

SPECIAL ECONOMIC ZONES ADVISORY BOARD



ANNUAL REPORT 2017/18



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

towards full-scale **industrialisation** and inclusive **growth**

the dti Customer Contact Centre: 0861 843 384

Website: www.thedti.gov.za



© Department of Trade and Industry, August 2018

Photos are courtesy of **the dti** image library

the dti Campus

77 Meintjies Street

Sunnyside

Pretoria

0002

the dti

Private Bag X84

Pretoria

0001

the dti Customer Contact Centre: 0861 843 384

the dti Website: www.thedti.gov.za

Contents

Chairperson's foreword	4
Executive summary	7
1. THE SEZ PROGRAMME	9
1.1. Brief History	9
1.2. Benefits of locating in a SEZ	10
2. THE SEZ ADVISORY BOARD	13
2.1. Legislative mandate and composition of the SEZ Advisory Board	13
2.2. Meetings attended by Board members.....	15
2.3. Subcommittees of the SEZ Advisory Board.....	16
2.4. Remuneration of Board members.....	19
2.5. Secretariat of the Advisory Board	21
2.6. SEZ Advisory Board Activities	22
3. PERFORMANCE OF THE SEZS	33
3.1. Output key performance indicators (KPIs).....	33
3.2. Challenges identified.....	38
3.3. Priorities for 2018/19	38
4. THE SEZ FUND	41
4.1. SEZ Fund disbursements	41
5. CONCLUSION	43



Chairperson's foreword

In April 2015, the Minister of Trade and Industry, Dr Rob Davies, appointed the Special Economic Zone (SEZ) Advisory Board to advance the designation and operationalisation of SEZs as one of the South African government's prioritised industrial development tools. The SEZ programme seeks to accelerate industrialisation through special support measures that attract targeted foreign and domestic investment and technologies. The brainchild of the Department of Trade and Industry (**the dti**), SEZs are geographically designated areas set aside for specifically targeted economic activities.

It is great to see provincial governments, municipalities, and local and national public entities working jointly with the private sector to establish and operate SEZs. The growing success of several SEZs in South Africa is testimony to effective inter-governmental relations and proactive engagement with domestic and foreign private partners.

Over the last financial year, the SEZ Advisory Board evaluated several new applications for designation as well as operator

permits. Key recommendations to the Minister included the need to ensure sustainability and robust investor pipelines, maximising integrated industrial value chains and local economic development. The SEZ Advisory Board will therefore closely monitor existing and new SEZs to ensure that investments into the programme are aligned to South Africa's industrial strategy and will benefit local communities. There is a great need to drive the supply of local content (both labour and raw materials) into the SEZs as well as the economic empowerment and participation of local communities.

We are working closely with all the relevant stakeholders and will ensure we continue to leverage relevant expertise and grow relationships in the coming year. This achievement has only been possible with the help and support of the SEZ secretariat and the constructive interactions and feedback from the Minister, for which I am very grateful.

I am delighted to have served as the chairperson for the past three years. I would like to pay tribute to the hard work and commitment of my fellow Advisory Board members and staff, and congratulate everyone who has contributed to the development of SEZs in South Africa. We have a team of dedicated, committed and skilled people who are contributing to the SEZ Advisory Board, comprising independent members, representatives of **the dti**, the South African Revenue Services, National Treasury, the Department of Public Enterprises, Transnet SOC Limited, Eskom SOC Limited and the Industrial Development Corporation. Other Board members, appointed through the National Economic Development and Labour Council (NEDLAC), are from organised business, labour and civil society.

The SEZ Advisory Board has embarked on a process to provide value-adding advice and recommendations to the Minister of Trade and Industry. I believe that the SEZ Advisory Board will go from strength to strength in the coming years and will extend its activities

to provide innovative options and models to grow the SEZ programme and improve its performance. The Board will focus on the following key activities in the coming year:

- Revision of the Board's strategy to ensure that it effectively delivers on its mandate
- Completing the transition of IDZs to SEZs
- Monitoring and evaluation of the current SEZs to ensure compliance to designation as well as key performance indicators
- Ensuring that designated SEZs are operational;
- Revise SEZ regulations and rules
- Adoption of international best practices and development of innovative SEZ concepts and models

The SEZ programme will not only give our country the opportunity to industrialise, but also enable skills and technology transfer, which are key to the growth of our economy, shared prosperity and transformation.

Dr Julian Naidoo





Executive summary

The purpose of this report is to highlight the progress of implementation of the Special Economic Zone (SEZ) programme as well as operations related to the mandate of the SEZ Advisory Board (the Board) as articulated in the SEZ Act No. 16 of 2014, including its oversight role during the 2017/18 financial year.

The Industrial Development Zone (IDZ) programme was established in September 2000 to develop the country's manufacturing sector through encouraging investment in export-oriented industries, with an emphasis on beneficiation and import substitution. The SEZs, on the other hand, are intended to drive the country's industrialisation agenda, as articulated in the National Development Plan (NDP), the dti's Industrial Policy Action Plan (IPAP) and the National Industrial Policy Framework (NIPF). These articulate the dire need for structural change in the economy, including the diversification of exports, value addition and industrial decentralisation. The SEZ programme has been specifically designed for the attraction of foreign direct investment (FDI), the creation of decent jobs and new industrial hubs, and the development and improvement of existing infrastructure.

The SEZ Advisory Board has had a busy 2017/18, with the official launch of the Maluti-a-Phofung SEZ in the Free State, a study tour to China, the designation of three new SEZs and the granting of an operator permit. Board members have had to diligently apply their minds to uphold the highest standards in all areas of their work. They have also tried to ensure that the SEZs are able to operate in an environment not impeded by policy and capacity constraints and institutional challenges.

This report reflects on the performance of the designated SEZs over the past year. Despite the depressed global and domestic economic conditions, the SEZs are tenaciously moving forward with their investment and operational targets. Since the previous financial year, investment attraction into the designated zones is gaining momentum. At the end of the 2016/17 financial year, a total of 70 investors with an estimated investment value of R9.6 billion were operating in the zones. At the end of the 2017/18 financial year, the number of investors had increased to 88, valued at R15.5 billion. The number of secured but non-operational investors is 63, with an investment value of R34 billion. To date, the total number of jobs created in the zones is 12 380.

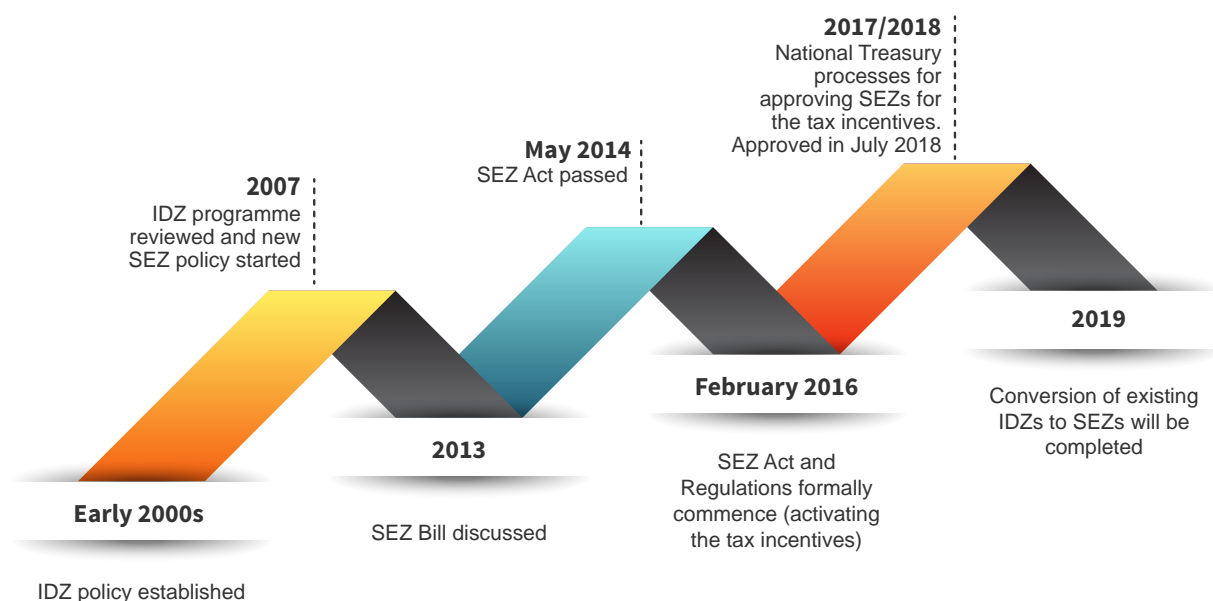


1. THE SEZ PROGRAMME

1.1. Brief History

The SEZs were preceded by the IDZs in the early 2000s, which were less ambitious in scope, relatively export-driven and provided only VAT and customs incentives. The review of the IDZ programme led to the establishment of a new SEZ programme, with the SEZ Act No. 16 of 2014 becoming operational in February 2016. Effective 2016, all existing IDZs automatically became SEZs, while new SEZs can only be established subject to successful application.

Timeline of developments



The following table summarises the progress of the SEZ programme, within the context illustrated above.

