



SPECIAL ECONOMIC ZONES POLICY AND BILL

Introduction

Special Economic Zones (SEZs) are important tools for long-term industrial and economic development. If appropriately focused, the SEZs can be utilised to create a sustainable environment for foreign and domestic direct investment and build targeted industries aimed at developing strategic industrial capabilities and industrial regions.

A special economic zone is a geographically designated area of a country set aside for specifically targeted economic activities, which are then supported through special arrangements and support measures that are often different from those that apply in the rest of the country.

Background on the Industrial Development Zones

Preceding the SEZ Policy and the Bill, **the dti** initiated the Industrial Development Zones Programme in 2000, with a view to support industrial development in the host regions with a special focus on export oriented value-added manufacturing. A key requirement for designating an IDZ was proximity to either an international sea or air port. Consequently, four (4) IDZs were designated in Coega in Port Elizabeth, East London, Richards Bay and the OR Tambo International Airport. Three (3) are operational except the OR Tambo International Airport IDZ.

The achievements of the IDZ Programme include a total of 40 investors attracted into the IDZs with more than R11.8 billion investments generated and more than 33 000 jobs (both construction and direct) created. Despite these achievements, the government believes that more could have been achieved. A review of the IDZ Programme was then initiated, and this identified some challenges that needed to be addressed.

Challenges identified with the IDZ Programme include the following:

- a design structure that favoured a few regions that have access to an international port (sea or airport);
- support that was narrowly focused on the provision of infrastructure while ignoring other critical factors such as logistics, marketing and skills development;
- inadequate coordination among key government agencies and stakeholders with respect to strategic focus of the IDZs; and
- planning done on an ad-hoc basis and financing arrangements that made it impossible to do long term planning

The Special Economic Zones Policy and Bill were motivated by the need to urgently address the above challenges within the broader framework of accelerating industrial development, economic growth and job creation.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



Rationale for a broader SEZ framework

In line with the Industrial Policy Action Plan and the New Growth Path, **the dti** aims to continue fostering its efforts to create employment and economic growth by establishing a strong industrial base in South Africa. The Special Economic Zones (SEZs) programme is one of the most critical instruments that can be used to advance government's strategic objectives of industrialisation, regional development and job creation. One needs to emphasise that the new Special Economic Zone Programme will be specifically used to promote the creation of a regionally diversified industrial economy by establishing new industrial hubs in the underdeveloped regions of the country.

In order to ensure that the SEZ programme is an effective instrument for industrial development, a dedicated legislative framework for special economic zones is being established. This will enable government to effectively regulate all special economic zones (including the IDZs as one type of a SEZ), as opposed to the current situation where the Industrial Development Zones are being regulated via the Manufacturing Development Act.

Objectives

The main objectives of the SEZ Bill are to:

- provide for the designation, development, promotion, operation and management of Special Economic Zones;
- provide for the establishment of the Special Economic Zones Board;
- regulate the application and issuing of Special Economic Zones operator permits;
- provide for the establishment of the Special Economic Zones Fund; and to
- provide for matters incidental thereto.

Furthermore, the SEZ Bill will enable government to move towards a broader Special Economic Zones Programme, through which a variety of special economic zones can be designated. The key provisions of the Bill include the establishment of a Special Economic Zones Board to advise the Minister of Trade and Industry on the policy, strategy and other related matters; establishment of the Special Economic Zones Fund to provide for a more coherent and predictable funding framework that enables long-term planning; strengthening of governance arrangements including clarification of roles and responsibilities of key stakeholders.

Transitional arrangements for the IDZs

There are measures in place that will allow for a smooth transition for the IDZs to be incorporated as part of the SEZ programme and legislation, outside of the Manufacturing Development Act No. 187 of 1993.

the dti is now embarking on a public consultation process with respect to this new SEZ Policy and the Bill, which is now available on **the dti** website (www.thedti.gov.za) and government printers (Gazette No. 34968, Notice 45 of 2012). The public is invited to provide inputs / comments within 60 days from the date of gazetting to sezbill@thedti.gov.za on or before 22 March 2012. For all other enquires contact Ms Lineo Feketha on tel: 012 394 1979.

