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Propelling Economic Growth through Special Economic Zones (SEZs) in the Global South: The Case of South Africa

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Abstract

The paper examines the application and contribution of public-private partnerships in promoting economic cooperation through the prism of Special Economic Zones in the Global South. A case is made for South Africa through the establishment and operation of Special Economic Zones as one of the significant measures adopted by the South African developmental state aimed at addressing unemployment, inequality, and poverty levels and further driving the country's economy into higher growth and investment rates in the short, medium, and long term. The paper is based on the idea that public-private partnerships can help promote economic growth and development in BRICS countries, thereby contributing significantly to stronger trade relations, attracting investment, and regional integration.

The method of the paper is qualitative. Secondary data sources include documentary and literature reviews in this paper. A major finding arising from his research is that the Coega Industrial Development Zone, situated in the Eastern Cape Province in South Africa, given its multisectoral focus, stands out as a major catalyst in creating economic spillovers in both the local and regional contexts involving the Southern Africa region. Thus, BRICS economic cooperation provides significant opportunities to build South Africa's domestic manufacturing base, small business development, and expansion of trade and investment opportunities, and SEZs affirm this point.

This paper asserts that there should be a concerted effort to accelerate the implementation of the Strategy for BRICS Economic Partnership 2025 plus the 2030 Agenda for Sustainable Development with the purpose of eradicating poverty and building an inclusive economy in South Africa.

Keywords: *Special Economic Zones, Global South, Developmental State, BRICS, Public-private partnerships*

Introduction

The BRICS Long Term Strategy 2025 primarily promotes cooperation for economic growth and development. This obligation necessitates that appropriate mechanisms should be conceptualised and implemented to achieve this strategic priority and objective, plus the accomplishment of Sustainable Development Goals (SDGs). Public-Private Partnerships (PPPs) are thus one mechanism that may help propel economic cooperation and economic growth within BRICS countries, and contribute substantively towards building strong trade relations, attracting investment, and regional integration. The increasingly dire economic conditions facing BRICS countries, manifesting through slowed global economic growth, unpredictable shocks, low growth forecasts, declining investments, high unemployment, inequality, and poverty levels, require effective and pragmatic mechanisms that may help these countries to continue to play a crucial developmental, interventionist, and strategic role in the running of their economies.

PPPs are currently being implemented by BRICS countries in the areas of trade, commerce, manufacturing, agriculture, and mining. In the context of South Africa, these PPPs have assumed a central role in the design and implementation of special economic zones (SEZ) driven by the Department of Trade and Industry in the Eastern Cape, KwaZulu-Natal, and Limpopo provinces, among others.

Research Design and Methodology

The main objective of the paper is to examine the use and application of PPPs as a mechanism to ensure the promotion of economic growth and development in South Africa and the BRICS countries, namely, South Africa, China and Ethiopia, and contribute to a framework for PPPs in BRICS countries. For the purposes of this paper, qualitative research is adopted. A literature study of sources comprising authoritative publications, books, journals, the internet, and official documents was employed. The collected data and conclusions reached were then integrated and thematically discussed and presented in the form of findings, conclusions, and recommendations.

The Nexus between Developmental States and Special Economic Zones

According to the World Bank's South Africa 2024 report, the country has taken considerable strides to improve the well-being of its citizens since its transition to democracy, but progress has stagnated in the last decade. The percentage of the population living below the upper-middle-income country poverty line fell from 68% to 56% between 2005 and 2010 but has since trended slightly upwards, to 57% in 2015, and is estimated to have reached 62.6% in 2023. Structural challenges and weak growth have impeded progress in reducing poverty, exacerbated by the COVID-19 pandemic. Rising unemployment significantly reduces progress in household welfare. The unemployment rate is highest among youths aged between 15 and 24, at 60.8% (World Bank South Africa Report 2024).

The World Bank report further highlights that South Africa remains a dual economy with one of the highest and most persistent inequality rates in the world, with a consumption expenditure Gini coefficient of 0.67 in 2018. High inequality is attenuated by a legacy of exclusion and the nature of economic growth, which is not pro-poor and does not generate sufficient jobs. Inequality in wealth is even higher, and intergenerational mobility is low, meaning inequalities are passed down from generation to generation with little change over time (World Bank South Africa Report 2024).

