

Operating Model of South Africa's Special Economic Zones

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Abstract

South Africa's SEZs were established to drive industrial development, stimulate economic growth, and attract both domestic and foreign investment (DTIC, 2025). Governed by the SEZ Act of 2016, these zones offer specialized incentives to enhance competitiveness, facilitate skills development, support technology transfer, and expand value-added exports (Phiri, 2020). Despite their potential to strengthen manufacturing sectors and increase foreign trade, concerns remain regarding their long-term sustainability, employment impact, and integration into the broader economy (UNCTAD, 2021).

This study critically evaluates the operational model of South Africa's SEZs, identifying key strengths, limitations, and contextual conditions that influence their success or failure. Using a qualitative research approach and secondary data analysis, the study examines whether SEZ policies contribute effectively to economic growth, job creation, and FDI attraction. Findings highlight that good leadership, strong systems, and strategic oversight are all vital for SEZs to succeed and benefit the wider economy.

KEYWORDS

SEZ Policy, Economic Growth, SEZ Act, Foreign Direct Investment, Operational model

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LIST OF ACRONYMS

ASEZ Atlantis Special Economic Zone

DTIC Department of Trade, Industry and Competition

EIEC Economic Investment and Employment Cluster

ETI Employment tax incentive

FDI Foreign Direct Investment

GDP Gross Domestic Product

IDC Industrial Development Corporation

IDZ Industrial Development Zone

IPAP Industrial Policy Action Plan

NDP National development plan

NDP National Development Plan

NGP New Growth Path

NIPF National Industrial Policy Framework

NIPF The National Industrial Policy Framework

PAYE Pay as you earn

SEZ Special Economic Zone

SMME support small, medium, and micro enterprises

TASEZ Tshwane Automotive Special Economic Zone

VAT Value-added tax

ASEZ Atlantis Special Economic Zone

DTIC Department of Trade, Industry and Competition

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ETI Employment tax incentive

FDI Foreign Direct Investment

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PAYE Pay as you earn

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SMME Small, medium, and micro enterprises

TASEZ Tshwane Automotive Special Economic Zone

VAT Value-added tax

CHAPTER 1. INTRODUCTION

1.1 Research title

Operating Model of South Africa's Special Economic Zones

1.2 Statement of purpose

The research will be undertaken to identify the key attributes of successfully optimizing the operational model of the Special Economic Zones (SEZ) programmes in South Africa and assess whether these SEZ have an impact on the economic growth, job creation and foreign investment. It will examine the governance structure, infrastructure, and incentives offered, secondary data will be used to answer all the research questions, the approach will be qualitative research methodology used to explore and understand the contextual conditions that contribute to success.

1.3 Background of the study

SEZs have the potential to drive significant economic growth if successfully implemented (Dinja, 2024). Their direct impact includes the expansion of manufacturing sectors, increased employment opportunities, and a rise in foreign exchange earnings. Additionally, SEZs contribute to economic diversification, fostering innovation, technological advancements, and the development of new skills. They enhance local labor productivity, improve business competitiveness, and elevate the income levels of residents (Gumede, 2023). This suggests that while many countries have rapidly adopted SEZs, they may not have thoroughly addressed critical factors necessary for their success. Without careful consideration of key design elements, the full benefits of SEZ programs cannot be realized.

1.4 Problem Statement

SEZs were created in South Africa to promote investment and industrialization, however it is still unclear how effective they are. Current research shows that governance, attracting investment, and employment outcomes continue to provide persistent issues (Bolwijn, 2022; Gumbo et al., 2022). Despite the SEZ Act of 2016's intent to establish these zones as catalysts for economic expansion, many have not yet fulfilled their commitments (DTIC, 2025). This gap signals a need to critically examine the operational models of SEZs to determine the factors limiting their success and inform future policy and management approaches.

Detailed description of the problem statement:

Although South African SEZ policy was designed to encourage industrialization, draw in foreign direct investment (FDI), and create jobs, its total efficacy is yet unknown. Theoretically, SEZs are acknowledged as strategic tools for both national and regional economic development (Dinja, 2024). In actuality, though, their contribution to long-term economic growth has been uneven. This disparity shows that, within the South African SEZ framework, policy goal and actual performance outcomes continue to diverge.

According to empirical data, many SEZs in South Africa have not produced the desired developmental results despite large financial and policy commitments, especially when it comes to attracting investment, creating jobs, and developing enterprises (Bolwijn, 2022; Gumbo et al., 2022). Low investor uptake, poor infrastructure, ineffective governance, and a lack of interaction with local economies are some of the issues that SEZs still have to deal with. These difficulties imply that although the SEZ Act of 2016 offers a strong legal framework, the operational models supporting these zones are still not ideal (Department of Trade, Industry and Competition [DTIC], 2025).

The effectiveness of SEZs' operational frameworks, which include governance structures, infrastructure preparedness, and the alignment of fiscal and non-fiscal incentives, is crucial to their success on a global scale, according to existing literature (Farole & Moberg, 2017; UNCTAD, 2023). However, little empirical

study has been done in South Africa to look at how these operational factors interact to affect SEZ performance. Instead of concentrating on the internal mechanisms and contextual elements that either promote or hinder SEZ development, the majority of previous research has concentrated on macro-level policy formulation or economic impact assessments (Gumede, 2023).

Therefore, the lack of an optimal operational model for SEZs in South Africa that successfully combines infrastructure, incentive mechanisms, and governance to provide the desired economic outcomes is the main problem driving this study. The ongoing institutional misalignment, poor stakeholder coordination, and low investor retention (Bolwijn, 2022; Gumbo et al., 2022) highlight the necessity of a comprehensive evaluation of the operational environment.

By identifying the essential characteristics of effective operational models for SEZs and investigating the ways in which these characteristics support economic expansion, job creation, and the attraction of foreign investment, this study aims to close this gap. By doing this, the study seeks to close the gap between the creation of policies and their successful implementation, offering evidence-based suggestions to improve the administration, governance, and general performance of SEZ initiatives in South Africa.

1.5 Research objectives

This study aim to evaluate South Africa's SEZs by analyzing their operating models, strategic frameworks, and policies in order to determine what influences their success or failure. By contrasting high- and low-performing zones, it identifies important structural, functional, and contextual factors that can be used to improve SEZ performance and promote long-term economic growth.

1.6 Research Questions

- i.) What policies, strategies and execution approaches result in success?
- ii.) What contextual conditions contribute to success?
- iii.) What policies, strategies and execution approaches result in failure?
- iv.) What contextual conditions contribute failure?

v.) What makes some SEZ to be successful whereas most fail?

1.7 Rationale of the study

This study aims to help SEZ implementers and policymakers in South Africa overcome operational challenges by offering insights into governance, legislation, and private sector involvement. It also supports universities in aligning academic programs with industry needs to better prepare future professionals for advancing SEZ effectiveness and economic development.

1.8 Delimitation of the study

This study is delimited to the analysis of the operational model of Special Economic Zones (SEZs) within the South African context. The focus is specifically on identifying and assessing the key attributes that contribute to the successful optimization of SEZ operational models and their impact on economic growth, job creation, and foreign direct investment.

The study does not cover additional industrial development or investment promotion initiatives; it is limited to SEZs created under the Special Economic Zones Act of 2016. The analysis mostly uses secondary data from academic journals, official government publications, and policy studies published between 2016 and 2025. Instead of making broad quantitative generalizations, the use of qualitative research technique is a conscious decision that enables a thorough examination of infrastructure preparedness, incentive systems, and governance structures.

The study is geographically restricted to South Africa and focuses on SEZs that have been designated by the Department of Trade, Industry and Competition (DTIC). As a result, the results might not be immediately applicable to other African or global contexts with different institutional, governmental, and economic settings. These boundaries were purposefully set in order to maintain the study's focus, contextual foundation, and manageability while adhering to a qualitative research design.

1.9 Assumptions

In this study, the following presumptions have been made:

- Private Sector Participation Could Enhance SEZ Administration. More private sector involvement in SEZ operations may improve investment prospects, accountability, and efficiency.
- SEZ optimization is necessary for economic growth. The success of SEZs and the advancement of the national economy as a whole will be directly impacted by addressing governance, infrastructure, and regulatory issues.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

SEZs are defined as regions that have been given special status within a nation to draw in international investment and promote economic growth (Dube, 2021). These areas typically have less restrictions and pay lower taxes than other parts of the country (Najib Abdi, 2022).

DTIC, 2025 defines SEZs as geographically defined regions of a nation reserved for particular economic activities, bolstered by unique arrangements (including laws) and systems that are frequently distinct from those that are in place throughout the rest of the nation.

The fundamental economic causes of poverty have been analyzed, and they all point to the unemployed character of economic development and the absence of structural change in African countries (Mauritus, 2023). There are millions of untrained and inexperienced workers in the nation seeking employment in a labor market that forces businesses to prioritize capital- and skill-intensive operations and minimize low-skilled employment. The necessity of rethinking the current SEZ scheme has been highlighted by these difficulties (Qumba, 2023).

