



USAID
FROM THE AMERICAN PEOPLE

SPEED
For a Better Business
Environment

Special Economic Zones & Economic Transformation

Robert Kirk

December 04, 2014



Overview

- SEZ Objectives
- Opportunities
- Challenges
- Lessons from experience
 - International
 - Africa
 - Mozambique
- Ensuring transformative growth



Special Economic Zones Objectives

Q. What does a successful SEZ deliver?

A. Economic transformation in one generation

But SEZ are not a silver bullet there is no guarantee of success-for every success story there are also many examples of failed or missed potential.

Use SEZ as an early reform zone to address critical constraints to ensure:

- World Class Infrastructure
- Business friendly services
- Property rights and the rule of law

Mozambique- Opportunities and Challenges

- Solid economic growth – since 1992 one of the highest in the world;
- Capital Intensive, export oriented activities with few linkages –successful investments – Mozambique is open for Business
- Gaps in Infrastructure
- Skill Shortfalls
- Facilitation vs Command & Control



Special Economic Zones and Africa

- Learning from international experience, regional experience and Mozambique experience
- Listen to what investors are saying
- Well known success stories include China, Korea, Malaysia, Mauritius (but we also need to learn from the less successful SEZ/EPZ)
- Potential to address key constraints to investment and create much needed employment
- Useful as an Early Reform Zone in economies facing challenges to build consensus for more conducive business environment

How should we assess SEZ performance?

- Investment attracted (\$, # firms)
- Employment created (#, skill)
- Exports –regional and global trade
- Dynamic growth –new skills/technologies, increased linkages to rest of economy/service sector



Some Performance Indicators

Country	Exports/ per Capita \$ 2008	SEZ % Non Oil Exports	SEZ % Mfc. Exports	SEZ Emp. % of Ind. Sector
Ghana	12	33	59	3.5
Kenya	4	9	25	15
Lesotho	211	64	64	>80
Nigeria	1	4	16	<1
Senegal	4	16	42	n.a.
Tanzania	1	3	14	2.5
Bangladesh	102	15	16	3
DR	462	69	96	30
Honduras	550	61	98	30
Vietnam	188	30	41	19

Economic Activity in Beluluane, Mozambique



Ensuring SEZ promote economic transformation

- Focus on facilitating a more effective business environment (world class)
- Leverage Mozambique's comparative advantage
- Do not rely on fiscal incentives, trade preferences and low wages



What do investors want?

- Cost and quality of utilities
- Access to transport infrastructure
- Business regulatory environment
- Tariffs, duties, rules of origin
- Level of Corporate taxes
- Access to highly skilled labor
- Access to suppliers
- Access to cost effective labor



What do investors want and what matters most?

Cost and quality of utilities
(electricity/water)
Access to transport infrastructure
Business regulatory environment
Tariffs, duties, rules of origin
Level of Corporate taxes
Access to high skilled labor
Access to suppliers
Access to low cost labor
Availability & cost of land & buildings
Access to local & regional markets
Access to technology

African Zones	ROW SEZ
1	3
2	2
3	5
4	8
5	6
6	4
7	7
8	1
9	10
10	9
11	11



USAID
FROM THE AMERICAN PEOPLE

SPEED
For a Better Business
Environment



CPI & GAZEDA

Investment Law 3/93

Investment Reg. 43/2009

2009 Fiscal Incentives

IFZ-Beluluane (Maputo)