This paper is premised on the postulation that South Africa is a developmental state. One of the distinguishing features of a developmental state is strong state capacity. This is achieved through the creation of an efficient and effective public service, staffed by the nation's brightest and best servants functioning without constraint and capable of being innovative in addressing the social and economic needs of the citizens (Evans 1998; Johnson 1983).

Mkandiwire (2001) contends that the term 'developmental state' does not only apply to those that have attained economic growth but also includes states that attempt to deploy both administrative and political resources to the tasks of economic development yet are not able to grow because of external factors such as bad luck and miscalculation. He denounces the comparison of states in Africa with developed ones as well as the sense of despondency that this comparison has brought. In the African context, any state that develops an appropriate institutional structure to spark growth merits recognition as a developmental state. African states should determine what works for them, informed by their circumstances, rather than emulate the East Asian models unchanged.

Edigheji (2009) asserts that there is no one formula for constructing a developmental state. The South African developmental state is based on the adaptation of some elements of the Asian developmental states, especially with respect to the central development planning that produced the National Development Plan in 2012. It should be borne in mind that in every historical epoch, developmental states have been constructed to respond to specific contextual developmental challenges. In doing so, they have drawn important lessons from other experiences, adapting these to address their context. Most developmental states, especially in Asia, are highly interventionist and protectionist, have strong state capacity and political leaders who are highly nationalistic and patriotic, and, as a result, have the political will to drive through the development agenda.

Flowing from the expositions formulated by various authors, for the purposes of this paper, a developmental state is primarily concerned with developing and implementing a national plan predicated on the economic and social imperatives pursued by a state, namely, economic growth, employment creation and poverty reduction. An essential part of a developmental state is state capacity, which is demonstrated by merit-based appointments in senior government positions and institutional capabilities. In the case of South Africa, the government introduced the *National Framework towards the Professionalisation of the Public Sector* in 2022 under the auspices of the Department of Public Service and Administration. In part this framework provides for the tightening of pre-entry requirements as well as effective recruitment and selection processes that inform meritocratic appointments. The introduction of this framework suggests that state institutions should be run by individuals possessing the requisite competences and capabilities appropriate to drive and accomplish the aspirational objectives encapsulated in the National Development Plan 2030.

In the context of the Global South, a developmental state is central in driving an economic and development agenda that is cardinal for the uplifting of the living conditions of many of the citizens that continue to be afflicted by poverty, unemployment, and exclusion in the mainstream economy. In other words, a developmental state is actively involved in the running of the economy through initiating and implementing state-led development interventions, measures, programmes, and policies as opposed to allowing the market to have unfettered influence in the running of a country's economy.

Thus, the introduction and implementation of a special economic zone in accordance with the *Special Economic Zones Act* 16 of 2014 constitutes a crucial deliberate measure on the part of the South African developmental state to assume a leading role in the running of the country's economy through providing, *inter alia,* fiscal and non-fiscal incentives to enable the operationalisation of a special economic zone.

The South African government, through the *Special Economic Zones Act* 16 of 2014, aptly states that the impact of Special Economic Zones in driving industrial and economic growth is being noted, and thus, Special Economic Zones have been identified as a mechanism that will contribute towards the realisation of these economic growth and development goals and is committed to supporting and facilitating the designation, regulation, and development of Special Economic Zones in South Africa (Special Economic Zones Act, 2014:2).

What is a Special Economic Zone (SEZ)?

Special Economic Zones refers to a geographically delimited area where governments promote industrial activity through both fiscal and non-fiscal incentives, in addition to providing infrastructure and improved services (United Nations Conference on Trade and Development, 2019). To promote national economic growth and exports, a Special Economic Zone is an economic development tool that uses support measures to attract targeted foreign and domestic investments and technology (Special Economic Zones Act 16 of 2014:8).

Special Economic Zones are geographically designated areas set aside for specifically targeted economic activities. According to Bost (2019) and Baissac (2011), there are common characteristics germane to Special Economic Zones, which are:

1. A geographically delimited area, which differentiates SEZs from growth poles and industrial clusters, which can be spread across several locations.

2. A distinct regulatory regime for investors and firms, which differs from the regime that applies at the national or subnational level.

3. Multiple firms involved which sets SEZs apart from single-factory zones.

4. A zone management facility and administration whose tasks include coordinating activities in the zone, ensuring services are reaching companies in the zone, and forming a bridge between businesses in the zone and the government.

5. A distinct land policy providing, for instance, a separate customs area or facilitated export procedures.

6. Provision of improved infrastructure aimed at supporting the firms and tenants operating in the zone, including real estate, roads, electricity, water, and telecommunication.