Table 1: Status of IDZ and SEZ in 2017 - 2018

Province	Name of the SEZ	Designated under Manufacturing Development Act No. 187 of 1993	Designated as per SEZ Act No. 16 of 2014	Approved for tax incentives	To be converted from IDZs to SEZs by 2019
Eastern Cape	Coega	x		x	X
Eastern Cape	East London	x		x	X
Eastern Cape	Wild Coast: Mthatha				
Free State	Maluti-a-Phofung	x		x	x
Gauteng	OR Tambo	x			x
Gauteng	Gauteng Science and High-Tech Hub				
KwaZulu-Natal	Richards Bay	x		x	x
KwaZulu-Natal	Dube TradePort	x		x	x
Limpopo	Musina-Makhado		x		
Limpopo	Tubatse				
Mpumalanga	Nkomazi		x		

Province	Name of the SEZ	Designated under Manufacturing Development Act No. 187 of 1993	Designated as per SEZ Act No. 16 of 2014	Approved for tax incentives	To be converted from IDZs to SEZs by 2019
North West	Bojanala				
Northern Cape	Upington				
Western Cape	Saldanha Bay	x		x	x
Western Cape	Atlantis		x		

The SEZs identified above are intended to drive the country's industrialisation agenda as articulated in various policy and strategy documents. The NDP strives for the creation of decent employment, a reduction in inequalities and the elimination of poverty. This requires an increase in industrial capacity and economic capabilities, an improvement in logistics and upskilling of South Africans, an acceleration in the exploitation of mineral resources, and the refocusing of the beneficiation strategy to encourage employment, investment and trade in line with the IPAP and NIPF. The SEZs are one of the main vehicles through which these goals can be achieved, with robust support and participation from the private sector. Implementation of the programme is guided by the SEZ policy and Act, but can still be adapted to suit the needs of the host region, particular investors and other stakeholders.

1.2. Benefits of locating in a SEZ

The new SEZ programme has introduced a number of interventions designed to attract targeted foreign and domestic investment that promote strong local production capabilities in strategic manufacturing activities. These interventions, in the form of incentives, are listed in tables 2 and 3. A number of these incentives are also available to business enterprises operating outside of a zone (table 2). The VAT and Customs relief for companies located in a Customs-controlled area within an SEZ and the preferential corporate tax incentives are, however, applicable only to qualifying enterprises within the zone (table 3).

Table 2: General incentives for companies

Incentive	Benefits	Who does it apply to	Special Conditions
Employment Tax Incentive	Reduces the amount of Pay-As-You-Earn tax.	All companies within an SEZ employing low-salaried workers (>R60k pa)	See SARS
Building Allowance	A capital (depreciation) allowance on buildings for the erection or improvement of buildings/fixed structure Rate: 10% per annum for 10 years	Qualifying businesses within certain approved SEZs	Qualifications in: S12(R) and (S) Income Tax Act, 1962
12i Tax Allowance	Support for capital investment and training	Greenfield and Brownfield investments	Qualifications in: S12(i) Income Tax Act, 1962

Table 3: Incentives for qualifying companies in a SEZ

Incentive	Benefits	Who does it apply to	Special Conditions
VAT and Customs relief	Import duty rebate and VAT exemptions VAT suspension on goods sourced from South Africa Efficient and expedited Customs administration	Companies in Customs-controlled areas within an SEZ	Those in the following Acts: <ul style="list-style-type: none"> • Value-Added Tax Act, 1991 • Customs Duty Act 2014 • Customs Control Act, 2014
Preferential Corporate Tax rate	Reduced corporate tax to 15% (from 28%)	Qualifying businesses within certain approved SEZs	Qualifications in: S12(R) and (S) Income Tax Act, 1962 S24 (4) SEZ Act, 2014

In addition to the above, local municipalities may offer incentives related to the supply of services. Rebates on local rates and taxes may also be available.

In June 2017, the Minister of Trade and Industry published notices in the *Government Gazette* affirming the status of six SEZs and confirming their physical boundaries. The Coega IDZ, Dube TradePort (DTP), East London IDZ (ELIDZ), Maluti-A-Phofung (MAP) SEZ, Richards Bay IDZ (RBIDZ) and Saldanha Bay IDZ (SBIDZ) have now been confirmed as having the legal status of SEZs. Investors and operators in these six zones will be eligible to access the SEZ tax incentives. In July 2018, the Ministry of Finance approved these SEZs for the tax incentives, which means that qualifying investors can submit their returns using the 15% tax rate and apply for the employment tax concession.



2. THE SEZ ADVISORY BOARD

2.1. Legislative mandate and composition of the SEZ Advisory Board

The SEZ Advisory Board is an independent body established through the SEZ Act, effective from 1 April 2015. The Board comprises 16 members and nine alternative members. It is responsible for the following functions as stipulated in section 11 of the SEZ Act:

- a) advise the Minister on policy and strategy in order to promote, develop, operate and manage SEZs;
- b) monitor the implementation of the SEZ policy and strategy and report to the Minister on an annual basis on the implementation of such policy and strategy;
- c) consider an application for designation as a SEZ and recommend to the Minister whether to approve the application and grant a SEZ licence to the applicant;
- d) consider an application for an operator permit and recommend to the Minister whether to approve the application;
- e) consider an application for the transfer of an operator permit and recommend to the Minister whether to approve such application with or without any condition;
- f) liaise with SEZ Board and an operator on the implementation of the SEZ strategic plans;
- g) report in the prescribed manner to the Minister on progress relating to the development of SEZs;
- h) advise the Minister on the establishment of a single point of contact or one-stop shop that delivers the required government services to businesses operating in the SEZs in order to lodge applications to various government authorities and agencies and to receive information on regulatory requirements from such authorities and agencies;
- i) advise the Minister on initiatives to market SEZs; and
- j) assess and review the success of SEZs in achieving the purpose referred to in section 4.

The Advisory Board may:

- a) conduct investigations on any matter arising out of the application of this Act; and
- b) perform such other functions consistent with the objectives of the Act as determined by the Minister.

The Board comprises the following members and must not include persons below the position of Director-General or, where appropriate, Deputy Director-General or an equivalent position if they are representatives of the Department of Trade and Industry (**the dti**), South African Revenue Services, the National Treasury, the department responsible for public enterprises, Transnet SOC Limited, Eskom SOC Limited and the Industrial Development Corporation. This provision also applies to Board members appointed through the National Economic Development and Labour Council (NEDLAC) and are from organised business, labour and civil society.

Table 4: Members of the SEZ Advisory Board

Representatives of government departments and state-owned companies and are not below the position of Director-General or, where appropriate, Deputy Director-General or an equivalent position				
Department/SOE	Name	Position	Appointed	Resigned
Department of Trade and Industry (the dti)	Malebo Mabitje-Thompson	Deputy Director-General	01/04/15	
Alternate	Nomonde Masetywa	Deputy Director-General	01/04/15	01/04/16
Alternate	Sipho Zikode	Deputy Director-General	TBC	
South African Revenue Services	Sipho Edward Bavuma	Group Executive: Legal	01/04/15	
Alternate	Dr Randall Carolissen	Group Executive	01/04/15	
National Treasury	Dondo Mogajane	Director-General	01/04/15	
Alternate	Monale Ratsoma	Deputy Director-General	01/04/15	
Department responsible for public enterprises	Jacky Molisane	Deputy Director-General	01/04/15	
Alternate	Nontskelelo Mbono	Deputy Director-General	01/04/15	
Transnet SOC Limited	Adv. Phyllis Difeto	Chief Operating Officer	01/04/15	
Alternate	Nompulelo Dweba	Port Manager	01/04/15	
Eskom SOC Limited	Mandla Maleka	Chief Economist	01/04/15	
Alternate	Titus Mathe	Senior Manager	01/04/15	
Industrial Development Corporation	Khumo Morolo	Divisional Executive: Agro, Infrastructure and New Industries	01/04/15	25/05/16
Alternate	Abel Malinga	Divisional Executive	01/04/15	
Alternate	Lizeka Matshega	Divisional Executive: Agro, Infrastructure and New Industries	01/10/16	
Representatives of organised business, labour and civil society appointed on the basis of their knowledge and experience relevant to and involvement in SEZs and appointed through NEDLAC				
Organisation	Name	Position	Appointed	Resigned
Labour	Andre Thomas Kriel	General Secretary	01/04/15	
Alternate	Jonas Mosia	Industrial Policy Coordinator	01/04/15	25/10/15
Business	Mlungisi Clive Manci	Chief Executive	01/04/15	
Alternate	Stavros Nicolaou	Chief Executive	01/04/15	
Civil society	Themba Ndhlovu	Chief Executive	01/04/15	
Alternate	Dumisani Mthlane	Overall Convenor	01/04/15	
Independent persons appointed on the basis of their knowledge, experience and expertise relevant to SEZs				
Name			Appointed	Resigned
Dr Julian Naidoo			01/04/15	
Claire Buseti			01/04/15	
Ntombizine Velma Madyibi			01/04/15	
Dr Vuyelwa Toni Penxa			01/04/15	
Sello Mashao Rasethaba			01/04/15	



From Top left:

Mr Sipho Bavuma, Dr Vuyelwa Toni-Penxa; Mr Mandla Maleka; Ms Claire Busetti; Mr Mlungisi Manci; Ms Ntombizine Madyibi; Mr Sipho Zikode; Mr Themba Ndhlovu;

From left seated:

Ms Malebo Mabitje-Thompson; Ms Jacky Molisane; Dr Julian Naidoo; Adv Phyllis Difeto; Mr Sello Rasethaba

Other members:

Ms Lizeka Matshekga

Mr Andre Kriel

2.2. Meetings attended by Board members

The Board is mandated by the SEZ Act to hold at least four ordinary meetings each year.

