Proposed Special Economic Zones
One Stop Shop Model for South Africa
A Consultative Document
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Foreword

Special Economic Zones (SEZs) are one of the tools available to government in its drive towards increased industrialisation. The One Stop Shop facility is an integral part of the SEZ where prospective investors can access one body (one stop) to lodge all the necessary requirements pertaining to establishing and operating a business in a country of interest. These requirements include aspects such as applications for visas, tax & customs, work permits, company registrations, environmental assessment and for employment regulations within a country. In the case of South Africa (SA), some of these processes have been identified as being bureaucratic and time consuming and in some instances, leading to loss of investment.

The Special Economic Zones (SEZ) Bill introduced by the Department of Trade and Industry (the dti) is at an advanced stage and one of the provisions of this Bill is the establishment of a One Stop Shop (OSS) as a tool to facilitate ‘ease of doing business’ by investors. The dti has been collaborating with the Africa Institute of South Africa (AISA) in garnering information about a feasible ‘single window facility’ and/or One Stop Shop model for the South African SEZs.

The project team has investigated and documented the challenges that prospective investors go through when they seek to establish their businesses in SA in terms of the processes and procedures for acquiring information and applying for permits and licenses from various government authorities and agencies. Some of these processes and procedures are deemed to be unreasonably long by international standards, hence the need to engage rigorously with the authorities that ‘own’ these processes and procedures in the quest to improve on their turnaround times. This will require one-on-one engagements and collective discussions through workshops and seminars with these stakeholders to work towards the streamlining of their requirements and procedures.

This report does not serve as a complete solution on how the OSS model should be approached and implemented although some ‘short-term’ measures have been proposed. The report serves as a ‘consultative document’ to engage further with relevant stakeholders towards crafting a ‘long-term’ solution for implementing a workable OSS model for the SEZs in the country at large.

* Professor Phindile Lukhele-Olorunju
   Acting CEO: Africa Institute of South Africa

* Mr Tumelo Chipfupa
   DDG: Incentives Development and Administration Division (the dti)
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- Dr Thokozani Simelane: Acting Research Director, AISA
- Mr Solani Ngobeni: Publications Director, AISA
# Abbreviations and acronyms

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<th>Definition</th>
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<td>Africa Institute of South Africa</td>
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<td>AIS</td>
<td>Automotive Investment Scheme</td>
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<td>APM</td>
<td>AP Moeller Terminals</td>
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<td>BBBEE</td>
<td>Broad-Based Black Economic Empowerment</td>
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<td>BIFZA</td>
<td>Batan Indonesia Free Zone Authority</td>
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<tr>
<td>BOI</td>
<td>Mauritius Board of Investments</td>
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<td>BPO</td>
<td>Business Process Outsourcing</td>
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<tr>
<td>CCA</td>
<td>Customs Controlled Area</td>
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<tr>
<td>CDC</td>
<td>Coega Development Corporation</td>
</tr>
<tr>
<td>CIPC</td>
<td>Company and Intellectual Property Commission</td>
</tr>
<tr>
<td>COSATU</td>
<td>Congress of South African Trade Unions</td>
</tr>
<tr>
<td>DAFF</td>
<td>Department of Agriculture, Forestry and Fisheries</td>
</tr>
<tr>
<td>DCSA</td>
<td>DaimlerChrysler South Africa</td>
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<tr>
<td>DEDZ</td>
<td>Dezhou Economic Development zone</td>
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<tr>
<td>DHA</td>
<td>Department of Home Affairs</td>
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<td>DoL</td>
<td>Department of Labour</td>
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<tr>
<td>dti</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>ECDC</td>
<td>Eastern Cape Development Corporation</td>
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<tr>
<td>EDD</td>
<td>Economic Development Department</td>
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<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>EIP</td>
<td>Enterprise Investment Programme</td>
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<tr>
<td>EL</td>
<td>East London</td>
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<tr>
<td>ELIDZ</td>
<td>East London Industrial Development Zone</td>
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<tr>
<td>EPZ</td>
<td>Export Processing Zones</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
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<td>FTZ</td>
<td>Free Trade Zones</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>G20</td>
<td>Group of Twenty</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
</tr>
<tr>
<td>IDAD</td>
<td>Incentive Development and Administration Division</td>
</tr>
<tr>
<td>IDZ</td>
<td>Industrial Development Zone</td>
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<tr>
<td>IPA</td>
<td>Involvement and Participation Association</td>
</tr>
<tr>
<td>JEC</td>
<td>Mauritius Joint Economic Council</td>
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<tr>
<td>JTC</td>
<td>Joint Trade Committee in Jakarta, Indonesia</td>
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<tr>
<td>LUMA</td>
<td>Land Use Management Act</td>
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<tr>
<td>LUMB</td>
<td>Land Use Management Board</td>
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<tr>
<td>MCEP</td>
<td>Manufacturing Competitiveness Enhancement Programme</td>
</tr>
<tr>
<td>MFMA</td>
<td>Municipal Finance Management Act</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>MVA</td>
<td>Manufacturing Value Add</td>
</tr>
<tr>
<td>NEMA</td>
<td>National Environmental Management Act</td>
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<tr>
<td>NMMA</td>
<td>Nelson Mandela Metropolitan University</td>
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<td>OSS</td>
<td>One Stop Shop</td>
</tr>
<tr>
<td>PAYE</td>
<td>Pay as you earn</td>
</tr>
<tr>
<td>PE</td>
<td>Port Elizabeth</td>
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<tr>
<td>RBIDZ</td>
<td>Richards Bay Industrial Development Zone</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<tr>
<td>RE</td>
<td>Renewable Energy</td>
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<tr>
<td>SA</td>
<td>South Africa</td>
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<tr>
<td>SALGA</td>
<td>South African Local Government Association</td>
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<tr>
<td>SARS</td>
<td>South African Revenue System</td>
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<tr>
<td>SEHDA</td>
<td>Small Enterprise and Handicraft Development Authority</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>SLA</td>
<td>Service Level Agreement</td>
</tr>
<tr>
<td>SMME(s)</td>
<td>Small, Medium &amp; Micro Enterprises</td>
</tr>
<tr>
<td>TISA</td>
<td>Trade and Investment South Africa</td>
</tr>
<tr>
<td>UIF</td>
<td>Unemployment Insurance Fund</td>
</tr>
<tr>
<td>US</td>
<td>United States of America</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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Chapter One

One Stop Shops as a Strategic Tool of competitiveness for Special Economic Zones

1 Introduction

Special Economic Zones (SEZs) are increasingly a policy tool of choice for governments seeking to attract foreign investment, promote export-oriented growth and generate employment. South Africa views the development of Special Economic Zones as a critical element of a programme to facilitate private sector investment and transform the manufacturing sector to enhance competitiveness and industrialisation for job creation. It is therefore crucial that the policy and institutional aspects of the SEZ regime – in particular, the One Stop Shop (OSS) model – are designed and implemented effectively to ensure that they deliver on their potential role as facilitators of investment, competitiveness and job creation. OSS models are considered one of the best strategies of promoting Foreign Direct Investment (FDI). With regard to SEZs, the aims of an OSS are to facilitate access by investors to all required permits and licences and other informational requirements in a timely manner, to eliminate steps in the approvals/administrative process and to allow parallel rather than sequential approvals.

SEZs are spatially delimited areas which offer a combination of high-quality infrastructure, expedited customs and administrative procedures and a range of fiscal and non-fiscal incentives to overcome barriers that hinder investment in the wider economy. Areas with special economic privilege such as lower taxes and rebates have been common since the sixteenth century but they did not affect the world trade. From 1960 onwards, the impact of these specific areas became prominent in world trade. The aims of the establishment of the SEZs are to earn foreign exchange, to enhance employment, to attract foreign investment and to accelerate industrial development.

Well-designed SEZs have proven to be a remarkable tool for industrial development around the world. Economic zones have emerged as a powerful tool for integration within the global economy; some of the successful examples being Chinese Special Economic Zones and Mexican Maquildoras. This can be seen with the rise in numbers of economic zones worldwide and also the increasing number of countries adopting this trade policy to impart competitiveness and outward orientation to their trade. However, despite the rise in zones, there are a number that have failed, particularly in Africa. Too many African zone programmes fail to deliver on basic infrastructure (such as utilities) inside the zones. Upfront investment in the core infrastructure is often not enough; zones need to ensure that the authorities that control service delivery (e.g. electric companies and municipal water authorities) meet their obligations and are in a position to maintain the equipment.

Basically, lack of governance contributes significantly to the challenge of facilitating effective OSS models for SEZ development in a number of African countries. As indicated earlier, a One Stop Shop is a single location where all of the services needed for a
particular activity are provided. In the financial sector, for example, commercial lending and mortgage brokerages offer One Stop Shops whereby marketing, origination, underwriting, inspection, appraisal, documentation, settlement, escrow management and servicing are all handled under a single entity for the client.

1.1 SEZ trends in Africa

A good example of SEZ trends and challenges in Africa is Senegal which was one of the continent’s pioneers in the creation of free zones, establishing its Export Processing Zones (EPZ) in 1974. The project generated significant hopes, as Senegal expected to profit from the de-localisation of enterprises from industrialised countries, in the same manner as countries of the Maghreb, the Caribbean or Southeast Asia had done earlier. The scheme’s promoters sought to exploit Senegal’s geographical position as well as the port and airport facilities offered by Dakar. In 1999, 25 years after its creation, Senegal’s authorities closed the Dakar EPZ, which at the time was home to just 14 active enterprises. The principal obstacles to success for this programme included:

• an excessive bureaucracy involving different institutions in the country, especially customs;
• unnecessarily long delays in obtaining necessary permits (often more than one year); unrealistic goals imposed on potential investors, both with regard to jobs to be created (each company was required to employ at least 150 people) and to initial investment;
• poor reputation of the local workforce, which was labelled unproductive and overly expensive;
• elevated costs of other factors of production (energy, water, communications); and
• rigid and constraining labour regulations as well as rigid employment contracts which were permanent, limiting the freedom of employers to recruit the people they wanted.

The Senegal case demonstrated how a fundamental promise of SEZs is to provide a quality operating environment by concentrating infrastructure investment in a defined area. Currently, the prospect administrative failures such as interrupted power and water are key criteria when investors consider location options. According to Dhingra et al., the most common obstacles to success for zones are:

• poor site locations, entailing heavy capital expenditures,
• uncompetitive policies,
• reliance on tax holidays,
• rigid performance requirements,
• poor labour policies and poor zone development practices,
• inappropriately designed or over-designed facilities,
• inadequate maintenance and promotion practices and
• cumbersome procedures and controls as well as inadequate administrative structures or too many bodies involved in zone administration.

In essence, the common mistake at the root of many of these obstacles to optimal zone performance is a lack of effective coordination, both in terms of the parties involved and various physical and procedural aspects of the zone itself.
Table 1: Leading Zone Programmes and Direct Economic Impact

<table>
<thead>
<tr>
<th>Country</th>
<th>No. Of Zones</th>
<th>Exports ($ Billions)</th>
<th>Employment</th>
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<tbody>
<tr>
<td>US</td>
<td>266</td>
<td>20.0</td>
<td>400 000</td>
</tr>
<tr>
<td>China</td>
<td>190</td>
<td>12.0</td>
<td>30 000 000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>115</td>
<td>4.2</td>
<td>200 000</td>
</tr>
<tr>
<td>Philippines</td>
<td>100</td>
<td>27.0</td>
<td>907 000</td>
</tr>
<tr>
<td>Thailand</td>
<td>30</td>
<td>4.7</td>
<td>120 000</td>
</tr>
<tr>
<td>India</td>
<td>13</td>
<td>1.3</td>
<td>87 000</td>
</tr>
<tr>
<td>Taiwan</td>
<td>5</td>
<td>6.1</td>
<td>90 000</td>
</tr>
<tr>
<td>South Korea</td>
<td>3</td>
<td>5.0</td>
<td>80 000</td>
</tr>
</tbody>
</table>

(Source: Gokhan and Akinci. FIAS: Leaders in Investment Climate Solutions.)

Throughout the world there are over 3 500 zones of which Sub-Saharan Africa’s share of the world EPZs is estimated at around 2.6 per cent and Asia’s share is estimated at approximately a quarter (25.7 per cent). Table 1 above demonstrates the leading SEZs in the world.

1.2 A vision for SEZs in South Africa

- **Clause 2(f) of the Bill:** Stipulates that it is an objective of the legislation to provide for the establishment of a single point of contact or One Stop Shop that delivers the required government services to businesses operating in Special Economic Zones in order to lodge applications to various government authorities and agencies and to receive information on regulatory requirements from such authorities and agencies.

- **Clause 34(k) of the Bill – Functions of SEZ Operator:** The operator must, on behalf of the licencee: facilitate a single point of contact or One Stop Shop that delivers the required government services to businesses operating in the Special Economic Zone in order to provide simplified procedures for the development and operation of that Special Economic Zone and for setting up and conducting business in that Special Economic Zone.

