

Institutional Best Practices for Special Economic Zones: An Application to Tanzania

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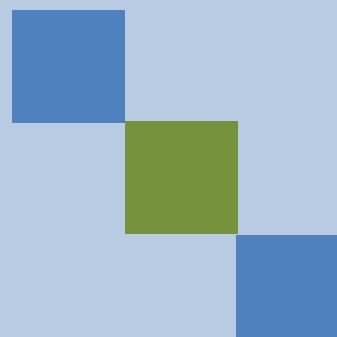
August, 2011

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. Recent estimates indicate that there currently are more than 2,300 SEZs established in 120 countries. 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.¹ Well-designed SEZs have been successful as instruments for export-led development, particularly in Asia and Latin America where many zone programs have been in place for several decades. However, despite high profile successes, many SEZs around the world have

¹ The generic term SEZ is used here to encompass a variety of regimes known variously as export processing zones, free zones, export free zones, investment promotion zones and foreign trade zones.



Africa Trade Policy Notes Note #25



failed to meet their potential. Although multiple factors contribute to the failure of an SEZ program, in most cases, they can be traced back to the initial planning stages, and derive from an ineffective regulatory and institutional framework.

In common with many other countries in Africa and elsewhere, Tanzania sees the development of Special Economic Zones (SEZs) as a critical element of a program to facilitate private sector investment and transform the manufacturing sector to enhance competitiveness and industrialization for job creation. Indeed, SEZs traditionally have been used to address the very constraints facing investors in Tanzania and as “quick-win” measures to exploit the potential for private sector driven job creation. It is therefore crucial that the policy and institutional aspects of the SEZ regime are designed and implemented effectively to ensure that it delivers on its

potential role as a facilitator of investment, competitiveness, and job creation.

This note provides analysis concerning the institutional framework under which the zones program is developed and administered in Tanzania. It examines various institutional and administrative structures for managing an SEZ program, focusing on the alternative approaches taken in different SEZ programs around the world and highlighting both good practices and those that have been less successful, and drawing lessons for Tanzania, which will also be of relevance for other countries in Africa². The note is structured around four key principles for designing an effective institutional framework for SEZs: 1) clarity in roles and responsibility; 2) autonomy and inclusivity; 3) authority and coordination; and 4) resources and capacity. The note concludes with a review of the existing institutional gaps in Tanzania's zones program and measures to address them.

Clarity of roles and responsibilities

The operation of an SEZ includes the roles of zone owner, zone developer, zone manager or operator, and zone regulator. Up until the 1990s, when most zone programs remained fully in the hands of governments, it was usual for the same government body to carry out all these roles simultaneously. This approach remains common in many zone programs around the world, particularly in East Asia where most zone programs were established

² This note is based primarily on research conducted as part of the following World Bank study, T. (2011), *Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience*, Washington DC: World Bank.

much earlier. However, not only are few governments experienced in planning and developing economic zones, given the large investments required to support zones and their uncertain return, development of zones can be a risky proposition for governments. Private sector development (or public-private partnerships) can not only provide critical expertise, but can reduce governments' risk in zone programs and ensure greater transparency.

With the growing participation of the private sector in zone programs around the world, the multiple mandates of government in the traditional approach to zones is increasingly problematic. Specifically, it creates a conflict of interest, where the government is responsible for regulating and promoting all the zones in a country, including zones developed and operated by the private sector as well as those developed and operated on behalf of the government. Indeed, more often than not it is actually the same government agency responsible for regulation and the development, so in effect they are regulating themselves. Regardless of the transparency or effectiveness of the regulator, a bias will be perceived by the private sector, which acts as a significant barrier to attracting private sector developers, and becomes a point of contention in cases where disagreements arise.

This overlapping mandate currently exists in Tanzania, with the Export Processing Zones Authority (EPZA) acting as both the regulator of all zones and also the developer and operator of the BWM SEZ.³ While the BWM SEZ is the

³ Tanzania's zones program has suffered from lack of an effective institutional framework. The program was launched in 2002 in the context of developing

only government-developed zone at the moment, and is designed as a small-scale pilot to demonstrate the potential of the zones program in the country, the potential conflict of interest exists. For example, it has already been suggested that lease rates offered in the government-run zone be below the market-rate for industrial facilities in Dar es Salaam.