2.2 History of SEZ

SEZs have the potential to positively impact the entire economy if they are successful (Gumede W. , 2023). Established in 1959, Shannon, Ireland became the first industrial SEZ. Discounted investment opportunities, streamlined customs procedures, and exclusive tax breaks were extended to investors (Qumba, 2023).

The establishment of SEZs is a result of the government's inability to implement nationwide reforms that would provide favourable conditions for attracting investments, modernizing industries, and developing infrastructure (Gumede P. W., 2023). SEZs must be included in a nation's overall national industrial strategy, be free from the inefficiencies, corruption, and poor management typically

associated with developing country governments, and be able to meet actual market demand in order to be successful (Qumba, 2023). SEZs should not function as isolated areas; rather, they should be integrated into the national economy to benefit from the transfer of knowledge and technology (Mauritus, 2023).

Compared to many African nations, Mauritius was more successful because it prioritized export-led growth and included the SEZ into its export-led industrialization plan rather than treating it as a stand-alone program like many other African nations do (Mauritus, 2023). SEZs that are successful are good at attracting investment. Investors should be made aware of the value proposition of SEZs through targeted marketing tactics. There should be a specific organization designated by law with the responsibility of promoting and marketing investors. Organizations in charge of zone development, operation, or regulation should efficiently coordinate their investment promotion efforts (Gumede P. W., 2023).

Dubai established the prosperous Dubai Internet City SE, which drew the biggest IT companies in the world, including Microsoft, Oracle, and IBM. In order to speed up the transfer of skills, the advancement of technology, and innovation, Dubai established universities as SEZ and imported foreign educators, institutions, and equipment (Bolwijn, 2022). SEZs established by Morocco and Nigeria were an effort to gain market share in the European Union and the SEZs established by Rwanda was to produce new goods for export. The new SEZ in Rwanda employed 3% of the country's labor force in under three years (Qumba, 2023).

SEZs in Mauritius was established to manufacture processed sugar for export. The Mauritian sugar industry was so successful that it controlled half of the EU market for processed brown sugar at its height (Gumede P. W., 2023). SEZs need to have compact zone management, be free of corruption and red tape from the public sector, and be successfully integrated into both domestic and international markets (Qumba, 2023); they need to be specifically designed for industrialization; otherwise, as has happened with numerous failed SEZs in South Africa and Africa, they would only end up being a collection of subsidized warehouses that artificially create jobs at large expense (Qumba, 2023).

2.3 The effectiveness of the SEZ

Over the past fifty years, the establishment of contemporary SEZs has played a significant role in driving export-led growth, particularly in China and other East Asian nations (Rehal, 2024). These zones have been credited with contributing to their economic prosperity, despite ongoing debates regarding their effectiveness as a policy tool. Interest in SEZs among policymakers continues to grow, leading to a sharp increase in the number of newly established zones since the mid-1980s, with the most rapid expansion occurring in emerging economies (Bolwijn, 2022). However, shifting global economic conditions in the post-crisis era are reshaping the operational landscape of SEZs, making their success increasingly dependent on strategic planning, effective implementation, and sound management.

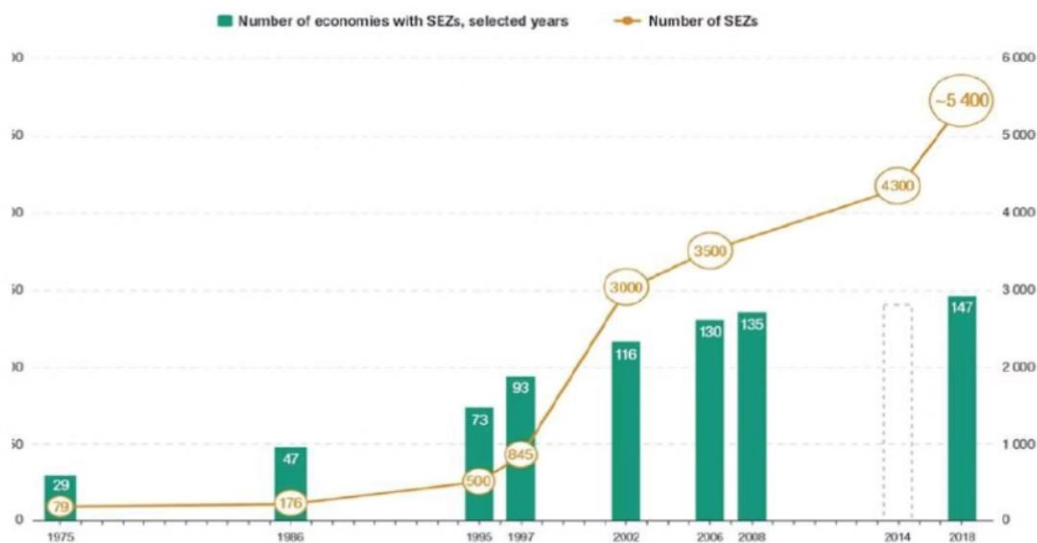


Figure 1: The growth of SEZs around the world since 1975 (UNCTAD, 2019)

SEZs play a crucial role in Africa's efforts to tackle structural economic challenges, such as limited industrial development and heavy dependence on primary commodities (Moujaes, 2020). By creating an environment conducive to manufacturing and service industries, SEZs can drive private sector growth and contribute to the much-needed diversification of African economies (Richards et al., 2020).

SEZs are gaining importance across Africa. UNCTAD (2025) reported that around 240 SEZs had been legally established on the continent, representing approximately 4 percent of the global total (Statistics South Africa, 2024). However, only half of these zones were fully operational, as many were still under construction. Among African nations, Kenya leads with 61 SEZs, followed by Nigeria with 38, Ethiopia with 18, and Egypt with 10. East Africa accounts for nearly half of Africa's SEZs (UNCTAD, 2021).

2.4 SEZ in South Africa

In South Africa, there are eleven SEZs that are officially recognized; nine of them are fully operational, and the majority are run by the state (Qumba, 2023). With a total investment of R 21.9 billion, they have signed up 167 operational investors. produced about 20,000 jobs in operations (Gumede, 2023). SEZ in South Africa are designed to stimulate industrial growth and enhance export competitiveness, with the manufacturing sector playing a crucial role by contributing 13% to the nation's GDP (Statistical release, 2025). The services sector remains the predominant contributor to South Africa's economic output, accounting for 62.6% of GDP in 2022. In contrast, the agricultural sector, though essential for food security and rural development, represents a more modest 2.62% of the country's GDP (Statistical release, 2025).

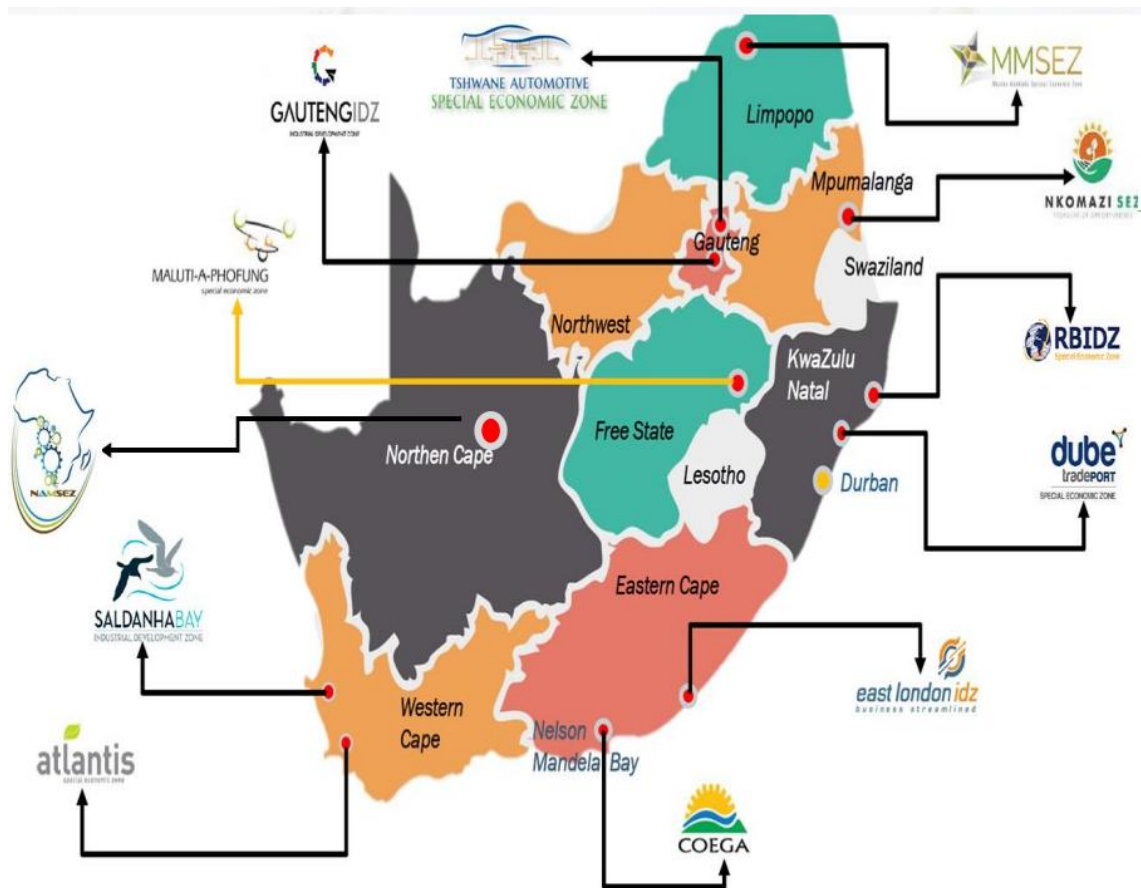


Figure 2: The map highlights the operational, proposed, and designated SEZs.

