Sub Saharan Africa

East & Central Africa

The countries of East and Central Africa tend to be less industrialised and wealthy than their western counterparts. Whereas oil dominates the west, agriculture and minerals (to a lesser extent) are more prevalent in the east. This is reflected in the special economic zone sector, where countries are competing to attract agro-processing firms. Tobacco, coffee, tea and legumes are all significant agriproducts. Kenya's garment industry stands out as a manufacturing hub with growth prospects. Across the region, however, high electricity costs and poor infrastructure are holding businesses back. A significant number of licence holders appear to be inactive.

INCENTIVES AND REQUIREMENTS

	ZONES	CORPORATE TAX	OTHER TAXES	CUSTOM DUTIES	IMPORTANT REQUIREMENTS	DOMESTICATION REQUIREMENTS
Angola	2	Up to 100% exemption on Industrial Tax for up to 10 years	Consumption tax: standard 10% rate for products and 5% rate for services	Exemption on import duties on raw materials for 5 year period. Likewise for machinery and equipment over a 10 year period.	Minimum investment of $1 million for foreign entities. $500,000 domestic minimum	70% domestic inputs (Zone A)
Burundi	1	None	None	None	None	None
Democratic Republic of Congo	1	100% exemption for first 6 years. Levied at 5% for years 7-10. Then 15% permanently	Dividend tax at 5% from years 7-10. Then 10% permanently.			
Ethiopia	13	Business Income Tax exemption for up to 9 years depending on sector and location	Withholding tax levied at 3%	None	Minimum investment of $200,000 in manufacturing and agricultural sectors	None
Uganda	14	100% exemption on income from exported goods for first 10 years. Levied at 30% thereafter. 100% permanent exemption on agro-processing income.	VAT rate at 18% payable. (Exemption on selected services and supplies.)	None	Incorporation in Uganda. 80% export minmum requirement to qualify for 10-year tax holiday	None
Kenya	71	100% exemption for first 10 years. Levied at 25% thereafter	None	None	80% export minimum	None
Tanzania (Special economic zones)	56	30%	Withholding dividend tax at 10%. Local taxes may also apply.	None	$500,000 minimum investment for foreign investors.	None
Tanzania (Export processing zones)		100% exemption for 10 years. Levied at prevailing rate thereafter	None	None	80% export minimum, encompassing value addition. Minimum export turnover of $500,000 (for foreign investors)	None

Tanzania

Stuttering progress

Tanzania has significantly increased its attractiveness as an FDI location over the last decade. Investment more than doubled from $580 million in 2007 to $2 billion in 2013. Since then, however, foreign capital flows have steadily decreased while the rate of economic growth has slowed. These fluctuating fortunes are reflected in the special economic zones sector, where many firms have struggled to get investments off the ground.

In total, nearly $1.3 billion has been invested into export processing zones (EPZs) and special economic zones (SEZs). Tanzania contains both EPZs and SEZs, though the fiscal incentives within export processing zones are considerably more attractive. There are 118 companies operating in 56 zones, most of which are licenced private locations and there is a nearly equal portion of foreign and domestic firms.

	Tanzania Special & Export Processing Zones						
	Ownership	Size (hectares)	Location	Status	Annual Rent (per m2)	Nearest Sea Port	Nearest Airport
Bagamoyo SEZ	Public	9,000	Bagamoyo	In development	$0.25 - $0.60	On-site	75km
Kamal Industrial Estate SEZ	Private	112	Bagamoyo	Operational	$79	50km	58km
Kigoma SEZ	Public	3,000	Kigoma	In development	/	1,302km	795km
Benjamin William Mkapa SEZ	Public	26	Dar es Salaam	Operational	/	10km	12km
Millennium Business Park	Private	3	Dar es Salaam	Operational	$48	9km	14km
HIFADHI EPZ	Public	9.3	Dar es Salaam	Operational	$48 - $72	12km	14km
Global Industrial Park EPZ	Private	25	Kisemvule	Operational	$40	45km	47km
Kisongo EPZ	Private	49	Arusha	Operational	$12 (purchase)	450km	650km

Agro-processing firms dominate the sector (39 percent of firms). After gold, vegetable products and foodstuffs are the country's most valuable exports. These include nuts, tobacco, coffee, and legumes. The Export Processing Zones Authority

[EPZA] is keen to attract investors willing to invest in its pulses sector and help expand exports – Tanzania currently exports 74 percent of its legumes to India (worth $78 million). Encouraging value addition activities in the broader agriculture sector is a strategic priority for the government.

Nearly one third of zone-based firms are invested in the engineering sector; 21 percent are in the textiles industry; and the remainder are in mineral processing. Apart from gold, Tanzania exports a small amount of petroleum, copper and precious metal ores.

> …Tanzania contains both EPZs and SEZs, though the fiscal incentives within export processing zones are considerably more attractive.

Legal Minimum Monthly Wage by Sector	
Agriculture	$43
Health	$57
Construction	$107 – $140
Mining & Prospecting	$172
Trade, industry and commerce	$49
Others	$43

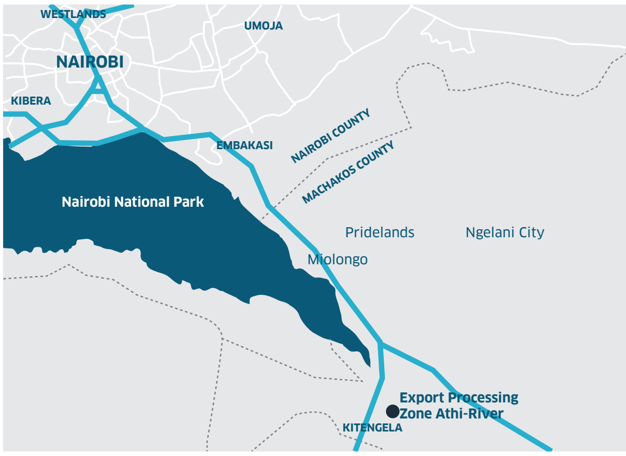
Ministry of Labour & Employment

In October 2018, the EPZA announced that it was revoking the licences of three investors and putting more on notice due to their failure to support Tanzania's industrialisation agenda, according to reporting by *The Citizen*. Joseph Simbakalia, EPZA Director General, is quoted as saying: "…only seven Dar es Salaam-based licenced investors out of 20 were faring well" by this criteria. However, this is not a new phenomenon. A 2016 primary study by the UN's World Institute for Development Economics Research [UN-WIDER] surveyed a number of EPZA licensees. The researchers found that many firms which held licences were not operational or had ceased operations. Key reasons for this included: unreliable and expensive utilities (especially electricity); labour costs; transaction costs associated with regulatory compliance.

