The Effectiveness Of Special Economic Zone Incentives As A Tool For Investment Promotion And Attraction Of Foreign Direct Investment Inflows: A Case Of Or Tambo International Airport (ORTIA) SEZ

Master Of Business Administration (MBA)

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2023

The Effectiveness Of Special Economic Zone Incentives As A Tool For Investment Promotion And Attraction Of Foreign Direct Investment Inflows: A Case Of Or Tambo International Airport (ORTIA) SEZ

by

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MINI-DISSERTATION

Submitted in (partial) fulfilment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION (MBA)

in the

FACULTY OF MANAGEMENT AND LAW

(Turfloop Graduate School of Leadership)

at the

UNIVERSITY OF LIMPOPO

Supervisor: Dr TJ Musandiwa

2023

DECLARATION

I declare that the Mini-dissertation hereby submitted to the university of Limpopo, for the degree of Master of Business Administration has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

Makuya, T (Mrs) — **04 April 2023**

Date

ACKNOWLEDGEMENT

The conducting of this study could not have been such a huge success without the financial and emotional support rendered my husband, Mr Makuya. My heartfelt gratitude also goes to my Supervisor Dr TJ Musandiwa for rendering the much-needed technical support.

ABSTRACT

This study draws attention to various challenges that hindered the OR Tambo International Airport Special Economic Zone's (SEZ) Investment Marketing and Promotion (IMP) Unit from meeting its set foreign direct investment (FDI) targets. It was noted that since 2017, the SEZ's FDI inflows were persistently on a negative trajectory, despite several attempts by the IMP unit to improve the situation. The unit was further concerned that despite spending millions of rands ramping up its investment marketing effort, the unfortunate reality was that these campaigns did not deliver the desired impacts. Worse still, it was noted that a number of investment pledges signed-off a decade ago were yet to be effectively activated or operationalised. As a result, management resorted to either temporarily suspending earmarked pipeline projects or effectively abandoning them altogether. Within this context, this study sought to evaluate the effectiveness of the existing IMP strategies employed by the SEZ. In doing so, the study made use of the qualitative research method to give people with intimate knowledge of the issues at stake an opportunity to participate in the study in order to better understand the current situation. By using a purposive sampling method, ten participants drawn from the SEZ's management structure took part in the study. The study also relied on data obtained from relevant SEZ reports. The study found that the current IMP strategy is due for a review as it was evidently unfit-for-purpose. Furthermore, it was also found that the SEZ's IMP unit lacks the right mix of required experience, skills, technical capacity and pedigree to drive a results-based IMP operation. The study also found the country's fragile investment climate exacerbated the SEZ's FDI activation plight. Various recommendations to remedy the problem are suggested. These include, among other things; the need to rethink and reset the current IMP strategy; the need to retool the IMP unit; the need to forge synergies between the SEZ and South African embassies abroad; and the need to diversify existing FDI markets.

Key words: Foreign Direct Investment, Investment Marketing and Promotion, Special Economic Zones.

ACRONYMS

SEZ	Special Economic Zone
IDZ	Industrial Development Zone
DTIC	Department of Trade, Industry and Competition
FDI	Foreign Direct Investment
OECD	Organisation for Economic Co-operation and Development
IMP	Investment Marketing and Promotion
ORTIA	OR Tambo International Airport
CCA	Customs Controlled Area
MNC	Multi-National Corporations
UNCTAD	United Nations Cooperation on Trade and Development
EPZ	Export Processing Zones
COMEC	Committee for Economic and Commercial Cooperation

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CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1. INTRODUCTION

This chapter outlines the context that set the tone of the study. Key subheadings discussed in this chapter include, among others, the background to the study; the research objectives and accompanying questions; the significance of the study; and the definition of key concepts.

1.2. BACKGROUND AND CONTEXT

Since the global financial crisis in 2008, the South Africa's industrial growth has been on a negative trajectory (National Treasury, 2018:34). There is evidence to show that the global financial crisis effectively weakened South Africa's industrial base. The National Treasury Report of 2009 warned that between 2007 and 2009, South Africa's industrial output declined by a whopping 25 per cent (National Treasury, 2009:89). Because of a myriad of capacity constraints, many local manufacturers lost their competitiveness, thereby forcing them to either downsize or close their business operations.

The global financial crisis exposed South African manufacturers to the risk of what is commonly known as deindustrialisation. Deindustrialisation is a process in which a country's industrial development capacities experience a downward trend due to investor apathy or extremely harsh economic conditions (Le Roux & Schieman, 2016:45). The inability of local industries to attract cheap capital from offshore financial markets further exposed them to endless recapitalisation challenges. Because of the attrition of industrial capacity as the result of the global financial crisis, many local manufacturers resorted to massive scale retrenchments to stay afloat and competitive.

Confronted by these structural challenges, the Department of Trade, Industry and Competition (DTIC) faced the daunting task of reimagining or reforming South Africa's industrial base. To this end, the DTIC developed a post-global financial crisis response with the view to reboot South Africa's crisis-ridden industrial base

(Le Roux & Schieman, 2016:46). The DTIC realised that South Africa needed to revise its industrial development strategy as a matter of urgency.

The old industrial development model was pinned on Industrial Development Zones (IDZs), which were later deemed to no longer be compatible with the country's shifting industrial development priorities. Since then, South Africa's industrial development model has been built on the notion that accelerated industrial growth offers the safest and most sustainable pathway to inclusive economic growth and job creation. This notion is entrenched and articulated in economic policy blueprints such as the National Development Plan (NDP), Industrial Policy Action Plan (IPAP) and National Industrial Policy Framework (NIPF). According to the IPAP document, the DTIC was under pressure to speed up the country's industrialisation pace or reverse the adverse risks of deindustrialisation. The IPAP document further advocates for the establishment of what is commonly referred to as Special Economic Zones (SEZs), (Department of Trade, Industry and Competition [DTIC], 2018:23).

SEZs are 'a demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory' (Farole, 2011:43). These differential rules principally deal with investment conditions; international trade and customs; taxation; and the regulatory environment. The zone is given a business environment that is intended to be more liberal from a policy perspective and more effective from an administrative perspective than that of the national territory" (Farole, 2011:43). The SEZ initiative remains one of the catalytic drivers or accelerators of South Africa's industrialisation pace (DTIC 2018:56).

It is common knowledge that many industrialised economies increasingly rely on SEZs to mitigate the adverse effects of deindustrialisation. In China and India, for example, SEZ regions are regarded as epicentres of rapid industrial development. In the history of SEZs, China, India and, lately, Brazil are regarded as some of the world's success stories (Jasiniak & Kozińsk, 2017:45). In its 2018 Economic Overview Report, the Organisation for Economic Co-operation and Development (OECD) (Organisation for Economic Co-operation and Development [OECD], 2018:12) reported that SEZ designated regions in India and China recorded a marked increase in industrial output and foreign direct investment (FDI) inflows.

This report reaffirmed the significance of SEZs as robust tools that developing economies could use to attract FDI. The report further highlighted that India and China's SEZ regions are fast emerging as safe havens for job seekers, thereby making the SEZ initiative a powerful tool to drive an economy's job creation capability. Within the global industrial development space, the SEZ concept is not a new phenomenon.

According to Jasiniak & Kozińsk (2017:67) the idea is credited for the improvement of industrial output and turning around the economies of Russia and Germany that were devastated by many years of protracted conflicts. Germany is viewed as Europe's industrial development hub and its industrial development venture was supported by SEZs (Le Roux & Schieman, 2016:23). SEZs are credited for increasing the industrial capacity and manufacturing capabilities of Germany's once ailing economy. It is important to note that Germany's industrial revolution, which was started after World War II in 1945, was predominantly anchored in the SEZ model (Moran, 1998).

In their ideal state, SEZs can accelerate the exploitation and beneficiation of mineral resources by accelerating economic growth, job creation and significant investment inflows into the country (Le Roux & Schieman, 2016:67). In South Africa, the idea to establish SEZs started in the 2000s (DTIC, 2016:2). At that time, they were called Industrial Development Zones (IDZs). IDZs were different from the SEZs as they were less ambitious in scope, export-driven and provided only VAT and customs incentives.

The Industrial Development Zone programme as contemplated by the Manufacturing Development Act No. 187 of 1993 was repealed in 2014 and subsequently replaced by a more vibrant and comprehensive legislation commonly known as the SEZ Act No. 16 of 2014. Subsequently, the SEZ Act was operationalised in February 2016 and, as a result, five IDZs (that is, Coega IDZ and East London IDZ in East London; Richards Bay IDZ in KZN; OR Tambo International Airport (ORTIA) IDZ in Gauteng; and Saldanha Bay in Western Cape) effectively underwent a transition process to become SEZs. To date, South Africa has 15 SEZs, with six being fully operational, four designated, gazetted and in the developmental phase and five identified but not fully designated and gazetted (DTIC, 2020:23).

It is important to note that companies that operate in SEZ regions are eligible for various tax incentives or reliefs. Some of the tax reliefs outlined in Section 24 (4) of the SEZ Act, as read with the Income Tax Act No. 58 of 1962, include, among others: a preferential corporate tax of 15%; building allowance; employment tax incentive subject to requirements of Employment Tax Incentive Act No. 26 of 2013; and exemption of paying customs duty subject to requirements of the Customs Duty Act No. 30 of 2014 (DTI, 2016:23).

This study focuses on the OR Tambo International Airport (ORTIA) SEZ. The purpose of selecting this SEZ is because, since being designated as an SEZ in 2002, the entity continues to experience a number of crippling challenges that have a negative effect on its ability to attract meaningful FDI inflows (Scheepers, 2012:61). The first investor in the zone, In2Food Group, was launched in April 2019 with an investment value of R257 million and the creation of 600 direct jobs.

1.3. EVOLUTION OF THE PROBLEM

According to UNCTAD (2019:3) and OECD (2018:2) SEZs as an economic development construct are increasing in both significance and popularity especially in countries that are facing the harsh realities of de-industrialisation, high unemployment and erratic GDP growth. These countries see SEZs as special purpose vehicles that attract foreign direct investment especially in so-called resource-rich economic corridors with a history of under-development and low industrial activity. The SEZ concept has been piloted in countries like China, Germany, Brazil and Myanmar with enviable success. In fact, China's success story as one of the world's top industrial hub has been largely attributed to its massive roll-out of SEZs especially in the 1960s (Scheepers, 2012:12). The story of China's industrial revolution cannot be fully told without mentioning its strong faith in Special Economic Zones. By driving a sustained SEZ campaign, China managed to turnaround what used to be a struggling economy into one of the world's fast-growing industrialised economy (Jasiniak & Kozińsk, 2017:62). However, despite pockets of successes recorded especially in developed countries, it is sad to note that the concept of SEZ has not being a huge success in Africa. In other words, not all African countries that experimented the SEZ construct recorded notable successes. Countries such as Zimbabwe, South Africa, Namibia, and Nigeria have their fair share of SEZs that are failing to make a meaningful impact. Owing to a plethora of challenges, many SEZs piloted in countries such as Zimbabwe, Nigeria and even in South Africa are struggling to win the hearts and minds of offshore investors despite offering so-called irresistible incentives. One such SEZ that is failing to make headways despite several past attempts by the government to turn it around is the OR Tambo International Airport (ORTIA) SEZ. The SEZ which is located at Africa's busiest port of entry is struggling to attract meaningful FDI inflows due to a number of reasons, most which are the subject of this investigation. The sharp rise in failed SEZs in Africa have made authors like Farole (2011:34); Rustidja, Purnamawati and Setiawati (2017:11) to warn that the impact of SEZ on a country's economic construct tend to be overrated or exaggerated. The authors further caution governments of Africa against driving a SEZ journey that is not premised on well-thought-out cost-benefit studies. Establishing an SEZ corridor which is not grounded on a bankable feasibility study is akin to setting up such a venture for failure (Farole, 2011:33).

1.4. RESEARCH PROBLEM

The main concern of this study is that, since its establishment approximately 20 years ago, empirical evidence shows that the OR Tambo International Airport (ORTIA) SEZ has either failed to secure new FDI deals or effectively facilitated the operationalisation of already signed investment commitments. Data published by the DTI in 2018 shows that, nearly two decades after these commitments were signed, 80 per cent of such commitments worth billions of rands are yet to be fully operationalised (DTIC, 2018:51).

As a result, ORTIA SEZ is ranked by DTIC as one of the least performing SEZs in the country. DTIC is further worried that the failure to address the ongoing challenge of investor apathy at ORTIA may render the SEZ ineffective. Contrary to what is unfolding at ORTIA SEZ, Farole (2011:34) and Scheepers (2012:12) insist that a well-planned and executed SEZ strategy should lead to a marked increase in real FDI inflows. In echoing this view, Scheepers (2012:12) goes on to question the reasoning behind bankrolling an SEZ that not only persistently fails to meet its FDI targets but also fails to effectively woo investors in fiercely contested FDI markets. Scheepers (2012:23), supported by Jasiniak and Kozińsk (2017:45), argues that any SEZ must foster and deliver an investment climate that is globally competitive and attractive. In other words, concerted efforts need to be made to transform SEZs into global FDI hubs or powerhouses. On the backdrop of the above context, the problem of this study has been framed as follows:

The ORTIA SEZ's Investment marketing and promotion unit is not only persistently failing to woo the right calibre of investors into its fold but also failing to effectively actualise or operationalise past FDI pledges made by investors despite several attempts in the past to turnaround the situation. As a result, this has led many to cast doubt on the marketing and promotion unit's ability to discharge its responsibilities effectively.

To this end, this study seeks to investigate the effectiveness of FDI promotion and marketing strategies employed by SEZs using events unfolding at the ORTIA SEZ as a point of reference.

1.5. AIM OF THE STUDY

The aim of the study of the study is to examine the effectiveness of FDI promotion and marketing strategies employed by ORTIA SEZ.

1.5.1. Objectives of the study

- To identify various challenges that hinder ORTIA SEZ from attracting meaningful FDI inflows;
- To examine the implementation of promotion and marketing strategies implemented by the ORTIA SEZ to attract investors;
- To analyse the effectiveness of the promotion and marketing strategies implemented by the ORTIA SEZ to attract investors, and

- To recommend strategies ORTIA SEZ could employ to attract meaningful FDI inflows.

1.5.2. Research Questions

The study will attempt to answer the following research questions:

- What are the challenges that hamper the ORTIA SEZ from attracting meaningful FDI inflows?
- How does the ORTIA SEZ implement its investment promotion and marketing strategies?
- How effective are the FDI promotion and marketing strategies employed by the ORTIA SEZ?
- What are the strategies that may be recommended to improve FDI inflow into the ORTIA SEZ?

1.6. SIGNIFICANCE OF THE STUDY

Economic development literature linked to United Nations Cooperation on Trade and Development (UNCTAD) (2019:23), DTIC (2018:45), OECD (2018:12) fully acknowledges the centrality of SEZs to any country's industrial development discourse. The socio-economic significance of the SEZ concept is also outlined in South Africa's NDP. The NDP views SEZs as special purpose vehicles that the government should continue to use to address the triple crisis of poverty, inequality and employment (NDP, 2012:34). The 'economic growth and the job creation effect' of SEZs are well documented. This makes any effort to optimise and leverage their operations a substantive national imperative. In light of this, this study is critical in three main ways. Firstly, the study may provide a conceptual and theoretical basis on which underperforming SEZs in the country may be reformed and leveraged. Secondly, the study may prompt a new debate on the socio-economic significance of SEZs given the country's well-known socio-economic challenges. Thirdly, the study may be used by other fellow academics to benchmark similar studies in the future.

1.6.1. Importance to the study to policy makers

Given the persistent failure by present-day SEZs not only to woo the right calibre of investors but also to actualise or operationalise FDI pledges made in the past, this study may provide policy makers with the information they so need to trigger wide-ranging policy reforms in the way local SEZs are managed and governed. From a policy making perspective, it is common knowledge that for any policy reform to make a meaningful dent, it must be grounded on well-researched facts. Apparently, this study is coming at a time when there are renewed calls from many policy makers for the current legislation governing SEZs to be reset in order to improve its impact leverage.

