangsu Province. It consists of six key areas: (1) Dushu Lake Science and Education Park (2) Jinji Lake Central Business District (3) Ecological Science hub (4) Integrated Free Trade Zone (5) New and Hi-Tec Industrial Zone (6) Yangcheng Lake Eco Tourism Resort.

In retrospect, the strong partnership between the Chinese and Singaporean government has been a prerequisite for the success of the park. Leaders of both countries have attached great importance to the development of the park and visit it regularly. To better guide the development of the Park, the two governments set up the China-Singapore Joint Steering Council (figure 11), now co-chaired by Chinese Deputy Prime Minister, Zhang Gaoli and Singaporean Deputy Prime Minister, Teo Chee Hean. To date, the Council has held over 10 conferences during which efforts towards addressing major issues regarding the development of the park and a number of specific favourable policies have been made. The two important institutions in the Suzhou Industrial Park collaboration are The China-Singapore Suzhou

Industrial Park Development Co. (CSSD) and the Suzhou Industrial Park Administrative Committee (SIPAC). CSSD consists of a Singaporean consortium – known as the Singapore Suzhou Township Development with 24 shareholders – and a Chinese consortium – known as the China Suzhou Industrial Park Company (CSIPC) with 12 shareholders.23 It has a registered capital of USD 125 million, of which the Chinese consortium holds 52% and Singapore holds 28%. The remaining 20% is held by other privately owned investment groups. CSSD's main business involves infrastructure development, project management, investment and property management, and importantly, marketing of the zone to possible investors (Pereira 2003). SIPAC has been the vehicle China used to transfer the "knowledge" of how to run a SEZ from the Singaporean partner. SIPAC recruited its personnel from a nation-wide search to find the best-qualified candidates possible. To achieve this SIPAC officials were paid more than other local authorities (Pereira 2003).

Figure 11: China-Singapore Co-coordination Council structure

For the success of Suzhou Industrial Park, adhering to strategic planning and enhancing the implementation of decisions has been the key to sustaining the level of development of the park. Drawing on experiences of urban construction planning from Singapore and other advanced cities in the world, the Park conducted forward-looking and strategic development planning, from which it developed more

23 For the exact composition of shareholders in both consortiums, see Alexius Pereira (2003): State Collaboration and Development Strategies in China.

than 300 specific sub-plans, forming a tight and sound planning strategy. According to the principles of "Infrastructure first, demand occurs afterwards" and “first plan then construct, first underground then above ground", the Park slowly advanced the construction of critical infrastructure. Promoting industrial upgrading and enhancing innovation has been another driving force for the sustainable development of the park. The Park actively takes advantage of global industrial restructuring, and vigorously carries out financing selection and promotes industrial upgrading and innovation. Today, the cumulative total number of foreign investment projects exceeds 5,200. The actual utilization of foreign capital has reached USD 26.7 billion, including 150 projects in which 91 Fortune 500 companies have invested. The development of new industries has expanded rapidly, including emerging industries such as biomedicine, nanotechnology applications and cloud computing. By 2014, the emerging industry output value has reached USD 38.5 billion, accounting for 60.5% of the output value for industries above a designated scale, becoming the only national “Nano high-tech industry base". The park further focuses on improving original innovation and integrated innovation capability. It accelerates transformation in industries from "investment-driven" to "innovation-driven", from "resource dependent" to "relying on science and technology", and from "made in the park" to "created by the park". Hence, the park continuously encourages manufacturing enterprises to adjust their internal structures, improve their functions, and formulate policies that facilitate independent innovation and research.

Following the localization path of the China-Singapore cooperation, emphasis on improving people's livelihood has been an important driver for the development of Suzhou Industrial Park. After more than ten years of rooting and growing, Suzhou Industrial Park has formed localized experience systems in areas including planning, industrial layout, investment network, administrative approval and the preferential policies of local conditions, drawing on experience of public administration and economic management systems accumulated by Singapore's government through practice and innovation. During the development and construction of the park, the improvement of people's livelihoods was considered fundamental to economic and social development. This involved doubling income and improving education, culture, health, sport, social security and other social services. The four towns under the administration of the Park all rank among the top level inside the city. 90% of households move into a modern residential area. 50,000 rural labourers have become new citizens who have skills for employment or entrepreneurship. They all contribute to the economic and social development of Suzhou (CDB 2013).

4.7 SEZs and their impact on poverty reduction in China

Besides their contribution to gradual economic reform in China, the SEZs also played an important role in reducing poverty by creating jobs. According to the characteristics of the populations in poverty, the most significant factor in poverty reduction is employment of the labour force. Employment can enrich their work experience, improve their competence and eventually lift them out of poverty. To achieve this end, foreign investment in SEZs plays an important role. Though FDI does not lead the process, industrial investment from foreign enterprises lays the foundation for the further development of SEZs and opens up export markets. The combination of capital and markets enables an annual growth rate of more than 20% in SEZs, contributing to the employment of a large labour force. To be specific, foreign investment influences employment-poverty reduction in the following ways (Yuan 2011):

- **Direct poverty-reduction—creating job opportunities:** As one of the major sectors toabsorb unskilled labour, manufacturing plays an important role in the rapid economic development of SEZs. Theoretically and empirically, foreign investment is usually in the form of building factories and adding production lines, which directly increases the demand for labour force. Practical experience of China's SEZs shows that FDI in industrial manufacturing and retail industries will absorb more unskilled labours. In particular, clothing, electronics, chemical and mechanical industries are very effective in absorbing labour force. In addition, FDI in a specific industry might stimulate production in upstream and downstream industries. New investment in associated industries induced by correlation effect can also increase the demand for labour force indirectly (Yuan 2011).