A major development project is underway in Bagamoyo, on Tanzania's coast, 60 kilometres north of Dar es Salaam. Chinese port operator China Merchants Holdings is overseeing the development of a $10-billion port, with partial funding from the Omani sovereign wealth fund. The port has the potential to become the biggest container port on the continent and is expected to be operational by 2021. The Bagamoyo development will include a special economic zone which is expected to attract significant Chinese investment in the agribusiness sector.

Kenya

Opportunities in the garment sector



Without significant natural resources, Kenya feels the pressure of expanding its export-oriented manufacturing base more keenly than its African peers. The Export Processing Zone [EPZ] programme was established in 1990 to fulfil that aim. Since then, however, Kenya's trade deficit has widened from 5 percent of GDP to 11.5 percent (2017). There are currently 131 licenced enterprises operating in 71 designated zones, according to data from the most recent performance report published by the Export Processing Zone Authority (EPZA).

Under the programme, firms can acquire an EPZ licence at a cost of $1,000 per annum and set up operations anywhere across Kenya. However, more than half of the current licensees (67 out of 131) are established within Athi River EPZ, one of five publicly managed zones (along with Kinanie, Kipevu, Samburu and Homabay Counties).

Athi River EPZ is located 32 kilometres from Nairobi, the capital; 21 kilometres from the nearest international airport; and 470 kilometres from the Port of Mombasa. Space within Athi River is competitive due to its proximity to the capital and the surrounding infrastructure. Government-owned warehouses covering 1.5 hectares have been fully occupied. In February 2019 the EPZA announced a "Use it or lose it" policy, affecting as many as 41 investors within the zone. The EPZA has a further 2.6 hectare of land under development and multiple private developers are also building warehouses, which should lead to increased availability in 2019.

Agro-processing and textiles are the largest industries within the EPZ sector. Kenya is a significant producer of tea, coffee, legumes and tobacco, among other products. EPZ agro-processing firms export products worth $145 million using domestic inputs worth $126 million, demonstrating the lack of value-added in this sector. The garment sector, by contrast, generates exports worth $369 million from inputs worth $105 million. These figures are insignificant in the context of the wider global garment manufacturing sector but suggests there is an emerging hub in Kenya.

The industry has benefited hugely from market access to the United States under the 2000 African Growth and Opportunity Act. Nearly 55 percent of EPZ exports go to the U.S. (mostly garments) – that was worth $320 million in 2017, up from $282 million in 2013 but down from $359 million and $339 million in 2015 and 2016 respectively. These data suggest that if Kenya's garment sector is to continue expanding it will need to find new export markets, especially if U.S. growth slows.

“EPZ agro-processing firms export products worth $145 million using domestic inputs worth $126 million, demonstrating the lack of value-added in this sector.”

A key challenge facing all sectors is the inefficiency of trade logistics within Kenya. An EPZA survey of zone operators found that 17 firms complained about the burden of complying with customs regulations or inefficiencies with port and railway transport. A new $3.6 billion Chinese-built standard gauge railway [SGR] was opened in 2017, connecting the Port of Mombasa with Nairobi, but it is underused due to high costs. In 2019, the cost of transporting a 20-foot container from Mombasa to Nairobi will increase to $508 from $347. Firms that rely on importing raw materials for their operations are particularly affected, as the costs of transiting cargo from the SGR terminal to end-usage point plus returning the cargo container are proving unaffordable for many businesses. Data from the World Bank's 2019 *Doing Business* report shows that importing procedures at Mombasa Port can take up to 240 hours at a cost of nearly $950. The government has acknowledged these problems and is taking steps to limit the number of agencies which can conduct cargo checks within Mombasa Port.

44,000 jobs 1,760 per fitm on average

~$1,800 average annual wage

Exports worth $369 million

$160 million invest-ment

Kenya Power Tariff (2018/19)

Customer Type	Energy Limit (kWh/month)	Charge Method	Unit	Charge rate
Small commercial	0 – 15,000	Energy	USD/kWh	$0.15
Commercial-industrial (CI1)	>15,000	Energy Demand	USD/kWh	$0.12
			USD/kVa	$7.92
Commercial-industrial (CI2)	No Limit	Energy Demand	USD/kWh	$0.11
			USD/kVa	$5.15
Commercial-industrial (CI3)	No Limit	Energy Demand	USD/kWh	$0.10
			USD/kVa	$2.67
Commercial-industrial (CI4)	No Limit	Energy Demand	USD/kWh	$0.10
			USD/kVa	$2.18

Energy Regulatory Commission - August 2018

> "In 2019, the cost of transporting a 20-foot container from Mombasa to Nairobi will increase to $508 from $347."

2018, Kenya's Energy Regulatory Commission published a new tariff regime which, according to Kenyan analysts, further reduces the competitiveness of Kenya as an investment location at a time when its regional neighbours are reducing costs.

Uganda

Free zone sector takes shape

The Uganda free zone programme was established in 2016, amid intense regional competition to attract investment in the manufacturing and agro-processing sectors. Agriculture generates 25 percent of Uganda's GDP (roughly $26 billion) and nearly 70 percent of employment.

By all available metrics, the sector is showing positive signs of growth. According to data from the Uganda Free Zones Authority 's (UFZA) annual report, at the end of financial year 2017/18, there was a total of 14 declared free zones (up from eight in 2016/17). Total investment stood at $39 million – most of it spent on utility installation costs, plant and machinery, and prefabricated factory buildings. Furthermore 7,649 jobs had been created: 90 percent of them for Ugandans, mostly concentrated in the semi-skilled category. The free zone sector generated just $50 million worth of exports in 2017/18. A significant proportion of these earnings were from flowers; and more than half of free zone exports went to the Netherlands.

Uganda Free Zone Sector in FY 2017/18	
Investment	• 39 million invested by 12 firms • Nilus Group (tobacco) and China-Africa Industrial Cooperation accounted for 66% of investment
Jobs	• 7,649 people employed in the sector • 90% of them Ugandans
Exports	• $50 million worth of exports • Flowers generated the most export value
Realisation	• Just 7% of planned investment realised • 45% of planned job creation realised

Despite these encouraging numbers, Ugandan administrators will be concerned by the low rate of investment realisation in the sector. While nine out of the 14 declared free zones were operational (or 65 percent) last year, just 7 percent of planned investment was actually realised: $39 million from $557 million. The UFZA attributes this to investor uncertainty about a potential tax holiday extension. According to current policy, there is a 10-year income tax holiday for free zone firms which export at least 80 percent of their finished consumer and/or capital goods. The government also offers a 100 percent tax exemption on income generated from agro-processing activities.

Investors should look out for a new minimum wage policy due to be implemented in 2019. The Ugandan parliament passed the Minimum Wage Bill (2015) in February. The policy sets out a process for a wage board to recommend minimum wages for different classes of workers in different sectors. The current minimum wage was instituted in 1984 and has not been updated to reflect inflationary changes since then. A survey conducted in 2014 by the Platform for Labour Action found that daily wages range between $0.50 for unskilled workers and up to $4 for semi-skilled workers.