1.6.2. Contribution of the study to the body of knowledge

The world over, the SEZ concept is evolving albeit at a faster pace than ever imagined. The Covid-19 which is attributed for rapidly changing the way SEZs around the world market and promote themselves remains the case in point. Equally important, the emergence of disruptive technologies has made unprecedented changes in the way SEZs around the world drive their brand visibility, awareness and recognition campaigns. As new destination marketing and promotion tools and technologies emerge, the need for modern-day SEZs to broaden the way they create, capture and deliver optimal value to investors becomes more imperative. The emergence of advanced SEZ marketing templates and new discoveries SEZs can optimise their FDI attraction campaigns may go a long way in enriching the current body of knowledge.

1.7. DEFINITION OF KEY CONCEPTS

Key concepts identified in this context are, inter alia: special economic zone; special economic zone policy; investment promotion and attraction; and foreign direct investment.

1.7.1. Special economic zone

An SEZ is defined as ‘a geographically designated area set aside for specifically targeted economic activities, supported through special arrangements that may include laws and systems that are often different from those that apply in the rest of the country' (DTIC, 2016:5). According to the UNCTAD (2015:34), SEZs are defined as 'geographically delimited areas within which governments facilitate industry activity through fiscal and regulatory incentives and infrastructural support'.

1.7.2. Special economic zone policy

The SEZ policy in South Africa provides a clear framework for the development, operations and management of SEZs (DTIC, (2016:5). Currently, the SEZ Act No 16 of 2014 is the primary legislation on which all the policies that govern the operations and management of SEZs are hinged. In terms of the SEZ Act and its regulations, the operating expenses of SEZs are funded by provincial government while their capital expenses are funded by the DTIC. The Act further provides for a number of SEZ incentives. These incentives are designed with the view to optimise the FDI attraction leverage of SEZs.

1.7.3. Investment promotion and attraction

Investment promotion and attraction is 'a structured and systemic activity aimed at mobilising high value investment from local and international investment markets opportunities into an investment zone within the overarching strategy of improving the zone's investment environment' (OECD, 2018:6). In other words, an investment promotion and attraction activity outlines processes, tools and systemic steps an investment destination follows when marketing its investment opportunities to both domestic and foreign investors (Rustidja, Purnamawati & Setiawati, 2017:23).

1.7.4. Foreign direct investment

FDI is an investment made to acquire lasting interest in and effective control over an enterprise operating outside of the economy of the investor (OECD, 2016:34). In the context of this study, the term FDI represents capital mobilised by a domestic firm from offshore investment markets and this capital is often denominated in foreign currency.

1.8. LIMITATION OF THE STUDY

The task of conducting face-to-face interviews without exposing participants to the danger of Covid-19 infections proved to be both daunting and onerous. In order to mitigate the Covid-19 risk during interviews, the researcher strictly observed prescribed health protocols (that is, observing social distancing, wearing a face mask and sanitising) at all times. Most interviews were conducted virtually via the Zoom and Microsoft Teams platforms.

1.9. OUTLINE OF THE STUDY

This report consists of the following chapters:

Chapter 1 highlights the background and contextual framework of the study. Other issues covered in the chapter include, inter alia, the problem statement, study objectives, research questions, significance of the study and definition of key concepts.

Chapter 2 benchmarks the study with the scholarly and theoretical views expressed in studies of a similar nature.

Chapter 3 outlines the methods and tools used to collect vital data from carefully sampled primary and secondary sources. The chapter also covers methods and tools used to analyse and interpret processed data.

Chapter 4 documents the findings linked to both primary and secondary data sources.

Chapter 5 presents the study’s conclusions and recommendations, which will be aligned to the objectives of the study.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

Tax incentives also known as fiscal incentives remains the major draw card or main bait used by many SEZs across the world to entice potential investors. As one of the integral elements of the investment marketing and promotion instrument employed by SEZs, there is a need to examine their potential effect on FDI inflows using ORTIA SEZ as a reference point. To this end, this chapter primarily evaluates whether the current regime of tax incentives offered by SEZs operating in various geographical locations are effective enough to woo much-needed FDI into SEZ corridors. Attempts are also made throughout the chapter to benchmark specific issues of interest with the views of scholars who explored the same phenomenon in the past. For ease of reference, the chapter is divided into the following five parts:

a. Besides identifying gaps in the current body of knowledge, the first part of this chapter also explores the various definitions of the SEZ concept;
b. The second part of the chapter outline the theoretical aspects of the SEZ phenomenon;
c. The third part of the chapter examines the effectiveness of the current regime of tax incentives and their effect on FDI inflows. To support this element, case studies taken from countries with mature SEZ environments, like China and the USA, will be closely analysed with the view to draw valuable lessons and useful insights;
d. The fourth part of the chapter examines common challenges that hinder SEZs from attracting meaningful FDI inflows;
e. The last part of the chapter outlines various proposals struggling SEZs may employ to turnaround their waning FDI fortunes.

2.2. Gaps in the Existing Literature

Over the previous decade, different examinations have been undertaken to decide whether the current systems of speculation fascination methodologies utilised by SEZs have a positive bearing on FDI inflows (Makoni, 2016:45). One such study was done by Jasiniak and Kozińsk (2017:23). The study examined whether tax Incentives remain effective tools for SEZs and whether they should be used to entice prospective investors to Poland. The study revealed that investors still consider tax incentives as a critical factor when making critical investment decisions. The study further showed that tax incentives are, indeed, an essential instrument for attracting investors to SEZs, provided those incentives are competitive enough. The importance of income taxes was also found to be greater than the local costs of doing business (Lovrick, Kaymak & Spronk, 2008:15). The study further found that small companies are attracted to SEZs that offer them the highest tax reliefs. While this study correctly reaffirmed the prominent role played by tax incentives in attracting offshore investors to SEZs, the main weakness of the study is that it is based on the wrong assumption that tax incentives are the only crucial drivers of investment promotion in SEZ regions. The study failed to outline the role of other investment promotion sweeteners, like a country's overall investment climate, availability of infrastructure and relatively cheaper cost of labour and critical skills. Contrary to this view, Scheepers (2012:34) argues that tax incentives alone, if not backed by other packages of incentives or sweeteners, cannot single-handedly make SEZs attractive to FDI investors.

Another investigation of interest to this study was that conducted by a renowned Chinese scholar called Yan in 2016. Yan (2016:43) conducted a study in China to determine whether tax incentives to promote FDI inflows had a significant effect or not. The paper selected 36 cities as a sample for analysis. He also selected various variables, including the level of economic development through the GDP and its relatedness to the amount of FDI. The study construed that the total amount of FDI is proportionate to the availability of local infrastructure.

Other factors inspected includes the openness of trade to permit foreign business activities, which were estimated by import and export volumes; labour as a fundamental factor concerning the accomplishment of more profits of labour is low; and the tax factor that looked at the degree of preferential tax policies measured using a tax incentive index – the more prominent the degree of incentives, the lower the tax burden on businesses. It could, thus, be predicted that the index is proportional to FDI inflows.

The results of the study suggest that the regions continue to implement the preferential tax policies simultaneously applied to the central region. This study is essential in that it provided a comprehensive view of the FDI effect of tax incentives to an SEZ. Unlike the study conducted by Jasiniak and Kozińsk in Poland in 2017, Yan's study considered the role played by other variables, such as economic infrastructure, the effect of investment promotion, marketing strategies employed and the kind of investors targeted. The only weakness of Yan's investigation is that it was premised on China's unique macroeconomic policy context, which may not apply to environments considered less industrialised.

2.3. DEMYSTIFYING THE SEZ CONCEPT

Many attempts have been made in the past to demystify the SEZ concept (Zeng, 2016:23). Existing economic literature is full of such attempts. In the context of this discussion, three such attempts are of interest. The first definition of the SEZ concept is that linked to the Department of Trade, Industry and Competition (DTIC). The DTIC defines an SEZ as 'a geographically designated area set aside for specifically targeted economic activities, supported through special arrangements that may include laws and systems that are often different from those that apply in the rest of the country' (Department of Trade and Industry [DTIC], 2016:5). The second definition that provides a more elaborate insight into the concept of SEZs is that linked to South African Revenue Service (SARS). SARS defines an SEZ 'as geographically designated areas set aside for specifically targeted economic activities to promote national economic growth and exports by using support measures to support foreign and domestic investments and technology' (SARS, 2018:21). The third definition is derived from United Nations Cooperation on Trade and Development (UNCTAD) literature. According to the UNCTAD (2015:34), SEZs are defined as 'geographically delimited areas within which governments facilitate industry activity through fiscal and regulatory incentives and infrastructural support'.

Three important reflections can be made from the three definitions provided above. It is clear from the three definitions that an SEZ can be defined based on its attributes or common characteristic features. The first reflection is that SEZs act as potent spatial development tools that are designed to catalyse a well-defined geographical area's industrialisation journey. In other words, SEZs are special purpose vehicles aimed at driving regionalised industrialisation and economic growth. This reflection cuts across the three definitions. The second reflection is that, by their nature, SEZs are specifically designed to serve a single purpose – that is, wooing or luring vital foreign and domestic capital into a designated industrial or export hub. Thirdly, for an SEZ to effectively drive or successfully achieve its industrialisation agenda, it must offer irresistible tax concessions or incentives. In rare contexts, a single firm can be designated as an SEZ if the government considers such a firm to have a remarkable impact on the economic growth of that region.

In reality, by incentivising firms operating in the SEZ region, the endgame is to inspire an industrial revolution or economic revitalisation, especially in a region with a documented history of deindustrialisation and underdevelopment (Kinyondo et al, 2016:11). The ultimate goal is to win the hearts of foreign capital holders, drawing them into a designated SEZ corridor. One point worth noting is that, in all the three definitions, it is self-evident that, owing to their structural nature, the issue of attracting FDI remains the common currency at the heart of every SEZ agenda. In the context of this study, FDI is characterised as an international investment made by one economy's occupant organisation in the business operations of an organisation inhabitant in an alternate economy to build up an enduring interest (Makoni, 2015:77).

In South Africa, the legal and regulatory framework that governs SEZs clearly defines how SEZs are designated, developed, governed and operated. Issues related to how the designation process should unfold, designation qualification criteria and accompanying procedures need to be precisely clarified. Within the South Africa context, SEZs are generally State-owned companies (SOCs), registered as such in terms of the Companies Act No. 71 of 2008, Public Finance Management Act No. 1 of 1999 and the SEZ Act No. 16 of 2014 as amended. Their mandate is derived from the SEZ Act, whose objectives include among others;

a. To determine SEZ policy and strategy;
b. To establish an SEZ advisory board and SEZ fund;
c. To ensure proper designation, operation, promotion, development and management of SEZs;

d. To enact regulatory measures and incentives for SEZs in order to attract domestic investment, as well as FDI; and
e. To establish one-stop shops to deliver all requisite government services within the zone.

The SEZ Act and its regulations further stipulate that the capital costs of the SEZ are funded by the DTIC According to the SEZ Act.

2.4. Evolution of the SEZ Concept

The concept of the SEZ as we know it today has its origins in the late 19th century (Zeng, 2016:12). The only difference is that at that time the concept was known by different terms. For example, in South Africa, SEZs as we known them today were previously known as industrial development zones (IDZs) (DTIC 2016:3; Makoni, 2015:76). In countries like Zimbabwe they are commonly referred to as export processing zones. In other jurisdictions, SEZs are simply referred to as industrial parks or free trade zones (Dube, Matsika & Chiwuze, 2020:1).

During that period, several countries in Europe and in America embarked on wide-scale industrial reforms. The reforms were triggered by the need to satisfy the rising demand for basic commodities as the result of the World War II. Zeng (2016:23) asserts that the trail of devastation and food shortages in the post-war era gave birth to a new wave of industrialisation. Dube et al (2020:1) advance the notion that SEZs goes by different names in different countries. In China, the concept was experimented in the 1970s with great success and, ever since, the country is one the prominent members of the global network of the group of SEZ-oriented countries (Zeng, 2016:56).

In fact, SEZs are attributed to the rebirth of China's present-day industrial revolution. In Europe, the concept of an SEZ has its origins in the industrial revolution, which began in the 17th century. Germany, arguably Europe's number one industrial super power, attributes its industrialisation exploits to SEZs. Similarly, the United States of America's (USA) industrial superpower status was gained through a concerted SEZ roll-out effort (Kanyondo et al, 2016:35).

Despite the name one calls them, the shared reality the world over is that SEZs serve the same purpose and objectives (Kanyondo et al, 2016:34). A notion that SEZs are trapped in a daily scramble to secure increasingly scarce FDI opportunities is an understatement. The success of any SEZ is measured by the volume of FDI inflows or the deals it secures. SEZs have their origins in the industrial revolution literature. There is no denial that, by establishing an SEZ, the government seeks to legitimately raise its industrialisation banner. This is done in the hope that a thriving industrial base is what a country needs in order to achieve its economic growth and job absorption capacity (Zeng, 2016:34). Present-day industrialised countries attribute their industrial dominance and economic success to the concept of SEZs (Nyakabawo, 2014:23). As advanced by Makoni (2015:24), economic zones are increasingly becoming the surest and most preferred bet used by governments all over the word to achieve their policy objectives. The common objectives is FDI attraction, job creation and industrial growth. On a global level, the concept of the SEZ is gathering pace (Nyakabawo, 2014:24). Rough estimates show that there are nearly 5 400 SEZs in the world. Of these, approximately 1 000 were rolled-out in 2019 alone (Organisation for Economic Co-operation and Development [OECD], 2020:3). Leading countries where SEZs have been preferred instruments for industrial growth include, among others, China, India and Brazil. Of the three countries, China has recorded the most success stories. UNCTAD (2019:34) estimates that SEZs have left an indelible mark on China's industrialisation journey. Since 1979, China has embarked on an ambitious programme of SEZ and industrial zone development with the aim of restructuring its sluggish industrial growth. In Europe, German remains a classical example of what happens when a country repurposes its economy by going the SEZ route (Makoni, 2015:23)

2.5. UNDERPINNING THEORY

Makoni (2015:23) is one of the many scholars who have conducted extensive investigations into FDI promotion and marketing theories. The aim of Makoni's exploration study was to examine the link between FDI theories, investment promotion and marketing strategies. Makoni (2015:34) classified FDI theories into two distinct branches, that is, the macroeconomic branch and the microeconomic branch. In Makoni's view, macroeconomic FDI theories basically focus on country-specific investment attractiveness, while microeconomic FDI theories focus on firm-specific investment attractiveness. In order to gauge a country's investment promotion attractiveness, a country risk analysis needs to be conducted. The understanding is that, for a country to be a premier or popular FDI destination, such a country needs to offer an immutable investment climate. An immutable investment climate is an investment climate in which all structural barriers known to impede the flow of FDI are removed.

Makoni (2015:34) further asserts that more energy needs to be channelled towards reforming the country's investment climate with the aim of transforming the country into a global FDI hub. However, Makoni (2015:34) contends that an attractive investment climate alone is not sufficient if it is not supported by a well-resourced investment promotion and marketing facility.

This study is supported by the eclectic theory of FDI. As a branch of the microeconomic FDI theory. The theory is mainly concerned with strengthening the investment promotion attractiveness of a country, either at SEZ level or at firm level. The eclectic theory assumes that, at SEZ level, all necessary FDI attraction enablers or sweeteners are available, such as raw materials, tax incentives, low labour costs and favourable tariffs. The theory, developed by Dunning (1988:31), is also known as the OLI paradigm theory. OLI is an acronym for ownership, location and internalisation. The theory integrates international trade, imperfect markets (monopoly), internalisation theories and location theories (Gitonga, 2017:89; Makoni, 2015:67). The following is an explanation of three legs of the theory:

- *Ownership advantages*: The general view is that an SEZ that possesses difficult to duplicate offerings can easily win the hearts of offshore investors.
- *Location:* An SEZ that is endowed with abundant resources and world-class industrial infrastructure will have an absolute advantage over those less endowed with natural resources. Those SEZs situated in host countries with a documented history of political and economic stability will also have an added advantage.

- *Internalisation:* SEZs situated in globally networked countries find it easier to attract global capital than SEZs in countries that are isolated (Denisia, 2010:56).

