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Research Article

A BUSINESS IN NIGERIA SPECIAL ECONOMIC ZONE ON LEKKI FREE TRADE ZONE

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ABSTRACT

Even though Nigeria's special economic zone (SEZ) policies own their inception to the observed success of Lekki free trade SEZs on FDI inflows, job creation, and industrialization, hardly any attempt has been made by Nigerian researchers and policy makers to understand what exactly made lekki so successful. This thesis discusses the fundamental elements which contributed to the success of SEZ's in Nigeria while drawing lessons to analyze the challenges facing the development of Nigeria's zones. On the basis of analyzing such factors, I argue that China's policies on SEZ's cannot be expected to deliver similar performance levels when crudely applied to the geopolitical and economic disparities across Nigerian regions, rather, Nigeria's SEZ policy requires careful identification of enabling factors, and implementation of supplementary policies for factors which differentiate it from China, while also taking into consideration some inherent similarities which can contribute its local success story.

KEYWORDS

BUSINESS, SPECIAL, ECONOMIC, TRADE, ZONE, NIGERIA, LIKKI, FREE.

INTRODUCTION

Special Economic Zones (SEZs) have become an increasingly popular instrument to promote economic development. Over the last two de-cades, in particular, SEZs have proliferated in emerging and transition economies. States promoting zones have sought to stimulate economic development both within and outside the zone. Within the zone, states aim to attract investment that will lead to new firms and jobs, and to facilitate skills and technology transfers. Outside the zone, states aim to generate synergies, networks, and

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knowledge spillovers to foster additional economic activity. However, whether SEZs have achieved their objectives is unclear. Most existing studies of SEZs have taken a case study approach, focusing on a limited group of zones in a select number of countries. Many of these investigations provide interesting insight into what makes a zone dynamic and successful. However, the majority of research has focused on the most successful cases. The tendency to focus on "success-only" analyses raises questions about the validity of generalizing the factors behind the success of a specific SEZ, which is embedded in specific economic, social, political, and legal contexts. Replicating policy and incentive models involves significant risk .The aim of this report is to analyze the challenges and opportunity on how to start a business in Nigeria special economic zone case study on lekki free trade zone .

The Lekki Free Zone (LFZ) is located in the Ibeju-Lekki area of Lagos, almost 60 km to the east of central Lagos and covers a total area of 16,500 hectares. The former governor of Lagos State and President Elect Mr. Asuwaji Bola Ahmed Tinubu first conceived of the idea of a free trade zone in Lekki area 2004 and allocated an initial 1000 hectares for the project. In 2006, the Lagos state government, in partnership with a Chinese consortium, established the LFTZ. The partnership is being managed by the Lekki Free Zone Development Company. In the partnership, China-Africa Lekki Investment Company owns 60%, the Lagos State Government (20%) and the Lekki Worldwide Investment Ltd, a local private investment group owns 20%. The members of the Chinese group are the China sJiangning Economic and Technology Development Company, which developed a zone in China, and Nanjing Beyond International Investment and Development Company (a private equity firm) along with the China Africa Development Fund. The 60% ownership by the China-Africa Development Fund (CADF) highlights the importance that the Chinese government attaches to the Lekki Free Zone. Construction began in 2007 though there was a delay due to disagreement between the Chinese and Nigerians on financing and operations. In March 2007, an MOU negotiated by the Lagos based Social Economic Rights Action Center(SERAC), was signed with nine communities that were displaced by the project. A few communities frowned at the MOU claiming that where they were to be relocated belonged to another community. In an interview conducted in July 2018, a leader of a youth group in the community stated that: "we are not happy with how we are being displaced by this project. They promised us jobs, but we have not seen the jobs". Evictions began in 2009 and still continued till today. Promises made to the communities as reported by many informants, have not been fulfilled. The Master Land Use Plan was developed in 2010 in China by the Shanghai Tongji Urban Planning and Design Institute with little or no input from Nigerians. Phase 1 (South West Quadrant), made up of general mixed industries was completed first while construction of the Phase 2 (South East Quadrant) petroleum refinery commenced in 2014. Phase 3 (North West Quadrant) is proposed for workers' housing, while Phase 4 (North East Quadrant) is proposed as a new town providing employment, and commercial, residential, community and recreational activities. The master plan was completed three years after construction began which was contrary to Nigerian law. In 2010, the China Civil Engineering Construction Company was given the clear leadership in leading the project. The Chinese head of the project was experienced and first came to Africa to work on the Tazara Railroad in the 70s. The deputy director is a Nigerian. The approach taken is "one axis, six parks" aimed at light manufacturing, textile production, warehousing, logistics, car assembly and real estate