Uganda has some major free zone projects in the pipeline for 2019/20. In October 2018, Ugandan officials signed an agreement with the UAE to establish a 2,500-hectare agricultural free zone. Private firms from the UAE will set-up agricultural production and processing facilities in the zone, which will create supply and service opportunities along the value chain. In August 2018, production began on the Uganda-China (Guangdong) Free Zone of International Industrial Cooperation. The site will host a $620 million plant manufacturing fertiliser and bricks. These major investment projects will be an important test of Uganda's infrastructure capacity.

"Investors should look out for a new minimum wage policy due to be implemented in 2019. The Ugandan parliament passed the Minimum Wage Bill (2015) in February."

Angola

Luanda-Bengo Special Economic Zone

Luanda-Bengo Special Economic Zone [Luanda-Bengo] opened in 2009 on the back of an oil boom fuelled by Chinese investment. Oil accounts for nearly 90 percent of total exports – worth $26 billion in 2017 – nearly 70 percent of which goes to China. Situated just on the outskirts of Luanda – the coastal-lying capital of Angola – the 8,400-hectare zone was established (with the help of Chinese credit) to help diversify the economy, expand the domestic manufacturing base and reduce imports.

Sonangol Investimento Industrial is a subsidiary of the state oil company which manages the zone. They have spent more than $450 million on developing industrial units and surrounding infrastructure. Yet, despite this significant investment, the zone has failed to match the scale of its ambition and has become a financial drain on its administrators. These troubles reflect a wider crisis in the Angolan economy.

The long-term downward adjustment of global oil prices has seen the value of the Angolan kwanza (against USD) fall by more than 50 percent over the last few years, making raw material imports more expensive and causing sharp rises in inflation. There is also an on-going liquidity crisis, whereby importers can't get timely access to U.S. dollars to purchase necessary inputs.

As a result of these factors, a number of firms within the zone have struggled to remain active. In May 2018, multiple local outlets reported the president of the Democratic Trade Union of Industry, Retail and Services, Carlos Neto, suggesting that some 66 out of 76 factories within Luanda-Bengo were idle. In 2019, the government plans to sell its stake in seven factory sites within Luanda-Bengo – most of them idle but with valuable fixed capital – in order to raise $80 million and recoup initial capital investment. This is part of a wider strategy of fiscal consolidation by the government.

Doing Business in Luanda-Bengo SEZ	
Opened	2009
Size	8,400 hectares
Available space	64 hectares
Annual rent per m2 (inc. service fees)	$216
Licence application fee	$3,000
Minimum investment	$1 million (for foreigners to access fiscal and customs benefits)
Domestication requirements	70% local service inputs
Utilities – Electricity	$0.0322 per kWh
Utilities – Water	$1.00 per m3
Nearest sea port	30 km (Port of Luanda)
Nearest air port	28 km (Quatro de Fevereiro International Airport)

Source: Global Free Zone Report 2019

Investment opportunities in Luanda-Bengo 2019				
Company	**Sector**	**Status**	**Size**	**Notes**
Univitro	Glass manufacturing	Operational	4 ha	Facility has capacity to produce 48,000 square meters of glass each year.
Juntex	Construction (cement glue)	Operational	3.2 ha	Capacity to produce 65,000 tonnes per year. Equipped with a fleet of trucks.
Carton	Cardboard manufacturing	Not operational	5.2 ha	Capacity to produce 4.5 million sheet units of card each year. No equipment currently installed.
Absor	Diapers and wipes	Not operational	2.5 ha	Capacity to produce 250 million units per annum. No equipment currently installed.
Indugited	Hygiene products (shampoos, liquid detergents etc.)	Not operational	3.2 ha	Capacity to produce 21 million units per annum. No equipment currently installed.
Coberlen	Blankets, sheets and towels	Not operational	1.7 ha	Capacity to produce 576,000 units per annum. No equipment currently installed.
Saciango	Bags of cement	Operational	1.7 ha	Capacity to produce 85 million units per annum. Equipment tested at 95 percent.

Aside from macroeconomic circumstances, the minimum requirements to access fiscal and customs incentives under the Angolan special economic zone regime are more onerous than regional competitors. For example, there is a $1 million minimum investment level in Luanda-Bengo for foreigners compared to $500,000 in Tanzania. Furthermore, the value of these benefits varies according to how closely they meet the industrial development priorities of the government. Necessarily, then, this reduces the scope of potential investors who will be enticed by the regime.

Despite challenging times, however, Luanda-Bengo might still prove to be an attractive location for international investors in 2019. Its proximity to the capital city and the Port of Luanda, as well as robust surrounding utilities and logistics infrastructure are all significant plus factors. In January 2019, automotive manufacturers Volkswagen and Ford were in talks to establish car assembly lines within Luanda-Bengo. While in February, Korean chemicals manufacturer Kolon is in advanced partnership talks with Angolan investment firm Opaia Group to set-up a pharmaceutical factory. Angola is expected to join the Southern Africa Development Community Free Trade Area by August 2019. This will make it cheaper to export into 14 regional neighbours, including South Africa, Mozambique and Tanzania.

	Tax Incentives			
National Job Creation	**Less than 50**	**50<x<100**	**100<x<500**	**500+**
	5%	7.50%	10%	12.50%
Investment Amount	**$0.5m<x<$5m**	**$5m<x<$20m**	**$20m<x<$50m**	**$50m+**
	5%	7.50%	10%	12.50%
Investment Location	**Zone A**	**Zone B**		
	7.50%	15%		
Agricultural, Livestock, Forestry, Fisheries and their Agro-Industries	**Zone A**	**Zone B**		
	7.50%	15%		
Production for Export	**Less than 25%**	**25%<x<50%**	**50%<x<75%**	**Above 75%**
	7.50%	10%	12.50%	15%
Shareholding by Angolans	**10%<x<20%**	**20%<x<35%**	**35%<x<45%**	**45%<x<50%**
	7.50%	10%	12.50%	15%
National Value Added	**Less than 25%**	**25%<x<50%**	**50%<x<75%**	**Above 75%**
	7.50%	10%	12.50%	15%

Southern Africa

Southern Africa is a highly interconnected region. South Africa is a key export and import destination for all countries, most of all Zimbabwe, Malawi and Mozambique. South Africa is emerging from a recession and growth forecasts for 2019 are low (around 1.5 percent), due to subdued demand for commodities. Indeed, mining is a key sector for all of these countries and a lot of investment within special economic zones has gone into mineral processing. Agro-processing – particularly of tobacco – is also a prevalent investment play in the region. Power generation capacity will be a challenge for 2019.