The best practice approach to avoiding this conflict of interest is to separate the regulatory role as much as practically possible from the roles of owner, developer, and operator. This allows the regulatory role to remain fully independent from any individual zone. As part of this process, it is important for SEZ policy to outline clearly the specific responsibilities of the different actors – a summary of the main roles and responsibilities is provided in Table 1. It is important to note the owner of an SEZ may or may not be the same as the developer. Indeed, while it is most often the case that the developer has at least some share (if not the majority) of the SEZ, it is not uncommon, even in privately developed projects, for government to have an equity share⁴. This is why it is important, even where the government is not a lead owner and operator of zones, that the regulatory activity of the zone authority is conducted at arm's-length.

export processing zones but it was four years before it became operational when the EPZA was established. A Special Economic Zones Act was passed in 2006 but implementing regulations has never been defined. Development of the zones program was slow in the initial years in part as a result of the poorly defined institutional framework and the overlapping mandates for the EPZ and SEZ programs. The EPZA has also been affected by a lack of authority and resources.

⁴ Most often through their ownership of the land on which the project is developed.

The free zone program in Ghana, under the authority of the autonomous Ghana Free Zones Board (GFZB) is a good example of a program which makes a clear separation of these roles. GFZB is responsible for planning, regulation, and promotion of the free zones, as well as for packaging of sites for development (through leases to private developers). From the outset of the program (1995) GFZB was restricted from involvement in zone development and management. In contrast, in Lesotho, where the public developer of industrial parks also acts as the promoter, regulator, and administrator of the licensing regime, provision of land and factory shells and below-market rates has been cited as a key factor undermining private sector provision, resulting in an acute shortage of industrial facilities. In Bangladesh, where the same authority is responsible for zone development, management, and regulation, the first privately developed zone languished for 8 years awaiting approval for its operating license and has since struggled to move forward on construction due to lack of guarantees from the government on accessing energy supplies.

Of course, leaving zone development to the private sector does not mean the zone authority has no role in the development process. Its role as a regulator is critical to ensure that development processes are both transparent and effective. It is critical that the legal framework establish an unambiguous set of rules and procedures guiding the entire process of site selection, investment, development, licensing, and operations of private development. The zone authority, in its regulatory function should ensure that private developers adhere to specific criteria in terms of the locations in which they develop, the nature of physical development, and

Table 1: Summary of roles and responsibilities in a typical SEZ program

	Primary responsibilities
Government	<ul style="list-style-type: none"> • Conduct strategic planning • Select site(s) and package land / establish land use guidelines • Conduct initial feasibility studies • Select and enter development agreement with developer • Develop offsite infrastructure • Training / workforce development and social services • <i>Regulation and administration of the SEZ program (see below)</i>
Regulator	<ul style="list-style-type: none"> • <i>Designate SEZs:</i> Designate public and private land as SEZs and public or private SEZ developers and/or operators. • <i>Facilitate government services:</i> Facilitate licensing, registration and permits (environmental, building, work permits etc), regulate services within the SEZs such as utilities, provide for dispute resolution; the regulator may set fees commensurate with the cost of service delivery. • <i>Monitor compliance:</i> Monitor compliance with the SEZ legal framework, including SEZ policies, standards and requirements, and enforce compliance through appropriate penalties independently from other public agencies.
Developer	<ul style="list-style-type: none"> • <i>Land use planning:</i> Create a final land-use master plan, and prepare the land (grading, leveling, other pre-construction activity) • <i>Provision of infrastructure:</i> internal road networks, drainage and sewerage, and infrastructure for provision of utilities.
Operator (May be same as developer or under a contractual agreement with the owner/ developer)	<ul style="list-style-type: none"> • <i>Facility leasing:</i> Managing lease and rental agreements with individual investors and responsibility for main services of the zone (including maintenance, security, etc.) • <i>Transacting utilities:</i> Ensuring provision of on-site utilities (electricity, gas, water, telecommunications) through own provision or via domestic providers. • <i>Provision of other value-added services:</i> May include a wide range of other services including business and training centers, medical and childcare, transport, recruiting, etc. • <i>Marketing:</i> Experienced private developers often have a network of multinational clients across a range of industries to which they can market new SEZ opportunities. Note that the SEZ authority / regulator and other parts of government (such as an investment promotion agency) typically also carry out some marketing activities.