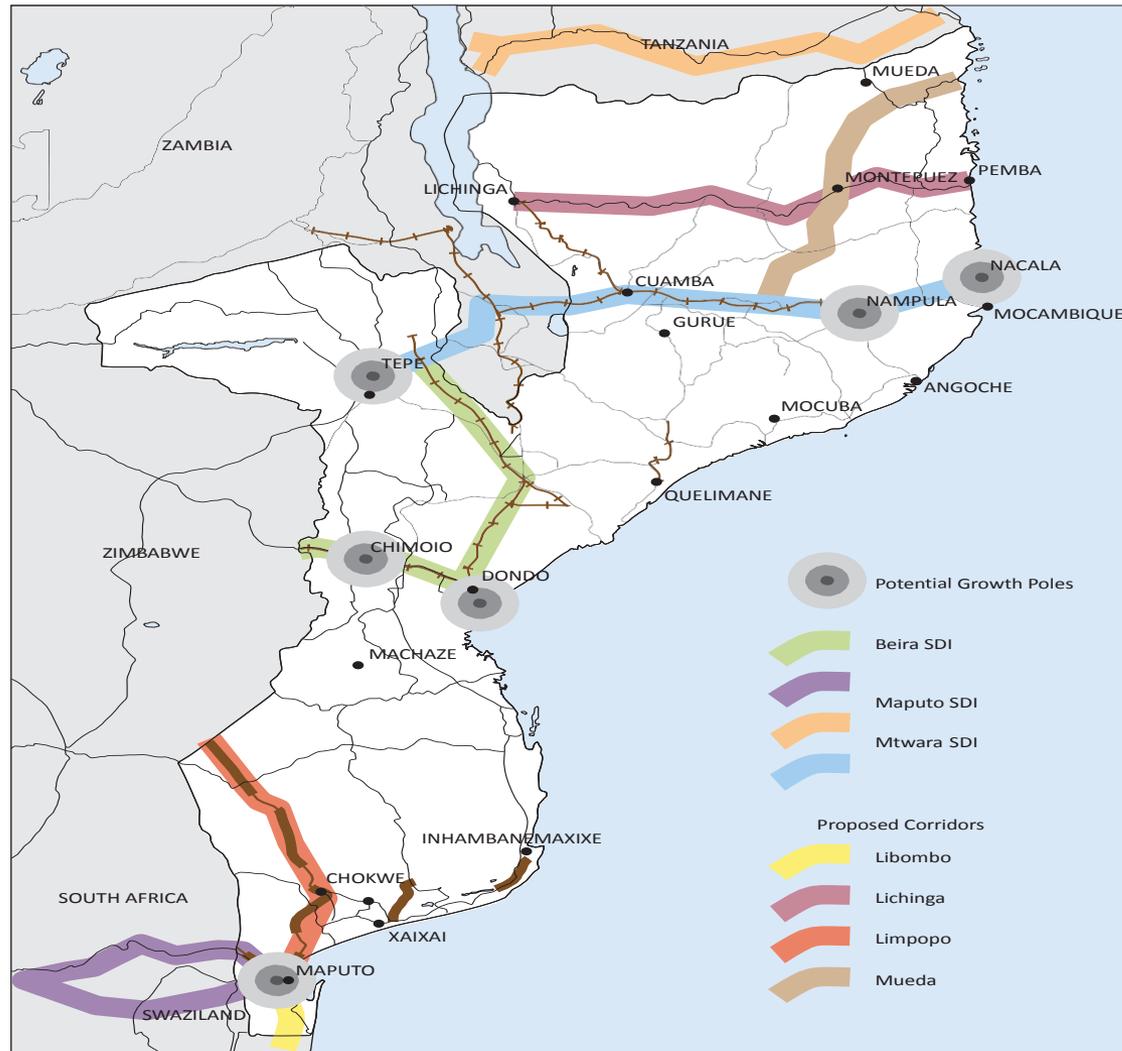
Nacala SEZ (Nampula)

Mocuba SEZ (Zambezia)