INCENTIVES AND REQUIREMENTS

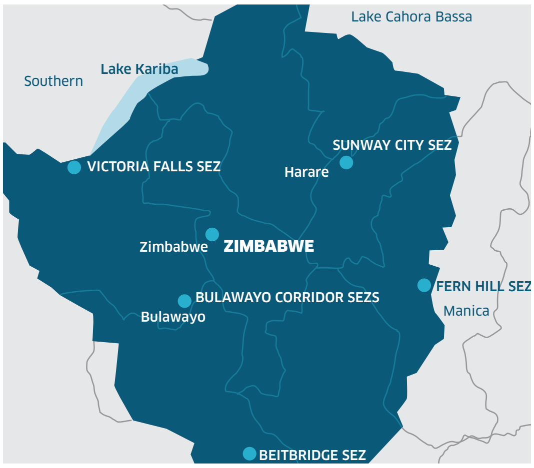
	ZONES	CORPORATE TAX	OTHER TAXES	CUSTOM DUTIES	IMPORTANT REQUIREMENTS	DOMESTICATION REQUIREMENTS
Mozambique (Industrial Free Zones)	2	100% Exemption for 10 years. 50% reduction for further 5 years. Permanent 25% reduction thereafter.	20% withholding tax on dividends	None	70% minimum export requirement	Quota on foreign employees. Max 5% of workforce above 100.
Mozambique (Special Economic Zones)	2	100% Exemption for 3 years. 50% reduction for further 7 years. Permanent 25% reduction for 5 years thereafter.	20% withholding tax on dividends	None	None	Quota on foreign employees. Max 5% of workforce above 100.
Namibia	1	0%	None	None	None	Restrictions on foreign labour (based on expertise)
South Africa	10	15%	None	None	None	None
Eswatini	2	100% exemption for 20 years. Levied at 5% thereafter.	None	None	Minimum investment of $2 million. ($5 million for Joint Ventures)	Max 1/3 of foreign employees in workforce
Zambia	6	35%	15% withholding tax on dividends	0% for first 5 years (at minimum investment level)	Minimum investment of $500,000 required to e eligible for customs benefits	Local service provision requirements
Zimbabwe	6	100% exemption for 5 years. Levied at 15% thereafter.	15% VAT rate	None	Minimum 80% export requirement	None

Zimbabwe

Miners move in

Zimbabwe outlined its special economic zones programme in 2016. Under the leadership of a new, pro-investment administration. the policy is being implemented. Multiple licences were issued in 2018 by the Zimbabwe Special Economic Zones Authority [ZIMSEZA]. In the long term, policymakers hope that these zones will help expand the manufacturing base and cultivate a more advanced industrialised economy.

The more immediate concern, however, is to boost export earnings. Zimbabwe has experienced extraordinary economic turmoil over the last fifteen years. While the situation has certainly improved, the legacies of hyperinflation and indigenisation policies persist. Between 2009 and 2018, average FDI inflows into Zimbabwe were just $340 million – compared with a SADC regional average of $1.2 billion. The special economic zones policy is an opportunity for Zimbabwe to demonstrate its new 'Open for Business' ethos.



ZIMSEZA Map of Special Economic Zones

The fiscal regime includes a five-year holiday on corporate tax, with a 15 percent rate thereafter (compared with a standard 25 percent rate). Furthermore, the regime offers a special allowance set at 50 percent of initial capital costs in year one and 25 percent in the subsequent two years. Raw materials can be imported duty free, and a minimum of 80 percent of goods produced must be exported.

Special economic zone status has been conferred upon six designated geographic areas spread across the country but firms can also apply to have their investment locations licenced as a zone. In March 2019, ZIMSEZA's CEO Edwin Kondo told the Zimbabwe Sunday News that his organisation had received an "avalanche" of enquiries, "though not so much in the areas designated as SEZs."

Zimbabwe Special Economic Zone Investments	
Prospect Lithium Zimbabwe (Goromonzi)	$165 million investment into a lithium mine and processing facilities.
Varun Beverages (Harare)	$23 million investment into beverage manufacturing plant.
Surewin Pvt Ltd (Mutoko)	$20 million investment to establish granite mining and processing facilities. Including a manufacturing plant for tiles and related products
Chinaglass Pvt Ltd. (Bulawayo)	$5 million glass production facility; domestic, industrial and medical usage.
Coliman Pvt Ltd. (Bulawayo)	$15 million investment to establish earthmoving equipment manufacturing and cotton spinning factory
Shepco BMA Fastners	$2 million capital injection into pre-existing facility manufacturing bolts, nuts, nails and mining roof support systems as

So far, there has been a lot of activity in the Belmont, Kelvin, Donnington Corridor, located in Bulawayo, Zimbabwe's second city. ZIMSEZA has licenced at least three companies here, investing $22 million in total. The most significant of these is Coliman Ltd.'s $15 million investment to build an earthmoving equipment manufacturing factory, as well as a cotton-spinning factory. Zimbabwe's regional neighbours -including South Africa, Mozambique and Botswana – all have significant extractive industries, therefore there are opportunities to export machinery and equipment, if cost and quality are competitive. In March 2019, Australian mining Prospect Resources had its $165 million lithium mining project in Goromonzi (a district just outside of Harare) designated as a special economic zone. The mine, seen somewhat as the poster child for the country's re-emerging mining sector, is expected to be operational by 2021. In addition, special economic zones will likely be the site of much-needed value addition and mineral beneficiation projects. The government has started the ball rolling with a commitment in Mutare – Zimbabwe's fourth most populated city – which will house a special export processing zone for gemology.

> "…special economic zones will likely be the site of much-needed value addition and mineral beneficiation projects."

It is arguable that Zimbabwe's special economic zones policy lacks focus. Creating multiple large geographic zones across the country with no development partner does puts extra pressure on ZIMSEZA to generate the strategic infrastructure investment and industrial development which create dynamic "hubs" that, in turn, attract more investment. Fortunately, some of the locations, such as Beitbridge and Fernhill, have the geostrategic advantage of being close to the borders of South Africa and Mozambique respectively. Zimbabwe is a landlocked country therefore it relies on the infrastructure of these partners for overseas exporting.

In March 2019, a devastating cyclone ripped through Beira, the city of Mozambique's second largest port, causing serious damage to vital infrastructure, including power and roads.

Another potential concern is that the Special Economic Zones Act 2016 does not stipulate the specific fiscal incentives which investors can benefit from. Instead, these grants are stipulated under the discretion of ministers. This reduces long-term certainty. However, the act does include important protections for the foreign currency balances and transfers of zone licensees and employed non-residents working in the country.

South Africa

SEZs power up

Despite being Africa's most advanced industrial economy, South Africa's special economic zone sector is still nascent. A handful of its 10 designated zones were established in the early 2000s but the programme was re-invigorated by the Special Economic Zones Act of 2014. The policy aims to create industrial hubs around the country through greater coordination between the public and private sectors.