- **Indirect poverty reduction— FDI's correlation effect among industries:** Finding markets for products is essential to the rapid economic development of developing counties. With the expansion of investment, enterprise output increases sharply. When domestic consumption cannot absorb excess capacity, international trade and exports become important ways of expansion for enterprises. Pilot programs give SEZs special advantages in foreign trade by introducing foreign investment and expanding foreign markets at the same time. On one hand, export trade in foreign enterprises facilitates the distribution of products, expands scale of production and thus increases the demand for a large labour force. On the other hand, foreign enterprises are competitors with local enterprises. Increasing the added value of products in export industries, expanding trade and upgrading technologies will exert an indirect influence on product variety. Export and trade not only absorbs a large amount of a local region's labour force, it also contributes to social stability. Moreover, enterprises specialized in processing trade have trained thousands of foreign-oriented professionals and technical management personnel, which has improved the quality of employees and enriched the management experience of enterprises. In particular, these enterprises have trained a large number of young workers from other parts of the country and have provided them with talents such as business management skills. Upon returning to their hometowns, the knowledge and skills they have learned can stimulate the development of their local economies(Liang 2010, Yuan 2011)).

5. What can African countries learn from China?

China's success with SEZs is based on gradual learning from, and reflecting on, SEZ experiences from other countries. According to China's experience, SEZ models should not simply be replicated, but should always be adjusted to fully fit into and benefit from local circumstances. For example, while Suzhou Industrial Park follows the development model of Singapore's Industrial Park, its model has been adjusted to fully make use of local circumstances, such as the concentration of high-end manufacturing and its proximity to the metropolitan area of Shanghai, among others. Other lessons learned by China include the importance of long-term planning based on objective data. Furthermore, continuous government involvement on policy formulation and monitoring and on the provision of infrastructure is indispensable for successful SEZ development. Another key aspect of China's SEZ achievement has been the continuous focus on human resource development both in terms of SEZ expertise as well as possessing a skilled labour force. When looking at lessons that can be drawn from China's SEZ experience, it is important to recall that while SEZs continue to play an important role in China's development, they are only one of many components of China's unprecedented development. As we have seen in chapter 4 China has continuously pursued SEZ development over the last three decades and created various SEZ types and management models. Reviewing these SEZ types and management models, while considering them as a source of reference rather than a blue print, may be of benefit for African governments when creating a national SEZ programme or developing SEZs within specific local contexts. China has proven that SEZs can be a way to attract capital and create a large number of labour intensive jobs within a short time. However, it is also important to note that China's success in attracting FDI was not only due to its SEZs and cheap labour, but also to the promising potential of its huge domestic market. African countries can only achieve a comparable effect if regional integration is actively pursued. China's model of cross-boarder SEZs demonstrates that SEZs can be used as a valuable tool in this regard. As we have seen in chapter 3, China has also started making use of SEZs as a way to move its labour intensive industries to more profitable markets and to support its domestic companies with venturing into foreign markets. African governments and companies may also use this approach for their internationalization efforts, whether they occur on the continent or in other parts of the world. Furthermore, China has successfully utilized SEZs as a testing ground for economic and legal reforms. While the main focus of this was to ensure the smooth and gradual transition to a market economy, SEZs – Shenzhen in particular – continue serving as a way to test new laws and regulations not just limited to economic matters, but which later regularly become national laws. This aspect of SEZs may be useful for African countries that are aiming to further liberalize their market economies as well as for African countries experimenting with legal reforms. However, this SEZ feature only applies to large SEZs that include whole cities or administrative areas.

6. Conclusions and recommendations

Drawing general conclusions on SEZs in China, a country with a plethora of SEZs in various types and sizes, and SEZs in Africa, a continent with 54 diverse national SEZ experiences, is a daunting task. We have seen that China has successfully used SEZs for moving from an agricultural to an industrialized economy and continues doing so for its industrial upgrading and legal reforms. Having reviewed Chinese SEZs in Ethiopia, Nigeria and Zambia it became clear that while SEZs have not been playing a major role in China's going out policy, they increasingly support China's internationalization efforts and have the potential to play a more prominent role in the future, possibly in the context of China's newly proclaimed "One Belt, One Road" Initiative (Belt and Road), which includes the African continent. This initiative also holds great potential for African countries to strategically use SEZs as hubs for economic integration with other Belt and Road countries in Europe, the Middle East and Asia. While there is clearly a need for further research on SEZs in Africa to allow for continent-wide findings, the six SEZs reviewed in Ethiopia, Nigeria and Zambia provide valuable insights given their diverse focus, size, geographic locations, management structure and institutional and regulatory frameworks. In contrast to other studies that reviewed these zones in recent years, which found that limited progress had been achieved, this study concludes that most of the SEZs have made good progress in addressing their development challenges and have managed to attract local and foreign investment. While in some of the zones business operations are just about to begin, in other zones significant numbers of jobs have already been created. Despite the diversity of the reviewed zones, a number of common challenges related to political support, coordination, infrastructure and linkages to the local economy and labour market have been identified. The following recommendations for