2 Research Objectives and Methodology

In order for SEZs to work in South Africa there was a need to ensure that the country not only serves as a destination for foreign direct investment but also establishes an efficient investment OSS process which led to the benchmarking exercise by the Department of Trade and Industry and the Africa Institute of South Africa (AISA).

The objective of this exercise was to investigate, develop and implement a One Stop Shop model for SEZs in South Africa (SA) which seeks to alleviate the long lead times of acquiring business information and to provide simplified application processes and quicker decision-making by government authorities on application approvals by businesses in and around the SEZs.

This was done by providing analysis concerning the institutional framework for the OSS Model development and administration. We used primary as well as secondary data for conducting the study and analysis of the OSS project work. Secondary data analysis which is simply the analysis of pre-existing data was implemented at the initial stages of the project by consulting various websites, search engines, books and journal publications.

Primary data mainly focused on strategic models of efficiency for zone operations through detailed engagements with investors located on existing South African IDZs to get practical views from them as primary stakeholders. We also talked with persons from different government departments, municipalities and so forth, and collected their views and information, which helped to broaden our outlook on the subject matter. A critical aspect of the research was the
international benchmarking trips in countries such as China and Indonesia. In preparation for data collection both domestically and internationally, a scientific process was implemented through questionnaires that were crafted. The variables used for assessing the impact of OSS models were drawn from standards applied to determine the ease of doing business, which were as follows:

1. Company registration
2. Tax registration
3. Obtaining work and residence permits
4. Registration of employees at the Department of Labour
5. Environmental Impact Assessment (EPA)
6. Construction permits
7. Electricity and Waste management
8. Registering property
9. Ports Authority
10. Incentives

All the variables listed above were applied to the relevant respondents and reference to them can also be identified in our questionnaires in Annexure One. A final aspect of the research methodology was a fieldwork seminar where the output for the data collection was presented for discussion. The seminar identified in image 1 below was inclusive of the IDZ operators, dti experts and AISA researchers.

2.1 About the chapters

Well-designed SEZs have been successful as instruments for export-led development, particularly in Asia and Latin America where many zone programmes have been in place for several decades. It is on this basis that SEZs are viewed as having a potentially tremendous socio-economic impact on the South African economy. SEZs have contributed to the growth and development of various developing economies in terms of exports, employment and investments and have made their countries globally competitive. The operation of an SEZ includes many facets such as the roles of zone owner, zone developer, zone manager or operator and zone regulator. Cross-agency coordination is also important for the marketing and promotion of the zones, as in most countries the zone authorities have primary responsibility for marketing and promotion and (nearly always) investor after-care. Successful OSS systems also require a substantial investment in promoting effective administrative systems and connecting infrastructure to the zones: road access, utilities, even port or airport infrastructure. It is therefore imperative for the South African OSS model to define its capabilities with great bureaucratic control efficiency to stay competitive in the changing global scenario.

The chapters in this document are designed based on various data to establish OSS best practices.

Chapter two focuses on Single Window facilities or One Stop Shop models available for the SEZs. The chapter outlines how the Single Window initiative has been adopted internationally by various governments as an OSS model due to its record in eliminating inefficiency in business and government procedures. The chapter indicates how Single Windows deploy sophisticated rules and procedures for funding, governance, business and marketing models, for planning and project management and for effective collaboration between all of the parties involved in the single window, at each of its stages. Several examples of Single Windows are provided for OSS consideration in the chapter.

Chapter three is focused on a benchmarking exercise that was done at two of South Africa’s industrial zones, namely COEGA and East London IDZ. The chapter emphasises how the success or failure of industrial development zones depends entirely on management and support of the zone. In 2012, interviews
were undertaken with various stakeholders necessary for ensuring a successful OSS model. Respondents included different sectors such as local municipalities, zone operators and services providers such as state-owned enterprises, as well as investors residing at the zone. The objective of this exercise was to determine the state of service provided to attract and retain investors at the selected industrial zones.

Chapter four is a comparative analysis of key OSS indicators from Malaysia, Philippines and Taiwan which were assessed during a 2008 visit undertaken by the dti. The common OSS indicators that were assessed were selected areas such as incentives, labour and the ease of doing business. The chapter is designed to draw lessons for OSS implementation from the three Asian countries.

Chapter five is a fieldwork analysis of Mauritius, Indonesia and China. All countries were selected based on their economic impact from SEZ growth. China was central to the study as SEZs have facilitated the country’s status into becoming the world’s second largest economy. Mauritius was selected as it has maintained its premier position as the best place to do business in Sub-Saharan Africa. Indonesia, on the other hand, has the largest economy in Southeast Asia and is currently classified as a newly industrialised country.

Chapter six provides recommendations and a way forward for consideration by the dti and identified stakeholders for the adoption of a ‘short-term’ OSS model proposed under the Single Window strategy. The short-term process is to be implemented until a long-term strategy comprising the on-line facility and integrated model can be determined for final implementation.

References

5. Ibid.

ANNEXURE: SAMPLE INTERVIEW QUESTIONS

SECTION A: QUESTIONS FOR INVESTORS

1. How do you find the investment model at the current IDZs, moreover what were the positives or challenges in setting up operations at either Port Elizabeth (PE) or East London (EL)?
2. How long did it take for your facility to become operational?
3. Please rate some of these services and comment on them from an operational perspective: company registration, environmental permits, construction permits, labour matters, ports authority and SARS registration
4. What kind of steps would you like to see eliminated from the current IDZ administrative processes?
5. What would you like to see improved in the IDZ operational process?
6. What would you like to see implemented in the IDZ OSS model?
7. What kind of after-care for existing investors do you think will promote long-term business development?
8. How did your IDZ assist you in dealing with bureaucratic bottlenecks?
9. Was there a correlation in your attempts to become established between the IDZ and various government departments and stakeholders in the region that you were required to interact with?

**SECTION B: QUESTIONS FOR IDZS, LOCAL GOVERNMENT, STATE SMALL ORDER EXECUTIVE SYSTEM (SOES)**

1. How is the ease of doing business being promoted in this IDZ?
2. What kind of training do you foresee as necessary for OSS Model operators?
3. How many transactions per day are handled in your IDZ? What is the percentage of total transactions?
4. How many clients does your IDZ processing system currently have at the present time through paperwork versus online?
5. How does your operational system operate with the relevant departments? (describe the business process model)
6. What are the benefits to clients and to participating agencies?
7. How does your IDZ operational model benefit the trading community and the government?
8. What are the challenges that your departmental administration or SOE face in fast tracking investors applications?
9. What are the strategies you believe should be implemented by your departmental administration or SOE in facilitating investor access and in assisting existing investors?
10. How well informed are the front line people in your department or SOE; are they trained or informed on dealing with investors?
11. What is the turnaround implementation process time at your department/administration or SOE in meeting investor requirements? Furthermore, what strategies are being considered by your department/SOE in making South Africa’s turnaround time and ease of doing business more competitive?
12. What is the level of local government (municipal) involvement with the IDZ?
13. How is the relationship between your department with SOEs and the IDZs? Furthermore, is there a political will from the municipality or department to fast track necessary legislation in order to decrease any bottlenecks that may hinder investor confidence?

**SECTION C: QUESTIONS FOR MEDIA & CHAMBER & COSATU**

1. How would you compare our government department or SOE with other emerging markets regarding services and incentives offered?
2. Through discussions with various investors, what do you think is essential for sustaining an OSS model at the current IDZs?
3. What international business standards do you think we should align our OSS model with in our current IDZs?
4. The Mail and Guardian posted a response regarding IDZ investment growth at Coega. What is your take on that article?
5. Do you believe all stakeholders are fully informed of the relevant processes?
6. Do you believe that bureaucratic bottlenecks in investor processing are being sufficiently addressed?
7. How do you believe the performance turnaround time can be improved?
8. How do you think the SA OSS model system used to promote regulatory points should be implemented, beginning with the investor’s entry point of interest?
9. How do you perceive the matter of political will and delegation of powers regarding the IDZ current operational process and a future OSS model?
10. What are the skills factors that should be considered in the current IDZ process and potential OSS model?
11. Which corruption deterrents should be considered?
Chapter Two

One Stop Shop Models available for Special Economic Zones (SEZs)

1 Introduction

Many governments worldwide have adopted the One Stop Shop facility (sometimes referred to as a Single Window initiative) as a national programme to facilitate ‘ease of doing business’. They recognise that a One Stop Shop is a crucial instrument that can be used to eliminate inefficiency and ineffectiveness in business and government procedures and document requirements to reduce trade transaction costs, as well as improve border controls, regulatory compliance and security.

A One Stop Shop deploys sophisticated rules and procedures for funding, governance, business and marketing models, planning and project management and for effective collaboration between all of the parties involved at a single point of entry. In addition to the mixture of ingredients that collectively make up a One Stop Shop, there are many sub-versions of a One Stop Shop, each dedicated to the principle of ‘single submission’ and reengineered processes, converting paper-based, manual processes to electronic messaging systems and processes. Countries experienced in single window practices have often gone through the various stages referred to within this report. They are the components or elements of a successful single window, represented and analysed later in this report, in a fashion that ensures that no important processes have been excluded from consideration. For example, after introducing a One Stop Shop concept in Singapore, the time to process trade documents was reduced from four days to 15 minutes.1

1.1 Business objectives of a SEZ One Stop Shop

The business objectives of a One Stop Shop can be grouped as follows:

- **Efficiency improvement** (administrative burden reduction). The same data used on different documents is harmonised and can be exchanged electronically.

- **Effectiveness improvement** (coordinated inspections). Processes of all government control agencies involved are coordinated and similar activities are only performed once; in particular coordination of physical inspections by different government authorities involved in movement of goods.

- **Strategic changes** (risk-based governance). These imply changes in processes, based on technical innovations.

When it comes to implementation of a One Stop Shop model, governments often face complicated challenges. These challenges concern not only the technicalities of the implementation but also organisational and institutional arrangements, managerial, financial, legal and political issues. A One Stop Shop facility is about integrating data and business processes used by different stakeholders in different phases. While integrating data requires the harmonisation of their
attributes such as definition, format and position in the message with relevant international standards, integrating business processes may require changes and additions to laws and regulations. Because the integration is made possible by automation, new information systems that are capable of inter-operating with other information systems have to be developed. These challenges are often related to enterprise-wide concerns. They are typically issues that involve stakeholders from different organisations, different sectors of the economy, different industries and different countries of similar or different regions which come together to collaboratively pursue a common goal. Dealing with these challenges requires strong political will, long-term commitment and support from top management, a reliable institutional platform for collaboration, effective management of stakeholders’ expectations and perceptions, workable business and architectural models and necessary business and regulatory reforms. Even when these necessary conditions are in place, policy managers still need to develop a strategy transforming their vision into implementation. Therefore, a strategic and holistic framework is much needed, to inform the systematic addressing of these challenges.

This chapter seeks to identify and discuss possible One Stop Shop best practices for South Africa by examining the various models that are currently in operation around the world. The purpose of a One Stop Shop facility is to reduce information search and transaction costs for investors and processing time for the government. At present potential investors face significant challenges and delays in interacting with various government departments and agencies, resulting in government bureaucracy being frequently cited as an obstacle to ease of doing business.

1.2 Aim of the SEZ One Stop Shop facility

The aim of the facility will be as follows:

- Facilitate access by investors to all required permits and licences and other informational requirements in a timely manner.
- Eliminate steps in the approvals/administrative process and allow parallel rather than sequential approvals.
- Provide after-care to existing investors.

2 Key features of a One Stop Shop

Most One Stop Shop facilities can be categorised into various areas, each catering to a different type of investor need which includes several aspects such as investment applications in a single, easily accessible spot, creating a single clearinghouse where investors can get answers to all their questions, streamlining the investing process by clarifying legislation and improving service quality in registration, licencing, permitting and land allocation, providing investors with pre-approval support, local partnering and information on markets, sectors, and investment incentives, and providing post approval support, including application for permits. Key functions/features are demonstrated in Diagram 1 below.

