

Impacts of Special Economic Zones on Uganda's Economic Performance



Business growth is our business

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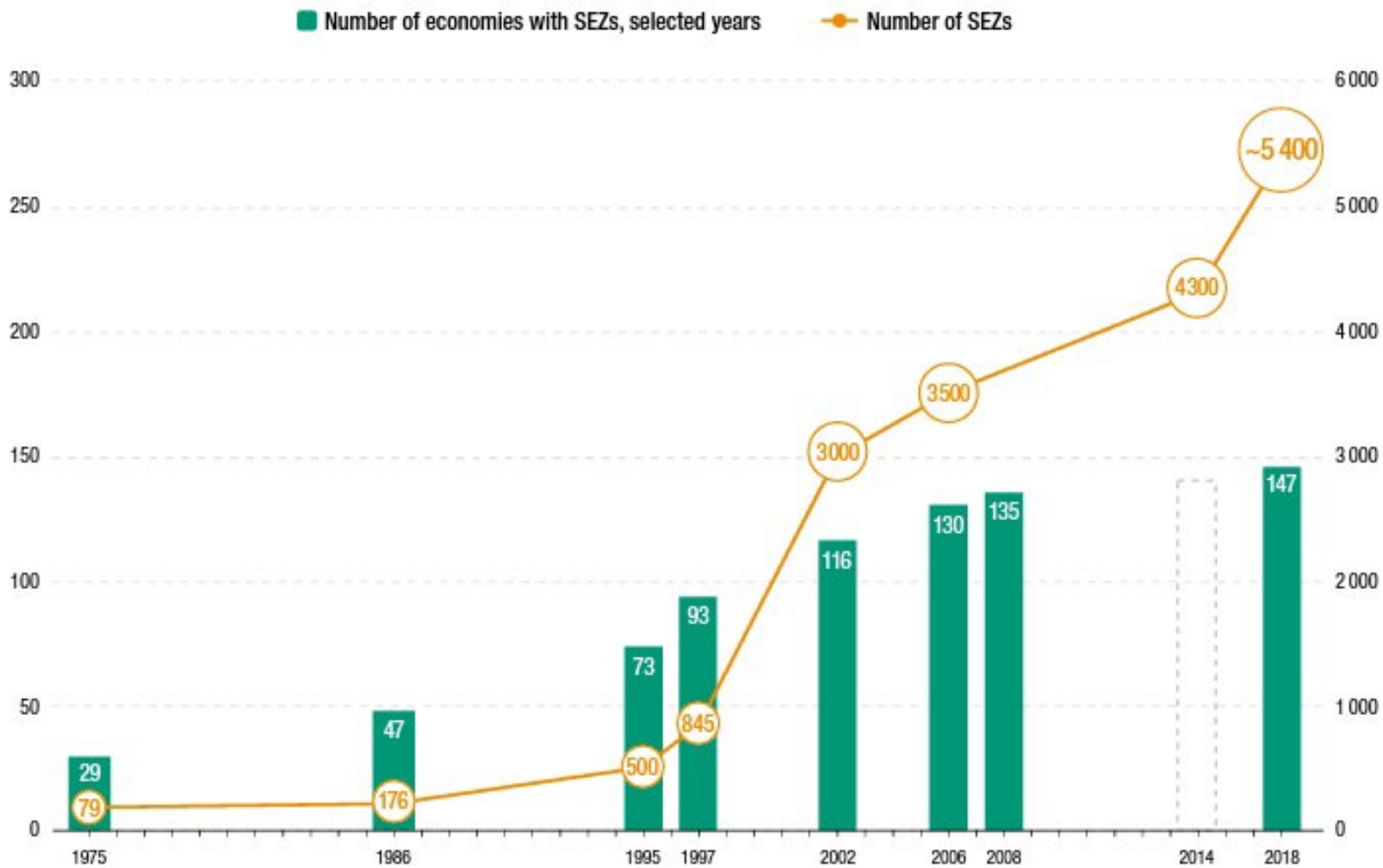


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Introduction

Historical Trend of Special Economic Zones (SEZ).



Source: UNCTAD

Introduction Cont'd

- Free Zones contribute at least US\$3,500 billion in export earnings per annum and account for about 20% of global trade in goods according to OECD.
- There are an estimated 237 Free Zones and more than 200 single enterprises on the Continent accounting for 4% globally (UFZA, 2021) – 45% in China.
- Most free zones are in Morocco, Nigeria, Egypt, Kenya, Ghana and South Africa.
- FY 2019/2020, Uganda's The Free Zones' contribution to the total export earnings increased to US\$ 1.247 billion from US\$154 million.
- Special Economic Zones (SEZ) of the country are managed by the Uganda Free Zones Authority (UFZA) which was established by the Free Zones Act, 2014.



