

Africa Kaizen Annual Conference 2023

DAY 1 – Panel Session 1

Quality and Productivity Improvement (QPI) implementation in SEZs / Industrial Parks for Enhanced Output and Economic Performance



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Toru Homma

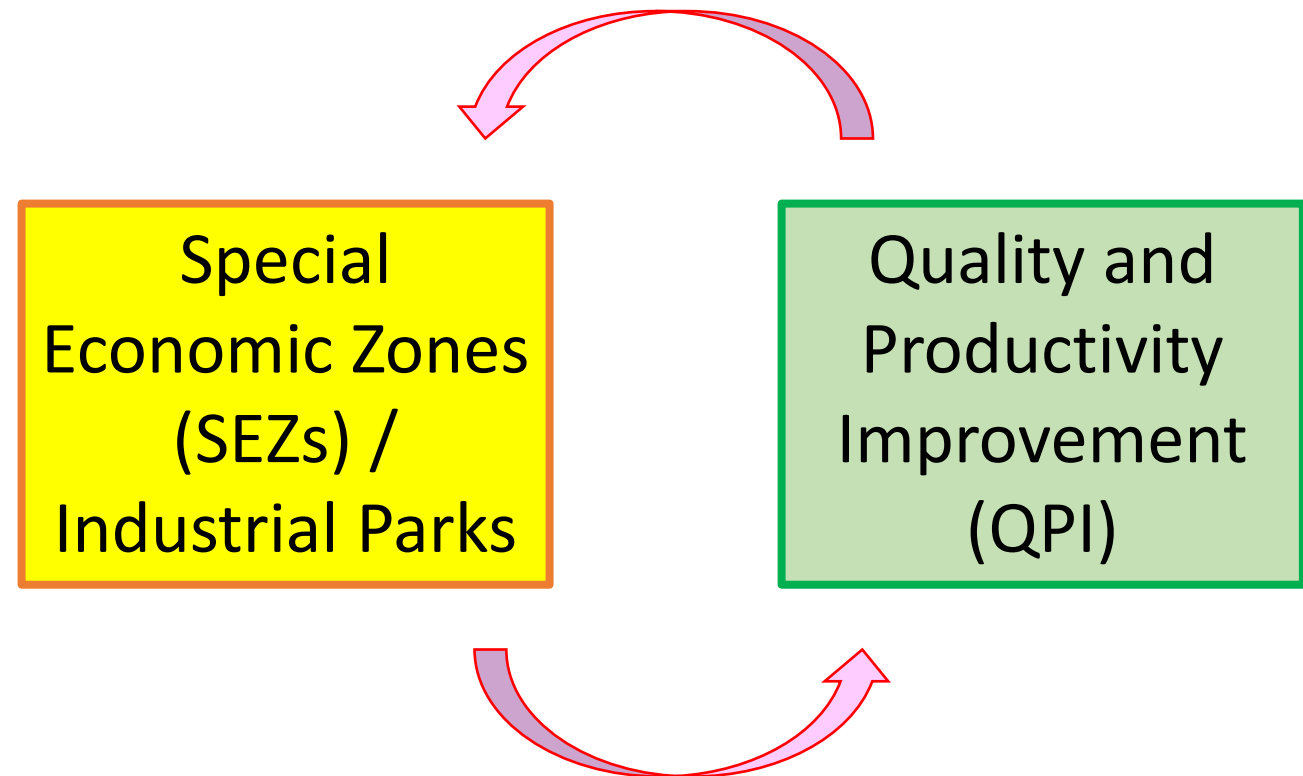
Senior Advisor to the CEO, AUDA-NEPAD

Senior Advisor on Private Sector Development, JICA



Objective of this Panel Discussion

*This Panel discussion aims to shed light on how the principles of **quality and productivity improvement (QPI)** can be effectively utilized in **Special Economic Zones (SEZs) / Industrial Parks** to elevated their output, economic performance, and global competitiveness.*



What is Special Economic Zone (SEZ)?

