Gordon Institute of Business Science
University of Pretoria

GAUTENG
THE OR TAMBO SEZ
Special Economic Zone

South Africa's Special Economic Zones:

Rethinking, reimagining, and reviving SEZs to unlock their full potential

October 2025

Centre for African Management and Markets (CAMM)
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South Africa's Special Economic Zones (SEZs) play a crucial role in the country's industrial policy. However, an assessment of SEZ performance highlights a notable gap between the programme's ambitious objectives and its inconsistent results in practice.

Overall, the programme's impact has been heavily concentrated in just a few locations, while others have significantly underperformed. Four SEZs (Coega, Dube TradePort, East London and the Tshwane Automotive SEZ) collectively account for over 74% of the total R30 billion in private investment attracted by the programme. Despite some zones, such as Richards Bay and Saldanha Bay, having large investment pipelines, their progress in converting these commitments into operational reality has been slow.

The SEZ programme has created approximately 27,000 direct jobs, which is a minimal contribution to a national labour force of nearly 28 million. This results in a high cost-per-job, with approximately R925,926 in government investment for each job created. Most employment is highly concentrated in Coega (over 10,500 jobs) and East London (over 5,270 jobs). A notable portion of the jobs created, particularly in newer zones, are temporary construction roles rather than long-term operational positions.

The effectiveness of incentives is also a significant concern. The flagship incentive, a reduced 15% corporate income tax (CIT) rate, is not uniformly accessible and has only been approved for half of the SEZs. A review of the SEZ rebate shows that only 30 out of 216 SEZ investors have used it, indicating either a lack of awareness or that the administrative burden outweighs the benefit. The benefits of this rebate are heavily concentrated among a few investors.

The report identifies persistent issues that undermine the programme's effectiveness. South Africa's SEZs lack the comprehensive fiscal and regulatory advantages of successful global models. Weaknesses in the South African model include insufficient incentives, lack of centralisation and standardisation, and a high concentration of benefits in a small number of zones and beneficiaries.

To address these shortcomings and unlock the programme's full potential, we offer four key recommendations to chart a path to rejuvenation:

1. The establishment of a monitoring platform mandated to create a centralised, public dashboard

2. A coordinated national marketing strategy to promote SEZs to targeted global investors and sectors that align with national priorities.

3. Ensure that sunset reviews for all incentives are well publicised, properly benchmarked, and thoroughly assessed.

4. Expanded public–private collaboration to improve efficiency, accelerate infrastructure delivery, and better align governance with investor needs.

1

INTRODUCTION

The World Bank defines Special Economic Zones (SEZs) as "geographically delimited areas within a country that operate under different economic regulations than the rest of the country", often offering tailored tax and regulatory incentives to promote industrial development. By reducing operational costs and investment risks, SEZs provide firms with a conducive environment to thrive, particularly in countries facing structural competitiveness and infrastructure bottlenecks.

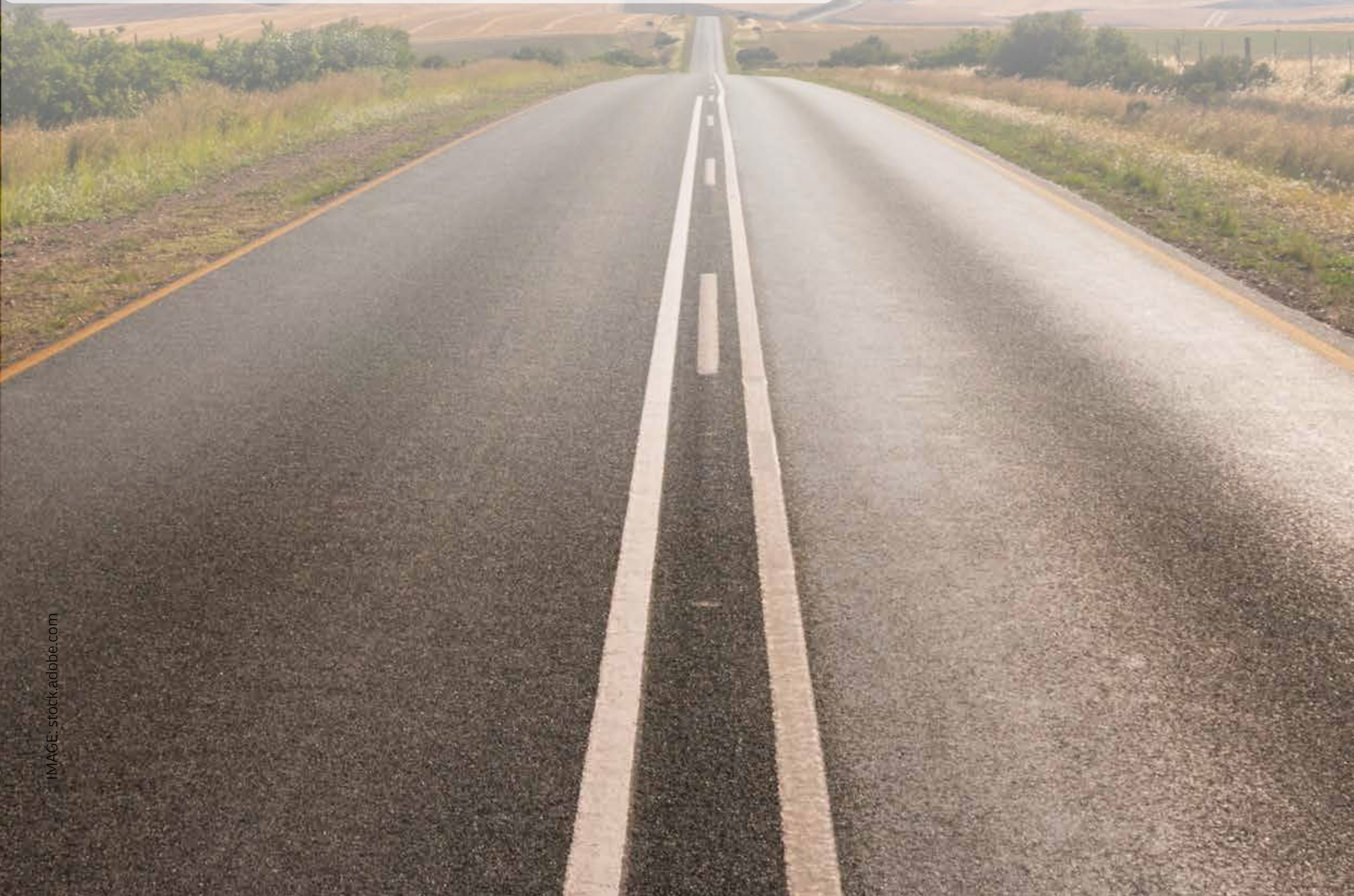


IMAGE: stock.adobe.com

In the South African legal framework, the definition of a Special Economic Zone is found in the SEZ Act No. 16 of 2014. The Act defines a Special Economic Zone as: *"Designated areas to promote targeted economic activities, supported through special arrangements and support systems including incentives, business support services, streamlined approval processes and infrastructure"*.

A core feature of SEZs is their function as zones of regulatory and fiscal differentiation. Both the World Bank and South African definitions highlight that these areas (should) operate under a distinct set of economic rules, offering special arrangements like tailored tax incentives and streamlined approval processes that set them apart from the rest of the country. This strategic separation aims to create a more attractive and efficient environment for investment and industrial growth.

Modern industrial policy increasingly leverages SEZs as targeted instruments to overcome persistent market and policy failures, which often limit industrialisation in low- and middle-income economies. Key challenges, such as chronic infrastructure deficits and coordination failures, deter investment and limit firm growth. SEZs can assist in the following ways:

1. **Addressing infrastructure gaps:** Many African SEZs, for example, provide reliable roads, electricity, water, and telecommunications within their boundaries—effectively overcoming national weaknesses that might otherwise discourage both domestic and foreign investment.
2. **Resolving coordination failures and enhancing spillovers:** By clustering firms, suppliers, and service providers within a single area, SEZs facilitate network effects and the exchange of ideas that would be unlikely in dispersed or fragmented industries. This setup encourages knowledge spillovers and local supplier development.
3. **Mitigating information asymmetries:** SEZs often centralise investment promotion, regulatory approvals, and business support through "one-stop shops", reducing informational and bureaucratic barriers for investors.
4. **Laboratories for policy reform:** SEZs provide a controlled environment in which governments can experiment with policy innovations that may be politically difficult to implement nationwide. Notably, China's early SEZs piloted tariff reductions and liberalised FDI and labour policies, while Ethiopia trialled minimum wages to support manufacturing growth.

However, global evidence cautions that SEZs only address these challenges, when they are well-designed and effectively implemented. Zones that lack regulatory or cost advantages, are poorly located, or misaligned with regional comparative advantages routinely fail to deliver meaningful development impacts.

1.1 SEZs as instruments of modern industrial policy

Global economic trends show that SEZs are a cornerstone of modern industrial policy, particularly in developing countries. According to the UNCTAD World Investment Report (2023), there are now more than 6,000 SEZs in operation worldwide, with nearly 75% located in developing economies. This proliferation of zones is a direct response to the increasing role of Global Value Chains (GVCs), as highlighted by the World Bank (2022). By offering targeted incentives and improved infrastructure, SEZs aim to attract foreign direct investment and integrate into these complex global supply networks. This strategy is seen to overcome domestic market failures and as outlined in the World Bank's 2020 report on industrial policy, to provide a controlled environment for industrial experimentation and growth. Ultimately, SEZs serve as a key instrument for nations looking to enhance their global competitiveness, diversify their economies, and accelerate industrial development.

1.2 Paradigm shift

According to the McKinsey Global Institute's 2024 report, contemporary industrial policy has shifted from traditional protectionism (tariffs, import substitution) to strategic promotion. Today's tools include fiscal and financial incentives (tax breaks, subsidies, grants, concessional loans), public procurement, targeted sectoral support (e.g., semiconductors, EVs, renewables), and active market-shaping (public procurement, demand stimulation). The report further explains that competitiveness is no longer defined by efficiency alone but by strategic resilience, securing high-quality jobs, critical manufacturing capacity, and alignment with green and digital goals. Key sectors, including defence, advanced manufacturing, batteries, hydrogen, and critical minerals, are receiving substantial subsidies. For example, in 2023, battery subsidies reached nearly 30% of global sector revenues, and over £570 billion has been committed to hydrogen alone.

The key takeaway from all of this is that South Africa must rethink its SEZ strategy in the era of subsidy races and localisation mandates. If SEZs are to be export-oriented, they must align with global industrial shifts to remain competitive and build resilient, future-proof value chains.

1.3 Changing global landscape

The surge in interventionist industrial policies worldwide has led to a new era of heightened subsidy competition and shifting supply chains. Leading economies, such as the US, EU, and Japan, are employing explicit economic security strategies that combine incentives, local content rules, and strategic alliances to mitigate vulnerabilities exposed by the pandemic and geopolitical instability. They include:

1.

Increased subsidy races: The US Inflation Reduction Act and Chips Act, for example, tie tax and grant incentives to domestic production and localisation of the workforce—raising the bar for global competitiveness.

2.

Proliferation of "onshoring" and "friend-shoring": Nations are moving value chains closer to home or trusted allies; a trend reflected in new EU and Japanese laws mandating diversified sourcing and cross-border economic security clubs.

1.4 What South Africa loses by standing still

The risks of inaction rests on the idea that SEZs, if well designed, could perform better than South Africa's current experience. Global trends present both risks and opportunities, but South Africa's SEZ record must be assessed, considering its domestic challenges.

It is worth asking how much of the programme has driven new investment. It can be argued that in some cases, SEZs may have functioned more to bypass municipal failures and weak governance, than to be magnets for investment. This raises the question of whether firms are drawn by the incentives themselves, or by relief from poor utilities and unreliable service delivery elsewhere.

Therefore, any review of SEZs must stay grounded in South Africa's realities. Global alignment only matters if it brings tangible economic benefits, and it is worth questioning whether SEZs are the right tool to achieve this.

The danger of standing still is clear: If South Africa's SEZs fail to offer globally competitive incentives and seamless integration into international production networks, the country risks capital and supply chains shifting to locations with stronger institutional support, larger incentives, and deeper connectivity to global value chains.

Without robust SEZ-driven supplier ecosystems, particularly in industries such as chemicals, and green technologies, the economy remains vulnerable to tariff hikes, supply chain disruptions, and sudden changes in global trade rules. Moreover, delays in embracing digitalisation, green transitions, and resilience measures could see South African products disadvantaged under emerging bloc-based trade regimes, where trusted suppliers and regional proximity increasingly determine market access.

1.5 Opportunities: Aligning SEZs with GVCs

Major policy shifts, especially toward green industrialisation and digital transformation, open new pathways for South Africa's SEZs:

1. **Green transition:** Support for renewable energy equipment and battery storage (as seen in Coega and Atlantis) aligns local manufacturing with global priorities and helps secure positioning in emerging clean-tech value chains.
2. **Digital transformation:** Initiatives at SEZs like Dube TradePort—integrating advanced ICT infrastructure—demonstrate how SA zones can become hubs for high-value, tech-enabled exports.
3. **Regional alliances:** The Africa Continental Free Trade Area (AfCFTA) and the African Union's push for mineral mineral beneficiation and digital strategies, reinforce the case for SEZs to anchor regionally integrated supply chains—enhancing resilience and competitive advantage.

Global industrial policy has entered a phase defined by economic security, sustainability, and strategic realignment. The implications for South Africa—and specifically for its SEZs—are profound: successful zones will be those that not only attract investment and foster export growth, but that actively engage with supply chain resilience, digital and green industrial upgrading, and new patterns of regional and geopolitical alignment.

2

SOUTH AFRICA'S INDUSTRIAL POLICY EVOLUTION

South Africa's post-apartheid industrial policy has been marked by a series of ambitious frameworks and interventions, most notably articulated through the National Industrial Policy Framework (NIPF) and nine successive Industrial Policy Action Plans (IPAPs) published between 2007 and 2018. The inaugural IPAP in 2007 operationalised the NIPF vision, introducing concrete targets for sectoral development, job creation, local content, and export promotion.

Following 2018, the Department of Trade, Industry and Competition (dtic) shifted from annual IPAPs to sector-focused Master Plans, aiming for more tailored policy interventions, better coordination, and greater industry leadership. Over time, sectoral master plans—spanning automotive, clothing and textiles, and beyond—have been developed. The South African Automotive Masterplan (SAAM 2035), developed and launched after 2019, is notable for its explicit integration of SEZs as central instruments for sectoral growth and export competitiveness. The masterplan highlights the role of SEZs—specifically the Tshwane Automotive SEZ—as platforms for advancing local manufacturing, facilitating export-oriented production, and attracting investment. However, it is essential to note that qualifying manufacturers in Tasez also benefit from automotive-specific incentives, such as those offered under the Automotive Production and Development Programme (APDP) and the Automotive Investment Scheme (AIS).