African governments, the Chinese government and Chinese SEZ developers and managers aim to provide concrete suggestions on how these common challenges can be overcome as well as specific ways to further advance the fruitful collaboration between African and Chinese actors working on SEZ development in Africa.

6.1 Recommendations for African governments to further advance SEZ development

What to do:

- Ensure high-level political commitment and support for effective inter-ministerial collaboration;
- Integrate SEZ programmes into national development strategies and plans
- Support all industries that have a comparative advantage through SEZ development;
- Ensure sufficient funding for infrastructure development within, and availability of good infrastructure outside, the SEZ prior to the SEZ approval;
- Provide incentives for the creation of joint ventures between foreign SEZ companies and local companies;
- Respond to SEZ labour requirements by aligning curricula of universities and Technical Vocational Education and Training (TVET) institutions;
- Set high environmental standards in line with the United Nations Industrial Development Organization's Guidelines for Green Industry Parks and put a system in place to ensure their enforcement; and
- Establish low minimum SEZ investment thresholds for established local companies.

What to avoid:

- *Lack of institutional capacity to administer and support SEZ development and enforcement of SEZ regulations;*
- *Approval of SEZs without strong business cases;*
- *Approval of too many competing SEZs within a region; and*
- *Incentives for local companies to export their goods rather than building local supply chains.*

High-level political commitment and support for effective inter-ministerial collaboration

The effective coordination of government entities involved in the development and operation of SEZs is key for successful SEZ programmes. As seen in the case study countries, a lack of coordination among government authorities poses significant challenges to SEZ developers and companies investing in the zones. In some instances, policy inconsistencies or a delayed provision of support has led to the cancellation of investments. In Ethiopia the SEZ coordinating entity has recently been elevated to the Prime Minister's Office to ensure smooth inter-ministerial coordination, which could serve as a good example for other countries. In Zambia, an effective SEZ coordinating entity is in place at Ministerial level. However, high-level political support for SEZ programmes has varied with changing governments. In Nigeria the lack of high-level political support and frictions between the federal and state governments have prevented effective coordination and hindered SEZ development. It is therefore recommended that high-level political commitment and support are gained before embarking on a SEZ development programme.

We have seen that the coordination of all involved actors is crucial for the success of a SEZ. A bottom up and top down approach is required in order to ensure that SEZ managers and companies are regular members on coordination committees and to ensure that effective follow-up mechanisms are agreed on specific action points. Roles of involved actors and institutions responsible for the SEZ programme at different levels of governments need to possess a clear understanding in order to ensure effective cooperation. Secondment of personnel from key government entities, such as customs and ports authorities, to SEZs would be a secure way to ensure effective cooperation.

Integration of SEZ programmes in national development plans

Given the long-term nature of SEZ development, a SEZ programme must be integrated into national development strategies in order to be successful. However, SEZs will only foster economic and social development in the short, mid- and long term if they are aligned with national development plans to support broader national objectives on industrialization, job creation, transfers of technology and poverty reduction. In Ethiopia we have seen a clear alignment of SEZ objectives with the national Growth and Transformation Plan. Given that Ethiopia's development is also guided by its Climate-Resilient Green Economy (CRGE) strategy it may be beneficial to consider how SEZs can also be utilized to achieve the CRGE's objectives. In Zambia the SEZ programme is also clearly aligned with its national development strategy and plan. In Nigeria, the lack of integration between its SEZ programme and national development objectives explains the broad differences between SEZs with different sectorial foci and limited political support throughout the country. African countries should build on examples from Ethiopia and Zambia to ensure that SEZs are an effective means to support national development priorities instead of becoming an additional effort for their own sake. Therefore, the coordination of involved government entities plays an important role in all three countries.

Support all industries that have a comparative advantage through SEZ development

Experience from China, Ethiopia, Nigeria and Zambia have shown that it is advisable to avoid restricting SEZ to one industry, but rather to invite different industries to invest in the zone. The establishment of specialized SEZs is only advisable for mature industries where a SEZ aims to cluster existing parts of a supply chain.

Funding for infrastructure within and availability of infrastructure outside SEZs prior to SEZ approval

We have seen that in SEZs in Ethiopia, Nigeria and Zambia power and water supplies and the building of roads and factory space have been among the key SEZ development challenges, which have led to costly delays in all countries. It is therefore recommended that sufficient funding for the development of infrastructure within zones is ensured prior to a zone's approval. Furthermore, SEZs should be well connected to the national power grid and transportation systems. If the zone is not established where such infrastructure is already in place, its host government needs to make necessary provisions prior to the development of the zone.