Definition of SEZ

“geographically delimited areas administered by a single body, offering certain incentives (generally duty-free importing and streamlined customs procedures, for instance) to businesses which physically locate within the zone”

by World Bank (2008)

“estates where trade laws such as tariffs, quotas or duties differ from the rest of the country”

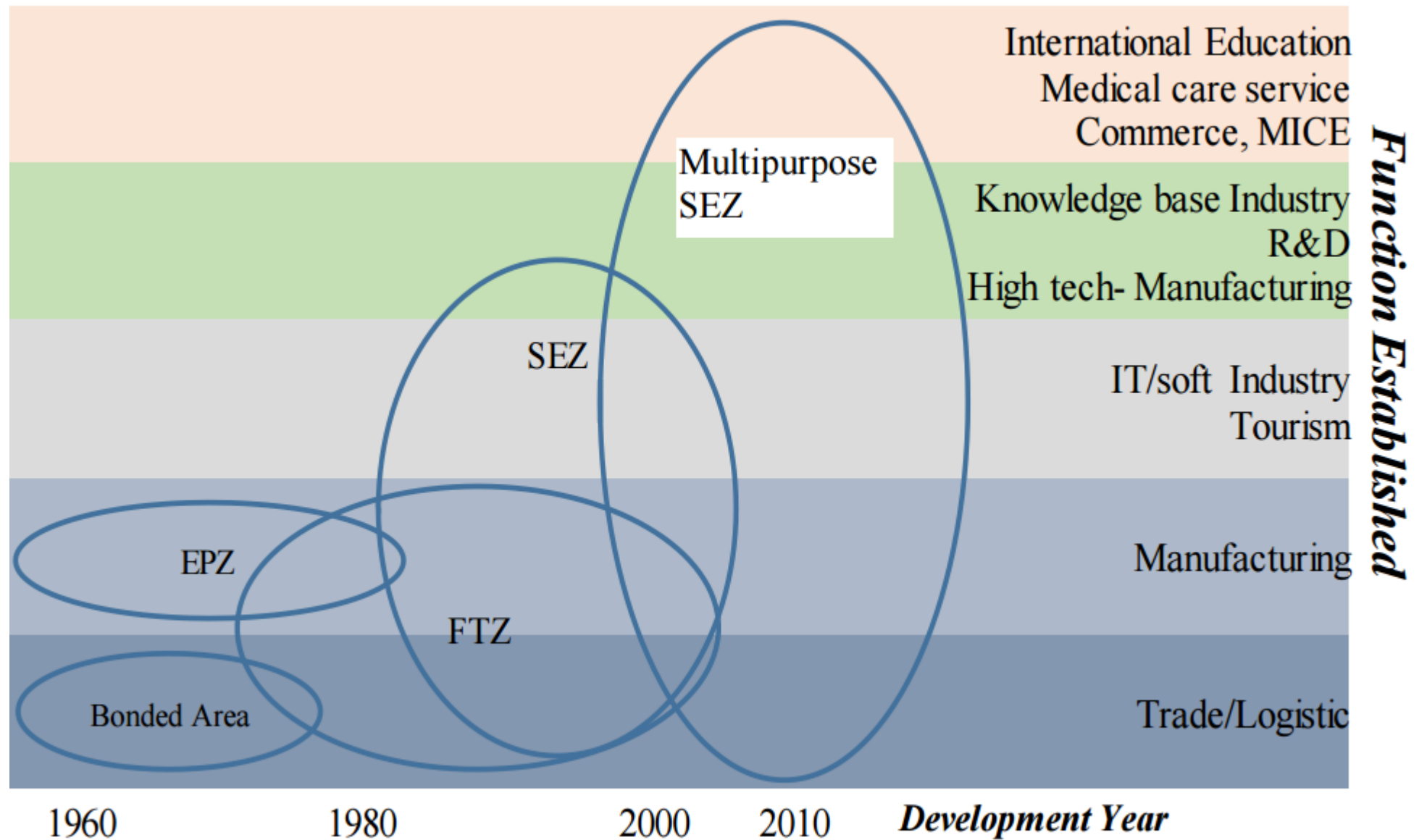
by UNIDO (2015)