A handful of economies account for the majority of SEZs; China alone hosts over half of all SEZs in the world. Other countries with a high number of SEZs include India and Russia. In China, SEZs have been the cardinal driver for growth and development. The World Bank in 2021 reported that 22% of China's Gross Domestic Product, 45% of total FDI, and 60% of exports are generated by Special Economic Zones (Handbook on Special Economic Zones, 2021).

Implementation and Performance of Special Economic Zones in South Africa

The 2019 State of the Nation Address (SONA) delivered by President Cyril Ramaphosa, in reference to commitments on the economy in part, stated that the government envisages the state to play an entrepreneurial role by being able to take some risks and enable the economy to grow. It will give priority attention to the economic sectors that have the greatest potential for growth. The government will use spatial interventions, such as special economic zones, to bring economic development to local areas, with a particular focus on growing small and medium enterprises in cities, townships, and rural areas (SONA 2019).

The *Special Economic Zones Act* 16 of 2016 provides for the designation, promotion, development, operation, and management of SEZs. Several incentives, including tax holidays, lower corporate tax rates, employment tax incentives and customs-controlled areas, are provided to ensure SEZ growth, revenue generation, creation of jobs, attraction of Foreign Direct Investment (FDI), and international competitiveness. In addition, SEZs are intended to promote cooperation between the public and private sectors.

These special economic zones serve as the wherewithal that helps to create strong, viable, and sustainable regional economies. More fundamentally, these special economic zones have contributed to infrastructure development, employment creation, and economic development for the betterment of the living conditions of the inhabitants residing in these provinces, and thus, the Coega SEZ, Saldanha Bay SEZ and Dube Trade Port SEZ, situated in the Eastern Cape, Western Cape, and KwaZulu-Natal provinces, respectively, among others, bear testimony to this observation. These initiatives are geared towards realising Sustainable Development Goals (SDGs), namely, innovation and infrastructure development and ending poverty by 2030.

In terms of the *Special Economic Zones Act* 16 of 2014, the application for designation of Special Economic Zones in part entails the following:

1. National government, a provincial government, a municipality, a public entity, a municipal entity, or a public-private partnership, acting alone or jointly, may apply to the Minister in the form and manner prescribed for a specified area to be designated as a Special Economic Zone.

2. The applicant must have sufficient access to financial resources and expertise for the development, operation, management, and administration of a Special Economic Zone.

3. Submit to the Minister a comprehensive feasibility study.

4. Indicate the extent to which it owns or controls the area to be considered for designation as a Special Economic Zone.

5. In the case of a public-private partnership, indicate its ownership structure through the submission of a shareholder's agreement, indicating shareholding, percentages of shareholding, requirements for transfer of shares, and requirements for the distribution of assets upon liquidation or deregistration.

From the foregoing, it is apparent that the application for designation of Special Economic Zones provides for an opportunity to be leveraged by various role-players, including but not limited to the national government, provincial government, a municipality, a public entity, or a municipal entity and, more significantly, a public-private partnership for purposes of consideration by the Minister in the context of South Africa. Section 24(2) of the *Special Economic Zones Act* 16 of 2014 stipulates that the Minister may prescribe different categories of Special Economic Zones, which may include:

a. A free port – means a duty-free area adjacent to a port of entry where imported goods may be unloaded for value-adding activities within the Special Economic Zone for storage, repackaging, or processing, subject to customs procedures.

b. A free trade zone – means a duty-free area offering storage and distribution facilities for value-adding activities within the Special Economic Zone for subsequent export.

c. An industrial development zone – means a place designated as a place of entry for the control of vessels, aircraft, trains, vehicles, goods, and persons entering the Republic.

d. A sector development zone – means a zone focused on the development of a specific sector or industry through the facilitation of general or specific industrial infrastructure, incentives, and technical and business services primarily for the export market.

Table 1: *Selected country SEZ case study*

Country name	SEZ name	Year started
South Africa	Coega Tshwane Musina-Makhado Dube	2001 2019 2022 2014
Ethiopia	Hawassa	2016
China	Shenzhen	1975

Author's own design

Table 1 above depicts the case studies of Special Economic Zones selected for purposes of discussion and analysis in the paper. The paper discusses these case studies as representing best practices in the Global South, particularly within the BRICS bloc, including South Africa, China, and more recently, Ethiopia.