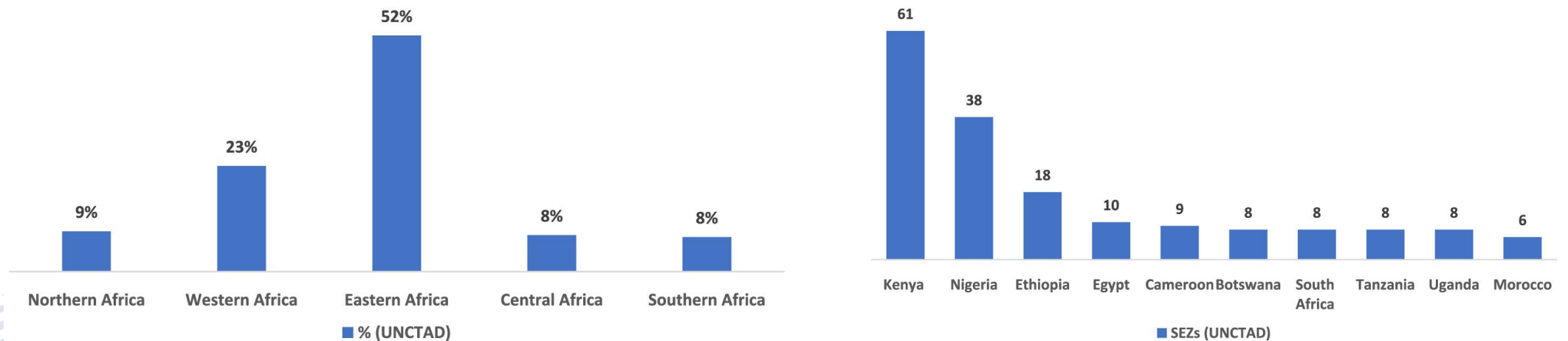
Gabon SEZ

China's case

- In 1979, four SEZs were established in china to spur growth in the country.
- Soon after, the zones accounted for over 60% of FDI into the country.
- By 2010, there were over 2000 zones in the country, accounting for 30 million jobs, 60% of exports, and 46% of FDI (IGC, 2020).
- In 1979 China had a GDP of US\$ 178.3 billion. By 2000 it was US\$ 1.211 trillion.
- 30% increase in participating farmers' income.
- Now, China had the biggest share of SEZs (45%) in the world.



The Status of SEZs in the Region



Source: UNCTAD, 2020.

89% of SEZs in Africa are multi-activity zones, that is, they do not specialize in a specific sector 10% are specialized zones and 1% are logistics hubs.

Industrial parks' impacts on Uganda's farm outcomes

- 27 industrial parks in Uganda – 9 of them land has been acquired and physical designs made.
- Uganda has 24 Free Zones – 19 in Central, 3 Eastern, 1 Northern, and 1 Western part of the country.
- Increased capital investment (more than US\$ 527 million) in FY2020/212.
- Increased number of jobs (8,611 jobs) FY 2020/21.
- To reach full potential, Uganda's business and industrial parks need an investment of over 2.78 UGX trillion and with that investment, over 2.3 million jobs will be created.



Why we need Special Economic Zones



Increase Trade.



Improved productivity.



Increase investment.



Increase exports.



Job creation.



Increase in Foreign Direct Investment.