Incentives for joint ventures between foreign SEZ companies and local companies

The successful transfer of technology and knowhow within SEZs in China has largely happened through joint ventures between foreign and local companies. African governments may learn from China's experience by incentivizing the creation of joint ventures between foreign and local companies within SEZs through additional tax benefits. This would need to be clearly communicated when promoting the SEZ and should include the provision of information on potential local partners.

Alignment of the curricula of universities and TVET institutions with SEZ labour requirements

Although there are emerging links between SEZs and local academic and training institutions in Ethiopia and Zambia, the skill sets required by SEZ companies have not yet been met. In order to ensure that jobs created within SEZs can be filled by local workers, African governments should align the curricula of relevant universities and TVET institutions with the anticipated requirements of industries in SEZs. At the same time governments need to ensure that these learning and training institutions have sufficient capacities and resources. Public private partnerships between public universities and training institutions with SEZ managers and companies should be considered as a way to leverage required resources. Furthermore, this is a popular area for the provision of technical assistance by developed countries and support through South-South Cooperation.

Enforce high environmental standards

China's experience has shown that enforcing high environmental standards in SEZs is important for their success. Environmental pollution does not only have significant economic costs, but also direct negative impacts on the production processes of industries that rely on high water and air quality, such as food and beverage producers in Zambia's SEZs or producers of textiles for infants in one of Ethiopia's SEZs. Changing standards at a later stage is often costlier than introducing high standards from the outset. Given the growing interest of consumers in the environmental footprint of products, SEZ companies producing for international markets are likely to appreciate high environmental standards, if they can be marketed well. Therefore, a good communication campaign and possibly internationally recognized certification schemes could be key to fostering voluntary compliance with such standards. African governments may wish to make use of the comprehensive guidelines on Green Industrial Parks that the United Nations Industrial Development Organization recently launched. The guidelines include detailed recommendations on the development of appropriate policies to promote green industries; the establishment of appropriate structures and systems, norms and standards; the development mechanisms to enable the sustainability of industrial investment projects; the development of environment management systems; and the strengthening of industrial innovation systems. In addition, governments could also make use of the recently launched UNDP Social and Environmental Standards (UNDP 2014a) along with the comprehensive UNDP Social and Environmental Screening Procedure (UNDP 2014b) as a reference. At the request of the government, UNDP could also provide expertise and services to ensure social and environmental standards.

Establish low minimum SEZ investment thresholds for established local companies

Local companies should be incentivized to invest in SEZs by lowering their minimum investment thresholds, while maintaining standards required by international investors. This would allow more local companies to benefit from SEZs and to internationalize their operations. Furthermore, attracting established local companies to SEZs can foster important linkages between SEZs and the local economy as local companies would take their established supply chains and workers to the zones.

Lack of institutional capacity to administer and support SEZ development and enforcement of SEZ regulations

Embarking on a comprehensive SEZ programme or even on a single SEZ development is a major long-term undertaking that requires the involvement of various actors and the allocation of dedicated resources. A coordinating entity needs to be in place for administering and supporting the implementation of a SEZ programme. This entity requires dedicated budgetary support, not only to carry out its important coordination tasks, but also to effectively promote the SEZ programme nationally and internationally and to ensure the enforcement of SEZ regulations.

Approval of SEZs without strong business case

Each SEZ plan should be thoroughly reviewed for its compliance with SEZ and other relevant regulations as well as with regard to the availability of upfront financing for infrastructure development within the zone. In the case of Ethiopia, an environmental impact assessment conducted after an agreement on the establishment of a SEZ with a private Turkish investor, put the development plan on hold and is likely to terminate the agreement. If compliance with regulations would have ensured such difficulties upfront, this could have been avoided. Furthermore, learning from China's experience, a mushrooming of competing SEZs within the same region should be avoided in order to ensure that approved SEZs continue to create a conducive business environment.

Incentives for local companies to export their goods rather than building local supply chains

In the case of Ethiopia's Eastern Industrial Zone, we have seen that incentivizing direct exports for local companies may hamper the efforts of SEZ companies to create local supply chains. Incentives for local companies to supply SEZ companies should be at least equal to incentives for direct export. This would help support the creation of much needed local linkages with SEZs and would build local supply chains that would increase the attractiveness of SEZs for international investors.

6.2 Recommendations for the Chinese government to support SEZ development in Africa

What to do:

- Launch a training and exchange programme for African government representatives and SEZ managers;
- Support the development, management and promotion of SEZs through the newly established China-Africa Production Capacity Cooperation Fund;
- Support the development of a comprehensive, pan-African database that sets out various models of SEZ legislation, incentives, job creation agreements and procurement agreements for linkages with the local economy (supported by the African Union);
- Provide incentives to Chinese companies to enter into joint ventures with local companies in SEZs;
- Support technical education and training for industries targeted by SEZs; and
- Promote the use of energy efficient and renewable energy technologies in SEZs.