Source: (The DTIC, 2025)

2.5 ANALYTICAL FRAMEWORK

This study applies strategic and change management theories to evaluate SEZ operational models, focusing on long-term planning, institutional adaptability, and effective policy implementation in changing economic contexts.

2.5.1 Theoretical Framework

- Change Management, this theory could be utilized to examine how leaders successfully manage changes, get past opposition, and adopt new operational models given the dynamic character of SEZs.

2.5.2 Conceptual framework

- Strategic Management Theory, this study investigates how businesses create and carry out plans to gain a competitive edge. This could entail looking at how leadership in SEZs coordinates incentives, policies, and resources to draw in investment and spur economic expansion (Bamford et al., 2023).

2.6 CONCLUSION OF LITERATURE REVIEW

In conclusion, the literature underscores the strategic significance of SEZs in addressing Africa's economic vulnerabilities and catalyzing industrialization. While the proliferation of SEZs across the continent marks a promising trend, operational effectiveness remains uneven. The integration of strategic and change management frameworks emerges as essential for ensuring these zones are not only established but also sustainably managed and aligned with dynamic economic priorities.

2.7 HYPOTHESIS

“Governance structures, infrastructure quality, and incentive offerings are key determinants of successfully optimizing the operational model of South Africa's Special Economic Zones, which have a significant positive impact on economic growth, job creation, and foreign direct investment (Darlington et, 2020).”

The existing policies and strategic frameworks for regional planning are insufficient in facilitating effective regional integration (Gumbo et al., 2022).

This hypothesis aligns well with the study's objectives and qualitative approach. It integrates key elements—governance, infrastructure, and incentives—and links them to their expected effects on broader economic indicators. As secondary data and contextual conditions are analyzed, this hypothesis will serve as a strong foundation for testing the research questions.

CHAPTER 3. RESEARCH METHODOLOGY

3.1 Introduction

The operational models of SEZs in SA are examined in this study utilizing a comparative case study design and secondary data in a qualitative manner. It employs an ideal SEZ model from the literature as a benchmark and focuses on governance structures, infrastructure readiness, and incentive frameworks. The analysis is guided by a systematic evaluation matrix and is validated by data triangulation (Farquhar, 2020). In case study research, triangulation is advised as a best practice and is typically thought of as providing validity through convergence of findings, sources, or methodologies (Farquhar, 2020).

3.2 Research approach

The research will follow a qualitative methodology, augmented by scholarly publications published in the domains of finance and economic database(Farquhar, 2020). Additional information will be gathered from the world bank, stats SA to assess the Viability of the SEZ and to investigate and compare the effects of their operational model.

3.3 Research design

This research uses qualitative secondary data sources and a comparative case study design to investigate the operational models of SEZs in SA. To assess how these factors affect SEZ performance outcomes, the study focuses on three main dimensions: incentive frameworks, infrastructure readiness, and governance structures. An ideal SEZ framework created by a thorough analysis of scholarly literature will be used as a standard for these findings. Performance in SEZs will be compared using a systematic evaluation matrix. This matrix will comprise qualitative metrics like: Job creation and target alignment, Strategic and narrative reporting on the amount of investment obtained from private sources in comparison to operating expenses Explanations of policy

incentives, institutional frameworks, and models for infrastructure delivery(J Pediatr Health Care, 2019).

The analysis will be carried out by evaluation of the operationalization of various SEZs' models and their relationship to performance outcomes that have been observed (Farquhar, 2020). Through data triangulation, the inclusion of several official documents in each case enhances the validity of the conclusions.

3.4 Data collection methods

Secondary data will be gathered from financial and economic databases like the Stats SA and the World Bank, including published journals, articles, and policies, a qualitative method will be appropriate for this research (Schoch, 2020). These documents will be purposively selected to ensure representation across different types of SEZs and regions within South Africa. The feedback is needed to analyze and compare the viability of these SEZ, and the secondary data has the advantage of being effective in gathering the necessary information and reliable data and to answer the research questionnaire and meet the objectives (Tenny, Brannan, & Brannan, 2022).

3.5 Population and sample

3.5.1 *Population*

Publicly accessible secondary data sources pertaining to South Africa's Special Economic Zones (SEZs) make up the study's population. This includes official government publications, scholarly journals, policy documents, and databases on economics and finance, such those offered by Statistics South Africa (Stats SA) and the World Bank.

3.5.2 *Sample and sampling method*

Purposive sampling is used to choose documents and data sources that are directly related to the goals and research questions of the study (FPH, 2025).

Specific policy reports, financial performance information, strategy plans, and evaluation studies pertaining to SEZs that have been released by reliable organizations are included in the sample. Documents are chosen for their applicability, reliability, and capacity to shed light on the governance, performance, and operational models of SEZs in South Africa.

3.6 The research instrument

The study's research tool is document analysis, which uses secondary data from economic development databases, SEZ portals, policy studies, and official government reports (Misa, 2025). In order to guarantee conformity with the conceptual framework, data collection is organized according to the research questions and objectives. The process of document evaluation is methodical and starts with the extraction of pertinent data from investment reports, performance reviews, strategy plans, and SEZ reports according to the themes found in the literature review. A structured data collection template is used to record important information once each document has undergone a screening process.

3.7 Data analysis strategies and interpretations

Using predetermined themes like SEZ Policy, Economic Growth, SEZ Acts, and the Operational Model, a deductive coding system is used to the gathered documents. If more sub-codes are needed to capture new information, they are added (Andrea, 2021). Using Microsoft Excel, the retrieved data is coded and arranged, with document excerpts categorized according to the pertinent themes. In order to compare sources and analyze how each document responds to the themes that have been discovered, a matrix is created. Finding trends, gaps, and connections is emphasized in the analysis, which focuses especially on how governance structures affect SEZ efficacy. The results are then analyzed using the conceptual framework to extract significant information and make inferences that support the goals of the study.

3.8 Possible limitations and challenges of the study

Limitations identify is the reliability of information and access to updated/ current data. Therefore, much portion of the secondary data is used in this study—particularly within the comparative and performance-related tables which originates from DTIC 2023/24 Annual Performance Report, SEZ Fund reports, worldbank, and STATSA, whereas the focus of the analysis is aligned with the SEZ operating context of mid-2025. The absence of more current data limit the accuracy of certain findings and affect the study's ability to fully capture emerging trends or recent policy shifts. This limitation is acknowledged, and future research should revisit the analysis using updated datasets to validate the findings and strengthen the relevance of policy and operational recommendations for South Africa's SEZ programme.

Despite these limitations, the study provides valuable insights into the operational effectiveness of SEZs in South Africa and offers a foundation for further empirical investigation.

3.9 Quality Assurance

3.9.1 *Transferability*

The selection of data will be based on the research objectives and research questions (Khalid, 2024), since only data from the economic database and government reports will be utilised, it will be assumed that the findings of the study can easily be generalised in different SEZ with similar attributes

3.9.2 *Credibility*

The research will employ secondary data sourced from reliable websites and economic databases. The data will undergo analysis and comparison to provide a comprehensive interpretation. With data acquired from two distinct databases, the researcher hopes to provide a corroboration from various methods employed (Khalid, 2024).

3.9.3 *Dependability*

Two distinct websites and economic databases will be the sources of the data. To provide a thorough explanation, the data will be analyzed and compared. The second step entails verifying the accuracy of the data gathered in the first step using information obtained from two different databases.

3.10 Ethical considerations

The University of the Witwatersrand's School of Management will grant written consent for the research project to be carried out. The data will be securely stored on a Google Drive account that will be created and inaccessible to everyone. Once the storage limit period has elapsed, the data will be deleted and removed from the drive.