Diagram 1: One Stop Shop Business Que.
(Source: Department of Trade and Industry, 2012)
3 One Stop Shop models

Various countries have implemented the Single Window facility in one form or the other. Some of the models which could potentially be implemented in SA include the One Door Shop, the online facility, the SEZ-Trade and Investment South Africa (TISA) model, the commercial body and the integrated registration function. These models are outlined below:

a) **One Door Shop**: All approval bodies represented on the SEZ site with or without delegated approval authority are also located in this model. There are in fact few instances of the One-Door Model. The example from Angola shows a situation where several agencies are co-located, though the applicant will still need to deal separately with the commercial registry official dealing with name approvals, the clerks checking documents, the tax official and the notary public.

b) **Online facility**: This facility is used for completion of all relevant applications for registration, licences and permits which would be processed online by the relevant authorities. With advances in technology and increasing internet penetration, many registries are making registration services available via a web site. In the case of Singapore, all business registrations must be effected online. In other cases, online registration is an option. In any case, an online portal may provide a totally integrated facility, as is the case in Canada, or may still require a separate registration for tax purposes.

c) **Commercial body**: This institution would be liaising with other bodies. The commercial body is also referred to as the ‘One Window Shop’. The advantage of a One-Window approach is that the official is authorised to accept documents for government bodies other than the one that employs him or her. Documents may be sent by hand or courier to other offices for action, or this may be done electronically. It follows that the applicant will normally only need to deal with one person and will not need to go to the tax office or meet with a tax official.

d) **Integrated registration function**: In some cases, it is not necessary for an official at a One Stop Shop to pass information to a separate agency, as the functions of the offices concerned have effectively been integrated, usually using a common database. In the Russian Federation, since 2002, it has been the tax administration itself that is responsible for the state registration of legal entities, thus avoiding the need for separate registers with similar information. Since then, the Kyrgyz Republic, Georgia, and Azerbaijan have adopted a similar approach.

e) **SEZ/ TISA**: In this case, executives act as account managers and initial point of receipt for all applications. Responsibility would be to liaise with and ensure speedy processing of applications by the relevant authorities at national, provincial and municipal level in accordance with pre-agreed Memoranda of Agreement/service level agreements.

3.1 The advantages and challenges of each model

What follows is a discussion of the various One Stop Shop models, suggesting the pros and cons identified for each of them.

**One Door Shop**

The advantages of this model are that:

- It brings together the representatives of different government agencies into one place therefore the investor’s applications are made at one place.
- This model does not normally require changes in legislation or ministerial responsibilities.

Some of the challenges of this model are that:

- It requires cooperation between the different ministries and agencies and coordination of this form can be a challenge.
The model also faces challenges in terms of delegation. This is because it is difficult to ascertain whether the agency representatives will be allowed to process files or whether their task will be that of receiving documents and passing them on to the headquarters for processing.

Online Facility
The advantages of this model are that:
• It is easily accessible as many companies which offer it make use of the websites, therefore investors can access this facility from different locations in the world.
• The online gateway may also provide a totally integrated facility which makes the application process easier and faster.
• Studies have shown that OSS with online registration functions get the best results and the time frames for completion of the application process are greatly reduced.

Some of the disadvantages of this model are that:
• It is expensive to implement particularly for developing economies as it requires technology which might not be easily available in these countries.

One Window Shop
This facility requires that a commercial body liaises with other bodies. The advantages of this OSS model are:
• The official employed in this facility is authorised to accept documents for government bodies other than the one that employs the official.
• This facility allows for both paper based submissions as well as electronic submissions of the required documents by the investors.
• This type of model reduces the number of people the investor meets as they normally have to deal with one person and they do not need to go to other offices.

Some challenges of this model are that:
• The officer at the One Stop Shop has to be fully authorised and trained to receive documents for other agencies.
• There may be some circumstances which require a change in legislation because each agency involved in this model will need to modify its procedures in order to ensure an effective flow of documents or information. Changes in legislation are not always an easy process.

Integrated Registration Function
This model has been used by countries such as Russia and Albania. The advantages of this model are that:
• It reduces work done by the official at a One Stop Shop (i.e. that of passing information obtained to the varied agencies and departments). This is mainly because the function of the offices concerned will have been integrated, usually using a common database.
• In this model a single form is mainly used to lodge all the information and this reduces paperwork.
• The fee structure is often simple and transparent, and the fees are paid to banks rather than to government officials.
• The use of intermediaries such as lawyers is eliminated with this process.
• The duration of processing the required documents is significantly reduced.

SEZ/TISA executives as account managers
In this model the investor lodges all the applications at one point and the designated officers liaise with other
government departments and agencies. The advantages of this model are that:

- The investor only has to deal with a single organisation, reducing the amount of time that would have been spent consulting with various agencies.
- The application process is expedited partly because of the relationships which the account executives build with the various government departments.
- The presence of an account executive at the SEZ will be an additional incentive for potential investors as they have less red tape to worry about.
- This model is easier to implement in the initial stages as it is cost effective in terms of allocated resources.

In the short-term, the envisaged and proposed One Stop Shop model for SA is the Executive Model (V-Model above) which will have the following characteristics:

- There will be a One Stop Shop at each zone administered by at least two dedicated officials.
- The SEZ officers will be responsible for receiving applications for the various requirements which the investor would need to satisfy before setting up operations in the zone within the region.
- The SEZ OSS officers will house all the relevant application documentation at their respective zones and the investors would only have to go to one place to collect all the application forms for the required applications as well as to lodge the applications.
- The SEZ OSS office will also serve as an information office through which potential investors to the SEZ will obtain all the required information.
- They would also be responsible for ensuring that the received documentation is in order and for sending those documents to the relevant SEZ Account Managers at the various government departments and other stakeholders who should process the requests.

- The dti will conclude a memorandum of understanding to establish cooperation and relationship with various SEZ stakeholders (government authorities and agencies) who are involved in facilitating trade, to designate SEZ account managers in those organisations who will liaise with the SEZ OSS officials.
- The SEZ OSS officers at the zone will also follow up on the various applications made as well as receive the finalised applications from the SEZ account managers at the government departments.
- The designated SEZ account managers will be responsible for receiving the applications from the SEZ OSS officers from the various SEZs for processing.
- It is envisaged that the designated SEZ account managers at the various government departments and agencies will be senior managers with decision-making capabilities to ensure that decisions on processing applications are done in a timely manner.

At the initial stages of the Special Economic Zones (SEZ) in SA, use of the third model, i.e. Model E (Executive Model) looks more plausible given the number and relatively small size of the SEZs as well as the small number of clients who will be dealt with at the beginning. Model E is also an easier model to implement in the early stages and it will ensure that the approval process is expedited if the account managers build relationships with the relevant government departments.

3.2 Medium to long-term: Model B

The Online/Electronic facility is recommended for completion of all relevant applications for registration,
licences and permits processed online by relevant authorities. This model will need further investigation to address the following questions:

- What approvals on investor permits/licences need not be centralised in a One Stop Shop?
- What would be the requirements for such a centralisation of approvals (do we need to change some Acts)?
- What are the legislative implications for the government authorities/agencies responsible for those approval processes?
- What are the costs involved in implementing such a system (i.e. personnel, Information Communication Technology (ICT) systems, etc.)?
- Possible collaboration with the South African Revenue Services (SARS) modernisation programme.

Diagram 2: Operationalising the OSS Executive Model (diagramatic view)
(Source: Department of Trade and Industry, 2012)

4 Background to doing business in South Africa

It is imperative for policy makers to know the ease or difficulty of doing business in their country in comparison to other countries. SA has made successful inroads with the ease of doing business beginning with the implementation of the new Companies Act. The new legislation eliminates the requirement to reserve a company name and has simplified the incorporation documents. It now takes five procedures to start a business, one less than the previous year, and 19 days, in contrast to last year’s 22 days. There have been other improvements such as transferring property which was made less costly and more efficient by reducing transfer duty and introducing electronic filing. SA improved by 14 positions in the ease of registering property, coming in at 76 this year. Registering property now requires six procedures, takes 23 days and costs 5.6 per cent of the property value. Dealing with construction permits requires 13 procedures, takes 127 days and costs 21.2 per cent of income per capita and SA ranked number 1, which it shared with the United Kingdom (UK), in the ease of getting credit. It was ranked 10th for protecting investors, the same position as last year. SA, placed 35th in the world, is doing well in comparison to its regional colleagues.

Some of the challenges that have affected the ease of doing business include areas such as electricity, tax, property and work permits. According to the World Bank rankings, with regard to getting electricity for new buildings, SA’s ranking dropped from 122 to 124. This was worse than the Sub-Saharan regional average ranking of 122. Mauritius was 44th in getting electricity, Botswana was 91, Namibia 105 and Kenya 115, all ahead of South Africa. With taxes, on the other hand, SA lapsed from 18 to 44 in the ease of paying taxes. On average, firms make nine tax payments a year, spend 200 hours a year filing, preparing and paying taxes and pay total taxes amounting to 24.4 per cent. The need for building relationships with institutions such as the South African Revenue System is seen as essential in reducing the timeframes for processing the required documentation. Diagram 3 below demonstrates the ease of doing business in SA in comparison to its counterparts in Africa.
The chart shows that SA is doing well in comparison to its regional colleagues but it is still at 35th place in the world. As SA attempts to lure more investors to its special economic zones, there is need for improvement in the processes undertaken in doing business and starting up a business. The implementation of measures which expedite the process could help in ensuring that more investors would be willing to invest in SA.

5 Conclusion and recommendations

The analysis of the varied models used by different countries for the One Stop Shop shows us the benefits and costs of using each model. The review also shows the level of success of some of the models which have been used. In more cases than not the introduction of a Single Window facility, in any of the varied formats, has led to time saving, reduced red tape and ultimately an increase in the number of investors who want to operate in the SEZs.

This document review shows the popularity of the electronic based system of the Single Window facility above all the others. Most countries which we looked at implemented this system because it seems to be the most efficient. However the economies of some countries analysed and their dynamics are different from SA’s economy and dynamics. The electronic system might be a costly system to implement as some of the required infrastructure might not presently be in place. Senegal has used the more traditional One Stop Shop facility where all services are brought under one roof but without the e-technology. This has to some extent worked for them so it is an alternative which could be explored. We would therefore recommend that the costs and benefits of each system be analysed first before making decisions on which system to implement for SA’s proposed SEZs. International benchmarking could be one solution in informing this process. It would also be necessary to liaise with other stakeholders such as SARS, Home Affairs as well as the National Ports Authority to get their input and to see which of these models would be feasible for SA.

In the initial stages the Executive Model under section 3 above can be approached for SA’s SEZs while an investigation on the feasibility of the online facility is underway.

References

4 AIS, op. cit.
5 Ibid.
6 Ibid.
Chapter Three

One Stop Shop Stakeholder Engagement in South Africa: In the Case of COEGA and ELIDZ

1 Introduction

When trying to establish an investment project and making it operational, investors are required to face various government stakeholders to obtain all the necessary permits, licenses, approvals and clearances. As a first step, a potential investor needs to interact with the Department of Home Affairs for a visa in order to explore the country as a potential investment location. Having developed an interesting investment project, in some cases a foreign investment and/or general industrial licence needs to be obtained. Then, sectoral or industry-specific licences are generally required before operations can be initiated. The new company then needs to be incorporated and registered. The paid-in capital often needs to be valued when in-kind and certified. Tax authorities need to register the company. Registration approval procedures need to be completed with finance, banking and trade authorities in cases involving foreign exchange and export/import transactions. Central, regional and provincial authorities have to clear access to land and approve the construction and occupation of production facilities.

For the hiring of domestic and foreign workers, approvals need to be obtained from the labour and immigration offices. Clearances and inspections are required from a number of authorities including environment, health, safety and labour. In short, an investor has to be in contact with a number of different government authorities to go through their administrative procedures before operations can begin. A delay in any of these steps could translate into additional costs and foregone revenue; and any permit, approval or clearance not forthcoming can jeopardise the entire project.

Given the complexity of this process, the concept of an OSS seems very appealing. The basic idea is that an investor would only have to be in contact with one single entity to obtain all the necessary paperwork in one streamlined and coordinated process, rather than having to go through a labyrinth of different government bodies. In practice, however, such an idealistic notion of the OSS has proven unrealistic. Practically all governments that have tried to implement this form of an OSS encountered significant resistance by the various government agencies responsible for the different administrative procedures. Most importantly, other ministries and agencies fear that the creation of such an OSS would result in curtailing their authority and mandate, quickly leading to intensive turf battles within the government bureaucracy.

Governments therefore typically shy away from establishing such an OSS in the narrow sense. Instead they tend to rely on some form of coordination mechanism where the various authorities maintain their existing mandates and responsibilities. The typical structure of such a coordinating mechanism consists...
clusively government-owned, promoted and financed. The management and delivery of services to firms is the responsibility of a zone operator, all of which are owned by provincial and local governments. The focus of this chapter will be on two IDZs where fieldwork was undertaken at Coega and ELIDZ.

It was therefore critical to discuss with the various stakeholders connected to the IDZs to determine what challenges affect investors. The first part of the fieldwork research included engagements with stakeholders who are likely to be affected by the One Stop Shop when they are put in place. The field work was undertaken through meetings with the following stakeholders:

- Investors within the IDZs
- Relevant municipal departments
- The provincial departments of economic development
- Some national departments
- IDZ operators

The meetings were undertaken with the officials who undertake the day-to-day operations of these various organisations. The aim was to understand the challenges faced by these various stakeholders as well as how they would be able to accommodate the One Stop Shop when implemented. Understanding their processes and their turnaround times is also a key theme that was explored in carrying out these discussions. In the engagements the respondents were also asked if there was a possibility of reducing the turnaround times of some of their processes, and if so, how this would be undertaken from their own perspective.