The newly released 2024 Industrial Policy & Strategy Review highlights that while the policy architecture is robust and objectives, such as industrial diversification and job creation, are well defined; the reality has fallen short of delivering the intended outcomes.. Key targets for manufacturing output, employment, and exports remain unmet: the manufacturing sector's share of GDP has declined sharply, jobs in the sector have decreased, and export growth has lagged significantly. Furthermore, attempts at localisation and targeted procurement have often raised business costs, without spurring meaningful competitiveness gains or broader economic benefits. Similarly, master plans, though consultative, have often reinforced protectionism more than industrial renewal.

Persistent shortcomings point to a critical gap: delivery has persistently lagged policy intent. Implementation bottlenecks, weak monitoring, underestimated costs, and an insufficient focus on sustained competitiveness and innovation have all played a role. As a result, major independent and official reviews now call for not just deeper reforms but stronger feedback loops, better cost–benefit evaluation, and a more agile policy approach. This provides essential context for understanding the policy environment in which South Africa's SEZs operate.

2.1 Legislative and institutional architecture

South Africa's SEZs framework is rooted in the SEZ Act, No. 16 of 2014, which replaced and expanded upon the earlier Industrial Development Zone (IDZ) programme.

The IDZ programme was initiated to attract export-oriented investment, mainly situated around ports and airports. However, it was limited in scope and reach as only a few zones (e.g., Coega, East London, Richards Bay, OR Tambo) were designated, with strict eligibility criteria focused on proximity to major transport hubs. The IDZs suffered from design and implementation weaknesses: excessive focus on infrastructure, limited policy instruments, ad-hoc planning, insufficient governance, and an overreliance on government funding. Policy reviews and the 2012 SEZ policy document highlighted several shortcomings, including limited industrial diversification and geographic reach, weak coordination across agencies, fragmented support for investors, and the absence of a holistic incentive and service package. There was also a need for integrated development, encompassing skills, innovation, value-chain building, and infrastructure reliability. This led to the adoption of a broader, more flexible SEZ policy, enabling diverse zones and providing more robust institutional support.

2.2 SEZ regime

The SEZ Act, No. 16 of 2014, introduced a comprehensive framework for the establishment and governance of SEZs. It provides for national policy and strategy, the creation of an SEZ Advisory Board, the establishment of a dedicated SEZ Fund, streamlined procedures for zone designation and operator licensing, and the implementation of enhanced incentive and support measures.

The Act empowers the Minister of Trade, Industry and Competition (the Minister) to designate SEZs as free ports, free trade zones, industrial development zones (carried over from the previous regime), or sector development zones. This significantly broadens eligible site types beyond the earlier IDZ model. Transitional provisions ensured that existing IDZs and their operators were "grandfathered" into the new SEZ regime, with a three-year period to align governance, reporting, and operational structures with the Act's requirements. SEZ policy and strategy are determined by the Minister and updated as needed in consultation with the SEZ Advisory Board. SEZ designation now extends to inland, regional, and sector-focused zones, breaking the previous port and airport restrictions of the IDZ regime. The Act and its regulations define a range of incentives, which may include lower CIT rates, customs and VAT relief, R&D support, infrastructure grants, and business incubation, with eligibility detailed in further regulations and guidelines.

To improve efficiency, the Act requires SEZs to establish a "one-stop shop" for regulatory services, streamlining business setup and operations. SEZ Boards and operators are also subject to integrated performance monitoring and compliance obligations. They must submit annual business plans, audited financial statements, and quarterly KPI reports to ensure transparency, value for money, and accountability. These reports cover key metrics, including investment levels, job creation, land uptake, exports, SMME participation, and infrastructure delivery. The dtic and the SEZ Advisory Board are empowered to intervene in cases of non-compliance or underperformance, with measures that can include withdrawing operator licences, revoke zone designation, or adjusting sectoral strategies beyond logistics hubs.

2.3 Mandate, structure, and roles

The governance of South Africa's SEZ programme is structured around distinct mandates and roles of key entities:

1.

dtic: Ultimately responsible for the national SEZ policy framework, strategy formulation, monitoring oversight, and administration of the SEZ Fund. They provide technical and financial support, act as secretariat to the SEZ Advisory Board, and coordinate inter-governmental relations.

2.

SEZ advisory board: Multi-stakeholder structure representing government, SOEs, business, labour, and experts. It advises the Minister on policy, strategy, SEZ designation, operator licensing and performance; it monitors annual implementation and compliance and monitors and reports progress to Parliament, ensures accountability, and recommends best practice norms and standards.

3.

Licencees and SEZ entities: Upon designation, the applicant (national, provincial, municipal, or PPP) becomes the licencee and must establish a distinct SEZ operating entity (company or public entity). Each SEZ has its own Board of Directors (governance), which appoints an operator to manage day-to-day development, investment promotion, infrastructure, and zone administration. Operator permits are regulated and issued by the Minister, following strict due diligence, business planning, and compliance reviews outlined in the regulations.

4.

Operator entities: These may differ from the Licensing Entity and are regulated through Operator Permits issued by the Minister. Operator Entities are appointed by the SEZ Licensing Company, reflecting the intent to separate licensing from operations, where necessary. In practice, this separation has been challenging for existing SEZs that were previously IDZs, as they received only an Operator Permit, which now effectively functions as a Licence. As a result, these SEZs often serve as both Licensing Companies and Operator Entities, with OR Tambo and Coega being examples.

5.

Provincial and local governments, SOEs, and cross-agency coordination: Provision is made for provinces and municipalities to serve as shareholders in the SEZ entity, responsible for land provision, supporting infrastructure, service delivery, and local economic integration. Institutional arrangements require active cooperation with SOEs (e.g., Eskom, Transnet) and regular engagement with Stats SA for performance data, as stated in the SEZ Performance and Evaluation Framework.

2.4 Timelines

The development trajectory of South Africa's SEZs has generally been extensive and protracted. With the notable exceptions of Dube TradePort and Tasez — both of which have demonstrated significantly faster progress — most SEZs in the country have taken several years, if not decades, to reach full operationalisation. In the case of Tasez, its development journey commenced with the Automotive Industry Development Centre's (AIDC) masterplan in 2016, followed by the Department of Trade and Industry's support to designate the area as an SEZ in 2017. After the completion of a comprehensive business plan, Tasez was officially launched by President Cyril Ramaphosa in November 2019.

Construction commenced in 2020, and the work on the first phase was completed by November 2022. This rapid progression, from a formal agreement to a fully completed first phase in a span of five years, demonstrates the efficacy of a governance model designed to circumvent red tape and operational delays specifically. The speed of Tasez's development is arguably a visible metric of success in comparison to some other SEZs in the country, and it is worth exploring to determine unique factors and how much of it is replicable.

The rapid development of Tasez has been widely attributed to strong political will, intergovernmental collaboration, and the presence of a committed anchor investor. According to the dtic, Tasez was established through a "first-of-its-kind inter-governmental agreement" involving national, provincial, and municipal authorities. The impact of this model is evident in Tasez's swift progress, with its first phase completed in just 18 months—a success the zone itself attributes to close alignment between Ford Motor Company of Southern Africa (FMCSA) and the three tiers of government. Although not a tenant of Tasez, FMCSA's investment of US$1 billion to expand production of the next-generation Ford Ranger provided both the capital base and strategic clarity for the zone. At the same time, additional investors, who are tiered suppliers to Ford's production, were secured from the outset, making Tasez the first SEZ in South Africa to construct facilities to specification for pre-enlisted firms. What is less clear is why the SEZ was required for this investment to happen.

Sectoral specialisation and agile project management also played a role. The dtic's rationale document shows that Tasez was conceived as a central hub for automotive production, giving it a targeted focus reinforced by the APDP. Tasez's CEO, Dr Bheka Zulu, has noted that this concentration in the automotive sector has been central to its impact. In respect of project management, project execution was accelerated through practices, such as simultaneous bulk and top structure construction, detailed recovery planning, and "beneficial occupation", which allowed investors to begin the operational setup before full-scale completion.

2.5 Incentive frameworks

South Africa's SEZ policy is grounded in legislation and supported by strategic planning documents that consistently frame SEZs as tools for industrial development, investment attraction, export growth, and regional transformation. The SEZ Act (2014) establishes the legal foundation, while the SEZ Regulations (2016) and Monitoring & Evaluation Framework (2016) articulate establishment, operations and governance, as well as complementary objectives and implementation goals. Although each document varies slightly in emphasis, they converge on a shared vision of using SEZs to promote inclusive and spatially balanced industrialisation. Several objectives are designed in alignment with the national industrial and development strategies, including the Industrial Policy Action Plan (IPAP) and the New Growth Path (NGP).

2.6 Policy objectives vis-à-vis cost and performance

The foundational aims of the SEZ programme are explicitly codified as the "purpose of establishing SEZs" within Section 4(2) of the 2014 SEZ Act. These objectives articulate a comprehensive vision for industrial development and economic transformation. Specifically, the Act mandates SEZs to: promote national economic growth and exports; attract targeted foreign and domestic direct investment (FDI and DI); develop targeted industrial capabilities; and facilitate the creation of industrial complexes possessing strategic national advantages. Furthermore, the SEZs are intended to support investments in manufacturing and tradable services, enable the beneficiation and value addition of mineral and agricultural resources, and develop world-class industrial infrastructure. From a socio-economic perspective, the programme is tasked with creating decent work and supporting inclusive economic participation, which includes the promotion of Small, Medium, and Micro-sized Enterprises (SMMEs), co-operatives, skills transfer, and technology transfer. The broader regional aims include the promotion of regional economic development and spatial transformation, while also striving to accelerate exports and stimulate innovative and new economic activity.

Cost and measurement challenges. The implementation of this broad SEZ programme, however, has proven to be financially burdensome, with expenditures to date estimated at approximately R25 billion. A concurrent challenge is the difficulty in collating the necessary data to accurately measure progress against the numerous, multifaceted objectives outlined in the Act. The complexity inherent in these objectives necessitates clear and quantifiable metrics; without measurable targets, it becomes impossible to determine the true value and efficacy of the R25 billion investment in the programme.

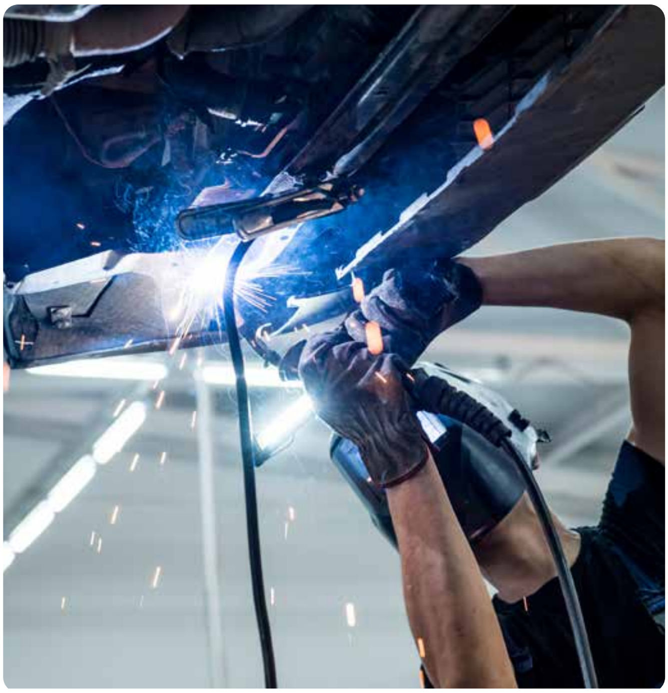
To address this evaluation requirement, the SEZ Performance Monitoring and Evaluation Framework specifies six Key Performance Indicators (KPIs) for assessing SEZ performance. These KPIs focus on operational and financial results. They require measurement of the number of investment projects operational against the target and the number of new direct jobs created against the target. Economic output is measured by the amount of fixed asset investment in SEZs, alongside revenue generated (both per square metre and in total), and the volume of annual export sales and export share of zone output. Finally, the framework also includes the crucial operational indicator of land allocation and efficient utilisation. These six indicators serve as the primary mechanism for assessing whether the significant public expenditure is translating into tangible, measurable economic and industrial outcomes.

2.6.1 Economic growth and exports

National economic growth is measured by looking at changes in Gross Domestic Product (GDP). If the SEZs are having a positive impact nationally, it should be seen in GDP growth acceleration after the SEZs come into operation. While only a small share of South African businesses operates within SEZs, any measurable impact should still reflect in overall growth trends, even if only marginally.

However, data tells a different story. Before 2014, when the SEZ Act was introduced, GDP growth averaged about 3.2%. After the rollout of SEZs, however, growth slowed sharply. Between 2014 and 2024, GDP growth averaged only 0.7% when including the Covid dip, and 1.4% when excluding it. This trend suggests that SEZs have not provided the expected boost to economic activity.

In other words, rather than helping to lift South Africa's growth trajectory, SEZs appear to have coincided with a period of weaker performance. While many factors beyond SEZs affect GDP growth, the data does not support the claim that SEZs have made a meaningful difference to the national economy.