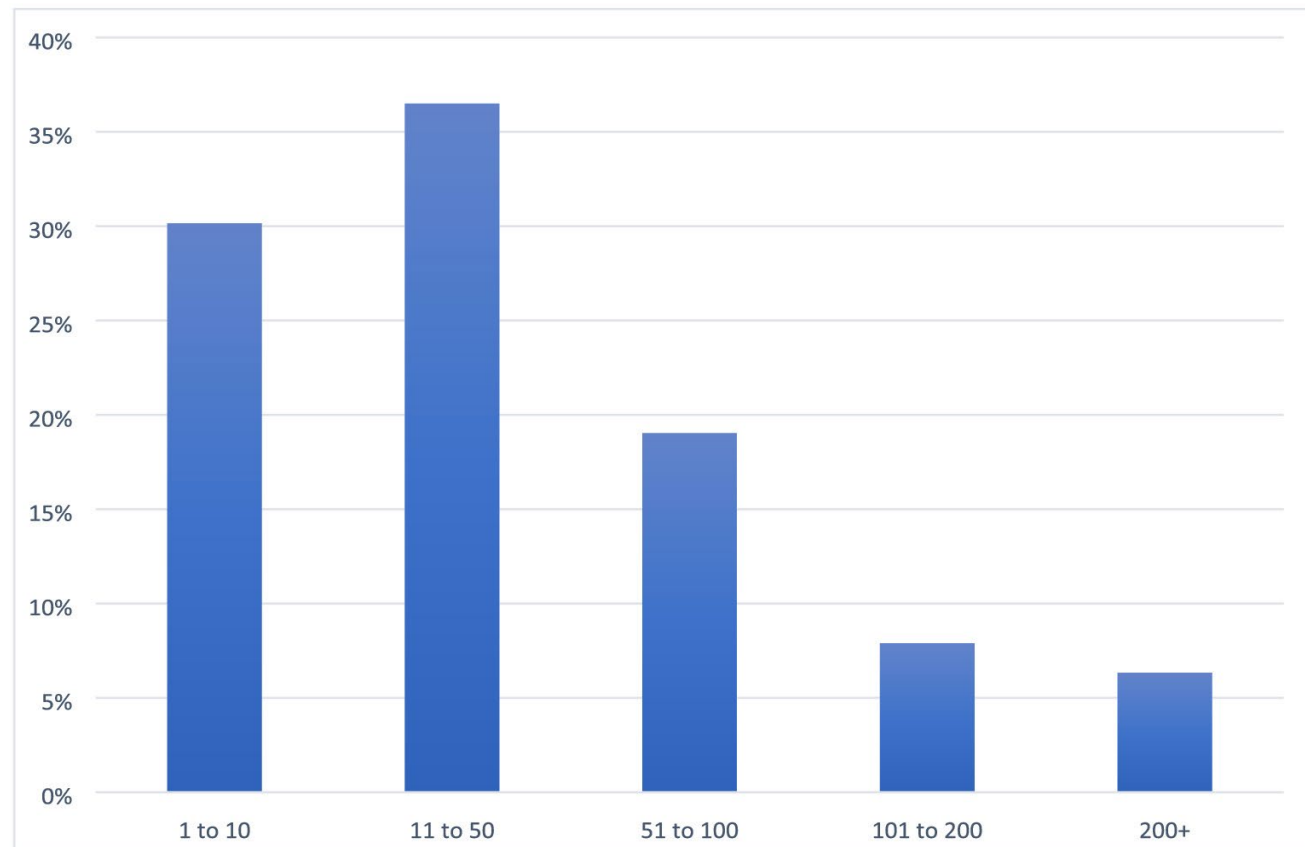


NOTE: Corporate income tax incentives are provided to firms in both industrial parks and in free zones. In both, developers and operators over a certain investment threshold are given a 10-year income tax holiday.

Single & Multi-firm zones

- In Uganda, Free zone status can be offered to single firms or to groups of firms located in one area.
- Single-firm zones cannot provide any of the productivity benefits firms may enjoy from clustering near one another especially when an investor is faced with challenges such as land, infrastructure, trade facilitation, etc.

Distribution of SEZs by number of firms, 2019



Public Vs Private ownership of SEZs

Scheme	Type of zone/park	Land	Infrastructure	Fiscal incentives	Non-fiscal incentives	Govt agency responsible
Industrial Parks	Public	Provided by government	Provided by government	Developers and operators over a certain investment threshold are given a 10-year income tax holiday.	UIA as 'one-stop shop' for firms	UIA
	Private	Provided by private company	Provided by private company		UIA as 'one-stop shop' for firms	UIA
Single firm Free Zones	Private	Provided by private company	Provided by private company	Developers and operators over a certain investment threshold are given a 10-year income tax holiday. No customs duties on imported or exported goods	No specific policy from government	UFZA
Multi-firm free zones	Public	Provided by government	Provided by government		One stop centre on site to ease business regulations	UFZA
	Private	Provided by private company	Provided by private company	On-site customs inspection. Warehouse facilities for goods not to be exported.	UFZA	

Source:
IGC, 2020

Conclusion

- SEZs are essential for developing countries to boost their productivity, attract FDI, increase export and create jobs.
- Uganda needs to invest more in multi-firm SEZs through Public-Private Partnerships.
- Uganda's competitiveness and ability to harness the opportunities presented by the trading blocks including COMESA, EAC, AfCFTA etc. will in part depend on how much investment is made in SEZs.
- Uganda also needs to invest in trade-related infrastructure and services, including well-functioning roads, ports and airports, as well as customs clearance and other trade logistics services.





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