2 CDC and Coega IDZ Investors meeting

Coega remains South Africa’s most successful industrial development zone. In 13 years, it has become one of the biggest drivers of the Eastern Cape’s economy.
and job creation in the region.\textsuperscript{5} The development zone contributes an estimated 5.9 per cent to provincial gross domestic product and 0.5 per cent to the national GDP, a figure the Coega Development Corporation (CDC) would like to enhance. The Coega Industrial Development Zone covers an area of 110 km\textsuperscript{2} of land\textsuperscript{6} and is situated within the Nelson Mandela Metropolitan Municipality near Port Elizabeth, in the Eastern Cape province of SA. The initiative is a multibillion dollar industrial development complex customised for heavy, medium and light industries, adjacent to the deepwater Port of Ngqura.

The Coega IDZ is a phased development around industry clusters within a Custom Secure Area dedicated for export-oriented manufacturing companies located in the zone. Coega offers a platform for global exports by attracting foreign and local investment in manufacturing industries. A strategic development framework plan for the Coega IDZ has been developed, focusing on infrastructure development and facilities for the core development area which covers a 65 km\textsuperscript{2} terrain.

The Coega IDZ has to date signed investments worth approximately R30 billion (US$4.1 billion) and currently has a portfolio of investments undergoing feasibility which are worth some R140 billion (US$19.2 billion), to come on stream at various stages over the next five years. These include an oil refinery, a combined-cycle gas turbine power station, a business process outsourcing park, automotive plants and various other investments in the logistics, chemicals and food-processing sector. Last year, the Coega Industrial Development Zone attracted large-scale investment in the first half of the current financial year. There have been three major investments at the development corporation since April:

- A R634 million investment by AfriSam to establish a greenfield cement milling and blending plant in zone five of the development zone, creating 400 jobs in the construction phase and 90 jobs in the operational phase.
- The partnership of Famous Brands and the Coega Dairy Company will see the latter expanding its operations to supply cheese products to the group. A joint valued investment of R45 million will pour into the development zone. The dairy has created 40 permanent jobs. The joint venture is set to create 49 jobs in the new cheese company and five more in the existing dairy.
- APM Terminals invested R25 million in the first phase and R50 million for a full-service depot for shipping lines and cargo owners, creating 20 full-time jobs and space for about 15 seasonal workers. There will be opportunities for local service providers to benefit from the investment.\textsuperscript{7}

The industrial development zone is home to 21 operational investors that have invested R1.2 billion, a further R7.5 billion is at the implementation phase and projects worth R8.1 billion are being negotiated. Projects worth R116.3 billion are the subject of feasibility studies. During the 2011/2012 financial year, seven new investors committed to the development zone and the Nelson Mandela Bay logistics park – more than the targeted number. They are GDF Suez (energy) with R2.7 billion, EAB (renewable energy) with R270 million, First Automobile Works with R600 million, DCD Dorbyl (energy components manufacturer) with R100 million, Tyre Energy Extraction (logistics) with R30 million, Osho Cement (metals) with R380 million and the Newco Cheese Factory (agro-processing) with R30 million. A total of 8 898 jobs were created in the 2011/2012 financial year. Small, micro and medium enterprises got a 31 per cent overall share of procurement.

The development corporation trained 10 826 people as part of its human capital development programme in the financial year. The corporation created 6 875 construction jobs, 3 484 permanent industrial devel-
opment zone jobs and 44,786 indirect jobs since incep-

Some of the notable points from the discussion with Investor Services Manager were that Coega IDZ has established a One Stop Shop i.e. an investors services centre at the zone. This service centre desk captures the details of the investor when they start the process of securing location within the Coega IDZ. The next process after the capturing of details involves the allocation of an account manager who assists the potential investors until the process is finalised. Coega has a fault-logging electronic system which assists CDC in tracking the complaints for any problems. They have a policy that they have to acknowledge receipt of the fault within an hour and they have to ensure that the problem has been dealt with within eight hours. The Coega IDZ has capacity to deal with all the investor issues but they face challenges from the under-re-
sourced municipality whom they rely on for the bulk of the services required by the investors.

2.1 First Investor Interview at the Coega IDZ

The investor is one of the earliest tenants to settle in the zone and the company employs in excess of a thousand people. According to their estimates, they have also created 3,000 indirect jobs. They have had some experiences with the municipality and other stakeholders and shared some insights with us. The One Stop Shop model will be a success if pockets of excellence are underpinned with service delivery. The respondent stated that the OSS model should not be politicised as this would lead to its failure. The municipality’s failure to provide services at the expected standard is a cause for concern to the investor. The main problem which the investors have had with the municipality is the supply of water which is not up to the SAB standards. The investor has lodged com-

plaints with the municipality about this and they have not received any positive responses as of yet. The municipality has been uncooperative in their request to improve the quality of water supplied. The investor stated that one of the things which hamper service delivery from the metro is the reduced number of skilled personnel from within the municipality. The shoddy services offered by the municipality hamper further investment on the zone according to the investors.

The investor stated that the infrastructure provided by the municipality and the IDZ needs to be sufficient and up to scratch. The water issue is driving up costs for the investor as they have to test the quality of water they receive, now and again. The estimated costs of what they incur in that regard run up to a cumulative cost of between R70,000 and R80,000. The investor has escalated the matter to senior authorities within the municipality, but in his opinion it is difficult to make the municipalities accountable. The success of the OSS model according to the investor will depend on the integration of the transport system. This integration should be able to accommodate the IDZ. The high costs of electricity are seen as one of the deterrents to investment and the investor was of the opinion that incentives which lower the costs of electricity would be welcome and would also lure investors into an IDZ.

The investor stated that the current incentives do not accommodate the Brownfield investments, particularly those that have maintained large amounts of labour rather than creating new employment. He noted that there were incentives for labour creation but there are no incentives for labour retention. The deteriorating services offered by the municipality make it difficult for the IDZ to be successful as they rely on the municipal services and processes, according to the investor, who also maintains that the costs of conducting an Enviromental Impact Assessment (EIA) are
inhibiting. The investor further commented that the presence of the dti at provincial level is necessary as well as access to the dti’s incentives at provincial level (the investor also recommended that import rebates be introduced within the SEZ incentives scheme).

In the investor’s opinion the OSS should be housed within the IDZ as it will be easily accessible to the investors who require the service.

2.2 Second Investor Interview at the Coega IDZ

The investor stated that they require a waste removal plant within the IDZ. One of the incentives which encouraged the investor to move into the IDZ is the presence of infrastructure. The investor also noted that there is need for public transport to ferry workers who work within the IDZ. The presence of the port in the proximity of the IDZ is seen as an added advantage and an incentive to encourage investors to move to the zone. According to the investor, the training offered by the CDC should be specific to the needs of the IDZ investors.

2.3 Interview Meeting a Metropolitan city official in the Eastern Cape

The meeting was undertaken with the Director of Trade and Investment in the municipality. The investment promotion agency of the municipality liaises with both Trade and Investment South Africa (TISA) and the Eastern Cape Development Corporation (ECDC) to promote investment within the municipality as well as the Eastern Cape. This is made clear by the Municipal Finance Management Act (MFMA), which guides land acquisition and disposal for the municipalities. In the municipality’s experience, municipal policies sometimes hinder investment, particularly for issues such as land acquisition (land for business use).

Competency is one of the issues affecting the turn-around times of EIAs according to the municipality. It was noted that a change of mindset would also assist in expediting the turnaround times, as certain departments within the municipalities had no urgency because they do not see the bigger picture (i.e. the impact of investment on the region). Synergies between the various government departments and dedicated personnel to deal with SEZ matters would assist in that regard. The coordination of the investor processes within municipalities or at provincial level could be managed by the Economic Development Department (EDD). It was noted that client retention would be one necessary part of these envisaged OSS. The experiences of the trade and investment department showed that expedited processes were more of an incentive in comparison to any monetary incentive that could be offered to investors.

The need for interpersonal relationships by the OSS officials would be necessary to ensure the success of the OSS. The person responsible for the manning of the OSS and engagement would have to be someone senior enough to engage with senior officials from the various engaged stakeholders and also have decision-making abilities. The model to be used could involve the OSS being located in the municipal offices rather than at the zone, with personnel at the municipalities seconded to assist the officials with the various application processes. This would be helpful in that the person would be seen by the municipality as an internal resource and would thus acquire assistance easily. It would however be necessary for the municipalities to be committed to the process.

It was also noted in the meeting that it is necessary for the people employed at the OSS not to be underemployed; hence why the colleague at Nelson Mandela thought that locating the official at the municipality would minimise that he or she could also carry out other duties. The application for incentives is seen as a challenge.
The need for good infrastructure as an incentive to investment to the SEZs was alluded to.

3 East London IDZ (ELIDZ) and the 2nd municipality in the Eastern Cape

East London was SA’s first operational IDZ. With its bulk infrastructure finalised, the 430ha greenfield site is now a world-class industrial zone with 11 investors on site. Seven of these investors moved in during 2006/7. Together, they invested R395 million into their operations within the IDZ, bringing the value of investments since inception to R755 million in 2002, and creating 578 direct jobs, bringing the number of direct manufacturing jobs created in the zone so far to 1 118. That is apart from the thousands of construction-related jobs created during the development phase of the IDZ. New investors include Johnson Controls, Feltex and TI Automotive.

The IDZ is located alongside the original equipment manufacturer, DaimlerChrysler South Africa (DCSA). An exciting development at the IDZ was the commissioning and constructing of an automotive supplier park (ASP) – all in a record six months. Many of the new investors are located in the ASP, which streamlines operations and ensures just-in-time and just-in-sequence supplies to DCSA. The manufacturer is now producing the new C-Class Mercedes Benz model for export at the East London factory.

More than 100 fully serviced sites are ready to receive investors. Moreover, adequate supply of electricity, water and other related services ensure full-steam operations for manufacturers that have already settled in the zone. They have easy access to key local and export markets and are able to enjoy on-time delivery of raw materials. Well positioned close to national road, rail and air networks, as well as the East London Port, the IDZ is strategically poised to provide a highly valuable investment offering to local and international investors.

The East London IDZ focuses on the following sectors:

- Automotives and components: The busy East London Port boasts a state-of-the-art motor vehicle terminal that can load or offload one vehicle every 30 seconds, and the area is building itself as an important hub for the automotive industry. The IDZ has identified a range of investors in this sector, including immobilisers, fuel injectors, light and instrument clusters, satellite tracking mechanisms, acoustic systems, plastic mouldings and paintings, door trim panels and centre consoles.
- Marine aquaculture: Established investors include Seatek, an abalone farm
- Agro-processing: Bio-fuels, food and timber processing
- Pharmaceuticals
- ICT and electronics, and business process outsourcing and offshoring

The ELIDZ has attracted R3.7 billion worth of investment since it secured its first investor in 2005. To date 30 investors have been secured with 21 of these already operational in the zone. Five other investors are either constructing or commissioning their plants in the zone. The impact, however, is wider than just the zone. To date ELIDZ has awarded R928 million worth of contracts to Broad Based Black Economic Empowerment (BBBEE) enterprises and R281 million worth to qualifying Small Micro & Medium Enterprises (SMMEs) and has transacted with more than 200 local companies since inception. For us this indicates the extent to which we have extended our reach as a government entity. The ELIDZ has also created various learnership opportunities and its eMonti Science and Technology Park initiative is currently incubating over 75 small businesses in various sectors.
In the initial days the zone’s biggest challenge was to diversify the local economy which was dominated by the automotive sector, and this has been achieved. ELIDZ currently has a number of sector manufacturing activities including agro-processing, aquaculture, mineral beneficiation, ICT and Business Process Outsourcing (BPO) as well as Transport and Logistics. According to ELIDZ CEO Simphiwe Kondlo the journey has also had its few challenges. Among these has been the inadequate design and delivery of effective and legitimate enabling policy instruments to deliver real incentives for the IDZ programme.\(^9\) There are currently no IDZ specific incentives and the only incentive which was linked to the IDZs was the Customs Controlled Area (CCA) benefit.

### 3.1 Interview with the first ELIDZ investor

The investor has worked in China before setting up his company in SA. He states that in China all the OSS are located within the zone with officials from various departments having stations within this OSS. The turnaround time for most of the processes in China according to his experience is short. It takes two weeks to obtain most of the required documentation to start operating. The EIA processes are done at the provincial offices and they have quick turnaround times. The industrial zones are specialised in specific areas; hence each IDZ or SEZ normally has a blanket EIA, and when an investor moves they move to an SEZ which caters for their sector. The investor stated that they chose to locate in the ELIDZ because they secured a land size which they could not secure elsewhere.