What to avoid:

- *Intransparency in selecting SEZ partner countries;*
- *Unilateral development of tender specifications for SEZ development;*
- *High funding thresholds for financial support to Chinese enterprises investing in SEZs.*

Launch a training and exchange programme for African government representatives and SEZ managers

The Chinese government could build on its experience gained from SEZ training provided to a number of African governments over the past year and establish a comprehensive pan-African SEZ training and exchange programme for all interested African governments and SEZ managers. Such a programme could include regular courses for decisions-makers and technical experts as well as funded secondments for Chinese experts supporting African SEZ managers and African SEZ managers spending a few months as members of a SEZ management team in China. The government of Zambia expressed its appreciation for previously organized SEZ training by the Chinese government and would welcome an expansion of these activities, including the secondment of experts (Interview ZDA).

Support the development, management and promotion of SEZs through the newly established China-Africa Production Capacity Cooperation Fund

The China-Africa Production Capacity Cooperation Fund should be used to support African governments with the development, management and promotion of SEZs. Such funding could play a key role in overcoming the bottleneck of upfront infrastructure financing provide financial support to the SEZ management and support the effective promotion of established zones.

Support the development of a pan–African SEZ database

This study has shown that comprehensive and up-to-date information on all SEZs on the African continent is currently not available. The last efforts to undertake a continent-wide data collection date back to research by the International Labour Organization conducted in 2006. Developing a database that sets out various models of African SEZ legislation, incentives, job creation agreements and procurement agreements for linkages with the local economy would provide a valuable tool box for African decision-makers and SEZ developers and managers for the further development or the establishment of new SEZs. The African Union expressed its interest in supporting such an undertaking, stating that a clear picture on the current state of SEZs in Africa would be a great benefit to African governments and would also help inform the African Unions work in this area.

Provide incentives to Chinese companies to enter into joint ventures with local companies in SEZs

The Chinese government could, through its policy banks, provide incentives to Chinese companies to form joint ventures with local companies in African SEZs. These would support local African companies in their efforts to internationalize and gain access to technology and knowhow, while supporting Chinese companies to gain a better understanding of local circumstances and linkages to local suppliers and markets in Africa.

Support technical education and training for industries targeted by SEZs

The Chinese government could align support for education and training provided to African governments under the FOCAC framework with skills requirements of industries targeted by SEZs. As we have seen in Ethiopia, training institutions targeted at the needs of the textile industry are being established, but are in need of support to strengthen their capacity and expand the scope of their operations.

Promote the use of renewable energy technologies in SEZs

Building on its competitive advantage in solar and wind energy technologies, the Chinese government could actively promote the use of these technologies as off-grid clean energy solutions for mostly energy-intensive industrial activities in SEZs in Africa.

Intransparency in selecting SEZ partner countries

When establishing new SEZs under the FOCAC framework China should ensure that criteria for the selection of partner countries are shared with all FOCAC members and that the selection process is conducted in a transparent and inclusive manner.

Unilateral development of tender specifications for SEZ development

For future tenders for SEZ development under the FOCAC framework, China should ensure that tender specifications are developed in collaboration with the respective partner country. This would allow to align the SEZ development with the partner country's industrialization and SEZ strategy as well as with local circumstances and priorities.

High funding thresholds for financial support to Chinese enterprises investing in SEZs

China should keep the threshold for projects supported by its funds as low as possible to allow Chinese small and medium sized enterprises to make use such financial resources when establishing their businesses in SEZs.

6.3 Recommendations for Chinese SEZ developers and managers in Africa

What to do:

- Prioritize the identification of a strategic geographic location of the SEZ;
- Employ managers with international work experience, cross-cultural competence and excellent communication skills;
- Promote linkages between SEZ companies and the local labour market and local companies; and
- Conduct local, national and international marketing campaigns and ensure the availability of key information on the SEZ in English and the local language.

What to avoid:

- *Insufficient funding for infrastructure development;*
- *Significant investments in promotional activities before the infrastructure has been completed; and*
- *Engagement with involved actors only upon commencement of SEZ development.*

Prioritize the identification of a strategic geographic location of the SEZ

Ensuring that the SEZ is well connected to the national and international infrastructure as well as to the local labour market is vital. These aspects will be key considerations for international investors that should be prioritized over keeping rental prices low.

Employ managers with international work experience and cross–cultural competence

Africa is a diverse continent with 54 sovereign countries, which all have their own cultural richness and diversity as well as business etiquette and practices that are different from those in China. It is therefore indispensable for Chinese SEZ developers and managers to ensure that some members of their team have international work experience, ideally within the context of the country or region in which the SEZ is to be established as well as cross-cultural competencies and excellent communication skills. We have seen the importance of these skills in the case of the Lekki Free Zone in Nigeria where staff training immensely facilitated progress in the development of the SEZ. Another case in point is the experience of a former employee of the largest company invested in the Eastern Industrial Zone in Ethiopia, where the significant investment of time into understanding local circumstances and the roles and responsibilities of involved actors, opened the door to effective collaboration (Interview Helen Hai).

Promote linkages between SEZ companies and the local labour market and local companies

Chinese SEZ developers and managers should actively work with host governments from the onset on the promotion of linkages between SEZs, the local labour market and local companies, highlighting the benefits of local job creation, potential transfer of technology and knowhow and the growth of local companies. Having such arrangements in place will be convincing arguments for prospective international investors.