Table 1. Consistency table: research questions, propositions, data collection and data analysis

RQ #	State Research Question	Prop/hyp #	State Proposition or Hypothesis	Data collection detail	Data analysis method
1	What policies, strategies and execution approaches result in success?	1.1	Government policies are essentially intended to encourage or steer businesses to locate in specific policy-induced beneficial locations.	Government Report, Department of Trade and industries. Published journals and Academic Reports, StatsSA	Interpretive analysis
2	What contextual conditions contribute to success?	2.1	Special economic zones (SEZs) in Africa are typically thought to be performing worse than those in other parts of the world.	Government Report, Department of Trade and industries. Published journals and Academic Reports	Thematic analysis
3	What policies, strategies and execution approaches result in failure?	3.1	Government policies are essentially intended to encourage or steer businesses to locate in specific policy-induced beneficial locations.	Government Report, Department of Trade and industries. Published journals and Academic Reports	Interpretive analysis

RQ #	State Research Question	Prop/hyp #	State Proposition or Hypothesis	Data collection detail	Data analysis method
4	What contextual conditions contribute failure?	4.1	An economic zone is more likely to fail the farther it is from its source of raw materials or export routes.	Government Report, Department of Trade and industries. Published journals and Academic Reports, StatsSA database	Regression analysis
5	What makes some SEZ to be successful whereas most fail?	5.1	When businesses with similar product specializations collaborate, technical dissemination and transfer are encouraged, leading to increased production efficiency.	Government Report, Department of Trade and industries. Published journals and Academic Reports	Thematic analysis

CHAPTER 4. FINDINGS

4.1 Governance structures, infrastructure, and incentives offered by SEZs in South Africa

SEZs are integrated into a broader national SEZ program (UNCTAD, 2021). These programs are established through national legislation, which defines their objectives, expected outcomes, incentives available under the SEZ framework, and regulatory requirements for firms operating within them (Phiri, 2020). Here is a summary of the 11 SEZ in SA, highlighting their focus areas, operational models, government structures, infrastructure, and incentives.

SEZ	Focus & Operational Model	Governance Structure	Infrastructure	Incentives
Coega SEZ	Manufacturing, logistics, automotive, energy	Managed by Coega Development Corporation	Deep-water port, industrial parks, transport networks	15% corporate tax, customs duty exemptions, investor support
East London SEZ	Automotive, agro-processing, pharmaceuticals	Governed by East London IDZ	Port access, industrial zones, logistics hubs	Employment tax incentives, VAT exemptions, infrastructure grants
Richards Bay SEZ	Heavy industry, mineral beneficiation, maritime	Managed by Richards Bay IDZ	Port facilities, bulk storage, industrial land	Preferential tax rates, customs-controlled area benefits
OR Tambo SEZ	Aerospace, electronics, jewelry manufacturing	Overseen by Gauteng IDZ	Airport proximity, high-tech manufacturing zones	Export incentives, duty-free imports, investor facilitation
Dube TradePort SEZ	Logistics, agro-processing, pharmaceuticals	Managed by Dube TradePort Corporation	Air cargo terminal, agrizones, business parks	Special customs benefits, tax incentives, infrastructure support
Maluti-A-Phofung SEZ	Agro-processing, logistics, manufacturing	Governed by Free State Development Corporation	Rail and road connectivity, industrial parks	Tax relief, employment incentives, customs duty exemptions
Musina-Makhado SEZ	Mineral beneficiation, energy, logistics	Managed by Limpopo Economic Development Agency	Rail access, bulk infrastructure, industrial zones	Preferential tax rates, investor support, customs benefits
Tshwane Automotive SEZ	Automotive manufacturing, logistics	Overseen by Gauteng IDZ	Automotive production hubs, supplier parks	Tax incentives, infrastructure grants, export support
Nkomazi SEZ	Agro-processing, logistics, manufacturing	Managed by Mpumalanga Economic Growth Agency	Road and rail access, industrial parks	Employment tax incentives, customs duty relief
Atlantis SEZ	Green technology, renewable energy	Governed by Western Cape Economic Development	Renewable energy infrastructure, industrial zones	Green energy incentives, tax relief, investor support
Vaal SEZ	Steel production, manufacturing, logistics	Managed by Gauteng IDZ	Industrial land, transport networks	Preferential tax rates, infrastructure grants

Table 2. Focus areas Source: (DTIC, 2021)

From a change management and strategic management perspective, the evolution of SEZs in South Africa reflects a transition from a predominantly state-driven model to one increasingly characterized by collaborative governance and private sector integration. Traditionally, most SEZs were initiated without anchor private investors, limiting their strategic agility and impact (Qumba, 2022). The Tshwane Automotive SEZ represents a strategic departure from this model, exemplifying an integrated public-private partnership involving Ford, national and provincial governments, and the City of Tshwane from inception (TASEZ, 2025). Ford's representation on the management board alongside key public sector stakeholders reflects a deliberate change management strategy focused on shared decision-making and accountability (DTIC, 2025). The SEZ's consistent clean audits and significant public investment of R2 billion signal effective strategic planning and governance execution (Statistical Release, 2025). Furthermore, the involvement of COEGA in providing operational and compliance support reflects the importance of leveraging institutional expertise to manage organizational change and ensure alignment with international standards (CDC, 2025). Strategically, the Department of Trade, Industry and Competition (dtic) has reinforced SEZ performance by offering a suite of targeted incentives—including tax reliefs, employment tax credits, and accelerated capital depreciation—to stimulate private investment, enhance competitiveness, and support sustainable job creation (Shirinda et al., 2021; Phiri et al., 2020). These measures represent a coherent strategy to incentivize change, manage stakeholder alignment, and drive long-term economic transformation.

Framed within the analytical lenses of change management and strategic management, the implementation of incentives and governance structures in South Africa's SEZs reflects a deliberate strategy to drive inclusive economic transformation and institutional realignment. The Employment Tax Incentive (ETI), targeting low-salaried workers earning below R60,000 annually, functions as a strategic change lever—reducing the cost of labour for employers while maintaining wage levels, thereby encouraging formal employment in economically vulnerable segments (Makgetla, 2021). This aligns with broader change management goals of reducing resistance to employment growth and incentivizing private sector participation. In parallel, the accelerated depreciation

allowance—permitting a 10% annual write-off on capital structures over ten years—offers a strategic fiscal tool to encourage long-term fixed investment, although strategically excluding sectors that conflict with national development priorities, such as arms or tobacco, based on the Standard Industrial Classification Code (Statistics South Africa, 2025).

From a governance perspective, the SEZ framework is underpinned by a coordinated, multi-level management approach involving national, provincial, and local government actors, each fulfilling distinct but interconnected roles (Richards et al., 2020). This tri-sphere model enables decentralised implementation while preserving strategic alignment with national economic objectives. Importantly, the inclusion of private sector experts in governance structures fosters a culture of collaboration, adaptive leadership, and innovation in decision-making—core principles in effective change management (Batalucci, 2025). Strategic resource allocation also reflects this integrated approach: local and provincial governments finance daily SEZ operations, while the dtic assumes a leadership role in securing national grants and overseeing infrastructure development, ensuring that planning, development, and execution remain strategically coordinated and responsive to evolving policy goals (DTIC, 2025).

4.2 Systematic comparison of how different SEZs address key themes

Document Source	SEZ Policy	Economic Growth	SEZ Acts / Legislation	Operational Model	Governance Issues Identified
Coega SEZ Strategic Plan	Strong alignment with national industrial policy; incentives outlined	Reports positive GDP contribution and job creation in Eastern Cape	Operates under SEZ Act 2014; references dti regulations	State-owned operator (CDC); vertically integrated management model	Intergovernmental coordination challenges between local and provincial
Atlantis SEZ Review	Green economy policy framework in place; environmental targets prioritised	Limited economic impact reported; high cost per job created	Compliance with SEZ policy but lacks supporting provincial legislation	Focused on renewable energy; single-sector approach	Weak investor facilitation; execution delays
Musina-Makhado Reports	Policy ambition noted, but inconsistent with infrastructure readiness	Low uptake of investment; environmental objections hinder growth	Operates under SEZ Act, but implementation gaps noted	Multiple operating entities; governance overlap	No clear lead agency; fragmented oversight
Dube TradePort Annual	Strong policy support; aligns with national logistics strategy	Consistent FDI inflows and job growth; innovation-led development	Well-integrated with national and provincial legislation	Centralized under DTPC; strong internal coordination	Adaptive governance model; strong change management practices

Table 3 Comparison of SEZ IN SA Source: (DTIC, 2021)

The comparative analysis of SEZ operational and governance models in South Africa reveals varying degrees of strategic alignment, institutional coordination, and implementation success. Coega SEZ exhibits strong alignment with national industrial policy and functions under a vertically integrated, state-owned model through the Coega Development Corporation (CDC). Although well-structured, it faces intergovernmental coordination challenges between local and provincial spheres. In contrast, Dube TradePort SEZ stands out for its integration with both national and provincial legislation and its centralized governance under the Dube TradePort Corporation (DTPC). This SEZ reports consistent foreign direct investment (FDI) inflows, job creation, and innovation-led development—indicating successful alignment with broader economic strategies.