Source: Adapted from FIAS “SEZ Practitioners Guide”

environmental practices, among other things; they should also ensure that developers are vetted in terms of their financial capacity and record of experience.

Autonomy and inclusivity

What follows from the preceding discussion is that two key principles of the institutional design of SEZ program administrator / regulator are: Autonomy (or independence) and inclusivity. In Tanzania, the EPZA currently

operates as an agency, reporting through a line Ministry – specifically the Ministry of Industry, Trade, and Marketing (MITM). While this approach does provide effective independence (EPZA is not a department within the ministry), its links with a line ministry appear to make it more difficult for the agency to act with authority and to coordinate effectively across ministries, departments and agencies (MDAs).

While placing the SEZ program under EPZA⁵ may enhance integration of the two regimes and bring about organizational efficiency, this still does not address the issue of whether EPZA would be more effective under the existing line Ministry (MITM) or rather through a central ministry (Prime Minister or Presidents office) since the role of EPZA becomes much broader than “export promotion” requiring more political will and resources beyond the scope of MITM.

Under the current institutional arrangement, EPZA’s governance structure allows for limited inclusivity. EPZA’s board is dominated by government officials, which, together with the Attorney General and the Governor of the Central Bank, account for 9 of the 12 members – two other positions are set aside for the private sector (through the Tanzania Private Sector Foundation and the Tanzania National Business Council) and one seat for the Trade Union Congress. While this provides at least some potential for private sector consultation, it allows for little real voice and influence. Moreover, there is no direct mechanism for participation by the private developers and investors involved in the zones program.

Best practice is to establish the regulator as an autonomous agency (as it is in Tanzania) under a board of directors including both public and private sector members. Practically, however, establishing an autonomous agency may not be feasible in the short term due to legacy situations or other political economy factors. In this case, an existing agency could be

⁵ Note that, the Government decided to retain the name “Export Processing Zones Authority” for convenience, even though the Authority will now handle the SEZ program.

designated to take on this role; however, this agency should be overseen by a board or committee that has inter-ministerial as well as private sector membership. Indeed, a wide variety of institutional arrangements have been adopted, including government authorities or corporations, departments within specific ministries, zone-specific management boards, and (less often) investment promotion agencies.

Where the regulatory agency operates as a unit fully within a single ministry, there is usually no structure for private sector participation; moreover, cross-ministerial coordination generally becomes more problematic. As a result, it is more common now (particularly with programs that have developed since the mid 1990s), to operate under a format of a government authority or agency, with a Board of Directors – usually chaired by the head of a specific ministry – including cross-ministerial and private sector membership. Some of these government agencies, including Jordan, Costa Rica, Thailand, and the Dominican Republic, have become corporate entities, primarily to enable them to operate without some of the civil service restrictions that can hinder their effectiveness (e.g. in terms of recruiting, hiring, and compensating staff, and managing budgets).⁶

⁶ In some larger countries, particularly those with significant local autonomy, zone programs and regulation are sometimes devolved to the local level. This can have both benefits and drawbacks. The benefits are innovation in policy design and implementation, with the potential for a more entrepreneurial approach to investment promotion, infrastructure development and service delivery. One drawback is that inconsistent policies and capacities across regions can result in highly uneven programs that confuse investors. The same problem occurs

Although in some countries the national investment promotion agency is also given responsibility as the SEZ regulator, this is generally not viewed as best practice. Rather, investment promotion agencies should be free to focus on their role of promoting and supporting investment on a national basis. Given the specific regulatory functions of SEZs and the potential for more simplified set-up and operational licensing procedures (by design), it is more effective to establish a specialized regulator for the SEZ regime.