Conduct local, national and international marketing campaigns and ensure availability of key information on the SEZ in English and the local language

The increasing appeal of Africa for international investors offers huge opportunities for Chinese SEZ developers and managers. Chinese SEZ developers and managers need to promote their SEZs more actively not only in international, but also in the national and local contexts. Regarding international outreach, time and resources should be invested in making up-to-date information available in English using user-friendly websites. Furthermore, promotional efforts should be undertaken at international conferences and trade fairs as well as in print and online media. Outreach at national and local levels should be conducted in the local language. It will garner interest from local companies to invest in SEZs or to provide products or services to SEZ companies. It will also foster understanding and support in the local community and create interest among local work forces. Although the reviewed Chinese SEZs in Ethiopia, Nigeria and Zambia are all open to foreign and domestic investors, the reality to date is that this has hardly happened, partially due to a lack of proper marketing.

Insufficient funding for infrastructure development

SEZ developers should be well aware of the full costs for the development of the required infrastructure and ensure that such costs can be covered without any investment from national or international companies. In most of the reviewed SEZs, developers were not able to fund infrastructure development at once, which lead to costly delays in the zone development and partially the costly use of temporary solutions for utility services, such as water and electricity.

Significant investments in promotional activities before the infrastructure has been completed

Promotional activities should only be fully undertaken once the SEZ infrastructure has been completed. This is because most investors are familiar with the difficulties associated with infrastructure completion and will only invest once these uncertainties have been addressed (Interview LSMFEZ).

Engagement with involved actors only upon commencement of SEZ development

Given the large number of local and national-level government actors and utility companies involved in the successful establishment of a SEZ, SEZ developers and managers should actively seek engagement with relevant actors before the start of a SEZ development. A clear understanding of roles and responsibilities as well as local circumstances, such as potential resettlement projects, will be key for the planning and implementation of SEZ developments.

7. Annex

Table 1: Ethiopia SEZs overview

Zone operational

Zone under review/development

Location/Name	Size	Focus	Shareholder
Addis Ababa, Bole Lemi Industrial Zone	156 ha (phase I) and 186 ha (phase II)	Textile and garments, leather processing, shoe production	Government of Ethiopia, World Bank
Dukem, Eastern Industrial Zone	200 ha	Construction materials, leather processing, textiles and garments, car assembly, services	Private, Qiyuan Group, China
Addis Ababa, Kilinto Industrial Zone	308 ha	Agro-processing, food, beverage, pharmaceutical	Government of Ethiopia, World Bank
Addis Ababa, Ethiopia-China Dong Guan International Light Industry zone	137 ha	Mixed use, leather processing, shoe production, textile and garment	Private, Huajian, China
Finfine, Sendafa Industrial Zone	100 ha	Textile and garment, warehouse and logistics	Private, Akgün Group, Turkey
Dire Darwa	1050 ha	Textile, cement production, textile and garment, consumer products, warehouse and logistics	Government of Ethiopia, (Chinese consortium)[24]
Hawassa	1000 ha	Agro-processing, textile and garment production	Government of Ethiopia (Chinese consortium)
Kombolcha	1100 ha	Consumer products, leather and leather products, textile and garment production, warehousing,	Government of Ethiopia, (Chinese consortium)
AkakiKaliti	330 ha	Textile and garment, leather products, agro-processing	Government of Ethiopia
MekanisaLebu	No data	No data	No data
Legetafo	No data	No data	No data

24 China Civil Engineering Construction Corporation (CCECC), China Railway Engineering Corporation (CREC), China Communications Construction Company (CCCC) and China Overseas Construction Group Company (CGCOC).

Table2: Nigeria SEZs overview

Zone operational

Zone under review/development

SEZ official name	Location	Size (in ha)	Focus	Shareholder	Number of companies and amount of investment
Lekki Free Zone	Lagos	3000	Manufacturing, logistics, Real estate, warehousing, banking and services	Lekki Free Zone Development Company (Lagos State Government (20%),, China-Africa Lekki Investment Company (60%), Lekki Worldwide Investment Ltd (20%))	Ca. 100 in total, 21 operational
Lagos Free Trade Zone	Lagos	800	Manufacturing Oil & Gas, Petrochemical, logistics, manufacturing	Eurochem Technology Singapore (Tolaram Group: 100%)	USD 1,4 billion (incl. Lekki Port)
Airline Services Export Processing Zone	Lagos	No data	Food Processing and Packaging for Airline business	Airline Services Ltd	No data
Calabar Free Trade Zone	Calabar	220	Manufacturing, Oil & Gas, Logistic Services	Federal Government, Cross River State Government	No data
Tinapa Free Zone and Resort	Tinapa	265	Manufacturing, Trade, Tourism & Resort	Cross River State Government and Tinapa Business Resort Ltd.	No data
Kano Free Trade Zone	Kano	463	Manufacturing, Logistic Services, Warehousing	Federal Government,	No data
Maigatari Border Free Zone	Maigatari	214	Manufacturing, Warehousing	State Government	No data
Alscon Export Processiong Zone	Alscon	814	Manufacturing	Federal Government, Private companies	No data
Sebore Farms Export Processing Zone	Sebore	200	Manufacturing Oil & Gas, Petrochemical	Private companies	No data
Ogun Guandong Free Trade Zone	Igbesa	10000	Manufacturing, services, warehousing	Ogun State Government and China-Africa Investment Ltd.	No data
Snake Island International Free Zone	Lagos	60	Steel Fabrication, Oil & Gas, Sea Port	Nigerdock Plc	No data
Ladol Logistics Free Zone	Lagos	60	Oil & Gas, Fabrication, Oil & Gas Vessels, Logistics	LADOL Base	No data