Table 5: Meetings attended by Advisory Board members

Representatives of government departments and state-owned companies and are not below the position of Director-General or, where appropriate, Deputy Director-General or an equivalent position						
Department/SOE	Name	22 June 2017	17-25 August Study Tour 2017	11 Sept 2017	30 Nov 2017	26 March 2018
the dti	Malebo Mabitje-Thompson	Present	Present	Apology	Apology	Present
Alternate	Nomonde Masetywa					
South African Revenue Services	Sipho Edward Bavuma	Present	Present	Present	Present	Present
Alternate	Dr Randall Carolissen					
National Treasury	Dondo Mogajane	Present	Apology	Present	Apology	Apology
Alternate	Monale Ratsoma					

Department responsible for public enterprises	Jacky Molisane	Apology	Apology	Present	Absent	Apology
Alternate	Nontskelelo Mbono					
Transnet SOC Limited	Adv. Phyllis Difeto	Present	Apology	Present	Apology	Present
Alternate	Nompulelo Dweba					
Eskom SOC Limited	Mandla Maleka	Apology	Present	Present	Present	Present
Alternate	Titus Mathe					
Industrial Development Corporation	Lizeka Matshega	Apology	Present	Present	Apology	Present
Alternate	Abel Malinga					
Representatives of organised business, labour and civil society appointed on the basis of their knowledge and experience relevant to, and involvement in, SEZs and appointed through NEDLAC						
Organisation	Name	22 June 2017	17-25 August Study Tour 2017	11 Sept 2017	30 Nov 2017	26 March 2018
Labour	Andre Thomas Kriel	Apology	Apology	Apology	Apology	Apology
Alternate	Jonas Mosia					
Business	Mlungisi Clive Mancini	Present	Apology	Apology	Present	Present
Alternate	Stavros Nicolaou					
Civil society	Themba Ndhlovu	Present	Present	Present	Present	Apology
Alternate	Dumisani Mthlane					
Independent persons appointed on the basis of their knowledge, experience and expertise relevant to SEZs						
Name		22 June 2017	17-25 August Study Tour	11 Sept 2017	30 Nov 2017	26 March 2018
Dr Julian Naidoo		Present	Present	Present	Present	Present
Claire Buseti		Apology	Present	Present	Present	Present
Ntombizine Velma Madyibi		Present	Present	Apology	Present	Apology
Dr Vuyelwa Toni Penxa		Present	Present	Present	Apology	Present
Sello Mashao Rasethaba		Present	Present	Apology	Present	Apology

2.3. Subcommittees of the SEZ Advisory Board

The Board has established two sub-committees to assist in the performance of its functions and has determined their composition, terms of reference, procedures and duration. The Board may appoint suitably qualified persons to serve on a committee, including persons in the full-time employment of the state. Any committee established by the Board must be chaired by a member of the Board. The subcommittees do not have executive powers, but do have a responsibility to review and discuss related issues and make recommendations to the full SEZ Advisory Board.

2.3.1. The Policy and Governance Subcommittee

The Policy and Governance Sub-committee reviews all SEZ policies, strategies and governance issues. The terms of reference of the subcommittee are as follows:

- develop and review governance policies and procedures for the SEZ Advisory Board;
- provide strategic and technical inputs on the SEZ policy instruments such as SEZ strategies, guidelines, investment promotion and incentive packages;
- identify gaps, unintended policy consequences and risks and suggest mitigation strategies;
- arrange the Annual Board review/performance assessment to ensure that the Advisory Board is able to plan its activities with knowledge of the achievements, abilities, strengths and limitations of current Board members and the Secretariat;
- identify training needs and capacity-building programmes for SEZ Advisory Board members; and
- review the SEZ annual performance plan before presentation to the Advisory Board for approval.

Members of the sub-committee are listed in table 6, as well as the meetings attended. The sub-committee met only once during 2017/18. The meeting was held at Dube TradePort.

Table 6: Members of the policy and governance subcommittee and meetings attended

Representatives of government departments and state-owned companies and are not below the position of Director-General or, where appropriate, Deputy Director-General or an equivalent position		
Department/SOE	Name	29 Nov 2017 – Dube TradePort
the dti	Malebo Mabitje-Thompson	
Alternate	Nomonde Masetywa	
South African Revenue Services	Sipho Edward Bavuma	Present
Alternate	Dr Randall Carolissen	
National Treasury	Dondo Mogajane	
Alternate	Monale Ratsoma	
Department responsible for public enterprises	Jacky Molisane	Apology
Alternate	Nontskelelo Mbono	
Transnet SOC Limited	Adv. Phyllis Difeto	
Alternate	Nompulelo Dweba	
Eskom SOC Limited	Mandla Maleka	
Alternate	Titus Mathe	
Industrial Development Corporation	Lizeka Matshega	
Alternate	Abel Malinga	

Representatives of organised business, labour and civil society appointed on the basis of their knowledge and experience relevant to, and involvement in, SEZs and appointed through NEDLAC		
Organisation	Name	29 Nov 2017 – Dube Trade Port
Labour	Andre Thomas Kriel	
Alternate	Jonas Mosia	
Business	Mlungisi Clive Manci	
Alternate	Stavros Nicolaou	
Civil society	Themba Ndhlovu	Present
Alternate	Dumisani Mthlane	
Independent persons appointed on the basis of their knowledge, experience and expertise relevant to SEZs		
Name	29 Nov 2017 – Dube Trade Port	
Dr Julian Naidoo		
Claire Buseti	Present	
Ntombizine Velma Madyibi	Apology	
Dr Vuyelwa Toni Penxa	Apology	
Sello Mashao Rasethaba (Chairperson)	Present	

2.3.2. The Technical Sub-committee

The Technical subcommittee is responsible for dealing with designations, financial, technological and infrastructural matters. The terms of reference are as follows:

- Review new applications for designations and operator permits before presentation to the SEZ Advisory Board.

Members of the sub-committee and meetings held are listed in the following table.

Table 7: Members of the technical sub-committee and meetings held during the years

Representatives of government departments and state-owned companies and are not below the position of Director-General or, where appropriate, Deputy Director-General or an equivalent position				
Department/SOE	Name	5 April 2017	6 Sept 2017	6 March 2018
the dti	Malebo Mabitje-Thompson	Not part of committee	Present	Apology
Alternate	Nomonde Masetywa			
South African Revenue Services	Sipho Edward Bavuma			
Alternate	Dr Randall Carolissen			
National Treasury	Dondo Mogajane	Apology	Apology	Apology – represented by Owen Willcox
Alternate	Monale Ratsoma			
Department responsible for public enterprises	Jacky Molisane			
Alternate	Nontskelelo Mbono			
Transnet SOC Limited	Adv. Phyllis Difeto	Present	Present	Present

Alternate	Nompulelo Dweba			
Eskom SOC Limited	Mandla Maleka			
Alternate	Titus Mathe			
Industrial Development Corporation	Lizeka Matshega			
Alternate	Abel Malinga			
Representatives of organised business, labour and civil society appointed on the basis of their knowledge and experience relevant to, and involvement in, SEZs and appointed through NEDLAC				
Organisation	Name	5 April 2017	6 Sept 2017	6 March 2018
Labour	Andre Thomas Kriel			
Alternate	Jonas Mosia			
Business	Mlungisi Clive Manci	Apology	Present	Present
Alternate	Stavros Nicolaou			
Civil Society	Themba Ndhlovu			
Alternate	Dumisani Mthlane			
Independent persons appointed on the basis of their knowledge, experience and expertise relevant to SEZs				
Name		5 April 2017	6 Sept 2017	6 March 2018
Dr Julian Naidoo (Chairperson)		Present	Present	Present
Claire Busetti		Present	Present	Present
Ntombizine Velma Madyibi				
Dr Vuyelwa Toni Penxa		Not part of committee	Present	Present
Sello Mashao Rasethaba				

2.4. Remuneration of Board members

Board members are remunerated according to the following rates:

- The rates of remuneration are in accordance with the National Treasury Guidelines
- Chairperson of the Board – R4 403 per sitting of the Board
- Member of the Board – R3 478 per sitting of the Board
- Attendance of Board workshops

Representatives of organised labour, business and civil society and independent persons appointed on the basis of their knowledge, experience and expertise relevant to SEZs are the only ones remunerated.