According to Nayak and Choudhury (2014:56), the eclectic theory suggests that SEZs must possess all three elements explained above for them to be attractive to offshore investors; failure to effectively do this may result in them losing their appeal. All conditions should be satisfied before effective FDI ensues.

2.5.1. The FDI perspective of SEZs

FDI is a key contributor to industrial expansion because it provides extra capital and skills into the host country. OECD (2019:23) points out that FDI serves a vehicle for introducing new technology to a host nation. Depending on the nature of FDI, FDI is popular for building the job absorption capacity of the host country's economy (Summers, 2002:4). Developing countries are fully aware of the catalytic role of FDI and its centrality in efforts to unlock industrial growth and economic prosperity for citizens. This explains why developing countries are constantly searching for ways to attract larger volumes of FDI flow to their economies.

One of the known catalysts of FDI inflows in a country is globalisation. Globalisation has been long identified as one of the drivers of FDI. Globalisation effectively take place when a local firm spread its geographical influence or footprints to regions around the world. In other words, a firm that pursues a globalisation agenda will eye markets that are beyond its geographical borders. For instance, by setting it up its operations in many countries and continents of the world, Coca-Cola is in fact entrenching its global influence. In reality, globalisation is catalysed by the reduction of geographical barriers, a paradigm shift towards cross border economic activity and the move towards the integration of regional economies.

Structurally, the concept of SEZ is designed with FDI in mind. In other words, SEZs are widely regarded as the epicentre or drawcards of FDI inflows. As noted by OECD (2019:34) one of the primary mainstays of SEZs is to act as conduits or channels in which FDI flows into the country. This explains why an SEZ must always strives to master the art of winning the hearts and minds of offshore investors. UNCTAD (2019:23) argues that since the inception of the SEZ concept in the 1980s, the scramble for scarce FDI opportunities in offshore markets has since trebled. As new SEZs are formed, they are put under enormous pressure by authorities to generate high FDI yields. In worst instances, some government often threaten SEZs that are failing in their duty to attract meaningful FDI inflows with either hostile takeover or closure. The mandate of any SEZ is simplified clarified by UNCTAD (2019:24) when it reiterated that at the heart of any SEZ's business domain is its strong focus for FDI, perhaps meaning that the survival of any SEZ is inextricably linked to its FDI attraction performance. What this means is that any meaningful SEZ construct must pass the FDI marketing and promotion litmus test. This is often achieved by building the destination marketing and promotion capability of the SEZ in question, sharpening the deal making acumen of the FDI marketing team, retooling the marketing and promotion unit to enhance its operating and financial leverage.

2.5.2. South African perspective

South Africa has 15 SEZs. Of these, only six are operational, while four have been fully designated but plans are still afoot to operationalise them. Plans are at an advanced stage to process designation applications of remaining seven zones. SEZs in South Africa date back to 2000 when the IDZ programme was introduced by the DTI in terms of the Manufacturing Development Act Development Act No. 187 of 1993 and the IDZ Programme launched in 2000 (Nyakabawo 2014:34). 'As a result of the promulgation of the SEZ Act No. 16 of 2014, from 2016, all existing IDZs became SEZs, while all new SEZs could only be established in line with the provisions of the Special Economic Zones Act 16 of 2014. When the SEZ regime was mainly consisted by IDZs, the location for the SEZs appeared to be mainly in coastal areas. As a result, provinces that have coastal regions dominated the regime. The Eastern Cape and KwaZulu Natal provinces had two SEZs each, whereas ORTIA was the only inland IDZ in the country. However, following the policy reforms, more areas became interested in the idea of establishing SEZs, resulting in an increase in the number of applications for different locations within the country. Approved investors eyeing the country's SEZ qualify for numerous fiscal incentives. In 2016, the DTIC published the four categories of tax incentives licensed SEZ could access. These included, inter alia, Value Added Tax (VAT) and customs relief if the SEZ is located in a customs controlled area (CCA); the employment tax incentive; a building allowance; and reduced corporate income tax rate. The following table provides a brief summary of these incentives:

Table 2.1: SEZ incentives

Type of incentive	**Details**
VAT and customs relief	Companies that are placed inside the CCA qualify for VAT and customs relief in line with the current VAT and customs legislation. Such advantages consist of import duty rebates; and VAT exemption on imports of manufacturing associated raw materials, equipment and assets for use in the manufacturing of export-orientated products. It also includes suspension of VAT on items procured in South Africa and efficient and expedited customs administration.
Employment tax incentive (ETI)	Employers employing employees earning a salary below the R60 000 p.a. qualify for this incentive. ETI aims to reward licensed operators who employ young and less experienced work seekers. Under this set-up, the government also pays a portion of salaries within a cost sharing regime.
Building allowance	Licensed operators qualify for an accelerated depreciation allowance on capital structures (buildings). Currently, the allowance is pegged at 10% over a period of 10 years.
Reduced corporate income tax rate.	Qualifying and licensed companies qualify for a reduced tax rate of 15%, instead of the 28% charged to non-licensed firms.

Adopted from the DTIC's SEZ Incentive Guideline: (2016:1)

Within the South African context, a licensed operator is eligible for tax incentives provided it meets the following criteria (DTIC, 2016:1):

a. The operator must be incorporated in South Africa or have its place in effective management in South Africa;

b. The operator must conduct it trade activities within the confines of a designated SEZ area;
c. Not less than 90 per cent of its revenue or income must be derived from its SEZ-linked trade activities;
d. The trade must be conducted from fixed premise that is located within the SEZ region.

The question of whether these incentives are attractive enough to make a positive impact on an SEZ's FDI volumes is a difficult and complex one. This is probably because tax incentives are not the only variables that foreign investors take into account when making investment decisions. Other variables, such as a country's risk portfolio, a country's ease of doing business index, a country's corruption and transparency index, quality of available network infrastructure, accessibility to raw material markets and the flexibility of labour laws also play influential roles.

2.6. LESSONS FROM OTHER SEZ JURISDICTIONS

Recently, a report titled *World Investment Report* published by UNCTAD (2021:34) painted a bleak and gloomy picture of the global state of FDI inflows. According to the report, FDI inflows fell sharply by 35% in 2020 to US$ 1 trillion from US$ 1.5 trillion in 2019. This was largely because of the ripple effect of the Covid-19-induced lockdowns. As investment uncertainty increased, many foreign investors were forced either to slow their investment pace down or shelve pipeline projects as the pressure of the lockdowns mounted. According to the UNCTAD report (2021:2), the fall in FDI was more profound in developing countries. Asian economies reported a marked increase in FDI inflows (8%) particularly because many countries in that region embarked on wide-ranging investment climate reforms. However, despite all these isolated gains, the global economic outlook is still weak and the future for FDI inflows is largely dependent on the pace at which governments in the world thoughtfully reform their investment attraction and promotion strategies.

In order to broaden our insight into the effect of investment attraction incentives on FDI inflows, valuable lessons were drawn from carefully selected SEZ case studies from jurisdictions outside South Africa. Three jurisdictions with varying SEZ experiences and approaches were of interest. These jurisdictions include, among others, Myanmar, Zimbabwe and Mauritius. Myanmar was chosen because it has an emerging but ambitious SEZ project, while Zimbabwe was selected because it is one of the few countries in Southern Africa to pilot the SEZ concept. Mauritius was chosen because it was the first country in Africa to pilot export processing zones, (Sanspeur & Chellapermal, 1996:56).

2.6.1. Myanmar experience

The following examine Myanmar's SEZ journey and how its government set in motion a programme that is credited for turning around the operations of some of its struggling SEZs.

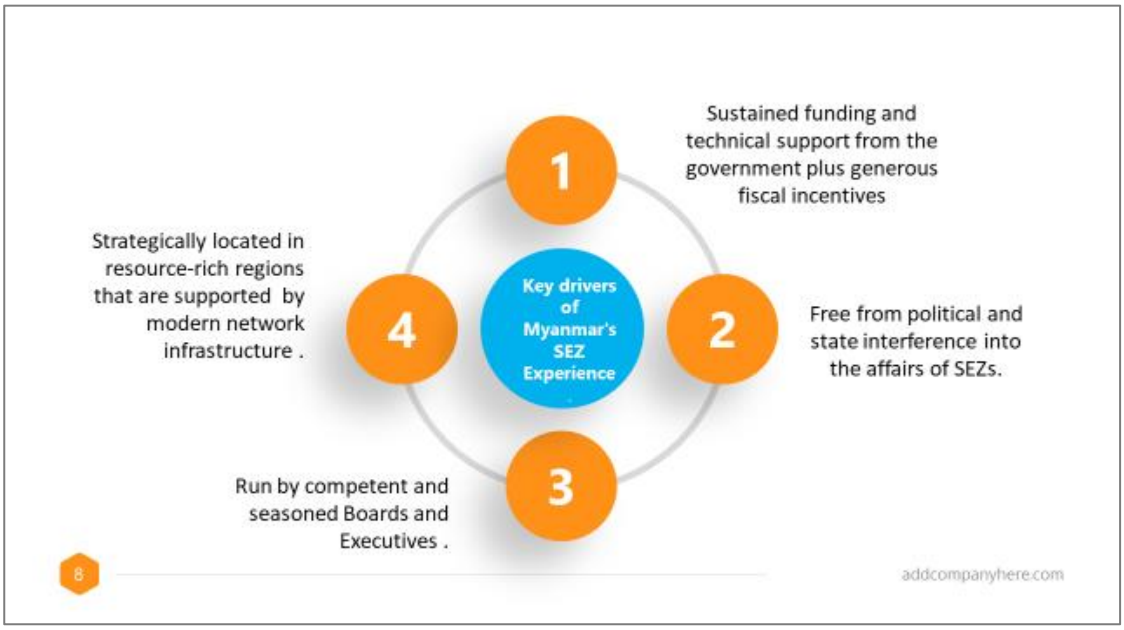
2.6.1.1. Objectives of its SEZ programme

The Myanmar government is one of the many Asian governments that joined the SEZ bandwagon in the 1990s. Their version of an SEZ was devised with three overarching goals in mind, namely (1) the restructuring of the economy to make it more inclusive in character; (2) to steer the economy on the path of rapid industrial growth; and (3) to turn Myanmar into Asia's new industrial powerhouse and net exporter.

2.6.1.2. Investment attraction strategy

In order to achieve these vital policy objectives, the Myanmar government enacted a combination of SEZ laws. These laws identified various investment attraction instruments that conferred preferential or special treatment on investors eyeing designated industrial zones. Seven dominant investment attraction instruments were identified by these laws, namely fiscal incentives, a special custom regime, investment facilitation, preferential land use, trade facilitation, infrastructure provision and the provision of social amenities. Under this regime of incentives, businesses operating in designated SEZ regions enjoy tax holidays or exemptions for the first seven years, followed by a 50% reduction in corporate income tax for the second five years, plus a reduced rate in reinvested profits for a further 5 years. Thereafter, the standard corporate tax of 25% will then apply. However, these exemptions do not apply to dividends paid out to shareholders. In such cases, a dividend tax will be levied.

Figure 1: Key drivers of Myanmar's SEZ success



Adopted from OECD, 2019.

As indicated earlier, Mauritius was the first African country to pilot the EPZ concept in 1970. The concept was given legitimacy with the enactment of the Export Processing Zones Act of 1970. Twenty-years later, the EPZ Act was replaced with the Free Port Act of 1992, itself an elaborate SEZ version (Sanspeur & Chellapermal, 1996:45). The 1992 Act was subsequently repealed and replaced by the Freeport Act of 2001 and three years later the 2001 version of this Act was amended to give rise to the current legislation, namely the Freeport Act of 2004. Thus, SEZs exist in the form of EPZs in Mauritius, which are mainly single-factory units and freeport zones. Under the current landscape, 19 sites have been effectively designated freeport zones (Government of Mauritius, 2004).

These zones are close to the country's airports and seaports in order for businesses to easily access markets and raw materials using air cargo and ships. For example, Port Louis, one the largest ports in the country, has docking and storage facilities that are used by importers operating in freeport zones. At the same time, Mauritius boasts of high freight maritime service rates, with the Port

Louis harbour serviced by a number of shipping lines. Freeport developers have built warehouses to rent out at concessionary rates to licenced holders within the freeport zones. Furthermore, licenced investors access fiscal incentives similar to the incentives offered by the government of Myanmar (Sanspeur & Chellapermal 1996:45).

According to the OECD (2019:45), Mauritius's version of tax incentives has been largely attributed as the reason why Mauritius has become the darling of foreign investors. Since the enactment of the 2004 Act, Mauritius has reported a marked increase in FDI inflows into its free port zones. OECD pegs this increase at 45% (OECD, 2019:23). Mauritius's success story is strongly linked to the resolute support SEZs continue to receive from senior government and political leaders (Sanspeur & Chellapermal 1996:45).

2.6.2. Zimbabwean experience

According to Makoni (2016:20), SEZs have been part of Zimbabwe's policy discourse for a long time. This policy discourse received a major boost when the country enacted several SEZ laws. In practice, Zimbabwe's SEZ version, which is primarily governed by the SEZ Act of 2016, is subdivided into two broad categories, namely the single-sector SEZ category and the multi-sector category (Dube et al, 2020:2). Whereas under the single-sector regime only one type of goods or service qualifies for preferential fiscal treatment, a multi-sector SEZ regime is different in that at least two or more goods or services are eligible for such benefits.

Another unique dimension to Zimbabwe's SEZ version is that SEZs can either be publicly or privately owned. Both public and private SEZs are designated and licensed by the Zimbabwe Special Economic Zones Authority (Dube et al, 2020:2). Notable examples of fully-fledged single-factory SEZs include, inter alia, Afrochine Smelting in Selous; Arcadia Lithium in Goromonzi, Varun Beverages; Trade Kings Zimbabwe, a detergent manufacturer; and Vislink Investments, a medical manufacturer. Furthermore, six geographic areas designated and licensed as public SEZs include the Belmont–Kelvin–Donnington–Westondale Corridor SEZ (Bulawayo); Imvumila SEZ (Bulawayo); Masuwe SEZ (Victoria Falls); Sunway City Pvt Ltd SEZ (Harare); Beitbridge SEZ (Beitbridge); and Fernhill SEZ (Mutare).

Regarding the range of incentives available to licensed operators, it is important to note that the Zimbabwean government has approved two categories of incentives, namely the fiscal incentives or a special custom regime and an expedited administration dispensation. Under the Zimbabwean SEZ law, SEZ-licensed investors are exempt from paying tax and duty on goods and equipment that are consumed in establishing the business for the first five (5) years and 15% corporate income tax thereafter. Other incentives include, inter alia, employee tax, which expatriates offering skills not found locally are exempted from paying; and zero-rated capital gains tax. From the look of things, the incentive regime offered by the Zimbabwean government is similar to that offered by South Africa and Myanmar. The only major difference is that, unlike Zimbabwe and Myanmar, South Africa has an edge in that it enjoys a considerable level of political and economic stability in relative terms (Dube et al, 2020:12).

The sad reality is that, despite concerted efforts to increase FDI inflows in SEZs and ‘Zimbabwe is open for business’ mantra, the country’s major SEZ regions have not reported a significant inflow in FDI, especially in the past five years. Critics attribute this largely to the absence of far-reaching investment climate reforms and the country’s tainted image, especially in key foreign capital markets like Western Europe and the USA (Sanspeur & Chellapermal 1996:45; Makoni, 2016:34).

2.7. Attributes of a Successful SEZ

For an SEZ initiative to thrive or to bear desired fruit, the drafters of the SEZ programme have a duty to create a cocktail of enabling conditions. Commonly acknowledged enablers of successful SEZ projects are contained in recent UNCTAD literature. UNCTAD (2019:23) subdivided these critical enablers into three broad categories, namely organisational, economic and physical/spatial enablers. Whereas organisational enablers focus on how an SEZ project is planned, structured, financed and governed, economic enablers focus on how present-day economic conditions can impact on an SEZ’s performance. On the other hand, physical or spatial enablers focus on how locational factors can be manipulated to drive the success of the SEZ project.