Autonomy must, of course, also come with transparency. Indeed, the risk of corruption in the awarding of development and investment licenses is not insignificant, and has been a problem in many countries. Part of the solution to transparency is in the legal and regulatory framework of the zone program. But the institutional arrangements also play a critical role. Here, the organization and function of the board is critical.

In most cases, the SEZ regulator is governed through a committee or board of directors. One of the most important characteristics of this board is that it includes cross-ministerial involvement and significant (ideally majority) representation from the private sector. The composition of these members will vary from

where a country may operate more than one type of zone regime. For example, in Nigeria, separate zone regulatory authorities have been established for the oil and gas sector (OGFZA) and all other sectors (NEPZA). This has not only led to significant, high-level conflict between the agencies which had to be resolved through a ruling by the country's attorney general, but it also has caused confusion for investors, not least those oil & gas sector companies based inside NEPZA industrial zones and services companies based inside OGFZA zones.

country to country, but an important principle is to balance the involvement of all parties that will need to participate in decision-making for the zones development, with the equally important need to ensure that the board is efficient and governable.

While there is no specific "best practice" in this regard, most boards tend to have relatively small membership (less than 13). Private sector participation on the board should include an association of zone operators and/or companies to ensure direct voice to the private investors involved in the zone program. Moreover, it is critical to avoid having the private sector board members be individuals that are hand-picked by the chairperson, but rather representatives of private sector that can be selected or elected by their membership. Examples of board structures elsewhere include: Ghana where a 9-person board, chaired by Ministry of Trade and Industry has 4 members from private sector and at least two members must be female; Kenya with a 15-member board, with Chairman appointed by President, and includes the Chief Executive of the EPZ Authority and with 6 of remaining 13 members from the private sector; and Dominican Republic which has a 9-member board (Executive Director of the authority is a non-voting tenth member) headed by Secretary of State for Industry and Commerce and with 5 members from the private sector.

It is most common for the SEZ regulator, even when operating as an autonomous agency, to report through a line Ministry, typically the Ministry of Trade & Industry / Commerce, as is the case in Tanzania. Best practice, however, indicates that the regulator is most effective when its board reports into the highest possible level of government, which ideally means through a central rather than a line ministry like

the Presidency, Prime Minister, or Ministry of Finance. In the cases of the Dominican Republic, Kenya, and Senegal, for example, the SEZ program reports directly into the President. Similarly in Bangladesh, the program reports into the Prime Minister. This reporting relationship is critical to ensure that the regulator has sufficient authority and autonomy, and is in a strong position to coordinate actions across ministries, departments and agencies.

There are, however, potential drawbacks to having the zone program linked directly to the highest political offices in the country. In the absence of delegated decision-making, important activities of the regulator can be unnecessarily delayed. Central authority may end up micro-managing the program or demeaning its urgency given the range of other pressing issues of national interests. In the case of Ghana, all new zone licenses had to be approved by the board of directors. However, this board is appointed by the President and, following a change of Presidency in 2009, there was a long delay before the new President appointed and reconstituted the board. As a result, companies which had applied to operate in the free zone faced a delay of six to nine months to have their applications approved.

Authority and coordination

Key operational principles to ensure the SEZ regulator delivers effectively on its mandate are: authority and coordination. These principles are intrinsically linked to the organizational positioning and structure as discussed in the previous section. But also derive from the powers mandated to the agency, the resources made available to it, and the degree to which the institutional structure facilitates constructive interaction across

stakeholders. Given the concerns over the existing institutions— that they are often sources of inefficiency and poor service provision – it is critical that the SEZ authority provide guidance and be capable of working with the agencies to improve their performance standards of the services they deliver to the regulatory authority. However, where existing institutions are known to be sources of corruption, it is necessary for the SEZ authority to take over their regulatory functions. This is most common in the area of customs.

Cross-agency coordination is also important for marketing and promotion of the zones, as in most countries the SEZ authority has primary responsibility for marketing and promotion and (nearly always) investor after-care, while a separate national investment promotion authority (IPA) performs these same roles for the country overall. Both institutions typically operate as autonomous agencies, often with both reporting in through the same Ministry.