In April 2019, South Africa held its first ever National Special Economic Investment Conference in Durban. The Department for Trade and Industry [DTI] announced that, since 2014, the number of operational enterprises in designated zones had reached 115, with $1.12 billion worth of investment and 15,700 jobs created directly. A further $4 billion has been committed but not yet operationalised. COEGA Zone is the largest and most successful zone. Established in 1999, it covers 9,000 hectares and is demarcated into 14 sub-zones, focussing on an array of sectors including: metals, chemicals, business process outsourcing and agro-processing. Its close proximity to the deep-water Port of Ngqura – which handles over six million tons of cargo annually and boasts four berths – has proved to be an attractive proposition. There are currently 43 active users in the zone employing 8,200 people.

600-hectare site. Phase one (134 hectares) attracted 77 enterprises investing $150 million and creating 3,500 jobs; the level of job creation was significantly less than initially anticipated.

In March, Japanese investment corporation Sumitomo announced an expansion of its electrical engineering activities in Egypt. It is building a new $200million plant in Port Said Public Free Zone, which will generate 3,500 jobs. Electrical engineering is another important sector within Egypt's free zone landscape.

> “...Firms which hire young South Africans (aged between 18 and 29) can claim credits on employee taxes worth up to $71 per month for two years .”

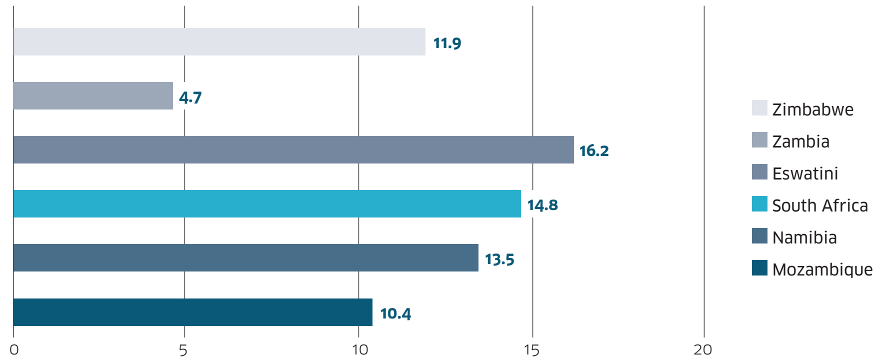
	Designated	Operational investors	Value of operational Investment	Secured but not operational investment	Direct employment created
COEGA	2001	43	$702 million	$2.7 billion	8,210
East London Industrial Development Zone	2002	31	$315 million	$438 million	3,839
Richards Bay Industrial Development Zone	2002	2	$22,6 million	$778 million	97
Dube TradePort	2016	35	$106 million	$140 million	3,246
Atlantis SEZ	2018	4	$48 million	$1,4 million	324

Source: South Africa DTI, via COEGA Zone

The main incentive of the 2014 Act is a 15 percent corporate income tax rate – compared with a 28 percent rate for unlicensed operators. Furthermore, to encourage large-scale, labour intensive manufacturing, the regime also offers employment tax incentives. Firms which hire young South Africans (aged between 18 and 29) can claim credits on employee taxes worth up to $71 per month for two years (average salary of industrial workers is between $350 - $400 per month).

One of the key challenges facing South African industry in 2019 is the ongoing crisis in the power sector. Monopoly parastatal Eskom is $30 billion in debt and failing to meet South Africa's growing energy demand, driven by huge extractive industries and major urban centres. Rolling blackouts – known as 'load shedding' – are an increasingly common feature of day-to-day life and it is beginning to hamper productivity. The company has hiked prices to fund badly delayed investment in new power plants, making South Africa's electricity costs among the highest in the region.

Price of Electricity in Southern Africa (US cents per kWh)



Source: World Bank Group - Doing Business 2019

Through the chaos, however, South Africa has developed a dynamic renewables sector. Increased technological efficiency is reducing the capital cost of these investments at a time when coal-generated electricity is expensive. Atlantis Special Economic Zone, located 50 kilometres north of Cape Town, has benefited from this trend. Opened in 2018, the coastal zone is focused on renewable technologies. It has attracted $48 million worth of investment and created 300 jobs. Those figures are projected to increase to $215 million and 3,000 jobs over the next decade.

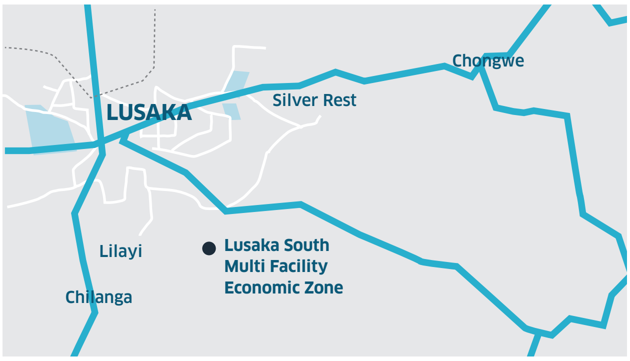
In April, it was announced that Dube TradePort Special Economic Zone, on South Africa's eastern coast, is undergoing a $1.2 billion expansion. The 45-hectare development is targeting operators in the aeronautical industry and other high-tech sectors. Pan-African investment firm the Mara Group is investing $106 million to develop Africa's first ever smartphone on the site.

OR Tambo Special Economic Zone

- Opened in 2010, located within South Africa's busiest airport
- Fast road links to Joburg & Pretoria
- 580km from Port of Durban – largest shipping port in sub-Saharan Africa
- Cheap electricity: $0.0714 per kWh
- Water: $1.35 per m3
- Avg. industrial wage: $357 per month
- Avg. administrative wage: $1,000 per month
- Minimum 70% export requirement
- Annual rental cost: $60 per m2 (inc. service fees)
- Sectors: jewellery, electronics, pharmaceuticals
- 43 hectares still available for lease

Zambia

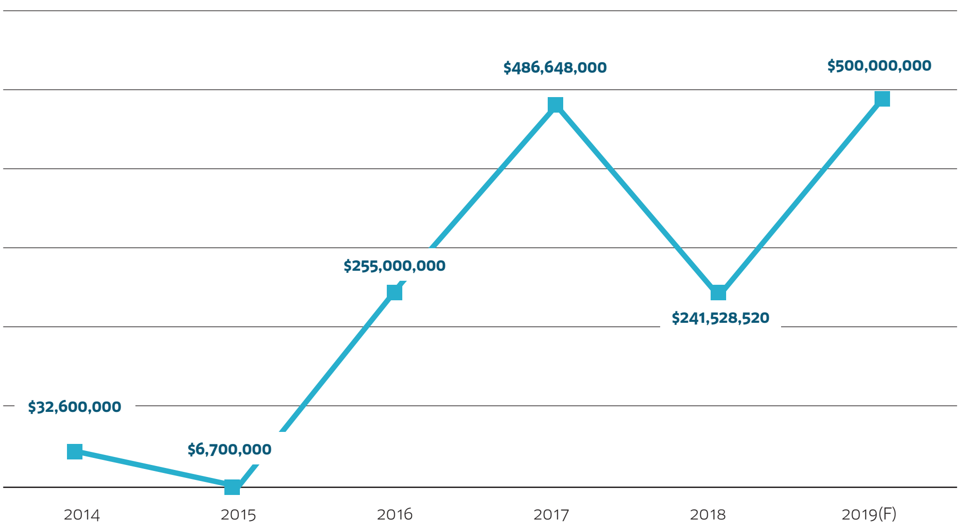
Lusaka South Multi Facility Economic Zone



Zambia has established itself as a successful exporting economy: consistently running a trade surplus and forging successful trading relationships with Switzerland, China, India and South Africa. In 2017, however, copper products accounted for nearly 75 percent of the $9.7 billion in exports. There is a recognition that diversification is needed for long term industrial development.