Atlantis SEZ, although strategically aligned with green economy objectives, lacks provincial legislative backing and suffers from execution delays and weak investor facilitation. Its narrow, single-sector focus on renewable energy further limits its resilience and adaptability. Similarly, Musina-Makhado SEZ illustrates a misalignment between policy ambition and infrastructure readiness. Despite operating under the SEZ Act, its fragmented operational model—characterized by multiple managing entities and unclear leadership—hinders governance and oversight. These structural inefficiencies compromise its ability to attract investment and manage environmental concerns effectively.

From a change management and strategic management perspective, the analysis underscores that successful SEZ implementation requires more than policy articulation. It demands institutional coherence, adaptive governance, and robust execution capacity. Dube TradePort exemplifies best practices in strategic planning and change readiness, while Coega demonstrates operational strength but highlights the importance of cross-sphere coordination. Atlantis and Musina-Makhado, on the other hand, reflect the risks of insufficient legislative support and leadership fragmentation. Overall, the findings stress the need for integrated governance, clear accountability frameworks, and adaptive capacity to drive SEZ performance and inclusive economic growth.

4.3 SEZ OPERATIONS

Table 4: Comparative Analysis between the 11 SEZs.

Source: (DTIC, 2021) (Statistics South Africa, 2024)

SEZ Name	Policies and strategies	Execution approach Score	Investment Score	Composite Score	Rank
OR Tambo IDZ	5	4	5	4.67	1
Richards Bay IDZ	5	5	1	3.67	2
Coega IDZ	5	1	5	3.67	3
DUBE TRADE PORT	5	1	4	3.33	4
East London IDZ	5	3	2	3.33	5
SALDANHA BAY IDZ	2	5	3	3.33	6
The Tshwane Automotive Special Economic Zone (TASEZ)	1	5	4	3.33	7
Maluti-A-Phofung Special Economic Zone	1	5	1	2.33	8
Atlantis	5	1	1	2.33	9
Nkomazi	-	-	-	-	-
Musina/ Makhado SEZ	-	-	-	-	-

The analysis offers a clearer picture of the performance and challenges faced by individual SEZs. Among the top performers, OR Tambo IDZ stands out with consistently strong scores across all evaluation metrics, while Richards Bay IDZ also performs well, particularly in policy and execution, although its job creation is less cost-effective. In contrast, the Maluti-A-Phofung SEZ faces significant challenges, particularly in policy implementation and investment efficiency, which contribute to its low ranking. Similarly, Atlantis SEZ demonstrates high policy effectiveness but struggles with execution and cost efficiency. Notably, Coega IDZ and OR Tambo IDZ exhibit strong investment-to-job creation efficiency, positioning them as benchmarks for cost-effective SEZ practices.

Furthermore, the study assesses the comparative performance of SEZs by examining key indicators such as policy effectiveness, quality of implementation, and capital investment relative to the number of jobs created

SEZ Name	Performance Index
Coega IDZ	1.000
DUBE TRADE PORT	0.979
Atlantis	0.897
OR Tambo IDZ	0.800
East London IDZ	0.779
Richards Bay IDZ	0.528
SALDANHA BAY IDZ	0.451
Tshwane Automotive SEZ (TASEZ)	0.451
Maluti-A-Phofung SEZ	0.133

Table 5. Comparative performance index

Source: (Statistics South Africa, 2024)

Coega IDZ has the highest overall ranking and excels in cost-effectiveness, policy effectiveness, and execution. OR Tambo and East London IDZs exhibit balanced strength, while DUBE Trade Port and Atlantis trail closely behind. Maluti-A-Phofung SEZ performs poorly on all important metrics, showing a considerable latency.

4.4 Peer-reviewed empirical studies

Three empirical studies focused on evaluating the effectiveness of SEZs in Africa were reviewed. The first paper, Abagna et al. (2025), titled *"Place-Based Policies and Household Wealth in Africa"*, presents new evidence on how Special Economic Zones (SEZs)—as a key place-based strategy—impact household financial security. The findings highlight that SEZs can serve as effective policy tools for promoting urbanization and improving the socio-economic well-being of local populations. The study supports the assumptions that optimizing SEZ implementation is essential for driving economic growth. Moreover, it emphasizes that addressing challenges related to governance, infrastructure, and regulatory frameworks is critical for the long-term success of SEZs and their contribution to national economic development.

The second paper, Tafase et al. (2025), titled *"From Field to Factories: SEZs, Foreign Direct Investment, and Labour Markets in Vietnam"*, investigates the

broader labour market impacts of SEZ development. The study finds that SEZ growth leads to wage increases in treated areas, not primarily through direct employment changes, but due to productivity and income gains across multiple industries. This suggests that the benefits of SEZ expansion extend beyond workers in foreign-owned manufacturing firms to the wider local labour market. Importantly, the study also supports the hypothesis that existing regional planning policies and strategic frameworks are inadequate in promoting effective regional integration, limiting the full potential of SEZs to catalyse inclusive economic development.

The third paper was a theoretical review by Kholiswa (2022) “Reconfiguring SEZ for sustainable development and inclusive growth in Africa, the findings are that effective coordination between the ministries in charge of urban planning, economic development, and fiscal matters, as well as sectoral ministries and specialized agencies, public-private partnerships, city-level public actors, local urban planning authorities, and investment promotion agencies across all branches of government, is necessary to actively facilitate investments. This findings support the assumptions that statated above *“Private Sector Participation Could Enhance SEZ Administration. More private sector involvement in SEZ operations may improve investment prospects, accountability, and efficiency”*

The reviewed studies highlight that effective SEZ impact assessment must go beyond simple job counts or investment figures and instead consider broader socio-economic indicators and structural factors. Abagna et al. (2025) emphasize SEZs’ role in improving household wealth and urban development, contingent on strong governance and infrastructure. Tafase et al. (2025) demonstrate that SEZs can boost local wages and productivity indirectly across industries, revealing the importance of evaluating employment outcomes through wider labor market effects. Kholiswa (2022) underscores the need for coordinated governance and increased private sector participation to enhance SEZ performance, investment facilitation, and inclusive growth. Together, these studies advocate for integrated, multi-dimensional frameworks to assess SEZ impact on FDI and employment.

4.5 Theoretical and Conceptual Framework

The success of South Africa's SEZs depends on strategic alignment and effective change management, not just infrastructure or policy. High-performing zones like OR Tambo IDZ and Coega IDZ align strategic goals with internal capabilities and demonstrate adaptive leadership—reflecting principles from Strategic and Change Management theories. In contrast, underperforming zones such as Maluti-A-Phofung and Atlantis SEZ lack alignment between policy intent and operational execution, showing stalled change processes and poor strategic fit. Efficient zones also adapt over time, as seen in Coega's restructuring, which aligns with Kotter's model of institutional change. A key lesson is that governance and integration into broader regional strategies are critical; isolated SEZ models have often failed due to weak stakeholder engagement and fragmented leadership. Ultimately, SEZ performance reflects how well strategic planning and change management principles are applied in practice.

South Africa's SEZs operate within distinct governance structures and economic models designed to enhance industrial development, attract FDI, and stimulate job creation. When assessing these frameworks against the ideal SEZ operational model, as outlined in the Table 1(refer to Annexure), Benefits of Operating Within an SEZ, several key comparisons emerged.

Most SEZs in South Africa incorporate preferential tax incentives, including a 15% corporate tax rate, employment tax incentives, and customs duty exemptions, which align with established international best practices for economic zones. These incentives are designed to enhance investment attractiveness, foster industrial growth, and improve the overall competitiveness of SEZs in the global market. However, the application of these incentives is not consistent across all SEZs, leading to variability in investor confidence and regional economic performance. Established SEZs, such as Coega, Dube TradePort, and OR Tambo, effectively integrate these tax benefits into their operational frameworks, ensuring strong investment appeal and economic sustainability. In contrast, newer or smaller SEZs often encounter challenges in offering comprehensive tax relief mechanisms, which may limit their ability to attract and retain investors, thereby affecting their long-term viability and competitiveness.

An effective SEZ model requires robust infrastructure support, including world-class logistics, efficient transport networks, and well-developed industrial parks to ensure operational scalability and economic efficiency. Leading SEZs such as Richards Bay, Tshwane Automotive, and East London exhibit strong port and industrial connectivity, positioning them as strategic hubs for trade and manufacturing. Their advanced infrastructure facilitates streamlined supply chain operations, enhancing their appeal to investors and businesses seeking industrial expansion. Conversely, SEZs such as Nkomazi and Maluti-A-Phofung encounter infrastructure challenges that hinder their ability to attract and sustain large-scale investments. These limitations necessitate further development to align their operational framework with global SEZ standards, ensuring competitive functionality and long-term economic growth. Addressing these infrastructural gaps through targeted investment and policy interventions would enhance their capacity to contribute meaningfully to South Africa's industrial and economic landscape.

Inconsistencies in governance across certain SEZs have resulted in delays in policy execution, potentially undermining investor confidence and reducing economic growth opportunities. Additionally, a significant gap exists in the strategic alignment of Greenfield and Brownfield investments, particularly in relation to the 12I Tax Allowance incentive.