Mauritius was among the Africa’s very first country introduced EPZ/SEZ

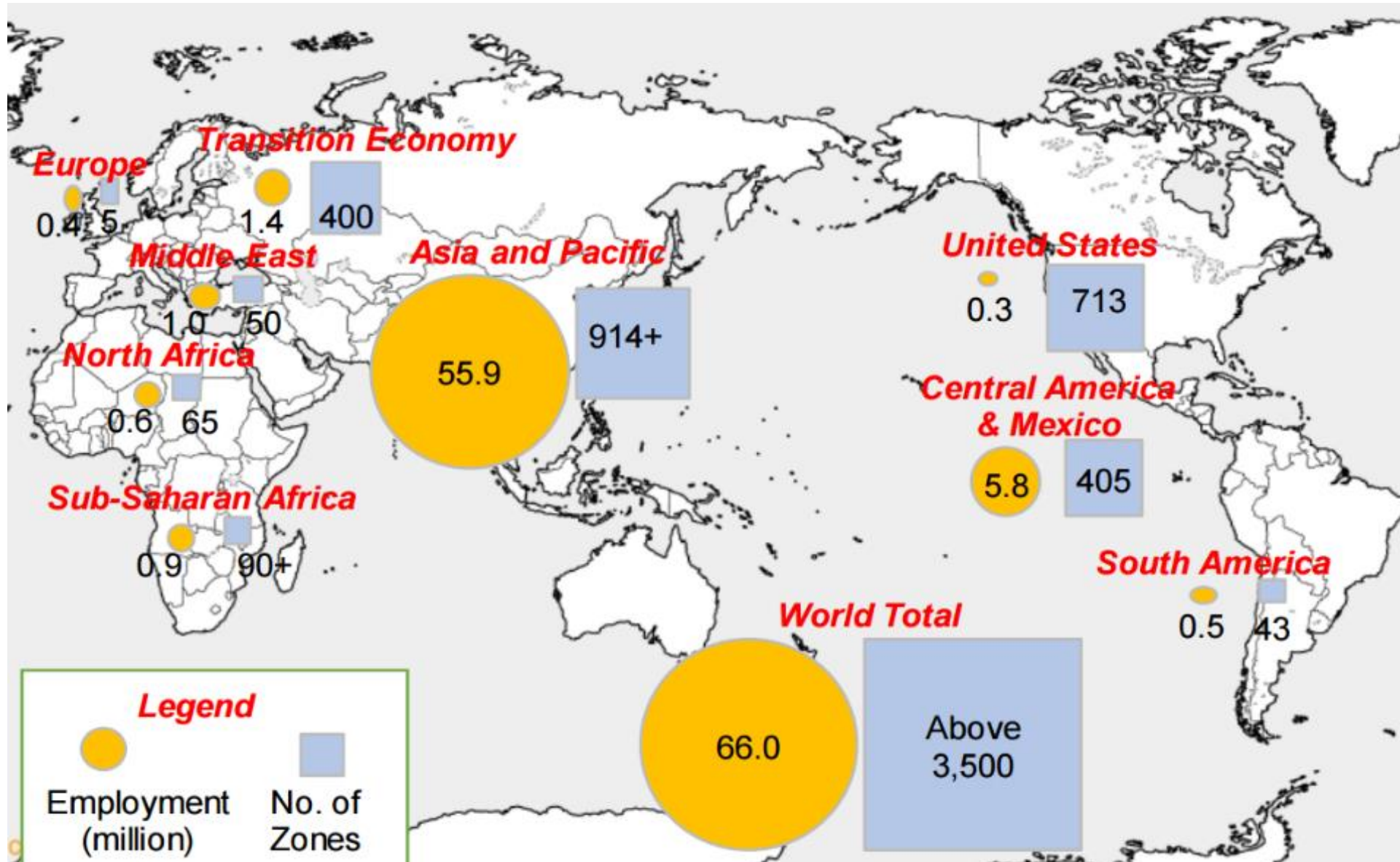


Map Ta Phut Industrial Estate, Thailand

Evolution of SEZ



Geographical distribution of SEZs and number of jobs created



SEZs of various types

No.	Function of SEZ	Description
1	Enterprise Zone (EZ)	An area where policies that promote economic growth and urban development are implemented. Promotes development by providing tax and regulatory relief to entrepreneurs and investors who set up companies in urban areas.
2	Export Processing Zone (EPZ)	An industrial park that grants incentives such as tax exemption for import duties on raw materials and reduction or exemption for corporate taxes for a certain period, under the condition that the beneficiary export over a certain percentage of or the entirety of its products overseas.
3	Free Trade Zone (FTZ)	A small, fenced-in duty-free area that offers facilities for warehousing, trade, transshipment, reexport, and so on. FTZs are set up at customs clearance locations around the world.
4	Free port	Port that allows the free entry and exit of foreign cargo without application of the customs law of the country where port is located, either over the entire port or a restricted area thereof, for the purpose of promoting intermediary trade and processing trade.
5	Bonded Area	A place where imported goods can be kept without paying tariffs until an import permit is issued by Customs.
6.	Industrial park, industrial zone (IP, IZ)	An industrial-use area for the planned clustering of factories, warehouses and the like.
7.	High-tech district	A district designed to attract high added value industries in order to shift the economy into higher gear.