The Multi Facility Economic Zone [MFEZ] programme was established in 2005 by the Japanese International Corporation Agency in particular to increase activity in the manufacturing sector. The policy focuses on combining high quality physical infrastructure assets with a facilitative administrative environment to enable enterprises to flourish. Operations can be set-up for export or domestic activity. Rather than big tax breaks, the incentive to invest in these zones is the attraction of a high-functioning enterprise environment. (Corporate tax is levied at 35 percent; a five-year exemption is available on import duties for a minimum of $500,000 investment.)

Lusaka South MFEZ: Annual Investment (2014-2019F)



Since its establishment in 2012, Lusaka South MFEZ has demonstrated the strong potential of this model. More than $1 billion has been invested in the 2,100-hectare zone and administrators expect that figure to grow by $500 million in 2019. Of the $241 million invested into the zone in 2018, just over 45 percent was focused on minerals processing activities; 26 percent went into agro-processing; and nearly 8 percent into I.T., a positive indication of industrial diversity.

There are some high-profile tenants operating within the zone. British American Tobacco opened its $25 million cigarette manufacturing plant in October 2018 – the site has created 72 direct jobs and could potentially support up-to 2,500 formal and informal opportunities across the value chain. NRB Pharma operates a cutting-edge $200 million drug manufacturing facility – capable of producing up 400 million tablets annually – within the zone. Lusaka South aims to support investment from a wide range of sectors, including electric equipment, packaging and printing, palm oil production, agro-processing, hi-tech industries, minerals processing, and medical equipment.

Doing business in Lusaka South MFEZ	
Size	2,100 hectares
Available space	920 hectares
Average annual rental costs (per m2, inclusive of service fees)	$4.80
Cost of electricity	$0.030 per kWh
Cost of water supply	$0.84 per m3
Average monthly industrial wage	$135 per month
Average monthly administrative/service wage	$1,500 per month
Key sectors	Minerals processing Agro processing Pharmaceuticals Hi-tech manufacturing
Nearest sea port	933km (Port of Beira, Mozambique)
Nearest air port	21km (Lusaka International Airport)

Proximity to the capital city of Lusaka (30 kilometres) and its international airport (39 kilometres) make the zone strategically located. Operators can produce goods for the domestic market and Lusaka's population of nearly 2 million provides a ready-made consumer market. Zambia is bordered by seven countries – Malawi, Zimbabwe, Mozambique, Botswana, Namibia, Angola and the Democratic Republic of Congo – offering multiple export opportunities. The master plan includes space for a 300-hectare residential development.

Power generation capacity could be a persistent problem for Zambia in 2019. Low water reserves in the Kariba Dam mean that current generation capacity at its main hydropower plant will be just 500MV, half of its intended output. However, in March, a subsidiary of French renewables firm Neoen unveiled a new $60 million solar power plant, capable of generating 55MW. There is an electricity sub-station located within the zone, which connects the zone to the national grid.

West Africa

West Africa continues to be the regional economic power house of the continent, led by Ghana and Nigeria. As with other developing regions of the world, policy makers in these countries are hoping that large-scale free zone development projects can attract investment and spark industrialisation. GIETAF zone in The Gambia is a particularly important example of this. Coastal-lying zones are an obvious play, given the massive sea ports established to facilitate the energy sector. Market observers will be watching the $12 billion Dangote Group refinery project in Lekki Free Trade Zone very closely, it has the potential to transform Nigeria's economy.

INCENTIVES AND REQUIREMENTS

	ZONES	CORPORATE TAX	OTHER TAXES	CUSTOM DUTIES	IMPORTANT REQUIREMENTS	DOMESTICATION REQUIREMENTS
Senegal	5	15% for first 25 years	None	None	Minimum investment from $175,0000. Job creation and minimum export (from 50%) requirements also exist	None
The Gambia	1	0% for first 5 years, 1.5% of total revenue thereafter	Dividend witholding tax of 15% applicable from Year 6 of operations	0%	Minimum investment of $250,000	None
Guinea-Bissau	1	0%	None	None	None	10% expatriate employee quota
Sierra-Leone	1	100% exemption for first 3 years. Taxed at 30% thereafter	30% tax on repatriated funds (non-resident companies)	None	None	None
Ivory Coast	1	100% exemption for first 5 years. Taxed at 1% thereafter	None	None	None	None
Ghana	4	100% exemption for first 10 years. Maximum 15% thereafter	None	0% on most goods. 5-10% duty rate applies to some raw materials.	Minimum 70% export requirement	None
Nigeria - Oil & Gas Free Zones	4	0%	None	None	None	None
Nigeria - Export Processing Zones	15+	0%	None	None	75% export requirement	None
Cameroon	1	100% exemption for first 10 years. Taxed at 15% thereafter	None	None	100% export requirement	Maximum 20% expatriate employee quota (after 5 years)
Gabon	1	0%	None	None	None	None
Benin	25 (registered enterprises)	100% exemption for first 10-15 years (depending on location). Levied at 20% for five years thereafter	Exemption on income tax on securities (for first 5 years, then 5%). 4% tax on salaries (for first 5 years, then 8%)	0% (except goods vehicles)	Minimum export requirement (65%)	First preference for permanent jobs and raw materials to competitive Benin nationals and suppliers

Ghana

A new focus on oilfield services

Ghana has 156 companies operating with a free zone licence. For the first nine months of 2018, these firms produced exports worth $1.04 billion and investing a total of $90 million in capital projects, according to data from the Ghana Free Zones Authority [GFZA]. These figures represent an active free zone sector but not necessarily a growing one. In 2016, full year exports stood at $2.3 billion with $270 million in capital investment. GFZA's CEO Mr Michael Okyere Baafi has acknowledged the challenge presented by licenced companies that are inactive and floated new measures to target these firms. These include fines of up to $50,000 for false or late filing, potential delisting and minimum capital investment requirements. The GFZA is also pushing for reforms to the existing Free Zones Act 1995, which would give the organisation greater legal stature to regulate the free zone regime more effectively, as well as manage the interests of its licensees more efficiently.