In Tanzania, in the absence of an operational one-stop-shop for investment facilitation, EPZA has struggled to show authority/coordination. In several cases, EPZA was forced to intervene actively to support the EPZ/SEZ investors obtain the necessary facilitation from the Revenue Authority (TRA) for customs and taxation issues, which would not be the case if the one-stop shop plan was effective. A typical example is the failure by Customs officials to recognize a shipment to/from zone investors, requiring additional proof before giving clearance. In this case, the authority of EPZA over these agencies is compromised, and hence EPZA becomes yet another “stop” contrary to purpose for which it was established.

Similarly while the EPZA and Tanzania Investment Centre⁷ each has distinctive role and mandate on the economy, the potential synergy from ideal collaboration between them has not been optimized. Instead, the general view is that the two appear to be working in parallel, hence dissipating the policy traction. This is clearly important considering a case where an investor has option to invest through either program.

More importantly, in the current institutional set up, EPZA has to pass through the line Ministry in communicating with the central Government. Since the Ministry has many other Agencies under its administration (currently about 17) with competing priorities, the risk of invisibility is likely, which may impact its ability to leverage (additional) resources or attention it may require from the central authority.

The SEZ law should give a legal mandate to the regulatory authority to empower it to carry out the role both of monitor and enforcer of laws and standards, and as a “one-stop shop” facilitator of investment. This will necessarily involve a wide range of activities that cross over various ministerial domains, including customs, land use and zoning, taxation, business registration and licensing, immigration, and environmental, labor, and social compliance.

One of the primary reasons for establishing SEZs is to bypass existing impediments to the investment climate by providing services and administrative processing that is more effective and expeditious than is available through the normal institutional channels in the country.

⁷ TIC reports to the Prime Minister’s office, and has exemplary and successful one-stop-shop facility.

Where an SEZ authority is forced to rely on the authority of these same institutions, investment climate constraints tend to perpetuate – indeed, in such cases, the SEZ authority often becomes simply “one more stop”. For example, institutional conflicts between key agencies in Nigeria undermined the effectiveness of the one-stop service, resulting in many investors finding it quicker to go to individual agencies than through the one-stop service. In Tanzania, the problem to date has not been conflict across institutions but rather lack of effective knowledge flow (e.g. customs officers being unaware of the existence of special procedures for EPZ-licensed companies) and coordination across these agencies.

The first-best solution is to provide the regulator with the power to make and enforce decisions on all of these issues. This essentially gives them authority over the normally-mandated agency or ministry, specifically within the defined SEZs. Such authority is normally granted either directly in the SEZ law or through the delegation of signature from MDAs, as is the case under APIX in Senegal. Note also that, particularly with regard to land use planning, environmental, and licensing issues, it is also critical that the authority granted to the SEZ regulator extend not just over national but also local authorities. In some programs where very large scale SEZs are established – for example in China, Jordan, and the new program in Senegal – the SEZ regulator is conferred with the power of a governor of a municipality to which the Prime Minister or President can delegate the full range of authorities required to enable the regulator to provide a full “one-stop-shop” facility.

In most SEZ programs, delegation of authority for business licensing, for issues relating to taxation, and for monitoring of labor issues is not problematic. Customs, environmental compliance, and (perhaps most commonly) immigration issues, however, are where the majority of zone programs struggle to deliver effective authority to the regulator. This is due to both political as well as practical considerations.

In any case, few SEZ authorities will have the capacity to actually carry out their responsibilities independently, at least during the early stages of their development. With the exception of large SEZ programs, building the internal capacity to deliver across all the regulatory and administrative functions required of an SEZ authority would be an inefficient and expensive proposition. This problem can be addressed through the principle of **coordination** with other MDAs. Under this approach, the SEZ authority would provide overall guidance with existing MDAs retaining responsibility for executing the regulatory functions, but have dedicated staff from each of the relevant agencies based at the SEZ authority's "one stop shop", at least on a day-to-day basis under the SEZ authority.