2.7.1. Key organisational enablers

2.7.1.1. Alignment to the national vision and strategy

At the heart of a thriving SEZ project remains the need to ensure that its founding charter (vision, mission and core values) is seamlessly aligned with national developmental imperatives and priorities. In the case of South Africa, the objects of any SEZ charter must certainly merge with the country's National Development Plan (NDP) priorities (DTIC, 2019). For instance, the charter must demonstrate that its primary focus is to inspire rapid industrial growth, innovation and job creation (Dube et al, 2020:13).

Alternatively, the SEZ project must prove that its core mission is to drive the country's transformation and black empowerment agenda (DTIC, 2019:23). In a nutshell, a vibrant SEZ project must justify its socio-economic desirability and existence, otherwise such an undertaking will be a futile or fruitless exercise. This explains why a compelling business case for the establishment of an SEZ must be demonstrated first before any application for a license is made. In other words, the do-ability, desirability and bankability of any SEZ project must be properly tested by undertaking a comprehensive feasibility investigation exercise.

Thus, the crafters of SEZ concept documents have a duty to convince the government that the targeted region has all that it takes to establish a thriving and viable SEZ enterprise. The contribution of the SEZ to the national development discourse must be proven beyond reasonable doubt. This explains why Malaysia attributes its remarkable SEZ success to its ability to integrate its free industrial zone in Penang into its national objectives. In any case, the inability of any SEZ project to demonstrate its strategic relevance to the country's nation building discourse can adversely weaken its political support base. Policymakers have a tendency to back an SEZ project that places national development imperatives at the centre of its founding charter (Kinyongo, 2016:15).

2.7.1.2. Political capital

The world over, the continued survival of any SEZ project is depended on the quality of the political support it garners from that country's key political role players.

Securing political support is, therefore, integral to the success of any SEZ. SEZ contexts where political support is guaranteed have proven to enjoy a great deal of success (Dube et al, 2020:34). In essence, adequate political support instils a culture of policy certainty and, at worst, raises the country's risk level. Apart from calming the nerves of otherwise risk-averse investors, a stable political environment has been identified as a key magnet for FDI. No investor worth their salt will invest in a country that suffers from a history of political instability and policy uncertainty (Committee for Economic and Commercial Cooperation [COMCEC], 2017:56). Securing the buy-in of vital government departments is the hallmark of a successful SEZ project. In order to harness political capital to its advantage, intelligent SEZ leaders must build a network or web of political support around the project. As proposed by Farole et al (2013:36), those at the helm of the SEZ project must ensure to:

- Co-opt a powerful 'power-broker' with remarkable political clout onto the panel of its advisors or board of directors with the hope that such a person will neutralise existential political threats or risks that may derail the project or jeopardise the spirit of the SEZ;
- Co-opt a seasoned and prominent corporate leader or private sector representative who commands respect across that country's political divide; and
- Co-opt onto its decision-making structures a seasoned public service technocrat, ideally a person who possesses cabinet experience and whose integrity is revered across the board.

2.7.1.3. Legal and regulatory framework

A regulatory and legal discourse that is highly liberalised, less burdensome and, above all, that differs from normal regulatory discourses was identified by Farole et al (2013:36) as one of the key underwriters of a successful SEZ project. The enactment of separate legal arrangements, or what is commonly referred to as SEZ-specific rules and regulations, should be a key policy priority. Licensed SEZ operators are keen to enjoy regulatory-based benefits and privileges that are not normally enjoyed by firms that operate outside the SEZ corridor. No serious SEZ undertaking can attract FDI in the absence of appropriate regulatory and policy reforms. The primary aim of these reforms is to create a regulatory or policy framework that genuinely creates an operating environment that is visibly different from that governing the rest of the economy. A rigid, burdensome and protracted license application regime will definitely batter investor confidence. As a result, investors will be left with no choice but take their monies elsewhere.

A harsh regulatory climate is widely known to hamper policy transparency and predictability. A study by Farole et al (2013:34) involving 100 SEZs across the globe demonstrated the existence of a strong correlation between the regulatory climate and SEZ outcomes (Farole et al, 2013:34). A streamlined regulatory dispensation that is free of entry barriers is advantageous in that it eliminates policy reversal fears (Zeng, 2016:45). To this end, all legal instruments that govern an SEZ must be written in clear and precise terms to avoid risks of ambiguity and inconsistencies in interpretation.

Furthermore, issues such as the rule of law, the independence of the judiciary and a functional justice system need to be reaffirmed by those at the helm of the political system at all times (Zeng, 2016:34). Investors who feel aggrieved or short-changed by a country's investment system must find that the justice system is not only accessible but also free from political interference. A legal and regulatory regime that fosters the speedy resolution of disputes, guarantees real-time processing of licensing processes, is free from biases and political manipulation and is insulated against state interference is what foreign investors require (Zeng, 2016:34). Anything short of that may make the legal climate unattractive and, hence, a limiting factor.

2.7.1.4. Incentives framework

Incentives that are normally available to investors are divided into two main categories, namely fiscal and non-fiscal benefits. Fiscal benefits remain a central feature of the incentive framework. These fiscal benefits come in the form of either complete or partial tax holidays or breaks. According to Dube et al (2020:13), tax holidays must be legislated for in order for them to be legitimate and claimable. Fiscal benefits can only take the form of a special customs dispensation that includes elements such as zero tariffs or reduced tariffs on goods, plant or machinery imported into the zone. For an operator to qualify for these benefits, it must demonstrate that the plant, raw materials or equipment imported will be utilised exclusively in the zone.

The special customs dispensation may also take the form of streamlined or simplified customs procedures. When the tax holidays are instituted, operators will be exempted from paying corporate taxes. Operators also receive a capital gains allowance as a reward for additional investment on capital goods (OECD, 2017:56).

Non-fiscal incentives that increase the benefit of conducting business in an SEZ are deemed more essential to investors than fiscal incentives. Investors want an efficient investment licensing and clearance process. Where feasible, fiscal incentives ought to be standardised throughout all of the zones to avoid unfair competition. As a result, competition such as this derives incentive packages that cannot be sustained as well as undermines the value for money and economic performance. Thus, the principle difference between competing zones should no longer be the economic incentives (COMCEC, 2017). Incentive packages ought to additionally include ‘sunset clauses’ that restrict the length for which companies experience tax advantages in order to avoid the unsustainable ensuring of economic incentives.

2.7.1.5. Zone development and operation

UNCTAD (2021:34) maintains that those tasked to champion investment attraction initiatives must have a clear and concise understanding of the roles played by key partners in the SEZ zone. By its nature, the task of establishing, modernising and operationalising the zonal infrastructure is, itself, a costly and daunting exercise. A substantial number of resources are sacrificed in the process. This explains why the chief promoter of the SEZ must see to it that the desired returns on capital employed are recouped at all costs. Equally critical is the fact that the setting up of an SEZ should place at its apex the unique preferences and needs of targeted investors. As posited by COMCEC (2017:23), a thriving and vibrant SEZ must strive to provide efficient and quality services to investors, while at the same time making sure that such services generate the desired financial returns. Farole et al (2013:34) noted that the success of an SEZ is, essentially, dependent on how the SEZ efficiently mobilises and rallies key institutions behind a streamlined administrative, legal and regulatory dispensation. In addition, agencies of the State that play vital roles in the FDI attraction matrix must work closely together in order to foster the desired synergies. The business of running the affairs of any SEZ requires greater inter-agency collaboration and partnership.

2.7.1.6. Greater private sector involvement

SEZ promoters must avoid the costly mistake of excluding, alienating and marginalising private sector inputs in its day-to-day affairs. In order to generate extraordinary results, the whole SEZ initiative and structure must be grounded on inputs petitioned from the private sector. Farole et al (2013:34) insist that the private sector is a vital cog in efforts by promoters to drum up desired support from offshore investors. As observed by Dube et al (2020:21), today's winning SEZs are those that stimulate greater private sector involvement and, for this to happen, promoters need to place the private sector at their centre of their decision-making matrix. A bilateral relationship or twinning arrangement with influential business chambers, both from within and outside the country, need to be anticipated, created and stimulated.

In countries such as Zimbabwe, private organisations owning SEZs under the single factory unit banner have been widely commended for playing a driving role in setting up a modern SEZ infrastructure in the country. Facing persistent funding constraints, the Government of Zimbabwe had no choice but to rope in well-resourced private organisations in the SEZ environment under its Build, Operate, and Transfer (BOT) dispensation. However, Farole et al (2013:34) warn that, while private ownership of an SEZ licence is, in itself, plausible, the government has the duty to ensure the private operator's profit and revenue motives are aligned to the government's developmental motive.

2.8. KEY ECONOMIC SUCCESS FACTORS

2.8.1. Selection of sectors and activities

For supernormal results, industries/sectors targeted by the SEZ should be linked to that region or site's comparative advantages. Variables that need to be taken to consideration include, among others, accessibility to appropriate skills; proximity and capacity of input or raw material suppliers; and access to preferential markets. Above all, the site decisions should reverberate with a given country's macro policy objectives and priorities. In addition, preference should be given to sites or regions that offer the best backward and forward linkage gains (COMCEC, 2017:35). As noted by OECD (2017:23), SEZs should not operate as communes or islands; rather they should form an integral part of the national economy mix in order to gain desired knowledge and technology synergies with this economy mix.

The fusion of SEZ activities into the bigger economic system to create a web or chain of composite firms in and around the SEZ is a key underwriter of success (OECD, 2017:34). Current literature is full of examples of such practices. For instance, in Macedonia, a Belgian bus manufacturer selected the zone that once housed one of the country's biggest bus manufacturers as the location for its newest bus assembly plant. This was done with the aim of capitalising on existing infrastructure and a composite of value chain firms already operating in the area. In 2013, a Belgian bus producer chose the zone as the place for its latest bus assembly plant to take advantage of present infrastructure and cluster of companies already working within the area (OECD, 2017:34). In Malaysia, the government launched the Penang monetary zones in 1972 with the purpose of attracting companies and investment in industries in the country. Five industrial parks were established close to the free trade zones to accommodate supportive and ancillary industries associated with commercial and industrial activities (COMCEC, 2017:31).

2.8.2. Economic impact performance indicators

There must be a clear vision from the onset on the size and scope of the economic impact that SEZ programmes wish to accomplish. The economic impact indicators may include job creation, exports, FDI, contribution to the economy's gross value, skills transfer and links to the local economy. SEZs, by their nature, can also have transformational effects inclusive of economic diversification and industrialisation (COMCEC, 2017:67). Successful SEZs are also effective in investment promotion. Companies should develop detailed marketing strategies to promote the value proposition of SEZs to investors. There should also be institutions exclusively mandated by legislation to market and promote zones to investors. These investment promotion activities should be meticulously organised by entities responsible for the operation, development or regulation of zones (Cheong, 2018:45).

2.8.3. Key physical/spatial factors

2.8.3.1. Proximity to transportation nodes

As suggested by Farole (2011:34), a site decision must form an integral element of a top management's decision-making agenda. Globally, successful SEZs are known to exploit pre-existing advantages, such as network infrastructure (roads, communication, railway and air transport) and trade-related infrastructure, itself an enabler of mobility and connectivity (Farole, 2011:35). For sustainable results, location choices should never be underpinned by political expediencies but rather informed by economic and technical considerations. Investors are known to shy away from badly sited SEZs, where mobility; connectivity; and accessibility to raw materials, markets and skills are not guaranteed. Thus, SEZ sites that enjoy sustainable links to modern network facilities and skills have been found to be effective and impactful (Cheong 2018:45).

In South Africa, the SEZ concept was in the main epitomised by IDZs, whose location was primarily in coastal areas, focusing on export promotion. With the majority of operational SEZs in coastal areas, the key stimulus for designation is the need to increase exports. An example of such an SEZ is the Coega SEZ, which is connected to the Port of Ngqura, a deep-water harbour that is a gateway to global markets. There is also the Saldanha Bay SEZ, which is at the Port of Saldanha, in close proximity to the global southern trade route. Dube Trade Port is also an SEZ that is positioned between two big seaports in Southern Africa, linked to the rest of the African continent by road and rail. The 2 seaports are Durban and Richards

Bay. The Maluti-a-Phofung SEZ is strategically situated on the Durban–Reef corridor. Policy reforms were effected in South Africa, which resulted in more areas gaining an interest in SEZs. This interest led to an increase in the number of applications to establish an SEZ from various locations within the country, such as the ORTIA SEZ situated at an inland port of entry. Trade advantages, however, continue to be the main reason for the establishment of an SEZ, although the SEZ regime includes domestic trade as well. Thus, SEZs in South Africa have been deemed to more likely exploit the transportation nodes to be successful.

2.8.3.2. Investment in infrastructure

Provision of quality infrastructure is important for the success of economic zones. Farole (2011) stated that the infrastructure and administrative environment that firms in economic zones encounter is important, it impacts on the net production costs of the company. The further away an economic zone is from its primary source of raw materials or export channels, the more likely it is for the economic zone to fail (Cheong, 2018). Zeng (2016) emphasised that economic zones should not be detached from other sectors of the economy. He further argued that a territorial model of executing economic zones would not thrive because zones need to be built on a local comparative advantage that links with local suppliers as part of their value chain. Thus, the success of an SEZ requires a conducive working environment inside and outside the zone in order to sustain connectivity between the zone and the local economy and markets. Previous experience of SEZ development exhibits a well-defined relationship between the economic performance of SEZs and the quality of infrastructure (Cheong, 2018:45). Because of the presence of a relationship between the performance of SEZs and the quality of available infrastructure, a structure that accelerates the formation of the required infrastructure for an SEZ before companies invest in it has a good chance of being successful.

SEZs with little focus on availing enabling infrastructure are likely to fail. This, unfortunately, has become a common characteristic of SEZs in some countries.

The South Africa SEZ regime has advanced a step further and has requested for standalone SEZ operators in some zones. These operators have been instrumental in ensuring the availability of conducive infrastructure. This helps to ensure that provision of infrastructure is not solely the responsibility of the SEZ (Dube *et al,* 2020:23).

In addition, the regime further enhanced the probability of success by making available an SEZ fund that can be accessed by organisations for these objectives. The same holds true for Mauritius. Ensuring that there is adequate infrastructure for facilitating the smooth operation of the zones is one of the main requirements for developers. In Mauritius Inability to sufficiently maintain the zone results in the revocation of the licenses. Thus, there is a clear programme, based legislation, to confirm that there is an institution responsible for ensuring that infrastructure is in place. This is expected to go a long way to attract investors to the zones (Dube et al, 2020:23).

2.9. NOTABLE CHALLENGES

Moran (1998:58) cautions that FDI markets are influenced by volatile changes that occur in global markets. The seismic shifts in global markets are, in part, caused by geopolitical pressures and other global considerations. Well-structured FDI projects may, to a great extent, have a clear and positive impact on development for the host country (World Bank Group, 2017). In contrast, some studies have shown that FDI can also have a noticeably negative impact on the host country's prospects for development, that is, sufficiently negative that the host society would be better off not receiving the FDI at all. The deductions have been that the determinants of impact of FDI on host countries (whether positive or negative) are embedded in the strength of competition in the markets in which the investors operate (Moran, 1998:25).

Global trends, as captured by UNCTAD (2019:89), highlight the fact that global FDI flows continued to decline in 2018, falling by 13 per cent to US$ 1.3 trillion from a revised US$ 1.5 trillion in 2017. Large returns of accumulated foreign earnings by USA-based multinational enterprises led to a third consecutive fall in FDI in the first two quarters of 2018, after tax reforms were introduced at the end of 2017 and underprovided compensation from upward trends in the second half of that year. A sharp decline in FDI flows was realised by developed countries and economies in transition. Developing countries remained stable and saw an increase of 2 per cent in FDI. Developing countries, as a result, accounted for a growing share of global FDI of 54 per cent, up from 46 per cent in 2017. The key drivers for this long-term slowdown in FDI are policy and economic as well as business factors. Policy factors, in this case, refers to the regular opening of emerging markets that stimulated FDI growth until the late 2000s. These drivers are no longer driving FDI to the same magnitude.