The process of setting up shop within the IDZ took the investor less than three months. The investor stated that the EIA process took 13 months and the investor could not start operations during that period. Processes with the Department of Home Affairs took some time, particularly the application for the owner’s business Visa. The operator could therefore not start processes such as opening up a bank account since it took two months to get a business Visa. The investor recommended that in certain sectors a blanket EIA would be necessary, especially when an investor’s activities have limited harmful effect on the environment. The investor’s experiences with the IDZ and the municipality have generally been good. The investor has worked with a master artisans’ academy in preparing courses which will offer specific artisan skills suited to the investor’s needs. The presence of skilled labour is one of the incentives which the investor noted as necessary for the investor to locate on site.

East London has few skilled people, particularly artisans, but the investor was of the opinion that locating the site there would empower the local people as the company would provide training in collaboration with its partners, such as Nelson Mandela Metropolitan University (NMMU) and the master artisan academy. The investor was of the opinion that the OSS model should be located within the zone with the initial process involving face-to-face interaction and then an electronic system at a later stage. The importance of relationships between the various stakeholders was alluded to by the investor.

### 3.2 Interview with second investor at ELIDZ

One of their key stakeholders is the Department of Agriculture, Forestry and Fisheries (DAFF) which provides permits for their operations. The reason why they think the processes take long is the low-level of skills among some departmental officials. The presence of red tape makes it difficult for investors in their industry to export and the absence of the required administrative skills in the government is seen as one of the main hindrances to faster turnaround times for some of the processes. The investor stated that they did not face any challenges with the EIA process and...
they confirmed that a basic EIA takes six months with a full one taking up to 12 months. In his experience the municipality delays approving investor’s building plans and this is probably because of incompetence and the limited number of skilled personnel. The investor stated that they moved to the IDZ because of the following:

- Promise of sea water which is a major input in their business
- The good security offered by the IDZ
- Guaranteed constant supply of electricity (i.e. no load shedding)
- The presence of good infrastructure

The investor noted however that the lack of transparency in terms of cost structure by the IDZ’s management was a cause for concern for them. The investor was of the opinion that discounted rentals could be an incentive for them; rentals are currently very high and thus make it difficult to plan, and this would lower the costs of doing business. The investor also stated that it would be good for the dti to have a presence at either one of regional offices of the zone so that they could easily find out about incentives on offer.

Training is also provided by the investor to their employees but he stated that the claiming of skills incentives is a difficult process. The Unemployment Insurance Fund (UIF) process was noted as a challenge as the decision making is centralised. The investor also spoke to the Company and Intellectual Property Commission (CIPC) about issues in the case of name changing of a company. He stated that the process takes too long for changing a name (seven months in the investor’s experience), and also stated that the IDZ operators should take prompt decisions and cut down on bureaucratic processes. The investor recommended that the OSS should be housed within the zone as it would be more accessible and cater for investor’s needs.

### 3.3 Interview with third Investor at ELIDZ

The investor moved into the IDZ because it reduced costs and enhanced the ease of doing business. The company has expanded significantly since they moved into the IDZ and they plan to expand further within the next few years. The incentive which the IDZ offers is that it is a purpose-built environment and it is a secure place. The costs of electricity are seen as a disincentive as they put the investor at a cost disadvantage compared to some of their competitors who are located outside the IDZ. The investor stated that they would be willing to learn more about the available incentives offered by the dti which could be housed within the OSS. He stated that the cost of inputs such as electricity, rentals, water and labour in SA could be a deterrent to investors in SA’s IDZs in the long run. The limited number of people with technical skills is also one of the challenges which need to be addressed according to the investor because the investors in the IDZ rely on the availability of these skilled people for their operations.

### 3.4 Interview with the Local Economic Development office of the 2nd municipality met in the Eastern Cape

The municipality believes that investors could get concessions from the municipality with regard to rates and taxes, land and electricity and these would attract investment to the city and the IDZ. The trade and investment division in the municipality is thus working on a business retention and attraction strategy to lure business to the city. They further highlighted that the main driver for investments in the municipality is the ELIDZ. The municipality accepted that there is red-tape around issues of approval of building plans and incentives and these need to be improved. The other impediment to fast approval of processes according to one of the operational managers in the municipality
was the local government legislation which has many checks and balances to be adhered to at every stage of the investor facilitation process. The manager also stated that if processes were streamlined or if they were allowed to run parallel to each other the turnaround time would be greatly reduced.

One of the disincentives which the municipality noted was that the dti’s incentives are not being implemented nationally. The lack of the dti’s presence in regional offices made it difficult for investors to access some of the incentives which the dti has on offer. The respondents were of the opinion that the OSS offices could house some dti representation which would ensure that the dti had footprints within the provinces. The municipality was also of the opinion that the OSS should be housed within the municipality with these officials liaising with the other key stakeholders. The officials to be employed in the OSS, in the municipality’s opinion, should have access to the MEC, the mayor and senior government officials who have the ability to make decisions as this will ensure that the investor facilitation processes are done more quickly.

The municipality were of the opinion that legislation could be instituted which assists the OSS. They were also of the opinion that the OSS would trigger the renewal of systems within the municipality. The municipality is currently partnering with businesses to ensure that they assist in the provision of skills required by the market and one of the initiatives they have undertaken is a skills audit. The incubation model is one of the initiatives the municipality believes can be applied to assist small business. They believe that housing the incubators of these small businesses in the SEZs would assist them to survive and also grow. The municipality officials also believe that incentives should be housed at all three tiers of government as is the case in other countries. In the long run, the electronic version of the OSS model should be implemented.

### 3.5 Interview with Land Administration officials in the 2nd municipality of the Eastern Cape

The official at this department stated that a moratorium on land transfer by the municipality had been put in place to allow for the land audit as there is a lot of land whose ownership is not clarified. The process of releasing land parcels is a long and tedious process which involves liaison with the various other municipal departments around their land needs before land is sold to the private sector. The department is responsible for property management and registration as well as ensuring that the landowners comply with legislation. The backlogs on applications for land are significant within the municipality. The problem which the department of land planning faces with regard to the processing of building permits and plans emanates from the shortage of skilled personnel as well as high staff turnover.

The official also stated that processes such as rezoning of land tend to take long together with processes such as publishing of notices, sending of registration letters and gazetting of the notices. The respondent also noted that the influence of senior officials such as the MEC would assist in expediting some processes. The OSS model would assist the unemployed, in his opinion, as it would attract more investments as well as ensuring that people are re-skilled or skilled in certain trades.

### 3.6 Meeting with a municipality in the Free State province

To ensure that there are synergies within the various municipal departments, planning is done at monthly roundtable discussions. The forum includes human settlements, planning, infrastructure and other relevant departments such as economic development. The
decision making for EIAs used to be done at provincial level and municipal level but is now done nationally and this has become a hindrance to the time taken to process the EIA permits. The Land Use Management Act (LUMA) and Land Use Management Board (LUMB) legislation which is being mooted will give spatial development frameworks which prioritise certain activities for development by municipalities and provinces.

There is need for those partaking in the SEZ process to engage with the Department of Environmental Affairs and the national department responsible for spatial planning on these issues so as to understand the impact on the SEZs. There is also need to ensure that the OSS model which is envisaged is not defined physically as this could limit its potential. The model should to some extent be tailormade to suit the particular needs of that SEZ or place. In implementing the OSS model there will be challenges of aligning the legislation to the required systems. There is also need for the policy makers to look at the potential model through the eyes of the investors. One contributor also noted that with the engagements with environmental affairs it would be necessary to find out if the metros would become environmental authorities (NIMA). It is also necessary to find out how the role of the municipality will be defined in these envisaged SEZs.

3.7 Meeting with the Department of Home Affairs

The dti, Labour and Home Affairs have a tripartite forum which exists to assist in the awarding of corporate and work permits for potential investors and their employees. The Home Affairs adjudicates the application for the permits centrally and this has impact on the turnaround times. Processing permits currently takes 30 days. A corporate permit normally takes less than 30 days to process if all the documents are in place. The implementation of the OSS process will enhance the finalisation of the work permits for the foreign employers and employees who will be working on the SEZs. Home Affairs believes that there is need for alignment of the application process with the various government departments for investor permits. Home Affairs is part of a technical team together with the dti and the Department of Labour on the processing and approval of permits for potential investors in South Africa. The need for harmonisation of legislation to support the faster processing of all the required documentation by investors locating in an IDZ was also alluded to.

Home Affairs is in the process of creating a separate permit unit with the process being potentially outsourced and with reduced human interaction in the process. The workflow process will be reduced to about five days. For investors intending to acquire permits to work and operate in South Africa, the dti is normally the first port of call.

The Department of Labour provides the recommendations and inputs in the approval of permits for such investors. Capital expenditure required for a business permit is R2.5 million with R2 million in fixed assets and half a million in cash. There is also a requirement on the number of SA citizens which the person has to employ. The available permits issued by Home Affairs relating to investors are the following:

- Quota work permits: aimed at addressing critical skills in the country (the number of categories of skills is determined by the Department of Home Affairs (DHA), dti and Department of Labour (DoL))
- General work permits
- Business permits
- Exceptional Skills permits
- Intra Company Transfer: the company deploys an employee by virtue of affiliation (valid for two years)
- Corporate permits
There are currently 53 offices nationally which offer the permitting services.

The demand for the DHA officials’ services inside the SEZs will determine if they are able to provide dedicated personnel at the OSS offices in the zone if they are located there. This would also be subject to operational agreements being put in place. A Memorandum of Understanding (MoU) would assist in officialising the process with engagements being done both at a higher level and at a technocratic level.

3.8 Meeting with the Unemployment Insurance Fund (UIF)

Employees have to work more than 24 hours in a month for them to register and contribute to the UIF. Foreigners who come on a contract basis do not have to register for UIF. The turnaround time for registering employees is three days. The form used to register for UIF is called the UI19, and is available at the relevant departments all over SA. The employee contributes 1 per cent of his earnings to UIF with the employer contributing the other 1 per cent. Within three days of registering, the applicant receives a reference number which is used in all references and dealings with the UIF. Interest is levied for late payment of UIF and the employee should notify the UIF on termination of employment and when on maternity leave. The UIF also has an electronic system through which all transactions are held, called U-filing. The Endec system is used for bigger companies where payroll is configured.

The UIF has a presence in 126 labour centres or regional offices and they operate on all business days. They also have 800 visiting points/periodic offices throughout the country. The UIF has strict conditions to be followed when claiming unemployment compensation. The standard time to finalise a claim is five weeks or 35 days with payment being transmitted into a nominated bank account. The payment is done for a maximum of 238 days or eight months (with the maternity leave payments at a maximum of 121 days). The length of contribution determines how much one will obtain from UIF and the duration of the benefits. What the claimant receives varies from between 38 per cent to 60 per cent of their former salary with lower percentages for those who had a higher income.

3.9 Meeting with Eskom

The process for electricity connection varies depending on customer size, where large customers’ (i.e. more than two Manufacturing Value Adds (MVAs) connections are processed in just less than two years after submitting an application. For smaller customers it takes between 30 to 120 days depending on the existing infrastructure, environment and land ownership. Eskom currently has a programme in which it offers cash incentives to enterprises that create employment and address gender issues. This programme is part of Eskom’s community development initiatives. Independent power producers receive rebates from Eskom for the excess quantity which they supply into the national grid and this is part of their long-term power producing programme. Besides the costs connected with bringing power to the entity’s gate, Eskom also charges separate fees for connections within premises or the estate if needed. Connection costs tend to be higher if there is no pre-existing infrastructure within the area in which the entity is located.

The money required for Eskom to commence its work is required up front. This requirement is meant to ensure that only a few serious and capable applicants apply as there is limited supply. For Greenfield investments the timeframes for getting the connection running are between three and four years from the date of approval of the application. Location is also a
key factor as certain places such as the Eastern Cape, would have longer turnaround times as compared to Gauteng because of the absence of certain infrastructure in one region in comparison with the other. Bulk consumers of electricity have a dedicated customer executive allocated to them whom they deal with at Eskom. Municipalities and large companies are typical examples of bulk consumers.

4 Conclusion

As already established at the beginning of this chapter, One Stop Shops can deliver substantial savings in time and costs for users by providing seamless, integrated and easily accessible points of contact. Many host governments seek to alleviate the administrative burden on potential investors through a One Stop Shop which provides information on the necessary steps to start a business in that country – in effect a ‘tourist office for investors’. To the extent that informational barriers hinder the global flow of direct investment, a One Stop Shop – whether as an office or a website – can help to facilitate such flows (on the positive effects of easing business registration requirements).