Source: JICA, Nippon Koei and Mintech Consultants (2018) etc.

Development Goals of SEZs

Quality and Productivity Improvement (QPI)



Development effect	Description
Export Promotion	<ul style="list-style-type: none"> Acquire foreign currency through the promotion of exports by attracting to SEZs manufacturing companies that have sales channels in foreign countries and will produce for export. However, since many of these companies are foreign-owned, there is the possibility that the growth of domestic industry will be delayed unless this is accompanied by policies (industrial linkage, etc.) that will have a ripple effect on domestic companies.
Job Creation	<ul style="list-style-type: none"> Compared with agriculture, fishery, and other industries where income is unstable owing to weather and other factors, factory workers are stably paid fixed wages. Moreover, such workers are informed how to raise their wages, for example by polishing their own skills. Attracting companies that demand a lot of labor and thus creating jobs will reduce the unemployment rate and contribute to the country's people and the economy of the country as a whole. On the other hand, if a SEZ attracts a company whose sole strength is low labor cost, there is the risk that rises in labor cost will drive the company to move to another country where labor is cheaper. Thus, it is important to build multilayered relationships through linkages with highly value-added human resources and domestic industries.
Technology Improvement	<ul style="list-style-type: none"> Promote of the technology that does not exist in the country, such as medical and space technology, by introducing businesses that possess it.

Example) EAC SEZ Policy and Kenya SEZ Act refers to "technology transfer" as its effect

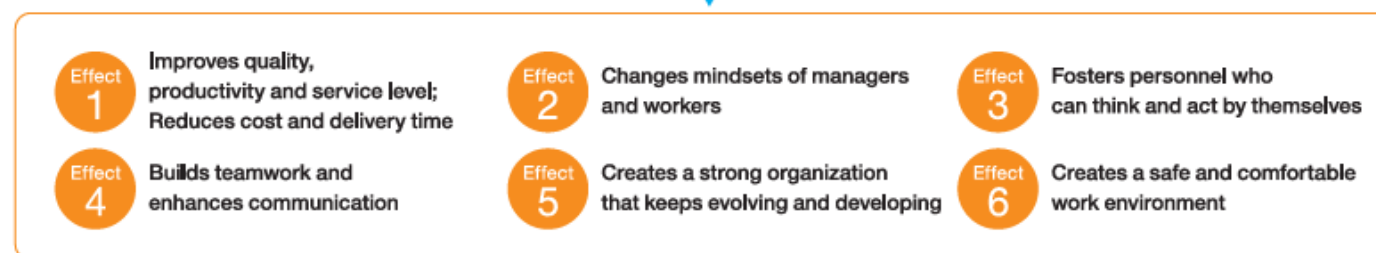


Kaizen / Quality and Productivity Improvement (QPI)

- ✓ Kaizen's characteristics, in particular, "Economical" and "Universal"
- ✓ Kaizen's effects, in particular, reduction of costs and delivery
- ✓ Accumulation of firm capability building contributes to industrial competitiveness



Source: JICA (2018)
"Kaizen Handbook"



Human capital development

Firm Capabilities Building

An industrial park developer/operator started services for tenants to improve productivity via digitalization/DX

- ✓ Started as a trial basis from 2022 at Thang Long Industrial Park in Vietnam
- ✓ To provide solutions via digital technology to identify bottlenecks for quality and productivity improvement (QPI) and its implementation