Policy factors include labour market, restrictions on FDI, openness, infrastructure, product market and trade barriers (Booi, 2018:67). Non-policy factors, on the other hand, include economic and political instability, market size, transport costs and factor endowments. In the last few years, limitations on foreign ownership, as per national security considerations and strategic technologies, have been crucial for policymakers, while the development of the global policy frameworks for trade and investment do not support investor confidence.

Key economic factors behind the long-term slowdown of foreign investments include declining rates of return on FDI (Watson, 2001:67). While rates of return continue to remain higher in developing and transition economies, on average, most regions are still affected by the erosion of FDI. In Africa, return on investment dropped from 11.9 per cent in 2010 to 6.5 per cent in 2018. Business factors in this regard include structural changes in international production.

Digital technology adoption in international supply chains across various industries is causing a move towards intangibles such as online products and services and increasingly asset-light forms of production. This is because global markets and exploiting efficiencies from cross-border processes no longer requiring heavy asset footprints (Crispen, 2011:45). The trend is noticeable in the divergence of crucial international production indicators, with a considerably flat trend in FDI, trade in goods and quicker growth of both trade in services and international payments for royalties and licensing fees (Aradhna, 2007:15). Engaging in FDI is a complex decision for multinational corporations (MNCs) as overseeing them requires strategic measures and, as such, the eclectic paradigm is relevant and well accepted.

The attractiveness of FDIs will depend on the maximum value that can be derived from the optimisation of OLI. There should be ownership advantage for the MNC, relative to ownership by local enterprises. Other attractive factors for MNCs include tax factors, proximity to market and knowledge management (UNCTAD, 2019:15; Gitonga, 2017:18).

In conclusion, more countries are looking to attract investment in digital technologies and innovation as key drivers of economic growth (Fias, 2008:89). Companies with strategic interests in information and communication technology (ICT) projects have better prospects of attracting FDI than those in the non-ICT sectors (UNCTAD, 2019:15), because ICT-related projects are increasingly gaining momentum as a result of the effect of the 4th Industrial Revolution (UNCTAD, 2019:15). The selection of agriculture and food processing, among the most promising sectors in developing economies, indicates that those economies expect a significant share of FDI to remain connected to natural resources for the foreseeable future (Gitonga, 2017:18).

2.10. CONCLUSION

SEZs are potent policy tools that governments all over the world continue to use to address the persistent challenge of capital flight, deindustrialisation and unemployment affecting their economies. However, despite their known benefits, not all SEZs are delivering the desired results because of a lack of aggressive investment marketing and promotion efforts. Some of the challenges perpetuating the non-performance of SEZs include, inter alia, a lack of internal organisational capacity; poorly structured and marketed incentive regimes; poor locations; and inadequate political support. It is self-evident that countries that have done fairly well in paying attention to the issues outlined stand a better chance of realising these benefits.

CHAPTER 3: RESEARCH METHODOLOGY

3.1. INTRODUCTION

This chapter provides the theoretical and conceptual basis on which the methodology that was used to select study participants and to collect and analyse valuable data was selected. The chapter also identifies the methodology, data collection and data analysis methods that best suited the study. A research methodology is an action plan that outlines a series of logical and sequential steps that a researcher takes to manage and control the research process (Leedy & Ormrod, 2010). Yin (2011:23) defines research methodology as a thought-out plan that outlines, in logical sequence, how the researcher intends to answer research questions. The common practice in conventional research is to premise the chosen methodology or research design on a carefully chosen research paradigm or philosophy.

3.2. STUDY AREA

Figure 2: Map of ORTIA SEZ: Adopted from 2021 Annual Report

The research was carried out at ORTIA SEZ. ORTIA SEZ is strategically located at the OR Tambo International Airport in Ekurhuleni metropolitan area near Kempton Park. The SEZ primarily focuses on the manufacturing and exporting of high-value, low-volume products that can be moved via air freight from South Africa (Scheepers, 2012:45).

3.3. Research Design

In the world of conventional research, a study can either be underpinned by an interpretivist or a positivist paradigm, depending on the nature or character of the phenomenon being studied (Leedy & Ormrod, 2010:23). An interpretivist paradigm harnesses the views of people who possess lived experiences about the phenomenon being researched to explain the unknown reality (Yin, 2011:73). Under the interpretivist paradigm, it is the primary duty of people who have interacted with the issue being studied to give it its true contextual meaning. Merriam (2009:45) argues that the interpretivist paradigm is built on the notion that a research phenomenon does not exist outside the meanings knowledgeable individuals construct for it. On the contrary, the positivist paradigm relies on statistical patterns of data to interpret a given social reality (Yin, 2011:74).

This study employed the interpretivist paradigm to provide an opportunity for individuals with knowledge on special economic zones (SEZs) to outline strategies on how OR Tambo International Airport (ORTIA) SEZ can improve its investment promotion and marketing strategies. Three research designs that are widely used in conventional research are the qualitative, quantitative and mixed method designs. Under qualitative design, the researcher primarily uses oral evidence or eyewitness accounts as the main source of evidence, while a quantitative investigation basically uses statistical data as the key source of evidence (Creswell, 2012:45).

On the other hand, the mixed methods design uses a combination of both qualitative and quantitative designs. This study will use qualitative research design. The qualitative design will accord those with an understanding of ORTIA SEZ's unique context to recommend context-specific foreign direct investment (FDI) attraction strategies for the troubled SEZ. A case study method will also be used to generate a comprehensive understanding of specific challenges hindering ORTIA SEZ from unleashing its optimal FDI attraction and promotion potential. Creswell (2012:34) defines a case study as ‘a method of qualitative inquiry that gathers insightful information concerning how a particular community or people interact with a phenomenon being researched'.

3.4. POPULATION AND SAMPLING

3.4.1. Population

Yin (2011:78) defines a population as a total pool from which a statistical sample is selected. The population of this study consisted of 15 ORTIA SEZ employees drawn from senior, middle and junior management levels as well as tenants operating within the SEZ.

3.4.2. Sampling

Saunders et al (2016:145) argue that it is not always practical to collect data from the overall population due to budgetary and time limitations. In cases where it is costly to collect data from the entire population, Saunders et al (2016:145) advise researchers to select a representative sample. Yin (2011:56) defines a representative sample as a subset of a larger population that possess the same traits and characteristic features of the entire population. Regarding sampling, a researcher has an option to either employ probability or non-probability sampling. With probability sampling, each part of the population stands an equal chance of being chosen to participate in a study, while in non-probability sampling; the researcher applies their discretion to choose fit-for-purpose participants. In this study, a purposive sampling technique, which is a branch of the non-probability sampling approach, was applied. This method allowed for the selection of participants with an in-depth understanding of investment marketing and exceptional knowledge of ORTIA SEZ's unique operational context.

3.4.3. Sample size

The decisions regarding the preferred sample size for this study were guided by Creswell (2012:34). Creswell (2012:34) highlights the notion that a sample size of between five and 25 should be sufficient for semi-structured interviews. In this case, at least 10 OR Tambo SEZ officials, three of whom were senior managers, three middle managers and four junior managers, took part in the study. These participants were targeted because they possess intimate knowledge of the SEZ's unique operational complexities. In addition, three senior managers of the In2Food Group, one of the first companies to operate in the ORT SEZ, were interviewed. The three managers shared their perspectives regarding some of the challenges that continue to hinder the company from attracting and securing new FDI deals.

3.5. DATA COLLECTION METHODS

Kumar (2005:212) describes data collection as the gathering of evidence that is specific in nature in order to enable the researcher to analyse the results of all activities using appropriate procedures and tools. Two sources of data were of interest, that is, primary and secondary sources of data. According to Merriam (2009:34), primary data represents data that does not exist in known sources, while secondary data represents data that is readily available in libraries and on the internet etc. The following specific methods were used to collect data:

Phase 1: Document analysis: ORTIA SEZ's 2017, 2018, 2019, 2020 and 2021 annual reports, obtainable from its website, were perused with the idea of understanding the specific challenges hindering the SEZ in attracting meaning FDI inflows. Documents were preferred because they contain authentic information on the SEZ's investment promotion and marketing performance.

Phase 2: Semi-structured interviews: Primary data was collected using semi-structured interviews. Saunders et al (2019:434) define a semi-structured interview as an exchange or dialogue between two or more people with a specific purpose. During this session, the researcher utilised succinct and unambiguous questions, while listening carefully and capturing the interviewees' responses accurately. Semi-structured interviews were employed because they presented an opportunity to directly collect oral evidence from participants who possess in-depth knowledge of ORTIA SEZ's investment promotion and marketing performance. Leedy and Ormrod (2010:56) argue that semi-structured interviews are beneficial in research settings where quick feedback is a prerequisite. An interview guide was developed to assist the researcher to conduct semi-structured interviews. Each of the participants were interviewed using the same interview guide comprising of a unique set of questions. Field notes and tape record interviews were diarised. The interview schedule contained open-ended questions and was structured as follows:

- Section A explored the background information of the participants;
- Section B interrogated the effectiveness of ORTIA SEZ's investment promotion and marketing strategies;
- Section C probed the challenges hindering the SEZ from unleashing its FDI attraction potential, and
- Section D required that participants suggest mechanisms that the SEZ should employ to improve its investment promotion and marketing performance.

Finally, the interview schedule was pilot tested with a view to improve its suitability and applicability in a real interview context. In this regard, two employees of the SEZ participated in the pilot-test and, thereafter appropriate changes were made to the interview schedule, where necessary.

3.6. DATA ANALYSIS

Data analysis can be defined as a process that describes, classifies and connects the occurrences to the researcher's concept (Yin, 2011:67). In order to respond to the research question and determine whether the objectives of the study have been achieved, the data collected should be analysed. To this end, collected data was analysed using the thematic analysis method. Creswell (2012:124) describes thematic analysis as 'a research method that provides a systematic and objective means to make valid inferences from verbal, visual, or written data to describe and quantify specific phenomena'. Using the thematic analysis enabled the identification of patterns of responses and themes were formulated for analysis. Data analysis unfolded in the five phases highlighted below:

Phase 1: The first step involved preparing data for analysis. Preparing data included reviewing of data to eliminate data transcription errors, incorrect facts and incomplete and ambiguous statements.

Phase 2: This phase relates to the arrangement, categorising and synthesising data and reviewing data which has been recorded (Maree, 2010:83).

Phase 3: The third phase involved developing appropriate themes and, for coherence purposes, these themes were derived from the research objectives.

Phase 4: Once the data was categorised, write-ups, based on common themes or subheadings, were compiled before a draft was prepared (Weathington, Cunningham & Pitternger, 2012:56).

Phase 5: The last phase involved synthesising the write-up to form a consolidated report.

The table below indicates some of the suggested themes.

Table 3.1: Suggested themes

	Research Objectives	**Main theme**	**Sub-themes**
1	To examine the effectiveness of FDI promotion and marketing strategies employed by OR Tambo International SEZ.	Effectiveness of investment promotion and marketing strategies	1. Number of FDI inflows in the past three years; 2. Value of FDI inflows in the past three years; 3. Number of offshore investors attracted to the SEZ in the past three years; 4. Number of commitments secured in the past three years; 5. Number of commitments operationalised in the past three years; 6. Number of job opportunities created in the past three years.
2	To identify various challenges that hinder OR Tambo	Challenges	1. Company-level challenges

	SEZ from attracting meaningful FDI inflows.		2. National-level challenges 3. Global-level challenges
3	To recommend strategies OR Tambo SEZ may employ to attract meaningful FDI inflows	Proposed strategies	1. Company-level strategies 2. National-level strategies 3. Global-level strategies

3.7. TRUSTWORTHINESS OF THE STUDY

The facts raised in the report were assessed for credibility, dependability, confirmability and transferability to ensure the trustworthiness of the study.

Credibility: Credibility involves proving beyond a reasonable doubt that the results of the research are trustworthy (Ary et al, 2014:531). The facts raised in the draft report will be triangulated to foster credibility. Data triangulation entails comparing and contrasting data from multiple data sources (Ormrod & Leedy, 2010:64). During the triangulation activity, all factual inconsistencies will be eliminated.

Transferability: Transferability refers to the degree on which the findings may be transferred to other contexts of similar nature (Leedy & Ormrod, 2010:45). Since this study used a single bounded case study, it was practically impossible to generalise its findings to other SEZs (Creswell, 2012:34). The deemed view is that the contextual setting prevailing at OR Tambo SEZ is unique to it and, hence, it would be challenging to replicate it to other SEZ environments.

Dependability: Dependability seeks to establish the consistency of findings (Yin, 2012:45). The data was cleaned of all factual and transcription errors before analysis to achieve dependability.

Confirmability: Confirmability addresses how the research findings are upheld by the data gathered (Leedy & Ormrod, 2010:89). An audit trail was completed to assist in tracing how each finding was arrived at to achieve confirmability. The participants were be challenged to critique the draft report.

3.8. LIMITATIONS OF THE STUDY

Although precautionary measures were taken to deliver a credible study, the study is not without its own limitations. One of the limitations includes the possible failure to secure the maximum support of some key informants earmarked for this study because of pressing work or family commitments. The researcher however resorted to telephonic interviews to mitigate this limitation. The other challenge was that COVID-19 regulations which resulted in limited access to ORTIA SEZ, resulting in limitations of conducting field work as envisaged. Some of the interviews were conducted through virtual communication platforms.

3.9. ETHICAL CONSIDERATIONS

For the purpose of this study, ethics relates to standard rules that guide the researcher's conduct and behaviour when conducting the study. The researcher has an obligation to abide by the ethical rules of the University of Limpopo's Turfloop Research Ethics Committee (TREC) during the entire course of the study. To this end, after this proposal was accepted by the relevant university authorities, the research acquired an appropriately signed ethical clearance from the university prior to initiation of the interviews. The following is a summary of some of the ethical issues the researcher took into account:

Informed consent: Informed consent is a cornerstone of ethical conduct in research. The aim of the informed consent principle is to respect the right of individuals to make informed decisions regarding their participation in the study. Participants were given a consent form through email to sign before interviews are conducted.

Clarify the objectives and benefits of the study:	Deception occurs when the objectives of the study are not accurately explained and clarified (Yin, 2011:95). Before the commencement of the interviews, the benefits and objectives of the study were deliberately clarified with the participants.
Permission to conduct the study:	Permission to conduct the study was sought from the chief executive officer of ORTIA SEZ (De Vos, 2011:235).
Voluntary consent:	Participation in the study was purely by voluntary consent and participants enjoyed the right to withdraw from the study at any point with no penalty imposed (Bazeley & Jackson, 2015:67).
Anonymity:	The researcher at all times discouraged participants from disclosing their identities in fulfilment of the long-established anonymity rule.
Confidentiality:	During the course of the study, all views, opinions and perceptions of individual participants expressed in confidence were not and will not be shared with unauthorised persons (Creswell, 2012:34).

3.10. CONCLUSION

In this study, qualitative research was employed and appropriate methods were used to analyse the data. The findings obtained during data analysis will be presented in the next chapter. Sample and sampling procedures, as well as population, were broadly discussed in this chapter. The method used for collecting data, as well as the data collection instrument used, were broadly discussed.

CHAPTER 4: FINDINGS OF THE STUDY

4.1. INTRODUCTION

This chapter summarises the main findings of the study. The findings are largely informed by the data obtained from the interviews as well as that extracted from the SEZ's various reports. The chapter is divided into three main sub-sections, namely;

- Section A: outlines the background data of participants;
- Section B: analyses of secondary data obtained from the SEZ's performance reports;
- Section C: analyses of the primary data obtained from interviews.