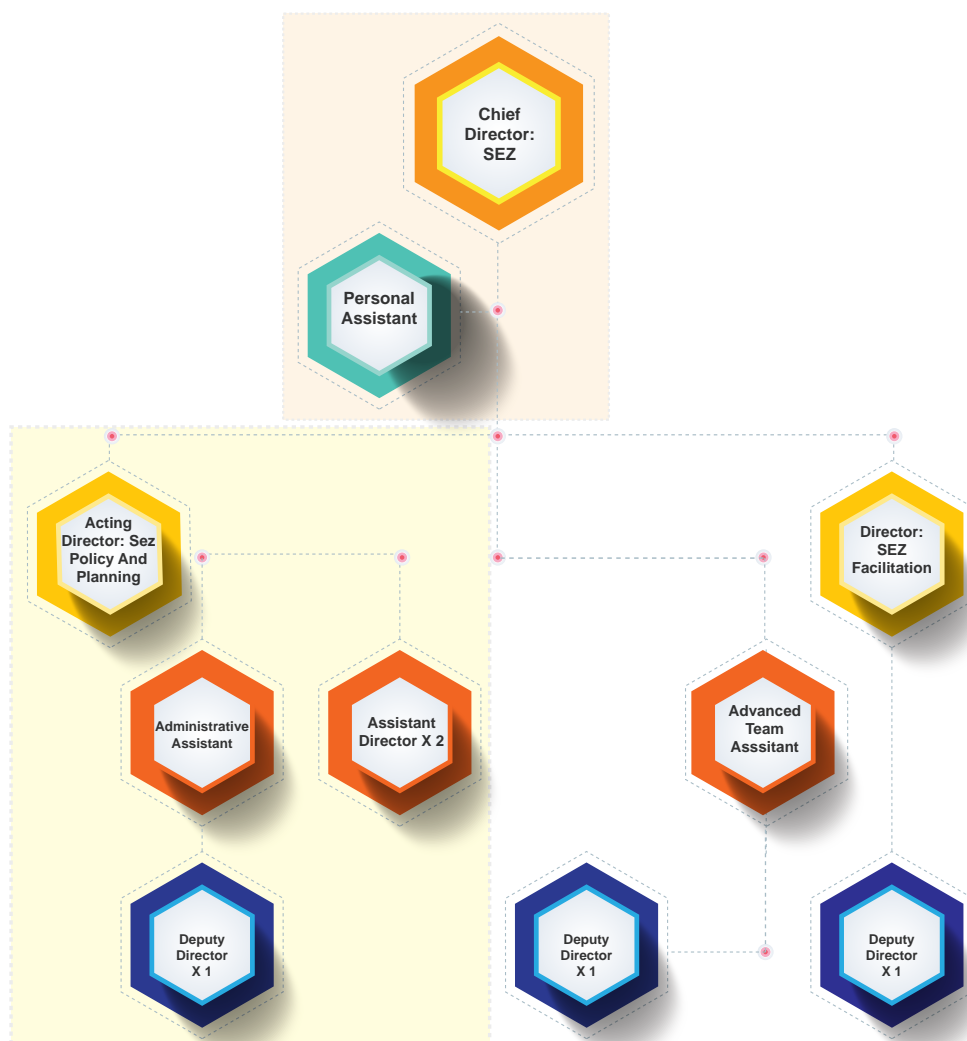
Table 8: Remuneration of Board members

Representatives of government departments and state-owned companies and are not below the position of Director-General or, where appropriate, Deputy Director-General or an equivalent position					
Department/SOE	Name	Board members who are employees of national, provincial and local government of institutions, agencies and entities of government serving as office-bearers on public entities/institutions are not entitled to additional remuneration			
the dti	Malebo Mabitje-Thompson				
Alternate	Nomonde Masetywa				
South African Revenue Services	Sipho Edward Bavuma				
Alternate	Dr Randall Carolissen				
National Treasury	Dondo Mogajane				
Alternate	Monale Ratsoma				
Department responsible for public enterprises	Jacky Molisane				
Alternate	Nontskelelo Mbono				
Transnet SOC Limited	Adv. Phyllis Difeto				
Alternate	Nompulelo Dweba				
Eskom SOC Limited	Mandla Maleka				
Alternate	Titus Mathe				
Industrial Development Corporation	Lizeka Matshega				
Alternate	Abel Malinga				
Representatives of organised business, labour and civil society appointed on the basis of their knowledge and experience relevant to, and involvement in, SEZs and appointed through NEDLAC					
Organisation	Name	Remuneration	Accommodation and travel	Travel and substance allowance	TOTAL
Labour	Andre Thomas Kriel				
Alternate	Jonas Mosia				
Business	Mlungisi Clive Manci	0,00	20 654,90	0,00	20 654,90
Alternate	Stavros Nicolaou				
Civil Society	Themba Ndhlovu	0,00	68 326,00	7 947,45	76 273,45
Alternate	Dumisani Mthlane				
Independent persons appointed on the basis of their knowledge, experience and expertise relevant to SEZs					

Name	Remuneration	Accommodation and travel	Travel and substance allowance	TOTAL
Dr Julian Naidoo	39 627,00	65 730,33	7 947,45	113 304,78
Claire Buseti	34 780,00	68 137,93	7 947,45	110 865,38
Ntombizine Velma Madyibi	6 956,00	72 287,99	7 947,45	87 191,44
Dr Vuyelwa Toni Penxa	31 302,00	67 030,33	7 947,45	106 279,78
Sello Mashao Rasethaba	27 824,00	68 137,93	7 947,45	103 909,38

2.5. Secretariat of the Advisory Board

The Director-General of **the dti** has established a dedicated secretariat in the department to support and assist the Board in the performance of its functions in terms of this Act and has provided the secretariat with the human resources, financial and other resources necessary to enable it to effectively render the required support and assistance. The secretariat is located in the Chief Directorate: SEZs, under the Policy and Planning Directorate. It consists of officials included in the shaded portion of the following diagram.



2.6. SEZ Advisory Board Activities

According to SEZ Regulation 13, the Advisory Board shall report to the Minister twice in any financial year on the progress relating to the establishment and development of SEZs in the Republic. The report must include:

- a) the number of applications for designation as a SEZ during the period under review;
- b) the number of applications for designation as a SEZ that have been approved during the period under review;
- c) the number of applications for operator permits received during the period under review;
- d) the number of applications for operator permits that have been approved during the period under review;
- e) the number of applications for transfer of operator permits received during the period under review;
- f) the number of applications for transfer of operator permits that have been approved during the period under review;
- g) a summary of the status, operations and progress in each designated SEZ;
- h) a summary of any challenges in establishing and developing SEZs, including proposals on dealing with the challenges identified; and
- i) any other matter relating to the establishment and development of SEZs.

The Board carried out a number of activities and tasks, in line with its mandate, during the 2017/18 financial year. These are described below in relation to the requirements of Regulation 13. It should be noted that the Board did not receive any applications for the transfer of an operator permit. The summary of the status, operations and progress in the designated SEZs is described in the following section.

2.6.1. Number of applications for designation as a SEZ and number of approved applications for designation

Musina-Makhado SEZ: The application for designation of the Musina-Makhado SEZ was brought to the SEZ Advisory Board in January 2016. Final approval was granted in 2017 and a final gazette notice designating the zone was gazetted in December 2017.

Atlantis SEZ: The application to designate the Atlantis SEZ was brought before the SEZ Board in June 2017. The application was approved by both the Board and the Minister, and Cabinet approval was obtained in June 2018. The final notice by the Minister designating the zone is still to be published.

Nkomazi SEZ: The application for designation of the Nkomazi SEZ was brought before the technical sub-committee in March 2018. The sub-committee of the Board recommended that the application for designation be approved by the SEZ Advisory Board and the recommendation be made to Minister of **the dti** for final designation. The Minister has since approved the designation of the Nkomazi SEZ for public comment.

2.6.2. Number of applications for operator permits received and approved

Musina-Makhado SEZ: The application for an operator permit for the Musina-Makhado SEZ was received and recommended for approval by the SEZ Advisory Board on 11 September 2017. The Minister subsequently approved the application and the permit was granted to Shenzen Hoimor Resource Holding Company (Ltd) to develop, operate and manage the metallurgical cluster zone.

2.6.3. Other matters relating to the establishment and development of SEZs

2.6.3.1. Policy and legislative matters

- **Draft Planning Guidelines**

Draft guidelines on the processes and procedures for the planning and establishment of the SEZs were gazetted for public comment on 29 March 2018. The SEZ Planning Guidelines are intended to provide necessary information with regards to:

- processes and procedures for the designation of a SEZ;
- what constitutes an application for designation as a SEZ to the Minister of Trade and Industry;
- processes for the development of feasibility studies and strategies for a proposed SEZ; and
- processes and procedures for the appointment of SEZ operators.

- **Governance and Management Regulations**

Final Governance and Management Regulations were approved and gazetted on 29 March 2018. The regulations govern the Boards of the SEZs that are tasked with the management of the respective SEZs. Various aspects of the SEZ Governance Regulations were covered, including:

- governance and management of a SEZ;
- membership of the SEZ Board;
- terms of office of Board members;
- disqualification from membership of the Board;
- vacating office and filling of vacancies on the Board;
- Board role and responsibilities;
- fiduciary duties of Board members;
- disclosure of interest by each Board member;
- meetings of the Board;
- resolution of the Board without meeting;
- committees of the Board;
- expenditure, remuneration and allowances paid to members of the Board and committees; and
- dissolution of the Board.

2.6.3.2. Single point of contact or one-stop shop

Section (f) of the objectives of the SEZ Act refers to “the establishment of a single point of contact or one-stop shop that delivers the required government services to businesses operating in SEZs in order to lodge applications to various government authorities and agencies and to receive information on regulatory requirements from such authorities and agencies”.