SEZ official name	Location	Size (in ha)	Focus	Shareholder	Number of companies and amount of investment
Ibom Science & Technology Free Trade Zone	Uyo	122	Science & Technology	Akwa Ibom State Government	No data
Olokola Free Trade Zone	Olokola	10500	Oil & Gas, light Manufacturing	Ondo and Ogun State Governments	No data
Dangote Industries Free Zone	Lagos		Oil Refinery, Fertilizer Production	Dangote Industries Free Zone Development Company	USD 9,0 billion
Badagry Creek Integrated Park	Lagos	531	Garment manufacturing, Light vehicle assembly Value added assembly of Electronics, Plastic production, Food stuffs, Tool & dye	Badagry Port Development Consortium,	USD 1,3 billion
Nigeria International Commerce City	Lagos	1000	Financial institutions (local and international) leisure, real estate, shopping malls and corporate business, commerce	Eko Atlantic FZ ltd	No data
Ogogoro Industrial Park	Lagos,	52	Oil and Gas	Digisteel Ltd	USD 160 million
Nigeria Aviation Handling Company	Lagos	10	Cargo Hub, Trans shipment and Warehousing	NACHO Ltd.	USD 25.5 million
Imo Guangdong Free Trade Zone	Owerri	2500	Manufacturing, services, warehousing	Imo State Govt	No data
Specialized Railway Industrial Free Trade Zone	Kajola		Rail Cargo Transport	Ogun State Government	No data
Abuja Technology Village Free Zone	Abuja	700	Science & Technology	Abuja (Federal Capital)	No data
Ibom Industrial Free Zone	Oron	700	light manufacturing, Oil & Gas, Trading Services	Akwa Ibom State Government	No data
Living Spring Free Zone	Osogbo	1607	Manufacturing, Trading and Warehouse	Osun State Government	No data
Brass LNG Free Zone	Brass	304	Liquefied Natural Gas	Federal Government/ Private companies	No data
Banki Border Free Zone	Namki	500	Manufacturing, Warehousing, Trading	Borno State Government	No data
Kwara Free Zone	Ilorin	356	Trading and Warehousing, manufacturing	Kwara State Government	No data

SEZ official name	Location	Size (in ha)	Focus	Shareholder	Number of companies and amount of investment
Koko Free Trade Zone	Koko	2327	Manufacturing	Delta State Government	No data
Ogindigbe Gas Revolution Industrial Park	Escravos	2500	Petrochemical, Fertilizer, Manufacturing and Gas Processing related activities	Federal Government (NEPZA/NNPC), Delta State Government	No data
Oluyole Free Zone	Oluyole, Ibadan	1374	Manufacturing	Oyo State Government	No data
Centenary City Free Zone	Abuja	1264	Business services and Tourism	State Government	USD 18 billion
Ossiomo Free Trade Zone	Oredo	1497	Refineries, Petrochemical plant, Gas processing plant, Metal extraction Industries, Metal Fabrication, fertilizer production, warehousing, Packaging and logistics Services.	State Government	No data
Enugu Power And Industrial Development Free Zone	Enugu	403	Manufacture of high voltage power generation and distribution equipment and accessories, production of fertilizer from coal, and other value added industrial clusters.	State Govt./Oil Data Consulting Company Ltd	No data
Warri Industrial Business Park	Warri	330	Heavy & light Industries, Oil& Gas, shipping & logistics, R&D and Residential Real estate/ Leisure.	Delta State Govt./ARCO Petrochemical Engineering Company Limite	No data
Kogi Free Zone	Lokoja	269	Manufacturing	Kogi State Govt.	No data
Baklang Free Zone	Lagos	75	Fabrication: ship, high value marine, oil & gas equipment, logistics services and manufacturing	Baklang Offshore Support Services Conglomerate	No data
Madewell & Textile INC. Free Zone	Lagos	952	Manufacturing activities vis-a-vis production of apparels and garments	Madewell Garments INC	No data