The most notable PPPs in the manufacturing sector include the historic R11 billion investments between the Coega Industrial Corporation, Industrial Development Corporation (IDC), and the Beijing Automobile International Corporation (BAIC), that is, a Chinese company implemented in 2016 with a view to injecting financial capital into the Coega special economic zone tailored to create 2,500 direct employment opportunities with an indirect job creation prospect of 10,500 in the Nelson Mandela Bay metropolitan area in the Eastern Cape (Industrial Development Corporation's Media Statement, 2016).

The other significant PPP was implemented in the Musina-Makhado special economic zone (SEZ), involving economic cooperation between the South African government and Chinese investors and companies with a view to establishing a Bonded Trade City, which will allow the beneficiation of various agricultural products, such as cotton, avocado, and timber for the export market. This envisaged logistics hub in the Musina-Makhado SEZ is aimed at providing a facility for processing, packaging and distribution for both SADC and overseas export markets. The Musina-Makhado SEZ was approved by the Limpopo Economic Development, Environment, and Tourism Department on 23 February 2022, therefore paying the paving a way for its construction (Mail & Guardian 22 March 2022). Suffice it to mention that the Musina-Makhado SEZ was designated in 2018, and the process of operationalisation of this SEZ was in part delayed because of prolonged finalisation of the environmental impact assessment, a process that has since been concluded, as intimated earlier.

The latest establishment of the Tshwane Automotive Special Economic Zone (TASEZ) constitutes an impetus to boost economic growth through attracting domestic investments and foreign capital, such as Ford in the realm of the automotive industry. TASEZ was born out of a partnership between spheres of government, namely, the national government represented by the Department of Trade, Investment, and Competition (DTIC), the Gauteng provincial government, and the City of Tshwane. This partnership is unprecedented and may serve as a model for future SEZs in other provinces situated in South Africa. TASEZ has to date created about 4,484 jobs during the construction phase (12% women and 53% youth) and around 1,259 permanent jobs for operations (76% youth and 32% women). One of the distinct features of TASEZ is that it has the potential to revive and stimulate township economies and small, medium, and micro enterprises (SMMEs) within the Tshwane economic region. Consequently, during the construction phase 1, the total procurement spent on SMMEs, through construction packages, is sitting at 38% against a target of 45%, with 244 SMME packages awarded to a value of R1.1 billion (The dtic Media Statement November 21, 2022). This contrasts with India and some Sub-Saharan African (SSA) countries that are often criticised for setting zones that operate as enclaves without much linkage to the local economy.

Minister Ebrahim Patel, in his Budget Vote for 2022/2023 tabled before the National Assembly, reported that by October 2022, the Tshwane SEZ aims to complete eleven automotive component plants in support of Ford's 16 billion rand investment in the new generation of Ford Ranger bakkies, employing about 2,000 workers in the new zone (Minister Ebrahim Patel Budget Vote for 2022/2023). To date, the investments in Special Economic Zones have yielded R22 billion (GCIS SONA 2022 Highlights August 2022; dtic Annual Report 2021/22).

In South Africa, the Coega Industrial Development Zone (Coega IDZ), established in 2001 in the Eastern Cape Province, has generated considerable linkages with local small, medium, and micro enterprises through a set of specific initiatives aimed at creating a conducive environment for local firms to participate and benefit from the industrial activities at Coega IDZ. These initiatives include setting up an SMME Development Unit responsible for an SMME development programme, which aims to boost local business formation through the creation of an SMME supplier database; a training and development programme attuned to the needs of each SMME; and technical mentoring to help local firms bid for higher value-added tenders (Coega Development Corporation, 2020a, 2020b).

The Coega Development Corporation is fully owned by the Eastern Cape Provincial Government and was primarily established as a developer and operator for the zone in 1999. The zone provides enabling infrastructure attuned for various tenant activities, high-quality roads, electricity, and portable and industrial water access. It has a multisectoral focus targeting industries such as metals, automotive, chemicals, and agroprocessing (Handbook on Special Economic Zones, 2021:142).

The Coega IDZ achieved a 35% SMME procurement rate over the 2015-2020 period. This amounted to 609 million South African rand in the financial year 2019-2020 alone. Close to 400 SMMEs benefited from training programs, and 80% of the SMMEs that were awarded contracts by the Coega Development Corporation successfully completed the mentorship programme (Coega Development Corporation, 2020a, 2020b). These initiatives supported by Coega affirm the role that SEZs can play in facilitating the creation of sourcing linkages with domestic firms by expanding market opportunities, supporting access to finance, and providing training and mentoring (Rodriguez-Pose, Bartulucci, Frick, Santos-Paulino, and Bolwijn, 2022).