The Tshwane SEZ, illustrates a strategic shift toward collaborative governance and integrated change management. Unlike most state-initiated SEZs lacking anchor investors, TASEZ exemplifies a successful public-private partnership, aligning national, provincial, and local government efforts with private sector leadership to drive investment and operational efficiency. The strategic use of tax incentives and employment-focused policies reflects deliberate change management tools aimed at stimulating economic transformation, attracting FDI, and creating jobs. Effective multi-level governance, supported by professional SEZ management entities like COEGA, demonstrates how coordinated planning, stakeholder engagement, and structured incentives are critical for sustaining SEZ performance and aligning with national development goals.

4.6 Summary of Findings

- Overall, the results emphasize that in order to promote SEZ performance and equitable economic growth, integrated governance, transparent accountability frameworks, and adaptable capabilities are essential.
- Strong infrastructure support is necessary for an effective SEZ model, including top-notch logistics, effective transportation systems, and well-established industrial parks to guarantee operational scalability and financial efficiency.
- Delays in the implementation of policies caused by governance irregularities in some SEZs have the potential to erode investor confidence and limit prospects for economic expansion.

CHAPTER 5. RECOMMENDATION CONCLUSION

AND

5.1 Recommendation

Recommendation Area	Recommendation	Priority	Link to Findings
Impact Assessment Frameworks	Adopt multi-dimensional SEZ impact assessment frameworks including socio-economic and structural indicators.	High	Studies emphasize the limitations of traditional metrics like job counts and FDI alone (Abagna et al., Tafase et al.).
Governance and Institutional Coordination	Strengthen intergovernmental coordination and role clarity across SEZs.	High	Findings show governance fragmentation delays execution and weakens policy impact.
Leadership and Change Management	Promote adaptive leadership and apply models like Kotter's for SEZ restructuring.	Medium	High performers such as Coega adapt successfully through strategic change management.
Incentive Frameworks	Standardize tax incentives across SEZs and introduce targeted incentives for specific sectors.	Medium	Inconsistent incentive application limits investment confidence, particularly in newer SEZs like Atlantis and Musina-Makhado.
Infrastructure and Logistics	Invest in transport, utilities, and industrial infrastructure in underperforming SEZs.	High	Infrastructure gaps in zones like Maluti-A-Phofung hinder investment readiness.

Public-Private Partnerships	Replicate the TASEZ collaborative model to integrate private sector leadership.	Medium	TASEZ's success illustrates the value of public-private collaboration and stakeholder engagement.
Strategic Investment Alignment	Align Greenfield and Brownfield investment strategies with incentive policies like the 12I Tax Allowance.	Medium	Current strategic misalignment creates uncertainty in SEZ development planning.

Table 6 Recommendations In alignment with the study's objective of identifying structural, functional, and policy-related factors influencing the performance of South Africa's SEZs, several recommendations are proposed to enhance the effectiveness and long-term sustainability of SEZs across the country.

Firstly, it is recommended that government adopts a multi-dimensional SEZ impact assessment framework which goes beyond conventional indicators such as job creation and foreign direct investment (Abagna et al., Tafase et al.). The study confirmed that current measurements are too narrow and fail to capture social, environmental, and structural outcomes. Integrating broader metrics—such as supply chain development, skills transfer, and industrial diversification—will support evidence-based decision-making and ensure that SEZs genuinely contribute to inclusive economic growth (Richards et al., 2020),

Secondly, governance and institutional coordination must be strengthened (Richards et al., 2020). Findings reveal that fragmented roles between national, provincial, and municipal entities result in delays, policy inconsistency, and weakened implementation (Richards et al., 2020). Establishing clear governance structures, unified reporting systems, and accountability mechanisms will reduce overlap and support faster decision-making across SEZs.

Leadership also emerged as a key differentiator between high and low-performing SEZs (Batalucci, 2025). Therefore, the study recommends the adoption of adaptive leadership and structured change management models—

such as Kotter's framework—to support organisational transformation within SEZs. Zones such as Coega demonstrate that strategic leadership directly improves operational performance, investor confidence, and long-term sustainability (Richards et al., 2020).

Additionally, the incentive framework for SEZs should be standardised and sector-specific where necessary (Shirinda et al., 2021; Phiri et al., 2020). The research indicated that uneven application of tax incentives has created investor uncertainty, especially in emerging SEZs like Atlantis and Musina-Makhado. A harmonised system, coupled with targeted incentives for priority industries (e.g., renewable energy, manufacturing, and logistics), would improve investor predictability and competitiveness (DTIC, 2021).

Investment in core infrastructure and logistics capacity remains a high priority. Infrastructure constraints—particularly in zones such as Maluti-A-Phofung—have reduced investor readiness and slowed project uptake. Prioritised funding for bulk services, road and rail connectivity, and energy reliability is essential to unlock industrial activity and regional economic spillovers (DTIC, 2021).

The study further recommends expanding public-private partnership (PPP) models, drawing from the success of the Tshwane Automotive SEZ (TASEZ). The TASEZ model shows that when private sector leadership is embedded from the planning stage, zones experience stronger market alignment, faster implementation, and greater investor commitment (TASEZ, 2025).

Finally, strategic alignment between investment approaches and fiscal incentives is required (Kholiswa, 2022). The current mismatch between Greenfield/Brownfield SEZ investment plans and existing policies such as the 12I Tax Allowance has resulted in uncertainty and delayed capital commitments. A coordinated national investment strategy, linked to industrial policy and the SEZ incentive framework, will help stabilise investor expectations and improve long-term planning (Phiri, 2020).

5.2 Conclusions

This study set out to evaluate the operational models of South Africa's Special Economic Zones (SEZs) through the analytical lenses of strategic and change management. Using comparative case analysis and qualitative secondary data, it examined how governance structures, infrastructure readiness, and incentive frameworks contribute to SEZ performance. The evidence underscores that the effectiveness and sustainability of South Africa's SEZs hinge not only on policy design and infrastructure provision but critically on the strategic application of change management and governance principles. SEZs are most successful when there is alignment between strategic intent, operational execution, and adaptive institutional capacity. High-performing zones such as Coega, OR Tambo, and Dube TradePort exemplify this alignment, benefiting from integrated planning, consistent incentive application, world-class infrastructure, and collaborative governance. In contrast, underperforming SEZs like Maluti-A-Phofung and Nkomazi suffer from fragmented leadership, misaligned strategies, and infrastructural deficiencies, which hinder their ability to attract sustainable investment and contribute to inclusive growth.

Moreover, this research highlights that effective SEZ impact assessment requires a shift from narrow metrics such as job creation and capital inflows to broader, multi-dimensional evaluation frameworks. Socio-economic indicators such as household wealth, regional wage growth, and infrastructure-led development must be factored into policy and operational reviews. The application of strategic and change management theories—while conceptually appropriate—was not fully realized through empirical methods in this study. The absence of primary data, causal testing, and structured evaluation tools limited the ability to critically apply the theoretical framework or draw generalizable conclusions. These methodological constraints, as noted in the literature and supervisory feedback, reveal a need for more rigorous, evidence-based approaches.

Despite these limitations, the study contributes important foundational insights into the structural enablers and constraints within South Africa's SEZ programme. It offers practical recommendations for reform—calling for integrated governance,

standardization of incentives, and infrastructure upgrades guided by strategic and adaptive management. Future research should incorporate primary data collection and robust empirical methods—such as stakeholder interviews, case surveys, and econometric modeling—to strengthen causal inference and validate findings. Ultimately, SEZs will only realize their full potential to drive FDI, job creation, and inclusive economic development when they are embedded in dynamic, strategically managed, and holistically evaluated frameworks that are both locally grounded and globally competitive.

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APPENDIX

1.1 Data Analysis and Interpretations

1.1.1 Empirical research questions.

i.) What policies, strategies and execution approaches result in success?

The Department of Trade and Industry started the IDZ initiative in 2000 under the Manufacturing Development Act in order to link domestic and zone-based enterprises, increase exports of value-added goods, and draw in foreign investment (Aggarwal, 2017). This was prior to the creation of the SEZ Bill. Richards Bay, OR Tambo, Saldanha Bay, Coega, East London, and Dube Trade Port (added in 2014) were among the six IDZs that were declared . R4 billion in investments, more than 5,000 direct jobs, and 43,000 construction jobs were among the early achievements. A policy review was necessary to address these issues and maximize the financial gains, though, as restrictions such as inadequate incentives, poor coordination, weak governance, and a lack of integrated planning were discovered.

ii.) What contextual conditions contribute to success?

In order to attract foreign direct investment, for example, SEZs must have a defined objective that is in line with the nation's industrialization, development, or long-term economic growth goal. Political or ideological reasons should not be the basis for their development; rather, a strong business rationale that takes into account both global demand and the nation's comparative advantages should. SEZs ought to be part of larger development plans rather than existing as stand-alone projects. Following the establishment of the business case, it is critical to evaluate the effects on current organizations and enterprises and create efficient institutional frameworks, regulations, and policies to support and regulate SEZs.