The Minister may, in terms of section 35 of the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005), enter into an implementation protocol with any organ of state that the Minister may deem appropriate, including:

- a) the Minister responsible for environmental affairs;
- b) the Minister responsible for home affairs;

- c) the Minister responsible for labour; or
- d) the Minister responsible for finance.

The implementation protocol may deal with:

- a) the implementation and operation of a one-stop shop; or
- b) any other matter requiring the coordination of the functions of organs of state that may be appropriate or required for the proper regulation and development of SEZs.

The Advisory Board must advise the Minister on minimum norms and standards required for the provision of a one-stop shop in a SEZ.

Table 9: Existing single point of contact or one-stop shop

NATIONAL		
InvestSA One Stop located at the dti Campus in Pretoria was launched by Investment South Africa in March 2017		
PROVINCIAL		
Province	Operator	Location
InvestSA OSS Western Cape	WESGRO	Tsogo Sun Hotel, Central Cape Town
InvestSA OSS Gauteng	Gauteng Growth and Development Agency	Sandton Drive, Sandton
InvestSA OSS KwaZulu-Natal	Trade and Investment KZN	Kingsway Office Park, Durban

The following offices will be launched during the 2018/19 financial year:

Table 10: One-stop shops in progress

Province	Status
Limpopo	Located at the Provincial Department of Tourism, Polokwane
Eastern Cape	The Eastern Cape Development Corporation is the implementing agency and discussions are in progress on the location
Mpumalanga	Stakeholder consultations will commence in August 2018 and the facility is likely to be operational during Q4

In addition, the operator must, on behalf of the SEZ Board, facilitate a single point of contact or one-stop shop that delivers the required government services to businesses operating in the SEZ.

The Minister must, in the annual report of the department referred to in section 40(1)(d) of the Public Finance Management Act, include a report on the conclusion and implementation of the protocols contemplated in subsection (1), if any, and the implementation of one-stop shops in SEZs.

No implementation protocols have been entered into in terms of section 35 of the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005)

2.6.3.3. Transitional process

The IDZs, designated under the Manufacturing Development Act No. 187 of 1993, have been given three years (since the commencement of the SEZ Act) to comply with the framework regulating the new SEZs. Regulation 14 of the SEZ Act stipulates that IDZ operators must, within 12 months of the commencement of the Act, submit transitional plans outlining how the zones will comply with the provisions of the new Act, including compliance with governance, and management and reporting obligations. All IDZs have submitted their transitional plans indicating how they intend to comply. **the dti** has held meetings with the individual IDZs in order to monitor their transition and provide assistance where required.

2.6.3.4. General compliance issues

Quarterly reporting template: According to SEZ Act, the SEZ operator must, on behalf of the SEZ Board, “maintain adequate and proper accounts and other records in relation to its business and report in the manner prescribed or required on the activities, performance and development of the SEZ to the Minister and as required under any other legislation.” A reporting template has been drafted to assist the SEZs and ensure conformity when reporting both operational and investment matters, allowing for information to be collated and accessed more easily. Currently SEZs submit their quarterly reports using their own internal templates. Information contained therein is difficult to verify and can contain a number of discrepancies. A standard template would reduce the inconsistencies found in the reporting of the SEZs quarterly performance.

2.6.3.5. SEZ capacity-building programmes

- **SEZ capacity-building programme with the People’s Republic of China:** In 2014, a five-year agreement was signed between **the dti** and the Ministry of Commerce (MOFCOM) of the Peoples’ Republic of China. The intention of the agreement is to train a maximum of 30 government and SEZ officials per annum on SEZ policies and implementation processes. To date, a total of 120 officials have travelled to China for training. In May 2018, 50 officials from the IDZs, provinces and local municipalities were sent to China for training. **the dti** and MOFCOM have extended the programme for an additional five years and included training for South African Industrial Parks.
- **SEZ Advisory Board members study tour to China:** The study tour to China from 17 to 25 August 2017 was designed specifically to equip Board members with a diverse range of skills related to their function. The tour was hosted by the South African Embassy in China, the Government of the People’s Republic of China, the Ministry of Commerce and the TEDA Group Co. Ltd. Ten of the 25 Board members and their alternates joined the tour, supported by a secretariat complement of four.

Table 11: Members who attended the study tour to China

Representatives of government departments and state-owned companies and are not below the position of Director-General or, where appropriate, Deputy Director-General or equivalent position				
Department/SOE	Name	Position	Attended	Not Attended
the dti	Ms Malebo Mabitje-Thompson	Deputy Director-General	x	
Alternate	Ms Nomonde Masetywa	Deputy Director-General		x
South African Revenue Services	Sipho Edward Bavuma	Group Executive: Legal	x	
Alternate				
National Treasury	Dondo Mogajane	Director-General		x
Alternate	Monale Ratsoma	Deputy Director-General		x
Department responsible for public enterprises	Ms Jacky Molisane	Deputy Director-General		x
Alternate	Ms Nontskelelo Mbono			x
Transnet SOC Limited	Adv. Phyllis Difeto			x
Alternate	Ms Nompulelo Dweba			x
Eskom SOC Limited	Mandla Maleka	Chief Economist	x	
Alternate	Titus Mathe			x
Industrial Development Corporation	Khumo Morolong	Divisional Executive: Agro, Infrastructure and New Industries		x
Alternate	Abel Malinga			x
	Ms Lizeka Matshega		x	
Representatives of organised business, labour and civil society appointed on the basis of their knowledge and experience relevant to, and involvement in, SEZs and appointed through NEDLAC				
Organisation	Name	Position	Attended	Not Attended
Labour	Andre Thomas Kriel	General Secretary		x
Alternate				x
Business	Mlungisi Clive Mancu	Chief Executive		x
Alternate	Dumisani Mthlane			x
Civil Society	David Themba Ndhlovu		x	
Alternate	Stavros Nicolaou	Chief Executive		x
Independent persons appointed on the basis of their knowledge, experience and expertise relevant to SEZs				
Organisation	Name	Position	Attended	Not Attended
Independent	Dr Julian Naidoo (Chairman)		x	
Independent	Ms Claire Buseti		x	
Independent	Ms Ntombizine Velma Madyibi		x	
Independent	Dr Vuyelwa Toni Penxa		x	
Independent	Sello Mashao Rasethaba		x	

The main part of the tour included interactions with policy makers of the Chinese government, funding organisations, SEZ operators and potential investors. Areas of learning focused on the following themes:

- SEZ infrastructure funding model
- investment promotion strategies
- sustainability models of SEZs
- SEZ policy and strategy
- SEZs as regional and industrial development tools
- SEZ management structures in all three spheres of government

Table 12: Lists of meetings attended

MEETING	SPEAKER	INSTITUTION
DAY 1, Monday – 21 August 2017		
Meeting with Ambassador	Madam Msimanga	SA Embassy
Meeting with China Development Zone Association	Mr Li Yuan, Vice Secretary General	China Development Zone Association
DAY 2, Tuesday – 22 August 2017		
Meeting with Investment Department of the CAD Fund		China Africa Development Fund
Meeting with E-town Management Committee and Site visit to E-town IDZ	Deputy Head of Investment Promotion	E - town IDZ
DAY 3, Wednesday – 23 August 2017		
Meeting with officials in Tianjin Commission of Commerce	Mr Wang Kai, lecturer who shared his views on SEZ in Tianjin	Policy Research Department of Administrative Commission of Free Trade Zone, Tianjin Airport
DAY 4, Thursday – 24 August 2017		
Meeting with Shunyi Free Zone Management Committee and site visit to bonded warehouse		Shunyi
DAY 5, Friday – 25 August 2017		
Meeting with the Ministry of Commerce (MOFCOM)		MOFCOM Offices

The following lessons were learned and value added to the tasks of the Board members:

- Clear policy direction matched by supporting incentives in the development, management and implementation of SEZs
- Collective and coordinated approach to the implementation of the SEZ programme
- Dynamic government and fluid policy responding to changing investor climate
- Strong monitoring and evaluation is highly necessary for complex projects such as the SEZs
- Integrated approach to SEZ development, which caters to diverse regional needs as opposed to only building industrial parks
- Effective and efficient one-stop shop service

- Need to develop a long-term strategic/master plan for SEZs
- China's large-scale SEZs provide more opportunities for shared services and cluster development
- Responsibilities for SEZ development and management are defined as follows between spheres of government:
 - central government provides the policy environment;
 - local government is responsible for the provision of land and strategy formulation and the establishment of the SEZ entities; and
 - SEZ entities (such as TEDA) are responsible for investment promotion, management and administration of the zones



Board members at the Shunyi Free Zone

2.6.3.6. Investment Promotion and Marketing

- **Roadshows in China:** the dti's partnership with China's National Development and Reform Commission (NDRC) and the Bank of China resulted in successful investment roadshows in Beijing (May 2016) and Guangzhou (May 2017). The 2018 roadshow kicked off in Shanghai in May. The roadshows allow participants to market opportunities in the South African SEZs. The Chinese government, potential investors and finance institutions attend these investment roadshows and more than 200 Chinese companies participated. **the dti** will continue to work with the government of China and will double its effort to market SEZ opportunities to other parts of the world, including Japan, the European Union and the Americas.
- **South Africa-Joint Economic Commission – Switzerland:** The SEZ chief directorate participated in the 7th SA-Joint Economic Commission held in Switzerland. A presentation of the SEZ programme highlighted investment opportunities and indicated strategic priority sectors earmarked as catalytic economic nodes for the country. The Joint Economic Commission provides an opportunity to review the state of bilateral trade between the two countries, deepen investment ties and take stock of the commitments made during the last session. Mutually beneficial projects and various other issues are discussed.

