

**Economic Commission for Africa  
Conference of African Ministers of Finance,  
Planning and Economic Development**

Fifty-seventh session

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Item 4 of the provisional agenda\*

**High-level round-table discussions****Round table 3: special economic zones as drivers of the  
development of regional value chains in the context of  
the African Continental Free Trade Area****Concept note****I. Background**

1. Africa was home to some 237 special economic zones in 2020, up from just 20 in 1990, concentrated in Kenya, followed by Nigeria, Ethiopia and Egypt, in that order.<sup>1</sup> The surge reflects the growing recognition on the continent of the way in which special economic zones can act as powerful catalysts for industrialization.

2. In Africa, however, the zones have delivered mixed results, in terms of attracting foreign direct investment (FDI), spurring innovation and driving exports and job creation. They have historically led to a spike in FDI inflows during early operations, as seen in the threefold increase of FDI in Ethiopia from 2010 to 2013 and in similar trends in Morocco,<sup>2</sup> but their impact often plateaus with the development of more zones. The fading appeal of some of the zones stems from their heavy reliance on extractive industries, limited diversification, confinement within national boundaries and an overdependence on foreign funding and cheap labour as a draw for investment.

3. To address those shortcomings, a new generation of special economic zones is emerging, focused on innovation, sustainability, value chain integration, greater African content and alignment with national and regional development goals. A standout example is the transboundary special economic zone for battery and electric vehicles on the border of the Democratic Republic of the Congo and Zambia. Its competitiveness is promising. Building a cathode precursor plant in the Democratic Republic of the Congo is estimated to be three times cheaper than doing so in the United States of America, and battery production in the Democratic Republic of the Congo is projected to emit 30 per cent fewer greenhouse gas emissions compared with production in China.<sup>3</sup> In addition, that transboundary zone has a great potential to bridge the existing industrial capacities on the continent, given the extensive inter-industry linkages of batteries and electric vehicles, both backward, including with

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\* E/ECA/CM/57/1.

<sup>1</sup> United Nations Conference on Trade and Development, *Handbook on Special Economic Zones in Africa: Towards Economic Diversification across the Continent*, document UNCTAD/DIAE/IA/2021/3.

<sup>2</sup> Africa Economic Zones Organization, "African economic zones outlook 2021" (n.d.).

<sup>3</sup> BloombergNEF, "The cost of producing battery precursors in the DRC" (Bloomberg Finance L.P., 2021).



leather, textiles, rubber and iron, and forward, including with vehicle assembly, services, software and renewable energy.

4. The rise of regional market institutions is paving the way for special economic zones to harness regional value chains. The transformative nature of the Agreement Establishing the African Continental Free Trade Area can help to slash the costs of exchanging goods, services and inputs across African borders. In the absence of the Agreement, African traders face tariffs exceeding 6 per cent and non-tariff barriers of about 18 per cent when trading with fellow Africans.<sup>4</sup> If fully implemented, the Agreement is projected to boost intra-African trade in intermediate goods and services by 51.7 per cent in industry, 49.6 per cent in agrifood, 40.4 per cent in services and 28.4 per cent in energy in 2045, compared with a scenario without implementation.<sup>5</sup>

5. The harmonized rules of origin of the Agreement provide clear criteria for determining the proportion of a product's value that must be added within Africa to qualify for preferential tariff treatment. That proportion typically ranges from 30 to 50 per cent, varying by sector and subject to ongoing negotiations.<sup>6</sup> A standout feature is the cumulation of origin, enabling African States to satisfy the rules of origin thresholds collectively through shared value addition processes. Such an approach will likely help to drive regional value chains and boost the competitiveness of African goods in regional and global markets.

6. In addition to economic gains, the evolving special economic zones in Africa have the power to drive sustainable development, in particular advancing progress towards the attainment of Sustainable Development Goals 8, on decent work and economic growth, 9, on industry, innovation and infrastructure, 13, on climate action, and 17, on partnerships. Likewise, the special economic zones should be viewed more strategically as a catalyst for accelerating the implementation of Agenda 2063: The Africa We Want, of the African Union.

## II. Objectives

7. During the round-table discussion, there will be an exploration of the transformative potential of special economic zones to drive industrialization, value addition and sustainable development. In particular, the aims of the discussion will be:

(a) To review the ways in which special economic zones are positioned within national and regional strategies on industrialization, trade, innovation and development, and to examine the gaps in regulatory frameworks, investment and alignment among the various levels of those strategies;

(b) To identify practical solutions to address persistent challenges encountered by the first generation of special economic zones, such as weak cross-industry linkages and infrastructure gaps;

(c) To explore the opportunities and challenges of the next generation of special economic zones in Africa, in the context of evolving regional dynamics associated with the Agreement Establishing the African Continental Free Trade Area and global trade shifts, and to highlight replicable cases of special economic zones that have a successful record of leveraging regional complementarities or demonstrating resilience in response to global shocks;

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<sup>4</sup> Economic Commission for Africa, *AfCFTA: What You Need to Know – Common Questions and Answers*, No. 2 (Addis Ababa, 2024).

<sup>5</sup> Stephen Karingi and others “Implementing the AfCFTA agreement and implications for Africa’s regional value chains”, paper presented during the twenty-seventh Annual Conference on Global Economic Analysis, Fort Collins, United States, June 2024.

<sup>6</sup> For more information, see African Union, Agreement Establishing the African Continental Free Trade Area, updated annex 2, on rules of origin (available at [www.au-afcfta.org/wp-content/uploads/2024/02/EN-UPDATED-ANNEX-2-JAN-2024.pdf](http://www.au-afcfta.org/wp-content/uploads/2024/02/EN-UPDATED-ANNEX-2-JAN-2024.pdf)) and Trade Law Centre, “AfCFTA rules of origin: introduction to the AfCFTA RoO – key provisions, sectoral approach and outstanding issues” (2021).

(d) To facilitate dialogue among African ministers and stakeholders, with a view to fostering coordinated action to promote special economic zones as tools for achieving the objectives of the Agreement, the 2030 Agenda for Sustainable Development and Agenda 2063.

### **III. Target audience**

8. The target audience includes major stakeholders, such as ministers and government officials; partners of the Economic Commission for Africa; representatives of civil society, including youth organizations; and captains of industry and the private sector.

### **IV. Speakers and moderator**

9. Details concerning the speakers and moderator of the round table will be published in due course.

### **V. Focal points**

10. The lead focal point for the round table is the Director of the Regional Integration and Trade Division of the Economic Commission for Africa, Stephen Karingi ([karingi@un.org](mailto:karingi@un.org)). The technical focal point is the Chief of the Market Institutions Section of the Regional Integration and Trade Division, Laura Páez ([paezl@un.org](mailto:paezl@un.org)).

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