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development facilities. In the initial phase, the Chinese consortium committed $200 million to the zone and the local public and private investors invested $65 million (UNDP, 2015, Lawanson and Agunbiade, 2018). 6 Interview conducted at the LFTZ, July 2018. A report by the UNDP (2015), indicates that the Chinese government continues to put a high priority in making Lekki successful and there are frequent visits by the Chinese embassy and frequent exchanges between Nigerian representatives and stakeholders from the headquarters in Beijing. It is seen as a gateway to West African countries, which will attract interest by Chinese companies. A key element is the construction of the long-delayed Lekki deep sea port in the zone, which finally began construction in March, 2018. The aim is to complete the $1.5 billion project by 2025 and to build it to a depth of 16 meters, which would dramatically exceed the current maximum of 13 meters in existing Nigerian ports and make it competitive with most other ports in West Africa (LFTZ, 2018). As at April, 2015, there were 20 companies employing a total of only 331 people with a total investment of $12.4 million in areas that include construction, manufacturing, trading and assembling. Another 79 companies were registered and expected to commence within a year. However, as of August, 2018, the website only listed 26 operating enterprises. From interviews in July, 2018, it was learned that 22 were operational. All but three were Chinese owned. which is an extraordinary high turnover rate. What is quite evident is the absence of a critical mass of companies in any one area which precludes clustering and its potential positive effects. What is also evident is that the number of companies listed is well below the expectations expressed to the UNDP investigators in 2015 when they interviewed key people operating the zone.

NIGERIA'S CONCEPT OF SEZS

To effectively explain the underpinning of Nigeria's SEZ policy, one needs to understand the conceptual basis for its initial introduction and the differences in scope and vision compared to China's concept. Unlike China, which introduce SEZs to experiment to innovative structural reforms that were to be implemented more widely across the nation, Nigeria's SEZ policy was very traditional in nature; initiated inclusively to help diversify the nation's economy away from oil, create employment and stimulate export-oriented manufacturing by streamlining administrative processes for foreign businesses seeking to invest in the country. Indeed, this goal is reflected in the nomenclature adopted in naming to invest in naming the "Nigerian Export Processing Zone Authority" (NEPZA). Moreover, as clearly signified by the third schedule of approved activities in the Nigeria Export Processing Zone Authority (NEPZA).

SEZ is a term used to classify a diverse number of specialized industries generally within the broad framework of the SEZ concept. There are various types of SEZs which accommodate a wide spectrum of working conditions, country infrastructure, government oversight and geography. It is therefore essential that the right type of SEZ should be established within the right geographical area. What follows will be an outline of the different types of SEZ and their functions.

SPECIAL ECONOMIC ZONE PROGRAM FEATURE

Special economic zones feature structural and political goals that are necessary characteristics for the way they are set up and operate. Not all zones manifest all of these features, but will display core characteristics in order to be considered an SEZ.

A zone is a segregated area of the national territory, governed under special legal framework providing it

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with a set of more liberal investment, trade and operating rules. Under this framework, a zone can be administered more efficiently than the host country. Generally, a zone requires a dedicated governance structure administering the regulatory system to ensure the efficient management and that investors benefit from its operation.

Physical infrastructure - such as real estate, roads, electricity, water and telecommunications - to support operations of the firms within zones, is usually provided to them. Key transport infrastructure includes roads, connecting the zone to its sources and the markets as zones usually exist to host firms.

In terms of policies, special economic zones usually receive import and export duty exemptions, streamlined customs and administrative control procedures, liberal foreign exchange policies and income tax incentives. The main incentive of this policy package is to boost investment competitiveness and reduce business entry and operating costs as well as enable export manufacturers to compete in international markets through the free trade status. Reasons for establishing SEZs, especially in developing economies, are usually to achieve one or more of four broad policy objectives

In support of a wider economic reform strategy. SEZs are an easy approach, that enables a country to develop and diversify exports. Zones are a way of reducing anti-export bias while keeping protective barriers intact

To serve as "pressure valves" to alleviate growing unemployment. The SEZ programs of Nigeria special economic zone are frequently mentioned as examples of robust, job-creating programs.

As experimental laboratories for the application of new policies and approaches. China's SEZs can serve as an example, where financial, legal, labor, and even pricing policies were introduced and tested first within the SEZs before being extended to the rest of the economy.

To attract foreign direct investment. Nearly all modern SEZ programs have the goal to attract foreign direct investment.