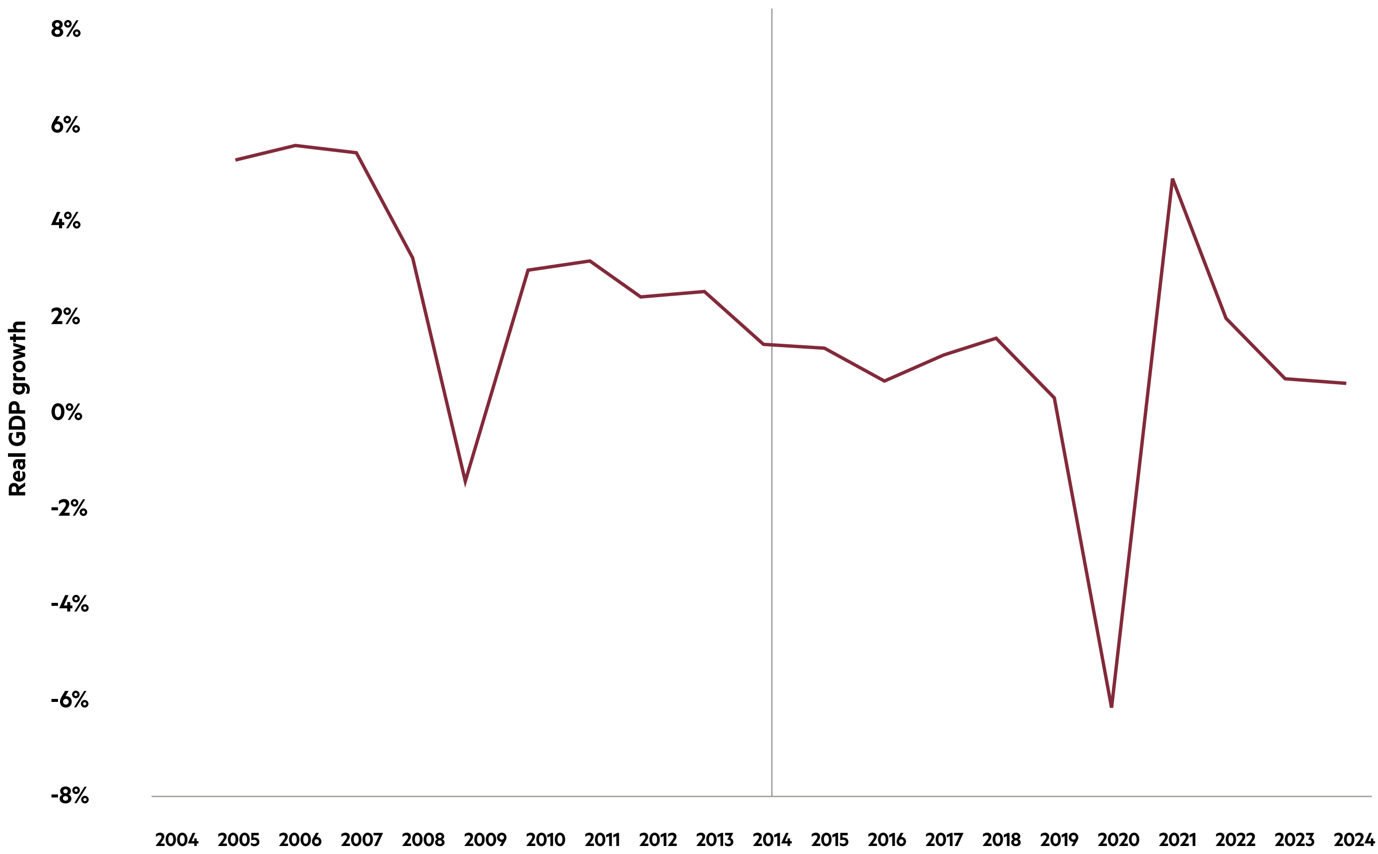


Figure 1: Creating SEZs had no measurable impact on GDP
Source: Authors

2.6.2 Attract targeted investment

There have been investments in SEZs, so some investment has been attracted. This, however, is not useful. If the investment relocated from outside the SEZ to inside, then this should not be counted as achieving the investment target. If the investment had happened without the SEZ, then this too should not be counted towards the investment target.

2.6.3 Develop targeted industrial capabilities

This goal is clearly being achieved by the pharmaceutical hub being planned around Aspen in Coega and the automotive hub in Tasez. Still, we again need to understand what it is about being in an SEZ specifically that allows this to happen. It is not clear that anything about being inside an SEZ will help achieve this goal in a way that industry-focused industrial parks cannot.

According to the Policy on the Development of SEZs in South Africa (2012), SEZs are intended as a strategic industrial policy tool, using targeted incentives and a coordinated approach to achieve key economic objectives.

SEZs in South Africa are designed to promote national economic growth and exports by supporting industrialisation, regional development, and job creation. SEZs also aim to develop specific industrial capabilities by attracting activities aligned with national strategies, such as the Industrial Policy Action Plan and the New Growth Path. This encourages skills development and strengthens South Africa's industrial base.

SEZs should also support the beneficiation and value addition of minerals and agricultural resources, providing an environment for processing, assembly, and fabrication of raw materials.

Finally, SEZs are designed to accelerate exports through a National Marketing Strategy and to stimulate innovation and new economic activity by supporting technology, R&D, and experimental approaches to industrial development.

2.8.1 Reduced CIT

A qualifying company operating in a Minister of Finance–approved SEZ can access a reduced CIT rate of 15% (compared to the regular 28%). It is important to note that only half of the SEZs in South Africa have access to this incentive. The eligibility criteria for the reduced CIT are:

A

The company must be incorporated or effectively managed in South Africa.

B

At least 90% of its income must be derived from activities within the SEZ.

C

Only specific industrial or manufacturing activities qualify (certain industries—e.g., alcohol, tobacco, biofuels, finance, hospitality, and parts of logistics and ICT—exclude from the CIT code).

Qualification requires multiple approvals, including from the National Treasury. In practice, Treasury's reluctance to grant CIT status has restricted broad access to this incentive, effectively creating a 'natural experiment' between SEZs with and without CIT.

2.8.2 Building allowance

Qualifying businesses may claim an accelerated depreciation rate on buildings at 10% per year over 10 years, as opposed to the standard depreciation rates. Exclusions are the same as for the reduced CIT (i.e., some types of manufacturing, trade, or services are excluded). Tenants cannot access this incentive if they are not approved for the CIT.

2.7 Key performance indicators

The measurement of SEZ success is aligned with policy objectives through a set of summarised output KPIs. These are documented in the SEZ Monitoring & Evaluation Framework (2016) and include:

A

Number of investment projects operational against the target.

B

Number of new direct jobs created against the target.

C

Amount of fixed asset investment in SEZs.

D

Land allocation and efficient utilisation.

E

Revenue generated (per square metre and in total).

F

Annual export sales and export share of zone output.

2.8 Incentives

South Africa's SEZs offer a package of incentives designed to attract investment, promote industrialisation, and support job creation. As outlined in the SEZ Act and the dtic incentives report, key incentives include:

2.8.3 Employment tax incentive (ETI)

Available to all employers in any SEZ, this incentive provides a cost-sharing tax credit to reduce the employer's PAYE liability for workers earning under a capped threshold (recently raised to R7,500/month). Unlike in the rest of the country, the employee age restriction (29 years) is waived for SEZ-located firms, making it easier for employers to claim the ETI regardless of employee age. However, the dtic's SEZ Tax Incentive Guide explicitly states that businesses must be in an SEZ that has been "approved by the Minister of Finance, after consultation with the Minister of Trade and Industry" to be eligible for any tax incentives.

2.8.4 VAT and customs relief

Firms located within a Customs-Controlled Area (CCA) inside an SEZ can benefit from: Import duty rebates and VAT exemption for production-related imports (inputs, machinery, assets); VAT suspension on qualifying local supply purchases and streamlined and expedited customs administration

2.8.5 Infrastructure grants and market-related rentals

1.

Infrastructure grants: The SEZ Fund, as per the SEZ Act, allocates public funds for the provision of roads, utilities, and zone infrastructure. Private investment, build-operate-transfer models, and public-private partnerships are encouraged for infrastructure rollout. Grant access is sometimes linked to having bankable investor projects and is subject to multi-year planning and approval cycles.

2.

Rental costs: The cost of leasing land or factory space is another practical "incentive". SEZs offer competitive, market-related rents (occasionally at below-market rates).

2.8.6 Other support

1.

12I Tax Allowance: Though separate from standard SEZ incentives, this (now-sunsetted) scheme offered tax allowances for greenfield/brownfield manufacturing investment and skills upgrades.

2.

One-Stop-Shop Facilities: SEZs are meant to provide a "one-stop shop" for regulatory, permitting, and investor support—streamlining business setup, licensing, and public service access.

2.9 Practical access, issues, and policy gaps

While the reduced CIT rate is considered the flagship fiscal incentive for SEZs, in practice, National Treasury approval is inconsistently applied and often slow, with half of the zones (notably OR Tambo, Atlantis, and others) excluded from this significant benefit. This results in stark differences in investor experience, a natural experiment across zones, where SEZs with CIT status (e.g., Coega, Dube TradePort) could be more attractive than others. As of the most recent official gazetting (Government Gazette 41758, July 2018), only six SEZs have been approved for the 15% reduced CIT incentive. It is important to emphasise that, beyond merely operating within an approved SEZ, access to the reduced 15% CIT rate is subject to strict qualifying conditions. In particular, at least 90% of the company's income must be derived from business activities conducted within the SEZ, and the company itself must be incorporated or effectively managed in South Africa. Overall, there has been a mixed uptake and effectiveness of incentives:

1.

ETI: Stronger uptake because of broader access rules, but impact varies zone by zone, depending on tenant profile and governance.

2.

Customs/VAT relief: While potentially powerful, many firms face practical access issues linked to SARS interpretations, application paperwork, and operational restrictions in non-CCA locations.

3.

Building allowance: Not always taken up; functional only in zones with bankable investors and where the exclusion criteria do not disqualify the applicant.

4.

Infrastructure: Grant access and supporting infrastructure provision remain uneven across zones, with significant delays or funding bottlenecks limiting impact.

5.

Market-related rent: Some SEZs struggle with high vacancy rates and industrial space paradoxes, partly explained by high or non-transparent rental pricing.

6.

Policy gaps: In practice, zones not able to deliver the "full suite" of incentives (especially CIT) are substantially less competitive, and this is a persistent complaint from both public and private sector stakeholders.

3

PURPOSE AND PERFORMANCE

Currently, there is no firm evidence to suggest that two identical companies—one located within an SEZ and the other outside—would perform differently solely because of their SEZ status. This uncertainty underscores the need for a careful reassessment of the strategic purpose and measurable benefits of SEZs in South Africa.

It is also essential to recognise that South African SEZs have experienced significant variation in the process from designation to operationalisation. These differences must be considered when interpreting their performance and assessing potential replication across sectors.

The dtic has committed substantial resources to SEZs. However, it is essential to question whether this level of commitment is sustainable or practical. Notably, discrepancies exist between reported values: ENE documents indicate a total of approximately R12 billion, whereas actual expenditure appears closer to R25 billion. The reasons for this discrepancy are unclear, and differences in scale (thousands versus millions) over the years further complicate interpretation.

A critical reassessment of SEZs in South Africa is necessary to understand their strategic value, the effectiveness of investments, and the measurable benefits for participating companies. Replicating SEZ models across sectors without careful evaluation may not guarantee similar beneficial outcomes.

3.1 Industrial contribution

South Africa's SEZs vary in their effectiveness. It is worth evaluating them separately for respective strengths and weaknesses.

3.2 OR Tambo SEZ

The OR Tambo SEZ, strategically located at OR Tambo International Airport, forms a critical node in South Africa's network of SEZs. Since its inception, the mandate of the SEZ's operating company has been to stimulate export-led industrial growth, attract substantial investment, create sustainable jobs, and develop world-class infrastructure facilitating high-value manufacturing and logistics. The zone's performance from 2019 through to 2024 reflects a trajectory of steady progress against key output KPIs, even as it navigates systemic challenges characteristic of SEZs nationally.

Although the OR Tambo SEZ reports a relatively modest annual average of operational investors compared to larger SEZs (e.g., Coega, East London), these projects are typically capital-intensive and focused on high-value sectors, such as agro-processing, precious metals beneficiation, jewellery manufacturing, and specialised logistics. By 2024, cumulative investor commitments exceeded R1 billion, bolstered by anchor tenants like In2Food and Metal Concentrators.

Operational jobs: The OR Tambo SEZ experienced a steady increase in operational employment, growing from over 2,000 jobs in 2020 to close to 3,000 by 2024. These jobs are primarily within anchor tenants and sector clusters, including food processing, metals, and jewellery manufacturing.

Construction jobs: Construction employment peaked during major infrastructure phases, reaching about 670 jobs in 2023 at the Jewellery Manufacturing Precinct and holding steady near 700 in 2024.

Fixed asset **investment** at the SEZ has shown robust growth, increasing from R343 million in 2019 to over R874 million by 2024 in investment property and infrastructure. This growth reflects the commissioning and operationalisation of major industrial precincts, including the food factory, gold refinery, and jewellery manufacturing cluster. Annual authorised capital expenditure remains high, with R374 million earmarked in 2025 alone for new precinct expansions and infrastructure upgrades.

Revenues consist primarily of income from rental and service fees, supplemented predominantly by government grants. Rental and service income increased from negligible amounts before 2019 to over R64 million in 2024, indicative of rising tenant occupancy and operational maturity. Grant income fluctuated but remained substantial, with totals exceeding R236 million in 2024, reflecting ongoing public capital support.

Export performance: While direct export values and volumes from OR Tambo SEZ tenants are not explicitly disclosed in audited financial statements, management narratives and sectoral composition underscore a strong export orientation. The zone benefits from OR Tambo Airport's role as South Africa's premier air cargo hub, facilitating high-value, low-mass air-freighted exports principally in agro-processing, precious metals, and advanced manufacturing. This unique positioning enhances its significance in the national export landscape.

The OR Tambo SEZ's performance from 2019 to 2024 demonstrates progress, despite the delays in implementation and operationalisation that have plagued the SEZ. However, its strategic location at OR Tambo Airport and focus on high-value export-oriented sectors position it well within South Africa's industrial development ambitions.

3.3 Coega SEZ

As South Africa's flagship SEZ, Coega dominates the country's SEZ landscape, accounting for a significant share of total activity and experience in the programme. The zone's sectoral diversity, anchored in industries, such as automotive, energy, logistics, and agro processing, attracts a broad mix of investors. According to Stats SA, in 2024, the zone generated R25 billion in total income. However, their latest annual reports and income statement state their revenue to be at R642 million. The basis for this discrepancy is not clear. Part of Coega's performance stems from its location adjacent to the deep-water port of Ngqura, comprehensive infrastructure, and investor support services.

Investment attraction:

Coega consistently attracts new investment projects, with annual additions ranging from 5 to 18 over the past seven years. In 2023/24, 11 new investment projects were secured, expanding the base of operational investors to 60 and reinforcing Coega's diversified investment portfolio.

Employment creation:

The number of direct jobs within investor companies has steadily increased, growing from 7,243 in 2016/17 to 10,154 by 2023/24.

Capital investment:

Fixed asset investment pledges have supported ongoing infrastructure and capacity development. While cumulative investment was R11.7 billion in 2016/17, new pledges in recent years have added substantially, with R840.39 million pledged in 2023/24 alone.

Revenue generation:

The SEZ has improved its financial sustainability through growing its own revenue streams, rising from R541.8 million in 2016/17 to R642.1 million in 2023/24.