According to the World Bank (2018), Coega SEZ is leveraging its strategic position within the regional context, thus serving both the local and the broader regional markets. In that zone, 40% of foreign firms stated their investment was to serve other Southern African countries, while 60% of firms were keen on the local market.

In 2012, South Africa established the Dube AgriZone, part of the Dube TradePort SEZ, to stimulate growth in the agriculture-based province of KwaZulu-Natal while leveraging its comparative advantage in the agrocommodity sector. Given the region's good and reliable rainfall, together with its fertile soil, KwaZulu-Natal's agriculture sector has become increasingly productive and has the capability of producing several crops, including sugarcane, horticulture, and forestry. The establishment of the Dube AgriZone unlocks the province's natural endowments and potentially enables the attraction of both foreign direct investment and local investment across the agricultural value chain (Trade & Investment KwaZulu-Natal, 2020; Handbook on Special Economic Zones, 2021:106).

Table 2: *Performance indicators of SEZs in South Africa*

SEZ	Current Active Investors	Investment in R million	Jobs
Coega	63	11, 256	10. 521
Tshwane Musina-Makhado Dube	10 - 57	5, 570 - 3, 010	4, 484 - 5,159
Total	130	R19, 835	20, 164

Source: Chinguna, Unpacking the costs and benefits of the SEZ programme in South Africa, CDE, 2025

A total of 20,164 jobs have to date been created and around R19. 835 billion in investment was generated by Coega, Tshwane Automotive Special Economic Zone and Dube Trade Port. Coega, by virtue of being the longest SEZ in operation in relative terms, continues to generate large investments, including the creation of jobs. However, it is worth mentioning that the Tshwane Automotive Special Economic Zone has attracted investment commitments from the Ford Company for the generation of the new Ford Ranger bakkies, thus providing a major investment boost for the SEZ. In aggregate, there are around 130 active investors involved in the SEZs located in South Africa.

Ethiopia – SEZ best practice

Ethiopia has over the past decade emerged as a success story in terms of economic growth, FDI attraction and poverty reduction. It has been considered among the fastest-growing economies in Africa and in the world, with average growth rates of 9.8% a year from 2008/09 to 2018/19 (World Bank, 2020). FDI inflows have grown by nearly 50% each year since 2010, reaching 4 billion US dollars in 2017 (UNCTAD, 2020). This places Ethiopia in one of the top spots in Africa in terms of its attraction of FDI. The Ethiopian Government's SEZ policy is often credited with playing a significant role in the country's successful strategy to transform its manufacturing sector (Handbook on Special Economic Zones in Africa, 2021).

Part of the SEZ policy executed by the Ethiopian Government involved the lowering of entry and operational costs for foreign investors through providing fiscal and non-fiscal incentives in industries such as garments, textiles, and agro-industries. The incentives vary from the exemption from customs duty on imports of inputs and capital goods to exemptions from income tax for a specific period, depending on the location of the investor and the activity. For example, park developers, for instance, the Hawassa Industrial Park, which houses the garment firms in Ethiopia, enjoy a 10-year exemption from income tax if located in Addis Ababa. In other zones, 15-year exemptions are granted (Handbook on Special Economic Zones in Africa, 2021).

Shenzhen Special Economic Zone in China

In 1979, Shenzhen became one of China's first Special Economic Zones and began attracting increasing numbers of people searching for employment, leading to overpopulation. The city currently has a population size of 17 000. While most Chinese cities were still developing their manufacturing base, Shenzhen had developed a strategy for its economy. Between 2012 and 2016, the cultural and creative industries grew on average 14% annually. The city received nearly 300 billion US dollars in FDI, and over 90 000 foreign enterprises have been established since economic reforms began in China. Suffice it to mention that shipping and logistics played a large part in Shenzhen's success, benefiting from a good location and proximity to the former British colony Hong Kong, a source of most of its investments, high technology, and financial services. At the outset, Shenzhen attracted significant manufacturing, its location enabling it to export to the rest of the world and become a manufacturing hub. It propelled its economic development by attracting high-value and knowledge-intensive sectors such as high technology and financial services. Shenzhen further houses globally renowned Chinese innovative brands such as Huawei and Tencent (World Economic Forum, 2022).