4.2. SECTION A: ANALYSIS OF BACKGROUND DATA

This section summarises the demographic composition of the participants as reflected by their education level, position and years of experience in the organisation. The results of the demographic composition of the participants is reflected below:

4.2.1. Education level

Since the issue being investigated required participants with a better insight into and knowledge of the operations of SEZs, it was deemed necessary to understand their level of education. The result of this analysis is summarised in Figure 4.1 below:

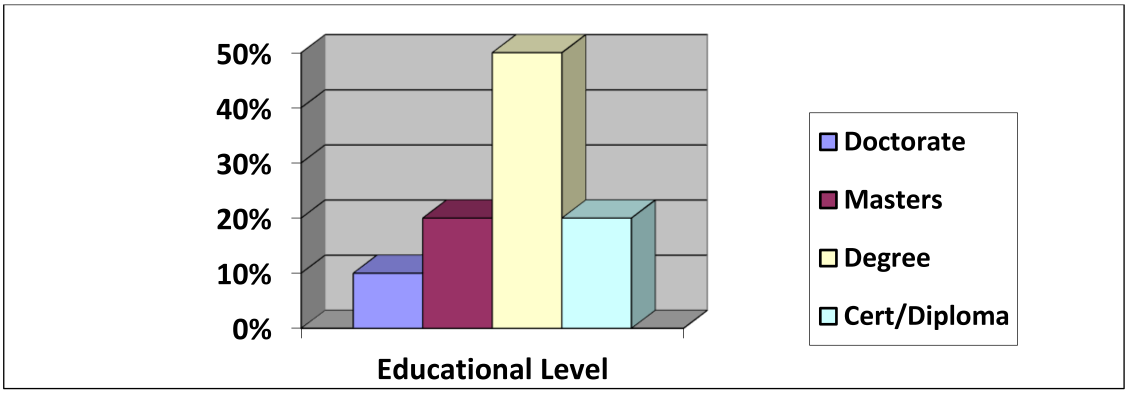


Figure 4.1: Educational level

The majority of participants (50 per cent) were degree holders, 20 per cent were certificate or diploma holders, 20 per cent were masters degree holders and the rest (10 per cent) were holders of a doctorate degree. It is self-evident that the researcher interacted with participants who were highly educated and well-informed, a variable that placed them in a suitable position to give a well-thought-out analysis of the issues at hand.

4.2.2. Position in the company

Figure 4.2 depicts a summary of position levels of the survey participants.

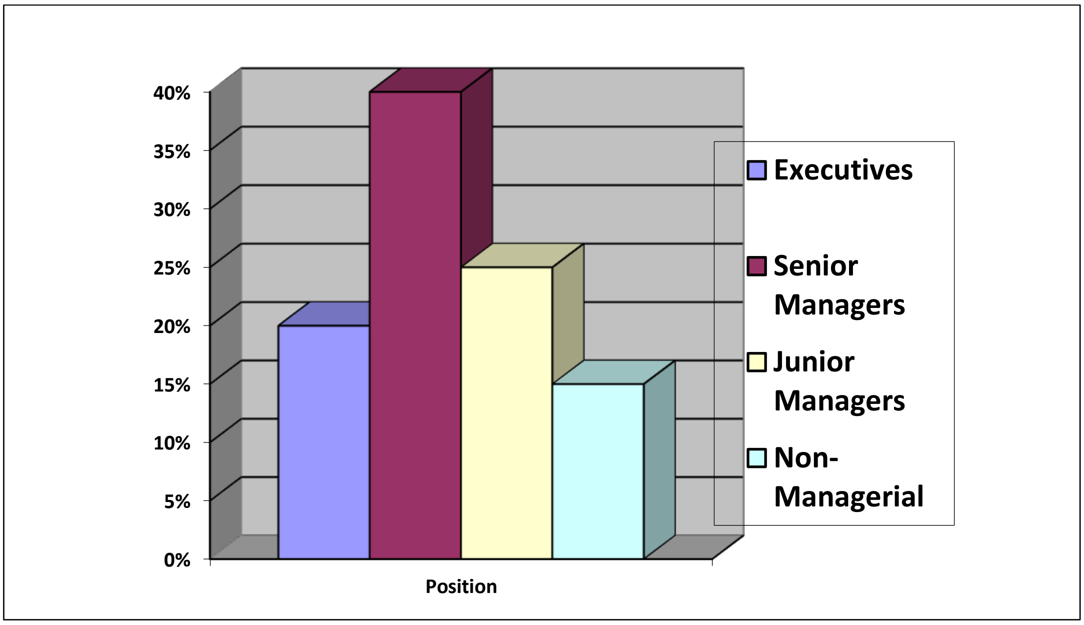


Figure 4.2: Position levels held by participants

The designation of the participants, in descending order, was as follows: senior managers (40 per cent), junior managers (25 per cent), executive managers (20 per cent) and the rest (15 per cent) ticked the non-managerial box. The fact that the majority of those who participated in this study held positions of influence in the SEZ's hierarchy serves as a testimony that the study targeted people with an intimate knowledge of the operations of the SEZ.

4.2.3. Department

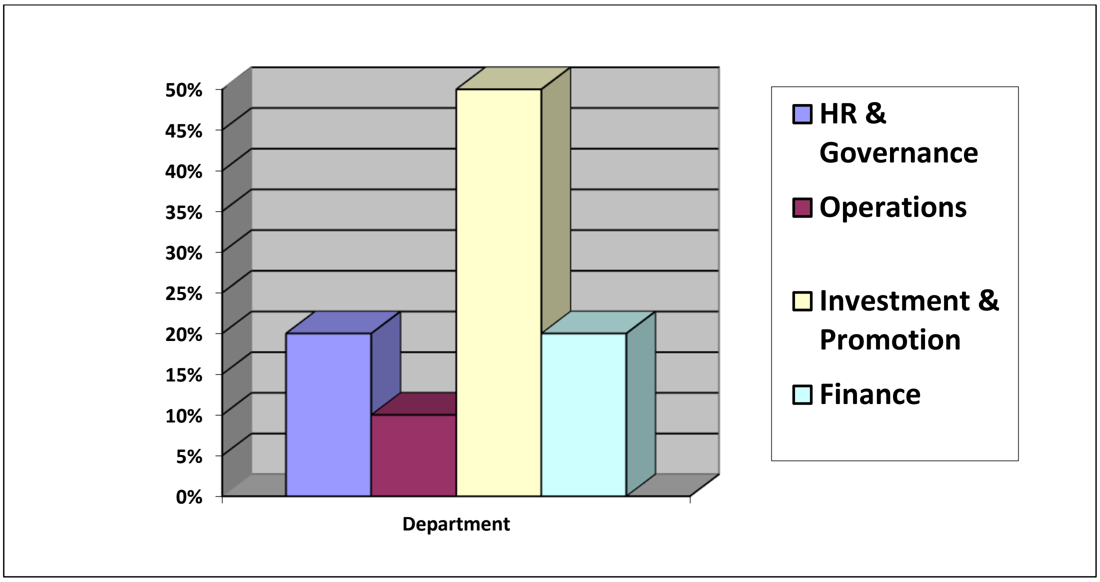


Figure 4.3: Department

The Investment Marketing and Promotion Division contributed the majority of participants (50 per cent), followed by both the Human Resources and Governance and Finance divisions, each contributing 20 per cent of the participants. The remainder of the participants (10 per cent) served in the Operations Division.

4.2.4. Job experience

Figure 4.4 illustrates the job experiences of participants.

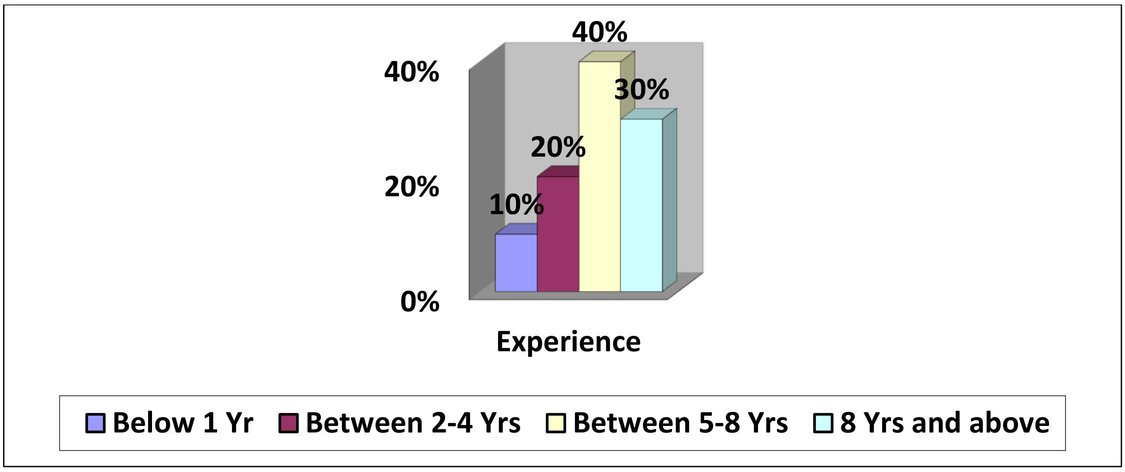


Figure 4.4: Participants' job experience

The majority of the participants (40 per cent) served the ORTIA SEZ for between three and five years, 30 per cent for more than eight years and above, 20 per cent between two and four years, while the remaining 10 per cent of the participants served the company for less than one year.

4.3. SECTION B: ANALYSIS OF SECONDARY DATA

4.3.1. Analysis of FDI trends

Data reflecting the SEZ's five-year (2017-2021) FDI trends was extracted from its audited and published financial reports. The table below summarises these FDI trends:

Table 4.1: Analysis of FDI trends

Year	Expected FDI in US$ (000,000)	Actual FDI in US$ (000,000)	Variance in US$ (000,000)	Variance in %
2017	250	150	(-100)	(-40%)
2018	300	160	(-140)	(-47%)
2019	450	180	(-270)	(-60%)
2020	500	230	(-270)	(-54%)
2021	550	250	(-300)	(-55%)
Total	2,050	970	(-720)	(-35%)

Source: OR Tambo SEZ's Audited Financial Reports (2017–2021)

The data in Table 4.4 portrays a disturbing pattern in that realisable FDI inflows recorded during the five-year period steadily declined or decreased. The highest variance between expected and actual figures was reported in 2019 (-60 per cent), while the lowest variance was registered during the 2017 financial year (-40 per cent) meaning that the SEZ missed its set FDI targets by a wider margin. In the same vein, the FDI inflows peaked in 2021 when the SEZ realised US$250 million worth of FDI inflows. According to the 2021 report, this downward trajectory was triggered by four notable factors, which are, among other factors: (1) the ripple effect of Covid-19, especially during the first quarter of 2020 and the greater part of 2021; (2) the absence of a robust and firm plan to follow-up on investment pledges made; (3) the failure by the SEZ to appoint seasoned investment promotion champions; and (4) the lack of deal-making acumen, especially in the volatile and tightly contested global capital market space and the volatilities in capital markets sparked by geopolitical turbulences.

From the data presented above, two major issues of concern are worth noting. Firstly, the persistent nature of poor FDI inflows and the inability of the SEZ to meet its set FDI targets. It is self-evident that, despite setting seemingly ambitious FDI targets, the SEZ persistently failed to fulfil those targets. In other words, despite concerted attempts by the SEZ to translate investor pledges into tangible impacts or results, the sad reality is that the company failed to make meaningful headway. The persistent failure to fulfil targets was attributed to either management's inability to intelligently forecast or set realistic targets or the lack of organisational capacity to drive a robust and focused FDI promotion activity. This was compounded by the fact that, during the period under review, the global capital markets were experiencing the worst turbulences in history.

4.3.2. Key investment markets

Figure 4.5 illustrates the top four FDI market segments that were targeted by the SEZ

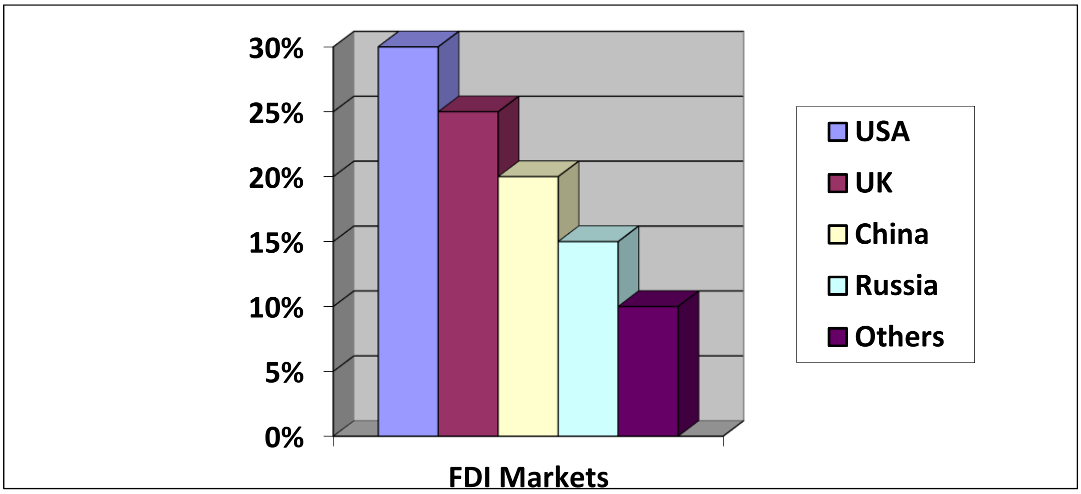


Figure 4.5: Key investment markets

What is self-evident from the data in Figure 4.5 is that, besides eyeing European and the USA FDI markets, the SEZ also draws investors from Asian capital markets. While the USA (30 per cent) and the United Kingdom (25 per cent) top the list of countries that contribute the majority of investors, China (20 per cent) and Russia (15 per cent) came a distant third and fourth, respectively. The rest of the investors (10 per cent) were traced to other FDI markets. While the idea to charm investors from offshore markets is a plausible one, given its known high value creation effect, the failure by management to woo domestic investors continues to hamper on-going efforts by the SEZ to consolidate its investor attraction activity. In future, management must place domestic investors at the heart of its investor recruitment matrix.

4.3.3. Key sectors targeted

The sectors that attracted remarkable interest among investors during the period under review are summarised on Figure 4.6 below:

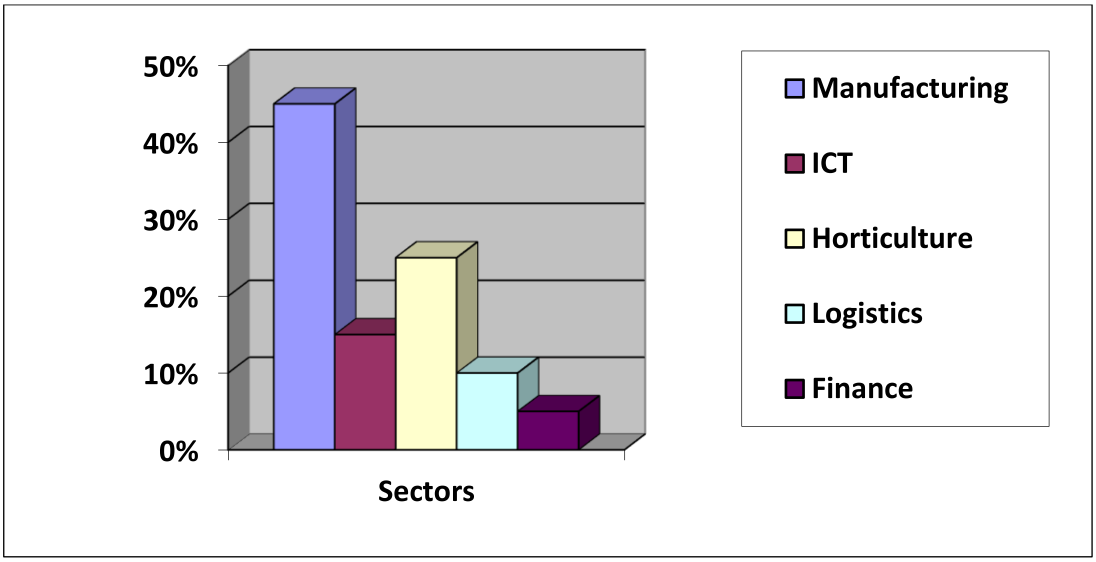


Figure 4.6: Key sectors targeted

The manufacturing sector (45 per cent) and the horticultural sector (25 per cent) evidently command a considerable level of appeal among investors, while Information and Communications Technology (ICT) (15 per cent) and logistics (10 per cent) occupy distant third and fourth spots, respectively. The financial sector remains the sector with the least interest among offshore investors.