Export performance:

While export values remain partially reported, recent trends indicate a positive trade balance, with exports exceeding imports and a clear upward trajectory in export-oriented output.

3.4 Tshwane automotive SEZ

Tasez represents a specialised approach to SEZ development, specifically designed to support Ford Motor Company's next-generation Ranger production. Established through an intergovernmental agreement between national, provincial, and local governments, the zone became fully operational in 2022. The zone hosts 10 automotive component manufacturers supporting Ford's US$1 billion investment in South Africa. Performance indicators demonstrate strong results across key metrics: private sector investment commitments reached R5.6 billion against a forecast of R3.4 billion, operational employment reached 216 against a target of 100, and the zone achieved all Annual Performance Plan targets for 2023-24. Tasez's focused sectoral approach and strong anchor investor demonstrate an alternative model for SEZ development. The Tasez KPIs can be summarised accordingly:

Investment attraction:

Tasez has maintained a steady stream of new investment projects, with 12 projects launched annually in both 2021/22 and 2022/23 and increasing slightly to 13 in 2023/24.

Employment creation:

Job creation in Tasez has accelerated significantly as the zone moves further into its operational phase. Employment grew from 603 jobs in 2021/22 to over 2,400 in 2022/23, and further to more than 3,200 jobs in 2023/24.

Capital investment:

Fixed asset investment in Tasez has grown consistently, rising from R3.41 billion in actual expenditure in 2021/22 (against a projected R4.3 billion), to a cumulative R4.6 billion in 2022/23, and R5.6 billion by 2023/24.

Revenue generation:

Initially funded through government grants and infrastructure allocations, Tasez began generating rental revenue of R44.7 million in 2022/23, contributing to total revenues of R474.6 million that year. By 2023/24, operational expenditure stood at R354 million, indicating improving operational maturity and fiscal discipline.

Export performance:

Annual export figures have not yet been reported, as the zone remains in a ramp-up phase. However, the strong automotive sector focus positions Tasez to make a meaningful contribution to South Africa's vehicle exports.

3.5 East London SEZ

The East London Industrial Development Zone (ELIDZ)'s sectoral focus spans across automotive, agro-processing, renewable energy, and ICT.

Investment attraction:

ELIDZ has maintained steady investor interest over the years, securing between four and seven new investment projects annually since 2016/17. The highest number of investors in this period was recorded in 2019/20, with seven projects secured, demonstrating its resilience and capacity to attract industrial investment.

Employment creation:

Operational jobs supported within the zone have grown steadily, rising from 2,364 in 2016/17 to over 5,270 by 2021/22. This reflects ELIDZ's positive impact on employment and skills development in the region.

Capital investment:

ELIDZ has attracted billions in fixed investments over the years, with approved projects reaching R1.9 billion in 2022/23. Earlier years also saw significant inflows, including R1.36 billion in both 2017/18 and 2019/20, underscoring the zone's ongoing role in enabling industrial capital formation.

Revenue generation:

The ELIDZ has progressively increased its own revenue, rising from R118 million in 2016/17 to R318 million by 2022/23.

Export performance:

While annual export figures are inconsistently reported, available data points to a strong export-oriented base, with exports of R3.3 billion in both 2016/17 and 2017/18, and an increase to R3.9 billion in 2018/19.

3.6 Richards Bay SEZ

RBIDZ leverages its proximity to Africa's largest export port, positioning itself as a hub for heavy industry and energy. Recent investments include multi-billion-rand projects, such as Nyanza Light Metals' R860 million ilmenite beneficiation facility and various energy sector developments. The zone's strategic focus on energy security and industrialisation aligns with national objectives, with significant gas infrastructure development and renewable energy projects in various stages of implementation. RBIDZ's performance metrics include 873 construction jobs created against a target of 805, and 79 operational jobs against a target of 31 in the latest reporting period.

The Richards Bay SEZ has experienced investment growth, with the pipeline expanding from R2.5 billion in 2016/17 to R138 billion by 2023/24. Construction job creation has also shown a strong upward trend, reaching its highest recorded level in 2023/24 with 1,137 construction jobs, while operational job creation has been negligible. Land development has progressed significantly over the period, increasing from approximately 172 hectares in earlier reports to over 454 hectares by 2023/24.

Investment attraction:

RBIDZ has built an investment pipeline, growing from R2.5 billion in 2016/17 to a record R138 billion by 2023/24. Over the years, the number of signed projects has steadily increased, reaching nine by 2018/19 (with a combined value of R6.7 billion) and culminating in several large-scale approvals in recent years.

Employment creation:

The zone has delivered consistent job opportunities mainly through construction phases, with employment rising from 553 jobs in 2016/17 to nearly 1,200 by 2023/24. Construction jobs in particular have shown strong growth, reaching 1,137 in 2023/24, the highest level recorded to date.

Capital investment:

RBIDZ has successfully mobilised substantial fixed asset investments, including R643 million operationalised in 2023/24 and R57 billion in approved projects, in addition to earlier inflows of R11.5 billion by 2018/19.

Revenue generation:

The zone has made minimal progress toward financial self-sufficiency, generating 12.4% of its own revenue by 2023/24. Earlier revenue streams included R168.2 million in 2016/17, though subsequent years saw fluctuations as the pipeline transitioned from planning to implementation phases.

3.7 Saldanha Bay SEZ

While still in development phases, Saldanha Bay IDZ represents significant potential for oil and gas sector development. Feasibility studies project R3.4 billion GDP contribution in the first year, increasing to R6 billion annually, with potential to create over 25,000 jobs over 20 years. The zone's 126-hectare facility with deep-water port access positions it strategically for marine repair and energy sector activities.

Investment projects:

The number of signed leases increased from 1 in 2017/18 to 9 by 2018/19, reaching 15 active tenants by 2020/21 and remaining stable through 2023/24. The investment pipeline is consistently cited as being over R21 billion from the 2019/20 financial year onwards.

Job creation:

Specific figures are reported for 2019/20 (428 direct jobs) and 2020/21 (1,960 total jobs sustained in South Africa, including 745 direct and 898 indirect/induced in the Western Cape). Other years do not provide explicit numbers.

Fixed Asset investment:

The pipeline value is consistently reported at R21+ billion from 2019/20 onwards. Actual operationalised investment or infrastructure values are not itemised.

Revenues raised:

Most of the revenue is from grant income (Department of Trade, Industry and Competition, and Western Cape DEDAT). Rental income is reported for the years 2020/21 (R7.2 million) and 2021/22 (R2.9 million).

Annual exports:

Despite the SEZ's focus on export-oriented industries, export values or volumes are not reported in the annual reports.

3.8 Dube TradePort SEZ

Dube TradePort's success stems from its strategic location and integrated model, which combines a world-class international airport with industrial, agricultural, and logistics precincts. This creates a seamless multi-modal logistics gateway that is highly attractive to businesses in high-value, time-sensitive sectors. Furthermore, its success is bolstered by strong governance and a "one-stop-shop" service that streamlines the investment process, making it a key economic driver for the KwaZulu-Natal Province.

While Dube TradePort's annual reports capture year-on-year trends in investment projects, job creation, and exports, gaps remain in systematic reporting on land allocation details and consistent job creation metrics, which limits the ability to conduct a comprehensive longitudinal analysis.

Investment projects:

Total operational investments increased from 14 in 2016/17 to 39 in 2018/19, reaching 43 by 2019/20 and 2020/21. Although the number dipped slightly to 40 in 2021/22, it rose to 50 by 2023/24. New investment numbers were stable at 6 per year from 2018/19 to 2020/21, peaking at 8 in 2021/22; however, figures for 2016/17 and 2023/24 were not specified.

Job creation:

Job creation in investor companies rose sharply from 1,445 in 2016/17 to 5,000 in 2023/24. The lowest reported annual figure was 240 in 2018/19, followed by moderate growth to 420 in 2019/20 and 693 in 2021/22. Data for 2020/21 was not provided.

Fixed asset investment:

Fixed asset investment values have fluctuated significantly, starting at R179 million in 2016/17 and peaking at R4.3 billion in 2023/24. A notable high was recorded in 2018/19 (R1.383 billion), with lower levels in intervening years, such as R124.1 million in 2019/20 and R29 million in 2020/21.

Revenues raised:

Revenues peaked at R607.3 million in 2018/19, before fluctuating between R470.5 million and R641 million in the following years and falling to R232.4 million in 2023/24. The composition of revenue sources is not broken down in the available data.

Annual exports:

Annual export values peaked at R8.8 billion in 2019/20, with earlier years showing R4.9 billion in 2016/17 and R5.9 billion in 2018/19. Export performance declined sharply thereafter, falling to R610 million in 2023/24. Export volume data is only reported for 2021/22 (10,000 tonnes) and 2023/24 (14,424 tonnes).

3.9 Comparative assessment

SEZs in South Africa vary significantly in their maturity, scale, and outcomes. This section presents a comparative analysis using consistent KPIs across major SEZs, where the data is available.

South Africa's SEZ programme currently comprises approximately 216 investors across various zones, with a total private investment value of about R30 billion. The government has contributed more than R25 billion to the programme, resulting in around 27,000 jobs created. These aggregate figures allow for high-level benchmarking against other global SEZ programmes. Still, more importantly, they provide a basis for assessing how each SEZ contributes to the national outcome.

Performance analysis reveals a critical challenge: only a small group of zones — notably Coega, Dube TradePort, and East London — have demonstrated a measurable economic impact through industrial development. Most designated zones have yielded minimal results, particularly in terms of their contribution to current performance figures.

Coega, the best-performing SEZ within South Africa's SEZ programme, continued to rely on government funding until recently, underscoring the difficulty of achieving complete financial self-sufficiency in the SEZs, even for the leading zone in the country.

Coega, Dube TradePort and East London continue to serve as national leaders and regional benchmarks for SEZ performance in the country. At the same time, Richards Bay and Saldanha show grand investment pipelines, but they fall short on job creation and actual investment conversion. This is also concerning, given that both these SEZs were first designated in 2002 and are still not fully operational at present.

An analysis of trade statistics provides valuable insight into the import patterns and effectiveness of incentives in the SEZs. The programme has generated a total of R1.5 billion in duty savings since 2010. This figure, however, must be contextualised by the nature of the imports themselves.

3.9.1 DTIC expenditure

According to the Estimates of National Expenditure reports, the dtic has allocated approximately R12 billion to the SEZ programme since 2012. This figure differs from the R25 billion cited as the total government investment in the programme, which likely reflects the entire period since its inception and may include associated tax incentives. A review of the audited outcome versus the adjusted appropriation reveals the financial trajectory of the SEZs from 2012 to 2024. Over the period, the funding allocated to SEZs has generally increased, showing a consistent commitment to the project. However, the data also highlights significant deviations between the planned budget and actual spending. The average variance between the audited outcome and the adjusted appropriation from 2014/15 to 2022/23 is 19%.

While most years show favourable variances—indicating that more was spent on SEZs than initially appropriated—the dramatic unfavourable variance of -77% in 2022/23 stands out. This deviation, where a significantly lower amount was spent than was allocated, represents a stark departure from the established trend of consistent growth and overspending.

This data suggests that while government support for SEZs has been sustained and even expanded over time, the volatility in expenditure execution, particularly the sharp underspend in 2022/23, raises questions about programme implementation, capacity constraints, or shifting priorities. The overall upward trend underscores the state's long-term commitment to positioning SEZs as a key industrial policy instrument; so assessing the SEZ programme is crucial.

3.9.2 Investment benchmarks

This analysis evaluates the performance of South Africa's SEZs based on their value of operational investors relative to the aggregate SEZ investment total of R30 billion. The results highlight the contribution of each zone to the overall investment landscape and identify trends in performance.

Coega SEZ, ELIDZ, and Tshwane Automotive SEZ (Tasez) collectively account for more than 74% of the total aggregate investment, making them the primary anchors of the SEZ programme. Coega SEZ dominates with 37.21% of total investment, having secured more than R11.5 billion in operational investments and 11 new projects in 2023/24 alone, reflecting its long-standing capacity to attract large-scale projects. Its performance is supported by its established infrastructure and diversified sector base. ELIDZ, holding 18.81% of aggregate investment, has built a mature investor base and maintained consistent performance, accumulating R5.8 billion in operational investments since inception.

Tasez, despite being a newer entrant, has secured 18% of total investment and has leveraged its targeted automotive sector focus to achieve rapid growth, becoming the third-largest contributor, despite its relatively recent establishment. It demonstrates the growth potential of sector-focused SEZs, although the additional support the automotive industry receives should also be considered.

SEZ	Value of Operational Investors (R)	Share of Aggregate (%)
Coega SEZ	R11,525,999,816	37.2%
East London IDZ	R5,825,200,000	18.8%
Tasez	R5,570,000,000	17.9%
Duber TradePort SEZ	R3,010,062,737	9.7%
Richards Bay SEZ	R1,940,702,821	6.2%
Maluti-a-Phofung (Free State) SEZ	R1,025,000,000	3.3%
OR Tambo SEZ	R993,500,000	3.2%
Atlantis SEZ	R815,000,000	2.6%
Saldanha Bay IDZ	R268,000,000	0.8%

Table 1: Investment contributions by SEZs (2024)

Source: dtic, presentation to parliament, October 2024.

Among the mid-tier performers in terms of investment, Dube TradePort SEZ (DTPSEZ) has achieved strong capital growth, representing 9.7% of the aggregate total. In contrast, Richards Bay SEZ (RBSEZ), with 6.3% of total current investments, shows significant long-term potential with a R138 billion pipeline.

Emerging and smaller SEZs, such as MAPSEZ, ASEZ, OR Tambo SEZ and SBIDZ, contribute smaller proportions of the total investment programme. Given that investment is a standard KPI, the distribution of investment across the SEZs in the country suggests that more effort needs to be deployed in securing investment for the weaker players to match the stronger SEZs' performance in this field.

3.9.3 Revenue

Coega SEZ and ELIDZ are the most financially independent, with significant non-grant income of R642.1 million (2023/24) and R317.5 million (2022/23), respectively. The rest of the SEZs, such as Tasez, Atlantis SEZ, and SBIDZ, remain dependent on government grants, raising questions about the long-term financial self-sufficiency of the SEZs. For example, RBIDZ reported that its own revenue comprised only 12.4% of total income in 2023/24 This signals a continuing dependence on public funding and highlights the need for a broader revenue base, such as enhanced commercial activity and tenant diversity, to ensure long-term financial viability.