We have had little bearing on zone performance Features include incentive packages, and ownership and management schemes designed to attract and facilitate the dynamism of firms to/in the zone. The provision of corporate tax breaks has been of marginal importance, as have most nonphysical benefits, such as the availability of national one-stop-shops and the independence of zone regulators.

Among the SEZ characteristics driving the economic dynamism of specific SEZs, two factors stand out: zone size and technological components. Larger zones have performed better than smaller zones. Moreover, and contrary to the expectations of policy-makers and zone designers, lower tech, labor-intensive zones have been more economically dynamic than their more high-tech counterparts.

The performance of SEZs in emerging economies has been affected first and foremost by the zones' country- and region-specific contexts. Costs, industry structure, and proximity to large markets influence SEZ dynamism.

TYPE OF SPECIAL ECONOMIC ZONE.

Export Processing Zone Export processing zones (EPZ) are similar to FTZs in that they encompass land estates that focus on foreign exports, but they differ in that they do not provide the same degree of tax benefits or

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regulatory leniency. Instead, they provide a functional advantage to investors seeking to capitalize on the economies of scale that a geographic concentration of production and manufacturing can bring to a trade region. If they are successful, these zones are beneficial to a host country because the host country does not have to provide reduced tariffs or regulations but it still benefits from increased trade to the region.

ENTERPRISE ZONES What makes enterprise zone s so unique is that, apart from providing manufacturing or production benefits like other SEZs, they also provide the benefits of local, centralized development efforts. They are generally created by national or local governments to revitalize or gentrify a distressed urban area.33 These zones use greater economic incentives than EPZs, like tax incentives and financial assistance, to revitalize an area by bringing trade into the zone that will spur organic, localized development and improve local inhabitant s' quality of life.34 The implementation of enterprise zones follows the philosophy that improvement of a region's industry and trade begins at the individual neighborhoods level.

SINGLE FACTORIES Single factories are a special type of SEZ that are not geographically delineated, meaning they do not have to locate within a designated zone to receive trade incentives.35 This type of SEZ focuses on the development of a particular type of factory or enterprise, regardless of location. When a country decides to establish a single factory as a type of SEZ, its intent ion is to create specialization in a specific industry. A country that desires to create an export concentration in a specific industry would use a single-factory model to promote trade and growth in just that industry, giving each factory specializing in that trade economic incentives.

FREEPORT'S Free ports are typically expansive zones that encompass many different goods and service-related trade activities such as travel, tourism and retail sales.37 Because of the variation of products and services available to a free port, they are generally regarded as being more integrated with the host country's economy. Movements of these imported goods from the free port to a non-free trade area in the country are subject to import duties.

SPECIALISED ZONES Specialize have been established to promote highly technical products and services unique to an industry. 39 Many of these zones focus on the production and promotion of science and technology parks, petrochemical zones, highly technical logistics and warehousing sites, and airport-based economies.

INDUSTRIAL PARKS Industrial parks are facilities (buildings) that are set aside for production and business services in order to attract new businesses by providing integrated infrastructure in one location and localized environmental controls that are specific to the needs of an industrial area.

SPATIAL DEVELOPMENT CORRIDORS Spatial development corridors connect two or more economic nodes by means of transportation networks, and accommodate various economic activities along the corridors.

INDUSTRIAL DEVELOPMENT ZONES An industrial development zone is a purpose-built industrial estate linked to an airport or sea port that leverages domestic and foreign fixed direct investments in value-added and export-oriented manufacturing industries and services.

TRADE ZONES IN OTHER JURISDICTIONS South Africa's major trading partners are Europe, the United States (US), Latin America, India and China. 44 South Africa has formal trade relations with most of these

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territories by way of generalized systems of preferences (GSP), for example GSP with the US and the extension thereof through the African Growth and Opportunity Act, and free trade agreements with the EU, the European Free Trade Association and the Southern African Development Community. 45 South Africa has also been in discussions with the US, India and China regarding preferential trade agreements (PTAs) and discussions with Mercosur (Common Market of the South) have led to a PTA that is yet to enter into force.

MAJOR IMPROVEMENTS INCLUDE:

To foster private on-site infrastructure development, governments provide off-site infrastructure including building streets, connections to energy grids, telecommunications and more.

Introduction of build-operate-transfer and build-own-operate concepts of off and on-site zone infrastructure with public financial support.

Development of better land use and ownership laws regulating and securing rights of private groups on zone land.

Arrangements where a private contract manager can buy a zone after meeting certain performance criteria.