Justification for PPPs in the Global South

Through public-private partnerships (PPP) the government realises that the public sector and private sector must play complementary roles and do not have to be seen as substitutes for each other. Governments and markets both play a fundamental role in economic development. Markets are not always perfect, and government is needed to offset market limitations and failures (Sharma 2006:631). Government leaders consider PPPs as a way of bringing in the special technical expertise, funding, innovation, or management know-how from the private sector to address complex public policy problems (Forrer, Kee, Newcomer, & Boyer, 2010:475).

In a mixed economy, the government has numerous responsibilities. This includes the designing of public policies and legal frameworks for the operation of the private sector, granting property rights, facilitating the provision of basic needs for its population, establishing conditions for the enforcement of contracts, ensuring social justice, and providing quality and equitable access to economic opportunities. The government intervention in the market has been justified on the grounds of public interest (Sharma 2006:631).

Several factors help account for the increased interest and popularity of PPPs. The promise of savings and a reduced burden on strained municipal resources has certainly struck a chord in countries operating under tight budgets. The appeal of PPPs can generally be explained in terms of their expected benefits, including access to private finance for expanding services, clearer objectives, new ideas, flexibility, better planning, improved incentives for competitive tendering, and greater value for money on projects (Spackman, 2002; Nijkamp et al., 2002). There is also the added pressure in the context of developing countries from international financial institutions such as the World Bank (WB) and the International Monetary Fund (IMF) to shift to principles of market liberalisation and privatisation. Financial assistance is often linked to changing the focus and orientation of government from direct involvement and intervention to a role revolving around partnership and facilitation (Hughes, 1998).

Miller (2000) and Savas (2000) argue that the proliferation of PPPs in the developing countries has been attributed to several explicitly stated reasons. This includes, among other things, the desire to improve the performance of the public sector by employing innovative operations, reducing and stabilising costs of providing services, improving environmental protection by ensuring compliance with environmental requirements, reinforcing competition, and reducing government budgetary constraints by accessing private capital for infrastructure investments.

Government authorities are faced with increased demands for improved services while fiscal constraints and scarce resources restrict policy choices. Governments are responding to this challenge by exploring and implementing alternative methods of service delivery. Therefore, there is a global trend for governments to use PPPs as a vehicle to improve the delivery of services to their specific communities. This approach leverages the expertise, investment, and management capacity of the private sector to both develop infrastructure and improve and expand services to all residents (Fourie, 1995:5).

Initially, the opportunities for private sector participation in infrastructure and service delivery were at a national government sphere. However, there are several initiatives kickstarted at the local sphere to address important issues such as water, transport, refuse removal, parking, parks and recreation, and emergency services (Jonker, 2001:256). Public-private partnerships are increasingly being utilised worldwide to provide municipal services on a cost-effective and sustainable basis (Jonker, 2001:257).

According to Osborne and Gaebler (1993:46), business tends to be a better place at which economic, technical, and innovative tasks are performed. The government is only shifting the delivery of a service, not the responsibility for it, when it enters a contract with the private sector. When the government contracts services to the private sector, the responsibility of making policy is still a government domain (Osborne & Gaebler 1993:47).

One argues that partnerships are far more than contracting but significantly less than a definite merger. Partnerships signify more than the traditional notion of contracting out of service or outsourcing, where one organisation identifies the ends and even possibly the means and another actor carries them out. Partnerships can be (re)established and implemented through a contractual arrangement. A contractual partnership would incorporate mutual agreements on ends and means and would further build mutual accountability and flexibility structures. Therefore, it is clear that partnerships cannot be considered as mergers in that mergers imply total absorption of one organization into another with subsequent development of a common organisational culture and managerial system (Jonker, 2001:257).

Brinkerhoff (1999:7-8) summarises the concept of partnership as follows:

> A partnership is a dynamic relationship among diverse actors, informed by mutually agreed objectives, pursued through a shared understanding of the most rational division of labor based on the respective comparative advantages of each partner. This results in mutual influence and careful balance between synergy and respective autonomy, which incorporates mutual respect, equal participation in decision-making, mutual accountability, and transparency.