3.9.4 Employment

The bulk of direct employment created in the SEZ programme is concentrated in five major zones, which serve as the primary engines of job creation. With over 10,500 jobs, Coega is the undisputed leader, representing roughly 40% of the total SEZ employment. ELIDZ is also a key contributor, creating over 5,270 operational jobs. Its long-standing focus on the automotive sector has made it a stable and significant regional employer. It grew from 2,364 jobs in 2016/17 to a peak of 5,270 by 2021/22. Dube TradePort demonstrates impressive momentum, with employment surging from 1,445 in 2017 to over 5,100 jobs. Its specialised focus on logistics and manufacturing has proven highly effective in generating rapid employment growth.

Tasez has rapidly created over 3,300 operational jobs since its establishment, alongside significant construction employment in ramp-up years. To put this into perspective, Coega SEZ expanded its operational jobs by roughly 3,000 in 8 years between 2016 and 2024. Tasez's singular focus on the automotive sector has driven rapid employment, though this specialisation also presents a risk to its long-term stability.

Additionally, growing from a negligible base, OR Tambo SEZ now supports over 2,700 jobs.

RBSEZ's job creation is in its early stages of transition. While it reported only 147 operational jobs in its latest aggregate figures, it has been a significant source of temporary employment, creating 1,137 construction jobs in 2023/24. This indicates that many projects are still in the build-out phase, with the potential for long-term operational jobs to follow. MAPSEZ is a nascent zone with 172 jobs reported. Its performance will be a bellwether for the programme's ability to drive industrialisation in rural and less-developed areas. Atlantis SEZ remains in its early stages of development, with 423 jobs reported in the aggregate figures, and only 16 operational jobs recorded by 2023/24. Its progress is crucial for demonstrating the viability of green technology and manufacturing in a targeted zone.

With 107 jobs at present, SBIDZ has shown negligible growth in its operational workforce. The SEZ saw modest growth in operational jobs, increasing from 28 to 82 between 2016/17 and 2023, while construction jobs rose to 1,800.

The analysis of employment across all SEZs reveals a two-tiered system: a handful of mature, large-scale job creators and a group of smaller zones that are either niche-focused or in early developmental stages. To maximise the programme's impact, a key challenge will be to ensure that the smaller SEZs successfully transition from creating construction-related jobs to generating substantial, long-term operational employment. Furthermore, improving transparency in reporting on job types—whether permanent or temporary, skilled or unskilled—is essential for a complete evaluation of the programme's contribution to sustainable economic development.

Another notable concern is the heavy reliance on anchor investors and the narrow sectoral focus evident in several SEZs. Tasez, for instance, has shown impressive employment growth; however, it remains predominantly dependent on an anchor investor, Ford. While this has facilitated rapid development, it exposes the zone to significant risk should the investor change strategy or withdraw. Likewise, zones such as RBIDZ have demonstrated limited diversification, with a strong emphasis on heavy industry. This over-concentration can make them vulnerable to sector-specific downturns, especially in the current geopolitical environment. In contrast, Coega and ELIDZ exhibit more balanced industrial profiles, with investments spread across various sectors, enhancing their economic resilience.

3.9.5 Exports

Export performance is a key metric for SEZs, revealing their success in generating trade and contributing to South Africa's global competitiveness. However, a lack of consistent reporting makes a complete assessment challenging.

Coega SEZ stands as the definitive benchmark for export performance. It has consistently maintained a positive trade balance and achieved sustained export growth, an outcome of its large scale, diversified investor base, and robust infrastructure. Coega's success highlights the potential of SEZs to be major drivers of export-led growth. Dube TradePort has successfully leveraged its airfreight and logistics infrastructure to become a significant exporter. Its annual export values peaked at R8.8 billion in 2019/20, with a volume of over 14,424 tonnes. This performance confirms Dube TradePort's effectiveness in attracting export-oriented investment and driving international trade.

Similarly, East London IDZ has demonstrated strong export capabilities, peaking at R3.9 billion in 2018/19, with an impressive 59% export rate.

Many other SEZs, including Richards Bay IDZ (RBIDZ), Tshwane Automotive SEZ (Tasez), OR Tambo, and Atlantis SEZ, have yet to report annual export values consistently. This lack of transparency is a significant obstacle to a complete programme assessment. Despite its strategic focus on the automotive industry, which is highly export-oriented, Tasez has not yet reported specific export data. Its future performance will be a key indicator of its success. Though specific export figures are not provided, its function as a national air-freight hub for high-value goods such as processed agro-goods and jewellery confirms its strategic role in facilitating exports. With limited export data, RBIDZ's export performance is expected to increase as its projects transition from construction to operational phases.

3.9.6 Investment per job

The measure of investment per job serves as a critical indicator of an SEZ's capital intensity, revealing the type of economic activity it is attracting. It is not, on its own, a definitive measure of success, but rather a tool for understanding the SEZ's performance against its specific strategic goals. In a country such as South Africa, where job creation is a top policy priority, SEZs with a lower ratio can be seen as performing better than their counterparts. This is because they are generating more employment relative to the amount of investment they receive.

A high investment per job ratio indicates that the SEZ is attracting **capital-intensive industries**. In the case of RBIDZ, they have exponentially more construction jobs, indicating the phase they are in, hence their skewed figure. Typically, a high investment per job ratio means a large amount of investment is required to create each direct job. Such a ratio is often associated with industries such as advanced manufacturing, petrochemicals, or automotive assembly, which rely heavily on expensive machinery and technology. While these sectors may create fewer direct jobs, they can be highly valuable in terms of technological advancement, higher-skilled employment, and boosting a country's industrial capacity.

A low investment per job ratio indicates that the SEZ is attracting labour-intensive industries. This means less capital is needed to create each direct job. This ratio is typically found in sectors such as textiles, agricultural processing, or call centres. An SEZ with a low ratio is often performing well if its primary goal is to address unemployment by creating the maximum number of jobs for a given amount of capital.

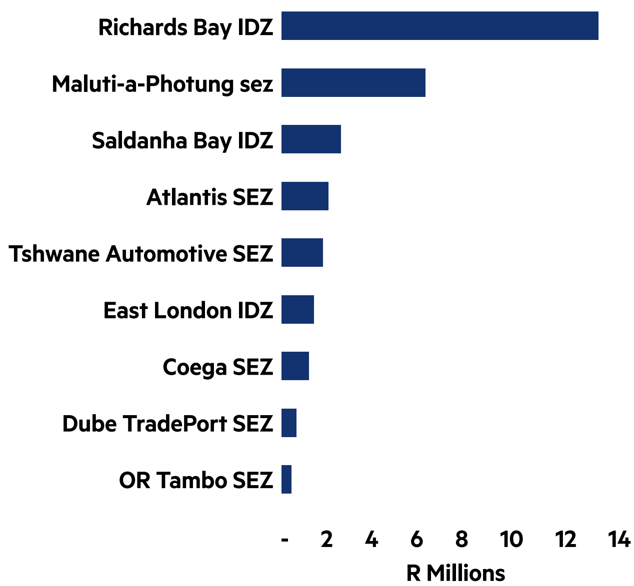


Figure 2: Investment per job

Source: Authors' calculations, based on dtic and annual reports.

This measure helps to contextualise an SEZ's performance. An SEZ with a high ratio is performing well if its mandate is to attract high-tech industrialisation, while an SEZ with a low ratio is performing well if its mandate is to create widespread employment.

Across all SEZs, strategic differentiation, investment-to-operation conversion rates, own revenue growth, and export performance remain critical metrics for ongoing monitoring and evaluation. Improved transparency in export and land utilisation reporting will further strengthen impact assessment and policy alignment. At the same time, overcoming inherent limitations in data transparency, funding dependencies, scale, and institutional coordination is essential to unlock the full potential of the SEZs as a transformative economic platform. Addressing these challenges holistically will require sustained public-private collaboration, enhanced governance frameworks, and adaptive policy support. This data-driven assessment provides a robust foundation for strategic decision-making aimed at enhancing the SEZ's contribution to South Africa's industrial and export-led growth trajectory.

SEZ	Projects (New/ Operational)	Jobs (Operational)	Fixed Asset Investment (R million)	Land Allocated (ha)	Revenue (R million)
Coega SEZ	11 new; 60 operational	10,154	840.39 (new pledges); ~16,200 cumulative	5,477 lettable; 21.36% core area active	642
East London IDZ	4 new	Not stated (last peak: 5,270 in 2021/22)	1,900 (approved projects)	Not stated	317
Richards Bay IDZ	3 implemented (pipeline: R138 bn)	147 (1,137 construction)	643 (operationalised); 57,002 (approved)	39.7 available for development	12.4% own revenue
Saldanha Bay IDZ	10 operational	82	~5,000 cumulative	Not stated	7.5
Tshwane Automotive SEZ	13 operational	3,244	~5,600 cumulative (infrastructure spend)	Phase 1: 81.6 (45.9 developable)	≥82.8 (rental)
OR Tambo SEZ	9 operational and 11 awaiting construction completion	2,741	529.5 (investment property)	7,5 ha developed 42 ha available	64
Atlantis SEZ	2 signed (pipeline: >10)	16	11,000 (pipeline); 8.6 (infrastructure spend)	94.5 development-ready	Not stated

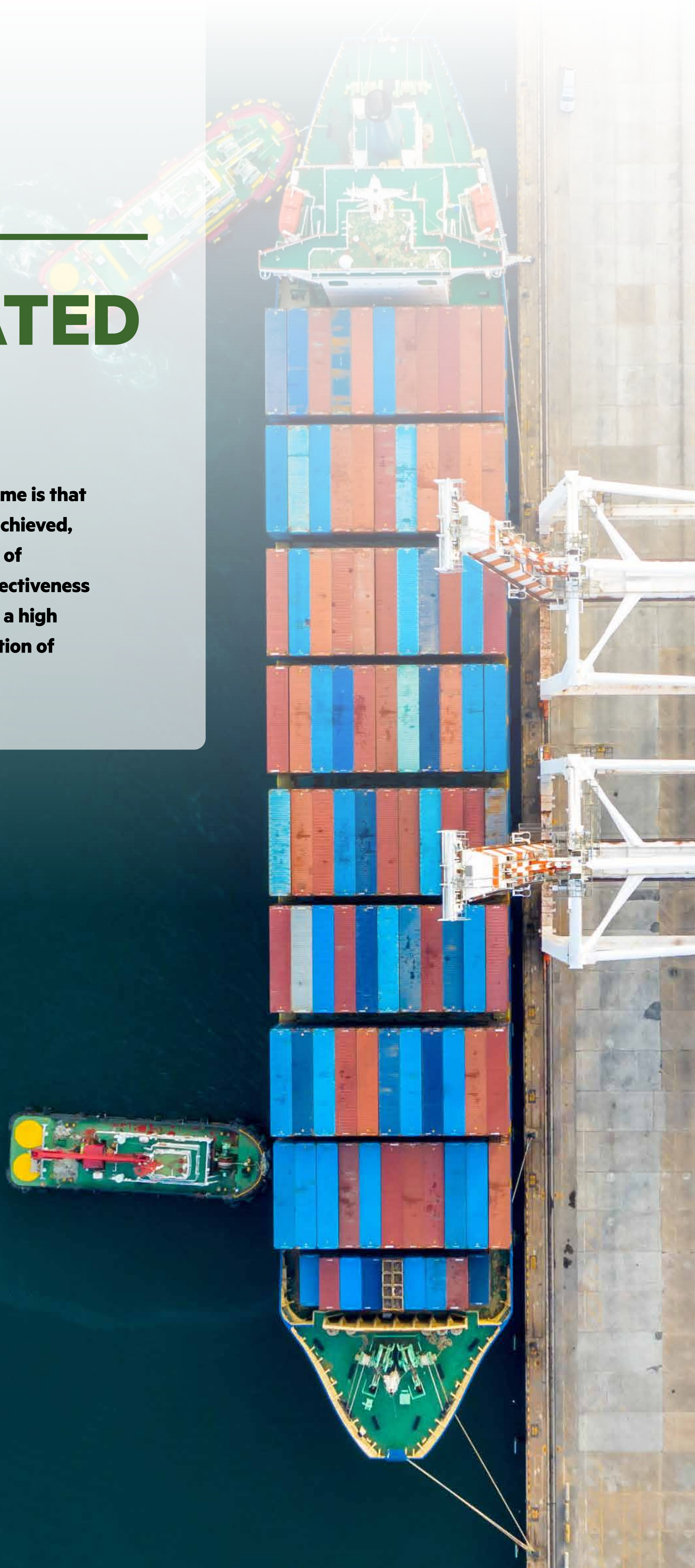
Table 2: SEZ KPIs - 2023/24

Source: SEZ Annual reports

4

CONCENTRATED BENEFITS

While the overall evaluation of the SEZ programme is that the bulk of the intended benefits has not been achieved, a more granular evaluation of the concentration of benefits is necessary to fully understand the effectiveness of the relevant policies. Such an analysis reveals a high concentration of benefits among a small proportion of investors.



4.1 Unused rebates

This can be demonstrated via rebate item 498.00 of Schedule 4 Part 6 of the Customs Act that provides the duty relief for goods entering the SEZ. Using imports that have been cleared using rebate item 498.00, we can determine how well the rebate has been utilised. We can also quantify the value of the duty saved by using the rebate. We can also identify which port was used for the imports under rebate, and using a unique but obfuscated identifier, we can trace how well different importers used the rebate.

From this, we observe that operators barely use the rebate themselves for their own imports. Of the 216 investors located in SEZs, only 30 have utilised the SEZ rebate in the last decade, resulting in R2 billion in savings in customs duties from 2015 to 2024.

