



BUSINESSBOTSWANA

ECONOMIC POLICY • review

Special Economic Zone Policy

Compiled by **Policy and Research
Department**

COMMENTARY

**SSKIA Airport City Special Economic
Zone Development Can be Better
Achieved with Enhanced Business
Environment October 2024**

Introduction

The third quarter of 2024 saw significant governmental progress in attracting sustainable investment with the launch of the new SSKIA Airport City SEZ, described by the former President of the Republic of Botswana Dr Mokgweetsi Eric Keabetswe Masisi as a “world-class Diamonds and Logistics City,” envisioned to change the look and feel of Gaborone (Speech, 2024). After many lost opportunities from an exceptionally slow pace in SEZ development, this is some commendable improvement by the Government with commitments of P4 billion already secured. This is feeding through to government output and revenue, due to increased weak implementation of regulatory reforms towards easing of doing business, with substantial concerns about uncertainty with the success.

On a positive note, the achievements of the Airport City SEZ in terms of industrial investment, economic output, and trade volume can be remarkable. And despite the prolonged lack of an investor-friendly environment in key sectors such as logistics, manufacturing, and investments have held up well with commitments of P4 billion already secured; jobs up from

the construction phase. This gives confidence that Botswana could be in the right direction towards investment attraction.

Present Situation of the SSKIA Airport City SEZ Development

As the first experimental area for airport economic development in Botswana, the 800 hectares Airport City SEZ, located adjacent to Sir Seretse Khama International Airport, stands out as a mixed-use SEZ at which core economic activities – supported by a reduced tax obligation for tenants; VAT benefits; government incentives; and a one-stop-shop in which to do business – will include diamond beneficiation, aerospace and aviation works, cargo handling and storage, agro-processing, pharmaceuticals, specialist automotive and plastics injection moulding ultimately enhancing increased exports for national economic growth, job creation and other local opportunities.

With the government having invested P700 million in infrastructure development at the site, including road networks, drainage systems, water and electrical power systems, and telecommunications infrastructure, it is sending a powerful message to investors that Botswana is open for business. Further, significant investments made will include massive property developments including office spaces, industrial parks, high-end residential areas, retail malls, schools and hospitals. However, the development of this infrastructure is not achievable with revenue

underperforming, but also success or impact is not only about the present – it is about the potential for the AEZ to benefit people, society, the economy, and policies in the future.



Further, according to the SEZA statement, there have been major moves with confirmed investors licensed for the new Airport City SEZ. These include local diamond firm, Benjamite Holdings with an investment due of P1.4bn, Universal Builders which aims to spend P791 million on a five-star hotel and convention centre, Pure DC Botswana which plans to invest P340 million on a data centre, and Syndicate Bio, a genomics firm due to investing P68 million in a first-in-Africa facility. Along with several other licensed investors, the Airport City is expected to garner P4.2 billion in investment and create more than 1,000 jobs. However, Had Botswana seized the many lost opportunities, the conversation today could be about realizing more than P10 billion instead of P4 billion, the implications of which have been lost opportunities for the private sector from the intricate imperatives of SEZs. Further, the nine (9) already licensed investors are inadequate towards reaching the journey to P50 billion. Similarly, as evident from the experiences from successful transactions such as the case study on Zhengzhou Airport Economic Zone that had their SEZ operationalised, what is needed will be:

- i. Clear industry choice model in practice;
- ii. Clear objectives to guide the scope and transaction design;
- iii. Well-defined governance structures, to ensure the initial strategy is followed;
- iv. Regulatory frameworks established; and
- v. Transparent communication with stakeholders to build public support.

Company		Sector/ Industry	Business Activity	Investment Value (P'M)	Ownership
1.	Syndicate. Bio	Health	Internationally traded service	68	Foreign
2.	KM & EM	MICE Tourism	Internationally traded service	771	Foreign
3.	Universal Builders	MICE Tourism	Internationally traded service	791	Local
4.	KGK Jewellery	Mineral beneficiation	Manufacturing (within mining)	60	Foreign
5.	Bluelite	Automotive	Manufacturing (within motor)	109	Local (WCOC)
6.	Benjamite	Mineral beneficiation	Manufacturing (within mining)	1400	Local (WCOC)
7.	SAFDICO	Mineral beneficiation	Manufacturing (within mining)	500	Foreign
8.	Sprint couriers	Warehousing Freight & Logistics	Warehousing & logistics	78	Local (WCOC)
9.	Pure DC	Internationally traded services	Internationally traded services	340	Foreign
Total Investment				4' 057	

Source: Special Economic Zones Authority (SEZA) files, 2024.