Consequently, the success or failure of industrial development zones depends entirely on management and support of the zone. The government both at national and at local level should also play a facilitative role towards ensuring the success of IDZs through financial and management support by setting out regulatory measures to govern the operation of IDZs. It must be noted that investment facilitation is not just about helping firms navigate administrative barriers. Once the country starts to attract the interest of investors, the ‘process of country visits, negotiations, advice, legal and regulatory matters, visits with existing investors, financing, location choice, property, recruitment, training and post-investment facilitation must all be provided in a professional way to the investor’.

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Chapter Four

A Fieldwork Analysis of Special Economic Zones That have Implemented the One Stop Shop Model

1 Introduction

In 2012, field work was undertaken in three countries by the Department of Trade and Industry and the Africa Institute of South Africa to assess OSS models in operation. The countries visited were Mauritius, Indonesia and China. In examining the development and sustenance of Special Economic Zones in South Africa as envisaged by the dti, the data collection was undertaken to determine whether a model could be developed that could guide the dti’s decision making by outlining key substantive and procedural factors implemented in the aforementioned countries. Table 1 lists the stakeholders that were listed.

Mauritius was selected because, for the third consecutive year, the World Bank’s 2011 Doing Business report has ranked Mauritius first among African economies (20th worldwide, out of a total of 183 economies) in terms of overall ease of doing business. Indonesia came about due to a technical visit by a team of five dti officials led by Mr Kaya Ngqaka, Chief Director, on invitation by the Batan Indonesia Free Zone Authority (BIFZA). The invitation was a follow-up to the ministerial visit undertaken by a dti delegation led by Minister Rob Davies in October 2012 to participate at the 2nd session of the Joint Trade Committee (JTC) in Jakarta, Indonesia. The trade and investment relations between the two countries are driven by the JTC which was established on 23 May 2008 in Pretoria, South Africa. In the JTC it was agreed that the two countries would cooperate within the SEZ arena with a focus on strategic, managerial and technical capacity development as well as zone administration. Given the agreement by the two ministers that there would

Table 1: Stakeholder interviews

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<th>Mauritius</th>
<th>China</th>
<th>Indonesia</th>
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be a technical meeting between the dti and BIFZA’s officials in November 2012, it was deemed strategic to use the opportunity to engage in fieldwork of the BIFZA OSS model.

China, on the other hand, was selected due to the way its SEZs have facilitated the country’s status as the world’s second largest economy. Between 1980 and 1984 – as part of its economic reforms and the policy of opening to the world – China established SEZs in Shantou, Shenzhen and Zhuhai in Guangdong Province and Xiamen in Fujian Province and designated the entire island province of Hainan as a special economic zone. Primarily geared to exporting processed goods, the five special economic zones are foreign-oriented areas which integrate science and industry with trade, and benefit from preferential policies and special managerial systems. They have summed up their rich experiences in absorbing foreign investment and developing foreign trade for China to open up to the international market. In recent years, the special economic zones have led the country in establishing new systems, upgrading industries and opening wider to the outside world, serving as national models.

In preparation for fieldwork, questionnaires were crafted, and the variables used for data collection for assessing the impact of OSS models on foreign investors in the four countries were drawn from those in Chapter 1. These include the following:

- Company registration
- Tax registration
- Obtaining work and residence permits
- Registration of employees at the Department of Labour
- Environmental Impact Assessment
- Construction permits
- Electricity and Waste management
- Registering property
- Ports Authority
- Incentives

These variables were critical for the international comparative case studies because in order to address difficulties in investing or doing business in SA, it is essential to understand SEZ bottlenecks that investors are usually faced with.

2 The Mauritius SEZ background

Mauritius illustrates how an economic zone strategy can dramatically change the fortunes of a small remote economy. As already indicated earlier, Mauritius has maintained its premier position as the best place to do business in Sub-Saharan Africa. According to data collected by Doing Business, starting a business in Mauritius requires five procedures, takes six days, costs 3.3 per cent of income per capita and requires paid-in minimum capital of 0.0 per cent of income per capita. Dealing with construction permits requires 16 procedures, takes 143 days and costs 28.5 per cent of income per capita. Obtaining electricity requires four procedures, takes 84 days and costs 295.1 per cent of income per capita. Moreover, globally, Mauritius stands at 44 in the ranking of 185 economies on the ease of getting electricity. These flows are largely in construction (28 per cent), hotels and restaurants (12 per cent) and real estate, renting and business activities (38.5 per cent). Mauritius has attracted more than US$1.3 billion from foreign investors, including US$270 million in 2009 and US$350 million in 2010.

2.1 Infrastructure

A 2011 report by the World Economic Forum’s Global Enabling Trade Index notes an improvement in the efficiency with regard to transport and infrastructure in Mauritius. The report Review of Maritime Transport, observes that though the island is 33rd in the world classification, it is, by a large margin, the highest-ranked country in Sub-Saharan Africa. The report also notes
that the open access to the country’s markets, the efficiency of the border administration and a regulatory environment that is conducive to trade all contribute to this high showing. The country’s access to domestic and foreign markets is among the most open worldwide and a diverse range of goods enters the island duty-free, coupled with reasonable tariff and non-tariff barriers. The report adds that though there has been an improvement in transport facilities, there are weaknesses in the quality of transport services which makes the tracking and tracing of goods difficult, leading to delays in shipments.5

It must be noted that the launch of the offshore financial sector and the free port in the early 1990s, and then the Cybercity/ICT initiative in the early 2000s, followed by the integrated resort scheme in the mid 2000s, represent continuation in the launch of specialised economic tools capable of ensuring balanced growth, employment and sustainability in changing international trade and investment conditions. However, according to interviews with the Joint Economic Committee, there are still weaknesses due to non-performance of non-bank institutions, such as utilities (telecommunications, water and electricity) in the database of the Credit Information Bureau which would ensure that utility users could facilitate their access to credit. They felt this could affect the country’s OSS infrastructure output. Key OSS infrastructure concerns highlighted challenges such as getting credit, enforcing contracts, registering property, occupational permits and resolving insolvency.

2.2 Incentives

Mauritius prides itself in its flat corporate and tax rate of 15 per cent. The rate of 15 per cent also applies to companies engaged in activities such as manufacturing, software development, public transport, agriculture, lease financing, construction, financial services, ICT services, training, restaurants and tourist-related services. Investment incentives are applied uniformly to both domestic and foreign investors. Other incentives include the following:

(i) up to 100 per cent foreign ownership,
(ii) exemption from customs duty on equipment,
(iii) free repatriation of profits, dividends, and capital,
(iv) no minimum foreign capital required,
(v) 50 per cent annual allowance on declining balance for the purchase of electronic and computer equipment and
(vi) an extensive tax treaty network with several countries.6

2.3 Mauritius One Stop Shop

The Board of Investment (BOI) acts as the facilitator for all forms of investment in Mauritius and guides investors through the necessary processes for doing business in the country. According to the BOI, before investors may start investing in the country, they have to submit documents at the front desk, where basic details are entered into the computer system. Once the application has been reviewed and data entered into the central database, an incorporation certificate and business registration card are printed. According to BOI, the Business Facilitation Act of 2006 simplified the business licensing process with respect to starting a business and allowed businesses to start operating within three days of incorporation.

However, based on fieldwork interviews, there were allegations of corruption at the BOI where payments for registration had been stolen, which BOI acknowledged and indicated that they planned to rectify by establishing a Chinese wall. Moreover, according to various international companies, the Registrar of Companies process and the BOI infrastructure were very bureaucratic requiring them to use private companies to obtain their company registration, occupa-
tional permits, EPAs, and so forth. The Joint Economic Council also argued that, with respect to the property and construction clusters, there is a general agreement that the main obstacles for clearing projects is the absence of guidelines for issue of land conversion permits and no time limit for the Ministry of Agriculture to issue the permits once all procedures had been met for approved schemes.

2.4 Investment after-care: retention

The retention of investors is essential in order for the OSS system to work effectively. Mauritius has maintained its high ranking in the ease of doing business in Africa. Mauritius also has the necessary infrastructure to ensure that it manages to facilitate investment growth and development. However, despite all the necessary OSS ingredients being in place, a lot of investors tend to leave Mauritius. Ineffective legislative implementation and rigid policies have been cited as one of the key reasons for investor defection. For example, according to respondents from the SA business community, out of the 1 500 companies that came to do business in Mauritius over the past decade, only 300 companies have remained due to the environment and stringent requirements, particularly for occupational permit renewals. The Mauritius Joint Economic Council (JEC) also indicated in their interview how the lack of legislative implementation has contributed to the decline in investor retention due to pending issues relating mainly to:

(i) delay in approval of permits,
(ii) agreed commitments not being respected and
(iii) non implementation of certain legal provisions.

The legislative requirement of financial growth was another rigid policy that several investors cited as they were practically allocated three years to make a profit. The tax revenue services also confirmed that the failure to establish any financial business revenue meant that the Mauritius Tax Revenue would shut down the investor’s business. They also confirmed that an investor may only subsequently apply for permanent residence status if his or her business activity generates an annual turnover exceeding R15 million (approx. US$476 190) during the first three years. In the case of self-employed persons, the business activity should generate an annual income exceeding R3 million (approx. US$95 000).7

2.5 Skills development

The OSS model in Mauritius also has a challenge as lack of skilled human resources is currently considered a constraint to the country’s competitiveness. Even though the educational system is excellent and most Mauritians can speak both French and English, the education system is outdated and thus global competitiveness is lacking in the current system. Lack of skills capacity has affected the ability of the companies to develop, forcing them to leave.

2.6 Lessons learnt

The following important points derive from the dti research conducted in Mauritius:

- Legislative implementation is critical. The Mauritius case establishes the need for SA to fully implement its policies.
- Investor retention. After-care of investors cannot be overlooked. There is absolutely no point in attracting a large number of investors who will end up leaving due to an inadequate retention strategy.
- Having the necessary OSS infrastructure, as is the case in Mauritius, does not guarantee SEZ success without the necessary legislative implementation. In other words, Mauritius’s good marketing and public relations effort might result in a strong response from abroad, with high FDI growth. How-
ever, as the World Bank states, in situations where administrative processes pose a serious problem, potential investors are likely to find out and decline in number. Promotional activities by themselves are not sufficient to retain investors in a country.

- Mauritius did not align its economic zone structures with education and training; this led to the crisis where they don’t have sufficient engineering, medical and other skills required by investors. SA needs to address the skills balance with SEZ establishments.
- Corruption is another lesson that was highlighted in Mauritius, establishing the need for a China wall which should be considered in South Africa.

3 China SEZ Development Zone: The case of Dezhou

The contributions of SEZs to the economic growth of China in terms of share of gross domestic product (GDP), FDI, employment creation, technology and skills spillovers are remarkable. From experimental beginnings as policy test beds for controlled economic liberalisation and market-oriented reforms in 1979/80, Chinese SEZs accounted for more than 22 per cent of GDP and 50 per cent of FDI in 2007. Many factors contributed to this success, including such key points as:

- **Strong commitment to reform and pragmatism from top leadership**: the SEZ policy was backed by the highest levels of national, provincial and local authorities and emphasised a pragmatic approach towards economic reforms.
- **Clear objectives, benchmarks and intense competition**: the SEZs were set up with clear objectives and targets for economic growth, exports, employment and investment.

Indeed, one of the key lessons from China’s experience in developing their SEZs was their success in working with established foreign developers – often in government-to-government partnerships. This helped to ensure that their initial zones were established according to good international practices and were managed initially by experienced SEZ professionals. In addition, it provided an opportunity for Chinese officials to learn about all aspects of planning, developing and managing SEZs. The focus of the China research was to establish incentives used and policies implemented at the local government level by examining the city of Dezhou. China has a very large number of diversified SEZs throughout its various provinces. Most of the China SEZs are also operated at the local government level, and have OSS processes facilitated directly in the zones. For example, a Home Affairs official would be located directly at the SEZ zone.

In 1997, the Dezhou Economic Development Zone (DEDZ), the municipality and local government of Dezhou elaborated a Development Plan for the DEDZ to centralise solar technology research and development, manufacturing, education and capacity building. Dezhou now boasts over 120 solar energy enterprises which generate an annual turnover of US$ 3.46 billion. It has established a mature technology innovation system, as well as excellent capacities in engineering, research and commercialisation.

Between 2005 and 2010, the annual growth rate of the solar energy industry was over 30 per cent. In 2006, about 30 000 people were engaged in solar energy-related businesses in Dezhou. Out of 66 000 new jobs that were created in Dezhou in 2010, 30 per cent were in the solar energy business. At the time, Dezhou had over 120 solar energy enterprises, generating an annual turnover of US$3.46 billion. This case study illustrates how local governments can simultaneously catalyse economic development in a region. In 2011, the gross domestic product of DEDZ hit US$2.5 billion.
(or R15.7 billion), which is 139 times greater than in 1998. Among the 216 new investment projects in the DEDZ, 120 projects are Renewable Energy (RE) related. Currently, the 130 RE businesses in DEDZ generate an annual revenue of US$3.15 billion. More importantly, according to the Dezhou Development and Reform Committee that was interviewed, between the years 2010 to 2011, a total of 10 000 jobs were created from this industry.10

### 3.1 Infrastructure

Dezhou is geographically located between Beijing-Tianjin Metropolitan Economy Zone and Jiao Dong Peninsular Coastal Economy Belt in China. Coal is still the dominant energy source in Dezhou. In 2009, a total of 3.6 million tonnes of standard coal were consumed. Being a third-tier city with no harbour or airport, Dezhou’s arteries are highways and railways. The city is situated in a transportation hub at the core of multiple highways and speed railways including the high-speed rail between Beijing and Shanghai.