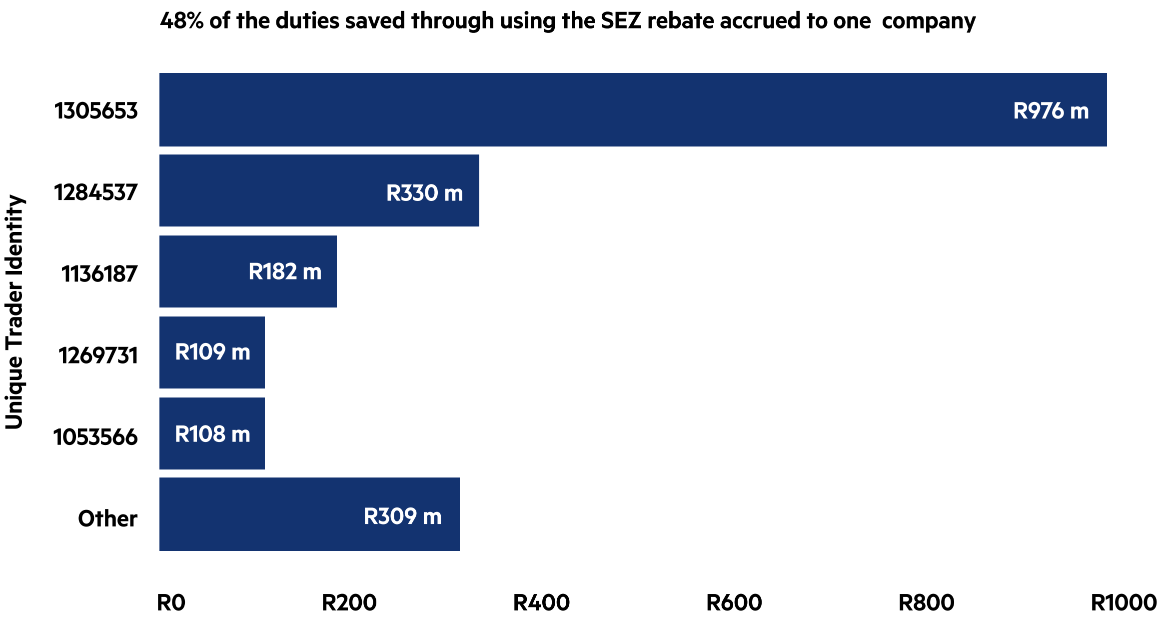


Figure 3: Duty savings through the SEZ rebate

Source: SARS trade statistics, authors' calculations

4.2 Polarised ports

Even greater concentration can be seen when applying this thinking to ports. The distribution of benefits is highly concentrated in a small number of ports, with 99% of all SEZ rebate benefits earned on imports through the East London, Port Elizabeth, and Durban ports.

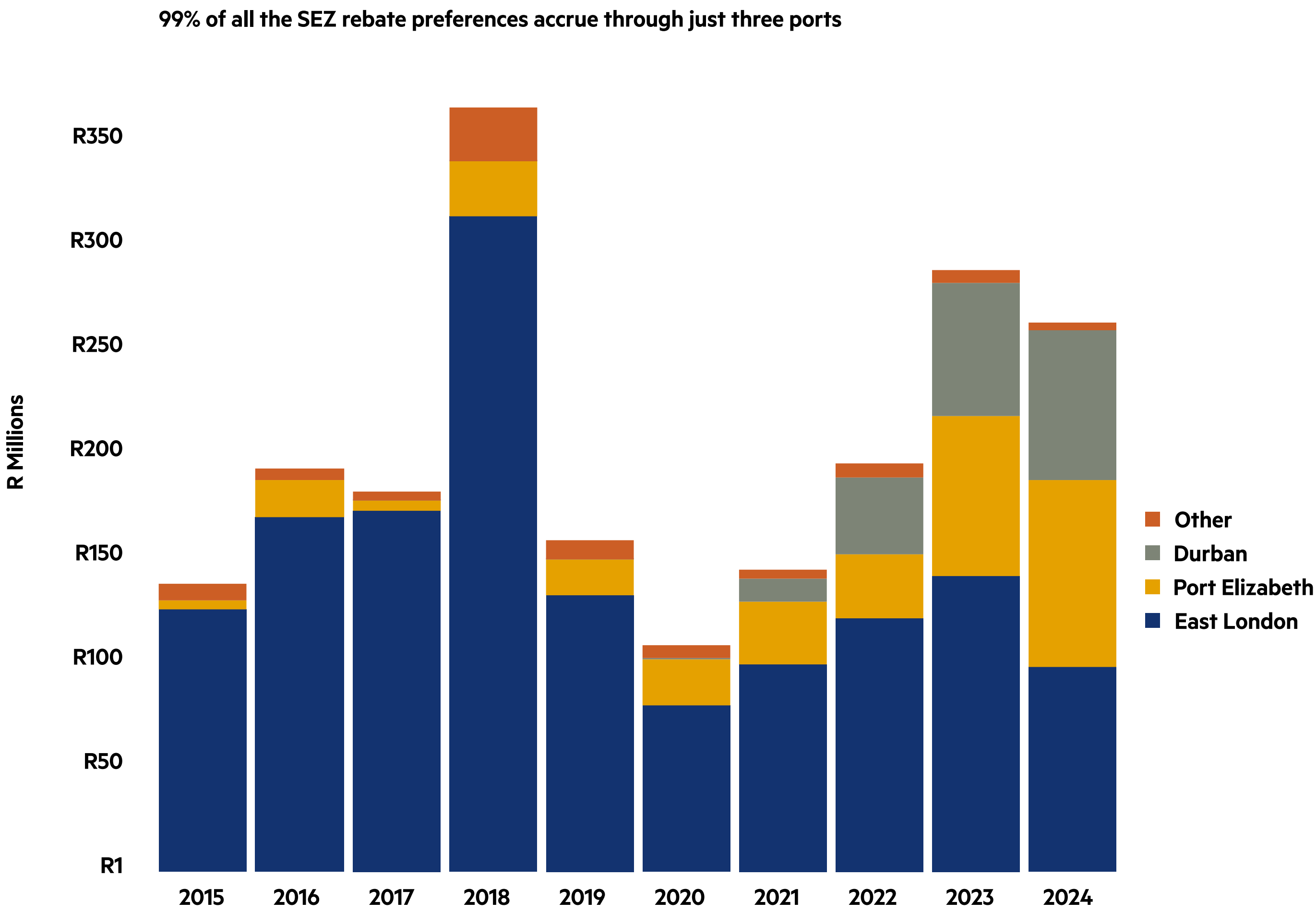


Figure 4: Port usage for the SEZ rebate

Source: SARS trade statistics, authors' calculations

These imports through East London and Port Elizabeth are likely connected to tenants in the East London SEZ and Coega, but we have no way of confirming this. On the one hand, such skewed benefits suggest flaws in the system—whether at the policy level or in its application. On the other hand, they also indicate potential. Instances where firms do benefit from participation in an SEZ surely provide valuable lessons for policymakers and investors. As this report progresses, we will extract these lessons and outline how they may be utilised.

5

INVESTMENT INCENTIVE MODELS

Competitive SEZs globally depend not only on tax reductions or grants, but increasingly on a mix of financial and fiscal incentives alongside targeted market promotion, structured within supportive institutional and infrastructure frameworks. South Africa's SEZ policy architecture can draw on global lessons, while confronting the country's unique fiscal, industrial, and development landscape and constraints.

5.1 Financial incentives (grants, subsidies)

Financial incentives, comprising roughly 75% of global industrial policies, are the dominant tool for attracting investment. They include grants and subsidised infrastructure to reduce upfront capital costs. Successful zones, such as China's Shenzhen and Morocco's Tanger Med, link these grants to specific performance targets such as job creation and technology transfer.

South Africa primarily uses infrastructure grants to SEZ operators, which indirectly benefit investors through subsidised rent. Despite over R10 billion in funding, most zones struggle with fiscal self-sufficiency, highlighting a need for a performance-based approach.

5.2 Fiscal incentives (tax benefits)

Tax-related benefits are central to the SEZ strategies. Successful models, such as those in Dubai's Jebel Ali Free Zone (with 0% corporate tax) and Morocco's Tanger Med (offering a five-year tax holiday), are characterised by their clarity, time limits, and performance conditions.

South Africa offers a 15% reduced CIT rate for qualifying firms in only half the zones, an accelerated building allowance, and an Employment Tax Incentive (ETI). However, these benefits are not uniformly accessible across all SEZs, and their underutilisation is a concern, pointing to the need for simplified eligibility criteria and greater awareness.

5.3 Market promotion incentives

This category, the fastest growing in global SEZ success, focuses on services rather than subsidies. The World Bank notes that dedicated "one-stop shops" and investor aftercare teams can lead to 19% more operational projects and up to 30% greater FDI inflows. Shenzhen and JAFZA are prime examples, offering streamlined services such as rapid company registration and customs clearance.

While zones such as Coega and Dube TradePort have implemented effective investment facilitation units, many other SEZs lack dedicated promotion staff. This is arguably the highest-value, lowest-cost tool that South Africa has yet to scale fully.

Financial incentives in South Africa are often fiscally unsustainable without clear performance criteria, while fiscal incentives are not uniformly available across all SEZs, limiting the competitiveness of some zones. Market promotion, a high-impact, low-cost tool, is underutilised across most of the country's SEZs.

To transition from being infrastructure platforms to productive investment engines, South Africa's SEZs must adopt a more strategic, transparent, and performance-linked incentive model, drawing on global best practices. This involves broadening access to fiscal incentives, linking support to measurable outcomes, and establishing professional investor facilitation teams in every zone.

5.4 International examples

The cumulative government investment of over R25 billion and total job creation of just 27,000 imply that the investment per job in the SEZs is about R925,926. To benchmark and reform its SEZ incentive models, South Africa should look beyond fiscal incentives alone—focusing on tailored sectoral incentives, strict performance-based eligibility, massively improved infrastructure and governance, integration with broader industrial policy, and alignment with global efforts to ensure incentive sustainability and regulatory compliance.

Global experience demonstrates that the world's most successful SEZs share distinctive approaches to incentives, institutional structure, and industrial priorities. However, it is essential to recognise that SEZs operate in diverse economic contexts, and lessons from abroad cannot be assumed to deliver the same outcomes in South Africa's unique domestic environment. A more meaningful basis for comparison would be to normalise international performance figures by factors such as GDP, labour force size, or population, allowing for a more accurate assessment of relative impact.

The following are concise case studies outlining the incentive models and industrial impacts of selected benchmark SEZs.

5.5 China

When analysing SEZs, Shenzhen is frequently cited as a global success story. However, it is essential to note that Shenzhen's scale and performance are exceptional and not a realistic direct benchmark for most other SEZ programmes. Its unique historical context, significant government support, and strategic role within China's national economy make it an outlier. While its lessons are valuable, its achievements should be viewed as a high-level aspiration rather than a direct comparison.

The success of the Shenzhen SEZ is a result of a clear and sustained strategy that provided a robust suite of incentives to attract foreign investment. The initial offer included a significantly reduced corporate tax rate of 15% (compared to the national rate of 33% at the time), full foreign ownership with unrestricted profit repatriation, and duty-free imports for equipment. This was paired with a highly efficient "one-stop shop" for licences and other regulatory processes, drastically simplifying the business environment.

These incentives, backed by more than $22 billion in soft loans and land rebates, transformed a small fishing village into an economic powerhouse. The SEZ has since attracted a cumulative Foreign Direct Investment (FDI) of over $120 billion. The economy has evolved from a simple electronics assembly to a sophisticated, high-tech ecosystem spanning ICT, electric vehicles, and finance. Today, it is home to global giants such as Huawei, Tencent, and BYD, and its GDP exceeds $480 billion. The SEZ's success has also created a massive employment base, with more than 12 million jobs linked to its activities, and its exports consistently contribute about a quarter of China's total merchandise trade.

5.6 UAE

Established in 1985, the Jebel Ali Free Zone (JAFZA) in Dubai is a more capital-intensive SEZ that has had immense success over various KPIs, such as the number of investors and FDI. Its compelling suite of incentives, designed to attract foreign capital and talent, includes a 0% corporate and personal income tax for up to 50 years, 100% foreign ownership, and the full repatriation of profits. These financial benefits are complemented by highly efficient operational support, such as a 'one-stop shop' for licensing and on-site customs clearance. This strategic framework has yielded impressive results, with JAFZA now hosting more than 10,000 companies, including over 100 of the Fortune Global 500 firms. The zone accounts for an annual trade volume of over $100 billion, directly supports over 135,000 jobs, and has attracted over $30 billion in Foreign Direct Investment (FDI) since 2005. JAFZA's key clusters—covering electronics, petrochemicals, automotive, and e-commerce—are the backbone of Dubai's global logistics hub and contribute a significant 23% of the city's GDP, cementing its role as a powerful engine for economic growth and diversification.

5.7 Tanger

The Tanger Med Zones in Morocco, with the port having become operational in 2007 and the industrial zones following from 2009 to 2012, represent a highly successful model of a state-led SEZ. Incentives include a five-year corporate tax exemption, followed by a reduced 8.75% rate for 20 years, along with VAT and customs waivers and subsidised land. This has positioned Tanger Med as a gateway to Europe, attracting over $3.8 billion in public-private capital expenditure.

By 2024-25, the zones hosted more than 1,300 companies and directly created 115,000 jobs. Key sectors such as automotive, aeronautics, electronics, and logistics have led to remarkable results, including a container throughput of 10.24 million TEUs and the export of over 600,000 vehicles from major manufacturers such as Renault and Stellantis. The zones' combined business volume now exceeds $15 billion annually and accounts for a significant portion of Morocco's national exports, solidifying its status as one of Africa's leading container hubs.

5.8 Learning from failures

Despite some positive outcomes, South Africa's Special Economic Zone (SEZ) programme faces several structural challenges that limit its overall effectiveness. While selected zones have attracted investment and created jobs, a comprehensive analysis reveals a series of persistent issues related to incentives, governance, implementation, and economic integration that prevent the full realisation of their potential.

Insufficient "specialness" and limited incentives. A fundamental challenge for South Africa's SEZs is their insufficient "specialness" when compared to successful international models such as Dubai's JAFZA or Tanger Med in Morocco. Unlike these global leaders, which offer transformative advantages such as 0% corporate tax for 50 years and comprehensive regulatory support, South African zones primarily provide subsidised infrastructure and occasional, limited tax breaks without meaningful regulatory relaxation or substantial production incentives. This inadequacy is compounded by South Africa's high manufacturing costs, which place it at a significant competitive disadvantage on the global stage.

Furthermore, despite the country's severe unemployment challenges and the SEZs' stated objective of job creation, the employment incentives are notably limited. Beyond an employment tax incentive that removes the typical age limit, there are a few other adjustments tailored to maximise employment per rand invested or to support labour-intensive industries. This creates an apparent disconnect between the programme's goal of addressing a national crisis and the tools it provides, suggesting that the SEZs may not be optimising their potential to generate widespread, sustainable employment. If creating employment is the objective, then providing material incentives to attract labour intensive industries is important. Equally, if the employment rules are identical inside the SEZs, it is not clear how they will achieve better employment outcomes than companies located outside the zone.