Opportunities from the SSKIA Airport City Development

The Airport City SEZ analysis reveals achievements in terms of industrial investment, economic output, and trade volume can be remarkable in the short-term and medium to long-term, and these are as follows:

- Business Botswana take pride in that four (4) of these well experienced businesses are homegrown/ local or Botswana companies, of which three (3) are wholly citizen-owned companies. This part of the investment means this is not only FDI but local companies generate investment and hence play in the SEZ. Such a mix of FDI and DI provides opportunities for local investors involved in exports to improve domestic trade linkages and spillover effects.
- For the construction sector, if properly managed, the construction phase of the SEZ projects presents temporary job creation opportunities that trickle down to the informal sector and SMMEs. Permanent jobs from the established business/ investment ultimately result in significant social impacts. In many cases, local livelihoods have declined due to their development. The desire of new enterprises who invest in these zones to access cheap foreign labour is often in contrast to the needs of local people for attractive employment opportunities.

iii. Similarly, we take pride that when fully operational, the Airport City SEZ sets commendable benefits of creating opportunities for backward and forward linkages, and capital inflow.

The Main Development Future Problems of the SSKIA Airport City SEZA



It is important to recognise that the effects are uncertain. There is considerable uncertainty over the size and direction of the effects of various SEZ policy measures. What it takes to achieve this is a lot of effort to deal decisively with the teething things that could hinder Botswana's long-term AEZ sustainability, including:

i. Careful implementation. Unless carefully implemented, there is a risk that it could perpetuate tensions perceptions of FDI and ignore DI limiting Botswana's control over the investment. The key issue here is Botswana's ability to develop an autonomous SEZ ecosystem to implement or operationalise the companies and harness the benefits of all things that could hinder Botswana's long-term SEZ and economic sovereignty and sustainable development.

ii. Slowed investor facilitation implies challenges for Airport City SEZ in Botswana in making sure we attract even more investors. But at present, one of the shortcomings is a limited commitment to the improvement of the doing business environment. Key among these is the uncertainty with policies. With numerous missed opportunities,

of securing just P4 billion, we could now be looking at over P10 billion – towards reaching the journey to P50 billion.

iii. At present, the development of Botswana's airport economy is still in its infancy, and it lacks theory and experience in planning and construction. Industry support and planning are not strong. However, strategic positioning industry choice is a critical issue for all the AEZs. It is critical to note the problems from arbitrary industrial planning and construction and prominent industrial structure conflicts in AEZs are likely to appear, seriously affecting the development of AEZs and the relationship between airports and the local economy.

iv. Dealing with the lack of innovation and innovative talent. The new economy based on the Internet is developing rapidly. These new trends require SSKIA Airport City SEZ to strengthen its innovation-driven strategy. But at present, one of the shortcomings of the airport area is the lack of innovation ability and high-level talent, especially professionals to serve the airport economy.

v. Development of such initiatives takes time and resources, requiring decisiveness and bravery. But at present, the current work lacks timelines for development considering the question as to can a world-class SEZ be developed in less than 10 years providing the most modern aviation-oriented manufacturing, logistics and information-based business services. We assess that with the current fiscal constraints at the Government enclave, reflecting revenue shortfalls, most of the SEZ projects will be postponed or cancelled putting a dent in the momentum. Essentially, with the shortfall in funds, this is not feasible or achievable putting everything to a standstill. Whereas a PPP would be ideal, the prolonged slowdown on the conclusion of the PPP legislation by the respective PPP Unit in the Ministry of Finance is not helping.

vi. Without leveraging the Private sector involvement at the highest levels of the operation. The SSKIA Airport City SEZs development process applied to attract investment requires a group of willing partners to come together and work collectively and clear objectives to guide the scope and transaction design. They should generally be a ground-up process which originates locally prevalent in all the examples of AEZs considered in the commentary. But at present, the public sector is not leveraging the private sector driven to improve airport infrastructure as we already are seeing happening.

vii. Lack of a clear deliberate plan for building such business linkages ensuring opportunities for SMMEs and the informal sectors from land development to benefit from the already P4 billion+ capital.

Business Botswana's Advice

Our advice for the next steps to consider beyond the findings above which could help inform prospective work towards defining Airport City SEZ's future economic zone is as follows:

i. Rethink the development process and how its applied. Work arrangement Action Plan for the Airport Economy Zone should be formulated to quicken the implementation. The new private sector participation model is essential for the success of the SEZ. People had better strengthen education and the reserves of talent.

ii. Maintaining the momentum/ development trajectory will be essential requiring boldness and decisiveness quickened implementation in light of the fiscal challenges.

iii. Having looked at airport-based economic zones, further analysis of city-based inward investment models could support further understanding of options. Based on an industrial input-output model, we can identify the industries closely related to the airport and the air.

iv. Develop a greater understanding of what success looks like for the Airport City SEZ. This could be achieved by conducting more in-depth conversations with some of the examples the commentary considered.

v. Ensure that work links in and is integrated into existing activity happening in the region and the forming of new promotional material or assets.

Conclusions

The recently launched Airport City SEZ under the SEZ Policy has the potential to transform Botswana's economic landscape by enabling MICE and manufacturing. However, unless the critical shortcomings related to investor facilitation; external dependency; arbitrary industrial planning and construction and prominent industrial structure and the relationship between airports and the local economy; the activity risks being another white elephant reinforcing Botswana's position as a consumer rather than a creator and producer of (digital) products and services. The launch by itself is inadequate, for us to celebrate. It would be best to seize the opportunity, face challenges bravely, fight for a comprehensive, modernized and international logistics hub city, being a leader of national economic development.



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