The term '*public-private partnership*' is used in slightly different ways, with the result that a precise definition to which all will agree is elusive. A public-private partnership is a cooperative venture between the public and private sectors, built on the expertise of each partner, which best meets clearly defined public needs through the appropriate allocation of resources, risks, and rewards (Allan 1999). The term 'public-private partnership' has taken on a very broad meaning. However, the key element is the existence of a 'partnership'-style approach to the provision of infrastructure as opposed to an arm's-length 'supplier' relationship. A PPP involves a sharing of risk, responsibility, and reward and is undertaken in those circumstances when there is value for money for the taxpayers (BC Ministry of Finance and Corporate Relations, 1996:8). A PPP is an institutionalised form of cooperation of public and private actors, which, based on their own indigenous objectives, work together towards a joint target (Nijkamp et al. 2002).

Thus, while PPPs were originally treated as a derivative of the privatisation movement, there is a growing consensus today that PPPs do not simply mean the introduction of market mechanisms or the privatisation of municipal services. PPPs rather imply a sort of collaboration to pursue common goals while leveraging joint resources and capitalizing on the respective competencies and strengths of the public and private partners (Widdus, 2001; Pongsiri, 2002; Nijkamp et al. 2002).

The underlying logic for establishing partnerships is that both the public and the private sectors have unique characteristics, providing them with advantages in specific aspects of service and project delivery. The most successful partnership arrangements draw on the strengths of both the public and private sectors to establish complementary relationships. The roles and responsibilities of the partners may vary from project to project. For example, in some projects, a partner in the private sector will have significant involvement in all aspects of service delivery, and, in other projects, a partner could have only a minor role to play. While the roles and responsibilities of the private and public sector partners may differ on individual servicing initiatives, the overall role and responsibilities of the government and decision-making system are the government. In all cases, the government remains responsible for delivering services and undertaking projects in a manner that protects and furthers the public interest (Seemela, 2008:84).

Based on experience and international best practices with PPPs, several principles and guidelines are worth applying during project preparation. Such considerations include, but are not limited to (Wallin, 1997; Savas, 2000; Roseneau, 2000; Widdus, 2001; Nijkamp et al., 2002; Spackman, 2002; Jonker, 2001):

1. A careful consideration and precise articulation of the purposes of the partnership.
2. A clear delineation of targets and goals.
3. A timely and transparent mapping of all costs, revenues, and profitability aspects of PPP.
4. A clear insight into the planning of projects parts, the risk profiles involved, and the ways in which various partners are involved.
5. Clear boundaries, measurable output performance, and transparency.
6. Specific reporting and record-keeping requirements.
7. A strong central structure at the level of central administration using private sector expertise to promote and guide policy implementation.
8. Provisions for contract re-negotiation and for adjusting contractual terms, particularly in countries where administrative capacity is weak.
9. An appropriately designed legal framework.

10. Effective public participation.
11. A consideration of environmental, safety, and health responsibilities.
12. Control over and close monitoring of monopolistic situations.

Therefore, it can be deduced that PPPs offer public sector organisations a unique opportunity to increase efficiency and effectiveness to concentrate on their developmental mandate. Mostly, PPPs relieve governments from the burden of providing basic services under serious fiscal and resource capacity constraints. It is important that public sector organisations invariably continue to have the final responsibility in relation to a public-private partnership agreement. These organisations should also have an important role in regulating and monitoring public-private partnerships (Jonker, 2001:262).

Section 120 (1) of the *Local Government: Municipal Finance Management Act* 56 of 2003 provides that a municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will:

- Provide Value For Money (VFM) to the municipality.
- Be affordable for the municipality.
- Transfer appropriate technical, operational, and financial risk to the private party.

Section 120 (4) further sets out the conditions and processes for public-private partnerships; that is, before a public-private partnership can be concluded, the municipality must conduct a feasibility study that

- Explains the strategic and operational benefits of the public-private partnership for the municipality in terms of its objectives.
- Describes, in specific terms, the nature of the private party's role in the public-private partnership, the extent to which this role, both legally and by nature, can be performed by a private party, and how the proposed agreement will provide value for money to the municipality; be affordable for the municipality; transfer appropriate technical, operational, and financial risks to the private party; and

impact the municipality's revenue flows and its current and future budgets;

- Explains the capacity of the municipality to effectively manage and enforce the agreement.

Key Lessons Learned, Recommendations and Conclusion

The success of the SEZ programme in South Africa is impeded by myriad factors, namely, instability in areas of energy security and water security. Load-shedding experienced over the past years has negatively affected investor confidence, with some companies deciding to scale down. In some provinces of South Africa, a challenge for the development of **SEZ** is the availability of industrial land. In addition, global warming has impacted the availability of an adequate water supply for industrial development, and South Africa is no exception. Lack of adequate business development services or one-stop services, governance, compliance, and regulatory regimes also contributes to bureaucratic quagmire and thus hinders the proper functioning and efficacy of SEZs. The delayed operation of the Musina-Makhado SEZ and the Fetakgomo-Tubatse SEZ in Limpopo province are classic examples in this instance arising from bureaucratic and compliance bottlenecks.