- **Trade and Investment Committee Meeting – New Zealand and Australia:** The SEZ chief directorate was part of the inaugural session of the Trade and Investment Committee meetings in Wellington, New Zealand, and Canberra, Australia, in September 2017. The inaugural session was exploratory as both sides discussed and identified potential areas for future cooperation to enhance trade and investment relations.
- **Marketing of the SEZs:** The Board has identified the lack of a concerted marketing strategy as a major concern requiring immediate attention. A more sustained and committed effort by the dti and the SEZs is required to focus the attention of investors on the zones. The Board recommended that the dti develop a marketing strategy, the terms of reference of which have already been drawn up. It was further recommended that the dti advertise the SEZ programme using various media platforms. The advertisement below is one such example that appeared in *Business Day*, *Engineering News* and *Sawubona Magazine*. Further advertisements are planned for international publications in the 2018/19 financial year

Focusing on South Africa's SPECIAL ECONOMIC ZONES

South Africa has eight (8) Special Economic Zones located in different provinces

Free Zone (Free Zone, Free Zone, Free Zone) The Free Zone is a designated area where foreign goods and services can be imported and exported without paying customs duties. This allows businesses to reduce their costs and increase their competitiveness in the international market. The Free Zone is also a hub for foreign investment and trade, attracting businesses from around the world. The Free Zone is a key driver of economic growth and development in South Africa.

Export Processing Zone (Export Processing Zone, Export Processing Zone, Export Processing Zone) The Export Processing Zone is a designated area where foreign goods and services can be imported and exported without paying customs duties. This allows businesses to reduce their costs and increase their competitiveness in the international market. The Export Processing Zone is also a hub for foreign investment and trade, attracting businesses from around the world. The Export Processing Zone is a key driver of economic growth and development in South Africa.

Special Economic Zone (Special Economic Zone, Special Economic Zone, Special Economic Zone) The Special Economic Zone is a designated area where foreign goods and services can be imported and exported without paying customs duties. This allows businesses to reduce their costs and increase their competitiveness in the international market. The Special Economic Zone is also a hub for foreign investment and trade, attracting businesses from around the world. The Special Economic Zone is a key driver of economic growth and development in South Africa.

Special Economic Zone (Special Economic Zone, Special Economic Zone, Special Economic Zone) The Special Economic Zone is a designated area where foreign goods and services can be imported and exported without paying customs duties. This allows businesses to reduce their costs and increase their competitiveness in the international market. The Special Economic Zone is also a hub for foreign investment and trade, attracting businesses from around the world. The Special Economic Zone is a key driver of economic growth and development in South Africa.

2.6.3.7. Monitoring and Evaluation Framework

A monitoring and evaluation (M&E) framework has been concluded with the aim of improving service delivery and ensuring value for money. The framework serves as a roadmap for the manner in which SEZ monitoring and evaluation will be conducted, managed and reported on; which institutions will be involved in data collection and dissemination; and sets out the norms and standards for performance evaluation. It is hoped that the adoption of this framework will produce credible information that will result in a systematic, disciplined and objective approach to assess and improve the reliability, efficiency and integrity of the SEZs.

The following performance management reports will be used to assess the performance of the SEZs:

- a) business and financial plans
- b) financial statements
- c) annual reports
- d) quarterly performance progress reports

Monitoring and evaluation of the SEZs is complemented by accountability reports to Parliament by the Minister, site visits to the zone, and oversight provided by the SEZ Advisory Board.

Coega SEZ



Construction at the East London SEZ





3. PERFORMANCE OF THE SEZs

3.1. Output key performance indicators (KPIs)

The M&E framework mentioned above lists the following areas under output KPIs:

- a) number of investment projects
- b) job creation in investor companies
- c) fixed asset investment by investor companies
- d) land allocation
- e) revenues raised
- f) annual exports

The assessment of the performance of the SEZs uses the above performance indicators. Information is largely derived from the latest quarterly reports received from the SEZs. For ease of understanding, SEZs are classified as designated and operational SEZs, designated and non-operational SEZs, and those that are still in the planning phase.

3.1.1. Designated and operational SEZs

The performance of the designated and operational SEZs is summarised in the following table.

Table 13: Summary of output KPI's for designated and operational SEZs

Name of SEZ	Year of designation	Total size (ha)	No. of operational investors	Value of operational investment (Rm)	Total direct employment created	Land allocation to date (Ha)	Revenue (Rm)	Exports (Rm)
Coega (Eastern Cape)	2001	9003 (SEZ) + 256 (NMLP)	42	6.2 billion	8 210	388	275.3	363m
East London (Eastern Cape)	2002	462	28	8 billion	3 645	7.9	720.7	3.2bn
Richards Bay (KwaZulu-Natal)	2002	383	2	320 million	93	5.5	2.89	-
Dube TradePort (KwaZulu-Natal)	2016	302.9	16	1.3 billion	432	54.5	117.5	470m
TOTAL		10 406	88	15.5 billion	12 380	455	1115	4.1bn

Note: Information contained in the above table has been received and confirmed by the respective SEZs

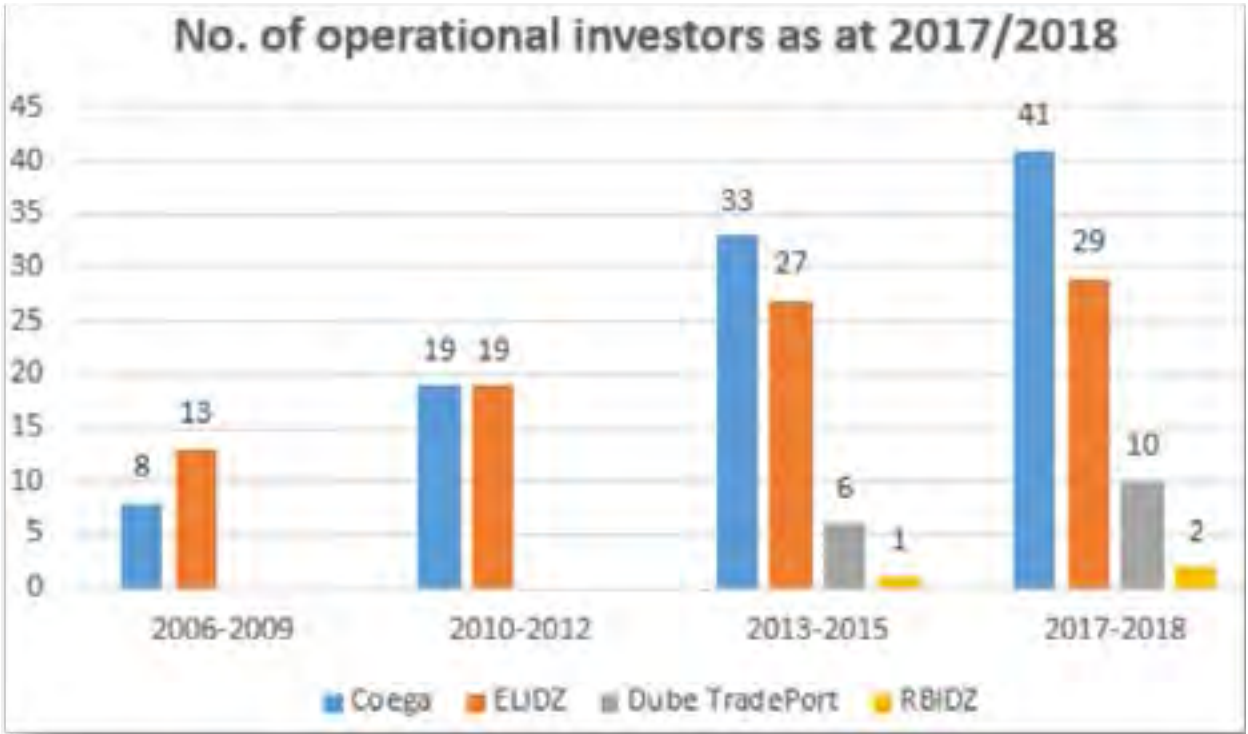
Operational investors have commenced trading operations in the zone,.

Direct jobs are those created and sustained at the zone, since inception. This excludes construction jobs.

Land allocation is the total amount of land allocated to investors in the zone, since inception.

Revenue is the total revenue raised in the financial year from land sales, rentals or services rendered to investors.

Exports are the annual total export sales from the zones.