In order for SEZs to be successful, governments must apply laws and rules in a consistent, moral, and capable manner in order to foster trust among investors,

the market, and the general public while avoiding inefficiency and corruption. With reasonably priced registration, logistics, and customs procedures, the business environment must be economical, effective, and friendly. Reducing operating costs and improving competitiveness require reliable infrastructure, such as water, rail, and electricity. To promote economic integration and growth, SEZs should also establish connections with regional industry supply chains, guaranteeing that local businesses offer the inputs, materials, and services needed to sustain operations within the zones.

For SEZs to succeed, governments must provide support, incentives, and capacity-building for local firms to integrate into supply chains and foster spillover effects. Strategies should encourage global firms in SEZs to source inputs locally and support local suppliers with skills, technology transfer, and financial aid. SEZ policies must ensure a conducive business environment, reliable infrastructure, and effective governance. Regular monitoring and benchmarking help track progress and ensure accountability. Effective management structures, often in public-private partnerships, are key, while infrastructure improvements should benefit wider regions. Environmental sustainability and community consultation must also be prioritized to address concerns and maximize benefits.

Before creating SEZs, a nation must create a long-term development plan, industrialization plan, or economic growth plan. This strategy should evaluate domestic resources, talents, and sectors that need outside assistance while analyzing the economy, development needs, and human capital. It also has to assess the nation's place in the world's supply networks, trade, and economy. A crucial component of these initiatives is increasing local production capacity, which SEZs may help with by luring foreign investors to collaborate with local businesses, sharing expertise and technology, and sourcing inputs locally, all of which promote industrial and economic progress.

i.) What policies, strategies and execution approaches result in failure?

The IDZ program's design failed because it only focused on one kind of SEZ, which prevented other types' benefits from being realized (Etherington, 2024). Furthermore, the program's capacity to capitalize on the long-term growth potential of other regions was impeded by the criteria for establishing IDZs, which prioritized places close to airports or the sea, so perpetuating spatial inequality and economic marginalization.

ii.) What contextual conditions contribute failure?

The design of the IDZ programme was limited by its focus on a single type of SEZ, missing opportunities to leverage other types. Additionally, the criteria for selecting locations prioritized areas near sea or airports, neglecting the development potential of other regions and exacerbating economic inequalities. Unlike international standards, South African IDZs lacked fiscal incentives to attract investors, making them less competitive compared to those in countries like Tanzania, China, Singapore, and South Korea.

The IDZ programme struggled to establish investor-friendly industrial enclaves due to the absence of fiscal and special incentives, leading to limited new investment and minimal job creation from capital-intensive projects. Poor promotion efforts hindered foreign direct investment, and the unclear role of national marketing agencies weakened investor engagement. Additionally, reliance on a single funding stream from the National Treasury restricted flexibility for unexpected projects and excluded Development Finance Institutions (DFIs) and private sector financing, resulting in insufficient funding for the zones.

The IDZ programme faced significant challenges due to poor stakeholder coordination and collaboration, notably delays caused by land issues in Richards Bay and OR Tambo IDZs. Weak integration of strategies across national, provincial, and regional levels further limited its success. The programme

i.) What makes some SEZ to be successful whereas most fail?

The success of an SEZ heavily relies on the seamless coordination of government institutions and the implementation of administrative, legal, and regulatory policies to create a favorable business environment and attract foreign direct investment. When engaging private sector developers, it is crucial to foster constructive dialogue to align their profit and revenue goals with the government's economic and social objectives for the SEZ (COMCEC, 2017). Private sector-operated SEZs are often more successful due to well-defined, positive, and transparent relationships between private operators and government regulators. While government-led infrastructure development is often limited by financial constraints, private sector-led SEZs tend to impose high charges, which can deter potential investors. Striking a balance between these approaches is essential for the success of SEZs.

1.1 Research Instrument and data collection:

i.) Success Factors of SEZs

Category	2023	2024	Change
Total Income	R18.9 billion	R25.0 billion	32.20%
Enterprises	43	46	Growth in non-manufacturing enterprises (63.0%)
Employment	8,576	9,842	+14.7% total workforce
- Directly Employed	6,078	6,594	8.50%
- Youth Employment	42.7% of total	45.0% of total	Increase in youth participation
Manufacturing Contribution	73.2% of income	70.2% of income	Slight decline in income contribution
Capital Investment	R558 million	R935 million	+67.6% (focus on plant, machinery and equipment - 47.7%)

Table 1. Success Factors of SEZ

The table provides a detailed overview of key performance metrics for 2023 and 2024, highlighting significant changes and developments. Total income increased from R18.9 billion in 2023 to R25.0 billion in 2024, representing a substantial growth rate of 32.2% (Statistical release, 2025). The number of enterprises grew from 43 to 46, with notable growth of 63.0% in non-manufacturing enterprises. Employment also saw an improvement, with the workforce expanding by 14.7%, from 8,576 in 2023 to 9,842 in 2024. Within this growth, direct employment increased by 8.5% to 6,594, and youth participation in employment rose from 42.7% to 45.0% (Gumede P. W., 2023).

Manufacturing contribution declined slightly, dropping from 73.2% to 70.2% of total income, suggesting a shift in income sources towards other sectors (Statistics South Africa, 2024). Capital investment more than doubled, increasing from R558 million in 2023 to R935 million in 2024, reflecting a growth rate of 67.6%. Nearly half of these investments (47.7%) were directed toward plant, machinery, and equipment (Statistical release, 2025).

The data showcases overall positive performance across various metrics, including substantial gains in income, enterprise diversity, employment, and capital investment. Income growth highlights strong financial health, driven by expanded enterprise activities and increased investments. The diversification of enterprises, particularly the growth in non-manufacturing sectors, points to broader economic opportunities. Employment expansion, coupled with increased youth participation, demonstrates progress in inclusivity and workforce development. However, the decline in manufacturing contribution warrants attention, as it may indicate a need to balance growth across sectors. The surge in capital investment reflects a commitment to infrastructure and equipment, likely strengthening both manufacturing and non-manufacturing operations. Overall, these trends underscore encouraging progress while identifying areas for continued focus and monitoring.

i.) What policies have been implemented in the SEZ?

According to South Africa's SEZ Act (2012), SEZs are a mechanism for economic development that encourages exports and national economic growth by utilizing support measures to draw in specific domestic and foreign investments and technologies. SEZs are used to promote both domestic and foreign investment, boost production output, which results in higher exports of value-added manufacturing goods, create jobs, transfer technology and skills, and establish economic ties through supplier development and regionally dispersed industrial development, according to IPAP.

ii.) What strategies have been employed in your SEZ?

South African SEZs implement diverse strategies to promote industrial growth, attract investments, and increase exports (UNCTAD, 2021). These include offering incentives like tax breaks and duty-free imports to entice local and foreign investors, and developing essential infrastructure such as roads, railways, ports, and energy facilities (DTIC, 2025). SEZs foster public-private partnerships to leverage combined strengths and focus on specific sectors like manufacturing

ensure a capable workforce. Additionally, SEZs actively market their benefits, experiment with policy innovations to create a competitive climate, integrate with global value chains, and support small, medium, and micro enterprises (SMMEs), creating opportunities for broader economic participation (UNCTAD, 2021).

iv.) How would you rate the effectiveness of these policies and strategies?
(Scale: 1-5, where 1 is "not effective" and 5 is "very effective")

To evaluate the effectiveness of SEZs in South Africa, the analysis focused on their objectives within the category of job creation. Job creation was selected as the area of focus due to the availability of relevant data, which included both projected targets and actual outcomes. The effectiveness was measured using a formula that involved dividing the percentage of achievement by the total number of SEZs.

SEZ Name	No. of Operational Investors	Operational Investment	Job Created	No. of Secured But Non-Operational Investors	Secured But Non-Operational Investors (R Million)	Expected Jobs to be Created
Coega IDZ	54	1,187	8,019	8	152	529
East London IDZ	40	5,646	3,223	11	3,423	2,200
Maluti-A-Phofung Special Economic Zone	4	1,025	164	12	5,093	946
SALDANHA BAY IDZ	16	295	190	21	11,800	534
DUBE TRADE PORT	45	2,183	4,057	2	81	147
Richards Bay IDZ	2	352	90	9	15,536	1,139
OR Tambo IDZ	2	359	2,322	11	245	135
Atlantis	3	655	323	2	50	75
The Tshwane Automotive Special Economic Zone (TASEZ)	2	288	652	10	3,746	1,838
Nkomazi	-	-	-	-	-	-
Musina/ Makhado SEZ	-	-	-	-	-	-
Total	168	11,990	19,040	86	40,125	7,543

Table 1. Effectiveness of SEZs in South Africa

Source: (Gumede W. , Leveraging Special Economic Zone for growth, 2024)

The table below illustrates the calculation used to compare the actual jobs created with the expected jobs, expressed as a percentage. Based on the scale provided in the table, the effectiveness of the policy and strategy is rated as 3, indicating that it is not very effective.