Data gaps and weak governance. Systemic weaknesses in data transparency and reporting undermine the programme. As noted by the National Treasury, a centralised data system is absent and a reliance on inconsistent and fragmented reporting from zone operators make comparisons impossible.. KPIs such as detailed export volumes, land utilisation rates, and nuanced investment breakdowns are often incomplete or unavailable, hindering accurate benchmarking and policy evaluation. For instance, job creation figures are sometimes treated with scepticism because of a lack of standardised definitions. While the dtic has developed a performance monitoring framework to standardise reporting, its implementation remains incomplete and uneven.

Delays and deficits. Persistent delays in project implementation are a significant problem particularly in zones such as Richards Bay and OR Tambo SEZ, where prolonged gaps often exist between investment commitments and operational activity. This points to bureaucratic inefficiencies and capacity constraints. Land development also remains sluggish, with a large portion of allocated land in major zones such as Coega remaining undeveloped, thus underutilising public investments. Despite government spending of over R25 billion on the programme, most SEZ operators are not financially self-sustaining, remaining heavily reliant on public funding and susceptible to fiscal fluctuations. Critical infrastructure gaps, including challenges of poor or intermittant with electricity supply, water shortages, and poor logistics connectivity, further hinder operational efficiency.

6

CHARTING THE COURSE FORWARD

In an era defined by geopolitical fragmentation, technological disruption, and persistent economic turbulence, the traditional paradigms of industrial policy are being re-evaluated. In this section, we examine the strategic imperatives for nations seeking to build industrial resilience and foster sustainable, long-term growth. The analysis is structured around two core pillars: developing adaptive responses to the evolving global trade and investment architecture and bolstering domestic economic competitiveness by addressing deep-seated structural constraints.

6.1 Adaptive responses to the evolving globe

The international trade landscape is no longer a stable, predictable system. It is a dynamic environment where nations must proactively manage relationships, diversify market access, and enhance their export capabilities to remain competitive. A forward-looking industrial strategy must, therefore, be inextricably linked to a sophisticated and agile external engagement strategy, with SEZs serving as key platforms for this engagement.

6.2 Proactive diplomatic and economic engagement strategies

A foundational element of industrial resilience is a multifaceted diplomatic and economic engagement strategy. South Africa, for instance, has long pursued an approach that strengthens its political, economic, and social relations through structured bilateral agreements and high-level engagements. This is done with the explicit goal of advancing national priorities, such as increasing exports, attracting foreign direct investment, and promoting mineral beneficiation to foster a shift toward value-added industries rather than purely extractive relationships. SEZs play a critical role in this strategy by providing a localised, competitive environment designed to attract foreign direct investment and technology transfers from international partners.

Recent global trade challenges underscore the importance of this proactive stance. The United States, a significant trading partner for South Africa, has imposed Section 232 duties on steel, aluminium, copper, cars and automotive components, creating heightened policy uncertainty and instability in trade relations. In response, South Africa has engaged with the US at various levels to ensure predictability and negotiate mutually beneficial deals, while also protecting its national interests and promoting regional integration within the Southern African Customs Union (SACU). This approach highlights a central tenet of modern industrial strategy: economic strategy is inseparable from diplomatic strategy. The establishment of an Export Support Desk and the implementation of long-term resilience and growth strategies are part of a broader government effort to assist companies in adapting to and absorbing these shocks. SEZs, with their focus on export-oriented manufacturing and value addition, are a direct mechanism to support these strategies, providing a stable base for companies to compete globally and leverage government support.

6.3 Deepening regional integration

While global alliances are critical, a powerful and complementary strategy is to deepen regional integration. The African Continental Free Trade Area (AfCFTA) represents a landmark initiative that is a cornerstone of South Africa's trade policy and a statement of intent for its future growth path. The AfCFTA's primary objective is to eliminate trade barriers and create a single continental market of 1.7 billion people, with significant combined economic activity. This framework is viewed as Africa's overarching strategy to attain industrialisation, sustainable economic growth, and job creation.

For South Africa, the AfCFTA is a strategic opportunity to reduce its dependence on traditional trading partners and diversify its export markets. The country is well-positioned to serve as an industrial hub and supplier of value-added goods and services to its African neighbours. This is particularly significant, given that manufactured goods already account for a substantial 87% of South Africa's exports to other African countries. The AfCFTA is designed to increase intra-African trade, leveraging economies of scale for enhanced competitiveness and productivity gains. SEZs are a key instrument in this strategy, actively promoting the AfCFTA to boost intra-African trade and accelerate economic integration. Zones such as Dube TradePort are purpose-planned precincts that provide globally integrated logistics and manufacturing infrastructure, helping private-sector investors access African markets efficiently. The Coega SEZ, with its strategic location and dedicated industrial zones, also provides a platform for global exports and facilitates trade with the rest of Africa.

6.4 Global alliances and new export markets

Even as regional integration is prioritised, a resilient industrial strategy requires a commitment to diversifying global trade relationships beyond the continent. South Africa has proactively strengthened partnerships and sought new market access in key high-growth regions to ensure its economic stability and mitigate the impact of global trade disruptions. SEZs are central to this diversification strategy, as they are specifically designed to attract investment from both domestic and foreign investors. Specific efforts are underway to expand and deepen relationships with a variety of partners:

1.

The European Union (EU): A "Clean Trade and Investment Partnership" with the EU has been established, unlocking a R90 billion investment package. This partnership aims to create new market access opportunities for emerging sectors such as sustainable aviation fuel and electric vehicles, aligning South Africa's industrial policy with the global green transition. These investments can be channelled into SEZs that are focused on green technology and manufacturing.

2.

Asia: China remains South Africa's largest trading partner, and efforts are being made to strengthen this relationship. Furthermore, significant progress has been made in opening new agricultural markets, with vital protocols secured for products such as citrus in China and Thailand. The country is also making inroads into other high-growth markets in Asia, including Japan, South Korea, Taiwan, and Vietnam, while working to address high import tariffs and phytosanitary barriers.

3.

The Middle East: Under coordinated leadership, South Africa is targeting new high-growth markets across the Middle East, including the United Arab Emirates, Qatar, and Saudi Arabia. These efforts are aimed at expanding exports of agricultural goods, such as fruits, red meat, and grains.

This multi-faceted approach reveals a strategic, bifurcated nature to market diversification. The strategy is not monolithic; it is tailored to the specific demands and characteristics of each target market. This demonstrates a sophisticated understanding of global value chains and the distinct non-economic objectives that drive industrial policy across different regions. It also ensures that South Africa's trade relationships are mutually reinforcing, reducing reliance on any single market and positioning the country to thrive in an increasingly complex global economic environment.

Region	Objective	SEZ role	Challenges
Africa (AfCFTA)	Deepen regional integration, increase intra-African trade by 52% by 2030	Provide globally integrated logistics and manufacturing infrastructure to access African markets	Implementation hinges on infrastructure & technology investment
European Union	Attract investment, unlock new market access opportunities	Attract FDI and technology transfers, particularly in green technologies such as sustainable aviation fuel and electric vehicles	Aligning with "Clean Trade" requirements
Asia (China, Japan, etc.)	Strengthen partnerships, increase exports to high-growth markets	Act as a platform for global exports and attract FDI from key Asian partners	High import tariffs and phytosanitary barriers
Middle East (UAE, Qatar, Saudi Arabia)	Make inroads into new, high-growth markets	Facilitate exports of agricultural goods and provide logistics hubs for global trade	Increased marketing efforts are needed to boost demand.

Table 3: SEZs and South Africa's trade diversificationa strategy

Source: Authors

6.5 Export competitiveness

Market access is only one half of the equation for export growth. The other half is enhancing a nation's overall export competitiveness, and a critical component of this is logistics efficiency. The World Bank's Logistics Performance Index (LPI) is an interactive benchmarking tool that helps countries identify challenges and opportunities in their trade logistics performance. The LPI measures a country's performance across six key dimensions, including the efficiency of customs, the quality of trade and transport infrastructure, the ease of arranging competitively priced shipments, and the timeliness of deliveries.

For South Africa, the domestic logistics sector has become a major "chokepoint" that severely hampers the country's export competitiveness. Chronic underinvestment in infrastructure over the past 15 years has left the state-owned logistics entity, Transnet, over-indebted and its equipment dilapidated, with a significant portion of its port and rail assets non-functional. The current state of South Africa's logistics system, with high costs and low efficiencies, effectively acts as a significant non-tariff barrier, making the country's goods less competitive on the global stage. In contrast, SEZs are specifically designed to address these bottlenecks by offering dedicated, world-class infrastructure and services. Zones such as the Dube TradePort are established as integrated intermodal logistics hubs. At the same time, Coega SEZ is strategically located adjacent to the deep-water port of Ngqura, providing dedicated logistics clusters and easy access to national highways and other African markets. This demonstrates how SEZs provide localised, efficient solutions to national-level logistics problems.

6.6 Enduring structural constraints

The South African economy has been plagued by several interconnected structural constraints that have hindered its growth potential. An effective industrial strategy must, by necessity, include a clear and decisive plan to address these issues, with SEZs serving as key implementation vehicles.

1.

Energy security. The most visible and damaging of these constraints is the persistent energy crisis. The system's vulnerability stems from an ageing fleet of coal-fired power stations and a poorly maintained distribution infrastructure. In response, the government has acknowledged this as a national crisis and has implemented a comprehensive Energy Action Plan. SEZs are proving to be a practical tool for implementing this plan by providing localised energy solutions. For example, the Coega SEZ is home to two independent power producer projects that will use LNG as a fuel source, one of which entails a floating mobile power ship.

2.

Logistics. The country's logistics system is a second major structural bottleneck, with the state-owned Transnet and its dilapidated infrastructure identified as a significant drain on the economy. SEZs are a direct answer to this problem, designed from the ground up to offer superior logistics infrastructure. The Dube TradePort SEZ, for example, is an intermodal logistics hub that includes an airfreight terminal and a fleet of commercial vehicles for last-mile links.

3.

Skills. A third enduring structural constraint is a persistent skills shortage and a significant mismatch between the skills held by the labour force and the competencies required by the economy. The policy response involves a two-pronged human resources development (HRD) approach: a short-to-medium-term emphasis on developing unskilled labour for non-tradable sectors and a long-term objective of enlarging the pool of skilled labour in line with the needs of the manufacturing sector. SEZs are actively involved in this process. The Coega Development Foundation, for instance, offers a range of skills development solutions, including accredited learning programmes, short courses in trades such as welding and bricklaying, and a Maths and Science programme to assist disadvantaged learners with poor matric results.

6.7 Cultivating an adaptive national industrial policy framework

A robust industrial strategy is not simply a list of policy interventions; it is a governance framework and a mindset. The success of a nation's industrial policy hinges on its ability to be adaptive, flexible, and responsive to an uncertain and rapidly changing world. This requires moving beyond traditional top-down approaches to a more collaborative, evidence-based, and transparent model.

1.

Reimagining industrial policy. The very definition of industrial policy has evolved. While some historical approaches focused narrowly on sector-specific targeting, a modern, comprehensive industrial strategy addresses a much broader range of objectives, including environmental sustainability, social inclusion, and the resilience of supply chains. These strategies are designed to strategically complement market forces and address market failures that private actors cannot resolve on their own. South Africa's "Reimagined Industrial Strategy" is a prime example of this evolution. The SEZ programme, as a key instrument of the Industrial Policy Action Plan (IPAP), is a direct effort to achieve strategic objectives of industrialisation, regional development, and employment creation. Although the programme provides a transparent and predictable planning framework for the development and management of SEZs to support industrial policy objectives, the results and impact have been disappointing.

2.

Policy certainty. The academic literature, particularly the work of Dani Rodrik, reconceptualises industrial policy not as an autonomous government applying Pigouvian taxes or subsidies, but as a "discovery process". The central challenge is not to know the right policies in advance, but to uncover where the most significant obstacles to economic restructuring lie and what interventions are most likely to remove them. This necessitates a "strategic collaboration between the private sector and the government" to share information and co-create solutions. The success of SEZs is a powerful testament to this collaborative model. For example, the Tshwane Automotive Special Economic Zone (Tasez) is a successful hybrid model built on a strategic partnership between three tiers of government and the Ford Motor Company. This collaboration has attracted over R28 billion in investment and created thousands of jobs by focusing on the government's role of building enabling infrastructure and streamlining regulations, while the private sector provides operational efficiency and market access.

To institutionalise this collaborative approach, strong governance is paramount. The Organisation for Economic Cooperation and Development (OECD) provides a practical 12-step governance framework for effective industrial strategies, designed to prevent the fragmentation and contradiction that can lead to policy failure.

The SEZ programme, while guided by the SEZ Act of 2014 to provide a clear planning framework, has faced criticism regarding governance. A review of the programme found that performance reporting has been problematic and non-standardised across zones, making it difficult to track key data. This has led to questions about the effectiveness and efficiency of government spending on the programme. There are also ongoing discussions about whether the government should continue to support SEZs that are failing to attract investors and whether management of some zones should be handed over to the private sector. These criticisms and recommendations underscore the need for a rigorous and transparent governance framework, as outlined by the OECD, to ensure that SEZs fulfil their potential as drivers of industrial growth and regional development.

Step	Action
1. Comprehensive diagnosis	Build a detailed, evidence-based empirical picture of the economy to identify market failures.
2. Broad consensus	Engage policymakers, businesses, and the public to build buy-in and a shared vision.
3. Formalised strategy	Create a public, written strategy with clear and measurable objectives.
4. Policy alignment	Design a portfolio of policy instruments that are strategically aligned with the strategy's goals.
5. Coordination mechanisms	Establish formal processes, such as inter-ministerial meetings, to ensure alignment.
6. Clear roles	Define clear roles and responsibilities across institutions and levels of government.
7. Ownership & accountability	Assign ownership and accountability for the implementation of each policy instrument.
8. Multi-year budgets	Secure stable, multi-year budget commitments to provide financial certainty.
9. Skilled implementation teams	Build skilled, multi-disciplinary teams with the relevant, diverse expertise.
10. Independent evaluation	Embed independent evaluation in the strategy.
11. Data collection	Collect data to support rigorous and timely evaluation.
12. Use evaluation results	Use findings to drive action, revise instruments, and ensure flexibility and agility.

Table 4: A 12-step governance framework for industrial policy

Source: OECD (2025).

The challenge of charting a course for industrial resilience and growth in the 21st century is multifaceted, demanding a strategic response that is both externally and internally focused. The analysis presented in this chapter highlights several key conclusions.

First, adaptive responses to the evolving global trade and investment architecture are essential. This requires proactive diplomatic engagement to manage relationships with key partners and mitigate protectionist shocks. It also necessitates a concerted effort to diversify markets, with regional integration through initiatives such as the AfCFTA serving as a powerful catalyst for a new, more inclusive industrial paradigm. SEZs are a critical instrument for achieving these goals, providing a platform to attract FDI, leverage regional trade agreements, and build the world-class logistics and manufacturing infrastructure needed to compete on a global scale.