Lease of government owned zones by private operators and contracts for private management of government zones.

FREETRADE ZONE

As free zones have existed for hundreds of years and developed different characteristics and names, finding a suitable definition can be challenging. The development of this variety of names can simply be explained through 4 main factors, (1) differentiating between types of zones that differ in operation; (2) different economic vocabulary throughout countries; (3) the desire to differentiate a zones product to the competition; (4) translation interpretations (Farole, Special Economic Zones in Africa, 2011). In this way, to define an economic zone, the term must be broad enough to include past, present as well as future zones, while still precise enough to exclude zones that do not have the necessary features to be considered an economic zone (Farole, Special Economic Zones in Africa, 2011). Hence the modern term that encompasses all variants of economic zones is, special economic zone(FIAS, 2008). Basic principles that are incorporated in the concept of special economic zones include:

Streamlined processes and separate customs area

Single administration

Entitlement to special benefits based on location within a zone

Geographically limited area, that may also be fenced in

According to Farole (2011), these zones can be defined through the components of the term itself – special referring to the different regulations applied in the zone compared to the domestic economy; economic broadly defining the activities the zone is meant for without limiting them in terms of focus or nature; zone specifying that it is a physical space within the domestic country (Farole, Special Economic Zones in Africa, 2011).

The core definition for a free zone can be found in the Revised Kyoto Convention of the World Customs Organization and is as follows "free zone means a part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the

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Customs territory" Hence, according to this, every type of special econmic zone, can fundamentally be called a free zone.

Free Trade Zone Free trade zones (FTZ) are the most commonly used SEZ, and are generally characterized as being a geographically fenced-in, tax-free area that provides warehousing, storage and distribution facilities for trade, shipping and import/export operations in a reduced regulatory environment, meaning they generally have less stringent customs controls and sometimes fewer labour and environmental controls.28 These zones generally focus on the tangible operations of international trade. Because many SEZs attract labour intensive manufacturing such as assembly-oriented production of apparel, textiles and electrical goods, FTZs are a very popular

EFFECTS OF FREE TRADE ZONES

*** Definition of benefits**

Benefits from developing zones in a country are both static and dynamic, of which static benefits are intensified in developing economies. Static benefits include

Foreign exchange earnings

Government revenues

Foreign Direct Investment

Export growth and diversification

Direct employment and income generation

The second type of benefits, dynamic benefits, are more important in terms of long term impact of zone development, but are generally harder to measure. Dynamic benefits include

Technology transfer

Regional development

Indirect employment creation

Female employment

Skills upgrading

*** Definition of Costs**

Where there are benefits, there are also costs involved. In the case of zone development, there are costs in different areas: financial, economic and socioeconomic. Economic and financial costs,2 carried by governments, include costs such as: infrastructure development expenses, import taxes and charges lost from leaked duty-free products, salaries for government workers involved in zone governing processes, taxes lost from domestic companies relocating to a zone. This is obviously only the case for publicly developed and run zones, as for privately developed and owned zones costs are covered by private investors and government investment are typically recovered through long-term gains

In terms of socio-economic costs, zones have been criticized for the negative impact particularly on labor, working conditions and the role of women (ILO, 1998). These include:

Not adhering to labor standards and suppression of core labor rights like trade unionization.

Exploiting women through lack of training and lower wage levels.

Bad employment conditions in terms of work hours, workplace safety and health

Negligent environmental standards.

Other important consideration when it comes to the analyzing costs of zone development are opportunity and policy related costs, which include considerations such as

Are human resources that are employed in zone authorities more needed in other government departments with higher priorities?

Does zone development prevent government resources from being used for other important needs such as education, infrastructure or health?

Is through a focus on zone development the dependence on low-skill, low technology operations stimulated?

*** Economic effects**

Foreign Direct Investment

Through the establishment of special economic zones, that offer superior-standard facilities and follow best practice policies, zones can attract FDI and play a vital role in compensating a negative investment climate. The amount of FDI special economic zones attract, can be hard to measure, as many zones do not record foreign investments separately. For many zones that do keep track, data hints that zones can be an important destination for foreign direct investment as for example in the Philippines where FDI to zones increased from 30 percent in 1997, to more than 81 percent in 2000, while in other countries zones had little impact on attracting FDI (UNCTAD, 2003)

Foreign Exchange Earnings

Foreign exchange earnings are considered to be one of the major economic benefits that can be anticipated when developing special economic zones. While the contribution of zones to foreign exchange earnings can be hard to measure because of a lack of data, it can be approximated by tracking net exports as an index for the local value added from zones.