> GFZA plans to open-up autonomous regional offices in order to provide a more responsive and efficient service to its dispersed licensees.

Cost of Doing Business – Ghana 2019

Free Zone Licence Application Fees (Annual Renewal)			Labour Costs		Utilities	
Manufacturers	Service sector	Commercial	Minimum wage (daily)	Social Security	Water (per 1000 litres)	Power (per KwH)
$3,000 ($2,500)	$4,000 ($3,000)	$10,000 ($5,000)	$1.77	13% of monthly basic salary	$1,094.00	$0.11

Ghana remains, however, a highly desirable investment location. Figures show that it overtook Nigeria in terms of FDI receipts for 2018: $3.3 billion compared to $2.2 billion. The GFZA is hoping to tap into those inflows by attracting more small and medium-sized oilfield service operators. In March 2019, the GFZA opened a new Oil and Gas Department, headed up by Alhaji Muhib Musah. The department will enable these operators to expedite regulatory procedures through a one-stop shop and reduce costs. The GFZA plans to open-up autonomous regional offices in order to provide a more responsive and efficient service to its dispersed licensees. There are also four designated export processing zones located across the country currently under development, including Shama and Sekondi EPZs in the Western Region of Ghana. These zones, at varying stages of development, cover a combined 2,200 hectares with a focus on heavy industry and petrochemicals; they are situated in close proximity to seaports, Bosal Mineral Group (China), Dazhon Iron & Steel (China) and First Sunenergy (U.S.) have signed agreements with Chinese developer Hassan Investment to be strategic anchor tenants in Sekondi.

Gambia

Historic development project underway

The Gambia is one of the smallest countries in Africa, with a GDP of just $1 billion and a population of 2 million. The economy is dependent on tourism, agriculture and remittances. It is significantly under-industrialised compared with its regional neighbours.

The country is politically stable, however, with advantageous access to western Africa and shipping routes to the Americas and Europe. President Barrow – formerly a real-estate developer – is hoping to leverage these strengths to kickstart his country's industrialisation and a new special economic zone is at the heart of that strategy. The GIETAF Special Economic Zone is the largest infrastructure project in The Gambia's history. A 160-hecatre development located in the costal capital of Banjul, incorporating spaces for warehouses, commercial operations, logistics and residential communities. The project is a public-private partnership between the national investment promotion agency (GIEPA) and the real estate firm TAF Africa Global. The foundation stone for the $300 million project was laid in February 2018. At the time of writing, warehouses and offices spaces are currently available for lease.

GIETAF Special Economic Zone	
Size	160 ha
Available space	159 ha
Annual rent (bonded area)	$30.84 per m²
Annual rent (administrative area)	$41.19 per m²
Price of electricity (per kWh)	$0.26
Minimum industrial wage	$111 per month

Doing Business in Gambia 2019			
Power Supply			
Cost of electricity per KwH	Reliability of supply (0-8)		Days to set up
	The Gambia	Sub-Saharan Africa average	
$0.20	0	1.6	78

Trading Across Borders							
Time to export				Imports			
Border compliance (hours)		Documentary compliance (hours)		Border compliance (hours)		Documentary compliance (hours)	
The Gambia	SSA avg.	The Gambia	SSA	The Gambia	SSA avg.	The Gambia	SSA avg.
109	97	48	72.8	87	126	32	98

Source; Doing Business 2019 (World Bank)

> "...the reliability of Gambia's power supply is a concern."

GIETAF's very close proximity to both a seaport and international airport mean that investors have a ready-made logistics network to support exports, with minimal reliance on the country's interior infrastructure. However, the reliability of Gambia's power supply is a concern. According to World Bank figures, installed capacity in the area around the zone is less than 50MV, against demand of 70MV. National utility provider NAWEC has ongoing projects to expand capacity. Furthermore, the efficiency of its port and customs operations also require improvement, as data from the Doing Business 2019 survey shows.

Nigeria

Made in Special Economic Zones

Nigeria has a multi-layered special economic zone system which comprises two main types of zones – oil and gas free zones [OGFZs] and export processing zones [EPZs], which are sometimes referred to as Free Trade Zones [FTZs] – administered by three separate authorities. There are 4 OFGZs managed by the Oil and Gas Free Zones Authority. EPZs are administered by the Nigeria Export Processing Zones Authority [NEPZA] and a newly created organisation: Nigeria SEZ Investment Corporation [NSEZCo]. This body will be responsible for attracting investment and supporting the development of six high priority zones.

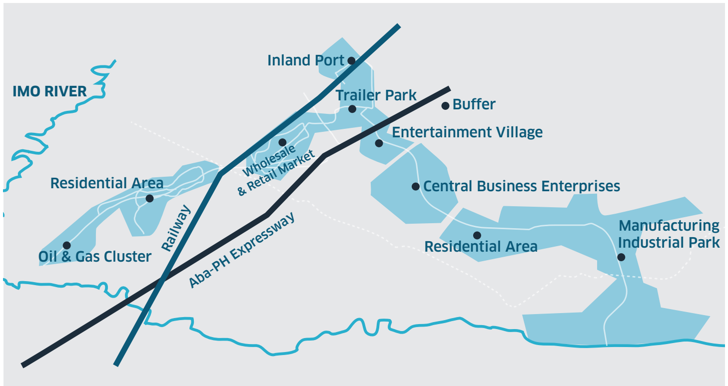
These six zones are at the heart of President Buhari's 'Made in Nigeria for Export' [MINE] strategy. Project MINE is an effort to expand and diversify Nigeria's industrial base. By 2025, the government wants manufacturing to reach 20 percent of GDP, with $30 billion in exports and 1.5 million new jobs.

Need to know:

- Nigeria's **national minimum wage** increases to **N27,000 ($75) per month** in 2019.