4.3.4. Package of incentives

The nature of incentives offered to potential investors by the SEZ were explicitly outlined in its 2020–2025 strategic plan. This plan can be accessed on its website. Some of the integral components of the incentive regime are, inter alia, a tax holiday, where investors are exempted from remitting taxes for a period of five years; an employment incentive scheme in which investors operating high job absorption projects get a portion of their wage bill paid by the State; discounted rental fees on available industrial infrastructure; and an opportunity to access a real-time business licensing and registration process.

4.3.5. Number of investment promotion campaigns

The study noted that the SEZ participated in several high-level investment promotion and marketing campaigns. These campaigns were aimed at wooing offshore investors from both traditional and emerging FDI markets. In total, 25 such campaigns were rollout. Of these, eight targeted European investors, seven USA investors, five Chinese investors, three Russian investors, while the rest of the campaigns (two) targeted investors from the African continent. According to audited financial reports (2017–2021), these campaigns were organised at a total cost of R10 million, or an average cost of R2.5 million per campaign.

4.3.6. Key investment promotion methods

It is obvious from the annual reports that the main methods employed by the SEZ to woo investors include, inter alia, focused trade missions that are organised using the facilitative efforts of South African embassies abroad; targeted investment promotion summits; participation in international trade fairs and exhibitions; and the hosting of sector-based investment workshops etc. The study also noted that the SEZ utilises digital platforms to reach out to potential investors, although its digital transformation capability is still undeveloped.

4.3.7. Number of offshore investors attracted

During the period under review, the SEZ's firm efforts to charm overseas investors did not go unrewarded. The following is a summary of the number of investors that were signed off over the five-year period as a direct result of its many charm offensives.

Table 4.2: Number of offshore investors attracted

FDI Market	Number of investors signed off	Percentage
USA	7	33%
Europe	5	24%

Russia	3	14%
China	4	19%
Others	2	9%
Total	21	100%

Source: Audited Annual Reports (2017-2021)

In descending order, the majority of investors that were signed off by the SEZ were drawn from USA seven (33%), Europe five (24%), China three (19%) and two (9%) from other countries, making the USA and Europe the dominant providers of fresh capital into the SEZ corridor. The challenge ahead remains to explore pragmatic ways to lure investors from emerging markets like Africa, China and Asia. The current scenario, where the SEZ over-relies on Europe and USA, needs to be discouraged as diversification into other locations to hedge or spread its risks, especially in moments when traditional markets experience unforeseen catastrophes. The current geopolitical disturbance sparked by the war between Russia and Ukraine is a case in point.

4.3.8. Number of investment deals pledged

Figure 4.7 provides an illustration of the number of investment pledges that were made by various investors during the period under review.

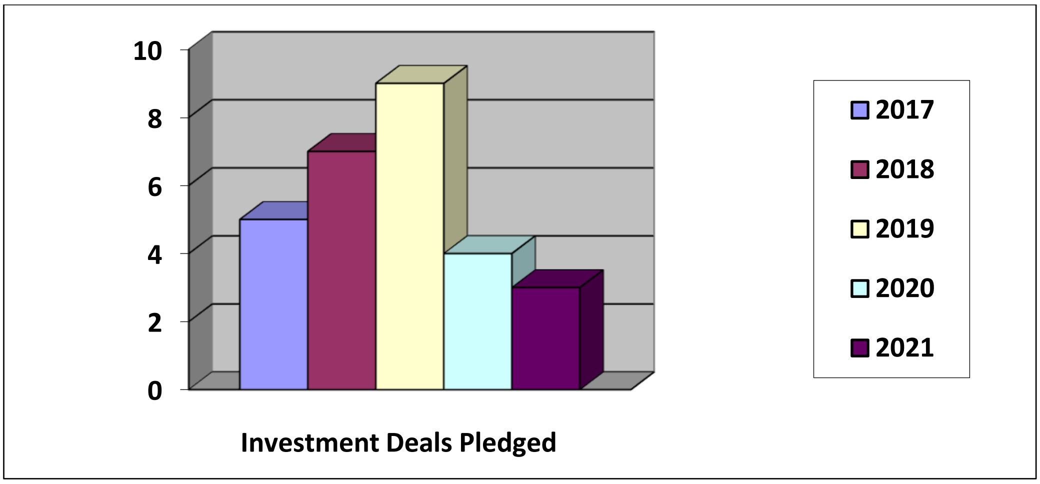


Figure 4.7: Number of investment deals pledged

From the 21 investors that were signed off by the SEZ during the five-year period, a total of 28 deals worth millions of dollars were pledged by various investors. Of these, the highest nine (32%) were signed off in 2019, seven (25%) were signed off in 2018, five (18%) were secured in 2019, while the lowest number were pledged in 2021. The number of pledges fell sharply between 2020 and 2021, probably due to inactivity posed by the Covid-19 pandemic.

4.3.9. Number of investment pledges operationalised

The number of investment pledges signed off that were later operationalised or actualised in real terms are summarized in Figure 4.8 below:

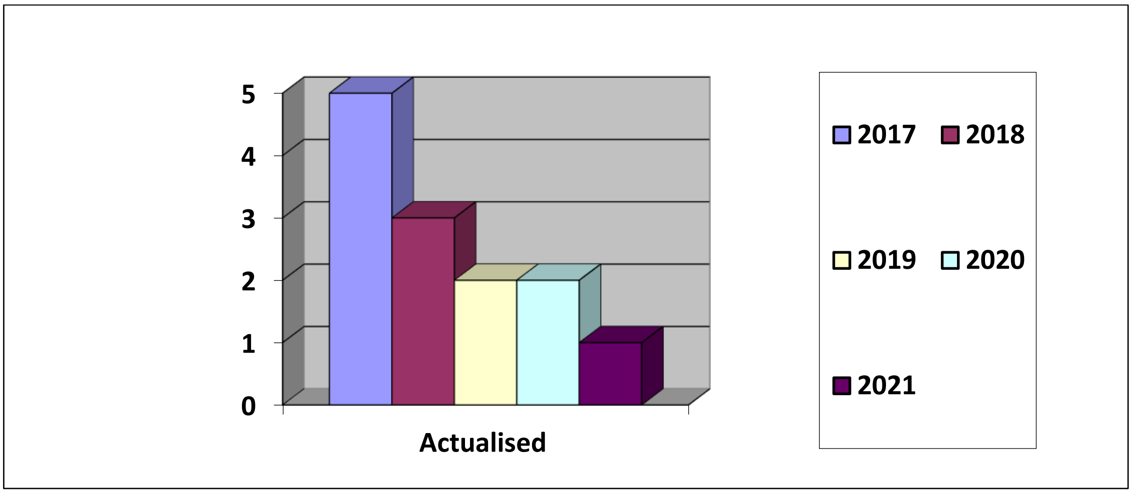


Figure 4.8: Number of investment pledges operationalised

The highest number of investment pledges that were operationalised or actualised were recorded in 2017. During that year, five out of nine of the pledges were recouped. The year 2018 recorded the second highest number of investment pledges being operationalised. On the other hand, lowest number of pledges (one) operationalised were recorded in 2021. This was attributed to the ripple effect of Covid-19. The data in Figure 4.8 above is not encouraging in that the SEZ manifestly failed to operationalise the majority of investment pledges that were signed off. From the evidence gathered, it is clear that management at the SEZ is certainly failing to address the deep-seated challenge of un-operationalised investment pledges. In this regard, the idea of placing this challenge at the apex of the SEZ's business risk agenda becomes imperative.

4.3.10. Number of job opportunities created

Figure 4.10 provides a summary of the number of jobs that were created by as a result of new FDI deals signed off by the SEZ during the five-year period.

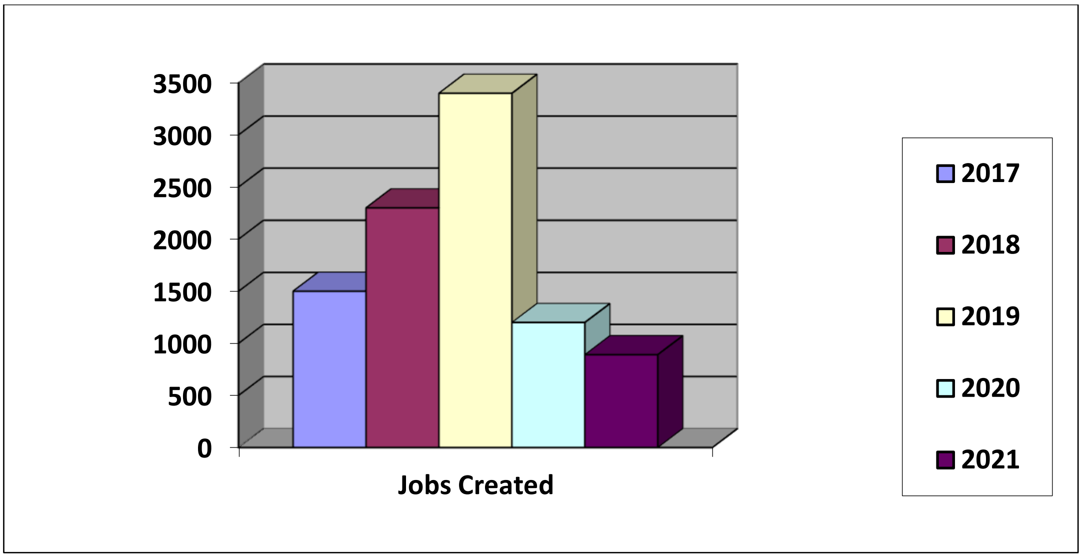


Figure 4.9: Number of job opportunities created

One of the primary goals of the SEZ is to compliment the government's job creation agenda by pioneering and prioritising investment projects that have a high job absorption capacity. During the five-year period, the new deals that were effectively operationalised created a total of 9 291 jobs. Of these, the highest number of jobs (3 400) were created in 2019, 2 300 jobs were created in 2018; 1 500 jobs were created in 2017 and 1 200 were created in 2020, while the lowest numbers of jobs (891) were created in 2021, probably signalling that 2021 was the toughest year from a job creation point of view.

4.3.11. Challenges

By analysing the SEZ's various annual reports, it was clear that the company's investment promotion and marketing effort was not immune to many hindrances. Some of the unresolved hindrances highlighted in these reports included, inter alia, an under-funded marketing function that makes it difficult to drive a robust investor follow-up or aftercare programme; a lack of in-depth knowledge and understanding on how FDI markets are structured; a failure to prioritise the investment needs of domestic investors; the country's deteriorating global image (South Africa is increasingly perceived as a corrupt and crime-ridden hotspot); the absence of appropriate tools to measure the impact of campaigns; poor linkages between the SEZ and the trade attachés at embassies that are abroad; an increasingly hostile

FDI market (that is, a market marked by fierce rivalry, a strong sense of investor fatigue, geopolitical crises and increased rates of investor flights etc.).

4.4. SECTION C: ANALYSIS OF DATA FROM INTERVIEWS

The responses that were generated from interviews conducted with the aid of an interview schedule were rid of potential errors, distortions and ambiguities before they were processed and consolidated into the report. Two issue-based questions were posed and participants were requested to provide personal reflections based on their lived experiences. The following is a summary of some of the responses that were generated:

4.4.1. Challenges facing the SEZ

When asked to identify the top three challenges hindering the SEZ from meeting its FDI targets, the following responses were given:

Participant 1: "*In my view, three unresolved issues come to mind, namely; the lack of a firm and pragmatic plan to operationalise investment pledges made during high-profile investment summits; the under-funding of the investment marketing and promotion unit and the lack of synergies between trade attaches at South African embassies and the SEZ. Once these three challenges are addressed, at least 90 percent of the bottlenecks facing the SEZ will be fixed.*"

Participant 2: *"The persistent problem of high staff turnover, especially at the top, the lack of exceptional understanding on how FDI markets function and the stiff competition scarce FDI from other rival SEZs.*"

Participant 3: "*Lack of deal-making acumen and seasoned FDI creation champions, the deteriorating global image of Brand South Africa and the absence of a customised investor aftercare scheme."*

Participant 8: "*Our incentive regime is not competitive enough compared to that offered by our rivals; there is too much focus on traditional FDI markets whilst there is no will at the top to pursue emerging FDI markets like China and Russia and lack of synergies between embassies abroad and the SEZ.*

Also, currently the SEZ does not have access to some of the tax incentives as they are ring-fenced for the top six SEZs ”

Participant 9: “*Since the advent of the Covid-19 pandemic, the SEZ had been experiencing a crippling financial crisis which has weakened its operational leverage. This has been worsened by a slow-paced transition to digital technologies. At national level, SA is rated poorly on the ease-of-doing business index. This has grossly weakened the country’s global competitiveness and investment attractiveness.*”

Participant 4: “*Our inability to measure the impact of investment promotion campaigns coupled by the failure to capacitate the investment promotion unit should be blamed for our poor FDI performance.”*

Participant 5: “*The current geopolitical turbulences in Europe and the Middle East continue to disrupt our efforts to make meaningful headways in those markets. Our failure to place domestic investors at the heart of our investment promotion matrix should also be blamed.”*

Participant 10: “*The dilemma of operationalised investment pledges is mainly caused by recruiting low-quality investors due to an absent of a structured investor vetting process.”*

From the views expressed by the participants, at least five dominant views emerged. The first view being that the SEZ’s ability to cement its influence on global FDI markets is constrained by a number of weak-links or missing links. Chief among these militating forces include *inter-alia;* the lack of synergies between the SEZ and South African embassies abroad, the failure to capacitate the marketing and promotion machinery (Nyakabawo, 2014:23); the absence of seasoned investment promotion champions and the inability of the SEZ to back its promotion drive with a robust investment creation and deal closing plan (Makoni, 2015:24). In other words, the unanimous view is that the SEZ’s marketing and promotion unit is not only incapacitated but also out of touch with the basics of FDI promotion and marketing. Worse still, the SEZ’s fragile marketing and promotion environment is compounded by factors outside its control. Some of these factors included inter-alia; the intensity of rivalry among different SEZs that are scrambling for scarce

FDI, the sharp spike in capital flight as risk averse investors withdraw their money from non-performing countries to those deemed better performing, the persistent challenge of investor fatigue and the ripple effects of geo-political pressures like those linked to global terrorism and the Covid-19 pandemic. The message from the participants was loud and clear; the participants were adamant that the ineffectiveness of the SEZ's investment promotion and marketing architecture was caused by a combination of company-level, country-level and global level challenges.

Despite this admission, the sad reality is that the SEZ's history of investment marketing failures continue unabated and its management is evidently failing to take unusual steps to reverse the tide. Whilst it is true that the SEZ's investment marketing and promotion drive suffered a major blow during the Covid-19 pandemic, it is also equally true that the pandemic scheduled a perfect opportunity for the SEZ leadership to catalyse the digital marketing journey of the entity. It is common knowledge that during that pandemic era, companies that survived were those with developed digital marketing infrastructure. A digital-enabled marketing is gaining traction and momentum across the globe and marketing-oriented firms are continuously searching for modern ways to market their brands. The SEZ cannot be an exception.

4.4.2. Possible solutions

The following responses were given with regard to some of the solutions that the SEZ may employ to address some of the challenges highlighted above:

Participant 3: "*The SEZ needs to cement relations and synergies with trade attaches stationed at various South African embassies abroad. In the same vein, management is encouraged to craft a firm and robust investor after care or follow-up and support regime."*

Participant 5: *"The idea of vetting investors using a tool benchmarked with best international practice appears to be one the only ways the SEZ may employ to resolve the current dilemma of un-operationalised investment pledges*."