To explain the reasons for the significant differences in performance, a number of factors can be considered. These factors include, distortion of the value of net exports through exchange rate devaluations that raise import prices and the degree of success governments had in creating backward linkages with suppliers in the domestic economy or the degree of domestic inputs used in export production.

*** Export Development**

Developing exports, in terms of boosting exports and diversification of exports, is one of the main goals of establishing special economic zones, especially EPZs. This factor is particularly important in developing countries that mostly export primary products produced by agriculture or similar basic industries.

*** Employment Generation**

Another key goal of establishing special economic zones, such as export processing zones, is employment generation. Zones are seen as very effective methods to generate jobs, especially for women entering the workforce. Based on available data, the direct employment effect of export processing zones appears to be rather small and for most countries zones do not provide a large source of employment.

HISTORY OF LEKKI TRADE ZONE

lekki free trade zone was started during the administration of former governor of Lagos state. Bola Ahmed Tinubu. His successor, Babatunde Fashola, continued the project and later governor, Akinwunmi Ambode seems to be giving a lot of attention to it. lekki is a city in lagos state, Nigeria. it is located to the southeast of logos city. lekki is a naturally formed peninsula, adjoining ton its west Victoria island and ikoyi districts of lagos, with the Atlantic Ocean to its south, lagos lagoon to the north, and lekki lagoon ton its east; however, the city's southeast which ends around the western edge of Refuge Island, adjoins the eastern part of Ibeju-lekki LGA. the city is still large under construction; As of 2015, only phase 1 of the project had been completed, with phase 2 nearing completion. the peninsula is approximately 70 to 80 km long, with an average width of 10 km. lekki currently houses several gated residential developments, agricultural farmlands, area allocated for a free Trade Zone, with an airport, and a sea port under construction the proposed land-use master plan for the lekki envisages the peninsula as a ''Blue -Green Environment City'', expected to accommodate well over 3.4 million residential population and an additional non-residential population of at least 1.9 part of the lekki peninsula was formerly known as Maroko, a slum, before it was destroyed by the Raji Rasaki led lagos state military Government. one of its neighborhoods, lakki phase 1 has a reputation as an area with some of the most expensive real estate in lagos state. A lot of people keep asking , what a Free Trade Zone is well in this post , will clarify what a Free Trade Zone means and also tell people the key thing you don't know about Lekki Trade Zone (LFTZ). A Free Trade Zone is an area within which goods may be landed, handled, manufactured or reconfigured, and re-exported of custom authorities. Lekki Free Trade Zone covers a total area of about 155 square kilometers 2in Ibeju Lekki Local Government Area, southeast of Lagos, Nigeria, About 50km from the city center. this zone has been designed to become a new Lagos and has been granted a series of preferential policies and incentives, and designated as a special economic zone inside Nigeria. It is region where a group of countries have agreed to reduce or eliminate trade barriers, the basic objective being to enhance foreign exchange earnings, develop export-oriented industries and generate employment opportunities for the host country.