SEZ official name	Location	Size (in ha)	Focus	Shareholder	Number of companies and amount of investment
Eko Atlantic City Free Zone	Lagos	1000	Financial institutions (local and international), leisure, real estate, shopping malls and corporate business, commerce	Eko Atlantic FZ Ltd	USD 38 billion
Ogidigbe Free Zone	Escravos	2506	Petrochemical, Fertilizer, Manufacturing and Gas Processing related activities	NEPZA	No data
Airport Free Zones (different areas)	Lagos/ Port-Harcourt/ Kano/ Enugu	1742	warehouses, processing of manufactured goods, tourism and hotel services, light industries	NEPZA/ Federal Ministry of Aviation	No data
Sahara off shore Logistics Base Free Zone	Lagos	20	Oil & Gas Processing, Fertilizer, Plastics & Chemical, Warehousing, Trans-shipment & Distribution	Sahara energy Resources	No data

Table 3: Zambia SEZs overview

Zone operational

Zone under review/development

Location/Name	Size	Focus	Number of jobs	Shareholder	Number of companies/ amount of investment
Chambishi Chambishi Multi-Facility Economic Zone	1,158 ha	Copper mining and smelting, construction vehicles and materials, mining equipment and services, chemicals, logistics and banking	8,735	Government of China, Zambia China Economic and Trade Cooperation Zone Limited	38/USD 1.4 billion
Lusaka Lusaka East Multi-Facility Economic Zone	570 ha	Agriculture, pharmaceutical manufacturing, construction vehicles and materials, logistics	125	Government of China, Zambia China Economic and Trade Cooperation Zone Limited	10/ USD 19 million
Lusaka Lusaka South Multi-Facility Economic Zone	2,100 ha	Pharmaceutical manufacturing, chemicals, plastics	No data	Government of Zambia, Lusaka South Multi-Facility Economic Zone Limited	11/ USD 120 million
Chembe ChembeMulti-Facility Economic Zone	3,462 ha	No data	No data	No data	No data
Choma ChomaMulti-Facility Economic Zone	No data	No data	No data	No data	No data
Livingston Livingston Multi-Facility Economic Zone	No data	Tourism, manufacturing	No data	No data	No data
Lusaka Roma Industrial Park	104 ha	Residential and commercial real estate, warehousing, manufacturing	No data	Private, Renaissance Group, Russia and CDP Investments, Zambia	USD 54 million
Ndola Subsahara Gemstone Exchange Industrial Park	130 ha	Gemstone and oil processing, construction materials, chemicals, logistics, vocational training	No data	Private, Phoenix Materials, Zambia	6/ USD 15 million

Location/Name	Size	Focus	Number of jobs	Shareholder	Number of companies/ amount of investment
Maamba Maamba Multi-Facility Economic Zone	1,000 ha	Mining, power generation, construction materials, chemicals	No data	Private, Nava Bharat, India	USD 550 million
Solwezi Lumwana Multi-Facility Economic Zone	35,000 ha	Chemicals, food and beverage processing, tourism	No data	Private, Barrick Gold Corporation, Canada	USD 150 million
Solwezi Kalumbila Multi-Facility Economic Zone	6,500 ha	Engineering, construction materials, tourism, residential real estate	No data	Private, First Quantum Mining, Canada	USD 350 million

Table 4: Lekki Free Zone invested companies, jobs created, and investment capital

S/N	Company Name	Year Production commenced within the zone	Industry Type	Jobs Created	Size of Land (m2)	Investment Capital (current US$)	Investment Capital (expected US$)
1	LFZDC	2010	Services	120		143,329,711.46	265,000,000
2	Wanhao Doors FZE	2013	Manufacturing	5	400	16,000.00	1,000,000
3	MC Lighting FZE	2013	Assembling	24	1065	361,619.00	500,000
4	H & Y FZE	2013	Trading	10	3799	688,255.00	500,000
5	Sinotruck FZE	2013	Assembling	6	1650	532,502.50	10,000,000
6	Loving Homes FZE	2013	Assembling	28	1850	1,054,774.00	1,000,000
7	Crown Nature FZE	2013	Manufacturing	48	799	23,976.00	500,000
8	CCECC	2010	Construction	150	60000	3,000,000	32,000,000
9	CRCC	2010	Construction	70	40000	1,800,000.00	10,000,000
10	Rainfield FZE	2013	Manufacturing	5	878	614,626.00	1,000,000
11	Candel FZE	2013	Manufacturing	30	10000	337,500.00	2,000,000
12	Cosmos FZE	2013	Manufacturing	8	1200	74,958.00	1,000,000
13	Rungas FZE	2014	Manufacturing	7	50000	1,500,000.00	20,000,000
14	Greengrapes FZE	2014	Manufacturing	7	1000	30,000.00	500,000
15	KKL FZE	2012	Manufacturing	6	800	90,000.00	6,000,000
16	Dabu Pump FZE	2013	Assembling	3	600	157,125.00	600,000
17	Hannover Boton FZE	2015	Assembling	3	400	23,000.00	1,000,000
18	Ruyat Oil FZE	2015	Manufacturing	5	1200	150,000.00	5,000,000
19	New Energy FZE	2015	Manufacturing	6	1000	400,000.00	10,000,000
20	St' Nicholas FZE	2014	Services	5	650	300,000.00	500,000
21	Engee Pet	2014	Manufacturing	5	1000	1,249,982.33	50,000,000
		Total		551		155,734,029.29	418,100,000

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