To make such arrangements effective, there is normally a need for a memorandum of understanding (MOU) across agencies on the deployment of staff and a clear delineation of authority. Such a program was put in place in Lesotho a year after the initial launch of their "one-stop" center, when management found they were unable to deliver effectively on their mandate due to lack of any day-to-day management control over the staff from across various agencies. In most countries, there are significant political economy constraints to this

type of cooperation, with ministries unwilling to give up any authority over their staff and their domain. This is another reason why placing the zones authority under a central ministry is generally a more effective institutional approach.

Regardless of the institutional arrangements, maintaining good relations with other government MDAs is critical to ensure that the SEZ authority can deliver effectively on their mandate. Such relations must be cemented both at the political and the operational (coordination) level. One example in which poor inter-agency relations has crippled the development of the zones program is Nigeria. First, conflict between the ports authority (which controlled the Calabar port) and the export processing zones authority effectively undermined the potential of integrating the Calabar Free Zone and its adjacent port, which severely affected the competitiveness of the free zone. Second, conflict with the customs and tax authorities meant that the Tinapa Business Free Zone and resort, designed as an alternative to Dubai and London for shopping and tourism, saw its duty-free allowance reduced from the planned US\$5,000 to only US\$330 per person (*after* US\$400m in investment had already been sunk into the project). Finally, several years after legislation was changed to allow free zone companies to sell to the local market, customs authorities, who opposed this, continue to block local market sales.

The Nigeria case proves that board representation alone is not sufficient to overcome such cross-agency conflict (both the Nigerian Ports Authority and Customs sit on the NEPZA board). However, high-level authority at the top of the board, combined with inter-

ministerial committees and the establishment of MOUs and service level agreements across agencies can certainly contribute to improved coordination.

While a separation of these agencies is advised, this separation is often the source of an operational disconnect between the agencies, resulting in poor coordination of activities. For example, in most cases it appears that the national investment promotion agency does not provide some high level promotional support to the SEZ authority (usually marketing the SEZs as one investment option within the country), there is generally little coordination in terms of marketing planning and execution, and no formal process for hand-off or cross-support of investor aftercare between the agencies. Examples of good practice usually incorporate formal institutional links, which then form the basis for joint activities. In Ghana, for example, the Chief Executive of the Ghana Investment Promotion Centre (GIPC⁸) and the CEO of the Export Promotion Council are both non-voting members of the free zone authority's (GFZB) board. Moreover, GFZB and GIPC are core stakeholders (along with the ports, airports, and customs authorities) in the "Ghana Gateway" project, a key pillar in the country's strategy to promote export-oriented investment.

Resources and capacity

Finally, an additional institutional principle to ensure effective functioning of the zone regulator is ensuring availability of the appropriate resources and capacity in the

⁸ It is important to note that in Ghana, GIPC's formal mandate excludes investments in the free zone areas (as well as in the oil and gas sector).

authority. Zone authorities, like Tanzania's, whose budgets are allocated from a ministry or the exchequer, face serious problems of predictability (budgets are normally only fixed year-to-year) and can be held hostage to political issues. During its early years, EPZA has operated with a skeletal staff. As a result, EPZA was not able to provide the expected institutional support to facilitate EPZ investors or to promote the EPZ program adequately. For example, it was unable to support the establishment of a "one stop shop", which has had significant implications on the experiences of the first wave of EPZ investors in Tanzania.

Best practice is to link the budget in some way to the revenues earned through the zones program. This does not mean expecting the zones authority to be self-sufficient through fees raised for licensing and other services. While these can be an important revenue source they are typically not enough to cover the full budget of an authority. And the expectations of self-sufficiency can lead to excessive administrative charges, which deter investors (e.g. in Ghana, investors complain that they are required to pay the zone authority US\$50 for a permit each and every time they import a consignment). Instead, best practice (as followed, for example, in China) is to set up some formula for establishing the annual budget, including giving the authority a specific share of taxes generated in the zone. This has the added benefit of giving the zone authority an incentive not to compete on tax holidays.

Beyond this, best practice is to ensure that the agency is able to operate independently of any rigid rules of the civil service. Again, being set up as a corporatized agency is one way to free the SEZ authority from civil service restrictions around hiring, firing, and salaries, that can act

as a barrier to effective operations (in terms of organizational design, labor flexibility, performance-based management, and in being able to attract the best talent). Finally, it is argued in many cases that independence of the authority enables it to procure goods and services more efficiently, independent of often-heavy civil service regulations.