Lekki Free Trade Zone will provide an ideal platform to open u p diverse market for all investors and enterprises in the world. It will be a unique landmark of the future development of the future development of Lagos state and Nigeria as a whole. Lekki Free Trade Zone is a joint venture partnership established in May 2006 pursuant to the Nigeria export processing Zones Act. (NEPZA). The LFZDC comprises a consortium of Chinese Companies by the name China-Africa Lekki (CALIL) with 60% stakes and Lekki Worldwide Investment Limited (LWIL) owned by the Lagos state Government holding 40% stakes. Lekki Free Trade Zone is a major catalyst for the development of Lagos state brought about by a collaboration of the Chinese and Nigerian governments. Currently, the zone is under the management of Lekki Free Zone Development Company (LFZDC). It is no longer news that the Lekki Free Trade Zone is the first private free trade zone in Nigeria and the biggest in the whole of West Africa. Lekki Free Trade Zone become the leading hub and major driver of the Nigeria economy and West Africa as a whole by the time all the infrastructure that is planned starts operation. Lekki Free Trade Zone is facing the Atlantic Ocean in the south and bordering with lekki lagoon in the Lekki Free Trade Zone is facing the Atlantic Ocean in the south and bordering with Lekki Lagoon in the north, which makes it easy to access the Western Africa market of about 300 million population and the European and USA market with a population of about 600 million. By having great transportation condition both by Land, Sea and Air as well as its unique geographical and regional advantages, the zone serves as the best springboard any investors and enterprises who desire to open up to markets all over Africa, Europe and the USA. Because of all this The Zone is fast attracting local and foreign investors. The largest oil refinery in Africa, a fertilizer plant, petrochemical plant and a sub-sea gas pipeline project is under serious construction by African richest man, Alhaji Aliko Dangote, and valued at $17 billion. The Dangote refinery which is the largest single line refinery in the world has a processing capacity of 650,000 barrels of oil per day while the gas pipeline project, according to Dangote, "is meant to supply 3 billion cubic feet of gas daily to Lagos and its axis which can guarantee uninterrupted power supply in Lagos on completion as it will generate 12,000 megawatts of power". Already, the integrated Agrochemical factory built by CANDEL FZE, a leading Agrochemical company, has been commissioned. There are several other multi-billion dollars investments driven by various Chinese companies. According to the Commissioner for commerce, industry & cooperatives. Mr Rotoimi Ogunleye, he said that the Zone had already attracted 116 domestic and foreign investors, 16 of which had started operating. Lekki Free Trade Zone project is expected to churn out 300,000 direct jobs and 600,000 indirect jobs with the Dangote Oil Refinery expected to create employment for 235,000 people. Just imagine how many people will be coming into the zone within and outside the country, you can only see this as an opportunity if you are smart. With the construction of the Lekki Deep Sea Port, the new International Airport, Dangote Oil Refinery, Pan Atlantic University, St Augustine University, Eleganza industrial City different beach resorts, the proposed 4th Mainland bridge, and other amazing infrastructure, it is obvious that an investment in land around Ibeju Lekki especially in areas along the Lekki Free Trade Zone will reap massive returns few from now. Power Oil and indomie factories are already set up in the area so, whether you are buying land for residential buildings or to resell when the price comes up, you are on the right track.

THE POTENTIAL ROLE OF SEZS IN FRAGILE SITUATIONS

There is merit in considering SEZs as a useful economic policy tool in fragile situations. In fragile contexts, SEZs have the potential to not only attract FDI and create employment, but also to mitigate some of the characteristics of fragile situations and address some underlying drivers of fragility. Because SEZs are generally focused on a limited geographical area within a particular country, they provide an opportunity for limited but nevertheless strongly concentrated level of institutional capacity and determined state action. They can be a useful policy tool in fragile situations to overcome some of the structural deficits, in particular in terms of attracting investment, diversifying economies, and ensuring collaboration between stakeholders.

ATTRACTING FDI

The primary role of SEZs in fragile situations in Africa is the attraction of FDI. SEZs provide the opportunity in fragile situations to take into consideration investor preference and overcome investment climate deficits by presenting potential investors with a more attractive offer in a focused geographic area. The SEZ, if managed properly, provides a business environment that is not hamstrung by the inefficiencies of the regular economy. Thus, a zone programe can provide a unique offering in fragile situations, including:

Improved security (both economic and physical) and minimizing risk of loss for investors;

Support for local financial intermediation;

Improved access to serviced land and protection of land rights;

Catalysing the rebuilding of the business environment (in countries where this is applicable);

Investor-friendly regulations;

Linkages to local economies; and

Reliable electrical supply.

One successful example for such a process is Ghana, where the 'special' conditions within this zone helped overcome some of the broader business environment problems: Between 2000 and 2008, FDI into SEZs in Ghana represented 48% of total national FDI. Seeing as though total FDI inflows into Ghana grew substantially over that period, it can be concluded that SEZs played an important part. Other successful examples include Kenya and Tanzania, where SEZ FDI represented 20 and 18%, respectively, of total national FDI.

Overall, there is an increasing interest from national and international actors to develop and invest in African zones. For instance, the Chinese government has announced plans to invest in SEZs in Burundi, Ethiopia, Senegal and Malawi, amongst others. Furthermore, zone programmes in Madagascar attracted FDI from China, France, India, and Mauritius, focused on apparel and textiles, and mainly served the EU market, while Germany, France and Denmark have invested in Mali's industrial zones The Togolese zone programme has attracted investment from twelve different countries. Therefore, SEZs are a phenomenon that is becoming increasingly popular in African states in fragile situations to attract FDI, overcoming substantial barriers to investment, including insufficient infrastructure.

ESTABLISHING GROWTH POLES

A recent trend can be observed towards using SEZs as so-called 'growth poles' in Africa. Since around the late 2000s, there has been an overwhelming international trend away from traditional enclave-based and purely export-focused EPZ models towards a new model of SEZs driven by more support from multilateral development institutions and Chinese interest in Africa. The alternative approach seeks to use zones as 'growth poles', i.e. integrated regional growth initiatives based on domestic industry clusters and local labour markets and around key trade infrastructure (ports, roads, power projects).