Manga-Mungassa SEZ

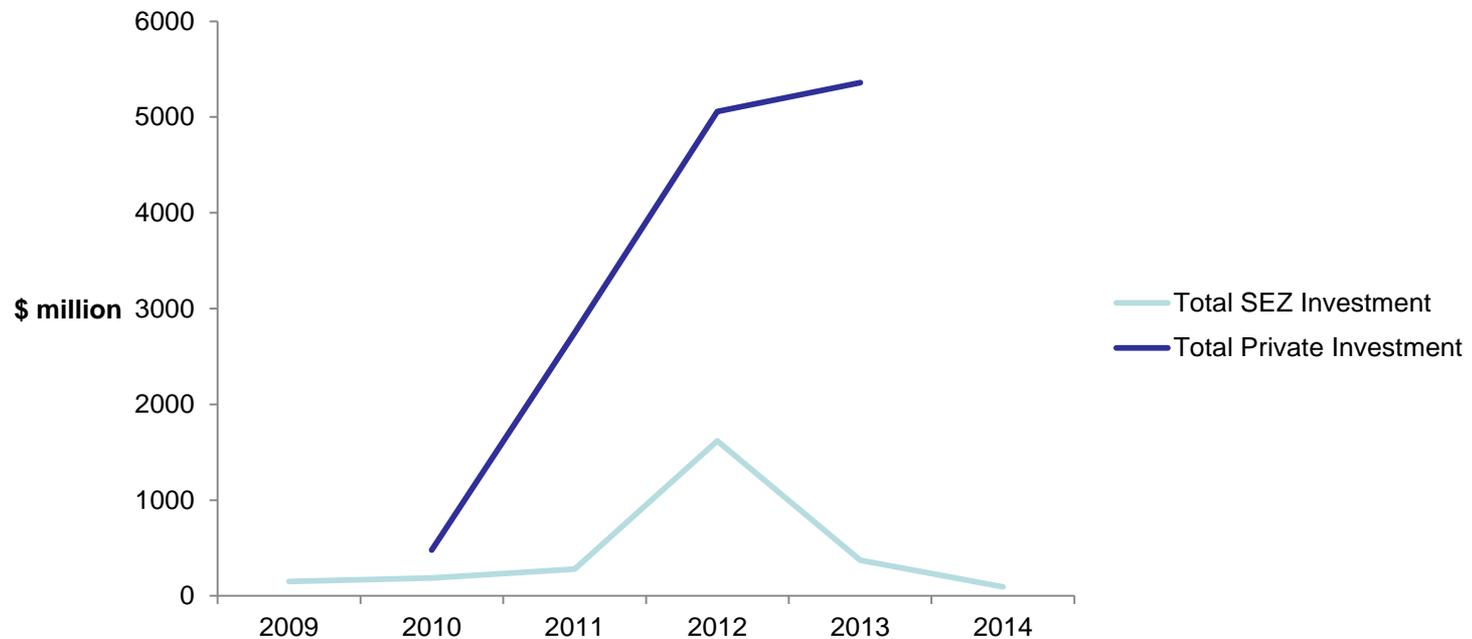
Crusse & Jamali (Tourism)

Mozambique, Regional Growth Poles and SEZ



Mozambique's experience

Investment Approved by GAZEDA and Total Private Investment in Mozambique



Determinants of SEZ Performance

- Investment climate in the Zone (infrastructure, trade facilitation, ease of doing business)
- National Investment Climate
- Incentives/wages/mkt.access
- Location and Market size



Requirements for Implementing SEZ

Successful and transformative SEZs require:

- ✓ State capacity (legislation, infrastructure, business enabling environment);
- ✓ Proactive government support;
- ✓ SEZ integrated within broader growth and development framework;
- ✓ Ongoing dialogue and exchange between the SEZ and the rest of the economy.

What needs to be done and how to do it ?

- Strengthen strategic planning
- Ensure a transparent legal and regulatory framework
- Address infrastructure gaps (electricity/water) 
- Ensure sound zone management 
- Promote linkages to integrate the SEZ (avoid enclaves)
- Use SEZ to spearhead reform

Summarizing the Lessons Learned

- SEZ require political commitment from the top
- SEZ must live up to their name –SPECIAL (and offer solutions to real business constraints)
- Aim to be globally competitiveness –not just an improvement on the domestic economy
- Rest of the economy must also function (will increase linkages and benefits from the SEZ)

Lessons Learned II

- Cost and flexibility of employment matters (total labor costs –productivity and non wage costs matter)
- Low stable tax rates across the board are preferable to tax holidays and discretionary incentives
- SEZ are not the best mechanism for addressing poorer region issues
- Public-Private partnerships most successful model
- Necessary to ensure an effective investment promotion strategy



USAID
FROM THE AMERICAN PEOPLE

SPEED
For a Better Business
Environment

THANK YOU