Zone authorities need to develop capacity to deliver effectively on their regulatory function. Among the critical skills required is technical capacity to properly develop a masterplan framework for zone to development and to properly interrogate zone masterplans developed by private investors. The capacity to challenge business plans and feasibility studies of zone developers and potential investors is a skill that is lacking in many zone regulators around the world. This need not be fully absorbed by the regulatory authority, however. One approach is to establish a review committee, including relevant experts (e.g. academics and consultants) who can provide the necessary technical expertise, to supplement in-house capacity.

Finally, one of the most critical and underappreciated roles of zone authorities is monitoring and evaluating (M&E) the performance of zones across a wide range of outcome indicators. The role of M&E links back to the overall strategy and objectives of the SEZ program, and should be a fundamental part of the government's ongoing decision-making regarding investment in the program. The SEZ authority should ensure there are mechanisms to collect the necessary data to monitor progress against these measures on an ongoing basis. In the Dominican Republic, for example, in addition to departments responsible for evaluation, investment promotion, and

customer services, an important activity of the regulator is the compilation and dissemination of statistics related to the free zone program. A detailed compilation of statistics – for the program overall and each individual zone – is published annually. Critically, these results provide input to a regular policy dialogue with the government and the private sector regarding the strategic development of the zones program.

Conclusions and options for Tanzania

Tanzania's zones program is still in its early days of development. To date, its success has been limited, although significant progress has been made over the past two years. As Tanzania plans to integrate the existing overlapping SEZ and EPZ regimes, it has a significant opportunity to address the existing institutional weaknesses that restrict the effectiveness of the program. On one hand, Tanzania is not far from some of the features of good practice around the world. It has established the regulator as an independent authority with a board of directors having interest cutting across MDAs. It also links the SEZ authority and the IPA through their respective board structures. Finally, it has plans (although not yet implemented) for a one-stop service that is co-located with the regulator and which comes under its day-to-day authority. On the other hand, there are a number of shortcomings to the existing institutional structure that can be improved to support the program going forward. These are outlined in Table 2, with "good practice" options for how to address them.

Table 2: Institutional gaps in Tanzania’s SEZ program and options to address them

Issue	Summary	Options to consider
1. EPZA role as regulator, developer, and operator	EPZA’s role as independent regulator of private zone developer is compromised by its role in developing and operating BWM SEZ	<p>Delineate regulator role:</p> <ul style="list-style-type: none"> • Concession operations of BWM SEZ to private sector • Adjust lease rents to market level
2. Board inclusivity	Current EPZA board dominated by MDAs with limited private sector participation	<p>Expand private sector representation to 50% (Without expanding the current size) of board members</p> <ul style="list-style-type: none"> • Include representation from both investors and developers
3. Board authority and coordination	EPZA not in strong position of authority to enable it to coordinate effectively (with a strong mandate) across MDAs	<p>Uplift institutional position of EPZA:</p> <ul style="list-style-type: none"> • Place EPZA under a central ministry (e.g. Presidency, Prime Minister, or Finance) • Ideally, EPZA and TIC sit under same ministry • Put in place service agreements and MOUs with key line MDAs
4. Budgetary autonomy	Lack of sufficient, predictable and independent budget to enable EPZA to plan and carry out its activities	<p>Enhance Autonomy of EPZA:</p> <ul style="list-style-type: none"> • Establish multi-year budget with formula linked to revenue streams set for “ongoing running costs” until when the program is well established) • Allow EPZA to solicit funds directly to supplement budgetary allocations.
5. Capacity development and M & E framework	Lack of operational framework for measuring and monitoring (staff and program) performance.	<p>Establish an operational M&E framework:</p> <ul style="list-style-type: none"> • Solicit quick win measure by requesting support from established experts or programs (rather than re-inventing the wheel). • Avail a training opportunity to the recently recruited manager to strengthen in-house capacity to carry out regular M&E functions.

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