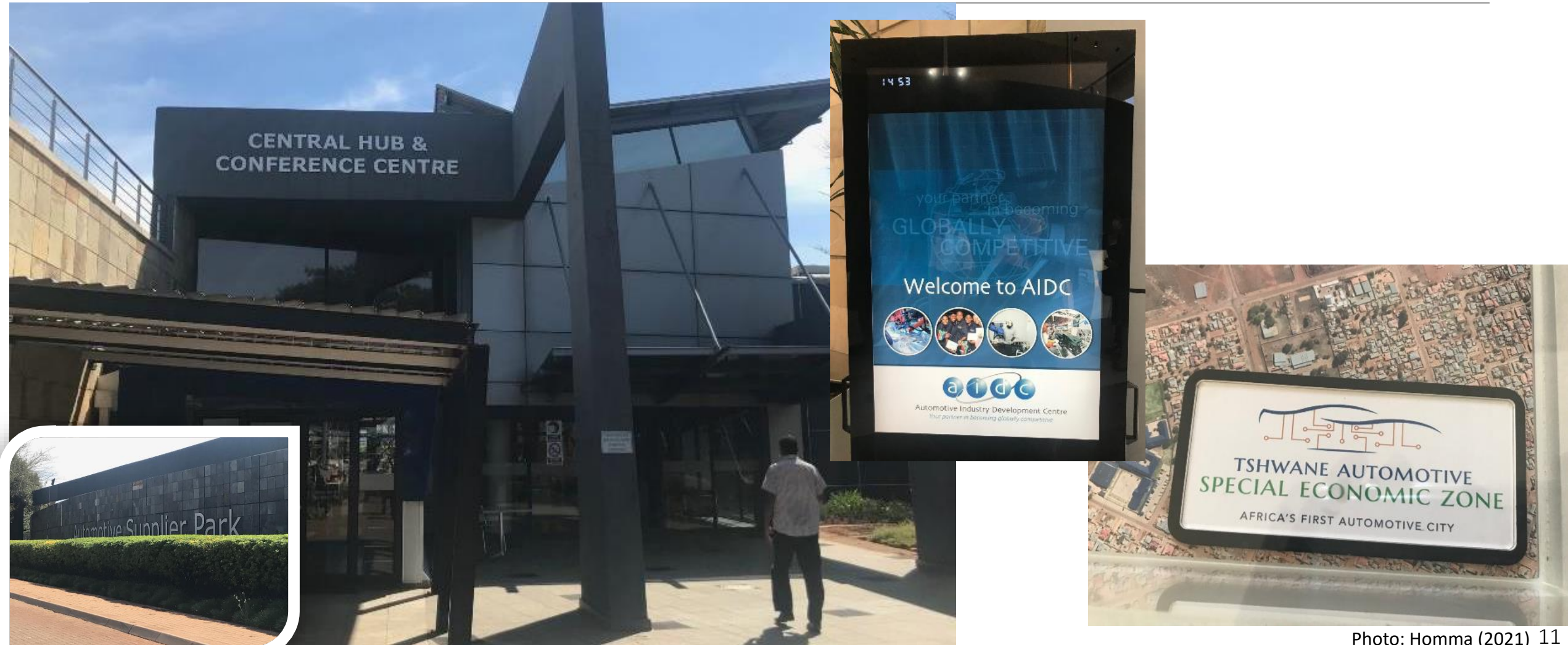
Source: Sumitomo Corporation (2022);

Source: JICA, Nippon Koei and Mintech Consultants (2018)

<South Africa> Automotive Supplier Park Automotive Industry Development Centre (AIDC)



<South Africa> Automotive Supplier Park Automotive Industry Development Centre (AIDC) Tshwane Automotive Special Economic Zone



<Ethiopia> 12 Industrial Parks

Industrial Parks
Development
Corporation (IPDC)



<Ethiopia> Hawassa Industrial Park

Industrial Parks Development Corporation (IPDC)



- **Mr. Andile Africa**, *CEO, Automotive Industry Development Centre (AIDC), South Africa*
- **Mr. Kiya Tekaligne**, *Strategy Advisor, Industrial Parks Development Corporation (IPDC), Ethiopia*
- **Mr. Hibret Lemma**, *CEO, Hawassa Industrial Park Investors Association (HIPIA), Ethiopia*
- **Mr. Fikadu Niguse**, *Director, Labour Market Analytical Team, Ethiopian Investment Commission (EIC)*
- **Mr. Bedasa Fenta**, *KAIZEN Consultant, KAIZEN Excellence Center (KEC)*
- **Mrs. Deveena Boygah**, *Executive Director, National Productivity and Competitiveness Council (NPCC) in Mauritius*
- **Mr. Toru Homma**, *Senior Advisor to the CEO, AUDA-NEPAD, JICA Senior Advisor on Private Sector Development*