NSEZCo Administered Zones

Zone	Size	Ownership	Sectors	Status
Ibom	14,000ha	PPP	Petrochemicals Agro-allied	Greenfield site, early stages
Enyimba Economic City	9,000ha	PPP	Leather processing Textiles	Greenfield site, development commenced 2019
Calabar FTZ	220ha	Federal	Petrochemicals Agro-allied	Operational – pre-existing EPZ
Kano FTZ	432ha	Federal	Leather production Textiles Agro-allied	Operational – pre-existing EPZ
Lekki FTZ	16,500ha	PPP	Petrochemicals ICT Textiles	Partially operational
Ogun-Guangdong FTZ	10,000ha	PPP	Construction materials Agro-allied	Operational



Four of the zones (Calabar, Kano, Lekki and Ogun-Guangdong) are brownfield sites which have been partially developed but require further investment. Either to achieve investment-worthy standards or to expand on prior success. Kano and Calabar FTZs were opened in 1999 but have been poorly developed hitherto and failed to attract significant investment. Kano FTZ is located in the north, close to the border with Niger. It is surrounded by a $7 billion agriculture sector in Kano State, providing a ready-made source of raw materials for agro-allied processing activities. Nearly 70 percent of the land is undeveloped, with just old factory and warehouse facilities available. According to reporting by regional newspaper the Daily Trust, there are currently 32 enterprises registered within the zone. Calabar is located in the south, with good access to sea ports however the reliability of current power supply is poor; as is the surrounding infrastructure. The Ogun-Guangdong zone in Igbesa – 60 kilometres from Lagos – was among the first Chinese foreign free trade zones and was opened in 2008. It is situated in the south, near Lagos. Air and sea ports are nearby (roughly 50 kilometres). According to the Chinese Ministry of Commerce, the zone has attracted $325 million and created over 4,000 jobs in the last decade. Industries include: ceramics, packaging and furniture. Available space for phase two of the development is expected to be filled by the end of 2019.

Enyimba Economic City is a flagship development project which will create a 9,000-hectare zone situated at the centre of nine southern states. The federal government has committed nearly $300 million to the project; a further $1.2 billion will come from private investors and development institutions, including Crown Realities, Afriexim Bank and Africa Development Bank. The zone is strategically located near major gas pipelines, to ensure power supply; and there are plans to appropriate the recently built 540MV Adia Power Plant in Ogwe to supply the city. The zone is located within 60 kilometres of two seaports, two airports and one railway station. The developers are targeting leather processing and textiles enterprises in the manufacturing industrial area. Construction began on the site in early 2019.

> “Kano FTZ is located in the north, close to the border with Niger. It is surrounded by a $7 billion agriculture sector in Kano State, providing a ready-made source of raw materials.”

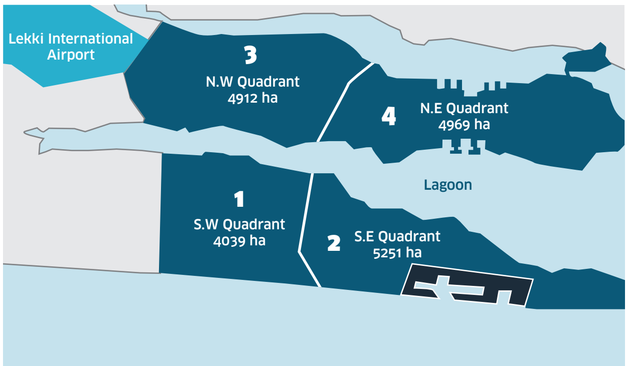
Nigeria

Lekki Free Trade Zone

Lekki Free Trade Zone [LFTZ] is one of west Africa's largest industrial development projects. The zone opened with investment from a Chinese consortium and the Lagos State Government. The 16,500-hectare site is split into four quadrants. Phases 1 and 2 of the development are concentrated in quadrant 1, which will focus on the textiles and garment manufacturing sectors. Quadrant 2 is owned by the Dangote Group as the strategic anchor tenant. The group is developing a fertiliser plant, petrochemicals plant and the largest refinery of its type in the world.

According to data from the Lagos State government, LFTZ generated $735 million worth of exports in the three years to 2018, with 726 jobs created. The Chinese consortium has committed nearly 80 percent of the $180 million in equity investment into the zone. There are currently 116 registered enterprises.

LFTZ has ambitious growth plans. It hopes to reach $9.7 billion worth of exports by 2027, $60 billion in FDI and 300,000 jobs generated. Much of that will depend on the escalation of operations by the anchor tenant. Alhaji Aliko Dangote – Africa's richest man – told an investment conference in February 2018 that his firm's operations in the zone will generate $22 billion in annual turnover once fully operational. The refinery project is expected to come online in 2020. It will have the capacity to meet current national demand of petrol and kerosene, reducing the need for expensive imports and providing more stable domestic energy supply – a potentially transformational infrastructure asset.



Lekki Free Trade Zone -Snapshot

Size	16,500 hectares
Location	Lagos state
Key sectors	Manufacturing; heavy industries; oil & gas; real estate
Fees	Application: $1,000
	Registration: Manufacturing: $4,500 Services: $6,500 Fabrication: $11,500 Real estate: $11,500 Oil & Gas: $16,500 Banking: $21,500
	Management Fees: 2% of annual turnover
Rent (per m2 annually)	Warehouse & Factory rental: $50 Manufacturing sublease: $25-$35 Real estate sublease: $200 Oil & Gas sublease: $200
Utilities	Power: $0.12 per KwH Water:
Labour	Minimum wage: $75 per month (2019)

Aside from a huge investment by the Dangote Group, the zone's developers have good cause for optimism. LFTZ boasts an enviable location on Nigeria's south coast, just two hours' drive (80 kilometres) away from a bona fide megacity. Lagos is Nigeria's commercial and cultural heartbeat: home to 21 million people with state-wide economic output of nearly $140 billion. The zone's proximity to the city provides access to human resources as well as a diverse range of sectors to support enterprises in the zone. Lekki is also a growing urban centre in its own right. Rendeavour – Africa's largest urban developer – has started construction on a new $250 million, 1,000-hectare city within the free zone (Alaro City). It will be situated in quadrant 3 (north west) of the development site. Construction is also underway at Lekki Deep Sea Port, led by Tolaram Group (Singapore). Once operational, the port will have 3 container berths, 1 dry bulk berth and 3 liquid berths. In the meantime, the ports of Lagos and Apapa are situated 80 kilometres away.

Proximity does, however, come at a price. And for LFTZ that price is congestion. While there are plans to build air and sea ports within the zone, those projects remain a way off realisation. In their absence, firms at the moment have to depend on the infrastructure of Lagos city. The Port of Apapa is the fourth busiest cargo port on the continent. The highway which connects Lekki to Lagos is already congested and Lagos state government officials estimate that up 6,500 trucks could be transiting through this corridor every day, once surrounding investments are completed. The state government wants private investors to help build roads in the region to ease congestion. More financial support will be required from the federal government. There is an airport free zone at Murtala Muhammed Airport but that is around 100 kilometres from the zone, through the congested corridor. Goods can be handled, manufactured or reconfigured and re-exported there without the intervention of customs authorities. LFTZ also has a customs office on-site.

Notwithstanding these challenges, Lekki Free Trade Zone's huge energy infrastructure, advantageous location and burgeoning urbanisation undoubtedly makes it one of the most significant projects in Africa's free zone sector.

“The injection of capital into the free zone scheme is a demonstration of the **government's will to drive real improvement in the way that we deliver on infrastructure**.”

Emmanuel Jime, CEO NEPZA (March 2019)

Global Free Zone REPORT 2019

Data-rich insights for corporate decision making