Participant 7: "*The need for us to rethink our incentive regime with the view to make it more appealing and globally competitive cannot be over-emphasised. All incentives should be open to all SEZs and this can be achieved by teaming up with relevant officials at the Department of Trade, Industry and Competition."*

Participant 8: "*Besides, ridding our business licensing and registration process of unwarranted red tapes and other structural bottlenecks, the SEZ also give the idea of initiating a one-stop company licensing and registration centre a top priority."*

Participant 9: *"Building internal capabilities and nurturing existing talent within the investment marketing and promotion unit must be at the heart of on-going efforts by the SEZ to improve its FDI creation performance."*

Participant 6: "*Management is encouraged to design a robust monitoring and impact* evaluation *tool. This tool will enable the SEZ to early detect deviations before they degenerate into complex and costly challenges."*

Participant 10: "*The digital transformation journey of the SEZ must be catalysed in order to position it for the Fourth Industrial Revolution. A fully digitalised SEZ will be in a good space to expedite the synchronisation of its investment creation processes, work methods and all core value chain elemen*ts/"

Participant 2: "*Consideration should be made to rethink and reset the current investment marketing and promotion strategy which has been widely criticised for being unfit-for-purpose."*

When approached to suggest some of the solutions to the challenges outlined above, various proposals were put forward. Commonly cited proposals included inter-alia; the need for the SEZ to catalyse its digital transformation journey with the view to take full advantage of latest of FDI promotion and marketing technologies. This is so because as noted by Summers (2000:45) countries like Singapore, Mauritius, Malaysia and Hong Kong that are global known for their FDI attraction exploits are increasingly using latest technologies to reach out to digital savvy investor communities. The use of investment conferences and summits is gradually phasing out due to its lack of impact. Whilst company-level challenges requires that management take bold and thought-out to break the cycle of failure, country level challenges will require a totally different approach. As suggested by Makoni (2015:45), country-level drawbacks requires that SEZ leadership join efforts with South Africa’s various missions abroad to drive a synchronised investment marketing and promotion onslaught.

4.4.3. Discussion of findings

The following provides a condensed summary of main findings using carefully selected themes. For coherence purposes, these themes are aligned to the objectives of the study. The challenges facing the SEZ were grouped into three broad categories, namely company-level challenges, country-level challenges and global-level challenges. The following sections discuss each challenge level separately:

4.4.3.1. Company-level challenges

While it is clear that some of the bottlenecks hindering the SEZ from meeting its FDI targets are largely external in nature and, therefore, beyond its control and influence, it must also be noted that a portion of these bottlenecks are caused by forces that emanate from the SEZ’s internal environment. The good news is that internal bottlenecks can be controlled and addressed using internal mechanisms and processes. Makoni (2015: 34) concurred with this view when cautioned those at the helm of SEZs to take uncommon steps to build their investment promotion and marketing capabilities. This view is also shared by Nyakabawo (2014:23) when posited that at the centre of challenges facing SEZs remains the inability of management to fully master the art and science of winning the hearts and minds of increasingly risk adverse investors. By failure to strengthen the deal making prowess of the marketing team and by their inability to place investment promotion efforts at the centre of their business risk agendas, SEZ will be actually setting themselves for failure (Simmons, 2000:34). Some of the company-level constraints are summarised in the table below:

Table 4.3: Company-level challenges

	Challenges	Potential effects
01	Lack of firm and pragmatic plan to operationalise investment pledges.	High volume of pledges that are not effectively operationalised.
02	Absence of an investor vetting tool that is benchmarked with international best practice.	Undermine the quality of investors recruited by the SEZ leading to high volume of operationalised deals.
03	Weak structural capabilities within the Investment Marketing and Promotion (IMP) unit.	Unsynchronised investment creation processes leading to IMP working in isolation with other vital value chain elements.
04	Incentive regime not attractive and competitive enough compared to that of rivals.	Weak comparative advantage leading to loss of potential investors to rivals.
05	Investment creation or deal-making acumen still emerging.	Failure to close game changing FDI deals.
06	Lack of in-depth understanding of how FDI markets operates.	Poor forecasting and scenario planning skills resulting in poor marketing, targeting and segment prioritisation.
07	High staff turnover at the top.	Weakened or slow down the FDI campaign drive and cripples the decision-making system of the SEZ.
08	Lack of a robust deal monitoring and evaluation tool.	Failure to detect deviations early and remedy them before they degenerate into complex challenges.
09	Slow-paced digital transformation journey.	Poor business system integration leading to uncompetitive turnaround times.

10	Under-funded IMP unit.	Weak operating and financial leverage.

4.4.3.2. National-level challenges

From the discussion above, it is evident that some of the bottlenecks that continue to hinder the SEZ's FDI performance are caused by the harsh realities linked to the national investment climate. Unfortunately, the SEZ does not have what it takes to control and influence such variables. The table below provide a summary of such variables:

Table 4.4: National-level challenges

	Challenges	**Potential effects**
01	South Africa's ease of doing business is lowly ranked compared to countries on a par.	Uncompetitive business licensing and registration turnaround times.
02	International image of the country is deteriorating due to high levels of corruption and crime.	Poor investor confidence leading to capital flight.
03	Lack of synergies between trade attaches at SA embassies abroad and the SEZ's investment marketing programme.	Poor coordination investment of promotion missions.
04	Investment climate is widely perceived to be fragile due to perceived policy uncertainty and rigid labour laws.	Exorbitant regulatory and compliance costs that increase the cost of doing business in South Africa.
05	Incentive regime spelt out in the SEZ Act of 2016 not competitive enough. Incentive structures are also biased towards developed areas.	Weak global competitiveness and erosion of investor attractiveness.

4.4.3.3. Global-level challenges

As part of the global village, notable global events can have a contagious effect on the SEZ's ability to operationalise some of its outstanding investment pledges. The table below provides a summary of some these global variables.

Table 4.5: Global-level challenges

	Challenges	**Potential effects**
01	Geopolitical pressures, especially those in the Middle East and Europe.	Low appetite by overseas investors to invest in risky assets or troubled/ war torn regions. It also raises country risk levels.
02	Ripple effect of Covid-19.	Dampen investor confidence and exert pressure on investors to reprioritise and change their destination preferences.

4.5. CONCLUSION

Many conclusions can be drawn from the above findings. For example, a close look at the findings demonstrates two fundamental facts. The first being that, despite concerted attempts to improve its FDI performance, the SEZ repeatedly failed to get the desired results and impacts. Secondly, it can be concluded that the SEZ does not have a firm and pragmatic plan to operationalise numerous investment pledges made in the past. Most of these pledges are dormant and awaiting activation. The failure to activate these pledges has had far reaching implications on the SEZ's ability to discharge its mandate effectively. Various measures to catalyse the activation of these pledges have been proposed by the participants. Some of the measures include, inter alia, the development of a firm and robust activation plan; capacitating the IMP unit; strengthening synergies between the SEZ and South African embassies abroad; rethinking and resetting the IMP strategy; re-evaluating the incentive regime to make it more appealing and globally competitive; the use of an internationally benchmarked monitoring and evaluation tool; the vetting of investors to ensure only quality investors are prioritised; and the acceleration of the SEZ's digital transformation journey to position it for 4^{th} Industrial Revolution. While this chapter presented the key findings of the study, the next chapter provides a summary of conclusions and recommendations of the study.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1. INTRODUCTION

Besides, highlighting key conclusions of the study, this chapter will also propose strategies the special economic zone (SEZ) management can employ to improve the effectiveness of its investment marketing and promotion (IMP) effort. In order to achieve coherence, both the conclusions and recommendations are aligned to the objectives of the study which are outlined below:

5.2. RESEARCH OBJECTIVES

1. To identify various challenges that hinder the ORTIA SEZ from attracting meaningful foreign direct investment (FDI) inflows;
2. To examine the implementation of promotion and marketing strategies implemented by the ORTIA SEZ to attract investors;
3. To analyse the effectiveness of the promotion and marketing strategies implemented by the ORTIA SEZ to attract investors; and
4. To recommend strategies that the OR Tambo SEZ may employ to attract meaningful FDI inflows.

The study was initiated as a result of several intertwined factors, which included, inter alia, the desire to use an evidence-based approach to boost the SEZ’s shrinking FDI account. Secondly, the persistent failure by the SEZ to effectively activate or operationalise past FDI pledges, some of which were signed off a decade ago, was another primary area of concern. Lastly, the study was instituted at a time when the ORTIA SEZ was on the brink of total collapse because of a combination of Covid-19 pressures, a dynamic IMP environment and an increasingly fragile and tightly contested investment climate. To this end, the study identified company-level, national-level and global-level challenges that perpetuated this FDI crisis with the view to develop strategies to reverse the negative trajectory of FDI.

5.3. Conclusions to the Study

Objective 1: To identify various challenges that hinders OR Tambo International Airport (ORTIA) SEZ from attracting meaningful FDI inflows.

Regarding the challenges that continue to weaken the SEZ's marketing and promotion effort, a combination of company-level, country-level and global-level challenges were repeatedly cited. One of the commonly cited area of weaknesses was the lack of synergies between the SEZ's IMP unit and trade attachés stationed at various South African embassies abroad was identified as one of the a major missing link. The persistent failure by the IMP unit to forge partnerships with embassies made it difficult for the SEZ to penetrate some of the high-value FDI markets in the world. It is common knowledge that trade attaches play a vital interface role in that they link SEZs and potential offshore investors. The incentive regime being employed by the SEZ was found to be less competitive and less attractive compared to that of its rivals. Compared to other countries, South Africa's ease-of-doing-business index was found to be lowly ranked compared to other countries, thereby undermining its efforts to woo and retain risk-averse investors. The issue of capital flight, investor fatigue and the failure by the SEZ to mount a digitally enabled promotion onslaught were also cited as some of the pitfalls facing the IMP unit. The SEZ was not immune to the ripple effects of the Covid-19 pandemic as well as the aftershocks of on-going geopolitical turbulences affecting key FDI markets in Europe and the Middle East.

Objective 2: To examine the implementation of promotion and marketing strategies implemented by the ORTIA SEZ to attract investors.

The use of online investment destination marketing portals was not prioritised by the IMP unit. On the contrary, the unit does not have a fully-fledged online marketing facility. Moreover, its digital transformation journey has yet to gather pace. The IMP unit lacked the right mix of experience, skill and expertise to drive an impactful investment marketing operation. The team was further depleted when two senior officials resigned abruptly at a time when the SEZ was launching vital investor recruitment programmes in the United States of America (USA).

Those at the helm of the IMP unit lacked the firm grasp, exceptional knowledge and pedigree on how to scan the global FDI environment. By its very nature, investment marketing and promotion requires that those at the forefront closely study global capital markets with the aim of driving an intelligence-driven promotion offensive. The IMP unit, which is tasked to coordinate and drive the SEZ's investment marketing and recruitment campaign, was not adequately funded, thereby making it difficult to launch effective and efficient investment marketing campaigns. The unit does have a mechanism to track, trace and follow-up on lost investors, as well as to provide aftercare support to investors. Worse still, the SEZ does not have a properly maintained database of existing, new and prospective investors. The failure by the IMP unit to vet or screen investors during its numerous recruitment drives resulted in the signing off of poor-quality deals. The failure to do thorough background checks or to perform a due diligence exercise to determine the authenticity and investment credentials of some investors was blamed for the low investment activation rate. The SEZ does not have a robust mechanism to monitor strategy implementation deviations, thereby making it difficult to detect deviations early, before they degenerate into complex problems.

Objective 3: To analyse the effectiveness of the promotion and marketing strategies implemented by the ORTIA SEZ to attract investors.

That the current regime of promotion and marketing strategies being used by the SEZ is far from being effective is self-evident. This explains why the SEZ has failed to generate meaningful FDI inflows, despite numerous attempts in the past twenty years to do so. On the contrary, the SEZ's FDI performance has been on a downward spiral since 2017. Over the past two decade, the SEZ has been criticised for its failure optimise its digital marketing journey. The entity's weak presence in the digital marketing space due to poor infrastructure and lack of digital marketing champions and its inability to periodically measure the impact of its marketing effort has been widely blamed for its sluggish FDI performance. The IMP strategy, which has been widely criticised for being unfit-for-purpose by many, is now due for a rethink and reset. The need for an agile and responsive IMP strategy can never be over-emphasised.

5.4. RECOMMENDATIONS OF THE STUDY

Objective 4: To recommend strategies ORTIA SEZ may employ to attract meaningful FDI inflows.

The SEZ is encouraged to rethink and reset its existing IMP strategy with a view to improve its agility and fit-for-purpose imperative. Management is also urged to step up efforts to recapacitate its IMP unit with the aim to enhance its functionality and operational efficiency. This may be achieved by grooming and nurturing the talent of the current team, as well as by recruiting seasoned subject matter experts to replace the senior officials that left the unit. The development of the IMP unit's online marketing capability and the acceleration of the company's digital transformation journey need to become management's top priority. Consideration must also be made to cement alliances and synergies with trade attachés stationed at various South African embassies abroad. As suggested in recent investment promotion literature, trade attachés at embassies can be turned into both potent pathways and catalysts for investment promotion and marketing.

Management is also encouraged to ensure that the existing investor database is regularly maintained and updated to make it easier for the IMP unit to track, trace and provide quality aftercare support to investors who need it. The IMP unit is also urged to develop a digitalised and benchmarked investment tracking and monitoring tool in order to detect and reactivate inactive investment deals early. The need to ensure that the IMP strategy is backed with a robust strategy implementation monitoring and evaluation plan cannot be over-emphasised. An FDI market scanning tool need to be designed in order to generate important market intelligence and information on a regular basis. This will enable the unit to run an evidence-based investment marketing operation. The idea of diversifying current FDI markets needs to be pursued with urgency, especially in current contexts where traditional markets are experiencing the worst turbulences in history.

5.5. A MODEL FOR INVESTMENT MARKETING AND PROMOTION FOR SEZS

The following is an attempt to design a model that present-day SEZs that are struggling to attract meaningful FDI inflows into their fold. The model is also tailored for SEZs that find it extremely difficult to actualise or operationalise pledges or commitments made by investors.

Adapted from the findings

The proposed model is coined with the idea to turnaround the FDI performance of struggling SEZs in mind. The model is made up of five core elements; namely; the placement of investment marketing at the pinnacle of top management priorities as a grand plan to ensure investment marketing is embedded into the planning and budgeting culture of struggling SEZs, the need to optimise the use of digital marketing platforms and tools in order to improve process efficiencies and global reach; the need to unlock synergies between ailing SEZs and trade attaches at embassies as a building block for mutually rewarding collaborations and network marketing; the need to retool investment marketing teams and build their deal making acumen and process. This is likely to solve approximately 90 per cent of the SEZ's FDI attraction dilemma and lastly the need to periodically measure the impact and monitor the behavioural trends of FDI patterns. For greater impact, it is important that those at the helm of the investment marketing and promotion effort implement this model holistically, proactively and above all systematically. The idea is to rid the marketing and promotion architecture of piecemeal, reactionary and fragmented solutions.

5.6. SUGGESTION FOR FURTHER RESEARCH

While this study focused extensively on the challenges that continue to hinder the ORTIA SEZ from meeting its FDI targets, the next study needs to focus on developing a pragmatic model for positioning the SEZ as the preferred destination for offshore capital.

5.7. CONCLUSION

The primary aim of this study was to identify key bottlenecks behind the SEZ's persistent FDI challenge. It was noted that, since 2017, the SEZ's FDI inflows were on a downward spiral, despite numerous efforts by management to deliver a healthy and sustainable FDI balance sheet. Management was worried that, despite spending millions of rands to ramp up its investment marketing drive, the sad reality was that these campaigns have not had a positive bearing on the SEZ's FDI position. As a result, management was forced to either temporarily suspend earmarked pipeline projects or effectively abandon them altogether.

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Appendix 1: Interview Schedule

Section A

1. What is your gender?
2. Kindly indicate your age.
3. Kindly indicate your position at OR Tambo International Airport (ORTIA) SEZ
4. How long have you been employed by OR Tambo International Airport (ORTIA) SEZ?
5. What is your level of education?

Section B

6. Does OR Tambo International Airport (ORTIA) SEZ have an FDI promotion and attraction strategy and indicate some of the key elements of the strategy if any
7. Kindly highlight some of the major FDI promotion and attraction projects you were involved in during the past 5 years,
8. Kindly indicate some of the game changing FDI inflow highlights of the OR Tambo SEZ in the past 3 years.

Section C

9. What are some of the factors that drive OR Tambo International Airport (ORTIA) SEZ's FDI promotion and attraction landscape?
10. What are some of the challenges hindering OR Tambo International Airport (ORTIA) SEZ from achieving its FDI promotion and attraction potential?

Section D

11. What proposals do you think should be implemented to address the some of the challenges highlighted above?