According to the Handbook on Special Economic Zones (2021), some of the key governance elements of ensuring effective economic cooperation through PPPs involve the conclusion of a memorandum of understanding or bilateral agreement requiring high-level political commitment at the level of the Prime Minister's Office or President's Office where applicable; a coordination mechanism that entails effective dialogue, monitoring, and review; participation of relevant stakeholders; injection of foreign capital; and expertise on SEZ development and management. Furthermore, BRICS economic cooperation provides significant opportunities to build South Africa's domestic manufacturing base, small business development, and expansion of trade and investment opportunities, and SEZs affirm this point.

The other significant lesson involves the impact of the Coega Industrial Development Zone and the Dube AgriZone in alleviating unemployment and poverty levels in the large provinces of the Eastern Cape and KwaZulu-Natal. International best practice and research indicate that location shapes the success of specific SEZs (World Bank, 2017). Proximity to major agglomerations such as capital cities and development corridors facilitates zone dynamism (Frick & Rodriguez-Pose, 2019). In South Africa and Ghana, successful zones are close to major cities and seaports (Handbook on Special Economic Zones, 2021). Coega Industrial Development Zone stands out as a major catalyst in creating economic spillovers in both the local and regional contexts, as suggested earlier. In this regard, Khan's incremental approach to growth, adapted from Albert Hirshman's pioneering work in 1958 titled "*The Strategy of Economic Development*", is instructive.

According to Khan (2008), growth and development strategies are more likely to succeed if they are narrowly defined and supported by pragmatic and limited instruments. The simplest strategy for a country is to begin with sectors that have already achieved some global market presence or are close to doing so. Every country has some sectors in which growth has been higher than in others and where exports are essentially making some progress even if more could be achieved. Thus, the focus should be placed on these sectors and ask how capacity expansion, technology upgrading, and increases in value addition could be accelerated and how government agencies and governance capabilities could be developed in an incremental way that has broader application to other sectors (Khan, 2008).

Khan's approach is appropriate and significant for developing countries that are starting to create their own country-specific growth strategies. It enables these countries to engage in a national consultative process with crucial stakeholders with the view to identifying priorities and bottlenecks or binding constraints and thus initiating and formulating economic instruments and policies attuned to the country's context, coupled with institutional and governance conditions for ensuring effective implementation. These sequential and incremental steps will ultimately yield the much-desired returns for the benefit of the country in accelerating economic growth rates and developing governance capabilities and potentially be replicated in other sectors of the economy.

Flowing from the exposition above, the paper recommends that future research should be contemplated and undertaken specifically examining the possible review of the Special Economic Zones Act 16 of 2014 operating in South Africa with the purpose of allowing the private sector to become the driving force and thereby play a prominent role in conceptualising, funding, and managing new SEZs or reconfiguring existing SEZs.

Furthermore, the paper recommends that the existing SEZs in South Africa should be repurposed or redesign tailored to develop labour-intensive manufacturing and assembly. This recommendation is informed by the large unemployment rate in South Africa, and most of the unemployed individuals are unskilled. Through the creation of labour-intensive manufacturing hubs and facilities located in SEZs, the prospects are there for potential absorption of the unskilled labour in the context of South Africa.
In the Johannesburg Declaration (2023), BRICS noted:

> We recognize the important role of BRICS countries working together to deal with risks and challenges to the world economy in achieving global recovery and sustainable development. We reaffirm our commitment to enhance macroeconomic policy coordination, deepen economic cooperation, and work to realize strong, sustainable, balanced, and an inclusive economic recovery. We emphasize the importance of continued implementation of the Strategy for BRICS Economic Partnership 2025 in all relevant ministerial tracks and working groups. We will look to identify solutions for accelerating the implementation of the 2030 Agenda for Sustainable Development.

The Johannesburg Declaration enjoins BRICS countries to continue to identify solutions for accelerating the implementation of the 2030 Agenda for Sustainable Development, which in part provides for the ending of poverty, building an inclusive economy, and forging a global partnership for sustainable development, among others, and the Strategy for BRICS Economic Partnership 2025.

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