SEZ Name	Job Created	Expected Jobs to be Created	Formula	0-20 =1 21-40=2 41-60=3 61-80=4 81-100=5
Coega IDZ	8,019	529	1516%	5
East London IDZ	3,223	2,200	147%	5
Maluti-A-Phofung Special Economic Zone	164	946	17%	1
SALDANHA BAY IDZ	190	534	36%	2
DUBE TRADE PORT	4,057	147	2760%	5
Richards Bay IDZ	90	1,139	790%	5
OR Tambo IDZ	2,322	135	1720%	5
Atlantis	323	75	431%	5
The Tshwane Automotive Special Economic Zone (TASEZ)	652	1,838	35%	1
Nkomazi	-	-	0%	-
Musina/ Makhado SEZ	-	-	0%	-
Total	19,040	7,543	Effectiveness on the scale of 1-5	3

Table 1. Effectiveness of these policies and strategies

i.) What **execution approaches** have been used in SEZ in South Africa?

According to the SEZ Act the SEZ aims to establish industrial hubs with strategic advantages, focusing on manufacturing and tradable services while promoting the beneficiation of natural resources and value-added production. SEZs are designed to attract local and international investments, develop necessary infrastructure, and integrate with existing industrial and technological capacities. They seek to drive regional development, foster innovation, create decent jobs, expand economic participation (including support for small businesses and co-operatives), and encourage skills and technology transfer to generate sustainable economic growth.

ii.) How would you rate the effectiveness of these execution approaches? (Scale: 1-5)

The effectiveness of the execution approaches was assessed by analyzing the ratio of secured but non-operational investors to operational investors. This metric demonstrates the ability of SEZs to attract interest from potential investors, providing insight into the effectiveness of their execution strategies.

SEZ Name	Operational Investment	Secured But Non Operational Investors (R Million)	Formula	0-20 =1 21-40=2 41-60=3 61-80=4 81-100=5
Coega IDZ	1,187	152	13%	1
East London IDZ	5,646	3,423	61%	3
Maluti-A-Phofung Special Economic Zone	1,025	5,093	497%	5
SALDANHA BAY IDZ	295	11,800	4000%	5
DUBE TRADE PORT	2,183	81	4%	1
Richards Bay IDZ	352	15,536	4414%	5
OR Tambo IDZ	359	245	68%	4
Atlantis	655	50	8%	1
The Tshwane Automotive Special Economic Zone (TASEZ)	288	3,746	1303%	5
Nkomazi	-	-		-
Musina/ Makhado SEZ	-	-		-
Total	11,990	40,125	Effectiveness on the scale of 1-5	3

Table 1. Execution approach

The execution approach is assigned a rating of 3, indicating that it is also considered to be not very effective.

i.) What contextual conditions have contributed to the success/failure of SEZ?

Before drafting the SEZ Bill, the Department of Trade and Industry launched the IDZ programme in 2000 under the Manufacturing Development Act to attract foreign investment, boost exports of value-added goods, and link domestic and zone-based industries. Six IDZs were designated, including Coega, East London, Richards Bay, OR Tambo, Saldanha Bay, and Dube Trade Port (added in 2014). Early successes included R4 billion in investments, over 5,000 direct jobs, and 43,000 construction jobs. However, limitations like weak governance, insufficient incentives, poor coordination, and lack of integrated planning were identified, prompting a policy review to address these shortcomings and optimize economic benefits.

ii.) How would you rate the impact of these contextual conditions on SEZ's success/failure? (Scale: 1-5)

The contextual conditions on the SEZ's success/failure can be assessed by examining the relationship between operational investments and the jobs created. This approach evaluates cost efficiency by determining the investment required to create each job.

SEZ Name	Operational Investment	Job Created	Formula
Coega IDZ	R 1,187	8,019	R 0.15
East London IDZ	R 5,646	3,223	R 1.75
Maluti-A-Phofung Special Economic Zone	R 1,025	164	R 6.25
SALDANHA BAY IDZ	R 295	190	R 1.55
DUBE TRADE PORT	R 2,183	4,057	R 0.54
Richards Bay IDZ	R 352	90	R 3.91
OR Tambo IDZ	R 359	2,322	R 0.15
Atlantis	R 655	323	R 2.03
The Tshwane Automotive Special Economic Zone (TASEZ)	R 288	652	R 0.44
Nkomazi	R -	-	R -
Musina/ Makhado SEZ	R -	-	R -

Table 7. Investment required to create Jobs

SEZ Name	Sum of Investment required to create Jobs
Maluti-A-Phofung Special Economic Zone	R 6.25
Richards Bay IDZ	R 3.91
Atlantis	R 2.03
East London IDZ	R 1.75
SALDANHA BAY IDZ	R 1.55
DUBE TRADE PORT	R 0.54
The Tshwane Automotive Special Economic Zone (TASEZ)	R 0.44
OR Tambo IDZ	R 0.15
Coega IDZ	R 0.15
Musina/ Makhado SEZ	R -
Nkomazi	R -
Grand Total	R 16.78

Table 1. Investment required to create Jobs

Would you consider your SEZ a success or failure? Why

SEZs were identified as key tools for advancing South Africa's industrialization, leveraging the country's abundant natural resources, ample land, favorable economic policies, and strategic position as a gateway to Africa. If well-executed, SEZs can drive industrial growth, regional development, exports, job creation, and attract foreign investments. The SEZ Bill, introduced in 2012 and enacted in 2014, highlighted the government's commitment to strengthening the manufacturing sector as a foundation for sustained economic growth and development.

Based on the ratings provided on table 4 below, the SEZs in South Africa can be considered a success. Six SEZs achieved a high score of 5 for the effectiveness of their policies and strategies, while only two SEZs received a low score of 1

SEZ Name	Effectiveness of the policies and strategies	Execution approach	Investment required to create Jobs	
Coega IDZ	5	1	R	0.15
East London IDZ	5	3	R	1.75
Maluti-A-Phofung Special Economic Zone	1	5	R	6.25
SALDANHA BAY IDZ	2	5	R	1.55
DUBE TRADE PORT	5	1	R	0.54
Richards Bay IDZ	5	5	R	3.91
OR Tambo IDZ	5	4	R	0.15
Atlantis	5	1	R	2.03
The Tshwane Automotive Special Economic Zone (TASEZ)	1	5	R	0.44
Nkomazi	-	-	R	-
Musina/ Makhado SEZ	-	-	R	-
Total	3	3	R	1.53

Table 1. Overall Effectiveness Index

i.) What factors contributed to your SEZ's success/failure?

According to Qumba (2023), there is convincing evidence that any SEZ regime's success depends on strong institutions, sound regulatory frameworks, and effective governance. The consistent, transparent, and predictable implementation of SEZ policies should be ensured by an efficient legal framework, which will boost investor trust and operational effectiveness. By

lowering the administrative load, expenses, and time required in comparison to domestic market investments, the legal and regulatory environment can further stimulate investment. One important way to accomplish this is by creating a one-stop shop that combines all pertinent legal and regulatory procedures, making compliance easier and drawing in more capital.

i.) How does your SEZ compare to others in terms of success factors?

SEZ Name	Policies and strategies	Execution approach Score	Investment Score	Composite Score	Rank
OR Tambo IDZ	5	4	5	4.67	1
Richards Bay IDZ	5	5	1	3.67	2
Coega IDZ	5	1	5	3.67	3
DUBE TRADE PORT	5	1	4	3.33	4
East London IDZ	5	3	2	3.33	5
SALDANHA BAY IDZ	2	5	3	3.33	6
The Tshwane Automotive Special Economic Zone (TASEZ)	1	5	4	3.33	7
Maluti-A-Phofung Special Economic Zone	1	5	1	2.33	8
Atlantis	5	1	1	2.33	9
Nkomazi	-	-	-	-	-
Musina/ Makhado SEZ	-	-	-	-	-

Table 1. Ranking

Analysis provides a clearer understanding of the performance and challenges of each SEZ.

1. Top Performers,

- OR Tambo IDZ ranks highest due to strong scores across all metrics.
- Richards Bay IDZ performs well in policies and execution but has less cost-effective job creation.

2. Areas for Improvement,

- Maluti-A-Phofung SEZ struggles with policies and investment efficiency, contributing to its low ranking.
- Atlantis SEZ shows poor execution and cost efficiency despite high policy effectiveness.

1. Investment Efficiency Focus:

- Coega IDZ and OR Tambo IDZ demonstrate strong investment-to-job creation efficiency, making them models for cost-effective practices.

i.) What lessons can be learned from successful/failed SEZ

SEZs' success depends on establishing a favorable environment backed by strong political and technical leadership, according to the evaluation of SEZs. SEZ in South Africa failed because, instead of tackling the underlying barrier to industrialization in the area, they attempted to create industrial enclaves with their own world-class infrastructure and administration (Makgetla, 2021).