In parallel, so-called 'turnkey' SEZ projects are making their appearance on a continent increasingly attractive to emerging economies. China, in particular, has been driving the idea of such SEZs in Africa by launching zone programmes – entirely funded, developed and operated by China – specialising on specific regional activities or sectors and thus becoming poles of Chinese investment in those African regions. The goal is for these SEZs to lead to the development of sector-based clusters around each of them. The investment commitments made were significant and – amongst other things – included a commitment to invest USD 500-750 million in a zone in Mauritius and hundreds of millions of USD in a Zambian zone. Additionally, the government of the United Arab Emirates is developing an integrated growth pole SEZ in Senegal. India and Turkey have also been involved in the development of growth pole zones in various African countries.

The new trend towards growth poles can present an opportunity for fragile situations in particular. In addition to potentially attracting significant FDI to complex markets through an improved investment climate, this new SEZ model emphasises an integration with the national economy, private sector participation, the resolution of land constraints, and regional integration. These factors also address underlying economic drivers of fragility as identified under the AfDB strategy such as economic inclusion, unemployment, and regional instability, while contributing to building resilience.

There are concrete signs that SEZ programmes in African countries affected by fragile situations may well implement these lessons: In Côte d'Ivoire, government is currently planning three SEZs around sectoral clusters and regional growth poles, including – amongst others – the textile industry in Bouake, a city that was at the epicentre of the political crisis in the country. In the Democratic Republic of Congo, a first SEZ pilot area – focusing an agro-industries – has been established close to the international airport and at the intersection of the Congo River (port access is provided) and the main road towards the interior of the country. In 2012, the Mauritanian government officially launched an initiative for the development of the Nouadhibou zone as a comprehensive economic pole. Thus, governments of African countries affected by fragile situations have increasingly set their eyes on the growth pole model of SEZs.

ENCOURAGING PRIVATE SECTOR PARTICIPATION

Additionally, the growth pole SEZ model foresees an important role for the private sector in zone management and operation. As Farole (2011) shows, one of the key success factors for SEZs in Africa is for policymakers to work closely with the private sector to develop zone policy according to changing needs. Given the large investments required to support zones and their uncertain return in fragile situations, private sector participation is important to reduce risk in zone programmes. For instance, in Nigeria, many recent projects in the flagship zone in Calabar are Public-Private Partnerships (PPPs) between private developers and government, while the country's Oil and Gas Free Zones are privately operated but publicly owned. In Gabon, global agro-commodity player Olam entered into a joint venture in 2010 with the government to establish an SEZ with the broader objective of diversifying the Gabonese economy, creating jobs in remote rural areas, and attracting other investors to develop the industrial sector.

Such private sector participation can result in a broader engagement of the private sector in the economic, social and political development of the country beyond the zone itself. If collaboration is successful, the private sector can become a long-term partner in constructive policy-making. This echoes calls for increased responsibility for companies in addressing fragility. However, there is a risk in fragile situations that frequent changes at the government level may counter a productive long-term relationship between the state and key investors.

SUPPORTING SMES

SEZs tend to principally attract foreign investment and more mature local firms. However, they also have a potential to support local SMEs. One way to do so is by encouraging SMEs to enter the zone directly by lowering entry costs. Another way is to facilitate local SMEs becoming suppliers to larger zone occupiers by streamlining procurement processes. Hereby, SMEs can become catalysts for a broader entrepreneurial culture and advocates for doing business in the host country. Examples for constructive interventions in this area are the establishment of incubators, encouraging larger firms to provide training, mentoring and other support services, appointing an SEZ liaison on supply chain and SME support issues, and organizing regular formal and informal dialogue between zone developers, operators and relevant national business development organisations. Such strategies have been successfully implemented in Kenya, where the Export Processing Zones Authority (EPZA) established an incubator programme to help

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local SMEs grow into exporting enterprises and create direct exporting and subcontracting relationships with larger firms. In Ghana, a multi-purpose industrial park offered local firms an opportunity to become better integrated into the supply networks of exporters in an SEZ.