Second, domestic resilience is a prerequisite for external success. The case of South Africa demonstrates that enduring structural constraints—in energy, logistics, and skills—are not isolated problems but are deeply interconnected, forming a self-reinforcing cycle of underperformance. SEZs are a practical tool for addressing these bottlenecks in a coordinated and localised manner. By developing their own energy solutions and training a skilled workforce, SEZs are creating pockets of stability and competitiveness that can serve as models for the rest of the economy.

Finally, the cultivation of an adaptive and flexible industrial policy framework is paramount. The shift from a top-down, autonomous approach to a collaborative "discovery process" allows governments to co-create solutions with the private sector and labour. This model, institutionalised through transparent governance frameworks and practical tools such as South Africa's masterplans and the SEZ programme, is vital for providing the policy certainty that investors require while maintaining the agility to navigate an uncertain future. By combining these strategic elements, nations can build robust industrial foundations capable of weathering global shocks and fostering sustained economic prosperity.

7

FINDINGS AND RECOMMENDATIONS

The lessons emanating from this research are distilled into four strategic recommendations, designed to adapt the SEZ programme to ensure the comprehensive achievement of its intended economic and industrial benefits.

7.1 Establish a monitoring platform

The absence of a consistent, comparable, and publicly accessible dataset on SEZ performance constitutes a significant impediment to robust policy evaluation. To overcome this, a mandated entity should be established to design, host, and manage a national SEZ data dashboard. To ensure comprehensive data collection, amendments to the SEZ Regulations are necessary, requiring all SEZ operators to submit quarterly and annual performance data in a standardised format. Key metrics to be reported include:

1. **Investment:** Total committed and realised (banked) investment, disaggregated by domestic and foreign sources.
2. **Employment:** Jobs created, clearly disaggregated by type (permanent, temporary, skilled, unskilled) and sector.
3. **Trade:** Annual exports and imports, including the volume of value-added products.
4. **Land Utilisation:** Rates of land allocation and utilisation within the zones.
5. **Financial Sustainability:** Indicators such as own-revenue generation versus grant dependency.

The dashboard's design should prioritise utility and transparency. It must be publicly accessible to enhance accountability for investors, researchers, and the wider public. Furthermore, it should provide time-series tracking to measure progress and facilitate the early detection of underperformance. Incorporating automated reporting tools is essential to minimise the administrative burden on SEZ management. Crucially, the platform must enable benchmarking between zones, which will illuminate best practices and serve as a guide for targeted resource allocation. Standardising and centralising SEZ data in this manner will close critical information gaps, strengthen accountability, and enable real-time, evidence-based adjustments to both policy and incentive structures.

7.2 Strengthening marketing

South Africa's SEZs currently suffer from limited brand recognition among global investors when compared to prominent zones in Asia, the Middle East, and other African nations, indicating a shortfall in promotion. A coordinated national marketing strategy is therefore imperative. This effort should be jointly led by the dtic and InvestSA, working in close collaboration with provincial development agencies and SEZ operators. However, significant brand marketing should only take place once the "product" has achieved the all-embracing clear benefits.

The core objectives of this strategy must be to:

1. **Showcase success stories** to tangibly demonstrate the benefits of operating in a South African SEZ.
2. **Target priority sectors** that align with national industrial policy objectives, such as the automotive industry, renewable energy, agro-processing, advanced manufacturing, and green hydrogen.
3. **Integrate SEZ promotion** seamlessly into international trade missions and high-level investment summits.
4. **Develop sophisticated digital campaigns**, utilising interactive content, investor testimonials, and virtual site tours.
5. **Align messaging** with broader national economic branding initiatives, specifically highlighting South Africa's strategic position as a gateway to African markets.

Enhanced and coordinated marketing is expected to attract higher-quality and a more diverse range of investors, while simultaneously elevating public awareness of SEZs as essential engines of regional development.

7.3 Implement sunset reviews for incentives

The current SEZ incentive framework in South Africa is compromised by the lack of inherent mechanisms to ensure that incentives remain robustly tied to performance outcomes. To maximise value for money and reinforce investor discipline, the introduction of sunset clauses into all incentive agreements is a vital recommendation.

Under this model, the renewal of incentives, such as reduced CIT rates or customs duty rebates, would be strictly contingent upon meeting clearly defined performance metrics. These performance metrics should encompass minimum investment thresholds, export performance, local supplier development targets, and verifiable job creation figures. Reviews would be conducted jointly by the dtic, National Treasury, and the SEZ Advisory Board to determine whether an incentive should be extended, modified, or withdrawn.

These structured reviews would serve two key functions: they would formally evaluate past performance and, equally importantly, act as a catalyst for government officials, SEZ management, and tenant businesses to focus rigorously on meeting their agreed-upon commitments within established timelines. While SEZ incentives already possess sunset clauses (currently set to expire in 2031 following a previous extension from 2026), the core challenge lies in the systematic monitoring and enforcement of these performance targets across all relevant stakeholders, and whether the government will grant further extensions as the deadline approaches. Introducing performance-linked reviews will provide a clear, structured point of accountability, ensuring incentives deliver tangible outcomes—including investment, job creation, and export growth—thus maximising their value to the fiscus.

7.4 Expand public–private collaboration

Increasing private sector participation in SEZ development is a proven mechanism for improving efficiency, fostering innovation, and bolstering financial sustainability. The government is strongly advised to actively expand public–private partnerships (PPPs) in both the establishment and ongoing operation of SEZs.

Key actions to facilitate this expansion include:

1. **PPP-driven infrastructure delivery** to accelerate zone readiness and reduce the programme's reliance on public grants.
2. **Co-investment frameworks,** where government funding is strategically leveraged against private capital on a matching basis, thereby better aligning risk and reward.
3. **Shared governance** models that afford private partners a direct stake in the long-term performance of the SEZs, including appropriate representation on SEZ boards.
4. **Encouraging private sector involvement** in skills development programmes to ensure workforce capabilities are directly aligned with industry demand.

The deeper involvement of the private sector offers a dual benefit: it injects much-needed capital and establishes stronger accountability mechanisms, as private operators are inherently incentivised to ensure maximum operational efficiency and high tenant satisfaction. By decisively implementing these four measures, South Africa can successfully transition its SEZ programme from a grant-dependent and unevenly performing initiative into a globally competitive, data-driven, and investor-responsive industrial platform. The combined effect of robust data systems, stronger targeted marketing, performance-linked incentives, and deeper public–private collaboration will significantly enhance the programme's credibility and measurable contribution to national economic goals.

8

CONCLUSION

The analysis offers a comprehensive and critical evaluation of the SEZ programme's effectiveness, highlighting a significant gap between its ambitious policy goals and its mixed practical outcomes. Keystone goals of the programme, such as job creation, export growth, and international investment, have accrued only in small pockets to a limited number of investors.

This report identifies the primary reasons for this. These include the insufficient "specialness" of South African SEZs, systemic weaknesses in governance and data management, and inconsistent and fragmented reporting. Despite these challenges, the SEZ model is not inherently flawed. Rather, a strategic and comprehensive overhaul has the potential to unlock the value originally intended.

The four recommendations in this report are presented as a robust foundation for such an overhaul. By identifying weaknesses in the current SEZ programme, interrogating these against global examples of thriving SEZ programmes, such as those in China and the UAE, and formulating a rejuvenated South African strategy that is implemented with rigour, the comprehensive but flawed programme can become a beacon of light in South Africa's industrial landscape.

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APPENDICES

CIT incentive approval

SEZs Approved for the 15% CIT Incentive	SEZs not approved for the 15% CIT Incentive
Coega Special Economic Zone	Atlantis Special Economic Zone
Dube TradePort Special Economic Zone	Musina/Makhado Special Economic Zone
East London Special Economic Zone	Nkomazi Special Economic Zone
Maluti-a-Phofung Special Economic Zone	O.R. Tambo Special Economic Zone
Richards Bay Special Economic Zone	Tshwane Automotive Special Economic Zone
Saldanha Bay Special Economic Zone	Namakwa Special Economic Zone

Table 5: SEZs approved for the 15% CIT incentive

Source: Compiled from Gazette 41758

SEZ key metrics

KPI	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Number of operational investment projects (cumulative)		1	2	6	6	9
Number of operational jobs		—	>2000	>2000	>2000	2741
Number of construction jobs		138	168	77	1028	501
Realised investment value (million Rand)		359	140	7,5	391	232
Total investment (incl. pipeline, million Rand)		~400	~500	~500	~900	~1300
Land allocated (hectares)	7.5	50.4	50.4	50.4	50.4	50.4
Rental and service income (million Rand)		31, 082	42, 712	55, 040	61, 713	64, 340
Grant income (million Rand)		108	143	70	232	236
Revenue (million Rand)		139	185	125	293	300

Table 6: OR Tambo SEZ key metrics

Source: Annual reports.

Year	New Projects	Operational Investors (Cumulative)	Operational Jobs	Fixed Asset Inv. (New Pledges, R m	Land (ha/%)	Revenue (R m, own)
2016/17	16	40	7,243	11,685 (cumulative)	Not stated	541
2018/19	18	45	7,815	2,060 (new)	Not stated	523
2019/20	12	45	8,306	719 (new)	Not stated	506
2020/21	5	50	8,578	49.8 (new)	1,487 ha operational (26.3% developable)	508
2022/23	9	58	9,378	1,224 (new)	5,730 ha lettable	609
2023/24	11	60	10,154	840.39 (new)	5,477 ha lettable; 21.36% Core Area active	642

Table 7: Coega SEZ KPIs

Source: SEZ Annual reports.

KPI	2021/22	2022/23	2023/24
Investment Projects	12	12	13
Jobs Created	603	2,425	3,244
Fixed Asset Investment	R3.4 billion actual (R4.3bn projected)	R4.6 billion cumulative	R5.6 billion cumulative
Revenues Raised	No rental revenue; operational funding from grants and infrastructure funding	Rental: R44m; Grants: R429m; Total: R474m	Rental: Not specified; Grants: Not specified; Operational expenditure: R354m
Annual Exports	Not reported	Not reported	Not reported

Table 8: Tasez key metrics

Source: SEZ Annual reports.

Year	Investors (#)	Jobs (Operational)	Fixed Investment (R bn)	Land Allocated (ha)	Revenue (R bn)	Exports (R bn)
2016/17	4	2,364	1.06	22 (target)	0.118	3.3
2017/18	5	3,384	1.36	32.05 (cumulative)	0.126	3.3
2018/19	5	4,666	0.82	46.11 (cumulative)	0.147	3.9
2019/20	7	4,794	1.36	80.03 (cumulative)	0.172	0.4
2020/21	6	Not stated	0.99	Not stated	0.203	Not stated
2021/22	6	5,270	0.97	Not stated	0.282	Not stated
2022/23	4	Not stated	1.90 (approved projects)	Not stated	0.318	Not stated

Table 9: ELIDZ key metrics

Source: SEZ Annual reports.

Financial Year	Investment Projects	Job Creation (Investors)	Fixed Asset Investment	Revenues Raised
2016/17	6 signed; 1 operational	498 c + 55 p (553 total)	R2.5 billion	R168 million
2017/18	8 signed	63 c + 93 p (156 total)	R2.2 billion	R47 million
2018/19	9 signed (R6.7 billion value)	405 c + 97 p (502 total)	R11 + billion	Not disclosed
2020/21	Pipeline: R15+ billion	245 c + 84 p (329 total)	R6 + billion	R7.3 million (rental income)
2023/24	Investments: R57 billion Pipeline: R138 billion	1,137 c + 59 p (1,196 total)	R57 billion approved	12.4% own revenue

Table 10: RBIDZ key metrics

Source: SEZ Annual reports.

Financial Year	Investment Projects	Job Creation (Investors)	Fixed Asset Investment	Revenues Raised
2016/17	0 operational; pipeline active	Not disclosed	Not disclosed	R155.8 million (grant income)
2017/18	1 lease signed (35 ha TNPA)	Not disclosed	Not disclosed	R155.8 million (grant income)
2018/19	9 leases signed (cumulative)	Not disclosed	Not disclosed	R195.9 million (grant income)
2019/20	9 tenants	428 direct jobs created and sustained	R2.5 billion public sector investment; R21.9 billion pipeline	R356.9 million (grant income)
2020/21	15 active tenants	1,960 jobs sustained	R21+ billion investment pipeline	R193 million (grant income); R7.2 million (rental)
2021/22	15 active tenants	Not disclosed	R21+ billion investment pipeline	R147.5 million (grant income); R2.9 million (rental)
2022/23	15 active tenants	Not disclosed	R21+ billion investment pipeline	Not disclosed
2023/24	15 active tenants	Not disclosed	R21+ billion investment pipeline	Not disclosed

Table 11: SBSEZ key metrics

Source: SEZ Annual reports.

dtic expenditure on SEZs

Fiscal Year	Audited Outcome (R '000)	Intended Expenditure (R '000)	Variance (%)
2012/13	5 000	N/A	N/A
2013/14	449 200	N/A	N/A
2014/15	608 243	600 000	+1.3%
2015/16	735 600	735 600	0.0%
2016/17	1 410 000	1 310 000	+7.6%
2017/18	1 565 419	905 421	+72.8%
2018/19	1 159 116	900 000	+28.7%
2019/20	1 353 043	1 096 300	+23.4%
2020/21	1 975 038	1 102 884	+79.1%
2021/22	1 670 088	1 304 670	+28.0%
2022/23	357 851	1 557 851	-77.0%
2023/24	893 997	950 000	-5.9%

Table 12: Outcome vs. intentions

Source: SEZ Annual reports.

Investment per job

SEZ	Number of investors	Value of investors (R)	Total direct employment
Coega SEZ	63	11,525,999,816	10,527
EL IDZ	40	5,825,200,000	4,418
DTP SEZ	57	3,010,062,737	5,159
RB SEZ	4	1,940,702,821	147
OR Tambo SEZ	15	993,500,000	2,734
Tasez	10	5,570,000,000	3,334
MAP SEZ	4	1,025,000,000	172
A SEZ	7	815,000,000	423
SB IDZ	16	268,000,000	107
Total	216	30,973,465,374	27,021

Table 13: SEZ investors and employment, 2024 Q2 dtic

Source: dtic, Presentation to Parliament, October 2024

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GAUTENG
THE OR TAMBO SEZ
Special Economic Zone