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Economic Zones: Instruments For Regional Production Networks And Supply Chains

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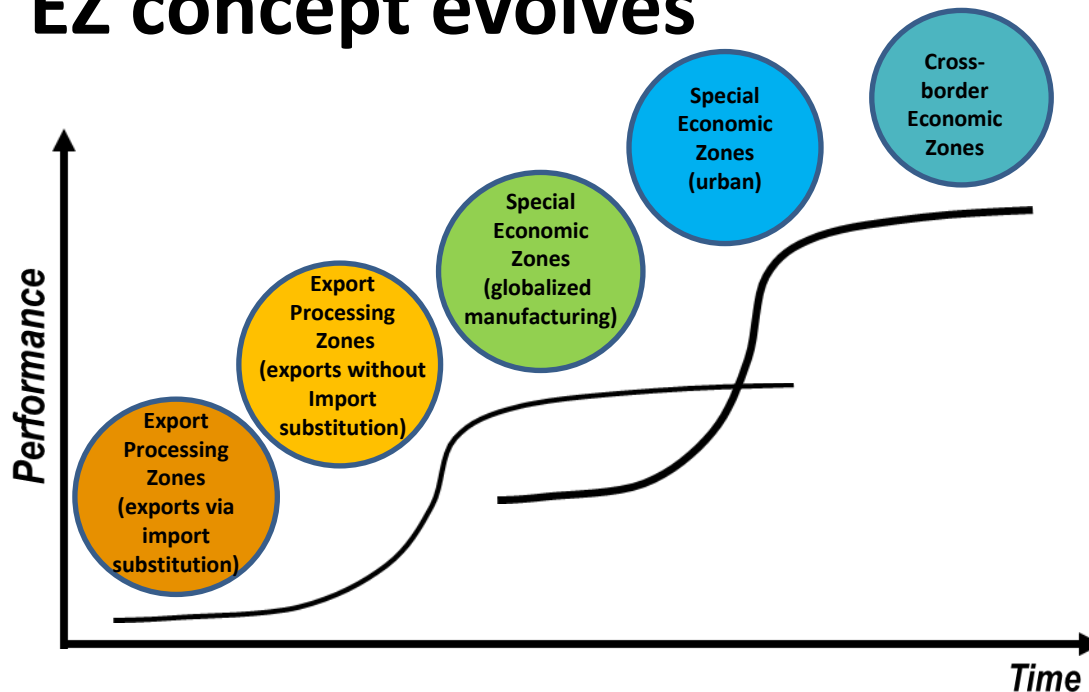


Overview

- EZs evolved as a concept
- help drive RCI
- trigger structural transformation
- best practices for designing future EZs
- offer an EZ investment framework



EZ concept evolves



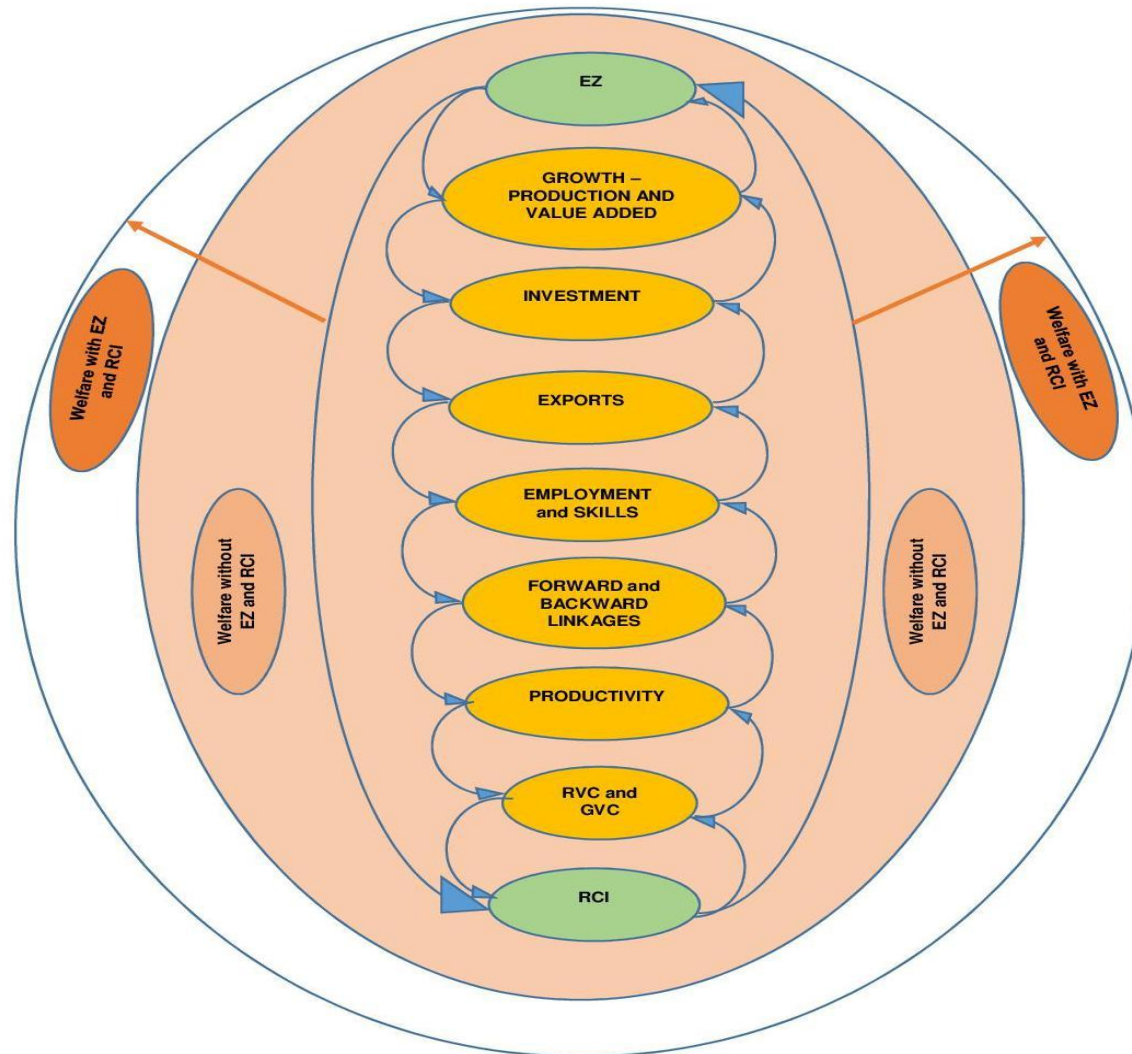
Model influenced by:

- Investment (Public, Private, Public-Private Partnership)
- Innovation
- Market demand/ Trade
- Backward/ forward linkages
- Skills development

A Special Economic Zone (SEZ) is clearly defined **geographically**, with a **single management or administration** and **separate customs area** (often duty free), where **streamlined business procedures** are applied, and where physically located firms qualify for more **liberal and effective rules** than those in the national territory (covering, for example, investment conditions, international trade and customs, tariffs, and taxation).

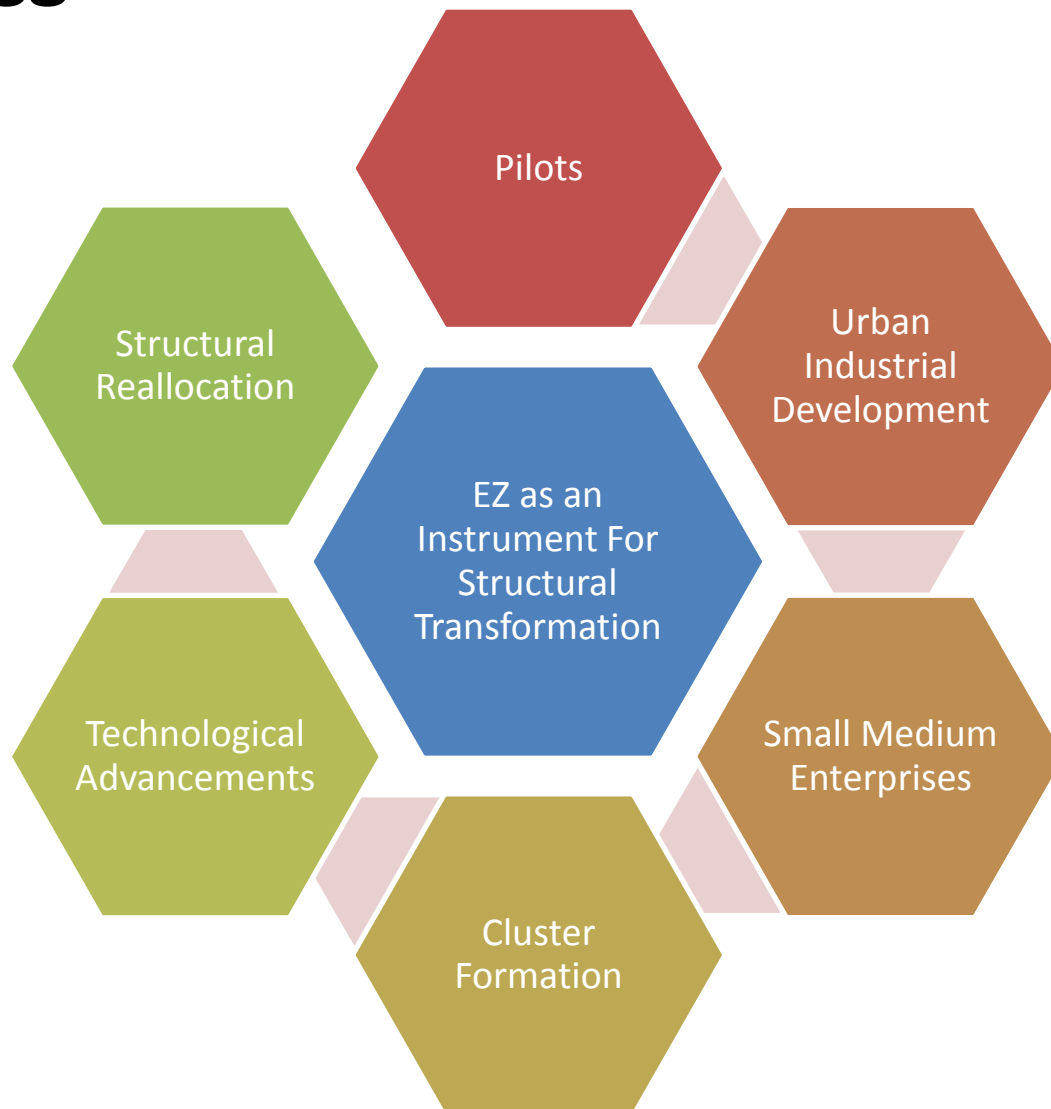


EZs and RCI: Mutually reinforcing





EZs can trigger structural transformation





Best practices for designing EZs

Integration with national economy

Good timing

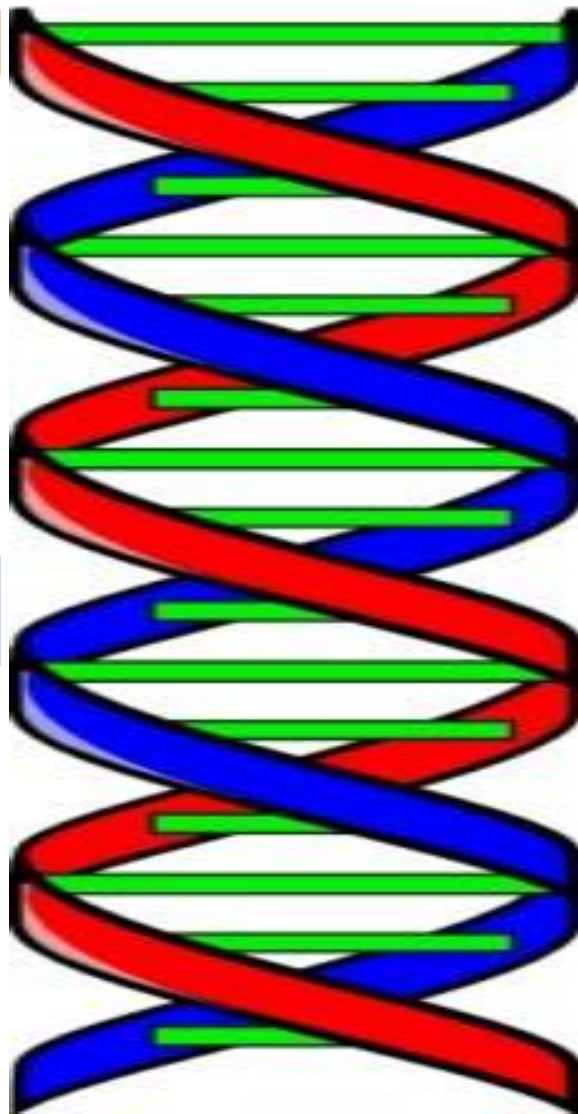
Strategic integration with EZ strategies

Promote private sector participation

Objective criteria for determining EZ
locations

Linking with domestic economy

Building social infrastructure



Comparative/ competitive advantage

Linkage with connectivity corridors

Long-term commitment to EZ
programs

Transparent legal and regulatory
framework

Effective law enforcement

Delivering on hard & soft
infrastructure

Integrating with infrastructure projects

Shifting from EPZ to SEZ model

Supporting domestic investment



EZ investment framework

- *Location*
- *Linkages*
- *Connectivity (corridor and logistics investment)*
- *Primary Factors (skill investment in structural reallocation)*
- *Services*
- *Policies & Institutions*
- *Costs (Direct and Indirect)*
- *Net Economic Benefit*



Key messages

- EZs offer RCI programs a way to catalyze productivity and sustained economic growth
 - speed up industrial development in targeted industries
 - incentivize innovation and trigger structural transformation
 - forge close links with industrial clusters/SMEs, regional production networks, and global value chains
- EZs and RCI programs are mutually reinforcing
 - promote trade expansion, employment and development
 - accelerate trade liberalization and facilitation “at the border”
 - improve business environment “behind the border”
 - enhance regional connectivity “across the border”
- EZs need to be integrated into national and RCI strategies

Thank you

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