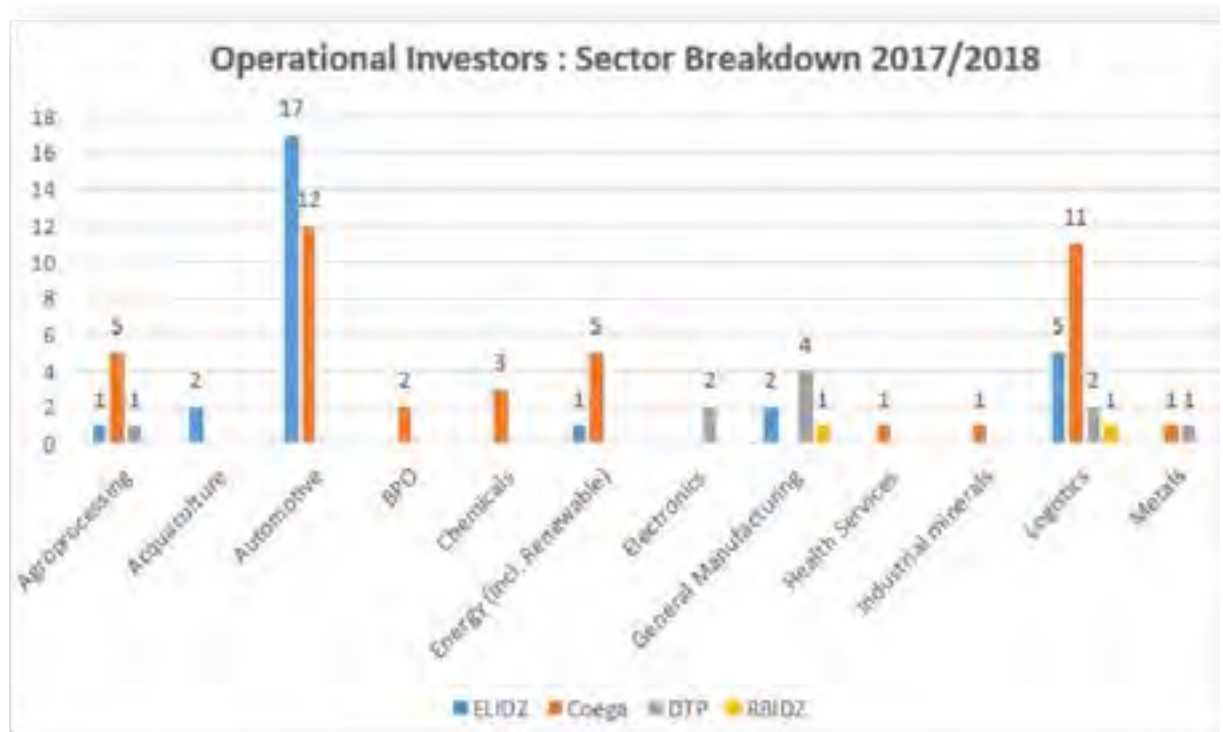


At the end of the 2017/18 financial year, a total of 88 investors were operational in the four designated SEZs, with a total investment value of R15.5 billion. Coega has attracted investors with an investment value of R6.2 billion, followed by the ELIDZ with an investment value of R8 billion, Dube TradePort at R1.2 billion and the RBIDZ at R320 million.

Automotives is the largest sector with a total of 29 investors across the SEZs (ELIDZ 17, Coega 12), followed by logistics (18), agro-processing (7) and general manufacturing (7). In terms of the sectoral distribution of investors, the majority of investors in the automotive sector are located in the ELIDZ and Coega. Logistics is the second-largest sector, with a total of 19 investors across all the zones, followed by agro-processing and general manufacturing.



The cumulative number of direct jobs created in the zones is 12 380, with Coega generating 8 210 jobs from its 42 operational investors, ELIDZ 3 095 from its 28 operational investors, the DTP 432 from its 16 operational investors and the RBIDZ 93 from its two operational investors.



In terms of signed but not yet operational investors, as at the end of this financial year, a total of 57 investors have contracted commitments to locate in the zones with an estimated investment value of more than R27 billion.

Table 14: Summary of signed, non-operational investors

Name of SEZ	Value of secured but not operational investments (Rm)	No. of signed but not yet operational Investors	Direct jobs expected
Coega	16.6 billion	26	3 249
East London	4.3 billion	11	3 435
Richards Bay	12.4 billion	21	1 925
Dube TradePort	1.4 billion	5	550
Total	34.7 billion	63	9 159

3.1.2. Designated but non-operational SEZs

Designated non-operational SEZs are listed in the following table. These SEZs have not commenced trading and are in the process of developing their infrastructure and top structure, which is at various stages of completion.

Table 15: Summary of designated but non-operational SEZs

Name of SEZ	Province	Year of designation	Total size (ha)	Signed investors	Estimated investment value
Saldanha Bay	Western Cape	2013	356	3	R484m
OR Tambo	Gauteng	2002	7.5	4	R323m
Maluti-a-Phofung (MAP)	Free State	2014	1 039	3	R320m
Musina-Makhado	Limpopo	2017	7 262	9	R10bn
TOTAL			8 664	19	

In Saldanha Bay, a number of infrastructure development projects are taking place in the zone to support the development of a state-of-the-art facility where wet and dry work on mobile drilling units such as semi-submersible oil rigs and other vessels can be done, as well as the fabrication of key industry-related products, such as subsea manifolds, onshore modules and jack-up rigs. As at 2017/18, there were 31 potential investors with an estimated private investment value of R14.8 billion, comprising both domestic and foreign direct investments in the upstream oil and gas services and marine repair and fabrication industries sector. In addition, Transnet and TNPA have committed R450 million to the development of water-side infrastructure in the port for these industries as part of their commitment to Operation Phakisa. Land purchased from the IDC is in the process of being transferred to the zone and the lease agreement with Transnet has been finalised.

In the first phase of OR Tambo, two investors have been secured in the perishables food sector and metals fabrication sector. A 17 500m² food factory is in the process of being constructed, for operationalisation during 2019. The factory will support the export of fresh-food products sourced from South Africa and processed at the zone. The SEZ will also host a Jewellery Manufacturing and Diamond Beneficiation Precinct, which will house local and international

companies exporting jewellery and polished diamonds from South Africa. Development of this Precinct, considered as Phase 1B of the Zone, is under way with operationalisation planned for the latter part of 2019. Collectively, the level of investment procured from both phases is R323 million. The bulk infrastructure development process is progressing and is 99% complete. A new gazette notice is currently being drafted, consolidating all designated land parcels and de-proclaiming land that is no longer part of the SEZ. Upon finalisation of this notice, the SEZ will be eligible for the SEZ tax incentives.

The MAP SEZ aims to develop into a multi-sector and rail-based container terminal (as a multi-modal logistics hub) to service the automotives and clothing industries and unlock pharmaceuticals manufacturing and agro-processing opportunities in the Harrismith region. The multi-modal and cross-sector elements of the development will allow for the transfer of cargo between rail and road transportation and is dependent on Transnet assistance. The Front End Loading (FEL) process is being conducted jointly by the Free State Development Corporation (FDC) and Transnet Freight Rail TFR. In terms of infrastructure development, funding from **the dti** has been used for the construction of bulk infrastructure, utility services, construction of a gate house and perimeter fence. A number of investment projects have applications that have been sent to **the dti** for funding and which represent an estimated investment value of R1.5 billion and potential employment of approximately 500 people.

In the Musina-Makhado SEZ, the Limpopo Economic Development Agency has signed Memorandums of Understanding and a Memorandum of Agreement with nine Chinese companies, which have committed to investing more than US\$10 billion in the zone. The signing ceremonies of eight of the MOUs and the MOA took place in Beijing, China. There are four projects in the SEZ, namely the power plant, coking plant, alloy factory and steel manufacturing. A due diligence assessment will follow the signing of the agreements, and feasibility studies are currently being undertaken.

3.1.3. Proposed SEZs

Proposed SEZs are those that are primarily in the planning phases. These are listed below.

Table 16: Proposed SEZs

Proposed SEZ	Province	Sectoral focus	Status
Atlantis	Western Cape	Renewable energy/green tech hub	Await final gazetting
Nkomazi	Mpumalanga	Agro-processing and trade hub	Await gazetting for public consultation
Upington	Northern Cape	Solar manufacturing hub	Planning phase
Bojanala	North West	PGM beneficiation and mining input supplier park	Planning phase
Wild Coast: Mthatha	Eastern Cape	Agro-processing and tourism hub	Planning phase
Gauteng Science and High-Tech Hub	Gauteng	Science and high-tech industries	Planning phase
Tubatse	Limpopo	PGM beneficiation and mining input supplier park	Planning phase

The Atlantis 'greentech' SEZ is an existing industrial park with five operational investors valued at R680 million and a pipeline estimated to be valued at R2.4 billion. Existing employment is 312. The SEZ is at the final stages of designation, which is expected in September 2018.

The proposed Nkomazi SEZ is conceptualised as an agro-processing hub that will be supported by mixed services such as warehousing and logistics. The targeted value chains of the SEZ include secondary and tertiary stages of processing with respect to the following products: citrus and sub-tropical fruits; aromatic plants/herbs; ground and tree nuts; sugar cane; nutraceuticals; meat processing; leather goods; and agri-inputs such as fertilizer. A total land area of 155ha has been designated for public comment, comprising industrial zones 1A, and 1C, zones 2A and 2B and zones 3A, 3B and 3C.