Initially, the city had challenges as they had to overcome the relatively small size of the local solar energy industry, poorly developed financial mechanisms for growing industrial companies and the shortage of sector-related skills and expertise. To address the shortage in expertise, the local government of Dezhou built local knowledge in advanced technologies. A solar energy department and an RE research institute were established in Dezhou College to attract and develop talents for research institutes and solar energy enterprises. Solar energy technology was launched as a specialised major subject at Dezhou Technology College and Vocational Schools. The local government of Dezhou also sought to develop cooperation with research institutes in Australia, Japan and Germany.

### 3.2 Incentives

Generally in China there are a large number of benefits associated with development zones and these areas are attractive draws for investors looking for an easier way to take advantage of Chinese labour and other inputs. Most benefits are in the form of a tax benefit, including value-added tax (VAT), customs and income tax benefits in putting the emphasis on an investment in a SEZ or in special sectors and areas. The benefits granted are approved according to the nature of the foreign investment. For certain projects in basic infrastructure, environment protection and energy there is a ‘3+3’ years’ tax holiday. In addition to 15 per cent for new high technology companies, a reduced tax rate at an additional 50 per cent is applicable for R&D expenses.

From a municipal perspective, the local government of Dezhou began to attract direct investment by implementing supportive policies on land-usage, tax-return and financing to overcome the relatively small size of the local solar energy industry, the lack of well-developed financing mechanisms for growing industrial companies and the shortage of sector-related skills and expertise.

i. The municipality implemented supportive policies on land-usage, tax-return and financing. These new policies allowed land prices to be negotiated on a case by case basis, promoting favourable prices depending on when the business would move into the zone, the industry sector and the business size.

ii. Foreign companies, export-oriented companies or high-tech companies received a 2-year tax waiver, followed by a 3-year tax reduction. In addition, during the first three years, if the company remained in the high-tech sector, it would receive a 50 per cent tax rebate.

iii. The Dezhou local government also lowered the
barriers to entrance of new solar energy ventures by allowing enterprises with a capital reserve of less than US$157 480 to qualify for 2-year instalments. Low-interest loans and financing channels were provided to enterprises with patented technologies.

3.3 One Stop Shop

Aspects of the One Stop Shop model as applied in China are described below:

- **Governance**: Local governments provide accounting, legal, marketing and consulting services to help investors.
- There is a ‘Catalogue of Priority Industries’ for foreign investment at local government level jointly compiled by the State Economic and Trade Commission and State Development Planning Commission which is usually published for investors.
- There are International Promotional Investment Officers (IPAs) established by some municipal governments to provide the OSS services. Their functions, in general, are providing investors with all-round good services including consultation, field survey, negotiation and packaging etc., and assisting investors to solve relevant problems and difficulties.

Acting as a bridge between investors and various organs in local governments, local IPAs operate in tune with international practices, taking into full consideration all the needs of investors. The main function of investment promotion agencies in China include among others:

- Consultation
- Approval/procedure for foreign investment
- Services after the start of the operation
- Information service networks
- Investment conditions and environment

- Laws, regulations and preferential policies
- Helping local companies to find their overseas co-operator
- Access to the various governmental departments and officials

3.4 Lessons learnt

The following are important points taken from China’s deployment of development zones:

- Integrated, multi-use development and marketing should be an essential aspect of the OSS model
- Availability of specialised facilities and business services
- Business driven (demand driven as opposed to policy driven)
- OSS model and SEZ must be part of a national economic growth strategy
- Political consensus – political ‘champions’ are necessary to support required reforms and make OSS functional

4 The case study of Batam, Indonesia

Indonesia has the largest economy in Southeast Asia and is one of the emerging market economies of the world. The country is also a member of Group of Twenty (G-20) major economies and classified as a newly industrialised country. It has a market economy in which the government plays a significant role through ownership of state-owned enterprises (the central government owns more than 160 enterprises) and the administration of prices of a range of basic goods including fuel, rice and electricity. In the aftermath of the financial and economic crisis that began in mid 1997 the government took custody of a significant portion of private sector assets through acquisition of non-performing bank loans and corporate assets
through the debt restructuring process. Since 2004 the economy has recovered and growth has accelerated to over 6 per cent in recent years.\textsuperscript{13}

Despite a slowing global economy, Indonesia’s economic growth accelerated to a 10-year high of 6.3 per cent in 2007. This growth rate was sufficient to reduce poverty from 17.8 per cent to 16.6 per cent based on the government’s poverty line and reversed the recent trend towards jobless growth, with unemployment falling to 8.46 per cent in February 2008.\textsuperscript{14} Unlike many of its more export-dependent neighbours, it has managed to skirt the recession, helped by strong domestic demand (which makes up about two-thirds of the economy) and a government fiscal stimulus package of about 1.4 per cent of GDP, announced earlier this year. After India and China, Indonesia is currently the third fastest growing economy in the Group of Twenty industrialised and developing economies. Indonesia enjoyed stronger fundamentals when the authorities implemented wide-ranging economic and financial reforms, including a rapid reduction in public and external debt, strengthening of corporate and banking sector balance sheets and reducing bank vulnerabilities through higher capitalisation and better supervision. The current unemployment rate for Indonesia for 2012 is at 6 per cent as per Vice-President of Indonesia, Dr Boediono.\textsuperscript{15}

Since the late 1980s, Indonesia has made significant changes to its regulatory framework to encourage economic growth. This growth was financed largely from private investment, both foreign and domestic. US investors dominated the oil and gas sector and undertook some of Indonesia’s largest mining projects. In addition, the presence of US banks, manufacturers and service providers expanded, especially after the industrial and financial sector reforms of the 1980s. Other major foreign investors included India, Japan, the United Kingdom, Singapore, the Netherlands, Qatar, Hong Kong, Taiwan and South Korea.

4.1 Geographic location and investment

The Batam Island, which is 20 km from Singapore, is a Free Trade Zone (FTZ) designated by the President of Indonesia. As a Free Trade Zone the investors are exempt on import and export tax as well as value-added tax among many other incentives. The development of Batam into its current status started 40 years ago. Batam is geographically located in a strategic position as it is not far from the busy port of Singapore and it offers the advantages of lower costs of labour and land for interested investors. These and other incentives which have been put in place by the Indonesian government through BIFZA have seen the investment on the island rise to US$14.9 billion and the number of people employed rising to an excess of 370 000 in the last 40 years.\textsuperscript{16}

4.2 Infrastructure

The government provides about 22 per cent of the entire infrastructure in the island and the remaining 78 per cent is provided by the private sector. The same pattern applies to the zones, which are privately owned but are regulated by BIFZA. Batam has invested in infrastructure which assists in attracting investment. It has reliable electrical power supply provided both by the government and the private sector as well as a privately owned water supply which is regulated by BIFZA. Batam has 26 industrial estates on the island with current FDI being an estimated US$6.1 billion. The 26 industrial estates have 1 349 operating multinational companies/tenants thus indicating a significant foreign investment in Batam.

4.3 Incentives

BIFZA and the Indonesian government have also put in place many incentives to attract FDI to the Batam
Island and some of the incentives are listed below.

- No import or export duties on machinery, equipment, spare parts and raw materials in industrial parks in Batam
- No VAT for all processing industries for export purposes
- Generalised System of Preferences facility with 33 donor countries as well as the Common Effective Preferential tariff for ASEAN countries
- Double taxation avoidance agreement with 56 countries

4.4 BIFZA’s One Stop Shop

In order to attract investment BIFZA has created a One Stop Shop which started operation in 2006. At its inception it was designated as a pilot project which would assist in making it easy for foreign investors to set up in Batam. The One Stop Shop currently operates on a counter and paper based system with five ministerial departments being housed in the OSS. The OSS also works closely with the local government which helps in fast-tracking certain processes required by investors such as Environmental Impact Assessments (done in one to three months) and the work permits, residency permits and visas for foreign workers (done in two to three days), as well as other processes such as tax clearance from the revenue authorities.

The BIFZA OSS has been successful to some extent because the national government granted decision-making abilities to BIFZA, hence decisions are made in Batam rather than being referred to the national offices in Jakarta. The OSS team in BIFZA is currently in the process of creating an integrated online system and the target is that by 2013 the OSS system will be online and electronic. The BIFZA OSS currently issues 35 licences for various applications. Five of these 35 licences are now issued using the electronic system.

Some of the ministries and departments which are part of the BIFZA’s over the counter One Stop Shop are:

- The Investment Coordinating Board
- Ministry of Immigration and Law
- Department of Tax, Customs and Excise
- Municipality of Batam
- Batam Industrial Development Authority

4.5 Import and export licence as well as land issues in Batam

All the land in Batam is managed by BIFZA. Most investors do not own the land which they have invested on but they receive long-term leases. BIFZA uses money obtained from leasing the land for the maintenance of infrastructure with 75 per cent of their revenue coming from this. The other 25 per cent of BIFZA’s revenue comes from the fiscus but they have become less reliant on the fiscus with time.

The export and import licences are administered by BIFZA and they have developed an electronic application system to cater for the large volumes which they receive as most of the inputs in Batam are imported and the output is exported. The system for application of these licences is integrated with the port management system.

4.6 Summary of visits to the industrial estates in Batam

There are more than 1 300 foreign companies and 10 000 local companies operating on the Batam Island with many of the foreign companies being located in the industrial estates. There are 26 industrial estates in Batam with ‘infrastructure facilities’ which are wide ranging. Companies which relocate in these estates can either acquire custom-built factories or move into the ready to use facilities which have been built by the owners of these industrial estates.
Besides good infrastructure most of the industrial estates offer after-care services for investors as well as One Stop Shop services (such as assistance with the processing of permits and licences through the relevant authorities). Some of the major industrial estates in Batam are:

- Batamindo Industrial Estate
- Bintang Industrial Park II
- Kabil Industrial Park
- Panbil Industrial Estate

Most industrial estates in Batam manufactured goods from certain industrial clusters. For example the Kabil Industrial Park is mainly focused on heavy industries particularly those in the oil and gas sector while on the other hand the Panbil industrial estate’s main focus is on light industries, particularly those in electronics and electrical related sectors.

Industrial estates in Batam are wholly owned by the private sector and they are self-sufficient in their operations. The owners of these estates are responsible for the provision of infrastructure on these estates. They work closely with BIFZA to ensure that water supply, electricity supply and other amenities required for the success of the operation of their investors are provided for. The levels of foreign direct investment in the industrial estates are high and have been rising significantly for the last few years. Most of the FDI comes from countries such as Singapore, China, Japan, Australia and the US. For instance, the OSS centre of BIFZA reported that on average there are 15 investors per month that lodge applications to locate in the zones.

The industrial estates in Batam employ a significant portion of the labour force in Batam with estimated averages of more than 10 000 people per estate. Most of the estates are involved in labour-absorbing work, hence the high volumes of labour.