FOCUSING ON COMPETITIVE SUBSECTORS OR PROJECTS

Fragile states are often perceived as having a low manufacturing and production base, which would indicate that there is limited resistance to liberalizing the entire country's business environment. Seeing as though SEZs aim to circumvent this resistance, it raises the question if SEZs indeed have the potential to be reform pilots in such contexts. However, the two are not mutually exclusive. While nationwide investment climate reform is an important tool to attracting FDI, the attractiveness of the SEZ model is that it aims to take advantage of particular investment opportunities in competitive subsectors. Recent studies on guiding principles in promoting investment in fragile and conflict-affected situations recommends a focus on competitive subsectors or projects and on investors most likely to invest in fragile contexts. Successful SEZ programmes in the past have done exactly this: After rigorous analysis of the sectors of comparative advantage, successful SEZs targeted specific sectors and investors with a potential to become a catalyst for wider private sector development. Lesotho's zone programme, for instance, focuses on clothing and textile products and investors from China, who in return can export their products to the US under AGOA. This also allows for addressing sector-specific economic, political and social sensitivities – another important success factor in engagements in fragile governance environments.

ECONOMIC DIVERSIFICATION

As outlined earlier, competition over and access to natural resources, poor natural resource management and economic exclusion can present significant drivers of fragility. A 2015 Chatham House report confirms that resource investment in fragile and conflict-affected states is unlikely to be 'conflict-neutral'. Overcoming this so-called 'resource curse' is a key step towards more political and economic stability in fragile contexts. Many of today's rapidly growing economies, outside of Africa, were previously dependent on a limited set of sectors – usually in natural resources, agriculture and a limited set of industrial activities. Diversification has been a secular economic policy objective of all developing countries, one seen as essential to the sustainability of growth. Collier (2014) also sees diversification as an important way in which the private sector can mitigate fragility.

SEZs can play an important role in this process. SEZs – and particular those that are mixed-use – can provide an avenue for a gradual emergence of a large manufacturing sector focused on export-oriented industries (rather than being focused on simply exporting natural resources) and services sectors. These sectors have been often proven to create meaningful employment. Zone programmes, mostly in their EPZ iteration, have in the past sixty years or so played an important role in this. Several past zone programmes have successfully led to the formation of a large manufacturing sector focused on export-oriented industries.

From a theoretical standpoint, Auty and Pontara (2008) possibly represent the first coherent conceptualization of SEZs as an instrument directly relevant to the resource curse. They argued that one of the most significant obstacles to growth, economic diversification and poverty reduction was political economic resistance to reform –notably from the rent-

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seeking groups that control a large part of the economy, and stand to lose from increased economic openness. As a potential solution, progressive reforms should be introduced, but in a manner and at a pace suitable for gradual adjustment by rent-seeking groups. SEZs can be used as pilots for economic policies different from those governing the rest of a country's territory.

For instance, Mauritius deployed an EPZ in 1971 at a time of great dependency on sugar and its associated rent. The zone focused on the provision of world-class infrastructure and unsubsidized incentives to act as a magnet for non-traditional transformation activities focused on the export and domestic markets, and acted as a catalyst for reform. Through higher taxation of sugar profits and a restriction of capital exports, the EPZ decreased the country's dependency on a highly variable sugar rent affected by unpredictable weather conditions and volatile prices. The privately owned and highly entrepreneurial sugar industry embraced the opportunity to use its 'super-profits' to generate additional income in industries like clothing, jewellery and others. This early reform zone would in effect have attributes similar to those of SEZs.

The explicit link between SEZs and resource-induced economic management is more recent, with a growing number of countries adopting SEZs with the intent of achieving diversification. Amongst them are Botswana, the Democratic Republic of the Congo, Gabon, Mauritania, and South Africa. In Lesotho, exports from SEZs represented 64%of national manufacturing exports in 2008.

In sum, SEZ programmes have the potential to prevent a resource curse. This may be particularly important for fragile situations in Africa, including the Mano River Union or Great Lakes Region, where recent impressive economic growth is overwhelmingly driven by natural resources. Thus, SEZs become an interesting part of the toolkit to mitigate drivers of fragility in these regions.

CONCLUSION

Based on the findings of this study the following conclusion have derived: -

1.The important of the finding in proceeding is clear from the analysis in proceeding chapters are very significant, it was observed that according to William Bartlet study on Special Economic Zone, play a vital role and it is the fundamental of human activities.

2.Controlling the Nigeria SEZs properly with view of creating more jobs opportunities and attract foreign investors.

3.Lack of proper utilization of Nigeria Special Economic Zones, will bring set back to Nigeria Economy, if care are not taken.

4.The following recommendations are to improve the challenges and opportunities on how to start a business in Nigeria SEZs.

5.Special Economic Zones are the fools use by a country to expand their GDP, Gross Domestic Products, free zones are playing a vital role in Nigeria Economic today.

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