The proposed SEZ in the Bojanala District in the North West province is located on part of 120ha of land that has been secured adjacent to the Bodirelo Industrial Park in the town of Mogwase. The SEZ will be developed in three phases, of which phase 1A will establish a Logistics Hub, 1B medium industrial facilities and 1C heavy industrial facilities. Phase 2 will develop a further 100ha. Future expansion into Phase 3 of 60ha is planned. The total SEZ land size is 240ha. The sectoral focus for the Platinum Valley SEZ is on PGM's beneficiation, mining equipment and machinery, renewable energy products and components and logistics.

3.2. Challenges identified

Challenges experienced within SEZs vary and some are exogenous while others are endogenous. The following challenges have been identified by investors and SEZ management, with regards to the investment performance of the zones:

- capacity constraints and inability to attract investors into the SEZ;
- unhealthy competition among SEZs, which puts those SEZs located in lagging/under-developed regions at a disadvantage in relation to investment attraction;
- the transition into SEZs by the previous IDZs poses a number of challenges with regard to their institutional and governance arrangements;
- poor investment climate in the country has resulted in slow investor uptake;
- strength of the implementing institutions will have a direct bearing on the sustainability of SEZs;
- Water availability in some regions will have a direct bearing on the speed of Industrialisation;
- development of technical skills, technicians and artisans critical for industrial development will determine whether host communities benefit; and
- extending investment and SEZ cooperation with China and other countries will be important in unlocking international investments.

3.3. Priorities for 2018/19

The priorities for 2018/19 include:

- The designation of new SEZs, such as the Nkomazi SEZ in Mpumalanga and the Bojanala SEZ in the North West.
- The final designation for the Atlantis SEZ is anticipated to be completed shortly since Cabinet has approved the designation of the SEZ in June 2018.
- The Board has raised a number of concerns with regard to the marketing and investment promotion of the SEZ

programme. More advertisements in strategic national and international publications will be prioritised, in addition to the various roadshows to be undertaken.

- It is hoped that capacity constraints currently being experienced by **the dti** and the zone operators will be relieved in the next financial year. This has affected the operational performance of the zones and the implementation of the overall programme.
- Continuous monitoring and evaluation of the SEZ programme is a main concern to ensure its legitimacy, accountability and that limited state resources are utilised responsibly.
- Prioritising the promotion of coordinated planning among the implementation agencies is crucial and critical to the success of the SEZs.
- Industrial infrastructural development in non-operational zones must be prioritised in order to accelerate their development and start attracting investors.
- The overall goal of **the dti** and the SEZs is to increase the value of operational investments from R10 billion to R20 billion in the 2018/19 financial year.



4. THE SEZ FUND

4.1. SEZ Fund disbursements

the dti continues to provide financial support for the implementation of the SEZ programme, with the aim to attract targeted investment into the zones. Since the inception of the IDZ Programme in 2002 to date, the dti has expended a total of more than R8.4 billion for infrastructure development into the zones. Bulk infrastructure and top structures linked to specific investors are financed through the SEZ allocation in the Infrastructure Investment Support sub-programme in IDAD. The SEZ Fund was established and capitalised during the 2013/14 financial year. The funding model is project-based financing and an Adjudication Committee considers each funding application from the zones and approves each project based on its merits. The committee is guided by approved SEZ Fund Guidelines and industrial policy imperatives when considering projects. SEZ operators can submit funding applications throughout the financial year. the dti enters into funding agreements with the operators for each approved project. The disbursements to the various SEZs, made from the time of inception of the Fund (2013/14) till the 2017/18 financial year is shown in the following table.

Table 16: Funds distributed to designated SEZs since inception of the SEZ Fund in 2013/2014

SEZ	Feasibility studies	Bulk infrastructure	Top structure	Skills development	Total (R)
Coega	1,800,000	409,548,932	1,039,765,696		1,451,114,628
East London		9,744,521	868,616,319		878,360,840
Richards Bay	84,872,560	445,777,959			530,650,519
Dube TradePort		200,498,093			200,498,093
Saldanha Bay		741,857,900		4,494,881	746,352,781
OR Tambo		208,707,694	270,898,520		479,606,214
Maluti-a-Phofung		294,332,481	47,989,567		342,322,048
TOTAL (R)	86,672,560	2,310,467,580	2,227,270,102	4,494,881	4,628,905,123

The bulk of the funding is committed to infrastructural development inside the zones and over time is expected to reduce the overall capital costs to the zones. The Coega SEZ has received the bulk of the funding, followed by the ELIDZ and Saldanha Bay, which is not yet operational. Direct comparisons on the SEZ disbursements cannot be made given the differing sizes of the zones, the different infrastructural requirements and diverse needs of the investors.

The disbursements to the various SEZs, made from inception to the 2017/18 financial year is shown in table 17. The Coega SEZ received the bulk of the funding at R5.965 billion, with a total investment value of R6.256 billion. This is followed by the ELIDZ with R2.587 billion and a total investment value of R1.6 billion. Dube TradePort received R206 million from the dti, with an investment value of R1.2 billion, while RBIDZ received R711 million, with an investment value of R320 million.

Table 17: SEZ funding since inception

Financial Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	Total
CSE	R 200 000															
Gross CC	R 50	R 120	R 55	R 55	R 250	R 750	R 110	R 600	R 700	R 300	R 400	R 200	R 200	R 200	R 100	R 5 865
Budget	R 0	R 50	R 50	R 0	R 500	R 1 200	R 1 50	R 1 000	R 1 000	R 1 000	R 1 000	R 1 000	R 1 000	R 1 000	R 0	R 1 500
Actual	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
EBITDA	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Operating CC	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Maint CC	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Sum TransPort	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Total	R 50	R 120	R 55	R 55	R 250	R 750	R 110	R 600	R 700	R 300	R 400	R 200	R 200	R 200	R 100	R 5 865

Source: SEZ Fund Secretariat, 2018

In addition to the SEZ Fund, the proposed SEZs received funding from **the dti** to cover costs associated with pre-designation, including pre-feasibility and feasibility studies. To assist the new SEZs in becoming operational, Project Management Units (PMUs) have been established, for which funds have been allocated from **the dti**. Funding received by the SEZ PMUs is summarised in table 18.

Table 18: Funding disbursed to the PMUs at the SEZs

Province	FY2013/14	FY2014/15	FY2015/16	Revised budget 2016-17
Limpopo Musina	5,400,000.00	4,572,358.00	7,398,147.00	4,683,960.06
Limpopo Tubatse	5,200,000.00	5,072,358.00	5,298,147.00	3,059,967.57
Mpumalanga	4,500,000.00	5,072,358.00	7,398,147.00	5,171,754.74
North West	4,450,000.00	5,522,358.00	6,397,668.99	6,530,576.16
EC Coega / Wild Coast	5,250,000.00	8,705,450.00	8,312,877.00	3,820,330.80
Gauteng	3,000,000.00	4,572,358.00	7,398,147.00	4,976,887.76
Free State	4, 500, 000	4, 572, 358	6,898,147.00	4854834.55
Western Cape / Atlantis	4,500,000.00	2,572,358.00	7,398,147.00	5,476,887.76
KwaZulu-Natal	3,000,000.00	4,572,358.00	6,898,147.00	5,476,887.76
Northern Cape	5,700,000.00	6,072,358.00	9,398,147.00	3,956,773.84
TOTAL	45,500,000.00	51,306,672.00	72,795,721.99	48,008,861.00

5. CONCLUSION

the dti will, in conjunction with other relevant departments and agencies, develop and implement a comprehensive SEZ programme to ensure the successful and effective implementation of the SEZ policy. The roles and responsibilities of several institutions need to be clarified and the Implementation Protocol developed to formalise the agreements and ensure that all parties play their role.

The SEZ policy guides the designation, promotion, development, operation and management of the SEZs and will be reviewed by the Minister of Trade and Industry when necessary. The SEZ Advisory Board will monitor implementation of the policy.

the dti has established a legislative framework (the Act, regulations and guidelines) to regulate and guide development of the SEZs. The SEZ Advisory Board will continue to regulate the SEZ programme in terms of the SEZ legislation.

the dti must develop the SEZ strategy and review it when necessary to ensure that newly designated SEZs are of a strategic nature and support industrialisation and economic growth strategies. The SEZ Advisory Board will be responsible for the implementation of the strategy. It is envisaged that as the SEZ programme matures, it will be directly responsible for the transformation of the host region and the country as a whole in various ways.

The SEZ programme contributes to the betterment of the overall socio-economic conditions in the host region, giving rise to further investment and opportunities, by:

- integrating local small, medium and micro enterprises into the SEZ's value-chain, thus enabling them to access global value-chains, through technology and skills transfer to semi-skilled and unskilled workers;
- incubating local enterprises in strategic industries such as renewable energy, chemicals and technology; and
- the creation of direct and indirect jobs, which further improves the industrial capabilities of the host region.

The SEZ Advisory Board's role to drive the implementation of the programme within a complex socio-political and intergovernmental landscape will be decisive in attaining the above transformation.

Notes

[illegible]

Notes

[illegible]

the dti Campus
77 Meintjies Street
Sunnyside
Pretoria
0002

the dti
Private Bag X84
Pretoria
0001

the dti Customer Contact Centre: 0861 843 384
Website: www.thedti.gov.za



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

towards full-scale industrialisation and inclusive growth

the dti Customer Contact Centre: 0861 843 384

Website: www.thedti.gov.za