### 4.7 Lessons learnt from Batam, Indonesia

Lessons which can be drawn from BIFZA and Batam Island’s experiences are as follows:

- The One Stop Shop can be a good incentive to attract investment if fully operationalised as it reduces the turnaround times required to process all the relevant paperwork required by the investors.
- BIFZA’s One Stop Shop also showed the importance of having political buy-in at the highest level as this ensures that processes become easier and ensures that all the various stakeholders have cohesion in their operations.
- The importance of cooperation between the private sector and the government was also highlighted in the way BIFZA works well with the chambers of commerce in Batam, as well as with the owners of various industrial estates.
- The development of infrastructure around the envisaged SEZs is of key importance as alluded to by BIFZA. The presence of such infrastructure ensures that investors can operate easily and they entice new investment.
- Batam’s Free Trade Zone model also provided a different perspective to how an SEZ can operate. The whole island enjoys the Free Trade Zone status and this is a big incentive for investors.
- The allocation of industrial parks according to clusters is one lesson which was learnt from Batam, as the various industrial estates on the island focused on different economic activities.
- The influence of labour-absorbing industries on the economy was clear in Batam as most of the investors are engaged in labour-absorbing activities. There is however need to ensure that this labour-absorbing industry beneficiates the resources available in South Africa, leading to the skilling of employees.
References


2 Ibid.


5 Ibid.


7 April, Y. Interview with Joint Economic Council. 15 September 2012, Port Louis Mauritius.


10 Ibid.


12 IMF.org, 2012. World Economic Outlook Database, October.


An Analysis of similarities and differences across the countries

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Mauritius</th>
<th>China</th>
<th>Indonesia</th>
<th>South Africa IDZs</th>
<th>South Africa’s proposed SEZs</th>
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</table>
| Governance           | Despite the excellent legislative systems and international ranking, the OSS governance system has a poor investor retention capacity. | China has a strong commitment to reform and for pragmatism, from top leadership. There is collaboration with established foreign developers for SEZ success. | i) SEZs in Batam are regulated by a well-staffed and equipped agency established in terms of the Act (BIFZA).  
ii) SEZs are privately owned and their owners account to BIFZA. | i) The dti manages and regulates the IDZ programme with limited staff compared with BIFZA in terms of skills and expertise and numbers.  
ii) IDZs are government owned (by provinces and municipalities). | i) An SEZ Advisory Board will be established in terms of the SEZ Act which will regulate all SEZs and report to the Minister of Trade and Industry.  
ii) SEZs will be owned by either the government (national, provincial or local or their agencies) or a joint venture between government and private sector. |
| Funding Mechanism    | There is a wide range of investment incentives for inward investment. Free Trade Zones and a Freeports were established in 1992 enabling up to 100% foreign owned enterprises. | The local government provides low-interest loans and financing channels. | i) Government pays for basic infrastructure, such as roads, electricity, etc. and bigger part of infrastructure including industrial structures in the zones (approx. 76%) is covered by the private sector.  
ii) Since SEZs are privately owned, expenditure on the zones is the responsibility of the zone owners and not government. Zones are run on a commercial basis. | i) Government pays for Capex and Opex.  
ii) The IDZ operators are completely reliant on public fiscus for their zone operations. Zones are not run on a commercial basis. | i) Government to pay for general and bulk infrastructure and the private sector and DFIs to cover top structures in the zones.  
ii) It is envisaged that SEZ operators will be appointed through a transparent process, will have to demonstrate that they have expertise and resources to run an SEZ and will have to operate on a commercial basis. |
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<tbody>
<tr>
<td>Stakeholder coordination</td>
<td>BOI ensures that the registry database is also accessed by the Mauritius Revenue Authority, the BOI, the Ministry of Social Security National Solidarity, the Small Enterprise and Handicraft Development Authority, and local authorities, meaning that there is no need for the Registry to transfer information directly to these organisations.</td>
<td>Very effective, coordinated at the municipality level particularly through their local and international promotional officers. Local governments also provide accounting, legal, marketing and consulting services to help investors.</td>
<td>BIFZA works with the municipality, chamber of commerce, various government departments and all the stakeholders to ensure that all the stakeholders play their part in providing infrastructure and issuing of permits and licenses.</td>
<td>IDZ stakeholders are disjointed and planning is disintegrated.</td>
<td>The dti will facilitate all the identified SEZ stakeholders and secure agreements through MoUs and Service Level Agreements (SLAs). The SEZ Board, through its representation will manage and sustain stakeholder relations.</td>
</tr>
<tr>
<td>Incentives</td>
<td>Flat corporate and tax rate of 15%, up to 100% foreign ownership etc.</td>
<td>Supportive policies on land-usage, tax-return and financing.</td>
<td>No import or export duties on machine, equipment, spare parts and raw materials in industrial parks in Batam. No VAT for all processing industry for export purposes. Generalised System of Preferences facility. Double taxation avoidance agreement with 56 countries.</td>
<td>Provision of Customs Controlled Area (VAT Exemption and duty free). General incentives provided by the dti. Infrastructure (bulk, general and top structures) provided by the government.</td>
<td>The dti has proposed the following incentives: i) A SEZ Corporate Tax Incentives of 15%. ii) A SEZ 12i Tax Allowance, where industries establishing in an SEZ will benefit more. iii) Duty free and VAT Exemption. iv) Employment Creation incentive, where a tax credit equivalent in value to the proposed cash grant and offset against employee’s tax through the PAYE system is granted. v) Industrial Building Tax Allowance of 20% in the first year and 8% thereafter.</td>
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<td>Indicator</td>
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<tr>
<td>One Stop Shop</td>
<td></td>
<td></td>
<td>One Stop Shop facilities at BIFZA and some industrial parks.</td>
<td>None</td>
<td>vi) Zone based One Stop Shop, where investors will have a Single Window facility for lodging their applications and be approved within a very short space of time.</td>
</tr>
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Chapter Five

Conclusion

1 Introduction

Through various One Stop Shop models, governments and the import/export, shipping, logistics and transport communities have established an exhaustive, but by no means complete, range of agency and country-specific regulatory and operational requirements for international trade. Nevertheless, to date there has been limited coordination between these groups, both at the national and the international levels. As a result, investors are faced with a confusing set of stringent, overlapping and onerous reporting requirements, often including redundant, repetitive and outdated or superseded regulations. These requirements come in the guise of regulatory forms, systems, manual or electronic processes, administrative services and so forth. The problem has become more acute in recent years with the requirements for faster information delivery and the expanding requirements of zone operators and governance services. The ability to provide OSS services efficiently and swiftly has, in fact, become a key element in international competitiveness, especially among the burgeoning number of Special Economic Zones.

The aim of this document was to consolidate all the data collection that was undertaken on OSS best practices for application during the construction of the OSS model. From a short-term perspective this document proposes that the dti applies the C Model or SEZ/TISA Single Window approach. As indicated in Chapter 2, the key objectives of the Single Window implementation are the elimination of re-keying and resubmitting identical pieces of data; the management of data submission that conforms with the requirements of business processes in different stages of trade and transport in the international supply chain; and the integration of data and business processes used throughout the international supply chain. The SEZ/TISA is a Single Window OSS model where executives act as account managers and initial point of receipt for all applications. Responsibility would be to liaise with and ensure speedy processing of applications by the relevant authorities at national, provincial and municipal level in accordance with pre-agreed Memoranda of Agreement/service level agreements.

As already established earlier, the advantages of this model are that investors will only have to deal with one organisation or office. Bureaucracy would be reduced and the application process fast-tracked due to the relationships which the account executives build with the various government departments. Moreover, the presence of skilled zone operators at the SEZ will be an additional incentive for potential investors as they have less red-tape to worry about, and finally this model is easier to implement in the initial stages as it is less costly and more cost-effective in terms of allocated resources. Some of the characteristics of the SEZ/TISA or C Model recommended for South Africa include the following:

- Having an OSS at each zone, officers at each zone
will be responsible for receiving applications for the various requirements which the investor would need to satisfy before setting up shop in the zone.

- SEZ OSS officers will house all the relevant application documentation at their respective zones and the investors would only have to go to one place to collect all the application forms for the required applications as well as to lodge the applications.
- SEZ OSS officers at the zone will also follow up on the various applications made as well as receive the finalised applications from the SEZ account managers at the government departments.

While the SEZ/TISA model is the one being promoted as the short-term strategy for the dti, this document seeks to establish the online facility combined with the integrated registration function for long-term application. The online facility is critical because e-governance has become a necessary tool for supporting and simplifying governance for all parties – government, citizens and businesses. One of the problems faced by most developing countries is their inability to generate economic growth through technology. The fact is, much of the economic and social progress of the past few centuries has been due to, or is associated with, technological innovation. In countries such as India and China, the SEZ online system is becoming a standard practice for promoting OSS efficiency. The SEZ online system is a web-based application that will enable the users to carry out various functions using the internet. Users can access it any time, from anywhere, wherever internet connection is available. Various advantages of the online model introduced in Chapter 2 include the fact that this service is easily accessible.

Investors can access this facility from different locations in the world; the online gateway may also provide a totally integrated facility which makes the application process easier and faster and OSS online registration functions promote the best results. The integration registration function is also proposed for integration into SA’s long-term strategy as it streamlines bureaucracy by ensuring the functions of all the relevant departments are combined using a common database. In this model a single form is mainly used to lodge all the information and this reduces paperwork and the duration of processing the required documents is significantly reduced.

In the final analysis, OSS models have to offer a security buffer as well as a range of support and facilitating services tailored to the specific needs of clients. They have to offer fully serviced real estate, including facilities, utilities, security, waste removal, recycling and worker transport. The company’s only direct interface with the government should be with the customs officials who control what goes in and out of the zone. Or, as one zone operator said, ‘A customer [foreign investor] who gets exposed to government-related corruption and other problems gets scared and wants to leave.’

2 Recommendations

In order for the South African SEZ OSS models to be effective in facilitating access by investors to all required permits and licenses and other informational requirements in a timely manner, in eliminating steps in the approvals/administrative process and allowing parallel rather than sequential approvals and also in providing after-care to existing investors, this document proposes the following recommendations:

1. The electronic-based system of the Single Window facility is the most commonly implemented due to its efficiency. While the electronic system might be a costly system for SA to implement as some of the required infrastructure might not presently be in
place, ICT-based SEZs are twenty-first century systems for the implementation of which SA should devise long-term strategies.

2. The current IDZs need to serve as a continuous lesson on how to improve on administrative services, particularly with the local government stakeholders such as municipalities. There were concerns about SA’s ability to fast-track legislation and implementation with further calls for strong political support of the OSS processes on the ground. Providing after-care remains a challenge in areas such as water and electricity, raising concerns about whether renting at the IDZ was any different from renting at a regular property. The fact is that the objective of an SEZ is to have access to services that are not readily available on regular territory.

3. The comparative case studies of the Philippines, Malaysia and Taiwan demonstrate the importance of governance in ensuring that OSS models work effectively. Furthermore, competition on the basis of incentives rather than facilitation and services did not work. The lack of skilled labour as in the case of Malaysia can be problematic, and in the Taiwan case, government intervention in terms of regulatory and operational matters at economic processing zones is essential.

4. The Mauritius case established that the retention of investors is essential in order for the OSS system to work effectively.

5. Skilled labour is essential. Mauritius did not align its economic zone structures with education and training, leading to the crisis where there is an inadequate number of engineers, doctors and other skills required by investors. SA needs to address the skills balance with SEZ establishments.

6. The China case demonstrates the need to integrate marketing as a critical aspect of the OSS model. Moreover, skills within specialised areas are essentials. The OSS model in SA must also be part of the national growth strategy and be business driven and finally, political buy-in is essential in ensuring that the OSS model is functional.
Figure 1: Location of Economic Resources in South Africa.
(Source: AISA’s GIS Specialist, Muhammad Sheik Oumar.)
Figure 2: Geographical location of Industrial Development Zones in South Africa.
(Source: AISA’s GIS Specialist, Muhammad Sheik Oumar.)
Figure 3: Geographical location of Special Economic Zones in South Africa.
(Source: AISA’s GIS Specialist, Muhammad Sheik Oumar.)
An Intergovernmental Relations Framework Act was established in 2005 to allow national government, provincial government and local government to promote and facilitate intergovernmental relations, with appropriate mechanisms and procedures to facilitate settlement of intergovernmental disputes and other related matters.

This Act is critical for the SEZ Programme as it will unlock success in the stakeholder management process by enabling consolidated planning, identification and resolution of incompatible goals, objectives, policies and developments as well as the sharing of information, capacity building initiatives, resources, policies and other interventions. In order to establish an Implementation Protocol, the Minister of Trade and Industry will establish a National Intergovernmental Forum to raise matters of national interest around Special Economic Zones, to consult provincial governments and organise local government if necessary and to implement national policy and legislation as well as to coordinate and align functional areas for strategy and performance.

The National Intergovernmental Forum will report back to Parliament in line with SEZ Bill Legislation, where the dti will be responsible for providing administrative and other support services to the Forum.

The National Intergovernmental Forum will include a wide range of key stakeholders such as National, Provincial and Local Government Departments, SEZ operators, State Owned Entities and other critical stakeholders.

Formalised Terms of Reference, Implementation Protocols and Frameworks for Engagement will be mapped and outlined, with clear objectives and deliverables. Intergovernmental Implementation Meetings will take place once per quarter and, according to SEZ Legislation, Implementation Protocol and Progress Reports on the SEZ Programme and OSS Model will be submitted to parliament once a year.

**Under the Conclusion/Recommendations**

The Minister of Trade and Industry will establish a National Intergovernmental Forum and Implementation Protocol, in line with the Intergovernmental Relations Framework Act, 2005 as well as SEZ Legislation, to identify challenges facing implementation; to describe the roles and responsibilities of each organ of state in implementation; to give an outline of priorities; to lay out aims and desired outcomes; to determine indicators to measure effective implementation of the protocol; to provide for oversight mechanisms and procedures for monitoring; to determine the required resources for implementation; as well as to provide for dispute settlement procedures.

Facilitation of the OSS Model will be possible and effective through this process as there will be joint coordination and alignment in planning and operational processes and also through the joint marketing channels.